

## **Performance audit of Public Service Delivery including functioning of IT Services (CFST) in Transport Department**

### **5.4 Introduction**

The Andhra Pradesh Transport Department (Department) was established for enforcement of the provisions of Andhra Pradesh Motor Vehicles Taxation Act, 1963, Motor Vehicles Act, 1988, and the rules framed there under. The Department primarily functions under the provisions of Section 213 of the Motor Vehicles Act, 1988.

It performs a multitude of functions broadly under the following five categories as per its Citizen Charter:

- i. Providing citizen-centric services like issue of driving licences, registration of motor vehicles, grant of permits, etc.
- ii. Contribution of revenue to Government exchequer through collection of taxes.
- iii. Taking measures for safety on roads.
- iv. Taking measures to control vehicular pollution.
- v. Assisting other organisations in the development of transport facilities.

This performance audit deals mainly with the first four functions besides an IT Audit of the software package, 'Citizen Friendly Service in Transport Department' (CFST), which was implemented by the Department in May 2000 with a two-tier architecture to help discharge its functions with greater public participation. Subsequently, CFST was upgraded to a complete three-tier architecture by April 2013.

### **HIGHLIGHTS**

- **Absence of time limit in AP Motor Vehicles Taxation Act/ Rules led to non-initiation of action for issue of final demands leading to non-realisation of revenue of ₹ 461.32 crore.**  
(Paragraph 5.4.8)
- **There is no provision in the AP Motor Vehicles Rules, prescribing time limit for permanent registration of motor vehicles on account of which due date for renewal gets extended, impacting tax revenue.**  
(Paragraph 5.4.9)
- **Ineffective monitoring resulted in non-realisation of quarterly tax and penalty amounting to ₹ 23.22 crore.**  
(Paragraph 5.4.11.2)
- **Belated adjustment of demand drafts with delay ranging from 11 to 80 days resulted in loss of interest amounting to ₹ 1.96 crore.**  
(Paragraph 5.4.12.4)

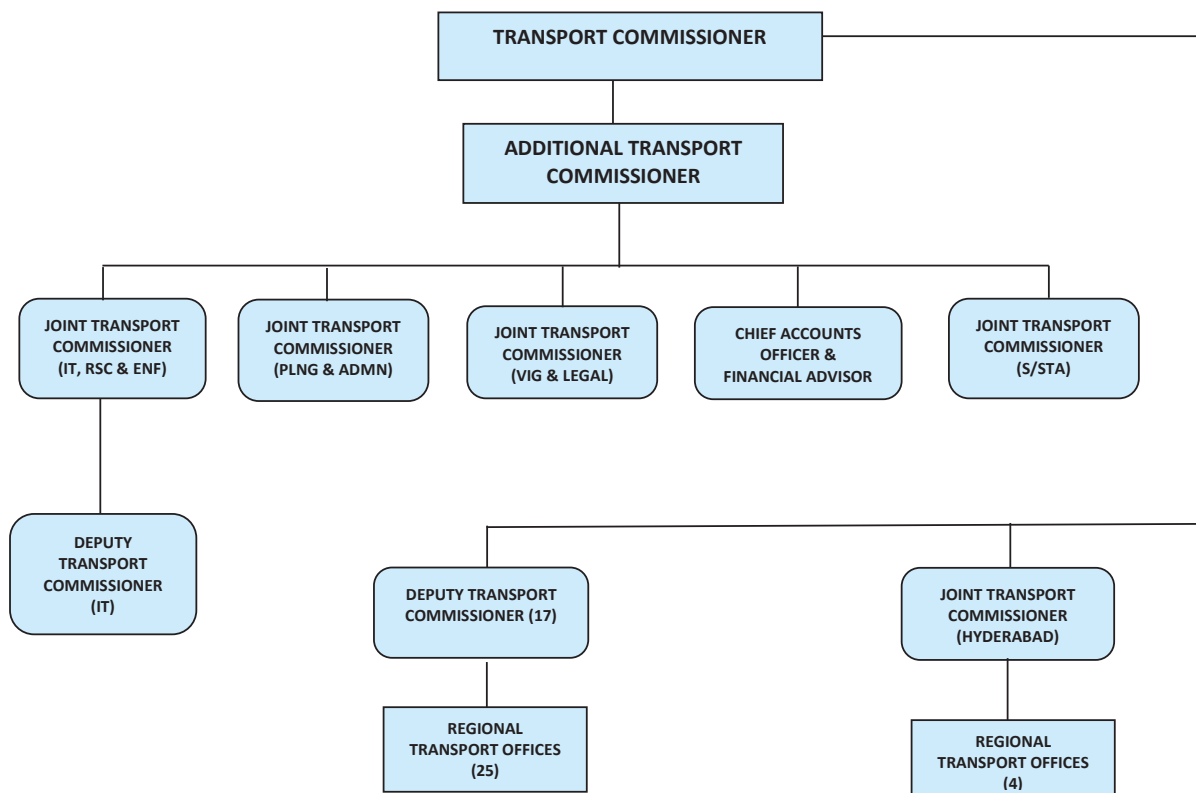
### **IT Services:**

- **Ad hoc approach was adopted in capacity planning while implementing three-tier architecture for the software package called Citizen Friendly Services in Transport Department (CFST).**  
(Paragraph 5.4.15.2)
- **There was no provision in CFST to identify vehicles which were issued No Objection Certificates (NOC) for transfer to other States. In the absence of this, risk of vehicles re-entering and plying within the State without payment of life-tax remains.**  
(Paragraph 5.4.16.1)
- **DCB statements generated through systems had shown incorrect figures of revenue earned, balance due and arrears to be realised.**  
(Paragraph 5.4.16.3)
- **Scrutiny of data revealed that vehicles remained in active status though validity of their registration had expired.**  
(Paragraph 5.4.17.1)
- **There were no documented plans for disaster recovery and business continuity.**  
(Paragraph 5.4.20.2)

### **5.4.1 Organisational setup**

Principal Secretary, Transport, Roads and Buildings is in charge of the administration of the Department. The Transport Department is headed by the Transport Commissioner (TC). He is assisted by one Additional Transport Commissioner, four Joint Transport Commissioners (JTC), two Assistant Secretaries, an Assistant Secretary as State Representative before State Transport Appellate Tribunal (STAT), a Secretary of STAT in the cadre of Assistant Secretary of Transport Commissioner's Office and an Accounts Officer in the Head Office.

In the field, he is assisted by one Joint Transport Commissioner (JTC) in charge of Hyderabad, 18 Deputy Transport Commissioners (DTC), 45 Regional Transport Officers (RTO), two Assistant Accounts Officers, 257 Motor Vehicles Inspectors (MVI), 358 Assistant Motor Vehicle Inspectors (AMVI) and 117 Administrative Officers besides other ministerial staff.



#### 5.4.2 Audit Objectives

The Performance Audit (PA) was conducted with a view to assess

- Whether adequate systems exist for timely and effective public service delivery and collection of revenue therefrom.
- Whether the legal provisions relating to pollution control and public safety are being enforced effectively.
- Whether transition into and maintenance of three-tier architecture in CFST has been adequate to meet the current and future requirements.

The first objective deals with systems and procedures in place for fulfilling the first two functions of the Department while the second objective deals with the next two functions. The third objective has been included to evaluate the IT system in place.

#### 5.4.3 Audit Criteria, Scope and Methodology

The Audit Criteria was derived from the following

- The Motor Vehicles Act (MV Act), 1988
- The Central Motor Vehicles Rules (CMV Rules), 1989
- Andhra Pradesh Motor Vehicles Rules (APMV Rules), 1989
- Andhra Pradesh Motor Vehicles Taxation Act (APMVT Act), 1963
- Andhra Pradesh Motor Vehicles Taxation Rules (APMVT Rules), 1963

- Citizen's Charter of the Department
- Circular instructions issued from time to time

Public Service Delivery including functioning of CFST in Transport Department for the period from 2009-10 to 2013-14 covering the offices of the Transport Commissioner, JTC, Hyderabad Central Zone, six DTCs<sup>124</sup> out of 18 and 12 RTOs<sup>125</sup> out of 25 was reviewed during the period from August 2013 to July 2014. The sample was selected taking into consideration the geographical divisions in the state as well as revenue collection. As a part of the Performance Audit, IT audit of CFST was done, in which general and application controls and data relating to all the 43 field offices were analysed and checked.

#### **5.4.4 Acknowledgement**

Audit acknowledges co-operation extended by the Department in providing server data, records and other necessary information. The entry conference was held with the Principal Secretary, Transport, Roads and Buildings Department, on 19 December 2013. The draft report on Performance Audit of Public Service Delivery including functioning of CFST in Transport Department was forwarded to Government and Department in September 2014. The exit conference was held with Government on 10 December 2014. Views expressed in the exit conference have been taken into consideration while finalising the report.

#### **Audit findings**

#### **5.4.5 Services to Citizens and Revenue Collection**

Public service delivery by the Transport Department involves providing timely citizen-centric services and maintaining a smooth revenue collection mechanism. Since the introduction of CFST, problems relating to service delivery have been occurring mainly because of incorrect mapping of business rules or inadequate provisions in the software package. Deficiencies noticed in providing citizen-centric services, discrepancies in existing rules and non-compliance therewith affecting revenue collection are discussed in the succeeding paragraphs.

#### **5.4.6 Achieving Citizen's Charter targets**

The Citizen's Charter of Transport Department sets the service delivery standards for it. As per the Charter, driving licence and registration certificates should be given on the same day the application is made. In the offices test-checked, the targets have been met with the following exceptions:

<sup>124</sup> Chittoor, Kadapa, Krishna, Rangareddy, SPSR Nellore and Vishakhapatnam.

<sup>125</sup> Anakapally, Gudivada, Hyderabad (East Zone, North Zone, West Zone), Ibrahimpatnam, Medchal, Nandigama, Proddutur, Rangareddy East, Tirupati and Hindupur.

- In two DTCs<sup>126</sup> and two RTOs<sup>127</sup>, there was delay ranging between two to 29 days in printing of cards. In RTO, Anakapally no smart card could be printed after 13 April 2014 till the date of audit. The Department attributed the reasons to non-availability of blank cards. However, no effort was made to rectify the situation till the time of Audit (May 2014).
- It was also observed in DTC, Rangareddy and RTO, Proddutur that the cards were not printed in time as the card printers were frequently not in working condition for want of repairs.
- Scrutiny of log books in RTO, Proddutur revealed that the connectivity was disrupted for 38 days intermittently during the period from June 2013 to June 2014. In the absence of any back up arrangements to establish uninterrupted connectivity, delivery of public services got disrupted.

When the same was pointed out by audit, the RTO, Proddutur replied (April 2013) that the matter had been brought to the notice of the TC. However, no remedial action had been taken by the TC though the problem was intimated to the TC in April 2013.

Inaction on these cases by the Department is affecting service delivery and preventing it from fully achieving service delivery standards.

The Government replied (December 2014) during the Exit Conference that the problem occurred in very few cases due to non-availability of cards. Regarding the faulty card printers, it was stated that as the card printers were imported, there was delay in getting the spares. The reply is not acceptable as the Department failed to redistribute the cards as per the requirements of the offices. It also could not ensure that the service provider maintained the inventory of required spare parts.

#### **5.4.7 Non-monitoring of Transport revenue collected by other Departments**

As per Section 178 of MV Act, ticketless travel is an offence and is punishable with fine. The checking squads of APSRTC collect penalties for ticketless travel in APSRTC buses.

AP Government had authorized<sup>128</sup> the officers of the Police Department not below the rank of Sub-Inspector of Police (Traffic) in cases where separate traffic police stations exist and Inspectors of Police in other places to compound certain offences by collecting compounding fee. The fee and the penalty are to be remitted into treasury under the Head of Account - 0041 Taxes on vehicles - 101 Receipts under MV Act - 01 Receipts under MV Act by the Police Department.

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<sup>126</sup> Rangareddy and Visakhapatnam.

<sup>127</sup> Gudivada and Hyderabad North zone.

<sup>128</sup> G.O.Ms.No.54, dated 28 March 2006 and G.O.Ms.No.108, T&RB (Tr-I) dated 18 August 2011.

Audit obtained the receipt figures from the Police Department in six Municipal Corporation areas<sup>129</sup> and found that the receipts collected against compounding fee of traffic offences amounting to ₹ 103.40 crore<sup>130</sup> have been credited into the Police Department's Head of account during the period from 2009-10 to 2013-14 in violation of Government orders.

However, when particulars of compounding fee collected by Police Department were called for, JTC, Hyderabad Central Zone and two DTCs<sup>131</sup> and RTO Tirupati stated that they were not aware whether the receipts were being remitted into the Head of account of the Transport Department. DTC Kadapa replied that the matter would be pursued with Police Department. DTC Vijayawada furnished the details for the years 2011-12 to 2013-14.

Similarly, as per its Annual Accounts, APSRTC retained the revenues collected by the checking squads from the ticketless passengers as penalty under the provisions of Section 178 of MV Act amounting to ₹ 60.16 lakh during the period 2011-13.

Non-remittance of Transport Department revenues collected by Police Department and APSRTC resulted in incorrect accounting of Transport revenues. In response, the TC replied that APSRTC would be addressed to remit fines and penalties collected under the MV Act.

Matter was referred to Department in September 2014 and to Government in September 2014. During the Exit Conference, Government replied (December 2014) that the matter would be taken up with the Police Department and APSRTC.

#### **5.4.8 Absence of time-limit to finalise the assessment of Motor Vehicle Tax**

According to Section 6-A of AP MVT Act 1963 read with Government Orders<sup>132</sup>, every registered owner who owns or keeps in his possession or control more than 2000 motor vehicles for plying on hire or rewards shall pay tax in respect of all such vehicles at five *per cent* and seven *per cent* on Gross Traffic Earnings (GTE) of city services and other services respectively.

As per Rule 14 of APMVT Rules, the owner has to file a preliminary declaration in Form 5 before fifth of April every year indicating estimated GTE for the year. The licensing authority shall communicate an order of provisional assessments in Form 6 before 30<sup>th</sup> April. The registered owner shall submit the final declaration before 30<sup>th</sup> June and the final amount of tax payable shall be determined based on it. The licensing authority shall then issue and order the final assessment, after duly calling for any information of records for examination. The difference of tax, if any payable, shall be paid by the registered owner within three months from the date of final assessment.

<sup>129</sup> Chittoor, Hyderabad, Kadapa, Rangareddy, Tirupati and Vijayawada.

<sup>130</sup> Up to 1 June 2014.

<sup>131</sup> Chittoor and Rangareddy.

<sup>132</sup> G.O.Ms.No.118, TR. R&B (TR. III) Dept., dated 07 June 2005.

However, there is no provision in APMVT Act/Rules prescribing a time limit to finalise the assessment after submission of final accounts. There are also no penal provisions to discourage delay in submission of accounts by the assesseees.

APSRTC had furnished final declaration of GTE of ₹ 4,871.84 crore and ₹ 5,253.10 crore for the years 2010-11 and 2011-12 in July 2011 and July 2012 respectively. However, the Department had not issued the final demand notices for ₹ 435.85 crore and ₹ 25.47 crore for these years till the date of audit (January 2014). Further, APSRTC did not furnish the final declaration of GTE for the year 2012-13 till the date of audit (January 2014) for which tax amounting to ₹ 548.29 crore as calculated by audit from the GTE figures of unaudited annual accounts of APSRTC will be realisable.

The Department did not take any action for issue of final demands for the years 2010-11 and 2011-12 which resulted in non-realisation of revenue amounting to ₹ 461.32 crore. Further, Department did not pursue the timely submission of final declaration of GTE for the year 2012-13.

In response, the TC replied that action would be taken to issue final demand notices for the years 2010-11 to 2012-13.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### **5.4.9 Non-prescription of time limit for permanent registration after payment of penalty**

Section 43 of the MV Act prescribes that the owner of a motor vehicle may apply to any registering authority or other prescribed authority to have vehicle temporarily registered. Under Section 43(2), the validity of temporary registration mark shall not exceed one month and shall not be renewable. The validity of registration of the vehicle is counted from the date of permanent registration only.

Though Rule 94 of APMV Rules prescribes a maximum penalty of ₹ 100 for not getting the vehicle registered within one month, there is no provision in the Rules prescribing a time limit before which a vehicle can be registered from the date of temporary registration, if the owner is willing to pay the penalty.

Data analysis by audit revealed that out of 15,67,042 vehicles sold during the period from April 2012 to December 2013, in respect of 7,49,133 vehicles there was time lapse ranging from 30 days to 2,220 days between the date of temporary registration and permanent registration. Owing to delay in permanent registration, the due date for renewal also gets extended correspondingly, which has the following effects on revenue:

- i. Due date for collection of Green tax also gets extended by the number of days the permanent registration gets delayed.

- ii. In case of vehicles moving to other States due to change of residence of the owner or transfer of ownership, refund of life tax is given based on the age of the vehicles which is calculated from the date of permanent registration instead of the date of temporary registration, which results in excess refund of life tax.

The current quantum of penalty i.e., a maximum of ₹ 100, irrespective of the actual delay, encourages belated registration of vehicles resulting in the above mentioned effects.

Matter was referred to Department in September 2014 and to Government in September 2014. Government replied during the Exit Conference (December 2014) that the procedure being followed was in order and that the statutory provisions as envisaged in the Act were being followed. It was further stated that it can only be a regulatory issue.

#### **5.4.10 Inadequate monitoring on disposal of seized vehicles**

As per Section 207 of MV Act, 1988, any police officer or other person authorized in this behalf by the State Government may seize and detain the vehicle, if he has a reason to believe that a motor vehicle has been or is being used in contravention of provisions of Section 3, 4 or 39 or without permit required under Section 66(1) or in contravention of any condition of such permit relating to the route on which or the area in which or the purpose for which the vehicle may be used.

As per Section 8 of APMVT Act, any tax due in respect of any motor vehicle which has not been paid as specified under Section 4, such officer as may be prescribed, may seize and detain the motor vehicle in respect of which the tax is due. Further, as per Rule 216(4) of APMV Rules, any officer of Transport Department, not below the rank of an AMVI, shall be competent to sell the motor vehicles in respect of which the arrears have accrued. As per Section 12 of APMVT Act, any person aggrieved by seizure may appeal to the prescribed authority within a period of 30 days from the date of seizure.

Any arrears due under Rule 216 of APMV Rules or under Section 7 of APMVT Act shall be recovered in the same manner as arrears of land revenue.

**5.4.10.1** It was noticed during the audit (between September 2013 and July 2014) of JTC, Hyderabad Central Zone, six DTCs<sup>133</sup> and 10 RTOs<sup>134</sup> that a total of 3633 vehicles seized during the period January 2003 to July 2014 were lying undisposed and that the follow up action to be taken after one month as per the provisions of the Act has not been taken.

It was replied (between September 2013 and July 2014) by the offices that action would be taken to dispose of the seized vehicles by conducting auctions.

<sup>133</sup> Chittoor, Kadapa, Rangareddy, SPSR Nellore, Vijayawada and Visakhapatnam.

<sup>134</sup> Anakapally, Gudivada, Hindupur, Hyderabad (North Zone, West Zone), Ibrahimpatnam, Medchal, Nandigama, Rangareddy (East) and Tirupati.



**5.4.10.2** It was also observed during the audit of four DTCs<sup>135</sup> and RTO, Tirupati that an amount of ₹ 3.50 lakh remained unrecovered from 54 vehicle owners due to short realisation of amount in auction as compared to the actual taxes and compounding fee due. No action was initiated to recover the dues as arrears of land revenue.

It was replied (between June 2014 and July 2014) by the offices that action would be taken to realise the balance amounts from the vehicle owners.

Matter was referred to Department in September 2014 and to Government in September 2014. Government replied in the Exit Conference (December 2014) that instructions were issued to conduct e-auctions henceforth.

#### **5.4.11 Inadequate monitoring of collection of revenue**

The cases mentioned below involve either large scale tax-evasion or systematic non-compliance with existing legal provisions. The observations in latter category detailed in the paragraphs below point to inadequate enforcement and monitoring by the Department.

##### **5.4.11.1 Short levy due to under-declaration of earnings by APSRTC**

According to Section 6-A of APMVT Act read with Government Orders<sup>136</sup>, every registered owner who owns or keeps in his possession or control more than 2000 motor vehicles for plying on hire or rewards shall pay tax in respect of all such vehicles at five *per cent* and seven *per cent* on Gross Traffic Earnings (GTE) of city services and other services respectively.

APSRTC provides subsidies/concessions in fares to different categories of public which are fully reimbursed by the Government of Andhra Pradesh<sup>137</sup>. It was observed from the Annual Accounts of APSRTC for the years 2009-10 to 2012-13 that the amount reimbursed by the Government had not been included in the final declaration of GTE. Since these reimbursements were made in lieu of the traffic earnings forgone due to subsidies/concessions in fares, these were also to form a part of GTE and are taxable under APMVT Act. Non-inclusion of amounts reimbursed by Government during the years 2009-10 to 2012-13 amounting to ₹ 2849.51 crore resulted in short declaration of tax liability amounting to ₹ 142.48 crore.

In response, the Department replied (December 2013 - January 2014) that APSRTC would be addressed to include the concessions reimbursed by the Government for arriving at GTE. In the Exit Conference Government replied (December 2014) that if the subsidies were not included in the GTE, they will take necessary action to include the amounts and send a revised demand notice.

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<sup>135</sup> Chittoor, SPSR Nellore, Vijayawada and Visakhapatnam.

<sup>136</sup> G.O.Ms.No.118, TR. R&B (TR. III) Dept., dated 07 June 2005.

<sup>137</sup> Annual Accounts of APSRTC.

#### 5.4.11.2 Non-realization of Quarterly tax due to ineffective monitoring

Section 3 of APMVT Act stipulates that every owner of a motor vehicle is liable to pay the tax at rates specified by Government. Section 4 specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from commencement of quarter. Under Section 6 of APMVT Act read with Rule 13(1) of APMVT Rules, penalty for belated payment of tax shall be leviable at the rate equivalent to quarterly tax demanded, if tax is paid within two months and at twice the rate of quarterly tax if tax is paid beyond two months from beginning of quarter on cases detected.

In terms of Section 53 of the MV Act, read with Rule 102 of MV Rules, registering or other prescribed authority may suspend registration of a motor vehicle by sending a notice in case of non-compliance with the Act.

During the data analysis of records in the offices of JTC, Hyderabad Central Zone, six DTCs<sup>138</sup> and 12 RTOs<sup>139</sup>, audit noticed (between August 2013 and July 2014) that there was accumulation of arrears of quarterly tax for the period from April 2011 to March 2014 amounting to ₹ 7.93 crore in respect of 3447 transport vehicles. Besides, as calculated by audit, penalty of ₹ 15.86 crore under Rule 13(1) of APMVT Rules was also leviable. This resulted in non-realisation of quarterly tax and penalty amounting to ₹ 23.79 crore out of which the Department recovered an amount of ₹ 57 lakh at the instance of Audit. No notices were issued in any of the cases pointed out.

In response, it was replied by all the 19 offices (between August 2013 and July 2014) that list of vehicles would be verified and action taken.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### 5.4.11.3 Non/Short realisation of life tax on construction equipment vehicles

As per the Fourth Schedule to the Amendment Act 11 of 2010<sup>140</sup>, life tax on Construction Equipment Vehicles (CEVs) shall be levied at the rates prescribed in the schedule. It was also specified in the Act that life tax shall be levied on old CEVs registered prior to the enactment of the Act.

Under Section 200 of the MV Act, the assessing authority may compound certain offences punishable under the Act by collecting Compounding fee in lieu of penal action as prescribed by the Government. The Checking Officers of the Transport Department prepare Vehicle Check Reports (VCRs) on the motor vehicles checked by them and forward these to the RTOs for taking action against the defaulting permit holders/owners of the vehicles.

<sup>138</sup> Visakhapatnam, Kadapa, Chittoor, SPSR Nellore, Rangareddy and Vijayawada.

<sup>139</sup> Anakapally, Gudivada, Hindupur, Hyderabad (East Zone, North Zone, West Zone), Ibrahimpatnam, Medchal, Nandigama, Proddutur, Tirupati and Rangareddy (East).

<sup>140</sup> Amended on 31 July 2010.

During data analysis and test check of records of offices of two DTCs<sup>141</sup>, and three RTOs<sup>142</sup>, Audit noticed (between August 2013 and July 2014) that in DTC, Visakhapatnam and RTO Ibrahimpatnam, life tax amounting to ₹ 6.48 crore was not realized in respect of 125 CEVs for which the details were available with the authorities.

Further, in DTC, Chittoor and three RTOs<sup>143</sup>, though the enforcement officers collected compounding fee against the offence of non-payment of life tax for 14 CEVs, life tax itself was not levied. The quantum of life tax due in respect of these CEVs could not be arrived at by audit due to unavailability of invoice prices. After Audit pointed out the cases, the offices replied (between August 2013 and July 2014) that action would be taken to collect life tax and audit intimated.

Matter was referred to Department in August 2014 and to Government in September 2014. Government replied during Exit Conference (December 2014) that Government of India was addressed for clarification on classification of certain vehicles, which was awaited. For some vehicles, as the vehicle owners were second or third owners, they were unable to produce the invoices, and the Department was not in a position to assess the tax liability.

The reply is not acceptable as the classification has to be decided by the Commissioner as per the orders of the AP High Court<sup>144</sup>. Moreover, tax has not been levied even in cases where invoices were available.

#### **5.4.11.4 Non-levy of tax on vehicles covered by countersignature permits**

Interstate vehicular traffic of goods is regulated by bilateral agreements under provisions of MV Act and Rules made thereunder. As per Section 88 of the Act, permits granted by State Transport Authority (STA)/Regional Transport Authority (RTA) of any one State/Region shall not be valid in any other State/Region unless it has been countersigned by the latter STA/ RTA.

Government ordered<sup>145</sup> the levy of bilateral tax of ₹ 5,000 per annum (under APMVT Act) on every goods carriage which are registered in the states of Odisha, Maharashtra, Karnataka and Tamil Nadu, and are covered by countersignature permits. Tax shall be paid in advance in lumpsum before fifteenth of April every year failing which an additional sum of ₹ 100 for each calendar month of default shall be charged as penalty.

Audit noticed (June 2014) during analysis of data and scrutiny of the DCB registers in the office of the DTC Chittoor, the only office among those covered in audit which issued countersignature permits, that bilateral tax amounting to ₹ 11.30 lakh and penalty of ₹ 2.71 lakh was not collected from the owners of 91 and 104 vehicles registered in Karnataka and Tamil Nadu respectively

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<sup>141</sup> Chittoor and Visakhapatnam.

<sup>142</sup> Anakapally, Hyderabad (West Zone) and Ibrahimpatnam.

<sup>143</sup> Anakapally, Hyderabad (West Zone) and Ibrahimpatnam.

<sup>144</sup> WP No.8587 of 2011, M/s. Vizag Seaport Pvt. Ltd. Vs Government of Andhra Pradesh.

<sup>145</sup> G.O.Ms.No.362, Transport, Roads and Buildings (Tr. II) department dated 16 December 2008.

though they were granted countersignature permits of Andhra Pradesh during the period 2011-14. This resulted in non-realization of revenue amounting to ₹ 14.01 lakh.

There is no mechanism to monitor payment of bilateral tax and RTAs are collecting the tax only when the owners approach for payment of tax.

In response the DTC, Chittoor replied (June 2014) that the list of vehicles would be verified and action will be taken.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### **5.4.11.5 Incorrect exemption of life tax**

Under Section 9(1) of APMVT Act, Government has exempted various categories of entities from payment of life tax on their vehicles. Temporary registration was done by the dealers at the time of delivery of vehicles sold by them. TC delegated the powers<sup>146</sup> to collect the life tax to the dealers at the time of temporary registration. The Transport Department officials are required to check the correctness of the tax collected by the dealers at the time of permanent registration.

Audit observed (between June and July 2014) in JTC, Hyderabad Central Zone, DTC Chittoor and RTO Proddutur that in 17 cases, the dealers did not collect life tax amounting to ₹ 5.64 lakh though the vehicles did not fall in the exempted category. The Departmental officials did not verify whether the vehicles were actually exempt from payment of life tax and permanent registration was affected.

When the same was brought to notice, JTC, Hyderabad Central Zone replied (November 2014) that e-Seva vehicles were eligible for exemption as Government of Andhra Pradesh recognized the Director, e-Seva as one of the Heads of the Department. The reply is not acceptable as e-Seva is a corporate body and the expenditure on purchasing the vehicles was not met from the Consolidated Fund of the State. DTC, Chittoor and RTO, Proddutur replied (between June and July 2014) that taxes would be collected for the vehicles pointed out by Audit.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### **5.4.12 Weaknesses in internal control and monitoring systems**

Internal controls are essential in any organization to safeguard its interests. In addition to a sound internal audit, other systems for ensuring the organizational integrity are also important and are required to be in place.

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<sup>146</sup> Circular Memo No.13/4515/R1/2008, dated 30 August 2008.

#### 5.4.12.1 Not conducting inspections

Government issued instructions<sup>147</sup> that District offices and their subordinate offices are to be inspected by the Heads of Departments periodically and Inspection Reports are to be furnished in the form of questionnaires prescribed. Government emphasized through Circular instructions<sup>148</sup>, the need for inspection of Government offices. Further, as per the Government Orders<sup>149</sup>, it is the responsibility of the Accounts Branch of the Head of the Department to conduct Internal Audit of the offices of the Department at least once in a year.

Audit observed (between August 2013 and July 2014) that during the period covered in audit, Departmental Inspection of JTC, Hyderabad Central Zone and six DTCs<sup>150</sup> was not conducted by the TC office. Similarly Departmental Inspection of nine RTOs<sup>151</sup> by JTC, Hyderabad Central Zone and six DTCs<sup>152</sup> was not conducted for the period 2011-12 to 2013-14. Non-conducting of Departmental Inspection is an indication of ineffective monitoring.

In response, all the offices replied (between August 2013 and July 2014) that inspection of the subordinate offices would be taken up henceforth.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### 5.4.12.2 Non-reconciliation of demand drafts (DDs) from Border Check posts

The transport vehicles coming from other states pay their taxes by way of DDs at Border Check Posts (BCPs) of AP or to other State Transport Authorities which are then sent to the TC office. A scrutiny of registers relating to receipt of DDs from BCPs and other states towards grant of Interstate Permits/penalty on taxes in the office of TC revealed the following:

The details of day-wise receipts and remittances into treasury and details of time barred demand drafts, list of DDs requiring revalidation etc. relating to BCPs were not being maintained in the TC office. Thus the office cannot reconcile the figures of number of DDs received from the BCPs, the numbers remitted and those remaining. A further observation is made in this regard:

The TC office requested the State Bank of India (SBI), Nampally Branch in March 2012 to issue a DD for a consolidated amount of ₹ 1.27 crore in favour of STA Hyderabad, in lieu of lapsed demand drafts for the same amount. However, SBI issued a DD in June 2012 for an amount of ₹ 1.23 crore only

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<sup>147</sup> G.O.Ms.No.247 of G.A.D., dated 08 February 1962.

<sup>148</sup> Circular No.42050/Ar-III/97-7 of GAD dated 26 July 1997.

<sup>149</sup> G.O.Ms.No.34 Finance Department, dated 23 January 1989 and G.O.Rt.No.1416, Finance & Planning Department, dated 01 July 1997.

<sup>150</sup> Chittoor, Kadapa, Rangareddy, SPSR Nellore, Vijayawada and Visakhapatnam.

<sup>151</sup> Anakapally, Gudivada, Hindupur, Hyderabad (East Zone, North Zone, West Zone), Ibrahimpatnam, Medchal, Nandigama, Proddutur, Rangareddy (East) and Tirupati.

<sup>152</sup> Chittoor, Kadapa, SPSR Nellore, Rangareddy, Vijayawada and Visakhapatnam.

which was short by ₹ 3.26 lakh. The amount of ₹ 3.26 lakh was not received from SBI by the office till date (January 2014) even after a lapse of two years.

Further, instead of remitting amount of ₹ 1.23 crore immediately into the Treasury, the Department remitted it in July 2012 i.e., after one month. Retaining the DD without depositing immediately into the Government account is against financial propriety.

When this was brought to notice, it was replied (January 2014) that demand drafts worth ₹ 3.26 lakh were yet to be realized from SBI Nampally branch, Hyderabad. The reply is silent on the issue regarding non-maintenance of details of DDs received from BCPs.

The matter was referred to Department in September 2014 and to Government in September 2014. On non-reconciliation of DDs received by the TC office from the BCPs, the Government replied during Exit Conference (December 2014) that follow up action would be taken to get them adjusted. However, since the National permits are now being issued by the Central Government, the problem may not be relevant now. The reply is not acceptable as DDs relating to interstate permits are still being received by TC office which have to be remitted into the Government Account.

#### **5.4.12.3 Non-reconciliation of departmental receipts with the Treasury**

As per Article 9 of the A.P.F.C Volume I, the Departmental Receipt figures have to be reconciled with those of the treasury every month to detect misclassification, spurious challans, etc., if any, and a certificate of reconciliation has to be obtained from the treasury officer. Further, all the challans relating to payment of fees and taxes remitted through DDs have to be posted in consolidated challans register with reference to which monthly reconciliation has to be done. Variation between departmental remittances and the treasury credits are to be analyzed and this aspect has to be verified by the inspecting staff.

Audit noticed (between August 2013 and July 2014) in the TC Office, three DTCs<sup>153</sup> and six RTOs<sup>154</sup> out of 20 offices test checked that the receipt figures for the years 2011-12 to 2013-14 were not reconciled with those of treasury. In view of this, the offices would not be able to detect any loss of revenue due to misclassification, spurious challans, etc.

In response, the offices replied (between August 2013 and July 2014) that action would be taken to reconcile the figures and audit intimated.

Matter was referred to Department in September 2014 and to Government in September 2014.

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<sup>153</sup> Kadapa, Rangareddy and SPSR Nellore.

<sup>154</sup> Hyderabad (East Zone, North zone, West Zone), Ibrahimpatnam, Nandigama and Tirupati.

Government replied during the Exit Conference (December 2014) that non-reconciliation of departmental receipts with Treasury would be monitored to ensure timely reconciliation.

#### **5.4.12.4 Belated adjustment of demand drafts by banks resulting in loss of interest**

According to Section 11 of APMV Act, payment of every amount due under the Act shall be made before the licensing officer by the production of a DD obtained from any Scheduled Bank as defined in the Reserve Bank of India Act, 1934 for the value for which payment is required or in such other manner as may be prescribed.

The revenue realized by the Transport Department such as fees, taxes, user charges etc., is collected in the form of cash or DDs. The amounts so received by the RTA Authorities from various vehicle owners shall be remitted into the Government account in a scheduled bank which in turn would be adjusted by the bank into the Treasury.

During the test check of records relating to remittance of DDs in JTC, Hyderabad Central Zone it was revealed that 185 DDs amounting to ₹ 248.82 crore received and remitted into the banks by these offices during 2012-13 and 2013-14 were adjusted belatedly by the bank authorities. The delay ranged from 11 days to 80 days. The delay in adjustment resulted in loss of interest amounting to ₹ 1.96 crore calculated at the rate of six *per cent*.

When this was brought to notice, it was replied by JTC, Hyderabad Central Zone (June 2014) that the banking authorities will be addressed for avoiding such delays.

Matter was referred to Department in September 2014 and to Government in September 2014.

Government replied in Exit Conference (December 2014) that follow up action was being taken up with the banks. Further the Government was implementing Centralized Financial Management System (CFMS) which will address the problem.

#### **5.4.12.5 Rebate forgone on BNPL payments**

Transport Department collects ₹ 15 and ₹ 35 from customers towards despatch of document by speed post for local area and outside local area respectively, through BNPL (Book now pay later) which is a facility extended by the postal authorities. At the end of each month, a demand is received from the postal authorities for arranging the payments for the subsequent months. If the payment is made within the prescribed date, the postal department allows a rebate at the rates admissible from time to time (minimum was five *per cent*).

During the course of audit (between April 2014 and July 2014), a scrutiny of records relating to BNPL payments for the period from May 2012 to May 2014

in JTC, Hyderabad Central Zone and six DTCs<sup>155</sup> revealed that an amount of ₹ 2.75 crore was belatedly paid to the Postal Department towards these payments. The delayed payments resulted in forgoing rebate amounting to ₹ 13.74 lakh (calculated at five *per cent* on ₹ 2.75 crore).

In response, the JTC, Hyderabad Central Zone and six DTCs replied (between April and July 2014) that the matter would be brought to the notice of the TC.

It is clear from the above observations that further improvements are possible, especially in the revenue collection and monitoring systems.

The matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

### **5.4.13 Public Safety and Pollution Control**

The third and fourth functions of the Department deal with road safety and pollution control. The Department is assisted in these functions by the Police Department and other agencies. Audit concentrated mainly on the limited activities the Department performs to achieve road safety and pollution control. In this connection, the following observations are made:

#### **5.4.13.1 Not providing adequate infrastructure for effective enforcement**

During the course of audit of the office of the TC (December 2013), it was observed that the Department, with a view to improve infrastructure and strengthen human resource capacity of Enforcement, procured five mobile interceptors<sup>156</sup> at a cost of ₹ 1.70 crore. However, they were procured without Annual Maintenance Contract (AMC). These mobile interceptors were allotted to the JTC, Hyderabad Central zone and four DTCs<sup>157</sup>.

Audit verified the utilisation certificates furnished to the TC by the respective offices and found that they were working in two DTCs<sup>158</sup> but were not functional in JTC, Hyderabad Central Zone and DTC, Chittoor. DTC, Rangareddy replied (August 2014) that the mobile interceptor was not provided to the office, though utilisation certificate for the same was given to the TC in January 2014.

Further, in three of the offices<sup>159</sup>, the breath-analysers of the mobile interceptors were not working, rendering the efforts of the Department in detecting drunken driving cases ineffective.

Procuring the Mobile interceptors without providing AMC shows lack of financial prudence and resulted in their sub-optimal utilization.

<sup>155</sup> Chittoor, Kadapa, Rangareddy, SPSR Nellore, Vijayawada and Visakhapatnam.

<sup>156</sup> Vehicles fitted with speed laser guns, high speed surveillance cameras, breath analyzers, pollution testing equipment.

<sup>157</sup> Chittoor, Rangareddy, Vijayawada and Vishakhapatnam.

<sup>158</sup> Vijayawada and Visakhapatnam.

<sup>159</sup> JTC, Hyderabad Central Zone, DTCs, Chittoor and Rangareddy.



Matter was referred to Department in September 2014 and to Government in September 2014.

Government replied during Exit Conference (December 2014) that various road safety activities were being taken up by the Department to ensure road safety. However, the reply is silent on the aspects pointed out by audit.

#### **5.4.13.2 Non-monitoring of renewal of Fitness Certificates**

As per Section 56 of the MV Act, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness (FC) issued by prescribed authority. As per Rule 62 of the CMV Rules, FC of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules prescribes fees for conducting test of a vehicle for grant and renewal of FC.

Audit noticed (between August 2013 and July 2014) during test check of records relating to grant of FCs and analysis of the data for the period 2011-12 to 2013-14 of the offices test checked that quarterly tax was collected for 1,75,134 vehicles at the office counters/e-Seva/AP Online centre for vehicles which did not have valid FCs. Their status was active as per CFST database. 'Active' status implies that the vehicle has all the requisite certificates. Renewal of FCs was not insisted upon in these cases. Non-renewal of FC jeopardises public safety besides non-realisation of FC fee of ₹ 6.51 crore.

In response, it was replied by the offices (between August 2013 and July 2014) that FCs were being renewed whenever the owner produced the vehicle in roadworthy condition. The officials also stated that the vehicles plying without valid FCs would be intercepted by MV inspectors.

The presumption that all vehicles without FCs would be invariably checked by enforcement authorities and that vehicles not so detected were not plying on roads, does not absolve the Department from responsibility of taking preventive action. Absence of an inbuilt mechanism in the CFST package to give alerts regarding validity of FC while issuing/renewal of permits, payment of quarterly tax etc., led to non-monitoring of fitness of vehicle.

Matter was referred to Department in September 2014 and to Government in September 2014. Government replied (December 2014) that a detailed reply would be sent separately.

#### **5.4.13.3 Non-disposal of cases**

Government has prescribed<sup>160</sup> minimum rates of compounding fee for various types of offences and no discretionary powers have been given to the detecting authorities.

Audit noticed (between August 2013 and July 2014) during test check of VCRs/ VCR Registers for the years 2011-12 and 2013-14 in the offices test checked that 2488 cases of compoundable offences were registered during the period. In all these cases, neither was any penal action taken nor minimum compounding

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<sup>160</sup> G.O.Ms.No.332 (Transport Roads & Buildings (TR-1)), dated 13 November 2008.

fee levied. This resulted in non-realisation of compounding fee of ₹ 1.63 crore out of which the Department recovered an amount of ₹ 5.74 lakh at the instance of Audit.

In response the offices replied (between August 2013 and July 2014) that action would be taken to dispose of the VCRs and audit intimated.

Matter was referred to Department in August 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### **5.4.13.4 Not monitoring the functioning of Pollution Testing Units**

As per Rule 486 of APMV Rules read with Rule 115 of the CMV Rules, every applicant has to apply with a security bond of ₹ 5,000 for opening pollution testing centres. Rule 486(b) stipulates that monthly returns have to be submitted by every pollution Testing Centre on the fifth day of the succeeding month, duly furnishing the details of vehicles checked during the month along with copies of 'Pollution under Control' (PuC) certificates. The Pollution Testing Units (PTUs) are also required to have calibration certificates as per the test procedure<sup>161</sup> specified under Rule 116 (3) of CMV Rules.

During the course of audit of JTC, Hyderabad Central Zone and six DTCs<sup>162</sup> (between August 2013 and July 2014) the following observations were made:

Monthly returns as prescribed in the rules were not being submitted by any of the PTUs nor were the duplicate copies of PuC certificates being furnished. Though the PTUs had valid licences, the calibration certificates were not current in 91 out of 354 cases. In these circumstances, placing reliance on the reports of these PTUs may compromise the pollution control measures.

All DTCs were obtaining National Savings Certificate (NSC) in the name of the operator of the PTU towards security deposit. However, the original certificate was being retained by the operator in all the cases. Even the details of the deposits made by the PTUs were not available in three DTCs<sup>163</sup>.

In response, the concerned offices (between August 2013 and July 2014) stated that all the PTUs will be inspected and necessary action will be taken.

Matter was referred to Department in September 2014 and to Government in September 2014.

Government replied in Exit Conference (December 2014) that PTUs would be monitored and steps taken to ensure that requirements such as having valid calibration certificates are met by them.

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<sup>161</sup> Specified in Annexure of CMVR TAP 115-116.

<sup>162</sup> Chittoor, Kadapa, Rangareddy, SPSR Nellore, Vijayawada and Vishakhapatnam.

<sup>163</sup> Rangareddy, SPSR Nellore and Vishakhapatnam.

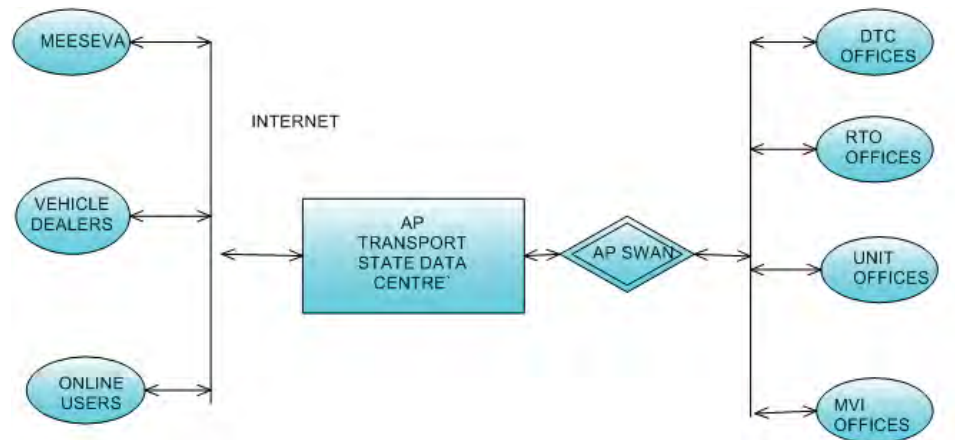
## IT Report

### 5.4.14 Introduction

The Transport Department (Department) implemented a software called ‘Citizen Friendly Services in Transport Department (CFST)’ in May 2000. CFST aimed to build a comprehensive database of vehicles and users and to provide online services to the public. The core functions of the department, i.e., issue of driving licences, registration of vehicles, collection of taxes, fee etc., have been computerised in CFST. There are five modules in the CFST for issue of driving licences, registration of the vehicles, issue of permits, tax collection and issue of fitness certificates. The initial implementation which had two-tier architecture (Server and Client system), was developed by Tata Infotech Limited and Electronics Corporation of India Limited (ECIL). It was implemented by Raasi Enterprise Solutions Limited (RESL). The Department shifted to three-tier architecture (Client, Application Server and Data Server) developed by CMS Computers Limited (CMS) in a phased manner from July 2008. The shift to three-tier architecture was completed in April 2013.

The CFST has service oriented architecture (SOA) with web enabled applications. The Regional Transport Authorities (RTAs) are connected to the Collectorates of respective districts through lines leased out from Bharat Sanchar Nigam Limited (BSNL) and from the Collectorates to the Data Centre (Transport Commissionerate) through Andhra Pradesh State Wide Area Network (APSWAN) as detailed below.

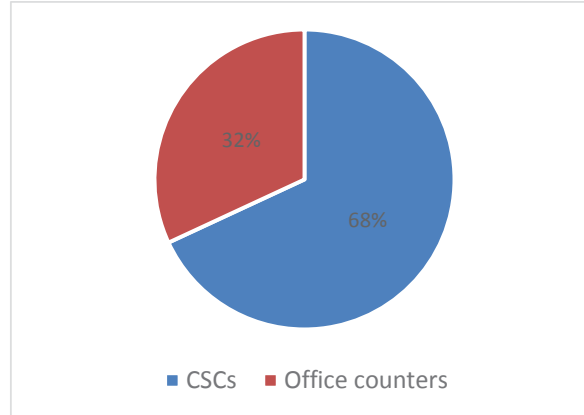
**Connectivity diagram of RTAs**



Andhra Pradesh Technology Services Limited (APTSL) is the nodal agency for procurement of IT and IT related services for the Department as per the orders<sup>164</sup> of the Government. The services of two agencies providing citizen services viz., e-Seva and AP Online are being utilised by the Department to collect revenue. Collection through such agencies constituted about 68 *per cent* of revenue of the Department when test checked for a month as shown in the following chart.

<sup>164</sup> G.O.Ms.No.45, Finance and Planning (Plg.Wing-20) Department, dated 9 July 1990.

### Percentage of revenue collected in CSCs and Office Counters for the month of April 2013



Data dump obtained (November 2013) was analysed using Computer Aided Audit Techniques (CAATs). The general controls and application controls were evaluated with reference to the Audit objectives. The period covered in Audit was from July 2010 to June 2014.

#### Audit Findings

##### 5.4.15 IT Governance

IT Governance is the alignment of business goals and the IT strategy. This would involve appropriate ownership of project management, planning, hardware sizing, data migration and other project components.

##### 5.4.15.1 Capacity planning and Hardware sizing

With a view to provide web enabled services and to have a Centralised database, the Department planned to migrate from the existing Client Server Architecture to three-tier architecture in July 2008. Though the migration from two-tier to three-tier architecture began in July 2009, only four districts and five Integrated Check Posts (ICP) had migrated completely to three-tier architecture by July 2010. The remaining offices migrated to three-tier architecture between October 2012 and April 2013. The migration to three-tier architecture was completed in April 2013. CFST currently covers all the 44 RTAs in the erstwhile State of Andhra Pradesh. During the Performance Audit of CFST, a few issues regarding upgradation of the system were observed as follows:

##### 5.4.15.2 Ad hoc approach in capacity planning while implementing three tier Architecture

The Department selected three offices (Hyderabad Central Zone, Vijayawada and Kadapa) as pilot project offices for its project of implementation of three-tier architecture. The contract for implementing the pilot project was awarded to CMS (service provider) in July 2007 on Build-Own-Maintenance-Transfer (BOMT) basis for 12 quarters after a tendering process conducted by APTSL. The Joint Transport Commissioner (IT) and Transport Commissioner monitored the IT activities including change management in coordination with APTSL but

no project management team was constituted to help in implementation of the project.

To facilitate the migration to three tier architecture, the Department procured servers for ₹ 10.28 crore from July 2007 to April 2013. During the initial phase of migration in July 2008 in the three pilot sites, an amount of ₹ 4.63 crore, which included the cost of servers of ₹ 2.71 crore, was paid to the service provider for development of the project on BOMT basis. When the migration was extended to 11 more offices in 2010, the Department again procured eight servers and other accessories through APTSL for ₹ 3.83 crore in June 2010, for which the same service provider was given the contract.

The procurement of servers by the Department shows that neither APTSL, which drafted the terms and conditions for the BOMT contract, nor CMS, which was the service provider for upgradation of the offices, had conducted proper study of the requirements of the Department and thereby the Department had to go for ad hoc procurement of servers without safeguarding its interest in July 2010. The ad hoc nature is further borne out by the fact that the Department once again procured 64-bit servers at a cost of ₹ 4.28 crore in March 2013, at the request of the service provider to which APTSL also was a party.

When the same was brought to notice, the Department replied (January 2014) that initially the service provider had installed the rack servers at data centre to meet the load of three pilot offices. On extending the services to additional offices, the existing data centre capacity was not sufficient to meet the requirements and the server was upgraded to higher capacity by purchasing additional servers at the cost of ₹ 3.83 crore. At the time of rolling out three-tier architecture to all the offices, the service provider requested the Department to upgrade the server and the Department had procured the servers.

On the ad hoc approach in capacity planning, Government replied during Exit Conference (December 2014) that none of the servers procured were lying idle and that they were being used for various activities. Further, additional activities such as giving access to Police for checking vehicle details, National Informatics Centre for updating in the National portal, online slot booking etc., were being done and hence there was a necessity for additional servers. It was also stated that day by day new functions were being added.

The reply is not tenable as the Department was aware of the implementation of the three tier architecture at various sites but did not plan the procurement of servers accordingly.

### **5.4.15.3 Excess charges paid for data migration**

Data migration is the transfer of data from one location, storage medium or hardware/software system to another location. In CFST, data migration involved transfer of data from the two-tier to three-tier server.

Following the implementation of three-tier architecture in the pilot offices, the Department decided (July 2008) to expand the existing three-tier application to 11 more offices in Hyderabad, Rangareddy, Krishna and Kadapa districts. The Department requested CMS to carry out the upgradation.

The Committee constituted (August 2010) by the Government for extension of three-tier application to other offices recommended payment of ₹ 20.06 lakh towards data migration charges in the 11 offices without tendering process. These charges as recommended by the Committee were paid by the Department to CMS.

While awarding the work of pilot study covering the three offices which included significant data migration, data migration charges were not incorporated separately. However, data migration charges of ₹ 20.06 lakh were included and paid in the case of 11 offices which were subsequently upgraded. In the final phase of upgradation involving 29 more offices, when tenders were called for awarding the work, only an amount of ₹ 15.50 lakh was paid towards data migration charges. Thereby the Department paid higher charges for data migration in case of 11 offices as no tendering process was undertaken, which resulted in undue benefit to the service provider.

When the same was brought to notice, the Department replied (January 2014) that there was no separate component indicated for data migration in original commercial proposal submitted by CMS as it was a pilot study involving only three offices and to arrive at data migration charges in the extended offices, a method was adopted. Government in the Exit Conference (December 2014) while endorsing the Department's reply also stated that the Committee constituted by the Government recommended the price taking various factors into consideration and hence the tendering process was not followed and there was no excess payment. Moreover, the system stabilized by the time the 29 offices were migrated and hence the costs were low.

Reply is not acceptable as the Department did not undertake tendering process and thereby paid an amount of ₹ 20.06 lakh for data migration in 11 offices which is disproportionate when compared with payment of ₹ 15.50 lakh in respect of 29 offices to the same service provider.

### **5.4.15.4 Undue benefit given to third party**

During the scrutiny of files relating to procuring the services of outsourced personnel from other departments, it was noticed that the TC had instructed the Department in February 2011 to procure manpower with knowledge of Developer 2000, Oracle database applications, NET and SQL 2008 and sufficient experience in development and support for maintenance of two-tier

and three-tier applications and allied IT related activities of the Department at TC's office.

Accordingly, the Department procured the services of outsourced personnel from AP Online between March 2011 and March 2013 to provide the technical services for online reservation of registration numbers, Asset management application and stock inventory. During this period the Department was already utilising the services of a technical engineer from APTSL, of RESL for Annual Maintenance Contract and Facility Management of two-tier architecture in 29 offices, and of CMS Computers for maintaining the other 14 offices which were in three-tier architecture.

In this connection, audit observed that the Department consulted neither APTSL nor the two existing service providers i.e., CMS (for three-tier architecture) and RESL (for two-tier architecture) for providing manpower for technical services. Further, while all the sites were under maintenance of two service providers, procuring personnel from AP Online for maintenance of application of two-tier and three-tier and allied IT related activities of the Department and paying an amount of ₹ 50.38 lakh to AP Online for their services for the period from March 2011 to March 2013 is not justified as the requirement was not assessed properly.

When this was brought to notice, the Department replied (January 2014) that in the headquarters office the existing staff strength was inadequate for looking after functional and technical aspects. Government replied in the Exit Conference (December 2014) that the services were procured as it was felt that the staff available in TC office were not adequate and that the outsourced personnel were utilized for developing Asset management system, stores inventory management application and an application for online reservation of registration numbers.

Reply is not acceptable for the following reasons:

The purpose for which the services of the personnel were procured and the purpose for which they were stated to have been utilised by the department are different. Also, the TC office already had technical manpower deputed from APTSL, RESL and CMS to look after the technical aspects of both two-tier and three-tier applications at the time. The performance issues in the application software were to be attended to by the service providers, RESL and CMS as per the provisions of their Annual Maintenance Contracts. Besides, application for online reservation of numbers has not materialized (July 2014). Hence, the expenditure of ₹ 50.38 lakh incurred on procuring outsourced personnel from AP Online on the orders of TC was not justified.

#### **5.4.15.5 Non-deriving benefits of utilising smart card based Hand Held Terminals besides blockage of money**

Hand Held Terminals (HHTs) are devices that can be used by the Enforcement wing of the Transport Department to check the genuineness of Smart Cards, validity of permits, fitness and history of offences. It can support writing of VCRs and update the central data base on real time basis.

The Department requested (February 2007) APTSL to procure 400 handheld smart card based read and write devices (HHTs) for which APTSL sent proforma invoice for an amount of ₹ 1.2 crore. Accordingly, the Department transferred 90 *per cent* of total cost i.e., ₹ 1.08 crore to APTSL (February 2008).

The Tender cum Purchase Committee (TCPC) finalized the supply contract with the lowest bidder, Bharat Electronics Limited Bangalore (BEL) for an amount of ₹ 1.34 crore (₹ 1.2 crore towards supply, installation and application development and training and ₹ 14 lakh for development of client application software). Accordingly, an agreement was entered into by the Department with the BEL in August 2008, for supply, installation and application development of HHTs besides training of Transport Department officials in their usage.

BEL supplied 400 hand held smart card reading/writing and communication devices (June 2010). As the quality assurance tests conducted on the devices failed, BEL was addressed to rectify the defects but they failed to do so.

The Department could not derive the benefits of utilisation of HHTs even after a lapse of six years from the date of payment and is still dependent on manual VCRs.

When this was brought to notice (December 2013) it was replied by the Department that the amount had not been paid to BEL. Government replied (December 2014) that after procuring the HHTs, BEL was asked to incorporate additional features which could not be provided by BEL. Hence, no payment was made to BEL. The reply is not acceptable as the Department's funds amounting to ₹ 1.08 crore were kept with APTSL since February 2008 which resulted in blockage of funds and the department could not derive any benefits due to defective HHTs.

#### **5.4.16 Application functionality deficiencies**

##### **5.4.16.1 Dependence on manual system for refund of Life tax**

The Government issued orders<sup>165</sup> on refund of life tax in respect of motor vehicles removed to other states or converted as motor cabs.

CFST provides for maintenance of B-registers used for creation and maintenance of database of vehicles, which contain all the details such as the engine number, chassis number, tax payment particulars, etc., relating to them. However, a module on the refund of life tax in respect of vehicles moving to other States has not been developed in CFST, necessitating manual calculation of the same.

A test check was conducted on manual refund files maintained in the offices of DTC, Vijayawada and JTC, Hyderabad Central Zone which revealed that in DTC, Vijayawada life tax amounting to ₹ 2.67 lakh was refunded in excess due to arithmetical inaccuracy. Similarly, in JTC, Hyderabad Central Zone, it was

<sup>165</sup> G.O.Ms.No.411, (TR-II), dated 28 April 1987.



observed (June 2014) that in cases relating to refund of life tax for vehicles which had moved to other states, the refund files were processed manually. It was also observed that the details of issue of NOC/ refund have to be manually entered in the remarks column of the B-Register.

Manual calculations have led to incorrect refunds as stated above. Also, the system does not automatically put a vehicle in 'inactive' status whenever NOC/refund of life tax is granted as the same is not generated through CFST.

Audit test checked the records relating to JTC, Hyderabad Central Zone and found that in three out of 71 cases relating to the period 2012-13 to 2013-14, the remarks column of B-Register was not updated with the particulars of refund of life tax. The vehicles were also not in inactive status. In the absence of this, these vehicles can re-enter both States without payment of life tax.

When the same was brought to notice, DTC, Vijayawada replied (June 2014) that the matter would be verified and action would be taken. JTC, Hyderabad Central Zone replied (June 2014) that the data relating to details of No Objection Certificates (NOCs) issued in two-tier regime had not been uploaded in the three-tier server.

Government replied in Exit Conference (December 2014) that refund of life tax cases would be few in number and hence no module has been provided for in CFST.

Reply is not acceptable as the Department needs to develop this module also as all the functions are now being attended to in CFST. Further, the CFST does not provide the details that can identify the vehicles which were issued NOC for transfer to other states as the refund process is done manually. In the absence of this provision, these vehicles may re-enter and ply in the states without payment of life tax for which refund was already made.

#### **5.4.16.2 Manual calculation of taxes for stage carriages and contract carriages**

As per Section 2 (7) of MV Act, a "Contract Carriage (CC)" means a motor vehicle which carries passengers for hire or reward and is engaged under a contract, for the use of such vehicle for carriage of passengers (a) on time basis, or (b) from one point to another, without stopping to pick up or set down passengers not included in contract anywhere during journey. In terms of Section 2(40) of the MV Act, a "Stage Carriage (SC)" means a motor vehicle which carries more than six passengers excluding driver for hire or reward at separate fares paid by or for individual passengers, either for whole journey or for stages of journey. In respect of SCs there are eight slabs of quarterly tax (QT) depending on the distance and the nature of service i.e., whether it is express service or ordinary service. Similarly, in respect of CCs there are six slabs of quarterly tax depending on the nature of permit.

The quantum of taxes realised on CCs and SCs other than Andhra Pradesh State Road Transport Corporation constitute about five *per cent* of the total quarterly tax collections.

The taxation of State carriage and Contract Carriage buses is done based on the route length, number of trips and number of seats etc. However, there is no provision in CFST to automatically generate demand for these vehicles. When the 'Calculate tax' button is clicked, zeros are displayed in the demand fields as shown.

### Screen shot of stage carriage Tax collection

The screenshot displays the CFST Re-engineering web application interface. The browser window shows the URL: <http://192.16.254.11:99/APCFST/Modules/Permit%20and%20Tax/CCOTax.aspx?value=18>. The application is titled "CFST Re-engineering".

At the top, there are input fields for "Application Number", "Application Date" (15/11/2014), "Cash" (0), "Demand Draft" (0), "Applied for" (TAX), "Particulars" (TAX), "Challan" (0), and "Total Amount" (0). A "CALCULATE TAX" button is visible.

The main interface is divided into several sections:

- Registration Details:** Includes fields for "Vehicle is\*" (NEW), "Registration Category\*" (TRANSPORT), "Class of Vehicle\*" (STAGE CARRIAGES), "Regn. Number" (AP16TB1500), "Date of Regn." (07/05/2009), "Ownership Type\*" (INDIVIDUAL), "Registration Valid Upto" (02/05/2015), "Trailer Type" (NONE), "Issuing Authority" (RTA VDAYAWADA), "Number of Trailers", "Registration Status" (ACTIVE), "Remarks", "Fitness Certificate Number" (FC/15862/2014/AP01), and "To Be Registered At" (AP016 - RTA VDAYAWADA).
- Challan:** A section for generating a tax receipt, containing fields for "Challan Number", "Eseva Trans. Number", "Last Paid Upto" (30/06/2014), "Type of Tax" (QUARTERLY), "Tax Arrears (Rs.)" (0), "Penalty Arrears (Rs.)" (0), "Tax Amount (Rs.)" (0), "Penalty (Rs.)" (0), "Compounding Fee (Rs.)" (0), "Service Fee (Rs.)" (0), "Exempt Service Fee (Rs.)", "Exempted Amount (Rs.)", and "Total" (0).
- Received Amount in Rs.:** A section for recording payments, with fields for "Cash", "Draft", and "Treasury Challan", each with a corresponding input field and a right-pointing arrow button.

The bottom of the screenshot shows the Windows taskbar with several open applications, including "CFST Re-engin...", "audit\_icisa", "NONPAYMENT A...", "scs", "screens - Micros...", and "Canon LBP2900". The system clock shows 8:17 AM.

The user manually enters the details and calculates the total demand of tax. Even after 12 years of computerisation and shifting to three-tier architecture, the module for calculation of taxes of stage carriage and contract carriages has not been developed, necessitating manual intervention.

Government replied (December 2014) that very few stage carriages are plying in the State. However, steps were being taken to develop the modules.

#### 5.4.16.3 Non-generation of/ Incorrect Demand, Collection and Balance figures

There is a provision in CFST to generate the details of Demand, Collection and Balance of revenue figures, office-wise in a report known as DCB. DCB helps the Department in assessing the revenue due, realized and balance to be collected and plays a significant role in internal control and monitoring mechanism.

### Screenshot of DCB

Serial No	Description	On Roll Vehicle Count	Demand Vehicle Count	Demand Amount	Collected Vehicle Count	Collected Amount	Balance Vehicle Count	Balance Amount	Government Vehicle Count	Government Amount	Stoppage Vehicle Count	Stoppage Amount
I	Stage Carriages											
a)	Stage Carriages (APSRTC)	1317	1317	43619774.00	7	0.00	1310	43619774.00	1310	43619774.00	1	16520.00
b)	Stage Carriages (HIRE)	256	256	5968781.00	71	0.00	185	5968781.00	0	0.00	2	29800.00
c)	Stage Carriages (PRIVATE)	0	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
	Total Stage Carriages (a+b+c)	1573	1573	49588555.00	78	0.00	1495	49588555.00	1310	43619774.00	3	46320.00
II	Goods Carriages											

Audit noticed that the DCB statements generated through system in 17 out of 19 offices were showing the incorrect figures of revenue earned, balance due and arrears to be realized. The reasons for such incorrect DCB figures are given below:

- The DCB could not be generated after the bifurcation of the State. This was observed in JTC, Hyderabad Central Zone and RTO, Rangareddy (East).
- If the Contract carriages/Stage carriages are registered at DTC Office and taxes collected at RTOs, which are branch offices of the DTC, the figures appear in both offices, which results in overstatement.
- The quarterly taxes of APSRTC vehicles are levied by the central office. However, the same are exhibited in the DCBs of DTCs and RTOs also resulting in inflation of arrear figures of DTCs and RTOs.
- Government vehicles, which are exempted from payment of taxes, also appear as defaulters in DCB statements.
- Vehicles under stoppage, seizure etc., were not made inactive<sup>166</sup> in the system to prevent their figures from appearing in DCB. This results in overstatement of demand amount.

When the consolidated DCB figures showing the total number of vehicles and demand, collection and balance of revenue so as to enable the Department to

<sup>166</sup> Active status in two-tier and Valid status in three-tier architecture indicate further transactions can be carried out on these vehicles whereas Inactive status in two-tier and Invalid status in three-tier flags the vehicles and do not allow further transactions.

arrive at the actual arrears was called for, the Department stated (December 2013) that consolidated demand collection and balance details were not available in the present system and that steps were being taken to redesign the system to generate consolidated DCB figures for the entire state.

Incorrect DCB/non-generation of DCB will deprive the management of the vital information required to arrive at any policy matters on taxation.

Government replied during Exit Conference (December 2014) that module for generation of consolidated DCB would be developed.

#### **5.4.16.4 Inadequate provision for entering results of tests conducted to check fitness of vehicles**

According to Rule 62 of CMV Rules, 1989, a certificate of fitness in respect of a transport vehicle, granted under Section 56 shall be in Form 38 which shall be valid for a period of two years in the first instance and for one year each for each subsequent renewal.

The renewal of fitness certificate shall be made only after the Inspecting Officer has carried the tests specified under Rule 62 such as tests on spark plug, safety glass, braking system, steering gear, etc. Granting of FC was computerized in Transport Department between 2009 and 2012 and system generated Form 38 was being issued to the vehicles owners.

Audit noticed (between April and August 2014) that the MVI screens did not have the fields for entering the results of tests conducted as per Rule 62. Entering the details of the results of tests against each category of test will provide an assurance on the condition of the vehicle and its roadworthiness. In the absence of the required fields, the procedure is heavily dependent on the discretion of the MVI while issuing fitness certificates.

When clarification on whether the tests prescribed as per Rule 62 were being conducted was sought, it was replied (between April and August 2014) that Form 38 (FC form) was being issued after the MVI or AMVI is satisfied that the vehicles meet the physical standards as per Rule 62.

Reply is not tenable as there is no assurance that the checks have been carried out by the MVIs/AMVIs. Lack of appropriate fields/screens to capture the details of tests conducted may result in tests being not conducted altogether, leading to breakdown of the system for monitoring the fitness of vehicles.

Government replied in Exit Conference (December 2014) that as the Inspection is done manually by the MVIs and has not been automated, providing a screen with the details of the tests conducted does not make any difference. It was also stated that the Department is considering automating fitness testing.

## Non-mapping of Business rules

### 5.4.17 Non/incorrect incorporation of business rules and other weaknesses in the system

Audit observed instances where business rules were not/incorrectly incorporated into the system, resulting either in incorrect outcomes or necessitating manual intervention to correct the mistakes. The observations are as follows:

#### 5.4.17.1 Non-monitoring of the validity of Registration Certificates of non-transport vehicles

As per Rule 52(3) of CMV Rules 1989, a motor vehicle other than a transport vehicle shall not be deemed to be validly registered after expiry of the period of validity entered in the certificate of registration and no such vehicle shall be used in any public place until its certificate of registration is renewed.

Scrutiny of data relating to non-transport vehicles in JTC, Hyderabad Central Zone, six DTCs<sup>167</sup> and 12 RTOs<sup>168</sup> revealed that 14,769 vehicles remained in active status though the validity of their certificates of registration had expired. Vehicles in active status will be allowed further transactions whereas transactions relating to vehicles in inactive status will be blocked.

Data analysis in DTC, Kadapa revealed that 14,052 vehicles remained in active status though the validity of the certificates of registration had expired. However as per the front end data generated at DTC, Kadapa, the validity of the certificates of registration had expired for only 823 vehicles which raises some questions about the reliability of the database/ MIS reports.

#### Details of validity expired vehicles at front end

Vehicle Class	Vehicles Not Renewed Count
COMPRESSOR MOUNTED	1
Crane Mounted	1
Crane For Private Use	1
Jeep	9
MOTOR CAR	72
MOTOR CYCLE	110
Omnibus for Private Use	60
Rig Mounted	4
Road Roller	1
Tractor for Private Use	129
Tractor for Commercial Use	1
Trailer for Agriculture Purpose	433
Trailer For Commercial Use	1

<sup>167</sup> Chittoor, Kadapa, Rangareddy, SPSR Nellore, Vijayawada and Visakhapatnam.

<sup>168</sup> Anakapally, Gudivada, Hindupur, Hyderabad (East Zone, North Zone, West Zone), Ibrahimpatnam, Medchal, Nandigama, Proddutur, Rangareddy (East) and Tirupati.

In response JTC, Hyderabad Central Zone, six DTCs<sup>169</sup> and 12 RTOs<sup>170</sup> replied that renewal of registrations was being done whenever the owners approached the office for any transaction. It was also replied that enforcement authorities would be provided with list of vehicles and directed to watch if they were plying on the roads.

The reply is not acceptable as no provision has been incorporated in the system to automatically change the status of vehicles to inactive after the expiry of the certificate of registration. Further, the variation in the data between front end and database is also a matter of serious concern.

Matter was referred to Department in August 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### **5.4.17.2 Compounding of non-compoundable offences**

As per Section 86(5) of MV Act, 1988 read with Government Orders<sup>171</sup> and Section 200 of the MV Act, 1988, read with Government Orders<sup>172</sup>, certain offences can be compounded and the amount of compounding fee to be levied for the offences have been specified in the Government Orders *ibid*. Rule 93 of the CMV Rules, 1989 specifies the dimensions to which each of the categories of vehicles should conform. Offences relating to violation of Rule 93, i.e., alteration of the body dimensions of a vehicle are not listed as a compoundable offence under any of the Government Orders.

It was observed in 14 offices<sup>173</sup> during the scrutiny of VCRs and data relating to offences compounded for the period from April 2011 to March 2014 that 40,830 offences, relating to altering of body dimensions in violation of Rule 93 of CMV Rules, 1989, were compounded. Though altering of body dimensions is a non-compoundable offence, the same was included in the list of compoundable offences in the system. Incorporation of incorrect business rule resulted in compounding a non-compoundable offence.

<sup>169</sup> Chittoor, Kadapa, Rangareddy, SPSR Nellore, Vijayawada and Visakhapatnam.

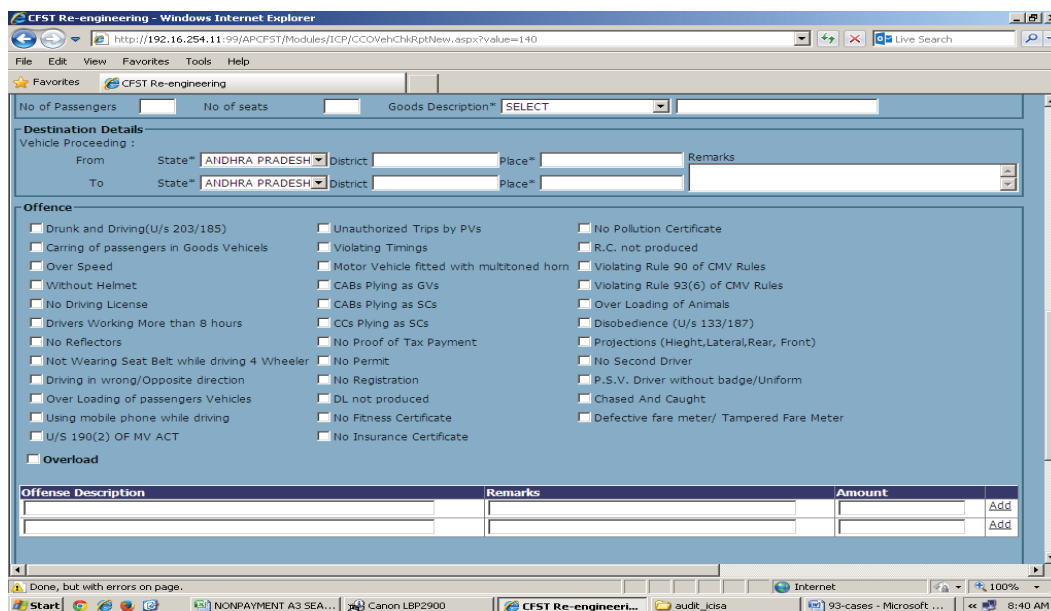
<sup>170</sup> Anakapally, Gudivada, Hindupur, Hyderabad (East Zone, North Zone, West Zone), Ibrahimpatnam, Medchal, Nandigama, Proddutur, Rangareddy (East) and Tirupati.

<sup>171</sup> G.O.Ms.No.332, TR & B (TR-I) Department, dated 13 November, 2008.

<sup>172</sup> G.O.Ms.No.108, TR & B (TR-I) Department, dated 11 August, 2011.

<sup>173</sup> JTC Central Zone, DTCs Chittoor, Kadapa, SPSR Nellore, Rangareddy, Vijayawada and Visakhapatnam. RTOs Anakapally, Gudivada, Hindupur, Proddutur, Secunderabad, Tirupati and Rangareddy (East).

### Screen shot of offences given in the list of compoundable offences



When the same was brought to notice, it was replied by all the offices except DTC, Rangareddy and SPSR Nellore districts that the matter would be brought to the notice of higher authorities. DTC, Rangareddy and SPSR Nellore replied that the offences were being compounded under Section 190(2) of MV Act. The reply is irrelevant as the offence pointed out is a non-compoundable offence under Rule 93 of CMV Rules.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### 5.4.18 Data quality and related risks

##### 5.4.18.1 Duplicate Engine, Chassis and Demand draft numbers

The engine and chassis numbers of each vehicle is unique and it indicates the make and model of the vehicle. As such, there cannot be a duplication of these numbers for any other vehicle. An analysis of data revealed the following:

Out of 74,49,703 records relating to registration of vehicles in the period from May 2009 to December 2013, the engine number was repeated in respect of 59,018 vehicles and the repetition ranged from two to 13,141. Further, some of the numbers were irrelevant characters/ numbers viz., INA,0000, \*\*\*\* etc.

Same Chassis No.

Government of Andhra Pradesh  
Transport Department

A.P. Transport Department Online Services

Home Stamp Contact

Vehicle Registration Search

Select Search Element: TR ID

Enter Search Element: AP22TH4763

GET DATA CLEAR

Vehicle Details	
Registration No	AP22CE2856
Fuel Type	PETROL
Owner Name	Vehicle Color:BLACK
Vehicle Class	MOTOR CYCLE
Maker's Name	HERO HONDA MOTORS LTD.
Mfg Year	01/01/2010
Maker's Class	PASSION PLUS GRUM SPOKE (WHEEL)
Engine No	410E694412004
Date Of Registration	2010/02/10
Chassis No	BLH410E69442002
Financier	
Prev Registration No	
Registration Authority	
Status	ACTIVE

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Home Stamp Contact

Vehicle Registration Search

Select Search Element: TR ID

Enter Search Element: AP22TH795301

GET DATA CLEAR

Vehicle Details	
Registration No	AP11AH9303
Fuel Type	PETROL
Owner Name	Vehicle Color:BLACK
Vehicle Class	MOTOR CYCLE
Maker's Name	HERO HONDA MOTORS LTD.
Mfg Year	01/01/2010
Maker's Class	PASSION PLUS GRUM SPOKE (WHEEL)
Engine No	410E694411003
Date Of Registration	2010/02/10
Chassis No	BLH410E69442002
Financier	
Prev Registration No	AP17TH795100
Registration Authority	
Status	ACTIVE

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Same Engine No.

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Transport Department

A.P. Transport Department Online Services

Home Stamp Contact

Vehicle Registration Search

Select Search Element: TR ID

Enter Search Element: AP581231

GET DATA CLEAR

Vehicle Details	
Registration No	AP26CT9538
Fuel Type	DIESEL
Owner Name	Vehicle Color:BLACK/WHITE
Vehicle Class	MOTOR CAR
Maker's Name	MAHINDRA & MAHINDRA LTD.
Mfg Year	01/02/2011
Maker's Class	SCORPIO LXI 2.2 4X4 MCR34-HRDC1407SEAT 880
Engine No	PS481231
Date Of Registration	2010/02/11
Chassis No	MA17424748200703
Financier	
Prev Registration No	AP581798387
Registration Authority	
Status	ACTIVE

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Home Stamp Contact

Vehicle Registration Search

Select Search Element: TR ID

Enter Search Element: AP0916274913

GET DATA CLEAR

Vehicle Details	
Registration No	AP17AZ2893
Fuel Type	DIESEL
Owner Name	Vehicle Color:WHITE
Vehicle Class	MOTOR CAR
Maker's Name	MAHINDRA & MAHINDRA LTD.
Mfg Year	01/02/2011
Maker's Class	SCORPIO LXI 2.2 4X4 MCR34-HRDC1407SEAT 880
Engine No	PS481231
Date Of Registration	2010/02/11
Chassis No	MA17424748200703
Financier	EDM AUTO FINANCE COMPANY
Prev Registration No	AP18ET50244441-ELURU
Registration Authority	
Status	ACTIVE

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Similarly, out of these 74,49,703 records, the chassis numbers were repeated in respect of 49,348 vehicles and a repetition of the chassis numbers ranged from two to 65 times.

Repetition of Engine number and Chassis number will have serious implications when misused by the owners of the vehicles as they cannot be detected.

It was also found that the numbers of Demand Drafts (DDs) submitted by the vehicle owners towards payment of taxes, Special number fee etc., were replicated in 157 cases (between January 2010 and December 2013), which is a matter of serious concern. Repetition of DD numbers may be indicative of utilisation of the same DD more than once which is a source of concern.

The Department failed to provide proper validations to ensure that the numbers of Engine, Chassis and Demand drafts are not repeated even in three-tier architecture indicating failure of validation controls.

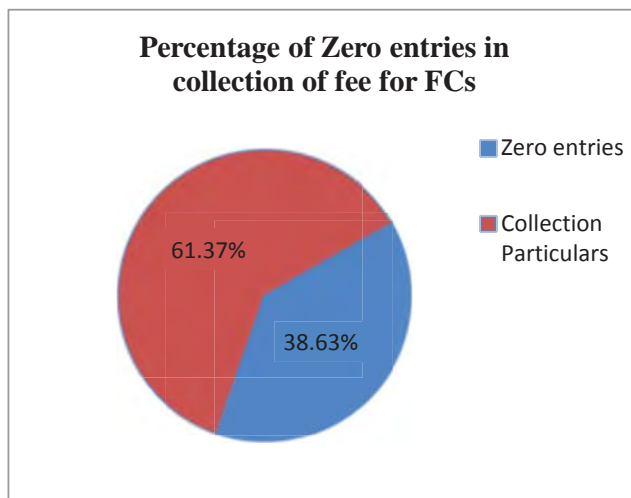


Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### 5.4.18.2 Zero entries in FC collection data

As per Section 56 of the MV Act, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness (FC) issued by prescribed authority. As per Rule 62 of the CMV Rules, FC of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules prescribes fees for conducting test of a vehicle for grant and renewal of FC.

While issuing an FC, the system generates an FC number and fee collection particulars are entered into the system. However, audit observed that out of the 19,89,287 entries relating to collection of fitness fee made between May 2009 and December 2013, in respect of 7,68,417 cases, i.e., 38.63 per cent, the entries in the field relating to collection of the fee was zero indicating probable loss of revenue to the Government and that the input controls were ineffective.

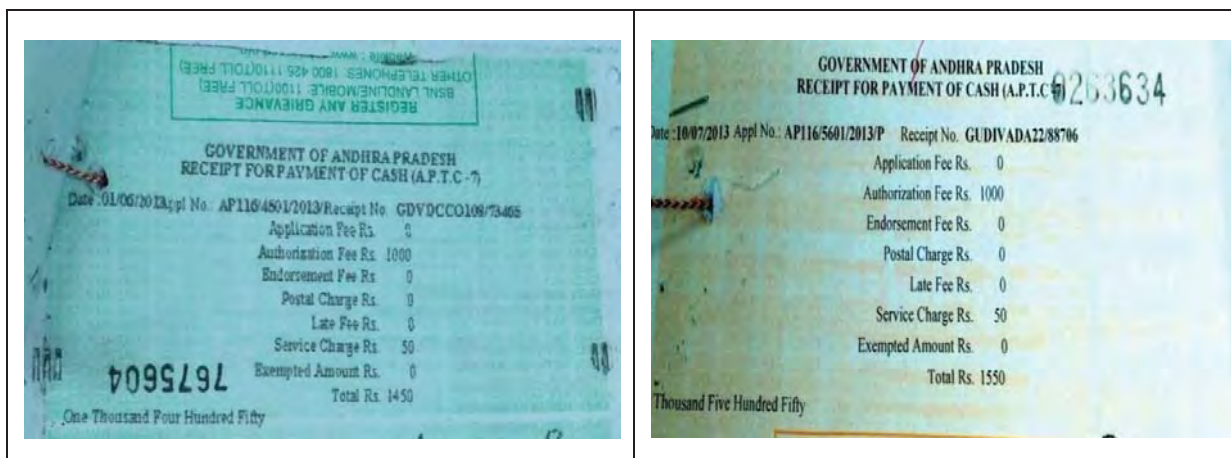


The matter was referred to Department in September 2014 and to Government in September 2014. Government replied in the Exit Conference (December 2014) that the data relates to the migration period from two-tier to three-tier architecture. Whenever any Transport vehicle comes for any transaction in three tier architecture for the first time, the Department has been updating details of RC by giving exemption in FC fee column as already FC fee was collected earlier in two-tier system. Hence, there is no lacking of input controls in this regard.

Reply is not acceptable as zero entries in FC fee were found in December 2013 in the offices migrated to three tier architecture in July 2008 itself i.e., in the first phase. Further, as per the reply of the Department all the 19,89,287 vehicles should have zero entry in FC but zero entry was found in respect of only 7,68,417 vehicles.

### 5.4.18.3 Incorrect generation of receipts

The fee prescribed for granting National Permit (NP) Authorization is ₹ 1,000 per annum with a service charge of ₹ 50. However, in six DTC/RTOs<sup>174</sup> it was observed that the totals in the receipts were more than the sums of the NP Authorization fee and service charge. This was due to the fact that the offices were collecting late fee and including it in the total in the receipts though such collection is unauthorized. The fact that the total field in the receipt generation system can be manipulated shows lack of validation controls in the system.



Matter was referred to Department in August 2014 and to Government in September 2014. Reply is awaited (December 2014).

### 5.4.18.4 Non-incorporation of adequate alerts to prompt for collecting green tax

As per Government orders<sup>175</sup> an additional tax called green tax shall be levied on transport vehicles and non-transport vehicles that have completed seven years and 15 years of age respectively from the date of registration. In respect of transport vehicles, the subsequent renewals in the form of Fitness Certificates are given for one year. As per Rule 52(1) of CMV Rules 1989, an application by or on behalf of the owner of a motor vehicle other than a transport vehicle, for the renewal of a certificate of registration shall be made to the Registering Authority (RA) not more than 60 days before the date of its expiry.

<sup>174</sup> DTCs Chittoor, SPSR Nellore, Vijayawada and Visakhapatnam, RTOs Gudivada and Hindupur.

<sup>175</sup> G.O.Ms.No.238 TR& B (TR-1) Department, dated 23 November 2006.

Scrutiny of the Green tax table in JTC, Hyderabad Central Zone, six DTCs and 12 RTOs for the period 2012-13 and 2013-14 revealed that 2983 non-transport vehicles which were registered during the period 1997-1999 were given Fitness Certificates without collecting Green tax amounting to ₹ 13.36 lakh. Further, it was observed in these offices that Transport Vehicles Green tax amounting to ₹ 49.03 lakh on 17,248 transport vehicles had not been levied.

In case the owner approaches the office for any of these purposes before the end of validity of fitness certificate/registration certificate, the system does not prompt for collection of Green tax as detailed below in respect of four transactions as an example.

Sl. No.	Vehicle number and type of vehicle	Date of registration	Date up to which registration is valid	Date of application for renewal of registration	Date upto which further validation was given	Remarks
1	AP16H4497 Non-transport	8 September 1995	7 September 2010	16 August 2010	9 September 2015	No demand for green tax was raised
2	AP09S5863 Non-transport	30 May 1998	29 May 2013	29 May 2013	28 May 2018	No demand for green tax was raised
3	ATN7929 Transport	21 November 1986	20 November 1993	15 September 2008	14 September 2013	No demand for green tax was raised
4	AP03U2871 Transport	23 September 2000	22 September 2007	31 December 2014	12 September 2013	No demand for green tax was raised

When the observation was brought to notice, JTC, Hyderabad Central Zone replied that the system was not generating prompts for collection of green tax in cases of vehicles having bi-fuel facility. For remaining vehicles it would be collected whenever the vehicles are coming for fitness certificates.

Reply is not tenable as the government had not exempted the vehicles having bi-fuel facility. The system is not prompting for collection of Green tax for vehicles not having bi-fuel facility also, if the owner was approaching the office for renewal of fitness certificate/registration certificate before the expiry of their validity. There is a need for the Department to incorporate alerts for collection of Green Tax if the vehicle owners approach the Registering Authority during the validity of RCs/FCs.

Matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

#### 5.4.19 Other issues

##### 5.4.19.1 Life tax on second and subsequent personal vehicles

As per Section 4(aa) of APMVT Act 1963, the tax levied under the second proviso to Section 3(2) shall be for the lifetime of the motor vehicle and shall be paid in advance in lump sum by the registered owner of the motor vehicle or

any other person having possession or contract thereof. In accordance with the provisions of the seventh schedule to the APMVT Act, life tax payable in respect of second and subsequent personal vehicles having seating capacity up to 10 in all was enhanced to 14 *per cent* with effect from February 2010.

TC delegated the powers to collect the life tax to the dealers concerned at the time of temporary registration from vehicles owners. At this juncture the dealer is deciding the tax liability i.e., whether it is exempted from life tax, percentage of life tax to be levied, whether the tax is to be levied at a higher rate on the second and subsequent vehicle, etc. Subsequently, at the time of permanent registration of the vehicle, the Departmental personnel have to check whether the vehicle owner has another vehicle already registered on his name. Hence the user will have the discretion to either collect the enhanced tax or to register the vehicle without collecting the enhanced rate of tax in respect of second vehicle.

Test check of the data on registration of vehicles in 19 offices revealed that life tax was collected at lesser rates instead of at the enhanced rate of 14 *per cent* after February 2010 resulting in short levy of life tax amounting to ₹ 49.34 lakh due to discretionary powers allotted to the user dealers.

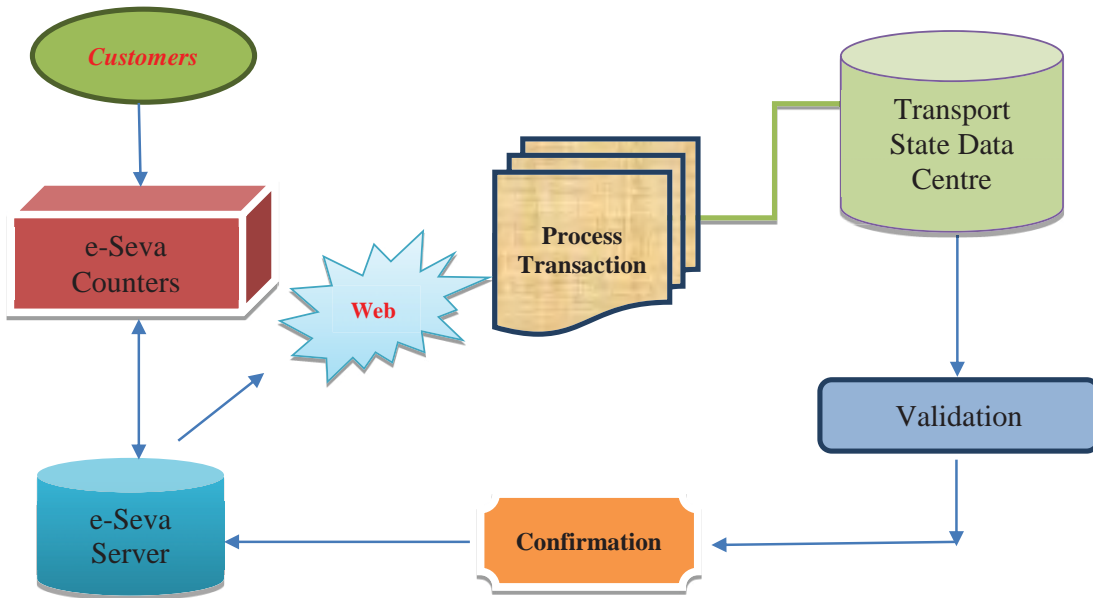
Data analysis revealed that a total of 13,52,739 vehicles belonging to two categories<sup>176</sup> of personal vehicles were registered between December 2011 and December 2013, out of which on 36,449 vehicles, life tax at 14 *per cent* was levied treating them as second and subsequent personal vehicles. However, 26,987 more vehicles were identified by Audit as vehicles requiring 14 *per cent* life tax to be levied on them which amounted to ₹ 9.51 crore as differential life tax. Further analysis revealed that the total life tax amounting to ₹ 1,728.30 crore was collected for the year 2013-14. The enhanced life tax on 26,987 vehicle owners for second and subsequent vehicles for a period of two years i.e., the period between December 2011 and December 2013 was a meagre 0.55 *per cent* of the revenue amounting to ₹ 1,728.30 crore collected for one year i.e., 2013-14.

When the observation was brought to notice, all the DTCs/RTOs replied (between August 2013 and July 2014) the details of short levy would be verified and collected. Government replied (December 2014) that a unified rate of tax dispensing with the additional tax on second and subsequent personal vehicles had been proposed by the Department.

#### **5.4.19.2 Variation in number of transactions between e-Seva, AP Online and Department servers**

The citizen service agencies, AP Online and e-Seva collect revenues on behalf of Department by charging ₹ five per transaction.

<sup>176</sup> Motor cycles and motor cars.



Though the transactions of e-Seva are executed on real-time basis, it was observed from the records of payments made to e-Seva that there were variations ranging between (-) 2,668 to 5,38,613 per quarter in the number of transactions between e-Seva and Transport Department central server. Further, during the course of audit of the office of the TC it was noticed that for the month of November 2011, the number of transactions attended to by AP Online as per its reports (2,74,353) varied with the entries in the Department servers (2,58,254).

Though the Department paid service charges to both e-Seva and AP Online for transactions as per the data in its server, the large variations in the number of transactions is a source of concern, as the variation may be indication of non-updating of data relating to collection of taxes from the customers and possible loss of revenue. The Department is addressing the issue only to the extent of payment of service charges for the number of transactions and is ignoring the fact that the numbers of transactions stated to have been attended by the CSC have not been correspondingly updated in the departmental server. The Department needs to improve its systems to ensure proper reconciliation of the number of transactions.

Department delayed the implementation of automated transaction reconciliation system which was proposed to be developed in July 2010 till August 2014. Consistent variations in data provided by outsourcing service provider and data available in Department's server indicates that the Department is not in a position to monitor or initiate action to prevent such differences.

The matter was referred to Department (December 2013) and to Government in September 2014. Government replied during Exit Conference (December 2014) that an automated reconciliation module has been developed and is being used to sort out the differences.

Department may take steps to ensure that transactions relating to earlier periods are also reconciled.

#### **5.4.20 Environmental controls**

Besides ensuring information security through logical access, validation and physical access controls, it is essential to provide physical security to the components of the system which are critical to its functioning. Smooth functioning of the system can be ensured only if information security and physical security of the critical components of the system are ensured. The following observations regarding weaknesses in these aspects were made during the audit:

##### **5.4.20.1 Not providing Physical security and fire-fighting equipment**

Computer security covers all the processes and mechanisms by which computer based equipment, information and services are protected from unauthorised access, change or destruction and is of growing importance in line with the increasing reliance on computer systems.

Though fire safety is an important component in ensuring the physical safety of any premises, it was observed that no fire-fighting equipment was available in eight offices<sup>177</sup> out of 19 offices test checked.

The matter was referred to Department in September 2014 and to Government in September 2014. Reply is awaited (December 2014).

##### **5.4.20.2 Disaster recovery and business continuity plans**

It is important for an organisation to not only take back up of data at specified regular intervals, but also to maintain a copy of the same offsite. This helps in recovering the data during contingencies where the data at the processing/storage centre is lost. In the case of CFST, which is the core application of the Transport Department, the importance of backup site cannot be overstated.

It was observed (December 2013) from the files on data maintenance and availability of back up facility that the backup server which was to be a hot site at a different location as per the Request for Proposal (RFP) document, was not being maintained and that there was no documented backup policy.

Further, after migrating to three-tier architecture, all the transactions and data updating are done on a real-time basis. The business continuity and disaster recovery plans are very important for restoring the services in case of disruption. However, it was observed that there were no documented plans relating to disaster recovery and business continuity. Further, no information on mock drills conducted, if any, was furnished to audit.

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<sup>177</sup> DTC Kadapa and SPSR Nellore, RTOs Anakapally, Hindupur, Ibrahimpatnam, Medchal, Nandigama and Proddutur.

The issue was brought to the notice of the Department (August 2014) and to Government in September 2014. Government replied (December 2014) that there is no backup at present and that there is a proposal to maintain a backup server at a different location.

#### **5.4.21 Conclusion**

Audit scrutiny revealed that there are lacunae in the revenue collection system of the Department. Timelines have not been fixed for disposal of VCRs or disposal of seized vehicles. There is inadequate support for the staff when it comes to enforcement activities especially detection of cases of drunken driving, checking the fitness of vehicles and compliance with emission norms.

There was absence of adequate controls in the procurement of hardware, software and other services for upgradation into three-tier architecture. Data validation controls are not in place for some transactions and the system requires more refining to cater to the needs of the Department. Though a major portion of revenue is collected through AP Online and e-seva, there is no system of reconciliation of figures. Instances of improper mapping of Business rules were noticed. There is no disaster recovery or business continuity plan and because of which adequate assurance on the ability of the Department to resume core business functions in case of any disruption at the Data centre cannot be given.

#### **5.4.22 Recommendations**

Department may consider

- Introducing deadlines for remitting the revenue into Government account and fixing responsibility in the case of delay.
- Fixing reasonable time limits for disposal of VCRs and seized vehicles.
- Putting in place a project management structure for change management of CFST and for better control over procurement of IT/ IT related services.
- Incorporating necessary validation controls in the system data and cleaning of vehicle registration database for efficient business delivery to stakeholders.
- Drawing up Business Continuity and Disaster Recovery plans to avoid inconvenience to the users. The backup server may also be maintained in a geographically distant location.