

CHAPTER-IV
TAXES ON VEHICLES

EXECUTIVE SUMMARY

Marginal increase in tax collection	In 2010-11, the collection of taxes from motor vehicles increased by 33.37 <i>per cent</i> over the previous year which was attributed by the Department to increase in the number of vehicles for registration.
Internal audit not conducted	No Internal Audit Wing has been set up in the Department. We were informed that audit for 2009-10 and 2010-11 has been taken up by the Finance Department since June 2011. Status of audit for previous years was not informed. Non-conducting of internal audit had its impact in terms of weak internal controls in the Department leading to substantial leakage of revenue. It also led to the omissions on the part of the District Transport Officers remaining undetected till we conducted our audit.
Very low recovery by the Department of observations pointed out by us in earlier years	During the period 2005-06 to 2009-10 we had pointed out non/short levy, non/short realisation of tax, fee etc., with revenue implication of ₹ 444.25 crore in 1,23,311 cases. Of these, the Department/Government accepted audit observations in 1,16,813 cases involving ₹ 165.91 crore but recovered only ₹ 1.14 crore. The recovery position as compared to acceptance of objections was very low ranging from 0.19 to 1.42 <i>per cent</i> .
Results of audits conducted by us in 2010-11	In 2010-11, we test checked the records of 19 units relating to taxes on vehicles and found non/short realisation/levy of tax, fees, penalty etc. involving ₹ 29.03 crore in 6,886 cases, of which the Department accepted non/short realisation/levy of tax and other deficiencies of ₹ 28.95 crore in 6,830 cases. The Department recovered ₹ 1.55 crore pointed out by us during 2010-11.
What we have highlighted in this Chapter	<p>In this Chapter we present a review on “Computerisation in Transport Department” conducted by test check of records as well as by analysing the database of <i>Vahan and Sarathi</i> of five selected District Transport Offices, where we found delay in site preparation and mapping of business rules, deficient system design, manual issuance of NOCs and other deficiencies. Besides the above, we also highlighted illustrative cases of ₹ 12.93 crore selected from observations noticed during our test check of records relating to assessment and collection of motor vehicles tax in the office of the District Transport Officers, where we found that the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action despite switching over to an IT-enabled system.</p>
Our conclusion	<p>The Department needs to improve the internal control system including arranging for internal audit so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.</p> <p>It also needs to initiate immediate action to recover the non-realisation, undercharge of tax, etc., pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER – IV: TAXES ON VEHICLES

4.1 Tax administration

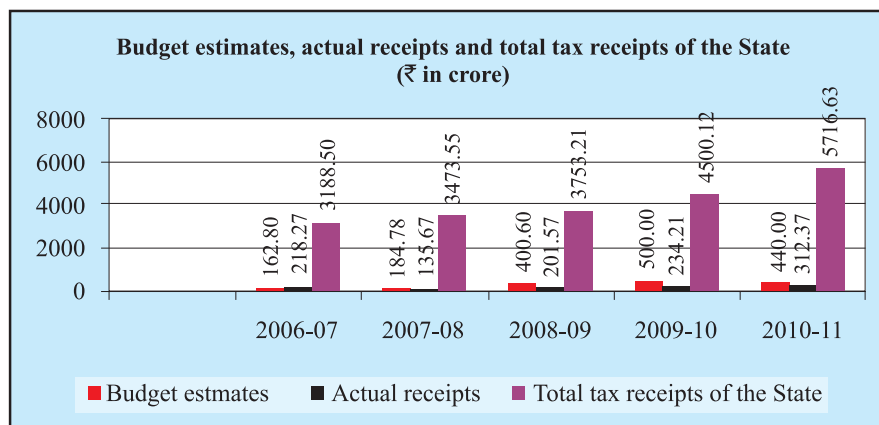
The levy and collection of Motor Vehicles Tax and fee in the State is governed by the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, rules made thereunder and the Bihar Motor Vehicles (BMV) Rules, 1992. On creation of the State of Jharkhand with effect from 15 November 2000, the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand. At the apex level, the Transport Commissioner (TC), Jharkhand is responsible for administration of the Acts and Rules in the State. He is assisted by a Joint Transport Commissioner at the Headquarters. The State has been divided into four regions¹ and 22 transport districts², which are controlled by the State Transport Authority (STA), Regional Transport Authorities (RTAs) and District Transport Officers (DTOs). They are assisted by Motor Vehicles Inspectors (MVIs), the Enforcement Wing (EW) and nine check posts³.

4.2 Trend of receipts

Actual receipts from ‘Taxes on Vehicles’ against budget estimates during the period from 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 to total tax receipts of the State
2006-07	162.80	218.27	(+) 55.47	(+) 34	3,188.50	6.85
2007-08	184.78	135.67	(-) 49.11	(-) 27	3,473.55	3.91
2008-09	400.60	201.57	(-) 199.03	(-) 50	3,753.21	5.37
2009-10	500.00	234.21	(-) 265.79	(-) 53	4,500.12	5.20
2010-11	440.00	312.37	(-) 127.63	(-) 29	5,716.63	5.46



¹ Dumka, Hazaribag, Palamu and Ranchi.

² Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshepur, Jamtara, Koderma, Latehar, Lohardaga, Palamu, Pakur, Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

³ Bahragora (East Singhbhum), Bansjore (Simdega), Chas More (Bokaro), Chauparan (Hazaribag), Chirkunda (Dhanbad), Dhulian (Pakur), Manjhatoli (Gumla), Meghatari (Koderma) and Murisemar (Garhwa).

The Department could not achieve the budget estimates except during 2006-07. The shortfall compared to budget estimate ranged between 27 and 53 per cent during the period 2007-08 to 2010-11. The Department instead of specifying reasons for wide variation between the BEs and actuals attributed the same to limitations of resources in the districts.

4.3 Cost of collection

The gross collection under taxes on motor vehicles, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2010-11 are mentioned in the following table:

(₹ in crore)

Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of the preceding year
2006-07	218.27	2.49	1.14	2.67
2007-08	135.67	2.90	2.14	2.47
2008-09	201.57	4.03	2.00	2.58
2009-10	234.21	5.02	2.14	2.93
2010-11	312.37	4.83	1.55	3.07

Source: Finance Account of the Government of Jharkhand for the year 2010-11 and Departmental figures.

From the above it could be seen that the percentage of expenditure on collection was lower than the all India average in all the years. Especially, during 2010-11, it came down to 1.55 per cent which is about 50 per cent lower than the all India average of the preceding year. We appreciate the performance of the Department on this issue.

4.4 Working of internal audit wing

The Department informed us that although no internal audit wing exists, the auditors of the Finance Department have taken up internal audit for 2009-10 and 2010-11 since June 2011. Information regarding audit conducted for the previous years was not furnished.

The Government may consider setting up of an internal audit wing so as to ensure effective implementation of the Acts/Rules for prompt and correct realisation of revenues.

4.5 Impact of audit

Revenue impact

During the last five years (2005-06 to 2009-10) we pointed out non/short levy, non/short realisation of tax, fee etc., with revenue implication of ₹ 444.25 crore in 1.23 lakh cases. Of these, the Department/Government accepted audit observations in 1.17 lakh cases involving ₹ 165.91 crore and recovered ₹ 1.14 crore. However, the number of cases in which recovery was made has not been furnished. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount		
2005-06	22	9,313	101.42	9,012	21.36	0.28	1.31
2006-07	18	25,310	207.33	24,305	63.69	0.24	0.38
2007-08	15	58,554	36.97	58,554	36.97	0.07	0.19
2008-09	18	26,574	77.79	21,385	26.81	0.38	1.42
2009-10	13	3,560	20.74	3,557	17.08	0.17	1.00
Total	86	1,23,311	444.25	1,16,813	165.91	1.14	

During the period 2005-06 to 2009-10, the recovery position as compared to acceptance of objections was very low ranging from 0.19 to 1.42 *per cent*.

The Government should take appropriate steps to improve the recovery position, particularly in those cases where it has accepted the audit contention.

4.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 were ₹ 117.87 crore. The year-wise position of arrears of revenue during the period 2006-07 to 2010-11 is depicted below:

(₹ in crore)

Year	Opening balance of arrears	Closing balance of arrears
2006-07	48.30	128.65
2007-08	128.65	174.30
2008-09	174.30	NA
2009-10	NA	140.05
2010-11	140.05	117.87

Though the arrears of revenue decreased from ₹ 140.05 crore as on 31 March 2010 to ₹ 117.87 crore in 31 March 2011, the Department did not furnish the information regarding addition and clearance of the arrears during the year(s). Figures of arrears outstanding for more than five years were also not made available by the Department.

As per the information furnished by the Department, out of ₹ 117.87 crore, demands of ₹ 50.35 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 1.41 lakh was stayed by the Courts and the Government. Recovery of ₹ 26.32 crore was held up due to other reasons. Specific action taken in respect of the remaining arrears of ₹ 41.19 crore has not been intimated (February 2012).

Thus, it would be seen that only 43 *per cent* of the total amount of arrears was recoverable as arrears of land revenue by invoking the provisions of the Bihar and Orissa Public Demands Recovery (PDR) Act, 1914 and 57 *per cent* of arrears required appropriate action for settlement.

The Government may consider issuing directions to the Department for speedy settlement of the arrear cases by constant monitoring and recovering the arrears as arrears of land revenue by invoking the provisions of the Bihar and Orissa Public Demands Recovery Act, 1914.

4.7 Results of audit

Our test check of the records of 19 units during 2010-11 relating to 'Taxes on Vehicles' revealed non/short collection/levy of tax and other deficiencies involving ₹ 29.03 crore in 6,886 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Computerisation in Transport Department (A Review)	1	8.48
2	Non/short levy of taxes	1,431	1.72
3	Lack of control over collection of taxes	1,488	9.85
4	Other cases	3,966	8.98
Total		6,886	29.03

During the course of the year, the Department accepted non/short levy of motor vehicles tax, fees, penalties, fines etc., of ₹ 28.95 crore in 6,830 cases pointed out by us during 2010-11, of which ₹ 1.55 crore was realised by the Department, including ₹ 77.46 lakh pertaining to a draft paragraph on incorrect levy of tax on temporary registration after being brought to the notice of the Government during 2010-11.

In this Chapter we present a few illustrative cases including a review on “**Computerisation in Transport Department**” having recoverable financial implication of ₹ 21.41 crore which are discussed in the succeeding paragraphs:

4.8 Computerisation in Transport Department

Highlights

- Computerisation in Transport Department was restricted to district transport offices, RTA and STA offices which resulted in non-computerisation in other transport offices *viz.*, Motor Vehicle Inspectors and Check-posts.
(Paragraph 4.8.6)
- Non-formation of project monitoring unit resulted in lack of uniformity in the application system throughout the State.
(Paragraph 4.8.6.1)
- Deficient system design resulted in incoherency of validity date of driving licence in 3,981 cases.
(Paragraph 4.8.9.3)
- Calculation of penalty, on delayed payment of tax, was being done and fed manually indicating insufficient mapping of business rules in the application.
(Paragraph 4.8.9.4)
- There was break in period of payment of tax ranging from three to 298 months in 5,249 cases indicating that the application was not suitably designed to flag such cases of non-payment of tax in the table.
(Paragraph 4.8.9.7)
- Irregular clearance of tax position due to manual feeding in the field Tax_Upto_date was indicative of poor input controls in the application.
(Paragraph 4.8.9.8)
- Manual issuance of NOC to 1,548 vehicles resulted in inflated demand against vehicles issued NOC amounting to ₹ 10.53 crore.
(Paragraph 4.8.9.12)
- Service tax amounting to ₹ 98.41 lakh realised on issue of fitness certificate was not transferred into the appropriate head of account.
(Paragraph 4.8.9.14)
- Non-formulation of training plan resulted in irregularities, discrepancies in data and dependence on manual operation of business processes.
(Paragraph 4.8.12.2)

4.8.1 Introduction

The Ministry of Road Transport and Highways (MoRT&H), an apex organisation under the Central Government, with an objective to provide valuable data for the Centre and State, implemented a scheme for creation of a National Database network in 2001 through the National Informatics Centre (NIC). The data from all district transport offices in the State was to flow into the State Register⁴ which in turn was to be captured in the National Register⁵ at the Centre. Two softwares were designed by NIC for this purpose *VAHAN*, that dealt with registration of vehicles

⁴ State Register – A register to be maintained in Form 41 for motor vehicles registered in the State.

⁵ National Register – A consolidated register at the Centre incorporating data/information of all the State Registers.

in the district transport offices and *SARATHI*, a computer based solution, to issue learning licence, driving licence, conductor licence to the citizens and licence for driving school establishment.

Prior to implementation of *VAHAN* and *SARATHI*, the erstwhile Transport Department of Government of Bihar decided to computerise the system of taxation and implemented (1992) the Road Transport Management Information System (NICTRAN) with active collaboration of Bihar State Unit of NIC. After creation of Jharkhand (15 November 2000), NICTRAN was monitored by the Transport Department, Government of Jharkhand.

The Government of Jharkhand implemented *VAHAN* and *SARATHI* applications in August 2004 as an integrated effort to computerise all activities of Transport Department to ensure increase in Government revenue; provide better citizen services; enforce greater control; monitor quick implementation of Government policies from time to time and provide instant access to information, if needed, by any other Government Department.

The application programs of the schemes were based on three-tier architecture (client machine, application server and database driver). The various components of the application were:

- a) Backend database server (SQL Server 7.0 or above) and Front end application program developed in Visual Basic 6.0.
- b) Application server (Distributed Component Object Model server).

4.8.2 IT Vision and IT Plan

A detailed proposal for “Computerisation of Transport Department in Jharkhand” was prepared by the Department of Information Technology (DoIT) in September 2003. A time table was framed for various activities in order to complete the project by December 2003. An inter-departmental Committee for implementation and monitoring (IDCIM) consisting of members from DoIT, Transport Department and NIC headed by Secretary, DoIT as Chairman and Secretary, Transport Department as Co-chairman was constituted (September 2003) by the Government. The project was approved in October 2003. The target date for completion of the project was revised to August 2004. The major components of the project were site preparation, provision of hardware, establishment of wide area network (WAN) for connecting all the offices of the Transport Department, upgradation of the existing software and training of employees.

The work relating to issuance of Smart Card based Driving Licence (DL), Registration Certificate (RC), Tax Payment and Permits on BOOT (Build, Own, Operate and Transfer) system were outsourced to M/s Venketesh Udyog and M/s AKS Smart Card System Ltd. (vendors) in September 2004.

4.8.3 Audit objectives

The review was conducted to ascertain whether:

- the phase-wise implementation schedules for *VAHAN* and *SARATHI* were achieved as per time frames fixed;

- computerised systems implemented were complete (module wise) and data captured by the district transport offices were correct and complete;
- connectivity was established between district transport offices in the State for creation of State Register for vehicles, licences, National Register and Central Servers were put in place;
- the computerised National Permit System (NPS) was implemented as planned for and projected objectives were achieved; and
- reliable general and security controls were in place.

4.8.4 Audit scope and methodology

There are 22 district transport offices in the State out of which, 18 were computerised as of August 2011. Out of the computerised district transport offices, five district transport offices⁶ were selected for the review. Three district transport offices viz., Hazaribag, Jamshedpur and Ranchi were selected on the basis of high revenue collection during 2009-10, while two district transport offices, Bokaro and Koderma, were selected through random sampling. The database of VAHAN and SARATHI in the form of ORACLE dump files of the selected district transport offices, for the period from April 2006 to June 2011 were obtained from NIC, Jharkhand State Unit, Ranchi and were analysed between July and September 2011 by using Computer Assisted Audit Techniques (CAATS). The computerised data was cross-checked with the manual records in one district transport office (District Transport Office, Jamshedpur) in November 2011. The relevant records maintained in the Transport Department and DoIT were also test checked.

4.8.5 Acknowledgement

We acknowledge the co-operation of the Transport Department, DoIT, Government of Jharkhand and the NIC for providing necessary information and records for audit scrutiny. We reported the audit findings to the Government in September and October 2011. The audit findings were discussed in a meeting held on 11 November 2011. The replies received during the meeting and at other points of time have been appropriately incorporated in the relevant paragraphs.

Audit findings

4.8.6 Project implementation

Phase-I

The Transport Department, under the initiative of DoIT, had undertaken computerisation of district transport offices, regional transport authority and state transport authority offices. DoIT procured computers and communication hardware for 18 district transport offices⁷, four RTAs⁸ and STA office. During Phase-I of the

⁶ Bokaro, Hazaribag, Jamshedpur, Koderma and Ranchi.

⁷ Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu, Pakur, Ranchi and Sahebganj.

⁸ Dumka, Hazaribag, Palamu and Ranchi.

project, which started in 2003-04, NIC provided the application software (*VAHAN* and *SARATHI*) for the computerisation of Transport Department. District Transport Office, Dhanbad was chosen as the pilot site and the software was implemented there in August 2004 after necessary customisation of the softwares by NIC (Headquarter Team). The software was installed in the rest of the district transport offices during 2004-05 and 2005-06. The IDCIM in its meeting (August 2004) decided to nominate a Nodal Officer from the Transport Department for monitoring the progress of the project. The Deputy Secretary, Transport Department was nominated as Nodal Officer. The hardware and software peripherals along with installation reports were finally handed over (December 2005) to the Transport Department by the DoIT.

- **Delay in site preparation and implementation of software**

DoIT provided (November 2003) ₹ 54 lakh to the Divisional Commissioners (for RTAs), Transport Commissioner (for STA) and Deputy Commissioners (for district transport offices) for site preparation. As per the minutes of meeting of IDCIM held in October 2003, the completion date of the work of site preparation was revised from 1 November 2003 to 31 December 2003 and in the meeting of IDCIM in June 2004, the completion date for installation of software was revised from 30 November 2003 to 31 August 2004. The work was to be monitored by the Transport Commissioner for its timely completion. The work (except implementation of permit module) was finally completed in December 2005 with delays up to 15 months. This resulted in sub-optimal utilisation of the hardware and peripherals procured between January and March 2004.

Phase-II

The Transport Department nominated (January 2010) NIC and National Informatics Centre Services Inc. (NICS) for upgradation of the computer systems already installed in 18 district transport offices and installation of computer systems in the newly created four district transport offices⁹ under phase-II of the project. As per the approved project proposal, NIC and NICS were responsible for installation and up-gradation of the application software; imparting training to staff/officers and providing technical support on matters related to the application software. For this purpose, the Department released (March 2010) an amount of ₹ 3.14 crore to the agency against the proforma invoice.

- **Non/delay in computerisation**

Out of 22 district transport offices, four district transport offices¹⁰, created (between January 2007 and April 2009) after implementation of *VAHAN* and *SARATHI*, along with four RTAs were yet to be computerised though the earmarked hardware and other peripherals had already been supplied to them.

We further observed that computerisation was restricted to district transport offices, RTA and STA offices. Other transport offices of MVIs and check posts had not been planned for computerisation in both the phases. No projects/proposals were

⁹ Jamtara, Latehar, Saraikela and Simdega.

¹⁰ Jamtara, Latehar, Saraikela and Simdega.

found on record regarding computerisation of these offices even in Phase-II. These offices also perform important activities of the Department viz., issue and renewal of certificate of fitness to transport vehicles, driving test, checking of vehicles for update tax, permits etc., and collect considerable amount of revenue. Non-computerisation of these offices could lead to escapement of tax, leakage of revenue and most importantly, the activities of these offices remained outside the computerised system defeating the very objective of computerisation, i.e., to computerise all activities of the Department.

After we pointed out the matter (September 2011), the Government instructed (November 2011) NIC to look into the matter and ensured that these district transport offices would be computerised soon. Further reply has not been received.

- **Non/under utilisation of hardware/software**

We test checked the records of the Department which revealed that hardware/software/peripherals were purchased for all 24 districts including Khunti and Ramgarh. As Khunti and Ramgarh districts were not notified as transport districts by the Department (October 2011), the materials were supplied to the district transport offices, Hazaribag and Ranchi respectively, which were lying idle. Purchase of materials for non-transport districts and their supply to other district offices indicated improper project planning resulting in unfruitful expenditure on purchase of materials. Further, utilisation certificate for the amount paid was also not furnished by the agency (December 2011).

After we pointed out the matter (October 2011), the Government stated (November 2011) that as the process for notifying Khunti and Ramgarh as transport districts was in progress, the materials were purchased in anticipation. Further, NIC has been instructed to furnish utilisation certificate of ₹ 3.14 crore advanced by the Transport Department.

4.8.6.1 Non-formation of project monitoring unit

As per the approved project proposal for phase– II of computerisation of the Department, a project monitoring unit (PMU) was to be created under the Transport Department for monitoring the implementation of this project by hiring suitable technical and non-technical manpower. NIC would extend technical support as and when required.

We observed that even after the supply and installation of earmarked hardware and other peripherals in the selected district transport offices under phase–II, no record was found regarding creation of PMU to manage and monitor the implementation. Had the department formed the PMU, issues relating to functioning of computerised system would have

been dealt with promptness and uniformity of the application system throughout the State could have been established. Non-formation of PMU indicated weak monitoring of progress of project implementation by the Department.

After we pointed out the matter (September 2011), the Government stated (November 2011) that action would be taken for formation of PMU. Further reply has not been received.

4.8.7 State Register and National Register

Creation of the State Register (SR) and National Register (NR) for registration and licences was the ultimate objective of computerisation in the Transport Department. The information captured at the district transport offices level was required to flow to the State Consolidated Register (SCR) to act as back up data for disaster recovery. Selected data from the SCR was to be replicated in the SR and flow to the NR. The NR was expected to act as a central repository of all crucial data/information. This would also enable users to avail the service on “Anywhere Service” basis. Apart from selective back up of the state level repository, the NR would also provide information to the Department of Road Transport, district transport offices, inter-State check post, security agencies and other services. Information¹¹ regarding SR and NR though called for (July 2011) was not furnished either by the Department or by the NIC. As such, the status of SR and NR could not be ascertained by audit. Non-creation/non-updation of SR and NR would not only defeat the objectives of computerisation in the Department but also fail in checking/correcting errors, mistakes and lacunae in the system. Monitoring of the system as a whole could also not be achieved unless SR and NR have been created/updated.

4.8.8 Data transfer and connectivity

As per status report on the Transport Project, as on 4 August 2010, connectivity of district transport offices with the data centre of NIC has been achieved in all the 18 computerised district transport offices in Jharkhand. But inter-connectivity amongst these district transport offices was not established as of August 2011. As a result, duplication¹² of data could not be ruled out.

After we pointed out the matter (September 2011), the Government assured (November 2011) that a policy decision, if required, would be taken in this regard, so that both way flow of data could be ensured to provide inter-connectivity with district transport offices as well as SCR.

4.8.9 Data entry verification

Application controls relating to data entry verification include controls that help to ensure the proper authorisation, competence, accuracy and validity of transactions and to check possible invalid inputs and system enforced transaction controls to prevent users from performing transactions that are not part of their normal duties. Deficiencies noticed relating to data entry verification are discussed in the following paragraphs:

¹¹ Logs of transfer of data from SR to NR and database of SR & NR.

¹² Registration of one motor vehicle at more than one district transport office and issuance of multiple driving licences.

4.8.9.1 Irregularities due to inadequate input control

- **Identical engine/cover note/insurance policy number and irregular PAN**

We analysed the database of VAHAN of the selected district transport offices which indicated irregularities in the database viz., identical engine numbers of vehicles with corresponding chassis numbers made unidentical through manipulation of data by inserting space, hyphen, slash etc., in the field; identical cover note/insurance policy numbers of vehicles registered in different names/on different dates; the field for capturing PAN found blank and/or in format other than the prescribed format (10 digit alpha numeric). The details of the above cases are shown below:

Sl. No.	District transport office	Identical engine number		Identical cover note/insurance policy number			Non/improper capturing of PAN		
		No. of cases	Total no. of records	Blank	Duplicate	Total no. of records	Blank	Improper	Total no. of records
1	Bokaro	935	1,27,375	69,864	8	73,949	27,957	0	1,27,375
2	Hazaribag	264	1,69,964	85,575	6	91,447	26,208	35	1,69,964
3	Jamshedpur	769	2,80,948	1,43,076	0	1,43,513	61,290	198	2,80,948
4	Koderma	230	27,386	0	8	11,316	5,291	3	27,386
5	Ranchi	521	3,04,029	0	258	1,68,297	60,365	1,899	3,04,029
Total		2,719	9,09,702	2,98,515	280	4,88,522	1,81,111	2,135	9,09,702

- **Blank fields**

We analysed the database of VAHAN of the selected district transport offices, which indicated that the fields for capturing address of the vehicle owner, wheelbase, registered laden weight, unladen weight and purchase date of the vehicle in the database were found blank. Details of such cases are shown below:

Sl. No.	District transport office	Total number of records	Address of the owner	Wheel base of the vehicle	Registered Laden Weight of the vehicle	Unladen Weight of the vehicle	Purchase date of the vehicle
1	Bokaro	1,27,375	934	795	21	9,513	21,683
2	Hazaribag	1,69,964	848	779	129	6,169	8,533
3	Jamshedpur	2,80,948	112	1,746	121	13,410	27,673
4	Koderma	27,386	0	28	9	3	1,638
5	Ranchi	3,04,029	111	4,087	77	24,874	47,144
Total		9,09,702	2,005	7,435	357	53,969	1,06,671

Acceptance of identical cover note/insurance policy number, improper PAN and blank fields was indicative of inadequate input controls in the application. The application even lacked input controls on the vital field of engine number as unique. Consistency/reliability of data could not be ascertained as manipulation of data was possible. These inadequacies could lead to fake registration, incomplete information of vehicle owners, vehicle details etc. serving no purpose for information seeking agencies.

Mention was made in the Audit Report (Revenue Receipts) for the year ending 2003, Government of Jharkhand (Paragraphs 4.2.7 and 4.2.8) regarding issuance of registration certificates with identical engine and chassis number and issuance

of duplicate insurance certificate/cover note. The irregularity persisted even after introduction of the new software.

After we pointed out the matter (September 2011), the Government instructed (November 2011) the DTOs to rectify the irregularities and to ensure realisation of short fees, if any, from the concerned vehicle owners. Further reply has not been received.

• **Issuance of more than one licence/identical driving licence number**

Under the provisions of the MV Act and rules made thereunder, no person shall, while he holds any driving licence for the time being in force, hold any other driving licence except a learner's licence. Further, every driving licence (Smart Card) issued or renewed by the licensing authority shall be in Form 7. The application 'SARATHI' has provisions for auto generation of a unique driving licence number.

We analysed the database of SARATHI of the selected district transport offices which indicated that more than one licence was issued to a person. Further analysis indicated that identical driving licence numbers were issued to different persons as shown below:

Sl. No.	Name of the district transport office	Total no. of records	More than one licence to a person	Identical licence number
1	Bokaro	27,546	20	1
2	Hazaribag	29,611	8	0
3	Jamshedpur	70,708	75	2
4	Koderma	5,294	114	0
5	Ranchi	83,802	80	1
Total		2,16,961	297	4

Generation of identical licence number and acceptance of names with same date of birth and father's name indicated faulty/weak input as well as validation controls in the application software. Apart from above, misuse of the DLs could not be ruled out in case of offence committed by the licence holders.

After we pointed out the matter (September 2011), the Government instructed (November 2011) NIC to study the software in detail and take corrective measures either locally or with the help of NIC (Headquarter), New Delhi. The DTOs were also instructed to verify the data entry and rectify the error. Further reply has not been received.

4.8.9.2 Delay in mapping of business rules

Under the provisions of the BMV Rules, choice fee of ₹ 5,000 was to be realised, if a preferred registration number was sought for, from the vehicle owner at the time of registration of the vehicle. The amount of choice fee was enhanced (November 2007) ranging between ₹ 11,000 and ₹ 51,000 depending upon the registration number opted for.

We analysed the database of VAHAN of the selected district transport offices which indicated that in case of 34 vehicles registered with choice numbers, the software accepted fees of ₹ 5,000 or

less instead of leviable fee ranging between ₹ 11,000 and ₹ 51,000 which was in contravention to the provisions of the latest revision. We further analysed that the mapping of business rules in the application was delayed upto three years. This resulted in short realisation of choice fee of ₹ 5.20 lakh.

We test checked (November 2011) the manual records in all the three cases pertaining to the Jamshedpur district transport office. We found that choice fee of ₹ 66,000 was short levied involved in all these three cases. After we pointed out the matter, the DTO raised the demand of ₹ 66,000. Further, DTOs, Bokaro and Ranchi in their replies stated (December 2011) that manual records were checked in all the 17 cases (Bokaro: 3 and Ranchi: 14) pertaining to their offices and discrepancy was noticed in 11 cases (Bokaro: 3 and Ranchi:8) for which demands of ₹ 2.44 lakh have been raised. This confirms the fact that the business rules were not mapped in the system leading to short realisation of revenue.

4.8.9.3 Non-adherence of central law in granting validity of driving licence

Under the provisions of the MV Act, validity of a driving licence, either original or on renewal, shall be till the age of attaining 50 years of the applicant. The Act, further stipulates that the driving licence shall be effective for a period of 20 years or the age of 50 years, whichever is earlier. Any further renewal of licence after 50 years shall be for a period of five years. Such amendment came into force from November 1994.

We analysed the database of *SARATHI* of the selected district transport offices which indicated that the provisions of the Act *ibid* had not been enforced on renewal of driving licence as detailed in the following table:

Sl. No.	Particulars	Number of cases					Total
		Bokaro	Hazaribag	Jamshedpur	Koderma	Ranchi	
1	Excess validity to licence holders in the age group of below 50 years	2	0	0	102	969	1,073
2	Less validity to licence holders in the age group of below 50 years	8	0	6	172	2,422	2,608
3	Excess validity to licence holders in the age group of above 50 years	0	0	0	2	62	64
4	Less validity to licence holders in the age group of above 50 years	72	10	0	5	149	236
Total		82	10	6	281	3,602	3,981

Excess validity ranged from 2 to 167 days whereas less validity ranged from 2 to 209 days. Further, we also noticed that the validity date was not automatically generated by the application, instead they were fed manually. Thus, deficient system design may result in incorrect assignment of validity date of licence.

After we pointed out the matter (September 2011), the Government replied (November 2011) that all provisions of the Acts and Rules must be strictly adhered to and instructed NIC to make provisions for auto generation of validity period of driving licence in the system. Further reply has not been received.

4.8.9.4 Non-levy of penalty on delayed payment of tax

Under the provisions of the BMVT Rules, for vehicles other than personalised vehicles, the due date for payment of tax shall be the date of expiry of the period for which the tax had been paid. In cases where no tax has been paid previously, the date of acquisition of vehicle or the date when such tax is imposed by law shall be the due date of tax payment. The Rules further provides for imposition of penalty at the rates prescribed depending upon period of delay.

We analysed the database of VAHAN of the selected district transport offices which indicated that there was delayed payment of tax in 2,530 cases but penalty was not imposed in any of the above cases. We further noticed that the penalty was being calculated manually and fed in the software.

This indicated that business rules were not mapped in the application. This resulted in non-levy of penalty of ₹ 30.38 lakh.

We test checked (November 2011) the manual records of all the 378 cases pertaining to Jamshedpur district transport office and found that penalty of ₹ 44,726 was not levied in 150 cases. After we pointed out the matter, the DTO accepted the audit observation and stated that demand would be raised in these cases. Further, DTOs, Bokaro and Ranchi in their replies stated (December 2011) that manual records were checked in all the 1,707 cases (Bokaro: 444 and Ranchi: 1,263) pertaining to their offices and discrepancy was noticed in 1,208 cases (Bokaro: 93 and Ranchi: 1,115) for which demands of ₹ 3.22 lakh have been raised. This confirms the fact that the business rules were not mapped in the system leading to short realisation of revenue.

4.8.9.5 Irregular issuance of NOC

Under the provisions of the BMVT Rules, if a vehicle owner, other than a personalised vehicle, changes his place of business, he may apply to the taxing officer to issue “No Objection Certificate” (NOC) for the place where he intends to change his place of business. On receipt of application, the taxing officer after verifying up-to-date payment of taxes against the vehicle, may issue NOC to the new taxing officer.

We analysed the database of VAHAN of the selected district transport offices which indicated that in three district transport offices¹³ NOCs in 2,067 cases were issued to vehicles having arrears of taxes. Further, we noticed that though the software

¹³ Hazaribag, Jamshedpur and Koderma.

had provisions to issue NOC, the same were being issued manually, which defeated the very purpose of computerisation in the Department.

After we pointed out the matter (September 2011), the Government instructed (November 2011) all DTOs to stop manual issuance of NOC and to check the position of tax status before issue of NOC. Further reply has not been received.

4.8.9.6 Non/Partial utilisation of modules

Under the provisions of MV Act read with BMV Rules, the owner of a motor vehicle may apply to the registering authority in Form 'C.R. Tem. A' along with prescribed fee to have the vehicle temporarily registered. The certificate of temporary registration shall be issued in Form 'C.R. Tem.' initially valid for one month.

- We analysed the database of *VAHAN* which revealed that though there was a provision for issuance of temporary registration mark under registration module, the module related to temporary registration was not put to use. Further, the

software also had a provision for entering theft reports of the vehicle in case of theft of a vehicle. We observed that only 38 cases of theft had been recorded in the database in Jamshedpur and Koderma, whereas no records of theft were found in the rest of the selected district transport offices. Thus, non-utilisation of these modules was fraught with the risk of fake transfer of vehicle, issue of duplicate registration certificate, irregular issue of NOC, irregular cancellation of Hire and Purchase Agreement etc.

Under the provisions of CMV Rules, any person who has been authorised to drive a goods carriage, carrying dangerous goods hazardous to human life, should possess the minimum educational qualification or the certificate referred under the Rule in addition to the existing driving licence to drive transport vehicles.

- We analysed the database of *SARATHI* which revealed that out of 1,31,783 driving licences, 16,414 licences were issued for driving of goods carriage but none of these were endorsed for driving goods carriage carrying goods of dangerous or hazardous nature to human life. Driving

goods carriage carrying goods of dangerous or hazardous nature without possession of valid certificate was fraught with risk to human life.

After we pointed out the matter (September 2011), the Government instructed (November 2011) all DTOs for utilisation of all the modules in the system so that manual intervention could be stopped.

4.8.9.7 Acceptance of current tax without clearance of arrear

Under the provisions of the BMVT Act and rules made thereunder, tax is to be paid to the taxing officer in whose jurisdiction the vehicles have been registered. Non-payment of taxes in time attracts penalty at the rates prescribed depending upon periodicity of delay. The Act *ibid* further provides that the taxing officer shall not accept the tax or penalty for the current period unless arrear of taxes and penalty due has been fully paid or settled.

We analysed the database of VAHAN of the selected district transport offices which indicated that there was break in period of payment of tax in 5,249 cases which ranged from three to 298 months. This resulted in non-realisation of tax of ₹ 7.31 crore. We noted that

the application was not suitably designed to flag such cases of non-payment of tax in the table.

We test checked (November 2011) the manual records of 113 out of 117 cases pertaining to the Jamshedpur district transport office and found that in 10 cases payment of current tax was accepted though there were arrears of tax of ₹ 23,466 due for payment in these cases. After we pointed out the matter, the DTO accepted the audit observation and stated that demand would be raised in these cases. Further, DTOs, Bokaro and Ranchi in their replies stated (December 2011) that manual records were checked in all the 2,060 cases (Bokaro: 1,416 and Ranchi: 644) pertaining to their offices and discrepancy was noticed in 279 cases (Bokaro: 19 and Ranchi: 260) for which demands of ₹ 8.15 lakh have been raised. This confirms the fact that the system was not suitably designed to flag cases of non-payment of tax in the table.

4.8.9.8 Loss of revenue due to irregular clearance of tax position

Under the provisions of the BMVT Act and rules made thereunder, tax is to be paid to the taxing officer in whose jurisdiction the vehicles have been registered. In case of change of residence/business, the owner of vehicle can pay tax to the new Taxing Officer subject to production of “No Objection Certificate (NOC)” from the previous taxing officer. Taxes in respect of a motor vehicle is payable within fifteen days from commencement of the quarter or year, as the case may be. Further, the BMVT Rules provides for imposition of penalty at the rates prescribed depending upon periodicity of the delay.

We analysed the database of VAHAN of the selected district transport offices which indicated that in case of 404 registered commercial vehicles, the entries in the field **Clear_To_date**¹⁴ was found for a later date than the entries in the field **Tax_Upto_date**¹⁵. As such, in the above cases, tax clearance was granted for a period in excess of the period for which the tax was actually paid. Verification of records maintained manually indicated that irregular clearance of tax position was due to manual

¹⁴ Clear_To_date: Date up to which clearance from tax liability.

¹⁵ Tax_Upto_date: Date upto which tax has been paid.

feeding. Deficiencies in the application to fetch the entries into the concerned fields automatically, resulted in loss of revenue amounting to ₹ 66.49 lakh in the shape of road and additional tax.

We test checked (November 2011) the manual records of all the 25 cases pertaining to Jamshedpur district transport office and found that in five cases, tax clearance was granted for a period in excess of the period for which the tax was actually paid resulting in short levy of tax of ₹ 5,033 involved in these cases. After we pointed out the matter, the DTO accepted the audit observation and stated that demand would be raised. Further, DTOs, Bokaro and Ranchi in their replies stated (December 2011) that manual records were checked in all the 134 cases (Bokaro: 42 and Ranchi: 92) pertaining to their offices and discrepancy was noticed in eight cases (Bokaro: Seven and Ranchi: One) for which demands of ₹ 59,919 have been raised. In view of the facts stated above, the Department needs to verify all such cases in the interest of Government revenue.

4.8.9.9 Gap in issuance of registration numbers

The application of VAHAN had provisions for allotment of a registration number in series, if not opted for any choice number.

We test checked the series of issuance of registration numbers and analysed the database of VAHAN of the selected district transport offices which indicated that in three district transport offices¹⁶ there were gaps in issuance of registration number on 52 occasions other than those reserved for issue of choice numbers. The registration numbers were to be issued in sequence but some of the serial numbers were blank without any reason on record. Acceptance of entries for registration to a subsequent number despite availability of a previous number was indicative of inadequate process control in the software.

We test checked (November 2011) the manual records of all the three cases pertaining to Jamshedpur district transport office and found that in two cases, owner table was blank due to which the system showed gap in registration number while in one case the number was to be assigned. After we pointed out the matter, the DTO also confirmed the facts as pointed out by us but no reasons were furnished for the same.

4.8.9.10 Identical/blank registration certificate card chip number

The data from the application 'VAHAN' was being used by the vendors for issuance of registration certificates.

We analysed the database of VAHAN of the selected district transport offices which indicated that in 616 cases, Registration Certificates (RC) were issued with duplicate/identical smart card chip number and in 112 cases, RCs were issued with blank smart card chip number. The application was not suitably designed so as to prevent issue of such RCs with duplicate/blank chip numbers which was open/susceptible to risk of issuance of fake RCs. We also noticed that smart card readers provided by the vendor were not put in use by the DTOs and Enforcement Officers. As such, the purpose of generation of smart card based RCs was defeated.

¹⁶ Jamshedpur, Koderma and Ranchi.

After we pointed out the matter (September 2011), the Government directed (November 2011) NIC to examine the cause for such irregularities. Further reply has not been received.

4.8.9.11 Issue of registration certificate with incorrect particulars

The registration module of the application VAHAN was provided with the facility of calculation of road tax value automatically based on the vehicle class and other parameters. The values could not be changed and would be committed automatically. In case of two wheelers, unladen weight was the parameter for calculation of one time tax of ₹ 1,200 for vehicles below/up to 100 Kg and ₹ 1,500 for vehicles more than 100 Kg.

We analysed the database of VAHAN of the selected district transport offices which indicated that in case of 1,298 registered two wheelers, exceeding unladen weight of 100 Kg, one time tax was shown realised at the rate of ₹ 1,200 instead of correct amount of ₹ 1,500. We further noticed that the weight of the

vehicles, as per registration register maintained manually, were below/up to 100 Kg. The application lacked provision of rejection of the cases with lesser fee/taxes at the time of capturing specifications of the vehicle. Thus, the database did not reflect the true picture of tax realisable and tax realised and thus, was unreliable. Further, the RCs were also being issued with incorrect unladen weight and chances of short levy of tax of ₹ 3.89 lakh (calculated at the rate of differential amount of ₹ 300 per vehicle) could not be ruled out.

We test checked (November 2011) the manual records of all the 103 cases pertaining to Jamshedpur district transport office and found that one time tax was realised on the basis of unladen weight of the vehicles as recorded in the sale certificate. Due to non-updation of master table, the unladen weights did not match with that of the registered vehicles. After we pointed out the matter, the DTO also confirmed the facts as pointed out by us but reasons were not furnished for the same.

4.8.9.12 Inflated demand against vehicles issued “No Objection Certificates”

Under the provisions of the MV Act, the CMV Rules read with the BMVT Act and the BMVT Rules, the taxing officer after satisfying that there are no arrears outstanding against the vehicle shall issue NOC and forward the same to the new taxing officer. The new taxing officer after having received the NOC shall accept further taxes from the owner.

We conducted a comparative study of the dispatch register/ NOC issue register along with the application generated tax position of the defaulter vehicles. We noticed in four selected district transport offices¹⁷ that despite the provision in the application for issuance of NOC, 1,548

¹⁷ Bokaro, Hazaribag, Koderma and Ranchi.

vehicles were issued NOCs manually for other States/districts. As a result, demand against these vehicles was continuously raised in the application since November 2005. This resulted in inflated demand of ₹ 10.53 crore showing erroneous arrears of tax against the vehicles.

After we pointed out the matter (September 2011), the Government instructed (November 2011) all DTOs to stop manual issuance of NOC so that such inflated demand could be stopped and also assured to take action to make provision for backlog entry of the manually issued NOCs. Further reply has not been received.

4.8.9.13 Non-assignment of local registration mark

Under the provisions of the MV Act and rules made thereunder, where a motor vehicle belonging to other State was intended for use/kept in the State for a period exceeding 12 months, the owner on furnishing a declaration to that effect was to submit an application to the registering authority accompanied by NOC along with appropriate fee at any time within 12 months for assignment of local registration mark to the vehicle. If the vehicle owner failed to apply within 12 months, he was required to pay a penalty, which may extend to ₹ 100 for the first and ₹ 300 for second or subsequent offences.

We analysed the database of VAHAN of the selected district transport offices which indicated that 2,888 transport vehicles remained in the districts for a period beyond 12 months with registration numbers of the previous States without having been assigned local registration mark. The application had not been designed in such a way to prompt/

restrict the cashier/user from receiving taxes of such vehicles for a period beyond 12 months. This resulted in loss of revenue in the shape of assignment fees of ₹ 15.51 lakh, besides penalty.

We test checked (November 2011) the manual records of all the 1,205 cases pertaining to Jamshedpur district transport office. We found that even after lapse of more than one year, local registration mark was not assigned to them, thus, ₹ 6.28 lakh involved in these vehicles stood realisable. After we pointed out the matter, the DTO accepted the audit observation and stated that the vehicles, being commercial vehicles, the assignment fees would be realised from the vehicle owners at the time of payment of quarterly tax. In view of the facts stated above, the Department needs to verify all such cases in the interest of Government revenue.

4.8.9.14 Non-transfer of service tax in appropriate head

Under the provisions of the Service Tax Rules read with executive instruction (December 2006) of the Transport Commissioner, Jharkhand, service tax at the rate of 12.24 per cent was to be levied at the time of issue of certificate of fitness. The service tax so collected was required to be deposited under the head “0044 - Service Tax”.

We analysed the database of VAHAN of the selected district transport offices which indicated that service tax of ₹ 98.41 lakh was collected at the time of new registration of

vehicles during the period from 2 June 2005 to 18 July 2011. The amount collected as service tax was deposited under head '0041 - Taxes on Vehicles' instead of '0044 - Service Tax', which was irregular. We also noticed that the amount of service tax was calculated at the rate of 12.50 *per cent* and entered manually at the time of collection of fee instead of being automatically calculated by the application. Moreover, fitness fee including service tax was directly deposited in the banks at the time of renewal of certificate of fitness, as such, we could not ascertain the total amount of service tax realised. The system also did not generate any report on service tax collected so that at any point of time amount of tax collection was known to the Department. Thus, ₹ 98.41 lakh was irregularly retained as "Taxes on Vehicles" which should have been credited to the Government of India.

After we pointed out the matter (September 2011), the Government instructed (November 2011) NIC to make necessary changes in the table structure so that the amount of service tax could be calculated separately and transferred to the appropriate head. Further reply has not been received.

4.8.10 General Controls

General controls create the environment in which the application systems and application controls operate e.g., IT policies, standard and guidelines pertaining to IT security and information protection. The deficiencies noticed during audit are discussed in the following paragraphs:

4.8.10.1 Lack of information security

We noticed that the Secretary, DoIT had informed (December 2005) the Transport Commissioner regarding breaches of password discipline, absence of well-defined hierarchy of privileges and inadequate data logs. He requested the Transport Commissioner to review and scrutinise the standard operating procedures. The Secretary further informed (August 2006) the Transport Commissioner regarding unauthorised access and manipulation of data in the transport software.

- **Non-provision of audit trail in VAHAN and SARATHI applications**

Audit trail is incorporated in an IT application for tracing the flow of transaction at every point of processing from the input to the output stage.

We analysed the database of VAHAN and SARATHI which revealed that there was no audit trail built in the applications to capture activities of the users such as log of programs and transactions executed. Even the minimum audit trail, i.e., login/logout date/time of the users, was not captured in the database. In the absence of an audit trail, apart from errors that might creep into the system, there was a possibility of fraud, which might occur due to undetected control weaknesses. Even after a lapse of five years of reported breach of security, the Department did not make a provision for an audit trail in the system rendering the system vulnerable to such threats.

- **Inadequate password policy**

VAHAN and *SARATHI* applications restrict access to the system through user-IDs and password.

We noticed that the Transport Commissioner issued (November 2006) a password policy to be followed by all transport offices. We further observed that normal password control practices like restriction on unsuccessful login attempts, automatic lapse of password after a pre-defined period, application enforced, periodical change of password and pre-defined length of password with specific combination of characters were non-existent. Even after a lapse of five years of issue of the password policy, the Department failed to make provision for normal password control practices in the system and exposed the system to the risk of unauthorised access and consequent damages.

After we pointed out the matter (September 2011), the Government accepted (November 2011) that there was no audit trail in the system and stated that NIC would be requested for provision of audit trail in the system. The Government also instructed NIC to make necessary changes in the system regarding password policy. Further reply has not been received.

- **Inadequate segregation of duties**

We found that the user-IDs and passwords were being shared by the users of the applications. Further, it was observed that the role of approver was performed by the operators itself and that permission to access the menus, accessed by officers or administrators, was allowed to be accessed by the operators. The situation was susceptible with the risk of unaccountability and malpractices. The Department had not undertaken any risk assessment though requested by the Secretary, DoIT, thereby rendering the system vulnerable to misuse. A few illustrative cases are mentioned in the following table:

District Transport Office	User-ID	Type of user	Access to menu	Role utilised
Bokaro	Manoj	Operator	Manage master tables	Administrator
	Opr	Operator	Tax exemption	Officer
Jamshedpur	Sajid	Operator	Change of registration data	Administrator
	Amit	Clerk	Fitness Cancellation	Officer

After we pointed out the matter (September 2011), the Government accepted (November 2011) that this was a serious issue and instructed all DTOs that the controlling officers shall be held responsible for inadequate segregation of duties. Further reply has not been received.

4.8.10.2 Lack of change management control

We observed that there was no documentation of the modifications in the software, its approval and testing, though modifications of choice fee in November 2007 and enhancement of one time tax on personalised vehicles in May 2011 had been made in the software. Thus, there was a risk of accidental or malicious changes to the system and data due to inadequate change management control.

After we pointed out the matter (September 2011), the Government instructed (November 2011) NIC for documentation of the changes made in the software. Further reply has not been received.

4.8.10.3 Absence of business continuity planning

Business continuity plan is essential to ensure that the organisation can prevent disruption of business and resume processing in the event of a total or partial interruption of information availability. Regular backup of data is the backbone of such business continuity plan.

We noticed that there was no backup policy and disaster recovery procedure evolved by the Department. Though backup of data was taken by NIC through a server directly connected with the data centre of NIC, Jharkhand, there was

no documented procedure regarding frequency of taking backup and its storage location and restoration for testing of backup data.

We further noticed that the work relating to issue of RCs and DLs in Bokaro and Koderma was disrupted due to system break down which ranged from two to five days. The DTOs stated (August 2011) that at the time of system breakdown work was performed manually. Thus, due to non-formulation of backup policy and disaster recovery procedure, manual operation was resorted to which defeated the very purpose of computerisation.

After we pointed out the matter (September 2011), the Government instructed (November 2011) NIC to develop a business continuity plan. Further reply has not been received.

4.8.10.4 Working on national holidays

The Transport Department and all the transport offices are closed on national holidays.

Our analysis of database of VAHAN of the selected district transport offices indicated that following work was conducted on national holidays:

- Operation of registration field in 1,516 cases;
- Allotment of registration mark in 1,165 cases; and
- Fitness of vehicles in nine cases.

After we pointed out the matter (September 2011), the Government instructed (November 2011) all DTOs to take adequate measures for prevention of unauthorised work, if works were done due to workload on national holidays.

4.8.11 Status of National Permit System

National Permit System (NPS), an online electronic system to grant National Permit (NP), was developed in consultation with the NIC and was implemented (15 September 2010) in the State at the Directorate level. As per gazette notification dated 28 July 2010, Central Government notified the details of NP account and share of the States and Union Territories in which the share of Jharkhand was ₹ 604 for every ₹ 15,000.

We obtained data regarding issuance of NPs from the Transport Commissioner which revealed that since September 2010, a total of 11,852 NPs were issued through NPS as of August 2011. But due to non-establishment of connectivity of the Directorate with the district transport offices, apart from duplication of entry of vehicle details,

authenticity of the data regarding ownership/registration details of vehicles, up-to-date position of tax etc., could not be verified in the computerised environment at the Directorate level, which defeated the very objective of computerisation of the Transport Department.

After we pointed out the matter (September 2011), the Government agreed (November 2011) to establish connectivity so that authenticity of data could be checked. Further reply has not been received.

4.8.12 Monitoring issues

4.8.12.1 Non-renewal of contract

The Transport Department partially outsourced the computerised system under *VAHAN* and *SARATHI* application software by executing a contract (September 2004) for five years with the vendors for the work relating to issuance of Smart Card based DL, RC, Tax payment and Permits on BOOT system.

We observed that the contract with the vendors had expired in September 2009 but the vendors continued the work allotted to them (September 2011) without renewal of agreement even after a lapse of two years. Unauthorised continuance of

work by the vendors was neither objected by the Department nor was any action taken by the Department for renewal of the contract. Such unauthorised work was fraught with the risk of loss of revenue and misuse of vital data, besides leading to the possibility of legal complications. This indicated poor monitoring by the Department.

After we pointed out the matter (September 2011), the Government replied (November 2011) that the process has been initiated for tendering of work of issue of smart card. Further reply has not been received.

4.8.12.2 Non-formulation of training plan

As per the decision of IDCIM (December 2003) training for five days for assistants and two days for district transport officers/regional transport officers was to be conducted. Under phase-I and II of computerisation of the Department, NIC was responsible for imparting training on *VAHAN* and *SARATHI* to staff/officers and provide technical support on matters related to the application software.

We observed that though training programmes were conducted during phase-I, no record was found regarding training plan, schedules, proposals etc., under phase – II. The Department also failed to pursue NIC to conduct training of staff/officers of the Department under phase-II for smooth functioning of the

computer system. Thus, due to non-formulation of training programme, the staff were not acquainted with the changes/updation in the system which resulted in irregularities, discrepancies in data and dependence on manual operation of business processes continued.

After we pointed out the matter (October 2011), the Government stated (November 2011) that training plan would be formulated shortly. Further reply has not been received.

4.8.13 Conclusion

The system/design deficiencies of NICTRAN application was highlighted by us through Audit Report (Revenue Receipts) for the year ended 31 March 2003 (Paragraph 4.2) and discussed in Public Accounts Committee in July 2007. The applications *VAHAN* and *SARATHI* have been developed without considering the drawbacks of NICTRAN application as similar system/design deficiencies still persisted in these applications. Complete translation of essential business processes was not ensured. Even after seven years of its implementation, the objective to enhance the information availability and computerisation of all transport offices to ensure transparency, better service delivery and plugging of revenue leakage could not be achieved and dependence on manual operation of business processes continued.

4.8.14 Recommendations

The Government may consider to:

- issue instruction for strict adherence of the prescribed rules and procedures;
- formulate a suitable mechanism to ensure inter-connectivity within the Department;
- provide built-in checks in the IT application to ensure accuracy and completeness of data;
- provide facility in the application for auto generation of tax clearance;
- provide facility for calculation and transfer of service tax separately; and
- frame and implement business continuity procedures, disaster recovery plans, train departmental staff to reduce dependency on outside agencies, ensuring an audit trail, password and user ID policies.

Other audit observations

4.9 Non-observance/compliance of the provisions of Acts/Rules

The Bihar Motor Vehicles Taxation (BMVT) Act, 1994 (as adopted by the Government of Jharkhand), Motor Vehicles Act, 1988, Bihar Financial Rules (as adopted by the Government of Jharkhand) and Rules made thereunder provide for:

- (i) *payment of motor vehicles tax by the owner of vehicles at the prescribed rate;*
- (ii) *timely deposit of collected revenue into the Government account; and*
- (iii) *payment of registration fee at the prescribed rate.*

We noticed that the Transport Department did not observe some of the provisions of the Act/Rules in cases as mentioned in the succeeding paragraphs:

4.10 Non-collection of vehicles taxes

Under the provisions of the BMVT Act and the rules made thereunder, the owner of a registered vehicle other than a personal vehicle is liable to pay tax after the date of expiry of the period for which the tax had been paid to the taxing officer in whose jurisdiction the vehicle is registered. In case of non-payment of tax within the stipulated period, the taxing authority may impose penalty at the prescribed rates. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed. The DTOs are required to issue demand notices against the defaulters.

4.10.1 We checked the taxation register and the computerised data in 19 district transport offices¹⁸ between May 2010 and March 2011 and found that the owners of 1,251 vehicles did not pay tax between July 2006 and March 2011. No reasons were found

on record for non-payment of tax. The DTOs did not raise demand against the defaulting vehicle owners resulting in non-levy of tax of ₹ 9.17 crore including penalty of ₹ 6.12 crore.

After we pointed out the matter, 14 DTOs¹⁹ stated (between November 2010 and October 2011) that demand notices have been issued in 718 cases, of which certificate cases have been instituted in 300 cases pertaining to six DTOs²⁰ and ₹ 66.22 lakh involved in 108 cases have been recovered by eight DTOs²¹. However, the remaining five DTOs²² stated (between August 2010 and March 2011) that

¹⁸ Bokaro, Chatra, Chaibasa, Deoghar, Dhanbad, Dumka, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Koderma, Latehar, Lohardaga, Pakur, Palamu, Ranchi, Saraikela-Kharsawan and Simdega.

¹⁹ Bokaro, Chatra, Deoghar, Dumka, Gumla, Hazaribag, Jamshedpur, Jamtara, Latehar, Lohardaga, Pakur, Ranchi, Saraikela-Kharsawan and Simdega.

²⁰ Bokaro, Jamshedpur, Jamtara, Latehar, Lohardaga and Pakur.

²¹ Bokaro, Deoghar, Hazaribag, Jamshedpur, Lohardaga, Pakur, Ranchi and Saraikela-Kharsawan.

²² Chaibasa, Dhanbad, Godda, Koderma and Palamu.

demand notices would be issued against the defaulters. Further reply has not been received (February 2012).

The matter was reported to the Government in May 2011 followed by a reminder in September 2011; their reply has not been received (February 2012).

4.10.2 We noticed (May 2010 to March 2011) from verification of taxation registers in 17 district transport offices²³ that the owners of 1,583 trailers did not pay road tax and additional motor vehicle tax for the period between June 2006 and January 2011. The DTOs did not raise demand against the defaulters. Failure of the DTOs to enforce the provisions of the Act/Rules resulted in non-levy of tax of ₹ 1.94 crore including penalty of ₹ 1.29 crore.

After we pointed out the matter, 12 DTOs²⁴ stated (between November 2010 and October 2011) that demand notices have been issued in 999 cases, out of which certificate cases have been instituted in 291 cases pertaining to five DTOs²⁵ and ₹ 11.06 lakh involved in 130 cases have been recovered by nine DTOs²⁶. However, the remaining five DTOs²⁷ stated (between August 2010 and March 2011) that demand notices would be issued against the defaulters. Further reply has not been received (February 2012).

The matter was reported to the Government in May 2011 followed by a reminder in September 2011; their reply has not been received (February 2012).

4.11 Short realisation of trade tax

Under the BMVT Act, trade tax at the annual rate specified in Schedule-III shall be paid by a manufacturer/dealer in respect of motor vehicles held in possession by him in the course of business. A dealer is required to pay the tax annually at the close of financial year on the basis of returns submitted by him. In case of non-payment of tax within the stipulated period, the taxing authority may impose penalty at the prescribed rates. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

While reviewing the trade tax register and files of District Transport Offices, Bokaro and Deoghar, between July 2010 and March 2011, we noticed that 11 dealers of motor vehicles were liable to pay trade tax of ₹ 3.51 lakh for the period 2007-08 and 2009-10. No payment was made during 2007-08 and

2008-09 and only two dealers had submitted the prescribed returns and deposited trade tax of ₹ 1.22 lakh during 2009-10. The returns were neither scrutinised by the DTOs nor were demands raised against the dealers resulting in short payment of trade tax of ₹ 7.83 lakh including penalty of ₹ 5.54 lakh.

²³ Bokaro, Chatra, Chaibasa, Deoghar, Dhanbad, Dumka, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Koderma, Lohardaga, Pakur, Palamu, Ranchi and Simdega.

²⁴ Bokaro, Chatra, Deoghar, Dumka, Gumla, Hazaribag, Jamtara, Jamshedpur, Lohardaga, Pakur, Ranchi and Simdega.

²⁵ Bokaro, Jamshedpur, Jamtara, Lohardaga and Pakur.

²⁶ Bokaro, Chatra, Deoghar, Gumla, Hazaribag, Jamshedpur, Lohardaga, Pakur and Ranchi.

²⁷ Chaibasa, Dhanbad, Godda, Koderma and Palamu.

After we pointed out the matter, the DTOs stated (between April and June 2011) that demand notices have been issued in all the cases, out of which, certificate cases have been instituted in 10 cases and recovery of ₹ 17,000 involved in one case, has been made by DTO, Bokaro. Further reply has not been received (February 2012).

The matter was reported to the Government in May 2011 followed by a reminder in September 2011; their reply has not been received (February 2012).

4.12 Loss of interest due to delay in deposit of revenue collected by banks

Under the provisions of the Bihar Financial Rules, all transactions must be brought to account without delay and money received as Government dues should be credited to public account. As per instructions of STC, Jharkhand the amount collected by the banks during April to February should be transferred to the State Bank of India (SBI), Doranda Branch, Ranchi in such a manner that all receipts during a particular month are transferred latest by the first week of the following month and for March by 31 March positively. As per the instructions issued by the Reserve Bank of India in April 2003, interest at the rate of eight *per cent* per annum on average quarterly balance exceeding ₹ one crore, is payable by the banks on delayed remittances.

We noticed during the test check of bank statements of remittances of collected revenue in four district transport offices²⁸ between June 2010 and September 2010 that the collecting banks i.e. Punjab National Bank and Axis Bank did not credit the collected revenue into SBI, Doranda Branch for credit into Government account, within the prescribed time. The delays ranged from one month to 11 months and ₹ 18.31 crore was retained at the end of March 2010. Further, the

collecting banks did not credit interest of ₹ 1.65 crore during 2008-09 and 2009-10 for delayed transfer of the Government revenue. There was nothing on record to show that the Department pursued the matter of payment of interest with the collecting banks.

After we pointed out the matter, the DTO, Jamshedpur stated (August 2011) that certificate case has been instituted against Punjab National Bank, while remaining three DTOs stated that the matter would be referred to the bank authorities for timely transfer of collected revenue. Further reply has not been received (February 2012).

The matter was reported to the Government in May 2011 followed by a reminder in September 2011; their reply has not been received (February 2012).

²⁸ Bokaro, Dhanbad, Jamshedpur and Ranchi.

4.13 Non-levy of tax on vehicles involved in surrender

The BMVTA Act, as adopted by the Government of Jharkhand and rules made thereunder, provide that if the owner of a motor vehicle does not intend to use his vehicle for a certain period not exceeding six months at a time, he can be exempted from payment of tax by the competent authority provided his claim for exemption is supported by the required documents. For the period of non-use of the vehicle, he is entitled for exemption from payment of tax only after following the prescribed procedure. In the absence of any extension, the vehicle would be deemed to have been used and the vehicle owner would be liable to pay tax. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

We noticed (August 2010 and January 2011) from test check of the surrender registers of District Transport Offices, Jamshedpur and Hazaribag that 12 vehicles were surrendered between July 2008 and July 2009. However, even after the expiry of the prescribed period, the vehicles were kept under surrender without the owner seeking further extension and furnishing fresh undertaking, for non-use of vehicle during the period, in contravention of the provision of the Act. Thus, the vehicle owners were liable to pay tax and penalty for the period from January 2009 to January 2011. The DTOs, however, did not raise demand

against the vehicle owners after the expiry of prescribed surrender period. This resulted in non-levy of tax of ₹ 8.60 lakh including penalty of ₹ 5.73 lakh.

After we pointed out the matter, the DTO, Jamshedpur stated (August 2011) that certificate cases have been instituted in all the cases, while DTO, Hazaribag stated (January 2011) that demand notices would be issued. Further reply has not been received (February 2012).

The matter was reported to the Government in May 2011 followed by a reminder in September 2011; their reply has not been received (February 2012).