

## CHAPTER-II: Receipts Audit

### Taxes on Vehicles

#### 2.1 Tax administration

The receipts from the taxes on motor vehicles payable under the provisions of the Central and the State Motor Vehicles Acts and rules made thereunder, are administered at the Government level by the Principal Secretary (Transport). The Transport Department (Department) is headed by the Transport Commissioner (CoT) cum Secretary to the Government of Rajasthan (GoR) and is assisted by six Additional Transport Commissioners and four Deputy Transport Commissioners. The entire State is divided into 12 regions<sup>1</sup>, headed by Regional Transport Officers (RTOs) cum *ex-officio* Member, Regional Transport Authority. Besides, there are 54 transport districts<sup>2</sup> headed by District Transport Officers (DTOs).

Overall administration of transport activities in the regions lies with the RTO. He is also the Appellate Authority under the Rajasthan Motor Vehicles Taxation (RMVT) Act, 1951. DTO is the Licensing and Registering Authority for the transport district. He is also the taxation officer for the purpose of RMVT Act/Rules, 1951.

#### 2.2 Internal audit

Internal audit is an essential part of internal control mechanism. The Department has an Internal Audit Wing to conduct audit of records maintained in the transport offices to ensure adherence to the provisions of the Act and Rules as well as departmental instructions issued from time to time.

The position of last five years of internal audit is given in **Table 2.1**:

Table 2.1

Year	Units pending for audit	Units due for audit during the year	Total units due for audit	Units audited during the year	Units remaining unaudited	Shortfall in per cent
2015-16	10	57	67	66	1	1.49
2016-17	1	57	58	50	8	13.79
2017-18	8	57	65	44	21	32.31
2018-19	21	57	78	71	7	8.97
2019-20	7	58	65	65	0	0.00

Source: Information provided by the Transport Department.

- 1 Regions: Ajmer, Alwar, Bharatpur, Bikaner, Chittorgarh, Dausa, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur.
- 2 Districts: Abu Road, Balotra, Banswara, Baran, Barmer, Beawar, Bhilwara, Bhinmal, Bhiwari, Bundi, Chomu, Churu, Deedwana, Dholpur, Dudu, Dungarpur, Hanumangarh, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kekri, Khetri, Kishangarh, Kotputali, Nagaur, Nohar, Nokha, Phalodi, Pratapgarh, Rajsamand, Ramganj Mandi, Sawai Madhopur, Shahpura (Bhilwara), Shahpura (Jaipur), Sirohi, Sri Ganganagar, Sujangarh, Tonk, Ratanpur (TCC), Shahjahanpur (TCC) and twelve districts at regional level.

There were arrears in internal audit ranging from one unit to 21 units in the years 2015-16 to 2018-19. However, the Department covered all units due for audit in the year 2019-20.

Total of 7,326 paragraphs were outstanding at the end of 2019-20. The year-wise break up of outstanding paragraphs of internal audit reports is given in **Table 2.2:**

**Table 2.2**

Year	Upto 2014-15	2015-16 (including supplementary)	2016-17	2017-18	2018-19	2019-20	Total
Paras	2,135	1,710	760	624	917	1,180	<b>7,326</b>

Source: Information provided by the Transport Department.

It is seen from the above that 2,135 paras (29.14 *per cent*) were outstanding for more than five years. The huge number of outstanding paragraphs indicates that the Department failed to take effective action on the observations raised by the Internal Audit Wing. Thus, the very purpose of internal audit was defeated to that extent.

*The Government may issue appropriate instructions to the Department for early disposal of the outstanding observations raised by the Internal Audit Wing.*

### **2.3 Results of audit**

Out of 54 transport districts, there were 52 such transport districts where total 1,77,09,949 vehicles were registered till the end of March 2019. There were 83 auditable units including 23 implementing units in the Department. Out of these, 16 units were selected for test check wherein 70,61,486 vehicles were registered. Out of these, 46,468 vehicles were selected for test check. During scrutiny, audit noticed non/short payment of tax, penalty, interest and compounding fees, *etc.* of ₹ 15.28 crore in 7,409 cases. Many of the irregularities were quite similar to those pointed out in earlier years and these omissions remained undetected till Audit was conducted. These cases are illustrative and are based on a test-check of records. Audit observed that the system of tax accounting that existed in the Department was not properly monitored due to which proper collection of tax was not ensured. Besides, no return was prescribed to show the number of vehicles from which tax was due but not recovered. There is a need to improve the internal control system, including strengthening of internal audit and putting in place a monitoring system by way of periodical returns to ensure proper collection of tax, fee, *etc.* Irregularities noticed broadly fall under the categories given in **Table 2.3:**

Table 2.3

Sl. No.	Category	₹ in crore)	
		Number of cases	Amount
1	Non/short payment of tax, penalty, interest and compounding fees, etc.	2,016	14.74
2	Non/short determination of tax, computation of motor vehicle tax/special road tax, etc.	5,384	0.33
3	Other irregularities (relating to expenditure)	9	0.21
<b>Total</b>		<b>7,409</b>	<b>15.28</b>

During the year, the Department accepted under assessment and other irregularities of ₹ 22.51 crore in 6,566 cases, out of which 4,214 cases involving ₹ 9.02 crore were pointed out in audit during the year 2019-20 and the rest in earlier years. During the year 2019-20, an amount of ₹ 4.70 crore was recovered in 1,074 cases, out of which ₹ 0.94 crore in 155 cases were pointed out in 2019-20 and the rest in earlier years.

A few illustrative cases involving ₹ 6.20 crore are discussed in the following paragraphs.

#### 2.4 Taxes on motor vehicles not realised

As per Section 4 and 4-B of the RMVT Act, 1951 and the Rules made thereunder, motor vehicle tax and special road tax are to be levied and collected on all transport vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time except those transport vehicles on which lump sum tax had been paid under Section 4-C. As per notification dated 9 March 2011, surcharge at the rate of five *per cent* on tax due was also payable upto 10 October 2017, thereafter as per notification dated 11 October 2017, surcharge at the rate of 6.25 *per cent*, is payable. Penalty at the rate of 1.5 *per cent* per month or part thereof subject to twice the amount of tax due is also leviable after the expiry of admissible period *vide* notification dated 1 May 2003.

During test-check (between December 2019 and March 2020) of records of seven Transport Offices<sup>3</sup>, it was noticed from the scrutiny of Tax Ledgers and General Index Registers with data of VAHAN<sup>4</sup> 4.0 and e-GRAS<sup>5</sup> that tax was not paid in respect of 268 vehicles and was short paid in respect of 66 vehicles by the owners of these vehicles. Details regarding vehicles being off roads or transferred to other States was not available on record. No action to recover the dues was initiated by the Department despite the information of tax defaulters being available in VAHAN software. This resulted in

3 DTOs: Baran, Goods Jaipur, PV-II Jaipur, Jaisalmer, Nagaur, Sirohi and Sujangarh.

4 VAHAN is a software developed by Government of India for processing transactions *i.e.* registration, permit, tax, fitness related to vehicles. This software is introduced in the state with effect from October 2009.

5 Online Government Receipts Accounting System (*e-GRAS*) is an e-Governance Initiative of Government of Rajasthan and is part of Integrated Financial Management System.

non-realisation of tax (including surcharge) and penalty amounting to ₹ 4.03 crore. Further, as tax due were not paid by the vehicle owners, possibility of plying these vehicles without fitness certificate and permit authorisation cannot be ruled out.

The matter was pointed out to the Department and reported to the Government (November 2020). The Government replied (December 2020) that in four DTOs<sup>6</sup>, an amount of ₹ 0.37 crore has been recovered in respect of 89 vehicles. Further progress of recovery in remaining cases is awaited (August 2021).

## **2.5 Realisation of outstanding instalments of lump-sum tax**

According to Section 4-C of the RMVT Act, 1951 and the Rules made thereunder, lump-sum tax on transport vehicles is levied at the rates prescribed through notifications<sup>7</sup> issued from time to time by the State Government. The lump-sum tax payable can be paid at the option of vehicle owner either in full or in six equal instalments (with effect from 14<sup>th</sup> July 2014) within a period of one year. Surcharge at the rate of 10 *per cent* on the lump-sum tax was also payable upto 10 October 2017, thereafter as per notification dated 11 October 2017, surcharge at the rate of 12.5 *per cent* is payable. According to notification dated 1 May 2003, penalty at the rate of 1.5 *per cent* per month or part thereof limited to twice the amount of tax due is also to be levied after the expiry of admissible period.

During test check (between December 2019 and March 2020) of the records of eight Transport Offices<sup>8</sup>, it was noticed from the scrutiny of Tax Ledgers and General Index Register with data of VAHAN 4.0 and e-GRAS that owners of 249 vehicles<sup>9</sup> opted for payment of lump-sum tax in instalments and defaulted in payment of lump-sum tax. In case of 199 vehicles, the owners did not pay the remaining instalments after paying the first or second instalments while owners of 50 vehicles did not pay any instalment. Detail regarding vehicle being off roads or transferred to other States was not available on record. It was further noticed that in case of short payment of instalments, the vehicles were not displayed in defaulter list in VAHAN software. The taxation officers did not initiate any action to realise the tax due. This resulted in non/short realisation of lump sum tax (including surcharge) and penalty amounting to ₹ 2.17 crore. Further, as tax due was not paid by the vehicles owner, possibility of plying these vehicles without fitness certificate and permit authorization cannot be ruled out.

The cases were pointed out to the Department and reported to the Government (November 2020). The Government replied (December 2020) that in seven DTOs<sup>10</sup>, an amount of ₹ 0.32 crore has been recovered in respect of

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6 DTOs: Goods Jaipur, PV-II Jaipur, Jaisalmer and Nagaur.

7 Notifications number 22 dated 16 February 2006, 22-A dated 9 March 2007, 22-C dated 14 July 2014 and 22-D dated 8 March 2016.

8 DTOs: Abu Road, Baran, Goods Jaipur, PV-II Jaipur, Jaisalmer, Nagaur, Sirohi and Sujangarh.

9 79 (Goods Vehicle) + 165 (Taxi) + 5 (Bus).

10 DTOs: Abu Road, Baran, Goods Jaipur, PV-II Jaipur, Jaisalmer, Nagaur and Sujangarh.

29 vehicles. Further progress of recovery in remaining cases is awaited (August 2021).

*The Department accepted the observations and initiated action/recovery in cases pointed out by audit. The issues discussed above have been raised regularly in CAG's Audit Reports (Revenue Sector) of the previous years. The Department should take proactive action to avoid recurrence of these persistent irregularities in all the offices.*

## **Mining Receipts**

### **2.6 Tax administration**

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

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

### **2.7 Internal audit**

Internal audit is an important component of internal control. It helps in ensuring that the Departmental operations are being carried out in accordance with the applicable laws, regulations and approved procedures in an economical, efficient and effective manner and that subordinate offices are maintaining the prescribed records and registers properly and accurately besides taking adequate safeguards against non-collection, short collection or evasion of revenue.

Scrutiny of records of the DMG, Udaipur disclosed that internal audit of almost all the offices of the Mines and Geology Department was pending since 2004-05. In absence of internal audit, the Departmental authorities were not aware about the areas of the weaknesses in the system which resulted in evasion or leakage of revenue. The matter is being pointed out continuously in the Comptroller and Auditor General's Audit Reports since 2011-12. However, only eight out of 133 units were audited during the year 2019-20. Thus, there is a risk that irregularities may persist and remain undetected in unaudited units.

## 2.8 Results of audit

There were 154 auditable units<sup>11</sup> in the Departments of Mines, Geology and Petroleum. Out of these, 43 units<sup>12</sup> were selected for audit wherein 39,788 cases<sup>13</sup> of Mining Leases (ML), Royalty Collection Contracts (RCC)/Excess Royalty Collection Contracts (ERCC), cases of illegal mining/transportation of mineral, cases of recovery under Land Revenue Act, Short Term Permits (STP) *etc.*, existed. Out of these, audit examined 26,024 cases<sup>14</sup> (approximately 65.41 *per cent*) and noticed deficiencies in 5,393 cases (approximately 20.72 *per cent* of sampled cases) involving ₹ 184.37 crore. The deficiencies ranged from non-recovery/short recovery of dead rent and royalty and of cost of unauthorised excavated minerals, contribution to District Mineral Foundation Trust (DMFT) Fund/National Mineral Exploration Trust (NMET) Fund, non-levy of penalty/interest, non-forfeiture of security deposit *etc.* These cases are illustrative and are based on test-check. Audit had pointed out similar omissions in earlier years, but these irregularities persisted and remain undetected till next audit is conducted. The substantial proportion of errors, omissions and other related issues (approximately 20.72 *per cent*) noticed in audit indicated that the Government needed to improve the internal control system including strengthening of internal audit so that occurrence/recurrence of such lapses can be avoided. Irregularities noticed broadly fall under the categories given in **Table 2.4**:

**Table 2.4**

(₹ in crore)			
Sl. no.	Category	Number of cases	Amount
1	Non-recovery/short recovery of dead rent and royalty	197	122.59
2	Non-recovery/short recovery of cost of unauthorised excavated minerals	166	20.89
3	Non-levy of penalty/interest	422	3.73
4	Non-forfeiture of security deposit	964	36.16
5	Non-recovery/short recovery of DMFT/NMET Fund	3	0.91
6	Other irregularities	Revenue	3,470
		Expenditure	171
<b>Total</b>		<b>5,393</b>	<b>184.37</b>

11 Includes 32 implementing units.

12 Includes 11 implementing units.

13 7,933 Mining Leases (ML); 12 Petroleum Mining Leases (PML); 2 Prospecting licences (PL); 115 Royalty Collection (RC) Contracts /Excess Royalty Collection (ERC) Contracts; 8,627 Quarry licences (QL); 5,603 cases of illegal mining/transportation of mineral; 946 cases of recovery under Rajasthan Land Revenue Act, 1956; 8,482 cases of revenue assessment; 893 cases of refund; 1,263 cases of outstanding dues; 5,899 STPs and 13 Petroleum Exploration Licences (PEL).

14 2,567 ML; 12 PML; 2 PL; 115 RCC/ERCC; 916 QL; 5,243 cases of illegal mining/transportation of mineral; 893 cases of recovery under Rajasthan Land Revenue Act, 1956; 8,482 cases of revenue assessment; 893 cases of refund; 1,095 cases of outstanding dues 5,793 STPs and 13 PEL.

During the year 2019-20, the Department accepted short realisation of revenue of ₹ 146.53 crore in 2,759 cases, of which 2,022 cases involving ₹ 134.16 crore were pointed out in audit during the year 2019-20 and rest in earlier years. The Department recovered ₹ 7.18 crore in 621 cases, out of which 38 cases involving ₹ 0.84 crore were of current year and the rest were of earlier years.

On being pointed out by Audit, the Department recovered ₹ 0.60 crore in two cases. These cases have not been discussed in the Report, as the entire due amount has been recovered.

A few illustrative cases involving ₹ 0.90 crore are discussed in the succeeding paragraphs.

## 2.9 Non-recovery of cost of illegally excavated mineral

**Department, despite being aware that short term permit holder had utilised 51,125 MT mineral masonry stone over and above the permitted quantity, failed to recover ₹ 86.91 lakh, being cost of mineral.**

Proviso of Rule 63(6) of Rajasthan Minor Mineral Concession (RMMC) Rules, 1986 provided that if a permit holder has excavated and carried mineral to the extent of 10 *per cent* over and above the quantity specified in the permit within the stipulated time of the permit, only single royalty will be charged. If more than 10 *per cent* but upto 25 *per cent* over and above the quantity specified in the permit is excavated and carried, two times royalty will be charged from the permit holder. The permit holder shall be responsible for submission of his record within 15 days of the expiry of permit. However, if the permit holder excavated and carried a quantity more than 25 *per cent* of the quantity sanctioned in the permit, entire quantity excavated and removed over and above the quantity sanctioned in the permit shall be treated as unauthorised excavation and permit holder shall be liable to pay the cost of such excess material. Further, Rule 48(5) of Rules *ibid* provided that whenever any person without a lawful authority or in contravention of the terms and conditions of the short term permit raises any mineral from any land and where mineral so raised has already been despatched or consumed the competent authorities may recover cost of the mineral which will be computed at 10 times of the royalty payable at the prevalent rates.

Scrutiny of records (March 2020) of Mining Engineer (ME) Bhilwara, revealed that competent authority issued (between July 2013 to November 2013) three Short Term Permits (STPs) to a work contractor for 1,00,000 MT mineral masonry stone. While finalising the assessment of these three STPs, the Assessing Authority ascertained (August 2019) that 1,51,125 MT mineral was utilised by the contractor in the execution of the work against the permitted quantity of 1,00,000 MT as detailed in **Table 2.5:**

Table 2.5

Sl. no.	STP number and date	Permitted quantity in STP (MT)	Quantity of mineral utilised (MT)	Excess utilised mineral quantity (MT)	Percentage of utilised excess quantity
1	24/18.7.13	25,000	38,647	13,647	54.58
2	25/18.7.13	50,000	80,747	30,747	61.49
3	56/11.11.13	25,000	31,731	6,731	26.92
	<b>Total</b>	<b>1,00,000</b>	<b>1,51,125</b>	<b>51,125</b>	

As the STP holder utilised more than 25 *per cent* mineral permitted in all three STPs, the excess quantity utilised was required to be treated as unauthorised excavation and cost of such mineral was to be recovered from the Contractor. Audit, however, noticed that Assessing Authority failed to recover the cost of mineral and recovered only single royalty of the mineral. No dues certificate to the Contractor was also issued (August 2019). Thus, not treating the excess quantity of mineral excavated as unauthorised by the Assessing Authority resulted in non-recovery of ₹ 86.91 lakh<sup>15</sup> being cost of 51,125 MT mineral.

The matter was reported to the Government (June 2020). The Government replied (July 2020) that demand notice has been issued (June 2020) and recovery would be made under Rajasthan Land Revenue Act, 1956. The Government further replied (October 2020) that the STP holder has filed a legal case and Rajasthan High Court, Jodhpur has ordered (August 2020) not to take coercive action to recover the amount from STP holder. Further progress was awaited (August 2021).

*The Government may consider initiating action against the Assessing Authority for issuing no dues certificate without ensuring recovery of the cost of unauthorised excavated mineral from the work Contractor.*

## **2.10 Non- recovery of Government revenue**

**The Department refunded the bank guarantee and security deposit without ensuring complete recovery of contract amount and interest on belated payment, as Demand and Collection Register was not maintained.**

According to the Handbook of Mines and Geology Department, all the demands of dead rent, royalty, penalty and other dues are required to be posted in a Demand and Collection Register (DCR) for monitoring the recovery. Further, as per rule 44 (17) of Rajasthan Minor Mineral Concession (RMMC) Rules, 2017 the Contractor shall pay the instalment of contract amount in advance on due date and if any amount is not paid on due date, it shall be collected as an arrear of land revenue and interest shall be charged from due date irrespective of any other action being taken for cancellation of contract or imposition of penalty. Further, as per Rule 77 of *ibid* Rules, simple interest at the rate of 18 *per cent* shall be charged from the due date on all dues in respect

<sup>15</sup> 51,125 MT mineral masonry stone x ₹ 17 (royalty rate) x 10 = ₹ 86,91,250.

of Excess Royalty Collection (ERC) Contract amount and contribution towards District Mineral Foundation Trust.

During scrutiny of records of the three ERC contracts at Mining Engineer (ME) office Bikaner (January 2020), it was noticed that an Excess Royalty and District Mineral Foundation Trust (DMFT) Fund collection contract<sup>16</sup> was sanctioned (February 2018) for annual contract value of ₹ 26.15 crore (including DMFT Fund amount of ₹ 2.38 crore) in favour of a contractor. It was observed that Department raised demand for instalments of excess royalty only and did not include the portion of DMFT to be collected. The contractor, however, on his own, deposited an amount of ₹ 2.33 crore against the total recoverable DMFT Fund amount of ₹ 2.53 crore with delays ranging between 16 to 95 days. Audit further observed that DCR for DMFT Fund was not maintained in the office and hence the demand for the principal amount and interest on belated payment of contribution towards DMFT Fund was not raised. It was further noticed that the bank guarantee and security deposit was released (May 2019) to the contractor without ensuring full recovery of the Government dues.

Thus, non-maintenance of DCR for DMFT Fund and release of bank guarantee and security deposit without ensuring the recovery of Government dues resulted in non-recovery of revenue of ₹ 24.00 lakh (Principal amount ₹ 19.82 lakh and interest ₹ 4.18 lakh on belated payment).

The matter was reported to the Government (June 2020). The Government replied (July 2020) that only an amount of ₹ 3.06 lakh was outstanding against contractor as Audit did not include ₹ 19.81 lakh already deposited by contractor in their calculation. Further, ₹ 3.06 lakh was also deposited (June 2020). The reply was silent about non maintenance of DCR and releasing bank guarantee without ensuring full recovery of Government dues.

Thus, it is evident that the internal control mechanism of the Department was not effective in protecting the revenue to be collected and requires strengthening.

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16 The contract was for collection of excess royalty and contribution towards District Mineral Foundation Trust Fund amount for the period from 8 March 2018 to 31 March 2019 on Ball Clay, China Clay, White Clay, Fire Clay, Silica Sand, Red Ochre and Yellow Ochre despatched from the sanctioned leased areas situated in the revenue area of district Bikaner.

