

CHAPTER IV: TAXES ON MOTOR VEHICLES

4.1 Results of audit

Test check of the records of the transport offices during the year 2004-05, revealed non/short levy of motor vehicles tax, fees, penalties, fines etc. of Rs 116.67 crore in 274 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Non/short levy of taxes	24	16.86
2	Other cases	250	99.81
	Total	274	116.67

During the year 2004-05, the concerned Department accepted underassessment and other irregularities in nine cases involving Rs 26.54 crore which were pointed out in audit during the year 2004-05, of which the Department reported recovery of Rs 17.46 lakh in four cases.

A review on “**Levy and collection of Motor Vehicles Taxes**” and information technology based Review on “**Road Transport Management Information System (NICTRAN)**” involving Rs 29.60 crore are discussed in the following paragraphs:

4.2 Review: Levy and collection of motor vehicles tax

Highlights

- There was wide variation between budget estimates and revenue realised. Variation was also noticed in figures as appearing in Finance Accounts and those furnished by the Department for which reconciliation was not done as of 31 March 2004.

(Paragraph 4.2.6)

- In 24 district transport offices, tax dues of Rs 22.92 crore pertaining to 1,215 transport vehicles for the period April 1999 to November 2004 were neither paid by the vehicle owners nor demanded by the concerned tax authorities.

(Paragraph 4.2.8)

- The Department did not take any action to realise tax of Rs. 2.22 crore for 299 vehicles from the vehicle owners who failed to secure exemption from payment of tax on surrendered vehicles.

(Paragraph 4.2.9)

- In seven districts, the motor vehicle inspectors issued fitness certificate for 77 vehicles without ensuring upto date payment of tax of Rs. 1.95 crore.

(Paragraph 4.2.11)

- Documents were issued by DTO Patna without verifying the actual credit of revenue of Rs. 5.07 lakh into Government account. Of this, Rs 4.95 lakh was realised at the instance of audit.

(Paragraph 4.2.13)

Introduction

4.2.1 The levy and collection of receipts from motor vehicles is governed by Motor Vehicles Act, 1988 (MV Act) as applicable to the State of Bihar, Central Motor Vehicles Rules (CMV Rules), 1989, Bihar Motor Vehicles Rules (BMV Rules), 1992, Bihar Motor Vehicles Taxation Act, (BMVT Act) 1994 and BMVT Rules, 1994. The major receipts from motor vehicles comprise tax/additional tax on motor vehicles and fee for registration, issue of driving license and road permit etc.

Organisational set up

4.2.2 The State Transport Commissioner (STC) is the head of the Transport Department and deals with all policy matters and administration of Acts and Rules. In performance of his duties, he is assisted by two Joint STCs at headquarters, nine Secretaries of Regional Transport Authorities (RTAs), District Transport Officers (DTOs), Motor Vehicle Inspectors (MVIs), the Enforcement Wing (EW) consisting of Enforcement Officers, inspectors and sub inspectors at the district level and check posts. RTA is responsible for issue of permits to

commercial vehicles while the DTO is responsible for issue of driving license, registration of vehicle, levy and collection of taxes. The EW is primarily responsible for ensuring that vehicle for which tax has not been paid is not plying on the road.

Audit objectives

4.2.3 The review was conducted with a view to ascertain that:

- provisions of the Acts and the Rules made thereunder are adequate and sufficient to safeguard the interest of revenue and are being implemented effectively and
- internal control mechanism exists and is functioning properly.

Scope of audit

4. 2.4 The review was conducted through test check of relevant records of STC office, Patna and 14¹ out of 37 DTOs for the year 2000-01 to 2003-04 during August 2004 to November 2004 and March 2005 to June 2005. Audit findings, as a result of test check of records of Transport Department were reported to the Department/Government in July 2005. The Department was requested to attend the meeting of Audit Review Committee on State Receipts, so that the viewpoint of the Department/Government may be taken into account before finalising the review. The meeting was held on 20 October 2005 which was attended by the Joint State Transport Commissioner, Bihar.

Internal control mechanism

4.2.5 Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. Internal audit, a vital component of internal control is generally defined as control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

The Finance (Audit) Department works as internal auditor of all departments of the State Government including the Transport Department as per orders of Finance Department of May 1960. During the period 2001-02 to 2003-04, the Finance (Audit) Department did not conduct internal audit of the Transport Department.

BMVT Rules provides for maintenance and periodical updating of demand, collection and balance (DCB) register by every taxing officer to ensure effective control over timely realisation of tax dues.

DCB register were not maintained in any of the 14 DTOs test checked indicating absence of internal control for timely raising and realisation of demands.

¹ Begusarai, Bettiah, Bhagalpur, Chapra, Darbhanga, Gaya, Madhubani, Motihari, Munger, Muzaffarpur, Nalanda, Patna, Purnea & Vaishali.

Trend of revenue

4.2.6 The Bihar Budget Procedures provide that estimates of revenue and receipt should show the amount expected to be realised within the year. In estimating fixed revenue for the ensuing year, the calculations should be based upon the actual demand including any arrears due for past years and probability of their realisation during the year. In case of fluctuating revenue, the estimate should be based upon comparison of the last three years receipts. The controlling officer is required to examine the budget proposals received from the disbursing officers and submit it to the Finance Department. Bihar Financial Rules (BFRs) provide for periodical reconciliation of figures with Finance Department.

A comparison of budget estimates, receipts realised according to Finance Account and figures of revenue realisation as furnished by the Department revealed variations as detailed below:

Year	Budget estimates	Receipts as per		Variation between budget estimates and receipt (per cent)
		Finance Accounts	Department	
2001 -02	160.00	141.54	133.10	(-) 11.54
2002 -03	205.00	177.98	177.54	(-) 13.18
2003 -04	275.00	209.50	217.91	(-) 23.82

The revenue realised was always lower than the budget estimates and the variation between budget estimates and receipts realised ranged between 11.54 and 23.82 *per cent* during 2001-04. Reasons for variation though called for were not furnished.

- There was also variation in receipts as appearing in the Finance Account and those furnished by the Department to audit. In order to ensure that amount collected has been properly accounted for, reconciliation between departmental figures and those booked in Finance Account is required to be done regularly by the department which was not done.
- Cross verification of figures of revenue collection of 12 DTOs¹ for the period 2001-04 with the figures furnished by STC revealed variation of Rs 1.19 crore. The variation in the figures indicated that either reports/returns as submitted by the DTOs were not scrutinised properly at the apex level or the figures supplied by DTOs were incomplete.

Arrears pending collection

4.2.7 The arrears of revenue pending collection at the end of 31 March 2004 as reported by the Department was Rs. 85.75 crore and all arrears were certified for collection as arrears of land revenue. Test check of records relating to certificate

¹ Begusarai, Bettiah, Bhagalpur, Darbhanga, Gaya, Madhubani, Motihari, Munger, Muzaffarpur, Nalanda, Purnea & Vaishali

cases revealed complete absence of internal control and monitoring for pursuance of certified cases as discussed below:

Non reconciliation of certificate cases

Under the BMVT Act, tax dues can be recovered by certificate proceedings as arrears of land revenue. Under the provisions of the Bihar and Orissa Public Demands Recovery Act (BOPDR Act), 1914, the requiring officer (RO) sends proposals for initiating certificate proceedings to the certificate officer (CO) and enters the details of such cases in register IX. These are in turn entered in Register X maintained by the CO for initiating certificate proceedings for realisation of dues.

Test check of register IX with relevant records in the office of 10 DTOs³ showed that the registers were not properly maintained viz. not closed periodically to show items settled, balance thereof and not submitted to the RO for his perusal. Reconciliation of register IX with register X by ROs was also not on record. As such, actual position of disposal of certificate cases could not be ascertained from register IX. The figures obtained from 10 DTOs for the period 2001-02 to 2003-04, however, showed the position as below:

(Rupees in crore)

Year	Opening Balance		Addition		Total		Disposal		Balance		Percentage of disposal
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
2001-02	7,193	21.69	338	1.02	7,531	22.71	152	0.24	7,375	22.43	1.1
2002-03	7,615	23.73	1,707	7.00	9,322	30.73	399	0.54	8,923	29.45	1.8
2003-04	8,834	26.30	249	3.41	9,083	29.71	195	0.35	8,888	29.85	1.2

The figures of closing balance do not tally with the figures of opening balance of succeeding years. Further, 8,888 certificate cases⁴ involving Rs 29.85 crore were pending in the offices of concerned DTOs as on 31 March 2004. The disposal rate in terms of amount ranged between 1.1 *per cent* and 1.8 *per cent*, which indicated poor recovery and lack of monitoring.

Certificate cases returned due to vehicle owners not being traceable

Test check of Register X maintained in the district certificate offices and the details made available to audit by them revealed that 427 recovery certificate proposals involving Rs. 3.18 crore sent by eight DTOs⁵ during 1991-92 to 2003-04 were returned by the COs between April 2001 and December 2004 due to inadequate information in the certificate proposals such as wrong addresses of the vehicle owners. No action was taken by the ROs for speedy compliance on the

³ *Betiah, Bhagalpur, Chapra, Darbhanga, Gaya, Madhubani, Motihari, Munger, Nalanda and Vaishali.*

⁴ *There was discrepancy in the opening and closing balances during the above years in respect of both the number of cases and the amount involved.*

⁵ *Bhagalpur, Bettiah, Chapra, Gaya, Motihari, Munger, Muzaffarpur and Vaishali*

queries of CO. Thus not taking timely action by the ROs resulted in non execution of certificate cases for recovery of arrears.

Lack of control over unpaid taxes

4.2.8 Under the provisions of the BMVT Act, tax is to be paid to the registering authority in whose jurisdiction the vehicle has been registered. The registering authority may exempt vehicle owner from payment of tax, if he is satisfied that prescribed conditions for securing exemption have been fulfilled by the vehicle owner.

In case of change of place of residence/ business, the owner can pay tax to the new registering authority subject to production of “No Objection Certificate” (NOC) from the previous registering authority as prescribed. In order to ensure realisation of dues, the DTO is required to issue demand notice and in case of non response to demand notice, certificate proceedings are to be initiated, as per executive instructions issued by the Department from time to time. Penalty is also leviable for non payment of tax within time.

Test check of entries in taxation registers⁶ of 24⁷ district transport offices revealed that owners of 1,215 transport vehicles had not paid the tax dues of Rs 22.92 crore for the period between April 1999 and November 2004 as on 31.3.2004. Of these, 33 vehicles pertained to Government departments and State Government undertakings involving tax of Rs. 1.44 crore. Neither issue of demand notices nor fact of change of address of owner or surrender of documents of vehicles for securing exemption from payment of tax during the period of non payment of tax was found on record. Since DCB registers were not maintained by the concerned registering authorities, they could not exercise effective control over realisation of revenue.

After this was pointed out to the Department in July 2005, the Department stated in September 2005 that Rs 12.48 lakh has been recovered from eight vehicle owners of Sitamarhi and Vaishali and in case of 10 DTOs⁸ demand notices have been issued while certificate cases have been filed in three DTOs⁹. Reply in remaining cases has not been received (September 2005).

Non realisation of tax from vehicles involved in surrender

4.2.9 Under the BMVT Act and Rules made thereunder, when owner of a motor vehicle does not intend to use his vehicle for a period not exceeding six months at a time, he can be exempted from payment of tax by the competent authority provided that his claim for exemption is supported by surrender of required

⁶ *Taxation Register: A register in Form M as prescribed under BMVT Rules for all vehicles except personalised vehicle, having separate pages earmarked for each vehicle.*

⁷ *Araria, Aurangabad, Begusarai, Bettiah, Bhabhua, Bhagalpur, Chapra, Darbhanga, Gaya, Gopalganj, Jahanabad, Jamui, Katihar, Kishanganj, Madhubani, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Purnea, Sitamarhi, Siwan and Vaishali.*

⁸ *Aurangabad, Begusarai, Bhagalpur, Darbhanga, Gaya, Katihar, Motihari, Muzaffarpur, Sitamarhi and Vaishali*

⁹ *Aurangabad, Sitamarhi and Vaishali*

documents such as certificate of registration, fitness certificate, tax token etc. for the period of non use of vehicle. The vehicle owner shall also, from time to time, furnish undertaking to the concerned taxation officer for extension, if any, of the said period.

If at any time during the period covered by an undertaking as aforesaid, the motor vehicle is found being used or is kept at a place other than the place mentioned in the undertaking, such vehicle shall for the purpose of this Act, be deemed to have been used throughout the said period without payment of tax. According to executive instructions issued in December 1990, the DTOs are required to realise arrears of tax before accepting surrender of documents of vehicle for non use.

Scrutiny of taxation register, surrender register and other relevant records pertaining to payment of road tax and additional motor vehicles tax revealed non realisation of tax of Rs. 2.22 crore for 299 vehicles in 26 DTOs as detailed below:

(Rupees in crore)					
Sl. No.	Name of DTO	No. of vehicles	Period involved	Nature of irregularities	Amounts
1	20 DTOs ¹⁰	247	August 2001 to March 2005	The Department did not take any steps for realisation of revenue in respect of vehicles surrendered beyond six months without fresh undertaking.	1.03
2	Patna	34	August 2002 to March 2005	Surrender applications of 34 vehicles were rejected but upto date tax was not realised due to not finding of vehicles at specified place in five cases and in 29 cases conditions as per Act were not fulfilled.	1.00
3	Darbhanga, Gaya, Gopalganj, Motihari and Muzaffarpur	18	June 1999 to November 2004 (vehicles were surrendered between July 2002 and October 2003).	Acceptance of surrender without realising upto date tax	0.19
		299			2.22

After this was pointed out to the Department in July 2005; the Department stated in September 2005 that DTO Darbhanga has issued demand notices. Reply in remaining cases has not been received (September 2005).

Revenue blocked due to pending exemption cases

4.2.10 Under the provision of BMVT Act, where the taxing officer on an application accompanied by an affidavit of the owner of a motor vehicle, is satisfied after enquiry that a motor vehicle has not been used in Bihar for a continuous period of more than a calendar month, he may exempt from payment of tax and write off the amount of arrear of tax up to a maximum of Rs 4,000 under intimation to the STC Bihar and where the amount of arrears exceeds

¹⁰ Araria, Begusarai, Bettiah, Bhagalpur, Bhojpur, Chapra, Darbhanga, Gaya, Gopalganj, Kishanganj, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Sitamarhi, Siwan and Vaishali.

Rs 4,000, he may refer the matter to STC Bihar or to any other competent authority for decision.

- On examination of exemption register in the office of STC, Bihar it was noticed that 25 DTOs¹¹ forwarded between April 2002 and April 2005 proposals in respect of 320 vehicles for allowing exemption from payment of tax. Of this, details such as period of exemption sought for and amount involved in 85 cases were not found entered and in 15 cases disposals were shown leaving the balance 220 cases involving Rs 88.69 lakh unattended as of June 2005.
- On examination of surrender register and concerned records in the offices of four DTOs¹², it was noticed that surrender of 37 vehicles requiring the acceptance of exemption from payment of tax by higher authority were accepted by the concerned DTOs, entered in the surrender register and the vehicles were released between May 2001 to September 2004, but these cases were not forwarded to the higher authorities for allowing exemption from payment of tax till June 2005. Revenue involved in these cases was Rs 9.08 lakh.

The matter was reported to the Department in July 2005; reply has not been received (September 2005).

Irregular issue of certificate of fitness

4.2.11 Under the provisions of the BMVT Act and Rules made thereunder, if the tax payable for a motor vehicle has not been paid during the prescribed period, the person liable to pay such tax shall pay, together with arrears of tax, penalty at the prescribed rates. The MV Act provides that a transport vehicle shall not be deemed to be validly registered unless it carries a 'certificate of fitness' (CF) granted by the prescribed authority.

Further, according to executive instructions of the STC issued from time to time, the latest being issued in February 1999, the MVI is to ensure upto date payment of tax before issue of CF.

Cross verification of entries in CF registers in MVI offices with the taxation registers/ computer statement furnished by seven DTOs¹³ revealed that for 77 vehicles, certificates of fitness were issued by the MVI without ensuring upto date payment of tax of Rs 1.95 crore for the period December 2000 to March 2005.

As no statement or return was prescribed to be forwarded by the MVI to the DTO/STC in connection with issue of fitness certificates and corresponding upto date payment of taxes, no internal control could be exercised by the superior authorities.

¹¹ Aurangabad Begusarai, Bettiah, Bhabhua, Bhagalpur, Chapra, Darbhanga, Gaya, Gopalganj, Jahanabd, Katihar, Kishanganj, Madhepura, Madhubani, Motihari, Munger, Muzaffarpur, Nalanda, Patna, Rohtas, Saharsa, Samastipur, Sitamarhi, Siwan and Vaishali.

¹² Bettiah, Darbhanga, Motihari and Patna.

¹³ Darbhanga, Gaya, Madhubani, Motihari, Munger, Nalanda and Patna.

The matter was reported to the Department in July 2005; reply has not been received (September 2005).

Non realisation of trade tax from dealers

4.2.12 Under the provisions of the BMVT Act, trade tax as specified shall be paid by a manufacturer of or a dealer in motor vehicles for the motor vehicles in his possession in the course of his business as a manufacturer or dealer and in case of failure, penalty will be levied in terms of BMVT Rules and executive instructions issued by STC in May 2001.

According to executive instructions issued in November 1990, the DTO is required to issue demand notice and in case of non response to demand notice, initiate certificate proceedings to ensure realisation of dues.

Test check of trade tax registers of four DTOs¹⁴ revealed that 24 dealers of motor vehicles did not pay trade tax for the period 2000-01 to 2003-04. Action regarding issue of demand notice and initiation of certificate proceedings was not found on record. This resulted in non realisation of revenue of Rs 10.81 lakh including penalty of Rs 9.91 lakh.

After this was pointed out to the Department in July 2005; the Department stated in September 2005 that demand notices have been issued by the DTO Vaishali. Reply in remaining cases has not been received (September 2005).

Issue of documents without verifying credit of revenue into Government account

4.2.13 Under the provisions of the BMVT Rules and executive instructions of May 1980 and September 1996, the DTO, after satisfying that the vehicle owner has deposited the payable amount, will issue necessary documents/ certificates for which the money has been paid. Verification of such deposit is mandatory before issue of any document by the DTO.

Cross verification of registers of licenses and fitness with computer cash book and office copy of money receipts in DTO, Patna revealed that the DTO issued documents in respect 3,360 cases between August 2002 and October 2003 relating to learner license/driving license/transfer of ownership/duplicate registration certificate book/fitness certificate etc. without ensuring actual deposit of revenue into Government account. The amount shown in the money receipt was neither recorded in computer cash book nor deposited into treasury which amounted to Rs 5.07 lakh.

After this was pointed out in audit in October 2003, the DTO reported in June 2005 that Rs 4.95 lakh from the applicants have been realised and action was being taken for realisation of balance amount.

¹⁴ *Bhagalpur, Patna, Purnea and Vaishali.*

Non realisation of revenue due to non assignment of new registration mark to vehicles registered in other state

4.2.14 Under the provisions of the MV Act and Rules made thereunder, where a motor vehicle belonging to other State is intended to be kept in the State for a period exceeding 12 months, the owner of vehicle on furnishing a declaration to that effect is to submit an application accompanied by a NOC along with appropriate fee at any time within 12 months or within a period of 30 days from the date of expiry of 12 months for assignment of new registration mark to the vehicle. If the owner fails to apply within the prescribed period, he is required to pay a fine not exceeding Rs 100 in addition to the prescribed fee.

Examination of the 'Present Address Register'¹⁵ for vehicles originally registered in other states in the office of 14 DTOs¹⁶ showed that 2,856 motor vehicles pertaining to other states had been plying in the State for more than 12 months from 1999 to 2004. Neither any action to assign new registration mark to these vehicles nor any action regarding issue of notice was found in the present address register. This resulted in non realisation of Rs 9.94 lakh in shape of fee including fine.

After this was pointed out to the Department in July 2005, the Department stated in September 2005 that Rs 0.02 lakh has been recovered from five vehicle owners of the DTO Vaishali and demand notices have been issued by six DTOs¹⁷. Reply in remaining cases has not been received (September 2005)

Non renewal of registration certificate

4.2.15 The MV Act read with CMV Rules provides that a certificate of registration issued for vehicles other than transport vehicle, shall be valid for a period of 15 years from the date of issue of such certificate and shall be renewable on payment of prescribed fee for a further period of five years. If the vehicle owner fails to make an application for renewal within 60 days after expiry of registration, fine not exceeding Rs 100 is leviable. STC reiterated in June 1991 that such vehicles should be registered well in time.

Test check of records of 13 DTOs¹⁸ revealed that certificate of registration of 3,662 vehicles (other than transport vehicles) which expired between April 1999 and November 2003 were not renewed after the expiry of the said period (15 years). There was nothing on record to show that these vehicles had been transferred to other regions/states. The concerned DTOs did not take any steps to get the registration of these vehicles renewed though executive instruction issued by the STC in June 1991 reiterated for timely registration of such vehicles. Any effort by Enforcement Wing to check plying of vehicles without renewed

¹⁵ 'Present Address Register': A register for vehicles registered in other states and to be maintained as per format prescribed for Registration Register.

¹⁶ Begusarai, Bettiah, Bhagalpur, Chapra, Darbhanga, Gaya, Muzaffarpur, Motihari, Munger, Madhubani, Nalanda, Patna, Purnea and Vaishali.

¹⁷ Begusarai, Bhagalpur, Darbhanga, Motihari, Sasaram and Vaishali

¹⁸ Begusarai, Bettiah, Bhagalpur, Chapra, Darbhanga, Gaya, Muzaffarpur, Munger, Motihari, Nalanda, Patna, Purnea and Vaishali.

registration was also not found on record. This resulted in non realisation of revenue of Rs 9.74 lakh including leviable fine of Rs 3.66 lakh.

After this was pointed out to the Department in July 2005, the Department stated in September 2005 that Rs 0.01 lakh has been recovered by the DTO Vaishali and demand notices have been issued by six DTOs¹⁹. Reply in remaining cases has not been received (September 2005).

Lack of control on disposal of bank drafts received from other States

4.2.16 Under the provisions of the Bihar Financial Rules, all transactions must be brought to account without delay and all money credited to public account.

A bank draft register containing receipt of bank drafts on account of realisation of composite fee due from concerned states under National Permit Scheme is required to be maintained by office of the STC. The State Government authorised certain nationalised banks to collect the amount of bank drafts deposited with the STC.

According to STC's instruction issued in March 1996, the amount collected by the banks during April to February is to be transferred to State Bank of India (SBI), Secretariat Branch, Patna in such a manner that all receipts during a particular month stand transferred latest by first week of the subsequent month and the amount collected in the month of March is to be transferred by 31 March positively so that all amounts deposited in a financial year stand transferred to Government account within the same financial year.

According to the Reserve Bank of India instructions issued in April 2003, interest at bank rate²⁰ plus two *per cent* is payable by banks on delayed remittances to Government account. In case of failure to transfer collection by banks to Government account, the STC is to issue cheques against the balance at the banks.

- Test check of the bank reconciliation statement of revenue collecting banks²¹ as available in the office of STC, revealed that the collecting banks transferred the revenue collection to SBI, Secretariat Branch, Patna for credit into Government account with delays ranging from more than one month to 11 months. The Department did not charge interest for delayed remittances of amount to the Government account resulting in loss of interest of Rs1.85 crore for the period between March 2003 and February 2005.
- The examination of bank draft register of STC, showed that 26,093 bank drafts amounting to Rs 9.61 crore for composite fee received from different states were sent to six banks²² by STC during July 2003 to March 2005 but the STC did not issue cheque in favour of SBI, Secretariat Branch, Patna for transfer of revenue

¹⁹ Begusarai, Bhagalpur, Darbhanga, Motihari, Sasaram and Vaishali

²⁰ According to RBI circular dated 29.4.2003 Bank rate was six per cent.

²¹ Bank of Baroda, Corporation Bank, Indian Bank, State Bank of Patiala & State Bank of Bikaner & Jaipur.

²² Allahabad Bank, Bank of India (Main branch), Bank of Baroda, Punjab and Sind Bank, State Bank of Patiala and State Bank of Bikaner & Jaipur.

on account of failure of these banks to transfer collection to the Government account. Thus Government revenue remained blocked with the banks.

- Test check of bank draft register revealed that STC sent 743 expired bank drafts amounting to Rs 27.17 lakh received from other states on account of composite fee for the period from April 2001 to March 2004, to different authorised banks in March 2005 for revalidation. Government revenue was blocked as the expired bank drafts remained pending for revalidation as of June 2005.

Conclusion

4.2.17 The Transport Department could not exercise proper internal control for timely raising and realisation of demand leading to huge amount of motor vehicles taxes pending for collection at various stages of recovery. Proper safeguards were also not exercised in allowing exemption from payment of taxes on vehicles.

Recommendations

4.2.18 Government may examine and consider:

- creation of specific and definite mechanism to ensure appropriate and timely action for issue of demand notice followed by certificate proceedings for recovery of unpaid taxes,
- taking effective measures in coordination with the District Certificate Officer for disposal of pending certificate cases, and,
- evolving a control system for monitoring the working of the enforcement wing, DTO and MVI at apex level to ensure prompt detection of unauthorised vehicles and ensuring prompt recovery of tax.

4.3 Information Technology based review on Road Transport Management Information System (NICTRAN) in Transport Department

Highlights

Lack of control over registration on the basis of duplicate engine/chassis numbers.

(Para 4.3.5)

Lack of control over registration on the basis of duplicate insurance certificate/cover note numbers.

(Para 4.3.5)

Introduction

4.3.1 As a measure of reform in monitoring, controlling and streamlining of timely realisation of taxes, the Transport Department of Government of Bihar decided to computerise the system of taxation and implemented (1992) Road Transport Management Information System (NICTRAN) in active collaboration

with Bihar State unit of National Informatics Centre (NIC). NICTRAN was conceived as a comprehensive transport management information system, to effectively monitor vehicle registration, tax collection, preparation of defaulters' list and issue demand notices. NICTRAN was operational in five²³ out of 37 districts of Bihar.

NICTRAN package was developed on XENIX²⁴ operating system using FOXBASE Plus DBMS²⁵. The package being user friendly and menu driven was intended to provide quick and accurate tax calculation procedures. It was also to provide for vehicle registration, fast disposal of tax token slips on counters and generation of demand notices and reminders in cases of default. Apart from these functions, the package would be able to generate daily, monthly and yearly cash books.

Audit objectives

4.3.2 Information Technology (IT) based review of NICTRAN was conducted with the objectives to ascertain:

- completeness of registration database (since implementation of computerisation),
- control over duplicate engine/chassis numbers (from 2000),
- control over duplicate insurance certificate/cover note numbers (from 2000),
- correctness of realisation of additional registration fee (from 13.06.2003) and realisation of outstanding tax from defaulter vehicle owners.

Audit scope and methodology

4.3.3 The district transport offices (DTOs) of Bhagalpur, Patna and Purnea were selected for IT Audit. The taxation and registration data was collected from the DTOs in tape cartridges between March and May 2005 and analysed using CAATs²⁶ viz. IDEA²⁷ 2002. The taxation and registration data since computerisation to April 2005 was analysed to verify the completeness of database. Duplicate engine/chassis and insurance certificate/cover note numbers were analysed from 1.1.2000. The audit findings are discussed in the succeeding paragraphs.

Incomplete database

4.3.4 According to Rule 47 of Central Motor Vehicle Rules, 1989, Form 20 is prescribed for registration of vehicles, which contains information in 33 fields. In NICTRAN, all 33 fields have been provided for data entry.

²³ Bhagalpur, Gaya, Muzaffarpur, Patna, and Purnea

²⁴ A variant of UNIX operating system

²⁵ Database Management System

²⁶ Computers Assisted Audit Tools

²⁷ Interactive Data Extraction and Analysis

- Analysis of the registration databases of DTOs of Bhagalpur, Patna and Purnea (since implementation of computerisation) revealed that data capture was partial even in crucial fields (detailed in **Annexure I**). Data entry pertaining to mandatory fields for registration such as registration date, owner's name, address, dealer's name, engine/chassis number and insurance certificate/cover note number, date was not done in many cases, as detailed in the following table:

DTO	No. of Vehicles	Total number of fields having blank values					
		Registration Date	Owner's name	Address	Dealer's name	Engine /Chassis No.	Insurance Company/Insurance No.
Bhagalpur	36,896	5,390	8,371	6,946	10,031	8,758/6,572	27,838/27,841/ 27,837
Patna	1,83,054	25,124	13,425	27,316	27,212	28,870/26,620	34,961/37,132/34,961
Purnea	10,713	24	Nil	38	FNA ²⁸	Nil/6	FNA

In reply, the Department stated in September 2005 that action is being taken to fill in the missing data in the databases of DTOs Bhagalpur and Patna.

- According to Central Government notification²⁹, it is mandatory for vehicle owners to disclose annual income and PAN/GIR³⁰ number from 31 May 2002. Audit observed that no such information was available in the database of the three DTOs taken up for audit. Scrutiny of taxation database of DTOs revealed that while granting NOC to those opting for tax payment in other districts of Bihar/outside the State, the place where tax would be payable, was not mentioned in cases shown in table below (detailed in **Annexure II**):

DTO	No. of cases where NOC was issued	No. of cases in which district/place not mentioned
Bhagalpur	79	62
Patna	560	184
Purnea	82	45

Information regarding place wise NOC could not be retrieved from the database in some cases and instantaneous information, therefore, could not be passed on to other DTOs for cross checking and timely realisation of revenue.

Besides making the database unreliable, any analysis or reports for Management Information System (MIS) based on an incomplete database is likely to furnish incomplete and misleading information.

Lack of control over registration on the basis of duplicate engine/chassis and insurance/ cover note numbers

4.3.5 Chassis/engine numbers of the vehicles consist of alphanumeric figures, which are unique and hence provide the identification of a vehicle. A vehicle owner is required to declare at the time of registration in Form 20 that the vehicle has not been registered elsewhere in India. Further, under Rule 47 of CMV Rules, Form 20 shall also be accompanied by a valid insurance certificate.

²⁸ Field Not Available

²⁹ GSR 400(E) dated 31.05.2002

³⁰ Permanent Account Number/General Index Registration Number

- Analysis of database of three DTOs revealed instances of duplicate engine and chassis numbers. Duplicate numbers identified and further verified from the registration registers are shown below (detailed in **Annexure III**):

DTO	No. of duplicate engine numbers	No. of duplicate chassis numbers	No. of duplicate engine/chassis numbers
Bhagalpur	04	01	15
Patna	15	06	09
Purnea	-	-	01

This indicated lack of validation checks during the data entry. Thus, the integrity of output of the system, could not be ensured. Manual verification of cases involving registration records of series BR-1Y, BR-1Z and BR-1AP (DTO Patna) could not be done as the registration registers were either partially filled in or not filled in at all.

In reply the Department stated in September 2005 that records of DTO Bhagalpur revealed that the error was due to negligence of motor vehicle dealers and lack of proper investigation by the MVI, while in the case of DTO Patna, motor vehicle owners have been issued notice for verification of engine/chassis numbers by MVI.

- Analysis of registration database of DTOs Bhagalpur and Patna from 1 January 2000 revealed that there were vehicle registration records with duplicate insurance/cover note numbers as indicated below (detailed in **Annexure IV**):

DTO	Company	Total number of duplicate/multiple insurance/cover note numbers
Bhagalpur	United India Insurance	29
	Oriental Insurance Company	08
	National Insurance Company	39
	National India Assurance	05
Total		81
Patna	United India Insurance	129
	Oriental Insurance Company	401
	National Insurance Company	168
	National India Assurance	195
	Bajaj Allianz	04
Total		897

This indicated lack of validation checks in the system. The insurance field was not available in the registration database of DTO Purnea.

In reply the Department stated in September 2005 that in the case of DTO Bhagalpur, the error was due to issue of same insurance number to different vehicles and that insurance companies had been requested not to do so in future,

whereas in case of DTO Patna, a meeting had been called for with officials of insurance companies for discussion.

Short realisation of additional registration fee (choice fee)

4.3.6 Government of Bihar vide notification³¹ substituted Rule 64 of BMV Rules with effect from 13 June 2003.

As per sub section (3) of the said notification, if the owner of a vehicle applies for a preferred registration number out of the numbers incorporated in the said notification, he/she shall pay an additional fee ranging between Rs. 5,000 and Rs 25,000, depending upon the rate fixed for that particular number. An additional fee of Rs. 5,000 will also be chargeable if any particular or out of sequence registration number is allotted, as preferred by a vehicle owner.

- Scrutiny of the database of DTOs Bhagalpur and Patna revealed that additional registration fee was realised at the old rate of Rs. 100 each, instead of revised rate effective from 13 June 2003, as shown below:

(Amount in Rupees)

DTO	Series	No. of vehicles	Rate at which fee realisable	Fee short realised
Bhagalpur	BR-10D	06	5,000	29,400
	BR-10G	01	5,000	4,900
	Total	07		34,300
Patna	BR-1AP	02	5,000	9,800
	BR-1G	01	5,000	4,900
	BR-1V	19	5,000	93,100
	BR-1V	02	10,000	19,800
	Total	24		1,27,600

- Short realisation of additional registration fee (choice fee) involving 31 vehicles in DTOs Bhagalpur and Patna was confirmed on manual verification of registration register.

- Field for additional registration fee was not available in database of DTO Purnea. Hence, short realisation, if any, could not be verified from the database.

The Department had not prescribed policies and procedures for monitoring of changes to NICTRAN software. Moreover, the Department did not document or maintain system change requests for modifications to the software.

This resulted in acceptance of additional registration fee (choice fee) at old rate, and consequential short realisation of fee of Rs. 1.62 lakh.

The Department in its reply in September 2005, accepted audit observation in respect of DTO Patna and issued notices to vehicle owners on 25 August 2005.

³¹ No. GSR 4 dated 13 June 2003

Outstanding tax (including penalty) from defaulter vehicles

4.3.7 Under Section 5 of BMVT Act and Rules framed thereunder, tax for a vehicle is payable annually or quarterly within 15 days of commencement of the year or quarter, as the case may be. Further, under Rule 4 of the BMVT Rules, penalty is also leviable in case of default in payment of tax.

DTOs are required to utilise the system to detect defaulter vehicles, issue demand notices (automatically generated by the system) to the defaulter vehicle owners and initiate certificate proceedings in case demand notice fails to effect recovery.

- Analysis of database of DTO Patna revealed that there was an outstanding tax liability including penalty of Rs. 3.03 crore against 62 defaulter buses (BR-1P series) of BSRTC³² calculated for the period from 7 August 2002 to 30 August 2004.

The Department replied in September 2005 that demand notices have been issued to BSRTC.

- Analysis of database of DTO Patna revealed that there was an outstanding tax liability including penalty of Rs. 23.83 lakh against 20 defaulter commercial vehicles (Trucks BR-1G series) calculated for the period from 11 August 2002 to 30 August 2004.

In reply, the Department accepted audit observation in September 2005, and stated that demand notices have been issued to vehicle owners.

The system maintains upto date tax position of tax payers and facilitates automatic issue of demand notices and reminders. Non utilisation of the system, indicates absence of internal management control in the Department.

Conclusion

4.3.8 Lack of proper internal management control led to non utilisation of the features of NICTRAN. Lack of control at the input stage has rendered the database incomplete. Absence of validation checks led to duplication of records in the database.

The system was also not uniform in the three DTOs, indicating laxity on the part of the Transport Department, in quickly disseminating changes as per amendments to rules, to the DTOs using NICTRAN. The changeover to the IT system using NICTRAN was not effective. Thus the DTOs were not able to achieve the objectives of NICTRAN for maintaining complete vehicle registration database as also correct tax calculation, generation of demand notices and identification of cases of default.

Recommendations

4.3.9 The Government may examine and consider the following recommendations:

³² Bihar State Road Transport Corporation.

- The system should have sufficient controls so that consistent and complete database can be maintained by DTOs. The software may be updated well in time when policies change. Any revision in the rate of taxes and fees, should be incorporated in the computer database so that cases of short realisation do not occur in future;
- Adequate control of management over IT Department is required to meet the business needs. All transactions may be entered accurately, validated, authorised and correctly classified, to avoid incomplete/incorrect database. Data fields may be preprogrammed with limits; and,
- System documentation may be done and updated to incorporate any changes made. Management may also ensure that a 'Change Management Policy' is in place. Documents of taxation regulations may be retained. The management must ensure that a Business Continuity Plan is in place, to ensure running of critical applications and safeguarding data in the event of a disaster.