

CHAPTER V

INTERNAL CONTROL MECHANISM IN GOVERNMENT DEPARTMENTS

TRANSPORT DEPARTMENT

5.1 Internal Control Mechanism in Transport Department

Highlights

Internal Control is an integral component of an organisation's management processes established in order to provide reasonable assurance that the organization's operations are carried out effectively, economically and efficiently, financial reports and operational data are reliable, and the applicable laws and regulations are complied with so as to achieve organisational objectives. Evaluation of Internal control mechanism in the Transport Department revealed deficiencies in financial, administrative, operational and monitoring controls. Internal audit arrangements were also deficient and unable to provide assurance against financial irregularities.

Cash Books were not properly maintained

(Paragraph 5.1.7.2)

Rules regarding maintenance of Receipt Books were not followed

(Paragraph 5.1.7.4)

Incorrect financial information was furnished to Government

(Paragraph 5.1.7.5)

Deficiencies were noticed as regards execution of security bonds by employees dealing with valuables

(Paragraph 5.1.8.4)

Smart Card Based Driving Licence project could not be optimally utilised for want of installation of suitable software/creation of Infrastructure

(Paragraph 5.1.9.1)

Vehicles brought in to Gujarat were not assigned registration marks even after lapse of 12 months

(Paragraph 5.1.9.2)

Non-initiation of departmental action resulted in huge accumulation of cases besides offenders remaining un-penalized for long periods

(Paragraph 5.1.9.6)

Fitness certificates of vehicle were not issued even after expiry date

(Paragraph 5.1.9.9)

Departmental inspections were not carried out as prescribed

(Paragraph 5.1.10.1)

5.1.1 Introduction

Internal control is an integral process which is designed to provide reasonable assurance to the Department about compliance with applicable policies, norms and rules for achieving reliability of financial reporting and efficiency in Departmental operations.

The Transport Department is responsible for enforcement of Motor Vehicle Act (MV Act, 1988), issuance of driving licences of all types of motor vehicles, registration of vehicles etc. through Commissioner of Transport (CoT).

5.1.2 Organisational set-up

The Additional Chief Secretary (ACS), Transport Department is responsible for formulation and implementation of policies and programmes relating to the Transport Service and enforcement of MV Act, 1988. ACS is assisted by CoT¹ for implementation of Government programmes. CoT enforced the provisions of MV Act and Rules through 25 district level officers (RTOs/ARTOs) and 11 subordinate officers². Organisational set-up is appended (**Appendix-XXXIII**).

5.1.3 Audit Objectives

The audit objective was to ascertain the adequacy of various Internal controls in the Department, such as:

- Financial controls
- Operational controls
- Administrative controls, and

¹ Head of the Department

² 10 incharge Officers of Check Posts and one Motor Vehicle Inspector

- Monitoring including Internal Audit and Vigilance arrangements.

5.1.4 Audit criteria

The criteria used to assess the Internal controls were:

- Internal control system prescribed by the Department
- Internal audit arrangements in the Department
- Provisions prescribed in the General Financial Rules

5.1.5 Audit coverage

A review of the Internal control mechanism including Internal Audit arrangement in the Transport Department for the period 2003-08 was conducted during February – August 2008. Test check of records was conducted in the Secretariat, office of the Commissioner of Transport, Regional Transport Offices (RTOs) in seven districts³ out of the 25 districts in the State and nine⁴ out of 11 subordinate offices.

5.1.6 Audit Methodology

Review was carried out by preparing audit guidelines, collecting and analyzing statistical data and conducting discussions with officers of implementing and monitoring departments. Physical evidences were obtained in the shape of replies to audit queries, copies of documents, etc. and results thereof are incorporated in the form of audit findings.

Audit findings

5.1.7 Financial controls

5.1.7.1 Preparation of Budget estimates

Budget provision and expenditure incurred there-against by the Department during 2003-08 were as follows: –

(Rupees in crore)				
Year	Budget provision	Expenditure	Excess (+)/ Savings (-)	Percentage of Excess (+)/ Savings (-)
2003-04	27.39	25.78	(-) 1.61	(-) 5.88
2004-05	30.56	24.51	(-) 6.05	(-) 19.80
2005-06	33.19	31.90	(-) 1.29	(-) 3.89
2006-07	26.15	26.14	(-) 0.01	(-) 0.04
2007-08	38.40	38.58	(+) 0.18	(+)0.47
Total	155.69	146.91	(-) 8.78	

³ Ahmedabad, Bhuj, Jamnagar, Palanpur, Rajkot, Valsad and Vadodara

⁴ Check posts at Amirgadh, Ambaji, Bhilad, Gundari, Jamnagar, Tharad, Thavar ,Waghai and Motor Vehicle Inspector, Gandhidham,

There was no provision for Plan funds.

There was saving of Rs.1.61crore (5.88 *per cent*) and Rs.6.05 crore (19.80 *per cent*) as against budget provision during 2003-04 and 2004-05 respectively. The department attributed the savings to non-receipt of Government sanctions for payment to a contractor entrusted with the work of issuance of Smart Cards. Budget preparation i.e. estimates vis-à-vis expenditure were satisfactory.

5.1.7.2 Improper maintenance of Cash Book

Several deficiencies were noticed in maintenance of Cash Book

Rule 28 of Gujarat Treasury Rules (GTRs) provides that all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the Head of Office (HoO) in token of having been checked. HoO should verify the totals of Cash Book, or have it verified by some responsible subordinate other than the writer of Cash Book and authenticate it as correct.

The rules also provide that at the end of each month, HoO should verify the physical cash balance with the balance in the Cash Book and record a dated certificate to that effect mentioning therein the balance, both in words and figures. However, in all the offices test checked, omissions of following nature were noticed –

- Attestation in the Cash Book against each transaction was not done by the HoO;
- Totals in Cash Book were not checked by HoO or the same were not verified by a person other than the writer of Cash Book;
- The HoO had not verified the physical cash balance with the balance shown in the Cash Book at the end of the month;
- The corrections made in the Cash Book were not attested by the authorized officer; and
- In the Cash Book maintained by Motor Vehicle Inspector (MVI), Gandhidham, entries were not made as per columns prescribed therein.

Though GTR stipulated various checks to be applied, they were not followed. Thus, non-observance of the provisions of the GTR in respect of maintenance of the Cash Book is fraught with risk of mistakes in totals remaining undetected leading to possible mis-appropriation of funds. It is suggested that provisions under GTRs must be adhered to in interest of financial discipline.

The CoT issued (August 2008) instructions to subordinate offices to maintain cash book according to the provisions of GTR.

5.1.7.3 Non-reconciliation of remittances

Additional Chief Secretary, Transport Department, Commissioner of Transport and one subordinate office did not get remittances into treasury reconciled

Rule 28(IV) of GTRs provides that all Treasury remittances are required to be reconciled every month and certificate to that effect obtained from Treasury Officer. ACS, CoT and MVI, Gandhidham did not carry out the reconciliation of remittances during 2003-08.

No control mechanism was evolved to detect non-compliance to the provisions of GTRs.

The CoT issued (August 2008) instructions to subordinate offices to reconcile the remittances with the Treasuries. However, a time frame for reconciliation may be finalized with the Treasury Officers.

5.1.7.4 Improper maintenance of Receipt Books

Instructions regarding maintenance of Receipt Books were not followed

Rule 35 of GTRs provides that double sided carbon paper is to be used with each receipt folio to avoid unauthorized additions, alterations, corrections therein. In none of the district level offices test checked, the double sided carbons were used. Further, RTO, Rajkot, used receipt books were not returned to HoO for his personal custody as required under Rule 36 of GTRs. Following common defects were also noticed in maintenance of Receipt Book Register in the entire test checked RTOs –

- Date of issue of Receipt Books and name of receipt were not mentioned and signature in token of receipt not obtained;
- Dates on which used books received back were not shown;
- Office seal not affixed on each page of Receipt Book Register;
- Entries of Register not authenticated by the competent authority; and
- Monthly abstract/closing not done.

Physical verification of blank and used Receipt Books was not done since April 2003. The control mechanism evolved to ensure that the receipt books are not mis-used was not followed. Improper maintenance of the Receipt Book Register and non-conducting of Physical verification of blank and used Receipt Books as per the provisions may lead to its misuse.

The CoT issued (August 2008) instructions to subordinate offices to maintain the receipt books as per rules.

5.1.7.5 Submission of incorrect financial information

Commissioner of Transport furnished incorrect information to Government regarding outstanding dues

The CoT was submitting annual information regarding arrears of various taxes to be recovered from the vehicle owners to the Government. The details of the outstanding taxes are shown below –

(Rupees in lakh)

Year	Arrears of BMV Tax ⁵		Arrears of Goods Tax ⁶		Arrears of Composite Tax ⁷		Total (2+4+6)	Total (3+5+7)
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	2	3	4	5	6	7	8	9
Opening balance as on 01-04-2003	37367	836.38	7953	149.86	1448	1337.42	46768	2323.66
2003-04	3813	405.06	2	0.76	218	445.40	4033	851.22
2004-05	2935	463.33	0	0	235	417.46	3170	880.79
2005-06	4773	647.09	0	0	455	553.34	5228	1200.43
2006-07	3530	558.39	27	1.16	2081	1979.98	5638	2539.53
2007-08	3589	199.35	0	0	876	366.55	4465	565.90
Total	56007	3109.60	7982	151.78	5313	5100.15	69302	8361.53

Government orders (June 2003 and June 2007) provided that penalty at 25 per cent and interest at 18 per cent shall be recoverable on the taxes outstanding. However, the element of interest and penalty recoverable on arrears of taxes were neither calculated nor included in the statement furnished to Government.

Though recovery notices were issued periodically, non-recovery of arrears of taxes for a period of 36 years (outstanding since 1972-73) shows that CoT has almost no control over collection of dues.

5.1.8 Administrative Controls

5.1.8.1 Absence of mechanism to watch receipt of Property Returns

No mechanism provided or existed to watch receipt of Property Returns from Government servants

Rule 19 of the Gujarat Civil Service Conduct Rules and Gujarat Civil Service (Discipline & Appeal) Rules, 1971 provides that

- All Government Servants at the time of entering in service should submit a declaration regarding assets possessed by them.
- All Gazetted Officers should submit the return regarding the assets acquired/disposed off by them during the year by end of December;

⁵ Bombay Motor Vehicle Tax

⁶ Goods Tax means Tax for overloaded vehicle

⁷ Composite Tax means Contract Carriage Bus Tax

- All Class-III and IV employees should submit the return every five year i.e. at the age of 25, 30, 35 and so on giving details of the assets acquired/disposed off by them during the preceding five years;
- Government Servants can acquire/dispose off immovable and movable assets (above prescribed ceiling) only after obtaining permission from the competent authority.

No control mechanism existed to watch timely and regular receipt of the property returns from the Government servants.

The CoT agreed (August 2008) to collect the property returns and to make necessary entries in the service books of the concerned officials.

5.1.8.2 Delay in completion of Departmental Inquiry cases

**Departmental
inquires were not
completed in time**

Government in General Administration Department (GAD) instructions (July 1993) provide that the major and minor departmental inquiry cases are required to be completed within 382 days and 142 days respectively.

A review of records of ACS, Transport, however, revealed that in 10 major and 21 minor inquiry cases, the inquiry was not completed within the stipulated period. The delay as of May 2008 ranged from 18 days to 2518 days (major cases) and 230 days to 2333 days (minor cases) (**Appendix-XXXIV**).

No control mechanism was evolved by the department to satisfy itself that the provisions of the administrative instructions are fully observed with.

The delay in finalisation of departmental inquiry cases slow down the efforts to curb omissions/irregularities and result in avoidance of punitive action for long time.

5.1.8.3 Absence of periodical physical verification

**Periodical
verification of dead-
stock articles and
other items were not
conducted**

According to the provisions contained in Rule 98 of Bombay Contingent Rules, all dead stock articles, library books, stationary articles, consumable articles are to be physically verified annually and certificate to that effect recorded in the respective registers. Audit scrutiny revealed that physical verification was not done annually in any of the offices test-checked as detailed in **Appendix- XXXV**.

The control mechanism evolved by the department to satisfy itself that the assets of Government, such as dead stock articles, library books, stationary articles, consumable articles are physically available within the office, was not followed.

Thus, in absence of periodical physical verification, existence of assets could not be ensured.

The CoT assured (August 2008) that verification of physical assets would be ensured as per rules in future.

5.1.8.4 Deficiencies in execution of security bonds

Security Bonds were not obtained from many staff members dealing with valuables; solvency was also not verified in two offices

Rule 176 of Gujarat Financial Rules provides that the government servants entrusted with the work relating to handling of cash, stamp, library books and collection of government money etc. should give security bond (of such amount as fixed by the competent authority) within 30 days from the date of taking over charge. If personal security is given by the employee, solvency certificate was to be obtained every year to verify the assets of the guarantor. Audit scrutiny revealed that –

- Additional Chief Secretary, Transport Department (three cases), CoT (five cases) and five RTOs⁸ (118 cases) had not obtained Security Bonds from the persons who handled cash/valuables during 2003-08;
- Regional Transport Officers (Vadodara and Valsad) had not verified the solvency in respect of 58 and 28 employees respectively;
- No control mechanism was evolved by the department to adhere to the provisions of Rule 176 of GFR regarding obtaining of Security Bond as well as solvency certificate.

The CoT informed (August 2008), remedial action would be taken immediately.

5.1.8.5 Non-preparation of Departmental Manual

Department did not have its own manual

The Department follows the Manual of Office Procedure issued by the General Administration Department (GAD) and various internal control measures prescribed in its General Circular (August 1987). The Department did not have a separate manual specific for the department.

5.1.8.6 Non-recovery of Government dues

Government dues were not recovered from the owners of vehicles detained

Where fines/penalties for offences committed are not paid by owners, vehicles are detained by RTOs. Test checked revealed that 123 vehicles detained for periods ranging from one to 15 years for non payment of fines/penalties amounting to Rs.58.41 lakh are lying with six RTOs/ARTOs as shown in **Appendix-XXXVI**. In Bhuj, 14 vehicles were detained but amount leviable from offenders was not assessed.

No mechanism was evolved by the department to recover government dues in time. Delay in disposal of the seized vehicles may result in decrease in sale value of vehicles with passage of time the chances of recovery of government dues would be remote.

The CoT replied (August 2008) that all the RTOs were directed (August 2008) to review the cases and to take necessary action to recover the Government dues.

⁸ Ahmedabad (31), Bhuj (24), Jamnagar (15), Palanpur (28) and Rajkot (20)

5.1.9 Operational controls

Operational controls are enforced through presenting and enforcing office procedure/manual or any financial manual which provides guidelines to the officials in respect of their specific duties to be carried out. The manual also helps the Head of Office/Departments as a tool of administrative/operational control. Deficiencies in operational controls are described below.

5.1.9.1 Licences issued under Smart card Technology

Government failed to implement the SCBDL project in spite of spending Rs.29.75 crore

Mention was made in Audit Report 2002-03 regarding the introduction of Smart Card Based Driving Licence (SCBDL). The SCBDL was introduced in 1999 to curb the evils, such as traffic offences not recorded, errant drivers going unpunished, fake licences replacing cancelled licences, fake entries recorded to process fraudulent insurance claims (based driving licences) etc.

In the new SCBDL project, the frequency of breach of rules can be checked through Hand Held Terminals (HHT) when connected through network with central server linked with all the RTOs/ARTOs.

An amount of Rs.29.75 crore was expended on the SCBDL (March 2008) project on purchase of 25 systems(Rs.2.57 crore) supplied to all the RTOs/ARTOs alongwith 192 HHT (Rs.0.63 crore) to be provided to all the technical and field officers of CoT and subordinate offices, networking and other items.

However, even after lapse of nine years from the commencement and an expenditure of Rs.29.75 crore, SCBDL project could not be operationalized for want of installation of suitable software/creation of infrastructure such as;

(1) The software of HHT does not lend itself to :-

- entering the Code Number for all type of offences to show the number of times and types of the offences being committed by the licensee when Smart Card Driving Licence is inserted in the HHT;
- entering the details such as vehicle registration number, name of vehicle owner, number of driving licence of driver in case of driver does not have driving licence with him/her at the time of offence to facilitate the authority to search out the offender if he did not turn up for inquiry;
- reading the new licences issued.

(2) Non-issuance of validation card to the concerned Motor Vehicle Inspector to whom the HHT was issued.

(3) Non-establishment of network consisting of a central server and all the RTOs/ARTOs/check posts.

Thus, failure on the part of CoT to implement the SCBDL project resulted in unfruitful expenditure of Rs.29.75 crore.

The CoT stated (July 2008) that due to non-establishment of connectivity of central server with all the RTOs/ARTOs/check posts as planned and because of administrative and other reasons, the project could not be utilised optimally. Government confirmed (August 2008) the reply given by CoT.

5.1.9.2 Assignment of new Registration mark to vehicles of other States

As per Section 47 of MV Act 1988, any vehicle brought in to Gujarat from other States should be assigned registration mark, if it is kept in Gujarat for a period exceeding 12 months.

Vehicle brought into Gujarat from other states were not assigned new registration marks

However, in the four test checked RTOs⁹, 234 vehicles out of 1184 vehicles brought in to Gujarat during 2003-08 were not assigned registration marks. In RTO, Jamnagar, in all the 93 test checked cases there was no record to show whether the new registration mark was allotted to other state vehicles.

Audit observed that though these offices had addresses of the vehicle owners, no effort was made to approach owners to get their vehicles registered in the State.

Though there is an enabling provision in the Act to compulsorily register such vehicles in the State, audit noticed that there is no internal control mechanism to ensure that vehicles entering Gujarat and operating for more than 12 months are registered in the State. This resulted in vehicles of other States running in the State without getting registration mark in violation of provisions of the Act.

5.1.9.3 Re-registration of non-transport vehicles

Re-registration of non transport vehicles was not done even after the expiry of their registration

Under section 41(7) of MV Act, a certificate of registration issued under section 41(3) in respect of motor vehicles other than transport vehicle, is valid for a period of 15 years from the date of issue and shall be renewable. If the owner fails to make an application to the registering authority for renewal of registration, penalty of rupees hundred may be imposed. Once the validity of registration of such vehicles expires after 15 years, these vehicles cannot be plied on the road.

Scrutiny of records in audit revealed that:-

In RTOs Vadodara and Palanpur, registration of 1,05,133 and 42,652 non-transport vehicles respectively expired during 2003-08. However, registration of only 290 and 17 vehicles respectively was cancelled during this period. In RTO, Valsad, registration of 834 vehicles expired during 2003-04 but not a single vehicle was re-registered. Similarly in RTO, Jamnagar, only 15 out of 209 vehicles were re-registered.

Despite an enabling provision in the Act to cancel the registration of such vehicles after 15 years, the authorities did not initiate action either to get these vehicles re-registered or cancel the registration of vehicles.

⁹ RTO Palanpur -79 out of 182 vehicles, RTO Rajkot -41 out of 203 vehicles, RTO Vadodara -88 out of 267 vehicles, and RTO Valsad-26 out of 532 vehicles

5.1.9.4 Suspension/Cancellation of Driving Licences

Errant drivers went unpunished

Under Section 184 of MV Act 1988, if a person is caught driving dangerously, he/she is liable to be punished with imprisonment upto six months or a fine upto Rs. 1000 for first offence and imprisonment of upto two years or fine upto Rs. 2000 for second and subsequent offences.

Further, as per Section 21 of MV Act 1988, driving licence of a person should be suspended in case of dangerous driving causing death or grievous hurt to one or more persons. Further, as per section 22(2), the licence should be cancelled, if he is convicted by the Court of Law and under section 22(3) the Court shall take the driving licence in its custody, endorse the cancellation and send the driving licence, so endorsed to the authority by which the licence was issued or last renewed.

The CoT (August 1996) asked all the RTOs to suspend the licence of such drivers for a period of six months.

Scrutiny of Licence Suspension Register and copies of FIR revealed that only cases of death due to accident were reported to Licence Branch and licences were suspended thereof. Cases of dangerous driving, driving in drunken state were dealt with by Departmental Action Branch and only fine was imposed. No such case which falls under Section 184 was reported to Licence Branch.

Test check of the records for the period 2003-08 of six RTOs¹⁰ revealed that in 1970 out of 2429 cases (Ahmedabad) and in 33 out of 258 cases (Rajkot) no action of suspension of licence was initiated. Further, records of Valsad and Rajkot revealed that the system of receipt of endorsement from Court as stipulated in Section 22 (3) of the Act which resulted in suspension or cancellation of driving licences was not in operation.

Twelve cases test checked at Valsad revealed that notices were issued to the defaulters but no response came and department did not take any further action. In eight out of above mentioned twelve cases the vehicles involved were registered with licensing authorities of other States. However, no communication for suspension/ cancellation of licences was made to them by RTO Valsad.

This indicates that there was no control mechanism evolved by the department to keep watch over the offenders by establishing link between various branches of the office. There was also an absence of liaisoning with other concerned offices, like court of law, police etc.

Failure of internal control mechanism resulted in non-action under Section 184 and 185 of the Act against habitual offenders.

¹⁰ Ahmedabad, Rajkot, Valsad, Vadodara, Palanpur and Jamnagar

5.1.9.5 Non renewal of Licences to Driving Schools

Licences of driving schools were not renewed ever after their expiry

Under the provisions laid in Rule 24 of the Central Motor Vehicle Rules, 1989 no person shall establish or maintain any driving school or establishment for imparting instructions for hire or reward in driving motor vehicles without a licence granted by the licensing authority. Duration of such licence, as provided in Section 25 of the Act, shall be in force for a period of five years and may be renewed on an application to licensing authority.

Audit scrutiny of records revealed that in RTO, Ahmedabad 50 driving schools out of 101 and in RTO, Valsad 14 driving schools out of 42 are operating without valid licence for periods ranging from 2 years to 16 years. This may result in the driving schools imparting training without having prescribed minimum requirements of proper facilities and infrastructure.

Though Rules provide for renewal of licence after five years, there exists no internal control mechanism to ensure that Driving Schools are operating on valid licences.

5.1.9.6 Offenders not penalized

Pendency of offender cases in the Department

As per section 200 of MV Act 1988, any offence committed before or after commencement of the Act and punishable under section 177 to 182 etc. may be compounded by such officers or authorities and for such amount as the State Government may notify in the Gazette.

Review of records maintained in RTO Palanpur revealed that 28,698 cases were pending for finalization as of April 2003. The departmental officers/police reported 1,07,574 new cases during the period 2003-04 to 2007-08 and disposed of 99,067 cases leaving balance of 37,205 cases as of 31 March 2008. Similarly, in RTO, Rajkot 49,729 cases were pending for finalization as of July 2008. After booking of the offences under different provisions of Act, the department issues notices to motor vehicle owners/drivers to put forward their plea. However, offenders do not turn up to pay fine etc. The department failed to pursue/monitor such cases for taking action under MV Act, 1988.

The department had no internal control mechanism to ensure that persons who had violated the provisions of the act report to the registering authority within the stipulated time and pay fine prescribed for offences to be credited into Government Account. This resulted in huge accumulation of cases, and offenders were not penalized for long periods of time.

5.1.9.7 Improper maintenance of Revenue Recovery Certificate Register

Revenue recovery mechanism was not scrupulously adhered to

Revenue Recovery Certificate (RRC) Register contains details of defaulters who did not pay the Government dues and are referred to Revenue Authorities to carry out the recovery. Review of RRC Register revealed that it did not contain following vital details :-

- Office seal was not affixed on each page of register; a certificate regarding number of pages contained in the register was not recorded;
- Details of number of RRCs issued, date of issue of RRC, action taken, disposal of cases, amount of recovery etc. were not recorded;
- Monthly abstract showing opening balance, addition, clearance and closing balance were not made; and entries of register were not authenticated by the competent authority.

Non-maintenance of register with required details may lead to delay/omission in recovery of Government dues.

The CoT directed (August 2008) all the subordinate offices to maintain the RRC registers properly.

5.1.9.8 Non-Levy of service charges

Five per cent service charges were not recovered from the defaulters

As per rule 117 (C) of Gujarat Land Revenue Rules, 1972, service charge at the rate of 5 per cent of tax amount is to be recovered from the defaulters in cases where recovery is to be effected as arrears of land revenue.

It was noticed from the records maintained by the RTOs, Vadodara and Palanpur that during the period 2003-08, in 1101 cases referred to Mamlatdar for recovery, neither the RTOs nor Mamlatdars (Vadodara, Palanpur) included the service charge in demand notices issued to defaulters. Thus, service charge, though leviable under the land revenue rules remained to be levied.

5.1.9.9 Certificates of fitness of Transport Vehicles

Certificates of fitness were not issued to transport vehicles

As per section 56 of the MV Act 1988, a Transport vehicle shall not be validly registered, for the purpose of section 39 unless it carries a certificate of fitness. In cases of new vehicles, renewal of fitness is required to be taken after two years and in other cases every year. The Government has prescribed fitness testing fee.

Audit scrutiny revealed that:-

(i) In RTO, Vadodara, 94,328 vehicles and in RTO Palanpur 7,645 vehicles which were registered during 2003-06 and were required to take fitness certificate during the period 2006-08, had not taken fitness certificate in spite of the expiry of requisite period.

(ii) In RTOs, Jamnagar, Valsad and Rajkot, in absence of recording the facts of certificate of fitness in Motor Vehicle Register, audit could not verify the status.

Records produced to audit revealed that there were no internal control systems to ensure that transport vehicles compulsorily take fitness certificate. In absence of basic records of fitness of vehicle, the department can not ascertain how many vehicles were required to be issued fitness certificates.

5.1.9.10 Non-issuance of Pollution Control Certificate

Pollution Under Control certificate (PUC) was not issued to a large number of vehicles

Rule 115 (7) of the Central Motor Vehicle Rules, 1989 provides that after the expiry of a period of one year from the date on which the motor vehicle was first registered, every such vehicle shall carry a valid "Pollution Under Control"(PUC) certificate issued by an agency authorized for this purpose by the State Government. The validity of certificates shall be for six months and the certificate shall always be carried in the vehicle and produced on demand by the officers referred to in sub rule (1) of rule 116.

As of March, 2005, 86.22 lakh vehicles were registered in the State. As per above provision, these vehicles were required to be tested six monthly and PUC certificate were to be issued to them. Hence, 1.72 crore PUC certificates were required to be issued by the agencies authorized for the purpose by the State Government during 2005-06 and for every subsequent year.

However, information made available to audit indicated that as against 5.17 crore PUC certificates required to be issued during 2005-08, only 18.64 lakh (3.60 *per cent*) PUC certificates were issued. Thus, there was shortfall of 4.99 crore in issue of PUC certificates during 2005-08 as detailed in **Appendix XXXVII**. The CoT stated (July 2008) that due to shortage of executive staff, *cent per cent* checking of vehicles was not possible. It was further stated that, in the absence of substantial income from the issuance of PUC certificates persons are not ready to open PUC Centers as there is heavy investment in establishing the PUC center.

Above facts revealed that the Commissionerate and Government failed to exercise effective operational control which defeated the very purpose of prevention and control of vehicular pollution as provided in the Act.

5.1.10 Departmental Inspection including Internal Audit and Vigilance arrangements

5.1.10.1 Departmental Inspection

Departmental and administrative inspections were not conducted regularly

The GAD directed (August 1987) the department to check (i) implementation of rules and regulation, (ii) hearing and redressal of public complaint and Government servants; and (iii) maintenance of office records, while carrying out inspection to assess the work done under the schemes and programmes.

However, a review of records of Administrative Department revealed that Department had not conducted the inspection of CoT for the last three years.

Review of records also revealed that CoT had never conducted administrative inspection of 11 subordinate offices. In other cases, the delay ranged from one to six years (**Appendix- XXXVIII**).

Thus, the control mechanism evolved for reviewing the functioning of the department by Government was not followed.

The CoT agreed (August 2008) to carry out the departmental inspection as per norms.

5.1.10.2 Vigilance

Vigilance inquiries were not conducted timely

The standing instructions of Government provide that preliminary inquiries on vigilance complaints should be completed within four months from the date of their receipt. However, ACS, Transport had not maintained any Control Register to watch the pendency of preliminary vigilance inquiries and their completion within the stipulated period.

A review of the information furnished by ACS revealed that as of May 2008, in 11 cases the preliminary inquiry was not completed within the stipulated period.

Due to non-maintenance of control Register, correct position regarding pendency could not be ascertained. Further due to delay (ranging from six months to 57 months), the offenders may remain unpunished.

The department has not evolved any control mechanism to satisfy itself that the provisions of the standing instructions are complied with.

5.1.10.3 Response to Inspection Reports of the Accountant General

No effort was made by the Department for the speedy settlement of IRs

Observations as a result of the test check of the accounts by the Accountant General (AG) are communicated through Inspection Reports (IRs) to the HoO. First replies to the IRs were to be sent to the AG within one month from the date of receipt of report. A half yearly report on pending IRs is sent by the AG to the Secretary of the Administrative Department to facilitate monitoring of the action on audit observations.

A review of the details of outstanding paragraphs issued up to March 2008 and outstanding (June 2008) in respect of the CoT revealed that of the 11 IRs containing 33 paragraphs pending for settlement (1997-2008); four IRs (13 paragraphs) were outstanding for more than five years.

Failure to ensure expeditious settlement of the objections/irregularities brought out in the IRs may lead to persistence of the irregularities.

5.1.10.4 Internal Audit Wing

Department did not have independent internal audit wing

Internal audit wing examines and evaluates the level of compliance with departmental rules and procedures so as to provide reasonable assurance to the management on the adequacy of the internal control mechanism of department. It was noticed that there is no separate and independent audit wing in the department. Thus, the absence of an independent internal wing

denied the management an assurance on the adequacy and effectiveness of prescribed internal control system in the department.

5.1.11 Conclusion

Internal control provided for maintenance of cash book was not followed. Rules regarding issue of receipts were not followed. Control mechanism to ensure physical existence of dead stock, library books, stationery, consumables etc. did not work. Financial interest of Government was not protected by obtaining security bond from all employees handling cash and valuables. Head of Department did not furnish correct information regarding overdue revenues to Government. The project of smart card based driving licence could not be utilised for want of proper installation/infrastructure. Non-assignment of new registration mark to vehicles of other states, non-suspension/cancellation of driving licences of errant drivers, non-renewal of licences of driving schools and non-issuance of fitness certificates to transport vehicles were noticed. Non-initiation of departmental action resulted in huge accumulation of cases besides offenders remaining un-penalised for long periods. Department did not have its own manual. Department did not have independent internal audit wing.

5.1.12 Recommendations

Government should envisage developing and strengthening the internal control system with a view to assure itself that different areas of operation of transport department achieve its organizational objectives efficiently, effectively and economically. It is recommended that:-

- cash book should be maintained as provided in Gujarat Treasury Rules;
- regular reconciliation of remittances with the treasuries should be conducted;
- physical verification of dead stock/asset register and other items should be done regularly;
- optimum utilization of the smart card based driving licence should be ensured by providing the necessary infrastructure and software;
- new registration marks to vehicles of other States should be assigned;
- driving licences of errant drivers should be suspended/cancelled;

- internal audit/departmental inspection/vigilance arrangements should be conducted regularly.

The matter was reported to Government in August 2008; reply has not been received (August 2008).

Rajkot
The

(K.K. SRIVASTAVA)
Accountant General (Civil Audit) Gujarat

Countersigned

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The

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