

Chapter-IV Taxes on Vehicles, Goods and Passengers

4.1 Tax administration

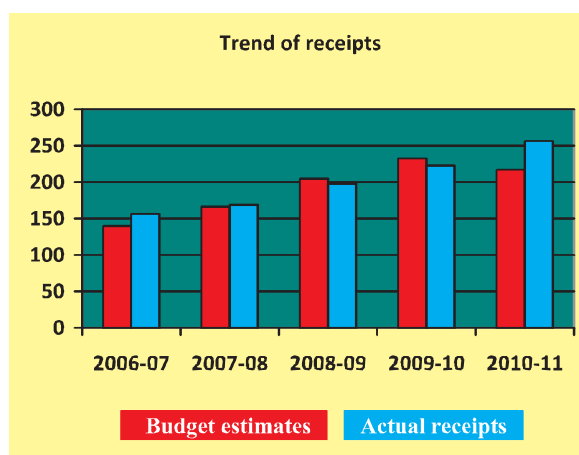
The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder and is under the administrative control of the Director Transport, who is assisted by a team of officers/staff in the performance of his duties relating to levy and collection of receipts from the Motor Vehicles. The receipts from the goods and passengers tax are regulated under the provisions of the Himachal Pradesh Passengers and Goods Taxation Act 1955, which are administered by the Excise and Taxation Commissioner of the state.

4.2 Trend of receipts

Actual receipts from taxes on motor vehicles, goods and passengers tax during the last five years 2006-07 to 2010-11 along with the total tax receipts during the same period is exhibited in the following table and graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	140.00	156.57	(+) 16.57	(+) 12	1,656.38	9
2007-08	166.35	168.84	(+) 2.49	(+) 2	1,958.18	9
2008-09	205.16	197.92	(-) 7.24	(-) 4	2,242.49	9
2009-10	232.52	222.71	(-) 9.81	(-) 4	2,574.52	9
2010-11	217.19	256.48	(+) 39.29	(+) 18	3,642.38	7



It would be seen from the above that the variation between the actual receipts and the budget estimates prepared by the Department remained between two to (-) four *per cent* except during 2006-07 and 2010-11 when it was 12 *per cent* and 18 *per cent* respectively.

4.3 Cost of collection

The gross collection in respect of taxes on vehicles, goods and passengers revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2006-07 to 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection were as follows:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection for the preceding year
Taxes on vehicles, goods and passengers	2006-07	156.57	1.90	1.21	2.61
	2007-08	168.84	2.73	1.62	2.47
	2008-09	197.92	1.75	1.00	2.58
	2009-10	222.71	2.53	1.14	2.93
	2010-11	256.48	2.17	0.85	3.07

Source: Finance Accounts

The above table indicates that the percentage of expenditure on collection was always lower than the all India average percentage during the period 2006-07 to 2009-10.

The Government needs to continue and monitor this practice of efficient tax collection.

4.4 Impact of audit

During the last five years (including the current year's report), we have reported 40 audit observations with revenue implication of ₹ 89.53 crore. Of these, the Department/Government had accepted/partially accepted audit observations in 35 cases involving ₹ 47.79 crore and had since recovered ₹ 6.01 crore. The details are shown in the following table:

(₹ in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2006-07	07	380.00	7	354.15	6	45.56
2007-08	09	565.00	9	547.48	7	86.83
2008-09	10	662.00	6	367.25	6	96.63
2009-10	06	6,165.00	5	3,213.17	5	355.20
2010-11	08	1181.00	8	297.38	5	16.38
Total	40	8,953.00	35	4,779.43	29	600.60

This is indicative of the fact that the Department had not been able to enforce prompt recovery even in accepted cases.

The Government may consider introducing a mechanism ensuring recovery against accepted cases in a time bound manner.

4.5 Results of audit

In 2010-11, our test check of the records of 64 units relating to token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme revealed under assessment of tax and other irregularities involving ₹ 31.90 crore in 253 cases, which fall under the following categories:

Sr. No.	Categories	Number of cases	(₹ in crore)
			Amount
1.	Computerisation in the Transport Department (A Performance audit)	1	0.00
2	Non/short realisation of		
	• Token tax and composite fee	108	11.65
	• Passenger and goods tax	19	0.47
3.	Evasion of		
	• Token tax	23	0.53
	• Passenger and goods tax	19	0.46
4.	Other irregularities		
	• Vehicles tax	83	18.79
Total		253	31.90

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 8.08 crore in 193 cases, which were pointed out in earlier years. An amount of ₹ 43.49 lakh was realised in 69 cases during the year 2010-11.

A performance audit of “**Computerisation in the Transport Department**” and few illustrative cases involving ₹ 26.52 crore are mentioned in the following paragraphs:

4.6 Performance Audit on Computerisation in the Transport Department

Highlights

- Lack of various controls such as application controls, process controls, validation controls etc. in the 'VAHAN' software resulted in incomplete database maintained by the registering authorities (RAs).

(Paragraphs 4.6.9.1 to 4.6.9.4)

- Necessary controls to levy penalty/fine at the prescribed rates were not built in the software leading to non/short levy of penalty/fine.

(Paragraphs 4.6.9.5, 4.6.9.7 & 4.6.9.8)

- The certificates of fitness of 18,854 transport vehicles renewable as on 31 March 2011 were not renewed and fee amounting to ₹ 47.71 lakh remained unclaimed/unrecovered.

(Paragraph 4.6.9.6)

- Due to non-maintenance of central server giving access to all the RAs across the state there was duplication of data leading to increase in the number of records of vehicles in the database of different RAs.

(Paragraph 4.6.14)

4.6.1 Introduction

The Transport Department of the Government of Himachal Pradesh implements the Motor Vehicle Act, 1988 as applicable to the State of Himachal Pradesh, Central Motor Vehicles Rules 1989, Himachal Pradesh Motor Vehicles Rules (HPMVR), 1974, HPMVR, 1999 and rules framed thereunder. The levy and collection of token tax and special road tax is governed by the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972 as amended from time to time.

The Transport Department is responsible for collection and accounting of receipts relating to registration of vehicles, issue of driving licences, permits, taxes, fees etc. as per the provisions contained in the State and Central Motor Vehicles Acts and rules.

4.6.2 Organisational set up

The Principal Secretary (Transport) is the administrative head while the Director Transport is the head of the Department (HOD). They are assisted by an Additional Director-cum-Secretary, State Transport Authority (STA) Shimla, 10 Regional Transport Officers (RTOs) including transport barriers functioning under the respective RTOs, three flying squads and 54 Registering and Licensing Authorities (R&LAs) in the 12 districts. The responsibilities of Secretary, STA include registration and licensing of tourist (vehicles) taxis, omnibuses, issue of national permits and collection of different fees etc. All other kinds of permits authorising the use of vehicles in the State are issued by

the RTOs. Besides, the work of registration of vehicles (other than those registerable by the STA) and collection of token tax, special road tax (SRT) and other fees etc. has been entrusted to RTOs and R&LAs. The Director, Transport is responsible for computerisation in the Transport Department whereas reviewing powers rests with the Principal Secretary (Transport) to the Government of Himachal Pradesh.

4.6.3 Objectives of computerisation

Computerisation in the Transport Department was envisaged with a view to prevent leakage of revenue. To enable various Registering Authorities (RAs) to check the driving licences, registration certificates (RCs) and permits throughout the country in an efficient manner and to strengthen the regulatory functions of such authorities, the Ministry of Road Transport and Highways (MoRTH), Government of India (GOI) got developed 'VAHAN'⁴⁰ and 'SARATHI'⁴¹ applications (1999) from the National Informatics Centre (NIC) to adopt a standardised data format and software for the purpose of issuing driving licences and registration of motor vehicles and maintaining their databases so that a National register as well as State register of motor vehicles and driving licences could be prepared. Customisation of the software as per local needs and integration support at the back end on a central server was to be provided by the State NIC.

Computerisation of the Transport Department in the State was started in 2002. The system is running on a two tier architecture using Windows as the operating system with Visual Basic as the front end tool and Microsoft SQL Server/Oracle as the back end tool.

4.6.4 Scope of Audit

The performance audit was conducted during June 2011 to October 2011 covers the computerisation activities in the Transport Department for the period August 2002 to August 2011. The offices of 16 RAs⁴² (out of 65 RAs) were selected for field study by adopting simple random sampling. Database maintained by these offices was analysed using Computer Aided Audit Techniques (CAATs).

4.6.5 Audit objectives

The performance audit was conducted with a view to assess whether:

- rules and regulations governing the collection of taxes, fees and fines were duly complied with;
- the computerised system ensures that the data captured was complete and correct;
- the information generated by the system was reliable;

⁴⁰ For registration of vehicles and collection of Motor Vehicle taxes

⁴¹ For issuance of Driving Conductor licenses

⁴² State Transport Authority, Shimla, Four Regional Transport Officers: Dharamsala, Mandi, Shimla and Solan and 11 RLAs: Banjar, Hamirpur, Jawali, Kandaghat, Kangra, Karsog, Kullu, Palampur, Shimla (Urban), Sundernagar and Una.

- the registration/licences database was complete; and
- connectivity was established between RTOs in the State for creation of the State Registers of Vehicles and licences and the National Registers.

4.6.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. An entry conference was held in August 2011 in which the objectives, scope and methodology of audit were explained. In the course of the performance audit, the audit observations were issued to the RAs alongwith soft copy of the cases. The draft review report was forwarded to the Government in December 2011 for their response. The exit conference was held in December 2011 with the Principal Secretary (Transport) along with representatives of the NIC. The views of the Government have been incorporated in the relevant paragraphs.

4.6.7.1 IT Steering Committee

An IT Steering Committee comprising of the users and the top management is essential for overseeing development and implementation of any IT system.

We found that an IT State level committee comprising the top management and NIC officials is in existence to monitor the implementation of the project.

4.6.7.2 Plan for computerisation and its implementation

The Government of India approved (March 2003) a pilot project for the Transport Department in Himachal Pradesh. Under this project a sum of ₹ 79.05 lakh was received for computerisation of RTO, Dharamsala and eight Registering and Licensing Authorities in Kangra District. The first instalment of ₹ 30 lakh was released (March 2004) and the project was to be implemented by NICSI, New Delhi within 12 months from the release of the first instalment of funds. We noticed that the Department has computerised (October 2006) the Directorate, RTOs Dharamsala and Shimla and eight RAs in Kangra district under this project resulting in delay in implementation by one and a half years.

Thereafter the roll out in computerisation in the remaining 54 RAs was completed by July 2011 through e-governance societies formed in September 2005. The expenditure on hardware, furniture and fixtures and site preparation was met out of the receipts from the user charges of these societies. These societies were also responsible for expenditure on maintenance of hardware, software, labour charges, printing of stationery used in generating computerised documents etc.

After we pointed this out, the Department stated (December 2011) that the delay was due to late receipt of funds, preparation of site, customisation of software, installation of hardware and software and networking.

4.6.7.3 Hardware supplied by the NIC

It was noticed during audit that the details of hardware purchased out of ₹ 79.05 lakh received under 'pilot project for Kangra district' could not be ascertained as the work entrusted to National Information Centre Services Inc. (NICS) included preparation of site, installation and procurement of hardware and software etc. in the total package.

On the demand of the State Government in June 2010, the MoRTH sanctioned the following hardware items to be supplied through NICS. The hardware was supplied to all the 65 RAs in the State at their respective locations by the NICS between September 2010 and January 2011. The cost of the hardware as per invoices except switches was ₹ 2.56 crore.

Sl. No.	Name of item	Quantity
1	Server	65
2	Client Slim PC	260
3	Laser printer	195
4	Webcam	65
5	Signature Pad	65
6	UPS 5 KVA	65
7	Switch	65

We noticed that hardware received (Server System: one, Slim PC: four, Printers: three, Webcam: one and UPS: one) by RTO Dharamsala was lying unutilised except for the PCs.

The RTO Dharamsala stated that the hardware could not be used due to pending renovation of the building.

4.6.7.4 Project documentation

User Requirements Specification (URS) describes what users require from the system. User requirement specification is written early in the validation process, typically, before the system is created. The System Design Document (SDD) describes the system requirements, system and sub system architecture, files and database design etc.

We found that though the User manuals were available with the Department but other relevant documents such as User Requirement Specification (URS) and System Design Documents (SDD) were not available.

After we pointed this out, the NIC during the exit conference (December 2011) stated that SRS is available with the State NIC and SDD is available with the NIC, HQ New Delhi.

4.6.8 Inadequacies in implementation of general controls

General controls create the environment in which the application systems and application controls operate e.g. IT policies, standards and guidelines pertaining to IT security and information protection.

The observations in this regard are given in the following paragraphs:

4.6.8.1 Lack of security policy

The information security policy through physical and logical controls restricts access to the system only to authorised individuals.

We noticed that no security policy had been formulated and documented by the Department. No guidelines had been issued to the RAs for protection of hardware and software of the system. Preventive and detective measures like installing and updating antivirus software, user's ID and

passwords were left to the discretion of the RAs. Passwords of less than eight characters were also found in all the test checked units.

After we pointed this out, the Government stated (December 2011) that necessary guidelines on security policy would be prepared by the NIC and circulated to the RAs.

4.6.8.2 Logical access control

We observed that although each operator had different user ID and passwords, the operators shared their passwords with each other and in case of unavailability of any user, the work of that user was being done by the other users by utilising his/her password. This informal methodology adopted was fraught with risk of loss of trail for any unauthorised entries. There was no documented password policy circulated specifying the need to change the password periodically. Therefore, the system was exposed to the risk of unauthorised access and consequent data loss.

The user master table contains the details of authorised users of the computer system. We noticed that 49 users⁴³ (**Annexure-IV**) whose names did not exist in the User Master table had entered 70,314 records in the 'owner' table in all the test checked RAs.

The Department stated that these users were created during backlog entries and were subsequently deleted from the master table. The reply is not acceptable as entries from the master table should not be deleted.

During the exit conference the Government stated (December 2011) that a password policy would be drafted by the NIC and circulated among the RAs.

⁴³ RTO Mandi (1) and RLAs Banjar (1), Hamirpur (6), Jawali (3), Kandaghat (1), Kangra (8), Karsog (2), Kullu (5), Palampur (17), Shimla (Urban) (1), Sunder Nagar (2) and Una (2)

4.6.8.3 Physical access control

Physical access controls are aimed at ensuring that only those officers/officials who have been authorised by management have physical access to the computer systems.

We noticed that in all the test checked RAs the vehicle owners after duly filling up the necessary forms and depositing the requisite fee/dues, brought the documents to the concerned computer operator inside the computer centres. The unauthorised entry of persons put the system and data at risk of unauthorised intentional/accidental manipulation/destruction.

During the exit conference the Government stated (December 2011) that a policy on physical access controls will be framed by the NIC and circulated among the RAs.

4.6.8.4 Environmental controls

Environment controls are aimed at ensuring that the assets are not put to risk. This requires that risk assessment and preventive measures be undertaken prior to implementing the project.

We noticed that the Department had neither undertaken any risk assessment nor had put any preventive measures like disaster management plans, business continuity plans etc. in place before putting the system in use.

During the exit conference the Government stated (December 2011) that necessary action would be taken to ensure the safety of data in case of disaster/natural calamity.

4.6.8.5 Lack of change management control

Once a system is implemented, change management controls should be put in place to ensure that the changes to the system are authorised, tested and documented and to see that there is adequate audit trail. The request for changes should be signed by the designated authorities of the Department and all the changes should be tested before they are put to use in the live environment.

We observed that there was no laid down authorisation procedure related to changes/modifications carried out in the 'VAHAN' and 'SARATHI' software. There was absence of trail in the software as to whether the changes sought for had been carried out and approved only after due testing. There was no documentation of the changes sought for and their approval and testing, though a lot of changes had been made in the software as per local needs for updating data,

enhancing facilities or for other reasons.

After we pointed this out, the NIC stated (December 2011) that changes in the software are done on the basis of requests received from the Government. The Government also agreed to maintain documentation of changes made in future.

4.6.8.6 Inadequate segregation of duties

We observed that the staff responsible for data entry was also doing the work of authorisation/approval as all rights for authorisation of data entry were provided to data entry staff in all the RAs test checked in audit.

After we pointed this out, the Government while accepting the audit observations stated (December 2011) that necessary instructions would be issued to the RAs.

4.6.9 Deficiencies noticed in database

Analytical review of data generated by 'VAHAN' package as implemented in the 16 test checked RAs revealed a number of deficiencies related to absence of processing controls.

4.6.9.1 Lack of control over monitoring of duplicate engine/chassis number

Chassis and Engine number of the vehicle consists of alphanumeric figures and are the unique identification marks of a vehicle which are essential for its registration under the provisions of the MV Act and Rules made thereunder.

We noticed in audit that there were no validation checks on engine number in the application being used to ensure that a vehicle with its unique identification was not re-registered without cancellation of the previous registration.

Analysis of the data maintained by 11 test checked RAs⁴⁴ revealed that in 222 records, the engine number was left blank and in 635 out of 1,199 and 122 out of 247 records, the engine number and chassis number, respectively, were found duplicate (**Annexure-V**). While comparing the manual records with the electronic data, we observed that the manual records showed the correct chassis/engine number, the computerised database contains backlog data which were not validated at the time of data entry.

After we pointed this out, the Government while accepting the audit observation stated (December 2011) that these entries would be corrected.

The Government may consider providing appropriate validation control in the application to avoid duplicate engine/chassis numbers.

4.6.9.2 Lack of control over duplicate Insurance Certificate/Cover Note number

As per provisions of the MV Act and rules made thereunder, every vehicle has to be insured before its registration. A valid insurance certificate is required to be furnished along with the application for registration of the vehicle by the owner.

Test check revealed that the RAs did not verify whether the insurance cover note submitted along with the application for registration of vehicle was actually valid or not. Moreover, there was no

⁴⁴ RTO Mandi and RLAs Hamirpur, Jawali, Kandaghat, Kangra, Karsog, Kullu, Palampur, Shimla (Urban), Sunder Nagar and Una

validation check in the system to ensure that the insurance cover note submitted for a particular vehicle was not re-used for registration of other similar vehicles. Data analysis of 12 RAs⁴⁵ revealed that the insurance company and its cover notes for a particular vehicle were common for two or more vehicles in 396 out of 2,082 cases (**Annexure-VI**). It was also noticed that insurance cover notes in respect of 52,132 vehicles have not been captured. While comparing with the manual records, we observed that the manual records show the correct insurance certificate/cover note number. The computerised database contains backlog data which were not validated at the time of data entry.

After we pointed this out, the Government while accepting the audit observation stated (December 2011) that these entries would be corrected.

4.6.9.3 Plying of vehicles with lapsed registration

As per the MV Act, a certificate of registration in respect of a motor vehicle, other than a transport vehicle, shall be valid only for a period of 15 years from the date of issue of such certificate. No such vehicle shall be used in any public place until its certificate of registration is renewed.

Scrutiny of the database maintained in 16 test checked RAs revealed that registration of 15,792 vehicles (**Annexure-VII**) had expired. The enforcement staff of the Department, however, failed to utilise the information available with the Department and detect these vehicles plying with expired registration certificate.

4.6.9.4 Incomplete details of vehicles/licenses

As per the Central Motor Vehicles Rules, form 20 has been prescribed for registration of vehicles which contain information about the vehicles to be registered in 34 fields. The 'VAHAN' package provides for capture of all the information in the 'Owner' table. Similarly, the 'SARATHI' package provides for capturing data of licenses in 'llicense' and 'ddlicense' tables.

Analysis of the database revealed that data in the 'VAHAN' package was partially captured even in crucial fields. Data entry in some of the important fields such as date of purchase of the vehicles, father's name of registered owner,

address, vehicles maker's name, vehicle mode, engine number, seating capacity, horse power, unladen weight, month and year of manufacture etc. have not been captured in many cases.

In the 'SARATHI' software we noticed that information in the crucial fields viz. identification marks, test result, designation of the test taking authority, date of test etc. were not/partially captured.

In both the softwares, these fields were not made mandatory for capturing crucial information.

⁴⁵ RTO Mandi and RLAs Banjar, Hamirpur, Jawali, Kandaghat, Kangra, Karsog, Kullu, Palampur, Shimla (Urban), Sunder Nagar and Una

After we pointed this out, the Government/NIC stated (December 2011) that incomplete entries might have been entered in the software during the backlog entries and that instructions will be issued to RAs to validate the data.

4.6.9.5 Delay in registration of vehicles

As per Rule 47 of the CMV Rules, the owner of the vehicle is required to get the vehicle registered with the registering authority within 30 days from the date of purchase of vehicle failing which minimum penalty of ₹ 100 under Section 177 of Motor Vehicle Act is leviable.

Analysis of data maintained by 16 test checked RAs revealed that 24,007 owners (**Annexure-VIII**) of vehicles applied for registration after 30 days from the date of purchase but no penalty was levied by the registering authorities. Thus due to lack of provision in the

software to recover penal amount automatically after 30 days, a considerable amount on account of penalty may have escaped from being levied.

4.6.9.6 Plying of vehicles without fitness certificate

The CMV Act provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the competent authority.

Scrutiny of the commercial vehicle database revealed that certificate of fitness of 18,854 transport vehicles of different categories⁴⁶ (MGV, LMV, LGV and HMV) expired as on 31 March 2011 which were not got renewed by the owners of the

vehicles for which fitness fee involving ₹ 47.71 lakh (**Annexure-IX**) was to be recovered. It was also found that there is no practice of issuing notices to the owners for getting the fitness certificate renewed.

During the exit conference, the NIC stated (December 2011) that this problem could only be resolved once the software is made web enabled for which steps are being taken.

4.6.9.7 Lack of validation checks

The 'VAHAN' software has a module for token tax collection for a specific period at the receipt counter and a receipt is issued to the owner of the vehicle.

We noticed that after issue of receipt, the concerned dealing assistant has to clear the tax details in the sub-menu 'Tax clearance' under 'Tax module' by entering the date upto which the tax has been deposited instead of its clearance at the time of issue of receipt. In the

absence of validation check on the field while entering dates for clearance of tax, reliability of data could not be ensured and chances of suspected fraud cannot be ruled out. Further, it was noticed that if tax clearance is not done after issue of receipt, the defaulter report generated through the 'VAHAN' will give wrong result.

⁴⁶ MGV: Medium Goods Vehicle, LMV: Light Motor Vehicle, LGV: Light Goods Vehicle, HMV: Heavy Motor Vehicle

After we pointed this out, the Government stated (December 2011) that changes in the software would be carried out after considering the proposal of the NIC.

The Government may consider providing suitable control to clear the tax payment automatically at the time of issue of receipt.

4.6.9.8 Non-levy of fine by the system

Rule 4-A of the HPMV Rules, as amended from time to time provides for levy of penalty at the rate of 25 per cent per annum of the tax due from the owner of the vehicle if the owner fails to pay the tax due under Section 3 of the HPMV Act. Evasion of revenue can be checked by incorporating adequate application checks in the software.

We noticed that necessary controls to levy penalty/fine at the prescribed rates had not been built into the software and the matter was left to the discretion of the RAs leaving chances of non/short levy of fine/penalty.

After we pointed this out, the Government stated (December 2011) that changes in the software

would be carried out.

The Government may consider suitable control to calculate the penalty/ fine automatically.

4.6.10 Partial utilisation of software

In 'VAHAN' software, provision exists for theft report, pollution updation cases etc.

We noticed that out of 16 test checked RAs, four RAs⁴⁷ are not using the Theft Report module. The pollution module is not being used by any of the test checked RAs.

After we pointed this out, the Government stated (December 2011) that necessary instructions would be issued to RAs to use these modules.

4.6.11 Non-utilisation of Enforcement module

Enforcement module of 'VAHAN' software provides for capturing data pertaining to work of the enforcement wing. The detail of fines imposed/collected from the offending owner of the vehicles can be entered in the software.

We noticed that this module is not being used in all the RAs test checked. During field inspection, the enforcement staff, challans the vehicles and collects the fine by issuing TR-5 receipts. The fine so collected is deposited through challan in respective treasury and entry to this effect is made in the cash book.

However, no entry is made in the 'VAHAN' software.

⁴⁷ RTO Dharamsala and RLAs Banjar, Hamirpur and Karsog

The Government stated (December 2011) that the enforcement module is under testing and will be implemented shortly. However, the Government did not furnish any specific reasons for non-utilisation of the enforcement module.

4.6.12 Creation of State Register and National Register

Sections 63 and 26 of the MV Act and Rules 75 and 23 of the CMV Rules prescribe the maintenance of a State Register of motor vehicles in Form 41 and a State Register of driving licenses in Form 10 respectively for supplying the information to the Central Government. The main objective of the 'VAHAN' and 'SARATHI' softwares is to create a National Register of vehicles to serve as a national database for registered vehicles.

We found that the State register as prescribed by the Central Government in respect of data relating to Vehicle Registration and Driving Licenses is being maintained by the NIC. The NIC captures the data from the server of the RAs across the State for preparation of the State Register. However, the

data of RAs at Dodra Kwar, Kaza and Pangi is being ported manually using secondary media as these RAs have not been connected through the Himachal State Wide Area Network (HIMSWAN).

The data from the State Register, thus, accumulated is replicated to the NIC data centre at Hyderabad to generate the National Register. However, the data structure of the State Register and National Register was not made available to audit.

The Government stated (December 2011) that matter regarding connectivity of RAs at Dodra Kwar, Kaza and Pangi is being taken up with the BSNL authorities to provide network connectivity.

4.6.13 Non-existence of central server system

The Transport Department has authorised (February 2008) RTOs at the District Headquarters level and RLAs at Sub Division level to issue fitness certificates for transport vehicles. The owner of the vehicle has to deposit fitness fee with the concerned RA authorised for issuing fitness certificates. For this purpose, the record of the vehicle is picked up from the 'owner' table. If the vehicle pertains to other RAs, it has first to be entered in the 'owner' table and only then can fitness fee be deposited. Once the vehicle is entered in the 'owner' table, it creates duplicate records as one vehicle appears in the record of two or more RAs. Moreover, the RA who is authorised to issue fitness certificate of the vehicles does not intimate the concerned RA where the vehicle is originally registered, due to which the record of the original RA can not be updated. This also increases the number of records in the 'owner' table.

We found that no central server system was established in the Department linking all the RAs of the State. In the absence of a central server system, the

RAs were unable to access data of the other RAs. The deficiencies noticed in the database identified through a test check in three RAs⁴⁸ are discussed below:

- The Registration codes ‘HP68’, ‘HP40’, ‘HP37’ were allotted to RTO Dharamsala, RLA Kangra and RLA Palampur respectively. The database maintained by these RAs was cross checked. We found that the ‘owner’ table of RTO Dharamsala contains 1,310 vehicles of ‘HP40’ and 1,696 vehicles of ‘HP37’, which were also appearing in the ‘owner’ tables of RLA Kangra and Palampur, respectively.
- Similarly, the ‘owner’ tables of RLA Palampur and Kangra contains 142 and 92 vehicles of ‘HP68’ series which were also appearing in the RTO Dharamsala’s database. This indicates that these vehicles were registered in RTO Dharamsala without getting no objection certificate (NOC) from the RLA, Kangra and Palampur and *vice versa*.
- In 386 cases⁴⁹ though the registration number was the same, yet the class of vehicle was different in the database of two RAs.

After we pointed this out, the Government stated (December 2011) that vehicle owners as per their convenience get the fitness certificates renewed from the authorised RAs. For this purpose the vehicle has to be entered in the owner table before the process of issuing fitness certificate is started. The NIC stated that suitable modification in the software is being carried out to avoid unnecessary increase of data in the ‘owner’ table.

The Government needs to establish a centralised server to facilitate data access to all the RAs in the State. Suitable controls need to be built in the application to avoid duplication of data.

4.6.14 Conclusion

The performance audit revealed that various controls such as application controls, process control, validation control etc. were either absent or not effective. Inadequate application controls in the system had led to inconsistent and incomplete database maintained by the RAs. There was also duplication of data due to non-maintenance of central server giving access to all the RAs in the State. The data entered through backlog entries was not validated. Some of the modules were not being utilised.

4.6.15 Recommendations

The Government may consider implementing the following recommendations:

- **providing appropriate validation control in the application to avoid duplicate engine/chassis numbers.**
- **providing suitable control to clear the tax payment automatically at the time of issue of receipt.**

⁴⁸ RTO Dharamsala and RLAs Kangra and Palampur

⁴⁹ RTO Dharamsala: 15 cases, RLA Kangra: 270 cases and RLA Palampur: 111 cases

- **introducing suitable controls to calculate the penalty/fine automatically.**
- **establishing a centralised server to facilitate data access to all the RAs in the State. Building suitable controls in the application to avoid duplication of data.**

4.7 Other Audit observations

Scrutiny of the records in the offices of the Transport Department relating to revenue received from taxes on vehicles, goods and passengers revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty/token tax and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. We point out such omission in audit each year, but not only do the irregularities persist; they also remain undetected till an audit is conducted. There is need for the Department to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.

4.8 Non-observance of the provisions of Acts/Rules

The Himachal Pradesh Motor Vehicles Taxation Act (HPMVT), 1972 and Rules provide for:

- (i) payment of motor vehicles tax/token tax by the owner of the vehicle at the prescribed rate;
- (ii) token tax to be paid in advance and within the prescribed period; and
- (iii) payment of special road tax, permit renewal fees/registration fee at prescribed rate.

The Transport Department did not observe some of the provisions of the Act/Rules in cases as mentioned in the subsequent paragraphs for levy and collection of the tax. This resulted in non/short realisation of tax/permit renewal fee of ₹26.52 crore.

Taxes on vehicles

4.9 Non-realisation of token tax

29 RLAs, nine RTOs and STA Shimla

Under the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972, and rules made thereunder, token tax by vehicle owners is payable in advance quarterly or annually in the prescribed manner. If an owner of motor vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving him an opportunity of being heard, shall direct him to pay in addition to tax, a penalty at the rate of 25 per cent per annum of the tax due.

We test checked between May 2010 and January 2011 the Token Tax Registers of 29 Registering and Licensing Authorities (RLAs)⁵⁰, nine Regional Transport Officers (RTOs)⁵¹ and State Transport Authority (STA) Shimla and noticed that for 5,173

⁵⁰ Amb, Banjar, Bilaspur, Bharmour, Chamba, Chowari, Churah, Dalhousie, Dehra, Dharamsala, Ghumarwin, Jaisinghpur, Kangra, Keylong, Kullu, Manali, Mandi, Nahan, Nalagarh, Nurpur, Paonta Sahib, Rajgarh, Rampur, Rohru, Shimla (Urban), Shimla (Rural), Solan, Sundernagar and Una

⁵¹ Bilaspur, Chamba, Dharamsala, Hamirpur, Kullu, Mandi, Shimla, Solan and Una

vehicles⁵², token tax amounting to ₹ 2.23 crore for the years 2008-09 to 2009-10, was not deposited by the vehicle owners. There was nothing on record to indicate that any initiative had been taken by the taxation authorities to recover tax from the defaulters. This resulted in non-recovery of token tax of ₹ 2.23 crore. Besides, penalty at the prescribed rate was also leviable for non-payment of tax.

After we pointed out the cases between June 2010 and January 2011, the Department intimated between March and August 2011 that six RLAs and two RTOs⁵³, had been recovered ₹ 9.61 lakh in respect of 159 vehicles and efforts were being made to recover the balance amount. Further report on recovery and reply of remaining taxation authorities have not been received (December 2011).

The matter was reported to the Government between June 2010 and February 2011; we have not received their reply (December 2011).

4.10 Non-payment of SRT by Private Stage Carriages (PSCs)

10 RTOs

As per the HPMVT (Amendment) Act, 1999, there shall be levied, charged and paid to the State Government, a special road tax (SRT) on all transport vehicles used or kept for use in Himachal Pradesh and will be payable in advance on the 15th of every month.

Our scrutiny between June 2010 and January 2011 of the SRT Registers of ten RTOs⁵⁴, revealed that in 206 cases, SRT amounting to ₹ 72.15 lakh for the period 2009-10 was not paid by the owners of the vehicles of PSCs. The RTOs neither initiated any action for the recovery of SRT due nor issued any notices to the owners of the vehicles. Minimum penalty leviable

under the Act had not been levied by the RTOs.

After we pointed out (June 2010 to January 2011) in audit, the Director Transport, Shimla intimated between June 2011 and August 2011 that ₹ 82,000 (Mandi: ₹ 41,000 and Solan: ₹ 41,000) have been recovered by RTOs Mandi and Solan and notices were issued to the remaining vehicle owners to deposit the outstanding amount of tax.

We reported the matter to the Department and to the Government between July 2010 and February 2011; we have not received their replies (December 2011).

⁵² Buses/mini buses/stage carriages: 452 cases: ₹ 85.31 lakh; Construction equipment vehicles: 201 cases: ₹ 17.41 lakh; Goods carriers/other vehicles: 2,650 cases: ₹ 52.59 lakh; Tractors: 623 cases ₹ 10.01 lakh and Maxi cabs/motor cabs: 1,247 cases: ₹ 57.59 lakh

⁵³ RLA Amb: 34 vehicles: ₹ 1.33 lakh; Chamba: 12 vehicles: ₹ 31,500; Dalhosie: 14 vehicles: ₹ 43,500; Nalagarh: 37 vehicles: ₹ 4.93 lakh; Solan: 1 vehicle: ₹ 37,000; RTO Dharamsala: 16 vehicles: ₹ 89,000 and RTO Mandi: 16 vehicles: ₹ 83,000

⁵⁴ Bilaspur: 20 cases: ₹ 10.06 lakh; Chamba: 92 cases: ₹ 4.44 lakh; Dharamsala: 19 cases: ₹ 16.78 lakh; Hamirpur: 12 cases: ₹ 3 lakh; Kullu: 10 cases: ₹ 3.45 lakh; Mandi: 04 cases: ₹ 1.29 lakh; Nahan : 08 cases: ₹ 3.19 lakh; Shimla: 10 cases: ₹ 9.70 lakh; Solan: 21 cases: ₹ 13.30 lakh and Una: 10 cases: ₹ 6.94 lakh

4.11 Non-recovery of tax/penalty

Nine RTOs

As per Transport Department's notification dated 26 July 2006, if SRT is not paid on due dates, a penalty at the rate of 25 per cent per annum of the SRT shall be leviable which shall not exceed the amount of total SRT due.

Our scrutiny between June 2010 to January 2011, of the SRT Registers of nine RTOs⁵⁵ revealed that the SRT for the period from April 2009 to March 2010 aggregating ₹ 14.71 crore was not deposited by the Himachal Road Transport Corporation (HRTC) till March 2011. The delay in deposit of tax ranged between 13 months and 24

months. Minimum penalty of ₹ 5.64 crore was also leviable upto March 2011 which has not been levied.

After we pointed out (June 2009 to January 2010), the RTO Bilaspur stated that the notices would be issued to the Regional Manager of HRTC to deposit the outstanding amount.

We reported the matter to the Department and to the Government between July 2010 and February 2011; we have not received their replies (December 2011).

4.12 Short realisation of Composite fee

RTO Nahan

Under Rule 69-A of the Himachal Pradesh Motor Vehicles (First Amendment) Rules, 2005, there shall be levied, charged and paid to the State Government, a composite fee at the rate of ₹ 5,000 in lump sum to be paid in advance at the time of issue of national permit (NP), in respect of each goods carriages, authorised to ply in the State of Himachal Pradesh. The vehicles entering in the State without valid NP are required to pay the fee at transport barriers installed at entry points of the State.

We noticed from the statement of composite fee and master database between December 2010 and January 2011 that in the case of 7,050 goods carriages entering into the state through two barriers⁵⁶ under the control of RTO Nahan, composite fee was collected at the rate of ₹ 2,500 instead of ₹ 5,000 per vehicle for the period 2008-09 and 2009-10. This resulted in short realisation of

composite fee of ₹ 1.76 crore.

After we pointed out, RTO Nahan intimated in January 2011 that action would be taken as per the provisions of the Act/Rules and compliance reported to the audit accordingly. The Department also admitted that the mistake occurred due

⁵⁵ Bilaspur: ₹ 32 lakh, Dharamsala: ₹ 1.59 crore, Hamirpur: ₹ 23 lakh, Kullu: ₹ 56 lakh, Mandi: ₹ 85 lakh, Nahan: ₹ 21 lakh, Shimla: ₹ 1.23 crore, Solan: ₹ 38 lakh and Una: ₹ 27 lakh

⁵⁶ 2008-09: Kala Amb: 4,690 vehicles: ₹ 1.17 crore and Paonta Sahib: 1,318 vehicles: ₹ 33 lakh
2009-10: Kala Amb: 822 vehicles: ₹ 21 lakh and Paonta Sahib 220 vehicles: ₹ 5 lakh

to non-updating the old rates of ₹ 2,500 to the revised rates of ₹ 5,000 per vehicle in the software at these barriers.

The matter was reported to the Department and to the Government in February 2011; further progress of recovery and reply has not been received (December 2011).

4.13 Non-deposit/late deposit of bank drafts

Two RTOs

Financial Rules stipulates that all Departmental receipts/bank drafts collected during the day should be entered into the cash book and credited into the treasury on the same day or latest by the morning of the next working day. The head of the office has to ensure the compliance of these provisions and reconcile the amounts posted in the cash book and remitted into the treasury every month.

Our scrutiny (October 2010) of the bank draft registers and cash books of two RTOs for the period 2009-10 revealed that 81 bank drafts valued at ₹ 33.16 lakh⁵⁷ were received during April 2009 and March 2010 from RTOs of other states in respect of stage carriages of those states opting for plying in Himachal Pradesh. Out of these, 79 bank drafts valued at ₹ 32.15 lakh were deposited late after an average delay of 57 days and two bank

drafts valued at ₹ 1.01 lakh received in March 2010 were neither entered in the cash book nor deposited into the treasury. This resulted in non-realisation of revenue of ₹ 1.01 lakh and delayed remission of ₹ 32.15 lakh.

The above irregularities indicate that the RTOs did not exercise the prescribed checks on bank drafts register and cash books to ensure prompt deposit of bank drafts. The possibility of encashment of bank drafts in connivance with vehicle owners in such cases could not be ruled out.

The matter was reported to the Department and to the Government in November and December 2010; we have not received their replies (December 2011).

⁵⁷ Bilaspur: ₹ 3.91 lakh and Solan: ₹ 29.25 lakh

4.14 Non-deposit of user charges

20 RLAs and seven RTOs

For computerisation of all transport related activities in the offices of the Registering and Licensing Authorities, e-Governance Societies under the Chairmanship of the concerned Deputy Commissioner of the respective district have been functioning since September 2005. These Societies collect user charges as approved by the Government. 25 per cent of these charges are required to be deposited in the Government account.

We noticed from the “Service charges collection registers” of 20 RLAs⁵⁸ and seven RTO⁵⁹ between June 2010 and January 2011 that e-Governance Societies collected ₹ 1.69 crore on account of user charges during May 2006 to March 2010. However, 25 per cent of receipts collected on account of user charges which worked out to ₹ 41.40 lakh, was not deposited in the Government account as required. Thus, ₹ 41.40 lakh remained out of the

Government account, which also resulted in under statement of revenue to that extent. The schedule of periodical payment of 25 per cent of the user charges and interest/penalty to be levied in case of delayed payments etc. had not been prescribed.

After we pointed out, six RLAs⁶⁰ intimated between June 2010 and January 2011 that the matter was taken up with the Chairmen of Societies to deposit the outstanding amount in Government account. However, the Director Transport intimated in August 2011 that six RTOs⁶¹ and RLA Dharamsala had been recovered ₹ 11.07 lakh and notices had been issued to the remaining RLAs to deposit the amount. Further reply has not been received (December 2011).

The matter was reported to the Department and to the Government between July 2010 and February 2011; we have not received their reply (December 2011).

4.15 Passengers and goods tax

The Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act, 1955 and the rules made thereunder provide that the owners of contract carriages and goods carriers shall register their vehicles with the concerned excise and taxation officers and pay passenger tax and goods tax at the prescribed rates either monthly or quarterly as may be opted by them.

⁵⁸ Bilaspur, Chamba, Churah, Dalhousie, Dehra, Dharamsala, Ghumarwin, Jaisinghpur, Kullu, Nahan, Nalagarh, Nurpur, Paonta Sahib, Parwanoo, Rajgarh, Rampur, Rohroo, Shimla (Urban), Shimla (Rural) and Solan

⁵⁹ Chamba, Dharamsala, Hamirpur, Nahan, Shimla, Solan and Una

⁶⁰ Churah, Dalhousie, Dehra, Kullu, Nalagarh and Shimla (Urban)

⁶¹ Chamba: ₹ 95,000; Dharamsala: ₹ 2.34 lakh; Hamirpur: ₹ 87,000; Shimla: ₹ 1.69 lakh; Solan: ₹ 1.85 lakh; Una: ₹ 1.47 lakh and RLA Dharamsala: ₹ 1.90 lakh

4.16 Non-registration of Goods and Passenger vehicles

Nine AETCs⁶²

Under the Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act and the rules made thereunder, owners of stage/contract carriages and goods carriers are required to register their vehicles with the concerned excise and taxation offices and pay passenger tax and goods tax at the prescribed rates. Administrative instructions issued in December 1984 stipulate that the Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the HPPGT Act and for that purpose maintain close co-ordination with the RLAs/RTOs. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹ 500 is also leviable.

We cross verified the registration records between June 2010 and January 2011 of eight RLAs and eight RTOs with that Assistant Excise and Taxation Commissioners (AETCs) and noticed that 1,799 vehicles⁶³ were newly registered with the concerned RLAs and RTOs during 2009-10 but these were not found registered with the Excise and Taxation Department as required under the HPPGT Act. We noticed that there was no co-ordination between the concerned RLAs/RTOs and AETCs to ensure the registration of all the vehicles with them. As a

result, tax amounting to ₹ 45.68 lakh for 2009-10 was not realised from the owners of the vehicles. Besides, a minimum penalty of ₹ 9 lakh was also leviable.

After we pointed out in audit between June 2010 and January 2011, the Excise and Taxation Commissioners (ETCs) Shimla intimated in September 2011 that an amount of ₹ 17.11 lakh (passengers tax: ₹ 6.43 lakh and goods tax: ₹ 10.68 lakh) has been recovered from 489 vehicles of nine districts⁶⁴ and notices have been issued to the defaulters to deposited the balance amount.

We reported the matter to the Department and to the Government between July 2010 and February 2011. We have not received their replies (December 2011).

The above mistakes have been pointed out by audit in earlier Audit Reports also but no system has been devised by the Department to ensure registration of all vehicles with the Excise and Taxation Department.

⁶² Bilaspur: 124 vehicles, Chamba: 218, Dharamsala: 181, Hamirpur: 95, Kullu: 93, Mandi: 62, Shimla: 560, Solan: 168 and Una: 298 vehicles

⁶³ Passenger vehicles: 663; ₹ 19.82 lakh and Goods vehicles: 1,136; ₹ 25.86 lakh

⁶⁴ Bilaspur: 87 vehicles: ₹ 5.55 lakh; Chamba: 101 vehicles: ₹ 2.39 lakh; Dharamsala: 27 vehicles: ₹ 47,000; Hamirpur: 53 vehicles: ₹ 2.28 lakh; Kullu: 48 vehicles: ₹ 1.60 lakh; Mandi: 28 vehicles: ₹ 65,000; Shimla: 19 vehicles: ₹ 86,000; Solan: 57 vehicles: ₹ 1.10 lakh and Una: 69 vehicles: ₹ 2.21 lakh

4.17 Non-realisation of Goods and Passenger tax

Nine AETCs

Under the Himachal Pradesh Passenger and Goods Taxation (HPPGT) Act and rules made thereunder, owners of vehicles are required to pay tax etc. at the prescribed rates either monthly or quarterly. However, if the owner of a vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due alongwith a penalty not exceeding five times of the amount of tax so assessed subject to a minimum of ₹ 500.

We noticed between June 2010 and January 2011 from the demand and collection registers maintained in nine AETCs⁶⁵, that passenger and goods tax amounting to ₹ 44.43 lakh for 884 vehicles⁶⁶, for the period from April 2009 to March 2010 was not paid by the owners of the vehicles. The assessing authorities did not issue demand notices to the owners of the vehicles. This resulted in non-realisation of tax of ₹ 44.43 lakh besides minimum penalty of ₹ 4.42 lakh.

After we pointed out between June 2010 and January 2011, the ETC, Shimla intimated in May 2011 that an amount of ₹ 14.05 lakh (passengers tax: ₹ 8.60 lakh and goods tax: ₹ 5.45 lakh) has been recovered from owners of 310 vehicles of nine districts⁶⁷.

We reported the matter to the Government between July 2010 and February 2011; we have not received their replies (December 2011).

⁶⁵ Bilaspur: 70 vehicles, Chamba: 115 vehicles, Dharamsala: 49 vehicles, Hamirpur: 48 vehicles, Kullu: 240 vehicles, Mandi: 82 vehicles, Shimla: 117 vehicles, Solan: 88 vehicles and Una: 75 vehicles

⁶⁶ Passenger vehicles: 440: ₹ 24.93 lakh and Goods vehicles: 444: ₹ 19.50 lakh

⁶⁷ Bilaspur: 42 vehicles: ₹ 3.01 lakh; Chamba: 16 vehicles: ₹ 92,000; Dharamsala: 21 vehicles: ₹ 85,000; Hamirpur: 24 vehicles: ₹ 1.39 lakh; Kullu: 136 vehicles: ₹ 4.52 lakh; Mandi: 15 vehicles: ₹ 75,000; Shimla: 17 vehicles: ₹ 79,000; Solan: 22 vehicles: ₹ 1.01 lakh and Una: 17 vehicles: ₹ 81,000