

EXECUTIVE SUMMARY	
Increase in tax collection	Tax collection in respect of Motor Vehicles Taxes for the year 2010-11 increased by 20.87 <i>per cent</i> over the previous year which was attributed by the Department as more collection under Central Motor Vehicles Act and State Motor Vehicles Act.
Internal audit not conducted	Transport Department has no Internal Audit Wing. The internal audit branch under the Finance Department conducts internal audit in various Departments. The internal audit branch of the Finance Department did never conduct audit of the Transport Department. As a result internal control failure in several spheres has been noticed by us.
Very low recovery by the Department against observations pointed out by us	During 2006-07 to 2010-11, we had pointed out non/short levy, non/short realisation, underassessment /loss of revenue etc. with revenue implication of ₹ 236.63 crore in 61 paragraphs. Of these, the Department accepted 27 paragraphs involving ₹ 84.44 crore of which only a meagre amount of ₹ seven lakh has been recovered by the Department.
Results of audit conducted by us in 2010-11	<p>In 2010-11, we test checked the records of 13 units relating to Motor Vehicle Tax receipts and found non-realisation/blocking of revenue and other irregularities involving ₹ 97.20 crore in 182 cases.</p> <p>The Department accepted non-realisation/blocking of revenue and other deficiencies of ₹ 60.15 crore in 17 cases, of which 16 cases involving ₹ 59.90 crore were pointed out in audit during 2010-11 and the rest in earlier years. An amount of ₹ 6.82 lakh has been realised in 58 cases at the instance of audit.</p>
What we have highlighted in this Chapter	<p>In this Chapter we pointed out non-maintenance of electronic tax demand register and absence of interlinking between the tables of the computerised system which resulted in non-realisation of tax, additional tax and penalty, non-realisation of special fees etc. in the offices of the Director, Public Vehicles Department, Kolkata Regional Transport Officers and Additional Regional Transport Officers amounting to ₹ 73.97 crore.</p> <p>Similar omissions on the part of the Assessing Authorities (AAs) were pointed out in our stand alone report on “Collection of motor vehicle taxes, fees and fines” in the year 2010 but not only do the irregularities</p>

persist, these remained undetected by them till these were again detected by us. These irregularities/omissions were apparent from the records made available to us by the AAs but they were unable to detect these mistakes.

Our conclusion

Government may initiate necessary steps to conduct internal audit of the Transport Department. Appropriate steps may be taken to maintain the electronic TDR in the computerised system and improve the recovery position. The Department needs to initiate immediate action to recover the non-realisation, undercharge of tax etc. pointed out by us, more so in those cases where it has accepted our contention.

CHAPTER V : MOTOR VEHICLES TAX

5.1 Tax administration

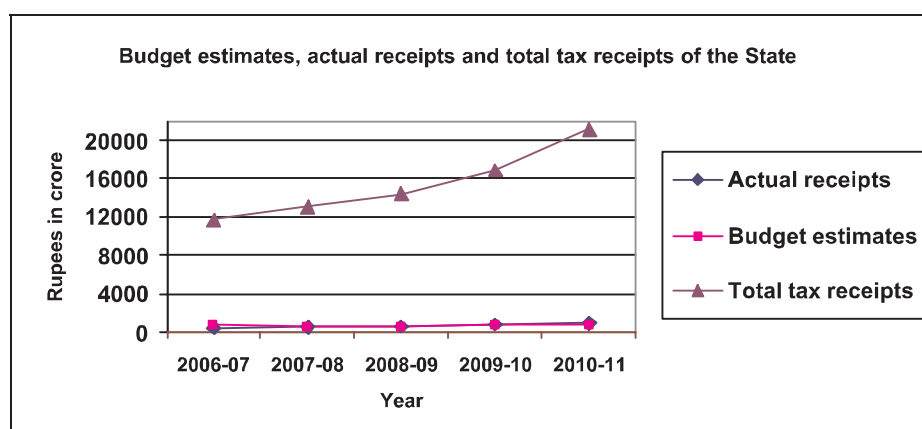
Taxes on vehicles consist of receipts under the Central Motor Vehicles Act and receipts under the State Motor Vehicle Taxation Act etc. The assessment and collection of Motor Vehicle tax is governed by the Central Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the West Bengal Motor Vehicles Tax Act, 1979, the West Bengal Motor Vehicles Rules, 1989 and the West Bengal Additional Tax and One time tax on Motor Vehicles Act, 1989. Motor Vehicles tax is administered by the Transport Department headed by the Secretary who is assisted by one Special secretary, five Joint Secretaries, two Assistant Secretaries, one Registrar and one Statistical Officer at the Headquarters. The Secretary, State Transport Authority (STA), Director, Public Vehicles Department (PVD), Kolkata, 18 Regional Transport Officers (RTOs) and seven Additional Regional Transport Officers (ARTOs) administer the provisions of the Motor Vehicles Act and Rules.

5.2 Trend of receipts

Actual receipts from Taxes on Vehicles during the years 2006-07 to 2010-11 along with the budget estimates and the total tax receipts of the state during the same period is exhibited in the following table and graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	759.84	508.97	(-) 250.87	(-) 33.02	11,694.77	4.35
2007-08	645.88	532.07	(-) 113.81	(-) 17.62	13,126.33	4.05
2008-09	673.11	608.01	(-) 65.10	(-) 9.67	14,419.15	4.22
2009-10	774.08	774.34	(+) 00.26	(+) 0.03	16,899.98	4.58
2010-11	890.13	936.01	(+) 45.88	(+) 5.15	21,128.74	4.43



A study of the budget estimate vis-à-vis actual receipts shows that the actual receipts was less than the budget estimates during the years 2006-07 and 2008-09 and the percentage of variation ranged between (-) 9.67 and (-) 33.02 per cent. From 2009-10 to 2010-11 the actual receipts was more than the budget estimates and percentage of variation was between 0.03 and 5.15 per cent during the period.

5.3 Cost of collection

The gross collection from taxes on Motor Vehicles and the expenditure incurred on collection during the years 2008-09 to 2010-11 are given in the following table:

(₹ in crore)

Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average of expenditure on collection for the preceding year
Taxes on Motor Vehicles	2008-09	608.01	11.92	1.96	2.09
	2009-10	774.34	17.88	2.31	2.93
	2010-11	936.01	19.64	2.10	3.07

Source: Finance Accounts.

The above table shows that there was an increase in expenditure on collection of revenue in 2009-10 but expenditure on collection of revenue was always below the all India average for the preceding years. This requires to be maintained in subsequent years.

5.4 Revenue impact of audit reports

During the last five years (including the current year's report), we pointed out non/short levy, non/short realisation, underassessment/loss of revenue etc., with revenue implication of ₹ 236.63 crore in 61 paragraphs. Of these, the Department/Government had accepted audit observations in 27 paragraphs involving ₹ 84.44 crore and had since recovered ₹ 7 lakh. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraph included		Paragraphs accepted by the departments		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2006-07	06	132.90	05	68.37	Nil	Nil
2007-08	04	4.66	04	1.09	Nil	Nil
2008-09	05	10.69	05	1.17	Nil	Nil
2009-10	42	14.41	09	4.76	Nil	Nil
2010-11	04	73.97	04	9.05	02 ¹	0.07
Total	61	236.63	27	84.44	02	0.07

Thus, against the accepted cases of ₹ 84.44 crore, the Department/Government has recovered ₹ 7 lakh which is only 0.08 per cent.

We recommended that the Government may take appropriate steps to improve the recovery position.

5.5 Working of internal audit wing

The internal audit wing of an organisation is a vital component of its internal control mechanism and is generally defined as the control of all controls to enable the organisation to assure itself that the prescribed system is functioning reasonably well.

The internal audit branch set up in November 1998 under the Finance Department conducts internal audit in various departments.

We observed that the Motor Vehicle Department had no internal audit wing of its own. The Finance (Internal Audit) Department did not conduct audit of the Transport Department. As a result internal control failure in several spheres could not be ruled out.

5.6 Results of audit

In 2010-11 we test checked the records of 13 units relating to Taxes on Motor Vehicles and found non-realisation/blocking of revenue and other irregularities involving ₹ 97.20 crore in 182 cases which fall under the following categories:

(₹ in crore)

Sl. no.	Categories	No. of cases	Amount
1	Computerisation in Motor Vehicles Department (A Performance Audit)	1	---
2	Non-realisation of tax, additional tax and penalty	56	73.48
3	Non/short realisation of fees	58	06.70
4	Loss of revenue due to non-issue of saleable forms	10	09.81
5	Non/short realisation of fine	6	0.39
6.	Other irregularities	51	6.82
Total		182	97.20

¹ Partly accepted.

During the course of the year, the Department accepted non-realisation/blocking of revenue and other deficiencies of ₹ 60.15 crore in 17 cases, of which 16 cases involving ₹ 59.90 crore were pointed out in audit during the year 2010-11 and the rest in earlier years. An amount of ₹ 6.82 lakh was realised in 58 cases at the instance of audit.

Audit findings of the performance audit on '**Computerisation in Motor Vehicles Department**' and a few other illustrative cases involving ₹ 73.97 crore are mentioned in the following paragraphs.

5.7 Performance audit on “Computerisation in Motor Vehicles Department”

HIGHLIGHTS

- The Department started implementation of ‘VAHAN’ and ‘SARATHI’ in the year 2004 without formulating any User Requirement Specification (URS).

(Paragraph 5.7.8)

- The implementation of ‘VAHAN’ and ‘SARATHI’ was either not completed in all the motor vehicles offices or it was partially utilised even after the expiry of seven years. The motor vehicles check-posts were not computerised till November 2011 and the objective of uniform readable Driving License and Registration Certificate throughout the State had not been achieved.

(Paragraph 5.7.6, 5.7.7, 5.7.14 and 5.7.15)

- There was failure in administrative controls which resulted in lack of security policy, non-updating of antivirus software and non-segregation of duties.

(Paragraph 5.7.9, 5.7.10 and 5.7.12)

- The State Register of driving licences (SARATHI) was not prepared and the State Register of Registration Certificate (VAHAN) was not completed till November 2011.

(Paragraph 5.7.19)

- There was absence of interconnectivity of the national permit system with the State Register and the system was not able to fetch the required information from the State Register for issue of national permits.

(Paragraph 5.7.20)

- The Department had not taken any initiative to pursue centralised tendering process resulted in avoidable expenditure on data entry, oversized tax token and Annual Maintenance Contract.

(Paragraph 5.7.21.1, 5.7.21.2, 5.7.21.5 and 5.7.21.6)

5.7.1 Introduction

The Transport Department of the Government of West Bengal is governed by the Motor Vehicle (MV) Act, 1988, the Central Motor Vehicle Rules, 1989, the West Bengal Motor Vehicles Tax Act, 1979, the West Bengal Additional Tax & One Time Tax on Motor Vehicles Act, 1989 and the West Bengal Motor Vehicles Rules, 1989. The Transport Department is primarily responsible for enforcement of the provisions of the Acts and the Rules framed thereunder which, *inter alia*, includes the collection of taxes and fees, issuance of driving licences and certificates of fitness to transport vehicles, registration of motor vehicles and granting permits to motor vehicles.

The Government of West Bengal envisaged a scheme of computerisation in the Transport Department in the year 1991 to make the Department citizen-friendly in its functioning and to provide better services to the public. Accordingly, five Registering Authorities were computerised in the year 2000 using a software called the Transport Information System (TIS). In the year 2002, the Ministry of Road Transport and Highways (MoRTH), Government of India entered into a Memorandum of Understanding with the National Informatics Centre (NIC), Delhi to develop a core software for vehicle registration and issue of driving licence. The VAHAN software for registration and tax collection of vehicles and SARATHI software for issue and renewal of driving licences (DL) were developed centrally by the NIC for the whole country. Accordingly, TIS was replaced by VAHAN.

The VAHAN and SARATHI softwares were customised by the NIC, West Bengal State unit and implemented in the Public Vehicles Department (PVD), Kolkata in July 2004. These softwares were made operational in the offices of the RTOs² on different dates. During the period between 2006-07 and 2010-11, SARATHI was operational in nine RTOs³ and VAHAN in 24 RTOs⁴.

Out of 26 RTOs in the State, 18 RTOs function under the direct supervision of the District Magistrates. In seven RTOs⁵ Build Operate and Transfer (BOT) agencies were engaged for computerisation while a Build, Operate, Own, Transfer (BOOT) agency was engaged in PVD Kolkata. In the BOT/BOOT projects, the infrastructure was to be transferred to the Department at the end of the contract period.

The objectives of computerisation were to build a comprehensive database and provide online access to the public covering the entire gamut of services viz., issue of driving licences and permits, registration and taxation of vehicles and monitoring the transport system in the State.

5.7.2 Organisational set up

The Secretary to the Government of West Bengal, Transport Department is the administrative head of the Department. He is assisted by one Special Secretary, five Joint Secretaries, two Assistant Secretaries, one Registrar and one Statistical Officer. The Secretary, STA, Director, PVD, Kolkata, 18 Regional Transport Officers and seven Additional Regional Transport Officers administer the provisions of the Acts and Rules. One of the Joint Secretaries, Transport Department is responsible for all computerisation related activities in the Department.

² Regional Transport Offices {including offices both under Regional Transport Officers (RTO) and Additional Regional Transport Officers (ARTO)}.

³ Asansol, Barasat, Barrackpore, Burdwan, Durgapur, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

⁴ Alipurduar, Asansol, Balurghat, Bankura, Barasat, Barrackpore, Birbhum, Burdwan, Contai, Coochbehar, Durgapur, Hooghly, Howrah, Jalpaiguri, Malda, Murshidabad, Nadia, Paschim Medinipur, Purulia, PVD Kolkata, Raiganj, Siliguri, Tamluk and South 24 Parganas.

⁵ Asansol, Barasat, Barrackpore, Burdwan, Durgapur, Hooghly and Howrah.

5.7.3 Audit objectives

We conducted the performance audit to ascertain whether:

- phase-wise implementation schedules for the State for VAHAN and SARATHI were achieved as per time frames fixed;
- the local applications for vehicle registration and driving licence developed and implemented by the State, to the extent they differ from the structure of VAHAN and SARATHI, have defeated computerisation objectives of the Ministry;
- connectivity was established between RTOs in the State for creation of a State Register of vehicles and licences and National Register;
- the computerised National Permit System was implemented as planned for and the project objectives were achieved; and
- the overall objectives of computerisation of VAHAN and SARATHI were achieved.

5.7.4 Scope and methodology of Audit

A comprehensive Stand Alone Report was prepared by the Comptroller and Auditor General of India for the year ended 31 March 2010 on “Collection of Motor Vehicle taxes, fees and fines”. The scope of this performance audit was therefore limited to audit of implementation of the softwares VAHAN and SARATHI and examination of controls in the softwares from the date of their implementation in various RTOs upto 31 March 2011.

Apart from the STA, which is responsible for issue of national permits, we selected eight (50 *per cent*) RTOs⁶ on a random basis from the offices⁷ where BOT is not operational. All the eight BOT/BOOT operated RTOs⁸ were also selected. The performance audit was conducted during the period from June 2011 to August 2011.

5.7.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. An entry conference was held in August 2011 with the Secretary, Transport Department in which the audit objectives, scope and methodology were explained. The audit findings were reported to the Government in September 2011 and were discussed with the Secretary, Transport Department in the exit conference held in November 2011. The views of the

⁶ Malda, Bankura, Murshidabad, Contai, Nadia, Tamluk, Paschim Medinipur and Balurghat.

⁷ Nadia, Purulia, Raiganj, Balurghat, Coochbehar, Bankura, Alipurduar, Malda, Jalpaiguri, Murshidabad, Siliguri, Birbhum, Tamluk, Paschim Medinipur, South 24 Parganas and Contai (Darjeeling and Kalimpong offices were closed due to administrative reasons therefore excluded from selection).

⁸ BOT operated RTOs - Asansol, Barasat, Barrackpore, Burdwan, Durgapur, Hooghly, Howrah and BOOT operated RTO - PVD Kolkata. (Name of the agency in PVD, Kolkata - WEBEL, in RTO Howrah - WBTIDC Ltd., in RTOs Barasat, Barrackpore and Hooghly - M/s Venus Softwares and in RTOs Burdwan, Durgapur and Asansol- M/s Compu Graphics Services).

Government/Department have been incorporated suitably in the relevant paragraphs.

Audit findings

5.7.6 Status of computerisation of RTOs

When we sought information on the planning process for computerisation of the RTOs, the Department did not furnish any document bringing out the stages of implementation of VAHAN and SARATHI. We noticed that the system was made operational depending upon the availability of funds in the districts and the initiative taken by the district administration (District Magistrate (DM)/RTOs). We observed (July 2011) that VAHAN was implemented in 24 RTOs and SARATHI in 9 RTOs out of 26 RTOs.

After we pointed this out (July 2011) the Government stated (November 2011) in the exit conference that VAHAN was now operational in 25 RTOs (except Kalimpong) and SARATHI was operational in 16 RTOs⁹ out of the 26 RTOs.

5.7.7 Non-computerisation of check-posts

Strict enforcement of different rules and regulations as to issues related to various kind of permits, realisation of Government revenue in the form of compounding of various offences like taxes for tax defaulter vehicles, fees for expired licences, fees for expired fitness etc., led to the concept of setting up of check-posts at places close to the inter-state borders.

Three motor vehicles check posts¹⁰ were functioning in West Bengal till November 2011. We found that the Department had not planned for computerisation of these check posts though they were assigned with the duties of enforcement of different rules and regulations such as issue of

various kinds of permits, realisation of Government revenue etc. All these business transactions were to be done by utilising VAHAN application. Non-computerisation of the check-posts therefore defeated the very purpose of introduction of VAHAN.

5.7.8 Non-existence of User Requirement Specification

User Requirement Specification (URS) describes the users' requirements from the system. URS is written early in the validation process, typically before the system is created. The documentation describes what is needed by the system user as well as requested properties of inputs and outputs. It is written by the system owner and system users.

We noticed that the Department had not communicated any URS to the State NIC for customisation of VAHAN and SARATHI. There was no document to establish that these applications were

⁹ Alipurduar, Coochbehar, Jalpaiguri, Siliguri, Malda, Birbhum, Burdwan, Asansol, Durgapur, Contai, Hooghly, Howrah, Barasat, Barrackpore, Alipore and PVD Kolkata.

¹⁰ Rampur motor vehicles check post, Asansol Burdwan, Beltala motor vehicles check-post, Paschim Medinipur and Baromisha motor vehicles check-post, Jalpaiguri.

customised according to the Acts and Rules of the State.

After we pointed this out (July 2011), the Government accepted (November 2011) the audit observation in the exit conference. The Technical Director, NIC informed that no URS had been prepared by the Department. However, the Government instructed the Technical Director not to incorporate any change in the system without written requisition from the users and approval of the competent authority.

5.7.9 Lack of Security Policy

A computer security policy defines the goals and elements of an organisation's computer systems. Regular backup of any active database is essential to guard against data loss and to protect the database design. Using a backup, an entire database or selected database objects can easily be restored.

We had pointed out in Para no. 2.3.1 and Para no. 2.5 of the Stand Alone Report of the Comptroller and Auditor General of India for the year ending 31 March 2010 about the lack of security policy and absence of business continuity plan. We noticed

during the present performance audit that a security policy and business continuity plan was yet to be framed. We further noticed that due to lack of a business continuity plan, data could not be restored in the office of the RTO, Jalpaiguri after a system crash which occurred on 9 April 2010 following which the data was irretrievably lost as the RTO had discontinued the maintenance of any manual register relating to collection of taxes and fees after computerisation of their activities. Thus, the Department would have to depend upon the documents furnished by the vehicle owners/licence holders in respect of tax receipts/payments in the event of a system crash.

After we pointed this out (July 2011), the Government stated (November 2011) in the exit conference that the Department would take action on these issues with the assistance of NIC.

5.7.10 Non-updating of antivirus software

An updated antivirus software is required to be installed in order to safeguard the data stored in the computerised system.

We noticed from the eight RTOs¹¹ (other than offices under BOT model) that in one¹² RTO there was no antivirus software, in four

RTOs¹³ the software was not updated regularly whereas in respect of three RTOs¹⁴ specific information was not provided to us.

After we pointed this out (July 2011), the Government agreed (November 2011) in the exit conference to take necessary action on the subject.

¹¹ Balurghat, Bankura, Contai, Paschim Medinipur, Malda, Murshidabad, Nadia and Tamluk.

¹² Murshidabad.

¹³ Contai, Paschim Medinipur, Tamluk and Nadia.

¹⁴ Balurghat, Bankura and Malda.

5.7.11 Status of Annual Maintenance Contract

For smooth running of the computerised system in any office Annual Maintenance Contract (AMC) is required to be executed. We noticed that MoRTH, Government of India through NIC, New Delhi supplied hardware and accessories. HCL Ltd. delivered these articles¹⁵ in the eight RTOs¹⁶ not functioning through BOT agencies. Test check of RTOs revealed that in six RTOs¹⁷ out of these eight RTOs had not executed AMCs.

5.7.12 Non-segregation of duties

The Manual of Office Procedure is intended to serve as a guide for regulating work in the office. It gives a detailed and informative guide to undertake the job.

We noticed that manuals for segregation of duties and functioning in the computerised environment under the supervision of the higher officials had not been prepared. Thus, at present the accountability of a

user could not be ascertained.

After we pointed this out (July 2011), the Government stated (November 2011) in the exit conference that the Department would look into the matter and take necessary action on the subject.

5.7.13 Analysis of budget provision

Budget provision of ₹ 6.10 crore was made from time to time during the period 2007-11 for computerisation of the motor vehicle offices. The status of utilisation of the fund allocated to the MV offices was not readily available as stated (July 2011) by the Joint Secretary, Transport Department. Thus, the Department was not able to quantify the fund utilised for computerisation in the State.

After we pointed this out (July, 2011), the Government stated (November 2011) in the exit conference that information on actual utilisation would be obtained from the RTOs.

5.7.14 Partial implementation of software

In order to achieve the desired objectives, there should be a proper strategy and a well defined plan for customising, implementing and maintaining the information system.

A mention was made in para no. 2.2.1 regarding 'partial utilisation of software' in the Stand Alone Report of the Comptroller and Auditor General of India for the year ended 31 March 2010. After the same was pointed out the Government stated (September

2010) that the non-utilised provisions of VAHAN and SARATHI software would be utilised in the near future.

¹⁵ No.156(8) –SSRKM/TR/O/1E(C)-13/2008 dated 12.08.2010.

¹⁶ Balurghat, Bankura, Malda, Murshidabad, Nadia, Contai, Paschim Medinipur and Tamluk.

¹⁷ Balurghat, Malda, Murshidbad, Contai, Paschim Medinipur and Tamluk.

We noticed that even after lapse of ten months (July 2011) the Department was yet to utilise the provisions of VAHAN (issue/renewal of permits to transport vehicles, enforcement activities relating to offending vehicles, temporary registration of vehicles, issue/renewal of trade certificates to dealers, surrender of vehicles, maintenance of daily collection register and sub-dealer's licence register) and SARATHI (issue and renewal of conductor's licences and licences to the motor training schools).

After we pointed this out (July 2011), the Government directed (November 2011) the Technical Director, NIC in the exit conference to take necessary action immediately for computerisation of these areas.

5.7.15 Non-replication of Smart Card system

Smart Card system was aimed to restrict/eliminate the use of fake driving licences (DL) and registration certificates (RC) of vehicles. The embedded micro chip of the Smart Card can store electronic data which can be read and updated by using terminals and devices.

- Smart Card system was introduced in PVD Kolkata, West Bengal in the year 2004. The office was the first in India to introduce Smart Card. Issue of DLs and RCs on Smart

Card had not been done in other RTOs in the State till the date of audit.

After we pointed this out (July 2011), the Government informed (November 2011) in the exit conference that the Department would consider centralised tender process for smart card system.

- Hand held terminals are used to read Smart Cards. It was noticed that these devices were not provided to the check-posts for reading information stored in chips available in Smart Cards and also for checking the authenticity of the Smart Cards. As such, the officials had to rely on the hard copies of relevant documents provided by the vehicle owners.

5.7.16 Partial implementation of online services

Online services were provided to enable citizens to get the work done from the comfort of their home/office at a time suitable to them. This would not only reduce the rush to RTOs but also save a lot of effort which goes into entering data into the system.

We noticed that payment of tax through State Bank of India (SBI) payment gateway was implemented in five RTOs¹⁸ for non-transport Light Motor Vehicles (LMV) only. Online services for payment of tax for other classes of vehicles in all units and other services like

registration of vehicles, driving licence and fitness of vehicles were not started. Thus, online facility of payment of taxes was not available to the remaining vehicles owners, even after computerisation of RTOs.

After we pointed this out (July 2011), Government stated (November 2011) in the exit conference that steps would be taken to make the services online for convenience of the public.

¹⁸ PVD Kolkata, Barasat, Barrackpore, Howrah and South 24 Parganas.

5.7.17 Local/Customised Application

VAHAN has the provision for issue/renewal of permits, enforcement activities, temporary registration of vehicles, issue/renewal of trade certificates to dealers, surrender of vehicles, maintenance of daily collection register and sub-dealer's licence register. Similarly, SARATHI has the provisions to issue and renew conductor's licences and licences to the motor training schools.

A mention was made in para no. 2.2.1 of the Stand Alone Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 that a locally developed software called "Regional Vahan Sarathi" (RVS) was being utilised along with operation of VAHAN and SARATHI.

The RVS was used for generation of computerised money receipts in respect of the activities where the government dues were assessed manually. The RVS was also utilised for preparation of daily collection report. The VAHAN and SARATHI had provisions of all the activities performed by RVS. Thus, the RVS was not required at all, had the provisions of VAHAN and SARATHI been fully utilised. We found that the RVS was still being used and the Department had not initiated any action to discontinue the use of RVS.

After we pointed this out (July 2011), the Government informed (November 2011) in the exit conference that RVS would be discontinued in areas where it is not required after implementation of VAHAN and SARATHI in all the RTOs.

5.7.18 Irregular utilisation of Regional Vahan Sarathi

VAHAN has a provision for automatic calculation of taxes, fees and fines payable by the owners at the time of payment on entering the vehicle number in the system, whereas RVS does not have such provision of automatic calculation and it accepts the amount calculated manually.

A mention was made in the second paragraph of Para no 2.2.1 regarding 'development of parallel software RVS' in the Stand Alone Report of the Comptroller and Auditor General of

India for the year ended 31 March 2010 on "Collection of Motor Vehicles Taxes, fees and fines".

The assessment and collection of taxes, fees and fines was being done through VAHAN. We noticed that inspite of the provision of automatic assessment of dues available in VAHAN, taxes, fees and fines were assessed manually also in some cases and computerised money receipts were generated on that account through RVS. Reasons for use of RVS in such purposes was not furnished by the Department though sought for.

After we pointed this out (July 2011), the Government directed (November 2011) in the exit conference to the NIC to de-function/stop the application of RVS in the functional areas which are already available in VAHAN.

5.7.19 Non-completion of State Register

Data captured at the RTO level in a State is required to go into the State Consolidation Register (SCR) to act as backup data for disaster recovery and selected data from the SCR is to be replicated to the State Register. Selected information from the SR will flow to the National Register (NR). The NR is expected to act as a central repository for all crucial data/information. Further, MoRTH has been monitoring the process of computerisation of RTOs and up-loading the existing data with a view to ensure that the work was completed within 31 December 2009. The date was further extended upto March 2011.

- We found that backlog data entries in respect of both the vehicle count and driving licence had not been completed in all the RTOs throughout the State till March 2011. We observed from a test check of eight RTOs¹⁹ that backlog data entries in 4,84,129 number of cases were pending as on August 2011. Further, installation of SARATHI had still not been done in 17 out of 26 RTOs.

This has adversely affected the creation of National and State Register of DL and RC. MoRTH had adversely commented in September 2009 on the slow progress of the project in the State.

- We noticed that the State Register maintained by the State NIC was not handed over to the Transport Department. Further, a replica of the SR had not been installed in the Transport Department, Writers' Building. Thus, the Transport Department had to depend on NIC for this purpose.
- We noticed that the structure of NR had not been prescribed in the Central as well as in the State MV Acts and Rules. Thus, there was no uniform prescribed format and information which was to be supplied by the States for creation of NR.

After we pointed this out (July 2011), the Technical Director, NIC informed (November 2011) in the exit conference that the State Register for VAHAN had been prepared. SARATHI had not been introduced in 10 RTOs and hence the State Register for SARATHI had not been prepared.

5.7.20 Discrepancies in national permit system

An electronic system of granting National Permit (NP) was implemented with effect from September 2010 in the State of West Bengal.

Deficiencies noticed in the national permit system are stated in the succeeding paragraphs:

- For obtaining national permit the vehicle owner has to provide

certain necessary information along with the vehicle details. In absence of interconnectivity of the national permit system with the State register, the system was not able to fetch the required information from the State register

¹⁹ Balurghat, Bankura, Contai, Paschim Medinipur, Malda, Murshidabad, Nadia and Tamluk.

and this information was entered into the system from the documents given by the applicants leading to waste of manpower and time.

- Certain fields had not been made compulsory for data entry purpose like pin code number and the mobile number of the owner which could be utilised in future for further communication purposes.
- The system was allowing several users to use same login ID thereby compromising the system. Further, the same login ID was used for data entry purpose as well as for alteration of information of previously issued permits for the purpose of rectification/correction, thus showing there was no segregation of duty in this regard to authorise such alteration.
- State Permit (SP) to goods vehicles were issued for five years for plying within the State, whereas NP was issued for one year for inter-state plying within the country. NPs were to be issued to those vehicles only which have valid SPs. The system was unable to verify the period of validity of SP automatically at the time of issue of NP. Therefore the possibility of issue of a NP to a vehicle, the validity of whose SP has expired, could not be ruled out.
- A vehicle is identified with Registration number as well as Chassis number which are unique numbers. The Chassis number is embedded on the body of the vehicle and is not changeable. The Registration number of a vehicle can be changed on transfer of a vehicle to the other states. Any correction in the Registration number is carried out through the reassignment menu of the system under proper authorisation. But the chassis number of vehicle can be modified by the counter clerk without any authorised order. Thus the possibility of input of the incorrect chassis number in the NP database could not be ruled out.

5.7.21 Outsourcing of VAHAN and SARATHI applications

5.7.21.1 Allotment of work

For smooth running of the computerised system, the Transport Department decided (January 2005) to engage outside agencies which were to be selected by the concerned DMs to provide different types of services such as AMC of hardware, purchase of consumables, computer stationary, replacement of hardware etc. The Transport Department circulated (January 2005) the general terms and conditions to be followed by the DMs in finalisation of agreement/ MOU with the private vendors under BOT basis for computerisation of RTOs.

Public Vehicles Department (PVD), Kolkata was fully outsourced through M/s. West Bengal Electronics Industries Development Corporation Ltd. (WEBEL) for both VAHAN and SARATHI under BOOT arrangement. Seven RTOs²⁰ where SARATHI is operational were outsourced through three²¹ BOT operators. In the remaining 16 computerised RTOs, hardware was installed out of the Central/ State Government funds.

We noticed that the Department had not taken any initiative to pursue a centralised tendering process

for BOT model of computerisation but instructed the DMs to implement the project on their own. In absence of a centralised tendering process, upgrading of existing hardware as well as software and effective maintenance of the existing system of all the RTOs was not initiated at one time as it was left to the discretion of the concerned DMs.

- We noticed that there was no uniformity in the end product i.e., Cards for DL and RC. At present three types of cards were in use in the State, i.e., Smart Card, Plastic Card and paper documents.
- We noticed that clause for liquidated damages were not included in the contract to safeguard the interests of the State Government in case the vendor defaulted on contractual obligations.
- Timeframe for completion of various activities under the contract had not been specified so as to objectively assess the performance of the vendor on contractual obligations from time to time.
- The contract was silent regarding transfer of ownership to the Transport Department of the hardware that was installed in the event of non-renewal of the contract after its expiry.

²⁰ Three RTOs in Burdwan district, two RTOs in 24 Parganas (North), RTO Hooghly and RTO Howrah.

²¹ West Bengal Transport Infrastructure Development Co. (RTO Howrah), M/s Venus Software (RTOs Barasat, Barrackpore and Hooghly) and Compu Graphics Services (RTOs Burdwan, Durgapur and Asansol).

After we pointed this out (July 2011), the Government stated (November 2011) in the exit conference that the Transport Department would consider the views of audit on centralised processing of the tender. It was agreed that uniformity in issuance of cards for DL/RC needs to be maintained and the Transport Department would consider incorporating the relevant terms and conditions in the tender agreement, if necessary.

5.7.21.2 Avoidable expenditure on data entry

As per the general terms and conditions the BOT agency was required to transfer the existing data to the new system at their cost. Thus, as per the agreement data entry in the “VAHAN” and “SARATHI” software should be done by the BOT operator.

We noticed in RTO, Barasat that M/s Venus Software was engaged (March 2011) for data entry work and were required to provide services of two data

entry operators for six months. The payment of ₹ 8,824 per month for the services of these two operators were made by the Department. This was in contravention to the agreement and resulted in undue financial aid to the BOT operators.

Further no time frame for backlog data entry had been prescribed in the agreement.

5.7.21.3 Non-realisation of electricity charges

Under clause 6 and 7 of the general terms and conditions of the Transport Department of order of January 2005, electrical wiring, lighting, air conditioning etc., were to be executed by the agency as per requirements in consultation with the DM/RTO office. Energy charges for running electrical appliances and computers would be borne by the agency.

We noticed from the deed of agreement between M/s Venus Software and the DM, Hooghly, that the aforesaid clauses were not included in the agreement. In the absence of such a clause in the agreement, energy

charges were not recovered from the agency and the local office under the DM, Hooghly was paying the same. This resulted in loss of revenue to the Government.

After we pointed this out (July 2011), the Government stated (November 2011), in the exit conference that after obtaining information from the concerned RTOs reply to audit would be furnished.

5.7.21.4 Irregular allotment of work of lamination

As per General Financial Rules, 2005 the procedure for selection of vendor through open tender involves inviting quotations, selecting the lowest bidder, executing an agreement with the vendor and finally issuing the work order. The procedure must ensure healthy competition among suppliers and contractors, in a transparent and fair manner.

We noticed in RTO, Barasat that M/s Venus Software was selected as the BOT agency for computerisation of RTOs Barasat and Barrackpore by the Additional District Magistrate (G), North 24 Parganas and an agreement was executed in June 2008. This work of lamination of documents was not included in the said agreement. This work was awarded to the same agency in

August 2008 without following a process of competitive bidding for selection of vendor.

After we pointed this out (July 2011), the Government stated (November 2011) in the exit conference that the Transport Department would initiate action after obtaining information from the RTOs.

5.7.21.5 Avoidable payment for oversized tax token and Form 38

ADM, South 24 Parganas, Alipore entered into an agreement with M/s Score Information Technologies Ltd. on 10 June 2008 for printing of Card, RC and DL and lamination of Tax Token, Learner Licence and Certificate of Fitness in Form 38 for the MV Department, South 24 Parganas, Alipore for the period from 10 June 2008 to 30 June 2011. The rate of ₹ 4.49 was accepted for lamination of tax token and Form 38 as per the agreement.

We noticed that the vendor claimed ₹ 5.76 for each lamination instead of ₹ 4.49 for the year 2010-11 and thus there was excess payment of ₹ 1.18 lakh for lamination of 92,935 tax tokens and certificates of fitness. We further noticed that the size of the documents specified (6”

X 4”) in the agreement was increased by the DM to (6” X 9.2”) in November 2009 on the basis of a discussion with the vendor. The work of lamination was entrusted to the same agency without calling any tender.

5.7.21.6 Avoidable expenditure on AMC

WBTIDC Ltd. was entrusted the work of installation, operation and maintenance of the system for smooth functioning of “VAHAN” and “SARATHI” at RTO, Howrah. As per terms and conditions of the AMC, the maintenance of the hardware supplied by the WBTIDC Ltd. was to be executed by the WBTIDC Ltd. at their own cost.

We observed that the server which had gone out of order was got rectified by the DM by inviting quotations locally. The quotation of M/s VSD Corporation of

March 2007 was accepted and expenditure of ₹ 32,467 incurred. Since the maintenance work was entrusted²² to WBTIDC Ltd. incurring of the expenditure by the DM was not in order and resulted in undue financial aid to WBTIDC Ltd.

5.7.22 Other observations

5.7.22.1 Non-maintenance of separate bank account and its report to the Transport Department

As per clause 10 of the Departmental order dated January 2005, DMs were required to open separate bank account for collection of additional charges realisable apart from normal service charges. A monthly report was to be sent to the Transport Department showing the total amount collected and expenditure incurred from the account. Seven *per cent* of the BOT operator's bill was to be debited against the hardware depreciation charges per month and deposited preferably in a fixed deposit.

- We noticed in six RTOs²³ under three DMs²⁴ that though depreciation charges at the rate of seven *per cent* was debited from the BOT operator's bill, the said amount was not kept separately in a fixed deposit as per the Departmental

instructions. Further, the RTOs had not reported the amount so collected monthly/annually to the Department. The Department had also not called for this information.

5.7.22.2 Collection of additional service charges

The Government of West Bengal vide their notification of October 2004 prescribed charges of ₹ 140 and ₹ 340 per driving licence and registration certificate respectively for providing IT infrastructure and services for the maintenance of the computerised State Register of Driving License/Motor Vehicles, which was to be charged from the driving licence holder/vehicle owner. The charges were required to be collected by M/s WEBEL which was appointed as an agency for issue of DL and RC. Out of the charges so collected WEBEL was required to provide a fixed amount of ₹ 5/₹ 30 per smart card as applicable from time to time to WBTIDC to meet the various safety commitments of the State Government and all expenditure from this head was to be made after the approval of the Transport Department.

- We found that ₹ 2.66 crore had been provided by M/s WEBEL to WBTIDC Ltd. at the rate of ₹ 5 per smart card from October 2004 to December 2008 and ₹ 30 per smart card from January 2009 to October 2011. However, an expenditure of ₹ 38.16 lakh only was incurred by the Department between October

²² Transport Department. memo No. 4569-WT/1E (C) 154/91 Pt. III dated 18.10.2006.

²³ Barasat, Barrackpore, Burdwan, Durgapur, Asansol and Hooghly.

²⁴ North 24 Parganas, Burdwan and Hooghly.

2004 and March 2011 which includes the expenditure of ₹ 18.11 lakh for the purposes other than traffic safety commitments of the State Government. This resulted in utilisation of ₹ 18.11 lakh from the fund by the Department for purposes other than the purposes for which it was meant for.

- We also found that the Transport Department had given concurrence for charging of ₹ 340 and ₹ 140 per RC and DL respectively to M/s WEBEL for the purpose of maintaining a State Register of RC and DL. However, the State Register for DL had not been completed till the date of Audit (December 2011).

5.7.23 Conclusion

Though the 'VAHAN' and 'SARATHI' application softwares were made operational in 2004, the Government failed to implement it all over the State till date. Even after seven years of initiation of 'VAHAN' and 'SARATHI' the modules developed for major functionalities like permit, were not fully implemented and 'Smart Card' for RC and DL were not replicated all over the State. Locally developed application, RVS, was being used for generation of revenue receipts for non-computerised Modules. The Department did not have an IT plan leading to absence of direction in the IT implementations. Thus there were disparate implementations of VAHAN and SARATHI. Failure to enter all relevant data led to incomplete State Register. IT security was deficient exposing the system to potential risks. The centralised tendering process for selection of BOT operators was not followed and was left at the initiative of DMs which led to non-uniformity in tendering process as well as in end products. Also non-observance of the general terms and conditions issued by the Department to the RTOs in this regard led to irregular execution of work.

5.7.24 Recommendations

The Government may consider implementation of the following recommendations:

- ensuring that the implementation process, whether through BOT operator or otherwise, should be expedited for completion of the project;
- going for centralised tendering process for the entire state for the smart card system to maintain uniformity in issuance of Smart Card, its rates of fee and transparency;
- standardising procurement process among all RTOs; and
- ensuring that a strict security policy is formulated and implemented.

5.8 Audit observations

The motor vehicles' activities of the Transport Department are administered by 26 registering authorities (RAs). Of these VAHAN²⁵ was operational in 24 RAs (excluding Darjeeling and Kalimpong) which had 33,74,032 number²⁶ of registered vehicles.

Scrutiny of the records in the offices of the Director, Public Vehicles Department (PVD), Kolkata Regional Transport Officers (RTOs) and Additional Regional Transport Officers (ARTOs), indicated non-realisation of tax, additional tax and penalty, non-realisation of special fees, loss of revenue due to non-issue of saleable forms and non-realisation of fine due to non-reference of offence cases to the court of law as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test check carried out in audit. Such omissions were pointed out by us repeatedly but not only these persisted; they also remained undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such cases can be avoided.

5.9 Non-realisation of tax, additional tax and penalty from the owners of vehicles

The West Bengal Motor Vehicles (WBMV) Tax Act, 1979 and the West Bengal Additional Tax and One-Time Tax on Motor Vehicles (WBAT) Act, 1989 prescribe the rate of tax and additional tax on motor vehicles based on their use, seating capacity or weight. Both the Acts provide for levy of penalty equal to the tax and additional tax in case of non-payment of tax beyond 75 days from the due date. The vehicles surrendered or obtained NOC are exempted from paying tax. Section 16 of the WBMV Tax Act provides for seizure of the vehicles in case of non-payment of tax.

Scrutiny of vehicles register, tax demand register and surrender register of RTO, Coochbehar and the VAHAN database²⁷ of six²⁸ RTOs (including Director, Public Vehicles Department) between January and February 2011 revealed that out of 8,88,862 vehicles registered under these RTOs, the owners of 1,14,987²⁹ vehicles did not pay tax and additional tax for different periods between April 2005 and March 2010. The delay in non-payment of tax and additional tax ranged between

three and 54 months for which 100 per cent penalty was leviable. The vehicles were neither surrendered nor obtained 'No Objection Certificate' (NOC) from the transport authority. The RTOs did not take any action to realise the tax, additional tax and penalty from these defaulting vehicle owners due to non-

²⁵ VAHAN is a software developed for registration of vehicles and collection of road taxes.

²⁶ As on 02.06.2011.

²⁷ Owner, Road tax, Additional road tax, NOC, Black list, Surrender and RVS tables.

²⁸ RTOs: Birbhum, Jalpaiguri, Murshidabad, Purulia, PVD, Kolkata and Uttar Dinajpur.

²⁹ Goods vehicle - 42,092, Trailer - 2,536, Tractor - 3,618, Contract Carriage - 15,801, Bus (Educational) - 8, Bus - 3,235, Mini Bus - 822, LMV (car) - 30,141, Omni Bus (Private use) - 338, Omni Bus (Non-Transport) - 925, Motor Cycle - 15,288, Earth Moving Equipment - 48, Tourist Bus - 28, and Articulated vehicle - 107.

maintenance of electronic tax demand register (TDR). Moreover, the manual TDR was also discontinued from the date of inception of VAHAN software. As a result realisation of tax could not be monitored. In Coochbehar though the TDR was maintained till inception of VAHAN, the realisation of tax could not be monitored due to inadequate internal control. Further for non-payment of tax, the defaulting vehicles were also not seized by the enforcement wing of the Transport Department. This, resulted in non-realisation of tax, additional tax and penalty of ₹ 73.41 crore.

After we pointed these out between January and February 2011, two³⁰ RTOs admitted audit observations involving ₹ 8.74 crore in 5,956 cases of which ₹ 6.42 lakh has been realised by RTO, Uttar Dinajpur in 52 cases and in the remaining 5,904 cases demand notice has been issued but did not furnish report on realisation. Other five³¹ RTOs in 1,09,216 cases involving ₹ 64.67 crore did not furnish any reply/specific reply (October 2011).

We forwarded the cases to the Government between March and May 2011 followed by reminder issued in July 2011; they did not furnish any reply (October 2011).

5.10 Non-realisation of special fees

Rule 121 of the West Bengal Motor Vehicles Rules (WBMV), 1989 prohibits plying of heavy goods vehicles and articulated vehicles having gross vehicle weight (GVW) above 16,200 Kilograms (kg) and 22,542 kg respectively. The Government by an order issued in December 1990 relaxed this restriction and permitted plying of such vehicles on payment of a special fee at varying rates (annually) depending on the GVW. Section 4(3) of the WBMV Tax Act and Section 48 of the Motor Vehicles Tax (MVT) Act, 1988 provide that the vehicles surrendered or obtained NOC are exempted from paying tax.

We found in five³² Regional Transport Offices (RTOs) and PVD, Kolkata between January and February 2011 that out of 8,74,361 vehicles registered under these RTOs, the owners of 1,151 heavy goods vehicles and articulated vehicles having GVW above 16,200 kg and 22,542 kg respectively did not pay the special fees for different periods between January 2006 and March 2010. The vehicles were neither surrendered nor did they obtain NOC from the taxing officers (TOs). The TOs also did not initiate any action to realise the special fees from the defaulting vehicle owners due to non-

maintenance of electronic tax demand register and absence of interlinking between the tax and special fee tables. Further, the Enforcement wing could not detect such cases on the road which resulted in non-realisation of special fees of ₹ 42.75 lakh.

³⁰ ARTO, Uttar Dinajpur and Additional District Magistrate, Birbhum.

³¹ RTOs: Coochbehar, Jalpaiguri, Murshidabad, Purulia and Director, PVD, Kolkata.

³² RTOs: Birbhum, Jalpaiguri, Murshidabad, Purulia and Uttar Dinajpur.

After we pointed these out, two³³ TOs stated in August 2011 that in 147 cases involving ₹ 1.71 lakh the VAHAN software system did not assess the amount of special fee automatically. Additional District Magistrate, Birbhum admitted the audit observations in 233 cases involving ₹ 16.24 lakh and stated that MVIs have already been instructed to blacklist the defaulting vehicles. Reply in the remaining cases involving ₹ 24.80 lakh has not been received (October 2011).

We reported the cases to the Government between March and May 2011; followed by reminder issued in July 2011; they did not furnish any reply (October 2011).

5.11 Non-realisation of fine due to non-reference of offence cases to the Court

Rule 349 of the WBMV Rules prescribes that the compounding officer shall compound the offence with the consent of the offender and issue notice for payment of the compounded fine within seven days from the date of issue of the notice. In case of non-payment of fine within the said period, he shall refer the case(s) to the Court of Law for prosecution of the offender. However, no time frame has been prescribed for referring the case for prosecution in the Court of Law in the Act.

We found in three³⁴ RTOs between August 2008 and May 2009 that 242 offence cases were detected between May 2004 and March 2007, but the cases were neither compounded nor referred to the Court of Law for prosecution even after

lapse of 17 to 58 months from the date of detection of the offence. This resulted in non-realisation of fine of ₹ 13.41 lakh.

After we pointed out these cases, the RTO, Malda in seven cases involving ₹ 43,000 stated that action was being taken to realise the amount but did not furnish report on realisation. In the remaining 235 cases involving ₹ 12.98 lakh, the RTOs did not furnish any reply.

The Government stated in September 2010 that out of 139 cases pertaining to two³⁵ RTOs, 27 cases had been referred to the Court of law by the RTO, North 24 Parganas and action to refer the rest of the cases was being taken while RTO, Purba Medinipur had realised fine of ₹ 7,530 in four cases. Report on further action taken by the RTOs in the remaining cases has not been received (October 2011).

³³ ARTO, Uttar Dinajpur and District Magistrate, Jalpaiguri.

³⁴ RTOs: Barasat, Malda and Purba Medinipur.

³⁵ RTOs: North 24 Parganas and Purba Medinipur.