

## CHAPTER III TAXES ON VEHICLES

### 3.1 Tax administration

Registration of motor vehicles, issue of licences/permits and levy and collection of fees and taxes in the Jammu and Kashmir State are regulated under the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules 1989, the Jammu and Kashmir Motor Vehicles, Taxation Act, 1957, the Jammu and Kashmir Taxation Rules, 1957 and the Jammu and Kashmir Motor Vehicles Rules, 1991. The responsibilities of the Transport Department include registration of all types of vehicle, licensing of taxies/buses, issue of permits authorising the use of vehicles, besides collection of token taxes, fees and issue of driving licences etc. through Regional Transport Officers/Assistant Regional Transport Officers (RTOs/ARTOs).

### 3.2 Trend of receipts

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

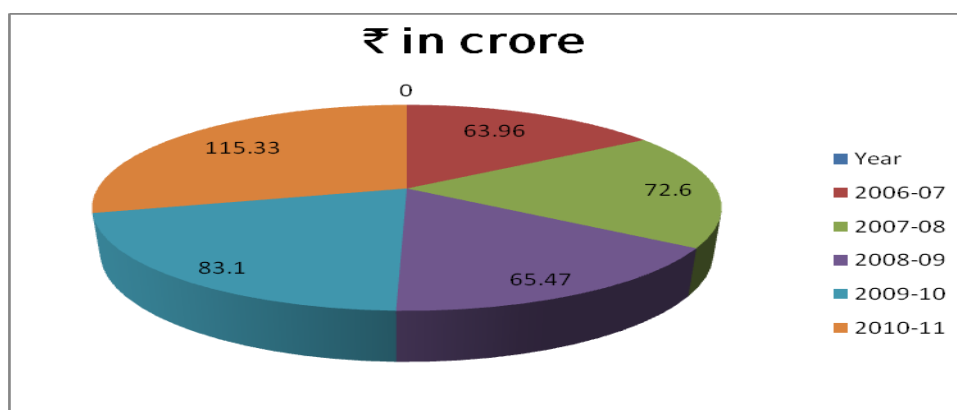
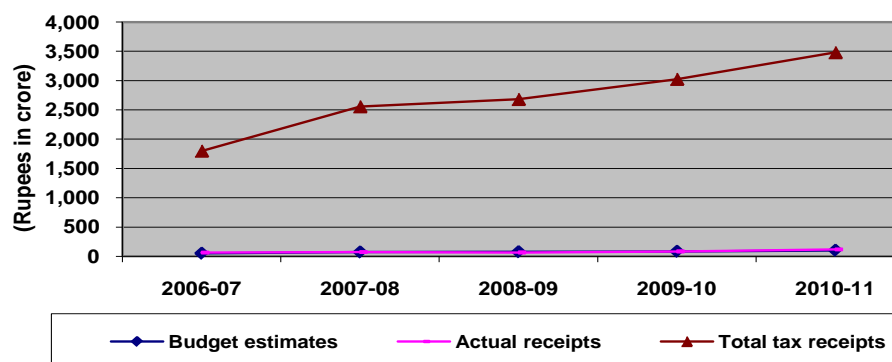
(₹ in crore)

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	50.28	63.96	13.68	27.20	1798.97	3.56
2007-08	71.50	72.60	1.10	1.54	2558.18	2.84
2008-09	75.86	65.47	(-) 10.39	(-) 13.70	2682.96	2.44
2009-10	83.50	83.10	(-) 0.40	(-) 0.48	3027.32	2.75
2010-11	101.24	115.33	14.09	13.92	3482.58	3.31

The variation in the budget estimates and actual revenue was more than 27 per cent in 2006-07 and (-) 14 per cent in 2008-09.

The huge variations against budgeted figures indicate that preparation of budget was not realistic.

The graphical representation of the receipts vis-a-vis Budget Estimates during the last five years is given in the following graphs:



Status of revenue receipts during last five years

### 3.3 Cost of collection

The figures of gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2006-2011 along with the relevant all India average percentage of expenditure on collection to gross collection are mentioned in the following table:

(₹ in crore)					
Head of revenue	Year	Gross collection	Expenditure on collection of revenue	Percentage of cost of collection to gross collection	All India average percentage for the previous year
Taxes on vehicles	2006-07	63.96	3.11	4.86	2.47
	2007-08	72.60	3.97	5.47	2.58
	2008-09	65.47	4.73	7.22	2.74
	2009-10	83.10	4.56	5.49	2.93
	2010-11	115.33	5.38	4.66	3.07

The cost of collection showed an increase from ₹ 3.11 crore to ₹ 5.38 crore during the period. The percentage of expenditure to gross collection showed an increasing trend during 2006-09 but dropped thereafter. The percentage cost of collection was higher than the all India average for the entire period. However the Gross collection of taxes

increased from ₹ 63.96 crore in 2006-07 to ₹ 115.33 crore in 2010-11, registering an increase of 80 *per cent*.

### 3.4 Results of Audit

#### 3.4.1 Position of local audit conducted during the year

During 2010-11, out of 15 auditable units, 11 units were planned and 08 units audited which is 53 *per cent* of the total auditable units.

Test-check of the records of 08 audited units revealed underassessment/short levy/loss of revenue aggregating ₹ 29 crore in 41 cases, which fall under the following categories

(₹ in crore)

Sl. No	Category	No. of cases	Amount
1	Non levy /collection of compounding fee	12	1.42
2	Other irregularities	29	27.57
<b>Total</b>		<b>41</b>	<b>28.99</b>

A Performance Audit on “**Computerisation in Motor Vehicle Department**” is mentioned in the succeeding paragraph.

### **3.5 Performance Audit on “Computerisations in Motor Vehicles Department”**

#### **Highlights**

We found that implementation of VAHAN and SARATHI of the RTOs/ARTOs was taken up by the Department in 2005; however the system was implemented only in eight districts out of 22 RTOs/ ARTOs. The delay in implementation of the system in these eight districts ranged from six months to 49 months.

**(Paragraphs No.3.5.7.1 and 3.5.7.2)**

We found partial utilisation of VAHAN. The modules i.e. Issue of permits, Enforcement, Trade Certificate were present in the software but these were not put to use. We found that these modules were not got customised from the Department from NIC.

**(Paragraph No. 3.5.7.3)**

We noticed that the Department was not aware of any system design and user requirement for operating the two application systems and as such the Department had to depend on the NIC for updating of the system and its operation.

**(Paragraph No.3.5.7.5)**

We found, that out of the eight computerised RTOs, legacy data (i.e. data that existed prior to implementation of VAHAN) had been digitised and incorporated in the software of only one RTO, Kathua. We further noticed that the data so digitised and incorporated, was incomplete viz details of Purchase Date, Father Name, Laden Weight, Registration Date, Fitness Fee validation period had not been captured.

**(Paragraph No. 3.5.7.6)**

We found that consolidated inventory of the hardware procured by the Department before and after implementation of VAHAN and SARATHI and its distribution to various RTOs/ARTOs, had neither been maintained at the Commissioner level nor in the RTOs/ARTOs offices. Further, no physical verification had been carried out as verified in the seven RTOs/ ARTOs test-checked.

**(Paragraph No. 3.5.7.7)**

We observed that all the eight computerised RTOs/ ARTOs were not linked to the common database even after a lapse of six years from the start of the project in 2005 and consequently, objective of automatic flow of data into the State and National Registers could not be achieved.

**(Paragraph No. 3.5.7.8)**

Our analysis of the data base of VAHAN revealed that there were 3,032 cases of duplicate engine numbers, 17 cases of duplicate chassis numbers and 53 cases of blank

Engine numbers in seven test-checked RTO/ARTOs, thereby rendering the data unreliable.

**(Paragraph No. 3.5.8.2)**

Buses registered in the name of the Educational institutions are allotted Code ‘8’ in master table of VAHAN. However, we found that 636 buses registered in the name of the Educational institutions were allotted Code numbers other than the code ‘8’.

**(Paragraph No. 3.5.8.4)**

We observed that there was no anti-virus software loaded in any of the servers. The servers were found virus-infected, leaving the data risk-prone. The Department had not executed any contract for maintenance of hardware viz. computers, UPS, servers, and printers etc. to safeguard against breakdowns.

**(Paragraph No. 3.5.9.1)**

Our analysis of the database of RTO, Jammu revealed that in respect of 526 registered vehicles, the user name of the data entry operator was not available in the “dbo\_Owner” table of database, the main database of “VAHAN” software, thereby exposing the database to risk of unauthorised access.

**(Paragraph No. 3.5.9.4)**

We found that the Department had not nominated any staff for training. Therefore the Department had to remain dependent on NIC for day-to-day management of software etc. For user’s access to the system through user IDs and password, no documented password policy was in place in any of the RTOs/ARTOs.

**(Paragraph No. 3.5.9.5)**

We saw that 13,369 goods and passenger vehicles had defaulted on payment of token tax of ₹ 12.36 crore and the Department had not utilised the VAHAN Software for generating list of defaults for taking recovery action.

**(Paragraph No. 3.5.9.6)**

Our analysis of the SARTHI database of four out of seven test-checked RTOs/ ARTOs, revealed that two separate driving licences had been issued to the same person in 298 cases and four licences had been issued to a single person by one RTO indicating deficient input controls and validation checks in the software. The database was incomplete with large number of relevant entries/records relating to driving licences being kept blank.

**(Paragraphs No. 3.5.10.2 and 3.5.10.3)**

Our test-check of database (Owner Table and Tax Table) of two RTOs revealed that fitness certificates in respect of 63 school buses had not been renewed even after a lapse of six days to three years. The Department had made no efforts to trace out the vehicles to ensure safety of children.

**(Paragraph No. 3.5.12)**

### 3.5.1 Introduction

The Motor Vehicle Department of Government of Jammu & Kashmir is governed by the provisions of Central Motor Vehicles Act 1988, Central Motor Vehicle Rules 1989, Jammu & Kashmir Motor Vehicle Taxation Act, 1957 and the Jammu and Kashmir Motor Vehicle Rules, 1991 along with various notifications issued by the State Government from time to time. The Motor Vehicle Department is primarily responsible for providing an efficient public transport system and enforcement of the provisions of the Act and the Rules framed there under which *inter alia* include assessment, levy and collection of taxes, fees and fines, issuance of certificate of fitness to vehicles, registration of motor vehicles, granting regular and temporary permits to the vehicles and issue of driving licences to the persons who are in possession of vehicles.

**Computerisation in the Department:** The Ministry of Road Transport and Highways (MORTH), Government of India had embarked upon a Scheme for creation of National Database network by introduction of Information Technology in Road Transport Sector. The scheme was to be implemented through National Informatics Centre (NIC) desired to be operated in such a way that data from all the RTOs in the State flows into the 'State Register' which in turn was to be captured at the National level. Two softwares were designed by the NIC for this purpose: (i) VAHAN that dealt with Registration of the vehicles and, (ii) SARATHI that dealt with issue of licences. The GOI advised (2001) all the State Governments to implement VAHAN and SARATHI software packages.

In the State, computerisation under comprehensive e-governance solution for Transport Sector was approved (March 2005) by the Ministry of Communication and Information and Technology (GOI) under e-Governance Action Plan (NeGAP) and the software (VAHAN and SARATHI) were adopted for issuing licences, registration of vehicles, issue of permits/fitness certificates etc. of motor vehicles and also for maintaining their databases so that the State Registers of motor vehicles and driving licences could be prepared for their integration with National level database.

The customisation of the softwares to the local needs was carried out by the NIC, Jammu & Kashmir (J&K) State unit and implemented in the Department in May 2005. These softwares were made operational in the Regional Transport Offices (RTOs)/Assistant Regional Transport Offices (ARTOs) on different dates in a phased manner during the period between 2005-06 and 2009-10.

### 3.5.2 Organisational setup

The State Motor Vehicles Department is headed by the Transport Commissioner (also being ex-officio Chairman of State Transport Authority) under the overall administrative control of the Commissioner/Secretary, Transport Department. There are three Regional Transport Officers (Jammu, Kathua and Srinagar) and 19 Assistant Regional Transport Officers (Budgam, Anantnag, Pulwama, Kupwara, Baramulla, Ganderbal, Kulgam, Shopian,

Bandipora, Doda, Kishtwar, Reasi, Ramban, Samba, Udhampur, Poonch, Rajouri, Leh and Kargil) assisting in carrying out the activities. Besides, three Check Posts at

Lakhanpur (Jammu Division), Lower Munda and Sonamarg (Kashmir Division) are also operational in the State.

### 3.5.3 Audit Objectives

The review of the Department was undertaken to assess whether:

- the overall objectives of computerisation through “VAHAN” and “SARATHI” were achieved;
- the phase-wise implementation schedule for “VAHAN and “SARATHI” were achieved as per timeframe fixed;
- customisation of the applications was carried out to suit the local needs;
- computerised system implementation was complete (module wise) and correct and complete data were captured by the RTOs/ARTOs offices;
- connectivity was established between RTOs/ARTOs in the State, for creation of State Registers of vehicles and licences for integration with National Register;
- the computerised National Permit System was implemented as planned and project objectives were achieved;
- reliable General and Security controls were in place to ensure data security and audit trail besides backup of data in the event of loss due to crash of the system for deriving an overall assurance of the functioning of the computerised system for the stated objectives; and
- internal control mechanism was in place to monitor implementation of the project.

### 3.5.4 Audit Criteria

We referred to the following Acts and Rules for the Performance Audit:

- Motor Vehicles Act, 1988;
- Central Motor Vehicles Rules, 1989;
- Jammu & Kashmir Motor Vehicle Taxation Act, 1957;
- Jammu and Kashmir Motor Vehicle Rules, 1991;
- The notifications issued by Government of Jammu and Kashmir and Transport Department from time to time; and
- Software of VAHAN and SARATHI developed by National Informatics Centre (NIC).

### 3.5.5 Scope and Methodology of Audit

The scope of present audit included audit and examination of documents relating to policies, implementation of computerised systems, development, controls in the software packages and discussion with the management. The selection of the units for the purpose

of the review was restricted to seven<sup>1</sup> out of eight<sup>2</sup> computerised RTOs/ARTOs (August 2011) as implementation of the software in the remaining 14 RTOs/ARTOs offices<sup>3</sup> was in the initial stages. The transaction data was examined for correctness, completeness and adequacy of controls through Computer Aided Audit Techniques (CAATs). The output generated by the system and their uses were also examined. The review was conducted between June 2011 and September 2011 and covered the period from the date of implementation (August 2005) of the programme up to June 2011. An Entry Conference was held with Transport Commissioner in June 2011.

### **3.5.6 Acknowledgement**

Indian Audit & Accounts Department acknowledges the co-operation of the Commissioner of Transport office in providing necessary information and record for audit. An Entry Conference was held with the Transport Commissioner, J&K in June 2011. The audit findings were discussed with the Commissioner/Secretary, Transport Department in the Exit Conference held in November 2011. The replies received during the Exit Conference and at other point of time have been appropriately mentioned in the relevant paragraphs

### **3.5.7 Deficiencies noted in Planning and implementation**

#### **3.5.7.1 Status of Computerisation of project**

The work of computerisation for implementation of VAHAN and SARATHI in the RTOs/ARTOs was taken up in 2005. There are 22 RTOs/ARTOs in the State. Out of these, we noticed that VAHAN system was implemented only in eight RTOs<sup>4</sup>/ARTO<sup>5</sup> and was not implemented in the remaining fourteen offices. The position of implementation is discussed in the succeeding paragraphs.

#### **3.5.7.2 Delay in implementation of the project**

Ministry of Communication and Information Technology, Government of India (GOI), in March 2005, granted ₹ 1.29 crore for implementation of VAHAN and SARATHI at 14 locations<sup>6</sup>. The Transport Department in consultation with NIC had fixed the target for implementation of the project as mentioned in the following table:

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- <sup>1</sup> RTO Jammu, RTO Kathua, RTO Srinagar, ARTO Budgam, ARTO Baramulla, ARTO Udhampur, ARTO Rajouri
- <sup>2</sup> RTO Jammu, RTO Kathua, RTO Srinagar, ARTO Budgam, ARTO Baramulla, ARTO Udhampur, ARTO Rajouri, ARTO Leh
- <sup>3</sup> ARTO Anantnag, ARTO Pulwama, ARTO Kupwara, ARTO Ganderbal, ARTO Kulgam, ARTO Shopian, ARTO Bandipora, ARTO Doda, ARTO Kishtwar, ARTO Reasi, ARTO Ramban, ARTO Samba, ARTO Poonch, and ARTO Kargil
- <sup>4</sup> RTO Jammu, RTO Kathua, RTO Srinagar, ARTO Budgam, ARTO Baramulla, ARTO Udhampur, ARTO Rajouri, ARTO Leh
- <sup>5</sup> RTO Jammu, RTO Kathua, RTO Srinagar, ARTO Budgam, ARTO Baramulla, ARTO Udhampur, ARTO Rajouri, ARTO Leh
- <sup>6</sup> RTO Jammu, Kathua, Srinagar, ARTO Budgam, Baramulla, Udhampur, Rajouri, Leh, Anantnag, Pulwama, Punch, Kargil, Kupwara, Doda



S. No	Name of the District	Office status	Target Date of Implementation	Actual date of Implementation
1	Srinagar	RTO	Oct.2005	July 2006
2	Jammu	RTO	Oct.2005	April 2006
3	Kathua	RTO	April.2005	Nov 2005
4	Budgam	ARTO	Oct.2005	June 2007
5	Udhampur	ARTO	Oct 2005	May 2007
6	Baramulla	ARTO	March 2006	August 2009
7	Rajouri	ARTO	March 2006	April 2010
8	Leh	ARTO	Oct.2005	Oct 2006
9	Doda	ARTO	May 2007	Not Implemented
10	Poonch	ARTO	March 2006	Not Implemented
11	Kargil	ARTO	Oct.2005	Not Implemented
12	Pulwama	ARTO	March 2006	Not Implemented
13	Anantnag	ARTO	March 2006	Not Implemented
14	Kupwara	ARTO	March 2006	Not Implemented

It would be seen from the above that there was delay ranging from six months to 49 months in implementation of the system in eight districts while the system was not implemented in the remaining six districts at all.

The Government created eight<sup>7</sup> new districts in the State in August 2007. Simultaneously, the Transport Department created new ARTO offices in each district in February 2010. The Project approval for computerisation of these RTOs was granted by GOI in January 2011. The project has not been started yet the work of computerisation of the RTOs/ARTOs was taken up in 2005; however, there was nothing on record to indicate that any separate committee for watching / monitoring the progress of implementation was formed by the Department for planning and implementation of the project. This resulted in development of a non-integrated application and partial utilisation of its features

The Department in the Exit Conference stated that execution of the Project for eight districts in the phase was delayed due to procedural reasons as the Transport Department received funds from the Finance department, J&K in the month of March, 2006 for the computerisation of eight districts in the first phase and suggested that future delay can be minimised if the GOI releases funds directly to the Transport/ user Department. However, the fact remains that the Department has delayed the implementation even after the receipt of funds from the State Government

### 3.5.7.3 Partial Utilisation of VAHAN

The modules of VAHAN software have been designed with respect to different Acts/ Rules and provisions. Issue of permits, Trade Certificate and Enforcement activities fall within the purview of the MVT Acts/Rules

We found partial utilisation of VAHAN and the modules like Issue of permits, Enforcement, Trade Certificate were present in the software but these were not put to use

<sup>7</sup> ARTO Samba, ARTO Reasi, ARTO Kishtwar, ARTO Ramban, ARTO Kulgam, ARTO Ganderbal, ARTO Shopain and ARTO Bandipora

in VAHAN. We found that these modules were not got customised by the Department by the NIC.

The NIC representative present in the Exit Conference stated that the modules mentioned above can also be implemented depending upon the need of the Department.

Since these modules fall under the important functions of the Department, these should be made operational.

**We recommend that steps should be taken to make full use of the processing capabilities in VAHAN and SARATHI software and to discontinue manual intervention.**

#### **3.5.7.4 Insertion of an additional field without documentary evidence resulting in non -uniformity amongst the tables**

It was noticed that in Data Structure Tables of dbo\_account, dbo\_fitness\_fee, dbo\_vehins, dbo\_Rd\_tax and dbo\_owner of VAHAN, field of date i.e. RECP\_DT, RECP\_DT\_TIME was available in all the RTOs except in RTO Srinagar.

The reason for non uniformity in tables was not furnished. We noticed that in the tables provided by the NIC, Delhi the field RECP\_DT\_TIME was not mentioned. There was nothing on record to indicate, the stage and the authority by which the field has been inserted in the tables. Absence of documentary evidence indicates lack of monitoring of change management in the system.

**We recommend that documentary evidence may be kept for each change management and it should be ensured that uniformity in the tables is maintained.**

#### **3.5.7.5 Absence of System design and user requirement documentation with the Transport Department**

We noticed (August 2011) that modules for the software were developed by NIC Delhi. However, there was nothing on record to indicate that the Department was aware of any system design and user requirement for operating the system or any document in this regard was not handed over to the Transport Department. As such, the Department had to depend on the NIC for support for updating of system and in its operation.

After we pointed out this lapse, the Department stated (September, 2011) that NIC would be approached for furnishing of relevant documentation of softwares. The representative of the NIC stated in the Exit Conference that the issue would be taken up with NIC Headquarters at Delhi.

#### **3.5.7.6 Deficiencies noticed in Digitization and Status of Legacy data**

Computerisation of old records of the RTOs/ARTOS and its incorporation in the database is an important function of VAHAN and SARATHI. However the Department had not fixed any time limit for digitisation of the records.

We found that out of the eight computerised RTOs, legacy data (i.e. data that existed prior to implementation of VAHAN) had been digitised and incorporated in the software of RTO Kathua only. We further noticed that the data so digitised and incorporated, had

number of incompleteness viz. Purchase Date, Father Name, Laden Weight, Registration Date, Fitness Fee validation period have not been captured as detailed in the following table:

Incompletion noticed in VAHAN	Pvt/Com	Registration date	Purchase date	Laden Weight (Goods Vehicles)	PAN	Pin code	Address
RTO Kathua	13	13	43	1731	13579	13573	13

We checked the data base of VAHAN only and found the above mistakes indicating that the incorporation of back log data had not been made after proper checks. Thus it was an incomplete database to that extent.

After this was pointed out by us the Department stated (September 2011) that digitisation of manual records was under process in other seven RTOs and the deficiencies in the computerisation of old records incorporated in the main database of RTO Kathua will be rectified. The Department also stated that digitisation was complete and was being rechecked in the following RTOs:

System	Name of RTO/ARTO
VAHAN	Pulwama, Budgam, and Baramulla
SARATHI	Jammu, Doda, Rajouri, Udhampur and Poonch

**We recommend that the Department may check the data of SARATHI also in Kathua to ensure that the database is complete and correct. The Department may also fix a time limit for digitisation of the records for all the RTOs.**

### **3.5.7.7 Non- existence of consolidated inventory and physical verifications of Inventory received from NICS**

As per the data furnished by NIC, Delhi, items of hardware that were supplied by the NICS to the TC/RTO/ARTO included 10 Servers, 45 Desk Top, 10 UPS, 33 Web Cameras, 18 Finger Print Devices, six Colour Printers, 23 Laser Printers, 22 Dot Matrix Printers, 10 Network Switches, 10 Racks and 21 UTP Cable system softwares.

We found that consolidated inventory of the hardware procured by the Department before and after implementation of the VAHAN and SARATHI system and its distribution to various RTOs/ARTOs, had neither been maintained at the Commissioner level nor in the RTO/ARTO offices. Further, no physical verification had been carried out (August 2011) as verified in seven test-checked RTOs/ ARTOs.

The Department stated (September 2011) that steps would be taken to maintain centralised inventory and instructions would be issued to all RTOs/ARTOs for maintenance of the inventory. Also a team would be constituted for physical verification of hardware items.

### **3.5.7.8 Non-maintenance of State Register and absence of connectivity**

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 licences in Form 10 respectively. The aim of computerisation was to allow flow of data of vehicles and driving licences from the RTOs/ARTOs to a Central State Server for a State Level register and further transfer thereof to the Central Server maintained at the National level for 'National Register'.

We observed that all the eight computerised RTOs/ARTOs were not linked to a common database even after a lapse of six years from the start of the project in 2005. In the absence of a centralised data-base and connectivity linking all the sites, the intended objectives of computerisation in the Motor Vehicle Department were not fulfilled and consequently, one of the main objectives of automatic flow of data into the State Register and National had remained unachieved. As regards National Register, we were informed the NIC collected data from the computerised eight RTO/ARTO offices and feed them directly to the National Register.

After we pointed this out, the NIC representative present in the Exit Conference stated that intra linkages between the RTO was yet to be provided. He further stated that State Register and National Register are being maintained. However, NIC neither showed us any State or National Register nor we found maintenance of a consolidated data for the entire State even for the RTO that were computerised.

## **VAHAN application System**

### **3.5.8 Data Accuracy and completeness of data**

#### **3.5.8.1 Incorrect feeding of rates of goods tax in Master Table**

VAHAN was implemented in RTO Rajouri in April 2010. The rates in respect of goods tax mentioned in the notification dated April 2005 issued by the Government were required to be fed into the System. However, we found that incorrect rates of goods tax were entered into the tax module as mentioned in the following table:

S. No	Rates as per notification dated April 2005		Rates mentioned in the Master table	
	Laden weight	Tax rate (₹ Per Quarter)	Laden weight	Tax rate (₹ Per Quarter)
1	Upto 1000 kg	400	Upto 1000 kg	400
2	Laden weight 1001 to 3600 kg	900	Laden weight 1001 to 2600 kg	900
3	Laden weight 3601 to 8100 kg	1000	Laden weight 2600 to 4500 kg	1000
4	Above 8100 kg	1100	Above 4500 kg	1100

Thus a vehicle with laden weight in the range of more than 2600 kg but less than 3600 kg will be charged by system tax of ₹ 1000 per quarter instead ₹ 900 per quarter i.e more by ₹100 per quarter. We found in the data base that in 146 goods vehicles, system had charged more goods tax of ₹ 0.28 lakh. As such the mistake needs rectification and the correctness of the tax paid need to be ascertained by the Department.

After being pointed by us, the Department stated in the Exit Conference that Transport Commissioner would look into the variation of rates between those approved and the rates actually charged and will take up matter with NIC and rectify the error in the system.

### 3.5.8.2 Duplicate Engine Number/Chassis Number thereby rendering the data unreliable

Every vehicle engine is marked with an engine number and a chassis number by the factory. The Chassis number and Engine number helps in tracking the vehicle make and model. The chassis number and engine number are to be checked by the RTA Inspector at the time of registration of the vehicle. So each vehicle should have a unique alphanumeric Chassis Number and Engine Number assigned by the manufacturer.

However, our analysis of the data base of VAHAN revealed 3032 cases of duplicate engine numbers, 17 cases of duplicate chassis numbers and 53 cases of blank Engine numbers in seven test-checked RTOs/ARTOs thereby rendering the data unreliable. The details are mentioned in the following table:

S. No	Name of the RTO/ARTO	Duplicate Engine No	Blank Engine No	Duplicate Chassis No
1	RTO Srinagar	108	01	1
2	ARTO Budgam	5	0	-
4	RTO Jammu	2606	09	5
5	RTO Kathua	313	05	11
6	RTO Baramulla	-	02	-
7	RTO Udhampur	-	36	-
<b>Total</b>		<b>3032</b>	<b>53</b>	<b>17</b>

The above duplications were due to errors in data entry which could not be prevented in absence of validation checks at the initial stage.

After we pointed this out, the Department stated (September 2011) that validation checks to arrest duplicate engine/chassis number had been made. However, the Department had not corrected the mistakes already made prior to the introduction of the validation check as detailed above.

We further noticed that even after the introduction of validation checks, system accepted the blank field in the database field for entry of 'Engine number'. Thus, the validation checks needed further strengthening.

The Department, while accepting the facts in the Exit Conference, stated that action to rectify the data would be taken up after digitisation of back-log entries/data.

### 3.5.8.3 Partial capturing of Data in owner database, despite complete information available with the Department

Under Rule 47 of the Central Motor Vehicle Rules 1989, the owner of a vehicle shall apply in "Form-20" for the registration of his vehicle which shall contain vital information relating to the owner of the vehicle and the vehicle itself.

Our analysis of data available in the table 'owner' showed that though the data was available with the Department (in 'form 20'), it was partially captured. A few fields like purchase date, address, PAN and parentage had been left blank or bogus numbers had been entered in the database in the test-checked RTOs/ ARTOs as shown in the following table:

Particulars	Srinagar	Budgam	Baramulla	Jammu	Kathua	Udhampur	Rajouri
Number of vehicles registered	52283	10100	6376	148127	29442*	11971	2933
Purchase date	45	1	1	330	45	27	-
Address	1	-	2	9	18	164	-
PAN	52283	10002	6376	148127	29430	11961	2933
Fathers name	1	-	2	7	126	164	-
Laden weight	-	-	-	7	1938	13	-
PV_Com	19	2	-	139	14	17	-

(\*Includes 13581 records pertaining to digitisation of old records)

We noticed that the above fields were not made mandatory. Lack of validation checks rendered the database of the RTOs/ARTOs incomplete.

The Department stated (September 2011) in the Exit Conference that instructions would be issued to the concerned to make necessary corrections in the database and avoid such mistakes in future

**We recommend that Department should take necessary steps to build in appropriate input and validation controls to prevent capturing of incomplete data in the system to this extent.**

### 3.5.8.4 Incorrect entry of 'category code' of buses registered with the Educational Institutions

There are 12 categories of vehicles in VAHAN. Each category has been codified in the master table<sup>8</sup> of VAHAN by allotting it a specific number. Of these, code '8' has to be

<sup>8</sup> dbo\_owcode

allotted to the vehicles registered for Educational Institutions meant solely for transporting students or staff of the Educational Institutes.

We checked the database of six out of seven RTOs/ARTOs and found that 841 buses with a specified seating capacity were registered in the name of the Educational institutions. These buses should have been allotted Code '8' in master table of VAHAN. But we noticed that in cases of 636 school buses, different code other than Code '8' was allotted as mentioned in the following table:

Name of the RTO	Code number in which school buses were registered				Total
	Code '1' meant for individual	Code '2' meant for a firm	Code '5' meant for State Government	Code '8' meant for a Education Institutions	
Srinagar	148	1	2	134	285
Budgam	46	1	0	10	57
Baramulla	26	0	0	1	27
Jammu	318	9	1	11	339
Kathua	62	2	0	45	109
Udhampur	19	1	0	4	24
Total	619	14	3	205	841

The above facts indicate that the data is not being entered correctly in the VAHAN defeating the very purpose for which the structure has been designed. Thus, the Department was not in a position to ascertain the correct number of vehicles registered under this category viz '8'. This may lead to non- monitoring of the collection of taxes and issue of fitness certificate.

The Department stated (September 2011) that instruction would be issued to the concerned RTOs/ARTOs to make necessary correction in the database to avoid such mistakes in future.

### 3.5.9 Safety and Security of data

#### 3.5.9.1 Absence of contract for maintenance, safety and protection of hardware and software

Information Systems Security policy through physical and logical access restricts access to the system only to authorised individuals. We noticed that neither any security policy had been formulated by the Department nor any guidelines issued to the RTOs/ARTOs for protection of hardware and software, by taking preventive measures like installing and updating anti-virus software.

We observed that no Anti Virus Software was loaded in any of the servers. The servers were found virus-infected, leaving the data risk-prone. The Department had also not entered into any contract of any sort or Annual Maintenance Contract (AMC) of hardware viz. computers, UPS, servers, and printers etc., to safeguard against breakdowns.

The Department stated (September 2011) that measures would be taken to install anti-virus on the existing servers and in respect of AMC there were standing instructions and same would be undertaken.

**We recommend that the Department should issue guidelines to the RTOs/ARTOs for protection of hardware and software. Preventive and detective measures like installing and updating anti-virus software should be put in place. The security policy should be well-documented.**

### **3.5.9.2 Absence of Security features in documents issued for Registration/Fitness certificates/Driving licences/National permits of vehicle.**

We found that security features to prevent forging of Registration /Fitness certificates/ Driving licences/ National permits issued by the Department were not taken by Department. The RTOs/ARTOs issued computerised registration/fitness certificates etc. on the printed stationery and driving licences on plastic cards. These did not contain any Departmental logo or mark that could make it a unique document. These could easily be forged, through scanner/coloured photocopier or with the latest printing techniques, which would not be discernible to the naked eye.

After we pointed this out the Department stated (September 2011) that security features for issue of Registration /Fitness certificates/ Driving licences/ National permits were under active consideration and would be effected in a short period of time. Further in the Exit Conference the Department stated that a hologram would be got designed and affixed on all computer generated documents. This would prevent the forging of the documents.

### **3.5.9.3 Lack of business continuity /disaster recovery plan in case of an eventuality or a disaster.**

The objective of business continuity planning is to reduce downtime and minimise loss to business. Regular backup of data is the backbone of a business continuity plan. Business continuity planning is essential to ensure that the organisation can prevent disruption of business and resume processing instantly in the event of a total or partial interruption.

We found that the Department did not have a formal business continuity or disaster recovery plan for continuation of the Departmental activities in the eventuality of a disaster. There was no documented procedure about the frequency of taking backups of data and its storage away from the premises in an off-site, fire-safe location. We found that no standby/backup servers were installed in any of the seven test-checked RTOs/ARTOs, to ensure resumption of the work in case of failure of the server due to fault or crash.



The Department stated (September 2011) that formation of backup policy, prescribing frequency of taking backup of data, medium therefor and location for safe storage of data was under process and would be implemented soon.

**We recommend that the Department should evolve a disaster management policy to restore the system in the event of loss of data due to natural disasters and install fire safety measures like fire extinguishers, fire alarm and smoke detection systems.**

#### **3.5.9.4 Loss of Trail due to deletion of user name**

Our analysis of the database of RTO, Jammu revealed that in respect of 526 registered vehicles, the user name of the data entry operator was not available in dbo\_Owner database, the main database of “VAHAN” software.

Absence of this trail indicates that the database had been tampered with by using backend facilities as a result of which the system was exposed to the risk of unauthorised access and resultant damage could not be ruled out. There was also no restriction on login attempts to prevent unauthorised access.

After we pointed this out, the Department and the representative of NIC present in the Exit Conference stated that VAHAN and SARATHI database have been locked with password and the password given to database administrator. The Department contested the audit observation and stated that tempering of the data was not possible. We, however, demonstrated the problem to all the officers present in the Exit Conference.

#### **3.5.9.5 Training of staff**

In order to exercise control over passwords and backend usage, the Department was to impart proper and effective training to the staff to act as Data-base/System Administrators.

It was, however, observed that the Department had not nominated any staff for training as a result of which the Department had to remain dependent on NIC for day-to-day management of software etc. For user’s access to the system through user IDs and password, no documented password policy was in place in any of the RTOs/ARTOs audited.

The Department stated (September 2011) that due to shortage of staff it could not assign duties of System/Database Administrator to the persons from the Department and the same was done by NIC.

**We recommend that the Department should take immediate steps to train the existing staff and engage the technical staff by approaching State Government so that the systems at all the RTO/ARTO/Check Posts already computerised or likely to be computerised in the future are operated properly by competent Departmental staff.**

### 3.5.9.6 Generation of List of Defaulters and provision for calculating additional tax

J&K Motor Vehicle Taxation Act 1957 and Rules made there-under stipulates that tax shall be paid by the owner of a vehicle in advance either quarterly, half yearly or annually and in case of default in payment of tax, additional tax at the rate of 2% of such tax for each month shall be leviable.

Our test-check of database of seven RTOs/ARTOs revealed that the system was not designed for auto generation of information in respect of the vehicles that had defaulted in payment of tax. Thus, the system could not be utilised for monitoring realisation of the tax from defaulters. The Department was not aware of the total number of owners that had defaulted in payment of tax.

Though this exercise could have been generated with the help of the software by performing some additional exercises, the Department had not done any such exercise so as to review the database to ascertain the actual number of vehicles that were on road and liable to pay tax.

We found that 13,369 Goods and Passenger Vehicles had defaulted in payment of tax of ₹12.36 crore in the seven computerised RTOs/ ARTOs as mentioned in the following table:

(₹ in lakh)

S.No	Name of the RTO/ARTO	Defaulted Goods Vehicles			Defaulted Passenger Vehicles			Total 1+4	Total 2+3+5+6
		No	Tax	Additional amount	No	Tax	Additional amount		
		1	2	3	4	5	6		
					(₹ in lakh)				
1	RTO Srinagar	2616	69.64	17.34	758	9.80	2.25	3374	9.03
2	ARTO Budgam	1178	59.59	20.00	260	8.73	2.83	1438	91.15
3	ARTO Baramulla	278	3.90	0.36	75	0.74	0.08	353	5.08
4	RTO Jammu	3405	152.00	51.55	953	22.12	6.54	4358	232.21
5	RTO Kathua	717	35.19	13.52	255	5.78	2.02	972	628.73
6	ARTO Udhampur	978	70.60	24.05	1646	58.52	20.24	2624	173.41
7	ARTO Rajouri	86	2.26	0.29	164	3.85	0.27	250	6.67
	<b>Total</b>	<b>9258</b>	<b>393.18</b>	<b>127.11</b>	<b>4111</b>	<b>681.76</b>	<b>34.23</b>	<b>13369</b>	<b>1236.28</b>

The Department stated (September 2011) that matter would be taken up with the NIC for modification/change in the VAHAN software for calculating additional amount in the shape of fine at the rate of 2 per cent on the token tax not paid on the due date and for generating the list of defaulter vehicles.

The Department while accepting the audit observation in the Exit Conference stated that the defaulters would be intimated through public notices to avoid cancellation of registration of their vehicles.

### **3.5.10 SARATHI**

A few deficiencies noticed in SARATHI are mentioned in the following paragraphs:

#### **3.5.10.1 Partial utilisation of SARATHI**

In SARATHI there are provisions for issue/renewal of driving licences, conductor licences and licences to motor training schools.

We found that the modules for issue of licence to conductors, driving schools had not been utilised though these were present in the software. These have not been customised.

#### **Lack of Input control in SARATHI**

#### **3.5.10.2 Issue of more than one driving licence to same person**

As per section 6 of Central Motor Vehicle Act 1988 no person shall, while he holds any driving licences for the time being in force, hold any other driving licences except a learner's licence.

Our analysis of the database of four out of seven test-checked RTOs/ ARTOs showed that two separate driving licences had been issued to the same person in 298 cases and, four licences had been issued to a single person by one RTO indicating deficient input controls and validation checks in the software to arrest incidence of such cases.

In respect of three<sup>9</sup> ARTOs, computerised learner licences were being issued whereas driving licences were being issued manually due to non-availability of card printers. Thus, the inadequacies, if any, in the software could not be identified.

The Department while accepting the audit observation stated that there was no check on issuance of more than one licences in the Department at that time. However, the Department, in the Exit Conference stated (September 2011) that matter would be taken up with NIC for introducing necessary checks in the software to arrest such lapses in future and instructions would be issued to the concerned RTOs to look into such lapses for corrective action.

#### **3.5.10.3 Incomplete database**

We found that important fields were not made mandatory for data input. Consequently, a few important fields were not captured in the system as detailed in the following table in respect of four<sup>10</sup> RTOs test checked:

<sup>9</sup> ARTO Rajouri, ARTO Budgam and ARTO Baramulla

<sup>10</sup> RTO Jammu, RTO Srinagar, RTO Kathua and ARTO Udampur

Sl. No.	Name of the table and total number of records	Name of the field	Number of records found blank
1.	DDLICENCE (1,51,214)	DL issuing authority	112286
2.		DL issue date	34919
3.		Testing Authority name/designation	151214
4.		Test vehicle Registration Number	151214
5.		Telephone Number	145788
6.		Qualification of DL holders	98245
7.		1 <sup>st</sup> Identification Mark 2 <sup>nd</sup> Identification Mark	117118 150214

In the absence of mandatory details of driving test such as “testing authority” and “registration number” of the vehicle on which driving test was conducted we could not derive reasonable assurance that driving tests were actually being conducted before issue of driving licences.

The Department stated in the Exit Conference that a Committee would be constituted by the Transport Commissioner to identify the mandatory fields in addition to the existing one. We recommend that the Government may issue directions for capturing data in such important fields. The Government may ensure completeness of the IT system by incorporating business rules and putting in place proper validation controls which would ensure generation of complete and reliable information.

### 3.5.11 National Permit

#### 3.5.11.1 Implementation of new composite fee regime for National Permit

As per the decision (April 2010) of MoRTH (GOI), on-line National Permit System was to be made effective by all the States from May 2010 for providing a framework for uninterrupted movement of goods carriages across the country.

It was noticed that necessary amendments in the taxation laws were carried out (August 2010) by the State Government but made effective in the State from 08 October 2010 only, after development of software in consultation with NIC. The new permit system was implemented at the Transport Commissioner level both at Jammu & Srinagar after a delay of five months. However, we found that access to the national web portal was not granted to RTO/ARTO/Check Posts/Moveable enforcement wings to ascertain genuineness of documents and payment of taxes by the vehicles.

**We recommend that access to the national web portal may be extended to RTO/ARTO/Check Posts/Moveable enforcement wings to ascertain genuineness of documents.**

#### 3.5.11.2 Non-computerisation of the check posts

Check posts are the important enforcement points where vehicles are checked for possession of valid permits, payment of tax and overloading of goods in the vehicles. We found that all the existing three Check Posts in the State had not been computerised and no policy had been framed by the Department for computerisation of these Check Posts (September 2011).

Due to non-computerisation of the Check Posts, the information relating to overloaded vehicles detected at the Check Posts continued to be communicated to the respective RTOs/ARTOs manually. Further, the possession of valid national/local permits/driving licences and liability of tax dues could not be checked at these check posts meant for the purpose.

The Department stated (September 2011) that computerisation of Check Posts were under consideration and formal project would be forwarded to higher authorities for approval.

### **3.5.11.3 Non-issuance of smart cards**

The Department of Road Transport and Highways, GOI instructed (December 1999 and January 2001) all States to adopt smart cards for issue of licences and registration certificates so that a national register of motor vehicles readable throughout the country could be prepared and leakage of revenue prevented.

It was, however, seen by us that the Department did not issue smart cards (August 2011) despite possessing necessary technical infrastructure for issuance thereof, thus defeating the objectives of the scheme. The Department had decided (July, 2010) to outsource the project for issuance of smart cards and approval for the same was awaited from Government as of August 2011.

The Department stated (September 2011) that issuance of smart card was under active consideration of the Department.

## **Other implementation Issues**

### **3.5.12 School buses plying without fitness certificate**

As per the rule 62(1)(a), fitness certificates granted under the Act in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter on payment of the prescribed fee applicable to the category of the vehicle .

Our test-check of database (Owner Table and Tax Table) of two<sup>11</sup> RTOs revealed that fitness certificates in respect of 63<sup>12</sup> school buses have not been renewed even after a lapse of six days to three years. The Department had made no efforts to trace out the vehicle ensure safety of children

The Department stated (September 2011) that instruction would be issued to the concerned RTOs/ARTOs to take action against defaulters through enforcement agencies.

### **3.5.13 Duplicate Insurance Cover Notes**

Section 146 of the Central Motor Vehicles Act, 1988 envisages that no person shall use, except as a passenger, or cause or allow any other person to use, a Motor Vehicle in a public place, unless there is in force in relation to the use of the vehicle by that person or other person, as the case may be, a policy of insurance. An application for registration of

<sup>11</sup> RTO Jammu and RTO Srinagar

<sup>12</sup> RTO Srinagar 34 and RTO Jammu 29

a Motor Vehicle shall be made in Form 20 to the Registering Authority within a period of 7 days from the date of delivery of such vehicle excluding the period of journey and accompanied by Valid Insurance Certificate.

Our analysis of the database of seven test-checked RTOs/ARTOs revealed one insurance cover note was being used by two or more vehicle owners. We found that in 28,024 cases, multiple cover insurance was entered into the system. Thus instead of a policy of insurance a cover insurance note that may consist of a number of insurance policies was being produced before the registering authorities.

We found that under a single insurance cover note vehicles ranging from two to 933 were being registered. Moreover, in 311 cases, the cover note number field had been left blank. Thus the fact indicate that the Department was not following the provisions of the Act. The RTO wise details are mentioned in the following table:

S. No	Name of the RTO/ARTO	Duplicate	Blank	Remarks
1	RTO Srinagar	611	17	Single Insurance cover note no ranged from 2 to 46
2	ARTO Budgam	59	Nil	Single Insurance cover note no ranged from 2 to 6
3	ARTO Baramulla	760	Nil	Single Insurance cover note no ranged from 2 to 6
4	RTO Jammu	24948	199	Single Insurance cover note no ranged from 2 to 933
5	RTO Lakhanpur	978	84	Single Insurance cover note no ranged from 2 to 66
6	ARTO Udhampur	660	11	Single Insurance cover note no ranged from 2 to 95
7	ARTO Rajouri	8	Nil	4 duplicate
	<b>Total</b>	<b>28024</b>	<b>311</b>	

Due to the absence of proper inbuilt validation checks at the entry level, the system failed to restrict the registration of more than one vehicle under the same insurance cover note.

The Department stated (September 2011) that the matter would be taken up with NIC for introduction of validation checks to arrest duplicate insurance cover. The NIC representative stated in the Exit Conference that the checks for prevention of duplicate cover notes were in place, which was, however, proved wrong on demonstration by us to the Department and NIC.

### 3.5.14 Conclusion

The Performance Audit revealed a number of deficiencies in the implementation of the project of computerisation. Though the work of computerisation of the RTOs/ARTOs was taken up in 2005 but could be implemented only in eight districts. The remaining fourteen districts were yet to be computerised. The modules like Issue of permits, Enforcement, Trade Certificate though present in the software were not put to use in VAHAN. Out of the eight computerised RTOs, old data had been digitised and incorporated only in RTO Kathua. No account of inventory of the hardware procured by the Department before and after implementation of VAHAN and SARATHI system and its distribution to various RTOs/ARTOs was maintained. All the eight computerised RTOs/ARTOs were not linked to a common database even after a lapse of six years from

the start of the project in 2005 and consequently, objective of automatic flow of data into the State Register and National Register could not be achieved.

Our analysis indicated 3,032 cases of duplicate engine numbers, 17 cases of duplicate chassis numbers and 53 cases of blank Engine numbers in six out of seven test-checked units. Fitness certificates in respect of 63 school buses have not been renewed even after a lapse of six days to three years. There was no anti-virus software loaded in any of the servers. The servers were found virus-infected, leaving the data risk-prone. The Department had not executed any contract for maintenance of hardware. The Department issued two separate driving licences to the same person in 298 cases and four licences had been issued to a single person by one RTO indicating deficient input controls and validation checks in the software. Several components of the modules were not in operation and software deficiencies were found which necessitated manual intervention for rectification, thereby rendering the system unreliable. The system lacked uniformity across all RTOs/ARTOs resulting in non-realisation of benefits of computerisation. The objectives of implementation of “VAHAN” & “SARATHI” for better services and improving working of RTOs/ARTOs/ enforcement agencies and revenue collection could not be fully achieved.

### 3.5.15 Recommendations

The Government may consider taking the following steps to enhance the efficiency and effectiveness of the Transport Information System:

- developing an IT strategy and IT Plan to avoid *ad hoc* implementation of computerisation efforts;
- maintaining a well documented change management procedure for ensuring transparency and effective internal controls;
- establishing a State wide area network with interconnectivity of all offices to integrate the database so that the data being captured at RTOs/ARTOs level can be integrated at the State level in order to establish the State Register of vehicles;
- strengthening the input and validation control features to ensure that incorrect and incomplete data are not fed into the system;
- training Departmental officials in system management and database operation on priority basis to reduce dependence on NIC;
- framing the security and backup policies and define the business continuity plan;
- ensuring proper supervisory checks/controls over the system; and
- enabling the system to generate periodical reports as a tool of Management Information System (MIS) to help management to effectively monitor revenue collection and take suitable corrective measures required.