

Chapter III: Taxes on Vehicles

3.1. Results of audit

Test check of records relating to Motor Vehicles Department during the year 2006-07, revealed irregularities amounting to Rs 54.75 crore in 585 cases which broadly fall under the following categories:

(In crore of rupees)			
Sr. No.	Category	Number of cases	Amount
1.	Non levy/short levy of special road tax/token tax	337	1.09
2.	Non levy/short levy of penalty and interest	5	0.01
3.	Other irregularities	242	0.08
4.	Review on " Taxes on Motor Vehicles "	1	53.57
Total		585	54.75

During the year 2006-07, the department accepted audit observations involving Rs. 73.30 lakh in 368 cases and recovered Rs.1.33 crore in 88 cases relating to audit findings of earlier years.

The results of review "**Taxes on Motor Vehicles**" involving financial effect of Rs. 53.57 crore are given in the following paragraphs:-

3.2 Taxes on Motor Vehicles

Highlights

Non reporting of arrears on account of special road tax/token tax of Rs.62.73 crore by State Transport Commissioner/district transport officer against Pepsu Road Transport Corporation resulted in suppression of arrears.

(Paragraph 3.2.7)

Special road tax amounting to Rs. 53.05 crore was short paid by State Roadways/ other States/ Pepsu Road Transport Corporation/ private transport companies during 2003-04 to 2005-06.

(Paragraphs 3.2.8.1-4)

Non payment of special road tax by closed companies resulted in loss of revenue of Rs.2.44 crore during 2003-04 to 2005-06.

(Paragraph 3.2.8.5)

Non levy/recovery of interest of Rs.6.13 crore on account of delayed payment of special road tax from Pepsu Road Transport Corporation and 13 depots of Punjab Roadways during 2003-04 to 2005-06.

(Paragraph 3.2.8.6)

Token tax amounting to Rs.2.46 crore including interest and penalty was short paid by private transport companies, Punjab Roadways and all India tourist buses during 2003-04 to 2005-06.

(Paragraph 3.2.9.1)

Mini bus operators did not deposit special road tax/token tax amounting to Rs.4.16 crore including interest and penalty during 2003-04 to 2005-06.

(Paragraph 3.2.10)

Short/non recovery of special road tax /token tax of Rs. 1.18 crore including minimum penalty by educational institutions.

(Paragraph 3.2.11)

3.2.1 Recommendations

Government may consider the following suggestions for speedy realisation of revenue:

- ensure timely collection of motor vehicle taxes and fee in accordance with prescribed procedure,
- ensure cancellation of route permits and timings from time table of closed private transport companies, and

- strengthen internal control mechanism to ensure regular monitoring of determination and collection of demands of motor vehicle taxes/fees.

3.2.2 Introduction

Motor vehicles taxes* are levied and collected in the State under the provisions of the Punjab Motor Vehicles Taxation Act (PMVT Act), 1924 as amended from time to time and the Punjab Motor Vehicles Taxation Rules, 1925 (PMVT Rules) made thereunder. Besides, licence fees, registration fees, fitness fees and permit fees etc. are levied under the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder by the Central Government and the State Government. In case of non payment of tax in time, penalty and interest at the rates prescribed are also leviable.

3.2.3 Organisational set up

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab. There are 17** districts each headed by a district transport officer (DTO) who ensures due observance of rules and maintains the records of receipts of taxes and fees. Besides, there are three regional transport authorities*** (RTAs) for regulating the use of transport vehicles in the State in conformity with Motor Vehicles Act and collection of special road tax (SRT) and fees in respect of buses of other States. In addition to that, sub divisional magistrates at sub division level are also entrusted with the work of registration of personalised vehicles and issue of driving licences.

3.2.4 Scope of audit

Mention was made in paragraph 3.2 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2003, highlighting the shortcomings during the years from 1999-2000 to 2001-02 regarding 'Registration of motor vehicles, collection of fees and taxes'. With a view to evaluate the effectiveness of the department in levying and collection of taxes and fees in accordance with the prescribed procedure, the records of STC, eight# out of 17 DTOs and RTAs for the period from 2003-04 to 2005-06 were test checked between August 2006 and January 2007. In addition, points noticed in regular audit during 2003-04 to 2005-06 were also incorporated.

* Special road tax/token tax.

** Amritsar, Bathinda, Fatehgarh Sahib, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Moga, Muktsar, Nawanshahr, Patiala, Ropar and Sangrur.

*** Ferozepur, Jalandhar and Patiala.

Amritsar, Ferozepur, Gurdaspur, Ludhiana, Moga, Muktsar, Patiala and Sangrur.

3.2.5 Audit objectives

Test check of records of the department was conducted with a view to ascertain:

- effectiveness of the system to assess, raise and collect the demand of motor vehicle taxes due to Government, and
- existence of internal control mechanism for proper realisation of motor vehicles taxes/fees.

3.2.6 Trend of revenue

Under the provisions of Punjab Budget Manual, the actuals of previous year and the revised estimates ordinarily afford the best guide in framing the budget estimates and a continuance of any growth or decline in income by them may, in the absence of definite reasons to the contrary, properly be assumed in all cases in which the proportionate estimates can be usefully employed. The reasons that have led to adoption of the figures for the budget estimates should be briefly and clearly explained. The budget estimates and actual realisation of taxes and fees during 2003-04 to 2005-06 were as under:

(In crore of rupees)

Year	Budget estimates	Actuals	Variations excess (+) or short fall (-)	Percentage of variation
2003-04	385.00	388.79	(+) 3.79	(+) 1
2004-05	465.00	403.93	(-) 61.07	(-) 13
2005-06	430.00	431.19	(+) 1.19	(+)0.27

Against the actual revenue of Rs.388.79 crore during 2003-04, the budget estimates for 2004-05 were Rs.465 crore but the actual revenue collected during 2004-05 was Rs.403.93 crore resulting in shortfall of Rs.61.07 crore (13 *per cent*). This showed that budget estimates were not prepared as per provisions of budget manual. Reasons for not following provisions of budget manual were not on record.

3.2.7 Suppression of arrears

During the course of audit of records of DTO, Patiala, it was noticed that ledgers showing the details of fleet strength, permitted kms., tax due, tax paid and balance in respect of Pepsu Road Transport Corporation (PRTC) has not been maintained properly, with the result, that the outstanding amount of tax against PRTC could not be ascertained from the records maintained by DTO.

Cross verification of records of PRTC revealed that Rs.62.73* crore was shown as liability as on 31 March 2006 on account of SRT, token tax and

* Passenger and goods tax: Rs. 7.75 crore from November 1985 onwards, SRT: Rs. 7.64 crore from April 1996 onwards and token tax : Rs. 47.34 crore from April 1979 onwards.

passengers and goods tax in its annual accounts but no such outstanding amount of taxes was shown in the arrear report sent to STC by DTO for the corresponding year. Thus, failure on the part of the STC/DTO to include the amount of arrears of PRTC in the arrear report has not only resulted in suppression of arrears but also non pursuance of recovery at STC /Government level.

3.2.8 Short recovery of SRT

As per the PMVT Act, as amended from time to time, there shall be levied and paid to Government, SRT on stage carriages at the rate per seat, per kilometre/per day as may be specified by Government from time to time upto 15th of every month on the entire distance permitted to be covered. Failure to pay tax within the prescribed period attracts simple interest at the rate of one and half *per cent* per month or a part of month from the date following the due date, till the default continues and also penalty not exceeding Rs. 5,000 but not less than Rs. 1,000. Where tax due in respect of any vehicle is not paid, the department may issue notices, seize and detain such vehicles until the tax due is paid.

3.2.8.1 Payment of SRT on the basis of actual seats

PMVT Rules provide that the assessment of a vehicle depends on the number of persons that can be seated in a vehicle. STC conveyed the decision of State Government in October 1985 that SRT for 52 seats in case of Tata buses and for 54 seats in case of Leyland buses is to be charged regardless of the number of actual seats provided in the buses.

This decision of the Government was challenged by Himachal Road Transport Corporation (HRTC) in the Punjab and Haryana High Court in 2005. The High Court directed the State Government on 28 February 2006 to take a decision within a period of six months from the date of receipt of certified copy of the orders. Scrutiny by audit revealed that though the copy of the judgement of the High Court was received on 10 March 2006 yet the State Government failed to take a decision within six months as directed by the High Court. Meanwhile, other states alongwith the HRTC started paying SRT on the basis of seats provided instead of seating capacity approved by the manufacturer of the vehicles. This resulted in short deposit of SRT amounting to Rs.14.75 crore for the period

2003-04 to 2005-06 as tabulated below:

(In crore of rupees)

Sr. No.	Name of State transport /corporation	Kind of fleet	Special Road Tax		Short levy of SRT
			Due	Paid	
1.	HRTC	Leyland/ Tata	4.35	3.94	0.41
			3.33	3.04	0.29
2.	Haryana State Transport Corporation	Leyland/ Tata	7.50	7.19	0.31
			9.50	9.02	0.48
3.	Rajasthan State Transport Corporation	Leyland/ Tata	2.65	1.95	0.70
			0.10	0.09	0.01
4.	Punjab Roadways	Leyland/ Tata	49.55	47.83	1.72
			5.88	5.81	0.07
5.	PRTC	Leyland/ Tata	84.41	75.17	9.24
6.	Chandigarh Transport Undertaking (CTU)	Leyland/ Tata	4.61	3.09	1.52
Total			171.88	157.13	14.75

3.2.8.2 Short deposit of SRT by Punjab Roadways

As per information collected from the Director, State Transport, Punjab, (DST) in September 2006, Punjab Roadways was permitted to cover 54.48 crore kilometres (kms.) during 2003-04 to 2005-06. SRT amounting to Rs.148.31 crore was required to be deposited on the basis of entire mileage permitted to be covered by Punjab Roadways.

Scrutiny of records revealed that SRT amounting to Rs. 131.53 crore was deposited by Punjab Roadways against the due amount of Rs.148.31 crore during 2003-04 to 2005-06. The department neither demanded SRT nor took any action to impound the buses. This resulted in short deposit of SRT amounting to Rs.20.26 crore including interest of Rs.3.48 crore.

3.2.8.3 Non/short payment of SRT by private transport companies

Test check of records of 17* DTOs revealed that SRT amounting to Rs.19.71 crore was due from 363 private transport companies, worked out on the basis of entire mileage permitted to be covered during 2003-04 to 2005-06. Out of this, SRT amounting to Rs.6.82 crore was paid by these companies. The department neither demanded SRT nor took any action to impound the buses of private transport companies. This resulted in short/non payment of SRT amounting to Rs.16.55 crore including penalty and interest from April 2003 to March 2006.

* Amritsar, Bathinda, Fatehgarh Sahib, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Moga, Muktsar, Nawanshahr, Patiala, Ropar and Sangrur.

3.2.8.4 Non realisation of SRT from all India tourist buses

As per the PMVT Act, there shall be levied and paid to the State Government SRT on tourist buses at the rates prescribed by Government from time to time. The SRT is to be collected by the STC, monthly in advance latest by 7th of each month.

Test check of records of STC for the period 2003-04 and 2005-06 revealed that 48 transport companies of all India tourist buses paid less or did not pay SRT amounting to Rs. 1.12 crore. The due tax was also not demanded by the department. Besides, no action to issue notices, seize or detain the vehicles was initiated by the department. This resulted in non realisation of tax amounting to Rs. 1.49 crore including interest of Rs. 31.43 lakh and minimum penalty of Rs. 5.39 lakh.

3.2.8.5 Non deposit of SRT by closed companies

As per provisions of the Motor Vehicles Act, 1988, the transport authority which granted a permit may cancel the permit or may suspend it for such period as it thinks fit if the holder of the permit ceases to own the vehicles covered by the permit.

Test check of records of RTA, Ferozepur and three DTOs* revealed that 35 permits were granted to 24 private transport companies to cover 8,342.2 kms. per day in the State during 2003-04 to 2005-06. These transport companies had stopped their operations since long. However, the timings allotted to these companies were continued to be shown in the joint timetable prepared by the RTA. No action was taken by RTA, Ferozepur to delete the time allotted to private transport companies from the joint time tables and cancel the permits even though the matter was reported to RTA by DTO, Moga in May 2006. The chances of buses being plied by the private companies on these routes/timings could not be ruled out. Failure on the part of RTA to delete the timings from the joint timetable and cancel their permits deprived Government of revenue/SRT of Rs.2.44 crore (8,342.2 kms.).

3.2.8.6 Non levy of interest on delayed payment of SRT

Test check of records of nine** DTOs for the period 2003-04 to 2005-06 and information collected from PRTC revealed that PRTC and 13*** depots of Punjab Roadways paid SRT amounting to Rs.82.77 crore beyond the specified dates pertaining to the different periods falling during 2003-04 to 2005-06.

* Ferozepur, Moga and Muktsar.

** Amritsar, Ferozepur, Jalandhar, Ludhiana, Moga, Muktsar, Nawanshahr, Patiala and Ropar.

*** Chandigarh, Ferozepur, Jagraon, Jalandhar I and II, Ludhiana, Moga, Muktsar, Nangal, Nawanshahr, Patti, Ropar and Tarn Taran.

The period of delay ranged between one to 14 months. No interest was charged for delayed payment of SRT. This resulted in non levy of interest of Rs.6.13 crore.

3.2.8.7 Excess refund/adjustment of SRT by Punjab Roadways

As a corridor area of 13 kms. on Pathankot-Jalandhar Road (Dhangu-Melman), falls in Himachal Pradesh (HP), HRTC filed a civil suit against General Manager, Punjab Roadways, Pathankot (GM) for operating buses through that area. The case was decided in favour of HRTC and appeal filed in the High Court by Punjab Roadways was dismissed on 25 November 1998 with the directions that petitioners were liable to pay passenger tax as per Himachal Pradesh Passengers and Goods Taxation Act, 1955 which should be assessed in accordance with the law. Further, Excise and Taxation Officer-cum-Assessing Authority, (assessing authority) Damtal (HP) issued notices to GM in March 2000 and August 2002 to deposit Rs.86.35 lakh recovered by Punjab Government on account of motor vehicle taxes for corridor area for the period 1990-91 to 2000-01 (upto September 2000).

Scrutiny of records of DTO, Gurdaspur revealed that SRT amounting to Rs. 1.27 crore was payable by GM to DTO during the period from July 2004 to November 2004. GM instead of making full payment of SRT to DTO deposited Rs. 6.78 lakh and adjusted the balance amount of SRT of Rs.1.20 crore (including interest of Rs.3.45 lakh and penalty Rs.0.06 lakh) at his own level against the demand of Rs.86.35 lakh raised by the assessing authority of Damtal. This resulted in excess adjustment of Rs.33.65 lakh and short payment of SRT by GM during 2004-05.

3.2.8.8 Irregular adjustment of SRT

Under the PMVT Act, when any person, who has paid tax proves to the satisfaction of commissioner in the prescribed manner that the motor vehicle or the transport vehicle in respect of which such tax has been paid, has not been used for a continuous period of not less than one month since the tax was last paid, he shall be entitled to exemption in respect of that tax. Further, licensing officer may refund or adjust in the prescribed manner any amount paid in excess of the tax due.

Test check of records of RTA, Patiala during April 2006 revealed that three^{*} depots of CTU while making payment of SRT for the months of September 2005 and October 2005, adjusted/deducted a sum of Rs.9.22 lakh on the plea that unions of Punjab Roadways had not allowed their buses to operate in Punjab from 17 August 2005 to 22 August 2005. The adjustment made by these depots on their own was irregular and in contravention of the provisions of the Act *ibid*. This resulted in irregular adjustment and short recovery of SRT of Rs.9.22 lakh.

* CTU-I, II & III depots.

3.2.9 Non recovery of token tax

Under the provisions of PMVT Act, token tax is leviable on stage carriages, mini buses, buses of educational institutions and goods carriages at prescribed rates and is recoverable in advance in equal quarterly instalments commencing from 1 day of April, July, October and January. Failure to pay tax by due date, attracts interest and penalty at prescribed rates. Where tax due in respect of any vehicle has not been paid, the department may issue notices, impound, seize and detain such vehicles until the tax due is paid.

3.2.9.1 Non/short deposit of token tax

Test check of records of STC and 16* DTOs for the period 2003-04 to 2005-06 revealed that 363 private transport companies, three** depots of Punjab Roadways and 26 all India tourist bus operators paid short or did not pay token tax amounting to Rs.1.80 crore on due dates pertaining to different periods falling during 2003-04 to 2005-06. This resulted in short/non deposit of token tax of Rs.2.46 crore including penalty (Rs. 0.43 crore) and interest (Rs.0.23 crore) calculated upto March 2006 as detailed below:

(In crore of rupees)						
Sr.No	Transport company/ authority	Period	Token tax short paid	Interest leviable	Penalty	Total amount recoverable
1.	Private transport companies (16 DTOs)	2003-04 to 2005-06	1.64	0.19	0.42	2.25
2.	Punjab Roadways	2003-04 to 2005-06	0.11	0.03	-	0.14
3.	All India tourist buses (STC)	2005-06	0.05	0.01	0.01	0.07
Total			1.80	0.23	0.43	2.46

As of January 2007, department had not initiated any action against the defaulters to recover Government dues.

3.2.9.2 Non levy of interest on delayed payment of token tax

Test check of records of DTOs, Patiala and Ludhiana and information collected from PRTC for the years 2003-04 to 2005-06 revealed that token tax amounting to Rs.8.65 crore was late deposited by PRTC (Rs.8.39 crore) and Punjab Roadways, Ludhiana (Rs.0.26 crore). The delay ranged between two to 12 months and as such interest amounting to Rs.63.25 lakh on delayed payment of token tax was leviable but was not levied/recovered.

* Amritsar, Bathinda, Fatehgarh Sahib, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Moga, Muktsar, Patiala, Ropar and Sangrur.
** Batala, Ludhiana and Muktsar.

3.2.10 Short/non recovery of SRT/token tax from mini bus operators

Under the provisions of the PMVT Act, for mini buses having seating capacity of not more than 30 passengers including driver and conductor, plying on hire and used for transporting passengers, SRT /token tax are leviable on lumpsum basis per annum and payable on quarterly basis. Non payment of tax on prescribed dates also attracts penalty and interest.

Test check of records of 16* DTOs for the period 2003-04 to 2005-06 revealed that SRT/token tax amounting to Rs. 3.04 crore (SRT:Rs. 2.02 crore and token tax: Rs. 1.02 crore) was either paid short or not paid by 1,012 mini bus operators. The department neither demanded tax nor took any action to impound the buses. This resulted in non/short realisation of SRT /token tax of Rs.4.16 crore including interest of Rs.77 lakh and minimum penalty of Rs. 35 lakh.

3.2.11 Non/short recovery of tax from educational institutions

State Government in March 1997 levied SRT/token tax on buses operated by educational institutions recognised by the State Government. Non payment of tax within the prescribed period attracts penalty and interest.

Test check of records of 14** DTOs for the period 2003-04 to 2005-06 revealed that 385 educational institutions having 470 buses did not pay or short paid SRT/token tax amounting to Rs.1.18*** crore including minimum penalty during 2003-04 to 2005-06. The department did not raise any demand against these educational institutions. This resulted in non/short recovery of tax of Rs. 1.18 crore.

After this was pointed out between August 2006 and January 2007, DTOs stated that the matter would be taken up with the educational institutions. Final position of recovery is still awaited (August 2007).

3.2.12 Non collection of revenue

Under the Punjab Financial Rules, departmental receipts collected on behalf of Government should be credited into treasury or bank without undue delay. The bank drafts received from other States are remitted to the banks accompanied by challans with the instructions to credit the amount into

* Amritsar, Bathinda, Fatehgarh Sahib, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Muktsar, Nawanshahr, Patiala, Ropar and Sangrur.

** Amritsar, Bathinda, Fatehgarh Sahib, Faridkot, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Moga, Muktsar, Patiala, Ropar and Sangrur.

*** SRT: Rs.89.95 lakh, token tax: Rs.7.35 lakh and Penalty: Rs.20.54 lakh.

Government account. In order to ensure that the amount of bank draft has actually been credited to Government account, monthly reconciliation of remittances as per departmental record with those of the treasury record is obligatory.

During test check of records of STC for the year 2005-06, it was noticed that 72 bank drafts amounting to Rs.3.66 lakh received from Transport Commissioner, Madhya Pradesh, Gwalior on account of composite fee for the year 2004-05 were not deposited in Government account well in time and as such these became time barred. These bank drafts were sent to various banks in Madhya Pradesh for revalidation between April 2004 to December 2005 but none of the bank drafts had been received after revalidation (August 2006). Thus, non depositing of cheques well in time and non pursuance of the cases of revalidation by STC with concerned banks resulted in non collection of revenue amounting to Rs.3.66 lakh.

3.2.13 Short realisation of composite fee

Under the National Permit Scheme (NPS), vehicles registered in one state are authorised to ply in other states on payment of prescribed composite fee in lumpsum. The composite fee is initially received in the form of crossed bank draft by the state in which the vehicle is registered and transmitted to the state in which the vehicle is authorised to ply. Government of Punjab vide notification of August 1993 enhanced the rate of composite fee from Rs.1,500 to Rs.5,000 per annum with effect from September 1993.

During test check of records of NPS in the office of STC for the year 2005-06, it was noticed that 750 public carriers registered in other* states authorised to ply in Punjab State under the NPS paid composite fee at rate lower than the rate prescribed. Failure on the part of the department to take up the matter with the States concerned resulted in short realisation of composite fee amounting to Rs.23.96 lakh.

3.2.14 Lacklustre attitude of Government

During the course of audit, it was noticed that Punjab Roadways conducted survey to detect illegal plying of buses in the state and results of the survey were forwarded (June 2006) to State Transport Commissioner with a copy to State Government for further action in the matter. The survey conducted by Roadways showed that 81,975 kms. per day by buses of others States and 1,85,099 kms. per day by private operators are being covered illegally in the state without payment of motor vehicle taxes/fees which worked out to Rs.2.23 crore per month. Neither any action was taken by the STC nor the case was pursued by the Director, State Transport with Government to

* Haryana and Madhya Pradesh.

ascertain the preventive measures to be taken to check the illegal plying of buses in the state, which shows lacklustre attitude of Government.

3.2.15 Non execution of reciprocal agreements

Regional transport authorities were entrusted with levy and collection of SRT in respect of interstate buses of nine* states. Reciprocal agreements were executed/entered with Delhi, Haryana, Himachal Pradesh (HP) and Rajasthan while no agreement was entered into with the remaining states. The reciprocal agreements executed with Delhi (April 1974), Haryana (July 2000), HP (October 2001) and Rajasthan (March 1981) are very old and need to be renewed as some new routes were added/extended and old routes were discontinued.

In the absence of any reciprocal agreements, the SRT was being deposited by these states as per actual mileage covered instead of entire distance permitted to be covered within the State of Punjab. No concrete steps were taken to execute/renew the reciprocal agreements with the States.

After this was pointed out in September 2006, STC intimated in May 2007 that except for Chandigarh (UT) Administration, all reciprocal agreements are likely to be executed in June 2007.

3.2.16 Non registration of heavy earth moving machinery

In March 2003, STC issued instructions that heavy earth moving machinery viz. earth mover, excavator, loader, compactor, tipper, paver, road roller, dragline and crane etc. fall under the category of non transport vehicles and as such SRT is not leviable on the heavy machinery. However, token tax is leviable on unladen weight of the vehicle under the provisions of PMVT Act.

Test check of records of eight** DTOs for the period 2003-04 to 2005-06 revealed that no heavy earth moving machinery was registered by DTOs during these years. The heavy earth moving machinery as above was being utilised in the State by private contractors and Government departments on many ongoing works/projects but even then the DTOs in the State had never compounded such machinery for any offence during these years. Thus, utilisation of such machinery in the State without registration and payment of motor vehicle taxes/fees caused financial loss to the State exchequer.

After this was pointed out in September 2006, STC issued instructions in April 2007 to all DTOs to explain the reasons for non registration of heavy machinery and initiate action for registration of machinery under their jurisdiction.

* Rajasthan, Himachal Pradesh, Jammu & Kashmir, Haryana, U.T. Chandigarh, Delhi, Uttar Pradesh, Madhya Pradesh and Uttranchal.

** Amritsar, Ferozepur, Gurdaspur, Ludhiana, Moga, Muktsar, Patiala and Sangrur.

3.2.17 Internal control

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. They help in prevention of frauds and other irregularities. Internal control also helps in the creation of reliable financial and management information system for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

In STC office, internal audit wing headed by Deputy Controller of Finance and Accounts was set up in 1992. In each DTO, there is one section officer who applies audit checks with reference to financial rules and departmental instructions. However, no section officer has been posted in the offices of RTAs.

3.2.18 Internal audit

The system of internal audit was introduced in October 1981 for the revenue earning departments. As per notification dated 12 November 1991, audit of Transport Department was to be conducted on selective basis. The internal audit organisation (IAO) conducted audit upto 1992-93 and no audit was conducted thereafter. 1,764 paragraphs involving financial impact of Rs. 28.58 crore in respect of token tax and 1,492 paragraphs involving Rs.17.51 crore in respect of passenger and goods tax were outstanding as of March 2006 pertaining to audit conducted by IAO upto 1992-93.

However, Government vide notification dated 22 December 2004 decided to restart the audit of various taxes being collected under direct/indirect control of STC.

After this was pointed out in March 2007, IAO intimated in June 2007 that audit of Transport Department could not be commenced due to shortage of staff.

3.2.19 Conclusion

From the foregoing paragraphs, it is evident that outstanding arrears of taxes in respect of PRTC were not depicted correctly due to improper maintenance of record by DTO. Assessment and collection of motor vehicle tax is not satisfactory as huge amount of arrears of taxes were outstanding against PRTC, Punjab Roadways and private transport companies, all India tourist buses, mini bus operators and educational institutions. Interest on delayed payment of SRT/token tax was not levied/recovered from PRTC and Punjab Roadways. STC/Government did not take adequate action to check illegal plying of buses resulting in loss of revenue to State Government. Permits of transport companies, which had stopped their operation and were not paying any SRT, had not been cancelled and RTA had not deleted their timings from

joint timetable. Heavy earth moving machinery was not being registered causing financial loss to State Government.

3.2.20 Acknowledgement

The audit findings as a result of review were reported to department/ Government in March 2007 with a specific request to attend the meeting of Audit Review Committee (ARC). A meeting of the Committee was held on 14 May 2007. The audit findings were discussed with the department; however, their replies are awaited (August 2007).