CHAPTER – V
TAXES ON MOTOR VEHICLES

5.1 Introduction

5.1.1 Tax revenue administration

Levy and collection of taxes and other receipts under the Motor Vehicles sector are regulated by the Central Motor Vehicles Act, 1988, Bombay Motor Vehicle Tax Act, 1958, and the Bombay Motor Vehicles Transportation of Passengers Act, 1958 and the Rules made thereunder. These Acts and Rules are implemented by the Transport Commissioner under the overall control of the Principal Secreta ry (Transport) to the Government in Home Department, assisted by an Additional Commissioner, a Joint Commissioner, Deputy Commissioners and Regional and Deputy Transport Officers. The motor vehicles receipts mainly comprise of taxes on motor vehicles and taxes on goods and passengers.

5.1.2 Trend of revenue

The actual receipts from motor vehicle tax etc., during the years 2006-07 to 2010-11 and the total tax receipts of the State during the same period is exhibited in the following table.

(₹ in crore)

Year	Budget estimates[1]	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	1,410.10	1,841.06	(+) 430.96	(+) 30.56	40,099.24	4.59
2007-08	2,070.00	2,143.11	(+) 73.11	(+) 3.53	47,528.41	4.51
2008-09	2,426.18	2,220.22	(-) 205.96	(-) 8.49	52,029.94	4.27
2009-10	2,600.00	2,682.30	(+) 82.30	(+) 3.17	59,106.33	4.54
2010-11	2,860.00	3,532.90	(+) 672.90	(+) 23.53	75,207.09	4.70

As can be seen from the above table, the revenue collection under motor vehicle increased by 92 *per cent* in 2010-11 as compared to 2006-07.

5.1.3 Cost of collection

The gross collection in respect of motor vehicle tax receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2008-09, 2009-10 and 2010-11 alongwith the relevant all India average percentage of expenditure on collection to gross collection for the year 2009-10 are given in the following table:

---

[1] Original budget estimates.

(₹ in crore)

Head of revenue	Year	Gross collection[2]	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2009-10
Taxes on vehicles	2008-09	2,220.22	57.93	2.61	3.07
	2009-10	2,682.29	76.96	2.86	
	2010-11	3,532.90	90.62	2.56	

As can be seen from the above table, the overall cost of collection of taxes on motor vehicles for the year 2008-09 to 2010-11 is marginally lower than the all India average for the year 2009-10.

5.1.4 Impact of Audit Reports

Revenue impact

During the last five years i.e. 2005-06 to 2009-10 we had pointed out cases of underassessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 8.15 crore in 5,874 cases. Of these, the Department had accepted audit observations in 5,381 cases involving ₹ 7.80 crore and had recovered ₹ 0.94 crore in 1,192 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	456	0.67	456	0.67	161	0.18
2006-07	509	0.60	509	0.60	194	0.15
2007-08	633	0.91	633	0.91	200	0.16
2008-09	1,080	1.47	1,080	1.47	335	0.33
2009-10	3,196	4.50	2,703	4.15	302	0.12
Total	5,874	8.15	5,381	7.80	1,192	0.94

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.

[2] Figures as per the Finance Accounts.

5.1.5 Results of audit

We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 14.14 crore in 1,056 cases as shown below, on the basis of test check of the records of taxes on motor vehicles conducted during the year 2010-11:

(₹ in crore)

Sl. no.	Nature of receipts	No. of cases	Amount
1.	**Computerisation of the Motor Vehicle Department (A Performance Audit)**	1	2.03
2	Non/short levy of tax due to application of incorrect rates	1,055	12.11
	Total	**1,056**	**14.14**

In response to our observations in the local audit reports during the year 2010-11 as well as during earlier years, the Department concerned accepted the underassessment, short levy, etc. and recovered ₹ 25.41 lakh in 327 cases, out of which 39 cases involving ₹ 2.38 lakh were pointed out during the year 2010-11 and the rest during the earlier years.

A Performance Audit on **"Computerisation of the Motor Vehicles Department"** with a tax effect of ₹ 2.03 crore and few audit observations involving ₹ 1.53 crore are included in the following paragraphs against which ₹ 24.97 lakh has been recovered upto September 2011.

5.2 Performance Audit on "Computerisation in the Motor Vehicle Department"

Highlights

VAHAN was implemented in 40 out of 46 RTO offices, since its inception in December 2006. Non-creation of State Register for Driving Licence and non-capturing of legacy data, the ultimate objective of creation of a State register and national database for registered vehicles/driving license was not fully achieved. Enforcement Module for prosecution cases was also not operationalised.

(Paragraph 5.2.6 and 5.2.12)

Incorrect categorisation of vehicles owned by companies as of individuals and imported vehicles as domestic, resulted in possible short levy of tax of ₹ 57.93 lakh.

(Paragraph 5.2.7.2)

Issue of unauthenticated 'bogus' smart cards in respect of 65,171 Vehicle Registration Certificates and 3,34,806 driving licences in all the nine test checked offices defeated the objectives to issue secure smart card based licences and registration certificates.

(Paragraph 5.2.9.1 and 5.2.15.1)

Lacunae in the Vahan system enabling the user to make use of the option to alter the component of interest amount resulted in possible non-levy of interest of ₹ 50.90 lakh.

(Paragraph 5.2.9.3)

Instead of allotting registration numbers to vehicles serially the RTO officials skipped the serials through manual intervention. This resulted in non-recovery of fees applicable to reservation of jumping numbers having possible revenue loss of ₹ 30.97 lakh.

(Paragraph 5.2.7.1)

Delay in allotting registration numbers, though Departmental procedures were completed, resulted in allotment of numbers as per applicant's choice, without recovery of fees applicable for choice numbers involving possible revenue loss of ₹ 8.66 crore involving 39,611 vehicles.

(Paragraph 5.2.7.6)

Sixteen vehicles were registered twice under Regional Transport Office (RTO), Pune as well as Dy. RTO, Pimpri-Chinchwad, since interconnectivity between the offices was not established.

(Paragraph 5.2.8.4)

Despite contracting out on build-own-operate-transfer (BOOT) basis for issue of 'Smart Cards' for registrations/licences, we saw that only 8 *per cent* and 14 *per cent* smart card based registration certificates and driving licences respectively, were issued within the time frame for such services.

(Paragraph 5.2.10.1 and 5.2.16.2)

Our analysis of 32,73,980 licence records on Sarathi system in Mumbai Region revealed that 5,378 persons bearing same name, father/husband's name and DOB have been issued 10,756 licences and 28 persons have been issued 92 licences. In six offices in the Nagpur Region 764 licenses were issued to 382 persons.

(Paragraph 5.2.14.1)

Absence of guidelines in respect of job and responsibility for various stages of work flow and weak enforcement of safeguards in the system exposed the system to the risk of unauthorised access. At RTO, Andheri 79,464 unauthenticated driving licences were issued and 70 *per cent* of licenses issued in nine offices of Mumbai Region were with approvals of clerical staff instead of the RTOs concerned. Due to the deficient controls, absence of supervision checks and non-operationalisation of MIS system available in Sarathi, resulted in the issue of unauthenticated licences.

(Paragraphs 5.2.15.3 and 5.2.15.4)

5.2.1 Introduction

The Transport Department of the Government of Maharashtra (GoM) is governed by the Motor Vehicle (MV) Act, 1988, the Central Motor Vehicle (CMV) Rules, 1989, Maharashtra Motor Vehicle (MMV) Rules, 1989, the Bombay Motor Vehicles Tax (BMVT) Act, 1958 and the Bombay Motor Vehicles Tax Rules, 1959. The Transport Department is primarily responsible for enforcement of the provisions of the Act and the Rules framed thereunder, which includes the collection of taxes and fees, issuance of the vehicle registration certificates and driving licences.

The Government of India, Ministry of Road Transport and Highways had embarked upon a scheme for creation of National Database Network by introduction of Information Technology in the Road Transport Sector. The Scheme was implemented through National Informatics Centre (NIC) and was desired to be operated in such a way that data from all the RTOs in the state flows in the 'State Register' which in turn was to be captured at the National level. Two software, Vahan, that dealt with registration of vehicles and Sarathi, that dealt with the issue of licenses were designed by the NIC for this purpose.

The GoM in 2006 started the computerisation of registration of vehicle and issue of optical smart card based vehicle registration certificates (VRCs) with an objective of making the Registration Certificate (RC) book last longer and making them difficult to forge and more secure with Vahan as application software. Simultaneously, the computerisation of driving licences (DLs) and issue of smart card was started with an objective of making the licences last longer, difficult to forge, helpful for enforcement agencies to record and keep track of the offences committed and minimising the time taken for processing the application and the delivery documents with Sarathi as application software. The applications software implemented with IBM DB2 as database and application programme in Visual Basic. The projects were implemented by the Department on BOOT basis who appointed private agencies M/s. Shonkh Technologies International Limited (Shonkh) for computerisation of vehicle registration and M/s. United Telecom Limited (UTL) for computerisation of learner licences and driving licences for a period of 15 years from the date of execution of the agreement or till such time one crore cards were issued whichever was earlier and 10 years respectively. The optical smart card based vehicle registration was operational in 40 of the 46 RTOs/Dy. RTOs while smart card based driving licences was operational in all 46 RTOs/Dy. RTOs.

5.2.2 Organisational set up

The Transport Commissioner (TC) heads the Maharashtra Motor Vehicle Department (MMVD). The Commissioner is under the administrative control of the Pr. Secretary (Transport and Ports), Home Department, GoM. The Commissioner is assisted by an Additional Transport Commissioner and a total staff of 645 gazetted officers and 2935 non-gazetted officials. Dy. Transport Commissioner (Computer) (Dy.TC(Comp)) is monitoring the computerisation of the Transport Department. NIC, Pune centre has provided

technical assistance for customisation and backend integration for implementation of Vahan. Similarly NIC, Hyderabad centre has provided technical assistance for implementation of Sarathi.

5.2.3 Audit objectives

The performance audit was conducted with a view to assess whether

- the overall objectives of computerisation through the NIC developed computer applications of Vahan and Sarathi were achieved;
- the phase wise implementation schedules for the states for Vahan and Sarathi were achieved as per time frames fixed;
- computerised systems implemented were complete (module wise) and correctness and completeness of the data captured by the RTO offices;
- connectivity was established between RTOs in the State for creation of State Registers of vehicles and licenses and National Registers and Central Servers were put in place towards achievement of above stated objectives;
- the Computerised National Permit System was implemented as planned for and project objectives were achieved;
- reliable general and security controls were in place to ensure data security and audit trail besides back up of data for loss of data/crash of systems and to have an overall assurance of the functioning of the computerised system for the stated objectives;
- internal control mechanism was in place at the State level to monitor the implementation of the projects.

5.2.4 Audit scope and methodology

Audit of the application software Vahan, Sarathi and National Permit System was conducted for the period from the date of implementation i.e. since December 2006 upto May 2011. Nine RTOs/Dy.RTOs[3] under the audit jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai (Mumbai Region)and six RTOs/ Dy.RTOs[4] under the audit jurisdiction of Accountant General (Audit)-II, Nagpur (Nagpur Region) were selected on the basis of simple random sampling and the office of the Transport Commissioner, Mumbai was selected for reviewing the planning for implementation and monitoring the computerisation work. Data analysis was done on data obtained from 15 RTOs/Dy. RTOs using Computer Assisted Audit Technique (CAAT).

---

[3] RTO: Mumbai (Central), Mumbai (West), Nanded, Pune and Thane and Dy. RTOs : Baramati, Kalyan, Navi Mumbai and Pimpri-Chinchwad

[4] RTO: Amravati, Nagpur urban and Nagpur rural; Dy.RTOs : Buldhana, Chandrapur, and Yavatmal

5.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department and its subordinate offices and NIC for providing the necessary information and records/data for audit. An entry conference was held in July 2011 with the Principal Secretary (Transport and Ports), Home Department and the NIC, Pune in which the objective, scope and methodology of audit were informed. The Dy. Transport Commissioner (Computer) explained the various aspects of computerisation and its implementation. The draft report of the Performance Audit was forwarded to the Government and the Department in October 2011 and the audit conclusions and recommendations were discussed in the exit conference held in November 2011. The Principal Secretary, Transport Commissioner, personnel from NIC, and other senior officers from the Transport Department attended the meeting. The replies given during the exit conference and at other times have been appropriately included in the relevant paragraphs.

Audit findings

Vahan application system

5.2.6 Implementation

The Vahan system for registration of non-transport vehicles was introduced in December 2006 and implemented in 40 of the 46 offices of RTOs/Dy.RTOs. The system was not implemented (May 2011) in six offices[5] of RTOs/ Dy. RTOs. In respect of transport vehicles the Vahan system was not implemented as the module for the same is still under trial run at Dy. RTO, Pimpri-Chinchwad since December 2010. As per the Motor Transport Statistics of Maharashtra 2009-10, the total number of vehicles on road was 1,57,68,421, whereas as per the information furnished by NIC from the State Register of Vehicles, the total number of vehicles recorded as on 3rd November 2011 was 53,77,080, the difference being due to non importing of legacy data to *Vahan* and the State Register.

We further noticed that enforcement module for recording prosecution cases relating to vehicle has not been operationalised. NIC has informed that an enforcement module has been released recently and is ready for implementation (November 2011). Moreover audit module and a module to monitor recovery of environment tax introduced in October 2010 have not been developed.

In the exit conference the Department stated that Vahan system would be implemented in the remaining offices soon and Transport module would be implemented within a couple of months.

The Government may take appropriate steps to implement the system uniformly in the offices.

[5] RTO:Akola; Dy. RTOs : Ahmednagar, Akluj, Ambejogai, Beed and Shrirampur

5.2.6.1 State Register and National Register

According to the provisions of section 63 of MV Act, 1988, each State Government should maintain the State Register (SR) of Motor Vehicles, in respect of the motor vehicles in that State, containing the particulars, such as (a) registration numbers; (b) year of manufacture; (c) classes and types; (d) names and address of registered owners; and (e) such other particulars as may be prescribed by the Central Government.

The State Register (SR) of motor vehicles has been created and maintained by NIC and data pertaining to 39 offices out of 40 offices where Vahan system was implemented was available in SR. RTO, Panvel where the Vahan system was implemented in January 2011 was yet to be connected to the Server of the SR.

Scrutiny of data base in nine offices by us revealed that 7,174 vehicle records in respect of which registration numbers had not been assigned were also available in the system and such records were also included in the SR. Further scrutiny of database revealed that out of 7,174 records six vehicles bearing same chassis number were registered in the same RTO/Dy.RTOs and 580 vehicles bearing same chassis number were registered in other test checked offices. Due to this the SR is incorrect to that extent.

In the exit conference the Department accepted the observation.

5.2.7 Mapping of Business Rules

5.2.7.1 Allotment of registration numbers in a non-serial order without recovering required fees

As per Rule 54-A of MMV Rules, 1989, the registering authority shall assign the registration number which falls in serial order after the last registration mark and in case of reservation of Jumping Number a minimum fee of ₹ 2,000 and ₹ 3,000 (₹ 4,000 upto 11.12.2007) for two/three wheeler and other than two/three wheeler vehicles respectively is leviable. Vahan system allots the registration numbers serially excluding the numbers reserved by applicants.

We observed that registration numbers were made to skip and later allotted in respect of 1,348 cases in six offices[6] of the Mumbai Region. Out of these 600 and 531 cases pertained to Pimpri-Chinchwad and Baramati offices respectively. This indicates that the system of allotment of registration numbers was manually intervened and registration numbers were allotted non-serially without recovering applicable fees for Jumping Number. The possible revenue loss worked out to ₹ 30.97 lakh. All these cases need to be examined case by case.

[6] RTOs:Mumbai West and Pune; Dy.RTOs:Baramati,Kalyan,Navi Mumbai and Pimpri-Chinchwad.

Further, it is observed that in 4 offices[7] of the Mumbai Region, involving 16 cases the numbers were allotted before commencement of the alphabetical series and in three offices[8] in the Mumbai Region, involving 164 cases the numbers were allotted to vehicles after the expiry of the alphabetical series to which they belonged.

Our scrutiny of database in six offices of Nagpur region revealed that in 854 vehicles the fees for allotment of Choice Numbers were paid beyond the registration dates.

In respect of Nagpur region, the Department replied that the fault lies with the vehicle owners since they did not approach the Department in time and hence the delay etc.

In the exit conference the Department stated that the matter would be investigated.

5.2.7.2 Short levy of one time tax due to misclassification of vehicles and application of incorrect rates

As per the BMV Tax Act, 1958, the levy of one time tax (OTT) on motor vehicles depends on the category of the vehicle owner and also whether the vehicle is indigenous or imported. The rates are regulated by the notifications issued by the Government from time to time. Section 3 of the BMV Tax Act prescribes that tax shall be levied on imported vehicles and firms at twice the rates on indigenous vehicles or for individuals as the case may be. Further, the office of the TC periodically issues circular for approving the model for registering the vehicles as imported under non-transport category or under the transport category.

During scrutiny of database in eight test checked offices[9] of the Mumbai Region, for various periods between December 2006 and April 2011, we noticed that 33 vehicles which were declared as imported vehicles as per the circular instructions issued by the TC were taxed at the rates applicable to indigenous vehicles. Thus, as against an aggregate tax of ₹ 106.34 lakh recoverable as worked out by us, Vahan data reflected recovery of ₹ 53.11 lakh indicating short levy of tax amounting to ₹ 53.23 lakh.

Further, during scrutiny of data base in five offices[10], for various periods between February 2007 and March 2011, we noticed that in respect of 15 vehicles registered in the name of firms, tax was shown by the system as pertaining to vehicles owned by individuals. Thus, as against an aggregate tax of ₹ 9.80 lakh recoverable as worked out by us, Vahan data reflected recovery of ₹ 5.09 lakh indicating short levy of tax amounting to ₹ 4.70 lakh.

In the exit conference the Principal Secretary stated that the cases would be verified and recovery would be effected.

---

7 RTOs: Mumbai West, Pune and Thane; Dy.RTO : Pimpri-Chinchwad.
8 RTOs: Mumbai West and Pune; Dy.RTO: Pimpri-Chinchwad.
9 RTOs, Mumbai (Central), Mumbai (West), Nanded, Pune and Thane, Dy. RTOs Baramati, Navi Mumbai and Pimpri Chinchwad
10 RTOs-Mumbai (West), Pune and Thane,Dy. RTOs : Baramati and Pimpri-Chinchwad

5.2.7.3 Non-levy and collection of Environment Tax

The Government ordered in October 2010 levy of an additional tax called green tax on transport vehicles and non-transport vehicles that have completed seven years of age and 15 years of age respectively from the date of registration. The rate of tax is 10 *per cent* of the tax amount for transport vehicles. In respect of non-transport vehicles such as motorcycles, petrol driven cars and diesel driven cars, the tax is ₹ 2,000, ₹ 3,000 and ₹ 3,500, respectively for every five years.

We observed during test check of nine offices of the Mumbai Region that the module for recovery of environment tax is not available in Vahan system but is in the planning stage. Had the facility been available, the Department could have effectively monitored the recovery. In respect of six offices of Nagpur Region for 11,373 vehicles as per the database environment tax of ₹ 3.79 crore was outstanding for recovery.

The Department accepted that there was no Module to check the payment of environment tax. However the vehicles which came to the office for any transaction, the green tax/environment tax was levied and collected manually.

In the exit conference the Department stated that the module for recovery of environment tax was under planning. This must be put in place early.

5.2.7.4 Unexplained mismatch in sale value and OTT recoverable as per database

Under the provisions of the BMV Tax Act, 1958, OTT on non-transport motor cycles and motor cars is leviable at the rates prescribed in the second and third schedule of the said Act, as regulated by the notifications issued by the Government from time to time.

During scrutiny of database in four offices[11] of the Mumbai Region, we noticed that for various periods between December 2006 and May 2011, taxes recovered on account of OTT in respect of 173 non-transport vehicles was shown in the system as ₹ 1.38 crore, whereas the basis of the applicable rates and the taxes recoverable worked out to ₹ 2 crore based on the value of the vehicles. Due to the absence of audit query module in the system to generate exceptions reports such as mismatch in sale value, we could not establish the reasons for the above mismatch. The Department may investigate these cases relating to mismatch in sale value and OTT recoverable considering the huge revenue of ₹ 62.44 lakh involved.

In six offices of the Nagpur Region the sale value and tax recovered was posted wrongly in 266 records in the database resulting in an unfair picture of the tax paid for instance the tax collected on particular receipt numbers were cross posted against each other showing short OTT in one vehicle and excess OTT in another vehicle.

---

[11] RTO : Mumbai (Central), Mumbai (West), Nanded and Pune.

In the exit conference the Principal Secretary stated that the cases would be verified.

5.2.7.5 Registration numbers allotted through "Backlog" mode of registration

There is a provision in "Vahan" to enter details of vehicles registered prior to "Vahan" as well as of vehicles registered at other RTO offices and thereafter brought within the jurisdiction of an RTO. This is carried out through the "Backlog" mode of registration. As the "Backlog" mode permits allotment of any registration number, numbers favourable to applicants can be allotted without payment of choice fees.

Analysis of data revealed that "Backlog" mode was used for recording registration details of new vehicles in 842 cases in seven offices [12] of the Mumbai Region out of which 522 cases pertained to Pimpri-Chinchwad office. This indicates the possibility of allotting registration number of the applicant's choice without collecting jumping number fees.

In the exit conference the Principal Secretary stated that the necessary changes in the application software would be made.

5.2.7.6 Delay in allotment of Vehicle Registration Numbers

As per Rule 54-A of MMV Rules, 1989, a non-serial number namely Jumping Number could be reserved on payment of minimum fee of ₹ 2,000 and ₹ 3,000 (₹ 4,000 upto 11.12.2007) for two/three wheeler and other than two/three wheeler vehicles respectively. In Vahan system after the applicant acknowledges the correctness of data, the same is recorded in the system and thereafter the system allots registration number to the vehicle.

Scrutiny of database in nine offices of the Mumbai Region we observed that in respect of 39,611 vehicles, the allotment was carried out even after five days since the completion of all procedures. The undue delay in allotment of numbers indicates the possibility of allotment of vehicle number of the applicant's choice without payment of applicable fees for reservation Jumping Number involving possible revenue loss of ₹ 865.75 lakh. All these cases need to be examined case by case.

In the exit conference the Principal Secretary stated that the matter would be investigated.

The Government may put in place necessary measures to prevent revenue leakage.

[12] RTOs: Mumbai Central, Nanded, Pune and Thane; Dy.RTOs: Kalyan, Navi Mumbai and Pimpri-Chinchwad.

5.2.7.7 Non/short levy of Choice Number and Jumping Number fees

As per Rule 54-A of the MMV Rules, 1989, the fee leviable for reserving numbers was revised vide a notification dated 12.12.2007. Further, a provision was introduced for interchanging the allotment of registration numbers from one series to another by payment of three times the prescribed fee.

We observed that in five offices [13] of the Mumbai Region the fees for allotment of Jumping Number/Choice Numbers were not recovered at the revised rates resulting in short levy of fees amounting to ₹ 7.35 lakh. In six offices[14], the fees leviable on interchanging of choice numbers from one series to another was not charged in 46 cases resulting in short levy of fees amounting to ₹ 11.95 lakh. Delay in implementation of the revised provisions in the system, thus, resulted in non/short levy of fee of ₹ 19.30 lakh. All these cases needs to be examined and necessary safeguards put in place.

In the exit conference the Principal Secretary stated that the amount would be recovered.

5.2.7.8 Reserved numbers lying in blocked status

As per provision under Rule 54A of CMV Rules 1989 the reservation of choice numbers shall be cancelled if the vehicle is not produced within 30 days. Audit observed that the Vahan application system blocks the reserved numbers and continued the block status even after expiry of 30 days and no MIS report was available to monitor the reserved number that remained to be allotted.

We observed that in nine offices of the Mumbai Region, 3,523 Jumping Numbers and 764 Choice Numbers that were reserved but not allotted, remained in the blocked status and were not available for re-booking as their alphabetical series had expired. This indicates that those numbers were not released during the currency of the series and publicised and thus, the Government lost the chance of earning revenue on account of choice numbers.

In the exit conference the Department stated that necessary MIS reports would be developed.

---

[13] RTOs: Mumbai Central, Nanded, Pune and Thane; Dy.RTO: Navi Mumbai.

[14] RTOs: Andheri, Mumbai Central, Pune and Thane; Dy.RTOs: Navi Mumbai and Pimpri – Chinchwad.

5.2.8 Data accuracy

5.2.8.1 Invalid data in Vahan database

Scrutiny of database relating to Vahan system in nine test checked offices of the Mumbai Region revealed that invalid data such as zeroes, "-", "*" etc. were recorded in respect of the fields mentioned below:

Field	Number of records
Engine number	14
Seat capacity	1,82,610
Cubic capacity	282
Laden weight	11,00,539
Unladen weight	2,05,205
Purchase date	116
Insurance cover note/policy number	2,216

Out of the above fields only engine number, seat capacity, cubic capacity, purchase date and insurance cover note number were mandatory. In the six offices of the Nagpur Region we observed that the engine numbers are left blank in respect of 8,163 records and in respect of 1,62,956 vehicles the tax amount and sale amount are entered as zero.

In the exit conference the Department stated that the data records would be verified.

5.2.8.2 Duplicate Chassis/engine numbers

Chassis/engine number is unique to each vehicle and the same number cannot be allotted to more than one vehicle.

Test check of the data indicated that there were 176 vehicles with the same chassis numbers in four offices[15] and 1,084 vehicles with duplicate engine numbers in nine offices of the Mumbai Region. The system does not allow duplicate chassis numbers as this is a validation check. In respect of engine numbers no validation checks have been incorporated in the system.

In six offices of the Nagpur Region we observed that 3,131 records the chassis numbers were found duplicate. Similarly in 3,527 records in the database engine numbers were found duplicate. In respect of six offices the RTOs replied that the duplication of engine numbers and chassis numbers, were due to non-provision of rectification of wrong entries in the software. This needs to be examined and set right in all offices.

The reply is not acceptable in view of the fact that the NIC had provided and the duplication was done by bypassing the validation checks and lack of supervisory checks on data entry for rectification of such entries which was overlooked by the Department.

[15] RTOs :Mumbai Central, Nanded and Pune; Dy RTO: Pimpri-Chinchwad.

5.2.8.3 Duplicate insurance cover note numbers

Rule 47 of CMV Rules prescribes Form 20 for the application of vehicle registration in which the insurance certificate or the cover note number is to be filled in by the owner of the vehicle. Vahan system provides validation for entry of duplicate insurance certificates (IC)/cover note (CN) numbers.

Test check of the data relating to the IC/CN numbers in eight offices[16] of the Mumbai Region revealed that there were repetitions of the IC/CN numbers in case of 1,791 vehicles. Further scrutiny revealed that this was made possible by either prefixing/suffixing "-" or inserting "/" symbol between the numbers. The Department may investigate these cases relating to duplicate IC/CN numbers.

In the exit conference the Department agreed to take appropriate steps to ensure capturing of correct data.

5.2.8.4 Registration of motor vehicles under two different Registering Authorities

According to the provisions of Section 40 of the CMV Tax Act,1988 every owner of a motor vehicle shall cause the vehicle registered by a registering authority (RA) in whose jurisdiction he has the residence or place of business where the vehicle is normally kept.

Analysis of registration records of RTO, Pune and Dy.RTO, Pimpri and Chinchwad revealed that 16 new vehicles bearing same Chassis number, Engine number, Maker model and vehicle class were registered under the RA, Dy.RTO, Pimpri and Chinchwad as well as under RTO, Pune. Out of the above, in respect of seven vehicles the name and address of the registered owner are same, in respect of 11 vehicles smart cards VRCs have been issued by both the RAs. Due to absence of inter Departmental connectivity the RAs failed to restrict registration of a single vehicle in different RAs.

In the exit conference the Department stated some of the cases were verified and found that vehicles were registered under different RTOs.

Government must ensure that necessary safeguards are in place to ensure that multiple registration of the same vehicle in any of the other offices is not possible.

5.2.8.5 Gaps in issue of registration numbers

On completion of the requisite formalities, the vehicles are allotted registration number by the Vahan system serially.

Scrutiny of database pertaining to various periods between January 2008 and August 2011,

[16] RTOs: Mumbai Central,Mumbai West, Nanded, Pune, Thane;
Dy RTOs: Kalyan, Navi Mumbai and Pimpri-Chinchwad

revealed that in eight offices[17] of the Mumbai Region, 1,565 registration numbers were found to have been skipped and had not been allotted to vehicles. It is pertinent to mention that the system does not allow skipping of registration numbers. Thus not only these numbers wasted temporarily, besides the possibility of these registration numbers being misused subsequently cannot be ruled out.

After we pointed out these cases, RTO, Thane, stated that such skipping of numbers were on account of problems in the Vahan software and that the matter had already been referred to NIC, Pune in December 2009. However, in a meeting held by us with NIC, Pune in November 2011, the Technical Director, NIC stated that Vahan system does not allow for such gaps and the same was possible only through manual intervention.

The fact remains that though the matter had come to the notice of the Department in December 2009, the irregularity continued to exist and remedial action to prevent manual intervention by RTO staff was not taken as out of 1,565 registration numbers skipped, 222 numbers belonged to the registration series operated between January 2010 and August 2011. This mandates immediate attention so as to plug the irregularity.

In the exit conference the Principal Secretary stated that the matter would be investigated.

[17] RTOs-Mumbai (Central), Mumbai (West), Nanded, Pune and Thane,Dy. RTOs : Kalyan, Navi Mumbai and Pimpri-Chinchwad.

5.2.9 Data security

5.2.9.1 Issue of Unauthenticated smart card based vehicle registration certificates

As per the Government Resolution no:MVD-1205/CR 134/TRA-4 dated July 2005, the authentication procedure *viz* 'Key Management System (KMS)' has to be used for securing the electronic data stored in the smart card. This is in accordance with the technical procedure prescribed by GoI for which the RTOs/Dy. RTOs were to be nominated as Regional Key Management Authority.

The KMS procedure is to be carried out by the Department after the smart cards are printed by the private agency subsequent to which the Department has to issue the smart card to the vehicle owner. Such smart cards, digitally signed by the RTO using the KMS procedure are the valid smart cards as stated by NIC, Pune.

During scrutiny of the database in all the nine test checked offices of Mumbai Region, we noticed that 65,171 optical smart card based VRCs printed by the agency (data approved by the Department between December 2006 and March 2011) were not authenticated through the prescribed KMS procedure before their issue to vehicle owners. As such these VRCs were 'bogus'. Out of this 42,422 pertained to RTO, Pune and 16,945 to Dy. RTO, Pimpri-Chichwad. The RTOs could not explain how these VRCs were issued without valid authentication. Besides Vahan system did not provide for generation of MIS reports regarding application received and smart cards issued.

Issue of such unauthenticated smart card based VRCs would cause hardship to vehicle owners as the traffic enforcement agencies would not be able to ensure the genuineness of the cards and would also defeat the objective of computerization for more secured registration certificates.

In the exit conference Department stated that the reasons for unauthenticated cards would be verified.

The Government may ensure that smart card security procedures are completed before issue of the smart cards and the system provides for generating of MIS reports regarding application received and smart cards issued, in consultation with NIC.

5.2.9.2 Unauthorised printing of Smart Card based VRCs

As per Rule 53 of CMV Rules, 1989, an application for the issue of duplicate certificate should be made to the registering authority accompanied by a copy of the police complaint from the vehicle owner regarding loss or destruction of the VRC. For this, fees ranging from ₹ 30 to ₹ 400 is chargeable under Rule 81.

We compared the new registration Vahan data with the agency's data pertaining to printing of Smart Cards. This revealed that in 3,694 cases pertaining to the nine test-checked offices of the Mumbai Region, duplicate Smart card VRCs were printed by the agency, using the available data, without the authorisation of the

registering authority and payment of required fees. It was observed in RTO, Thane that 28 of such new registration VRCs were detected and confiscated. This also indicates that the agency misused the data supplied to them. Further, RTO, Thane had sought the permission (December 2009) of the Dy.TC, (Comp) to file a police complaint against the agency for printing the unauthorised Smart Cards. However, the Dy.TC, (Computer) denied permission (December 2009) to the RTO for lodging a police complaint on the plea that the unauthorised printing was unintentional and system problem and referred (December 2009) the matter to NIC, Pune. The NIC, Pune in response (January 2010) Stated that the Vahan system was not responsible for printing of Smart Cards and in fact the printing of dual cards was due to absence of checks in the agency's application software to prevent printing of more than one card for the same transaction. The total loss of revenue in 3,694 cases worked out to ₹ 1.76 lakh. It is also observed that though 18 months had passed since the incident was reported by RTO, Thane the Department had not initiated any action against the agency and the unauthorised printing of Smart Cards was still continuing in the various RTO offices audited.

Absence of requisite controls resulted not only in utilisation of data for unauthorised printing of VRCs but also lead to loss of revenue to the Government.

In the exit conference the Department stated that the issue would be taken up on priority.

The Government may ensure that necessary deterrent measures are put in place so that data is not misutilised for printing of duplicate smart cards.

5.2.9.3 Manual intervention in calculation of interest for late payment of tax

As per the Section 8A of BMVT Act, 1988 if any tax due in respect of any motor vehicle is not paid within the time limit prescribed in the Act, interest shall be payable at the rate of two *per cent* per month for each calendar month or part thereof.

During scrutiny of the Vahan system relating to collection of tax, we noticed that the system calculates interest for the period of delays exceeding one day. The field for levy of interest on delayed payment of tax is designed with an editable field enabling the user to make changes in the amount of interest calculated by the system. Our analysis of data in the Vahan system in Dy.RTO, Baramati, revealed that 63 vehicle owners had registered their vehicle on 25 February 2011 and paid tax on 1 March 2011. However, the data in the system recorded calculation of interest only in respect of 23 vehicles and in the remaining 40 vehicle no interest was recorded in the system. Since the dates of registration as well as date of payment of tax in these cases were the same in respect of these 63 vehicle, the system should have automatically worked out the amount of interest payable. However, the interest recorded in the system indicated that interest was not charged in similar conditions. This was only possible due to the availability of an editable

field in the system which was open for manipulation through manual intervention.

Our test check of data in nine offices of the Mumbai Region, of the data extracted from the system relating to cases in which there were delays of more than three days, between the date of registration and date of payment of tax, for various periods between 2006-07 and May 2011 revealed that, in 14,166 cases the interest leviable as worked out by us was ₹ 48.67 lakh, however, the system had not recorded the interest. In view of the fact which is brought out as above in the 63 cases of Dy.RTO, Baramati, the Department may investigate these cases relating to non-levy of interest on delayed payment of tax considering the huge revenue involved. The system should have provided for necessary audit trails in order to detect any changes made through manual intervention and also facilitate capturing the reason for any changes made and history data actually changed. In the absence of such audit trails factual position could not be ascertained by us.

We observed in six offices of the Nagpur Region in respect of 58 vehicles an interest of ₹ 2.23 lakh was attracted due to delay in payment of tax.

Lacunae in the VAHAN system enabling the user to use the option to change the interest amount resulted in modification of data and implementation of rule not uniformly to all the vehicle owners.

In the exit conference the Principal Secretary stated that the matter would be monitored case by case and necessary MIS reports and audit log would be incorporated in the system to monitor such changes.

5.2.9.4 Incorrect recording in Vahan system of tax collected manually

Vahan system provides modules for calculating, recording and generating BMV tax receipts. In abnormal circumstances, such as power failure and software errors, manual receipts are issued and entries are taken in the manual cash book. These entries are subsequently required to be entered in the system, offline.

On analysis of data in respect of manual recovery of BMV tax in Dy. RTO, Kalyan, we noticed that the details of 125 manual receipts, pertaining to various periods between April 2007 and November 2010, instead of being entered in the specified fields were wrongly entered in the field provided for vehicle owner's address. Further, we noticed that the alphabets preceding the receipt numbers were not entered in Vahan and thereby the cross verification of the data entered into the system with the manual cash book was not possible. Thus, the Vahan system did not reflect the correct position of the BMV tax collected manually and such receipts were prone to misuse.

The Department may in consultation with NIC address the problem regarding entry of manually collected receipts in Vahan system.

5.2.9.5 User for approval of VRC

The risk of unauthorised transaction processing could be reduced by the presence of controls which positively identify individual users and log actions against them.

There were no guidelines available in respect of job and responsibility of users for various stages of work flow and maintenance of data in electronic form.

Analysis of transactions in Vahan in nine offices of the Mumbai Region revealed that out of 28,62,722 approvals carried out, 27,66,942 transactions (97 *per cent*) were approved by clerical grade staff. This indicates that the data relating to registration of vehicles in the system were not verified by the Registering Authority.

In the exit conference the Department stated that the guidelines in respect of persons responsible for approval of VRCs would be checked.

5.2.9.6 Data Loss

In RTO Nagpur Urban as per the information furnished by the Department, the data was lost for the dates between 26 July 2007 and 27 July 2007 but subsequently recovered by entering the data through backlog entry. However, no details of the quantum of data so recovered were provided to audit. Thus we could not ascertain whether the data had been completely recovered.

5.2.9.7 Modification of data through back-end database of Vahan system

In order to secure the data and the system, it is essential that modifications made through backend are required to be recorded in the database system in order to ascertain whether changes carried out were authorised.

As informed by NIC during the meeting held in November 2011, the audit log in the DB2 system for Vahan application has not been activated and the back-end database modifications are not being recorded in the system. It was further informed that it may slowdown the system process. We noticed during scrutiny of data recorded in Vahan system unexplained manipulation of data such as duplicate chassis number and allotment of registration numbers in a non-serial order indicating manual intervention through back-end. Absence of audit log in the system led to the risk of irregular manipulation or deletion of records going undetected and made the system insecure. In the absence of such audit log, modification made in the data through backend could not be verified by us.

In the exit conference Principal Secretary Stated that necessary security features would be introduced in consultation with NIC.

5.2.9.8 National Permit System

The electronic mode of grant/renewal of national permit for goods carriages were implemented in all the test checked nine offices of the Mumbai Region from 15.09.2010 and 19,512 number of National Permits have been issued

upto 31 May 2011. NIC has informed that the system has been implemented in all the offices.

The data entry for new national permit, their renewal, modification, reassignment, replacement and cancellation are done by senior clerks assigned for the same and the application was accessed by using the user ID allotted to RTOs/Dy. RTOs, allotted by the TC, except Dy. RTO Baramati. It was observed that individual users were not allotted with independent user ID.

In the exit conference the Department stated that the user IDs would also be given to the actual users.

5.2.10 Outsourcing

5.2.10.1 Deficiencies in citizen services due to delay in issue of smart card based vehicle registration certificates

As per the 'Citizen Charter' of the Transport Department, the time frame for registration of vehicle is seven days. As per terms and conditions of the agreement the agency appointed for printing of optical smart card VRCs has to print the same within 24 hours extended to a maximum of 4 working days after receiving the data from the Department. Further, the agency was allowed to collect the charges for printing of smart cards upfront. The agreement did not include any clause for charging of penalty for any delay in services related to printing of smart cards. The Department had also not prescribed for submission of periodic returns by the agency giving details of receipt of data, position of smart cards printed, and number of days of delays in printing and cards not printed to monitor the timely printing of smart cards.

During test check of the database in nine offices of the Mumbai Region , we noticed that out of 17,23,065 cases received for registration, the vehicle registration procedures (including optical smart card based VRCs) were completed in time only in 1,31,409 cases, 7,50,277 cases were completed between eight to 30 days and balance 8,41,379 cases were completed beyond 30 days. Thus it could be seen that 92 *per cent* cases received for registration were not completed within the stipulated period though the requisite fees and tax were collected from the vehicle owners in advance.

This indicated that there is deficiency in services by delaying the process of printing smart cards though the charges were recovered by the agency in advance from the vehicle owners. As the very purpose of computerisation of data is to maximize efficiency and provide timely services the objective envisaged by the Citizen Charter remained largely unfulfilled, due to ineffective monitoring of the registration process by the RTOs.

In the exit conference the Principal Secretary Stated that delay in services for issue of smart cards would be brought down and that at present no facility was available in the system to generate reports relating to delay in printing of smart

cards and the same would be incorporated with the help of NIC to monitor delays.

The Government may ensure prompt and efficient delivery of services to the citizens.

5.2.10.2 Delay in printing of smart card VRCs

As per terms and conditions of the agreement the agency appointed for printing of optical smart card VRCs has to print the same within 24 hours extended to a maximum of 4 working days after receiving the data from the Department. Further, the agency was allowed to collect the charges for printing of smart cards upfront. The agreement did not include any clause for charging of penalty for any delay in services related to printing of smart cards. The Department had also not prescribed for submission of periodic returns by the agency giving details of receipt of data, position of smart cards printed, and number of days of delays in printing and cards not printed to monitor the timely printing of smart cards.

In Mumbai Region, we noticed that out of 18,77,953 smart cards which were printed by the private agency, 14,28,882 smart cards were printed beyond the period of four days. Further, that 15,234 smart card were not printed by the agency though the required data were already supplied to them by the Department prior to March 2011.

In respect of six RTOs/Dy.RTOs of the Nagpur Region, scrutiny of the smartcards data available with the contractor in regard to the registration of vehicles revealed that in issuance of 3,46,259 smartcards, the delay is beyond four days.

This indicated that there is deficiency in services by delaying the process of printing smart cards though the charges were recovered by the agency in advance from the vehicle owners.

The Government may require the Department to include a penal clause in the agreements which would act as deterrent measure for delay in services and also require the agency to submit periodic returns regarding printing of smart cards to monitor the delays.

5.2.10.3 Procurement and printing of smart cards

Smart cards for VRCs were procured by the private agency and kept in their custody. Printing of smart cards is being done by the agency and the Department has no control over the stock and utilisation of such cards.

There was no system to obtain periodical reports on procurement and utilisation of smart cards and cross verification of the same with the actual stock to enforce control over the misuse of smart card by the agency.

In the exit conference the Department stated that comprehensive system of stock taking would be implemented within a period of four months.

The Government may require the Commissionerate to call for periodic returns from the agency to ensure proper accounting of smart cards.

5.2.11 Internal Control

5.2.11.1 Lack of monitoring and Internal Control Mechanism

Though computerisation of the Transport Department commenced in the year 2006, no dedicated internal audit team for system audit was designed and internal audit was not conducted to assess the working of the Vahan system. Further there was no audit query module to enable the auditors to generate the required information.

Delayed delivery of services to citizens coupled with issuance of unauthenticated smart cards defeated the objective of Government even after charging additional fees from the citizens.

Manual interventions in the system and non-corporation of business rules have resulted in revenue leakages. The systems were not backed by proper internal control mechanism and continuous monitoring.

In the exit conference the Principal Secretary stated that an internal audit team for audit of Vahan system would be developed.

5.2.11.2 Management Information System in Vahan Application

The application system should provide for various Management Information System (MIS) reports for effective management at the level of Dy.RTOs/RTOs and TC office.

We observed that crucial MIS reports to monitor data integrity in Vahan system such as duplicate chasis number, duplicate engine number, duplicate insurance cover note number, duplicate registration of vehicle, gaps in registration numbers, VRCs issued without authentication, delay in issue of VRCs, reserved numbers lying in blocked status, mismatching of sale amount and tax recovered, modification of interest amount and data entered through backlog are not available in Vahan system. Due to non-availability of MIS reports in this regard, the Department could not monitor exceptional data entries, inaccurate data and data manipulations.

In the exit conference the Department stated that the MIS reports would be developed in consultation with NIC.

Department may identify MIS reports required for monitoring data integrity and data security.

5.2.11.3 Non-reconciliation of receipts

Government Receipt Accounting System (GRAS) is the online payment system of GoM through which a vehicle dealer deposits BMV tax relating to sale of vehicles in a lump sum amount. The RTOs/Dy.RTOs issue individual receipts in the name of vehicle owners. This amount is reflected in the accounts of Pay and Accounts Office, Mumbai for sale of all vehicles in Maharashtra.

There is no system of reconciliation of the amount actually received through GRAS and receipts issued by the RTOs and Dy. RTOs. NIC has informed that the reconciliation module is

ready for implementation.

In the exit conference the Department stated that reconciliation procedure in respect of payment through online system was under consideration.

Sarathi application system

5.2.12 Implementation

The Sarathi system has been introduced in February 2006 and implemented in all the 46 offices of RTOs and Dy. RTOs (May 2011). As per the Motor Transport Statistics of Maharashtra 2009-10, the total number of DLs issued up to March 2010 was 2,01,31,351 DLs. As per the information furnished by NIC from the State Consolidation Register of Sarathi system in respect of 39 units, the total number of driving licences recorded as on 3rd November 2011 was 59,29,270.

We noticed in audit that modules for recording prosecution cases relating to drivers have not been operationalised, moreover the module for audit has not been developed.

Due to partial implementation of Sarathi system, the Government is yet to achieve the objectives of computerisation.

In the exit conference the Department accepted the observation.

The Government may implement the systems completely.

5.2.12.1 State Register and National Register of Driving Licence

According to provision 26 of MV Act, 1988, each State Government should maintain the SR of DL, in respect of the driving licences issued and renewed by the licensing authorities of the State Government, containing the particulars, such as (a) names and addresses of holders of DLs, (b) licence numbers, (c) dates of issue or renewal of licences, (d) dates of expiry of licences, (e) classes and types of vehicles authorised to be driven and (f) such other particulars as the Central Government may prescribe.

It was noticed that NIC has created and maintained State Consolidation Register (SCR) by connecting Server of SR to RTO/DY.RTO offices. 39 out of 46 offices were connected to Server of SR and in respect of seven offices [18] connectivity is yet to be established. However, SR of DL of Maharashtra State has not been created due to problems in migrating data from DB2 database system of State Consolidation Register to the PostgreSQL database system of the State Register (November 2011). Due to non-creation of SR for DL the ultimate objective of creation of a national database of DL is yet to be achieved.

In the exit conference the Department accepted the observation.

[18] RTO: Nagpur (Urban), Panvel and Pune; Dy.RTOs: Akluj, Buldhana, Sangli and Shrirampur.

The Department may require NIC to create a State Register and National Register of driving licences.

5.2.13 Mapping of Business Rules

5.2.13.1 Licences for transport vehicles to persons not having required qualification

According to the provision of Rule 8 of the CMV Rules, 1989 w.e.f. 10th April 2007, minimum educational qualification of 8th standard pass is required for obtaining a transport vehicle licence. Section 7(1) of the motor vehicles act 1988 prescribes that no person shall be granted a learner's licence to drive a transport vehicle unless he has held a driving licence to drive a light motor vehicle for at least one year.

In the Sarathi system the field for "Qualification" was not mandatory and option for recording qualification of "8th pass" was not available.

Scrutiny of database in nine offices of the Mumbai Region revealed that out of 6,91,435 licences for transport vehicle (issued after 10.04.2007), educational qualification of the licensee in 2,14,422 cases is shown as "not specified", in 2,52,145 cases the field is blank, in 216 cases it is "7th fail" and in 353 cases it is shown as "7th pass".

Analysis of data in six offices of the Nagpur region, we observed that an essential qualification of holding a driving license to drive a light motor vehicle for at least one year was not adhered in 72,715 cases for issuing learner's licences for driving of transport vehicles.

Absence of the necessary validation checks in the system resulted in incorrect/incomplete data.

In respect of Nagpur region the Department stated that in respect of issuing learner's licences for driving of transport vehicles that the one year criteria is not applicable in cases of LMV transport vehicles. And for MMV and HGV facts will be verified and intimated to audit. But the reply is not tenable as the definition of transport vehicle in section 2(47) is self explanatory as it includes light motor vehicle, medium motor vehicle as well as heavy motor vehicle.

In the exit conference the Principal Secretary stated that the matter would be sorted out with the help of NIC.

5.2.14 Data accuracy

5.2.14.1 Individuals holding more than one driving licence

According to the provision of Section 6(1) of the Motor Vehicle Act, 1988 no person shall hold more than one licence.

Scrutiny of the Sarathi system revealed that the validation checks for duplicate licences applied only at the time of approval with an optional message.

Analysis of 32,73,980 licence records on Sarathi system in test checked nine offices of the Mumbai Region revealed that 5,378 persons bearing same name, father/husband's name and DOB have been issued 10,756 licences and 28 persons have been issued 92 licences. In six offices in the Nagpur Region we observed that 764 licenses were issued to 382 persons.

This indicates that the optional message for duplicate licences was ignored and more than one licence were issued.

In the exit conference the Principal Secretary stated that the matter would be looked into.

The Government may enforce validation checks in the system to restrict the issue of more than one licence.

5.2.14.2 Blanks in database in Sarathi

Scrutiny of database relating to Sarathi system revealed that data in crucial fields such as blood group which is printed in the visual zone of the smart cards were not recorded in most of the cases.

5.2.14.3 Incorrect receipt numbers pertaining to recovery of licence fees

Sarathi system provides modules for recovery of licence fee. However, in respect of camp offices and in abnormal circumstances such as power failure and software errors, licence fees are being recovered manually and manual cash books are maintained for the same. The details of such recoveries are required to be entered in the system offline.

Data analysis of licence records on Sarathi system in three offices [19] in the Mumbai Region revealed that in respect of 5,262 cases, more than one DL has been issued against a single challan (fee receipt). We noticed that data in respect of manual receipts issued in various camps were not properly entered in the system. The receipt details are recorded in the manual cash book maintained in the office for the same. There is no procedure of cross verification of the data entered into the system and the manual cash book maintained in the office to ascertain the correctness of receipt details entered into the system. We observed in six offices of the Nagpur Region that out of a total of 21,56,725 records, 2,92,107 receipts entered in the field ‘challan nos’ were duplicates.

[19] RTO: Mumbai (C) and Thane and Dy.RTO : Kalyan.

5.2.15 Data security

5.2.15.1 Unauthenticated smart card based driving licences

As per the Government Resolution no: MVD-1205/CR 134/TRA-4 dated July 2005, the authentication procedure *viz.* 'Key Management System (KMS)' has to be done for the security of electronic data stored in the smart card in accordance with the technical procedure prescribed by GoI and the RTOs/Dy.RTOs were nominated to work as Regional Key Management Authority to ensure the implementation of the system.

Audit scrutiny of the database at all the nine test checked offices of the Mumbai Region revealed that 3,34,806 smart card based DLs were issued without authentication, out of that 3,00,298 and 28,138 were issued by RTO, Andheri and RTO, Pune respectively. Further, NIC has informed that smart cards issued without digital signatures using the KMS procedure were invalid smart cards.

Issue of such unauthenticated smart card based DL not only defeat the objective of computerization for more secured licences but also may cause hardship to licensee at the time of verification by the enforcement agencies.

In the exit conference Department stated that the reasons for unauthenticated cards would be verified.

The Government may consider reviewing of the system to ensure that all business rules are incorporated in the system properly and updated regularly.

5.2.15.2 Issue of Licences to underage persons

As per provision under Section 4 (2) of the CMV Act, 1988 no person under the age of 20 years shall be permitted to drive a transport vehicle in a public place. Vahan has necessary validation checks to restrict the issue of licences to the applicants less than 20 years.

Analysis of licence records on Sarathi system by us in nine test checked offices of the Mumbai Region revealed that 198 licences were issued for driving transport vehicles to persons below the age of 20 years. This indicates that the system was manually intervened and licences were issued to ineligible persons. We observed in respect of six offices of the Nagpur Region that 182 licenses were issued to persons below the prescribed age limit out of which 73 licenses pertained to transport vehicles.

In the exit conference the Department stated that the matter would be investigated case by case.

5.2.15.3 Major deficiencies in security and general access controls leading to unauthenticated driving licences issued at RTO, Mumbai (West)

Department is required to frame procedures to ensure safety and security of data. The risk of unauthorised transaction processing could be reduced with the help of controls which positively identify individual users and log actions against them.

The work relating to issue of driving licenses, such as creation of users and assigning privileges, approval of data vests with the Departmental personnel. However, no guidelines were framed for assigning jobs and responsibilities for various stages of work flow and maintenance of data in electronic form.

During test check of the driving license data recorded in the Sarathi system at RTO, Mumbai (West), Andheri in September 2011, where the work had been outsourced to a private agency, we noticed that for various periods between January 2007 and February 2009, 79,464 data records (DRs) had not been approved by the Departmental personnel, but by the personnel of the private agency, thereby the authenticity of the licenses issued was doubtful.

Further, we noticed that in respect of 10,788 DRs, for the periods between December 2006 and December 2008, the User IDs of the personnel who had approved the DRs were not available in the master table due to which it could not be ascertained whether the approval was accorded by a designated Departmental personnel.

It was also noticed by us that for the periods between November 2006 and May 2009, 42 users had been created by the personnel of the private agency, indicating that the administrative privileges of the Department for creating users had not been monitored by the Department/RTOs.

Though against a single inward and receipt number only one license is to be issued, we noticed that multiple licenses were issued under the same inward and receipt number in 352 DLs during various periods between October 2009 and August 2010.

In respect of 1686 licences issued during various periods between January 2009 and May 2011, we noticed that the names appearing in the DLs were not the same as recorded in the fee receipts. This was indicative of manual intervention and manipulation of data.

The above deficiencies were due to absence of any control mechanism in the Department over the operations of the private agency resulting in the system being compromised and rendering it vulnerable to fraud and manipulation.

5.2.15.4 Weak access controls in Sarathi system

The assignment of privileges based on job hierarchy and identification of individual users provide an audit trail to positively identify the individual users and bring accountability.

During scrutiny of the database relating to the Sarathi system in nine offices of the Mumbai Region, we noticed that user privileges were not assigned to the personnel on the basis

of the job hierarchy. The deficiencies noticed are as shown below:

Out of 31,24,179 driving licence data records, 21,97,299 (70 *per cent*) were approved by clerical staff. This includes RTO, Pune wherein 99 per cent of such records were approved by clerical staff. Further, issuing authority code printed on the smart card was not of the users actually approving the DL data. In respect of 13,99,625 DLs out of 30,91,927 DLs issued (45 *per cent*), user code recorded were of clerical staff.

Ideally, a User ID allotted to a user should identify the official. However, we noticed that users with unidentifiable IDs, such as "learner's license test", etc., had approved 27,841 driving licenses for various periods between April 2007 and May 2010 in RTO, Mumbai Central and 12,144 driving license data records for various periods between March 2006 and March 2011 in RTO, Pune.

In the exit conference the Deputy Transport Commissioner (Computer) stated that higher grade access controls such as biometric log-in and thumb impression of approving authority is being initiated in RTO, Mumbai (West), Andheri which would be subsequently implemented in other offices also. It was also stated that an FIR has been lodged in June 2011 under cyber crime provisions against individuals for unauthorised access.

It is pertinent to mention here that such violations of the system were being perpetrated since January 2007 itself. The Department is silent on how so many unauthenticated licences were issued without knowledge of the RTO officials. The Department issued detailed circular instructions as late as February 2010 regarding security measures to be taken and prevention of malpractices. However, some of the irregularities in licences continued, for DL issued beyond February 2010 and legal action was taken only in June 2011. MIS reports, an effective monitoring tool, in the hands of the management developed through the Sarathi system was not made operational; despite such malpractice being carried out over a period of time. In absence of effective monitoring of the work of licences issue repeating of such instances could not be ruled out.

5.2.15.5 Loss of data

It was informed by the Dy. RTO, Buldhana that the data was lost for the period 20 June 2007 to 17 October 2007 and recovered by entering the data through backlog entry. However, we noticed that 1629 records were missing.

In the exit conference the Department stated that the lost data would be recovered.

5.2.15.6 Antivirus

In four offices at Amravati, Yavatmal, Buldhana and Chandrapur it was observed that the data was not protected by Antivirus software and in two offices i.e. Nagpur urban and Nagpur rural only free version Antivirus software was being used.

5.2.15.7 Modification of data through Backend of Sarathi system

In order to secure the data and the system, it is essential that any modifications made through backend are required to be recorded in the database system in order to ascertain whether changes carried out were authorised.

As informed by NIC during the meeting held in November 2011, the audit log in the DB2 system for Sarathi application has not been activated and the backend modifications are not being recorded in the system as it may slowdown the system process. This led to the risk of irregular manipulation or deletion of records and made the system insecure as was noticed during scrutiny of data recorded in Sarathi system which revealed that unexplained manipulation of data such as multiple licences were created under the same inward number indicating manual intervention through backend. In the absence of such audit log, modification made in the data through backend could not be verified by us.

In the exit conference Principal Secretary stated that necessary security features would be introduced in consultation with NIC.

5.2.16 Outsourcing

5.2.16.1 Incomplete infrastructure

The Government of Maharashtra (GoM) entered into an agreement with M/s United Telecom Ltd. in July 2004, for implementation of the project relating to computerisation of LL and DL on BOOT basis in the Transport Department on charges of ₹ 5.40 and ₹ 87.30 for LL and smart card DL respectively. The project envisaged for setting up and maintaining the infrastructure required including hardware, networking, issuance of licence in smart card and a central database server.

We, however, noticed that no such central database server was setup by the agency with connectivity to the RTOs/Dy. RTOs. As the private agency was permitted to take their charges directly from the customer, the charges were collected by the agency before ensuring the delivery of the desired services.

5.2.16.2 Delay in issue of smart card based driving licences

As per the 'Citizen Charter' of the Transport Department, the time frame given for service of issue of DL is one day.

Audit scrutiny of the database at nine offices of the Mumbai Region revealed that only in respect of 14 *per cent* cases of DLs issued i.e. 3,35,357 out of 24,65,246 cases, the procedures for smart card based DLs were completed and smart card based DLs were ready for issue within one day and in 34 *per cent* cases the procedures were completed in seven days after receiving application for DL.

The delay in delivery of services to the citizens resulted in deficient citizen services.

In the exit conference the Principal Secretary stated that delay in services for issue of smart cards would be brought down.

The Government may ensure prompt and efficient delivery of services to the citizens.

5.2.16.3 Delay in printing of smart card DLs

As per the terms and conditions of the agreement, the agency appointed for smart card DL has to print the smart card based DLs within four minutes of accessing the data. In the event of the services delayed, the Department had the option to recover penalty to a maximum of 5 *per cent* of the total amount payable to the private agency.

Audit scrutiny revealed that in nine offices of the Mumbai Region 9,04,428 smart card DLs out of 30,49,142 were not printed by the agency even in the same day of forwarding the data and the Department failed to use the option to charge penalty for the delayed services.

The non-charging of penalty and absence of monitoring on the part of Department to ensure timely delivery resulted in deficient services by the agency.

In the exit conference the Department stated that at present no facility was available in the system to generate reports relating to delay in printing of smart cards and the same would be incorporated with the help of NIC to monitor delays.

5.2.16.4 Procurement and printing of smart cards

Smart cards for DLs were procured by the private agency and kept in their custody. Printing of smart cards is being done by the agency and the Department has no control over the stock and utilization of such cards. It was also observed that serial numbers of the cards were not captured in the concerned applications for an effective control over the smart cards printed and issued.

There was no system to obtain periodical reports on procurement and utilisation of smart cards and cross verification of the same with the actual stock to enforce control over the misuse of smart card by the agency.

In the exit conference the Department stated that comprehensive system of stock taking would be implemented within a period of four months.

The Government may consider putting in place a system for submission of periodical returns from the agency and watching proper accounting of smart card including serial numbers smart cards.

5.2.17 Internal Control

5.2.17.1 Lack of monitoring and Internal Control Mechanism

An inspection wing is established in the TC office. Though computerisation of the Transport Department commenced in the year 2006, no internal inspection team for system audit was designated due to which the working of

the Sarathi system has not been subjected to internal inspection. Further there was no audit query module in the system to enable the auditors to generate the required information. Absence of inspection of the computer systems left it vulnerable to the risk of control failure.

In the exit conference the Principal Secretary stated that an internal audit team for audit of Sarathi system would be developed.

The Government may consider setting up an internal audit wing to audit the working of computerised systems.

5.2.17.2 Management Information System in Sarathi Application

The application system should provide for various Management Information System (MIS) reports for effective management at the level of Dy. RTOs/RTOs and TC office.

We observed that crucial MIS reports to monitor data integrity in Sarathi system such as duplicate DLs, duplicate inward number, duplicate challan number, Smart card based DLs issued without authentication, delay in issue of DLs and data entered through backlog are not available in Sarathi system. Due to non-availability of MIS reports in this regard, the Department could not monitor exceptional data entries, inaccurate data and data manipulations.

In the exit conference the Department stated that the MIS reports would be developed in consultation with NIC.

Department may identify MIS reports required for monitoring data integrity and data security.

5.2.18 Conclusion

Vahan and Sarathi systems were implemented with an objective for computerisation of vehicle registration and driving licenses and to build a comprehensive database for State Register and National Register. However, it was observed that even after four years of implementation the entire vehicle classes and offices were yet to be covered under computerisation. The entire data pertaining to the pre-implementation period were not fully captured in the system which has resulted in a deficient State Register.

Delayed delivery of services to citizens coupled with issuance of unauthenticated smart cards defeated the objective of Government even after charging additional fees from the citizens.

Manual interventions in the system and improper incorporation of business rules have resulted in revenue leakages and non-recovery of taxes. The systems were not backed by proper internal control mechanism and continuous monitoring resulting in issue of unauthenticated/bogus vehicle registration/driving licenses.

5.2.19 Recommendations

The Government may consider-

- **implementing both the systems early with complete modules in all the regional transport offices for a State Register and in turn National Register of registered motor vehicles and driving licences;**
- **ensuring the contractor should not misuse the data supplied to them and printing of duplicate smart cards without the approval of the Authority;**
- **ensuring the commissionerate to call for periodic returns from the agency to ensure proper accounting of smart cards;**
- **ensuring enforcement of validation checks in the system for data accuracy to avoid issue of more than one licence, etc.;**
- **reviewing of the system to ensure that all business rules are incorporated in the system properly and updated regularly;**
- **ensuring adequate logical access control so that safety and security of data is not compromised;**
- **ensuring proper supervisory checks over the system; and**
- **ensuring design of appropriate MIS reports to make effective use and monitoring of computer systems.**

5.3 Audit observations

Scrutiny of the records of Regional Transport Offices/Dy. Regional Transport Offices revealed several cases of non-observance of provisions of the Bombay Motor Vehicles Tax Act, 1958 as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided.

5.4 Non-compliance of the provisions of the Acts/Rules

The Bombay Motor Vehicle Tax Act, 1958, provides for levy and collection of Motor Vehicle Taxes. The vehicle registering authorities did not observe the above provisions and prescribed procedure for maintenance of vehicle records in cases as mentioned in the paragraph 5.4 which resulted in non-recovery of tax of ₹1.53 crore.

5.4.1 Non-recovery of motor vehicle tax and one time tax (OTT)

5.4.1.1 Non-recovery of motor vehicle tax

Six Regional Transport Officers[20] (RTOs) and 13 Deputy RTOs[21]

Under Section 3 of the BMV Act, 1958, and the rules made thereunder, tax at the prescribed rate is leviable on all vehicles used or kept for use in the State, as per their registered laden weight (RLW) or seating capacity. The rate of tax leviable is prescribed in the notifications issued by the Government from time to time. Further, interest at the rate of two *per cent* of the amount of tax, for each month or part thereof is also payable in each case of default. The details of recoveries to be made from the vehicle owners, issue of demand notices, etc. is maintained in the cash balance review register (CBRR).

During test check of the records between August 2007 and February 2011, we noticed from the CBRR, that in respect of transport vehicles, contract carriages, school buses, heavy goods vehicles, private service vehicles, tourist vehicles, tipper, dumper and taxis, tax amounting to ₹ 1.42 crore was not paid by 760 vehicle owners for one to 24 months, during various periods between February 2006 and July 2010. It was also confirmed from the CBRR that the demand notices were not issued to the vehicle owners by the concerned RTOs/ Dy. RTOs for recovery of tax. No demand/show cause notices were issued by the concerned officers to recover the dues till it was pointed out by us. Failure of the RTOs/Dy RTOs to check the details of non-payment of tax by the vehicle owners from the CBRR and issue of demand notices for recovery resulted in

[20] RTOs: Aurangabad, Latur, Mumbai (East), Mumbai (West), Nanded and Thane.

[21] Dy. RTOs at Ahmdenagar, Beed, Hingoli, Jalna, Nanded, Navi Mumbai, Nandurbar, Osmanabad, Parbhani, Ratnagiri, Sangli, Solapur and Satara.

non-realisation of motor vehicle tax of ₹ 1.42 crore. Besides, interest at the prescribed rate was also leviable.

After we pointed out these cases to the Department/Government, between September 2007 and March 2011, the Department accepted the observations and communicated recovery of ₹ 24.97 lakh, between August 2007 and October 2010 from 238 vehicle owners. A report on recovery of the balance amount is awaited (February 2012).

We reported the matter to the Government in May and June 2011, their reply is awaited (February 2012).

5.4.1.2 Short levy of One Time Tax (OTT) on imported vehicle

Regional Transport Officer, Pune and Dy. Regional Transport Officer, Srirampur at Ahmednagar

The rate of OTT leviable on the cost of domestic vehicle was revised from 1 July 2009 to 7 *per cent* for the cost of vehicle upto ₹ 10 lakh, 8 *per cent* for the cost of vehicle between ₹ 10 lakh and ₹ 20 lakh and 9 *per cent* for the cost of vehicle above ₹ 20 lakh. The OTT rates on motor car imported into India and used or kept for use in the state is leviable at twice the rate applicable for domestic vehicles.

During test check of the records of two offices, between January 2011 and February 2011, we noticed that two vehicle models namely Montero GLS and Range Rover, registered under the non-transport category, during the year 2009-10, were actually declared as imported vehicles by the Transport Commissioner as seen from Form 20. However, these two vehicle owners had paid tax which is applicable to domestic vehicles instead of the tax applicable to imported vehicles. The differential rate of tax recoverable aggregated ₹ 11.55 lakh in respect of these two vehicles. No action was taken by the Department to recover the dues till it was pointed out by us. This resulted in non-realisation of OTT of ₹ 11.55 lakh. Besides, interest at the prescribed rate was also leviable. Failure of the Department to check the correctness of categorisation of these vehicles as determined by the Transport Commissioner and take corrective action resulted in non-realisation of tax of ₹ 11.55 lakh.

After the cases were pointed out, the concerned RTOs stated that the matter would be verified and action would be taken accordingly. A report on recovery is awaited (February 2012).