

CHAPTER-VI: TAXES ON VEHICLES

6.1 Tax administration

Transport Department is one of the major revenue collecting Departments of the State. “Motor vehicle taxes” are levied and collected in the State under the provisions of the *Chhattisgarh Motoryan Karadhan Adhiniyam*, 1991(Act) as amended from time to time and rules made thereunder. Besides trade tax, licence fees, other fees such as registration fees, fitness fees and permit fees etc. are levied under the provisions of the Motor Vehicles Act, 1988 and rules made thereunder by the Central and the State Governments. In case of non-payment of tax in time, penalty and interest at the prescribed rates are also leviable.

Motor vehicle taxes in respect of non-transport vehicles are realised in lumpsum as lifetime tax, whereas tax and additional tax from transport vehicles are realised quarterly/monthly at the rates specified in the Act.

6.2 Analysis of budget preparation

Budget is prepared as per Chhattisgarh Budgetary Manual. The Budget procedure provides that the estimates of receipts should show the amount expected to be realised within a year. The preparation of annual budget estimate of Motor Vehicle Tax is based on the taxes, fees expected to be collected/received in a year in the shape of registration of vehicles, levy of taxes, penalties for delay in payment of MVT tax, fitness fees of vehicles etc. While estimating the revenue receipts, the calculation including arrears due for the past years and probability of their realisation during the year should be considered. In the Department the Transport Commissioner calls the probable receipts of the year from all the units and consolidates it. After scrutiny the budget proposal is submitted to the Finance Department for approval and the budget is approved by the Finance Department.

6.3 Trend of Revenue Receipts

Actual receipts from Transport Department during the years 2006-07 to 2010-11 along with the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipt	Variations shortfall (-)/ surplus (+)	Percentage of variation (Col. 2 to 3)	Total tax receipts of the state	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	250.00	253.05	(+) 3.05	(+) 1.22	5045.70	5.01
2007-08	297.00	276.94	(-) 20.06	(-) 6.75	5618.10	4.93
2008-09	315.50	313.78	(-) 1.72	(-) 0.55	6593.72	4.76
2009-10	351.47	351.88	(+) 0.41	(+) 0.12	7123.25	4.94
2010-11	410.00	427.52	(+)17.52	(+) 4.27	9005.14	4.75

We observed that though the revenue receipt of the Department exceeded the budget estimates by 1.22, 0.12 and 4.27 *per cent* during the year 2006-07, 2009-

10 and 2010-11 respectively but there was shortfall in receipt in remaining year and the shortfall ranged between 6.75 and 0.55 *per cent*. Similarly the percentage of actual receipts of the Department to the total tax receipt of the State was ranged between 4.75 to 5.01 *per cent*. As regards 2010-11, the increase in Revenue receipts was due to enhancement in the rate of lifetime tax and also increase in number of registration of new vehicles.

6.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 14.65 crore of which ₹ 3.47 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2006-07	3.47	253.73	253.05	4.15
2007-08	4.15	276.77	277.00	3.92
2008-09	3.92	313.89	313.80	4.01
2009-10	4.01	356.41	351.85	8.57
2010-11	8.57	432.82	426.74	14.65

During the exit conference, the Government in reply to Accountant General's query on the recovery of the arrears of revenue and recovery of the amount in accepted cases stated that steps have already been initiated in this regard and the position will be intimated to audit after few months.

The Government may issue necessary instructions for realisation of the arrears in a time bound manner.

6.5 Cost of collection

The gross collection in respect of Motor Vehicle Tax, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection of the preceding years is as indicated in the following table:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for expenditure on collection in the preceding year
Taxes on vehicles	2008-09	313.78	13.12	4.18	2.58
	2009-10	351.00	10.00	2.85	2.93
	2010-11	427.52	7.93	1.85	3.07

6.6 Impact of audit

6.6.1 Position of IRs: During the last five years, audit through its Inspection Reports had pointed out non-realisation of vehicle tax and penalty, non-levy of vehicle tax and loss of revenue amounting to ₹ 39.01 crore in 4656 cases. Of these, the Department/Government had accepted audit observations in 3005 cases involving ₹ 18.27 crore. The details are shown in the following table:

(₹ in crore)

Year of Inspection Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	6	852	2.99	852	2.99	142	0.37
2006-07	2	15	3.10	12	2.89	Nil	Nil
2007-08	7	1686	14.18	1051	7.61	Nil	Nil
2008-09	8	1758	11.89	746	3.89	Nil	Nil
2009-10	11	345	6.85	344	0.89	49	0.04
Total		4656	39.01	3005	18.27	191	0.41

The above table indicates that during the last five years only 2.24 *per cent* of recovery was made by the Department against the accepted cases which is almost negligible. We recommend that the Government should intensify its measures to ensure expeditious recovery of revenue in respect of the accepted cases.

After we pointed this out, (September 2011), the Government assured that the matter will be examined and efforts will be made for early recovery.

6.6.2 Position of Audit Reports: In the Audit Report 2005-06 to 2009-10, the cases of non/short levy of tax, penalty were indicated involving ₹ 19.51 crore. The Department accepted observations of ₹ 10.87 crore of which ₹ 0.67 crore had been recovered till March 2011 as shown in the following table:

(₹ in crore)

Year of Audit Report	Total money value	Amount accepted	Recovery made up to March 2011
2005-06	2.11	Nil	Nil
2006-07	1.27	1.27	0.30
2007-08	6.69	3.58	Nil
2008-09	3.48	0.17	0.37
2009-10	5.96	5.85	Nil
Total	19.51	10.87	0.67

The above table indicates that 6.16 *per cent* recovery has been made on the accepted cases pointed out in Audit Reports.

We recommend that the Government may consider instructing the Department for taking steps to recover at least that amount which has already been accepted by Department.

6.7 Internal Audit

Internal audit enables the organisation to assure itself of the degree of compliance with prescribed system. During the year, 16 units were planned for audit by the Department of which only eight units have been inspected.

The Government may ensure that IAW conducts the inspection of units planned and ensure time bound action on the observations of the IAW so as to ensure collection of revenue as per rules and also to safeguard revenue and avoid recurrence of mistakes in future.

6.8 Results of audit

Test check of the records of the three Transport Department conducted during the year 2010-11 indicated non-realisation of vehicle tax and penalty, non-levy of vehicle tax and loss of revenue amounting to ₹ 3.25 crore in 357 cases, which can broadly be classified under the following categories:

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Computerisation in Transport Department (A Performance Audit)	1	0.10
2.	Short realisation of trade tax	9	1.99
3.	Non realisation of tax and penalty	240	1.04
4.	Other irregularities	107	0.12
Total		357	3.25

During the year 2010-11, the Department accepted non-levy of taxes on vehicles, loss of revenue and other deficiencies amounting ₹ 1.08 crore in 314 cases.

A Performance Audit on “IT audit on VAHAN and SARATHI software” involving financial effect of ₹ 0.10 crore and few illustrative cases involving financial effect of ₹ 20.23 lakh are mentioned in the following paragraphs.

6.9 Computerisation in Transport Department

Highlights

We found partial utilisation of the system of VAHAN and SARATHI as a Management Information System tool. The modules/reports like Permits including *inter-state* movement, Enforcement/Vehicle Check Report, Temporary registration, Demand, collection and balance statements, Management Information System Report, Conductor's License were not made operational.

(Paragraph 6.9.10)

We noticed that efforts were not made to develop expertise within the Department to handle the database administration function, the database administration was being handled by the NIC.

(Paragraph 6.9.13)

Entry of invalid data was not rejected in the software. We found that out of 6,26,699 registration records of vehicles, 7670 vehicle contained same chassis number and engine numbers; in RTO Raipur, 138 cases of duplicate chassis number were found while in RTO Bilaspur zero digits was entered in chassis number column in one case.

(Paragraph 6.9.14)

We observed that the Department did not have a formal business continuity and disaster recovery plan for continuation of the Departmental activities in the event of a disaster. There was no central database; backup/standby servers were not installed in the field offices. Thus in the event of data loss; the Department has no means to restore the data.

(Paragraph 6.9.18)

There was short realisation of ₹ 1.87 lakh on account of fees for choice numbers which the VAHAN software also failed to detect as no master data was created for choice number despite presence of such facility in the software.

(Paragraph 6.9.22)

In three RTOs, we found that in 3527 vehicles, tax clearance data was not fed by the transport authorities in VAHAN software while issuing/accepting NOC.

(Paragraph 6.9.25)

We found that though there is a system in the VAHAN software to update the tax rate, but the Department did not update the same. Further scrutiny revealed that in respect of 1443 vehicles, life time tax amounting to ₹ 49.07 lakh was leviable. However, the RTO levied and realised only ₹ 40.94 lakh which resulted in short realisation of ₹ 8.13 lakh.

(Paragraph 6.9.26)

6.9.1 Introduction

The Motor Vehicles (MV) Act, 1988 vests upon the State Government the responsibility of providing an efficient public transportation system, registration of vehicles, issue of driving licenses, road permits, fitness certificates and collection of road taxes. The State Transport Department administers and implements the above activities. It is also entrusted with policy making, co-ordination, implementation, monitoring and regulatory functions of all transport related activities and enforces transport rules to collect tax and fee. The Regional Transport Officers (RTOs) implement the Chhattisgarh Motor Vehicles Taxation (CGMVT) Act and Rules for the state.

The Government of India, Ministry of Road Transport and Highways had embarked upon a Scheme for creation of a National Database network by introduction of Information Technology in the Road Transport Sector. The scheme was implemented through National Informatics Centre (NIC) and was desired to be operated in such a way that data from all the RTOs in the state flows in the “State Register” which in turn was to be captured at the National level. Two softwares were designed by the NIC for this purpose, VAHAN that dealt with registration of the vehicles and SARATHI that dealt with issue of licenses.

The department started the VAHAN project on pilot basis in RTO Raipur in July 2005 and thereafter implemented the same in other RTOs after a gap of five years in a phased manner till February 2011. Similarly the SARATHI project was also started in pilot basis in RTO, Raipur in September 2009 and implementation of the same was completed in December 2010 in phased manner in other RTOs. However, though SARATHI programme was installed in RTOs, Kanker and Dantewada but the same were not started till the date of audit.

6.9.2 Organisational setup

The Department is under the administrative control of the Transport Commissioner (TC), who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at headquarter. Besides, there are three Regional Transport Officers (RTO), three Additional Regional Transport Officers (ARTO) and 10 District Transport Officers (DTO) under the administrative control of TC. In addition to this, 15 check posts and two sub check posts with nine flying squads are under the supervisory control of RTOs/ARTOs/DTOs concerned.

National Informatics Centre (NIC) (Chhattisgarh unit) has been providing technical assistance for customization and backend integration for implementation of “VAHAN” and ‘SARATHI’.

6.9.3 Audit objectives

The audit objectives were to assess whether:

1. the overall objectives of computerisation through the NIC developed computer application of VAHAN and SARATHI were achieved;

2. the phase wise implementation schedules for the State for VAHAN and SARATHI were achieved as per time frames fixed;
3. whether local applications for vehicle registration and driver licenses developed and implemented by the States, to the extent they differ from the structure of VAHAN and SARATHI, have defeated across the country, computerisation objectives of the Ministry;
4. computerised systems implemented were complete (module wise) and correctness and completeness of the data captured by the RTO offices;
5. connectivity systems established between RTOs in the State for creation of State Registers of vehicles and licenses and National Registers and Central Servers were put in place towards achievement of above stated objectives;
6. the Computerised National Permit system was implemented as planned for and project objectives were achieved;
7. reliable general and security controls were in place to ensure data security and audit trail besides back up of data for loss of data/crash of system and to have an overall assurance of the functioning of the computerised systems for the stated objectives;
8. internal control mechanism was in place both at the Ministry and State level to monitor the implementation of the projects.

6.9.4 Audit scope and methodology

The scope of the IT audit included the audit of implementation and examination of controls in the application software 'VAHAN' and 'SARTHI' viz. registration of vehicles and allied activities, collection of taxes and fees and issuance of driving licence and allied activities for the period from the date of implementation up to October 2011 and a review of the performance of the concessionaire. Apart from the office of the Transport Commissioner, three¹ regional transport offices were selected on the basis of their working. The database of these RTOs was provided by the Transport Department in the shape of DMP files, which were imported and analysed through SQL and Microsoft excel.

6.9.5 Audit criteria

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

- Motor Vehicles (MV) Act, 1988
- Central Motor Vehicles Rules (CGMV), 1989
- Chhattisgarh Motoryan Karadhan Adhiniyam (CMKA) 1991 and rules made there under
- Chhattisgarh Motoryan Karadhan Adhiniyam 1994.

6.9.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the cooperation of the Transport Department in providing necessary information and records for audit.

¹ Ambikapur, Bilaspur and Raipur

The audit methodology and scope of audit scrutiny was discussed with the Principal Secretary cum Transport Commissioner, Chhattisgarh in an entry conference held on 2nd of September 2011. The Performance audit was forwarded to the State Government on 4 November 2011. The exit conference was held on 9 January 2012 with the Secretary, Transport Department, Chhattisgarh to discuss the major audit findings.

The Department gave their response and assured to further examine the audit observations and recommendations. The replies of the Department have been appropriately incorporated in the respective paragraphs.

Audit Findings

Deficiency noticed in Planning, implementation and environmental controls.

6.9.7 Deficiency in Planning

In order to achieve the desired objectives there should be a proper 'Information Technology Strategy' and a well defined IT Plan. However, no IT strategy or IT plan was formulated till date. The department did not have a copy of the User Requirement Specifications (URS) for any of the applications. The documentation of the application system for its maintenance, testing and its results were also not available. Further, changes made to the system were not documented and were carried out in an ad hoc manner. It was also noticed that the department did not have a well defined and documented password policy.

During exit conference, the Government while accepting the audit observation stated that 'VAHAN' and 'SARATHI' programme were initiated by Government of India (GOI) and NIC was appointed as the nodal agency by GOI. As such, no strategy or plan was to be prepared by the State Government. However, the Secretary stated that steps are being taken by the Department to overcome the deficiency of the software and concerned RTOs/ARTOs/DTOs have been suitably advised to change passwords periodically.

Environmental Control

Environment controls are aimed at ensuring that the assets of the project are not put to risk. This requires that risk assessment and preventive measures be undertaken prior to implementing the project. During audit it was seen that the department had neither undertaken any risk assessment nor had put any preventive measures like offsite storage, disaster management plans, business continuity plans etc. in place before putting the system in use.

6.9.8 Non-migration of data to VAHAN software due to dissimilarity in field structure

Legacy data is the recorded information that exists in the storage system presently in use, and can include database records, spreadsheets, text files, scanned images

and paper documents. All these data formats are required to be migrated to a new system so as to have a complete database for the entire Department.

During test check of Data base of VAHAN Software, we found that the Department had been using local software for Registration of vehicles before 'VAHAN' Software, but dissimilarity in field structure of these two software resulted in non-migration of data from previous software to VAHAN Software. The Department has to manually feed previous software data as backlog entries.

During exit conference, the Government while accepting the audit observation stated that it will henceforth ensure entry of all backlogs through 'VAHAN' software only.

6.9.9 User manual not provided

The user manual for software is almost as important as the software itself. The user manual is vital for learning both basic and more advanced techniques of a program or application.

It was noticed that user manuals of the 'VAHAN' and 'SARATHI' software were not in place.

After this was pointed out, the department stated that user manual would be developed and made available to the staff.

During exit conference, the Government while accepting the audit observation stated that the User manual for 'VAHAN' is available with the NIC and will be handed over to TC Office for further transmission to RTOs. However no user manual is available for 'SARATHI' software, for which the matter will be taken up with NIC.

6.9.10 Partial utilisation of the system

The 'VAHAN' and 'SARATHI' software were designed to automate the management of complete information related to vehicle registration and driving licence. Though the system presently captures information relating to vehicle registration, owner and vehicle details, collection of tax/fee and fitness and issuance of driving licences, the following modules/reports were yet to be made operational:-

- Permits including *inter-state* movement.
- Enforcement/Vehicle Check Report
- Temporary registration
- Demand, collection and balance statements.
- Management Information System Report
- Conductor's Licence

Thus due to partial utilisation of the system, the Department has not reaped the benefits of VAHAN and SARATHI as Management Information System tools.

During exit conference, the Government while accepting the audit observation stated that they have intimated this to NIC and also the new vendor will ensure this in future.

6.9.11 Older version of VAHAN Software

In ARTO Ambikapur, we noticed that the VAHAN Software was running in older version (1.2.48) instead of the latest version provided by the NIC in the state. There are no registers maintained by the RTO and in the absence of which it is difficult to monitor the use of the software.

During exit conference, the Government while accepting the audit observation stated that mater will be taken up with NIC to update the software.

6.9.12 Non utilisation of Hardware

During the audit of RTO Bilaspur, we found that there were four HCL (INFINITE PRO BL 1295) Computers, one HCL server (INFINITE GLOBLE LINE 2700 ST) and 25 WLAN DONGLE FOR PC which remained idle.

After we pointed out the case, the department replied that due to shortage of technical staff and space for installation, it could not be put to use.

During exit conference, the Government while accepting the audit observation stated that all hardware will be utilised within short time.

6.9.13 Non-development of technical expertise within the Department

Any IT system though initially developed/implemented through outsourcing has to be invariably taken over by the department eventually, by developing expertise within the Department. The data captured through “VAHAN” is very critical since it involves personal data relating to the vehicle owners, insurance details besides revenue particulars and Demand Collection and Balance Statement.

Though the employees of the Department handle entire data entry at the Departmental counters, yet database administration was being handled by the NIC. We noticed that efforts were not made to develop expertise within the Department to handle the database administration function.

During exit conference, the Government while accepting the audit observation stated that previously NIC had provided Assistant Programmer to ensure this and now the new Vendor of “SMART CARD” will do the needful as NIC has withdrawn its technical officer from RTOs.

Validity of data

6.9.14 Invalid data of chassis number and engine number in database

The Central Motor Vehicles (CMV) Rules 1989, prescribe that a person while applying for registration of his vehicle shall mention the chassis number and engine number in the application form.

Test check of the registration database of the three RTOs, revealed that:-

- Out of 6,26,699 registration records of vehicles, 7670 vehicles contained same chassis number and engine number;
- In all test checked RTOs, only the last three to six characters of chassis number were fed;

- In RTO Raipur, 138 cases of duplicate chassis number were found;
- In RTO Bilaspur zero digits was entered in chassis number column in one case.

Non-entry of valid data should have been checked and rejected in the software. When we pointed out in audit, the Department accepted the audit objection and intimated that the data will be corrected after checking of manual records.

During exit conference, the Government while accepting the audit observation stated that the matter will be reviewed and necessary action will be taken.

6.9.15 Non-entry of valid data in key fields

As per the MV Act, 1988, tax is levied based on parameters like sale amount and unladen weight in respect of private motor cars, motorcycles etc., seating capacity in case of passenger vehicles like stage carriages and contract carriages and laden weight in the case of goods vehicles.

Data analysis of the registration database in respect of the test checked RTO offices revealed that certain key fields contained the value 'zero' in several records. The audit findings are summarised below:

- Sale amount was entered as zero in 79405 cases.
- Purchase date was null in 2413 cases.
- Manufacture year was wrongly entered in two /three digit in 75 cases.

Non-entry of valid data in the above key fields indicated deficiency in input controls and absence of supervision.

When we pointed out the cases in audit, the RTOs replied that instruction has been issued to the data entry operators to ensure correctness of data.

During exit conference, the Government while accepting the audit observation stated that after implementation of 'SMART CARD' project, the vehicles will be registered at dealer point and data will be cross checked by RTOs before issuing the Registration Certificate.

6.9.16 Incorrect entry of fitness validity period

According to Rule 62 (1) of the Central Motor Vehicles Rules, 1989 "A certificate of fitness in respect of a new transport vehicle granted under section 56 shall be valid for the period of two years."

During test check of the records of the three RTOs, we found that there were 140 transport vehicles whose fitness validity period was wrongly entered as 15 years in VAHAN Software. This is violation of CMV Rules 1989.

When we pointed out the case in audit, the RTOs replied that due to wrong selection of class in vehicle, fitness

validity was wrongly shown as 15 years.

During exit conference, the Government while accepting the audit observation stated that lack of technical staff and expertise resulted in entry of incorrect data. The same will be taken care of in future.

6.9.17 Non-monitoring of IT assets

An IT asset register is required to be maintained for effective asset management including better monitoring and security of IT asset in particular. However, we noticed that register of IT assets was not maintained in RTO's Ambikapur and Raipur.

When we pointed out the cases, the RTOs replied that the register will be maintained.

During exit conference, the Government while accepting the audit observation stated that IT assets register will be maintained at all offices.

Safety and Security of data

6.9.18 Absence of business continuity and disaster recovery plan

A business continuity plan is a roadmap for continuing operations under adverse conditions. It was observed that the department did not have a formal business continuity and disaster recovery plan for continuation of the departmental activities in the event of a disaster.

In the three RTO's audited, backup of the data was not being taken on an external media so that it could be stored in an offsite fire safe location and be readily available when needed. Since there is no central database, in the event of data loss, field offices would have no means to restore the data.

It was also observed that the backup/standby servers were not installed in the field offices so as to immediately resume the work in case of server failure due to fault crash. Thus, it is essential that the computer hardware, software and data are kept under strict fire safety measures.

During exit conference, the Government while accepting the audit observation stated that the RTOs have been advised to take regular backup and to keep the same on a separate system and CD/portable hard disk at RTO office. But due to work load and frequent transfer of trained staff the desired outcome could not be gained. To overcome this the department is seriously contemplating to outsource entire RTO computerisation activities including deploying additional man power for backlog entry under 'SMART CARD' project for which the process of tendering has already been completed and work will start after signing of MoU.

6.9.19 Unauthorised access due to weak physical and logical access controls

Logical access controls are tools used for identification authorisation and accountability in computer information systems. They are components that enforce access control measures for systems, programs, processes, and

information. Logical access controls can be embedded within operating system, applications, add-on security packages, or database.

It was observed that although each and every operator had different user ID and password, the operators shared their password with each other and in case of unavailability of any one of the operators, the work of that user was done by the other users by utilising his/her password. This informal methodology adopted was fraught with risk of unauthorised entries and also loss of trail for any such entries. Further, no documented password policy specifying the need to change the password periodically was circulated.

There was also no restriction on 'logon' attempts to prevent access by unauthorised users. As such, the system was exposed to the risk of unauthorised access and consequent loss/transferring of data.

During exit conference, the Government while accepting the audit observation stated that the Password security policy has been given to Transport Commissioner Office by NIC to convey the same to the Transport offices. Restriction on the "logon" attempts will be communicated by NIC to their Headquarter.

6.9.20 Absence of firefighting equipment at server room

During the audit, we noticed that there was no fire detection/fighting equipment or fire extinguishers to fight any contingency in two RTO's².

After this was pointed out, the RTO's merely stated that these equipments were not available with them and hence not installed.

During exit conference, the Government while accepting the audit observation stated that fire-fighting equipment will be made available to all RTOs.

Deficiencies noticed in software VAHAN

Absence of validity checks

Data validation is a process of ensuring that a program operates on clean, correct and useful data. It uses routines, often called "validation rules" or "check routines", that check for correctness, meaningfulness and security of data that are input to the system. The rules may be implemented through the automated facilities of a data dictionary, or by the inclusion of explicit application program validation logic.

We noticed that data validation checks to ensure data was valid, sensible, reasonable and secure before these could be processed were not present in the system as is evident from a number of cases mentioned in the following paragraphs:-

² Ambikapur and Raipur

6.9.21 Sale of vehicles without trade certificate

According to Rule 33 of CGMV Rules 1989 “A motor vehicle in the possession of a dealer shall be exempted from the necessity of registration subject to the condition that he obtains a trade certificate from the registering authority having jurisdiction in the area in which the dealer has his place of business”.

During test check of the data base of VAHAN Software in RTO Ambikapur and Raipur, we found that the validity of trade certificate of two dealers had already expired. Despite this the registering authority had registered vehicles in VAHAN Software. This indicates that there was no system in the software to check the validity period of the trade certificate,

while registering the vehicles.

When we pointed out the case in audit, the RTO Ambikapur recovered the composition fees while RTO Raipur stated that notices have been issued to recover the amount.

During exit conference, the Government while accepting the audit observation stated that NIC will be requested to make necessary modifications in the software.

6.9.22 Absence of validity checks to prevent short realisation of fee

According to Rule 55-A (a), (b) and (c) of Chhattisgarh Motor Vehicles Rules 1994, the Government had fixed specific fee for some special registration numbers (Choice numbers).

During the test check of the data base of the VAHAN Software we found in two RTOs³ that in respect of 25 vehicles, choice fee amounting to ₹ 2.69 lakh was leviable. However, the RTO's levied and realised only ₹ 82000/- in these cases. This resulted in short realisation of ₹ 1.87 lakh.

The VAHAN software also failed to detect these cases as no master data was created

for choice number despite presence of such facility in the software.

When we pointed out the case in audit, the RTO Bilaspur recovered the whole amount, while RTO Raipur stated that the notices have been issued to recover the balance amount.

During exit conference, the Government while accepting the audit observation stated that lacunae in the software has been rectified by NIC and the balance amount will be recovered from the parties.

³ Bilaspur and Raipur

6.9.23 Absence of validity checks to prevent registration of vehicles with deficient insurance cover

According to Rule 47 1 (b) of the CGMV Rules, 1989, an application for registration of a motor vehicle shall be accompanied by valid insurance certificate.

During the test check of VAHAN data base, in two RTO's⁴, we found that

- In two RTO's, in case of 426 records, one cover note was used in registration of two vehicles. Within these records, there were 26 cover note numbers where even three vehicles were registered with a single cover note.
- In RTO Raipur, insurance details were shown as 'Not Available' in 184772 cases.

Non-entry of valid data should have been checked and rejected in the software. Hence due to non-provision of uniqueness of data led to failure on the part of VAHAN software.

When we pointed out the cases in audit, the RTO's replied that it is due to data entry error and data will be fed in Software after verifying the records. The transport authorities also did not verify the authenticity of the insurance cover note submitted along with the application. Thus, the absence of validation checks and input supervision in the system to prevent the use of duplicate cover notes resulted in fraudulent use of insurance cover notes.

During exit conference, the Government while accepting the audit observation stated that the request for inclusion of validation for duplicate insurance cover note will be communicated to 'VAHAN' development team after verifying the same.

6.9.24 PAN number not entered in field

The permanent account number (PAN) issued by Income Tax Department is required to be quoted in cases of purchase of motor car and provision had been made in the registration module of the VAHAN Software to capture the PAN details. Scrutiny of the VAHAN software revealed that the department had not made it compulsory for input validation. Hence, there were 14662 cases in the three RTO's in which PAN details were not mentioned.

When we pointed out the cases, the RTOs replied that due to the fault by data entry operator PAN number could not be filled. PAN numbers available in the file will be updated in the VAHAN Software.

During exit conference, the Government while accepting the audit observation stated that all the cases pointed out by the audit will be reviewed and missing PAN numbers will be entered through backlog entry.

⁴ Ambikapur and Raipur

6.9.25 Tax data not fed while giving 'No Objection Certificate' (NOC)

According to Section 48 (5) of Motor Vehicles Act 1988 "before granting the NOC, the registering authority shall verify whether all the amounts due to Government including road tax in respect of that motor vehicle have been paid and taken into account".

During test check of the records of the three RTOs, we found that in 3527 vehicles, tax clearance data was not fed by the transport authorities in VAHAN software while issuing/accepting NOC.

When we pointed out the case in audit, the RTOs stated that NOC were issued to the vehicles after verifying all the related documents. It was further stated that most of the vehicles objected are of life time tax nature and the data entry

operator did not mention the tax paid date due to which tax report is not entered. The matter will be taken care of in future.

During exit conference, the Government while accepting the audit observation stated that the matter will be scrutinized and agreed to recover the tax amount with penalty if the issue of NOC is found incorrect.

Non-updating of business Rules

6.9.26 Short-levy of Life time tax

The Government of Chhattisgarh vide its notification dated 10 November 2010 enhanced the rate of life time tax by one per cent in each class.

During the test check of the data base of the VAHAN Software we found that though there is a system in the VAHAN software to update the tax rate, but the department fails to update the same. Further scrutiny revealed that in respect of 1443 vehicles, life time tax amounting to ₹ 4907222 was leviable. However, the RTO

levied and realised only ₹ 4093548 which resulted in short realisation of ₹ 813404.

When we pointed out the case in audit, the RTO Raipur accepted the objection and replied that the notices have been issued to the vehicle owners for collection of the balance amount. Further progress will be intimated to audit.

During exit conference, the Government while accepting the audit observation stated that due to the first occasion of tax changes since software implementation, there had been a delay due to communication gap with the NIC in revising tax rate in software which resulted in short levy of tax. In future, steps will be taken to ensure that NIC is well informed in advance regarding any such changes in tax rates.

Deficiencies noticed in software 'SARATHI'

6.9.27 Lapses in Security measures in 'SARATHI'

According to Rule 17 (1) (b) of CGMV Rules 1989 “Application for grant of licence to drive transport vehicle shall be accompanied by driving certificate in form 5 issued by the driving school registered under section 12 of Motor vehicle Act 1988.”

We found in test check of 'SARATHI' Software that validity period of “National Motor Training School, Raipur” had lapsed on 1/07/2011, but the driving licence were issued through the software by endorsing the Form-5.

When we pointed out the cases in audit, the RTO Raipur accepted the objection and replied that the notice

has been issued to the institute and further action will be intimated to audit.

During exit conference, the Government while accepting the audit observation stated that that the matter will be taken up with the NIC to rectify the deficiency.

6.9.28 Conclusion

A fundamental element of internal control is the segregation of certain key duties. The basic idea of underlying segregation of duties is that no employee or group of employees should be in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. It was observed during audit that the staff responsible for data entry was also responsible for authorisation, as all rights for authorisation of data entry were provided to data entry staff in all the RTOs test checked in audit. Thus, the risk of manipulation of data increased in the absence of proper segregation of duties.

The objective of Computerisation of the Transport Department was aimed at imparting better, efficient and timely service to the users and plugging revenue leakage. However, it was observed that Completeness, accuracy and integrity of data entered and processed were not ensured due to deficient application controls coupled with supervisory controls. Several components of the modules were not in operation and software deficiencies were found which necessitated manual intervention for rectification, thereby rendering the system unreliable. Creation of a central database and uploading of paper based records to the database could not be completed even after two years of the commercial operation of the system. Thus, the objectives of implementing 'VAHAN' for better citizen services, improving working of RTOs and enforcement agencies, an efficient and transparent revenue collection, etc., could not be achieved fully.

6.9.29 Recommendations

The Government may consider the following:

- Frame the security and backup policies and define the business continuity plan.
- Identify gaps in the process mapping and incorporate them in the application.
- Strengthen the input and validation control features to ensure that incorrect and incomplete data are not fed into the system.
- Ensure adequate physical and logical access control so that the safety and security of data is not compromised.
- Ensure proper supervisory check/control over the system.
- Train departmental officials in system management and database operation.

6.10 Audit observations

We scrutinised the records of the office of Transport Department and found several cases of non-observance of the provisions of the Act/Rules, resulting in non/short levy of fees and fines, etc, as mentioned in the succeeding paragraphs. These cases are only illustrative, based on test check carried out by us, reflecting the flaws in the working of the Department. Although we point out similar cases every year, the irregularities persist. As such, we feel that the Department needs to improve, its internal control system, in order to guard against the recurrence of such lapses.

6.11 Non-realisation of tax from owners of goods and passenger vehicles

Section 3 and 5 of the Chhattisgarh Motor Vehicle Act, states that tax shall be levied on the owner of every goods and passenger vehicles used or kept for use in the state at the rate prescribed in the first schedule of the Act. In case of non-payment of the tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under section 13(1) of the Act. Where any owner fails to pay tax, penalty or both the taxation authority is required to issue a demand notice and take action to recover the amount as arrears of land revenue.

We found in test check of records of two⁵ District Transport Officers (DTOs) (July 2008) that though the owners of 39 goods and 33 passenger vehicles did not pay the road tax of ₹ 8.37 lakh for the period July 2005 to March 2008, no action was initiated by the DTOs to issue demand notice for the recovery of the tax from the defaulting vehicle owners. This resulted in non-realisation of tax amounting ₹ 8.37 lakh. Besides, penalty amounting ₹ 8.37 lakh for delay in payment of tax was also leviable.

After we pointed this out, the Government intimated (September 2011) that an amount of ₹ 6.28 lakh has been

deposited by the vehicle owners and penalty of ₹ 2.83 lakh is not recoverable as the tax was deposited in time. As regards the remaining cases it was stated that demand notices have been issued for the recovery of ₹ 7.63 lakh.

Though the tax was deposited timely by the vehicle owners, but the same was neither noted in the taxation register maintained by the Department nor intimated during the course of audit. This indicates improper maintenance of records and lack of internal control mechanism in the Department.

⁵ Baikunthpur, Kawardha

6.12 Short levy of composition fee

According to Rule 194 (1) of Motor Vehicle Act 1988 read with notification dated 2/02/2007, driving a vehicle exceeding permissible weight shall be punishable with levy of composition fee of ₹ 2000 per tonne and ₹ 1000 per tonne for each additional tonne or part thereof in excess of the permissible load for the first time and for second or subsequent offences respectively wherever applicable each time.

We found in the test check of the records of the five barriers, for the period February 2007 to July 2010 that in 327 cases, load was in excess of the permissible weight. The in-charge officer levied and recovered composition fee of ₹ 5.00 lakh as against the recoverable fee of ₹ 8.49 lakh from the owner of the vehicles. This resulted in short levy of ₹ 3.49 lakh.

After we pointed this out, the Government intimated (September 2011) that recovery

amounting to ₹ 0.35 lakh has since been made in full in respect of three check posts. As regards check post Wadraf Nagar, recovery of ₹ 10,000 has been made against the recoverable amount of ₹ 1.71 lakh and for Patekohara, recovery amounting ₹ 27,300 has been made against the recoverable amount of ₹ 1.43 lakh. It was further stated that for the balance recovery of ₹ 2.77 lakh, the concerned check post officers have been directed for early recovery and they have also assured for the same.