

4.2.23 Recommendations

~~For effective running of the State lotteries and to safe guard financial interest of the State, the State Government may ensure to:~~

- ~~☒ to retender for selection of distributors and allocated the job for conducting of lotteries as per Act and Rules;~~
- ~~☒ deposit the entire sale proceeds calculated on the face value of the tickets in the Consolidated Fund of the State without any deduction and deposit unclaimed prize money to the Government Accounts in time;~~
- ~~☒ Central Server should be under the direct control of the State Government and the activities of online lotteries should be effectively monitored;~~
- ~~☒ strengthen monitoring and internal control by appropriate measure like conducting of financial and system audit annually and set up Internal Audit wing in the Directorate; and~~
- ~~☒ define clearly the purpose of conducting lotteries by evolving the mechanism to allocate funds necessarily to the intended purposes out of the revenue generated from lotteries in the annual budget of the State~~

MOTOR VEHICLES DEPARTMENT

4.3 Computerisation of Motor Vehicles Department

The Motor Vehicles Department in the State of Nagaland was established in 1963 as per section 133-A of the Motor Vehicle Act, 1939. The Department is governed by the Central Motor Vehicles (MV) Act 1988, the Central Motor Vehicles Rules 1989, the Nagaland Motor Vehicles Taxation Act 1967 and the Nagaland Passengers and Goods Taxation Act 1967. For effective implementation and integration of the data the Transport Department introduced (1996) Computerisation of Motor Vehicles in Nagaland in a DOS based FoxPro database application on Novell Software developed by M/s NagaSoft, Kohima. By the year 1997, all RTOs/DTOs were fully computerised using this application software till 2008. From July 2008, the software packages of 'Vahan' and 'Sarathi' software introduced by GOI on an Oracle platform was implemented in the Regional Transport Office (RTO), Kohima and subsequently in October 2009 in all the seven Regional Transport Officers/District Transport Offices (DTOs), with support from NIC Nagaland. Online issue of National Permit System (NPS) was implemented on September 2010 in the Office of the Transport Commissioner, Nagaland, Kohima.

Performance Audit for the period from April 2011 to March 2016 on computerisation of the Motor Vehicles Department revealed inadequacies in implementation of IT software, planning, management, training, monitoring and internal control of computerization as brought out in this Report.

Highlights

The Department did not formulate and adopt any IT policy and therefore the risk involved in record keeping of user data, statutory documents, revenue collection and data security, were not ensured.

(Paragraphs 4.3.8.1)

The Department had not completely migrated to the more advanced system of Vahan and Sarathi from the old legacy system to provide smooth interface with the data of Regional Transport Officers and District Transport Officers while issuing authorisation for national permits and collection of taxes/fees by State Transport Authorities. The Department also did not incorporate provision for validation checks in the software to compulsorily capture statutory fields at the time of data entry.

(Paragraphs 4.3.8.2)

Non-utilisation of complete permit module resulted in irregular issue of permits for goods and passenger vehicles and also resulted in underutilisation of the Vahan database for integration with databases across India.

(Paragraphs 4.3.10)

Instances of short remittance of revenue to Government account ranging from ` 1.06 lakh to ` 2.55 crore in the selected districts were noticed. As of March 2016, a revenue of ` 8.37 crore was retained in the bank account of Axis bank in contravention of the terms of agreement.

(Paragraphs 4.3.14.2 and 4.3.14.3)

4.3.1 Introduction

The Motor Vehicle Department introduced Computerisation of Motor Vehicles in Nagaland in the year 1996 in a DOS based FoxPro database application for capturing data such as issuance of driving licences, certificate of fitness for transport vehicles, registration of motor vehicles and granting regular and temporary permits to the vehicles, collection of taxes and fees. The Department in 2008 decided to implement 'Vahan' and 'Sarathi' software systems developed by the National Informatics Centre (NIC) in order to have a national database of registered vehicles and driving licences issued and for providing valuable data to the Central Government security agencies. In spite of the decision to implement Vahan and Sarathi in 2008, Audit noticed that even after eight years of its implementation the Department continued to operate the old software (2016). It was also noticed by audit that both old and new software were used ignoring the quality controls for data such as data integrity, data security, correctness of data and usage of data. This resulted in under achievement of the benefits of computerisation.

4.3.2 Overview of the IT application systems

In 1996 the Motor Vehicle Department commenced introduction of computerised system in capturing data, issuing licences, certificates etc., in a FoxPro database

application. Thereafter, Vahan and Sarathi an Oracle platform was introduced by GoI in July 2008.

FoxPro:-It is a database management system and a relational database management system which extensively supports multiple relationships between multiple database files.

Vahan: It is an application developed by NIC Headquarters, Delhi for registration of Vehicles and collection of road tax, issue various certificates and permits and record fitness of vehicles by the RTA/RTO.

Sarathi: It is an application developed by NIC Delhi for issue of Learner's driving licenses, Permanent driving licenses, conductor's licenses and Driving School licenses.

National Permit System: It is an electronic system for grant of National Permit and was developed in consultation with the NIC and operates in web-based environment with a central server in Delhi.

All offices of the Department were provided the facility of separate LAN systems functioning under three tier architecture (Database Server, Application Server and clients) for Vahan and a two tier architecture for Sarathi on a Client-Server relationship architecture. The database server runs on a Linux Server with Oracle 10g database and Windows OS on application Servers and Clients. System support is provided by NIC, Nagaland for customization and modifications of Vahan and Sarathi according to local requirements. Smart Card based registration certificates and driving licenses are being printed and activated using web page application namely Key Management System (KMS) software.

The comparison of functions of FoxPro and Vahan/Sarathi are as follows.

FoxPro	Vahan and Sarathi
<ul style="list-style-type: none">* Collection of authorisation fees of National Permit* counter-signature of temporary permits,* collection of goods tax,* passenger tax,* late fines for inter-State vehicles and all Nagaland tourist taxi/bus permits	<ul style="list-style-type: none">* registration of Vehicles* collection of road tax,* issue of various certificates and permits* fitness of vehicles* issue of Learner's driving licenses* Permanent driving licenses,* conductor's licenses and Driving School licenses

The old system under FoxPro and the new system under Vahan and Sarathi are running simultaneously in the Department.

4.3.3 Organisational setup

The Secretary to the Government of Nagaland (GoN), Transport & Communication Department is the Administrative Head of the Motor Vehicles Department and the Transport Commissioner (TC) as the Head of the Department. There are two Regional Transport Officers (Kohima & Mokokchung) and six District Transport Officers (Dimapur, Phek, Mon, Tuensang, Zunheboto & Wokha) in the state.

4.3.4 Audit objectives

The objectives of Performance Audit on the Computerisation of Motor Vehicles Department were to assess whether:

- ☒ The IT applications of Vahan, Sarathi and National Permit System were implemented fully in all the RTOs and DTOs of the State.
- ☒ Adequate IT controls existed to ensure data integrity, data security and data accuracy.
- ☒ Funds sanctioned for computerisation were utilised economically and efficiently and revenue collection thereof deposited into Government account without undue delay and leakages.
- ☒ Appropriate monitoring and internal control mechanism was in place at all levels to monitor the implementation of the IT systems.

4.3.5 Audit Criteria

The Performance Audit was carried out based on the following criteria:

- ☒ Motor Vehicles Act 1988 (MV Act)
- ☒ Central Motor Vehicles Rules 1989
- ☒ Nagaland Motor Vehicles Taxation Act 1967
- ☒ Nagaland Passengers & Goods Taxation Act 1967
- ☒ IT Act 2000 (As amended by IT (Amendment) Act 2008) of GOI.
- ☒ Notifications, circulars and orders issued by the GOI and GON from time to time.
- ☒ Operational guidelines of Vahan, Sarathi & National Permit System developed by NIC.

4.3.6 Audit Scope and Methodology

Audit covered the offices of the Transport Commissioner, all the two RTOs (Mokokchung & Kohima) and two DTOs (Dimapur & Phek) out of six DTOs selected on the basis of Simple Random Sampling Without Replacement (SRSWOR) method during May 2016 to July 2016. The Audit methodology included checks on validation of data integrity, data processing, reporting and security controls using the Computer Assisted Audit Technique Tools like IDEA, MS Access, MS Excel etc. The Performance Audit on Computerisation of Motor Vehicle Department for period 2011-16 was covered. An entry conference was held (6 May 2016) with the Transport Commissioner, Departmental Officers and NIC Nagaland to discuss the audit scope and methodology, criteria and objectives. The draft report was issued to the Department in September 2016. An exit conference was held with the Departmental Officers on 10 November 2016 to discuss the findings of audit. The views expressed during the exit conference and the replies furnished by the Department were considered and suitably incorporated in the report.

4.3.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Motor Vehicles Department, Government of Nagaland and NIC for providing necessary information and records to audit.

Audit findings

The findings of audit are discussed in the following Paragraphs:-

4.3.8 IT applications of FoxPro, Vahan, Sarathi and National Permit System

4.3.8.1 IT Policy and framework

IT policy is a comprehensive document to be developed by a user Department while implementing computerization. It includes security, purchase, user level definition backups and disaster recovery policy, password policy, copy right laws, privacy legislation of personal data, data protection, business continuity policy for efficient upgradation and modification in software packages, stock management etc.

Examination of records revealed that the Department did not formulate nor adopt any IT Policy for planning and implementation of the principle of action proposed to achieve the computerised functions and its objectives and to mitigate the risk of data management. Thus, the Department failed to specify and ensure capturing of complete data, proper record keeping and statutory documents, interlinking of database, data security and revenue collections etc.

The Department in reply (October 2016) stated that the IT policy is under draft stage.

4.3.8.2 FoxPro Application and Vahan and Sarathi modules in the State

Chapter V of Motor Vehicle Act 1988 empowers the State Transport Authority (STA) to authorise issue of National Permits, counter-signature of temporary permits, collection of goods tax, passenger tax, late fine etc., for inter-State vehicles and all Nagaland tourist taxi/bus permits. The current version of Vahan (2.0) has the modules for vehicle registration, fitness, taxation, permit, pollution under control certificate, trade license and enforcement whereas Sarathi (1.0) has the modules for driving license, learner's license, conductor's license and driving school license.

Examination of records revealed the following:

- ☒ **Fox Pro application software**:-Though the use of FoxPro application software was to be discontinued from the date of implementation of Vahan and Sarathi, the Department continued to use the FoxPro software developed by M/s NagaSoft, Kohima for the functions undertaken by STA for collection of authorisation fees of National Permit, counter-signature of temporary permits, collection of goods tax, passenger tax, late fine etc., for inter-State vehicles and all Nagaland tourist taxi/bus permits. Incidentally, the use of outdated database and deficiencies in the FoxPro application and instances of data manipulation was pointed out in the Audit Report of the Comptroller &

Auditor General of India- Government of Nagaland for the year ending 31 March 2008. However, no tangible action was initiated to address these issues.

Analysis of data captured in the FoxPro further revealed the following deficiencies:

- * There was no validation check on date of receipt leaving a scope for entering incorrect dates in this field.
- * There was no input validation check in any of the fields in the system as a result some fields were not captured while making data entry.
- * There is no user hierarchy system for validation and approval of data entry thereby enabling possible entry of incorrect or unauthorised data.
- * Database of daily receipts in respect of 69 records (26 June 2013) and 164 records (18 November 2014) from the database of national permit authorisation were deleted.
- * Free access of the account with administrator rights (super user) were provided to the data entry level.

Thus, the Department continued to use the FoxPro software without adequate and requisite IT controls inspite of Government decision to implement Vahan and Sarathi. This led to capturing of incorrect date in the field, incomplete fields and entry of incorrect and unauthorized data.

Vahan and Sarathi: As per Section 47 of Chapter III, Central Motor Vehicle Rules 1989, certain documents such as valid insurance certificate, address proof documents, vehicles documents etc. are made compulsory for vehicle registration and issuance of driving license. In addition, IT applications should have in-built controls which automatically rejects data entry if such mandatory information are not captured. The Department issues Pollution Under Control Certificate (PUC) in Vahan software environment, however, permits, trade license and the enforcement module are being issued using FoxPro Software as a result the modules prescribed by GoI remained underutilized and also the mandatory information was not captured during registration of vehicles and issue of driving license as discussed below:

- ☒ Out of 80,349 vehicles¹⁶ registered in four districts during 2011-16, only 167 PUCs¹⁷ were found to be issued through Vahan software.
- ☒ Out of 6202 permit fees¹⁸ for goods and passengers vehicles realised and captured in Vahan software, only 74 certificates¹⁹ were found to be generated from the software indicating issue of permits using the old system or manually.

¹⁶ 31,857 vehicles (DTO Dimapur) + 1670 vehicles (DTO Phek) + 8653 vehicles (RTO Mokokchung) + 38,169 vehicles (RTO Kohima) = 80,349 vehicles

¹⁷ 140 certificates (DTO Dimapur) + NIL (DTO Phek) + 8 certificates (RTO Mokokchung) + 19 certificates (RTO Kohima) = 331 certificates

¹⁸ 4267 permit fees (DTO Dimapur) +145 permit fees (DTO Phek) +329 permit fees (RTO Mokokchung) + 1461 permit fees (RTO Kohima) = 6202 permit fees

¹⁹ 22 (DTO Dimapur) +NIL (DTO Phek) + 49 (RTO Mokokchung) + 3 (RTO Kohima) = 74

- ☒ No records were entered under the module of Enforcement in Vahan indicating non-utilisation of the module in all four test checked districts.
- ☒ The module under Sarathi for issue of conductor's license was not utilised at all in all the four test checked districts.
- ☒ It was observed that the modules and features provided under Vahan and Sarathi were not fully utilised which resulted in capturing of incomplete data in the database and irregularities in issuing of permits and PUCCs.
- ☒ Out of 80,349 vehicles registered during 2011-16 in four selected districts, the date of purchase of 899 vehicle was not captured (**Appendix-4.3.1**).
- ☒ Out of 77,168 records of driving licenses issued in four selected districts during 2011-16, Pin Codes in permanent address of 366 applicants, PIN Codes in temporary address of 8190 applicants and identification mark of 1153 applicants were not captured (**Appendix-4.3.1**).

Though the Department decided to migrate to more advanced system of Vahan and Sarathi, provisions for compulsory and uniform applicability of the software was not made. The Department also did not lay down adequate IT controls nor incorporate provision for validation checks in the software to compulsorily capture statutory fields at the time of data entry and provisions for audit trail. This led to capturing of partial, incomplete and incorrect data coupled with potential loss of revenue as discussed in paragraphs **4.3.14.1 to 4.3.14.3**.

The Department in reply (October 2016) stated that the process for up-gradation or replacement of the legacy application has started. The Department further stated that the date of purchase of vehicles was not captured during the initial stage of digitalization. However, it has now been made mandatory. The Department also stated that all offices have been notified to mandatorily include the pin code.

The fact remains that the Vahan software were partially or under-utilised and the permits were issued manually.

4.3.9 IT controls, data integrity, data security and data accuracy

IT applications should have in-built controls which automatically check whether the data entered is accurate and valid. The accuracy of data input to a system can be controlled by incorporating computerised validation checks on the data presented to the system. As discussed in paragraph **4.3.8.1 and 4.3.8.2**, the Department did not formulate and adopt IT policy for planning and implementation of computerised functions and also continued to use the outdated software application instead of the comprehensive software application of Vahan and Sarathi. Audit therefore made an attempt to analyse the data in four selected districts which revealed that incorrect data were entered into the system due to lack of validation checks in the software. Instances of such incorrect and unusual data are discussed below:

- ☒ **Incorrect city name:** Out of 80,349 vehicles owner records in four selected districts, 56,052 (70 per cent) records with incorrect name of the city under

temporary address column and 45,287 (56 per cent) incorrect name of the city in permanent address were captured in the database.

- ⊗ **Incorrect PIN Code:** 325 instances of incorrect PIN Code were captured in temporary address and 10681 records have incorrect PIN Code in permanent address (**Appendix-4.3.2**).
- ⊗ **Incorrect pin code in driving licenses:** Out of 77,168 driving licenses issued in four selected districts, 8810 had incorrect PIN Code in the temporary address and 67 cases of incorrect PIN Code was recorded in permanent address.
- ⊗ **Incorrect timing for issue of fitness:** Out of 88,631 records of fitness testing captured in four selected districts, 1303 vehicles were recorded as tested during 6 pm to 6 am of a particular day (**Appendix-4.3.2**).
- ⊗ **Incorrect registration of vehicle:** Out of 36,959 vehicles already registered in other States and brought to Nagaland for re-assignment of new number, in 9555 vehicles, the old registration number assigned by other States were not captured in the database (**Appendix-4.3.2**).
- ⊗ **Incorrect identification marks:** 2446 cases of incorrect identification marks were recorded in the database (**Appendix-4.3.2**).
- ⊗ **Incorrect blood group:** In 1131 cases non-existent blood group e.g. Blood group 'U' were recorded (**Appendix-4.3.2**).

Thus, it was observed that there was no validation checks to reject entry of incorrect and inaccurate data rendering the data incomplete and unusable at both State and National Registers of Transport Department.

The Department while accepting the facts stated (October 2016) that necessary instruction has been issued to all the offices to mandatorily include the PIN code, identification mark and blood group in the addresses of the vehicle owners. The anomaly in the timing of fitness tests were due to failure of the CMOS Battery, which has now been rectified. It was also stated that the irregularity in vehicles having old and new registration numbers was due to a technical problem which has been resolved with the help of NIC officials.

4.3.10 Capturing of permits issued through the system

Section 66 of Central Motor Vehicle Act 1988 (Necessity for permits) states that no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place whether or not, such vehicle is actually carrying any passengers or goods save in accordance with the conditions of a permit granted or countersigned by a Regional or State Transport Authority or any prescribed authority authorising him the use of the vehicle in that place in the manner in which the vehicle is being used.

Analysis of data in four selected districts revealed that though the RTO/DTOs were realising permit fees through Vahan software for passengers and goods vehicles,

essential details such as permit number, type of permit and permit validity were not captured in the Vahan database rendering the data incomplete as detailed below:

Table No.4.3.1

Districts	No. of transport vehicles (excluding Government vehicles)		Total number of permit details captured in Vahan database
	Registered during 2011-16	Number of permit fees realised through Vahan	
Kohima	26,572	1,461	3
Mokokchung	6,143	329	49
Dimapur	6,763	4,267	22
Phek	721	145	0
Total	40,199	6,202	74

As can be seen from the table above out of 40,199 registered transport vehicles in these four districts during 2011-16 only 6202 (15.43 *per cent*) permit fees were realised through Vahan and 74 records of essential information for issue of permits were entered in the Vahan database.

Non-utilisation of complete permit module resulted in irregular issue of permits for goods and passenger vehicles and also resulted in underutilisation of the Vahan database. As a result, integration with databases across India was also impacted. Details of transport vehicles plying without permits or expired permits also could not be generated by the software. This would have aided the enforcement wing in effective control on these vehicles. Besides, the very purpose of computerisation and its benefits in implementation was not availed by the Department.

The Department in reply assured (October 2016) that the matter would be rectified with the support of the NIC.

4.3.11 Transport vehicles without fitness certificate

As per Section 56 of the Motor Vehicle Act 1988, every transport vehicle should carry an effective certificate of fitness issued by the prescribed authorities or by any authorised testing stations specified by the State Government. This certificate of fitness in respect of a transport vehicle granted under section 56 shall be in Form 38 and such certificate when granted or renewed shall be valid for the period as indicated: (a) two years for new transport vehicles and (b) one year for renewal of certificate of fitness.

Database of Vahan in four selected RTOs/DTOs were analysed and it was found that 5836 transport vehicles out of 40,199 registered during 2011-16 were plying without a valid fitness certificate as detailed in the following table:

Table No.4.3.2

Sl. No.	Districts	No. of transport vehicles	
		Registered during 2011-16	Plying with Expired Fitness Certificate
1.	Kohima	26,572	2,012
2.	Mokokchung	6,143	1,142
3.	Dimapur	6,763	2,252
4.	Phek	721	430
	Total	40,199	5,836

As illustrated in the above table, out of 40,199 transport vehicles registered during 2011-16, fitness certificate of 5836 transport vehicles (14.51 *per cent*) had expired but were not renewed. These vehicles were still plying which was a violation of MV Act. This indicated that the enforcement wing of the Department did not utilise the information available in the Vahan database to detect and penalise those transport vehicles plying without valid fitness certificate. The Department also failed to effectively use the system and enforce the provisions of the Act. The data captured in the system were also incomplete and incorrect which led to leakage of revenue as discussed in paragraph 4.3.14.1 and 4.3.14.2.

The Department, while accepting (October 2016) the facts, stated that fitness certificates had to be manually issued outside the application as the Department does not possess required infrastructure for vehicle inspection and certification. The upgraded version of the application would address this matter.

The fact however remains that there was already a provision in Vahan software to capture the data of all vehicles and therefore the database should have been effectively used.

4.3.12 Statutory provisions for imposing penalty on delayed registration

Section 43 of the Motor Vehicle Act 1988 stipulates that the owner of a motor vehicle may apply to the registering authority to have the vehicle temporarily registered with a validity period for a maximum of one month. Section 47 & 48 of Central Motor Vehicle Rules 1989 also stipulated that an application for registration of a motor vehicle shall be made in Form 20 to the registering authority within a period of seven days from the date of taking delivery of such vehicle, excluding the period of journey.

Analysis of the Vahan database revealed that out of 80,349 vehicles registered in four selected districts, 24,751 vehicles were registered after a delay of 30 days as shown in the following table.

Table No.4.3.3

Districts	Total number of vehicles (2011-16)	No. of vehicles registered after delay of				Total
		1-6 months	6-12 months	1-2 years	More than 2 years	
Kohima	38,169	7,537	859	423	285	9,104
Mokokchung	8,653	1,562	313	247	320	2,442
Phek	1,670	425	165	153	133	876
Dimapur	31,857	8,463	2,517	910	439	12,329
Total	80,349	17,987	3,854	1,733	1,177	24,751

It can be seen from the table that 17,987 vehicles were registered after a delay of one to six months, 3854 vehicles after a delay of six to twelve months, 1733 vehicles after a delay of one to two years and 1177 vehicles after a delay of more than two years.

The Department accepted (October 2016) the facts and assured that necessary steps were being taken to impose penalty on defaulters.

4.3.13 Inbuilt mechanism for vehicle registration

Section 40 of the Motor Vehicle Act 1988 requires every owner of a motor vehicle to register his/her vehicle in the jurisdiction of the registering authority where he has the residence or place of business or where the vehicle is normally stationed. Thus, as per the provision of the Act, the Registering Authority is responsible to process only those applications for registering the vehicles whose owner's residence or place of business fall under their jurisdiction.

Examination of Vahan database revealed that the system did not have an in-built mechanism to ensure that the temporary or permanent address of the vehicle owner was within the jurisdiction of the registering authority. It was also observed that the address of the vehicle owners were captured even though the addresses provided were outside the jurisdictions of the registering authorities or from outside the State. Data analysis of the four selected districts revealed that during the period from 2011-16, 1727 registered vehicles belonged to districts outside the registering authority and 421 vehicles owners were from outside the State as detailed in the following table.

Table No.4.3.4

District	Total number of vehicles (2011-16)	Other districts of Nagaland	Outside the State	Total
Kohima	38,169	1,239	130	1,369
Mokokchung	8,653	396	76	472
Phek	1,670	40	195	235
Dimapur	31,857	52	20	72
Total	80,349	1,727	421	2,148

As can be seen from the above table, registration of 2148 vehicles whose address of the vehicle owners or where the residence/place of business of the owner or where the vehicle is normally stationed were outside the jurisdiction of the registering authority.

Thus, registration of vehicles whose addresses fall outside the jurisdiction of the respective RTO/DTOs without capturing the correct addresses of the vehicle owners violated the provision of the Act. Besides, the Department failed to control and detect incorrect registration and also compromised the objective of issuing demand notice to the defaulters and tracking of owners of the vehicles for law enforcing agencies.

The Department in reply (October 2016) stated that all efforts would be made to enable the owners to seek registration or submit application for grant of licenses in their own areas.

4.3.14 Fund management

4.3.14.1 Payment of goods and tax by commercial/transport vehicles

As per Section 3 of the Nagaland Passengers and Goods Taxation Act 1967, there shall be levied, charged and paid to the State Government a tax on all fares in respect of all passengers and goods carried in a taxable vehicle²⁰. Further as per Section 9 of this Act, if the prescribed authority is satisfied that the owner is liable to pay tax in respect of any period but has failed to pay the tax, the said authority may after giving the owner a reasonable opportunity of being heard, assess the amount of tax if any, due from the owner and also direct that the owner shall pay in the prescribed manner.

Analysis of Vahan database in four selected districts revealed that out of 64,558 commercial/transport vehicles registered during the last ten years²¹, 36,040 vehicles defaulted in payment of goods/passengers tax amounting to ` 5.64 crore and 45,631 vehicles defaulted payment of road tax of ` 17.25 crore. However, there was no record to indicate that the Department had taken action to realise the tax from the defaulters. The enforcement wing also did not utilise the information from Vahan software to compound those vehicles. This resulted in potential revenue loss of ` 22.89 crore²² (**Appendix-4.3.3**).

The Department stated (October 2016) that ‘Demand Notice’ would be served to all defaulters and followed up in collaboration with the District Administration.

4.3.14.2 Non-capturing of transaction

Rule No. 6 (1) of Receipt & Payment Rules 1983 states that all moneys received by or tendered to Government Officers on account of revenues or receipts or dues of the Government shall, without any undue delay, be paid in full into the accredited bank for inclusion in Government account. The RTOs/DTOs receive Government revenue in the form of road tax, goods tax, passenger tax, registration of vehicles, permit fees, fitness fees etc. which are computerised and received through Vahan application software. At the end of each day’s transaction, summary sheets for ‘cash receiving users’ were printed in a separate sheet from the software and the total amount

²⁰ All commercial transport vehicles including passengers and goods

²¹ Life span of transport vehicles was considered for ten years i.e. from April 2006 to March 2016

²² Tax defaulting amount was calculated as per the rate of tax paid last

reflected in the summary sheets were accounted for in the cash book as Government revenue receipts for the day.

Examination of the summary sheets and daily revenue receipts recorded in the cash book in the four selected RTOs/DTOs along with the revenue receipts generated and extracted by audit from Vahan database revealed that there was a difference of ` 5.28 lakh²³ between the two records. Thus, the revenue of ` 5.28 lakh collected through Vahan was not deposited into Government account and the possibility of misappropriation cannot be ruled out.

The Department in reply stated (October 2016) that two RTO (Dimapur and Mokokchung) and DTO, Phek had deposited an amount of ` 5.09 lakh to the treasury.

The fact remains that an amount of ` 0.19 lakh still need to be recovered and deposited into Government account. The Department was also silent on initiating disciplinary action for temporary misappropriation of Government revenue.

4.3.14.3 Irregularities in remittances of revenue collected by the Department

Rule No. 6 (1) of Receipt & Payment Rules 1983 states that all moneys received by or tendered to Government Officers on account of revenues or receipts or dues of the Government shall, without any undue delay, be paid in full into the accredited bank for inclusion in Government account. Money received as aforesaid shall not be utilised to meet departmental expenditure nor otherwise kept apart from the accounts of the Government.

The Motor Vehicles Department, Nagaland entered (September 2011) into an agreement with Axis Bank Ltd. for collection of cash, cheques or demand drafts etc. from the office premises of Regional Transport Officers/District Transport Officers in Kohima, Dimapur, Mokokchung and Transport Commissioner's Office on every working day. As per Clause A (2) of the agreement, Axis Bank will remit the collection of the first to fourteenth day of the month on the 15th of each month and the balances from the 15th till the month end would be remitted on the 1st day of the subsequent month. For the month of March, the amount would be deposited on the 31st March itself through treasury challan to the designated Government account in the State Bank India.

Examination of revenue collected and deposited by the Department into Government account revealed that there were short remittances into Government account ranging from ` 1.06 lakh to ` 2.55 crore in respect of Dimapur, Kohima and Mokokchung districts as shown in the **Appendix –4.3.4**. It was also noticed that as on 31 March 2016, the Department had a closing balance of ` 8.37 crore²⁴ in Axis Bank accounts even though the full amount was required to be remitted into Government account as per the agreement.

²³ ` 3.23 lakh (DTO Dimapur) + ` 1.43 lakh (RTO Mokokchung) + ` 0.62 lakh (DTO Phek) = ` 5.28 lakh

²⁴ ` 0.83 crore (DTO Dimapur)+ ` 5.88 crore (RTO Kohima)+ ` 1.66 crore (RTO Mokokchung) = ` 8.37 crore

The Department in reply stated (October 2016) that the onus of depositing the revenue into Government Treasury lies with the Axis Bank.

The fact remains that the Department has to monitor and ensure that the bank carries out the provisions of the agreement. Moreover, no action was taken by the Department against the bank for the delay in depositing the revenue in Government account.

4.3.15 Monitoring and Internal Control Mechanism

4.3.15.1 Inadequate training and lack of training needs analysis

Computerisation in Motor Vehicles Department in the state of Nagaland commenced in the year 1996 by adopting a DOS based FoxPro database application which has since migrated to a more advanced system of Vahan and Sarathi based on an Oracle database platform. Computerisation requires imparting of computer and software operating knowledge to the user clients by way of conducting trainings at regular intervals.

Examination of records revealed that the Department did not conduct Training Needs Analysis (TNA) of the staff who were assigned to operate these software packages. The Department also did not formulate any annual training calendar for imparting training to the staff at regular intervals.

Thus, deficient training opportunities and development of IT skills of the staff operating the system resulted in wrong data entry, capture of incomplete information and under-utilisation of features/provisions of the application software.

The Department in reply stated (October 2016) that imparting training to staffs is being contemplated.

4.3.15.2 Lack of monitoring and internal control mechanism

An independent and effective internal control mechanism under the direct control of the Head of the Department is essential for ensuring compliance and adherence to provisions of Act/Rules regarding assessment of duties and overall functioning of the system. Computerisation in Motor Vehicles Department was introduced to ensure effective and smooth functioning of the day to day activities and to ensure that revenue leakage do not occur.

The Department did not have an effective internal control mechanism. Examination of records revealed that there was no mechanism for monitoring and inspection of various offices by the Senior Management. It was also observed that no IT Policy was adopted by the Department for effective monitoring and internal control of IT systems. The Department did not conduct any internal audit of the IT system and revenue collection thereof. Non-utilisation of enforcement module in Vahan and Sarathi also indicated ineffective utilisation of computerised data by the enforcement wing. Reporting mechanism of technical failure and system deficiencies for quick redressal and documentation of the problems faced by the user clients in different district offices was also not adequate.

Irregularities in data capturing, IT infrastructure management and deficiencies in revenue collection were indicative of inadequate monitoring and internal control mechanism in the Department.

The Department in reply stated that (October 2016) the issue is being considered under IT policy which is in process of finalisation.

4.3.15.3 Physical access to IT facilities and damage by natural disaster due to improper maintenance of server rooms/IT Infrastructure

The objective of physical and environmental controls is to prevent unauthorized access and interference to IT services. To meet the objective, the computer equipment and the information they contain and control should be protected from unauthorized users. They should also be protected from environmental damages caused by fire, water (either actual water or excess humidity), earthquakes, electrical power surges or power shortages. The entity's IT security policy should include consideration of physical and environmental risks.

On verification of the IT Infrastructures at the Transport Commissioner's Office and test check of selected RTOs/DTOs, it was noticed that entry to the Server rooms and other IT facilities were not restricted. In TC's Office, many damaged and unused batteries, UPS, desktops, printers, network cables etc., were haphazardly dumped inside the server room. In RTO Kohima and RTO Mokokchung, no separate room was allocated for the servers and they were accommodated in the common office space accessible by any person and susceptible to damage and theft. In DTO Dimapur, the server room could be accessed by even the non IT staffs and clients. It was also found that many files were dumped in the server room of DTO Dimapur. Moreover, unused IT equipment were stored in the unused toilets and bathrooms of the TC Office and RTO Kohima resulting in possible risk to damage by water and moisture. Security devices like CCTV and intruder alarms were not installed in any of the offices. Fire extinguishers installed in the four selected offices were outdated which were manufactured in the year 2000 without any further refilling and maintenance.

The above instances indicated that effective measures to prevent unauthorised physical access to server rooms, installation of necessary equipment for prevention of damages by environmental factors and natural disasters were not ensured.

The Department in reply (October 2016) stated that it is actively considering steps to prevent access by unauthorized person to sensitive areas of IT installation.

4.3.16 Conclusion

Though the functions of the Department had been computerised, no IT policy for effective planning, management, training, monitoring and internal control of computerisation was formulated. Instead of migrating to Vahan and Sarathi, the Department continued to use the outdated FoxPro database. Modules prescribed under Vahan and Sarathi such as enforcement, permit, PUCC, trade license and conductor's license were not being used by the Department. There were several deficiencies in

validation checks of software application which resulted in capturing of empty fields, incorrect data like insurance details, permit details, vehicles owner's details etc. The Department failed to incorporate statutory provisions regarding jurisdiction of registering/licensing authority and realisation of penalty for delay in registration. There were instances of default in payment of road tax, renewal of road tax and goods and passengers' tax. 5836 transport vehicles were also plying without valid fitness certificate. The Department kept revenue amounting to ` 8.37 crore outside Government account.

4.3.17 Recommendations

The recommendations of audit are:-

- ☒ The Department may endeavour to implement all the modules of Vahan and Sarathi to make the State and National Register database complete.
- ☒ Effective data validation checks should be incorporated in the software and essential information as provided in the Acts and Rules made mandatory to capture valid, correct and accurate data.
- ☒ Efforts should be made to strengthen the enforcement wing and reports generated from Vahan for taking penal action on vehicles plying without valid fitness certificate, permits and tax defaulting vehicles.
- ☒ The Department should formulate and adopt an effective IT Policy for planning, management, training, monitoring, physical and environmental control, data security and internal control of computerization.

~~Compliance Audit~~

~~FINANCE (TAXATION) DEPARTMENT~~

~~4.4 Evasion of Tax~~

~~Acceptance of returns filed by the dealers and assessment of tax without proper verification by the Assessing Authorities resulted in evasion of tax of ` 5.65 crore.~~

~~Rule 28 of the Nagaland VAT Rules stipulated that every dealer registered under the act shall furnish Annual Returns containing information in respect of gross purchases including exemption, non-taxable purchases, gross sales including export sales, inter-state sales and consignment transfers, total tax due including interest and penalty less credit during the assessment year and tax payable and paid. Section 58 of the Act further states that where in any particular year, the gross turnover of a dealer exceeds rupees forty lakh, then such dealer shall get his accounts, in respect of that year audited by an accountant²⁵ within six months from the end of that year and obtain a report of such audit in the prescribed form duly signed and~~

²⁵ Chartered Accountant