

CHAPTER-IV

OTHER OBSERVATIONS

4.1 Introduction

The activities of Transport Department relating to issue/renewal of permits, trade certificates, licence to sub-dealers, maintenance of cash book, activities of the enforcement wing like receipts from compounding of fines and seizure of documents/vehicles were being performed manually. All these provisions except for issue/renewal of trade certificate were available in VAHAN but were not being utilised by the Department. We conducted the audit of these non-computerised activities and found certain deficiencies which are mentioned in this chapter.

We also observed that no Manual detailing the working of and the process of collection of motor vehicle taxes, fees and fines was prepared by the Transport Department.

4.2 Short realisation of permit fees

Permit is an important means to regulate the plying of transport vehicles within and outside the State. Every owner of a transport vehicle requires a permit to be granted or countersigned by the RAs or State Transport Authority (STA). The Transport Department issues and renews permits to contract carriages, stage carriages and goods carriages on realisation of requisite fees.

Rule 126 and 127 of the WBMV Rules, 1989 read with Notification No. 5305 WT dated 12.12.2003 prescribe the rates of fees for grant and renewal of permit for stage carriage, contract carriage, goods carriage, etc. in schedule 'A' of the rules *ibid*. The permit fees were subsequently enhanced with effect from 20.10.2005 vide Notification No. 4026-WT/ 6M-13/2005 dated 05.10.2005.

We found from scrutiny of the permit registers in the offices of 10¹ RAs that the RAs granted/renewed 2,732 permanent stage carriage permits, contract carriage permits and goods carriage permits valid for various periods between April 2004 and October 2014. However, the Department realised permit

fees at rates lower than the revised rates. This resulted in short realisation of permit fees of ₹ 37.85 lakh.

After this was pointed out, the Department accepted (September 2010) the audit observation. However, the action taken to recover the amount has not been received.

¹ RAs: Asansol, Bankura, Barasat, Burdwan, Howrah, Nadia, Paschim Medinipur, Purba Medinipur, PVD Kolkata and South 24 Parganas.

4.3 Short realisation of composite fee by State Transport Authority

As per Rule 87 of the CMV Rules the Transport Authorities of different states grant National Permit (NP) to goods carriages and collect composite fee in the form of bank draft (BD) from the holders of such permits and dispatch these to the State Transport Authority (STA) of the concerned state for permitting those vehicles to ply in that state. Further, Rule 128(4) of the WBMV Rules, 1989 provides that the annual rate of composite fee for goods carriages of other states in West Bengal shall be the same as fixed by those states from time to time for permitting the vehicles of West Bengal to ply in those states. The rate of composite fee ranged between ₹ 3,000 and ₹ 5,000 during the period under review.

4.3.1 We found that the STAs of 14 states² and Union Territory of Chandigarh sent 915 BDs for composite fees in respect of 10,546 NPs to the STA, West Bengal between February 2006 and March 2009. However, the composite fee was collected by those states at rates lower than the prescribed rates. The states were liable to send

the composite fee of ₹4.64 crore instead of ₹2.29 crore through BDs. The STA, WB did not take up the matter with the authorities concerned for realisation of the balance amount resulting in short realisation of composite fee of ₹ 2.35 crore.

After we pointed this out, the Department accepted the audit observation and assured that the cases would be looked into (September 2010).

4.3.2 Our scrutiny further revealed that the Government of Tamil Nadu enhanced the rate of composite fee from ₹ 3,000 to ₹ 5,000 from 12.12.2008 through Notification dated 12.12.2008 circulated to all the States. Since the composite fee was required to be collected on reciprocal basis, the Government of West Bengal was required to issue orders for realisation of the tax at the rate of ₹ 5,000 per annum/per vehicle from the said date. However, the Government neither issued any order for collection of the tax nor did it request the Government of Tamil Nadu for collection of the difference of the composite tax from 1,663 permit holders of Tamil Nadu received between 26.12.2008 and 14.8.2009. This resulted in non-realisation of revenue of ₹ 33.26 lakh in the shape of composite fee.

After we pointed this out, the Department admitted the audit observation. However, specific action taken on this issue has not been intimated to the audit (September 2010).

² Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Nagaland, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh.

4.4 Deficiencies in monitoring, remittance and reconciliation of bank drafts

4.4.1 Absence of provisions for maintenance of register for recording defective/lapsed drafts

Bank Drafts (BDs) are remitted to Reserve Bank of India (RBI) for credit into the Government account. Defective or lapsed BDs are returned by RBI to the STA, from time to time.

We found that the WBMV Rules did not provide for maintenance of any register for monitoring the receipts of lapsed/defective BDs returned from the RBI. Consequently the STA, WB

did not maintain any separate record/register to monitor receipt of defective or lapsed BDs returned by RBI, Kolkata. Therefore, the actual number of BDs lapsed, subsequently revalidated and remitted to the Government account could not be ascertained.

We also found that the RBI, Kolkata returned 10,207 BDs valued at ₹ 2.22 crore to STA, WB as the validity of those drafts had expired. The STA, WB sent back the BDs to the issuing banks between July 2005 and March 2009 for revalidation. However, no record/register was maintained to watch revalidation and return of the lapsed drafts. This resulted in blocking of revenue of ₹ 2.22 crore as revalidation of the BDs is still pending.

After we pointed this out, the Department admitted the audit observation and stated that the problems would be solved with the introduction of the new system of receiving composite fees online.

4.4.2 Non-reconciliation of bank draft

The West Bengal Financial Rules provide that the departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury.

We cross verified remittance of 70 challans of BDs with the records of the RBI, Kolkata and noticed that BDs amounting to ₹ 2.08 crore were remitted to RBI, Kolkata between June 2006 and March 2008 but we traced the credits aggregating to ₹ 2.01 crore only in the Government account during that period. Non-reconciliation by the Department with the RBI resulted in non-detection of the variation of ₹ seven lakh.

After we pointed this out, the Department stated that reconciliation was started only from December 2009.

4.4.3 Non-authentication of entries made in Bank Draft Registers

The WBMV Rules, 1989 do not prescribe maintenance of a bank draft register to monitor the receipt and remittance of bank drafts.

We noticed that the STA, WB received a large number of bank drafts for composite fee for National Permit (NP) from different states. Though the details of the BDs were recorded in a register, the entries made in the register were neither authenticated nor periodically reviewed by any responsible

officer of the STA to ascertain the correctness of remittance of revenue to the Government account.

After we pointed this out, the Department admitted the audit observation and stated that the receipts and remittances of bank drafts could not be adequately monitored due to involvement of the officers of STA in court cases most of the time.

4.5 Improper maintenance of cash book

As per the West Bengal Treasury Rules and Subsidiary Rules, a cash book is required to be maintained in order to monitor receipts and remittance of revenue. All transactions should be entered in the cash book as soon as they occur and attested by the head of office in token of check. The head of the office should verify the totaling of the cash book or have this done by some responsible officer sub-ordinate to him other than the writer of the cash book and initial it as correct. At the end of each month the head of the office should verify the cash balance in the cash book and record a signed and dated certificate to that effect. Entries made in the cash book regarding remittances of receipt to the accredited bank for credit into Government account should be attested by the head of office after verifying them with reference to the bank receipt recorded in the pay-in-slips or challans.

We found that the receipts in token of money received were generated through RVS but cash book was being maintained manually in all the RAs test checked. The following irregularities were found in the cash book of three³ RAs:

(i) In PVD, Kolkata, we found that the cash book was neither signed by the cashier-in-charge nor was it verified by any officer during the period between August 2008 and February 2009. The collection on 17 October 2008 was shown in the cash book as ₹ 2.19 lakh. However, a

sum of ₹ 1.84 lakh only was remitted on 20 October 2008. Cross verification of the treasury records also confirmed that the actual deposit was ₹ 1.84 lakh. This resulted in short remittance of ₹ 0.35 lakh. The local office admitted that it was a bonafide mistake and stated that actual cash collection on 17 October 2008 was ₹ 1.84 lakh instead of ₹ 2.19 lakh which was wrongly entered on the receipt side of the cash book. Further, the local office stated that signature and authentication of the cash book had since been completed. However, the cash book was not shown to audit to enable us to verify this.

(ii) In RA, South 24 Parganas, during October 2005 and March 2009, a computer printout of daily receipts on account of receipt of taxes, fees & fines etc. was affixed on the 'Receipt' side of the cash book without any attestation/ authentication by any officer.

(iii) The blank 'payment' side was signed by the RA, South 24 Parganas upto 30 June 2008.

³ RAs: Asansol, PVD Kolkata and South 24 Parganas.

(iv) No cash collection was reflected on the receipt side of the cash book on 4 September 2008 and 5 September 2008, though those days were weekdays on which the office remained open.

(v) No cash collection on account of taxes, registration and permit was shown on 13 March 2009 except the collection of licence fees.

(vi) Neither was the monthly cash balance verified nor was any signed and dated certificate to that effect recorded by the head of the office.

The RA, South 24 Parganas, *inter alia* stated that due to failure of the computer system on 4 September 2008, no transaction was done on 5 September 2008. However, action would be taken to reflect the collection of 4 September 2008 in the cash book. The matter regarding maintenance of the Cash Book was noted for future guidance. However, the probability of gathering the details of the collections made on 4 September 2008 appears remote in view of our findings reported in para 2.5 of Chapter II.

In RA, Asansol no cash book was maintained during the period January 2008 and March 2009. Daily collection of revenue report extracted from computer was kept and that was produced to audit for verification.

In reply RA, Asansol stated that they had noted the audit observation for future guidance.

We recommend that the Government may consider issuing directions to the Department for maintenance of the cash book in accordance with the Treasury Rules and ensure that the prescribed checks are exercised by the head of the offices to safeguard Government revenues.

4.6 Non-disposal of seized vehicles

Section 16 of the WBMVT Act and Section 12 of the WBAT Act provide that a motor vehicle may be detained and seized by the enforcement authority due to non-payment of tax and additional tax and may be released on realisation of dues within 30 days of seizure. The owner is liable to pay double the amount of tax and penalty within a further period of 15 days after expiry of the said 30 days. In case no one turns up claiming the ownership of the motor vehicle within 30 days from the date of seizure, the Taxing Officer shall auction the vehicle to recover the Government dues.

We found from the records of seized vehicles, case registers and seizure lists in PVD, Kolkata and two⁴ RAs that 47 vehicles were seized between January 2006 and September 2009 for plying on road

without payment of tax and additional tax. In 33 cases, tax dues were assessed at ₹ 25.07 lakh and demand notices were issued between April 2007 and November 2009 by the RAs. The defaulting owners of the seized vehicles neither paid the assessed dues nor were any action taken by the RAs to dispose of the seized vehicles through auction. In the remaining 14 cases tax was not assessed by the RAs. The details like engine capacity, type of vehicles, etc.

⁴ RAs: Howrah and South 24 Parganas.

were not found on record. As such the amount recoverable from these vehicles could not be ascertained.

After we pointed this out, the Department accepted the audit observation and stated that reminders had recently been issued to the concerned RAs for necessary action.

4.7 Non-issuance of saleable forms

Rule 123 of the WBMV Rules provides that all kinds of forms prescribed under the CMV Rules, 1989 and the WBMV Rules, 1989, such as application form for issue of registration certificates, driving licences, permits etc. shall be saleable and priced at the rate of ₹ 5 per page (including both sides of each form).

We noticed that the Department was not supplying the forms for issue of registration certificates and driving licences. We found in the offices of the STA, WB and nine⁵ RAs that 13,02,084 licences, registration certificates, permits etc. were issued

during the period under review. However, no statutory forms were issued by the RAs and the applicants procured the forms from private agents. The Department could have earned revenue of ₹ 1.07 crore by sale of the forms.

After we pointed this out, the Department accepted the audit observation and stated that in place of the present system, computerised system of application was to be introduced (September 2010).

4.8 Non-realisation of differential tax and penalty from the owners of two wheelers

Section 9A of the WBAT Act as amended in August 2003, provides that the owner of a motor cycle registered after 25 November 1991 has to pay the difference of the life time tax payable as specified in schedule III and one-time tax (OTT) already paid within the appointed date. Notification issued by the State Government in December 2004, stipulated 16 March 2005 as the appointed date for payment of the difference of tax. In case of non-payment of differential tax within the prescribed date, penalty depending upon the category of the vehicle and the delay is leviable at the prescribed rates.

We found in the offices of four⁶ RAs that the owners of 2,345 two wheelers registered between July 2002 and February 2004 did not pay the differential tax of ₹ 46.82 lakh even 22 to 58 months after

lapse of the stipulated date. No action was taken by the Department to realise the same by issue of demand notices. This resulted in non-realisation of tax of ₹ 93.64 lakh including penalty of ₹ 46.82 lakh.

⁵ RAs: Asansol, Bankura, Barasat, Barrackpore, Jalpaiguri, Malda, Nadia, Purba Medinipur and Siliguri.

⁶ RAs: Asansol, Bankura, Malda and Siliguri.

After we pointed this out, the RAs stated that demand notices would be issued to realise the dues as soon as possible.

4.9 Application of incorrect rate of special tax

Section 9B of the WBAT Act, as amended from time to time, provides for realisation of one time tax for five years from the owners of non-transport vehicles at the prescribed rate based on their use, engine capacity and seating capacity in lieu of annual tax payable under the WBMVT Act. Further, the schedule to the Act provides for levy of special tax if such motor vehicle is air conditioned. In case of non-payment of one-time tax and special tax beyond 15 days after the due date, penalty ranging between 5 and 100 per cent of the unpaid tax is leviable.

We found in the offices of six⁷ RAs that the owners of 252 light motor vehicles either paid annual tax instead of one time tax for five years or RAs applied incorrect rates. The RAs did not take any action to realise the tax dues. This resulted in non-realisation of one time tax of ₹ 15.46 lakh. Besides penalty of ₹ 15.46 lakh could have been levied.

After we pointed this out, the Department accepted the audit observation and assured to look into the cases (September 2010).

4.10 Non/short realisation of tax, additional tax and penalty from the owners of Motor Training Schools

Rule 24 of the CMV Rules prescribes that no person shall establish or maintain any driving school or establishment for imparting instructions for driving motor vehicles without a licence granted by the licensing authority. Moreover, the vehicles owned by motor training schools are liable to be taxed at the rates prescribed in the Schedules.

We found from the motor training school register maintained in the offices of PVD, Kolkata RA, Howrah and RA, Barasat that in case of 139

vehicles owned by 83 motor training schools, the RAs either did not realise tax and additional tax or realised such taxes at lower rates. The application of lower rate was due to the fact that the RAs were treating these vehicles as owned by individuals and charging the tax at a lower rate. This resulted in non/short realisation of tax and additional tax of ₹ 21.42 lakh. Besides penalty of ₹ 21.42 lakh could have been levied.

After we pointed this out, the Department accepted the audit observation and assured to look into the cases (September 2010).

⁷ RAs: Bankura, Burdwan, Malda, Nadia, Purba Medinipur and Siliguri.

4.11 Non-monitoring of renewal of trade certificates

Rule 33 of the CMV Rules provides that a motor vehicle in the possession of a dealer shall be exempted from the necessity of registration subject to the condition that the dealer obtains a trade certificate (TC) from the concerned RA. No holder of a TC shall deliver a motor vehicle to a purchaser without registration of the vehicle, whether temporary or permanent. Further, Rule 35 of the CMV Rules, 1989 prescribes that a TC granted to a dealer shall be valid for twelve months from the date of issue and shall be renewable on realisation of prescribed fees. Presentation of vehicle for registration by the dealer before the RA with invalid TC attracts penalty u/s 192 of the MV Act, 1988.

4.11.1 We noticed that the RAs did not monitor the vehicles presented for registration with invalid TCs. No survey was also conducted to identify the dealers using invalid TCs for presentation of vehicles. No penalty was imposed on the dealers who presented the vehicles for registration with invalid TCs. We found in five⁸ RAs that the validity of 183 TCs issued to 50 dealers had expired between July 2000 and July 2009. No record was maintained in respect of presentation of vehicles by the defaulting dealers before the RAs for registration with invalid TCs. This resulted in non-realisation

of TC renewal fees of ₹ 1.08 lakh.

Further, the following two RAs renewed 13 TCs of three dealers in an irregular manner as mentioned below:

4.11.2 We noticed in PVD, Kolkata that a dealer applied for renewal of TC on 29 June 2007 and deposited fees on 5 September 2007. However, renewal was granted retrospectively from 26 May 2007. The dealer presented four auto rickshaws for registration between 31 May 2007 and 27 June 2007 with invalid TCs. However, no penalty was imposed.

We noticed in RA, Asansol that in case of one dealer, renewal of TC was granted for three years at a time with retrospective effect and in another case renewal was granted after expiry of the provisional appointment for dealership.

After we pointed this out, the RA, Asansol agreed to conduct survey to identify the dealers operating within his jurisdiction with invalid TCs. The RA, South 24 Parganas stated that attempts would be made to take up the matter with NIC for on-line link-up so that the system would not allow registration of vehicles presented for registration on the basis of invalid TCs. The remaining RAs did not furnish any specific reply.

⁸ RAs: Asansol, Burdwan, Nadia, PVD Kolkata and South 24 Parganas.

4.12 Non-realisation of licence renewal fee for sub-dealers

Rule 75(4) of the WBMV Rules prescribes that the RA should grant licence to sub-dealers to sell or deal or keep in possession any motor vehicle. A licence so issued is valid for a period of one year only and shall be renewable on payment of prescribed fees. District Magistrate is the administrative head of all the State Government offices in the district. The RAs work under the administrative control of the District Magistrate/Additional District Magistrate.

We noticed that the licence register to watch over the grant or renewal of sub-dealer's licence and the fees was not maintained in the four⁹ RAs. In the absence of this control mechanism, we could not ascertain the number of sub-dealer's licences issued, date of expiry of the licences, date of renewal and fees realised etc.

We further found from the licence register maintained in five¹⁰ RAs that the validity of licences of 135 sub-dealers had expired between 2005 and 2009.

The District Magistrate, Howrah issued suspension notices to 47 sub-dealers in March 2009 without conducting enquiry whether the sub-dealers continued with their business during the intervening period. The other RAs did not take any action to realise the sub-dealer's licence fee. This resulted in non-realisation of revenue of ₹ 23.80 lakh.

After we pointed this out, the RA, Bankura and RA, Paschim Medinipur stated that demand notices for realisation of the fee would be issued. The RAs, Howrah, Barasat and Siliguri did not furnish any specific reply.

We reported the above observations to the Department/Government in June 2010. They assured (September 2010) that necessary action would be initiated. A report on further action has not been intimated (February 2011).

4.13 Lack of proper infrastructure in Rampur Motor Vehicles Check post

The Rampur MV check post is situated on National Highway-2 at a distance of 14 kilometers from Asansol town. The check post had no check gate or any barrier to stop vehicles. As a result, the enforcement activities were conducted by the motor vehicles inspectors near the check gate of Garui Toll Plaza under the jurisdiction of National Highway Authority of India. The lighting arrangements at the check post was inadequate and hindered enforcement activities at night.

The check post was located in an isolated place. Though the average daily collection of revenue at the check post was around ₹ three lakh which was required to be deposited into the State Bank of India, Asansol Branch, there was no arrangement for permanent posting of police personnel.

After being pointed out by us, the Department accepted the audit observation and assured to look into the case (September 2010).

⁹ RAs: Burdwan, Nadia, PVD Kolkata and South 24 Parganas.

¹⁰ RAs: Bankura, Barasat, Howrah, Paschim Medinipur and Siliguri.

4.14 Non-integration of MV check post and commercial tax check post

In order to augment the collection of revenue, the Additional Chief Secretary, Transport Department instructed the District Magistrate, Burdwan in July 2007 to shift the Rampur MV check post near the Commercial Tax Check Post at Duburdihi for combined checking of vehicles with the commercial tax inspectors. Moreover, the Ministry of Surface Transport, Government of India also advised the State Government to set up integrated check posts. Though the matter was discussed in the revenue meeting held in February 2009, no further action had been taken for integration of the check post.

The Government may consider integration of the check posts to augment collection of revenue.

4.15 Internal Audit

Internal audit is a vital tool available to the management to monitor the functioning of an organisation. It helps the management to take corrective action wherever necessary to ensure that the systems are functioning reasonably well and the stated objectives are achieved.

The Internal Audit Branch set up in November 1998 under the Finance Department conducts internal audit in various Departments.

We observed that the Transport Department had no internal audit wing. The Finance (Internal Audit) Department also did not conduct audit of the Department during the period under review.

The Government may ensure that internal audit of the Department is conducted periodically.