

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2008-2011)**

HUNDRED AND FIRST REPORT

(Presented on 17 July, 2009)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2009

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On

**Paragraphs relating to Transport and Forest and Wild Life Departments
contained in the Reports of the Comptroller and Auditor
General of India for the years ended
31 March 2004 (RR) and
31 March 2005 (RR)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Hundred and First Report on paragraphs relating to Transport and Forest & Wildlife Departments contained in the Reports of the Comptroller and Auditor general of India for the years ended 31 March 2004 (RR) and 31 March 2005 (RR).

The Reports of the Comptroller and Auditor General of India for the years ended 31 March 2004 (RR) and 31 March 2005 (RR) were laid on the Table of the House on 20 July 2005 and 16 February 2006 respectively.

The Committee considered and finalised this Report at the meeting held on 14 July, 2009.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
17 July, 2009.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

REPORT

TRANSPORT AND FOREST AND WILDLIFE DEPARTMENTS

AUDIT PARAGRAPH

Results of Audit

Test check of the records of the offices of the Motor Vehicles Department conducted in audit during 2003-04 revealed short/non-levy of tax/fees, incorrect exemption, etc., amounting to Rs. 11.22 crore in 83 cases, which may broadly be categorised as under.

<i>(In crore of rupees)</i>			
<i>Sl. No.</i>	<i>Category</i>	<i>Number of cases</i>	<i>Amount</i>
1	Short/non-levy of tax	55	2.37
2	Incorrect classification of vehicles	23	0.16
3	Other lapses	4	0.14
4	Review on Receipts of Motor Vehicles Department	1	8.55
Total		83	11.22

During 2003-04, the Department accepted underassessments of Rs. 94.09 lakh involved in 111 cases of which 10 cases involving Rs. 3.01 lakh were pointed out in audit during 2003-04 and the rest in earlier years. At the instance of Audit, the Department recovered an amount of Rs. 23.80 lakh in 89 cases during the year.

A few illustrative cases involving Rs. 75.87 lakh and results of a review on 'Receipts of Motor Vehicles Department' involving Rs. 8.55 crore are given in the following paragraphs.

Review on Receipts of Motor Vehicles Department

Highlights

- *Arrears of vehicle tax on transport vehicles (excluding arrears of Rs. 275.21 crore due from KSRTC) alone aggregated Rs. 46.73 crore as on 31 March 2003.*

- *No action was taken to realise Rs. 46.78 lakh in 18 cases, though they were shown as Revenue Recovery cases.*
- *Vehicle tax not demanded/realised amounted to Rs. 6.02 crore in 6029 cases.*
- *Registration was granted to 29 vehicles without proof of payment of entry tax amounting to Rs. 36.05 lakh*
- *Compounding fees amounting to Rs. 41.16 lakh, due on account of various offences detected, was not realised.*

Introduction

The Motor Vehicles Department which administers the provisions of the Motor Vehicles Act, 1988 (MV Act), in the State is one of the major revenue earning departments of the State. Levy of vehicle tax is governed by the Kerala Motor Vehicles Taxation Act, 1976 (KMVT Act). Tax on non-transport vehicle is to be paid in cash and on transport vehicle by crossed demand draft. On payment of tax, the Taxation Officer shall issue a tax licence and make requisite endorsement in the certificate of registration regarding the details. Motor Vehicles brought from other States and liable to registration in Kerala are subject to tax under the Kerala Tax on Entry of Goods into Local Areas Act, 1994.

Organisational Set up

The Department is headed by the Transport Commissioner (TC). A Deputy Transport Commissioner (DTC) is in charge of each of the four zones (South Zone, Central Zone I, Central Zone II and North Zone). There are 18 Regional Transport Offices (RT Offices) including one exclusively for Nationalised Sector (NS) and 42 Sub Regional Transport Offices (SRTOs) each headed by Regional Transport Officer (RTO) and Joint Regional Transport Officer (JRTO) respectively who are assisted by Motor Vehicle Inspectors (MVI) and Assistant Motor Vehicle Inspectors (AMVI) for the enforcement of the Acts and Rules. In addition, there are 12 check posts located in the borders with the neighbouring States of Tamil Nadu and Karnataka.

Audit Objectives

A review on the assessment and collection of vehicle tax, fees for various services rendered by the Department and compounding fees for offences detected, etc., during the period from 1998-99 to 2002-03 was conducted between November, 2003 and March, 2004. Records maintained in the TC's office, all the four DTC offices, 13¹ out of 18 RT offices, 11² out of 42 SRTOs and 5³ out of 12 Motor Vehicle Check Posts were test checked with a view to

¹ RT Offices Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram, Thiruvananthapuram (NS) and Thrissur.

² SRTOs: Aluva, Changassery, Chengannur, Guruvayur, Kottarakkara, Neyyattinkara, Perumbavoor, Tirur, Thalassery, Thiruvalla and Thodupuzha

³ Amaravila, Gopalapuram, Sultan Bathery, Velanthavalam and Walayar.

- ascertain the extent of correctness of compliance of provisions of relevant Acts and Rules;
- see whether timely action was taken by the Department to realise tax dues; and
- ensure that proper internal control mechanism existed for the enforcement of provisions in the Acts and Rules.

Trend of revenue

During the year 1998-1999 to 2002-2003 receipts under KMVT Act, ranged between 80.79 and 90.50 per cent of the total receipts of the Department. Receipts under MV Act, such as fees for registration of vehicles, grant of permits, driving licences, certificate of fitness, etc. ranged between 9.46 and 16.05 per cent and other receipts contributed 0.04 to 3.16 per cent. Actual collections came between 76.07 and 94.89 per cent of budget estimates as detailed below:

(In crore of rupees)

Year	No. of registered vehicles	Budget estimates	Actual collection				Percentage of collection to the total collection of the Department.				Percentage of collection to budget estimates
			Tax	Fee	Other receipts	Total	Tax	Fee	Other receipts		
1998-99	17,08,938	425.00	292.61	30.57	0.13	323.31	90.50	9.46	0.04	76.07	
1999-00	19,10,237	431.00	336.65	43.79	0.39	380.83	88.40	11.50	0.10	88.36	
2000-01	21,11,885	460.85	341.50	52.92	0.43	394.85	86.49	13.40	0.11	85.68	
2001-02	23,15,372	491.17	377.70	62.97	11.51	452.18	83.53	13.93	2.54	92.06	
2002-03	25,52,171	540.81	414.62	82.37	16.21	513.20	80.79	16.05	3.16	94.89	

Increase in the number of vehicles registered has contributed to the increase in the revenue receipts.

Non/partial compliance of Act/Rules/Orders**VEHICLE TAX ARREARS****Arrears pending collection**

Under the Kerala Motor Vehicles Manual (KMV Manual), RTOs and JRTOs are required to maintain in respect of transport vehicles, a DCB register showing tax due, collected and balance for every quarter including previous arrears. The head of the office is required to check the correctness of the entries in the register with reference to the respective tax files.

As per DCB statements as on 31 March 2003 vehicle tax of Rs. 46.73 crore was pending collection under the following categories:

<i>(In crore of Rupees)</i>	
<i>Category</i>	<i>Amount</i>
Reported for Revenue Recovery action	6.87
Stay by Courts	4.72
Stay by Government	0.31
Stay by Department	0.16
Want of service verification reports	34.67
Total	46.73

Age of arrears could not be ascertained due to the absence of year-wise breakup of the arrears with the Department.

The above arrears did not include vehicle tax of Rs. 275.21 crore due from Kerala State Road Transport Corporation (KSRTC) as well as dues from non-transport vehicles, which may be substantial. It was also not possible to monitor the arrears on non-transport vehicles, as tax on non-transport vehicles could be remitted in any of the transport offices /Friends Janasevana Kendrams and as no DCB registers are required to be maintained on them.

Incorrect reporting of arrears

Under the KMTV Act and the Rules made thereunder, the registered owner of a motor vehicle who intend to avail tax exemption for non use of a vehicle in a quarter is required to give an intimation to the RTO in Form 'G' within a week from the commencement of the quarter. The KMV Manual Volume III provides for maintenance of a register of tax exemptions for noting the details of

prescribed forms. These intimations are to be sent to the concerned circle officers within 10 days from the beginning of the quarter, who in turn, after making necessary inquiries should submit the reports in respect of all ineligible cases by the first week of the second month of the quarter, so that steps for recovery of arrears can be initiated early in such cases. Reports on service verification in respect of eligible cases should be submitted in the first week of the succeeding quarter.

- The time-limit prescribed for obtaining such service verification reports was not adhered to, with the result that Rs.34.67 crore was kept as arrears for want of service verification reports.

- Detailed scrutiny of the files on DCB statement, registers and files on non use intimations in 11 offices⁴ revealed that arrears of Rs. 62.42 lakh were shown in the DCB statement for want of service verification reports for the quarter ending 31 March 2003 whereas as per Tax Exemption Register the arrears were shown as Rs. 5.37 lakh only. This resulted in over reporting of Rs. 57.05 lakh towards arrears for want of service verification in DCB statement. The Department, however, failed to furnish reasons for such variation in figures. This is a clear indication of the incorrect reporting of facts to higher authorities.

During discussion in April, 2004, TC admitted that the arrears shown under the head 'Service Verification' was exaggerated and did not reflect the actual state of affairs.

Revenue Recovery

Under the KMV Manual, Revenue Recovery Registers (RR Registers) should be maintained in all RT/SRT Offices. It should be reviewed periodically to ensure deletion of cases disposed of and adding new cases. The entries in the register should be reconciled with the entries in the register maintained by the concerned Revenue Authorities. If Revenue Recovery requisition is returned by the revenue authorities, the department should either rectify the defects pointed out or take further action including seizure of vehicle.

- Rupees 6.87 crore was shown under revenue recovery action (RR action) in the DCB statement as on 31 March 2003. Its correctness could not be verified by Audit in the absence of RR registers in 11 offices. In 12 offices⁵ where RR registers were produced to Audit, the amount reported for RR action as per RR register amounted to Rs. 93.08 lakh, against Rs. 64.04 lakh shown in

⁴ RTOs Attingal, Kasaragod, Kollam, Kozhikode, Malappuram, Palakkad and Thrissur and SRTOs Aluva, Guruvayoor, Tirur and Thalassery.

⁵ RT Offices Ernakulam, Kozhikode, Palakkad and Thrissur and SRTOs Aluva, Guruvayur, Kottarakkara, Neyyattinkara, Thalassery, Thiruvalla, Tirur and Thodupuzha.

the DCB statement resulting in under reporting of arrears of Rs. 29.04 lakh. This indicates that the RR registers were not reviewed periodically to ensure that the amount under RR shown in the DCB agreed with the DCB figure. TC agreed with the audit observations and stated that the department would take action for proper maintenance and updating of registers.

- As per the existing instructions RR action should be initiated against those who fail to remit tax within 15 days of issue of demand notices. In four offices⁶ RR action was not initiated for realising arrears of Rs. 6.88 lakh in 23 cases, demands of which were raised between April 1998 and August 2003 till date (March 2004).

TC stated that action would be taken for realisation of arrears.

- In RT Office, Kozhikode, the tax arrears of Rs. 46.78 lakh on 18 contract carriages was shown as under revenue recovery in the RR registers and DCB statements. A crosscheck revealed that none of the 18 cases was pending with Revenue Department. Tahsildar (RR), Kozhikode, returned 15 cases to the RTO in 2001-02 on the ground that the defaulters could not be identified as per the addresses in the RR requisitions. In two cases the matter was to be considered afresh and decided by the RTO himself, as ordered by the Hon'ble High Court of Kerala and the remaining case was not even forwarded to the Revenue Department.

TC agreed to conduct an enquiry by the DTC Kozhikode and take further action for the recovery of Rs. 46.78 lakh.

Non demand of vehicle tax

- **Tax on inter-state contract carriages**

Under the KMVT Act, Government prescribed tax for inter-state contract carriages at a rate higher than that for intra-state contract carriages from 1 April 1994. The Hon'ble High Court of Kerala held on 11 December 1995 that inter-state contract carriages were liable to be taxed at the same rates as for intra-state contract carriages. On appeal by the State the Hon'ble Supreme Court upheld on 10 August 1999 the validity of the revised rates but directed that the State should not demand the enhanced tax from the respondents for the period from 11 December 1995 to 10 August 1999. The TC in September 1999 has given instructions to the RTOs/JRTOs to take effective steps for recovery of balance tax.

⁶ RT Offices Alappuzha, Kottayam and Palakkad and SRTTO, Thodupuzha;

In seven offices⁷, demand notices were not issued in 174 cases involving Rs.1.04 crore and in 56 cases involving Rs. 1.13 crore demands were raised between June 2000 and May 2002. However in none of the cases recovery has been effected by actions such as revenue recovery, seizure of vehicle under KMVT Act etc. This resulted in non-realisation of Rs. 2.17 crore in 230 cases.

TC stated that Department would take urgent action to realise the balance tax of Rs.2.17 crore.

- **Vehicles registered without collection of one time tax**

Under KMVT Act, one time tax for the period from date of purchase of the vehicle till renewal is leviable on motor cars, motor cycles and three-wheelers from 1 April 1998 onwards which is to be paid at the time of registration at the rates specified in the Act.

In 19 offices⁸, one time tax on 815 vehicles registered between 1 April 1998 and 14 November 2001 was not demanded. This resulted in non-realisation of tax amounting to Rs. 1.37 crore.

TC in April 2004 stated that Department would take action to collect the amount due on these vehicles expeditiously.

Default by vehicle owners availing instalment facility

Though the KMVT Act does not empower Government to grant instalment facility to the defaulters, the Government has been granting the facility to the vehicle owners who fail to remit quarterly tax within the prescribed periods on the condition that they should remit the arrears within a stipulated period in specified number of instalments.

In 11 offices⁹, in 134 cases, the defaulters either failed to pay any instalment or stopped payment after one or two instalments. The Department did not take any action to realise the balance tax by initiating RR action and seizure of vehicles, etc. This resulted in non-recovery of Rs. 79.61 lakh relating to the period from April 1998 to March 2003.

⁷ RT Offices Ernakulam, Kannur, Kasaragod, Kozhikode, Palakkad and Thiruvananthapuram and SRTTO Thodupuzha.

⁸ RT Offices Alappuzha, Attingal, Ernakulam, Kannur, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad and Thrissur and SRTTOs Aluva, Changanassery, Chengannur, Guruvayur, Kottarakkara, Neyyattinkara, Perumbavoor, Thalassery and Thiruvalla.

⁹ RTOs Alappuzha, Attingal, Ernakulam, Kannur, Kasaragod, Kottayam, Malappuram, Thiruvananthapuram and Thrissur SRTTOs Neyyattinkara and Thalassery.

Non raising of demand

Tax prescribed in the schedule to the KMVT Act is to be paid in advance and within the period prescribed in the Kerala Motor Vehicles Taxation Rules, 1989. In cases of non-payment, demand notice shall be issued not later than the end of the quarter.

- In nine offices¹⁰, tax for the period from October 1998 to March 2003 on 406 goods vehicles were not remitted within the prescribed time. No demand was also raised by the Department. This resulted in non-raising of demand of Rs. 39.49 lakh.

- **Non-levy of tax on goods vehicles of other states**

As per bilateral agreements entered into with the Governments of Karnataka and Tamil Nadu, specified number of goods vehicles based in those States were allowed to operate in Kerala on countersigned permits on payment of tax in home state but free of tax in the reciprocating state. However, the Governments decided to allow the State Transport Authority (STA) of the reciprocating State to collect tax of Rs.1,500 per annum up to March 1999 and Rs. 3,000 per annum thereafter. Though the permit counter-signed is for five years, tax is to be collected on yearly basis. In cases of non-operation in subsequent year(s), the owner is required to surrender the countersigned permit and that fact is to be noted in the register of counter signature. If tax is not paid on vehicle with valid permit, action such as issuing demand notice, initiating RR action, seizure of vehicle etc., should be taken.

Verification of registers on counter signature and collection of tax maintained in the State Transport Authority revealed that though tax on 365 to 1,408 goods vehicles remained unremitted each year between 1998-99 and 2002-03, no action was taken to realise it. Moreover, there was no mention of surrender of countersigned permits in these registers. This resulted in non-levy of tax of Rs. 1.28 crore as shown below:

<i>(In crore of rupees)</i>						
<i>Year</i>	<i>No. of vehicles having valid permit</i>			<i>No of vehicles on which tax was</i>		<i>Non-levy of tax</i>
	<i>Karnataka</i>	<i>Tamil Nadu</i>	<i>Total</i>	<i>Collected</i>	<i>Uncollected</i>	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998-99	1,344	2,531	3,875	3,510	365	0.05

¹⁰ RTOs Alappuzha, Kasaragod, Kottayam, Malappuram and Palakkad, SRTOs Changanassery, Kottarakkara, Neyyattinkara and Thiruvalla.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
1999-00	1,344	3,687	5,031	4,402	629	0.19
2000-01	1,344	4,341	5,685	4,277	1,408	0.42
2001-02	1,344	4,343	5,687	4,500	1,187	0.36
2002-03	1,327	4,836	6,163	5,309	854	0.26
Total	6,703	19,738	26,441	21,998	4,443	1.28

TC stated that the Department would take action to collect the amount.

- **Short levy due to non-reclassification of omni buses**

Government of India, Ministry of Surface Transport clarified in July 1998 that, omni buses registered in the name of public/private firms, companies, institution, organisations etc. could be classified as ‘omni buses for private use’ on the basis of an undertaking regarding the use of the vehicles for private purposes only. The above clarification was revoked in March 2000. Hence all those vehicles are to be reclassified as “private service vehicles” which attract higher rate of tax.

In 14 transport offices¹¹ 184 omni buses registered in the name of companies which were originally registered as omnibus for private use on the strength of earlier clarification were not re-classified and taxed as private service vehicles. This resulted in short levy of Rs.14.06 lakh from April 2000 to March 2003.

TC stated that action would be taken to realise the amount after examining each case.

Registration of vehicles without payment of entry tax

The Kerala Tax on Entry of Goods into Local Areas Act, 1994 provides for the levy of a tax on entry into any local area of the State for use or sale therein of any motor vehicle which is liable for registration in the State under the MV Act, 1988. Vehicles registered in other States 15 months prior to their registration in Kerala, Vehicles of Central Government and vehicles used exclusively for defence purposes are exempted from the tax. The registration authority shall not register the vehicles unless payment of tax by the person concerned is ensured by production of proof.

¹¹ RT Offices Ernakulam, Kannur, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram and Thrissur and SRTOs Aluva, Parassala, Paravur and Neyyattinkara.

In the RT Office (NS) two VOLVO buses purchased from outside the State and 27 buses, bodies of which were built on 'chassis of motor vehicles' purchased from outside the State, were registered in the State without payment of entry tax. This has resulted in non-realisation of entry tax amounting to Rs.36.05 lakh.

TC stated that Department had to take action to collect the entry tax.

Non/short collection of fees

- **Non/short collection of fees for exhibition of advertisements**

- As per KMV Rules, any advertisements, writings or figures can be exhibited on transport vehicles only with the sanction of the STA/RTA and on payment of an annual fee of Rs.10 per 100 cm² of the area covered. On obtaining the sanction, the vehicles are to be produced before the circle officer, for measurement of the area and determination of fees due.

In five offices¹², failure to measure the area and collect the required fee on 57 advertisements, display of which were sanctioned between April 1998 and March 2003 resulted in non levy of fee of Rs. 5.28 lakh.

TC stated that action would be taken to collect the amount after examining each case.

- One time tax applicable for 15 years is payable on newly registered motor cars, whereas tax for one/two year only is payable on vehicles registered as motor cabs/tourist motor cabs. Some vehicle owners evade the payment of one time tax by obtaining motor cabs/tourist motor cabs permits for their newly registered cars and get it altered as motor cars by surrendering the permits within months.

In 12 offices¹³ revenue deferred on 165 such cases amounted to Rs.28.30 lakh which could have been avoided by making provisions for collecting differential tax for the balance period while sanctioning alteration.

Inadequacy of field checking

- **Delay in disposal of check reports**

With a view to detect offences of non compliance to the provisions of the MV Act, 1988, KMVT Act, and the rules made thereunder, the Executive Wing of the Department is conducting checking of vehicles.

¹² RT Offices: Ernakulam, Kollam, Kottayam, Thiruvananthapuram and Thrissur.

¹³ RT Offices: Alappuzha, Ernakulam, Kasaragod, Kottayam, Kozhikode, Malappuram, Palakkad and Thrissur and SRTOs Chengannur, Perumbavoor, Tirur and Thalassery.

Under the MV Act, the officers are empowered to compound the offence for such amount as the State Government by notification specify. In the cases not compounded on the spot the check reports are to be forwarded to the concerned RTO/JRTO for further action. The charge memos on these check reports are required to be issued within seven days of receipt of reports in the office. The check reports are closed after collecting compounding fee. The action on the reports should be completed within two months of the date of check.

Check reports received in RT/SRT offices during the period 1998-1999 to 2002-2003 were not disposed of even after lapse of six years to one year. The amount held up in 12,375 pending check reports worked out to Rs. 41.16 lakh as detailed below:

(In lakh of rupees)				
<i>Nature of offence</i>	<i>No. of Offices</i>	<i>No. of cases</i>	<i>Amount involved</i>	<i>Remarks</i>
Overload	22 ¹⁴	626	23.56	Minimum fine of Rs. 2,000 plus Rs.1,000 for every tonne of excess load had not been collected on the spot. Besides, the requirement of unloading the excess load was also not complied.
Unauthorised exhibition of advertisement	12 ¹⁵	92	5.94	Calculated at Rs.10 per 100 cm ² of area covered by the advertisement.
Others	22 ¹⁶	11,657	11.66	The offences are required to be compounded at varying rates. However, compounding fee was arrived at the minimum rate of Rs.100.
Total		12,375	41.16	

¹⁴ All RT/SRT Offices test checked except Thiruvananthapuram (NS) and Guruvayoor.

¹⁵ RTOs: Ernakulam, Kannur, Kasaragod, Kollam, Kottayam, Kozhikode, Malappuram, and Thrissur, SRTOs Aluva, Neyyattinkara, Perumbavoor and Tirur.

¹⁶ All RT/SRT Offices test checked except Thiruvananthapuram(NS) and Thiruvananthapuram.

TC stated that the Department would take action to dispose of the check reports and realise the amount expeditiously.

- **Levy of compounding fee at lesser amounts**

Under the MV Act, using vehicles without registration attracts a fine up to Rs. 5,000 subject to a minimum of Rs. 2000, with effect from 14 November 1994. Government authorised the officers to compound such offences for a compounding fee at rates less than the minimum specified in the Act. For non-transport and transport vehicles, it was Rs. 100 and Rs. 500 till 31st March 1998 and Rs. 200 and Rs. 1,000 up to 14 April 2002. From 15 April 2002 onwards, it was Rs. 500 for both non-transport vehicles and two/three wheeler transport vehicles and Rs. 1,000 for light motor transport vehicles. It was, however, observed that the executive officers of the MV department were collecting compounding fee at the rates, which were less than the minimum prescribed in the Act. The revenue forgone in 751 cases in 15¹⁷ offices worked out to Rs. 11.60 lakh.

TC stated that the matter of enhancing compounding fee to a level not less than the minimum prescribed in the MV Act would be taken up with the Government.

Inadequate supervision on the functioning of “Friends Janasevanakendram”

Government have set up integrated service centre called ‘Friends Janasevanakendrams’ to facilitate public to remit various fees through a single window.

Motor Vehicle Department is the major participating Government department in the programme. TC had given instructions to all the RTOs to exercise supervision and control over the staff deputed from the department and the activities related to the department. RTOs were to ensure that the amount collected at the Kendram were credited to the revenue head of the Department within three days. The Kendram at Thiruvananthapuram started functioning in June 2000 and others in March 2001.

- In 9 Janasevanakendrams¹⁸ delay up to 86 days was noticed in transfer crediting amounts ranging between Rs. 0.43 lakh and Rs. 12.77 lakh to the receipt head of the Department.

¹⁷ RTOs Alappuzha, Kannur, Kasaragod, Malappuram, Palakkad and Thrissur, SRTOs Changanassery, Chengannur, Guruvayur, Kottarakkara, Neyyattinkara, Tirur, Thalassery, Thiruvalla and Thodupuzha.

¹⁸ Alappuzha, Kottayam, Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Kannur and Kollam.

- Though the Kendrams were handing over statements of collections monthly to the RTO, reconciliation of the remittances with the treasury records as per Kerala Financial Code Volume I and Kerala Treasury Code Volume I was not done.

- RTOs were not ensuring supervision and control over the staff deputed to the Kendram and activities related to the Department. This led to defalcation of Rs. 6.26 lakh in 140 cases during the period from March 2001 to September 2002 in Kozhikode Kendram. This was detected in September 2002 by audit in seven cases.

TC stated that delay in transfer crediting of motor vehicle tax etc., collected through 'Janasevanakendrams' would be taken up with Government.

Non-reconciliation of remittances

The Kerala Treasury Code, Vol. I and Kerala Financial Code Vol.I provide for periodical reconciliation of remittances into the treasury. In the Motor Vehicles Department the reconciliation is to be done every month and the reconciled statement of remittances should reach the DTC/TC office before the 20th of the succeeding month.

It is however, noticed that in 10¹⁹ out of the 29 offices test checked, the reconciliation was in arrears for periods of over three to six years and in six²⁰ offices the delay ranged from one to three years.

TC agreed to take action to complete the reconciliation.

Internal control

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. They help in the 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.

¹⁹ RT Offices: Alappuzha, Kozhikode, Kannur, Thiruvananthapuram (NS) and SRTOs Changanassery, Neyyattinkara and Thalassery.

DTC Offices: Ernakulam and Kozhikode

TC Office: Thiruvananthapuram.

²⁰ RT Offices: Ernakulam, Kottayam, Palakkad and Thiruvananthapuram. SRTO Guruvayur and DTC Thrissur.

However, the system was not working effectively as revealed from the following:

- Biennial inspection of the RT/SRT offices by the Internal Inspection Wings of the TC and DTC offices were in arrears. Inspection for the periods prior to 2000 was pending in 15 offices²¹ of the State.
- Quarterly review of cases advised for RR action as prescribed in the KMV Manual, was not done properly by RTOs and JRTOs as indicated by absence of up to date entries in the RR registers. This resulted in accumulation of arrears.
- Entries in the DCB Registers were not verified periodically with reference to the tax files as was evident from the fact that tax files were not maintained in most of the offices. Thus the Department failed to ensure the correctness of the arrears and to monitor its collection.
- Though recovery of Rs. 4.72 crore has been stayed by Courts of Law, Original Petition (O.P) registers prescribed by the Department to monitor the progress of the Court cases were not maintained in 10²² out of 24 offices, and hence the cases were not being effectively pursued.

Recommendations and suggestions

Government may ensure that

- DCB registers are maintained properly and clearance of arrears monitored effectively.
- Service verification reports of vehicles for which exemptions for non-use are claimed are completed in time.
- Reconciliation of remittances into treasury are done monthly as prescribed and
- Internal control in the form of inspections and quarterly reviews need to be done effectively.

²¹ RTOs Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasaragod, Malappuram, Palakkad, Pathanamthitta, Thiruvananthapuram (NS) and Wayanad, SRTOs Nedumangad, DTCs Ernakulam, Kozhikode and Thiruvananthapuram.

²² RT Offices: Kasaragod and Thiruvananthapuram, SRTOs Neyyattinkara, Kottarakkara,

Government may also look into the deficiencies in the Act/Rules/Orders pointed out and initiate remedial measures. Steps may be taken to strengthen internal control system to make it more effective.

The above points were discussed with the Transport Commissioner in April 2004. His replies in some cases have been incorporated.

All the points were communicated to the Government in May 2004; their reply has not been received (December 2004).

[Paragraphs 4.1 & 4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (RR)]

Notes furnished by Government on the above audit paragraphs are included as Appendix – II.

The Committee perceived from the audit paragraph that the revenue collection in the Motor Vehicles Department during the period from 1998-99 to 2002-03 was persistently below the budget estimates for the respective years and the percentage of actual collection ranged between 76.07 and 94.89 of the budget estimates.

2. As per the Budget Manual, it was required by the Finance Department to reckon the average of the collections received in the previous year and the average of the collection received during the first months of the current year, while preparing budget estimates. The Committee wanted to know whether the budget estimates for the years from 1998-99 to 2002-03 were arrived at by the Finance Department based on the instructions in the Kerala Budget Manual.

3. The witness, Additional Secretary, Finance Department randomly replied that usually it was prepared as per the directions in the Budget Manual. When the Committee reiterated to have a clear answer to the question, the witness could not offer any satisfactory reply. The Committee vehemently criticised the witness for his inability to give precise replies to the Committee's queries.

4. The Committee desired to know as to why the actual collections were remarkably lower (ie., only 76.07 percent of the budget estimates) during the year 1998-99. The Additional Transport Commissioner pleaded his ignorance in the matter and assured to submit a detailed reply to the Committee's query.

5. The Committee noted that as per the DCB statements available in the Motor Vehicles Department, vehicle tax amounting to Rs. 46.73 crore was pending realisation as on 31-3-2003 under various categories. The duration of the pendency could not be decided by Audit due to the incapability of the

Department in maintaining an year- wise break-up of the arrears. The Committee sought to know whether the amount of arrears pending collection ie, Rs. 46.73 crore as pointed out by Audit, was correct. The Additional Transport Commissioner explained that there was only a marginal difference with the figures maintained by various officers of the Department.

6. On an enquiry regarding the reasons for not maintaining the DCB Registers properly, the Additional Transport Commissioner answered that there was acute shortage of staff in the Department when compared with the persistent increase in the number of vehicles in the State. The Committee urged the Accountant General to do the needful in the matter so that the Department could tide over the existing practical difficulties.

7. The Committee then enquired about the existing system in the department to check proper maintenance of Demand, Collection and Balance Registers by various offices. The Additional Transport Commissioner submitted that eventhough DCB Registers were being maintained, it was not kept up-to-date in many offices. Since the offices were computerised, it would be possible to retain the Registers up-to-date in the ensuing years. The procedure then followed was to feed the data regarding the arrears of individual vehicles when the cases of such vehicles were dealt in the office. Efforts were made to clear the arrears using the services of Kudumbasree units. But only 50 to 60 percent of the data could be entered into the computer system. Since the day-to-day transactions of the office were also carried out through the same computer, it was feasible to enter the arrears only during interval periods.

8. When enquired about the position of arrears as on 3-3-2007, the Additional Transport Commissioner stated that he could furnish a detailed reply only after verification of the relevant records. Regarding the collection of tax, he explained that the Budget Estimates as on 31-3-2007 was Rs. 835 crore and the collection of tax as on 31-1-2007 was almost Rs. 720 crore. It was inferred that the actual collection would apparently exceed the Budget Estimates by the end of the financial year.

9. To the Committee's query about KSRTC, in the collection of vehicle tax, the witness pleaded his ignorance in the matter.

10. The Committee found from the audit observation 'Incorrect Reporting of Arrears' that the Department had failed to maintain the details of exemption granted to vehicles in the prescribed format which in turn resulted in non-recovery of arrears from cases ineligible for exemption. The Committee desired to know whether there existed any system in the Department to monitor such matters. The witness deposed that after computerisation, it had become mandatory to keep all the records accurately. The details of tax exemption were also being kept promptly.

11. The Committee then enquired about the method currently followed to check the veracity of the claim of non-use of a particular vehicle. The Additional Transport Commissioner explained that the registered owner of a motor vehicle who intended to avail tax exemption for non use of his vehicle was required to give an intimation to the concerned office within one week of non use (garaging) of the vehicle, as per the circular instructions issued in the previous year. An official from the office should conduct necessary inquiries about his claim. Continuing report should also be furnished after three months.

12. The Committee found that the time limit specified for obtaining service verification reports was not adhered to by the Department with the result that Rs. 34.67 crore was kept as arrears for want of service verification reports. When enquired whether the amount had been collected after verification, the witness revealed that certain practical difficulties were faced by the Department in the case of vehicles from the border districts. These vehicles would usually be garaged in other States and in such circumstances only initial verification would be done. Continuing verification could not usually be conducted due to heavy work load.

13. The Committee insisted to know the action taken to collect the arrear amount of Rs. 34.67 crore which was specifically pointed out by Audit in its Report for the year 2004. The Additional Transport Commissioner failed to impart a convincing reply. The Committee staunchly criticised the Department for its inability to provide the details concerning the action taken on the audit observation even after the lapse of four years. The Committee called for a detailed report regarding the amount collected, the balance to be collected and the latest position of the pending amount. The Additional Transport Commissioner agreed to furnish the required details.

14. The Committee then desired to know the reasons for the wide variation between the figures shown in the DCB statement (i.e, Rs. 62.42 lakh) and the Tax Exemption Register (ie. Rs. 5.37 lakh) as arrears for want of service verification reports. The witness submitted that tax exemption was usually granted for a variety of reasons and such exemptions were not recorded in the DCB Registers from time to time. Disapproving the reply, the Committee lamented the irresponsible attitude of the Department by not furnishing the reasons for the above difference at the time of the inspection of the Accountant General. Further, the reasons could have been furnished even at the time of the draft paragraph or while furnishing the RMT statements. The Committee opined that the silence of the Department in the matter tantamounted to humiliating the Committee.

15. The Committee also noticed that the reply tendered by the witness was contrary to the reply of the Transport Commissioner in the matter, who had admitted to Government in April 2004 that the arrears shown under the head 'Service Verification' was exaggerated and did not reflect the actual state of affairs. The failure on the part of the department in furnishing the reasons for the variation in figures was viewed very seriously by the Committee. In the opinion of the Committee, no reasons whatsoever provided could justify the action of the department in the matter.

16. The Committee noticed that tax arrears of Rs. 46.78 lakh on 18 contract carriages was shown as 'under revenue recovery' as per the RR registers and DCB statements available with the Regional Transport Office, Kozhikode. At the same time, none of these cases were pending with the Revenue Department. Out of these 18 cases, 15 cases were returned by the Tahsildar (RR), Kozhikode to the Regional Transport Officer stating that the defaulters could not be identified as per the addresses in the RR requisitions. Two cases were to be considered and decided by the Regional Transport Officer himself and the remaining case was not even forwarded to Revenue Department. The Committee insisted to know as to how the 18 cases pending with the Regional Transport Officer was not found in the records of the Revenue Department. The Additional Transport Commissioner deposed that the reason for the variation had not been submitted by the Kozhikode office. One reason might be that the owners of the respective vehicles were probably residing outside the country and in such cases RR action could not be done effectively. He was unable to cite the exact reason. He agreed to furnish a reply after verifying the relevant records.

17. The Committee perceived that eventhough the tax had to be collected in advance according to the Act and Rules, the department had failed miserably in the exercise of its statutory obligation. Eventhough 15 cases were dispatched for revenue recovery action, nothing could be done. The department had not taken action to set things right and seize the vehicles. The Committee also noted with dismay that the witness was not even prepared to answer to the queries raised in this regard. The action taken by the department to recover the tax arrears was not presented to the Committee even at the time of the examination of the audit paragraphs. The Committee wondered why the defaulters could not be identified from the addresses in the RR requisitions. The Committee was forced to suspect malafide intention coupled with corrupt motive on the part of the officers who were involved in the whole affair.

18. To a question of the Committee on the follow up action of the earlier assurance of the Transport Commissioner that an enquiry would be conducted in the case relating to Kozhikode office, the Assistant Transport Commissioner explained that he had prepared replies only to the observations made by Accountant General which were included in the agenda of the day's meeting and that he had not taken the details of the action taken on the assurances given by the Transport Commissioner.

19. The Committee also observed that the department could not specify the action taken for realising arrears of Rs. 6.88 lakh in the 23 cases where demand notices were issued between April 1998 and August 2003. The Committee deplored the lethargic attitude of the department and opined that they were not giving any importance to the observations of the Accountant General.

20. The Committee enquired about the action taken to realise Rs. 1.04 crore being the arrears of the tax to be collected from inter-state contract carriages at the enhanced rates. The Additional Transport Commissioner explained that Rs. 1,17,000 had been realised from Kannur office by seizing and selling a vehicle. In Kasaragod office out of the pending 69 cases, Rs. 3,32,092 had been collected from 34 cases. In the remaining cases, action was in progress to realise the arrears of tax. In Palakkad, Rs. 22,410 remained to be collected from 11 vehicles registered in Karnataka. Administrative procedures were advancing in the matter.

21. At this juncture, the Special Secretary, Transport Department entered the Committee Hall and apologised for not attending the meeting at the scheduled time due to heavy traffic block. The Committee accepted his plea and reiterated that the omission of the department in furnishing the RMT statements within the prescribed time could not be excused at any cost. Since it was a vulnerable matter that of the revenue receipts of the State, the delay could not be condoned. It was reminded that if unpardonable delay occurred in future, the Committee would be forced to take necessary steps to curb the tendency. Enventhough the Committee, at the beginning of its term had directed the Secretaries of various departments to forward the RMTs and SOATs within the specified time, the time schedule was not strictly followed by any of the administrative department. The Committee enquired the reasons for not furnishing the RMT statements in time. The Special Secretary, Transport Department replied that he got the additional charge of the department only two days back. Moreover, the required RMTs were prepared and forwarded in that morning. He also stated that the delay had occurred due to the inability in getting the required information from the concerned sub offices. But the situation was much better of late due to computerisation of the offices. The Committee suggested that action should be taken against the Sub-Officers if data were not submitted in time.

22. The Committee then enquired about the latest position of the amount pending realisation. The Additional Transport Commissioner deposed that in Kannur, one vehicle was seized and auctioned for Rs. 1,17,500. But Rs. 3,01,000 still remained to be collected and action was in progress to recoup the amount. The vehicle owner involved in the case pending with Thodupuzha Office had gone abroad and legal action was going on in the matter.

23. The Committee observed that in 19 offices, one time tax on 815 vehicles registered between 1-4-1998 and 14-11-2001 was not claimed by the department resulting in non realisation of Rs. 1.37 crore. The Committee suspected that the non collection of tax which ought to have been realised at the time of registration of the vehicles was purposeful and it desired to know the latest position in this regard. The Senior Deputy Commissioner, Transport Department clarified that at the time of introduction of one time tax, the vehicle owners were bound to pay tax only within seven days from the date of endorsement as per Rule 5 of SRO No. 745/86. Several cases of tax evasion were detected subsequently. Later, payment of one time tax was made mandatory before registration of vehicle as per the legislation in 2003.

24. The Committee pointed out that the department had committed a grave mistake by not collecting one time tax from 815 vehicles registered between 1-4-1998 and 14-11-2001. The Committee sought to know whether any direction had been issued from the department or from the Commissionerate for collecting one time tax and the date from which one time tax was brought into effect in the State. The Additional Transport Commissioner explained that a grace period of 14 days for non transport vehicles and 7 days for other vehicles were permitted in the Act for payment of one time tax. But the benefit given to private vehicles was seen misutilised and hence the Department intended to collect the tax immediately by issuing a circular. But the circular was issued only in the year 2003. The witness agreed to inform the date of effect of one time tax in the State, after verification. The Committee opined that the department had no authority to allow grace period as against Government Rule.

25. The Committee, at this juncture insisted to know whether the department was ready to fix responsibility against the officers who had purposefully derelicted from their responsibilities in collecting the tax amount of Rs. 1.37 crore from 815 vehicle owners. The witness, Special Secretary, Transport Department replied that they were bound to take action against all the officers who were responsible for the lapse.

26. The Committee noticed that government had granted instalment facility to the vehicle owners who had failed to remit quarterly tax within the prescribed period in contravention of the provisions of the Kerala Motor Vehicles Taxation Act (KMVT Act), 1976. Besides, the defaulters either failed to pay any instalment or stopped payment after one or two instalments in 134 cases in 11 offices which resulted in forfeiture of Rs. 79.61 lakh between April 1998 and March 2003. The Committee desired to know the relevant provision in the Act or Rules which permitted the government to grant instalment facility to the defaulters. The witness, Special Secretary, Transport Department submitted that the department was only empowered to issue demand notice under the Revenue Recovery Act.

27. The Committee pointed out that Revenue Department alone had the right to grant any sort of exemption after raising demand notice. The Committee expressed its doubts regarding the right of Transport Department in the matter. The witness, Special Secretary, Transport Department clarified that as per Section 22 of the KMVT Act, Government may, if they were satisfied that it was necessary in public interest to do so, by notification in the gazette make an exemption of or reduction in the rate or other modifications. But the Committee disagreed with this contention and opined that in the cases pointed out by Audit, government did not give any reduction or exemption but had granted instalment facility to the defaulters. This was done without any notification and government had no authority to grant instalment facility for paying quarterly tax.

28. To the Committee's query about the action taken against the defaulters who had availed the instalment facility and failed to pay the tax due, the Additional Transport Commissioner explained that almost Rs. 15 lakh had been reclaimed from various offices and in the remaining cases, action was in progress to collect the outstanding dues.

29. Regarding the audit observation that the Department had not raised any demand for collecting tax to the tune of Rs. 39.49 lakh for the period from October 1998 to March 2003 in respect of 406 goods vehicles, the witness admitted the omission on the part of the Department in the matter and deposed that only Rs. 45,000 had been realised.

30. The Committee noted that no effective action had been taken by the Department to retrieve money from the cases that dated even back to the year 1998. Disapproving the lethargic attitude of the Department in the matter, the Committee pointed out that it had started examining the audit paragraphs contained in the recent Comptroller and Auditor General's Reports under the conviction that the department would take adequate action to recoup the money

from those cases pointed out by Audit in those reports thereby increasing the revenue receipts of the State. The Committee observed that serious lapses had occurred on the part of the Department and that it was inexcusable.

31. The Committee learned from the audit observation that tax amounting to Rs.1.28 crore was outstanding for settlement from the goods vehicles of Karnataka and Tamil Nadu during the period from 1998-99 to 2002-03 and absolutely no action was taken by the Department to recover the amount or to initiate revenue recovery steps. On an enquiry regarding the latest position of the cases, the Additional Transport Commissioner explained that Rs.1,86,795 had been collected from 36 cases under the jurisdiction of the Regional Transport Office, Thiruvananthapuram. In Pathanamthitta, Rs. 45,500 had been recovered in respect of five vehicles and Rs. 26510 had been retrieved against four vehicles in Moovattupuzha. An amount of Rs. 12,000 and Rs. 1,91,690 had been recuperated from six vehicles coming under the control of Kannur office and 83 vehicles under the control of Thrissur office respectively. In Ernakulam, out of the 27 pending cases, tax had been collected from 8 vehicles and revenue recovery action was initiated against 3 cases. In 8 cases OP was pending in the Honourable High Court.

32. The Committee observed that as per bilateral agreements entered with the governments of Karnataka and Tamil Nadu, a specified number of goods vehicles of those States were allowed to operate in Kerala on countersigned permits on payment of tax in the home State but free of tax in the reciprocating State. The intimation regarding payment of tax should be forwarded to Kerala from the respective States. The Committee wanted to know whether the amounts stated to be recouped by the Additional Transport Commissioner had been paid in the Commissionerate.

33. The Additional Transport Commissioner, explained that the State Transport Authority which functions in the Commissionerate usually collect the inter-state tax. The specified number of goods vehicles had to pay tax at the mutually agreed rates. These vehicles would be permitted to operate between the two States through extension of validity permits issued by both the states (ie. the vehicles from Tamil Nadu would be given such permits from Kerala and vice versa). Of these, some vehicles stopped operation without surrendering the countersigned permits. In such cases, the respective permits would be issued to other vehicles. Thus there would be no short collection, in effect.

34. The Committee disagreed with the reply and opined that there was short collection indeed. If the owners who were required to intimate the non-operation of their vehicles failed to do so, then the department should have taken

necessary action to cancel such permits and issue new ones so that the department could collect tax from such owners. Further, the department could also issue demand notice or initiate revenue recovery action against the vehicle owners who failed to surrender the countersigned permit. Coming between the discussion the Senior Deputy Commissioner, Transport Department submitted that the department was intimating the said States whenever such instances arose. The Committee urged the department to intimate to them within one week, the details regarding the intimation given to the States of Karnataka and Tamil Nadu during the period from 1998-99 to 2002-03.

35. The Committee noted from paragraph 4.2.7 that in 14 offices, 184 omni buses registered as 'omni buses for private use' were not reclassified as 'private service vehicles' as per the instruction issued by Ministry of Surface Transport, Government of India in March 2000 resulting in short levy of tax amounting to Rs.14.06 lakh from April 2000 to March 2003. The Committee desired to know the action taken by the department to recoup the short levy. The Additional Transport Commissioner replied that almost Rs. 3.5 lakh had been recovered and necessary action was in progress in almost all the remaining cases. The Committee enquired about the details of the action that was in progress in the remaining cases. The witness clarified that revenue recovery action was pending in three cases and in eight cases, action could not be pursued due to pending OPs.

36. The Committee observed clear lapse on the part of the department in taking effective action to reclaim the money even after a period of ten years. The Committee, at this juncture enquired about the action taken by Finance Department in the matter. The Additional Secretary, Finance Department tendered the usual reply that they had not taken any action in this regard.

37. The Committee pointed out that unjustifiable delay had occurred on the part of the department. The Special Secretary, Transport Department explained that the District Collectors were reluctant to take R.R action in many cases, due to the dilapidated condition of the vehicles.

38. The Committee suspected some serious irregularities in the matter and opined that the concerned officers might have purposefully allowed the vehicles to deteriorate rather than taking timely action to recover the loss sustained to government.

39. To the Committee's query on the current position of the collection of entry tax to the tune of Rs. 36.05 lakh, as pointed out in paragraph 4.2.8, the Additional Transport Commissioner responded that Rs. 13,98,720 had been collected from the two 'VOLVO' buses. Regarding the remaining 27 buses, necessary details had been given to the Commercial Taxes Commissioner, who was competent to recover the pending amount.

40. The Committee, from the audit paragraph 4.2.9, perceived that as per the Kerala Motor Vehicles Rules, any advertisements, writings or figures could be exhibited on transport vehicles only with the sanction of the State Transport Authority/Regional Transport Authority on payment of an annual fee of Rs. 10 per 100 cm² of the area covered. After obtaining sanction, the vehicles were to be produced before the circle officer for measurement of the area and fixation of the fee due.

41. The Committee noticed that in five offices, failure to measure the area and collect the required fee on 57 advertisements sanctioned between April 1998 and March 2003 resulted in loss of Rs. 5.28 lakh. The Committee insisted to know the reason for the non-levy of the specified fees. The Additional Transport Commissioner stated that Audit had pointed out the lapse only after recovery of fee from many cases. He further explained that eventhough the Rules stipulated that the vehicles were to be produced before the circle officer after obtaining sanction, most of the vehicle owners used to keep away themselves from their liability and thus evaded payment of the prescribed fees.

42. The Committee proposed that the sanction for exhibiting advertisements should be given only after collecting the prescribed fees from the vehicle owners. On an enquiry regarding the action taken in the 165 cases where the vehicle owners evaded payment of one time tax by obtaining motor cabs/tourist motor cabs permits for their newly registered cars, the witness, Special Secretary, Transport Department explained that as per the existing norms, the owners of the newly registered cars could not be compelled to pay one time tax once they surrendered their permits for obtaining motor cabs/tourist motor cabs permits. But the department had submitted a proposal for amending the relevant Rules in such a way that tax could be collected from such vehicle owners for the balance period.

43. The Committee noticed that eventhough Accountant General had made the observation four years back, the Department had thought of taking action to amend the Rules only in the preceding year which itself was yet to be materialised. This was viewed very seriously by the Committee and it was suggested that the Department should expedite the action in this regard.

44. The Committee learned from audit paragraph 4.2.10, that 12375 check reports were not disposed off by various Regional Transport Offices/Sub Regional Transport Offices during the period from 1998-99 to 2002-03. The amount thus held up in those offices was Rs. 41.16 lakh. The Committee sought to know the reason for the delay in disposing the check reports which ought to have been dealt with within two months from the date of the check. The

Additional Transport Commissioner explained that a large number of pending cases of a particular year would be settled in the succeeding year. The remaining cases would be carried over to the next year along with the cases included in that year's check report. There would be some pending cases each year.

45. The Committee then enquired about the money that had been realised out of the outstanding amount of Rs. 41.16 lakh and the action taken to recover the balance amount. The Additional Transport Commissioner responded that suitable measures had been taken in many cases. In Malappuram, Rs. 39,000 had been collected from nine check reports. From Attingal, Moovattupuzha, Kottarakara and Neyyattinkara, Rs. 12,000, Rs. 1,39,000, Rs. 75,500 and Rs. 3,000 respectively had been realised. Rs. 42,730 from Adoor and Rs. 24,000 from Aluva had also been collected. Out of the pending 85 check reports in Ottappalam, action had been pursued in 75 cases but the amount involved had not been reported from the respective office. From Perumbavoor and Thalassery Rs. 28,000 and Rs. 23,000 respectively had been recovered.

46. The Committee suspected that absence of effective action on the check reports by the Department was purposeful and that the amount collected was very meagre when compared to the outstanding due amount.

47. The Committee found that the Transport Commissioner had promised earlier to take up the matter with the government for enhancing compounding fee at a level not less than the minimum prescribed in the Motor Vehicles Act. When enquired whether any suggestion/proposal for the same had been forwarded to Government, the Additional Transport Commissioner assured to furnish a reply after verifying the relevant records.

48. Regarding the audit observation in paragraph 4.2.11, that in 9 Janasevanakendrams, delay up to 86 days was noticed in transfer crediting amounts ranging between Rs. 0.43 lakh and Rs. 12.77 lakh to the receipt head of Transport Department, the Committee desired to know the latest position of the matter. The Additional Transport Commissioner admitted the delay and explained that sufficient action was in progress to link the Janasevanakendrams and Regional Transport Offices through information technology so that the amount paid in Janasevanakendrams would be immediately transfer credited to the account of the department. The Committee opined that online facility alone couldn't solve this problem since the main issue was non-reconciliation of accounts.

49. The Committee subsequently enquired about the action taken against the offender who had defalcated Rs. 6.26 lakh in 140 cases from Kozhikode Jenasevanakendram during the period from March 2001 to September 2002. The Additional Transport Commissioner explained that the culprit was suspended from service. Vigilance enquiry and revenue recovery proceedings were progressing against him.

50. To the Committee's query as to whether he had since been reinstated in service, the Additional Transport Commissioner submitted that there was provision for review after six months of suspension and accordingly government had reviewed the case and reinstated the delinquent in service. The Committee strongly denounced the action of the government and opined that government had committed a grave mistake in reinstating an officer against whom there was a clear case of corruption. Though there was provision for reviewing the suspension after six months it was not mandatory for the government to reinstate the guilty person, merely on the basis of review.

51. The Additional Transport Commissioner clarified that the offender was reinstated only when he submitted an application for review, after two and a half years of suspension. Not satisfied with the reply, the Committee reiterated that government's decision to reinstate a person against whom there was a clear case of misappropriation of government money and before knowing the final outcome of the vigilance enquiry and RR action as very unfair.

52. Thereafter the Committee enquired about the latest position of the clearance of arrears regarding reconciliation of remittances in the 10 offices pointed out by Audit in paragraph 4.2.12. The Additional Transport Commissioner admitted that delay ranging from one to three years in many offices were noticed on verification of relevant records and assured to take necessary steps to make the pending reconciliation up to date.

53. The Committee, at this juncture desired to know whether the details regarding the encashment of demand drafts received from outside the State were entered in the demand draft register. The witness answered in the affirmative. He further clarified that such drafts would mostly become outdated when they reach our State and would have to be returned for revalidation. In the case of inter-State vehicles also, certain problems were being faced. To resolve these problems, efforts were being made to make a tie up with the State Bank, so that the draft system itself could be avoided. The Committee observed that the Finance Department was not monitoring any such matters relating to revenue collection and was only interested in writing objections.

54. When the Committee called for immediate action to complete the reconciliation of remittances, the witness remarked that in almost all offices reconciliation of accounts up to the end of the year 2006 was completed. The Committee opined that reconciliation of remittances into the treasury should have been done within the prescribed time frame as laid down in the Kerala Treasury Code Vol. I and the Kerala Financial Code Vol. I.

55. Regarding the audit observation on the Internal Control, the Committee understood that the internal control system in the Transport Department was not functioning effectively as a result of which the biennial inspections of the Regional Transport Office/Sub Regional Transport Office which ought to have been conducted by the internal inspection wings of the Transport Commissionerate and District Transport Commissioner Offices were in arrears and inspections for the periods prior to the year 2000 was pending in 15 offices test checked by Audit. The Committee sought to know the reasons for not conducting the inspections. The Additional Transport Commissioner explained that as per the existing norms, the inspection wings were required to conduct inspections twice in an year and almost all offices were covered by the Wing during 2006-07. In the rest of the offices, inspections would be completed expeditiously.

56. The Committee then wanted to know as to why quarterly review of cases advised for revenue recovery action was not done properly by the RTOs and JRTOs resulting in accumulation of arrears. The witness could not offer any reply to the Committee's query.

57. When enquired about the reason for not verifying the entries in the DCB registers periodically, the witness, Special Secretary, Transport Department answered that necessary directions were issued to the Motor Vehicles Department to maintain the DCB and RR registers properly and to conduct periodical inspections of these registers.

58. The Committee found that Original Petition Registers (OPRs) were not maintained in 10 out of the 24 offices test checked by Audit and hence the cases pending in various Courts of Law were not being effectively pursued. To this Additional Transport Commissioner answered that the Registers were not maintained by the offices at the time of audit inspection. Later on, all offices (except 7) had started to keep OP Registers after the department issuing necessary instructions.

59. The Committee suggested to start a system in the department to convene periodical meetings of the RTOs and to supervise the progress of actions undertaken as per the decisions arrived at in those meetings. The

Committee further desired that a legal cell should be constituted in the Transport Department so as to ensure that court verdicts were in favour of government in OP cases. It was also emphasised that internal audit system in the department should be strengthened and that disciplinary action be taken against those who failed in keeping the DCB Register, Tax Files etc. properly.

Conclusions/Recommendations

60. The Committee perceives from the audit observation that the actual revenue collection in the Motor Vehicles Department during the period from 1998-99 to 2002-03 was persistently lower than the budget estimates even though there was a steady increase in the number of registered vehicles during the said period. The Committee at the time of witness examination had sought the reasons for the persistently lower collection of tax and the department had assured to furnish a detailed reply in the matter. But the department has failed miserably to stick to its word. The Committee considers this as highly appalling and urges the Department to furnish the reply without any further delay.

61. The Committee suspects that the Budget Estimates for the years from 1998-99 to 2002-03 were arrived at by the Finance Department without complying with the instructions contained in the Kerala Budget Manual. This act of the Finance Department amounted to gross negligence of duty and naked violation of the extant provisions in the Manual. Hence, the Committee implores the Department to strictly adhere to the provisions contained in the Budget Manual while preparing Budget Estimates.

62. The Committee during witness examination had sought to know the details regarding the arrears of vehicle tax as on 31-3-2007 and the department had agreed to furnish a detailed reply in that regard. But the Committee is disappointed to see that the reply has not been furnished by the department till date. The Committee strongly criticises the department for its inaction and desires that a detailed reply regarding the amount of vehicle tax pending collection as on 31-3-2008, the period from which the amount is pending realisation and the amount collected thereon should be furnished at the earliest. The Committee also wishes to be informed of the system now prevailing in the department to monitor the remittance of tax through DCB registers and whether quarterly assessment is being done regularly to calculate arrears of tax.

63. The Committee during witness examination had noticed that failure of the department to adhere to the time limit prescribed for obtaining service verification reports had resulted in the non-collection of

Rs. 34.67 crore and had desired to know the reason for the lapse. Since the witness could not provide a satisfactory reply in this respect, the Committee had called for a detailed report regarding the amount realised out of Rs. 34.67 crore, the amount pending collection and the latest position of the action taken to realise the pending amount. But the Committee is distressed to notice that the department has failed to impart any response which according to the Committee cannot be excused at any cost. Hence the Committee calls for an urgent action to furnish the desired report within no time.

64. The Committee understands that there was a wide variation between the arrears of tax shown in the DCB statement (Rs. 62.42 lakh) and the Tax Exemption Register (Rs. 5.37 lakh) for the quarter ended on 31 March 2003. Eventhough the Committee had sought to know the reason for the over reporting of tax arrears in the DCB statement, the department was not able to put forth a valid reason for the omission. The Committee laments this irresponsible attitude of the department and urges to intimate without any more delay whether the discrepancy has since been rectified.

65. The Committee observes from the audit findings that the Revenue Recovery Registers (RR Registers) which are to be maintained by all Regional Transport/Sub Regional Transport Offices as per the Kerala Motor Vehicles Manual, are not being maintained properly in many of the offices test checked by Audit. There existed certain discrepancies between the amount shown in the RR Registers and the DCB statements in most of the offices which is a clear indication of the fact that periodical inspections as stipulated are not being done. The Committee finds this as highly deplorable and recommends to take adequate steps to ensure proper maintenance and updating of RR Registers in all offices under the department. The action taken in this regard should be intimated to the Committee without fail.

66. The Committee understands that as per the existing instructions, Revenue Recovery action should be initiated against the persons who fail to remit tax within fifteen days from the issue of demand notice. But the Committee is dissatisfied to note that in four offices RR action was not initiated for realising arrears of Rs. 6.88 lakh in 23 cases where demand notices were issued between April 1998 and August 2003. The Committee is even disappointed to see that the officers who had appeared for witness examination on behalf of the department had failed to enlighten the Committee about the exact measures taken to recoup the arrear amount. The Committee would like to highlight this incident as a typical example of the callous attitude displayed by the department towards matters requiring prime concern.

67. The Committee is distressed to note that Rs. 46.78 lakh which was shown as amount under revenue recovery from 18 contract carriages as per the RR registers and DCB statements maintained in the RT Office, Kozhikode was not seen pending with the Revenue Department. The Committee is also perturbed to find that the defaulters could not be identified from the addresses disclosed in the respective RR requisitions. The Committee regrets to note that though the Department had agreed to submit a detailed reply in this regard after scrutiny of the relevant records; the same is not seen submitted even after a lapse of more than eight months. Hence, the Committee suggests to furnish a detailed report in this regard. The Committee is equally compelled to suspect spiteful intention linked with fraudulent motive on the part of the officers who had entered incorrect addresses of the defaulters. This action had hindered the revenue authorities from taking appropriate steps against them. Hence the Committee directs the department to conduct an enquiry into the whole matter and to take suitable action against the delinquents who were responsible for the negligence.

68. The Committee insists to be furnished with a report including the details of the departmental action assured to be taken against the officers who had shown slackness in collecting one time tax amounting to Rs. 1.37 crore from the 815 vehicles registered between 1-4-1998 and 14-11-2001 in the 19 offices test checked by Audit, the details of amount collected etc.

69. The Committee is perturbed to note that in the 134 cases where the defaulters had either failed to pay any instalment of quarterly tax or stopped payment after one or two instalments which related to the period from April 1998 to March 2003, the Department had retrieved only Rs.15 lakh out of the outstanding amount of Rs. 79.61 lakh. It is even alarming to note that only a meagre amount of Rs. 45,000 had been collected from the owners of 406 goods vehicles who had failed to remit tax amounting to Rs. 39.49 lakh within the time frame and in which cases the department had omitted to issue demand notice. The Committee intends to highlight these two instances as typical examples of the indifferent attitude displayed by the department in such a serious matter. It is also to be noted that government allowed instalment facility without proper provisions in the respective Act. The Committee deplores the lethargic attitude of the department and demands a detailed report regarding the action taken to recoup the balance amount in both cases.

70. The Committee is disturbed to see that some of the goods vehicles belonging to the State of Karnataka and Tamil Nadu which were permitted to operate on mutual agreement in the State of Kerala had stopped operation without surrendering their countersigned permits even though they were bound to do so. The Committee was informed that the department was trying to recover tax amounting to Rs. 1.28 crore from such vehicles and that the department was communicating with those States in this matter. The Committee calls for a detailed report regarding the intimations given to the States of Karnataka and Tamil Nadu during the period from 1998-99 to 2002-03. The Committee also desires to be informed whether the amount in full has since been recouped.

71. The Committee observes with serious concern the fact that unpardonable delay ranging from five to eight years had occurred on the part of the department in retrieving higher rate of tax from 184 private service vehicles which were originally registered in the name of companies and later on reclassified as private service vehicles. The Committee is also disappointed to see that only Rs. 3.5 lakh out of the short levy of Rs.14.06 lakh had been collected from various offices. Eventhough it was informed that action was in progress to redeem the balance amount, nothing worthwhile has been materialised. The Committee also understands that the District Collectors were reluctant to take R.R. action in many cases due to the pathetic condition of the vehicles. The Committee suspects some serious misdeeds on the part of the officers and opines that they might have wilfully allowed the vehicles to degenerate instead of taking timely action to recover the loss sustained to government. Hence, the Committee directs the department to take effective follow up action for the immediate recovery of the balance amount from the vehicle owners.

72. The Committee notices that many vehicle owners evade the liability of paying the prescribed fees for exhibiting advertisements, writings etc. on transport vehicles by purposefully abstaining from bringing the vehicles for inspection before the circle officer. To avoid such loss to government, the Committee suggests that sanction for exhibiting advertisements etc. on transport vehicles should be given only after levying the prescribed fees from the vehicle owners.

73. The Committee observes that certain vehicle owners evade the payment of one time tax by obtaining motor cabs/tourist motor cab permits for their newly registered cars and surrender their permits within months

to obtain motor car permits. Eventhough the Accountant General had pointed out the discrepancy four years back, the department had taken action to bring necessary amendments to the existing Rules only the last year and even that attempt has not fetched the desired result. Hence the Committee insists upon the department to speed up the action in this regard and to bring the amendment into effect so that the vehicle owners can be compelled to pay one time tax for the balance period.

74. The Committee is disappointed to note that the check reports received in RT/SRT offices during the period from 1998-99 to 2002-03 were not disposed of even after the lapse of six years to one year even though the action on these reports should have been completed within two months from the date of check. The Committee is equally distressed to note that the amount so far collected on the basis of the check reports is only negligible when compared to the pending amount. The Committee strongly condemns the lethargic attitude of the department in the matter and urges to recover the balance amount within no time.

75. The Committee observes that the department is collecting compounding fee at rates less than the minimum specified in the Motor Vehicles Act thereby causing loss of revenue to Government. The Committee also notes that the Transport Commissioner had agreed to take up the matter of enhancing compounding fee with the Government. The Committee implores the department to intimate whether proposal for enhancing compounding fee to a level not less than the minimum prescribed in the Motor Vehicles Act has been advanced to the Government and if so the outcome of the proposal.

76. The Committee was informed that the offender who had misappropriated Rs. 6.26 lakh had been suspended from service and later on reinstated in service without completing the procedure. The justification for this irregularity was that suspension could be reviewed after six months and that it was after two and a half years of suspension and on the basis of formal application for review that he was reinstated. The Committee strongly condemns this action of the Government and opines that it is not mandatory for Government to reinstate a person against whom there is an obvious case of misuse of government money, merely for the sake of review. The Committee learns that vigilance enquiry and RR proceedings are progressing against the delinquent. The Committee seeks to know the outcome of the vigilance enquiry and the details of the action taken by the department against the offender.

77. The Committee notices from the audit observation that in 10 out of the 29 offices test checked, the reconciliation of remittances into the treasury was in arrears for periods of over three to six years and in six offices the delay ranged from one to three years even though the reconciliation is to be done every month. The Committee finds no justification for the delay and recommends the department to take urgent steps to see that the reconciliation is done every month as per the codal provisions. The Committee is very much disappointed in the fact that the Finance Department which is expected to supervise all such matters does not show any seriousness to avoid such irregularities. Hence it is suggested that the Finance Department must show utmost skill to find out these type of omissions and its rectification.

78. The Committee is dissatisfied to note that though the internal control system which is intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions are not effectively complied within the department. It is high time for the internal control system to be made effective so that frauds and other irregularities can be detected in time and follow up action taken. Hence the Committee suggests that the department should introduce a new system to convene periodical meeting of the Regional Transport Officers of the State and to review the progress of the follow up action taken as per the decisions arrived at in those meetings. A legal cell should be set up in the department and it should be entrusted with the responsibility of monitoring the progress of the Court cases. The cases should be pursued in such a way as to ensure that the verdicts of the court are made in favour of the department. Internal audit wing should be strengthened and periodical inspections as laid down in the relevant Rules should be conducted without fail in all offices under the department. Adequate follow up action should be taken in cases where any kind of irregularities or fraud is detected.

79. The Committee, while on a visit to the Regional Transport Office, Kollam had conducted physical verification of the DCB Registers, Tax Files and other registers maintained in that office. The Committee was utterly disappointed to see that most of the registers were not being maintained as required. Entries regarding the registration of vehicles were in disarray and the mode of maintenance of audit objection registers was not satisfactory. Hence, the Committee urges the department to issue immediate instructions to all offices under it directing them to maintain all the registers properly and up to date.

80. The Committee was informed during the visit that the Treasury Department had instructed to keep separate chalan for each Demand Draft which was causing profound delay in crediting the amount of the department. To tide over this difficulty, the Committee suggests to create a credit column in the treasury account. The Committee also suggests to receive treasury chalans branch wise instead of the present system. Discussions should be held by the department with the Treasury Director and Finance Secretary to this effect.

81. The Committee learned that the department was willing to collect money directly from the public if they were provided with sufficient staff. Considering this suggestion to be economically viable to the department, the Committee beseeches to provide sufficient staff (at least four) to collect tax straightaway from the people instead of the current DD system. The new system should be extended to light duty and heavy duty vehicles alike.

82. The Committee comes to know that the money remitted in the 'FRIENDS' Janasevana Kendrams are first deposited into their Personal Deposit Account and then it is credited into the account of the Motor Vehicles Department. To avoid such a procedural delay, the Committee strongly recommends to take immediate action to make it mandatory to remit the chalans directly in the account of the Motor Vehicles Department instead of the one of 'FRIENDS'.

83. The Committee understands that the Motor Vehicles Department is one of the major revenue earning departments of the State. Hence it is utmost essential that the offices under the department are equipped with the basic infrastructure facilities. Since most of the Regional Transport Offices lack enough space, the Committee recommends that speedy action should be taken to provide more space to all the offices especially the Kollam Office.

AUDIT PARAGRAPH

Non realisation of vehicle tax

Government in January 1994, prescribed a composite fee based on seating capacity on All India Tourist permit vehicles of other States/Union Territories authorised to ply in Kerala. Government rescinded the above order in October 2001 and reverted to a vehicle tax leviable on each seat. Consequently vehicles of 14 to 35 seats which were hitherto liable to a composite fee of Rs.12,000 per quarter became taxable at Rs. 1,400 per passenger seat per quarter from 1 November 2001. However, the High Court of Kerala, in its interim orders on

writ petitions (between November 2001 and February 2002) allowed the vehicle owners to pay the composite fee. Later in its final order the Court dismissed the petitions on 8 March 2002 and ordered that the petitioners should pay arrears of tax with interest at 15 percent per annum within a period of 15 days from the date of judgement. This was later extended up to 30 March 2002. The Court also ordered that the non-payment thereafter would be treated as default and all consequences for the same would follow.

Records of check posts under Regional Transport Office, Wayanad, Sub Regional Transport Office Kanhangad and TC, Thiruvananthapuram revealed that balance tax as a result of decision of the Honorable High Court was not collected from owners of 124 All India Tourist vehicles. This resulted in non-realisation of vehicle tax of Rs. 51.77 lakh for the period from November 2001 to March 2002.

After this was pointed out by audit between July 2002 and January 2003, the Department accepted the audit observation and stated in August 2004 that Rs. 2.28 lakh had been collected on six vehicles. Further reply was awaited (December 2004).

The matter was reported to Government in December 2003 and February 2004. Their reply was awaited (December 2004).

[Paragraph 4.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (RR)]

Note furnished by Government on the above audit paragraph is included as Appendix II.

Conclusion/Recommendation

84. No comments

AUDIT PARAGRAPH

Short levy of composite tax

Under the KMVT Act, on goods carriage vehicles registered and usually kept in any other State or Union Territory in India and authorised to ply in the State of Kerala under a National Permit, composite tax at Rs. 3,000 per annum or at the rate at which similar vehicle from Kerala is taxed in their home State, whichever is higher, shall be payable.

The rate of composite tax per vehicle is Rs. 5,000 per annum for National permit goods carriages registered in the State of Kerala and plying in the states of Gujarat, Haryana, Maharashtra, Rajasthan and West Bengal and Union Territory of Delhi.

Test check of the records of the TC Office, Thiruvananthapuram revealed that 1,026 goods carriages registered in above states were authorised to ply in Kerala under National Permit during the year 2001-02 on payment of composite tax of Rs.3,000 per annum instead of at the rate of Rs. 5,000 per annum. The tax was remitted half yearly in 81 cases instead of yearly. No action was taken by the Department to demand and collect differential tax through the concerned State/Regional Transport Authorities. This resulted in short levy of composite tax of Rs. 19.71 lakh.

After these cases were pointed out to the Department in January 2003, Department stated in August 2004 that STAs of concerned States were addressed to realise the tax and Rs. 0.24 lakh from 11 vehicles had been realised. Further report had not been received (December 2004).

The matter was reported to Government in December 2003 and February 2004. Government stated between July and October 2004 that Rs. 0.46 lakh had been collected in 24 cases. Further reply was awaited (December 2004).

[Paragraph 4.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (RR)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

85. The Committee came to know from the audit paragraph that in the office of the Transport Commissioner, Thiruvananthapuram, 1026 goods carriages registered in the states of Gujarat, Haryana, Maharashtra, Rajasthan, West Bengal and the Union Territory of Delhi were authorised to ply in Kerala under National Permit during the year 2001-02 on payment of composite tax of Rs. 3,000 per annum instead of the rate of Rs. 5,000 per annum which resulted in short levy of composite tax of Rs. 19.71 lakh. The Committee insisted to know as to why the department had not collected composite tax at the prescribed rate from the goods carriages.

86. The Additional Transport Commissioner explained that the State Transport Authorities of the concerned states were authorised to collect composite tax. They were intimated of the matter several times. Currently the goods carriages which fail to pay composite tax at the prescribed rates were being seized at the check posts.

87. The Committee reminded the witness that the lapse once pointed out by Audit should not be repeated by the Department in the succeeding years and if things happen otherwise, then the Committee would treat the matter very seriously.

Conclusion/Recommendation

88. No comments

AUDIT PARAGRAPH

Short collection of tax on interstate contract carriages

Under KMVT Act, tax on a motor vehicle shall be paid in advance for a quarter or year. However, only one tenth or one third of the quarterly tax is payable on All India Tourist permit vehicles registered in other states which enter Kerala and stay therein up to 7 days or 8 to 30 days respectively. TC in January 2002 clarified that the tax licences so issued are for one round trip only and subsequent entry into the State attracts further levy of tax.

In Regional Transport Offices, Kannur and Kasargod, five All India Tourist Permit vehicles were allowed multiple entries after paying one tenth and one third of the quarterly tax. This resulted in short levy of Rs. 2.71 lakh.

After this was pointed out by audit to the Department in November 2002 and December 2003, the TC stated that instructions would be given to RTOs, Kannur and Kasargod to realise the dues. Further report had not been received (December 2004).

The matter was reported to Government in March 2004; their reply was awaited (December 2004).

[Paragraph 4.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (RR)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

89. The Committee observed that in the Kannur and Kasargod Regional Transport Offices, five All India Tourist Permit vehicles were allowed multiple entries after paying one tenth and one third of the quarterly tax respectively which resulted in short collection of Rs. 2.71 lakh.

90. To this, the Senior Finance Officer, Transport Commissionerate replied that in order to promote tourism, Government of India by an order directed to issue "All India Tourist Permits" to vehicles. State Government, by a notification laid down that such vehicles need to pay only Rs. 12,000 as tax for one year. Later, noticing that the concession was not in any way helping the tourism industry, the notification was withdrawn. Consequently, some vehicle owners approached the court seeking permission to pay tax at the concessional rate and obtained sanction for the same.

91. The Committee, at this point desired to have a copy of the judgement. Since the Special Secretary, Transport Department was not in possession of the copy, the same was furnished to the Chairman by the Deputy Accountant General.

92. The Committee, on an examination of the judgement perceived that there was contradiction between the reply of the department and the decision of the court regarding the realisation of tax and hence implored the department to discuss the matter once again with the Law Department.

Conclusion/Recommendation

93. The Committee observes that there is inconsistency between the reply of the witness in the matter and the judgement of the court. The Committee, on the basis of its earlier direction to the department to take up the matter once again with the Law Department would like to be informed of the outcome of the discussion.

AUDIT PARAGRAPH

Non/Short levy of additional tax

Under the KMVT Act, when any registered owner or any other person who has possession or control of any motor vehicle used or kept for use in the State has not paid tax within the prescribed period, he shall pay additional tax ranging from 10 to 50 percent of the tax due, depending upon the period of delay. From May 1998 onwards, the counter clerk was entrusted with the work to assess additional tax, accept vehicle tax, make entry in registration certificate and issue tax licence without any counter check by Taxation Officer.

In eight Transport Offices*, additional tax for delay in payment of tax was not levied on 23 vehicles and it was short levied on 13 vehicles during the year 2002-03. This resulted in non/short levy of additional tax of Rs. 1.68 lakh.

After this was pointed out to the Department by Audit between April and September 2003 the TC stated in August 2004 that concerned RTOs and Joint RTOs were being reminded to realise the balance additional tax and that Rs. 0.49 lakh from 13 vehicles had been realised. Further report had not been received (December 2004).

The matter was reported to Government in February 2004. Government stated in four communications between July and October 2004 that Rs. 0.72 lakh had been collected in 18 cases. Further reply was awaited (December 2004).

* Regional Transport Office: Alappuzha, Idukki, Malappuram, Kottayam, Palakkad, Thiruvananthapuram and Wayanad.
Sub Regional Transport Office: Irinjalakuda.

[Paragraph 4.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (RR)].

Note furnished by government on the above audit paragraph is included as Appendix II.

94. Since, Government had stated in its reply that necessary action had been taken in all the cases pointed out by Audit, the Committee offered no comments on the paragraph. But the Committee once again reminded the witness of its right to move privilege and contempt if the RMT statements and the action taken notes were not furnished within the specified time limit. The Committee also pointed out that delay on the part of the department in the matter would result in impeding the Committee from performing its constitutional obligation, thereby rendering the whole process unfruitful.

Conclusion/Recommendation

95. No Comments.

AUDIT PARAGRAPH

Forest Receipt

Results of Audit

Test check of the records of offices of the Forest Department conducted in audit during 2004-05 revealed non levy/short realisation of revenue amounting to Rs.8.65 crore in 16 cases, which may broadly be categorised as under.

<i>(In crore of rupees)</i>			
<i>Sl.No.</i>	<i>Category</i>	<i>Number of cases</i>	<i>Amount</i>
1	Short/non demand of lease rent/penal interest on forest lands	4	0.52
2	Loss in auction/reauction, disposal of forest produce, short/non realisation of penalty and other charges	6	2.11
3	Other lapses	5	4.80
4	Review on "Receipts of Forest and Wild Life Department"	1	1.22
Total		16	8.65

During 2004-05, the Department accepted underassessment of Rs. 1.15 lakh involved in one case pointed out during 2004-05.

A few illustrative cases including a review on “Receipts of Forest and Wild Life Department” involving Rs. 1.52 crore are given in the following paragraphs.

Review on “Receipts of Forest and Wild Life Department”

Highlights

- Blockage of revenue of Rs. 75.27 crore due to non extraction of timber on account of delay in preparation of working plan/omission to include necessary prescription in working plan/non execution of work as per working plan.
- Timber worth Rs. 61.65 crore standing in the lands assignable to pre 1977 encroachers remains unextracted in five divisions.
- In three divisions there was non/short demand of lease rent of Rs. 1.22 crore from two lessees.

Introduction

The Kerala Forest Act, 1961 governs the laws relating to protection and management of forests in the State. The Forest (Conservation) Act, 1980 (Central Act) controls the activities in forests to protect and maintain forest cover. Under the Central Act, it is necessary to get prior approval of the Central Government for the use of forest land for non forest purposes. The Forest and Wild Life (F&WL) Department is entrusted with the work of conservation and exploitation of forests. The functions include protection and development of forests so as to ensure their sustainable use and maintenance.

Receipts of F&WL Department include receipts from the sale of timber and other forest produce, royalty on raw materials supplied, lease rent, licence fee, entry fee, etc., and form a major portion of the non tax revenue of the State.

Organisational set up

Principal Chief Conservator of Forests (PCCF), Thiruvananthapuram is the head of the department. One additional PCCF (D&P*), two Regional Chief Conservators of Forests (RCCF) at Kollam and Kozhikode and seven Chief Conservators of Forests (CCF) at headquarters assist him in the functioning of the Department. CCF (Wild Life) and CCF (Social Forestry) control the functioning of the respective wings. The forest area is divided into territorial and wild life circles. The circles are subdivided into divisions and divisions into ranges.

* Development and Planning

There are eight territorial/wild life circles*, 36 divisions† and six timber sales divisions* (TSDs). The circles are under the charge of Conservator of Forests (CF) and divisions under the charge of Divisional Forest Officers (DFO). Forestry operations are carried out by the Range Officers (RO) under the control and direction of the DFO and CF.

Scope of Audit

A review of the assessment and collection of forest revenue covering the period from 1999-2000 to 2003-04 was conducted between October 2004 and January 2005. Records in the office of PCCF, two RCCFs*, five* out of eight circles, 16* out of 36 divisions and three* out of six TSDs were verified.

Audit objectives

The review was conducted to ascertain whether :

- working plans (WPs) of the divisions were prepared and got approved by the Government of India in time and whether the activities envisaged in the WPs were executed promptly ;
- trees available in forest lands assignable to other parties were extracted and the revenue there from realised ;
- lease deeds were executed for the lands leased out to PSUs®/ autonomous bodies of Government and the lease rent was correctly demanded, collected and accounted for ;
- internal audit system in the department was adequate and effective.

* Northern Circle–Kannur, Southern Circle-Kollam, High Range Circle-Kottayam, Eastern Circle-Palakkad, Central Circle-Thrissur, and Wild Life Circles at Kottayam, Palakkad, and Thiruvananthapuram.

† Achencoil, Chalakkudy, Kannur, Konni, Kothamangalam, Kottayam, Kozhikode, Malayattur, Mankulam, Mannarkkad, Munnar, Nenmara, Nilambur North, Nilambur South, Palakkad, Punalur, Ranni, Thenmala, Thiruvananthapuram, Thrissur, Vazhachal, Wayanad North, Wayanad South, and Wild Life Divisions at Agasthyavanam Biological Park, Aralam, Eravikulam, Idukki, Parambikulam, Peechi, Periyar East, Periyar West, Shendurani, Silent Valley, Wayanad, Eco Development Division Thekkady and Thiruvananthapuram.

• Timber sales divisions at Kottayam, Kozhikode, Palakkad, Perumbavoor, Punalur and Thiruvananthapuram.

▼ Kollam and Kozhikode

* Southern Circle Kollam, High Range Circle Kottayam, Field Director (Project Tiger) Kottayam, Eastern Circle Palakkad and Wild Life Circle Palakkad.

• Achencoil, Konni, Kothamangalam, Kottayam, Malayattur, Munnar, Nilambur (N), Nilambur (S), Palakkad, Punalur, Ranni, Thiruvananthapuram, Thrissur, Wayanad (S), Wayanad (N) and Wild Life Division Peechi.

* Palakkad, Perumbavoor and Punalur

® Public Sector Undertakings

Trend of Revenue

Under the Kerala Budget Manual, the heads of departments shall forward proposals for budget estimates of receipts directly to the Finance Department with a copy to the concerned administrative department in Government, which in turn shall forward the same to the Finance Department with their remarks. The Finance Department will examine the estimates in the light of actuals for the previous financial year and the first five months of the current year and then finalise the estimates for the ensuing year. The budget estimates of revenue shall be based on existing rates and no increase or decrease in the rates shall be proposed unless approved by Government.

The budget estimates and actual receipts of the department during the years 1999-2000 to 2003-04 were as follows.

(In crore of rupees)

<i>Year</i>	<i>Estimates furnished by the department</i>	<i>Budget Estimates</i>	<i>Actual Receipts</i>	<i>Variation increase (+)/ decrease (-)</i>	<i>Percentage of variation</i>
1999-2000	♥	160.08	109.88	(-) 50.20	(-) 31
2000-2001	♥	182.72	141.24	(-) 41.48	(-) 23
2001-2002	150.00	150.00	113.70	(-) 36.30	(-) 24
2002-2003	165.00	181.90	149.58	(-) 32.32	(-) 18
2003-2004	♥	220.00	187.18	(-) 32.82	(-) 15

The above table shows that the department has not followed the provisions of budget manual while submitting proposals for the years 2001-02 to 2002-03 and also was not able to achieve the target in any of the five years, the shortfall ranging from 15 to 31 percent. The department stated in May 2005 that the shortfall was due to restriction on tree felling, paucity of funds for timber operations, non realisation of lease rent, etc.

Preparation and implementation of working plan

The silvicultural activities of a forest division are governed by the prescriptions in the approved WP of the division. A WP is a written scheme of

♥ not made available

management aiming at a continuity of policy, controlling the systematic treatment of a forest. WPs are prepared by the Forest Department for a period of 10 years and contain prescriptions for timber operation in plantations, regeneration activities, collection of timber from dead and wind fallen trees, etc., and are got approved from the RCCF, Ministry of Environment and Forests, Government of India (GOI), Bangalore from 1998-99 onwards. Non following of the WP prescriptions/non inclusion of prescriptions in the WPs would lead to non realisation of revenue from timber operations and block regeneration activities affecting future revenue adversely. Test check of the records of 15 divisions and office of the PCCF relating to the preparation of WPs and the activities undertaken as per approved plans revealed the following:

- Two divisions (Malayattoor and Ranni) had no approved WP during the years 1999-2000 to 2001-02 resulting in blocking up of revenue from timber extraction during these years. Details of revenue blocked were neither furnished by the department nor could be worked out in audit due to non marking of trees for extraction.

- As at the end of March 2004, six* divisions had no WP. WPs in three* of these divisions had expired between 1999 and 2002 and in the remaining three* divisions in March 2004. The Department had not initiated action to finalise WPs of these divisions before the expiry of currency of WP in hand. The matured plantations in these divisions could not be extracted. Revenue blocked in three of these divisions (Achencoil, Munnar and Thiruvananthapuram) was Rs. 8.51 crore as worked out by the Department.

After this was pointed out, the Department stated in May 2005 that WP of Thiruvananthapuram division had since been prepared and that action in respect of the other five divisions was in progress. As regards blockage of revenue, the Department stated that non extraction could not be considered as a blockage of revenue since the trees were growing and it was a source of increased revenue. The reply is not tenable since the plantations due for extraction were all matured and matured plantations exposed to the vagaries of nature would deteriorate in quality and hence less revenue would be realised in future.

- In four* divisions, thinning operations due as per WP were not carried out in 27 plantations between 1999-2000 and 2003-04. This resulted in blockage of revenue of Rs. 51.40 crore in two divisions (Ranni and Thrissur) as worked out by the Department. The other two divisions did not furnish the quantum of revenue involved.

* Achencoil, Kottayam, Munnar, Palakkad, Thenmala and Thiruvananthapuram

* Kottayam, Munnar and Thiruvananthapuram

* Achencoil, Palakkad and Thenmala

* Malayattur, Konni, Ranni and Thrissur

- In five♦ divisions, timber worth Rs. 11 crore available from the windfallen trees could not be extracted due to non inclusion of requisite prescriptions in the WPs. RCCF, GOI requested the Secretary, Forest in July 2004.

- to forward a comprehensive proposal for all divisions where similar prescriptions were to be included.

After this was pointed out, the department stated in March 2005 that action was being taken to include requisite prescriptions in the WPs. Further report has not been received (December 2005).

- In five* divisions, timber was not extracted from the windfallen trees between 2001 and 2004 despite prescriptions in the WP. The Department estimated value of timber in three divisions [Achencoil, Nilambur (North) and Wayanad (North)] at Rs. 4.36 crore whereas in remaining two divisions, the Department did not estimate the value of timber.

After this was pointed out, the department stated in March 2005 that action had since been initiated for extraction.

Non extraction of timber from forest lands assignable to encroachers

Under the Kerala Forest Act, all trees standing in forest lands under the occupation of private persons are the property of Government.

Government of Kerala approached the GOI in 1986 to regularise all pre January 1977 encroachments of forest land. GOI approved in January 1995 State's proposal to regularise 28,588 ha of encroached land.

It was decided in April 1997 at the level of Minister for Forests to carry out extraction of timber in encroached lands in Ranni and Punalur divisions without causing damage to the crops and property of the encroachers. However, verification of records in eight divisions revealed that standing trees on encroached forest lands were not felled and extracted as of January 2005 despite the decision taken in 1997. As per the estimation furnished by the Department, the value of such trees was Rs. 61.65 crore in five divisions as detailed below.

(In crore of rupees)

<i>Sl.No.</i>	<i>Division</i>	<i>Extent (ha)</i>	<i>Quantity (m³)</i>	<i>Value</i>
(1)	(2)	(3)	(4)	(5)
1	Ranni	3,833.65	28,751	29.75
2	Thrissur	725.00	12,750	25.50

♦ Kothamangalam, Malayattur, Mankulam, Thrissur and Wayanad(S)

* Achencoil, Konni, Nilambur (N), Ranni and Wayanad (N)

(1)	(2)	(3)	(4)	(5)
3	Thenmala	178.00	1,100	0.55
4	Punalur	149.00	3,700	1.85
5	Kannur	773.78	2,000	4.00
6	Kottayam	14,942.00	(not furnished)	(not furnished)
7	Munnar	474.64	2,046.35	(not furnished)
8	Kothamangalam	2,000.00	15,000	(not furnished)
	Total	23,076.07	65,347.35	61.65

The Department stated in March 2005 that timber extraction from these areas was to be done without causing damage to environment and hence reports from the DFOs had been called for. Since the land is under encroachment and there is possibility of illicit felling/deterioration in quality and value of timber, Department/Government may consider extraction of these trees in a time bound programme.

Revenue from lease rent

Forest lands are leased out to various PSUs/autonomous bodies, individuals, etc., for raising plantations and for other purposes. The department levies lease rent at the rates prescribed by Government from time to time.

Government had fixed in January 1989 the rent payable by PSUs as Rs.1,300 per ha per year from 18 December 1987. Mention was made in paragraph 7.2 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) Government of Kerala for the year ended 31 March 2000 about lease rent leviable from forest lands. The Committee on Public Accounts in their 46th Report recommended that urgent action be taken to resume back to Forest Department lands not used by the lessee agencies, collect the arrear lease rent and prevent accumulation of arrears. The action taken by Government on these recommendations had not been received till May 2005. With a view to further examine the effectiveness in the recovery of lease rent from PSUs, records of the office of the PCCF were test checked and findings thereof are as given under.

Non execution of lease deeds

Lease deeds for 13,825.93 ha of forest land leased out to KSEB* since 1964 and 10,717.182 ha of forest land leased out to KFDC* between 1976 and 1982 have not been executed. Government refixed in January 2000 the lease rent payable by KSEB with retrospective effect from 1 January 1978. Similarly, in January 2002, Government refixed the lease rent payable by KFDC from 1976.

Non execution of lease deeds enumerating the conditions of leasehold, schedule of payment of lease rent and clauses for violating the condition of leasehold would affect prompt realisation of Government revenue and cause consequent accumulation of arrears.

Non/short levy of lease rent

- Government accorded sanction in November 1964 for transfer of forest land from Ranni division for Sabarigiri Hydro Electric Project of KSEB and exempted areas covered by dams, water spread area, etc., from lease rent. However, in January 2000, Government refixed lease rent payable by KSEB for land area and water spread area with effect from 1 January 1978 as follows.

<i>Period</i>	<i>Rate</i>
1 January 1978 to 17 December 1978	Rs. 250 per ha per annum
18 December 1978 to 17 December 1981	Rs. 475 per ha per annum
18 December 1981 to 17 December 1987	Rs. 615 per ha per annum
From 18 December 1987	Rs. 1,300 per ha per annum
	For water spread area, the rates would be fixed at 25 percent of the above rates

Ranni division collected lease rent from 1999-2000 to 2001-2002 for both land and water spread areas at the rate specified in Government order. But demand of lease rent for the water spread area of 1,968 ha for the period 1 January 1978 to 31 March 1999 was not raised. This resulted in non realisation of lease rent of Rs. 98.33 lakh.

* Kerala State Electricity Board

• Kerala Forest Development Corporation Limited

- Government fixed in January 2002 the lease rent payable by KFDC as below.

<i>Nature of land/area in ha</i>	<i>Period</i>	<i>Lease rent per ha per annum (Rs.)</i>	<i>Old rates of lease rent per ha per annum (Rs.)</i>
Cultivated with trees/ 7,748.441	1976 to March 2001 April 2001 onwards	25 50	1976-78—250 1978-81—475
Cultivated with cash crops/2,968.741	1976 to March 2001 April 2001 onwards	100 200	1981-87—615 1988-till date—1500

In Kothamangalam and Munnar divisions, 539.89 ha and 1,212.58 ha respectively of forest land were leased out to KFDC from 1976 onwards. But the concerned DFOs did not raise the demand for payment of lease rent for the years between 1976 and 2002 at revised rates. Further, the DFO, Kothamangalam demanded lease rent for the years 2002-03 and 2003-04 at the rate of Rs. 50 instead of Rs. 200 applicable for cash crops. This resulted in short/non levy of lease rent of Rs. 23.78 lakh.

After this was pointed out, the department stated in May 2005 that demand for Rs. 9.20 lakh had since been raised. Report of recovery in this case and reply for recovery of the remaining amount have not been received.

Unauthorised retention of leasehold land

The Forest (Conservation) Act prohibits the use of forest land for non forest purpose without the prior approval of the Central Government.

An extent of 21.20 acres (8.58 ha) in Periyar East Division, Thekkady was leased out to Kerala Tourism Development Corporation Limited (KTDC) for a period of 25 years from August 1971. On expiry of the lease period in August 1996, the Wild Life Preservation Officer, Thekkady requested KTDC to surrender the leasehold. KTDC did not hand over the leasehold and submitted formal application for renewal of leasehold. State Government forwarded, in March 1998, the application for renewal to GOI for approval. GOI rejected, in July 2001, the proposal for renewal of leasehold in view of the provisions of Wild Life Protection Act, 1972 and orders of the Hon'ble Supreme Court imposing complete embargo on dereservation of any national park/sanctuary. Government/department did not initiate any action to get the leasehold land surrendered. Instead, Government again took up the matter with GOI in November 2002 for getting approval for extension of the leasehold, against

which further response of GOI is awaited. Thus, even though the request of KTDC was not admissible in view of specific provision in the Forest (Conservation) Act and was liable to be rejected, Government of Kerala opted to keep the case pending with repeated requests to GOI. This has resulted in unauthorised retention of 8.58 ha of forest land by KTDC.

Arrears of lease rent

Arrears of lease rent as on 31 March 2004, as reported by the Department in September 2005, was Rs. 43.06 crore. Of these, arrears due from three[▼] PSUs were Rs. 41.43 crore. The arrears of lease rent due as on 31 March 2003 and 31 March 2004 from four PSUs furnished by the Department were as follows:

<i>(In crore of rupees)</i>			
<i>Sl. No.</i>	<i>Name of PSU</i>	<i>Arrears as on 31 March 2003</i>	<i>Arrears as on 31 March 2004</i>
1	Kerala Forest Development Corporation Limited (KFDC)	2.32	0.44
2	Kerala State Electricity Board (KSEB)	13.46	20.99
3	The Plantation Corporation of Kerala Limited (PCK)	40.80	20.00
4	The State Farming Corporation of Kerala Limited (SFCK)	4.26	-
Total		60.84	41.43

Government, in the Agricultural Department, had declared moratorium in January 2003 on the payment of lease rent by PCK till it repaid the loan taken by it from bank. The Department has been requested to state the reason for the arrears getting reduced from Rs. 40.80 crore in March 2003 to Rs. 20 crore in March 2004 when there was a moratorium on the payment of lease rent.

Other Points

- *Forest offences*

Forest offence means an offence punishable under Forest Act which includes felling of trees, quarrying of stones, setting fire to forest area, etc. Any

[▼] Kerala State Electricity Board, The Plantation Corporation of Kerala Limited, Kerala Forest Development Corporation Limited.

produce/vehicle involved is liable to seizure/confiscation and is disposable after the Department compounds the offence or a court of law disposes the offence. Perishable items could be disposed of after obtaining necessary orders of the court before final disposal of the court case.

As per the information furnished by RCCFs Kollam and Kozhikode, 12,936 forest offences were pending disposal in five circles as on 31 March 2004. The value of seizures pending disposal was Rs. 7.85 crore in four of these circles as given below.

<i>(In crore of rupees)</i>			
<i>Sl. No.</i>	<i>Name of Circle</i>	<i>No. of cases</i>	<i>Value of seizures</i>
1	Southern Circle, Kollam	505	0.81
2	High Range Circle, Kottayam	6,574	5.01
3	Eastern Circle, Palakkad	3,971	1.18
4	Northern Circle, Kannur	994	0.85
5	Central Circle, Thrissur	892	Not furnished
Total		12,936	7.85

In addition, 352 vehicles involved in 438 offences were also pending disposal. The year wise/stage wise details of pendency were not furnished. Non disposal of thondy articles (seizures) would lead to exposure to the vagaries of nature and result in deterioration

The encroachers of forest land who felled trees in the encroached area were booked in Peechi Range during 1999. The RO seized 576 pieces of timber valued at Rs. 23.04 lakh and the offences were charged in the court. CCF (WL) accorded sanction in December 1999 for the disposal of materials subject to obtaining court order. The RO sought permission from court for the disposal of the thondy articles only in February 2003 and the same was granted in March 2003. However, only 46 pieces valued at Rs. 3.12 lakh were available for disposal. Thus delay on the part of the RO to seek permission from the court resulted in deterioration of the thondy articles and consequent loss of Rs. 19.92 lakh.

- *Non fixation of liability in case of loss sustained by Government*

As per Kerala Forest Code, the Government could hold any Government servant responsible for any loss sustained by Government through fraud or negligence on his part and fix responsibility for the loss sustained.

Range Officer, Nagarumpara reported to the DFO, Kottayam in October 2002 that 1,750 marked trees in Kottayam division were missing. Though the value of missing timber was reported to be Rs.1.35 crore, the liability for the loss sustained by Government was not fixed even after two years.

- *Receipts from Wild Life wing*

Revenue collection in the Wild Life wing during the review period was as follows.

<i>(In crore of rupees)</i>	
<i>Year</i>	<i>Amount</i>
1999-2000	2.34
2000-2001	1.90
2001-2002	2.72
2002-2003	1.33
2003-2004	2.02

Major portion of the revenue of wild life divisions was from entry fees and boat charges. During 2002-03, Rs.78.10 lakh was collected as entry fee and boat charges. The rates were last fixed in October 1994. Though establishment charges of the personnel posted in operation charges of the boats have increased during the last 10 years, the rates have not been revised.

Internal audit

The internal audit wing (IAW) attached to the PCCF is headed by the Senior Finance Officer and is assisted by one junior superintendent and four clerks. Out of 139 ranges, the IAW inspected only 14 to 39 ranges per year during the years 1999-2000 to 2003-04. No divisions were audited during this period.

The year wise break up of the IRs/paras issued during the years 1999-2000 to 2003-04 were as follows.

<i>Period</i>	<i>Opening balance</i>		<i>Addition during the year</i>		<i>Clearance</i>		<i>Closing balance</i>		<i>Percentage of clearance</i>	
	<i>No. of IRs</i>	<i>No. of paras</i>	<i>No. of IRs</i>	<i>No. of paras</i>	<i>No. of IRs</i>	<i>No. of paras</i>	<i>No. of IRs</i>	<i>No. of paras</i>	<i>No. of IRs</i>	<i>No. of paras</i>
1999-00	147	475	36	227			183	702		
2000-01	183	702	14	97	5	56	192	743	3	7
2001-02	192	743	34	124	17	354	209	513	8	41
2002-03	209	513	20	157	12	132	217	538	5	20
2003-04	217	538	39	231	13	210	243	559	5	27

The above table shows that the percentage of clearance of the IRs ranged between 'nil' and eight percent and clearance of paras between 'nil' and 41 percent. Increasing trend of outstanding objections indicated absence of a proper supportive environment for internal audit in the Forest Department. At the end of March 2004, 243 IRs with 559 paragraphs having a money value of Rs. 1.61 crore were outstanding for remedial measures.

The Department did not give any reason for the low clearance of audit observations but stated in May 2005 that audit of division offices was being taken up from 2005 onwards and audit plans were being drawn quarterly covering range offices and division offices where audit was pending for more than two years.

Recommendations

- The preparation of WPs may be closely monitored at forest headquarters. A check list of items to be incorporated in the WP may be prepared and circulated to the divisions for guidance and compliance. Similarly, programme may be chalked out that the divisions submit new WPs well in advance to PCCF so that approval of the same can be obtained from GOI before the expiry of the WP in hand. Headquarters office may watch the same through a calendar of returns.

- A time bound programme may be chalked out to extract timber from lands assigned to pre 1977 encroachers of forest land.

- Urgent action may be initiated to execute lease deeds for the lands leased out to KFDC and KSEB. It may be ensured that the lease rent is correctly and promptly demanded and collected.
- Government may consider revision of entry fee, boat charges, etc., to augment its resources.
- The IAW may be streamlined giving top priority for clearance of internal audit objections and conducting audit of all division/range offices in a span of five years.

During discussion, the department accepted all recommendations.

Acknowledgement

Audit findings as a result of review were reported to Department/ Government in July 2005 with a specific request to attend the meeting of Audit Review Committee on the topic so that the views of the department/Government were taken into account before finalising the review. The meeting was held on 1 August 2005 and attended by the Secretary, F&WL Department, Government of Kerala and Additional PCCF. The views expressed by the members have been taken into account while finalising the review.

[Paragraphs 6.1 & 6.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (RR)].

Notes furnished by government on the above audit paragraphs are included as Appendix II.

96. While considering the audit paragraph on Trend of Revenue, the Committee noticed that during the years from 1999-2000 to 2003-04, the Forest Department could not achieve the target fixed by Finance Department in the budget estimates. The Committee perceived that the decline in the actual receipts had occurred due to the restrictions imposed by government on felling of trees as part of its policy for which the department could not be blamed.

97. Regarding the audit observation in paragraph 6.2.6, regarding preparation and implementation of working plan, the Principal Chief Conservator of Forests explained that there was considerable improvement in the preparation of working plans. Out of the 23 divisions, working plans had already been devised in 19 divisions. Working plan in respect of one division had been forwarded to Government of India for approval and in the remaining three divisions, ground works for the preparation of working plans had been culminated and action was in progress for its preparation.

98. The Committee desired to know whether working plans were needed only for felling trees from natural forests or whether it was required for plantations also. The witness submitted that extraction of trees from natural forest was prohibited following a direction by the Supreme Court. Selection felling of trees was stopped in 1987 but decayed and wind fallen trees were permitted to be collected. Collection of such trees was not being done since it was not economically feasible.

99. At this juncture, the Committee enquired about the plight of the persons who were settled in areas declared as ecologically fragile under the Kerala Forest (Vesting and Management of Ecologically Fragile Lands) Act, 2005 (EFL Act).

100. The PCCF informed that a committee had been constituted with the active participation of people for the verification of such areas which had come to the notice of the department and action would be taken to exclude such areas where cultivation or settlement of any type was noticed.

101. To the Committee's query about the predicament of the small roads and bridges which were under construction in forest areas, the witness deposed that things would be in the right path once the Central Act was made applicable in the State. A steering committee under the auspices of the Minister for the Welfare of SC/ST, the Minister for Forest & Wildlife, the Minister for Revenue and the Minister for Local Self Government had been constituted for studying the feasibility of implementing the Central Act in the State and decision had been taken to implement the Act in the tribal areas. As per the provisions of the Act, the right to declare the forest rights of the tribals vest with the Grama Sabhas. The Grama Sabhas were required to forward the necessary proposals to the Block Panchayats and the same would be approved at the district level.

102. The Committee warned the department to be vigilant of the misuse of the provisions in the Act which usually take place in the name of Scheduled Castes and Scheduled Tribes. The department should also take a judicious approach regarding the small roads and bridges which were under construction in the forest areas. The witness explained that a pragmatic approach was good but the officers who took practical approach in certain cases in the past had to suffer various difficulties when complaints were raised against them.

103. The Committee also stressed the need for electric fencing in areas where destruction to life and property were usually caused by wild elephants. Financial aid should also be invariably given to the farmers who had lost their crops. The witness clarified that Government of India had been requested to increase the quantum of relief extended to such farmers.

104. Regarding the audit observation in paragraph 6.2.7, the Principal Chief Conservator of Forests explained that extraction of timber from encroached lands was practically impossible, without causing damage to the crops and property of the encroachers. Government would have to compensate for the destruction to crops, if any, caused during the extraction. Apart from the above reasons, labour charges for removing timber from certain areas was also unaffordable. In the context of the enactment of the Promotion of Cultivation in Private Land Act, the witness opined that it had better trees were not extracted from encroached lands.

105. The Committee then sought to know the reasons for the non distribution of entitlement deeds to persons who had encroached private forests in Malabar area prior to 10-5-1971 and the latest position in this regard. The witness enlightened the Committee, that as per the provisions of the Kerala Private Forests (Vesting and Assignment) Act, 1971, all forests were vested with government from 10-5-1971. Any person could claim ownership of the land cultivated by him by approaching the Tribunal set up for the purpose. Many undeserved persons acquired ownership of such lands by invoking the provision and hence government did not pursue any action further in the matter in respect of giving Pattayams' (title deed).

106. The Committee observed from paragraph regarding revenue from lease rent that, had lease rent been levied at the prescribed rate from Plantation Corporation, instead of at the concessional rate, then it would have been a great advantage to the revenue of the State. To this, the Principal Chief Conservator of Forests replied that profit making units like Plantation Corporation of Kerala Limited, Oil Palm India Limited, etc. had to pay a considerable amount as income tax. If the lease rent of such units were enhanced, as was done in the State of Tamil Nadu, the income tax payable by the units could be reduced to the required minimum and there by revenue of the State could be increased. Government could extend concessions to these units, in case of unexpected exigency.

107. The Committee found from the audit observation 'Non/short levy of lease rent' that in Ranni Division there was non realisation of lease rent to the tune of Rs. 98.33 lakh and enquired about its latest position. The Principal Chief Conservator of Forests submitted that the rent was to be paid by KSEB. KSEB was liable to pay only 25% of the specified lease rent for water spread area and for commercial area, it was committed to pay Rs.1300 per hectare per annum.

108. The Committee, noted that 8.58 hectares of forest land in Thekkady was leased out to Kerala Tourism Development Corporation (KTDC) for a period of 25 years from August 1971 and that it had requested for renewal of leasehold in violation of the specific provision in the Forest (Conservation) Act, 1980. The Principal Chief Conservator of Forests deposed that formal application had been submitted for the renewal of leasehold.

109. The Committee found from audit paragraph on Forest offences, that 12936 forest offences were pending disposal in five circles as on 31-3-2004 as per the reports of the Regional Chief Conservators of Forest of Kollam and Kozhikode. The value of seizures pending disposal in four of these circles was Rs. 7.85 crore. The Committee suggested that instead of keeping the seizures (thondy articles) in custody, it should be disposed off as early as possible and the revenue so obtained should be deposited in the treasury so that the required amount could be dispensed at the time of litigation. The Committee also opined that necessary amendment needed to be brought in the relevant Act to that effect.

110. The Principal Chief Conservator of Forests revealed that as per the existing system the seizures could be sold out only with the prior sanction of the court. The department had mooted a proposal that the seizures should be sold and the money so obtained be kept as court deposit. The money could be distributed as per the final decision of the court in the individual cases. But approval for the proposal had not been received so far from the Government.

111. The Committee enquired whether any action had been taken against the delinquents who were responsible for the loss of timber valued at Rs.1.35 crore from Kottayam Forest Division. The Principal Chief Conservator of Forests described that a case was registered against 76 forest officials who held office at that time and necessary action was taken against them. Even though an effort was made to extract the trees, it could not be done effectively. In an assessment conducted subsequently more than thousand trees were retrieved.

112. The Committee was perturbed to see from paragraph 6.2.10 that out of 139 Forest ranges, the internal audit wing (IAW) of the department had inspected only 14 to 39 ranges each year during the period from 1999-2000 to 2003-04 and that the Wing failed to inspect any of the divisions during this period. The Committee enquired about the reason for this shortfall. The Principal Chief Conservator of Forests conceded the lapse on the part of the department and revealed that the officials who were attached to the IAW either got transferred within two or three months of their posting or retired from service.

113. As a remedial measure, the Committee proposed that the Senior Finance Officers should be appointed from the office of the Accountant General. The witness agreed with the suggestion of the Committee but pointed out that the Accountant General's office had not provided any staff for auditing in KSEB as per their request. The Deputy Accountant General agreed to provide enough staff if the request was made in writing.

Conclusions/Recommendations

114. **The Committee is desperate to note that government is levying lease rent for the forest land leased out to Public Sector Undertakings at concessional rates even from profit making companies like Plantation Corporation Kerala Limited, Oil Palm India Limited etc. At the same time these units are paying a substantial amount as income tax. The Committee feels that if the lease rent of profit making units is raised, then the tax payable by them can be reduced to the minimum prescribed and the excess amount thus received can be added to the revenue of the State. In case of any unforeseen emergency which affects the interest of those firms, government can consider the possibility of granting concessions to such units.**

115. **The Committee is distressed to note that the 'thondy articles' which are seized on account of forest offences are not disposed of in a time bound manner and this results in their deterioration. Hence the Committee implores the department to take necessary action to immediately dispose of these articles without allowing them to be exposed to the vagaries of nature. The money thus obtained should be deposited in the treasury and should be utilised thereafter to satisfy the litigation claim. The Committee understands that the department had mooted a proposal to this effect. The Committee desires to know whether government have approved this proposal and suggests the department to take necessary steps to bring the amendment into effect within no time.**

116. **The Committee finds that the internal audit wing of the department had failed to conduct audit in all offices as stipulated. The reason attributed for the shortfall was that the officials who were attached to the internal audit wing either got transferred within two or three months of their posting or were on the verge of retirement. Hence, the Committee suggests that the Wing should be revamped by appointing Senior Audit Officers from the Accountant General's**

Office on deputation basis. The Committee further suggests that the department should submit formal request to the Accountant General in this regard.

AUDIT PARAGRAPH

Short demand of licence fees

As per the agreement between the Governments of Tamil Nadu and Kerala, Government of Tamil Nadu shall pay, in respect of all the lands made available to them by Government of Kerala for the Parambikulam-Aliyar Project, licence fees at the rate of land revenue prevailing in Kerala from time to time. The rates of land revenue from 1 April 1993 was Rs. 50 per ha. per annum and Rs. 100 per ha. per annum from 1 April 1998.

In Parambikulam Wild Life division, licence fee for the period from 1 April 1992 to 31 March 2002 on 2,457.3466 ha. of land leased out for the Parambikulam-Aliyar Project was remitted in May 2003. Audit noticed that fee for the period 1 April 1993 to 31 March 2002 was realised at the rate of Rs. 24.70 per ha. instead of Rs. 50 per ha. from 1 April 1993 to 31 March 1998 and at Rs. 100 per ha. from 1 April 1998. This resulted in short realisation of Rs. 10.51 lakh towards licence fee for the period from 1 April 1993 to 31 March 2002. Similarly, the division had calculated licence fee for the period from 1 April 2002 to 30 September 2004 at the rate of Rs. 24.70 per ha. instead of Rs. 100 per ha. resulting in short demand of Rs. 4.63 lakh.

After this was pointed out, the department stated in July 2005 that the Wild Life Warden, Parambikulam had raised additional demand for the balance amount. Further report has not been received (December 2005).

The matter was reported to Government in May 2005; their remarks have not been received (December 2005).

[Paragraph 6.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (RR)].

Note furnished by government on the above audit paragraph is included as Appendix II.

117. As far as the short collection of licence fee amounting to Rs. 4.63 lakh in Parambikulam Wild Life Division (1-4-1993 to 31-3-2002), the Principal Chief Conservator of Forests replied that the balance amount had been recouped.

Conclusion/Recommendation**118. No Comments.****AUDIT PARAGRAPH****Short realisation of value of standing trees**

As per the agreement executed in April 2000 by Government of Kerala and Hindustan Newsprint Limited (HNL), the value of standing trees in plantations transferred to HNL is to be paid as per valuation approved by Government. Apart from royalty on trees, the value also includes additional price and taxes in force from time to time.

In Munnar Division, value of Rs.1.03 crore was realised between 1994 and 2001 for the trees in 21 plantations transferred to HNL during that period. However, value of trees in 17 plantations was realised reckoning royalty only. This resulted in short realisation of Rs. 14.91 lakh.

After this was pointed out in May 2005, the DFO, Munnar replied in September 2005 that a demand for Rs.14.91 lakh had been issued to HNL for remittance. Further report has not been received (December 2005).

The matter was reported to government in May 2005; their reply has not been received (December 2005).

[Paragraph 6.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (RR)].

Note furnished by government on the above audit paragraph is included as Appendix II.

119. The witness deposed that the entire amount of Rs.14.91 lakh which was not collected from the Hindustan News Print Ltd., towards the value of standing trees transferred to them from 17 plantations during 1994-2001 had subsequently been remitted by the Company.

Conclusion/Recommendation**120. No comments.**

ARYADAN MUHAMMED,

Thiruvananthapuram,
17 July, 2009.

*Chairman,
Committee on Public Accounts.*

APPENDIX I

Summary of Main Conclusions/Recommendations

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	60	Transport	The Committee perceives from the audit observation that the actual revenue collection in the Motor Vehicles Department during the period from 1998-99 to 2002-03 was persistently lower than the budget estimates even though there was a steady increase in the number of registered vehicles during the said period. The Committee at the time of witness examination had sought the reasons for the persistently lower collection of tax and the department had assured to furnish a detailed reply in the matter. But the department has failed miserably to stick to its word. The Committee considers this as highly appalling and urges the Department to furnish the reply without any further delay.
2	61	Finance	The Committee suspects that the Budget Estimates for the years from 1998-99 to 2002-03 were arrived at by the Finance Department without complying with the instructions contained in the Kerala Budget Manual. This act of the Finance Department amounted to gross negligence of duty and naked violation of the extant provisions in the Manual. Hence, the Committee implores the Department to strictly adhere to the provisions contained in the Budget Manual while preparing Budget Estimates.
3	62	Transport	The Committee during witness examination had sought to know the details regarding the arrears of vehicle tax as on 31-3-2007 and the department had agreed to furnish a detailed

(1)	(2)	(3)	(4)
			<p>reply in that regard. But the Committee is disappointed to see that the reply has not been furnished by the department till date. The Committee strongly criticises the department for its inaction and desires that a detailed reply regarding the amount of vehicle tax pending collection as on 31-3-2008, the period from which the amount is pending realisation and the amount collected thereon should be furnished at the earliest. The Committee also wishes to be informed of the system now prevailing in the department to monitor the remittance of tax through DCB registers and whether quarterly assessment is being done regularly to calculate arrears of tax.</p>
4	63	Transport	<p>The Committee during witness examination had noticed that failure of the department to adhere to the time limit prescribed for obtaining service verification reports had resulted in the non-collection of Rs. 34.67 crore and had desired to know the reason for the lapse. Since the witness could not provide a satisfactory reply in this respect, the Committee had called for a detailed report regarding the amount realised out of Rs. 34.67 crore, the amount pending collection and the latest position of the action taken to realise the pending amount. But the Committee is distressed to notice that the department has failed to impart any response which according to the Committee cannot be excused at any cost. Hence the Committee calls for an urgent action to furnish the desired report within no time.</p>
5	64	„	<p>The Committee understands that there was a wide variation between the arrears of tax</p>

(1)	(2)	(3)	(4)
			<p>shown in the DCB statement (Rs. 62.42 lakh) and the Tax Exemption Register (Rs. 5.37 lakh) for the quarter ended on 31 March 2003. Eventhough the Committee had sought to know the reason for the over reporting of tax arrears in the DCB statement, the department was not able to put forth a valid reason for the omission. The Committee laments this irresponsible attitude of the department and urges to intimate without any more delay whether the discrepancy has since been rectified.</p>
6	65	Transport	<p>The Committee observes from the audit findings that the Revenue Recovery Registers (RR Registers) which are to be maintained by all Regional Transport/Sub Regional Transport Offices as per the Kerala Motor Vehicles Manual, are not being maintained properly in many of the offices test checked by Audit. There existed certain discrepancies between the amount shown in the RR Registers and the DCB statements in most of the offices which is a clear indication of the fact that periodical inspections as stipulated are not being done. The Committee finds this as highly deplorable and recommends to take adequate steps to ensure proper maintenance and updating of RR Registers in all offices under the department. The action taken in this regard should be intimated to the Committee without fail.</p>
7	66	„	<p>The Committee understands that as per the existing instructions, Revenue Recovery action should be initiated against the persons who fail to remit tax within fifteen days from the issue of demand notice. But the Committee is dissatisfied to note that in four</p>

(1)	(2)	(3)	(4)
			<p>offices RR action was not initiated for realising arrears of Rs. 6.88 lakh in 23 cases where demand notices were issued between April 1998 and August 2003. The Committee is even disappointed to see that the officers who had appeared for witness examination on behalf of the department had failed to enlighten the Committee about the exact measures taken to recoup the arrear amount. The Committee would like to highlight this incident as a typical example of the callous attitude displayed by the department towards matters requiring prime concern.</p>
8	67	Transport	<p>The Committee is distressed to note that Rs. 46.78 lakh which was shown as amount under revenue recovery from 18 contract carriages as per the RR registers and DCB statements maintained in the RT Office, Kozhikode was not seen pending with the Revenue Department. The Committee is also perturbed to find that the defaulters could not be identified from the addresses disclosed in the respective RR requisitions. The Committee regrets to note that though the Department had agreed to submit a detailed reply in this regard after scrutiny of the relevant records; the same is not seen submitted even after a lapse of more than eight months. Hence the Committee suggests to furnish a detailed report in this regard. The Committee is equally compelled to suspect spiteful intention linked with fraudulent motive on the part of the officers who had entered incorrect addresses of the defaulters. This action had hindered the revenue authorities from taking appropriate steps against them. Hence the Committee directs the department to conduct an enquiry</p>

(1)	(2)	(3)	(4)
			into the whole matter and to take suitable action against the delinquents who were responsible for the negligence.
9	68	Transport	The Committee insists to be furnished with a report including the details of the departmental action assured to be taken against the officers who had shown slackness in collecting one time tax amounting to Rs.1.37 crore from the 815 vehicles registered between 1-4-1998 and 14-11-2001 in the 19 offices test checked by Audit, the details of amount collected etc.
10	69	„	The Committee is perturbed to note that in the 134 cases where the defaulters had either failed to pay any instalment of quarterly tax or stopped payment after one or two instalments which related to the period from April 1998 to March 2003, the Department had retrieved only Rs.15 lakh out of the outstanding amount of Rs. 79.61 lakh. It is even alarming to note that only a meager amount of Rs. 45,000 had been collected from the owners of 406 goods vehicles who had failed to remit tax amounting to Rs. 39.49 lakh within the time frame and in which cases the department had omitted to issue demand notice. The Committee intends to highlight these two instances as typical examples of the indifferent attitude displayed by the department in such a serious matter. It is also to be noted that government allowed instalment facility without proper provisions in the respective Act. The Committee deplores the lethargic attitude of the department and demands a detailed report regarding the action taken to recoup the balance amount in both cases.

(1)	(2)	(3)	(4)
11	70	Transport	<p>The Committee is disturbed to see that some of the goods vehicles belonging to the State of Karnataka and Tamil Nadu which were permitted to operate on mutual agreement in the State of Kerala had stopped operation without surrendering their countersigned permits even though they were bound to do so. The Committee was informed that the department was trying to recover tax amounting to Rs. 1.28 crore from such vehicles and that the department was communicating with those States in this matter. The Committee calls for a detailed report regarding the intimations given to the States of Karnataka and Tamil Nadu during the period from 1998-99 to 2002-03. The Committee also desires to be informed whether the amount in full has since been recouped.</p>
12	71	„	<p>The Committee observes with serious concern the fact that unpardonable delay ranging from five to eight years had occurred on the part of the department in retrieving higher rate of tax from 184 private service vehicles which were originally registered in the name of companies and later on reclassified as private service vehicles. The Committee is also disappointed to see that only Rs. 3.5 lakh out of the short levy of Rs. 14.06 lakh had been collected from various offices. Eventhough it was informed that action was in progress to redeem the balance amount, nothing worthwhile has been materialised. The Committee also understands that the District Collectors were reluctant to take R.R. action in many cases due to the pathetic condition of the vehicles. The</p>

(1)	(2)	(3)	(4)
			Committee suspects some serious misdeeds on the part of the officers and opines that they might have wilfully allowed the vehicles to degenerate instead of taking timely action to recover the loss sustained to government. Hence the Committee directs the department to take effective follow up action for the immediate recovery of the balance amount from the vehicle owners.
13	72	Transport	The Committee notices that many vehicle owners evade the liability of paying the prescribed fees for exhibiting advertisements, writings etc. on transport vehicles by purposefully abstaining from bringing the vehicles for inspection before the circle officer. To avoid such loss to government, the Committee suggests that sanction for exhibiting advertisements etc. on transport vehicles should be given only after levying the prescribed fees from the vehicle owners.
14	73	„	The Committee observes that certain vehicle owners evade the payment of one time tax by obtaining motor cabs/tourist motor cab permits for their newly registered cars and surrender their permits within months to obtain motor car permits. Eventhough the Accountant General had pointed out the discrepancy four years back, the department had taken action to bring necessary amendments to the existing Rules only in the last year and even that attempt has not fetched the desired result. Hence the Committee insists upon the department to speed up the action in this regard and to bring the amendment into effect so that the vehicle owners can be compelled to pay one time tax for the balance period.

(1)	(2)	(3)	(4)
15	74	Transport	<p>The Committee is disappointed to note that the check reports received in RT/SRT offices during the period from 1998-99 to 2002-03 were not disposed of even after the lapse of six years to one year even though the action on these reports should have been completed within two months from the date of check. The Committee is equally distressed to note that the amount so far collected on the basis of the check reports is only negligible when compared to the pending amount. The Committee strongly condemns the lethargic attitude of the department in the matter and urges to recover the balance amount within no time.</p>
16	75	„	<p>The Committee observes that the department is collecting compounding fee at rates less than the minimum specified in the Motor Vehicles Act thereby causing loss of revenue to Government. The Committee also notes that the Transport Commissioner had agreed to take up the matter of enhancing compounding fee with the Government. The Committee implores the department to intimate whether proposal for enhancing compounding fee to a level not less than the minimum prescribed in the Motor Vehicles Act has been advanced to the Government and if so the outcome of the proposal.</p>
17	76	„	<p>The Committee was informed that the offender who had misappropriated Rs.6.26 lakh had been suspended from service and later on reinstated in service without completing the procedure. The justification for this irregularity was that suspension could be reviewed after six months and that it was after two and a half years of suspension and</p>

(1)	(2)	(3)	(4)
			<p>on the basis of formal application for review that he was reinstated. The Committee strongly condemns this action of the Government and opines that it is not mandatory for Government to reinstate a person against whom there is an obvious case of misuse of government money, merely for the sake of review. The Committee learns that vigilance enquiry and RR proceedings are progressing against the delinquent. The Committee seeks to know the outcome of the vigilance enquiry and the details of the action taken by the department against the offender.</p>
18	77 Transport & Finance		<p>The Committee notices from the audit observation that in 10 out of the 29 offices test checked, the reconciliation of remittances into the treasury was in arrears for periods of over three to six years and in six offices the delay ranged from one to three years eventhough the reconciliation is to be done every month. The Committee finds no justification for the delay and recommends the department to take urgent steps to see that the reconciliation is done every month as per the codal provisions. The Committee is very much disappointed in the fact that the Finance Department which is expected to supervise all such matters does not show any seriousness to avoid such irregularities. Hence it is suggested that the Finance Department must show utmost skill to find out these type of omissions and its rectification.</p>
19	78 Transport		<p>The Committee is dissatisfied to note that though the internal control system which is intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions are not effectively complied within the department. It is high</p>

(1)	(2)	(3)	(4)
			<p>time for the internal control system to be made effective so that frauds and other irregularities can be detected in time and follow up action taken. Hence the Committee suggests that the department should introduce a new system to convene periodical meeting of the Regional Transport Officers of the State and to review the progress of the follow up action taken as per the decisions arrived at in those meetings. A legal cell should be set up in the department and it should be entrusted with the responsibility of monitoring the progress of the Court cases. The cases should be pursued in such a way as to ensure that the verdicts of the court are made in favour of the department. Internal audit wing should be strengthened and periodical inspections as laid down in the relevant Rules should be conducted without fail in all offices under the department. Adequate follow up action should be taken in cases where any kind of irregularities or fraud is detected.</p>
20	79	Transport	<p>The Committee, while on a visit to the Regional Transport Office, Kollam had conducted physical verification of the DCB Registers, Tax Files and other registers maintained in that office. The Committee was utterly disappointed to see that most of the registers were not being maintained as required. Entries regarding the registration of vehicles were in disarray and the mode of maintenance of audit objection registers was not satisfactory. Hence the Committee urges the department to issue immediate instructions to all offices under it directing them to maintain all the registers properly and up to date.</p>

(1)	(2)	(3)	(4)
21	80	Transport	The Committee was informed during the visit that the Treasury Department had instructed to keep separate chalan for each Demand Draft which was causing profound delay in crediting the amount of the department. To tide over this difficulty, the Committee suggests to create a credit column in the treasury account. The Committee also suggests to receive treasury chalans branch wise instead of the present system. Discussions should be held by the department with the Treasury Director and Finance Secretary to this effect.
22	81	„	The Committee learned that the department was willing to collect money directly from the public if they were provided with sufficient staff. Considering this suggestion to be economically viable to the department, the Committee beseeches to provide sufficient staff (at least four) to collect tax straightaway from the people instead of the current DD system. The new system should be extended to light duty and heavy duty vehicles alike.
23	82	„	The Committee comes to know that the money remitted in the 'FRIENDS' Janasevana Kendrams are first deposited into their Personal Deposit Account and then it is credited into the account of the Motor Vehicles Department. To avoid such a procedural delay, the Committee strongly recommends to take immediate action to make it mandatory to remit the chalans directly in the account of the Motor Vehicles Department instead of the one of 'FRIENDS'.
24	83	„	The Committee understands that the Motor Vehicles Department is one of the major revenue earning departments of the State.

(1)	(2)	(3)	(4)
			Hence it is utmost essential that the offices under the department are equipped with the basic infrastructure facilities. Since most of the Regional Transport Offices lack enough space, the Committee recommends that speedy action should be taken to provide more space to all the offices especially the Kollam Office.
25	93	Transport	The Committee observes that there is inconsistency between the reply of the witness in the matter and the judgement of the court. The Committee, on the basis of its earlier direction to the department to take up the matter once again with the Law Department would like to be informed of the outcome of the discussion.
26	114	Forest and Wildlife	The Committee is desperate to note that government is levying lease rent for the forest land leased out to Public Sector Undertakings at concessional rates even from profit making companies like Plantation Corporation Kerala Limited, Oil Palm India Limited etc. At the same time these units are paying a substantial amount as income tax. The Committee feels that if the lease rent of profit making units is raised, then the tax payable by them can be reduced to the minimum prescribed and the excess amount thus received can be added to the revenue of the State. In case of any unforeseen emergency which affects the interest of those firms, government can consider the possibility of granting concessions to such units.
27	115	”	The Committee is distressed to note that the ‘thondy articles’ which are seized on account of forest offences are not disposed of in a time bound manner and this results in their

(1)	(2)	(3)	(4)
			<p>deterioration. Hence the Committee implores the department to take necessary action to immediately dispose of these articles without allowing them to be exposed to the vagaries of nature. The money thus obtained should be deposited in the treasury and should be utilised thereafter to satisfy the litigation claim. The Committee understands that the department had mooted a proposal to this effect. The Committee desires to know whether government have approved this proposal and suggests the department to take necessary steps to bring the amendment into effect within no time.</p>
28	116 Forest & Wild Life		<p>The Committee finds that the internal audit wing of the department had failed to conduct audit in all offices as stipulated. The reason attributed for the shortfall was that the officials who were attached to the internal audit wing either got transferred within two or three months of their posting or were on the verge of retirement. Hence the Committee suggests that the Wing should be revamped by appointing Senior Audit Officers from the Accountant General's Office on deputation basis. The Committee further suggests that the department should submit formal request to the Accountant General in this regard.</p>

APPENDIX II

**Action taken notes on the Audit Report of Comptroller and Auditor
General of India for the year ended 2003-2004**

- I (a) Motor Vehicles Department
 - (b) 4.2
 - (c) Review on receipt of Motor Vehicles Department
 - (d) DP 3245/2005 = 05/243 dated 9-6-2004
- II (a) DO. No. SRA/(HQ) 1/111/review part—III/BIT/2004-05/74 dated 24-5-2004.
 - (b) 6-12-2004, 24-6-2006
- III Gist of paragraph/review

A review on the assessment and collection of vehicle tax, fees for various services rendered by the Department and compounding fee for offences detected etc. during the period from 1998-99 to 2002-03 was conducted between November 2003 and March 2004.

- IV (a) yes
 - (b) NA
- V (a) yes
 - (b) NA
- VI *Remedial action taken*
- VII

4.2.1	Introduction	No remarks
4.2.2	Organisational Set up	No remarks
4.2.3	Audit Objectives	No remarks
4.2.4	Trend of Revenue	No remarks
4.2.5	Arrears pending collection	No remarks

In correct reporting of arrears :

Steps have been taken to incorporate sufficient number of columns to record the details of items under which the arrears are pending i.e. amount under service

verification, stay, revenue recovery, installment etc. As suggested by the audit a change in the Proforma is expected after the introduction of FAST.

Revenue Recovery :

Strict directions have been issued to the taxation officers to review the revenue recovery register periodically and ensure that the amount under RR shown in the DCB agree with the DCB figures. 4.2.6 to 4.2.14.

The action taken on the above para are not completed. The details are called for from the officers concerned and the final reply will be submitted to the committee at the earliest.

Action taken note on Paras 4.2.6 to 4.2.14 of the Audit Report of Comptroller and Auditor General of India for the year ending 31-3-2004.

- I (a) Motor Vehicles Department
- (b) Non demand of vehicle tax
- (c) 4.2.6
- (d) DP-3245/2004-5 /345 dated 9-7-2004
- II (a) 15-7-2004
- (b) 6-12-2004
- III Gist of paragraph/review

• **Tax on Interstate Contract Carriages**

Government have prescribed tax for inter-state contract carriages at a rate higher than that for intra-state contract carriages from 1st April 1994, but the Hon'ble High court of Kerala held on 11th December 1995 that inter-state contract carriages are liable to be taxed at the same rate as for intra-state contract carriages. On appeal by the state, the Hon'ble supreme court upheld on 10th August 1999 the validity of the revised rates but directed that the State should not demand the enhance tax from the respondents for the period from 11th December 1995 to 10th August 1999.

During the audit of RT Offices and Sub RT Offices it was noticed that in seven offices demand notices were not issued in 174 cases for realisation of enhanced tax amounting to Rs. 1.04 crores and in 56 cases involving Rs. 1.13 crores demands were raised between June 2000 and May 2002 from the vehicle owners. However in none of the cases recovery has not been affected. This resulted in non realisation of Rs. 2.17 crores in 230 cases.

- **Vehicles registered without collection of one time tax**

With effect from 1st April 1998, at the time of Registration of new vehicles such as Motor cars, Motor Cycles and three wheelers one time tax from the date of purchase of the vehicle till renewal is to be collected. During audit it was found that in 19 offices one time tax on 815 vehicles registered between 1st April 1998 and 14th November 2001 were not demanded resulting in loss of Rs. 1.37 crores.

- **Default by vehicle owners availine Instalment facility**

Government have been granting the facility to vehicle owners who fail to remit quarterly tax within the prescribed periods on the condition that they should remit the arrears within a stipulated period in specified number of instalments, although KMVT Act does not empower Government to grant Instalment facility to the defaulters. During audit it was found that in 11 offices, in 134 cases the defaulters either failed to pay any installment or stopped payment after paying one or two instalments. This resulted in non recovery of Rs. 79.61 lakhs relating to the period from April 1998 to March 2003.

- **Non raising of Demand**

Tax in respect of vehicles is to be paid in advance and within the period prescribed in KMVT Rules 1989. In case of non payment demand notice shall be issued not later than the end of the quarter. During Audit it was found that in 9 offices tax for the period from October 1998 to March 2003, on 406 goods vehicles were not remitted within the prescribed time resulting in non raising of demand of Rs. 39.49 lakh.

- **Non levy of tax on goods vehicles of other states**

During audit the verification of registers on countersignature and collection of tax maintained in the State Transport Authority revealed that tax on 365 to 1408 goods vehicles remained unremitted each year between 1998-99 and 2002-03, resulting in non-levy of tax of Rs. 1.28 crore.

IV (a) yes

(b) NA

V (a) yes

(b) NA

VI *Remedial action taken*

The audit report on the assessment and collection of vehicle tax fees for various services rendered by the department and compounding fees for offences

detected, etc. pertain to the period from 1998-2003. The items discussed in the report pertain to the audit observation pointed out over a period of 5 years in various offices under the department. Earnest efforts have been made to realize the arrear amount of tax pointed out in the audit report. Since the whereabouts of a number of old vehicles included in the inspection report are not easily traceable it is not easy to realize the entire amount shown as short levy. However earnest efforts are still going on to collect the maximum amount due from the defaulters.

Details of action taken on Para 4.3 to 4.6 have already been forwarded to the Legislature Secretariat as per Letter No. 8831/B/206/Tran 22-11-2006.

However the progress achieved after furnishing the report dated 6-1-2006 are detailed hereunder.

- **Tax on Interstate Contract Carriages**

Regional Transport Office, Kannur

KL-13/4545: Revenue Recovery steps has been initiated to collect Rs. 3,01,120. Vehicle sold in public auction and a sum of Rs. 1,17,500 received by Revenue Recovery.

Regional Transport Office, Kasargode

Rs. 3,17,134 due from 15 vehicles under Para I (a) Part II A of LAR 1999-2000 Rs. 13,17,524 due from 69 vehicles under Para I(b) of part. II A. Out of 15 vehicles pointed out under Para I (a) of Part II A 4 vehicles viz. KL-14/2399, KLS 3159, KL-14/2799, KL-I4/7099 are exempted by Hon'ble High Court of Kerala in OP. No. 9481197. Out of 69 vehicles under Para 1 (b) of Part II A, an amount of Rs. 3,02,092 has been collected so far from 34 vehicles.

Regional Transport Office, Palakkad:

The audit has pointed out a short levy of Tax amounting to Rs. 22,410 in respect of 11 inter state contract carriages belonging to Karnataka State. R.T.O. has reported that the above said vehicles are not conducting service through the check post (Walayar) and hence collection of tax in respect of the vehicles is not possible. However the Regional Transport Officer has been directed to take all possible steps to realize the amount due from these vehicles.

Sub Regional Transport Office, Thodupuzha:

It is reported by Jt. R.T.O that Revenue recovery steps were initiated to realize the arrear amount from the Registered Owner of two Contract Carriages KL-06/A 3434 and KL-06/A 3525 for Rs. 43200. The Registered owner of the two

vehicles is one person named Kishore Mathew who is now residing abroad. District Collector, Idukki has been requested to explore the possibility of recovering the amount through Embassy.

Remaining R. T. Offices —Ernakulam, Kozhikode, Thiruvananthapuram are in correspondence.

Vehicles registered without collection of one time tax

One Time Tax at present rate came in to effect from 1-4-1998. Before that it is possible that tax might have been paid in other offices. No mechanism exists to cross check the remittance.

Sub Regional Transport Office, Thalassery: It is reported by Jt. R.T.O Thalassery that a total amount of Rs. 1,03,320 has been collected from 11 vehicles. The details of collection are furnished below :

1	KL-13-F-1612	Rs.14580	remitted on 9-2-2001	Vide TL No. 136002
2	KL-13-F-1685	Rs. 14580	„ 25-1-2001	„ 002163
3	KL-13-F-1874	Rs. 20680	„ 12-12-2002	„ 123427
4	KL-13-F-4705	Rs. 20680	„ 26-3-2003	„ 126885
5	KL-13-F-6004	Rs. 2020	„ 25-2-2003	„ 124417
6	KL-13-H-564	Rs. 2020	„ 19-11-2001	„ 126150
7	KL-13-H-598	Rs. 2020	„ 21-11-2001	„ 121727
8	KL-13-H-658	Rs. 2020	„ 26-11-2001	„ 121821
9	KL-13-H-542	Rs. 2020	„ 27-5-2002	„ 009369
10	KL-13-H-663	Rs. 2020	„ 26-11-2001	„ 121832
11	KL-13-H-2442	Rs. 2020	„ 23-1-2002	„ 034917

SRTO Aluva—Out of 16 cases an amount of Rs. 80.620 collected from 5 cases. Collection details are furnished below.

Vehicle No	Amount	Date	Receipt Number
1. KL-7-W-8928	Rs. 14000	19-7-1999	0065714
2. KL-7-W-8989	Rs. 18800	29-6-1999	31089
3. KL-7-X-1711	Rs. 19580	27-1-1999	033777
4. KL-7-X-6289	Rs. 14240	27-10-1999	256722
5. KL-7-X-6447	Rs. 14000	11-10-1999	38677

Remaining 17 offices are in correspondence.

● **Default by vehicle owners availing Instalment facility**

Sub Regional Transport office, Thalassery:

It is reported by Jt. R.T.O. Thalassery that the registered owner of KL-13-4545 was granted Instalment facility for payment of tax for the period from 1-1-2002 to 30-6-2002 as per GO (P) No. 4554/02 dated 10-5-2002. An amount of Rs. 32920 was remitted by the registered owner. Revenue Recovery steps were taken to realize the tax arrears. The vehicle was seized by the Tahsildar and auctioned on 22-8-2006. An amount of Rs. 1,17,500 was realized. The registered owner approached the Hon'ble High Court and the Hon'ble High Court has granted an interim order in WPC No. 1312/07 stating that if the petitioner pays the tax at NTV rate for the recovery stayed for 3 months.

Sub Regional Transport Office, Neyyattinkara : It is reported by Jt. R.T.O. Neyyattinkara that audit has pointed out one such case, goods vehicle KL-16-1433. Revenue Recovery steps have been initiated and the collection particulars are awaited from the District Collector.

Regional Transport Office, Kottayam : Out of 79 vehicles included in the various LAR files from 1998-1999 to 2003-2004 collection have been made in respect of 47 vehicles. Action is in progress for remaining 32 vehicles.

Remaining 8 offices are under correspondence.

- I (a) Motor Vehicles Department
- (b) Short levy due to non-reclassification of omni buses
- (c) 4.2.7
- (d) DP 3245/2005 = 05/345 dated 9-7-2004
- II (a) 15-7-2004
- (b) 6-12-2004
- III Gist of paragraph/review

During audit in 14 offices, 184 omni buses registered in the name of companies which were originally registered as omni buses for private use were not re-classified and taxed as private service vehicles. This resulted in short levy of Rs. 14.06 lakh from April 2000 to March 2003.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI *Remedial action taken*

The audit report on the assessment and collection of vehicle tax , fees for various services rendered by the department and compounding fees for offences detected, etc. pertaining to the period from 1998-2003. The items discussed in the report pertain to the audit observation pointed out over a period of 5 years in various offices under the department. Earnest efforts have been made to realize the arrear amount of tax pointed out in the report. Since the whereabouts of a number of old vehicles included in the inspection report are not easily traceable it is not easy to realize the entire amount shown as short levy. However earnest efforts are still going on to collect the maximum amount due from the defaulters.

The progress achieved after the report furnished on 22-11-2006 are detailed hereunder.

Regional Transport Office, Thiruvananthapuram: An amount of Rs. 1,86,795 collected from the owners of 36 vehicles.

Regional Transport Office, Kannur : The vehicles pointed out in the audit have been reclassified as private service vehicles and higher rate of tax has been collected. Reply has been sent to Accountant General, Kerala.

Regional Transport Office, Palakkad : Action has been taken against registered owners of all the vehicles and balance due has been collected from 6 vehicle owners. Action is in progress in other cases.

Sub Regional Transport Office, Parassala: All the omni buses for private use registered in the name of private companies have already been reclassified as private service vehicles and tax has been collected at PSV rates.

Regional Transport Office, Kottayam: Out of 41 vehicles collection have been made in respect of 34 vehicles. Earnest efforts are made to collect the balance tax due from remaining 7 vehicles.

- I (a) Motor Vehicles Department
- (b) Registration of vehicles without payment of entry tax
- (c) 4.2.8
- (d) DP-3245/2004-05/345 dated 09-07-2004
- II (a) 15-7-2004
- (b) 6-12-2004

III Gist of Paragraph/Review

During the audit of RT Office(NS) two Volvo buses purchased from outside the state and 27 buses, bodies of which were built on 'chassis of motor vehicles' purchased from outside the state, were registered in the state without payment of entry tax. This has resulted in non-realisation of entry tax amounting to Rs 36.05 lakh.

- IV (a) Yes
- (b) NA
- V (a) Yes
- (b) NA

VI Remedial Action Taken

Audit has pointed out that non realisation of entry tax while registering 2 Volvo buses and 27 buses belonging to KSRTC resulted in loss of Rs. 36.05 lakhs. KSRTC has intimated that an amount of Rs. 13,98,720 was remitted as entry tax before the assessing authority I circle, Department Of Commercial Taxes, Peroorkada, Thiruvananthapuram in the case of 2 Volvo buses. In the case of the other 27 buses the details have been forwarded to Commissioner of Sales Tax and requested to fix the assessment of entry tax and to take necessary steps to realize the amount Further reply is awaited.

- I (a) Motor Vehicles Department
- (b) Non/short collection of fees
- (c) 4.2.9
- (d) DP-3245/2004-05/345 dated 9-7-2004
- II (a) 15-7-2004 (b) 6-12-2004

III. Gist of Paragraph/Review

Non/short collection of fees for exhibition of advertisements

During audit in five offices, it was found that the failure to measure the area and collect the required fee on 57 advertisements on transport vehicles, display of which were sanctioned between April 1998 and March 2003 resulted in non-levy of Rs. 5.28 lakh. One time tax applicable for 15 years is payable on newly registered motor cars, whereas tax for one/two year only is payable on vehicles registered as motor cabs/tourist motor cabs. Some vehicle owners evade the payment of one time tax by obtaining motor cabs/tourist motor cabs permits for their newly registered cars and get it altered as motor cars by surrendering the permits within months. During the audit in 12 offices revenue deferred on 165 such cases amounted to Rs. 28.30 lakhs which could have been avoided, by making provisions for collecting differential tax for the balance period while sanctioning alteration.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI Remedial Action Taken

The audit report on the assessment and collection of vehicle tax, fees for various services rendered by the department and compounding fees for offences detected, etc. pertaining to the period from 1998-2003. The items discussed in the report pertain to the audit observation pointed out over a period of 5 years in various offices under the department. Earnest efforts have been made to realize the arrear amount of fees pointed out in the report. Since the whereabouts of a number of old vehicles included in the inspection report are not easily traceable it is not easy to realize the entire amount shown as short levy. However effective steps are still going on to collect the maximum amount due from the defaulters. The progress achieved after furnishing the report dated 22-11-2006 is detailed hereunder.

Non/Short collection of fee for exhibition of advertisements

RT Office, Kottayam : Out of 28 vehicles included in various LAR from 1998-1999 to 2001-2002 collection have been made in respect of 9 vehicles.

I (a) Motor Vehicles Department

(b) Inadequacy of field checking

(c) 4.2.10 .

(d) DP-3245/2004-05/345 dated 9-7-2004

II (a) 15-7-2004

(b) 6-12-2004

III Gist of Paragraph/Review

Delay in disposal of check reports

During audit it was found that check reports received in RT/SRT offices during the period 1998-1999 to 2002-2003 were not disposed off even after lapse of six years to one year. The amount held up in 12375 pending check reports worked out to Rs. 41.16 lakhs

Levy of compounding fee at lesser amounts

During audit it was observed that the executive officers of the Motor Vehicles Department were collecting compounding fee at the rates which were less than the minimum prescribed in the MV Act for using vehicles without registration. The revenue forgone in 751 cases in 15 offices worked out to Rs. 11.60 lakh.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI *Remedial action taken*

Delay in disposal of Check Reports

Overloading

SRTO, Neyyattinkara: Out of the 5 vehicles 2 vehicles has been compounded. Compounding fee Rs 3,000 realized. 2 vehicles come under the jurisdiction of SRTO Parassala and hence forwarded to that office.

SRTO, Adoor : Out of 17 cases compounding of fee of Rs. 42,730 has been collected. 2 cases have been forwarded to SRTO Thiruvalla and RTO Kozhikode. In one case charge memo is pending and in another case RR action taken.

SRTO, Aluva : Rs. 27,250 has been realized.

SRTO, Ottappalam : 89 check reports were pending. Out of this 75 check reports were disposed.

SRTO, Thalassery : Rs. 23,000 Collected from 5 vehicles regarding overload. Collection details are furnished below :

1. KL-13-C-9747	Rs. 3,000	Rt. No. 18/109/06
2. KL-13-M-2305	Rs. 4,000	Rt. No. 81/503/06
3. KL-13-A-2010	Rs. 8,000	Rt. No. 53/345/04
4. KL-13-F-1789	Rs. 2,000	Rt. No. 59/517/06
5. KL-13-C-1447	Rs. 6,000	Rt. No. 43/440/02

RTO, Malappuram : Nine check reports closed and Rs. 39,000 collected.

SRTO, Aluva: 6 check reports disposed off and Rs. 19,500 collected.

Unauthorized exhibition of advertisements

SRTO, Neyattinkara : Two vehicles are included in the audit report. An amount of Rs. 9975 has been realized from one vehicle. Demand notice has been issued to the owner of the other vehicle.

Others

SRTO, Thalassery : Rs. 62,400 collected towards other check reports pending upto 2003.

SRTO, Ponnani : 6 check reports disposed off collecting Rs. 9,800.

SRTO, Koyilandy : 51 check report closed and Rs. 86,700 collected Action is being against defaulters and also department officials.

I (a) Motor Vehicles Department

(b) Inadequate supervision on the functioning of 'friends Janasevana Kendram'

(c) 4.2.11

(d) DP-3245/2004-05/345 dated 9-7-2004

II (a) 15-7-2004

(b) 6-12-2004

III Gist of Paragraph/Review

Government have set up integrated service centre called 'Friends Janasevana Kendram' to facilitate public to remit various fees through a single window of which Motor Vehicles Department is a major participating Government Department.

In 9 Janasevana Kendra delay upto 86 days was noticed in transfer crediting amounts ranging between Rs. 0.43 lakh and Rs. 12.77 lakh to the receipt head of the Department.

Though the Kendram were handing over statements of collections monthly to the RTO, reconciliation of the remittances with Treasury was not done.

RTO's were not ensuring supervision and control over the staff deputed to the Kendram and activities related to the Department. This led to defalcation of Rs. 6.26 lakh in 140 cases during the period from March 2001 to September 2002 in Kozhikode Kendram This was detected in September 2002 by audit in 7 cases.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI Remedial Action Taken

RT Office, Palakkad : With regard to the observation of audit that delay upto 86 days is noticed in transfer crediting the amount to the receipt head of the Motor Vehicles Department RTO has suggested to take up the matter with IT Department. Reconciliation of the receipts through Janasevana Kendram with treasury figures are done in time. No defalcation of Government money is noticed in this office.

RT Office, Kannur : Supervision on the functioning of Janasevana Kendram has been carried out effectively. Collection figures supplied by Janasevana Kendram are reconciled with Treasury figures promptly. No case of defalcation of money or any malpractice is reported from Kannur district.

RT Office, Kozhikode : Vigilance investigation is going on and the officer was placed under suspension. Revenue Recovery action initiated against him to recover the loss sustained to Government.

- I (a) Motor Vehicles Department
- (b) Non -reconciliation of remittances
- (c) 4.2.12
- (d) DP-3245/2004-05/345 dated 9-7-2004

- II (a) 15-7-2004
- (b) 6-12-2004

III Gist of Paragraph/Review

In the Motor Vehicles Department the reconciliation is to be done every month and the reconciled statement should reach the DTC/TC office before the 20th of the succeeding month. During audit it was noticed that in 10 out of the 29 offices test checked, the reconciliation was in arrears for periods of over 3 to 6 years and in six offices the delay ranged from 1 to 3 years.

- IV (a) Yes
- (b) NA

- V (a) Yes
- (b) NA

VI Remedial Action Taken

RT Office, Kottayam—Reconciliation of receipts have been completed upto 31-8-2006

RT Office, Alappuzha—Reconciliation works have been completed upto 31-3-2007 .

RT Office, Kottayam—Reconciliation of remittance completed upto 31-8-2006

RT Office, Palakkad—Reconciliation of receipts have been completed upto 31-3-2006

SRTO, Neyyattinkara—Reconciliation of receipts have been completed upto 31-3-2006

SRTO, Thalassery— Reconciliation of receipts have been completed upto 31-8-2006

- I (a) Motor Vehicles Department
- (b) Internal Control
- (c) 4.2.13
- (d) DP-3245/2004-05/345 dated 9-7-2004

II (a) 15-7-2004

(b) 6-12-2004

III Gist of Paragraph/Review

Biennial inspection of the RT/SRT offices by the internal inspection wings of the TC and DTC offices were in arrears. Inspection for the periods prior to 2000 was pending in 15 offices of the state.

Quarterly review of cases advised for RR action as prescribed in the KMV Manual was not done properly by RTO's and Jt. RTO as indicated by absence of upto date entries in the RR registers. This resulted in accumulation of arrears.

Entries in DCB registers were not verified periodically with reference to the tax files as was evident from the fact that tax files were not maintained in most of the offices. Thus the Department failed to ensure the correctness of the arrears and monitor the collection.

Though recovery of Rs. 4.72 crore has been stayed by Courts of Law, Original Petition Registers prescribed by the Department to monitor the progress of the Court cases were not maintained in 10 out of 24 office and hence the cases were not being effectively pursued.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI Remedial Action Taken

Biennial inspection of RT/SRT Offices by the inspection wing of the Transport Commissionerate is done regularly as per the scheduled programe. As of now inspections conducted for the period prior to 2000 in all R.T. Offices Inspection by the DTC's in Sub R.T. Offices are also conducted regularly.

Instructions have been issued to all concerned to make upto date entries in RR register and DCB register and to ensure correctness of arrears and to monitor collections.

As per the audit report OP registers are not maintained to watch the progress of court cases in 10 out of the 24 offices checked by the audit. As per the reply received from Sub RT offices Neyyattinkara, Thiruvalla, Tirur and Aluva at present OP Registers are maintained. Remaining action in progress.

- I (a) Motor Vehicles Department
- (b) Recommendations and suggestions
- (c) 4.2.14
- (d) DP-3245/2004-05/345 dated 9-7-2004

- II (a) 15-7-2004
- (b) 6-12-2004

III Gist of Paragraph/Review

Government may ensure that

- DCB registers are maintained properly and clearance of arrear monitored effectively.
- Service verification reports of vehicles for which exemptions for non use are claimed and completed in time.
- Reconciliation of remittances into treasury are done monthly as prescribed; and .
- Internal control in the form of inspections and quarterly reviews need to be done effectively.

- IV (a) Yes
- (b) NA

- V (a) Yes
- (b) NA

VI Remedial Action Taken

Recommendations and suggestions made by the audit have been taken into consideration and efforts are made to ensure strict compliance.

- I (a) Motor Vehicles Department
- (b) Non-realisation of Vehicle Tax
- (c) 4.3
- (d) DP-3221/2004-05/220 dated 31-3-2004

- II (a) SRA (HQ) I/MVT/DN-6/2003-04/71 dated 31-12-2003
- (b) 14-1-2004, 31-5-2005, 22-8-2005

III Gist of Paragraph/Review

Government in January 1994 prescribed a composite fee based on seating capacity on All India Tourist Permit Vehicles of other States and Union Territories authorised to ply in Kerala Government rescinded the above orders in October 2001 and reverted to a vehicle tax liable on each seat. Consequently vehicles of 14 to 35 seats which were hitherto liable to composite fee of Rs. 12,000 per quarter became taxable at Rs. 1400 per passenger seat per quarter from 1st November 2001. However, the High Court of Kerala in its interim orders on Writ Petition allowed the vehicle owners to pay the composite fee. Later in its final order the court dismissed the petitions on 8-3-2002 and ordered that the petitioners should pay arrears of tax with interest at 15% per annum within a period of 15 days from the date the judgement. This was later extended upto 30-3-2002. The court also ordered that the non-payment thereafter would be treated a default and all consequence for the same would follow.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI Remedial Action Taken

The audit has pointed out short levy of balance tax of Rs. 51.77 lakhs for the period from 11/2001 to 3/02 in respect of 124. All India Tourist Omni Buses with permit under section 88(9). In this connection Regional Transport Officer, Waynad/Sub Regional Transport Officer, Kanhangad and Check Posts were directed to realise the balance tax.

Regional Transport Officer, Waynad has released tax arrears amounting to Rs. 2,27,612 from 6 vehicles, as shown below:

<i>Vehicle No.</i>	<i>Amount Collected</i>	<i>Date of Collection</i>	<i>Receipt No.</i>
(1)	(2)	(3)	(4)
KA-03/C 6003	Rs. 53,900	19-10-2001	37/685/01
KA-01/2393	Rs. 36,893	1-9-2002	86/308/01
KA-01/A-9194	Rs. 54,219	21-8-2002	97/239/02
KA-01/D-9776	Rs. 31,500	30-3-2002	10/36/02
KA-01/D-9775	Rs. 31,500	30-3-2002	11/36/02
KA-01/C-8568	Rs. 19,600	14-2-2002	19/191/01

(KA-01/C-8568 had obtained Tourist Permit to ply in Kerala State on 14-2-2002 and tax was collected for the period from 1-2-2002 to 31-3-2002 amounting to Rs. 19,600 instead of Rs. 31,483 as calculated for short levy of tax for the period from 1-1-2002 to 31-3-2002.

In the case of the vehicles KA-01/C-1818, KA-01/C-1881, KA-01/D-9700 and KA-01/A-9192, the service of the vehicles are verified through the Check Post Sulthan Bathery and it is seen that as per the records at the Check Post none of the above said vehicles have conducted service from 17-9-2002 onwards. Hence Government have been requested to take up the matter with Government of Karnataka to realise the balance amount from the above said vehicles.

Regional Transport Officer, Kasargaagod has reported that the vehicles KA-20/C-999 and KA-20/C-9999 are not conducting service through Check Post, Manjeshwar. As requested, the Regional Transport Officer, Uduppi has furnished the address of the registered owners of the above vehicles. Demand notice has been sent to the registered owners directing to remit the amount due in respect of the vehicles. The Secretary, State Transport Authorities, Karnataka and Maharashtra were requested to realise the balance amount, but no reply received so far.

- I (a) Motor Vehicles Department
- (b) Short levy of Composite Tax
- (c) 4.4
- (d) DP-3203/2004-05/168 dated 4-6-2004
- II (a) SRA (HQ) I/MVT/DN-2/2003-04/709 dated 31-12-2003
- (b) 14-1-2004, 30-9-2004, 4-5-2005, 11-8-2005

III Gist of Paragraph/Review

During the audit of the Transport Commissioner's office, it was revealed that 1026 Goods Carriages registered in the States of Gujarat, Haryana, Maharashtra, Rajasthan, West Bengal and New Delhi were authorised to ply in Kerala under National Permit during the year 2001-02 on payment of Composite Tax of Rs. 3000 per annum instead of @ Rs. 5000 per annum. The tax was remitted half yearly in 81 cases instead of yearly. This resulted in short levy of Composite Tax of Rs. 19.71 lakh.

- IV (a) Yes
- (b) NA

V (a) Yes

(b) NA

VI Remedial Action Taken

The audit has pointed out short levy of tax of Rs. 19.71 lakh in respect of 1026 cases of vehicles of other states authorised to ply in Kerala under national permit during 2001-02. Tax at rate of Rs. 3000 per annum only was collected by the states.

The Secretary, State Transport Authority of Maharashtra, Rajasthan, Hariyana, Gujarat, West Bengal and Delhi have been addressed to collect the short levy of tax in respect of Goods Vehicles which are permitted to operate in Kerala State with the lists of vehicles. Motor Vehicle Inspector of Check Posts were also addressed to keep watch of the vehicles passing through the Check Posts. In this connection it may be noted that the permit issuing authorities of the states mentioned above alone can realise the short levy due to Kerala. Therefore, the Secretaries of the State Transport Authorities concerned had been addressed for realising the short levy. A total amount of Rs. 96,100 had so far been collected from 47 vehicles by the State Transport Authority, Maharashtra. But the remaining State Transport Authorities had not yet responded in the matter.

I (a) Motor Vehicles Department

(b) Short collection of tax on interstate Contract Carriages.

(c) 4.5

(d) DP-3203/2004-05/170 dated 4-6-2004

II (a) SRA (HQ) I/MVT/DN-7/499 dated 9-3-2004

(b) 1-7-2004, 21-5-2005

III Gist of Paragraph/Review

In Regional Transport Offices, Kannur and Kasaragod five All India Tourist permit vehicles were allowed multiple entries after paying one tenth and one third of the quarterly tax. This resulted in short levy of Rs. 2.71 lakhs.

IV (a) Yes

(b) NA

V (a) Yes

(b) NA

VI Remedial Action Taken

The issue discussed under this paragraph had been examined and clarifications given by the Transport Commissioner in the light of the judgement dated 10-12-2003 of Hon'ble High Court of Kerala in OP No.8086/02 and connected cases. On the basis of the said judgement it has been clarified that the operators of interstate Contract Carriages covered by permit under section 88(9) of Motor Vehicles Act 1988 and registered in other states are entitled to have the option either to pay tax as provided under the proviso to subsection (5) of section 3 of the Act or to pay quarterly tax as provided under section 4 of the Act.

Therefore the question of realisation of tax in respect of the Contract Carriages covered by permit to issue under section 88(9) of the Motor Vehicles Act for each entry does not arise.

- I (a) Motor Vehicles Department
- (b) Non/Short Levy of additional tax
- (c) 4.6
- (d) DP-3204/2004-05/169 dated 4-6-2004
- II (a) SRA (HQ) I/MVT/DN-5/838/2003-04 dated 4-2-2004
- (b) 21-2-2004, 11-8-2004, 9-11-2004, 11-1-2006

III Gist of Paragraph/Review

During the audit of some Regional Transport Offices and Sub Regional Transport Offices relating to the period 2002-03, it was noticed that in some cases delayed payment of tax, additional tax at the prescribed rates was not levied. This resulted in non/short levy of additional tax of Rs. 1.68 lakhs in 8 offices.

- IV (a) Yes
- (b) NA
- V (a) Yes
- (b) NA

VI Remedial Action Taken

Out of the 8 offices in respect of which non/short levy of additional tax was pointed out, the details of amount collected from the vehicles registered at all offices except Regional Transport Office, Idukki have already been furnished to Government and Government have already furnished such details to the Accountant General. The Regional Transport Office, Idukki collected the arrears of tax in three vehicles and the case of remaining 6 vehicles revenue recovery have been initiated.

ACTION TAKEN NOTES ON C&AG's REPORTS

- | | | |
|-----|---|--|
| I | (a) Department | Forest and Wildlife |
| | (b) Subject/Title of Review/
Paragraph | Trend of Revenue |
| | (c) Paragraph No. | 6.2.5 |
| | (d) Report No. and Year | No. 1
RR 2004-05 |
| II | (a) Date of receipt of the
Draft Para/Review in the
Department | Yes |
| | (b) Date of Department's
Reply | Reply to be finalized |
| III | Gist of Paragraph/Review | Trend of Revenue
The department has not followed the provisions of budget manual while submitting proposals for the years 2001-02 to 2002-03 and also not able to achieve the target in any of the five year from 1999-2000 to 2003-04. |
| IV | (a) Does the Department
agree with the facts and
figures included in the
paragraph ? | No |
| | (b) If not, please indicate
areas of disagreement
and also attach copies
of relevant documents
in support | The forest department's main objective is conservation of forest resources and not earning revenue through felling of trees. Following a direction from the Hon'ble Supreme Court the felling of teak plantations in the sanctuary areas is totally banned, partly affecting the revenue. The arrears of lease rent are mainly from public sector undertakings such as KSEB, PCK and State Farming Corporation. The low wage rates for timber extraction also affected the speed of timber extraction. The minimum rates for forest works were revised in 2/07 only after a gap of more than a decade. |

ACTION TAKEN NOTES ON C&AG's REPORTS

- | | | |
|-----|---|--|
| I | (a) Department | Forest and Wildlife |
| | (b) Subject/Title of the Review Paragraph | <p>Reviewing receipts of Forest and Wildlife Department</p> <p>1. 6.2.6—Blockage of revenue of Rs. 75.27 crore due to non extraction of timeber on account of delay in preparation of working plan/omission to include necessary prescription in working plan/non execution of work as per working plan.</p> |
| | (c) Paragraph No. | No.1 |
| | (d) Report No. and Year | RR 2004-05 |
| II | (a) Date of receipt of the Draft Para/Review in the Department | |
| | (b) Date of Department's Reply | Reply to be finalized |
| III | Gist of Paragraph/Review | Blockage of revenue of Rs. 75.27 crore due to non extraction of timber on account of delay in preparation of plan/omission to include necessary prescription in working plan/non execution of work as per working plan. |
| IV | (a) Does the Department agree with the facts and figures included in the paragraph ? | No |
| | (b) If not, please indicate areas of disagreement and also attach copies of relevant documents in support | Working Plans are the scientific documents based on which the management of the forests is carried out. The period of Working Plan is 10 years. Action for renewal of Working Plans are normally initiated before its period expires. Prior to the judgment by Hon'ble Supreme Court |

in WP 202/95, approval for the Working Plan was being accorded by the State Government. However after the Supreme Court Order approval by Central Government is mandatory for all Working Plans. A lot of factual data about the forestland is required before a draft Working Plan is prepared. These data are gathered by field enumeration and study. During the preparation of Working Plans all the required prescriptions to be followed by Department are stipulated/laid down and are subsequently scrutinized by the Government of India before final approval is accorded.

Out of the 23 territorial divisions of the department 19 Divisions have approved working plans. Of the remaining 4 Divisions, working plan for Achencol Division submitted to Government of India has been approved on 31-12-2007 subject to certain conditions. Working Plans for Thenmala, Munnar and Palakkad Divisions are under final stage of preparation. The currency of the Working Plan of these divisions expired during 2003-04. For the intervening periods between the expiry of previous plans and preparation and approval of new plans, management schemes have been prepared for undertaking forestry activities in such Divisions.

Before approval of the Working Plan, essential works including felling etc. are taken-up through management plans with the approval of Government of India. Therefore, the department will ensure that lack of approved Working Plan is no barrier in taking-up essential operational activities.

ACTION TAKEN NOTES ON C&AG's REPORTS

I	(a) Department	Forest and Wildlife
	(b) Subject/Title of the Review Paragraph	Reviewing receipts of Forest and Wildlife Department 1. 6.2.7—Timber worth Rs. 61.65 crore standing in the lands assignable to pre 1977 encroachers remains unextracted in five divisions.
	(c) Paragraph No.	No.1
	(d) Report No. and Year	RR 2004-05
II	(a) Date of receipt of the Draft Para/Review in the Department	
	(b) Date of Department's Reply	Reply to be finalized
III	Gist of Paragraph/Review	Timber worth Rs. 61.65 crore standing in the lands assignable to pre 1977 encroachers remains unextracted in five divisions.
IV	(a) Does the Department agree with the facts and figures included in the paragraph	No
	(b) If not, please indicate areas of disagreement and also attach copies of relevant documents in support	This para relates to the observation that 61.65 crores of rupees is the worth of non-extracted timber in encroached areas which are assigned. The Forest divisions and the extent of forest area referred to in the draft para are Ranni (3833.65 ha), Thrissur (725 ha), Thenmala (178 ha), Punalur (149 ha), Kannur (773.78 ha), Kottayam (14942 ha), Munnar (474.64 ha) and Kothamangalam (2000 ha)—Total 23076.07 ha. A time bound action programme to extract timber from the lands assigned to the pre 1977 encroachers was required to be submitted for which

discussions were held with the field officers.

As per the accounts of timber availability pointed out in the para on an average every hectre is likely to yield not more than 3 cubic meter of timber which may include trees yielding valuable timber and others. But in the encroached areas in question the existing trees are of different species which may not be economically valuable species. Moreover the standing tree avaiability in each hectare of land may be roughly 4 or 5 or even less.

Major areas mentioned in the para are falling in the district of Idukki especially in Cardamom Hill Reserve. The intensity of tree growth in these areas are reduced greatly due to reasons such as practices of shade regulation, change of cropping pattern etc. As can be seen from the above there are very few standing trees per hectare. The extraction of these trees will mean making the area further vulnerable to exposure which is not warranted. The standing trees are now performing same ecological function. Therefore, it will be in the best interest of the society and from the economic point of view not to attempt extraction of the available tree growth. Since the tree growth is standing far spaced and in the habitations, extraction, dragging to places of transportation etc. will lead to damage of other standing crops in the area. The total amount of working charges and compensation if any payable towards crop and property loss would be higher than the value of extractable and saleable timber in many cases. Therefore Government are of opinion that the existing tree growth in these areas may be allowed to be retained as such in the larger interest of the society and also on the economic point of view.

ACTION TAKEN NOTES ON C&AG's REPORTS

- | | | |
|-----|--|--|
| I | (a) Department | Forest and Wildlife |
| | (b) Subject/Title of the Review Paragraph | Revenue from lease rent |
| | (c) Paragraph No. | 6.2.8 |
| | (d) Report No. and Year | No.1 RR 2004-05 |
| II | (a) Date of receipt of the Draft Para/Review in the Department | 4-7-2005 |
| | (b) Date of Department's Reply | Reply to be finalized |
| III | Gist of Paragraph/Review | <p>Non Execution of lease deeds</p> <p>(a) Lease deeds for 13825.93 ha. if forestland leased to KSEB and 10717.182 ha. of forestland leased to KFDC have not been executed. Urgent action to be initiated to execute lease deeds and to collect lease rent from the lessees.</p> <p>Non/short levy of lease rent</p> <p>(b) The Divisional Forest Officer, Ranni has not raised the demand for payment of lease rent for the water spread area of 1968 ha. of forestland transferred to Sabarigiri Hydro Electric Project to KSEB for the period from 1st January 1978 to 31st March 1999. This resulted in non-realization of lease rent of Rs. 98.33 lakhs.</p> <p>(c) In Kothamangalam and Munnar divisions the concerned Divisional Forest Officers did not raise the demand for payment of lease rent for the years between 1976 and 2002 at revised rates for the areas leased out to KFDC. Further the Divisional</p> |

Forest Officer, Kothamangalam demanded lease rent for the years 2002-03 and 2003-04 at the rate of Rs. 50 instead of Rs. 200 applicable for cash crops. This resulted in short/non levy of lease rent of Rs. 23.78 lakhs.

- (d) Government/department did not initiate any action to resume 8.58 ha. of forestland leased out to KTDC in Periyar East Division, Thekkady on expiry of the lease period in August 1996. In spite of the Government of India rejecting the proposal submitted by State Government for extension of lease, the State Government opted to keep the case pending with repeated requested to Government of India. This has resulted in unauthorized detention of forestland by KTDC.

Arrears of lease rent

- (e) The arrears of lease rent due from PSUs as on 31st March 2003 and 31st March 2004 were as follows.

Name of PSU	31st March 2003	31st March 2004
KFDC	2.32	0.44
KSEB	13.46	20.99
PCK	40.80	20.00
SFCK	04.26	..
Total	60.84	41.43

The department has been requested to state the reason for the arrears in respect of PCK getting reduced from Rs. 40.80 crore in 2003 to Rs. 20 crore in 2004 when there was a moratorium on the payment of lease rent.

- IV (a) Does the Department agree with the facts and figures included in the paragraph ? No.
- (b) If not, please indicate areas of disagreement and also attach copies of relevant documents in support
- (a) KSEB : A draft lease agreement to be executed with KSEB was approved by Government vide G.O.(Ms.) No. 19/2006/F&WLD dated 31-3-2006 and all the concerned Divisional Forest Officers were directed to execute the agreements with KSEB. The local officers of KSEB informed that a direction from the Board is needed to enter into agreement. The Chairman, KSEB was addressed to issue necessary directions in this regard. However, the KSEB has not so far executed the agreement. Efforts will be made to expedite the same.
- KFDC : Lease agreement with KFDC has not been executed. The application for renewal of lease for land under cash crops is not yet sanctioned by Government of India.
- (b) Lease rent for both land area and submarginal area (77.83 ha.+1967.6 ha) leased for Sabarigiri Hydel Project has been remitted by KSEB from 1999 onwards till 2006-07. Action will be expedited to realise the balance lease rent from the KSEB.
- (c) The balance lease rent of Rs. 1,61,966 for the period 2002-03 and 2003-04 as observed by the Accountant General has been realized at the revised rates of Rs. 200 per ha/annum vide D.D. No. 035180 dated 9-5-2007 in Kothamangalam Division. From 4-11-2006, the KFDC has surrendered 479.682 ha. retaining only 60.208 ha.
- The State Government had ordered vide G.O. (Ms.) No. 02/02/F&WLD dated 5-1-2002 that an amount of

Rs. 25/ha has to be realized from 1976 April to 2001 March and vide G.O.(Ms) 25/03/F&WLD dated 15-5-2003 the lease rent to be realized was Rs. 50 ha. from 1-4-2001 for a period of five years or till a modification is made by Government which ever is earlier.

Countersigned chalans for Rs. 7,57,875 (Rupees Seven Lakh Fifty Seven thousand Eight hundred and Seventy Five only) being the lease rent from 1976 April to 2001 March (25 years) and Rs. 3,03,145 (Three lakh Three thousand One hundred and Forty Five only) from 2001 April to 2006 March have been issued to KFDC by the Divisional Forest Officer, Munnar on 28-4-2004 and 16-8-2006 respectively. The KFDC has not remitted the countersigned chalans yet.

(d) 8.58 ha. of forestland was leased to KTDC for tourism purpose for a period of 25 years from 7-8-1971. The lease expired on 6-8-1996. A proposal was submitted to Government of India for renewal of lease on 24-1-1998. The Government of India rejected the proposal on 3-7-2001 on the grounds of the Wildlife Protection Act and orders of the Hon'ble Supreme Court of India imposing complete embargo on de-reservation of any National Park or Sanctuary. The KTDC was allowed to retain the land as it is a public sector undertaking and as the Hotels cannot be closed all of a sudden. The Government of Kerala have again requested Government of India to re-consider the case on the basis of a suggested revenue sharing mechanism from the hotels with the forest department. The Government of India

has called for proposals in prescribed format for putting up before the National Board for Wildlife for approval. Necessary proposals have been called for from the KTDC.

- (e)KFDC : The request of KFDC to adjust the arrears of lease rent from the subsidy due to then was not agreed to by the State Government. An amount of Rs. 1,42,97,227 is outstanding as arrears of lease rent as on 31-3-2006.

KSEB : During 2004-05 KSEB had remitted Rs. 1.80 crores. Efforts are being made to collect the balance amount.

PCK : PCK has obtained moratorium on payment of lease rent till 2013 from Government, PCK maintained that the moratorium is on arrears of lease rent also. Government issued orders for adjusting the value of tree growth in Arikkode estate of PCK transformed to Tribal Mission amounting to Rs. 10.85 crores against the lease arrears. The Tribal Mission have neither transferred the amount to Forest Department nor handed over the tree growth. Therefore, the department could not adjust Rs. 10.85 crores and inform the PCK and Government about the same.

SFCK : SFCK utilized 2471.306 ha. including area at Nilakkal. 110.524 ha. at Nilakkal was resumed from the possession of SFCK and transferred to Travancore Devaswom Board. The renewal of lease which expired is pending and the matter is being taken up with Government of India. An amount of Rs. 4,97,43,579 is outstanding as arrears of lease rent as on 31-3-2006.

ACTION TAKEN NOTES ON C & AG's REPORT

I Department	Forest and Wildlife
Subject/Title of the Review paragraph	Other points
Paragraph No.	6.2.9
Report No. & Year	No. 1 RR 2004-05
II Date of receipt of the Draft	
Para/Review in the department	4-7-2005
Date of Department's reply	Reply to be finalised
III Gist of paragraph/review	

Forest Offences

(a) 12936 forest offences were pending disposal in 5 circles. The value of seizures pending disposal was Rs. 7.85 crores in four of the five circles. In addition, 352 vehicles involved in 438 offences were also pending disposal. Non-disposal of thondy articles would lead to exposure to vagaries of nature and result in deterioration.

(b) Out of 576 pieces timber valued at Rs. 23.04 lakhs seized from the unauthorizedly felled trees in the encroached area in Peechi Range in 1999, only 46 pieces valued at Rs. 3.12 lakhs were available for disposal during March 2003 even though C.C.F. (Wildlife) accorded sanction in December 1999 for the disposal of the seizures after obtaining court orders resulting in Government loss of Rs. 19.92 lakhs.

Non fixation of liability in case of loss sustained by Government.

(c) The liability for the loss of Rs. 1.35 crores sustained by Government in connection with the missing of 1750 marked trees in Nagarampara Range of Kottayam Division was not fixed even though this case was reported in October 2002.

(d) Though establishment charges of the personnel posted and operation charges of the boats have increased during the last 10 years, the rates have not been revised. Government may consider revision of entry free boat charges etc. to augment its resources.

IV Does the Department agree with the facts and figures included in the paragraph

No

If not, please indicate areas of disagreement and also attach copies of relevant documents in support.

(a) 5107 forest offences have been since disposed. Thondy (seizures) involved in those cases have also been disposed off and an amount of Rs. 8.30 crore realized as revenue. Similarly 186 vehicles seized and confiscated in various forest offences have been disposed and Rs. 48.47 lakhs realized as revenue. Similar action will be expedited in respect of the remaining pending cases also.

(b) During 1998-99, an organized encroachment of forest land was made by members of adivasis residing at Thamaravellachal Tribal Settlement located in Peechi

Wildlife Sanctuary. In the process the encroachers had felled 576 trees belonging to 30 different species. 15 forest offences were registered against the encroachment of forestland as well as illicit felling of trees. 643 pieces amounting to 473.882 M3 of timber and 66MT of firewood was involved in these cases. Although attempts were made by the Field Officers to work down thondy timber for disposal through public auction on various occasions viz., on 23-4-1999, 8-6-1999 and 17-4-2000, nobody came forward to undertake the work due to the tribal unrest prevailing during that time at Thamaravellachal and other tribal settlements in Peechi. It was a fact that the forest protective staff also could not freely enter into the encroached area and keep a constant watch and ward over the timber and firewood involved in the case owing to this problem. Thus, a sizable quantity of thondy lying at site was either cut and used by the local tribals or deteriorated due to exposure to vagaries of nature. However 43 pieces of hardwood timber (35.183 M3) belonging to 7 species could be found intact subsequently when inspected during 2002. Hence, working down thondy material and its timely disposal could not be undertaken by the field officers.

(c) Draft charge memo has been received from Conservator of Forests, High Range Circle,

Kottayam vide Lr. No. C1-6058/93 dated 15-1-2008 against 76 forest officials. Disciplinary action including recovery of loss sustained to the Government will be pursued against the officers responsible.

(d) Rates for entry fee have been since revised as per G. O. (Rt.) No. 609/05/F&WLD dated 11-11-2005.

ACTION TAKEN NOTES ON C & AG's REPORT

I Department	Forest and Wildlife
Subject/Title of the Review paragraph	Internal Audit
Paragraph No.	6.2.10
Report No. & Year	No. 1 RR 2004-05
II Date of receipt of the Draft	
Para/Review in the department	Yes
Date of Department's reply	Reply to be finalised
III Gist of paragraph/review	Internal Audit
	Out of 139 ranges, inspected only 14 to 39 ranges per year during the year 1999-2000 to 2003-04. No division were audited during this period. Increasing trend of outstanding objection indicated absence of a proper supportive environment for internal audit in the department. At the end of March 2004, 243 IRs with 559 paras have a money value of Rs. 1.61 crore were outstanding for remedial measures. The department did not give any reason for the low clearance of audit observation. The IA Wing may be streamlined giving top priority for clearance of internal audit objection and conducting audit in all divisions ranges in a span of five years.
IV Does the Dept. agree with the facts and figures included in the paragraph.	No
If not, please indicate areas of disagreement and also attach copies of relevant documents in support.	For streamling and streenthening the Internal Audit Wing of the Department, a second unit of

Internal Audit Wing has been set up with effect from 1-1-2006 by spring the services of one Junior Superintendent and two clerks additionally. Even though two units of Internal Audit Wing are now functioning with 2 junior superintendents and 6 clerks there are limitations to carry out internal audit in all forest offices just before AG's inspection. There are 80 divisions and 159 Ranges in the Forest Department under various wings. Now programmes are being chart out for conducting internal audit in two divisions and Ranges coming there under in a month each team.

ACTION TAKEN NOTES ON C & AG's REPORT

I Department	Forest and Wildlife Department
Subject/Title of the Review paragraph	Review on Receipts of Forest & Wildlife Department
Paragraph No.	6.3
Report No. & Year	Report of the C&AG for the year ended on 31st March 2005 (RR)
II Date of receipt of the Draft Para/Review in the department	4-7-2005
Date of Department's reply	Reply to be finalised
III Gist of paragraph/review	<p>Short demand of licence fees</p> <p>As per the agreement between the Governments of Tamil Nadu and Kerala Government of Tamil Nadu shall pay, in respect of all the lands made available to them by Government of Kerala for the Parambikulam-Aliyar Project, licence fees at the rate of land revenue prevailing in Kerala from time to time. The rates of land revenue from 1 April 1993 was Rs. 50 per ha. per annum and Rs. 100 per ha. per annum from 1 April 1998.</p> <p>In Parambikulam Wildlife Division, licence fee for the period 1 April 1992 to 31 March 2002 on 2,457.3466 ha. of land leased out for the Parambikulam-Aliyar Project was remitted in May 2003. Audit noticed that fee for the period 1 April 1993 to 31 March 2002 was realised at the rate of Rs. 24.70 per ha. instead of Rs. 50 per ha. from 1 April 1993 to 31 March 1998 and</p>

at Rs. 100 per ha. from 1 April 1998. This resulted in short realisation of Rs. 10.51 lakhs towards licence fee for the period from 1 April 1993 to 31 March 2002. Similarly, the division had calculated licence fee for the period from 1 April 2002 to 30 September 2004 at the rate of Rs. 24.70 per ha. instead of Rs. 100 per ha. resulting in short demand of Rs. 4.63 lakh.

After this was pointed out, the department state in July 2005 that the Wildlife Warden, Parambikulam had raised additional demand for the balance amount. Further report has not been received (December 2005).

The matter was reported to Government in may 2005, their remarks have not been received (December 2005).

IV Does the Department agree with the facts and figures included in the paragraph

No

If not, please indicate areas of disagreement and also attach copies of relevant documents in support.

Wildlife Warden, Parambikulam had issued a chalan for Rs. 22,79,687 on 26-4-2007 to the PAP authorities representing the lease rent due from Government of Tamil Nadu upto 31-3-2007. The lease rent demanded was calculated at the following rates.

1-1-1959 to 31-3-1988 @ Rs. 4.98 Ha.
 1-4-1988 to 31-3-1993 @ Rs.24.70 Ha.
 1-4-1993 to 31-3-1998 @ Rs. 50 Ha.
 1-4-1998 to 30-9-2007 @ Rs. 100 Ha.

The Wildlife Warden, Parambikulam has worked out the licence fee from 1-4-1993 onwards to the extent of 2457.3466 Ha. of leased area. However, a total extent of 2.119 Ha. area representing the plinth area of the buildings already handed over to the Government of Kerala over a period of time, need to be reduced while calculating the licence fee as pointed out by the Superintendent Engineer, PWD, Pollachi, Government of Tamil Nadu, in his letter dated 19-4-2007. He had also pointed out that the total lease amount due after reducing the above plinth area, worked out to Rs. 21,54,697. The total extent of plinth area of the buildings handed over to Government of Kerala i.e. 2119 Ha. was jointly conducted and verified by officers of the Joint Water Regulatory Board, PAP and Kerala Forest Department.

Superintendent Engineer, PWD, Pollachi in his letter dated 19-11-2007 had informed Wildlife Warden, Parambikulam that Government of Tamilnadu had accorded administrative sanction for Rs. 21,54,697 toward the payment of lease rent for the period from 1-4-2002 to 30-9-2006 including the difference in licence fee for the period from 1-4-1993 to 31-3-2002.

Accordingly, the Wildlife Warden, Parambikulam had issued a revised chalan for Rs. 21,54,697 on

21-1-2008 calculated upto 30-9-2006 and another chlan for Rs. 2.45,523 on the same day for the period upto 30-9-2007, after reducing the plinth area indicated above. Now it has been reported by the Chief Conservator of Forests (WL), Palakkad that the PAP authorities have paid an amount of Rs. 21,54.697 being the lease rent due upto 30-9-2006 by way of cheque No. H. 507648 dated 24-1-2008.

ACTION TAKEN NOTES ON C & AG's REPORT

I Department	Forest and Wildlife
Subject/Title of the Review paragraph	Short Realisation of value of standing trees
Paragraph No.	6.4
Report No. & Year	No. 1 RR 2004-05
II Date of receipt of the Draft	Yes
Para/Review in the department	
Date of Department's reply	Reply to be finalised
III Gist of paragraph review	<p>Short realisation of value of standing trees</p> <p>As per the agreement executed in April 2000 by Government of Kerala and Hindustan Newsprint Limited (HNL), the value of standing trees in plantations transferred to HNL is to be paid as per valuation approved by Government. Apart from royalty on trees, the value also includes additional price and taxes in force from time to time.</p> <p>In Munnar Division, value of Rs. 1.03 crore was realised between 1994 and 2001 for the trees in 21 plantations transferred to HNL during that period. However, value of trees in 17 plantations was realized reckoning royalty only. This resulted in short realization of Rs. 14.91 lakh.</p>
IV Does the Department agree with the facts and figures included in the paragraph.	No

If not, please indicate areas of disagreement and also attach copies of relevant documents in support

The DFO, Munnar has issued a countersigned chalan for Rs. 14,91,045 to M/s. HNL for remittance of the short realised amount pointed out by audit, towards the value of standing trees in plantations transferred to the company. But the company has pointed out that the Government have fixed the royalty of eucalyptus of HNL for the period from 1-4-2001 to 30-9-2001 on Rs. 744+25% additional price+tax, vide the GO (Rt.) 76/2003/F&WLD dated 10-2-2005 but in the audit statement the value of eucalyptus wood for the period of May-August 2001 is taken on Rs. 781+25+taxes and therefore requested Government to issue a corrected statement and chalan in accordance with royalty rate fixed by Government. Accordingly a revised chalan for Rs. 14,17,950 towards the value of trees standing in the plantation allotted to HNL has been issued to the company on 23-2-2006 assessing the value as per the rate fixed by Government directing to remit the amount and the company remitted the amount.
