

CHAPTER-IV TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1 Tax administration

The Uttar Pradesh Motor Vehicle Taxation Act, 1997 (UPMVT Act), UP Motor Vehicles Taxation Rules, 1998, Motor Vehicles Act, 1988 and Motor Vehicles Rules, 1989 provide for levy of various types of taxes viz. goods tax, additional tax (passenger tax) and fees etc. in the State.

The entire process of assessment and collection of taxes and fees is administered and monitored by the Transport Commissioner of UP, Lucknow, who is assisted by two Additional Transport Commissioners at Headquarters office and six Deputy Transport Commissioners (DTCs), 19 Regional Transport Officers (RTOs) and 70 Assistant Regional Transport Officers (Administration) (ARTOs) in the field.

4.2 Cost of collection

The gross collection in respect of taxes on vehicles, goods and passengers, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of cost of collection to gross collection for 2008-09 are mentioned below:

(` in crore)

Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage of cost of collection 2008-09
Taxes on vehicles, goods and passengers	2007-08	1,255.49	36.15	2.87	
	2008-09	1,391.15	50.43	3.62	2.93
	2009-10	1,674.55	69.16	4.13	

The cost of collection of the Transport Department is higher than the all India average.

The Department needs to take appropriate measures to bring down the cost of collection.

4.3 Revenue impact of audit

During the last five years (excluding the report of the current year), we through our Audit Reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ` 308.82 crore in 1,240 cases. Of these, the Department/Government had accepted audit observations in 273 cases involving ` 29.83 crore and had since recovered ` 3.55 crore. The details are shown in the following table:

(` in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	39	190	61.57	115	25.15	114	0.61
2005-06	41	250	20.45	3	1.73	1	0.02
2006-07	48	243	14.01	3	0.21	3	0.18
2007-08	62	213	94.45	4	0.25	4	0.25
2008-09	71	344	118.34	148	2.49	148	2.49
Total	261	1,240	308.82	273	29.83	270	3.55

4.4 Results of audit

Test check of the records of 71 units relating to Transport Department receipts revealed under assessment of tax and other irregularities involving ` 26.46 crore in 245 cases which fall under the following categories:

(` in crore)

Sl. No.	Category	Number of cases	Amount
1.	Working of Transport Department (A review)	1	15.60
2.	Non/short levy of passenger tax/additional tax	127	8.00
3.	Under assessment of road tax	8	0.44
4.	Short levy of goods tax	9	0.40
5.	Other irregularities	100	2.02
	Total	245	26.46

During the course of the year, the Department accepted underassessment and other deficiencies of ` 84.93 lakh in 40 cases, which were pointed out in audit in earlier years. This amount has since been recovered.

A review on **Working of Transport Department** with financial impact of ` 15.60 crore is mentioned in the succeeding paragraphs.

4.5 Working of Transport Department

Highlights

- There was short levy of additional tax of ₹ four crore on passenger vehicles of other States.
(Paragraph 4.5.14)
- Short assessment of additional tax on stage carriages resulted in short realisation of ₹ 8.72 crore.
(Paragraph 4.5.15)
- Non-levy of tax on laden weight of vehicles resulted in non-realisation of tax of ₹ 2.18 crore and penalty of ₹ 54.53 lakh.
(Paragraph 4.5.16)
- Non-issue of certificate of fitness resulted in non-realisation of fitness fee of ₹ 2.95 crore and penalty of ₹ 5.77 crore.
(Paragraph 4.5.17)
- Non-creation of Accident Relief Fund (ARF) resulted in non-credit of a sum of ₹ 78.24 crore.
(Paragraph 4.5.22)

4.5.1 Introduction

The Transport Department contributes five *per cent* of the total tax revenue of the State. Motor vehicles taxes are levied and collected under the provisions of the Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act) and Uttar Pradesh Motor Vehicles Taxation Rules, 1998 (UPMVT Rules) framed thereunder. Besides, fees for licence, registration, fitness certificate, permit, appeal and compounding of offences are levied and collected under the provisions of the Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules) and UP Motor Vehicles Rules, 1998 (UPMV Rules) framed thereunder. Motor vehicles tax in respect of non-transport vehicles are realised in lump sum as a one time tax, whereas tax and additional tax from transport vehicles are realised monthly/quarterly at the rates specified in the UPMVT Act.

4.5.2 Organisational set up

The Principal Secretary is the administrative head of the Transport Department at the Government level. The overall responsibility of the Transport Department rests with the Transport Commissioner (TC), Lucknow, who is assisted by two Additional TCs at Headquarters and six Deputy TCs at the zonal level. There are 19 Regional Transport Officers (RTOs) at the regional level and 70 Assistant Regional Transport Officers (ARTOs) at the district level for levy and collection of revenue.

4.5.3 Audit objectives

We conducted the review on **Working of Transport Department** with a view to ascertain whether:

- adequate systems and procedures existed in the Department for levy and collection of revenue and its credit to Government account;
- the provisions of the Acts and Rules were complied with for levy and collection of revenue; and
- adequate internal controls existed for proper accounting and realisation of arrears and arresting pilferage/leakage of revenue.

4.5.4 Audit criteria

The review was conducted with reference to the provisions made under following Acts, rules and orders:

- (i) Uttar Pradesh Motor Vehicles Taxation Act, 1997.
- (ii) Uttar Pradesh Motor Vehicles Taxation Rules, 1998.
- (iii) Motor Vehicles Act, 1988.
- (iv) Central Motor Vehicles Rules, 1989.
- (v) UP Motor Vehicles Rules, 1998.
- (vi) Government/departmental orders/circulars etc.

4.5.5 Sampling and Audit Methodology

For the purpose of the review we segregated the units into high, medium and low risk areas¹ on the basis of revenue realised by the RTOs/ARTOs covering the period from 2004-05 to 2008-09. We examined the records of all 13 districts² offices identified as high risk, seven district³ offices out of 13 districts identified as medium risk and 11 district⁴ offices out of the remaining 44 districts offices identified as low risk areas. The units of medium and low risk area were selected on random sampling basis. The review was conducted during the period from September 2009 to March 2010.

4.5.6 Acknowledgement

We acknowledge the co-operation of the Department in providing necessary information and records to audit. The audit objectives were discussed in an

¹ High risk : where the revenue collection was above ` 25 crore annually.

Medium risk : where the revenue collection ranged between ` 10 and ` 25 crore.

Low risk : where the revenue collection was below ` 10 crore.

² RTO Agra, Allahabad, Bareilly, Ghaziabad, Gorakhpur, Kanpur Nagar, Lucknow, Mathura, Meerut, Moradabad, Saharanpur, Varanasi and ARTO Gautambudh Nagar.

³ RTO Azamgarh, Faizabad, Jhansi, Mirzapur, ARTO Bijnore, Chandauli and Muzaffar Nagar.

⁴ ARTO Auraiya, Bagpat, Barabanki, Budaun, Hardoi, Hathras, Kanpur Dehat, Mau, Raebareli, Sultanpur and Unnao.

entry conference held on 21 August, 2009. The Department was represented by Joint Transport Commissioner. The findings were discussed with the Department in the exit conference held on 22 June, 2010. The Department was represented by the Joint Transport Commissioner (Administration). The views of the Department have been incorporated in the relevant paragraphs.

Audit findings

System deficiencies

4.5.7 Unrealistic budget estimates

As per the provisions of para 25 of the Uttar Pradesh Budget Manual, in the preparation of the budget the aim is to achieve as close an approximation to the actual as possible. It is, therefore, essential that not merely should all items of revenue and receipts that can be foreseen be provided but also only so much, and no more, should be provided as is expected to be realised, including past arrears in the budget year.

We observed that there was shortfall in revenue realised as compared to budget estimates during the five years from 2004-05 to 2008-09 though there was gradual increase in actual receipts. This shows that the budget estimates were not based on actual receipts of the previous year as

required under the provisions of the Budget Manual. The details are given below:

(` in crore)

Year	Budget estimates	Actual revenue realised	Shortfall as against budget estimate (+/-)	Percentage of variation
2004-05	1,084.49	857.58	(-) 226.91	(-) 20.92
2005-06	1,241.74	1,070.39	(-) 171.35	(-) 13.80
2006-07	1,352.00	1,126.30	(-) 225.70	(-) 16.69
2007-08	1,533.30	1,255.49	(-) 277.81	(-) 18.12
2008-09	1,600.00	1,391.15	(-) 208.85	(-) 13.05

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that the special token scheme was effective on goods carriages from August 2001 to November 2003 due to which ` 144 crore of revenue was realised under this scheme in 2002-03. A self declaration scheme was also effective in 2005-06 in place of the above scheme. The Government has not reduced the targets of the Department even after the schemes ceased to be in existence and targets were fixed by the Government on the higher side since 2006-07 which were not achievable. The Department had requested the Government in October 2009 to make the targets practical and justified.

The Government may prepare the budget estimates based on the procedures prescribed in the Budget Manual.

4.5.8 Position of arrears

4.5.8.1 The position of arrears during the period 2004-09 as furnished by the department is shown in the following table :

(` in crore)

Year	UPSRTC	Private parties	Total
2004-05	613.98	25.66	639.64
2005-06	688.07	23.70	711.77
2006-07	732.47	23.00	755.47
2007-08	734.28	71.74	806.02
2008-09	732.47	72.06	804.53

We observed that the balance sheet of the Uttar Pradesh State Road Transport Corporation (UPSRTC) showed profit ranging between ` 3.87 crore and 40.71 crore during the years 2004-08. But the UPSRTC did not pay the arrears due to the Department and the latter also did not realise them from UPSRTC, as the arrears have increased by ` 118.49 crore between 2005 and 2009. Further, we observed that the Department did not raise maximum penalty of ` 55.81 crore on the unpaid amount of dues during the years 2004-09.

Similar laxity on the part of the Department led to abnormal enhancement in arrears from private parties by ` 48.74 crore during the year 2007-08. Reasons for non-realisation of arrears from UPSRTC as well as other parties were not on record.

Sixteen RTOs/ARTOs

Under the provisions of Section 20 of the UPMVT Act, arrears of any tax or additional tax or penalty shall be recoverable as arrears of land revenue. No provision for a time frame regarding issue of RCs was made in the Rules and the Department also had no system to monitor the issue of the RCs within a specified time frame.

4.5.8.2 We observed that in 1,005 cases⁵, recovery certificates (RC) amounting to ` 4.23 crore⁶ for dues pertaining to the years 1983 onwards were issued during the period 2004 to 2009 to *tehsils* against motor

vehicle owners who had defaulted on their dues. The RCs were issued for recovery of the tax/additional tax as arrears of land revenue under the said provisions. These RCs were returned by the *tehsils* without recovery of the outstanding dues with remarks like the vehicle owner had passed away, the defaulter had no property, the defaulter did not reside at the address given in the RC, etc. The absence of a time frame and monitoring mechanism led to delay in issue of the RCs and affected the recovery.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that the matter of enhanced additional tax on passenger vehicles was under litigation which resulted in non-realisation of revenue. A proposal in this regard for one time settlement has been sent to the Government. In the cases of RCs returned without

⁵ RTO Agra-14, Azamgarh-13, Faizabad-99, Meerut-453, Saharanpur-44, Varanasi-33, ARTO Barabanki-10, Bijnore-131, Budaun-130, Etawah-3, Fatehpur-20, Hardoi-6, Hathras-3, Kanpur Dehat-4, Mathura-29 and Sultanpur-13.

⁶ Appendix–XII.

realisation of dues the Department accepted the observation and replied that action would be taken after scrutiny.

The Government may consider prescribing a system for review of these arrears, issue of recovery certificates in time and initiate special drives to recover these arrears.

4.5.9 Computerisation

The Department decided (1998-99) to computerise its offices in the State to carry out its work promptly and systematically. Between 1998-99 to 2008-09, the Government sanctioned and released ` 11.86 crore to the Department for the task of computerisation and the Department paid ` 8.93 crore to the executing agencies, namely the National Informatics Center (NIC) and its allied institutions. On test check of the progress of computerisation work in 22 offices⁷, we observed that the work of the enforcement wing, additional tax (passenger vehicles), issue of recovery certificate and No Objection Certificates etc. was not being carried out through computers.

After we pointed this out to the Department and the Government in June 2010, the Department stated during the exit conference that this work was executed by the project implementing agency, NIC, through its limited human resources due to which the initial progress of the work was slow. At present, all offices have been computerised. The enforcement module has not been developed because there was lack of mutual consent between the Transport Departments of different States.

After receiving this reply we again verified the extent of computerisation in three major RTOs viz. Allahabad, Kanpur and Lucknow in November 2010 and observed that there was only partial computerisation of work in these major RTOs. The issue of driving licenses, demand notices and recovery certificates and the enforcement work was still being done manually. Thus, even after the lapse of more than 10 years and after incurring substantial expenditure, the Department has not achieved the objectives of computerisation.

The Government may ensure complete computerisation of all the functions of the Transport Department.

4.5.10 Non-existence of departmental manual

For the effective and efficient working of any Department, a manual prescribing duties and responsibilities of staff, procedures to be followed and details of different registers/returns to be maintained is essential.

We observed that no departmental manual exists in the Department. The Department constituted a committee in August 2008 for preparation of a departmental manual but even after lapse of two years from the date of constitution of the committee, not a single meeting was held till June 2010 which indicates laxity on the part of the Department. The

⁷ RTO Agra, Allahabad, Bareilly, Faizabad, Gorakhpur, Lucknow, Mirzapur, Meerut, Saharanpur, Varanasi, ARTO Auraiya, Barabanki, Bijnore, Chandauli, Etawah, Fatehpur, Hardoi, Hathras, Jaunpur, Kanpur Dehat, Mau and Raebareli.

absence of a laid down system of duties, responsibilities, procedures and internal control would result in the Department not being aware of weak functional areas to enable it to take timely remedial action.

The Government may consider taking necessary steps for preparation of a Departmental manual.

4.5.11 Working of Internal Audit Wing

Internal audit wing (IAW) is a vital component of the internal control mechanism and is generally defined as the control of the all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

The IAW attached to the Transport Department had two Sr. Auditors and three Auditors as against the sanctioned staff of one Assistant Audit Officer, two Sr. Auditors and four Auditors. The IAW was required to inspect 131 units annually. Out of 655 units to be inspected during the period 2004-05 to 2008-09, the IAW inspected only 148 units. The year wise breakup of the inspection reports (IR)/paragraphs issued by the IAW during the period 2004-05 to 2008-09 is as follows:

Period	Opening balance		Addition during the year		Clearance		Closing balance		Percentage of clearance	
	No. of IRs	No. of paras	No. of IRs	No. of paras	No. of IRs	No. of paras	No. of IRs	No. of paras	IRs	Paras
2004-05	333	2,749	24	349	1	43	356	3,055	0.28	1.39
2005-06	356	3,055	26	298	-	128	382	3,225	-	3.82
2006-07	382	3,225	28	372	-	120	410	3,477	-	3.34
2007-08	410	3,477	28	368	-	-	438	3,845	-	-
2008-09	438	3,845	32	332	-	-	470	4,177	-	-

The above table shows that the percentage of clearance of IRs was nil except in 2004-05 (0.28 *per cent*) and clearance of paragraphs ranged between zero and 3.82 *per cent*. At the end of March 2009, 470 IRs with 4,177 paras were outstanding for remedial measures. Increasing trend of outstanding objections, arrears of inspection and vacancies in IAW indicated that this vital internal control was not robust.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that a proposal for sanction of required officers/officials for the IAW in addition to the present staff is being sent to the Government. The Department did not furnish any reason for the arrears of inspection and low clearance of internal audit observations (October 2010).

The Government may consider strengthening the IAW and ensuring time bound action by the Transport officials on the objections raised by the IAW so as to safeguard interest of revenue and avoid recurrence of the mistakes pointed out.

4.5.12 Non-existence of provision for levy of Accident Relief Fund (ARF) on school bus

Nineteen RTOs/ARTOs⁸

Under the provisions of the UPMVT Act, for the purpose of providing relief to passengers or other persons suffering casualty in any accident of a public service vehicle, the State Government shall establish a fund to be known as “Uttar Pradesh Road Transport Accident Relief Fund” to provide relief to affected passengers or to heirs of the passengers, as the case may be. Where a public service vehicle is wholly or partially exempted from the payment of additional tax under this Act, a surcharge for the purpose of the fund shall be levied at the rate of five *per cent* of the additional tax that would have been payable on such vehicle and credited to the said fund. School buses are exempted from levy of additional tax, but there is no provision for levy of surcharge on school buses for the purpose of the said fund.

We observed that 2,043 school buses were plying for carriage of students during the year 2004-09 but in the absence of provision for levy of ARF on school buses, students or their guardians are not entitled to any relief from the said fund in case of any accident.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit

conference that school buses are not covered under public service vehicles, therefore, students or their guardians are not entitled to any relief from the said fund in case of any accident.

The Government may consider prescribing a provision for levy of surcharge in case of school buses on account of ARF so that students or their guardians can be entitled to get relief in case of any accident.

⁸ RTO Agra, Azamgarh, Bareilly, Gorakhpur, Jhansi, Moradabad, Saharanpur, Varanasi, ARTO Bagpat, Chandauli, Etawah, G.B.Nagar, Hardoi, Hathras, Kanpur Dehat, Raebareli, Mathura, Mau and Unnao.

4.5.13 Overloaded goods vehicles released without offloading the excess load

Twelve RTOs/ARTOs⁹

Under the provisions of the MV Act, no person shall drive or cause or allow to be driven in any public place any motor vehicle or trailer the laden weight of which exceeds the gross vehicle weight specified in the certificate of registration. Further, offloading of the vehicle is required, if it is found overloaded during checking by the enforcement wing and relevant details of the overloading should be endorsed on the permit of the vehicle under intimation to the permit issuing authority.

We observed that 21,218 goods vehicles challaned/ seized for overloading during the period 2004 to 2009 were released without reducing/ offloading the excess weight in contravention of the said provisions as a copy of the requisite communication from the Enforcement Wing was not found on

record. Plying of overloaded vehicles is hazardous to traffic and human life.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that the offence of overloading is compoundable under section 194 of CMV Act and instructions are issued to release the vehicles after depositing the compounding fee and offloading the overload under section 114 of CMV Act.

The Government may consider prescribing a mechanism for ensuring off loading the overload before the vehicle is allowed to go ahead.

Compliance deficiencies

4.5.14 Short levy of additional tax on passenger vehicles of other states

ARTOs Mathura and GB Nagar

Under the MV Act read with the UPMVT Act, in the absence of bilateral agreement, additional tax on public service vehicle of other State Transport Undertakings shall be levied and paid at the rate of ` 961 per seat per quarter on A class routes. In case of states having bilateral agreements, a permit granted in any one State shall not be valid in any other State unless countersigned by the State Transport Authority of that other State.

4.5.14.1 We observed that though there is no bilateral agreement between UP and Delhi State, 159 vehicles of Delhi Transport Corporation were plying in UP between April 2007 and March 2009 and they paid tax and additional tax of ` 87.14 lakh at a lesser

rate instead of ` 3.70 crore payable at the specified rate. However, the concerned ARTOs failed to detect short remittance of tax and additional tax. This resulted in short levy of tax and additional tax of ` 2.83 crore.

⁹ RTO Allahabad -165, Bareilly -167, Faizabad -4,710, Jhansi -171, Meerut -110, Mirzapur -59, Varanasi -8,907, ARTO Auraiya -81, Barabanki -3,497, Bijnore -3,249, Raebareilly -36 and Sultanpur -66.

RTO Agra

4.5.14.2 We observed that UP State entered into bilateral agreements with Madhya Pradesh (MP) and Rajasthan, but 80 vehicles of MP and Rajasthan were plying in UP between April 2007 to March 2009 without permits countersigned by the State Transport Authority (STA) of UP. These vehicles paid additional tax of ₹ 1.86 crore instead of ₹ 3.03 crore payable at the specified rate. However, the concerned RTO failed to detect short remittance of tax and additional tax. This resulted in short levy of additional tax of ₹ 1.17 crore.

After we pointed this out to the Department and the Government in June 2010, the Department replied that execution of bilateral agreement between Secretary/Principal Secretary, Transport Department of Delhi and Uttar Pradesh is in progress. The reply is however, silent on the short realisation of additional tax pointed out by us.

4.5.15 Short assessment of additional tax on stage carriage**Seventeen RTOs/ARTOs¹⁰**

Under the provisions of the UPMVT Act, additional tax is leviable on a stage carriage on the total distance covered in a quarter at the prescribed rates per seat per quarter. For this purpose, 50 per cent of the sanctioned standing capacity of a stage carriage shall be reckoned as additional seating capacity, with the fraction of a seat being counted as one seat. Under the UPMVT Act, every operator of a stage carriage shall within such time and in such manner as may be prescribed, submit a table regulating timings of arrival and departure of his stage carriage, as well as the number of single trips made in a quarter and such other particulars as required by the taxation officer.

4.5.15.1 We observed that 748 vehicle owners deposited additional tax of ₹ 11.13 crore on the basis of kilometer permitted to be operated in a quarter against the additional tax of ₹ 18.53 crore leviable on the basis of distance covered by the vehicles in accordance with the table regulating timings submitted by the owners of these vehicles. The concerned RTOs/ARTOs failed to detect short remittance of additional tax and

recover the same from the vehicle owners. This resulted in short realisation of ₹ 7.40 crore¹¹.

Five RTOs/ARTOs¹²

4.5.15.2 We observed that the Department levied additional tax on actual seating capacity of stage carriages ignoring standing capacity as prescribed by the UPMVT Act, leading to short levy of additional tax of ₹ 1.32 crore¹³ on 243 vehicles.

¹⁰ RTO Agra, Bareilly, Gorakhpur, Jhansi, Kanpur Nagar, Lucknow, Meerut, Moradabad, Varanasi, ARTO Balrampur, Barabanki, Basti, Budaun, Chandauli, Jaunpur, Mathura and Raebareli.

¹¹ Appendix-XIII.

¹² RTO Moradabad, ARTO Etawah, Hardoi, Mathura and Unnao.

¹³ Appendix-XIV.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that calculation of additional tax was done by taking a quarter as 90 days on the basis of 30 days in a month as specified in the General Clauses Act.

We do not agree with the reply as one quarter of 90 days does not reflect the count of 365 days in a year and the General Clauses Act specifies the number of days in a month but not in a quarter. The Department has not replied on our observation on short levy of additional tax on account of less counting of seating capacity.

4.5.16 Non-levy of tax on laden weight of the vehicle

Sixteen RTOs/ARTOs¹⁴

Under the provisions of the UPMVT Act, tax in addition to other taxes, at the rate of ₹ 45 per metric ton (MT) or part thereof on registered gross laden weight (GLW) of the vehicle per quarter shall be leviable on public service vehicles plying for conveyance of limited number of passengers and the transport of limited quantity of passenger goods. In case tax is not deposited within the prescribed time, penalty not exceeding 25 per cent of the amount due, shall be levied.

We observed that for 8,415 public service vehicles plying for conveyance of limited number of passengers and transport of limited quantity of passengers' goods, the Department did not levy tax of ₹ 2.18 crore¹⁵ on the gross laden weight of the vehicles. Besides this, the corresponding

penalty of ₹ 54.53 lakh was also to be levied.

After we pointed this out to the Department and the Government in June 2010, the Department accepted the observation and replied during the exit conference that action for realisation of the amount would be taken. A report on recovery has not been received (October 2010).

¹⁴ RTO Allahabad, Azamgarh, Bareilly, Faizabad, Ghaziabad, Gorakhpur, Jhansi, Meerut, Mirzapur, Varanasi, ARTO Budaun, Basti, Farrukhabad, Hardoi, Jaunpur and Pratapgarh.

¹⁵ Appendix-XV.

4.5.17 Loss due to vehicles plying without certificate of fitness

Seventeen RTOs/ARTOs¹⁶

Under the provisions of the MV Act and the CMV Rules made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter on payment of the prescribed fee of ₹ 300, ₹ 400 and ₹ 500 including fee of ₹ 100 for issuing certificate of fitness for light, medium and heavy vehicles respectively. In case of default, an additional amount equal to testing fee is also leviable. Plying a vehicle without certificate of fitness is compoundable under the MV Act at the rate of ₹ 2,500 per offence.

We observed from the computerised database that 23,099 vehicles plied between 2004 and 2009 without valid fitness certificates. Plying of such vehicles compromised public safety. These vehicles were liable for levy of fitness fee of ₹ 2.95 crore¹⁷ and imposition of penalty of ₹ 5.77 crore.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that notices to the owners of such vehicles have been sent. Further progress has not been received (October 2010).

4.5.18 Non-application of new registration mark

Twenty two RTOs/ARTOs¹⁸

Under the provisions of the MV Act and CMV Rules made thereunder, when a motor vehicle registered in one State has been kept in another State for a period exceeding twelve months, the owner of the vehicle shall apply to the registering authority, within the jurisdiction of that State for the assignment of a new registration mark and shall present the certificate of registration to that registering authority. The fees shall be payable for assignment of new registration in case of heavy, medium, light vehicle and motor cycle at prescribed rates.

We observed that 4,292 heavy/medium/light motor vehicles and motor cycles registered in other states were brought into Uttar Pradesh (UP) with No Objection Certificate (NOC) of other states and were plying in UP for a period of more than twelve months. Though the owners of the vehicles were paying tax in UP for more than one year, they had not applied for assignment of new registration mark. The enforcement wing did not

¹⁶ RTO Agra Azamgarh, Bareilly, Faizabad, Ghaziabad, Gorakhpur, Jhansi, Lucknow, Moradabad, Saharanpur, Varanasi, ARTO Barabanki, Bijnore, Hardoi, Mathura, Raebareli and Unnao.

¹⁷ Appendix-XVI.

¹⁸ RTO Allahabad, Azamgarh, Bareilly, Faizabad, Jhansi, Meerut, Mirzapur, Moradabad, Varanasi, ARTO Auraiya, Bagpat, Barabanki, Bijnore, Chandauli, Etawah, GB Nagar, Hathras, Jaunpur, Kanpur Dehat, Mathura, Mau and Raebareli.

initiate action to trace out these vehicles. Thus, the Government was deprived of revenue of ₹ 22.16 lakh¹⁹.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that the fee is chargeable for assignment of new registration mark of UP. Since new registration marks have not been assigned to such vehicles, the question of loss of the assignment fee does not arise. We do not agree as it is mandatory for the owner of the vehicle to obtain new registration mark of UP after paying the requisite assignment fee.

4.5.19 Loss of revenue due to non-renewal of registration of forwarding/travel agents

Four RTOs²⁰

Under the provisions of the MV Act and UPMV Rules no person shall engage himself as an agent or a canvasser, in the sale of tickets for travel by public service vehicle or otherwise, soliciting customers of such vehicles or as an agent in the business of collecting, forwarding or distributing goods unless he obtains a licence from the competent authority on payment of fee of ₹ 1,000. Such licence is required to be renewed after five years. Besides, security of ₹ 10,000 is also to be deposited. The officers of the Transport Department shall be liable for inspection of forwarding agents, to ensure sufficient arrangement of public facilities within their region.

We observed that 132 forwarding agents were conducting their business between 2004 to 2009 without renewal of licence. The Department failed to register these agents and realise security deposit of ₹ 13.20 lakh and fees of ₹ 1.37 lakh²¹.

After we pointed this out to the

Department and the Government in June 2010, the Department accepted the observation during the exit conference and replied in June 2010 that action would be taken after verification.

¹⁹ Appendix-XVII.

²⁰ Bareilly, Faizabad, Gorakhpur and Kanpur Nagar.

²¹ Appendix-XVIII.

4.5.20 Non-levy of penalty due to violation of terms and condition of permit

Transport Commissioner (TC)

Under the provisions of the MV Act and the UPMV Rules, the owner of the contract carriage vehicle is liable for submission of passenger's list and quarterly abstract of the vehicle log book as required under the terms and conditions of the permit issued by the competent authority. If the owner of the vehicle failed in submitting such document to the permit issuing authority he may be punished by imposition of maximum penalty of ₹ 2,500 for violation of terms and conditions of the permit.

We observed that 17,956 permit holders failed to provide the requisite documents to the Uttar Pradesh State Transport Authority (UPSTA) during the period 2004 to 2008. The Department failed to impose and realise the maximum penalty of ₹ 4.49 crore for non-

submission of requisite documents by the permit holders.

We pointed this out to the Department and the Government in June 2010, no reply has been received from the Department (October 2010).

4.5.21 Revenue not realised due to non-auction of seized vehicles

Nine RTOs/ARTOs²²

Under the provisions of section 22 of the UPMVT Act, vehicles seized by the enforcement wing of the Department are liable to pay dues and compounding fee imposed thereon and get it released. Where owners of vehicles did not turn up to pay dues, these vehicles may be auctioned after 45 days from the date of seizure and revenue realised should be adjusted towards the tax, additional tax, penalty and the expenses of such auction. The balance, if any, shall be refunded to the owner of the vehicle.

We observed that 92 vehicles were seized under the provisions of the UPMVT Act during the period December 1997 and March 2009 against which dues of ₹ 35.29 lakh²³ remained to be realised. The owners of these vehicles did not turn up to pay the dues within 45 days from the date of seizure. The

concerned offices including the RTOs/ARTOs also did not initiate action required under the Act to realise the dues through auction of these vehicles despite lapse of three months to 12 years from the date of seizure.

After we pointed this out to the Department and the Government in June 2010, the Department accepted the observation during the exit conference and replied in June 2010 that action would be taken according to the Rules. Further report has not been received (October 2010).

²² RTO Agra, Azamgarh, Mirzapur, Moradabad, ARTO Barabanki, Bijnore, Jaunpur, Mathura and Sultanpur.

²³ Appendix-XIX.

4.5.22 Non-creation of Accident Relief Fund (ARF)

Under the UPMVT Act, for the purpose of providing relief to passengers or other persons suffering casualty in any accident of a public service vehicle, the State Government shall establish a fund to be known as "Uttar Pradesh Road Transport Accident Relief Fund" to provide relief to affected passengers or to heirs of the passengers, as the case may be. As per the Act an amount equivalent to 1 out of 21 parts of the additional tax leviable shall be credited to the Accident Relief Fund.

We observed from the Annual Report of the Department that additional tax of ₹ 1,643 crore was levied during 2004-09. Out of this ₹ 78.24 crore was to be credited to the ARF. Despite our pointing this out in the Report of the Comptroller and Auditor General of India for the year

2002-03 (Para 4.2.13), the ARF has not been created so far.

After we pointed this out to the Department and the Government in June 2010, the Department accepted the objection and replied in June 2010 that action would be taken to establish the ARF. Further report has not been received (October 2010).

Other issues

4.5.23 Manpower management

Eight RTOs/ARTOs

We observed²⁴ that during the period of review, in four RTOs/ARTOs²⁵, 66 officials in excess of the sanctioned strength were posted while in four other RTOs/ARTOs²⁶ 45 posts were vacant. This reflects poor manpower management. We feel that the Department should evaluate manpower requirements periodically to ensure maximum effective deployment.

After we pointed this out to the Department and the Government in June 2010, the Department replied during the exit conference that staff position at the State level is not more than sanctioned strength. Posting of staff in regional offices is done taking into consideration the workload. We do not agree with the reply as an analysis of the revenue receipts of these eight offices showed that despite having 44 officials in excess of the sanctioned strength, the revenue receipts of Lucknow show a lower percentage increase²⁷ in the past three years than Jhansi which has a shortage of 26 officials. This indicates that there was no rationalisation of manpower after evaluating requirements.

²⁴ Appendix-XX.

²⁵ RTO Lucknow, Meerut, Mirzapur and ARTO Sultanpur.

²⁶ RTO Jhansi, ARTO Auraiya, Budaun and Mau.

²⁷ Appendix-XXI.

4.5.24 Challenged cases not sent to court

Five RTOs/ARTOs²⁸

Under the UPMVT Act, offences which are not compounded by the authorities of the Transport Department are required to be sent to the Court for necessary action in the matter. Further, according to Section 468 of the Criminal Procedure Code, 1973 (CrPC) the court will not take cognisance of the offences, which are punishable with fine only, after expiry of six months from the date of commencement of the offence.

We observed that 282 un-compounded cases of offences punishable with fine only were either not sent to the court before expiry of six months or sent after the expiry of the specified period during 2004-09.

This resulted in loss of ` 20.52 lakh²⁹ in the shape of compounding fees leviable under the Act.

4.5.25 Late deposit of revenue

Four RTOs³⁰

The Financial Handbook provides that all moneys received by a Government servant in his official capacity will be deposited without any undue delay into the treasury or bank and credited into Government account.

We noticed that a sum of ` 14.87 crore collected during the period between 13 May, 2004 and 30 March, 2009 was deposited into the

treasury with delays ranging from one day to nine days. The amount involved ranged between ` 2,746 and ` 1.77 crore. Delay in deposit of Government revenue was in contravention of the said provisions.

After we pointed this out to the Department and the Government in June 2010, the Department accepted the observation during the exit conference and replied that it would be ensured that the revenue collected is deposited timely in future.

²⁸ RTO Bareilly, Mirzapur, ARTO Auraiya, Barabanki and Muzaffarnagar.

²⁹ Appendix-XXII.

³⁰ Gorakhpur, Kanpur Nagar, Lucknow and Mirzapur.

4.5.26 Non-maintenance of stolen and recovered vehicle register

Thirteen RTOs/ARTOs³¹

Under the UPMV Rules, the Director General of Police will submit a monthly return on or before the 15th of each month to the STA covering the period of the preceding calendar month, providing information regarding vehicles stolen and recovered in the entire State which is in the knowledge of the police. Further, the monthly return will be prepared in triplicate and sent to the STA. After receipt of the return, the STA will send copies of it to each registering authority. Under Rule 53(4) the Secretary of RTA and each registering authority will maintain a register of vehicles stolen and recovered based on the information received.

We observed that these offices had not maintained the register of stolen and recovered vehicles during the period 2004-09. In the absence of these registers, the registration and taxation authorities were not aware of the details of stolen and recovered vehicles to enable them to close/reopen the work

related to such vehicles.

After we pointed this out to the Department and the Government in June 2010, the Department accepted the observation during the exit conference and replied in June 2010 that the action would be taken. Further report has not been received (October 2010).

4.5.27 Conclusion

We observed that a manual specifying the working procedure, control of records, specific duties and responsibilities of authorities does not exist in the Department. Effective and efficient mechanism for recovery of arrears, levy of additional tax, issue of certificate of fitness, assignment of new registration mark etc. is lacking. Issues like overloading of vehicles, non-creation of ARF and late remittance of revenue were noticed.

4.5.28 Recommendations

The Government may consider:

- preparing budget estimates based on the procedures prescribed in the budget manual;
- prescribing a system for review of arrears, issue of recovery certificates in time and initiate special drives to recover these arrears;
- ensuring execution of all the functions of the Transport Department through the computerised system;
- taking necessary steps for preparation of the departmental manual;

³¹ RTO Allahabad, Bareilly, Faizabad, Meerut, Mirzapur, Lucknow, ARTO Auraiya, Bijnore, GB Nagar, Jaunpur, Mau, Raebareli and Sultanpur.

- strengthening the IAW and ensuring time bound action by the Transport officials on the objections raised by the IAW in the interest of revenue and avoid recurrence of mistakes pointed out;
- prescribing a provision for levy of surcharge in case of school buses on account of ARF in the interest of social security;
- making a mechanism to prevent overloading; and
- ensuring strict adherence of provisions of Acts/Rules.