

EXECUTIVE SUMMARY- CHAPTER – III

Increase in the tax collection	In 2010-11 the collection of taxes from Motor Vehicles increased by 17.88 <i>per cent</i> over the previous year which was attributed by the Department to the best efforts of the Department and better fiscal management.
Recovery by the Department of observations pointed out by us in earlier years	During the period 2005-06 to 2009-10 we had pointed out non/short levy etc. with revenue implication of ₹ 84.89 crore in 4,322 cases. Of these the Department/Government had accepted audit observation in 2407 cases involving ₹ 27.19 crore but recovered only ₹ 12.89 crore in 457 cases pertaining to the audit findings of previous years. The recovery position as compared to acceptance of objections was ranging from 5.05 <i>per cent</i> to 182.19 <i>per cent</i> .
Internal audit not conducted	Internal audit is intended to examine and evaluate the level of compliance with Rules and procedure. Effective internal audit system both in the manual as well as computerized environment is pre-requisite for the efficient working of any Department. However, no internal audit wing existed in the Department.
Results of audits conducted by us during 2010-11	In 2010-11 we test checked the records of 72 units relating to tax on vehicles and noticed several cases of non-observance of the provisions of the Act/Rules resulting misappropriation/ embezzlement of Government money, non/short levy of tax, penalty and interest and other irregularities involving ₹ 12.03 crore in 5,986 cases. The Department accepted audit observations involving ₹ 6.20 crore in 2,622 cases and recovered ₹ 1.11 crore in 66 cases pertaining to audit findings of previous years.
What we have highlighted in this chapter	<p>In this chapter we present illustrative cases of ₹ 0.79 crore inclusive of misappropriation of Government receipt of ₹ 15.55 lakh, selected from observations noticed during our test check of records relating to assessment and collection of Motor Vehicle Tax in the offices State Transport Commissioner (STC), Regional Transport Authorities (RTAs) and District Transport Officer (DTOs) etc. where we found that provisions of Act/Rules were not observed.</p> <p>We also present a Performance Audit on Computerisation in the Transport Department wherein we have reviewed the implementation of VAHAN and SARATHI application for registration of vehicles and issue of licences, respectively.</p> <p>It is matter of concern that similar omission have been pointed out by us repeated by in the Audit Reports for the past several years, but the Department has not takes corrective action despite switching over to an IT enabled system in the whole Department. We are also concerned that though these omission were apparent from the records which were made available to us, the Department was unable to detect these mistakes.</p>

Our Conclusion	<p>The Department needs to improve the internal Control System pertaining to maintenance of daily collection register and reconcile the remittance made in the treasury, including strengthening of internal audit so that weakness in the system are addressed and omission of the nature detected by us are avoided in future.</p> <p>It also needs to initiate immediate actions to recover the non-realisation, under assessment of tax etc. pointed out by us, more so in those cases where it has accepted our contention.</p>
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CHAPTER -III Taxes on Vehicles

3.1 Tax administration

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, and Chandigarh. There are 20 districts, each headed by a District Transport Officer (DTO) who monitors due observance of the Punjab Motor Vehicles Taxation Act, 1924 and the Rules made thereunder and maintains the records of receipt of motor vehicles taxes and various fee. Besides, there are four Regional Transport Authorities (RTAs) for regulating the transport vehicles in the State in conformity with the Act and collection of motor vehicles taxes in respect of buses of other States. In addition, Sub Divisional Magistrates (SDM) at sub division level are also entrusted with the work of registration of personalised vehicles and issue of driving/conductor licenses.

3.2 Analysis of Budget

Budget Estimates for the year 2010-11 were assigned at ₹ 620 crore by the Department, but the budget fixed by the Finance Department was ₹ 585 crore. The Finance Department again revised it to ₹ 700 crore, against which, the actual receipts were ₹ 653.91 crore.

3.3 Trend of receipts

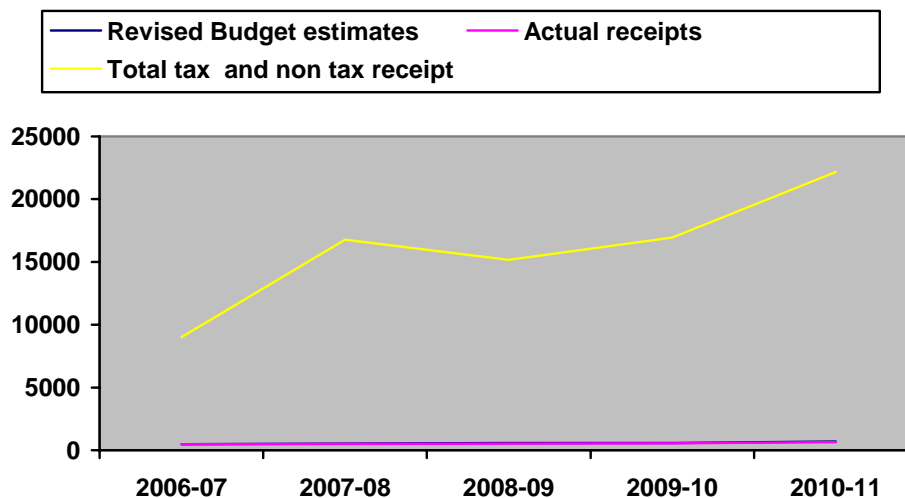
Actual receipts from Taxes on Vehicles during the period 2006-07 to 2010-11 alongwith the total tax/non-tax receipts during the same period are exhibited in the following table.

(₹ in crore)

Year	Revised Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax and non-tax receipts of the State	Percentage of actual receipts vis-à-vis total tax and non-tax receipts
2006-07	471.50	468.05	(-) 3.45	(-) 0.73	16,761.74	2.79
2007-08	524.00	499.45	(-) 24.55	(-) 4.69	15,153.14	3.30
2008-09	576.00	524.09	(-) 51.91	(-) 9.01	16,934.10	3.09
2009-10	585.00	554.74	(-) 30.26	(-) 5.17	17,692.18	3.14
2010-11	700.00	653.91	(-) 46.09	(-) 6.58	22,158.35	2.95

Though actual receipts increased from ₹ 468.05 crore to ₹ 653.91 crore, but the percentage of the revenue receipts from taxes on motor vehicles to the total receipts collected by the State remained stagnant around three over the last five years.

The trend of actual receipts vis-a-vis budget estimates during 2006-07 to 2010-11 is depicted in the following graph.



3.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 were ₹ 106.73 crore, of which ₹ 47.80 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

(₹ in crore)

Year	Opening balance of arrears	Closing balance of arrears
2006-07	59.97	67.72
2007-08	67.72	111.58
2008-09	111.58	109.20
2009-10	109.20	107.86
2010-11	107.86	106.73

From the above it can be observed that the arrears had increased from ₹ 67.72 crore in 2006-07 to ₹ 106.73 crore in 2010-11.

3.5 Cost of collection

The gross collection of the motor vehicles taxes and various fee, expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2006-07 to 2010-11 alongwith the relevant all India average percentage of expenditure on collection are mentioned below:

(₹ in crore)

Head of Revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage over the previous year
Taxes on Vehicles	2006-07	468.05	7.33	1.57	2.67
	2007-08	499.45	7.66	1.53	2.47
	2008-09	524.09	9.20	1.76	2.58
	2009-10	554.74	9.19	1.66	2.93
	2010-11	653.91	10.92	1.67	3.07

The cost of collection in 2010-11 was increased by 0.01 *per cent* as compared to the year 2009-10. The reasons of variations were called for from the Department and the reply is awaited (December 2011).

3.6 Impact of Audit Reports

3.6.1 Revenue impact

During the last five years, Audit through its audit reports had pointed out non/short levy etc. involving revenue implication of ₹ 84.89 crore in 4,322 cases. Of these, the Department/Government had accepted audit observations in 2,407 cases involving ₹ 27.19 crore and recovered ₹ 12.89 crore in 457 cases. The details are shown in the following table:

(₹ in crore)

Year	Number of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	71	798	3.13	228	19.49	128	6.34
2006-07	49	585	54.75	368	0.73	88	1.33
2007-08	51	762	5.05	645	4.18	82	0.78
2008-09	84	1,276	12.40	514	2.25	107	1.71
2009-10	61	901	9.56	652	0.54	52	2.73
Total	316	4,322	84.89	2,407	27.19	457	12.89

In the context of large scale pendency of audit objections, Government may ensure holding of Audit Committee Meetings regularly for expeditious settlement of the pending paragraphs. As regards insufficient recovery against accepted cases, Department may review the cases to ensure recoveries.

3.7 Working of internal audit wing

Internal audit is intended to examine and evaluate the level of compliance with the rules and procedures so as to provide a reasonable assurance on the adequacy of the internal control. Effective internal audit system both in the manual as well as computerised environments are a pre-requisite for the efficient functioning of any Department. However, no internal audit wing exists in the Department.

3.8 Results of audit

Test check of the records of 72 units relating to taxes on vehicles during 2010-11 revealed irregularities involving ₹ 12.03 crore in 5,986 cases, which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	'Performance Audit on the Computerisation in the Transport Department'	1	0
2.	Non-short recovery of MVT	1,915	9.32
3.	Other irregularities	4,070	2.71
	Total	5,986	12.03

During the year 2010-11, the Department accepted audit observations involving ₹ 6.20 crore in 2,622 cases and recovered ₹ 1.11 crore in 66 cases pertaining to the audit finding of previous years.

A few illustrative cases involving ₹ 0.79 crore and a **'Performance Audit on the Computerisation in the Transport Department'** are discussed in the following paragraphs:

Transport Department

3.9 Information Technology Review on “Computerisation in the Motor Vehicle Department”

Highlights

- Computerisation of the VAAHAN and SARATHI in Punjab was achieved in 19 and 13 DTOs and 30 and 26 SDMs, out of 20 DTOs and 52 SDMs respectively, due to delay as well as lack of systematic approach in procurement, establishment and implementation of the system in all the districts/Sub-Divisions. None of the DTOs of the State except DTO, Ropar in total and DTO Mohali in parts had digitized the old records related to VAHAN. Similarly none of the DTOs of the State had digitised the old records related to SARATHI. However, this work was assigned afresh and was undertaken by the BOOT(Build Own Operate and Transfer) operator from 20 July 2011 for the entire State.

(Paragraphs 3.9.7, 3.9.7.1 and 3.9.7.2)

- Absence of IT Policy and documentation and lack of change management control as well as non-preparation of Business Continuity Planning have exposed the system to risk.

(Paragraphs 3.9.7.3 and 3.9.7.4)

- Plying of vehicles with lapsed registration, non-mapping of rule for calculation of fine on late registration of vehicles raised serious concern about the integrity and reliability of the system. Delay in updation of rates in the system led to short recovery of tax.

(Paragraphs 3.9.8.1 and 3.9.8.2, 3.9.8.4)

- Inadequate validation checks in VAHAN resulted in registration of vehicles with identical chassis and engine number and registration of two or more vehicles with same insurance cover note, short recovery of registration fee as seen in 830 cases in five DTOs.

(Paragraph 3.9.10.1, 3.9.10.3 and 3.9.10.4)

- Missing receipt numbers in VAHAN, generation of fake receipts led to manipulation of process of registration of vehicles for generating registration number as per choice of the applicant without charging the prescribed fee for choice number.

(Paragraphs 3.9.10.7 and 3.9.10.8)

- Lack of Physical and logical access controls alongwith appropriate system of segregation of duties and non-provision of Audit Trail diluted the responsibility and accountability of officials apart from monitoring of the system.

(Paragraphs 3.9.10.10 and 3.9.10.11)

- Missing receipt numbers in SARATHI raised serious concerns about the reliability of the system.

(Paragraphs 3.9.11.2)

- Due to deficiency in input controls in SARATHI, we found some instances issuance of driving licences to those who did not possess the minimum educational qualification and minimum age.

(Paragraph 3.9.11.1, 3.9.11.3)

3.9.1 Introduction

The Transport Department (TD) of the Government of Punjab functions under the provisions of Section 213 of Motor Vehicles Act,1988.(MV Act) for enforcement of the provisions of Motor Vehicles Act,1988, Punjab Motor Vehicles Taxation Act,1924 (Amended 1993) and the rules framed thereunder. The National Informatics centre (NIC) developed two application softwares, “VAHAN” and “SARATHI” on the request of Ministry of Road Transport and Highways, Government of India (MoRTH), for creation of uniform database. The objective of the VAHAN and SARATHI was to develop a National Register (NR) from State Register (SR) by developing and providing uniform software to ensure that documents are readable across the country through interconnectivity amongst District Transport Offices (DTOs) and National Registers for motor vehicles and driving licenses. The National Informatics Centre Services Inc., Ministry of Communication and Information Technology, New Delhi (NICS) provided ₹ 79.05 lakh in the account of Punjab State e-Governance Society functioning under Department of Information & Technology, Govt. of Punjab for implementation of the SARATHI and VAHAN , a mission mode project of National e-Governance Programme (NeGP), as a pilot project at Ropar. The project aimed at implementation of customized “VAHAN” and “SARATHI” software applications for issue of Driving Licenses, Registration Certificates, Permits, Taxes, Fitness of Vehicles and Enforcement. The Pilot project was implemented (November 2005), successfully, in two districts viz; Ropar and Mohali (a new district formed out of Ropar).

The Government of Punjab ordered (December 2010) that receipt of application for Driving License and Registration certificate as well as delivery of documents relating to transport services will be provided through Suwidha (Single User Window for Disposal and Helpline for Applicants) centers operating under the administrative control of the respective Deputy Commissioner.

3.9.2 Organisational set up

At apex level, Principal Secretary, Transport Department is responsible for formulation of policies programmes and their implementation by the Department. In response to duties, he is assisted by State Transport Commissioner (STC) and two Additional Transport Commissioner/Joint Transport Commissioner and a Deputy Controller, Finance and Accounts (DCF&A) at headquarter. There were 20 DTOs functioning under STC and each one was headed by a District Transport Officer (DTO) who ensured due observance of rules and maintains the records of receipts of taxes and fees. Besides this, there were four¹ Regional Transport Authorities (RTAs) for regulating the use of transport vehicles in the State in conformity with the MV

¹ Bathinda, Ferozepur, Jalandhar and Patiala.

Act. Additionally, Sub Divisional Magistrates (SDMs) at Sub Division level were also entrusted with the work of registration of non transport vehicles and issue of driving licenses, in respect of such vehicles.

3.9.3 Information System set up

The SARATHI and VAHAN was provided free of cost to the States. There was separate database for each DTO in client server architecture with front end in Visual Basic 6.0 and database in SQL having window XP/2000 as operating software.

3.9.4 Audit Objectives

The audit objectives were to analyse;

- the implementation of VAHAN and SARATHI;
- the mapping of business rules into the application software;
- the correctness, completeness of the system implemented;
- reliability of general and security controls to ensure data security and audit trails;
- back up data was being taken regularly to prevent data loss and disaster management system was effective; and
- Internal Control mechanism was in place at States Level to monitor the implementation of the project

3.9.5 Scope of audit and methodology

The present review was conducted by test checking the records in the office of STC as well as the data relating to the services provided by the five² DTOs and one RTA at Patiala, for the period from 2006-11 which were analysed by using the Computer Assisted Audit Tool, namely Interactive Data Extraction & Analysis (IDEA). An exit conference was held on 22 December 2011 with the STC in which important audit findings were discussed.

3.9.6 Audit criteria

The provisions of the following Acts and Rules were used as audit criteria:

- Motor Vehicles Act, 1988
- Central Motor Vehicle Rules, 1989
- Punjab Motor Vehicle Taxation Act, 1924
- Punjab Motor Vehicle Rules, 1989 and
- The notifications issued by Government of Punjab and Transport Department from time to time.

² Jalandhar, Kapurthala, Mohali, Patiala and Ropar.

Audit findings

Deficiencies noticed in planning and implementation of the system

3.9.7 Status of computerisation of the project

The table below indicates the status of Computerisation in the DTOs and SDM offices from where the data was to flow, seamlessly, into SRs:

Name of application	Number of offices			Transfer of data from field offices			Field offices not transferring the data into SR		
	DTOs	SDMs	Total	DTOs	SDMs	Total	DTOs	SDMs	Total
VAHAN	20	52	72	19	30	49	1	22	23
SARATHI	20	52	72	13	26	39	7	26	33

Out of the 20 DTOs and 52 SDMs offices, VAHAN was functional in 19 districts and 30 SDM offices, whereas, SARATHI was functional in 13 and 26 offices, respectively. It was noticed that of the 72 locations, data of VAHAN and SARATHI was transferred for State Registers (SR) through Virtual Private Network from 49 and 39 locations, respectively. However, We observed that data in respect of 23 and 33 locations of VAHAN and SARATHI, respectively was not transmitted to the SRs due to lack of hardware and skilled manpower. Further we observed that none of the DTOs of the State except DTO, Ropar in total and DTO Mohali in parts had digitized the old records related to VAHAN. Similarly none of the DTOs of the State had digitised the old records related to SARATHI. However, this work was assigned afresh and was undertaken by the BOOT operator from 20 July 2011 for the entire State.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

Partial utilisation/deployment of modules of VAHAN

(i) Enforcement Module

The VAHAN application was designed with five modules viz, Registration, Fitness, Permit, Taxation and Enforcement. Audit observed that one (Registration) out of four modules (Registration, Permit, Taxation and Fitness) was only used by the five DTOs, whereas one of the module i.e. Enforcement was not deployed by the NIC. Since the functions of the DTOs are interconnected/interdependent, the benefit of the system could not be derived due to partial utilisation/non-deployment of the modules. The reasons for non-implementation of Enforcement Module were called for (July 2011), no reply has been received (December 2011).

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

(ii) Permit Module of VAHAN

The VAHAN software had functionality to issue permits to stage carriage buses, mini buses and other commercial vehicles having seating capacity of seven or above. However the software was not put to use due to lack of following features;

- There was no option to enter the classification of vehicles under the field body type.
- The software did not have the provision to accept the half route under the field name number of trips per side/day.
- Further in case of variation in the route for extension and curtailment of the route the software did not have the features to record these changes.
- Further Rule 80-A of the Punjab Motor Vehicle Rules, 1989 provides that if the holder of a permit has spare different permits on the same route he may apply to the regional transport authority for clubbing those permits into one composite permit with the same number of return trip.
- The MIS reports like list of expiry of permits, cancelled permits, temporary permits etc were not generated by the software as a result of which appropriate monitoring and controlling could not be exercised by the competent authority.
- There was duplicity of efforts as two different databases (online and offline) were maintained for one service.

We observed that manual operations were performed as the matter was not taken up with NIC. However the work of issue of National Permits to the owners of the goods vehicles was performed online through National Permit System (NPS) but the TD had no access to the database.

When we pointed out RTA Patiala stated (August 2011) that matter would be taken up with the NIC Hqrs.' New Delhi and position will be intimated. Final outcome is awaited (December 2011).

During exit conference STC stated that newly appointed BOOT operator will be asked to implement all the modules of VAHAN.

3.9.7.1 Delay in computerisation of Transport Department

NICSI deployed (July 2006) M/s Pricewaterhouse Coopers (PWC) as project consultant for Statewide roll out of e-Governance project in Punjab and preparation of Request for Proposal (RFP) for appointment of service provider and vendor. The duration of the consultancy services was scheduled to be twelve months starting from 1 July 2006.

A Committee comprising of five members³ was formed (December 2005) for opening and evaluation of Expression of Interest for statewide roll out of the project after successful implementation of the pilot project. The committee was required to submit its recommendations to the High Powered Committee⁴ for finalisation of the tender. The meeting of the Committee was held (December, 2005) for selection of BOOT (Built Own Operate and Transfer) operator, where four companies were qualified on the basis of pre-qualification criteria. Audit observed that thereafter number of meetings was held for revision of the RFP document considering the suggestions made by

³ Secretary Transport, Director cum Secretary Department of Information Technology, Representative of Finance Department, State Informatics Officer (NIC Punjab), State Transport Commissioner and others.

⁴ Chief Secretary, Principal Secretary Finance, Secretary Transport, Director Information Technology, State Informatics Officer, NIC Punjab, State Transport Commissioner Punjab and others.

the Companies in the pre bid conference but nothing concrete came out of the meetings.

We further observed that the TD failed to select the BOOT operator for statewide roll out of the project due to non-finalisation of RFP till December 2010 and hence the services of PWC could not be utilised. This also resulted in unfruitful expenditure of ₹ 4.65 lakh (10% of ₹ 46.50).

The Deputy Controller Finance and Accounts (DCF&A) in its reply while admitting the delay between July 2007 and December 2010 stated that the PWC was requested (July 2010) to redraft the RFP document however the PWC intimated (July 2010) that work order for consultancy services had expired in July 2007. The TD had not utilised the services of the PWC during currency of tenure of the contract.

3.9.7.2 Supply of Computer hardware

MoRTH conveyed (July 2009) its approval of funds amounting ₹ 2.18 crore for computerisation of DTO's and RTAs. The hardware items were received from MoRTH during May-November 2010 in the district offices. We observed (January-October 2011) that the stock register of IT Assets prepared, if any, were not made available to audit due to which neither allocation nor utilization of hardware could be verified.

Audit observed that though the hardware was received by DTOs but the requisite infrastructure, trained manpower and funds for operational and maintenance cost were not made available due to lack of systematic approach for implementation of the system

The DCF&A while responding (January 2011) to an audit query stated that the office of STC had not purchased any hardware for its DTOs but the same was supplied by the NIC, directly.

During exit conference STC stated that as no manpower was available with Transport Department, it was decided to hand over the hardware to SUWIDHA centres for providing transport related services through suvidha centres.

3.9.7.3 Absence of IT Policy and documentation

Before taking up an IT project, it is necessary to evolve a long/short term IT policy addressing the methodology of developing, acquiring, implementing and maintaining the information systems and related technology.

Audit observed that the TD had not formulated and documented the IT strategy/policy. In the absence of an IT strategy, the progress of implementation of VAHAN and SARATHI could not be verified. Audit further observed that no IT security policy for safeguarding the IT Assets was formulated by the TD.

Audit observed that the NIC did not hand over the relevant documents like User Requirement Specifications, Software Design Document to the TD. In absence of such records, audit could not verify the adequacy of this documentation.

When we pointed out (January 2011), the DCF&A in its reply stated (January 2011) that no such policies/documentation were available with the TD.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.7.4 Lack of change management control

Modifications suggested by DTO are sent to state coordinator, who in turn takes it up with NIC, Hqrs. The updated releases are provided to the DTOs but the procedure for change management was neither documented nor there were any procedure for authorisation of the changes in the system at an appropriate level, there was no system of documenting the changes carried out which was fraught with the risk of unauthorised changes not being detected.

When we pointed out (January 2011), the DCF&A in its reply stated (January 2011) that no change management policy was formulated by the TD.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.7.5 User manual not provided

The staff in the computer Department may be the only staff with a detailed knowledge of the interrelationship between the source of data, how it is processed and how the output is distributed and used. It is possible that the IT personnel will be aware of any control weaknesses which exist. Its staff may also be in a position to alter transaction data or even the financial applications which process the transactions. Audit observed that;

- No personnel manual clearly depicting the duties and responsibilities of the staff working in computerized environment were formulated by the TD.
- The Software/Application has the provision to define access rights of users for job rotation. However, the allotment of seats was being made arbitrarily without any periodicity/system.
- The operational staff was not trained before deploying them on "VAHAN" and "SARATHI" application. Further Training Manual for imparting the training was not made available by the NIC as a result of which the DTOs had expressed inability for efficient implementation of the system.
- The Suwidha centers were performing the operations on behalf of the TD, however no Memorandum of Understanding (MOU) was signed with the Suwidha for regulation of work.

We reported the matter to the DTOs (January-July 2011), the DTO, Jalandhar in its reply admitted (July 2011) that no personnel manual was prepared/received from STC office, no system of job rotation of users was in vogue and NIC neither formulated the training manual nor trained the operational staff. However, remaining DTOs did not respond to the audit observation.

VAHAN application system

3.9.8 Mapping of Business Rules

3.9.8.1 Non-mapping of rule for calculation of fine on late registration of vehicles

Rule 47 of the PMVR provides that if the owner of a motor vehicle fails to make an application for registration within the period of one month from the date of purchase then he/she is liable to pay fine of ₹ 10 to 50 in addition to the fee specified for registration. Till then vehicle ply on temporary registration numbers.

An analysis of the data in respect of five DTOs, revealed that the fine as per the provision stated above was not auto calculated by the software, leading to short levy of fine in 38323⁵ cases. The quantum of revenue loss due to non mapping of rule in VAHAN levy of fine on late registration of vehicles could not be

verified due to large volume of records. However, audit requisitioned 197⁶ cases to test check the recovery of fine, out of which 48⁷ cases were provided to audit, however the due fine in 30⁸ cases was not/short collected affecting the completeness as well as integrity of the database.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.8.2 Delay in mapping of rates in the system

In exercise of the powers conferred by Section 3 of the Punjab Motor Vehicles Taxation Act, 1924 the Government of Punjab notified (February 2011) the enhanced rates of the motor vehicle tax based upon the value of the vehicle.

An analysis of the database related to four⁹ DTOs revealed that in 665¹⁰ cases, motor vehicle tax was short collected to the tune of ₹ 182.33¹¹ lakh. Audit observed that due to lack of any change management procedures the rates in the

software were not modified timely as the modification rights were not available with the TD. The modification can be done only by NIC Hqrs, New Delhi. The required changes were sent by DTOs to NIC Punjab and they further forward the requirement to NIC Hqrs. This process took considerable time as a result of which the system calculated the motor vehicle tax at old rates.

Audit further observed that in DTO Jalandhar the registration date of registration certificates was altered through administrator privileges granted to

⁵ Jalandhar:2763, Kapurthala: 2218, Mohali: 20436, Patiala: 7884 and Ropar: 5022.

⁶ Jalandhar 20, Kapurthala 25, Mohali 25, Patiala 100 and Ropar 27.

⁷ Kapurthala 16, Mohali 12, Patiala 13 and Ropar 7.

⁸ Kapurthala 16, Mohali 5, Patiala 2 and Ropar 7.

⁹ Jalandhar, Mohali, Patiala and Ropar.

¹⁰ Jalandhar 607, Mohali 49, Patiala 6 and Ropar 3.

¹¹ Jalandhar ₹ 170.25 lakh, Mohali ₹ 11.00 lakh, Patiala ₹ 0.61 lakh and Ropar ₹ 0.47 lakh.

the Data Entry Operators to give an impression that the Registration Certificates were generated on or before 28/02/2011 i.e. the effective date of implementation of the new tax rates.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.8.3 Non-availability/mapping of MIS Reports

MIS reports are important for effective monitoring and controlling the functions of the Department. The requirements can be designed into the software for generation of MIS reports. The MIS reports viz; Imported vehicles, unfit vehicle, other state vehicles, ex-army vehicle, tax-exempted vehicle, private vehicles, commercial vehicles, goods vehicles, vehicles of A Class, hypothecated vehicles were important for effective monitoring and controlling the functions of the Department for maximising the collection of the revenue. Audit observed that such reports were neither available in the software nor the matter was taken up with NIC for designing the same in the VAHAN.

3.9.8.4 Non availability of Management Information System (MIS) reports identify the vehicle required to be re-registered

The Section 41 of the MVT Act provides the validity of the registration of the motor vehicle (other than transport vehicle) and Rule 52 of the CMVR provides for renewal of registration of vehicle after 15 years.

An analysis of VAHAN database in the office of the five¹² DTO's for the period of the review revealed that 54499¹³ vehicles had their registrations expired. The owners of the vehicles had not re-registered their vehicles in contravention to the provisions stated, *ibid*.

Audit further observed that Management Information System (MIS) reports were not available in the software to identify the vehicle required to be re-registered after obtaining the fitness certificate from the competent authority.

During exit conference, STC stated that all the vehicles with lapsed registration may not come for re-registration due to the fact that some vehicles might have been declared condemned, some might have stolen, total loss in accidents etc., however, he assured that necessary instructions will be issued to field offices to record such instances. Reply of the STC is not acceptable as the details regarding stolen of vehicles, total loss in accident should be entered in the records of the DTO.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

¹² Jalandhar:, Kapurthala: , Mohali: , Patiala: and Ropar:.

¹³ Jalandhar 1, Kapurthala 53, Mohali 954, Patiala 1 and Ropar 53490.

Data Accuracy

3.9.9.1 Inaccuracy in Fancy numbers Master Table

(i) An analysis of fancy number table of VAHAN database as entered in the office of the DTO, Mohali revealed that registration number 440 though falls in the category of reserved numbers under serial number 3 Group No.4 (d) in the Sixth Schedule to the PMVR, but the same was not entered into the fancy number table. However test check of files confirmed the receipt of paid number fee of the number. Further in DTO Patiala, it was noticed that 616 registration numbers which did not fall in the category of reserved numbers in the Sixth Schedule to the PMVR were entered in the fancy number table as a result of which the system treated and allotted these numbers as fancy numbers. Further the fees to be charged for allotting these registration numbers has been entered as one rupee whereas the correct fee for reserved registration number is Rupees one thousand. Further the State Code which is PB for Punjab has been entered as “P for the reserved numbers which fall in the Sixth Schedule to PMVR, 1989. Evidently, the master tables were not maintained/updated correctly.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.9.2 Discrepancy in masters Table

Analysis of Action table and VHCLASS_CD table of VAHAN database as maintained in the office of five DTOs revealed that there was inconsistency in data in both the tables for tractor (Private). Vehicle class code for tractor (private) in VHCLASS_CD table has been entered as 19 whereas A_VCHD field in action table shows tractor (private) as 31 which was the code for omnibus.

Further analysis of VHCLASS_CD table (master table for vehicle class) of VAHAN database as maintained in the offices of five DTOs revealed that for the vehicle omnibus, two “CLASS_CD” namely 31 and 72 were assigned and in DTO, Ropar 634 omnibus were registered with vehicle class code as 31 and 15¹⁴ omnibus were registered with vehicle class code as 72, indicating that different vehicle codes were assigned due to inappropriate assignment of two codes to same vehicle.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10. Data Safety and Security

3.9.10.1 Lack of input controls in VAHAN

An analysis of registration data of vehicles in VAHAN, made available to us by the five DTOs¹⁵, revealed the following discrepancies;

- a) In 116647¹⁶ cases manufacturing month of vehicle was shown as zero.
- b) In 58498¹⁷ cases the unladen weight and in

¹⁴ DTO, Mohali:8 and DTO, Ropar:7.

¹⁵ Jalandhar, Kapurthala, Mohali, Patiala and Ropar.

¹⁶ Jalandhar:260, Kapurthala:536, Mohali:5919, Patiala:358 and Ropar:1,09,574.

¹⁷ Jalandhar:158, Kapurthala:189, Mohali:6262, Patiala:314 and Ropar:51,575.

- 435307¹⁸ cases laden weight of vehicle was shown as zero.
- c) In eight¹⁹ cases purchase date is shown later than registration date and in 136652²⁰ records purchase date has been shown as zero.
- d) In 5368²¹ cases of non-transport vehicles the seating capacity was shown as equal to standing capacity.
- e) In 57²² cases pertaining to goods vehicles laden weight and unladen weight has been shown as equal.
- f) In 7336²³ cases manufacturing year of vehicle was shown as zero and in four²⁴ cases manufacturing month was recorded as negative figure.
- g) In 33670²⁵ cases cubic capacity (cc) of the vehicle was blank due to lack of input controls.
- h) In 80890²⁶ records “maker model” of the vehicle was blank.
- i) In 781²⁷ cases registration date was earlier than receipt date of application.
- j) In 35399²⁸ cases chassis number was numeric and in 274²⁹ cases it was only alpha character
- k) The Cubic Capacity of the Maruti 800 is 786 but in 103³⁰ cases, the cubic capacity of the Maruti 800 was entered as ranging from 1.47 to 8189 CC.
- l) Sales figure in 160262³¹ cases was shown as zero due to incomplete input of data.
- m) 56³² users have generated 20475³³ receipts on Saturday and Sundays though these are observed as public holidays.
- n) In respect of two wheelers and private cars seating capacity was incorrectly entered in 3198³⁴ cases.
- o) A copy of FIR is required for obtaining duplicate Registration certificate, it was noticed that in seven³⁵ cases the owner managed to get duplicate registration certificate issued on the basis of previously lodged FIR having same number and date. Whereas in 16³⁶ cases deal date was earlier than FIR date and in 27³⁷ cases FIR number was either blank or contained incorrect data.

¹⁸ Jalandhar:1,34,811, Kapurthala:55,754, Mohali:51,902, Patiala:44,898 and Ropar:1,47,942.

¹⁹ Jalandhar:2, Kapurthala:1, Patiala:3 and Ropar:2.

²⁰ Jalandhar:256, Kapurthala:341, Mohali:7096, Patiala:34 and Ropar:128925.

²¹ Jalandhar:91, Kapurthala:18, Mohali:5201, Patiala:14 and Ropar:44.

²² Jalandhar:2, Mohali:31, Patiala:14 and Ropar:10.

²³ Jalandhar:251, Kapurthala:132, Mohali:5037, Patiala:332 and Ropar:1584.

²⁴ Jalandhar:1, Mohali:1, Patiala:1 and Ropar:1.

²⁵ Jalandhar 193, Kapurthala 177, Mohali 418, Patiala 353 and Ropar 32529.

²⁶ Jalandhar 292, Kapurthala 163, Mohali 1460, Patiala 367 and Ropar 78608.

²⁷ Jalandhar 622, Kapurthala 06, Mohali 26, Patiala 115 and Ropar 12.

²⁸ Jalandhar 1185, Kapurthala 2360, Mohali 7924, Patiala 930 and Ropar 23000.

²⁹ Kapurthala 5, Mohali 53, Patiala 16 and Ropar 200.

³⁰ Jalandhar 4, Kapurthala 1, Mohali 37, Patiala 2 and Ropar 59.

³¹ Jalandhar 1880, Kapurthala 1106, Mohali 19873, Patiala 123 and Ropar 137280.

³² Jalandhar 36, Kapurthala 4, Mohali 2, Patiala 13 and Ropar 1.

³³ Jalandhar 7306, Kapurthala 2442, Mohali 51, Patiala 10665 and Ropar 11.

³⁴ Jalandhar 310, Kapurthala 43, Mohali 441, Patiala 149 and Ropar 2255.

³⁵ Mohali:3 and Ropar:4.

³⁶ Mohali:4 and Ropar:12.

³⁷ Jalandhar: 1, Kapurthala:1, Mohali:13, Patiala:1 and Ropar:11.

Data inconsistencies

- a) In 916³⁸ cases engine number was blank and 500³⁹ cases engine number and chassis number started with special character.
- b) In 270⁴⁰ cases owner name and in 3290⁴¹ cases father name of the owner was invalid (one or two alphabets).
- c) In 64⁴² cases the registration number of vehicle was incorrectly entered.
- d) In 71⁴³ cases the basic detail of owner was not entered.

The data in these fields indicated that the input as well as validation checks were not built in the backlog entry form of VAHAN system and/or the incorrect data was not checked/verified by responsible officer/officials of the Department before validation due to which inconsistent data resided in the database.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.2 Absence of Business Continuity and disaster recovery plan

Business continuity planning (BCP) is necessary for recovery of the business processes with minimum loss to the business and restores the system within minimal possible time, in the event of a disaster. Considering the criticality of the system, the Transport Department (TD) was required to formulate, document and test disaster recovery plans and ensure that staff were made aware of their responsibilities to ensure business continuity.

Non formulation of BCP had following impacts:

- Backups were being taken at irregular intervals.
- No backup register was prepared.
- Non-testing of stored backups was being done to check data restoration.
- Non-storing of backup data off site in fire proof cabinets.
- Non-formulation of antivirus policy due to which different freeware were installed on the server posing a threat to the data.
- No Insurance cover for the computer hardware/IT Assets against robbery etc. were taken.

When we pointed out (January 2011), the DCF&A in its reply stated (January 2011) that no BCP was formulated by the TD.

Further NIC, Punjab Unit while responding to an audit query stated that no disaster recovery plan for State Register (SR) was prepared by NIC, Headquarters, New Delhi however the back up was taken on SAN (Storage Area Network) and Tape Drives.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

³⁸ Jalandhar 37, Kapurthala 126, Mohali 349, Patiala 330 and Ropar 74.

³⁹ Mohali 399 and Ropar 101.

⁴⁰ Mohali 260, Patiala 2 and Ropar 8.

⁴¹ Jalandhar 1, Kapurthala 2178, Mohali 361, Patiala 229 and Ropar 521.

⁴² Jalandhar 2, Kapurthala 4, Mohali 14, Patiala 4 and Ropar 40.

⁴³ Jalandhar 5, Kapurthala 2 and Patiala 64.

3.9.10.3 Registration of vehicles with identical chassis and engine number

Engine number and chassis number are unique numbers allotted by the manufacturer to a vehicle and two vehicles cannot have same engine or chassis numbers which are essential for the purpose of assignment of a unique registration number.

An analysis of data of five DTOs for the period of review revealed that in 1127⁴⁴ cases, different registration numbers were assigned to vehicles having identical chassis and engine number. Evidently, 1127 registration numbers were assigned to 556⁴⁵ same vehicles.

In case of chassis number a check is embedded in the software which did not allow input of duplicate chassis number. However, it was observed that the system was surpassed by putting an extra symbol such as #,*, \$ etc. while entering the chassis number and allowing the vehicle to be registered with another registration number having identical chassis and engine number, posing a serious security concern, as well as entry of incorrect data into SR.

We requisitioned 712⁴⁶ relevant records, records in respect of 47⁴⁷ vehicles (Form 24, Screen Report of Vehicle, Invoice and Form 20) were supplied to audit, out of which duplicate chassis numbers were allotted to 18⁴⁸ vehicles.

During exit conference, STC stated that this is very serious and instructed Deputy Controller (F&A) to verify the cases.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.4 Short recovery of registration fee

Rule 81 of the Central Motor Vehicles Rules, 1989 (CMVR) provides for registration fee for each class of vehicles. In the "VAHAN" software, there was a provision for auto-calculation of the registration fee as per the class of the vehicle.

Data analysis for the period from 2006-11 in respect of five DTOs revealed that the applicable registration fee amounting to ₹ 1.07⁴⁹ lakh was under calculated by the software in 830⁵⁰ cases which shows that the system was not working properly. The relevant files were requisitioned to verify

the revenue loss; however the same were not shown to audit.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.5 Un-reliable data in the database

The vehicle class as well as the sale amount forms the basis for auto calculation of registration fee as well as tax in the system. After generation of receipt number, owner's detail was entered into the system and a vehicle

⁴⁴ Jalandhar 50, Kapurthala 24, Mohali 554, Patiala 142 and Ropar 357.

⁴⁵ Jalandhar 25, Kapurthala 12, Mohali 270, Patiala 71 and Ropar 178.

⁴⁶ Jalandhar 22, Kapurthala 24, Mohali 554, Patiala 22 and Ropar 90.

⁴⁷ Kapurthala 02, Mohali 24, Patiala 12 and Ropar 09.

⁴⁸ Mohali 09, Patiala 06 and Ropar 03.

⁴⁹ Jalandhar ₹ 0.11 lakh, Kapurthala ₹ 0.37 lakh, Mohali ₹ 0.42 lakh, Patiala: ₹ 0.07 lakh and Ropar ₹ 0.10 lakh.

⁵⁰ Jalandhar 64, Kapurthala 332, Mohali 267, Patiala 47 and Ropar 120.

registration number was auto generated by the system on approval of above details through “dto’s” login.

Data analysis of the DTO, Mohali revealed that in 41946 records, there was mismatch between amount due and amount recovered against each registration number. This was due to the fact that the details of the vehicles were interchanged to favour any person by allotting the choice number to him. Further audit scrutiny of the “owner admin” table revealed that in 3543 cases the details of the owners were altered. Since the vehicle class was changed in 300 cases the data was rendered unreliable. Though the sale value is committed and forms the basis of tax calculation however the alteration of detail of the owner of the vehicle raised serious concern about the integrity of the system.

Further audit requisitioned manual records to test check unreliable data in the database, DTO, Mohali expressed inability to produce the complete records due to renovation of the building. However, two manual records and seven screen reports of vehicle were provided to audit, which indicated that data was altered but the sale value of the vehicle was committed and could not be altered, the detail of the owner was interchanged, affecting the reliability as well as integrity of the database.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.6 Duplicate challan numbers

The challan numbers issued by the banks bear unique number and cannot be allotted to any other challan in the same bank. The challan number is captured into the concerned field in the VAHAN as a proof of payment.

An analysis of the database of five test checked DTOs revealed that in 2104⁵¹ cases duplicate challan numbers were noticed due to lack of input controls in the software and same challan numbers were used again and again for carrying out the transactions.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.7 Missing receipt numbers in VAHAN

Data analysis of VAHAN database in respect of receipt number table as maintained in the office of five DTOs for the period of review revealed that 1540⁵² receipt numbers were missing in 35⁵³ series of the database.

The receipt numbers on receipt of cash are auto-generated by the software. Missing receipt numbers not only affected the integrity of the database, adversely, but also raised serious concerns about the reliability of the system. It was further observed that the staff of the DTO, Jalandhar was not trained as a result of which manual receipts were issued to the applicants and the receipt number of such receipt books, issued by STC office, were entered into the receipt master so that the software could auto generate such receipt numbers.

⁵¹ Jalandhar 492, Kapurthala 284, Mohali 657, Patiala 518 and Ropar 153.

⁵² Jalandhar:9, Kapurthala:1427, Mohali:14, Patiala:73 and Ropar:17.

⁵³ Jalandhar:1, Kapurthala:9, Mohali:6, Patiala:13 and Ropar:6.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.8 Manipulation of VAHAN System for generation of choice number

The registration fee, hypothecation fee, vehicle tax on registration of vehicle and fine on belated registration are received in cash/through bank. A unique receipt number is automatically generated, sequentially, by the VAHAN software on receipt of application from the applicant. The receipt number is linked for the generation of vehicle registration number through the VAHAN. The daily receipt of cash is deposited into the bank on the next working day. The software has an option of backlog entry for registration to enter detail of vehicles registered prior to computerisation, to reserve special vehicle numbers.

An analysis of data of DTO, Mohali revealed that in 1341 cases receipt numbers generated were not in accordance with the receipt master. In these receipts the registrations have been carried out and a fraudulent sum on account of alteration of vehicles amounting to ₹ 0.67 lakh was shown as collected through challans but actually there was no collection of money against these challans. Further audit analysis of these receipts revealed that 295 fictitious entries were entered through the backlog option for creation of a reserve of selective vehicle numbers for allotting it to prospective applicant seeking that choice number. Since the receipt number is mapped for allocation of a registration number, a fake receipt is generated by users through option of alteration of vehicle by prefixing/suffixing the string to the vehicle number in the challan number field, to make it the receipt number due to bug in the software. There is a bug in the software that if one enter more than four numeral in the challan number field, the system generate it as the receipt number.

Thus due to a bug in the software the check of auto generation of receipt number by the system, sequentially, was surpassed.

DTO, Mohali, in its reply stated that the files pertained to old series of vehicles could not be provided due to the renovation of the building. However, three files produced to audit revealed that challan did not include ₹ 50 towards alteration fee of the vehicle. The DTO while admitting the lapse further stated that due to inadequate training of the staff such irregularity occurred, however the operational staff was strictly instructed not to generate such receipts and indulge in this practice in future and the matter was also being taken up with NIC for incorporation of necessary controls in VAHAN. Reply of the DTO is not acceptable as this is a serious lapse which led to manipulation of process of registration of vehicles for generating registration number as per choice of the applicant without charging the prescribed fee for choice number.

Further, during the exit conference, STC stated that this is a serious issue and the matter will be examined.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.9 Registration of two or more vehicles with same insurance cover note

Rule 47(1) of the CMVR provides that application for registration of vehicle shall *inter-alia* be accompanied by a valid insurance certificate

Data analysis of vehicle insurance table of VAHAN database as maintained in the office of the five DTOs for the period of review revealed that duplicate cover note numbers in respect of prime insurance companies as were

entered for two or more vehicles detailed below:

Company/Category	Total number of duplicate/multiple insurance cover note numbers
Blank	12 ⁵⁴
Bajaj Allianz Ltd.	23 ⁵⁵
New India Assurance Company	236 ⁵⁶
ICICI Lombard Gen Insurance	238 ⁵⁷
National Insurance Company	1924 ⁵⁸
Oriental Insurance Company	2629 ⁵⁹
Royal Sundaram Insurance Company	3328 ⁶⁰
Any other	849 ⁶¹
United Insurance Company	637 ⁶²
	9876⁶³

Thus, the system being used is fraught with the risk of same insurance cover notes being used again and again for registering more than one vehicle due to lack of controls in the VAHAN to detect duplicate and null entries. Scrutiny of manual records revealed that in some cases it was due to entering of book number in place of cover note number.

The matter was reported to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.10 Unauthorised access due to lack of logical access controls in VAHAN

Segregation of duties avoids the possibility that a single person could be responsible for diverse and critical functions in such a way that errors or misappropriation could occur and not be detected in a timely manner in the normal course of business processes. Segregation of duties is an important means by which fraudulent and or malicious acts can be discouraged and prevented.

Segregation of duties for, access to the computer, data etc. can be limited and relates to the particular level of responsibility of the authorised individual. Transaction authorisation is the responsibility of user Department/Data owner.

⁵⁴ Mohali 2 and Ropar 10.

⁵⁵ Jalandhar 15, Kapurthala 1, Mohali 1 and Ropar 6.

⁵⁶ Jalandhar 146, Kapurthala 1, Mohali 7, Patiala 2 and Ropar 80.

⁵⁷ Jalandhar 237 and Kapurthala 1.

⁵⁸ Jalandhar 975, Kapurthala 137, Mohali 331, Patiala 273 and Ropar 208.

⁵⁹ Jalandhar 470, Kapurthala 160, Mohali 1230, Patiala 150 and Ropar 619.

⁶⁰ Mohali 3327 and Ropar 1.

⁶¹ Jalandhar 113, Kapurthala 97, Mohali 10, Patiala 88 and Ropar 541.

⁶² Jalandhar 259, Kapurthala 78, Mohali 110, Patiala 64 and Ropar 126.

⁶³ Jalandhar 2215, Kapurthala 475, Mohali 5018, Patiala 577 and Ropar 1591.

Scrutiny of data of VAHAN in five DTOs revealed following discrepancies;

- No documented procedure to the user privileges for authorizing access to the system was followed by the Department. Further, In the case of DTO, Mohali the privileges of “administrator” and “dto” given to the clerks may create a potential control risk to the integrity of data and system as a whole.
- Further, data analysis of DTO, Mohali revealed that there were 14 users in the users master table whereas, as per the information supplied, VAHAN software was being used by two officials operating four users indicating that 10 additional users were active apart from four users, clearly posing logical security risk to the database.
- In DTO, Mohali there were multiple users making use of one userid, ie;“Malkeet, raising serious concerns of responsibility/accountability as the functions of receipt of cash/generation of receipt are performed through it.
- The userid’s “malkeet” and “Vijay” in DTO, Mohali and Jalandhar respectively were not deactivated, however, the said officials/users got transferred from the offices.
- 50 userid’s⁶⁴ had the similar password indicating lack of knowledge of secrecy and security of password as no password policy was formulated by the Department.
- In DTO, Jalandhar, one of the clerk dealing with new Registration Certificates was having seven userids with the name such as “surjeetkaur”, “surjeetkaur1”, “surjeetkaur2” etc. which clearly indicates that one to one userid’s to Data Entry Operators were not assigned to define the respective roles and responsibilities and multiusers were working on behalf of one dealing clerk by using different userids. Similarly two userids (Kantadevi and Kantadevi 1) were assigned to Cashier raising serious concerns of responsibility/accountability as the functions of receipt of cash/generation of receipt are performed through it.
- The Computers and the server were not protected by fire safety alarm and fire extinguishers, for mitigation of loss to the IT Assets, in case of fire/mishap.
- Seven users in case of DTO, Mohali and 49 users in DTO Jalandhar, respectively were not in the users master table but the above mentioned users logged in the VAHAN application and entered certain transactions in the database. Indicating that users were created and deleted after performing certain operations as the users table was not properly managed. Further in 2351 and 29 transactions in DTO, Mohali and Jalandhar “deal cd” was not captured by the system, raising integrity concerns.
- In the users master table relating to DTO, Mohali, the name of the officer/official logging into the system was not entered in 13 cases out

⁶⁴ Jalandhar:8, Kapurthala:10, Mohali:2, Patiala:28 and Ropar:2.

of 14 cases, the name such as clerk, admin, backlog operator etc. were entered as a result of which the responsibility/accountability could not be linked up.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.10.11 Non-provision of Audit Trail

Audit trail is incorporated into an IT System for tracing an item from input through its final stage and depicts the flow of transaction at every point of processing up to the output stage.

Scrutiny of VAHAN disclosed that:

- TD failed to include the audit trail options to capture details of terminal logon, start up time, activities of users, etc.
- Though the operation date was captured by the system in case of owner table but the time of the operation was not captured by the system.
- No system administration register and daily activity register was maintained.
- No logs for recording changes to the Users Master and Users Permission table were generated by the system.

Due to non-provision of audit trail in the software the TD could neither entrust the periodic review of audit trail to any responsible officer nor could documented procedure be evolved for regular monitoring of audit trail/logs to watch deviations in access trends and to ensure compliance of instructions relating to system security.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

SARATHI

3.9.11 Data accuracy in SARATHI

3.9.11.1 Lack of input controls in SARATHI

An analysis of SARATHI database made available to us by five DTOs revealed the following discrepancies;

- As per Section 9 of the CMVR, the person to whom a Transport vehicle license is to be issued should possess minimum qualification not less than 8th Standard. It has been observed that 13629⁶⁵ Transport licenses were issued, out of which in 7303⁶⁶ records the qualification field was blank and in 3133⁶⁷ records the qualification field was entered as “Not Specified”. However, manual verification of three files supplied to the audit by DTO Mohali revealed that the applicants had furnished the proof of minimum qualification whereas other four DTOs did not supply the records. Audit observed that, due to invalid

⁶⁵ Jalandhar 3101, Kapurthala 2334, Mohali 1199, Patiala 2734 and Ropar 4261.

⁶⁶ Jalandhar 50, Kapurthala 2176, Mohali 977, Patiala 2734 and Ropar 1366.

⁶⁷ Jalandhar 2, Kapurthala 15, Mohali 222 and Ropar 2894.

codes of qualification in master table, it accepted the data as “not specified” as well as blanks, affecting the completeness of the data.

- Audit observed that in 13 cases relating to DTO, Kapurthala the applicants did not possess the requisite qualification for obtaining driving license for transport vehicle as per database. However the manual record, though requisitioned, for verification of the same was not supplied.

The DTO, Mohali in its reply stated that no license were issued to the applicants without ensuring the criteria of minimum qualification, however due to lack of training, the same was not entered in the SARATHI database but assured the compliance in future. The other DTOs, however, did not reply to the observation.

3.9.11.2 Missing receipt numbers in SARATHI

Data analysis of SARATHI database in respect of PAYCH (Challan) table as maintained in the office of the DTO, Mohali till 31st March, 2011 revealed that the receipt numbers from 51 to 822 of “SA” series were missing in the database. The system auto generates a receipt number sequentially, and on cancellation of any receipt, new receipt number is assigned to the next transaction and the cancelled receipt moves to the cancellation PAYCHW (Cancellation Challan) table. Further analysis of the SARATHI database revealed that receipt number SA 2119 though cancelled on 12 June 2007, however the receipt number rests in the pay challan table. In another case, receipt number SA 9999 though cancelled on 07 May 2007 but the cash of ₹ 300 was collected on the same receipt number, i.e; SA 9999 on 31-12-2007.

The missing/cancelled receipt numbers not only affected the integrity of the database, adversely, but also raised serious concerns about the reliability of the system.

We reported the matter to the DTOs (July 2011), the DTO, Mohali in its reply stated that this may be a technical error of the software. The reply is not accepted as the matter was not brought to the notice of NIC.

3.9.11.3 Irregular issue of license to persons below the age of eighteen years

Section 4 of the MV Act provides that no person under the age of eighteen years shall drive a motor vehicle in any public place except Motor Cycle having engine capacity upto 50 CC.

An analysis of the SARATHI database for the period of review relating to office of the four⁶⁸ DTOs, revealed that in 11⁶⁹ cases learning license were issued to the persons below the age of eighteen at the time of issue of license in contravention to the provision of the Act. We further observed that in two out of six cases relating to DTO, Mohali the age of the applicant was less than 18 years even at the time of issue of permanent driving licenses.

⁶⁸ Jalandhar, Kapurthala, Mohali and Ropar.

⁶⁹ Jalandhar: 2, Kapurthala: 2, Mohali: 6 and Ropar: 1.

We further observed that in two⁷⁰ DTOs the said provision of the MV Act was partially entered as “Motor Cycle without Gear” but “below 50 cc” was not entered. Resultantly, “below 50 cc” was not printed on the driving license. In order to cross check, the manual records in 11 cases were requisitioned in audit, however one record relating to DTO, Kapurthala was only supplied to audit which indicated that the learner driving license was irregularly issued to the underage applicant. Reasons for the same were asked from the Department, they could not explain how it was made possible.

The DTO, Ropar in response to the audit observation initiated (October 2011) the action against the holder of the license, while DTO, Jalandhar expressed (July 2011) the inability to produce the records as the same was in the custody of Suwidha centre, Jalandhar. Whereas DTO, Mohali while expressing inability to produce the manual records due to renovation of the building replied that six learner licenses and two driving licenses have been examined and necessary corrective action has already been initiated by issuing notices to license holders. The DTO, Kapurthala did not respond to the audit observation.

Data safety and security in SARATHI

3.9.12.1 Physical and logical access controls

Application Software and data should be protected from unauthorized alteration by the use of appropriate physical and logical access controls. Physical controls include restriction on entry of unauthorised persons to the client’s site, buildings, computer rooms and each piece of IT whereas Logical access controls are restrictions imposed by the computer software.

Scrutiny of SARATHI data of the five DTOs, revealed the following discrepancies indicating logical access risks;

- It was observed that although each and every operator had different user Id and password, no documented password policy specifying the need to change the password periodically was circulated.
- Length of the password should be atleast of eight alpha-numeric characters. However, 106⁷¹ users were having password length of 3 to 7 characters.
- The software had no inbuilt arrangement for compulsory changing of password after a specified period.
- The unauthorised entry of persons put the system and data at risk of unauthorised intentional/accidental manipulation/destruction etc and for this purpose, the access to the server should be restricted. However, it was observed that in the office of the DTO, Mohali and Ropar, the server was placed in the same room where operators were working and it was not kept in isolation, posing a serious threat to the safety of data.
- The passwords were readable at the backend and were not encrypted posing a security risk.

⁷⁰ Jalandhar and Ropar.

⁷¹ Jalandhar:46, Kapurthala:11, Mohali:8, Patiala: 31 and Ropar:10.

- 27⁷² users had similar passwords as the users were not made aware of logical security risks.

Absence of physical and logical access control policy may attract unauthorised uses and poses threat to the integrity and security of the data and system as a whole.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.12.2 Online system of grant of permits

The MoRTH issued (August, 2010) the guidelines for implementation of electronic mode of grant/renew of national permits for goods carriage w.e.f 15 September 2010. The new online system provides that the transporter will apply for a new national permit or renewal of the permit to the RTA with authorization and application fee of ₹ 1200. The RTA after uploading certain data on the national permit web portal will advise the transporter to make payment of ₹15000 either by cash or internet banking. In case of payment by cash, the transporter will get a print out of automatically filled challan generated through the national permit portal. The transporter will get the challan stamped from any of the branch of State Bank of India (SBI) against payment of ₹ 15000. The actual electronic confirmation of the payment by cash will be uploaded by the SBI on transaction date plus one day (T+1). Thus the transporter has to wait for atleast one more day after deposit of money to get electronic confirmation of the payment which is pre requisite to check fraudulent practices. In case of internet banking, the transporter will be benefited by the fact that the confirmation of payment would be done on real time basis and the transporter could get back to the RTA for grant/ renewal of permit as the case may be. Audit noticed that RTA, Bathinda, Ferozepur, Jalandhar and Patiala issued 553, 3136, 3612 and 8950 permits respectively during 15 September 2010 to 31 March 2011.

3.9.13 Other implementation issues

3.9.13.1 Non/late issue of registration certificates of vehicles

Rule 48 of the CMVR provides that the registration certificate in respect of a motor vehicle be issued within a period of thirty days from the receipt of such application.

An analysis of the data for the period under review relating to the office of the five DTOs, revealed that in 1795⁷³ cases applications for registration of vehicles were received but registration certificates were not issued and in 3526⁷⁴ cases registration certificates of vehicles were issued with a delay ranging between four and 1619 days in contravention to the above stated provision depriving the citizen their timely service.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

⁷² Jalandhar: 4, Kapurthala: 2 and Patiala: 21.

⁷³ Jalandhar 19, Kapurthala 264, Mohali 807, Patiala 595 and Ropar 110.

⁷⁴ Jalandhar 227, Kapurthala 983, Mohali 987, Patiala 796 and Ropar 533.

3.9.13.2 Non-allotment and lack of continuity of registration numbers

The Registering Authority while assigning registration mark shall assign the registration number which falls in serial order after the last registration mark assigned. Registration numbers should be awarded in a sequence to monitor the year of the registration (model) of the vehicle.

A test check of the VAHAN database revealed that registration in 100031⁷⁵ registration numbers remained unallotted in 27⁷⁶ series clearly indicating discontinuity in the series.

Under the above circumstances the gaps in the chronological order of registration numbers give a misleading position regarding the number of vehicles registered at a particular time besides rendering the

missing registration numbers vulnerable to misuse.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).

3.9.13.3 Misappropriation of Government receipts

The system generates a user-wise report of cash received from applicants at the counter for accounting of cash at the closing hours of each working day. Additionally, the system can also generate reports for the user-wise/challan-wise, draft-wise and payments made in bank/other offices.

A test check of the daily cash receipts generated through VAHAN in respect of two⁷⁷ DTOs revealed that five⁷⁸ users did not account for the daily cash receipt of ₹ 0.21⁷⁹ lakh pertaining to 88⁸⁰ receipts generated between January 2008 and March 2011.

When we pointed out (October 2011), the DTO, Ropar deposited (October 2011) the amount of ₹ 0.11 lakh into the bank. However, DTO, Mohali did not reply to the audit observation.

Audit observed that due to bug in the software in 14096⁸¹ receipts, receipt numbers were not in accordance with the receipt master.

3.9.13.4 Irregular selection of M/s Manav Advertisers

The Government of Punjab introduced (March 2000) computerized laminated licenses in all the districts of Punjab with the instructions to allot the work at competitive rates on the recommendation of the district level committee comprising of Deputy Commissioner, District Transport Officer and DCF& A (Internal Audit)

A test check of records of the DTO, Jalandhar relating to lamination of licences revealed that before expiry of the contract period (23 January 2004), fresh NIT was invited (December 2003). Only two bidders namely M/s Tom Lamination, and M/s Manav Advertisers quoted their rates for the work. A

⁷⁵ Kapurthala 6147, Mohali 7, Patiala 93000 and Ropar 877.

⁷⁶ Kapurthala 6, Mohali 1, Patiala 15 and Ropar 5.

⁷⁷ Mohali and Ropar.

⁷⁸ Mohali:3 (malkit, malkitsingh and dtoadmin) and Ropar:2 (tarlochan and Admin).

⁷⁹ Mohali ₹ 0.10 lakh and Ropar ₹ 0.11 lakh.

⁸⁰ Mohali-50 and Ropar-38.

⁸¹ Jalandhar 59, Kapurthala 12403, Mohali 1624, Patiala 6 and Ropar 4.

Sub- Committee comprising of Assistant Commissioner (Grievances), District Informatics Officer, Jalandhar and DCF&A (Internal Audit) was constituted (07 January 2004) by Deputy Commissioner for examination and comments on technical bids. The sub-committee found that M/s Manav Advertisers was more technically competent in comparison to the M/s Tom Lamination, accordingly the work was allotted (08 January 2004) to the M/s Manav Advertisers by the Dy. Commissioner being the lowest at the previous rate of ₹ 5.90 per licenses.

Audit scrutiny revealed that the two bidders, i.e; M/s Tom Lamination, and M/s Manav Advertisers were in fact one party as the address and phone numbers of the two were identical as detected from the previous and present correspondence with Deputy Commissioner Jalandhar relating to tenders for lamination of licenses. However, the committee failed to verify the fake identify of the bidder as a result of which the Department was misled.

The reasons for irregular allotment of work to M/s Manav Advertisers involving payment ₹ 17.90 lakh in contravention to the instructions were called for (July 2011) however, no reply was received.

Audit observed that due to lack of centralized process for selection of contractor, there were disparities in the prices of laminated driving licenses in the State and the price variation ranged between ₹ 0.99 to ₹ 12.00 in five⁸² districts during November 2007.

3.9.14 Conclusion

VAHAN and SARATHI were implemented to build a comprehensive database for preparation of National Database but the computerisation of the project in Punjab was not achieved fully, due to delay as well as lack of systematic approach in procurement. Due to lack of input controls in backlog entry form in VAHAN, inconsistent data resided in the database. Short recovery of registration fee, partial-utilisation/deployment of modules of VAHAN application, Registration of vehicles with identical chassis and engine number and registration of two or more vehicles with same insurance cover note diluted the objective of preparation of State Register and National Register. Generation of fake receipts led to manipulation of process of registration of vehicles for generating registration number as per choice of the applicant without charging of the prescribed fee for choice number. Duplicate challan numbers, non-mapping of rule for calculation of fine on late registration of vehicles raised serious concern about the integrity and reliability of the system. The MIS Reports for controlling and monitoring the functions for maximisation of revenue were not available in the system. The Permit module of VAHAN was not utilised. The SARATHI was deficient in input controls, irregular issue of license to persons below the age of eighteen years. Absence of IT Policy and documentation and lack of change management control as well as non-preparation of Business Continuity Planning have exposed the system to risk. Lack of Physical and logical access controls alongwith appropriate system of segregation of duties and non-provision of Audit Trail has diluted the responsibility and accountability of officials apart from monitoring of the system.

⁸² Bathinda, Faridkot, Fatehgarh Sahib, Nawanshahar and Sangrur.

Recommendations

The Government/Transport Department may consider implementing the following recommendations to rectify the deficiencies and improve the system:

- *taking immediate measures to fully implement VAHAN and SARATHI systems in the State.*
- *ensure that the validation controls are built into the system to avoid entry of unauthorised and inconsistent data.*
- *review the business rules to ensure that all business rules are incorporated into the system and updated regularly to avoid loss of revenue.*
- *undertake training of staff and formulate IT Security Policy, Back up Policy, change management procedure and password policy so that the responsibility/accountability of staff be fixed and audit trail maintained for transaction.*
- *the modification rights for revision of fee etc. should be with the TD so that the required modification can be done timely.*
- *there should be check in the system to block the re-entry of the same number.*
- *alteration of registration number of vehicles as well as owner's details of vehicles as well as those pertaining to Driving Licences may not be encouraged as a matter of routine by the DTOs.*
- *Department may review the SARATHI System with NIC to ensure that below age person's driving licences are not accepted by the System.*

3.10 Compliance audit observations on implementation of MV Act and Rules

During scrutiny of records in the offices of registering authorities in the Motor Vehicles Department relating to revenue received from taxes on vehicles, we noticed several cases of non-observance of the provisions of the Acts/Rules resulting in misappropriation/embezzlement of Government money and non/short levy of tax, penalty and interest as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions in audit repeatedly, but not only the irregularities persist, they also remain undetected till we conduct audit. The Government needs to improve the internal control system to avoid occurrence of such cases in future.

3.11 Non-observance of the provisions of Acts/Rules

The Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act) provides for:-

- (i) payment of motor vehicles tax by the owner of vehicles at the prescribed rates and*
- (ii) levy of interest and penalty by the Department.*

Non-adherence to some of the provisions of the Acts/Rules by the registering authorities at the time of registration of vehicles are mentioned in the paragraphs 3.11.1 to 3.11.5

3.11.1 Embezzlement of Government receipts

A number of instances of misappropriation of Government money of ₹ 15.55 lakh are given below:-

DTO, Mansa

Rule 2.4 of the Punjab Financial Rules Vol.-I, provide that every monetary transaction should be entered in the cash book as and when it occurs and Government receipts collected during the day should be deposited in the Government treasury on the same day or next working day. Rules 2.2 (V) Vol.-I further provide that head of the office is required to maintain the Daily Collection Register and reconcile the remittances made during a month in the treasury by 15 of the next month. Rule 2.2 (IV) of Punjab Financial Rule Vol.-I provides that the end of each month, the head of the office should verify the cash balance in the cash book and record a signed and dated certificate to that effect. Such certificate must be signed by the head of the office who should invariably date the signature.

(a) (i) We found (November 2010) from the records relating to issue of driving licenses and registration of new vehicles for the year 2009-10 that the Government receipts of ₹ 2.39 lakh pertaining to 1,741 driving licenses and registration of 14 new vehicles were embezzled by tampering the counter foils of receipts and using single receipts for issue of multiple driving licences etc. On receipts of the appropriate fee for issue/renewal of driving licence and for registration of new vehicles, the original receipts required to be issued to the applicants and for pasting in the concerned case files were issued with the appropriate amount of fee, but the counterfoils were tampered with lesser amount of fee and the same were accounted in the cash book. For example, the counterfoil of original receipt bearing the number 720857 dated 22.2.10 for ₹ 1,000 pasted in the case file of a new registration of vehicle was tampered by entering the amount of fee as ₹ 100 only and accounted for accordingly. Similarly in the case of other receipt bearing No. 720445 for

1000 (counterfoils) the receipt was accounted for ₹ 100 by tampering the receipt No. 720444 by overwriting on it as receipt No. 720445. There were large scale differences between the entries in the cash books and the copies of receipts kept in the office files. Had the DDO cross verified the remittances as per case file with cash book and treasury records the irregularities could have been detected.

(ii) We found (November 2010) that fee of ₹ 0.80 lakh for issue of driving licences, registration of new vehicles and transfer fee was collected from the applicants by issuing cash receipts during 2009-10, but the fee was not deposited in the treasury. These cash receipts were neither recorded in the driving licence register nor were entered in the respective cash books. These

amounts were not deposited in the treasury and led to embezzlement of Government receipt of ₹ 0.80 lakh.

(iii) We also found (November 2010) that fee of ₹ 0.20 lakh for registration of new vehicles was collected from the applicants during January and March 2010 and accounted for in the Daily Collection Register (DCR)/cash book on the respective dates, but neither the original copies of challans in support of deposit of such receipts were available in the office nor these receipts were traceable in the treasury records. Thus, there was suspected embezzlement of Government receipt of ₹ 0.20 lakh.

When we pointed out (November 2010), the DTO stated that compliance would be made after verifying the records. Final reply is awaited (December 2011).

STC, Punjab, Chandigarh

(b) We found (December 2010) from the records relating to cash book, treasury challans and treasury records that Government receipts of ₹ 6.02 lakh collected as passing fee, compounding fee, registration fee and other miscellaneous receipts during 2009-10 were embezzled by submitting 44 fake and forged treasury challans. These fake challans were prepared fraudently, got stamped and signed for the treasury bank without the cash being deposited in the bank. This fact was confirmed by the Chief Manager of the bank. This was not detected by the Department due to non-reconciliation of the remittances with the treasury. Thus, there was embezzlement of Government receipt of ₹ 6.02 lakh.

When we pointed out (December 2010), the Department stated that the embezzled amount had been deposited in the treasury in December 2010.

SDO (Civil) Nihal Singhwala

(c) We found (April 2010) from the records relating to registration of new vehicle, treasury challans and records of treasury that tampered/forged treasury challans towards Government receipt of ₹ 1.84 lakh relating to registration of new vehicles for the period from 1.4.07 to 31.3.2010 were accepted by the office of SDO during 2007-08 to 2009-10. Registrations of vehicles were made without verifying correctness of the challans and without undertaking reconciliation of the remittances with the treasury. This resulted in embezzlement of ₹ 1.74 lakh as during our verification of the remittances, it was found that registration fee of ₹ 0.10 lakh only was deposited in the treasury against the fee ₹ 1.84 lakh. We also noticed that similar embezzlement of ₹ 1.08 lakh for the period May 2008 to May 2009 was detected by the Department itself and the loss was made good between June 2009 and August 2009, but no corrective measures were undertaken.

When we pointed out in audit, the Sub-Divisional Officer stated that recovery would be made after verification of the records. Final reply in this case is awaited (December 2011).

RTA, Jalandhar

(d) We found (June 2010) from the records relating to compounding fee that out of Government receipt of ₹ 1.74 lakh collected on account of

compounding fee during May-June 2009, receipt of ₹ 1 lakh was deposited after a delay of 9 months and the balance receipt of ₹ 0.74 lakh was neither shown as cash in hand in the cash book nor the same was deposited in the treasury till the date of audit (June 2010). Non-observance of the codal provisions relating to remittances in the treasury led to temporary misappropriation of ₹ one lakh and embezzlement of ₹ 0.74 lakh.

When we pointed out (June 2010), the Secretary, Regional Transport Authority, Jalandhar admitted the audit objection and stated that an amount of ₹ 0.74 lakh had been deposited in the treasury on 26 June 2010.

DTO, Jalandhar and Gurdaspur

(e) We found (August and October 2010) that tampered/forged treasury challans for Government receipt of ₹ 4.17 lakh relating to fee for registration of new vehicles and motor vehicle tax for the period from 1.6.2009 to 31.3.2010 were accepted by the DTOs during 2009-10. The registrations of vehicles were made and MVT was accepted without verifying correctness of the challans and without reconciling with the treasury records as DCRs were not maintained in both the cases of the DTO. This had resulted in loss to Government/embezzlement of ₹ 3.18 lakh, as verification of remittances by us disclosed that registration fee of only ₹ 0.95 lakh and MVT of ₹ 0.04 lakh had been deposited in the treasury against the depositable fee and MVT of ₹ 4.17 lakh.

When we pointed out (August 2010 and October 2010), the DTO, Jalandhar stated that the figures contained in the challans were verified by the cashier as per bank statement, but these figures were tampered at the time of registration of vehicles by the concerned official. The DTO, Gurdaspur stated that an amount of ₹ 0.69 lakh was deposited by the transporter. As regard the balance amount the DTO did not furnish any reply.

We reported the matter to the Department and Government to which it was replied (March 2011) in the case of DTO Jalandhar by the Department that recovery of ₹ 2.12 lakh had been made and deposited in the treasury in August 2010. The Department also stated that the establishment branch had been intimated to get the case registered against the guilty official and action for disciplinary proceeding had been initiated.

DTO, Ferozepur

(f) We noticed (October 2010) that 131 driving licenses and 178 learner's licences were issued to various persons by charging the requisite fees. But, neither the copy of cash receipt was pasted on the front page of application form nor the receipt number vide which license fees was collected was recorded in the Driving License Register/Learner's License Register as was noted in all other cases. This led to misappropriation of government money of ₹ 0.36 lakh.

Further, we noticed (October 2010) that in 119 cases, ownership of vehicles was transferred without charging the prescribed fees. Scrutiny of records revealed that in all other cases, copy of cash receipt vide which transfer fee was collected was pasted on the front page of application. In 113 cases, neither the copy of the cash receipt was pasted on the application form nor the

receipt number was recorded in the transfer of vehicle register, leading to misappropriation of government dues of ₹ 0.12 lakh.

When we pointed out (October 2010), the Department deposited ₹ 0.48 lakh into the Government treasury (November 2010).

Thus, in the above mentioned cases, embezzlement was facilitated by non maintenance of the daily collection register and non reconciliation of remittances in the treasury. Misappropriation in large number of cases reflects the absence of supervisory control.

We recommend the Department to take disciplinary action against the persons concerned, in respect of each of the above mentioned cases.

We reported the above mentioned cases of misappropriation to the notice of Government (January and February 2011); their reply is awaited (December 2011).

3.11.2 Delay in remittances of Government receipts

RTA, Jalandhar

The Punjab Financial Rules provide that

- every monetary transaction should be entered in the cash book as and when it occurs and the Government receipts collected during the day should be deposited in the Government treasury on the same day or the next working day.
- as per provisions contained in the Rule 2.4 of the PFR Vol.-I, the head of the office is required to sign the cash book daily and is also required to see that all the departmental receipts collected during the day are credited into the treasury on the same day or on the next working day.

We found (June 2010) that Government receipts of ₹ 20.17 lakh collected in 82 cases during the year 2009-10 were remitted in the treasury after delays ranging from 6 to 274 days in contravention of the codal provisions. In this case, this check was not exercised by the head of the office. Had the cash book been signed by the head of the office in accordance with requirement of Rules, corrective measures to curtail the delay in deposit of government money could have been taken in time by the Department. Such abnormal delays have the risk of temporary misappropriation of the Government money.

When we pointed out, the RTA stated (March 2011) that interest of ₹ 0.27 lakh on account of late deposits had been recovered from one official (December 2010) and the balance interest of ₹ 0.27 lakh was being recovered. It was also stated that the officials were to be charge sheeted for the irregularities. However, in this case responsibility of the head of the office remained un-addressed.

We reported the matter to the Government (April 2011); its reply is awaited (December 2011).

3.11.3 Non/short realisation of motor vehicle tax

Seven⁸³ DTOs

Under the PMVT Act, there shall be levied and paid to the Government a MVT on stage carriages at the rate per day/per kilometer as may be specified by the Government from time to time on the entire distance permitted to be covered. Failure to pay tax within the prescribed period attracts penalty not exceeding ₹ 5,000 but not less than ₹ 1,000 for each default and interest at the rate of one and half *per cent* per month or a part of the month was also leviable.

(a) We found (between November 2010 and February 2011) from the records relating to MVT Register and list of permitted kilometer that in respect of 11 transport companies, motor vehicle tax (MVT) of only ₹ 32.05 lakh was collected against the correct amount of ₹ 70.43 lakh worked out on the basis of permitted kilometers to be operated by the transport companies during the period between April 2009 and March 2010. The Department had neither demanded the differential amount of tax nor took any penal action as required under the PMVT Act. Thus, there was non/short realisation of MVT of ₹ 42.36 lakh including non-levy of

penalty of ₹ 0.90 lakh and interest of ₹ 3.08 lakh.

When we pointed out (between November 2010 and February 2011), the DTO, Muktsar stated that the case regarding exemption of MVT is pending with the RTA, Ferozepur. However, it was also stated that records would be verified and action would be taken accordingly. The remaining District Transport Officers stated that recovery would be made after verification of the records.

We reported the matter to the Government (between January 2011 and March 2011); their replies are awaited (December 2011).

STC, Punjab, Chandigarh

Under the PMVT Act, as amended in November 2007, there shall be levied and paid to the Government, MVT at the specified rates on tourist buses registered in the State of Punjab. MVT is payable in advance annually or quarterly by 15 April or 15 of each quarter. Penalty is leviable for default in payment of MVT on the due dates.

(b) We found (December 2010) from the records relating to MVT Register of tourist buses that MVT of ₹ 5.85 lakh for the year 2009-10 in respect of three all India tourist air-conditioned buses registered in the State was neither demanded by the (STC), Punjab nor paid by the owners. This omission resulted in non-realisation of MVT of

₹ 5.85 lakh. Besides, minimum penalty of ₹ 0.03 lakh was also leviable.

⁸³ Amritsar, Bathinda, Hoshiarpur, Ludhiana, Moga, Muktsar and Sangrur

When we pointed out (December 2010), the STC intimated that efforts would be made to recover the tax. The outcome in this case is awaited (December 2011).

We reported the matter to the Department and the Government (February 2011); their replies are awaited (December 2011).

DTO, Ludhiana

Under the PMVT Act, 1924 as amended in November 2007, there shall be levied and paid to the Government, MVT at the rate of ₹ 20,000 and ₹ 35,000 per annum per vehicle on school and college vehicles respectively used by the educational institutions and running upto 50 kilometres from the place of registration. Failure to pay tax within the prescribed period attracts penalty not exceeding ₹ 5,000 but not less than ₹ 1,000. Further, under section 14-B of the Act, where any tax due in respect of any vehicle has not been paid, the DTO may seize and detain such vehicle.

(c) We found (March 2010 and January 2011) from the records relating to MVT Register of educational institution that the educational institutions (four colleges and 17 schools) omitted to pay the MVT of ₹ 10.90 lakh payable for 14 college buses and 30 school buses owned and operated by them during the year 2008-09 and 2009-10. The DTO neither demanded the MVT nor took any action to impound these buses as required under section 14-B of MVT Act 1924 This resulted in non-payment of MVT of ₹ 10.90 lakh. Besides, minimum penalty of ₹ 0.44 lakh was also leviable.

When we pointed out (March 2010 and January 2011) in audit, the DTO stated that matter would be looked into. Final reply is awaited (December 2011).

RTA, Ferozepur

Under the PMVT Act, as amended in November 2007, MVT is levied on stage carriages buses registered in other States and plying as stage carriages in the State of Punjab under the reciprocal agreement.

(d) We noticed (July 2010) from the records relating to MVT Register of inter state buses and reciprocal agreement that Sri Ganga Nagar depot of Rajasthan State Road Transport Corporation (Corporation) was permitted under the reciprocal agreement to operate bus services for a distance of 340 kilometres per day in the Punjab territory, but the

Corporation did not pay MVT of ₹ 4.59 lakh for the period from April 2009 to March 2010. The Department neither demanded the tax nor took any penal action as required under the MVT Act. Thus there was non-payment of MVT of ₹ 4.59 lakh. Besides, penalty and interest of ₹ 0.57 lakh was also leviable.

When we pointed out (July 2010) the RTA, Ferozepur stated that action would be taken. The final outcome of the action taken is awaited (December 2011).

We reported the matter to the Department and the Government (January and March 2011); their replies are awaited (December 2011).

3.11.4 Non-levy of interest on belated payment of MVT

RTA, Patiala

Under the PMVT Act as amended from June 1993, if the owner of a vehicle fails to pay motor vehicle tax within the prescribed period, he is liable to pay simple interest at the rate of one and half per cent per month or a part of month from the date following the due date, till the default continues. Where tax due in respect of any vehicle has not been paid, the Department may issue notices, impound, seize and detain the vehicle until the tax due is paid.

(a) We found (August 2010) from the records relating to MVT Register of inter state buses that Uttaranchal Transport Corporation, Tanakpur failed to pay MVT of ₹ 4.36 lakh for the period from November 2007 to April 2008. The arrear of MVT of ₹ 4.36 lakh was recovered belatedly by the Department in installments between October 2008 and June 2009, but the interest on MVT for delayed payment was neither paid by the Corporation nor demanded by the Department. This resulted in non-levy of interest of ₹ 0.79 lakh.

(b) Similarly, Narnaul Depot of the Haryana Roadways deposited the arrears of MVT of ₹ 9.31 lakh for the period from April 2008 to August 2009 in the month of August 2009, but omitted to pay interest for the delayed payment of MVT. The interest for the delayed payment of MVT was not demanded by the Department. This resulted in non-levy of interest of ₹ 1.29 lakh.

When we pointed out (August 2010), the RTA, Patiala stated that the matter would be looked into and detailed reply would be sent after verification of the records.

We reported the matter to the Department and the Government in March 2011; their replies are awaited (December 2011).

3.11.5 Irregular recovery of Motor Vehicle Tax on the element of Value Added Tax, in violation of Government Notification

Government of Punjab notified (December 2007) that the tax on motor car and motor cycle shall be leviable in lump sum, which shall be calculated on the actual price (excluding taxes, if any) of such vehicle at such rate, as may be determined by Government from time to time. The STC while responding to a query under Right to Information (RTI) Act also clarified that Value Added Tax (VAT) shown in the invoice/bill of the vehicle shall not be taken into consideration for levy of motor vehicle tax.

An analysis of VAHAN database as maintained in the offices of the five DTOs from 2007-11 revealed that in 211895⁸⁴ cases motor vehicles were registered during the period. The relevant records of registration were

called for from the Department and the records in respect of 23 vehicles were

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Jalandhar 74249, Kapurthala 34176, Mohali 45724, Patiala 36057 and Ropar: 21689.

provided to us. Out of 23 vehicles test checked by us, we found that MVT was charged on the invoice value inclusive of VAT in respect of 20 vehicles. This has resulted in overcharging of MVT of ₹ 39,741 from the owners of the vehicles in contravention to the above stated notification/ provision. The possibility of overcharging of MVT in remaining 2,11,875 cases could not be ruled out. The Department may review these cases and also issue suitable instructions to its officers to abide by the Government Notification.

We reported the matter to the Department/Government (November 2011); their replies are awaited (December 2011).