

EXECUTIVE SUMMARY

Tax collection	<p>In 2010-11, the collection of taxes from motor vehicles increased by 30.4 <i>per cent</i> over the previous year which was attributed to increase in life-time tax and registration of more vehicles.</p>
Results of audit conducted by us in 2010-11	<p>In 2010-11, we test checked the records of 26 units relating to taxes on motor vehicles and found under-assessment of tax and other observations involving ₹ 11.6 crore in 3,84 cases.</p> <p>The Department accepted under assessment and other deficiencies of ₹ 456 crore in 1,89 cases, which were pointed out by us during the year 2010-11. An amount of ₹ 3.18 crore was recovered in 3,520 cases during the year 2010-11.</p>
What we have highlighted in this Chapter	<p>In this Chapter, we present illustrative cases of ₹ 10.9 crore selected from observations noticed during our test check of records relating to assessment and collection of tax/fee/penalty on motor vehicles in the office of the Transport Commissioner (TC) and the Regional Transport Officers (RTOs), 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.</p> <p>We also conducted a performance audit on “Computerisation in the Motor Vehicles Department” which revealed several deficiencies in the automated system.</p>
Our conclusion	<p>The Department did not observe the roster fixed for internal audit. Therefore it needs to improve the internal control system including strengthening of 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 non-realisation of tax and penalty 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 Transport Department functions under the overall charge of the Principal Secretary (Transport). The levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by three Deputy Transport Commissioners (DTC), internal audit wing at headquarters level, 10 regional transport offices (RTOs), 10 additional regional transport offices (ARTOs) and 30 district transport offices (DTOs) at the field level.

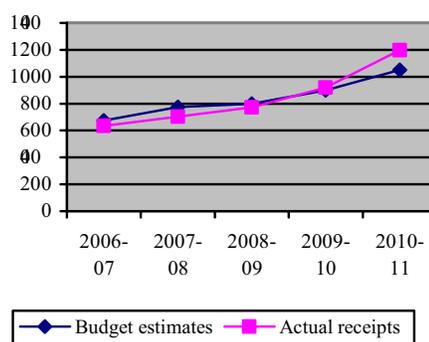
4.2 Trend of receipts

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

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual tax receipts vis-a-vis total tax receipts
2006-07	675.00	634.80	(-) 40.20	(-) 6.02	10,431.13	6.06
2007-08	775.00	702.62	(-) 72.38	(-) 9.34	12,017.64	5.85
2008-09	800.00	772.56	(-) 27.44	(-) 3.43	13,613.50	5.68
2009-10	900.00	919.01	(+) 19.01	(+) 2.11	17,272.77	5.32
2010-11	1,050.00	1,198.38	(+) 148.38	(+) 14.13	21,499.33	5.59

It may be seen that though there was an increasing trend in receipts during the years from 2006-07 to 2010-11, percentage of variation between BEs and actuals ranged between (-) 9.34 per cent and 14.13 per cent.



In 2010-11, the collection of taxes from motor vehicles increased by 30.4 per cent over the previous year which was attributed to increase in life-time tax and registration of more vehicles.

4.3 Analysis of budget preparation

No files regarding budget preparation were made available to the audit at Government level. However, we observed from the records available at the office of the Head of the Department that the budget estimates were prepared on an *ad hoc* basis without following any uniform criteria on estimating the receipts to be actually realised during the year.

4.4 Cost of collection

The gross collection in respect of taxes on vehicles, expenditure incurred on collection as furnished by the concerned Department and the percentage of expenditure to gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection for the relevant previous year are mentioned below:

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the previous year
2008-09	772.56	5.88	0.76	2.58
2009-10	919.01	12.63	1.38	2.93
2010-11	1,198.38	31.12	2.60	3.07

We noticed that the cost of collection is well below the all India average.

4.5 Working of internal audit wing

Internal audit wing (IAW) has been established in the Department with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination and checking the repetition thereof. During the year 2010-11, internal audit of 6 districts was planned against which internal audit was conducted only in 28 districts. The records of monthly and quarterly tax were scrutinised by the IAW in all districts. The Department had issued instructions on the objections for corrective measures.

4.6 Results of audit

Test check of the records of 26 units in 2010-11 relating to taxes on vehicles during the year revealed underassessment of tax and other irregularities involving ₹ 11.6 crore in 3,84 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Computerisation in the Motor Vehicles Department (A performance audit)	1	0.00
2.	Non/short levy of vehicle tax, penalty and composition fee on public service vehicles.	1,503	6.4
3.	Non/short levy of vehicle tax and penalty on goods vehicles.	1,578	3.63
4.	Other observations	763	1.2
	Total	3,845	11.46

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 46 crore in 1,89 cases, which were pointed out in audit during the year 2010-11 and realised ₹ 3.18 crore in 3,520 cases during the year 2010-11.

A few illustrative audit observations involving ₹ 10.9 crore and a Performance Audit on “**Computerisation in the Motor Vehicles Department**” highlighting important audit findings are mentioned in the following paragraphs.

4.7 Computerisation in the Motor Vehicle Department

Highlights

Registration certificates were issued for validity periods beyond the permissible period in 11,991 cases.

(Paragraph 4.7.7)

Driving licences to drive a transport/other than transport vehicle were issued for a period beyond permissible period.

(Paragraph 4.7.11)

Driving licence to drive motor vehicle with gear or light motor vehicle was issued to applicants who were minors.

(Paragraph 4.7.12)

In key fields either data was not entered or invalid data was entered.

(Paragraph 4.7.15)

In absence of validation checks duplicate insurance cover notes were used for 1,66,987 vehicles.

(Paragraph 4.7.19)

PAN data was not given due importance as it was not entered in the database in respect of 26,07,756 vehicles.

(Paragraph 4.7.20)

The locally developed application did not capture information relating to enforcement, insurance updation, applicant's biometrics for learner's licence etc. leaving scope for issue of improper driving licences or other misuses.

(Paragraph 4.7.21)

4.7.1 Introduction

Road Transport is a concurrent subject under the Indian Constitution. While the legislation and co-ordination of road transport among States is done by the Central Government, implementation of the various provisions of Motor Vehicles (MV) Act is done by the States.

The Central Government had been encouraging the States since January 2001 to work on standardised application formats so that the registration certificates/national permits/driving licences are readable throughout the country. In the year 2002, the Ministry of Road Transport and Highways, Government of India entered into a Memorandum of Understanding with the National Informatics Centre (NIC), New Delhi to develop standardised formats –VAHAN and SARATHI. The VAHAN software for registration of vehicles, collection of taxes, penalty etc. and the SARATHI software for issue of Learner's licence, Driving licence, Motor training school licence etc. were developed by the NIC for the whole country.

However, the State Government executed an agreement with M/s Smart Chip (I) Limited (SCL) in October 2001 for Smart card based registration of vehicles and driving licences on Build Own Operate (BOO) basis for a period of five years. In 2007, the contract on Build Own Operate and Transfer (BOOT) basis for issue of smart card based registration and driving licences was renewed upto December 2012 with the condition that the application should be compatible with VAHAN and SARATHI softwares developed by NIC and their database could be integrated with the database of NIC.

The application software of SCL uses Windows as the front-end application programme and IBM DB2 (9.5 version) for the backend database with three tier architecture.

4.7.2 Organisational setup

The Transport Department functions under the overall charge of the Principal Secretary (Transport). Issue of driving licences and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by three Deputy Transport Commissioners (DTC) and an internal audit wing at Headquarters level. There are 10 Regional Transport Offices¹ (RTOs), 10 Additional Regional Transport Offices² (ARTOs) and 30 District Transport Offices³ (DTOs) at the field level. The DTC (Enforcement) monitors the computerisation activities in the Department.

¹ Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar, Shahdol and Ujjain.

² Chhartarpur, Chhindwara, Dhar, Guna, Katni, Khandwa, Khargone, Mandsaur, Satna and Seoni.

³ Alirajpur, Anuppur, Ashoknagar, Balaghat, Barwani, Betul, Bhind, Burhanpur, Damoh, Datia, Dewas, Dindori, Harda, Jhabua, Mandla, Narsinghpur, Neemuch, Panna, Raisen, Rajgarh, Ratlam, Sehore, Shajapur, Sheopur, Shivpuri, Sidhi, Singrauli, Tikamgarh, Umaria and Vidisha.

4.7.3 Audit objectives

The performance audit was conducted to ascertain whether:

- the locally developed software facilitates creation of State and National Registers of vehicles and licences;
- the computerised system ensured correctness, completeness and accuracy of the data;
- mapping of business rules and provisions of Act was ensured; and
- the local applications for vehicle registration and driving licences are in alignment with the structure of VAHAN and SARATHI.

4.7.4 Scope and methodology of audit

A mention was made in Paragraph 4 regarding Computerisation Project in the Transport Department in the report of Comptroller and Auditor General of India (Revenue Receipts) of Government of Madhya Pradesh for the year ended 31 March 2007. The review has been discussed in the Public Accounts Committee (PAC) in its meeting held in July 2011. The recommendations of the PAC are awaited.

The data for the period April 2007 to June 2011 for the whole State were provided by the Transport Department in a client server and the same was analysed using the generalised audit software - IDEA (Interactive Data Extraction and Analysis) by audit during the period July 2011 to September 2011. The results of data analysis in respect of five field offices⁴ were cross checked with manual records.

4.7.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department for providing necessary information and records to audit. An entry conference was held in June 2011 to discuss the objectives, scope and methodology of audit. The Department was represented by the TC while the Dy. Secretary represented the Government. The exit conference was held in December 2011. The Principal Secretary and Secretary represented the Government while the TC represented the Department and their views have been duly incorporated in this report.

Audit Findings

4.7.6 Data capturing for State Register and transmission of data for National Register to NIC

The customised module developed by M/s SCL captures the data required for the State Register as per the requirement of the MV Act. The data for the National Register for registration of vehicles and data relating to driving

⁴ RTO- Bhopal, Gwalior, Jabalpur, Morena and ARTO- Satna.

licences for the State Register is transmitted on a daily basis through the server installed by NIC at the Data Centre situated in the office of the Transport Commissioner at Gwalior.

The Department endorsed (November 2011) the reply of SCL stating that data for National and State Register is maintained by NIC and data from Transport Department is made available to NIC which is ported by NIC automatically for the purpose of maintaining National and State Registers as per the guidelines of Ministry of Road Transport and Highways, Government of India.

The data analysis of the tables used for capturing and transmitting data for State/National Register had shown input, process and validation control deficiencies as discussed in subsequent paragraphs. These deficiencies affect the quality of data being captured for the State/National Register.

Mapping of business rules and provisions

4.7.7 Registration certificate validity beyond permissible period

According to Section 4(7) of the MV Act, a certificate of registration issued under sub-section (3) in respect of a motor vehicle, other than a transport vehicle, shall be valid only for a period of fifteen years from the date of issue of such certificate and shall be renewable for a period of five years at a time thereafter.

Analysis of the data in respect of 8 offices⁵ revealed that 11,991 registration certificates issued by the Department between April 2007 and June 2011 were for validity periods beyond the permissible period of 15 years. The results of the data analysis in respect of 23 registration certificates were confirmed through manual test

check of records made available in RTO, Bhopal and Morena.

The Department accepted the audit observation and stated (December 2011) that all the 11,991 registration certificates were issued in conversion and transfer of ownership cases and no such problem has been noticed in the case of new registrations. The reply of the Department is not tenable as the cases pointed out by audit include cases of new registration also.

4.7.8 Fitness issued beyond permissible period

According to Section 56 of the MV Act, 1988 and Rule 62 of the Central Motor Vehicles Rules, 1989 (CMVR), a certificate of fitness granted in respect of the transport vehicles shall be in Form 38 and such certificate when renewed shall be valid for a period of one year.

It was noticed in 886 cases pertaining to the period April 2007 to September 2010 in respect of 4 offices⁶ that fitness certificates were renewed for more than one year contrary to the provisions which has serious implications on road safety. Further, in 127 cases of non-transport vehicles

⁵ Except DTO- Alirajpur and Burhanpur.

⁶ Except DTO- Alirajpur, Ashok nagar, Burhanpur, Damoh, Dindori and Sheopur.

fitness certificates were issued/renewed beyond the permissible period. To verify the accuracy of the data, we checked the manual records in 90 cases made available to us and found that in 17 cases (14 two and one case respectively in Bhopal, Gwalior and Morena) the fitness certificates were issued beyond the permissible period. In the remaining 73 cases the starting date of fitness was incorrectly entered in the database though fitness certificate was found to have been correctly issued for the permissible period.

The Department accepted the audit observation relating to fitness certificates for transport vehicles and non-transport vehicles and for transport vehicle stated (December 2011) that the first version of the application was not designed to control the fitness validity as per MV Act. It was further stated that the application in use at present was controlling the fitness period correctly. With respect to non-transport vehicles it was stated that the validity of fitness was being stored with other data only till 2008. Expiry of registration now automatically applies on fitness certificates. With the updated software (October 2010) the repetition of instances pointed out by audit is ruled out.

4.7.9 Lack of continuity of registration numbers

The MV Act provides that a registering authority shall assign a unique mark (Registration number) in a series to every vehicle at the time of registration. Allotment of advance registration number (except reserve numbers which are notified by the Department/Government) for a vehicle is made at the request of a vehicle owner for a specific number chosen by him as per rule 55(a) of *Madhya Pradesh Motoryan Niyam*. In a single series, 9999 number can be allotted to vehicles, in a sequential manner, unless certain numbers are reserved or blocked at the request of the vehicle owner.

Analysis of sample data relating to buses revealed that in 95 cases of 'P' series of DTO, Shivpuri the registration numbers were not allotted in a sequential manner. In addition to this, the registration number of the subsequent series (e.g. PB) was allotted prior to the immediately preceding series (e.g. PA). This shows improper management of registration of vehicles. Besides, possibility of misuse of unallotted numbers cannot be ruled out.

4.7.10 Failure of the Department to levy penalty on delayed payment of vehicle tax

According to Section 13 of the *Madhya Pradesh Motoryan Karadhan Adhiniyam, 1991*, if the tax due has not been paid by the owner of the vehicle within the prescribed period i.e. up to 15th of each quarter in respect of goods vehicle, the owner would be liable to pay a penalty at the rate of four *per cent* per month on the unpaid amount of tax subject to a maximum of twice the amount of tax due.

Analysis of the data of goods vehicle in respect of 7 offices⁷ revealed that in case of 891 cases (vehicles having Registered Laden Weight (RLW) 16200 Kgs) and 971 cases (vehicle having RLW 25000 Kgs) vehicle tax was paid between April 2010 and March 2011 with a delay of one to 12 months. Penalty was, however, not imposed.

This resulted in non-levy and recovery of penalty amounting to ₹ 8.25 lakh. Results of the data analysis were confirmed by manual test check of records in respect of 33 cases out of 53 cases which were made available in RTO, Gwalior. This reflects that there is no provision in the software to work out penalty for delayed payment of tax.

4.7.11 Driving licence to drive a transport/other than transport vehicle issued beyond permissible period

According to Section 14 of MV Act, a driving licence issued or renewed to drive a transport vehicle/other than transport vehicle be effective for limited period of three years/20 years or the age of 50 years, whichever is earlier, and after the age of 50 years, licence is renewed for a period of five years at a time.

Analysis of the data in respect of 4 offices⁸ revealed that in the case of 72 driving licences issued to drive transport vehicles and 1,051 driving licences issued to drive other than transport vehicles, the validity of these driving licences was beyond the permissible period. The

results of the data analysis were confirmed by manual test check in eight records out of 18 records made available in RTOs, Gwalior and Morena.

The Department accepted the audit observation and stated (December 2011) in respect of driving licences issued for transport vehicles that reasons for such lacunae are being analysed to enable incorporation of appropriate checks to prevent such recurrence in future. In respect of driving licences issued for non-transport vehicles, it was stated that the facility of manual feeding of data has been withdrawn now and therefore such instances would not recur in future.

⁷ Except DTO- Alirajpur, Burhanpur and Neemuch.

⁸ Except ARTO- Dhar, Katni, DTO- Alirajpur, Ashoknagar, Burhanpur, Dewas, Dindori, Jhabua and Sheopur.

4.7.12 Driving licence issued to minor applicants

According to Section 41) of the MV Act, no person under the age of eighteen years shall drive a motor vehicle in any public place, provided that a motor cycle with engine capacity not exceeding 50CC may be driven in a public place by a person after attaining the age of sixteen years.

Analysis of the data in respect of five offices⁹ revealed that six driving licences were issued to minors to drive a vehicle with gear or non-transport light motor vehicle.

The Department accepted the audit observation and

stated (December 2011) that necessary updation in the software is in progress to rule out any such recurrence in future.

4.7.13 Driving licence issued to persons having more than one driving licence

According to Section 6(1) of the MV Act, 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 or a driving licence issued in accordance with the provisions of Section 18 or a document authorising, in accordance with the rules made under Section 139, the person specified therein to drive a motor vehicle.

Analysis of the data in respect of 4 offices¹⁰ revealed that 1,165 persons were holding two driving licences. Manual test check of records in RTO, Gwalior revealed that three persons were holding two driving licences.

The system should be designed to check whether any licence in any category

has been allotted to the applicant at the time of processing of application for a driving licence.

The Government stated during the exit conference that the possibility of inbuilt biometric verification in the system of the person applying for issue of driving licence would be explored and implemented, if found feasible.

Input, process and validation control deficiencies

Input Controls guarantee that (i) the data received for processing are genuine, complete, not previously processed, accurate and properly authorised and (ii) data are entered accurately and without duplication. Input control is extremely important as the most important source of error or fraud in computerised systems is incorrect or fraudulent input. Controls over input are vital to the integrity of the system.

The accuracy of data input to a system can be controlled by imposing a number of computerised validity checks on the data presented to the system. Automated validation checks should be sufficient to ensure that all data

⁹ RTO- Bhopal, Indore, Jabalpur and DTO- Barwani and Sehore.

¹⁰ Except DTO- Alirajpur, Anuppur, Ashoknagar, Burhanpur, Dindori, Sheopur, Singrauli and Umaria.

accepted into the system is capable of acceptance by all subsequent process, including acceptance into other systems where there is an automatic transfer of data.

We however, noticed that these controls were deficient as discussed in the succeeding paragraphs.

4.7.14 Existence of duplicate entries

Chassis numbers, engine numbers and registration numbers are unique identification marks of a vehicle which are essential for the purpose of its registration under the provisions of the MV Act.

A mention was made in the para no. 4.8.2 of the report of the Comptroller and Auditor General of India (Revenue Receipts) of Government of Madhya Pradesh for the year ended March 2007 regarding existence of duplicate entries. The Government had

accepted the audit observation and stated (September 2007) that the software was being modified to include essential application controls for checking the duplicate entries.

With a view to further ascertain the position we analysed the database in respect of 39 offices¹¹ and still found duplicate entries in the database. Out of 26,4,369 vehicles registered during the period April 2007 to June 2011, 40 vehicles were registered with duplicate chassis numbers and 4 vehicles were registered with duplicate engine numbers. In case of 23 vehicles, registration numbers already issued to other vehicles were allotted.

The Department stated (December 2011) that duplicate entries pointed out in audit occurred due to partial recording of Engine and Chassis numbers in sale letters issued by the auto-mobile dealers. The reply is not tenable as manual verification of records in four¹² offices revealed that the error occurred in 52 cases due to incorrect data entry.

4.7.15 Data not entered/invalid data entered in key fields

According to the MV Act, tax is levied based on parameters like sale amount and unladen weight in respect of private motor cars, motorcycles etc., seating capacity in case of passenger vehicles like stage carriages and contract carriages and laden weight in the case of goods vehicles.

Analysis of the registration database revealed that certain key fields contained the value as zero/invalid values in several records.

The audit findings are summarised below:

- Unladen weight was not entered in 4,82 cases
- Cubic capacity was not entered in 1,03,364 cases

¹¹ Except RTO- Morena, DTO- Alirajpur, Anuppur, Ashoknagar, Barwani, Bhind, Burhanpur, Dindori, Sheopur, Shivpuri and Singrauli.

¹² RTO-Bhopal, Gwalior, Jabalpur and ARTO-Satna.

- Seating capacity was not entered in 21,828 cases out of which 11 were passenger vehicles.
- Sale amount was not entered in 19,629 cases.
- Sale amount was entered as more than ₹ 1 crore in 1,587 cases.
- Sale amount entered was \leq ₹ 1,000 in 3,81,541 cases.
- Commencement date of insurance cover was of a date subsequent to registration date in 1,004 cases.
- The date of expiry was before the date of renewal/issue of driving licence in five cases.
- The date of expiry was same as date of issue of driving licence in one case.
- The validity of the driving licence was entered as 31-December-9999 in one case.

Non/invalid entry of data in the above key fields indicated deficiency in input controls and absence of supervision.

The Department remarked (December 2011) as follows :

- Sale amount cases- The cases reported by audit are related to vehicles where the master data did not exist prior to year 2008. However, registration of vehicle is not possible now without pre-determined vehicle price.
- Missing cases- The cases pointed out by audit relate to old data digitised on the basis of manual records. However, the updated software ensures non-recurrence of such cases.
- In respect of cases relating to date of expiry prior to date of renewal/issue of driving licence, it was stated that the problem has now been rectified; and
- In the case where validity was shown as 31-December-9999, it was stated that the data entry error was overlooked during authorisation process. The system has been updated to prevent such recurrence.

The reply of the Department with respect to sale amount cases and missing cases is not tenable as the sale amount cases pointed out by audit include cases subsequent to the year 2008 also. Similarly, the missing cases relate to vehicles registered during the period April 2007 to June 2011. Further, as the sale amount is the amount on which tax liability depends, the system may provide for such checks that wherever value in this field is missing or is 'zero' it should validate such entries with a suitable field in the system.

4.7.16 Lack of data validation

The MV Act and Rules provide certain basic parameters for certain class or categories of vehicles. For example, the laden weight of goods carriage should not exceed 9,000 kg, seating capacity of two wheelers should not exceed three and insurance cover note validity should not exceed one year.

Analysis of the data revealed a large number of unusual and improbable/incorrect data in the database that implies unreliability of data and inadequate supervision over data input.

We observed that:

- The date of expiry of insurance was the same as the date of commencement of insurance in 193 cases.
- Two wheelers were shown as having seating capacity of more than three in 58 cases.
- Laden weight (RLW) exceeded 9,000 kg in 23 cases.
- Validity of insurance cover note exceeded one year in 26,370 cases.
- Date of manufacture and date of registration was the same in 10,975 cases.
- Agency code was entered in place of insurance cover note number in eight cases.
- The validity of renewal licence was for a period of 16 to 1,504 days in 1,299 cases.
- Duplicate PAN number was entered in 56 cases with different names.

The Department in respect of two wheelers having seating capacity of more than three accepted the audit observation and stated (December 2011) that the software has been updated to check such cases. In respect of validity of renewal licences for a period of 16 to 1504 days, the Department accepted the audit observation and assured to take remedial action. With regard to cases relating to laden weight greater than 9,000 Kg, it was stated that the cases pointed out by audit relate to old data digitised on the basis of manual records. However, the updated software ensures non-recurrence of such cases.

The reply of the Department with respect to cases relating to laden weight is not tenable as the vehicles were registered during the period April 2007 to June 2011.

4.7.17 Blank fields in the database

Scrutiny of the database revealed that many crucial fields were left blank. Further, in many records, a number of fields were having 'negative' or 'zero' or 'junk' values or were left blank. The details of the records are as mentioned in the following table:

Field	Field details	Number of records
Owner name	Blank	1
Insurance cover note	blank/junk	9,81,818
Insurance company name	Blank	0,821
PAN number	blank/junk	26,16,186
Owner income	zero	26,19,062
Father's name	blank/junk	1,05,011
Chassis number	blank/junk	19,939
Engine number	blank/junk	30,855
Insurance cover note number	alfa/0/ one digit	1,89,41
Driving licence testing authority	Blank	1,208

The Department in respect of driving licence testing authority accepted the audit observation and stated (December 2011) that the software has been updated to check such cases. With respect to missing owner name, it was stated that the case pointed out by audit relates to old data digitised on the basis of manual records and that the updated software ensures non-recurrence of such cases.

The reply of the Department with respect to missing owner name is not tenable as the case relates to vehicles registered in the month of March 2010.

4.7.18 Issue of same driving licence number to two persons

22 offices¹³ (Driving licence) and eight¹⁴ offices (Learner's licence)

Driving licence number is unique identification mark of driving licence holder which is essential for the purpose of driving a vehicle under the provisions of the MV Act.

Analysis of the database revealed that 661 driving licence numbers were issued to 1,322 persons and 12 learning licence numbers were issued to 24 persons. During manual test check of data in two field

offices at RTOs Bhopal and Gwalior it was found that driving licence having the same number was issued to two persons in five cases. These were data entry errors which remained undetected resulting in existence of faulty entries in the database.

The Department stated (December 2011) that cases related to a single RTO and server of the RTO had crashed, as a result of which the sequences could not be reset for Driving Licence (DL) and Learner's Licence (LL) owing to data loss. It was further stated that there has not been any other incident of this nature before and after the above case. The reply is not tenable as the irregularity pointed out in audit existed in more than one office.

¹³ RTO- Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar, Ujjain, ARTO- Chhindwara, Dhar, Guna, Khandwa, Khargone, Mandsaur, Satna, DTO- Barwani, Betul, Bhind, Dewas, Harda, Jhabua, Sheopur and Tikamgarh.

¹⁴ RTO- Hoshangabad, Indore, Shahdol, ARTO- Dhar, Katni, DTO- Balaghat, Harda and Tikamgarh.

4.7.19 Registration of two or more vehicles under the same insurance cover note

According to Section 14 of the MV Act, no person shall use a motor vehicle in a public place, unless there is in force in relation to the use of the vehicle, a valid insurance.

Analysis of the database in respect of 4 offices ¹⁵ revealed that there were 1,66,987 vehicles with repeated insurance cover note number (same cover note for two or more vehicles).

Further analysis and manual test check of records in respect of 64 vehicles made available in RTO,

Gwalior and Morena confirmed that 12 insurance cover notes were used for 34 vehicles. In the remaining 30 vehicles, the insurance cover note number was incorrectly entered in the system. We found that these were because of incorrect data entry in the system as in the manual records the insurance cover notes were different.

Other irregularities

4.7.20 PAN data not given due importance

According to the GOI notification*, mentioning the PAN/GIR number in the application at the time of registration of vehicle is mandatory. The main purpose for obtaining the PAN is availability of data, if required by the Income Tax Department or other authorities.

We found that for 26,07,756 vehicles PAN number was missing. It could not be ascertained whether the PAN number was not filled in the application by the owner at the time of registration of vehicle or though filled in was not

captured while entering the data. In the first place, in case PAN number was not filled in the application then the application should not have been accepted or an undertaking should have been taken from the applicant that PAN number had not been allotted to the applicant.

The Department stated (November 2011) that though under the MV Act, PAN is not a mandatory field, however, the application supports its inclusion. It is true that the application supports inclusion of PAN but as observed by audit, no importance has been given for inclusion of this crucial information in the database.

The Government during the exit conference accepted the view of audit that due importance needs to be given for capturing the PAN data details in accordance with the direction of the Government of India.

¹⁵ Except RTO- Hoshangabad, ARTO- Dhar, DTO- Alirajpur, Burhanpur, Harda, Shajapur and Vidisha.

* 00(E) dated 31.05.2002.

4.7.21 Locally developed application

The locally developed system presently captures most of the information required to be incorporated in the VAHAN and SARATHI softwares relating to vehicle registration and driving licence, except for the following sub-modules/fields:

- Enforcement module;
- Insurance updation;
- Capturing applicants' biometrics for learner's licence;
- Application number/date; and
- Test date field for capturing the date of the test for driving licence.

The Department stated (December 2011) that the sub-modules which have not been developed were not part of the scope of work of the concessionaire. The reply is not tenable as the SCL was required to develop the software in a manner so as to make it compatible with the softwares (VAHAN and SARATHI) developed by the NIC. Regarding the test date field for capturing the date of test for driving licence, it was stated that this field is there in the software. We do not agree as the database made available to us did not show that the data on the test date was being captured through the software.

4.7.22 Provisions for online services

The citizens of Madhya Pradesh have been provided the following online services enabling them to get the work done/receive information from the comfort of their home/office at a time suitable to them:

(a) **Online Transaction Services**

1. Online Tax/Fee payment
2. LL/DL Appointment system
3. Online permit application system

(b) **Online Informative Services**

1. E-Sewa
2. MIS Portal
3. SMS Service

The Department is, however, yet to provide the online facility of providing status of the application so that an applicant may track the progress of his/her application.

In the exit conference the Government and the Department opined that the facility of tracking the status of an application would be made available, if feasible, on the website of the Department.

4.7.23 Non-development of technical expertise within the Department

Any IT system though initially developed/implemented through outsourcing has to be invariably taken over by the Department, eventually, by developing expertise within the Department. The data captured through the application is

very critical since it involves personal data relating to the vehicle owners and insurance details besides revenue particulars.

We noticed that the employees of the SCL handled the entire data entry at the departmental counters and were also responsible for administration of the database and hardware. We further observed that efforts were not made to develop expertise within the Department to handle the database entry and administration function and the Department is completely dependent on the concessionaire for all its activities. No departmental officer is being trained simultaneously on operation of the system. Thus, in the event of the concessionaire abruptly abandoning the work, the Department will not be in a position to handle the work independently, leading to possible disruption of work in the transport office.

The Department stated that training is being regularly conducted at the individual RTOs based on the need assessment. However, the Department did not furnish details of personnel trained and the area in which training was imparted.

4.7.24 Delay in issue of smart card based Registration Certificate

According to the agreement the vendor was to issue the smart card based registration certificates (RC) within 24 hours of collection of application from the dealing clerk, failing which the Department was required to impose maximum late fine of ₹ 5 per deviation.

Test check of records in four offices¹⁶ revealed delays ranging between two to 29 days for which the Department was required to impose late fine for the delay in issue of smart card

based RC.

These offices accepted the audit observation and stated that they were not aware as to any action which was to be taken. This shows that the Department has not made available the information to its field offices on the basis of which action for recovery of late fine could be initiated against the concessionaire *viz* SCL.

4.7.25 Non-provision of fire fighting equipment at field offices

Fire can have disastrous consequences and affect operations. The early detection of fire and employing means for extinguishing the fire is important for effective functioning of the project.

According to the agreement (December 2007), fire safety management is to be provided at every centre by the SCL.

We noticed during test check that there were no fire alarms or fire extinguishers in RTO, Jabalpur and ARTO, Satna.

¹⁶ RTO- Bhopal, Gwalior, Jabalpur and ARTO- Satna.

4.7.26 Conclusion

The task of computerisation was entrusted to M/s SCL on Build Own Operate and Transfer (BOOT) basis. While data capturing for State Register and National Register is being done, we found that business rules were not correctly mapped in the system. Completeness, accuracy and integrity of data entered and processed was not ensured due to deficient input, validation and supervisory controls.

Cases of duplicate insurance cover note, engine number and chassis numbers were noticed. Besides, many fields in the data contained junk data or the fields were left blank.

The information relating to insurance updation and biometrics for learner licences is not being captured resulting in the Department not being in a position to disseminate this information required by other agencies and by not capturing biometrics the Department is denying itself of vital information. There is lack of technical expertise in the Department to handle the computerised system independently.

4.7.27 Recommendations

The Government/Department may consider:

- modifying the software to fulfill the requirements of business rules like generation of demand notice, penalty for delayed payment of tax etc. for better enforcement of the Act and rules;
- introducing proper input and validation checks as well as ensuring adequate supervision over data entry to ensure data integrity; and
- training departmental officials in the system management and database operations.

4.8 Non-realisation of vehicle tax and penalty on vehicles

Twenty six District/Regional Transport offices

According to provisions of *Madhya Pradesh Motoryan Karadhan Adhiniyam (Adhiniyam)*, 1991, tax shall be levied on every vehicle used or kept for use in the State at the rates (monthly/quarterly) specified in the first schedule to the *Adhiniyam*. If the owner of the vehicle defaults in making payment of tax, he shall be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax which shall not be more than twice the amount of tax.

Review of demand and collection register, permit and vehicle surrender register, NOC issuance register and computer systems (wherever made available) between April 2010 and January 2011 revealed that vehicle tax amounting to ₹ 6.04 crore in respect of 2,771 vehicles for the period between April 2006 and March 2010 was not paid by the vehicle owners. Besides, no action

was taken by the Taxation Authorities (TAs) to detect such vehicles and recover the tax according to provisions of *Adhiniyam* and the Rules made thereunder. A penalty of ₹ 2.90 crore though leviable was not levied. This resulted in non-realisation of Government revenue of ₹ 8.94 crore as mentioned below:

(₹ in crore)

Sl. No.	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total (5+6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	26 ¹⁷	<u>Goods vehicles</u> 1,479	1/08 to 3/10	2.24	1.09	3.33
2	25 ¹⁸	<u>Public service vehicles kept as reserve</u> 574	4/06 to 3/10	1.70	0.79	2.49
3	25 ¹⁹	<u>Public service vehicles plying on regular stage carriage permits</u> 283	11/07 to 3/10	1.46	0.68	2.14

¹⁷ Regional Transport Officer (RTO)- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar, Shahdol and Ujjain, Additional Regional Transport Officer (ARTO)- Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Khargone, Mandsaur, Satna and Seoni, District Transport Officer (DTO)- Betul, Datia, Jhabua, Neemuch, Ratlam, Shivpuri and Sidhi.

¹⁸ RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain, ARTO- Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Khargone, Mandsaur, Satna and Seoni, DTO- Betul, Datia, Jhabua, Neemuch, Ratlam, Shivpuri and Sidhi.

¹⁹ RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar, Shahdol and Ujjain, ARTO- Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Khargone, Mandsaur, Satna, and Seoni, DTO- Betul, Datia, Jhabua, Ratlam, Shivpuri and Sidhi.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
4	22 ²⁰	Maxicab 435	4/08 to 3/10	0.64	0.34	0.98
	Total	2771		6.04	2.90	8.94

After we pointed out the cases (between April 2010 and January 2011), 15 TAs²¹ stated (between July 2010 and August 2011) that ₹ 73.95 lakh had been recovered in 380 cases and demand notices had been issued in the remaining cases. The TAs Morena and Guna stated that an amount of ₹ 1.33 lakh is not recoverable in four cases because NOC was issued in two cases and vehicle was converted into school bus in two cases. Reply is factually not correct because in one case of Guna an amount of ₹ 19,872 was recovered at the time of issuance of NOC which was issued after April 2010 and in one case of Morena, issuance of NOC or deposit of tax was not found. In the remaining two cases non-payment of tax was regularised by deposit of tax at the rate specified for school bus {verified from the website (MP Transport) of the Department}. In other cases the remaining TAs stated that action would be taken/recovery would be made as per rule.

The matter was reported to the Transport Commissioner (TC) and the Government between February and May 2011; their reply has not been received (March 2012).

²⁰ RTO- Bhopal, Gwalior, Hoshangabad, Morena, Rewa, Sagar, Shahdol and Ujjain, ARTO- Chhatarpur, Chhindwara, Guna, Khandwa, Khargone, Mandsaur, Satna and Seoni, DTO- Betul, Jhabua, Neemuch, Ratlam, Shivpuri and Sidhi.

²¹ RTO- Gwalior, Jabalpur, Morena, Rewa, Sagar and Shahdol, ARTO- Chhatarpur, Chhindwara, Guna, Khandwa and Khargone and DTO- Betul, Jhabua, Neemuch and Ratlam.

4.9 Levy of vehicle tax at incorrect rate and non-levy of penalty

RTO, Bhopal

According to the section 2(33) of Motor Vehicles Act, 1988 "private service vehicle" means a motor vehicle constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with his trade or business otherwise than for hire or reward but does not include a motor vehicle used for public purposes. The vehicle tax is leviable on private service vehicles at the rate specified under item no. VII of the first schedule to *Adhinyam*. If the owner of the vehicle defaults in making payment of tax, he shall be liable to pay penalty at the rate of four *per cent* per month. In case of non-payment, the TA is required to issue a demand notice and recover the dues as arrears of land revenue.

Review of demand and collection register and temporary permit issue register (January 2011) revealed that 160 temporary permits were granted by the TA to owners of 68 private service vehicles to carry the staff of factories during the period between April 2009 and March 2010. The TA however, allowed levy of tax thereon at a lower rate specified for vehicles of city

services. This resulted in short levy of tax of ₹ 53.73 lakh and non-levy of penalty of ₹ 34.25 lakh.

We reported the matter to the Transport Commissioner and the Government between March and May 2011; their reply has not been received (March 2012).

4.10 Short realisation of vehicle tax and non-levy of penalty on motor vehicles

Twelve District/Regional Transport offices²²

According to section 3(1) of the *Adhinyam*, tax shall be levied on every motor vehicle used or kept for use in the State at the rate specified in the first schedule. In case of public/ private service vehicle, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under section 13 of the *Adhinyam* *ibid*.

Review of demand and collection register, permit deposit register, vehicle surrender register and NOC issue register (between April 2010 and January 2011) revealed that vehicle tax in respect of 71 motor vehicles for the period between September 2007 and March 2010 was paid short by the

²² RTO- Bhopal, Gwalior, Hoshangabad, Jabalpur, Sagar and Shahdol, ARTO- Guna, Katni, Khargone and Mandsaur and DTO- Datia and Neemuch.

vehicle owners either due to application of incorrect rate of tax or deposit of tax at lower rates. Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 17.10 lakh. Besides, a penalty of ₹ 8.64 lakh was also leviable on the unpaid amount of tax, but was not levied.

After we pointed out the cases (between April 2010 and January 2011), five TAs²³ stated (between July 2010 and August 2011) that an amount of ₹ 70,224 had been recovered in four cases and in remaining cases demand notices had been issued to the defaulting vehicle owners.

We reported the matter to the Transport Commissioner and the Government between February and May 2011; their reply has not been received (March 2012).

4.11 Non-realisation of penalty

Twenty four District/Regional Transport offices²⁴

According to the provisions of section 13 of *Adhiniyam*, if the tax due in respect of any motor vehicle is not paid on the due date as specified in section 5, the owner shall, in addition to payment of tax due, be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax but not exceeding twice the unpaid amount of tax. Rule 10(1) of *Madhya Pradesh Motoryan Karadhan Niyam (Niyam)*, further specifies that the penalty shall be paid by the owner of the vehicle along with the amount of tax.

A review of the demand and collection register and the computerised systems (wherever made available) (between April 2010 and January 2011) revealed that vehicle tax in respect of 535 motor vehicles was paid by the owners during the period between April 2008 and March 2010 after delays ranging from one to 51 months. However, penalty was neither paid by the owners along with tax, nor was it demanded by the TAs. This resulted in non-realisation of penalty of ₹ 23.56 lakh.

After we pointed out the cases, 14 TAs²⁵ stated (between July 2010 and August 2011) that an amount of ₹ 4.59 lakh had been recovered in 150 cases and demand notices had been issued in the remaining cases.

We reported the matter to the Transport Commissioner and the Government between February and May 2011; their reply has not been received (March 2012).

²³ RTO- Gwalior and Shahdol, ARTO- Guna and Khargone and DTO- Neemuch.

²⁴ RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar, Shahdol and Ujjain, ARTO- Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Khargone, Mandsaur, Satna and Seoni and DTO- Betul, Neemuch, Ratlam, Shivpuri and Sidhi.

²⁵ RTO- Gwalior, Jabalpur, Morena, Rewa, Sagar and Shahdol, ARTO- Chhatarpur, Chhindwara, Guna, Khandwa and Khargone and DTO- Betul, Neemuch and Ratlam.

4.12 Incorrect levy of vehicle tax and non-levy of penalty on public service vehicles having all India tourist permits

RTO, Gwalior

According to Section 2(43) of the Motor Vehicles Act, 1988 "tourist vehicle means a contract carriage constructed or adapted and equipped and maintained in accordance with such specifications as may be prescribed in this behalf". Further Section 88(9) specifies that the provisions of Section 73 & 74 shall, as far as may be possible, apply in relation to such contract carriage permit. The vehicle tax, in respect of contract carriage having seating capacity exceeding 12 shall be levied at the rate specified in the first schedule to the *Adhiniyam*. As per *Niyam*, tax at the rate prescribed for reserve vehicle should only be payable, if permit is surrendered by permit holder. If the tax due has not been paid within the prescribed period, penalty is also leviable.

During review of the demand and collection register and permit deposit register (September 2010) we found that 10 operators having 11 all India tourist permits in respect of 11 public service vehicles did not surrender permits during the period between April 2009 and March 2010. The TA, however, allowed levy of tax thereon at the rate specified for reserve vehicles in place of tourist permits or contract carriages. This resulted in short levy of vehicle tax of ₹ 7.10 lakh and non-levy of penalty of ₹ 3.04 lakh.

After we pointed out the cases (September 2010), the

TA stated (December 2010) that demand notices had been issued to the defaulting vehicle owners.

We reported the matter to the Transport Commissioner and the Government between February and May 2011; their reply has not been received (March 2012).

4.13 Non-levy of vehicle tax and penalty on public service vehicles plying on all India tourist permits

RTO, Jabalpur

All India tourist permit is granted by the State Transport Authority (STA) under section 88(9) of the Motor Vehicles Act, 1988. Tax is payable at the rates prescribed in the first schedule of the *Adhiniyam*, 1991. If the tax due has not been paid within the prescribed period, penalty is also leviable.

A review of the demand and collection register, permit deposit register, vehicle surrender register, NOC issue register and check of the computer system (May 2010) revealed that two operators did not pay vehicle tax in respect of three public service vehicles plying on all India

tourist permits for the period between April 2009 and March 2010, nor was it demanded by the TA. This resulted in non realisation of tax of ₹ 5.73 lakh. Besides, a penalty of ₹ 1.53 lakh was also leviable.

We reported the matter to the Transport Commissioner and the Government between February and May 2011; their reply has not been received (March 2012).