

CHAPTER-III : MOTOR VEHICLES TAX

EXECUTIVE SUMMARY

Marginal increase in tax collection	In 2010-11 the collection of taxes from motor vehicles increased by 12.58 <i>per cent</i> as compared to the Budget Estimate for the year and by 19.04 <i>per cent</i> over the previous year which was attributed by the Department to increase in registration of vehicles, increase in the enforcement activities, amendment of the Orissa Motor Vehicles Taxation (OMVT) Act, 1975 and arrear collection.
Internal audit not conducted	Audit of the units under the Transport Department has not been conducted for the past few years due to shortage of staff in the Internal Audit Wing. This resultantly had its impact in terms of the weak internal control in the Department leading to substantial leakage of revenue. It also led to the omissions on the part of the Regional Transport Officers remaining undetected till we conducted our audit.
Very low recovery by the Department against the observations pointed out by us in earlier years	During the period 2005-06 to 2009-10 we had pointed out non / short levy, non / short realisation of tax, fee etc., with revenue implication of ₹ 325.21 crore in 8,89,878 cases. Of these, the Department / Government accepted audit observations in 99,199 cases involving ₹ 161.02 crore but recovered only ₹ 8.18 crore in 5,701 cases. The average recovery position being, 5.08 <i>per cent</i> , as compared to acceptance of objections was very low and it ranged between 1.31 <i>per cent</i> and 7.48 <i>per cent</i> .
Results of audit conducted by us in 2010-11 and 2011-12	<p>In 2011-12 we conducted a Performance Audit on “Computerisation in the Motor Vehicles Department and found loss/non-realisation of revenue of ₹ 2.66 crore .In 2010-11 we test checked the records of 27 units relating to taxes on motor vehicles and found non / short realisation / levy of tax, fees, penalty etc., involving ₹ 71.77 crore in 1,71,253 cases.</p> <p>The Department accepted non / short realisation / levy of tax and other deficiencies of ₹ 35.45 crore in 25,772 cases, of which 2,342 cases involving ₹ 7.97 crore were pointed out by us during the year 2010-11 and 2011-12 and the rest in earlier years. An amount of ₹ 0.65 crore was recovered in 537 cases during the year 2010-11 which included ₹ 0.16 crore in 98 cases for the year 2010-11.</p>
What we have highlighted in this Chapter	In this Chapter we present the findings of the Performance Audit on “Computerisation in the Motor Vehicles Department involving loss/non-realisation of revenue of ₹ 2.66 crore and illustrative cases of

₹ 69.62 crore selected from the observations noticed during our test check of records relating to assessment and collection of motor vehicles tax in the office of the Transport Commissioner-cum-Chairman, State Transport Authority and the Regional Transport Officers (RTOs), where we found that the provisions of the Acts / Rules were not adequately adhered to.

It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Reports of the CAG for the past several years, but the Department has not taken adequate corrective action despite switching over to an IT-enabled system in all the RTOs. We are also concerned that though these omissions were apparent from the records which were made available to us, the RTOs were unable to detect these mistakes.

Our conclusion

In the Performance Audit we brought out several deficiencies in implementation of the project which warranted establishment of connectivity between all the RTOs of the State with the STA through centralised online data management system, identification of gaps in the mapping process and incorporation of the same in to the system, putting in proper input and validation controls for authentication of the data and defining of appropriate supervisory control over the jobs entrusted to the concessionaire.

The Department 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.

It also needs to initiate immediate action to recover the non-realisation, undercharge of tax, fees etc. pointed out by us, more so in those cases where it has accepted our contentions.

3.1.1 Tax administration

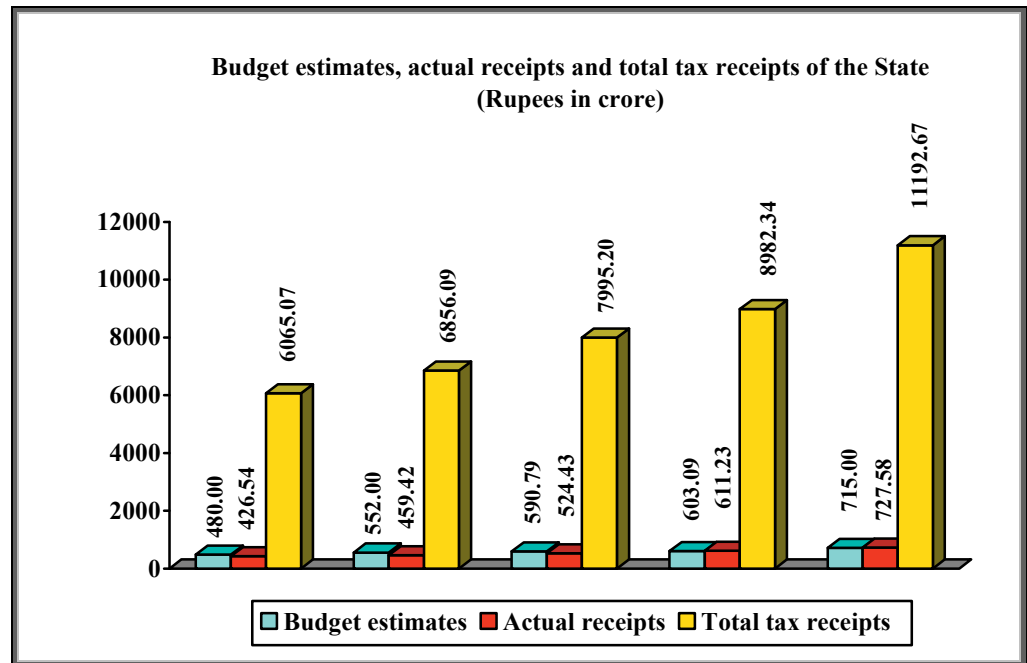
Levy and collection of taxes on motor vehicles is regulated under the Motor Vehicles (MV) Act, 1988 and the Orissa Motor Vehicles Taxation (OMVT) Act, 1975 and Rules made thereunder. The Transport Commissioner (TC)-cum Chairman, State Transport Authority (STA), Odisha under the administrative control of Commerce and Transport (Transport) Department, Odisha is functioning as one of the Heads of Department in the State and administers the above Act and Rules. He is assisted by the Additional Commissioner Transport (Administration), Secretary, Joint Commissioner Transport (Technical), Deputy Commissioner Transport (Tax), Accounts Officer, Assistant Transport Commissioner (Enforcement), Under Secretary, two Assistant Secretaries, two Assistant Directors(Traffic Survey), one Statistical Officer and one Law Officer. In the field level a Principal of the Driving Training School, three Zonal Deputy Commissioners (Transport) and

31 Regional Transport Officers (RTOs) work. The RTOs are the assessing authorities as well as the tax recovery officers.

3.1.2 Trend of receipts

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

(Rupees in crore)						
Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	480.00	426.54	(-) 53.46	(-) 11.13	6,065.07	7.03
2007-08	552.00	459.42	(-) 92.58	(-) 16.77	6,856.09	6.70
2008-09	590.79	524.43	(-) 66.36	(-) 11.23	7,995.20	6.56
2009-10	603.09	611.23	(+) 8.14	(+) 1.35	8,982.34	6.80
2010-11	715.00	727.58	(+) 12.58	(+) 1.76	11,192.67	6.50



The reasons for wide fluctuations in budget estimates and actuals during 2006-07 to 2007-08 were attributed to less registration of vehicles as compared to the previous year and a campaign against overloading of vehicles whereas for the year 2008-09 it was attributed to a downward trend in registration of new commercial vehicles as compared to the previous year. Increase of revenue during 2010-11 is due to increase in registration of vehicles, increase in the enforcement activities, amendment of OMVT Act and arrear collection.

3.1.3 Cost of collection

The gross collection under taxes on motor vehicles, expenditure incurred for their collection and the percentage of such expenditure to gross collection during the years 2008-09, 2009-10 and 2010-11 along with the all India

average percentage of expenditure for collection to gross collection in the respective previous years are mentioned below.

(Rupees in crore)				
Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	524.43	32.59	6.21	2.58
2009-10	611.23	27.78	4.54	2.93
2010-11	727.58	30.73	4.22	3.07

The percentages of the cost of collection were higher than the all India average percentages. **Thus, there is considerable scope for the Government to improve the collection or reduce the cost so as to adhere to the all India average cost of collection.**

3.1.4 Working of internal audit wing

The Department informed us that although the internal audit wing (IAW) of the Department exists, the audit has not been conducted since last couple of years due to shortage of staff. **The Government may take suitable steps to strengthen the IAW so as to ensure effective implementation of the Acts / Rules for prompt and correct realisation of revenues as well as clear the arrears in audit.**

3.1.5 Impact of audit

Revenue impact

During the last five years (2005-06 to 2009-10) we pointed out non / short levy, non / short realisation of tax, fee etc., with revenue implication of ₹ 325.21 crore in 8,89,878 cases. Of these, the Department / Government accepted audit observations in 99,199 cases involving ₹ 161.02 crore and recovered ₹ 8.18 crore in 5,701 cases. The details are shown in the following table.

(Rupees in crore)								
Year	No. of units audited	Amount objected		Amount accepted		Amount recovered		Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
2005-06	27	2,02,391	50.89	18,990	24.86	2,041	1.86	7.48
2006-07	27	1,76,591	59.46	16,217	24.43	1,279	1.15	4.71
2007-08	27	1,62,866	64.70	18,943	21.33	239	0.28	1.31
2008-09	27	1,77,339	75.24	39,904	79.35	1,899	4.61	5.81
2009-10	27	1,70,691	74.92	5,145	11.05	243	0.28	2.53
Total	135	8,89,878	325.21	99,199	161.02	5,701	8.18	5.08

During the period 2005-06 to 2009-10 the recovery position as compared to acceptance of objections was very low ranging from 1.31 *per cent* to 7.48 *per cent*. **The Government may take appropriate steps to improve the recovery position.**

3.1.6 Results of audit

During the year 2011-12 we conducted a Performance Audit on “Computerisation in the Motor Vehicles Department” and during the year 2010-11 we test checked the records of 27 units relating to taxes on motor vehicles and found non / short realisation / levy of tax, fees, penalty etc. involving ₹ 74.43 crore in 1,71,254 cases which fall under the following categories.

Sl. No	Categories	(Rupees in crore)	
		No. of cases	Amount
1	Computerisation in Motor Vehicle Departments (A Performance Audit)	1	2.66
2.	non-levy / realisation of motor vehicles tax / additional tax and penalty	32,582	69.51
3.	Non / short realisation of compounding fees and process fees etc.	1,37,712	1.38
4	Non / short realisation of composite tax and penalty	434	0.22
5	Short levy / realisation of motor vehicles tax / additional tax and penalty	114	0.25
6	Non / short levy of penalty on belated payment of tax	88	0.21
7	Non / short realisation of trade certificate tax / fees	35	0.01
8.	Other irregularities	288	0.19
Total		1,71,254	74.43

During the Exit Conference held in January 2012 the Department accepted loss/ non- realisation of revenue of ₹ 0.74 crore against our observation of ₹ 2.66 crore in the Performance Audit. During the year the Department accepted non / short realisation / levy of tax and other deficiencies of ₹ 34.71 crore in 25,771 cases, of which 2,341 cases involving ₹ 7.23 crore were pointed out in audit during the year 2010-11 and the rest in earlier years. An amount of ₹ 0.65 crore was recovered in 537 cases during the year 2010-11 which included ₹ 0.16 crore in 98 cases for the year 2010-11.

A Performance Audit on “**Computerisation in Motor Vehicles Department**” involving financial effect of ₹ 2.66 crore and a few illustrative cases involving ₹ 69.62 crore are mentioned in the following paragraphs.

3.2 A Performance Audit on Computerisation in the Motor Vehicles Department

Highlights

- Except for module of permit and temporary registration under ‘Vahan’ and enforcement module under ‘Sarathi’ all the modules of ‘Vahan’ and ‘Sarathi’ were implemented in all the 31 RTOs.
(Paragraph 3.2.8.1)
- Maintenance of real time records on centralised online data management system was not done. Besides, there was non-customisation of permit module under Vahan software.
(Paragraph 3.2.8.1 and 3.2.8.2)
- Fine of ₹ 71.05 lakh for delay in issue of smart card based registration certificates/driving licenses by the concessionaire was not imposed.
(Paragraph 3.2.8.4)
- Short engagement of IT personnel resulted in undue benefit of ₹ 34 lakh to the concessionaire.
(Paragraph 3.2.8.5)
- Service charges of ₹ 1.01 crore was irregularly collected by the concessionaire towards issue of paper-based learner licenses.
(Paragraph 3.2.8.6)
- There were deficiencies in mapping of business process rules and delays in mapping of business process rules.
(Paragraph 3.2.8.7)
- There was inadequacy in validation controls which resulted in issue of multiple driving licenses to a person and transport licenses to persons without requisite qualifications.
(Paragraph 3.2.8.9)
- There was non-continuity of registration numbers and irregularities in assignment/allotment of registration numbers.
(Paragraph 3.2.8.11 and 3.2.8.15)
- There was inadequacy in input controls which resulted in duplication of 422 engine numbers and 74 chassis numbers in the system.
(Paragraph 3.2.8.12)
- 13,370 driving licenses and 22,411 registration certificates were issued in smart card without activation of the card chips.
(Paragraph 3.2.8.16)
- There was duplication of data in Regional Transport Offices’ databases due to lack of connectivity and no objection certificate/tax clearance certificate procedure.
(Paragraph 3.2.8.17)

3.2.1 Introduction

The Government of India (GoI), Ministry of Road Transport and Highways (MoRTH) had taken up a scheme for creation of a “National Database Network” by introduction of Information Technology (IT) in the Road Transport Sector. The scheme, implemented through the National Informatics Centre (NIC), was to be operated in such a way that the data from all the Regional Transport Offices (RTOs) in the State were to flow into the “State Register” which in turn was to be captured at the National level. Two softwares viz. ‘Vahan’ for registration of the vehicles and ‘Sarathi’ for issue of licenses to the drivers of the vehicles were designed by the NIC for this purpose. Against the above backdrop, a project for issue of Smart Card Based Driving Licenses (SCBDL) and Smart Card¹ Based Registration Certificates (SCBRC) through the above mentioned softwares was implemented (March 2007) by the Government of Odisha in accordance with the guidelines issued by the MoRTH (August 2004) which was a part of the operationalisation of the e-Governance measures. It aimed at imparting better services to the users, improving efficiency of operations through outsourcing of various activities, better compliance and enforcement of the Motor Vehicle (MV) Act and Rules made thereunder through computerisation. Besides, the National Permit Scheme (NPS) in electronic mode was introduced by the Department in September 2010 as per the directives (August 2010) of the MoRTH.

3.2.2 Organisational setup

The Transport Commissioner (TC)-cum Chairman, State Transport Authority (STA), Odisha under the administrative control of the Commerce & Transport Department, Odisha is the Head of the Department in the State and administers the MV Act and Rules. He is assisted by the Additional Commissioner, Transport (Administration), Secretary, Joint Commissioner, Transport (Technical), Deputy Commissioner, Transport (Tax), Accounts Officer, Assistant Transport Commissioner (Enforcement), Under Secretary, two Assistant Secretaries, two Assistant Directors (Traffic Survey), one Statistical Officer and a Law Officer. At the field level there is a Principal, Driving Training School, three Zonal Deputy Commissioners Transport and 31 RTOs². The Joint Commissioner of Transport (Technical) is in charge of the IT-related activities of the Department.

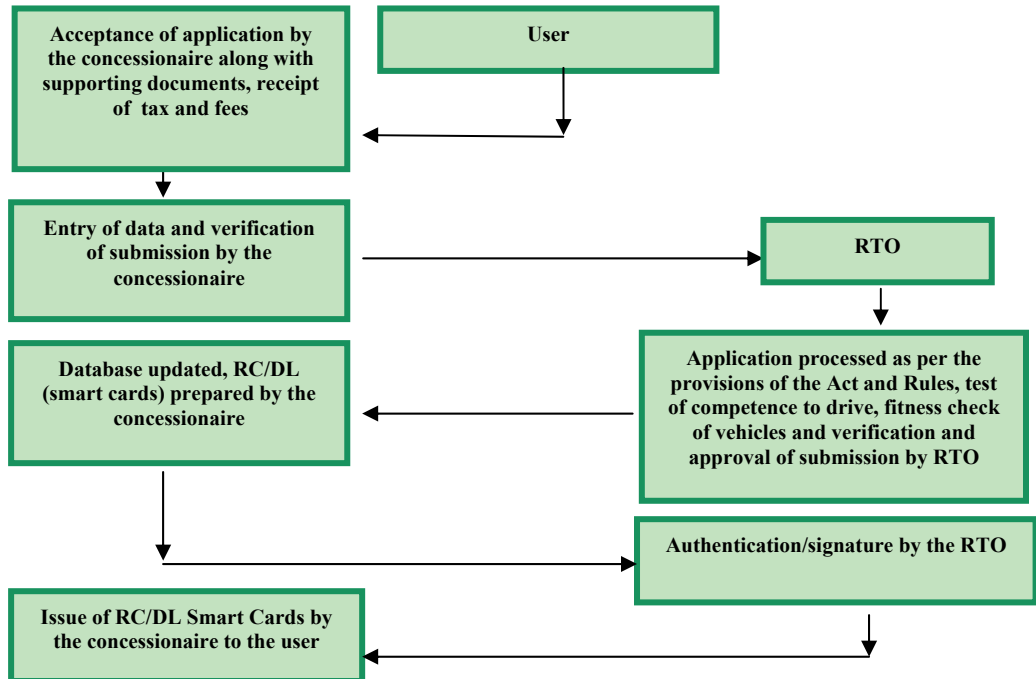
3.2.3 Features of the application software and system overview

The ‘Vahan’ application software was developed on Windows Operating System (WOS) using ‘Java’ for the front-end application programme and ‘Oracle 10g’ for the backend database whereas the ‘Sarathi’ application software was developed on the same WOS using ‘Visual Basic’ for the front-end application programme and ‘Oracle 10g’ for the backend database. The

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- 1 A device capable of storing data and executing commands which is a micro-processor chip mounted on a plastic card and the dimensions of the card and chip is as specified and amended from time to time for DL and RC applications.
 - 2 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Boudh, Chandikhol, Cuttack, Deogarh, Dhenkanal, Gajapati, Ganjam, Jagatsingpur, Jharsuguda, Kalahandi, Kendrapara, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nawarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur, Sonepur and Sundargarh.

project for issuance of SCBDL/SCBRC as a tool for e-Governance in the Department was awarded to a concessionaire, M/s Smart Chips Ltd. (SCL), New Delhi on 29 July 2006, on Build-Own-Operate-Transfer (BOOT) basis by an agreement for 15 years. The commercial operation of the project, however, started by 26 March 2007 in all the RTOs.

The overview of the system and the processes involved in the project are summarised below in a flowchart.



3.2.4 Scope of the review

A review on “IT Audit of ‘Vahan’ in the Transport Department was featured in Para 3.2 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009. The scope of the present performance audit includes the audit of the implementation of the Vahan and Sarathi scheme/project, examination of the controls for registration of vehicles, collection of taxes and fees etc. in “Vahan”, issue of Learners License (LL), Driving License (DL) through “Sarathi” against collection of prescribed fees and issue of “National Permit” in electronic form against collection of requisite fees at the STA and covered the period from their dates of implementation up to March 2011. We also examined the performance of the concessionaire in the post computerisation regime of the Department. Apart from the STA, eight³ RTOs were selected on the basis of stratified random sampling method based on the revenue collection figure during the period 2006-07 to 2010-11 along with one⁴ more RTO at the request of the Principal Secretary of the Department in the entry conference held in June 2011.

3 Balasore, Bargarh, Bhadrak, Cuttack, Dhenkanal, Ganjam, Nuapada and Rayagada.

4 Chandikhol.

3.2.5 Audit criteria

The provisions of the following Acts and Rules were used as the audit criteria for conducting the performance audit.

- The MV Act, 1988
- The Central Motor Vehicles (CMV) Rules, 1989
- The Orissa Motor Vehicles Taxation (OMVT) Act, 1975
- The Orissa Motor Vehicles (OMV) Rules, 1993
- The concession agreement dated 29 July 2006 made between the Government of Orissa and M/s Smart Chip Limited (SCL), New Delhi.
- Executive instructions issued from time to time by the Department.

3.2.6 Acknowledgement

We acknowledge the co-operation of the Department in providing necessary information for this review. An entry conference was held in June 2011 and the performance audit was taken up between June and August 2011. Our observations were communicated to the Department in August 2011 and their views received in September/October 2011 have been suitably incorporated in the performance audit. An exit conference was held on 10 January 2012 where the findings of the performance audit were discussed. The views of the Department and our observations thereon were incorporated in the performance audit at appropriate places.

3.2.7 Audit objectives

The objectives of the performance audit were to assess whether:

- the modules of the computerised systems implemented were complete and the data captured by the RTOs were correct and complete;
- connectivity was established between the RTOs of the State for creation of the State Register of vehicles and licenses and the National Register and Central servers were put in place for achievement of the above stated objectives;
- necessary input and validation controls are in place;
- the computerised National Permit Scheme was implemented as planned for and the objectives of the project were achieved; and
- the overall objective of computerisation through the NIC-developed 'Vahan' and 'Sarathi' softwares were achieved.

3.2.8 Audit findings

3.2.8.1 Implementation of the project

As per the scope of the project for implementation of SCBRC/SCBDL specified in the agreement, GRAMSAT connectivity was to be made available by the Department to the concessionaire and the concessionaire had to establish connectivity between the RTOs and the STA at his own cost and maintain real time records. Moreover, as per the BOOT-based agreement, the entire hardware and other IT assets would be transferred to the Department after 15 years.

During scrutiny of the records on the execution of the project for SCBDL and SCBRC we noticed (August 2011) that the GoI had made it mandatory in May 2002 for the introduction of the above project for e-Governance in the Transport Departments of the States. Accordingly, the Government decided in

June 2002 to implement the same during 2002-03 by computerisation of the system. The date on which the above two softwares were received by the Department and installed by the NIC were, however, not on record. We saw that all the modules of 'Vahan' and 'Sarathi' were implemented in all the RTOs and ARTOs of the State except permit and temporary registration module under 'Vahan' and Enforcement module under 'Sarathi'. It was also seen that all the legacy data pertaining to vehicle registration for the period from March 1993 onwards has been imported. The process of computerisation of the SCBRC/SCBDL through the softwares Vahan/Sarathi was outsourced (July 2006) to a firm, M/s SCL, New Delhi under a concession agreement for 15 years. On scrutiny of the records the following deficiencies were noticed from the signed agreement.

- Though the creation of a central database at STA and connectivity between the RTOs was envisaged in the agreement to be established within 135 days from the contract date i.e. 29 July 2006, the concessionaire did not create connectivity through GRAMSAT as the bandwidth of GRAMSAT was not made available by the Department.
- The NIC had, in the meanwhile, provided 2 MBPS high speed leased line connectivity by July/August 2010 connecting 34 RTOs/ARTOs with the NIC-district centre free of cost as part of the national policy of the GoI, MoRTH on computerisation in the Transport sector. However the interconnectivity among the RTOs of the State and with STA was not done.
- We further observed that for connectivity in the STA for real time online data between 34 RTOs/ARTOs and the STA, 35 VSAT⁵ leased lines with 256 KBPS speed were obtained by the STA from BSNL in June 2010 against payment of ₹ 20.42 lakh towards lease and other charges and were installed at the respective sites by October 2010 for a minimum period of three years with payment of annual lease charges. Our scrutiny revealed that the VSAT lines installed by October 2010,

5 Very small aperture terminal.

were left unused and were not functioning as of August 2011. Thus the very objective of creation of a central database containing the data of all RTOs at the STA was not achieved even after spending ₹ 20.42 lakh.

After we pointed this out, the Department, in the exit conference, stated that (January 2012) the (central database) State Register existed at the NIC, Bhubaneswar by connecting all RTOs with the NIC State Centre through NIC lease line. Besides, the central database is consolidated by the concessionaire at Bhubaneswar by consolidating incremental data on semi real time basis. The Department also stated (September 2011) that to keep a standby connectivity, it opted for the VSAT lease lines which was always desirable in addition to the connectivity of 2 mbps speed extended by the NIC free of cost

However, the fact remains that the creation of central database and connectivity of all RTOs with the STA, Cuttack by maintaining real time records on centralised on line data management services as per the agreement has not been achieved so far.

3.2.8.2 Partial utilisation of the processing capability of “Vahan” and “Sarathi” softwares

The ‘Vahan’ and ‘Sarathi’ softwares developed by the NIC was to capture the information related to registration of the vehicles, identity of its owner and technical details of the vehicles and information on LLs and DLs or for an automated Management Information System (MIS). The system also manages the information related to tax, fitness, enforcement/vehicle check report (VCR), permit, approval, administration and report etc.

We noticed that the following modules were yet to be made operational:

- the permit and temporary registration modules in ‘Vahan’
- the enforcement module of ‘Sarathi’ for capturing offences, suspensions and cancellations of DLs etc.

Thus the Department is yet to utilise the above modules even after

nearly four years of the commercial operation.

After we pointed this out (August 2011), the Department stated that except for Enforcement Module in Sarathi the other modules needed customisation and these would be implemented in phases. The enforcement module of ‘Sarathi’ was being customised and was under implementation in some of the RTOs. Other RTOs would implement the module on successful implementation at the pilot sites.

3.2.8.3 Deficiencies in the contract agreement made with SCL

According to the agreement the concessionaire shall realise the service charges in case of cancellation of hire purchase, hypothecation and any other change of information in the visible inspection zone.

Preparation of a new smart card in the event of cancellation of hypothecation was envisaged in the agreement. As there is no change in the visible

inspection zone in case of cancellation of hypothecation, the issue of new smart card was not necessary. However, service charges of ₹ 190 for issue of the new smart card in the event of cancellation of the hypothecation was being charged by all the RTOs from the card holders. The cancellation could be updated in the chip and database only against collection of fees instead of issuing fresh smart cards for ₹ 190. Thus due to the defective agreement the card holders had to pay higher amount towards service charges.

After we pointed out the above lapses, the Department stated (September 2011), that steps were being taken to rectify the shortcomings.

3.2.8.4 Delay in issue of SCBDL/SCBRC, non-adherence to the performance standards and non-imposition of late fine

As per the agreement, the concessionaire was to issue SCBDL within one day from the date of passing the test of competence to drive a vehicle and the SCBRC within one day of passing the fitness test of the vehicle, failing which the Department had to impose late fines of ₹ 5.57 and ₹ 16.70 being 10 per cent of the service charges of ₹ 55.67 for the DL and ₹ 167.01 for the RC respectively collected by the concessionaire (SCL) from every user in lieu of the service provided.

We mentioned about the above subject in Para 3.2.9 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009.

From an analysis of the database and scrutiny of the records in nine⁶ RTO offices we noticed that the maximum delays in issue of SCBDLs ranged

from 93 to 622 days whereas such delays in issue of (i) SCBRC (transport) ranged from 117 to 1,161 days and (ii) SCBRC (non-transport) ranged from 238 to 1,430 days as summarised in the following table, which warranted imposition of fine of ₹ 71.05 lakh against the concessionaire.

Category	Number of DL/RC	Period of delay (in days)	Late fine to be imposed (₹ in lakh)
DL	3,80,648	93 to 622	21.19
RC (transport)	36,954	117 to 1161	6.17 ⁷
RC (non-transport)	2,61,628	238 to 1430	43.69 ⁷
Total	6,79,230	93 to 1430	71.05

The delay in delivery of services to the users and absence of monitoring mechanism on the part of the Department resulted in non-delivery of timely services by the concessionaire.

Further, in terms of the agreement, the concessionaire was to furnish a monthly report indicating the delay in issue of DL/RC and penalty leviable for such delays. However, neither did the concessionaire furnish report for delay in delivery of services nor did the Department call for such reports during the period covered in the performance audit. Further, no late fine was imposed as of August 2011.

6 Balasore, Bargarh, Bhadrak, Cuttack, Dhenkanal, Ganjam, Nuapada, Rayagada and Chandikhol.

7 Includes only amount related to the period from April 2008 onwards which was not covered under the Review on "IT Audit on VAHAN" featured on the C&AG's Audit Report (Revenue Receipts) for the year ended March 2009.

After we pointed this out, the Department stated (September 2011) that the concessionaire was being instructed from time to time to adhere to the performance standards of the project. The reply is, however, silent on the issue of invoking of late fine. In the exit conference, the Department contended (January 2012) that the delay might occur for cases of DL where test and approvals were made; but the applicants did not turn up for photographs (biometric). The fact however, remains that the delays were worked out where the date of activation of smartcard as against the push date to the concessionaire exceeded one day. Besides, this being an e-Governance project, prompt delivery of services was envisaged. The delay irrespective of its reasons resulted in deficient citizen services.

3.2.8.5 Short engagement of IT personnel

In terms of the agreement, the Department should engage IT personnel trained by the NIC who would be responsible for the database and the system administration at different RTOs and also at the STA. The concessionaire was to pay the monthly wages of such personnel through the Department.

In para 3.2.8.3 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009, we observed that undue benefit of ₹ 30 lakh was allowed to the concessionaire towards

savings on account of the wages of 12 Assistant Programmers (APs) not posted and engaged in different RTOs for the period from July 2007 to July 2009. We further noticed that although the system was in operation in 34 locations⁸ (31 RTOs and three ARTOs) in addition to the STA, requiring 35 APs to look after the database and system administration, only 18 APs were posted and engaged in different RTOs from July 2007 onwards and 16 RTOs along with the STA were not provided with any programmers during the period August 2009 to March 2011. This also resulted in saving of ₹ 34 lakh to the concessionaire's account at the rate of ₹ 10,000 per programmer per month for the above period which constitutes an undue benefit extended by the Department.

After we pointed this out, the Department stated (September 2011) that due to non-availability of qualified IT personnel, there was short engagement and steps were being taken to engage IT personnel in all 34 offices.

⁸ Five more RTOs i.e. Boudh, Deogarh, Kendrapara, Malkangiri and Sonepur were created on 27 May 2009.

3.2.8.6 Irregular collection of service charges by the concessionaire

As per the agreement, the service charge was ₹ 20 for issue of each paper-based LL on security paper of the Government carrying appropriate hologram to prevent fraud and issuance of counterfeit documents. The concessionaire should procure and supply such paper on the basis of annual requirement at its own cost.

We pointed out the irregular collection of service charges by the concessionaire in Para 3.2.10 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009.

From an analysis of the database of nine RTOs, we noticed that the concessionaire collected service charges from the users at the rate of ₹ 20 for issue of each LL on plain paper instead of security paper with hologram for the period 26 March 2007 to 31 March 2011. However, 5,02,617 LLs were issued on plain paper against irregular collection of service charges of ₹ 1.01 crore by the concessionaire instead of issuing of the same on security paper with holograms.

After we pointed this out the Department stated (January 2012) that as per the terms of the agreement, the concessionaire is collecting the service charges. The reply is not tenable since the LLs are not being issued on security paper of the Government carrying appropriate hologram.

3.2.8.7 Deficiencies in mapping of business process rules

3.2.8.7.1 Non-mapping of business process rules for omnibus

Under the MV Act, 1988 as amended on 5 November 2004, omnibus i.e. motor vehicles having seating capacity of more than six excluding the driver's seat comes under the transport category and is brought under the purview of fitness regime. Thus fitness fee is to be collected from all omnibuses as per the above Act in addition to the tax collected under the OMVT Act/Rules.

From an analysis of the database of nine RTOs, we noticed that 1,961 vehicles, whose seating capacity was more than seven, were registered under the "non-transport category" instead of "transport category" and hence, fitness/testing fees of ₹ 5.88 lakh at the rate of ₹ 300 per vehicle were not realised at the

appropriate rate in the computerised regime i.e., during March 2007 up to May 2011. This was due to non-mapping of the business process rules in the system for collection of fitness fee as per the provisions of the amended Act.

After we pointed this out, the Department stated (September 2011) that the NIC was being intimated to incorporate the amended provisions in the application system to avoid such losses in future.

3.2.8.7.2 *Non-mapping of business process in case of private service vehicles*

Under the MV Act, 1988, as amended on 14 May 2010 motor cars and motor cabs having seating capacity of seven or less including the driver's seat are coming under the One Time Tax (OTT) category and motor vehicles having seating capacity of more than seven and used in their trade and business were categorised as private service vehicles (PSVs). These PSVs are to be taxed at the rate ₹ 800 per seat with effect from 14 May 2010 while OTT categories of vehicles are to be taxed at the rate of five *per cent* of the cost of such vehicles or ten times of annual tax whichever is higher.

From an analysis of the database of the RTO, Cuttack, we noticed that two vehicles having seating capacity of seven were registered under PSV category instead of being registered under a category liable to be taxed against payment of OTT during the period 4 June 2010 to 11 October 2010. This resulted in short realisation of ₹ 47,577 towards tax at the time of registration indicating that the registration of PSV

category was not mapped in the application system correctly.

After we pointed this out, the Department stated (September 2011) that NIC was intimated to incorporate the provision in the application system.

3.2.8.7.3 *Non-mapping for registration for cranes/hydra etc.*

The tax rate for a separate category of vehicle with unladen weight (ULW) of more than 6000 Kg. attracting higher tax rate was newly introduced by the Government from 14 May 2010 in addition to the existing tax rates of different slabs up to ULW of 6000 Kg.

We observed that 39 such vehicles like Crane, Hydra etc. whose ULW was more than 6000 Kg., were registered during the period 30 June 2010 to 15 April 2011 against payment of tax of ₹ 2.62 lakh at

the rates applicable to goods carriages although the correct tax liability stood at ₹ 3.13 lakh at the revised rate. This was due to non-mapping of the categorisation of the vehicles in the system which led to short realisation of tax of ₹ 0.51 lakh.

After we pointed this out, the Department stated (September 2011) that NIC was intimated to incorporate the provision in the application system.

3.2.8.7.4 *Delayed mapping in case of One Time Tax (OTT) for certain categories of Goods carriages*

Under the OMVT Act 1975 as amended on 14 May 2010, the gross vehicle weight (GVW) of goods carriages not exceeding 3000 Kgs was brought under a separate category for taxation under the OTT payment mode in lieu of the earlier taxation slabs up to that weight.

We observed that taxes were collected at the earlier slab rates in respect of 51 such vehicles for the period from 15 May 2010 to 26 May 2010 due to delay in mapping the business rules in the system as per the amended provisions. This

resulted in short realisation of tax of ₹ 9.78 lakh. The change of tax rate was customised in the system from June 2010.

3.2.8.8 Incorrect data migration to computerised system (Vahan) and improper validation of legacy data

As per the OMVT Act 1975, tax was to be levied based on the parameters like sale or purchase amount and the Unladen Weight (ULW) for private motor cars, motor cycles etc., seating/standing capacity in the case of passenger vehicles like stage carriages, contract carriages etc. and laden weight in the case of goods vehicles.

From the test check of selected samples of General Registration (GR) register in the legacy or backlog data with that of Vahan database and MIS portal in respect of the selected nine RTOs, we noticed the following discrepancies.

- Particulars of the General Registration like standing capacity in respect of 75 stage carriages were not entered correctly into the computerised database,
- Particulars of the GRs relating to 80 passenger vehicles, 45 goods vehicles and 50 contract carriages were not at all entered into the Vahan database. Further, the payment of tax in respect of these vehicles was neither available in the respective Vahan database nor in the MIS portal thereof even though NOCs/TCCs were not issued. Thus, there was non-transfer of the legacy data from the GR to the system.
- Particulars of the GRs relating to 46 private motorcycles were not entered in the Vahan database of the respective RTOs⁹.
- In case of 137 vehicles of various categories, incorrect data was entered in the system.

Thus non-entry/incorrect entry of legacy or backlog data in the computerised system could result in evasion of tax in the event of improper monitoring.

After we pointed this out, the Department stated (September 2011) that the cases related to only backlog data entry cases and it could not happen in new cases. Our observation, though relates to backlog data, shows the errors in data entry.

3.2.8.9 Input/validation control (Sarathi)

Input and validation controls are necessary in any system to capture data in all the mandatory and prescribed fields. In the event of non-entry of data, the system should restrict further steps in completion of entries and not permit the user to proceed further. The system should reject/restrict entries in contravention to the prescribed validation given while programming each field. By this process the accuracy and completeness of database can be ensured.

9 Ganjam, Nuapada and Rayagada.

3.2.8.9.1 *Incomplete database*

Under the CMV Rules 1989, application in prescribed form for issue of DL, *inter alia*, includes identification marks, blood group and qualification of the applicants.

From an analysis of the DL database of nine RTOs, we noticed that the data capture was incomplete or incorrect in several fields. For example, Identification Marks 1 and 2 were left blank in 4,82,040 cases and blood group 'U' indicating 'unspecified' was entered in 8,295 cases. Thus the database were incomplete without any entry particulars of the Identification (ID) marks and blood groups of the applicants which would be of no use to different departments of the Government as well as the users in future.

3.2.8.9.2 *Data validation*

The CMV Rules, 1989 as amended on 10 April 2007 provides the minimum qualification of an applicant for issue of a DL for transport category of vehicles to be a pass in the eighth standard with effect from that date.

From an analysis of the database, we noticed that 950 DLs of 'transport category' were issued after 10 April 2007 to applicants having qualification "Below seventh" standard. Besides, 20,632 transport licenses were issued without insisting on the requisite qualification i.e. passing eighth standard as revealed from the field showing such data as "Not specified". Thus proper validation control was not built in the system to ensure the requisite qualification of the applicants for issue of DLs. We further observed that the qualification master was also not in conformity with the provisions of the above Rules as it contained codes for qualifications like "Not specified", "Below seventh" and "Seventh pass" which needs a rectification.

After we pointed this out, the Department stated (September 2011) that NIC would take steps to make the blood group and qualification field of DLs relating to the transport category mandatory. As regards ID marks the Department contended that in the cases pointed out by us the data were not found or readable in the backlog cases. The contention was not correct as all the 4,82,040 cases related to the post computerisation regime with no backlog cases.

3.2.8.9.3 *Existence of multiple driving licenses*

DL issued to a person should have a unique number as issue of more than one DL to a person is restricted under the MV Act, 1988. However, addition of different classes of vehicles is permitted on the same DL by suitable endorsements.

From an analysis of the database and cross checking with three DL case records out of 264 cases in nine RTOs, we noticed that 132 persons were issued with two DLs each which indicated that

proper validation control was not built in the system to arrest such violations of the provisions of the Act.

After we pointed this out, the Department stated (September 2011) that necessary modification of the application was under process by the NIC.

3.2.8.10 Input/validation control (Vahan)

3.2.8.10.1 Incomplete Database

The CMV Rules, 1989, prescribes a form for registration of vehicles containing information about the vehicles in 34 fields like the name, age, address etc. of the owner of the vehicle and other essential information for proper identification of the vehicle registered which are captured in the ‘Vahan’ application.

From an analysis of the database in respect of nine RTOs test checked by us, we noticed that the data capture of registration was partial even in some of the key fields. This was due to non-incorporating the above

fields as mandatory in the system. The details of blank or zero entry in some mandatory fields are detailed in the following table.

Blank or zero in mandatory fields

Sl. No	Name of the RTOs	Name of database	Insurance cover note number	Purchase date	Seating capacity	Laden weight	Unladen weight
1	Balasore	Vahan-01	24	01	-	02	11
2	Bargarh	Vahan-17	107	07	01	-	05
3	Bhadrak	Vahan-22	-	-	-	-	08
4	Chandikhol	Vahan-04	2210	-	-	17	64
5	Cuttack	Vahan-05	64	-	-	-	99
6	Dhenkanal	Vahan-06	01	02	-	08	11
7	Ganjam	Vahan-07	03	02	-	04	17
8	Nuapada	Vahan-26	143	-	-	-	62
9	Rayagada	Vahan-18	211	22	-	09	03
Total			2763	34	01	40	280

Any analysis and generation of reports based on above type of incomplete database is fraught with the risk of production of incomplete and unreliable information about the vehicle.

After we pointed this out, the Department stated (September 2011) that the cases were for backlog entries entered initially and captured with the intention of validation. The reply is not acceptable as the cases pointed out by us related to the post computerisation system with no backlog cases.

3.2.8.10.2 Lack of data validation

The MV Act, 1988 and Rules thereunder provide for certain basic parameters and range of figures/data for certain class or categories of vehicles like Gross Vehicle Weight (GVW) of goods carriage not to exceed 49 MT, seating capacity of PSVs to be more than six persons excluding the driver, specification of wheelbase of stage carriages linked with the seating capacity and minimum cubic capacity of motor vehicles to be 25 cc etc.

We mentioned about the above subject in Para 3.2.13.5 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009.

From an analysis of the database of nine RTOs we noticed the following deficiencies that implies lack of data validation in the

system:

- PSVs having seating capacity of seven or less than seven in 12 cases;
- Wheelbase of buses as zero in 151 cases;
- GVW of goods carriage exceeding 49 MT in 41 cases;
- Motor Cycles having seating capacity of more than or equal to three in 79 cases;
- Registration number starting with 'ZeroR' instead of 'OR' in one case; and
- Cubic capacity of motor vehicles below 25 cc in 2175 cases.

After we pointed this out, the Department stated (September 2011) that validation for GVW of 49 MT was to be incorporated in the application system. All old backlog cases had incorrect data in key fields.

3.2.8.11 Non-continuity of Registration Numbers

The MV Act, 1988 provides that a registering authority shall assign a unique mark (Registration Number) in a series to every vehicle at the time of registration. The vehicle number should be automatically generated from the system by the concessionaire. A new series should not be started until and unless the old series is exhausted.

Though the issue of gaps in allotment of registration numbers was pointed out in Para 3.2.13.6 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009, the Department has not rectified the software. We noticed that the registration numbers are assigned manually

by seven RTOs out of nine test checked in violation of the agreement. From an analysis of the database of RTO, Bhadrak, we noticed that 38 numbers remained un-allotted in one series where the registration numbers were allotted manually and a new series was started.

We also noticed (July 2011) 49 gaps in the allotment of registration numbers at RTO, Cuttack mostly in case of Tractor Trailers where auto-generation of registration numbers was adopted. This indicated improper customisation of the system.

After we pointed this out, the Department stated (September 2011) that some RTOs are resorting to auto-generation of numbers whereas others need to replace the manual system of allotment with auto-generation. The reply is, however, silent on skipping of numbers.

3.2.8.12 Irregularities in entry of engine/chassis numbers against the vehicle

Chassis numbers and engine numbers are unique identification marks of a vehicle which are essential for entry in the RCs.

From an analysis of the database and scrutiny of the GR and RC records in nine RTOs, we noticed that 74 vehicles were registered with entry of 37 chassis numbers (a single chassis number being wrongly entered against two vehicles). Similarly, 422 vehicles were registered with entry of 209 engine numbers (a single engine number being wrongly entered against two or three vehicles). The above cases could arise due to

wrong data entry by the concessionaire. Though we pointed out this deficiencies in Para 3.2.13.2 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009, the Department has not taken steps to address the matter.

After we pointed this out, the Department stated (September 2011) that steps were being taken to remove the duplicate entries by verifying the original GR volumes relating to the backlog data. The fact remains that even the data for current registration also contains these anomalies.

3.2.8.13 Registration of vehicles under invalid insurance cover note

Under the MV Act 1988, no vehicle can be used unless it is registered and every vehicle registered is required to be insured before its use. Besides a valid insurance is a must at the time of registration of a vehicle.

We also noticed that 273 vehicles were registered under eight RTOs¹⁰, where the insurance cover notes submitted by the vehicle owners had already expired at

the time of deposit of tax/fee for registration of such vehicles. Thus, the system had no validation check to ensure correctness of the entries as well as to restrict the use of the expired insurance cover notes at the time of registration of vehicles. The Department should ensure such validation checks in the system.

After we pointed this out, the Department (September 2011) stated that suggestions of audit would be taken care of.

3.2.8.14 Manual intervention for levy and collection of tax

In the computerised regime levy and collection of tax was expected to be error free and transparent due to phasing out of the manual intervention at different stages.

We noticed that there was manual calculation of tax in 48,433 cases, though the system had automatic provision for calculation of

OTT. This indicated that the tax calculation could be made manually in respect of such vehicles. We also observed that the orders (January 2009) of the TC-cum-Chairman, STA for non-issue of manual tax receipts by the RTOs from 1 January 2009 onwards was not adhered to as revealed from the presence of such manual receipts in respect of 1219 cases relating to RTO, Chandikhol.

After we pointed this out, the Department stated (September 2011) that steps were being taken to incorporate auto-generating module for calculation of tax and fees by phasing out the manual option.

10 Balasore, Bargarh, Bhadrak, Chandikhol, Cuttack, Dhenkanal, Ganjam and Rayagada.

3.2.8.15 Irregularities in allotment/assignment of registration number

3.2.8.15.1 Short realisation of choice fee for notified numbers

Under the OMV Rules, 1993, read with the notification of the STA (November 2003), 42 attractive registration numbers were notified as reserved for special allotment subject to payment of ₹ 5,000 for motorcycles and ₹ 10,000 for other vehicles towards reservation fee. Besides this special provision, choice numbers within one thousand from the last number assigned in/ within the prevailing serial order may be booked and allotted on payment of choice fee of ₹ 2,000 and ₹ 4,000 for the two wheelers and other than two wheelers respectively. Similarly, any number within ten thousand from the last number assigned in a series may be reserved on payment of choice fee of ₹ 5,000 and ₹ 10,000 for two wheelers and other than two wheelers respectively on first come first service basis.

From an analysis of the database of three RTOs¹¹, we noticed that the specially notified and other choice numbers were reserved and allotted without realising the appropriate reservation/ choice fees. This indicated that not only customisation and mapping of the system in respect of allotment of choice number was deficient, but supervisory control by the RTOs in this respect was also lacking which resulted in short realisation of choice/

reservation fee of ₹ 30,000 in respect of five vehicles registered by three RTOs.

After we pointed this out, the Department stated (September 2011) that the NIC had to rectify the application system to restrict such errors.

3.2.8.15.2 Inordinate delay in allotment/assignment of choice numbers

We mentioned about the above subject in Para 3.2.13.6.2 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009.

In sub para-3.2.8.4 *supra*, we have already pointed out about the inordinate delay beyond the specific performance standards in allotment of registration numbers after deposit of taxes/fees in respect of 2,98,582 vehicles. Out of these, in 1,135 cases the delay in allotment of registration numbers after deposit of tax/fees was 30 days or more as confirmed through examination of the cases in the first in first out (FIFO) method. This inordinate delay in allotment of registration numbers is fraught with the risk of evasion of the minimum reservation fee of ₹ 22.70 lakh where the vehicle owners managed to get their numbers without payment of the prescribed reservation/choice fees at the prescribed minimum rate of ₹ 2,000 per vehicle. The Department may examine the cases to ascertain the exact amount of evasion. We observed that scrapping of the manual assignment option in the 'Vahan' software interface by the NIC was necessary for maintaining uniformity in allotment of registration numbers and avoiding the evasion of the reservation/choice fees.

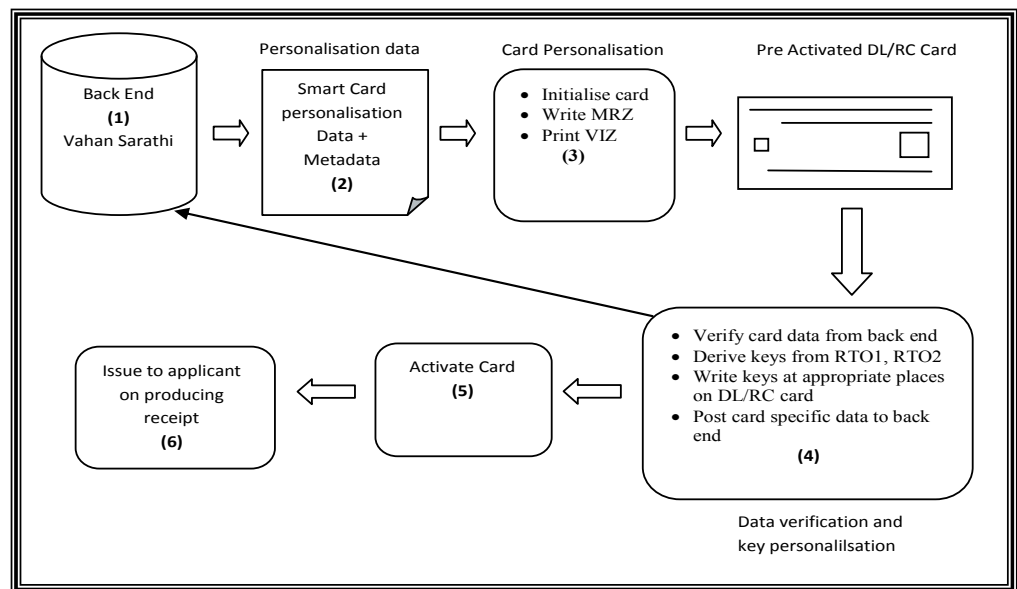
11 Chandikhol, Cuttack and Nuapada.

Further, the charge of ₹ 100 only for delayed registration exceeding 90 days may also be examined for upward revision by the Government as the deterrent provided for delayed registration is very small considering the value of the vehicles in present day scenario.

After we pointed this out, the Department (September 2011) noted the fact for future guidance.

3.2.8.16 DL/RC in smart card without activation/authentication

The objective of the SCBDL/SCBRC project is to make National registers of DLs/RCs by making mandatory the issue of DLs/RCs in smart card in all the States on a common format by which the identity details of a person along with DL/RC reference numbers is retained in a chip embedded in the machine readable zone (MRZ) of the smart card. The information retained in the MRZ of the smart card can be read by a hand held reader/terminal of the enforcement authorities and card reader of RTOs. The database of DLs/RCs is updated and a DL number/RC number is assigned to a person, once the application for DL/RC is approved by the RTO after passing of driving test of the applicant/fitness test of the vehicle etc. Thereafter the data is sent to the BOOT operator and accordingly the Central Personalisation System (CPS) server of the BOOT operator pulls the data for personalisation (chip writing and smart card printing). The information written in the chip of the card are to be matched with the original information of database by a process of verification/authentication i.e. Key Management System (KMS) in which the smart cards are inserted through a KMS card reader for authentication of data



and activation of the chip. The diagram of the above process is shown in the following chart.

From an analysis of the database of nine RTOs, we noticed that in 13,370 DLs and 22,411 RCs, though the database was updated and data is extracted by the BOOT operator and smart card is prepared, the chip activation/authentication has not been done/done incorrectly through KMS as a result of which the chip number is not found in the smart card related table. This would result in the risk of entry of unauthenticated data in the smart card and thereby data

integrity is also not ensured. Further, retrieval/reading of data from the chip by hand held reader and endorsement of offences by writing in the chip etc. by traffic/enforcement authorities was also not possible due to non-activation of the chip in the smart card.

After we pointed this out, the Department stated (September 2011) that in cases of error in printed data which is rectified afterwards, the old data remains inactivated. The reply is not tenable since the card chip number is vacant in the smart card activation table even in all the cases of valid error free smart cards. In the exit conference, we also suggested (January 2012) that the data sent to the concessionaire for smart card printing should be secured i.e. in pdf/read only format so as to ensure data integrity, which was accepted by the Department.

3.2.8.17 Duplication of data due to absence of real-time connectivity amongst RTOs and non-creation of central database

As per the agreement, the concessionaire had to create connectivity at his own cost through Gramsat for connecting the head office (STA) with all the RTOs of the State and maintain the transactions through the centralised online data management system on real time basis initially by 11 December 2006. However, this was yet to be completed (August 2011).

On scrutiny of data of nine neighbouring RTOs, we noticed that there was duplication of data amongst RTOs in respect of backlog entries of vehicles as well as vehicles registered after computerisation as given below.

Duplication of data among the databases of RTOs

Name of the RTO	Compare with the RTOs	No of duplicate data found		
		Total database	New vehicles after computerisation	Backlog entry of vehicle
Nuapada	Cuttack	13	Nil	13
Balasore	Cuttack	518	27	491
Bargarh	Nuapada	33	02	31
Bhadrak	Balasore	1,694	04	1,690
Chandikhol	Cuttack	4,525	53	4,472
Ganjam	Cuttack	994	27	967
Dhenkanal	Cuttack	517	10	507
Cuttack	Dhenkanal	517	09	508
Rayagada	Ganjam	304	05	295
Total		9,115	137	8,978

The duplication of data in respect of new vehicles is an indication of the defective system of issue of NOCs/TCCs by the RTOs without cross reference to the data of other RTOs through relevant NOC/TCC modules. This happened due to absence of real time connectivity among the RTOs and central database at STA.

After we pointed this out, the Department stated (September 2011) that strict instructions were issued to the RTOs not to enter vehicles in their database without NOC from the original registering authority.

3.2.8.18 Irregular issue of DLs without conducting driving test in the appropriate class/type of vehicles

Under the CMV Rules, 1989 driving test shall be conducted by the Licensing Authority/Testing Authority of the RTO in a vehicle of the type to which the application form relates. Sarathi software has a facility to capture the registration mark/number of the vehicle on which driving test has been carried out.

From an analysis of the database of the nine RTOs test checked by us, we noticed that the data in respect of vehicle numbers in which the tests have been conducted were either not entered or incorrectly entered in the system. As a result, analysis of the 'Sarathi' database in this regard in all the RTOs test checked by us could not be done. However, from a detailed analysis of the 'Sarathi' database of RTO, Cuttack and crosschecking the same with the database of 'Vahan', we found that in 25 out of 246 transport DLs, in which vehicle registration numbers were captured by the system, DLs for transport vehicles were issued by passing the driving test conducted in motorcycles i.e. two wheeler vehicles. This was irregular and violated the basic provisions of the CMV Rules.

After we pointed this out, the Department (September 2011) noted the audit observation for future guidance.

3.2.8.19 Lack of documentation

A proper system analysis requires that each module of the system proposed to be developed is properly documented. We noticed that the Department did not have written and authenticated documentation like user requirement specification, system design document, user's manual etc of the modules developed and implemented for "Vahan" and "Sarathi".

After we pointed this out, the Department stated (September 2011) that NIC was having the total responsibility for development, installation, implementation, database management, system health monitoring and maintenance of the entire system and hence all documents were available with them. The reply is not tenable as the documentation is not available in the user Department.

3.2.8.20 System security and password policy

The user identification, password and assigning various roles/privileges to a user play a vital role in a networked IT environment. The role of users and the related privileges should be created by the administrator/RTO carefully on the basis of their rank/ position. In the 'Vahan' application, users are assigned with some roles and accordingly some privileges are assigned with such roles like service-id as a part of logical access control etc. To restrict the misuse of the user-id and password, a password policy should be formulated at the apex level by the STA/NIC.

We mentioned about the above subject in Para 3.2.15 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009.

From an analysis of the database of nine RTOs, we noticed the following irregularities in user IDs and passwords:

- In all the nine RTOs user-ids were not disabled and made non-functional after the transfer/termination of the users concerned.
- No time limit was prescribed for change of the password.
- Roles/privileges, which were to be attached to a supervisor/officer rank personnel, were attached/given to the clerical/assistant cadres along with password. As a result of this, misutilisation of privileges can not be ruled out. We observed that the Department had detected that in RTO, Ganjam. A VCR clerk/assistant who had got no power to dispose of VCRs has disposed of the VCRs/challans. This occurred due to assigning role to settle challan to the clerk (service id-704). Similarly roles for assignment of registration mark (service id-803) which should have been assigned to a higher level officer was given to a junior level staff i.e., registration clerk. Thus, it was evident that proper segregation of duties with predefined privileges attached to various users as per their level/rank was lacking in the system.

After we pointed out the above deficiencies, the Department stated (September 2011) that there existed a good password policy. The reply is not acceptable in view of the fact that user IDs of 47 transferred personnel were not disabled in all RTOs test checked by us and predefined user responsibility matrix and assigning/limiting of privileges to staff/operators for segregation of duties etc. were absent. The Department is inquiring into a case of possible misuse of such privilege in RTO, Ganjam.

3.2.8.21 Online services

The Government implemented online services in the transport sector through a scheme called e-Disha with effect from 7 April 2010. The online services offered thereunder are

- e-payment of MV tax,
- Grant of e-permit and
- License appointment system.

These e-services software applications were developed by the concessionaire and were integrated with the 'Vahan' and 'Sarathi' applications. The main objective of the service is to provide citizen-centric quick and efficient services and to ensure transparency in the transactions of transport sector. The portal of the Transport Department was integrated with the State Bank of India (SBI) payment gateway for payment of tax by the public. From an analysis of the database of nine RTOs, we noticed (August 2011) that even after one year of launching of the scheme, the online transactions were found to be very negligible (0.10 *per cent* to 1.57 *per cent*) in the RTOs test checked. We further noticed that the citizens having SBI net-banking facility only could avail of the online services while other available payment options like payment through debit card and Orissa online system under Common Service Centre (CSC) was not activated. Thus the objectives of the scheme were achieved to a very limited extent.

After we pointed this out, the Department stated (September 2011) that efforts are on to integrate e-Disha with treasury payment gateway for widening the

payment facility and the people are not interested to pay through CSC as extra charges are involved in it.

3.2.8.22 Issue of VCR vis-a-vis issue of permit and fitness by RTO offices

Vehicle check reports (VCRs) issued by enforcement staff of the STA in respect of the vehicles under the jurisdiction of all RTOs are entered in a locally developed system 'Disha'. The fields as well as the file structures were also different from the 'Vahan' and it had no facility for integration with the 'Vahan' software application. Thus, the VCRs are to be uploaded in the web portal (www.orissatransport.org) in a Excel sheet for downloading by RTOs concerned for their check during issue of route permits, fitness certificates and transfer of ownership of the vehicles etc. Besides the VCRs issued by STA are to be transmitted to the respective RTOs in case of non-disposal of the same within the specified time.

i) From an analysis of the 'Disha' database and cross check with the transactions in other RTOs, we noticed that the VCRs issued by STA were neither uploaded in the web portal nor transmitted to the respective RTOs promptly. As a result of this, the RTOs were unable to check the status of VCRs like alert in 'Vahan' during issue of the permit, fitness and transfer etc. We

also observed that in two cases, though the decisions on vehicles having VCRs were pending at the level of STA, the vehicles were issued with route permits, fitness certificates etc. from the RTO, Cuttack.

After we pointed this out, the Department stated (September 2011) that a study was required for integration of Disha database with Vahan which had a different file structure.

ii) Further, from test check of the VCR registers of three RTOs¹² along with the database of 'Vahan', we noticed that 52 VCR books and five VCRs returned by different enforcement staff after use were either not entered or entered belatedly into the database of 'Vahan' application. Besides, VCRs disposed of on the spot by the enforcement staff by realisation of compounding fees (CF)/advance compounding fees (ACF) etc. were also not entered into the system. Due to this non-entry/delayed entry, the system would not be able to prompt/alert about the existence of the VCR during issue of permit/fitness/transfer etc. of such vehicles. Further, the RTOs would also not be able to recognise the second and subsequent offences from the system for imposition of fines.

After we pointed this out, the Department stated (September/October 2011) that most of the RTOs are regular in entering VCR in Vahan. Others would be instructed to regularly enter all VCRs and information on realisation of CF/ACF into the system. The entry of VCRs in Vahan closed by the Enforcement Officers on the spot would be done shortly.

12 Balasore, Cuttack and Dhenkanal.

3.2.8.23 Electronic system of National permit

Electronic system of grant/renewal of National permit for goods carriages was developed in consultation with the NIC for implementation in all the States with effect from 15 September 2010.

From the test check of the records at the STA, we found that the National permit scheme in electronic mode started in Orissa with effect from 22 September 2010. From an analysis of the database we, however, noticed that even in the new electronic system, the following discrepancies occurred.

- One vehicle of the State relating to RTO, Balasore was assigned with three National permit numbers and another vehicle of RTO, Keonjhar was assigned with five National permit numbers.
- One vehicle under RTO, Sambalpur was assigned with one National permit number which appeared twice in the database.

Manual verification revealed that one permit was being issued for each vehicle. This shows that database was unreliable.

After we pointed this out, the Department stated (September 2011) that the database was maintained at the NIC, New Delhi and it will be requested for necessary rectification.

3.2.8.24 Non-use of hand held reader in enforcement operation

Hand Held Terminals (HHTs) are devices to be used by the enforcement wing of the Department to check the genuineness of smart cards, validity of the permits, fitness and offences by reading the Machine Readable Zone (MRZ) of the smart cards through the Verification Authority (VA) cards. It can even support writing of challan/ VCR information through the Endorsement Authority (EA) cards. According to the agreement, the HHTs are to be supplied by the concessionaire with the NIC certified application software.

We mentioned about the above subject in Para 3.2.11 of the Report of the CAG (Revenue Receipts) for the year ended 31 March 2009.

From a scrutiny of the files of the STA on supply of HHTs to nine RTOs, we noticed that though the HHTs/ readers were supplied by the concessionaire and successful testing of the HHT application was already certified by the NIC (February 2009), the readers were not deployed in the enforcement operation due to non availability of the VA cards which are required to be supplied by the NIC as the central key generating authority. This resulted in non use of the HHTs/readers in enforcement operations which in turn defeated the very objective of issue and checking of smart cards by the enforcement wings of the RTOs.

After we pointed this out, the Department stated (January 2012) that 300 VA cards were received from NIC which were required for RTOs. VA cards have been distributed to all enforcement staff.

3.2.9 Conclusion

The performance audit brought out several deficiencies in implementation of the computerisation project including loss/ non-realisation of revenue of ₹ 2.66 crore. The project of outsourcing the functions of the Department under the e-governance and issuance of SCBRC/SCBDL aimed at imparting better, efficient and timely services to the users and plugging the revenue leakages. This, however, was partly achieved due to delays in allotment/issuance of SCBRC/SCBDL of RCs. Moreover, the completeness, accuracy and integrity of the data entered and processed were not ensured due to deficient application controls coupled with the inadequate supervisory controls. Several components of the modules were not in operation and several software deficiencies were found which necessitated manual intervention instead of handling the same through the computerised system. Creation of a centralised online data management services by maintaining real time records could not be completed even after four years of the commercial operation of the system. Thus, the objectives of the project for implementing the 'Vahan/Sarathi' software applications for better citizen/ public services, improving working of the RTOs as well as the enforcement agencies, creation of an efficient and transparent system for levy and collection of revenue etc., could not be fully achieved.

3.2.10 Recommendations

The Government may consider implementing the following recommendations:

- The centralised online data management system should be made operational on real time basis by establishing connectivity between all RTOs of the State with the STA.
- Gaps in the mapping process may be identified and incorporated in the system.
- Proper input and validation controls should be put in the system for authentication of the data; and
- Appropriate supervisory controls over the work entrusted to the concessionaire should be put in place.

3.3 Other Audit observations

We scrutinised the records relating to assessment and collection of motor vehicles tax in the office of the Transport Commissioner (TC)-cum-Chairman State Transport Authority (STA) and the Regional Transport Officers (RTOs) and found several cases of non-observance of some of the provisions of the Acts / Rules and other cases as mentioned in the succeeding paragraphs in this chapter. The cases are illustrative and are based on a test check carried out by us. The omissions are being pointed out by us in the Reports of the CAG for the past several years, but no executive instructions have been issued despite switching over to an IT enabled system at all RTOs. **The Government may direct the Department to improve the internal control system including strengthening of internal audit so that such omissions can be detected, corrected and avoided in future.**

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

The provisions of the OMVT Act, 1975 and Rules made thereunder require levy and payment of:

- motor vehicles tax / additional tax by the vehicle owner at the appropriate rate;
- tax/additional tax in advance and within the prescribed grace period;
- tax /additional tax at the highest rate of the slab of the stage carriage, if the stage carriage was found plying without permit;
- tax /additional tax for violation of off road declarations;
- differential tax when a stage carriage is used as a contract carriage; and
- penalty up to double the tax, if the tax is not paid within two months after the expiry of the grace period of 15 days.

Non-compliance of the provisions of the Act / Rules in some cases as mentioned in paragraphs 3.3.1 to 3.3.5 resulted in non / short realisation of ₹68.24 crore.

3.4.1 Non / short realisation of motor vehicles tax and additional tax

3.4.1.1 non-realisation of tax

Under the OMVT Act, 1975, motor vehicle tax and additional tax due on motor vehicles should be paid in advance or within a period of 15 days from the due date at the rates prescribed in the Act, unless exemption from payment of such taxes are allowed for the period covered by off road declarations. If such tax is not paid within two months after expiry of the grace period of 15 days, penalty is to be charged at double the tax due. As per the executive instruction (February 1966) of the Transport Commissionerate, the Taxing Officers (TOs) are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax/additional tax.

During test check of General Registration (GR) register, Permit register, inter-State permit case records, Off Road (OR) register and data of VAHAN¹³ of RTOs, between April and December 2010, we noticed that motor vehicles tax and additional tax from 31,762 vehicles for the period from February 2009 to March 2010 was not-realised even though the vehicles were not declared off road. Further we observed that despite a Management Information System (MIS) module of VAHAN being available with the RTOs for assisting in detection of such cases,

demand notices were not issued. This resulted in non-realisation of motor vehicles tax and additional tax of ₹ 67.56 crore including penalty of ₹ 45.04 crore as detailed in the following table.

13 An application software for registration of vehicles, collection of taxes and fees and related activities.

(Rupees in crore)					
Sl. No.	No. of regions Type of vehicles	No. of vehicles	Non/short realisation of tax/additional tax	Penalty leviable	Total
1.	<u>26</u> ¹⁴ Goods carriages	14,778	16.17	32.33	48.50
2.	<u>26</u> ¹⁵ Contract carriages	5,974	3.21	6.43	9.64
3.	<u>26</u> ¹⁶ Tractor-trailer combinations	10,904	2.95	5.89	8.84
4.	<u>24</u> ¹⁷ Stage carriages	106	0.19	0.39	0.58
Total		31,762	22.52	45.04	67.56

After we pointed out these cases, the RTOs concerned stated, between April and December 2010, that demand notices would be issued to realise the dues. Although year after year similar objections have been pointed out by us, the Department is yet to put in place a control mechanism to ensure issue of demand notices for such cases.

We brought the matter to the notice of the TC-cum-Chairman, STA, Odisha (February 2011) and the Government (April and May 2011) respectively; their replies are yet to be received (January 2012).

3.4.1.2 Short realisation of tax

During test check of GR register, Permit register, inter-State permit case records, OR register of vehicles and data of VAHAN of 17 RTOs¹⁸, between April and December 2010, we noticed that motor vehicles tax / additional tax of ₹ 3.13 lakh for 63 stage carriages for the period from August 2008 to March 2010 was short realised due to change in permit conditions and consequential slab rates etc. Besides, penalty of ₹ 6.26 lakh was also leviable.

After we pointed out these cases, the RTOs concerned stated, between May and December 2010, that demand notices would be issued to realise the dues. Although year after year similar objections have been pointed out by us, the Department is yet to put in place a control mechanism to avoid recurrence of such cases.

We brought the matter to the notice of the TC-cum-Chairman, STA, Odisha (February 2011) and the Government (April and May 2011) respectively; their replies are yet to be received (January 2012).

14 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Gajapati, Ganjam, Jagatsingpur, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nawarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

15 All regions at 2 above.

16 All regions at 2 above.

17 All regions at 2 above except Gajapati and Jharsuguda.

18 Angul, Bhadrak, Bhubaneswar, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Nayagarh, Nuapada, Phulbani, Puri, Rourkela, Sambalpur and Sundargarh.

3.4.2 Non / short realisation of tax from stage carriages plying without route permits

Under the OMVT Act, 1975, motor vehicles tax and additional tax should be levied in respect of a stage carriage on the basis of the number of passengers (including standees) which the vehicle is permitted to carry and the total distance to be covered in a day as per the permit. When any such vehicle is detected plying without a permit by the Enforcement Wing (EW), the Vehicle Check Reports (VCRs) are issued. Expeditious disposal has been emphasized in the Department's circulars from time to time. In case of default, penalty equal to twice the tax due is leviable.

During test check of GR register, Miscellaneous Proceeding register (MPR), OR register, Permit register, VCRs and data of VAHAN of 17 RTOs¹⁹, between April and December 2010, we noticed that 54 stage carriages were detected plying without permit by the EW during the period between April 2009 and March 2010. Though the

EW issued the VCRs, the TOs did not raise demands for the cases expeditiously, after receipt of the same from the EW. This resulted in non / short realisation of motor vehicles tax and additional tax of ₹ 6.49 lakh (non-realisation of ₹ 0.53 lakh in seven cases and short realisation of ₹ 5.96 lakh in 47 cases). Besides, penalty of ₹ 12.97 lakh was also leviable.

After we pointed out these cases, the RTOs concerned stated, between April and December 2010, that demand notices would be issued to realise the dues. Although year after year similar observations have been pointed out by us, the Department is yet to put in place a mechanism to ensure compliance of their own instructions.

We brought the matter to the notice of the TC-cum-Chairman, STA, Odisha (February 2011) and the Government (April 2011); their replies are yet to be received (January 2012).

19 Angul, Balasore, Bhadrak, Bhubaneswar, Bolangir, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Nayagarh, Nuapada, Phulbani, Puri, Rayagada and Sundargarh.

3.4.3 Non-realisation of motor vehicles tax / additional tax for violation of off road declaration

As per the OMVT Act, 1975 motor vehicles tax/additional tax is to be levied on every motor vehicle used or kept for use in the State unless prior intimation of non-use of the vehicle is given to the TO. If, at any time, during the period covered by off road declaration, the vehicle is found to be plying on the road or not found at the declared place, it shall be deemed to have been used throughout the said period. In such a case, the owner of the vehicle is liable to pay motor vehicles tax/additional tax and penalty as applicable for the entire period for which it was declared off road as per the VCR.

During test check of the OR register, VCRs and MPR of six RTOs²⁰ between May and August 2010, we found that 18 motor vehicles under off road declarations for the period between December 2008 and March 2010 were either detected plying or not found at the declared places by the EW during the said period. Hence, as per the Act the vehicles are deemed to have been used throughout the said off road period for which motor vehicles tax /

additional tax of ₹ 7.76 lakh and penalty of ₹ 15.52 lakh was leviable. However, despite such cases being pointed out by us year after year the TOs had not issued demand notices in the above cases. This resulted in non-realisation of tax and penalty of ₹ 23.28 lakh up to the time audit was conducted.

After we pointed out these cases, the RTOs concerned stated, between May and August 2010, that demand notices would be issued to realise the dues.

We brought the matter to the notice of the TC-cum-Chairman, STA, Odisha and the Government (April 2011); their replies are yet to be received (January 2012).

3.4.4 Non-realisation of differential tax from stage carriages used as contract carriages

As per the OMVT Act, 1975 and Rules made thereunder, when a vehicle for which motor vehicle tax and additional tax for any period has been paid, is proposed to be used in a manner for which higher rates of taxes are payable, the owner of the vehicle is liable to pay the differential tax on the date of alteration of use or within a period of 15 days from the due date. If such tax is not paid within two months after expiry of the grace period of 15 days, penalty equal to twice the tax due is to be charged.

During test check of GR register, Special Permit register and data of VAHAN of 21 RTOs²¹ between May and December 2010, we noticed that 106 stage carriages were permitted to ply temporarily as contract carriages between April 2009 and

20 Balasore, Bhubaneswar, Ganjam, Kalahandi, Keonjhar and Rourkela.

21 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Jharsuguda, Kalahandi, Keonjhar, Mayurbhanj, Nayagarh, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

March 2010 for which higher rate of tax was to be collected. Though the differential tax was not paid on the date of alteration of use or within the grace period of 15 days, the TOs did not issue demand notices for realisation of such taxes. This resulted in non-realisation of differential tax of ₹ 3.28 lakh and penalty of ₹ 6.57 lakh.

After we pointed out these cases, the RTOs concerned stated, between May and December 2010, that demand notices would be issued to realise the dues. Although year after year similar observations have been pointed out by us, the Department is yet to put in place a control mechanism to arrest recurrence of such cases.

We brought the matter to the notice of the TC-cum-Chairman, STA, Odisha (February 2011) and the Government (April 2011); their replies are yet to be received (January 2012).

3.4.5 Non / short realisation of penalty on belated payment of motor vehicles tax and additional tax

As per the OMVT Act, 1975 and Rules made thereunder, tax and additional tax due against a vehicle at the prescribed rate shall be paid in advance or within a period of 15 days from the due date. In case of default, penalty ranging from 25 to 200 *per cent* of the tax and additional tax due, depending on the extent of delay in payment, shall be realisable if the dues are not paid within the specified period.

During test check of GR register and taxation details from data of VAHAN of 16 RTOs²², between April and December 2010, we noticed that motor vehicles tax in respect of 43 motor vehicles, for different periods between July 2002 and March 2010, was not paid on the due dates and the same was paid belatedly with

delays ranging between one day and 68 months 21 days. The RTOs, while accepting the belated payments, did not calculate and collect the penalty realisable from the vehicle owners. However, we calculated that in 13 cases penalty of ₹ 1.28 lakh was not realised and in 30 cases penalty of ₹ 5.80 lakh was short realised. This resulted in non / short realisation of penalty amounting to ₹ 7.08 lakh.

After we pointed out these cases, all the RTOs stated, between April and December 2010, that demand notices would be issued to realise the dues. Although year after year similar observations have been pointed out by us, the Department is yet to put in place a control mechanism to arrest recurrence of such cases.

We brought the matter to the notice of the TC-cum-Chairman, STA, Odisha (February 2011) and the Government (May 2011); their replies are yet to be received (January 2012).

22 Balasore, Bhadrak, Bhubaneswar, Bolangir, Cuttack, Gajapati, Ganjam, Kalahandi, Koraput, Nawarangpur, Nayagarh, Nuapada, Puri, Rayagada, Rourkela and Sambalpur.

3.5 Non-compliance of Government notification / decision

Government decisions notified in 2001 and 2003 prescribe for payment of:

- *process fee at the prescribed rates; and*
- *one time composite tax by the vehicles of Andhra Pradesh plying in Odisha.*

Non-compliance of the above decisions in some of the cases as mentioned in paragraphs 3.4.1 and 3.4.2, resulted in non / short realisation of fees and tax of ₹1.38 crore²³.

3.5.1 Non-realisation of process fee

As per the MV Act, 1988 read with the Government notification of 24 January 2003, process fee of ₹ 100 on every application/objection filed was introduced with effect from 28 January 2003. The department, by an order of March 2003, however, postponed the collection of the fees at the rates prescribed in the notification.

During test check of the Permit register and other connected records in the office of the STA, Odisha and 25 RTOs²⁴ including 20 check gates²⁵ operating thereunder, we noticed between April and December 2010, that process fee for the period from April 2009 to March 2010 was not realised in 1,38,312 cases.

This resulted in non-realisation of process fee of ₹ 1.38 crore.

After we pointed out these cases, the STA and all the RTOs except Cuttack stated, between April and December 2010, that the collection of the fees was postponed by the Government order of March 2003. The RTO, Cuttack stated (June 2010) that demand notice would be issued for realisation of the dues. The fact, however, remains that the rates published in the gazette had already come into force and postponing the same by an executive order was irregular since executive orders cannot overrule the statutory provisions. Although year after year similar observations have been pointed out by us, the Department is yet to revoke the executive order.

We brought the matter to the notice of the Government (April 2011); their reply is yet to be received (January 2012).

23 This does not include ₹ 0.13 crore commented in para 3.4.2

24 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Gajapati, Ganjam, Jagatsingpur, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nabarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rourkela, Sambalpur and Sundargarh.

25 Bahalda, Beleipada, Birahandi, Biramitrapur, Chaksuliapada, Champua, Chatwa, Chikiti-Balarampur, Dandsara, Dhanghar, Girisola, Haridaput, Jaleswar, Jamsola, Laxmannath, Luharchati, Nalda, Raighar, Sunki and Upper Jonk.

3.5.2 Non-realisation of composite tax for goods vehicles under reciprocal agreement

As per the Government of Odisha decision of February 2001 goods vehicles belonging to Andhra Pradesh (AP) and authorised to ply in Odisha under the reciprocal agreement were required to pay annually composite tax of ₹ 3,000 per vehicle for entry into the State. The tax was payable in advance, on or before the 15th April each year to the State Transport Authority (STA), Odisha through STA, AP. In case of delay in payment, penalty at the rate of ₹ 100 for each calendar month was leviable in addition to the composite tax.

During test check of Quota register, Countersignature Permit register and tax payment register of STA, Odisha, we noticed (December 2010) that composite tax amounting to ₹ 12.99 lakh was payable by the vehicle owners of AP in respect of 433 goods vehicles authorised to ply in Odisha on the strength of valid permits under the reciprocal agreement during 2009-10. However, there was no evidence of remittance of the same in the registers maintained at the STA, Odisha.

After we pointed out the case, the STA, Odisha stated (December 2010) that Secretary, STA, AP would be requested to intimate the composite tax payment position in respect of the above vehicles. Although year after year similar observations have been pointed out by us, the Department is yet to put in place a mechanism to raise demand for realisation of composite tax under this arrangement.

We brought the matter to the notice of the Government (March 2011); their reply is yet to be received (January 2012).