

## CHAPTER-II: Compliance Audit

### Taxes on Vehicles

#### 2.1 Tax administration and results of audit

The receipts from the taxes on motor vehicles payable under the provisions of the Central and the State Motor Vehicles Acts and rules made thereunder are administered at the Government level by the Principal Secretary (Transport). The Transport Department (Department) is headed by the Transport Commissioner (CoT) *cum* Secretary to the Government of Rajasthan (GoR) and is assisted by six Additional Transport Commissioners and four Deputy Transport Commissioners. The entire State is divided into 12 Regions<sup>1</sup>, headed by Regional Transport Officers (RTOs) as *ex-officio* Secretary, Regional Transport Authority. Besides, there are 42 transport districts<sup>2</sup> headed by District Transport Officers (DTOs).

There are 52 Registration Offices<sup>3</sup> headed by RTOs/DTOs and 2.02 crore vehicles were registered therewith till the end of March 2021. Out of these, 12 units<sup>4</sup> were selected for test-check wherein 53.40 lakh vehicles were registered. Out of these, 52,802 vehicles were selected for test-check. During scrutiny, it was noted that there were instances of non/short payment of tax, penalty, interest and compounding fees, *etc.* Similar omissions were previously identified in prior years but have not been corrected and remain undetected until the audit was conducted. These cases are illustrative and are based on a sample review of records. Besides, an audit was also done of the two applications being used in the Transport Department, *i.e.* *VAHAN* and *SARATHI*. During the year, the Department accepted underassessment and other irregularities involving an amount of ₹ 16.03 crore in 7,655 cases. Out of these, 7,375 cases involving an amount of ₹ 15.08 crore were pointed out in the audit during the year 2020-21, and rest in earlier years. During the year 2020-21, an amount of ₹ 1.03 crore was recovered in 276 cases, out of which ₹ 0.46 crore in 75 cases were pointed out in 2020-21 and the rest in earlier years. A Subject Specific Compliance Audit on “Audit of *VAHAN* and *SARATHI* Applications” and few illustrative cases involving an amount of ₹ 7.71 crore are discussed in the succeeding paragraphs.

<sup>1</sup> Regions: Ajmer, Alwar, Bharatpur, Bikaner, Chittorgarh, Dausa, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur.

<sup>2</sup> Transport Districts: Abu Road, Balotra, Banswara, Baran, Barmer, Beawar, Bhilwara, Bhinmal, Bhiwari, Bundi, Chomu, Churu, Deedwana, Dholpur, Duda, Dungarpur, Hanumangarh, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kekri, Khetri, Kishangarh, Kotputali, Nagaur, Nohar, Nokha, Phalodi, Pratapgarh, Rajsamand, Ramganj Mandi, Sawai Madhopur, Shahpura (Bhilwara), Shahpura (Jaipur), Sirohi, Sri Ganganagar, Sujargarh, Tonk, Ratanpur (TCC), Shahjahanpur (TCC) and twelve transport districts headed by Regional Transport Officer.

<sup>3</sup> 52 Registration Offices include 12 Regions headed by RTOs and 40 transport districts headed by DTO. Two transport districts headed by DTOs have not been included as vehicles were not registered there. These are at Ratanpur and Shahjapur, involved in the work relating to tax collection at border.

<sup>4</sup> Due to covid pandemic nearby units of Jaipur were selected for audit.

## **2.2 Audit of VAHAN and SARATHI applications**

*The VAHAN and SARATHI applications were introduced in Rajasthan to improve the Transport Department's operations. An audit covering usage data from April 2016 to March 2021 found issues with data accuracy and software mapping. There were errors in the entry of data, such as incorrect registration dates and gross vehicle weights. Vehicles were registered with duplicate chassis and engine numbers, indicating ineffective checks. Business rules were not integrated correctly, leading to fee underestimation. Pollution Under Control certificates had validity deviations. Recommended modules like 'CNG Vahan Sewa' and 'PUCC' were not utilised. Driving licenses were issued to underage people. The Transport Department acknowledged the audit findings, accepting the need to enhance the accuracy of data within VAHAN and SARATHI applications.*

### **2.2.1 Introduction**

Functions of the Transport Department (Department) are laid down under the provisions of Section 213 of the Motor Vehicles (MV) Act, 1988. The Department has the primary duty to enforce provisions of motor vehicles laws in the State.

The Ministry of Road Transport and Highways (MoRTH) standardized and deployed two software/applications:

- *VAHAN*- a vehicle registration service, and
- *SARATHI*- a driving licence service.

The objectives of deployment of the software were:

- To establish uniform standards for documents related to vehicles and drivers at a pan-India level for ensuring inter-operability,
- Correctness and timely availability of information,
- Achieving faster, better and transparent services, and
- Proper implementation of the Motor Vehicles Act and Rules.

The Transport Department, Government of Rajasthan (GoR) implemented the *SARATHI* and *VAHAN* software packages w.e.f. September 2009 and October 2009 respectively.

**VAHAN** - It is a flexible and comprehensive system that takes care of the activities of vehicle registration, fitness, taxes, permits and enforcement. All transactions related to vehicles are captured by this application.

**SARATHI** - It facilitates submission of applications by the public for driving licence related transactions in electronic mode for further processing. All transactions related to driving licences are captured by this application.

A Performance Audit (PA) on 'Computerisation in Motor Vehicle Department' was earlier conducted between the period July to October 2011 which covered the implementation and examination of control in the "*VAHAN*, *SARATHI* and National Permit System application software." Data up to August 2011 from Transport Department of 10 selected RTOs was analysed



by using MS-Access and MS-Excel application. The focus of the PA was on the planning and implementation of the new system, transfer of legacy data, data accuracy, data safety and security, business continuity and disaster recovery and management of hardware assets *etc.* The PA was included in the Report No.3 (Revenue Receipts) of the Comptroller and Auditor General of India for the year ended 31 March 2011. The Public Accounts Committee (PAC) discussed and accepted the compliance of the Government on 16 August 2018. The current audit looked into the issues not covered in the earlier audit/PA.

### **2.2.2 Audit Objectives**

The objectives of the audit were to ascertain whether:

- Data mapping was done in a timely manner to ensure compliance with applicable Acts and Rules and
- The data of the software applications were utilised properly for achieving the overall objective envisaged for the applications.

### **2.2.3 Scope and methodology**

Audit of *VAHAN* and *SARATHI* applications was conducted at the office of the Commissioner of Transport. Dump data (10,13,535 cases) of *VAHAN* and *SARATHI* for the period April 2016 to March 2021 in respect of Rajasthan State relating to all the vehicles (except two and three-wheelers) was analysed using IDEA software. Audit observations were validated in four units, *i.e.*, RTO Dausa, RTO Kota, RTO Jaipur and DTO Balotra. The findings were pointed out to the Department and reported to the Government (November 2021 and December 2023). Reply of the Government was received in January 2022 and December 2023, and the same is included at the appropriate places.

### **2.2.4 Audit criteria**

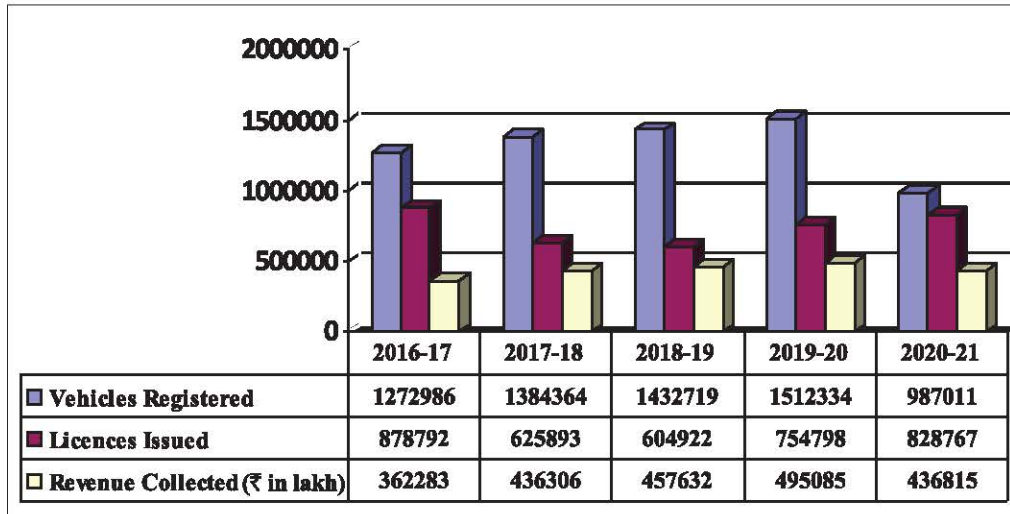
The audit criteria have been adopted from the following sources:

- The Motor Vehicles Act (MV Act), 1988;
- Central Motor Vehicles Rules (CMV Rules), 1989;
- Rajasthan Motor Vehicles Taxation Act (RMVT Act), 1951;
- Rajasthan Motor Vehicles Taxation Rules (RMVT Rules), 1951;
- Rajasthan Motor Vehicles Rules (RMV Rules), 1990 and notifications, circulars, orders, guidelines issued by the Government of India and Transport Department, Rajasthan from time to time.

### **2.2.5 Performance of activities and revenue**

Registration of vehicles and issuing licences for operating them are important activities of the Department. Details of vehicles registered, licences issued and overall revenue collected by the Department during the last five years are depicted in **Chart-1** below:

**Chart 1: Performance of the Transport Department**



Source: Statistical Abstract of Transport Department (2020-21).

There has been a steady rise in overall revenue collection and the number of vehicles registered, but there was a significant decrease in vehicle registration and revenue collected during 2020-21 due to the impact of the COVID-19 pandemic.

### **Audit Findings**

The first Audit Objective was to assess whether data mapping was done in a timely manner to ensure compliance with applicable Acts and Rules.

Under this Audit Objective, it was noticed that data mapping was not done properly, which resulted in incorrect entries of purchase dates, gross vehicle weight, seating capacity, duplicate engine numbers, duplicate chassis numbers, incorrect categorization of vehicles. Further, business rules were also not mapped with software which resulted in short realization of registration fees and hypothecation fees due to incorrect classification of vehicles, *etc.* These observations are discussed in detail in the succeeding paragraphs.

#### **2.2.6 Incorrect entry in VAHAN**

An analysis of the dump data of *VAHAN* has brought to light a series of concerning irregularities linked to the input of vehicle details. These discrepancies have led to the inaccurate depiction of vehicle information in the *VAHAN* application. However, there was no revenue implication. The main findings are outlined below:

- In 119 cases, the registration date was recorded prior to the purchase date of the vehicle. Specifically, the vehicles were registered between one and 74 days before the actual purchase date or delivery date as per sales invoice.
- It was observed that incorrect Gross Vehicle Weight (GVW) details were recorded in *VAHAN* for 15,584 vehicles. The system accepted GVW ranging from 0 kg to 03 kg in 15,570 vehicles and more than 1,00,000 kg in 14 vehicles.



- For 1,219 vehicles, errors were identified in the recorded seating capacity based on the vehicle type. Among these, 120 goods vehicles were indicated to have seating capacities ranging from 10 to 100 passengers. Additionally, seven cars were shown with seating capacities of 10 to 50 passengers. Most notably, 1,018 passenger vehicles, such as buses designed to carry more than 10 passengers, were incorrectly shown with seating capacities of only one to three passengers.
- A total number of 2,273 Heavy Goods Vehicles (HGV)/ Heavy Passenger Vehicles (HPV)/Medium Goods Vehicle (MGV)/ Medium Passenger Vehicle (MPV) were shown as Light Goods Vehicle (LGV)/Light Passenger Vehicle (LPV). Similarly, 3,123 LGV/LPV vehicles were shown as HGV/HPV/MGV/MPV.

The Government replied (December 2023) that instructions have been issued to correct the errors.

To assess the action taken by the Department, Audit test-checked these cases and found that these irregularities were yet to be rectified (January 2024).

**Recommendation 1: The Department needs to rectify the data entry errors to maintain the systems credibility and accuracy.**

### 2.2.7 Registration of vehicles with duplicate engine/chassis number

Sale certificate, i.e., Form-21, is an essential document required at the time of registration which includes the chassis number (VIN- Vehicle Identification Number) and engine number which are unique codes, assigned to every vehicle by the vehicle dealer or manufacturer.

Scrutiny of VAHAN dump data revealed that 712 vehicles had duplicate chassis number or engine number. Details are given in Table 2.1 below:

**Table 2.1: Number of vehicles having duplicate chassis and engine numbers**

Sl. No.	Duplicate	Number of vehicles							Total
		'C' series	'E' series	'F' Series	'G' Series	'P' Series	'T' Series	'U' Series	
1	Chassis Number	29	-	-	74	-	2	15	120
2	Engine Number	349	10	04	160	20	13	36	592
	<b>Total</b>	<b>378</b>	<b>10</b>	<b>04</b>	<b>234</b>	<b>20</b>	<b>15</b>	<b>51</b>	<b>712</b>

Source: Dump data from VAHAN.

In order to test check these cases necessary records related to 16 vehicles were requested from two Transport Offices (DTO Balotra and RTO Jaipur). DTO Balotra was not able to provide the requested records. However, RTO Jaipur provided folders related to three of the vehicles. Upon scrutinizing these folders, it was noticed that a vehicle with the identical chassis and engine number was previously owned and registered in the State of Arunachal Pradesh under the registration number AR06A 1862 was sold twice and registered with two different registration numbers i.e. RJ14GL 1860 and RJ14GN 0891 in Rajasthan. Thus, results of test check validate the findings of the analysis of the dump data.

The Government replied (December 2023) that checks are now made effective in VAHAN to stop duplicate entry of engine/chassis number at the time of new registration or backlog-entry. Instructions have also been issued to correct the earlier errors.

To assess the action taken by the Department, Audit test-checked the objected cases and found that these irregularities were yet to be rectified (January 2024).

**Recommendation 2: The Department needs to take appropriate actions to rectify the situation, including identifying and rectifying any systemic weaknesses.**

## **2.2.8 Short realisation of registration fees due to incorrect classification of vehicles**

### **2.2.8.1 Construction Equipment Vehicle (CEV)**

The Ministry of Road Transport and Highways (MoRTH) vide its notification dated 29 December 2016, prescribed fees for issue or renewal of certificate of registration and assignment of new registration mark to various categories of vehicles under Rule 81 of CMV Rules. The construction equipment vehicles are required to be categorised as “Others” (‘E’-series<sup>5</sup>) and attract registration fees of ₹ 3,000 per vehicle.

Analysis of data related to 24,514 ‘E’ series (others) vehicles registered in the State during April 2016 to March 2021 revealed that 5,314 vehicles were incorrectly categorised as Heavy Motor Vehicle (HMV) and Medium Goods Vehicle (MGV) instead of as “Other” category. The incorrect classification of vehicle resulted in short realisation of registration fees of ₹ 89.65 lakh. The details of short realisation are given in Table 2.2 below:

**Table 2.2 Details of short realisation of registration fees**

Sl.No.	Number of vehicles	Fees prescribed (₹ per vehicle)	Fees levied (₹ per vehicle)	Short recovery of fees (₹ per vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5)	(6=2X5)
1	44	3,000	300	2,700	1.19
2	372	3,000	600	2,400	8.93
3	1,212	3,000	1,000	2,000	24.24
4	3,686	3,000	1,500	1,500	55.29
<b>Total</b>	<b>5,314</b>				<b>89.65</b>

Source: Dump data from VAHAN.

The above Table shows that the registration fee was not collected in accordance with the vehicle categories outlined in Rule 81 of the Central Motor Vehicles Rules.

The Government replied (December 2023) that they have issued instructions to review in cases of errors, and that the system is being modified to correctly categorize the vehicles and levy the appropriate fee accordingly. The Department has recovered an amount of ₹ 6.71 lakh in respect of 402 vehicles. Further progress is awaited (January 2024).

<sup>5</sup> ‘E’Series – Construction equipment.



### 2.2.8.2 Light, Medium and Heavy Motor Vehicle

MoRTH, vide notification dated 29 December 2016, prescribed the fees for issue or renewal of certificate of registration and assignment of new registration mark to various categories of vehicles under Rule 81 of CMV Rules as under:

- I. The vehicle whose GVW is less than 7,500 kg is covered in Light Motor Vehicle (LMV) and attract registration fees of ₹ 1,000 for transport vehicle and ₹ 600 for non-transport vehicle and ₹ 5,000 for imported vehicle;
- II. The vehicle whose GVW is less than 12,000 kg but more than 7,500 kg is covered in Medium Motor Vehicle (MMV) and attract registration fees of ₹ 1,000. The vehicle whose GVW is more than 12,000 kg is covered in Heavy Motor Vehicle (HMV) and attract registration fees of ₹ 1,500.

Data analysis related to vehicles registered under the category of LMV/MMV/HMV during December 2016 to March 2021 revealed that:

- A. A total of 1,291 vehicles under the category of LMV / MMV (Transport Vehicle) (GVW up to 12,000 Kg) were incorrectly charged registration fees of ₹ 200 to ₹ 600 instead of ₹ 1,000 per vehicle;
- B. A total of 1,441 vehicles under the category of HMV / HGV (Transport Vehicle) (GVW more than 12,000 Kg) were incorrectly charged registration fees of ₹ 600 to ₹ 1,000 instead of ₹ 1,500 per vehicle;
- C. A total of 3,039 vehicles under the category of LMV (Non-transport) were incorrectly charged registration fees of ₹ 0 to ₹ 400 instead of ₹ 600 per vehicle.

Due to the lack of proper mapping of registration fees according to vehicle category, there was a short fall of ₹ 27.17 lakh in the collection of registration fees. The details are provided in the Table 2.3 and 2.4 below:

**Table 2.3: Details of short realisation of registration fees on Transport Vehicles**

Sl.No.	Number of vehicles from which fees were short recovered	Fees were to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
<b>Gross Vehicle Weight (GVW) of the Vehicle upto 12000 KG</b>					
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	01	1,000	200	800	0.01
2	642	1,000	300	700	4.49
3	19	1,000	400	600	0.11
4	629	1,000	600	400	2.52
<b>Total (A)</b>	<b>1,291</b>				<b>7.13</b>
<b>Gross Vehicle Weight (GVW) more than 12000 KG</b>					
1	434	1,500	600	900	3.91
2	1,007	1,500	1,000	500	5.04
<b>Total (B)</b>	<b>1,441</b>				<b>8.95</b>
<b>Grand Total (A+B)</b>	<b>2,732</b>				<b>16.08</b>

Source: Dump data from VAHAN.

**Table 2.4: Details of short realisation of registration fees on Light Motor Vehicles (Non-Transport)**

Sl.No.	Number of vehicles from which fees were short recovered	Fees were to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	26	600	00	600	0.16
2	01	600	20	580	0.01
3	01	600	50	550	0.01
4	2,407	600	200	400	9.63
5	69	600	300	300	0.21
6	535	600	400	200	1.07
<b>Total</b>	<b>3,039</b>				<b>11.09</b>

Source: Dump data from VAHAN.

The Government replied (December 2023) that the system for accurate categorisation of vehicles according to the weight and auto-calculation of fee at the time of registration has been made effective in case of new vehicle registration. It was also intimated that the Regional/District transport officers concerned have been directed to examine and recover the due fee in erroneous cases. The Department has recovered an amount of ₹ 4.82 lakh in respect of 1,248 vehicles. Further progress is awaited (January 2024).

### 2.2.9 Short realisation of hypothecation fees

According to Rule 60 of CMV Rules 1989, endorsing hire-purchase/lease/hypothecation agreement (fee specified in Rule 81) fee was ₹ 100 for all types of vehicles. However, *vide* its notification dated 29 December 2016, MoRTH prescribed fees for endorsing hire purchase/lease/hypothecation for various categories of vehicle under Rule 81 of CMV Rules as below:

- (i) The vehicle whose GVW is more than 7,500 kg attracts hypothecation fees of ₹ 3,000;
- (ii) The vehicle whose GVW is less than 7,500 kg attracts hypothecation fees of ₹ 1,500.

On analysing dump data<sup>6</sup>, it was observed that 984 vehicles under the category of MGV/MMV and HGV/HMV were incorrectly charged hypothecation fee of ₹ 100 to 1,500 instead of ₹ 3,000 per vehicle.

Similarly, on analysing dump data, it was observed that 2,700 vehicles under the category of LGV/LMV falling under 51 RTOs/DTOs offices were incorrectly charged hypothecation fees of ₹ 100 to 1,000 instead of ₹ 1,500 per vehicle.

Thus, non-mapping of the provisions of the MoRTH notification resulted in short realisation of hypothecation fees of ₹ 60.31 lakh from the 3,684 vehicle owners as shown in Table 2.5 and 2.6 below:

<sup>6</sup> Dump data containing details of 10.13 lakh vehicles.



**Table 2.5: Details of short realisation of hypothecation fees on MMV/MGV and HMV/HGV**

Sl. No.	Number of vehicles from which fees were short recovered	Fees to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	557	3,000	100	2,900	16.15
2	427	3,000	1,500	1,500	6.41
<b>Total</b>	<b>984</b>				<b>22.56</b>

Source: Dump data from VAHAN.

**Table 2.6: Details of short realisation of hypothecation fees on LMV/LGV**

Sl. No.	Number of vehicles from which fees were short recovered	Fees to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	2,687	1,500	100	1,400	37.62
2	12	1,500	500	1,000	0.12
3	1	1,500	1,000	500	0.01
<b>Total</b>	<b>2,700</b>				<b>37.75</b>

Source: Dump data from VAHAN.

The Government replied (December 2023) that system for accurate categorisation of vehicle according to the weight and auto-calculation of fee at the time of registration has been made effective. It was also intimated that the Regional/District transport officers concerned have been directed to examine and recover any unpaid fee in erroneous cases. The Department has recovered the amount of ₹ 6.33 lakh in respect of 354 vehicles. Further progress is awaited (January 2024).

**Recommendation 3:** To ensure the reliability of the data within the VAHAN, it is crucial to rectify the cases identified by the Audit and address any other similar irregularities. This will help maintain the integrity and accuracy of the data.

**The second Audit Objective was to assess whether the data of the software applications was being utilised properly for achieving the overall objectives envisaged for the applications.**

Under this Audit Objective, it was noticed that the software VAHAN and SARATHI were not used efficiently, leading to the issuance of pollution certificates with incorrect validity and irregular issuance of driving licences. Additionally, various modules, such as the Refund Module and CNG Vahan Sewa Module were not utilised. The above issues and their implications are discussed in the succeeding paragraphs.

### 2.2.10 Pollution under control Certificate

Rule 115 of the CMV Rules 1989 provides that a motor vehicle shall be maintained in such condition which complies with the standards of emission. Rule 115(7) *ibid* provides that after the expiry of a period of one year from the date on which the vehicle was first registered, every such vehicle shall carry a

valid “Pollution Under Control (PUC) Certificate issued by an agency authorised for this purpose by the State Government. The validity of the certificate is six months for Bharat Stage (BS)-III Vehicles. However, the validity of PUC certificate is one year in case of BS-IV and BS-VI compliant vehicles. The Rajasthan Motor Vehicles Test Center Scheme (online) 2017 (RMVTC Scheme 2017) was introduced with the objective of prescribing the operational process of Pollution Check Centers (PCCs) and making the scheme job-oriented and for controlling vehicular pollution.

(i) Data analysis of number of vehicles due for pollution check and number of vehicles issued pollution check certificate revealed that during five years period of 2016-17 to 2020-21, the percentage of vehicles which did not obtain pollution under control certificate was ranged between 81 and 94 per cent.

**Table 2.7 Details of year-wise PUCC issued and number of cumulative vehicles in a year**

Year	Number of vehicles due for PUCC	PUC Certificates issued	Shortfall	Shortfall in percentage
2016-17	1,36,32,176	8,56,923	1,27,75,253	94
2017-18	1,49,00,562	12,06,130	1,36,94,432	92
2018-19	1,62,80,006	28,27,612	1,34,52,394	82
2019-20	1,77,09,949	30,32,659	1,46,77,290	83
2020-21	1,87,10,774	35,37,848	1,51,72,926	81

Source: Statistical Report for respective year of Transport Department.

(ii) Data analysis of PUC certificates issued by PCCs during the period January 2017 to January 2022 revealed that 4,09,865 PUC certificates for BS-III, BS-IV and BS-VI vehicles were not issued according to prescribed validity norms. The detail is given in Table 2.8 below:

**Table 2.8: Details of PUC certificate with incorrect validity**

Sl. No.	Vehicles Norms	Validity of PUC certificate issued (in days)				Total
		Less than 180	More than 180	Less than 365	More than 365	
1	BS-III	1,677	21,429	NA	NA	23,106
2	BS-IV/ VI	NA	NA	3,83,449	3,310	3,86,759
<b>Total</b>		<b>1,677</b>	<b>21,429</b>	<b>3,83,449</b>	<b>3,310</b>	<b>4,09,865</b>

Source: Dump data from VAHAN.

It could be seen from the above Table that 1,677 PUC certificates were issued for BS -III vehicles for less than six months, and 21,429 vehicles were issued PUC certificates for a period longer than six months, instead of the standard validity of six months. For the BS-IV and BS-VI vehicles 3,83,449 PUC certificates were issued for less than one year period and PUC certificates for 3,310 vehicles were issued for more than one year instead of validity period of one year.

It is clear that there was no system in place to detect and address these irregularities, leading to their occurrence.

The matter was brought to the notice of the Government in August 2021. The Government asked (November 2021) the NIC to rectify the shortcomings. NIC replied (December 2021) to Government that the mapping between PUC validities and emission norms, which was not present earlier, has been escalated to VAHAN team and is under progress.



The Government replied (December 2023) that updation of *VAHAN* in this regard is under progress. Further intimation regarding the progress of updation is awaited (January 2024).

***Recommendation 4: The Department may evolve a system to issue PUC certificate strictly according to the provisions of Central Motor Vehicle Rules.***

### **2.2.11 Irregular issuance of Driving Licence through *SARATHI***

According to Section 3 of the MV Act, 1988, no person shall drive a motor vehicle in any public place unless he/she holds a valid driving licence issued to him/her by the competent authority. The minimum age for driving a motor vehicle is 18 years. However, a person attaining the age of 16 years may drive a motor cycle with an engine capacity not exceeding 50 cc. Section 9 (6) of the MV Act, 1988 provides that the test of competence to drive shall be carried out in a vehicle of the type to which the application refers.

Data analysis of *SARATHI* revealed that 166 learner licences were issued to persons below the age of 18 years, as follows:

- (i) A total of 83 learner licence of motorcycle with gear (Non-Transport) were issued to the persons aged below 18 years;
- (ii) A total of 81 learner licences of LMV were issued to persons aged below 18 years;
- (iii) two learners driving licences of MMV and HMV were issued to persons aged below 18 years.

The Government replied (December 2023) that in the latest version of *SARATHI*, checks were effective regarding age of applicant. Further, checks were also made effective for backlog entry of licences. It was also intimated that instructions were issued to check the cases under observation and to take corrective action.

Audit requisitioned the physical record of the licences, but the Department did not provide the records. The Department stated that three driving licences were cancelled (January 2023). Further progress is awaited (January 2024) regarding other cases.

### **2.2.12 Non-utilisation of Modules**

#### **2.2.12.1 Refund Module**

Section 7 of the RMVT Act, 1951 read with Rule 26 of the RMVT Rules, 1951 prescribed that if the owner of the vehicle paid tax more than the tax due then he would be entitled for the refund subject to certain conditions.

Scrutiny of modules available in *VAHAN* revealed that refund module was not being utilised by the Department for processing of refunds. The refunds of ₹ 3.10 crore in 413 cases were being processed manually during the year 2020-21, resulting in incomplete level of automation.

The Government replied (December 2023) that the Refund Module is not being used in the Rajasthan State. However, the reasons for not using Refund Module were not mentioned.

#### **2.2.12.2 CNG Vahan Sewa Module**

MoRTH instructed (15 November 2018) all the States/Union Territories to implement the module for retro fitment of CNG/LPG kits to ensure safety and compliance of standards as mandated under Rule 115 of the CMV Rules, 1989 (CMVR).

‘CNG Vahan Sewa’ module in *VAHAN* was designed for uploading inventory details of CNG/LPG kits by the manufacturers and its further linking with the vehicle fitted with these kits by the dealers.

Scrutiny of modules available in *VAHAN* revealed that ‘CNG Vahan Sewa’ module was not being utilised in Rajasthan despite the instructions in this regard by the MoRTH. Hence, the purpose of the module in keeping track of CNG/LPG kits fitted in the vehicles was not served.

The Government replied (December 2023) that the module had been initiated since June 2023. However, the reasons for the delay were not provided.

#### **2.2.12.3 PUCC Module**

According to Rule 62 of the Central Motor Vehicle Rules, 1989, valid pollution certificate was mandatory to obtain the Fitness Certificate.

Scrutiny of *VAHAN* application revealed that the PUC certificate (PUCC) Module was not being utilised by the Department to ensure that the vehicle for which a Fitness Certificate was issued had a valid PUCC. It was also observed that the PUCC Module had been implemented in 24 of the 37 States/Union Territories in India.

The Government replied (December 2023) that updation of *VAHAN* in this regard is under progress.

***Recommendation 5: The Department needs to assess the utility of the various modules, as it aligns with the objectives of VAHAN, aiming to establish uniform standards for documents related to vehicles and drivers at a pan-India level to ensure interoperability.***

#### **2.2.13 The Audit Assessment**

*VAHAN* and *SARATHI* were designed to implement the requirements of the Motor Vehicle Act, 1988 and Motor Vehicle Rules. However, a review of the data revealed multiple instances where the rules were not correctly applied, or where the lack of validation controls raised concerns about the accuracy and integrity of the data. Additionally, the incorrect mapping of rules resulted in a shortfall in the collection of registration and hypothecation fees, resulting in a loss of revenue for the State.

The Department acknowledged all the facts presented and responded that measures are being taken to improve the accuracy of data within the *VAHAN* and *SARATHI* software and to incorporate the necessary business rules into the system.



**Recommendation 6: The Government needs to review the system to improve input and validation control for the accuracy of data. A change management protocol, with clear responsibilities and roles to ensure that business rules are updated promptly in the system, is also required to be devised.**

## 2.3 Taxes on Motor vehicles not realised

**Motor Vehicle Tax and Special Road Tax amounting to ₹ 3.37 crore in respect of 680 vehicles were not paid by vehicle owners.**

As per Section 4 and 4-B of the Rajasthan Motor Vehicles Taxation Act, 1951 and the rules made thereunder, Motor Vehicle Tax and Special Road Tax are to be levied and collected on all transport vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time, except those transport vehicles which have paid lump-sum tax under Section 4-C. As per notification dated 9 March 2011, surcharge at the rate of 5 per cent on tax due was also payable upto 10 October 2017. Thereafter, surcharge at the rate of 6.25 per cent was payable as per notification dated 11 October 2017. Penalty at the rate of 1.5 per cent per month or part thereof, subject to twice the amount of tax due, was also leviable after the expiry of admissible period vide notification dated 1 May 2003. Further, Rule 8 and 33 of the Rajasthan Motor Vehicles Taxation Rules, 1951 empowers the Taxation Officer to serve notice for recovery of tax.

Out of a total of 2,13,875 vehicles in 11 RTOs/DTOs, records of 55,758 vehicles were test-checked by Audit. During test-check (between June 2020 and January 2021) of the registration records, tax ledgers, General Index Registers of these offices and VAHAN application for the period 2016-17 to 2019-20, it was noticed that owners of 680 vehicles did not pay the tax. There was no evidence on record to prove that the vehicles were off the road or were transferred to other District/States or their registration certificates were surrendered. The Taxation Officers, however, did not initiate any action to realise the tax due. This resulted in non-realisation of tax and surcharge amounting to ₹ 3.37 crore, as detailed in Table 2.9 below:

**Table 2.9: Details of non-realisation of tax and surcharge**

SL No.	Category of vehicles	No. of vehicles	Amount (₹ in crore)	Name of offices where irregularities noticed
1	Goods vehicles	154	0.40	DTOs- Goods Jaipur and Tonk
2	Articulated goods vehicles	307	1.32	RTO – Ajmer DTOs – Dudu, Goods Jaipur, Kotputali, Kishangarh and Shahpura
3	Dumpers/Tippers	116	0.38	RTO – Sikar DTOs – Goods Jaipur, Kotputali
4	Contract carriages (All India Permit)	13	0.42	RTO –Ajmer DTO – PV-II Jaipur
5	Stage carriages (Rural Routes)	39	0.21	RTO –Sikar DTO - Kishngarh
6	Stage carriages (Other Routes)	51	0.64	RTOs- Dausa and Sikar DTO- PV-II Jaipur
<b>Total</b>		<b>680</b>	<b>3.37</b>	

Source: Compiled by Audit.

On these being pointed out (June 2021), nine RTOs/DTOs intimated (between October 2021 and December 2023) that ₹ 1.01 crore has been recovered in respect of 274 vehicles. Further progress is awaited (January 2024).

This type of irregularity has been raised regularly in C&AG Audit Reports (Revenue Sector) of previous years. Audit had already pointed out 9,843 cases amounting ₹ 49.71 crore in the last three Audit Reports (2016-17 to 2018-19). The Department accepted those observations and recovered ₹ 11.56 crore (23.25 *per cent*) in 2,610 cases. However, it is noticed that the Department took action only after it was pointed out by Audit. The Department should have taken proactive action by building appropriate checks in its internal processes to avoid recurrence of this persistent irregularity.

#### **2.4 Non-realisation of One-Time Tax from transport vehicles**

**One-Time Tax amounting to ₹ 0.50 crore in respect of 81 transport vehicles was not paid by vehicle owners. The Department, however, did not initiate strong action to realise the dues.**

Section 4 of the Rajasthan Motor Vehicles Taxation Act, 1951 (RMVT Act, 1951) and the rules made thereunder envisaged that one-time tax (OTT)<sup>7</sup> on non-transport and transport vehicles is levied at the rate prescribed through notifications issued from time to time by the Government of Rajasthan (GoR). Surcharge is also leviable on tax due. In case of non-payment of the tax, penalty at the rate of 1.5 *per cent* per month or part thereof, limited to twice the amount of tax due, is also leviable after the expiry of the admissible period.

During audit of RTO Sikar and DTO Tonk, records of 7,000 vehicles out of the total of 18,409 goods vehicles were test-checked. Scrutiny of tax ledgers with data of *VAHAN* and *e-GRAS*<sup>8</sup> of these vehicles (between September 2020 and January 2021) revealed that the owners of 81 transport vehicles had not paid OTT. The records did not have information regarding vehicles being off roads or transferred to other States or their registration certificate being surrendered. Audit also observed that the data in the *VAHAN* application regarding assessment of tax of vehicles was not updated by the Department, due to which non-taxpayers were not included in the defaulter list. Therefore, the Department failed to effectively monitor the realisation of tax dues from the tax defaulter. Furthermore, no action was taken by the Department to recover the dues under the RMVT Act and Rules, leading to non-realisation of OTT (including surcharge) amounting to ₹ 0.50 crore.

The matter was pointed out to the Department and reported to the Government (June 2021). The Government replied (between October 2021 and December 2023) that an amount of ₹ 0.01 crore has been recovered in respect of two vehicles in RTO Sikar. However, the reply was silent on non-updation

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<sup>7</sup> All non-transport vehicles, transport vehicles (Goods) up to 16500 GVW and transport vehicles (Passenger) having contract carriage permit seating capacity up to 22 are covered under OTT.

<sup>8</sup> **Online Government Receipts Accounting System (e-GRAS)** is an e-Governance Initiative of Government of Rajasthan under Mission Mode Project category and is part of the Integrated Financial Management System.



of data regarding assessment of tax of vehicles in *VAHAN*. Further progress is awaited (January 2024).

## **2.5 Non/short realisation of outstanding instalments of lump-sum tax**

**Department did not recover lump-sum tax in respect of 301 vehicles. This resulted in non/short realisation of lump-sum tax and surcharge amounting to ₹ 2.07 crore.**

According to Section 4-C of the Rajasthan Motor Vehicles Taxation Act, 1951 (RMVT Act, 1951) and the rules made thereunder, lump-sum tax on transport vehicles is levied at the rates prescribed through notifications. The lump-sum tax payable can be paid at the option of the vehicle owner either in full or in six equal instalments (with effect from 14 July 2014) within a period of one year. Surcharge at the rate of 10 *per cent* on the lump-sum tax was also payable upto 10 October 2017, which was revised to 12.5 *per cent* w.e.f. 11 October 2017. According to notification dated 1 May 2003, penalty at the rate of 1.5 *per cent* per month or part thereof, limited to twice the amount of tax due, is also levied after the expiry of the admissible period.

Scrutiny of records (between June 2020 and January 2021) of 33,850 vehicles out of a total of 1,20,353 vehicles<sup>9</sup> in seven transport offices<sup>10</sup>, for the period 2016-17 to 2019-20 revealed that 286 vehicle owners did not pay the remaining instalments after paying the first or second instalment and no tax was paid in respect of 15 vehicles. Details regarding vehicles being off roads or transferred to other States was not available on record. The Department failed to effectively monitor the realisation of tax dues from the tax defaulters. Further, no action to recover the dues was initiated by the Department under the RMVT Act and Rules. This resulted in non-realisation of tax (including surcharge) amounting to ₹ 2.07 crore.

The matter was pointed out to the Department and reported to the Government (July 2021). The Government replied (between March 2022 and December 2023) that an amount of ₹ 0.84 crore has been recovered in respect of 112 vehicles. Further progress is awaited (January 2024).

This issue has been raised regularly in CAG's Audit Reports (Revenue Sector) of previous years. Audit had pointed out 7,102 cases amounting to ₹ 37.79 crore in the last five Audit Reports (2014-15 to 2018-19). The Department accepted these observations and recovered ₹ 13.01 crore (34.43 *per cent*) in 2,178 cases. However, it is seen that the Department took action only after it was pointed out by Audit. The Department should have taken proactive action to avoid recurrence of this persistent irregularity.

<sup>9</sup> 1,03,694 Goods Vehicles + 16,659 Taxi/Maxi.

<sup>10</sup> RTO: Ajmer, Jaipur, Sikar, Dausa.  
DTO: Jaipur (Goods), Dudu, Tonk.

## **Mining Receipts**

### **2.6 Introduction**

At the Government level, the Additional Chief Secretary (ACS), Mines and Petroleum and at the Department level, the Director, Mines and Geology (DMG), Udaipur are responsible for administration and implementation of the related Acts and Rules in the Department. The DMG is assisted by an Additional Director (Administration), six Additional Directors, Mines (ADM), six Additional Directors, Geology (ADG) and by a Financial Advisor. The ADMs exercise control through nine Circles, each headed by a Superintending Mining Engineer (SME).

There are 49 Mining Engineers (ME)/Assistant Mining Engineers (AME) who are responsible for assessment and collection of revenue and prevention of illegal excavation and dispatch of minerals from areas under their control. The Department has a separate Vigilance Wing headed by the ADM (Vigilance) for prevention of illegal excavation and dispatch of minerals.

There were 130 auditable units<sup>11</sup> in the Department of Mines and Geology. Out of these 21 units<sup>12</sup> were selected<sup>13</sup> for audit wherein out of 18,463 cases<sup>14</sup>, Audit selected and examined 9,531 cases<sup>15</sup> (51.62 *per cent*). Deficiencies were noticed in 2,606 cases involving ₹ 480.95 crore. Besides, a Subject Specific Compliance Audit on “Administration of Short-term Permits” was also conducted wherein irregularities amounting to ₹ 13.01 crore were noticed. Audit had pointed out similar omissions in earlier years too, but these irregularities had persisted and remained undetected till next audit was conducted. The substantial proportion of errors, omissions and other related issues noticed in audit indicated that the Government needed to improve the internal control system, including strengthening of internal audit so that occurrence/recurrence of such lapses can be avoided. During the year 2020-21, the Department accepted short realisation of revenue of ₹ 339.62 crore in 1,027 cases, of which 801 cases involving ₹ 331.31 crore were pointed out in audit during the year 2020-21 and the rest in earlier years. The Department recovered ₹ 1.03 crore in 209 cases relating to earlier years. A Subject Specific Compliance Audit on “Administration of Short-term Permits” and a few illustrative cases involving an amount of ₹ 14.17 crore are discussed in the succeeding paragraphs.

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<sup>11</sup> Includes ACS, Mines and Geology and DMG office besides 128 other units.

<sup>12</sup> ACS, Mines & Petroleum, Jaipur, ADM, Jaipur, SME: Jaipur, SME(V) Jaipur, Superintending Geologist Jaipur, MEs: Ajmer, Jaipur, Sikar Makrana, ME(V): Sikar, AMEs: Neem Ka Thana, Tonk, Dausa, Kotputli, Ajmer, Jaipur, Sikar, Makrana, AMEs(V): Neem Ka Thana, Tonk and Kotputli.

<sup>13</sup> Due to Covid-19 pandemic situations, units situated nearby Jaipur were selected for audit.

<sup>14</sup> Total 18,463 cases: 2,786 Mining Leases (ML); 61 Royalty Collection (RC) Contracts /Excess Royalty Collection (ERC) Contracts; 720 Quarry licences (QL); 8,737 cases of illegal mining/transportation of mineral; 451 cases of recovery under Rajasthan Land Revenue Act, 1956; 1,773 cases of revenue assessment; one case of refund; 1,237 cases of outstanding dues and 2,697 STPs.

<sup>15</sup> Total 9,531 cases selected and examined: 672 ML; 60 RCC/ERCC; 76 QL; 6,255 cases of illegal mining/transportation of mineral; 240 cases of recovery under Rajasthan Land Revenue Act, 1956; 329 cases of revenue assessment; one case of refund; 475 cases of outstanding dues and 1,423 STPs.



## 2.7 Administration of Short-term Permits

*Mining leases and quarry licenses allow excavation and sale of minerals, while Short Term Permits (STP) are given for excavation/dispatch of a specified quantity of minerals within a specific period for executing works of Government, Semi-Government, Local Body, Panchayati Raj Institutions or Organizations aided or funded by the Government. A Subject Specific Compliance Audit was conducted on Administration of Short Term Permits covering the period April 2018 to March 2021. The audit revealed various irregularities, such as applications for grant of STPs being received offline despite instructions for online submission, e-STPs not being issued by any of the test-checked offices, deficient scrutiny of applications leading to issue of STPs without submission of complete details or on blank applications, STP holders not submitting online returns, STPs being irregularly issued without deposit of royalty and records for assessments of STPs not being submitted by the STP holders. Assessments not being done diligently which resulted in non-raising of demand of the cost of illegally consumed mineral. Lack of coordination between departments resulted in multiple irregularities, including unauthorized mineral use and short/ non-collection of royalty and other dues.*

### 2.7.1 Introduction

The State Government, in exercise of the powers conferred by Section 15 of the Mines and Minerals (Development and Regulation) Act, 1957 made the Rajasthan Minor Mineral Concession (RMMC) Rules, 2017 for regulating the grant of quarry licenses, mining leases and other mineral concessions in respect of minor minerals.

Minerals can be excavated and removed under a valid mining lease/ quarry licence or through a valid Short-term Permit (STP) issued by the Department of Mines and Geology (Department). Mining Lease/Quarry Licence are granted to the applicants for excavation and sale of minerals while STP means a permit granted for excavation and removal of specified quantity of mineral from a specified area within a specified period<sup>16</sup> for executing works of Government, Semi-Government, Local Body, Panchayati Raj Institution or Organizations aided or funded by the Government.

#### Web-based application of the Department

The Department had developed a web-based application named Department of Mines and Geology Online Management System (DMGOMS) for online submission of application for STPs/mining leases, deposit of almost all Government dues, generation of online e-rawannas/e-transit passes, maintaining Demand and Collection Register, data of permits/STPs issued, amounts deposited and empanelment of weighbridges, etc. The system is functioning since 10 October 2017.

<sup>16</sup> As per Rule 51 (7) of RMMCR 2017, the period of STP is co-terminus with the period of work order unless applied for shorter period.

### **2.7.2 Methodology for issue of STPs**

The following are the major steps for the grant of STPs as per the provisions of RMMC Rules, 2017.

#### **1. Option for payment of Royalty**

The contractor may opt for any of the following options to pay royalty for mineral consumed in the execution of work: -

- (i) Deduction of royalty from running bills by the Works Department concerned<sup>17</sup>;
- (ii) Advance payment of royalty with application for STP;
- (iii) Undertaking that entire quantity of mineral procured or used will be royalty paid;
- (iv) Royalty deduction at the specified rates<sup>18</sup> from running bills by the Works Department concerned.

The contractor had to submit the record for assessment of royalty and get a no-dues certificate from the ME/AME concerned, in each option except option (iv) above.

#### **2. Submission of application:**

Application for grant of STP shall be submitted by the contractor to the ME or AME concerned mentioning quantity of minerals and period for which permit is required. Copy of documents required with the application are work order, G-Schedule<sup>19</sup> or bill of quantities, plan and description of the area from where mineral will be excavated, revenue record of the area, and consent of the *khatedar*<sup>20</sup> in case land does not belong to the applicant. Since October 2018, this should be done online on *DMGOMS* system.

#### **3. Grant of STP**

On receipt of an application, the ME or AME concerned may grant STP after obtaining consent or approvals if required under any laws *e.g.* Consent To Operate from State Pollution Control Board or Environment Clearance from Environment Department, *etc.*

However, the ME/AME concerned may refuse to grant a STP for any mineral in any area with reasons to be recorded in writing and the same shall be communicated to the applicant. The period of STP shall be co-terminus with the work order unless applied for a shorter period. Royalty on minerals shall be payable as prescribed in the RMMC Rules. Besides royalty, the STP holder shall also contribute to the District Mineral Fund Trust (DMFT) and Rajasthan State Mineral Exploration Trust (RSMET) fund as per rates specified in the relevant rules.

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<sup>17</sup> Works Departments such as Public Works Department, Public Health Engineering Department, Irrigation Department, Urban Improvement Trust, *etc.*

<sup>18</sup> Three *per cent* of total cost of work in case of construction/widening of road, construction of building and one and half *per cent* in case of repairing and other works.

<sup>19</sup> It is a schedule of quantities and prices included in contract document.

<sup>20</sup> *Khatedars* are tenants on Government land to whom the land is given for agricultural purpose.



When the contractor opts for any of the options for payment of royalty mentioned at serial number 1(i) to (iii) above then the STP holder/contractor shall submit the record to the AME/ME concerned along with consumption certificate issued by the Works Department, for assessment. After assessment, the AME/ME concerned shall issue no-dues certificate to the STP holder/contractor. The Works Department would pay the final bill on receipt of the no-dues certificate. However, in case of option at serial number 1(iv), no assessment shall be required by the Mines and Geology Department and the deduction of royalty shall be done from the running bill by the Works Department concerned.

### 2.7.3 Revenue from STPs

Revenue collection from STPs and percentage to the total revenue of the Department other than petroleum is given in Table 2.10 below for the last three years:

Table-2.10: Revenue from STPs

Year	Total revenue other than petroleum	Revenue from STPs	(₹ in crore)
			Percentage to the total revenue
2018-19	5,110.40	98.95	1.94
2019-20	4,347.20	88.93	2.05
2020-21	4,797.22	100.20	2.09

Source: Departmental web-based application DMGOMS.

The above table shows that the revenue from STPs was decreased from ₹ 98.95 crore in 2018-19 to ₹ 88.93 crore in 2019-20 and again increased to ₹ 100.20 crore in 2020-21. However, percentage of receipt from STPs to the total revenue shows an increasing trend.

### 2.7.4 Audit Objectives

The Audit was conducted to assess whether:

- STPs were being issued in accordance with the rules, procedures, orders prescribed by Department/State Government and
- Fee/royalty was collected as per rates prescribed and deposited timely.

### 2.7.5 Scope and Methodology

The Department had nine Circle Offices which comprise 49 ME/AME offices. For this audit, a sample comprising of nine ME/AME offices<sup>21</sup> (one office from each Circle) was selected by random sampling through Interactive Data Extraction Analysis (IDEA). Information collected from Works Departments<sup>22</sup>/ National Highway Authority of India (NHAI)/ Local Bodies<sup>23</sup> were cross-checked with the records of ME/AME offices concerned. The STPs issued and other relevant records covering the period April 2018 to March 2021 were test-checked between June and November 2021. Records of 717

<sup>21</sup> Nine selected ME/AME Offices: Ajmer, Alwar, Amet, Balesar, Banswara, Baran, Bharatpur, Bhilwara and Bikaner.

<sup>22</sup> Works Departments, i.e. Public Works Department, Public Health Engineering Department, Irrigation Department, etc.

<sup>23</sup> Panchayati Raj Department, Urban local Bodies and Urban Improvement Trusts, etc.

STPs out of 9,250 STPs were test-checked. These STPs were selected<sup>24</sup> on the basis of random sampling through IDEA software.

The findings of the audit were reported to the Government (January 2022). Reply of the Government was received in March 2022 and June 2022. The replies have been appropriately included in the relevant paragraphs. An Exit Conference was held on 21 September 2022 with DMG and Departmental officials. DMG acknowledged the findings.

### **Audit findings**

#### **Audit objective 1: Whether STPs were being issued in accordance with the rules, procedures, and orders prescribed by the Department/State Government.**

Under this audit objective, it was noticed that rules, procedures, and orders were not being fully followed while issuing STPs. The STPs were issued based on incomplete affidavits submitted by the applicants, and in some cases, they were even issued on blank application forms. The STP Register was not maintained by the MEs, and due to the absence of these Registers, the details of contractors and royalty payment options submitted by them were not available with these offices. This absence hindered the offices' ability to ensure the recovery of royalty from liable contractors. Furthermore, the assessment of the STPs was not adequately monitored. Irregularities, such as the non-submission of records for assessment and failure to submit online returns for royalty determination were also noticed. These observations are discussed in detail in the succeeding paragraphs.

### **2.7.6 Issue of STPs**

#### **2.7.6.1 Receipt and disposal of STP applications through online system**

As per DMG's order dated 05 October 2018 and 10 December 2018, applications for STPs shall be received online only and online STPs (*e-STPs*) shall be issued to the contractors. Accordingly, minerals for STPs shall be dispatched through *e-rawannas* only.

Scrutiny of online and offline records of applications received for the STPs in the selected ME/AME offices revealed that:

- In office of the ME Banswara, 491 out of 550 applications (over 89 *per cent*) for STP were received in physical form.
- In ME Ajmer and ME Baran offices, 1,140 applications were received online through DMGOMS. However, only 931 applications were processed (April 2018 to March 2021) by the offices. The processed applications were entered in the manual register. Remaining 209 applications were neither recorded in the manual register nor even processed by the offices. These applications should have been disposed of either by granting STPs or rejecting the applications with reasons. However, the same was not done.
- Further, none of the nine selected offices issued *e-STPs*.

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<sup>24</sup> A total of 75 STPs were selected from each selected office. Further, 42 additional STPs of AME Balesar were also selected on risk basis.



Thus, the order of DMG were not been followed which resulted lack of transparency in respect of date of receipt of applications and issue of *e-STPs*.

The Government replied (May 2022) that due to field inspections and other processes, it was not possible to complete whole process of *e-STPs* through online mode. However, applicants will be informed through DMGOMS after issuance of permits and directions were being issued in this regard. Reply of the Government is not tenable as processes which could not be done online could have at least been done physically and then *e-STPs* could have been issued with all the important information. Further, as assessed later again by Audit, the directions issued by DMG were not being followed till date (January 2024).

#### **2.7.6.2 Deficiencies noticed in applications submitted for STPs**

- **Incomplete affidavits submitted by the STP Holders.**

Rule 51(9)(iv) of the RMMC Rules, 2017 stipulates that the work contractor was required to submit an option along with a bill of quantity or G-schedule and a self-certified undertaking stating that the entire quantity of mineral used shall be royalty paid.

Scrutiny of records of selected ME offices revealed the following shortcomings in two offices:

##### **ME, Banswara**

Out of 762 STPs, 75 STPs were test-checked. It was noticed that self-certified undertakings required under Rule 51(9)(iv) of RMMC Rules, 2017 was not found on record for 38 STPs.

##### **ME, Ajmer**

Out of 870 STPs, 75 STPs were test-checked. Irregularities were noticed in four undertakings submitted by the applicants, *i.e.* overwriting (one case), wrong work order number was mentioned (one case), signature of the applicant not found (one case) and work order number not mentioned (one case). ME Ajmer issued STPs to the applicants ignoring these irregularities. The above deficiencies exhibit that due diligence was not exercised during issue of STPs.

The Government replied (May 2022) in respect of ME, Banswara that self-certified undertakings would be taken in future along with the applications. In respect of ME, Ajmer it was replied that instructions were issued to comply with the observation.

- **STPs issued on blank application forms**

Scrutiny of selected 75 STPs out of total 762 STPs issued by the ME Banswara during the period 2018-19 to 2020-21 revealed that in three cases, blank application forms were submitted by the contractors. In another case, application form was not signed. ME Banswara, however, issued STPs for all these cases without following the procedure mentioned in the rules.

The Government replied (May 2022) that these application forms have now been completed. The reply clearly shows that the ME Office was negligent

while granting STPs on blank/unsigned applications. Appropriate action should be taken on erring officials after responsibility has been fixed.

***Recommendation 1: The Department may consider providing an online checklist for scrutiny of the applications along with enclosed documents and timely online disposal thereof to improve efficiency, transparency and documentation, which all will also aid in monitoring. The responsibility needs to be fixed for erring officials for accepting blank/unsigned applications.***

#### **2.7.7 Non-maintenance of STP Registers**

According to the Manual of the Department, a register was to be maintained by each AME/ME office which should contain details of the STPs.

Further, as per circular dated 15 November 2011 issued by the State Government, the Works Department concerned was required to submit a copy of the work order and 'G' Schedule<sup>25</sup> of work containing details of minerals to be used (cubic meters or MT) for the execution of work to the ME/AME having jurisdiction over the area. The ME/AME concerned was required to ensure that the Works Department makes recovery of the royalty according to the option submitted by the contractor.

Scrutiny of records of selected ME/AME offices revealed that:

- Two ME offices<sup>26</sup> did not maintain the prescribed register during the period 2018-19 to 2020-21 and
- Although ME Alwar maintained a register for STPs granted for advance payment of royalty with application {Rule 51(9)(ii)} but for other STPs<sup>27</sup> no register was maintained.
- Thus, 2,504 STPs<sup>28</sup> granted (information provided by the offices) by these three offices were not monitored through the prescribed register.

In the absence of the registers, the details of contractors and royalty payment option submitted by them were not available with these offices to ensure recovery of royalty from all liable contractors. Further, assessment of the STPs was also not monitored.

The Government replied (May 2022) that there were sufficient provisions in DMGOMS to maintain profile/ register of these STPs. It was also stated that STP profile/ register was being updated by the offices concerned.

The reply therefore shows even more starkly that the offices concerned were not updating the profile/ register properly even though provision for the same existed. The online register lacks important information, *e.g.* contribution towards trust funds, STP fees, quantity of mineral required and used in the work, date of issue of no-dues certificate and date of payment of final bill, *etc.* As such, even if this register was used, the State/Department would not be in a

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<sup>25</sup> It is a schedule of quantities and prices included in contract document.

<sup>26</sup> ME: Banswara and Bikaner.

<sup>27</sup> Other STPs: STPs granted under rule 51(9) (i, iii and iv).

<sup>28</sup> STPs-2,504: ME Alwar-886, ME Banswara-550 and ME Bikaner-1068.



position to follow and monitor whether all applicable dues have been paid by the contractor.

Similar point was brought to the notice of the Department *vide* paragraph 7.4.4.1 of the Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2017. However, the Department has failed to evolve an effective mechanism till date (January 2024).

***Recommendation 2: The Department may consider to introduce effective checks in the online system to catch non-payers of royalty/fee, etc. and responsibility should be fixed on erring officials.***

## 2.7.8 Submission of record by STP holders

According to Rule 51(9) of RMMC Rules, 2017, the contractor had to submit the record for assessment of the royalty in each case except when the STP was issued under sub rule (9)(iv).

Further, as per Rule 2 (iv) of RMMC Rules, 2017, Assessing Authority means Mining Engineer, Assistant Mining Engineer or any other officer authorised by the State Government to make assessment.

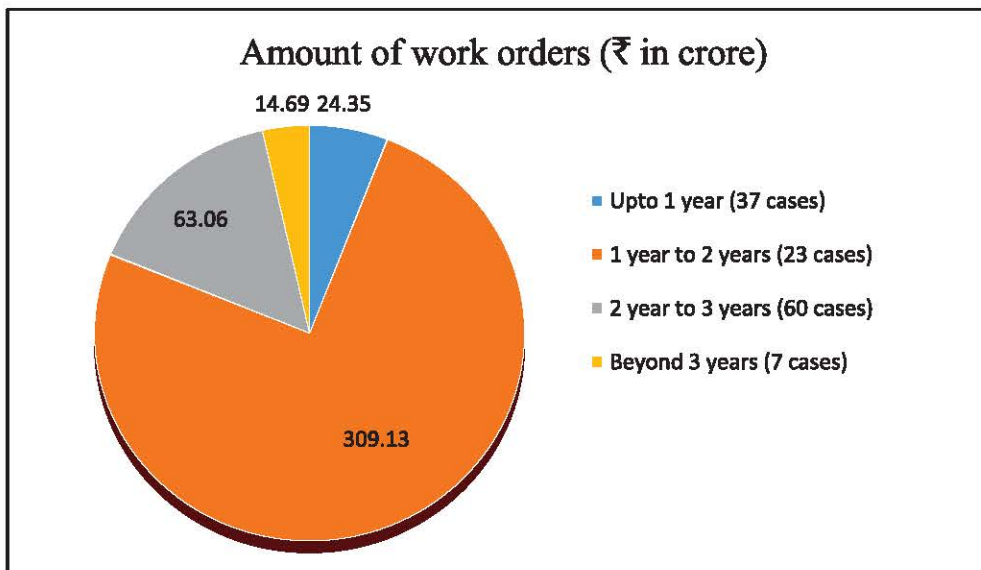
### 2.7.8.1 Non-submission of records for assessment

Scrutiny of records of 492 STPs out of 6,784 issued by selected ME/AME offices revealed that there were 127 STPs with a total value of ₹ 411.23 crore that were supposed to be completed between April 2018 and March 2021, as specified in the work orders. However, the STP holders failed to submit records for the assessment of royalty even after a delay of two to 40 months from the stipulated completion date, as shown in Table 2.11 below:

**Table-2.11: Details of non-submission of records for assessment**

Sl. No.	Name of Office	Test checked STPs	Non-submission of records (Number of STPs)	Period lapsed after stipulated date of completion of works (in months)	Amount of work orders (₹ in crore)
1	ME Ajmer	50	5	2 to 28	5.24
2	ME Amet	50	8	4 to 28	4.80
3	ME Bikaner	50	29	5 to 38	250.86
4	ME Bharatpur	50	22	5 to 35	49.89
5	ME Bhilwara	50	18	8 to 40	4.46
6	AME Balesar	92	16	2 to 38	2.72
7	ME Banswara	50	10	9 to 35	22.00
8	AME Baran	50	18	10 to 37	71.07
9	ME Alwar	50	1	10	0.19
<b>Total</b>		<b>492</b>	<b>127</b>	<b>2 to 40</b>	<b>411.23</b>

Source: Compiled by Audit.



**Figure 1:** Graphical representation of the STPs for which records were not submitted for assessment.

The non-submission of records for assessment led to the inability to accurately assess royalty and DMFT contributions for works totalling ₹ 309.13 crore in 23 STPs, causing the Department to remain unaware of the correct amounts even after a lapse of one to two years.

The Government replied (May 2022) that notices were being issued for non-submission of records for assessment. Assessment of seven STPs had been completed. Instructions were also issued to offices concerned for compliance to the audit observations.

#### **2.7.8.2 Non-submission of online return for royalty determination**

The DMG issued (10 December 2018) orders for online submission of applications for STPs and uploading details of STPs on *DMGOMS* for effective monitoring. Further, the STP holders were also required to submit online return for royalty determination. However, no penalty provisions were prescribed for non-submission of online returns of STPs.

In the selected offices, 2,466 STPs were assessed for royalty during the period 2018-19 to 2020-21, out of which 225 STPs were selected for audit scrutiny. Analysis of information available on *DMGOMS* disclosed that STP holders did not submit online returns for assessment of royalty. The authorities concerned also did not initiate action for ensuring submission of e-returns since no penal provision was prescribed.

In the absence of e-returns, the ME/AMEs concerned were not able to monitor the consumption of minerals and realization of royalty through online portal, *i.e.* *DMGOMS*. As a result, the online portal failed to fully achieve its intended purpose.

The Government replied (May 2022) that there was no provision in the rules to submit online returns. However, directions have been issued by DMG to make suitable arrangements in the *DMGOMS* for submission of returns. The fact,



however, remains that the provision in the rules for submission of online return is still pending (January 2024).

***Recommendation 3: The State Government may consider inserting provisions in the Rules for submission of online return by STP holders and penalty provision for non-submission of the return. Online submission of details of STPs would provide transparency and it would also play a deterrent role against leakage of revenue.***

**Audit objective 2: Whether fees/royalty were collected as per the prescribed rates and deposited in a timely manner.**

Under this audit objective, it was noticed that STPs were issued without the advance royalty and DMFT amount of ₹13.20 crore by payment of the applicants. There were deficient assessments of STPs, resulting in a non-recovery of ₹ 0.72 crore. Additionally, there was a lack of coordination with other government departments, leading to the execution of works without valid STPs. Moreover, the excessive use of minerals beyond the permitted quantity, as well as instances of non or short deduction of royalty and contributions towards DMFT, were also identified. Irregularities in the procurement of minerals by *Panchayat Samities* were also noticed. These observations are discussed in detail in the succeeding paragraphs.

### **2.7.9 Assessment of STPs and collection of royalty and other dues**

#### **2.7.9.1 Non-payment of advance royalty and DMFT amount**

According to Rule 51(9)(ii) of the RMMC Rules, 2017, the contractor shall apply for permit along with required quantity, permit fees, contribution in the DMFT Fund and royalty amount. The contractor shall submit the record for the assessment, along with consumption certificate issued by the competent authority, and get a no-dues certificate from the ME/AME concerned.

Rule 77 of the RMMC Rules, 2017 provides that simple interest at the rate of 18 *per cent* shall be charged from the due date on all dues in respect of dead rent, royalty, annual quarry license fee, royalty collection contract, excess royalty collection contract amount and contribution towards DMFT fund and Rajasthan State Mineral Exploration Trust (RSMET) fund.

Scrutiny of records of the office of AME, Balesar revealed that 46 STPs, out of test-checked 117 STPs, were issued under Rule 51(9)(ii) of RMMC Rules, 2017. As per the regulations, the contractor was obligated to make an advance deposit of royalty and contribution towards the DMFT fund at the time of submission of the application. However, these STPs were irregularly granted without the advance deposit of the required royalty and contribution of DMFT fund amounting to ₹ 13.20 crore.

A total number of 29 STP holders later on deposited the entire royalty amount. However, in the remaining 17 cases, ₹ 2.63 crore were pending to be deposited (July 2022). Out of 46 cases, 6 cases had fully paid advance DMFT contributions, 24 cases had paid the DMFT contributions with delay, and the remaining 16 cases, DMFT contributions of ₹ 0.33 crore was yet to be paid.

Thus, a total of ₹ 2.96 crore royalty and DMFT fund contributions remained unpaid. Additionally, interest of ₹ 1.87 crore on delayed payment of royalty

and DMFT fund contribution was not imposed or recovered for the period of 2018-2021.

The Government replied (May 2022) that royalty and DMFT amount was being received before granting permission for generation of *e-rawannas* to the STP holders. It was also replied that 15 days' notice had been issued to the contractors and the Works Departments concerned for depositing balance amount of royalty, DMFT and payable interest. However, the reply was silent on how STPs were issued without compliance with these mandatory requirements and on whether any action was being taken against the officials concerned for the loss of revenue.

#### **2.7.9.2 Deficient assessments**

Rule 51(9)(iii) of the RMMC Rules, 2017 provides that the contractor shall apply for permit along with a self-certified undertaking stating that the entire quantity of mineral will be procured or used royalty paid and submit the record of royalty paid minerals for the assessment, along with consumption certificate issued by the competent authority for making assessment, and get a no-dues certificate from the AME/ME concerned.

As per Rule 48(5) of RMMC Rules, 1986 and Rule 54(5) of RMMC Rules, 2017, whenever any person without a lawful authority raises any mineral from any land other than under any mineral concession or any other permission and where mineral so raised has already been dispatched or consumed, the competent authority shall recover cost of mineral, which shall be taken as ten times of royalty along with compounding fee.

During scrutiny of the records of selected ME/AME offices, it was noticed that 2,466 STPs were assessed under Rule 51(9)(iii) of RMMC Rules, 2017 during the period 2018-19 to 2020-21 and no-dues certificates were issued in all the cases. Examination of assessment records of selected 225 STPs showed that assessments were not done diligently in 38 cases. Audit noticed various irregularities in the *e-rawannas*/e-transit passes/royalty receipts submitted by the contractors for assessments. The details of irregularities noticed during these assessments are given in Table 2.12 below:

**Table-2.12: Details of irregularities noticed in assessments**

Sl. No.	Irregularities noticed in the assessment	Number of cases	Quantity in MT	Amount (₹ in lakh)
1	Double adjustment of the transit passes (TPs), i.e. copies of same TPs submitted with the first and final bills or same TPs were submitted for different minerals	2	361	1.00
2	TPs submitted with the bills were issued by the Department after completion of the works	9	3,228	10.19
3	Name of STP holders and place of work were not mentioned in the royalty receipts/ <i>e-rawannas</i> /TPs, but the same were considered/accepted at the time of assessment	10	10,456	30.72
4	Submitted TPs were related to other works	1	168	0.47
5	Contractors had not submitted the TPs/ <i>e-rawannas</i> for the quantity of mineral used in the construction of work. However, no dues certificates were issued	6	7,627	21.38



Sl. No.	Irregularities noticed in the assessment	Number of cases	Quantity in MT	Amount (₹ in lakh)
6	Submitted TPs were issued prior to the date of work order/issue of STPs	9	1,452	4.11
7	Quantity of mineral consumed was short assessed	1	1,620	4.54
	<b>Total</b>	<b>38</b>	<b>24,912</b>	<b>72.41</b>

Source: Information compiled on the basis of records of MEs/AMEs concerned.

Despite the above shortcomings, the AMEs/MEs concerned accepted these documents as proof of royalty paid minerals and issued no-dues certificates, resulting in undue benefits for the contractors at the expense of the Department. Instead, the consumed minerals should have been considered illegal and the cost of minerals, amounting to 10 times the royalty, i.e. ₹ 72.41 lakh, should have been recovered.

The Government replied (May 2022) that notices were being issued and action would be taken to recover the amount. However, in one case of ME Amet, it was replied that the assessment was done according to the quantity intimated in material consumption statement. Further, contractor had also submitted evidence of use of royalty paid mineral of the quantity objected, therefore, no recoverable amount was pending. The reply regarding ME Amet is not tenable as conversion factor to convert cubic meter into metric ton was taken as 1.4 in tentative consumption statement, whereas in final consumption statement, the conversion factor was taken as 1.1. However, the ME assessed the quantity ignoring the fact. Further progress is awaited (January 2024).

***Recommendation 4: The Department may consider developing a module for the online assessment of STPs, aimed at preventing revenue leakage arising from manual assessments.***

***Recommendation 5: The Department may consider conducting training sessions for the assessing authorities and staff to ensure accurate and error-free assessments.***

#### **2.7.10 Lack of coordination with other Government Departments**

Rule 51 of RMMC Rules 2017 laid the procedure for deduction of amount from the bills of the contractors. The Works Departments, Local Bodies, and other Organizations concerned shall be responsible for deduction of royalty and contribution to the DMFT Fund and RSMET Fund on every running bill where contractor opts for deduction of royalty and contribution in DMFT Fund and RSMET Fund from running bill.

Further, Rule 51 (9)(ii) provides that the contractor may apply for permit along with bill of quantity or G-schedule, permit fees, contribution in the District Mineral Foundation Trust Fund and royalty amount. The contractor shall submit the records for the assessment, along with consumption certificate issued by the competent authority and get a no-dues certificate from the Mining Engineer or Assistant Mining Engineer concerned.

To ensure compliance with the rules, the Mines and Geology Department should proactively coordinate with other Departments to get regular information of works awarded, use of mineral, deduction of royalty, contributions to DMFT and RSMET Funds, final payment to contractors

without no-due certificates issued by Mines Department, *etc.* However, the same was not done by the Department and consequential results are discussed in the following paragraphs.

#### **2.7.10.1 Execution of works without STPs**

Analysis of Work Agreement Registers maintained by the selected six Works Departments<sup>29</sup> and information provided by these offices disclosed that 4,560 work orders were issued to the contractors out of which 3,757 works were executed by them during the period 2018-19 to 2020-21. However, STPs were issued only for 900 works. Therefore, the remaining 2,857 works were executed without obtaining STPs amounting to ₹ 368.81 crore. These works pertained to road renewals, patch repairs, construction of buildings, *etc.* which required the use of minerals in their execution. Details of execution of works without obtaining STPs are given in the Table 2.13 below:

**Table-2.13: Details of execution of works without obtaining STPs**

Sl. No.	Name of ME/AME Office	Number of Works Departments	Works to be executed as per work order	Works executed	No. of STPs issued for works	No. of works executed without STP	Value of works executed without STPs (₹ in crore)
1	ME Ajmer	2	563	490	0	490	72.04
2	AME Amet	3	264	217	42	175	46.28
3	ME Bikaner	2	1,107	886	161	725	58.12
4	ME Bharatpur	2	536	316	18	298	21.15
5	ME Bhilwara	4	950	765	360	405	48.85
6	ME Alwar	3	380	374	316	58	8.41
7	ME Banswara	1	343	343	0	343	24.30
8	AME Baran	2	417	366	3	363	89.66
<b>Total</b>		<b>19</b>	<b>4,560</b>	<b>3,757</b>	<b>900</b>	<b>2,857</b>	<b>368.81</b>

Source: Compiled on the basis of information provided by the Works Departments.

The Government (May 2022) replied that directions have been issued (22 December 2021) to link the web-site of Mines Department with the web-site of the Works Departments to overcome these issues. Thereafter DMG again issued (18 November 2022) instructions to make compliance of the previous instructions. However, scrutiny of DMGOMS revealed that the same has not been done yet (January 2024).

Some illustrative cases of use of minerals without valid STPs are given below:

#### **(i) Use of Mineral without valid STP**

##### **Ordinary earth**

‘Ordinary earth’ used for filling or levelling purposes in the construction of embankments, roads, railways, buildings, *etc.* was notified as a minor mineral by the Government of India *vide* notification dated 08 February 2000. As no mining lease of mineral 'ordinary earth' was granted by the State Government, therefore, mineral ordinary earth can only be obtained under STP on payment of advance royalty. Thus, every contractor who had to use mineral ordinary earth in the construction has to get STP under option 51(9) (ii) of RMMC Rule

<sup>29</sup> Public Health Engineering Department, Public Works Department, Municipal Council (MC), Ajmer Development Authority (ADA), Water Resources Department (WRD) and Municipal Board (MB).



2017. According to Rule 74(2)(ix) of RMMC Rules 2017, no rent, royalty or fee shall be charged for excavation of ordinary earth from the borrow land and used in the construction of road or embankment anicuts, canals, dams in Government works, except in construction of National Highway, State Highway and Railway Tracks. The irregularities observed during the review of records from selected offices and executing agencies pertaining to the use of mineral ordinary earth are highlighted in the following paragraphs.

Scrutiny of records of STPs, no-dues certificates issued by the ME Bikaner and final bills passed by the Project Director, Rajasthan State Road Development and Construction Corporation Limited (RSRDCCCL), Bikaner revealed that two contractors applied and were granted two STPs under option 51(9)(iii) by ME Bikaner and AME Churu to use mineral grit/ballast Bajri/crusher dust sand and stone in the works. No STP was obtained for mineral ordinary earth. However, the contractors used mineral ordinary earth in the construction of State Highway (SH-06). After completion of the works, no-dues certificates were issued (July and November 2020) to the contractors by ME, Bikaner and AME, Churu.

Scrutiny of the final bills of both the construction works revealed that mineral ordinary earth (quantity 11.17 lakh MT) was used by the contractors without obtaining valid STPs. This has resulted in non-recovery of the cost of mineral (ordinary earth) amounting to ₹ 4.47 crore from the contractors. Details are given in Table 2.14 below:

**Table-2.14: Details of use of mineral ordinary earth without valid STPs**

ME/AME office	Work order No. & date	Name of Contractor	Name of work	Quantity of Ordinary Earth used as per final bills (In lakh MT)	Royalty 10 time (Rate in ₹ per MT)	Cost of Mineral (₹ in crore) {5x6}
1	2	3	4	5	6	7
ME, Bikaner	03/ 25.04.2018	M/s KRA – SCC JV Jodhpur	Development of Dungargarh-Sardarshahar - Rajgarh,Road from Km. 71/000 to 133/000 (S.H.-06)	2.50	40	1.00
AME, Churu	04/ 01.05.2018	M/s Rajendar Singh Bhamboo Infra P. Ltd. Jaipur	Development of Dungargarh-Sardarshahar- Rajgarh,Road from Km. 133/000 to 231/000 (S.H.-06)	8.67	40	3.47
			<b>Total</b>	<b>11.17</b>		<b>4.47</b>

Source: Compiled on the basis of information provided by the Works Departments and MEs concerned.

On being pointed out (July 2021), ME, Bikaner replied (January 2022) that demand of ₹ 99.82 lakh had been raised. The Government replied (May 2022) that offices concerned had been asked to give compliance. However, responses from the offices concerned are still awaited (January 2024).

### Use of River Sand

As per Rule 51(10) of RMMC Rules 2017, for the construction, repair and renewal of National or Mega Highways, Four or Six lane roads, laying and repairs of Railway Tracks, contractors shall apply as per sub-rule (3) and royalty and other payments shall be paid as per clause (ii) of sub-rule (9). Otherwise, they may obtain separate royalty paid *rawanna* from existing leases as per sub-rule (10) of Rule 44.

Scrutiny of the record of STPs and no-dues certificates issued (January 2019) by the ME, Bhilwara revealed that a contractor obtained (April 2013 to December 2016) 85 STPs from ME, Rajsamand-II and ME, Bhilwara after payment of advance royalty for use of mineral, ordinary earth and masonry stone in the work of National Highway<sup>30</sup> (November 2012). However, it was observed that the contractor used mineral river sand (quantity 71,216 MT) without obtaining STP, which was completely illegal. The contractor was, therefore, liable to pay the cost of the minerals, amounting to ₹ 2.14 crore<sup>31</sup>. However, ME Bhilwara assessed the work in January 2019 and recovered only the royalty amount of ₹ 0.20 crore for the river sand mineral, resulting in a shortfall of ₹ 1.94 crore.

The Government replied (May 2022) that notice for recovery of balance amount of ₹ 1.94 crore had been issued to the contractor. Status of recovery is still awaited (January 2024).

**(ii) Non/short deduction of Royalty and contribution towards DMFT and RSMET Funds**

**(a)** Rule 51(9)(iv) of the RMMC Rules, 2017 prescribes that the contractor shall apply for royalty deduction at the specified rates from running bills and a self-certified undertaking stating that the entire quantity of mineral used shall be royalty paid; and in such case, no assessment shall be required by the Department.

Therefore, the Works Departments and Local Bodies shall be responsible for deduction of prescribed amount from every running bill where the contractor opts for deduction of royalty/DMFT/RSMET amount from the running bills under the rule *ibid*.

Rule 13(1)(iii) of the DMFT Rules, 2016 prescribes that 10 *per cent* of royalty amount paid for minor minerals was required to be paid by the permit holder towards the DMFT Fund, *w.e.f.* 12 January 2015 in the account of the trust.

Further, according to Rule 8 (3) of RSMET, 2020, the mining leaseholders, quarry licensees and permit holders of minor minerals shall contribute to the Trust Fund in respect of any mineral removed from and/or consumed within the area allotted/permitted, a sum equivalent to two *per cent* of the royalty for first five years and thereafter a sum equivalent to one *per cent* of the royalty paid in terms of the Schedule II of the RMMC Rules, 2017.

Information of works awarded to the contractors for the period 2018-19 to 2020-21 and deduction of royalty and contribution towards DMFT, RSMET Funds by the seven Works Departments<sup>32</sup> was called for. These Departments provided work-wise details of deduction of royalty and contribution towards DMFT and RSMET Funds. Scrutiny of the information revealed that these

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<sup>30</sup> Four lane of Rajsamand - Bhilwara section of NH-758 (from Km 0.00 to Km 87.250) in the State of Rajasthan under NHDP phase-IV on Design, Build, Finance, Operate and Transfer (Toll) basis work order issued by National Highways Authority of India.

<sup>31</sup> 71,216 MT x Rate @ ₹ 30 Per MT x 10 = ₹ 2,13,64,800.

<sup>32</sup> Public Health Engineering Department (PHED), Public Work Department (PWD), Water Resources Department (WRD), Municipal Council Bhilwara, Additional District Project Coordinator, Samagra Shiksha (ADPC), Ajmer Smart City Limited (ASCL) and Municipal Board (MB).



Departments either did not deduct or short deducted the royalty and contribution towards DMFT and RSMET Funds amounting to ₹ 1.01 crore, i.e. royalty amount ₹ 76.60 lakh (172 works); DMFT Fund amount ₹ 23.49 lakh (705 works) and RSMET Fund amount ₹ 0.83 lakh (137 works) as shown in *Appendix-3*. The Mines and Geology Department also did not monitor the deduction of royalty contribution towards DMFT and RSMET Funds by Works Departments.

The Government replied (May 2022) that letters have been written to the Works Departments concerned for recovery of the amount. Further details are awaited till date (January 2024).

**(b) Procurement of minerals by Panchayat Samities**

According to the condition of the tender form for procurement of mineral, the *Panchayat Samities* were required to deduct the royalty amount from the bills of the contractors. However, if royalty has been paid by the firm, an affidavit should be attached to the bill.

There were four *Panchayat Samities*<sup>33</sup> having 136 *Gram Panchayats* under the area of selected AME/ME offices. Five *Gram Panchayats* from each *Panchayat Samiti* were selected and five works of each *Gram Panchayat* were checked.

It was observed that during the period 2018-19 to 2020-21, minerals amounting to ₹ 43.65 lakh were procured in test-checked 51 works by 16 *Gram Panchayats* of which royalty amount of ₹ 3.82 lakh was to be deducted. However, neither the contractors submitted the affidavit for supply of royalty paid mineral nor the *Gram Panchayats* concerned deducted the royalty.

The Government replied (May 2022) that letters have been written to the *Panchayat Samities* concerned for recovery of the amount pertaining to two of the offices<sup>34</sup> and compliance regarding remaining offices were called for. Further progress is still awaited (January 2024).

***Recommendation 6: The Department may consider expediting the compliance of the State Governments directions to link the web-site of Mines Department with the web-sites of the Works Departments and Panchayati Raj Institutions to avoid execution of works without STPs.***

### 2.7.11 The Audit Assessment

Management of STPs was deficient on several counts. The Department could not monitor timely assessment and recovery of royalty due to non-maintenance of registers and/or absence of desired information in the registers maintained by MEs/AMEs. Online system, i.e. DMGOMS, introduced four years back also had minimal impact in enhancing monitoring and compliance as in most cases, field units used only part of online processes. Applications for issue of STPs were received online. However, none of the offices issued e-STPs. The STPs were issued without scrutiny of applications, on blank application forms and with incomplete undertakings in many cases.

<sup>33</sup> Amet 20 GPs, Balesar 38 GPs, Baran 26 GPs, and Bikaner 52 GPs.

<sup>34</sup> AME Balesar and ME Amet.

Assessments were also not done diligently by the AMEs/MEs concerned. This resulted in double adjustment of transit passes, acceptance of *rawannas*/transit passes which were issued after the completion of the works or issued prior to the date of work order/STPs, and transit passes which were not related to work. Despite the above shortcomings, AMEs/MEs concerned considered these documents as evidence of royalty payment and issued no-dues certificates. These no-dues certificates were a clearance to the Works Departments for final payment to the contractors without making the due royalty deductions. Thus, undue advantage was extended to the contractors.

Lack of co-ordination between the Mines and Geology Department and other Departments of the State Government resulted in short/non-deduction royalty, DMFT and RSMET contribution.

During the Exit Conference (May 2022), the Director, Mines and Geology assured to take corrective actions to improve the system. However, actions taken so far, if any, have not been communicated to Audit (January 2024).

## **2.8 Illegal excavation of mineral by Brick Earth Permit (BEP) holder**

**The Department irregularly issued brick earth permit and failed to prevent the permit holder from excavating brick earth beyond the permitted depth. This resulted in illegal excavation and consumption of 46,419 MT brick earth involving cost of ₹ 1.16 crore.**

The State Government notified (10 June 1994) a procedure for issue of BEPs for use of mineral brick earth by the brick kilns. Accordingly, permits could be granted for a minimum period of one year and maximum period for five years. An applicant of BEP was required to submit an affidavit describing details of *Khasra* number from where brick earth is to be excavated. During the permit period, the permit holder can excavate and use brick earth only upto the permitted quantity.

The State Government inserted (November 2014) a new sub-Rule 63-B in the RMMC Rules, 1986 which provided that the excavation of brick earth, ordinary earth and ordinary clay upto a depth of one and half metre from the adjoining ground level shall be allowed.

Thereafter, RMMC Rules, 2017 were made effective from 1 March 2017. According to Rule 53(1) of RMMC Rules, 2017, no brick earth permit shall be granted if depth of brick earth is more than two metre from the surface.

Sub-Rule 8(ix) of the Rules *ibid* stipulates that the permit holder shall confine his working within the limits of the permit area and upto depth of two meter from the surface.

According to Rule 53(2) of RMMC Rules, 2017, the weight of one thousand bricks was 3.5 MT. However, by amendment (June 2017) in Rules, weight of one thousand bricks was reduced to 2.8 MT.

As per Rule 48(5) of RMMC Rules, 1986 and Rule 54(5) of RMMC Rules, 2017, whenever any person without a lawful authority raises any mineral from any land other than under any mineral concession or any other permission and where mineral so raised has already been dispatched or consumed, the



competent authority shall recover cost of mineral, which shall be taken as ten times of royalty along with compounding fee.

During audit (December 2020) of records of the office of the ME, Ajmer, it was noticed that a permit for excavation of 12,075 MT brick earth per annum was issued for a period of five years with effect from 28 July 2014. Brick earth was to be excavated from *Khasra* number 1228 and 1229 having an area of 0.35 hectare in village Nareli *Tehsil* Ajmer, district Ajmer. It was also noticed that Department had already sanctioned BEP twice on the same land and to the same applicant for excavation of 67,693 MT mineral brick earth during the period from July 2008 to July 2014.

Scrutiny of facts revealed that:

- The permit holder could excavate 7,350 MT brick earth<sup>35</sup> only in the land owned by him, *i.e.* 0.35 hectare up to a depth of one and half metre from the adjoining ground level, after insertion of Rule 63-B on 26 November 2014 and
- As the excavation of 67,693 MT<sup>36</sup> mineral brick earth was already permitted to the permit holder, therefore, further excavation of mineral was not to be permitted after 26 November 2014. However, the Department was not vigilant to ensure compliance of the amendments in the Rules (26 November 2014) and failed to prevent the permit holder from excavating brick earth beyond the permitted quantity.

Negligence of the Department resulted in illegal excavation of 46,419 MT<sup>37</sup> mineral brick earth involving cost of minerals of ₹ 1.16 crore<sup>38</sup> during the period 26 November 2014 to 27 July 2019.

The matter was reported to the Government (September 2021). The Government replied (February 2022) that the permit holder had illegally excavated quantity of 1.05 lakh MT of brick earth during the period 2008 to 2019. Penalty of ₹ 2.08 crore was recoverable. Notice would be issued to permit holder for recovery of the amount. Further, progress of recovery is awaited (January 2024).

<sup>35</sup> 3,500 meter x 1.5 meter (Depth) x 1.4 (Conversion factor) = 7,350 MT.

<sup>36</sup> 9,975 MT *vide* permit number 45 dated 23 July 2008 (One year) + 57,718 MT *vide* permit number 741 dated 28 July 2009 (Five years).

<sup>37</sup> 26 November 2014 to 25 June 2017 (31,194 MT) + 26 June 2017 to 26 November 2017 (4,025 MT) + 27 November 2017 to 27 July 2019 (11,200 MT).

<sup>38</sup> 46,419 MT brick earth X ₹ 25 (royalty rate) X 10 = ₹ 1,16,04,750.

**Public Health Engineering Department**

**2.9 Lackadaisical approach for recovery of amount against fake bank guarantee -Avoidable loss of ₹ 2.27 crore.**

**In a case of release of security against fake Bank Guarantee, inordinate delay by Public Health Engineering Department (PHED) Behror office to communicate about recovery to other PHED offices and inaction on the part of other offices resulted in release of payments to contractor and non-recovery of dues.**

A work order<sup>39</sup> of ₹ 24.04 crore was issued (March 2016) in favour of M/s Deem Construction Company Private Limited, Jaipur (Contractor) by the Additional Chief Engineer, PHED, NCR, Alwar. The stipulated dates of commencement and completion of work were 13 April 2016 and 12 October 2017 respectively. As per Condition No. 59.1 of the Contract a Performance Security equal to 10 *per cent* of contract price was to be provided by the contractor valid upto 28 days from the date of issue of the certificate of completion.

The contractor failed to maintain progress of work since beginning as activities such as projectwise detailed work plan, designs approval and survey work were delayed. The contractor stopped the work in October 2019 and could complete the work amounting to ₹ 9.09 crore only. Due to fundamental breach of contract conditions, PHED decided (May 2020) to terminate the contract, to effect recovery and to call for fresh tender for the balance work. PHED measured (September 2020) the final outcomes of the contract and worked out the recoverable amount against the contractor as ₹ 11.98 crore<sup>40</sup>.

As per Condition no. 59 of the contract, the contractor furnished Bank Guarantee (BG) of ₹ 2.27 crore (March 2016) valid up to 16 September 2017. However, due to non-extension of BG by contractor, the Executive Engineer (EE), Behror invoked the BG and retained ₹ 2.27 crore (September 2017).

Subsequently, the contractor requested (September 2019) for release of retained amount by submitting another BG of ₹ 2.27 crore, issued (13 September 2019) by SBI, JVPD Scheme Branch, Mumbai (SBI Mumbai). EE Behror released (24 September 2019) the retained BG of ₹ 2.27 crore after confirmation of BG from SBI Mumbai branch on the basis of e-mail (20 September 2019). Later, the contractor submitted (October 2019) another BG of ₹ 0.80 crore for release of retained Security Deposit-II (SD-II)<sup>41</sup>. On being asked through e-mail to confirm the second BG, SBI Mumbai intimated (October 2019) about non-issuance of any BG to the said contractor including the one for ₹ 2.27 crore stated to have been issued on 13 September 2019. EE Behror lodged (February 2020) First Information Report (FIR) against the submission of fake BG by the contractor which is still under investigation.

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<sup>39</sup> Work of providing, laying, jointing and commissioning of elevated services reservoirs and providing pumping system and ancillary works in Behror including provisional sum of ₹ 1.32 crore.

<sup>40</sup> ₹ 6.82 crore (50 *per cent* value of balance ₹ 13.64 crore) + ₹ 5.16 crore recovery against Bill of Quantities (BoQ) items.

<sup>41</sup> ₹ 0.80 crore.



EE informed (November 2019) the contractor about the fake BG and asked the contractor to submit a fresh BG of ₹ 2.27 crore. However, the contractor did not submit any fresh BG.

After lapse of six months, EE Behror requested (April 2020) other PHED offices<sup>42</sup> for recovery of the aforesaid amount from other ongoing works of the contractor. Audit observed that in PHED Project Division Bundi, this contractor had an ongoing work. However, even after being aware of the above incident of fake BG and recovery directions, PHED Project Division Bundi released ₹ 3.11 crore<sup>43</sup> to the same contractor between June 2020 to August 2021<sup>44</sup> without any recovery on this account.

Due to lackadaisical approach of PHED, the contractor found enough time to entangle the case in legal complications. The contractor filed a suit in the Commercial Court wherein it was decided (October 2020) to defer the recoveries. High Court Rajasthan further directed (March 2021) that fresh bids should be subject to final outcome of the present writ petition and the writ petition is under process (May 2022).

Thus, even after knowing about the fake BG, EE Behror did not take immediate steps for recovery and communicated other PHED offices for recovery after a lapse of six months. Further, even after this communication, EE Project Division Bundi failed to recover this amount and released ₹ 3.11 crore to the contractor. Consequently, the PHED was left with financial hold of only ₹ 1.46 crore against the recoverable amount of ₹ 11.98 crore.

On being reported (September 2021), the State Government replied (May 2022) that the firm filed a petition before the Commercial Court Jaipur who passed a stay order on 12 October 2020 and the matter is still sub-judice. The fact remains that due to lackadaisical approach to make recoveries after knowing about the fake BG and release of ₹ 3.11 crore (₹ 1.89 crore before the court stay order) to the contractor, the Department failed to recover ₹ 2.27 crore. This has resulted in avoidable loss of ₹ 2.27 crore. Even after being pointed out by audit no specific rectification steps to strengthen the system and to fix responsibility at project Division Bundi were taken so far.

## **2.10 Excess payment of price variation ₹ 17.04 crore**

**Incorrect indices, non-monitoring of declining trend of indices and lack of effective internal control resulted in over payment of price variation claims of ₹ 17.04 crore.**

As per Rule 22 (xviii) of Public Works Financial & Accounting Rules (PWF&AR) Part-I, the Divisional Officer will be responsible for timely payment to contractors as per terms of contract after safeguarding the Government interest. Rule 378 of PWF&AR Part-I provides that in lump sum contracts costing more than ₹ 100 crore with stipulated completion period exceeding 18 months, price variation will be applicable as per terms and

<sup>42</sup> Including Zonal, Circle and Division offices in Kota and Bundi

<sup>43</sup> ₹ 2.41 crore (Running Bill Payments) + ₹ 0.70 crore (SD-II)

<sup>44</sup> June 2020 to October 2020 (till Court stay order) - ₹ 1.89 crore, November 2020 to August 2021 - ₹ 1.22 crore

conditions of the contract. Clause 45 of conditions of contract stipulates that if during the progress of the contract, price of any material/bitumen/diesel/petrol/cement and steel incorporated in the work increases or decreases as compared to the price prevailing on the date of opening of tender or negotiation (where negotiated rates have been accepted), the amount payable to the contractor for the work shall be adjusted for increase or decrease in the rates.

Additional Chief Engineer, Public Health Engineering Department (PHED), Bikaner Region, issued (August 2013) a work order<sup>45</sup> for ₹ 475.90 crore<sup>46</sup> on turn key basis in favour of M/s L&T Limited Construction, Chennai (Contractor) with stipulated date of commencement and completion as 02 September 2013 and 01 September 2016 respectively. The work was completed on 02 January 2019 and contractor was paid ₹ 433.05 crore including ₹ 14.34 crore (December 2020) on account of price variation.

Test check of records at PHED Project Divisions Taranagar and Khetri revealed that as per contract terms, for calculation of price variation claims, prices of Hot Rolled Coil (HRC) were to be considered.

Soon after issue of work order, the HRC indices declined<sup>47</sup> continuously from the level of 153.1 (March 2014) to 127.8 (August 2016) and fell even below the Base indices (149.8). However, while computing price variation claim, the basis of indices of Steel Rods was considered in place of HRC.

Thus, due to adoption of incorrect indices for computation of price variation and non-monitoring the declining trend of indices, the Department made excess payments against price variation amounting to ₹ 17.04 crore (*Appendix-4*) indicating weak internal control System. Further, the financial hold against the Contractor under the contract was found only ₹ 0.09 crore which is negligible against the amount required to be recovered.

The State Government accepted the point (July 2022) and directed PHED to propose recovery from the firm. The fact however remains that the excess payment was made due to taking incorrect indices while allowing price variation and with negligible financial hold with the Department it would be very difficult to affect recovery.

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<sup>45</sup> Providing, laying, jointing, testing and commissioning of transmission pipelines from Jhunjhunu tehsil and rejuvenation and improvement of water supply system of Churu Bissau Project and allied works, O&M for 10 years after completion of defect liability period under Package-2 of Integrated Taranagar Jhunjhunu Sikar Khetri Drinking water supply project.

<sup>46</sup> ₹ 440.07 crore capital works + ₹ 35.83 crore O&M works.

<sup>47</sup> 153.1 (March 2014), 151.5 (June 2014), 149.9 (September 2014), 148.2 (December 2014), 144.8 (March 2015), 138.5 (June 2015), 131.1 (September 2015), 126 (December 2015), 125 (March 2016), 130.9 (June 2016) and 127.8 (September 2016).