

***CHAPTER V***  
***TAXES ON VEHICLES***

## Executive Summary

Increase in tax collection	In 2010-11 the collection of revenue from taxes on vehicles increased by 31 <i>per cent</i> over the previous year which was attributed by the Department to enhancement of life time tax.
Internal audit	Internal audit is being conducted periodically in all the zones in the State.
Results of audit conducted by us in 2010-11	In 2010-11 we test checked the records of 30 units and found underassessment of tax, fees and other observations amounting to ₹ 9.49 crore in 95 cases. The Department accepted underassessments and other deficiencies amounting to ₹ 1.32 crore in 100 cases and collected the amount, out of which, ₹ 5.35 lakh involved in 15 cases were pointed out during 2010-11 and the rest in earlier years
What we have highlighted in this Chapter	In this chapter we present a performance audit on <b>“Computerisation of Transport Department”</b> containing certain system/compliance deficiencies involving money value of ₹ 1.69 crore noticed during our test check of records in the Regional Transport Offices.  It is pertinent to mention that though similar omissions have been pointed out by us in 2006-07, the Department had not taken corrective action.
Our conclusion	The Department needs to improve the internal audit so that the omissions of the nature detected by us are avoided in future.

## CHAPTER V TAXES ON VEHICLES

### 5.1 Tax administration

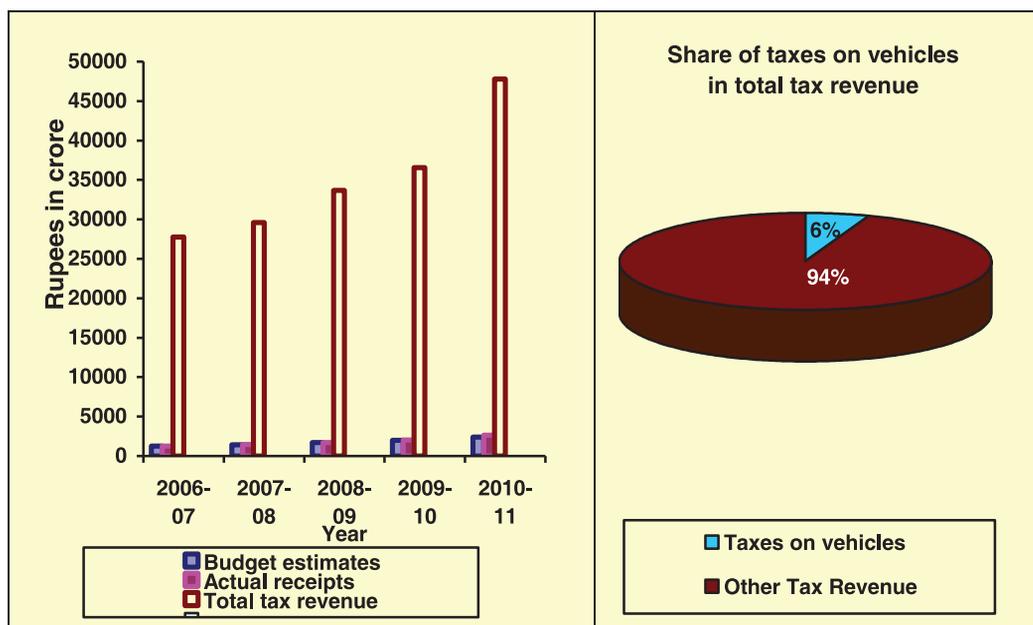
The Transport Department of the Government of Tamil Nadu administers the provisions of the Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989, Tamil Nadu Motor Vehicles Rules, 1989 and Tamil Nadu Motor Vehicles Taxation Act and Rules, 1974.

### 5.2 Trend of receipts

Actual receipts from taxes on vehicles during the last five years from 2006-07 to 2010-11 along with the total tax receipts during the same period are exhibited in the following table:

(₹ in crore)						
Year	Budget estimates	Actuals	Variation excess (+)/ short fall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts <i>vis-à-vis</i> total tax receipts
2006-07	1,248.28	1,260.88	(+) 12.60	(+) 1.01	27,771.15	4.54
2007-08	1,410.22	1,483.21	(+) 72.99	(+) 5.18	29,619.10	5.01
2008-09	1,707.60	1,709.57	(+) 1.97	(+) 0.12	33,684.37	5.08
2009-10	1,994.38	2,024.64	(+) 30.26	(+) 1.52	36,546.66	5.54
2010-11	2,396.42	2,660.05	(+) 263.63	(+) 11.00	47,782.17	5.57

A bar diagram depicting budget estimates, actual receipts and total receipts and a pie chart depicting the position of taxes on vehicles receipts in the total tax receipts are given in the following page:



In 2010-11 the collection of revenue from taxes on vehicles increased by 31 per cent over the previous year which was attributed by the Department to enhancement of life time tax.

### 5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 along with the figures for the preceding four years as furnished by the Department are mentioned below:

(₹ in lakh)					
Year	Opening balance	Addition	Total	Amount collected during the year	Closing balance
2006-07	174.62	565.76	740.38	548.76	191.62
2007-08	191.62	577.77	769.39	764.64	4.75
2008-09	4.75	657.53	662.28	582.13	80.15
2009-10	80.15	728.37	808.52	717.97	90.55
2010-11	90.55	2,636.71	2,727.26	2,521.36	205.90

The arrears as on 31 March 2011 includes ₹ 1.92 crore outstanding for more than five years. Demands of ₹ 42.64 lakh were covered under the Revenue Recovery Act. Demands of ₹ 10.50 lakh were stayed by the High Court and other judicial authorities. A sum of ₹ 77.76 lakh is likely to be written off while ₹ 54.99 lakh was under various stages of collection. An amount of ₹ 20.01 lakh has since been collected.

### 5.4 Cost of collection

The gross collection in respect of taxes on vehicles, expenditure incurred on collection and 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 for previous years are given 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 the previous years
Taxes on vehicles	2008-09	1,709.57	47.56	2.78	2.09
	2009-10	2,024.64	77.30	3.81	2.93
	2010-11	2,660.05	67.64	2.54	3.07

The above table indicates that while the percentage of expenditure on collection was more in 2008-09 and 2009-10, it fell below the all India average percentage in the year 2010-11.

## 5.5 Impact of Audit Reports

### 5.5.1 Revenue impact

During the last five years, we had pointed out through our Audit Reports under assessment of tax, fees, penalty, loss of revenue with revenue implication of ₹ 248.47 crore in seven paragraphs (including two performance audits). Of these, the Department/Government had accepted audit observations involving ₹ 5.03 crore and had since recovered ₹ 0.35 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Accepted money value	Amount recovered
	Number	Money value		
2005-06	---	----	----	----
2006-07	2	0.31	0.31	0.11
2007-08	1	240.00	3.61	0.04
2008-09	1	0.37	0.37	0.20
2009-10	3	7.79	0.74	---
<b>Total</b>	<b>7</b>	<b>248.47</b>	<b>5.03</b>	<b>0.35</b>

The Government may institute a mechanism to monitor the position of recoveries pointed out in the Audit Reports and take necessary steps for early collection.

## 5.6 Working of internal audit wing

The details of the number of offices due for internal audit and those completed, as furnished by the Department, are given in the following table:

Year	Number of offices due	Number of offices completed	Balance	Percentage of col. 3 to 2
1	2	3	4	5
2006-07	62	62	----	100
2007-08	62	62	----	100
2008-09	62	62	----	100
2009-10	63	63	----	100
2010-11	63	NF*	----	--

\* The Department stated that audit is being conducted in all zones periodically and is in progress for the year 2010-11.

### **5.7 Results of Audit**

We test checked the records of 30 Departmental offices during the period from April 2010 to March 2011 and found underassessment of tax, fees, penalty and other observations amounting to ₹ 9.49 crore in 95 cases, which broadly fall under the following categories:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1	Computerisation of Transport Department (A performance audit)	1	1.69
2	Non/short collection of tax	40	7.01
3	Non/short collection of fee	34	0.30
4	Non/short collection of penalty	18	0.35
5	Others	2	0.14
<b>Total</b>		<b>95</b>	<b>9.49</b>

During the course of the year 2010-11, the Department accepted under assessments and other deficiencies amounting to ₹ 1.32 crore in 100 cases and collected the amount, out of which ₹ 5.35 lakh involved in 15 cases were pointed out during the year and the rest in earlier years.

A performance audit on “**Computerisation of Transport Department**” involving money value of ₹ 1.69 crore is mentioned in the following paragraphs:

## **5.8 Performance audit on Computerisation of Transport Department**

### **Highlights**

- Failure to clearly frame up user requirements resulted in continued and repeated updation of software.  
**(Paragraph 5.8.8.1)**
- Lack of periodical and continuous backup resulted in loss of information in two offices.  
**(Paragraph 5.8.8.2)**
- Non-mapping of business rules resulted in non/short levy of tax.  
**(Paragraph 5.8.9)**
- Lack of validation controls in the key fields affected the reliability of the information apart from wrong calculation of tax.  
**(Paragraph 5.8.10.2)**
- Non-utilisation of modules resulted in short collection of tax of ₹ 20.90 lakh in respect of 167 vehicles.  
**(Paragraph 5.8.11.1)**

### **5.8.1 Introduction**

Road Transport is a concurrent subject under the Indian Constitution. While the legislation and coordination of road transport among States is done by the Central Government, the implementation of the various provisions of the Motor Vehicles Act is done by the States. Due to the increasing road network and phenomenal growth in the past decades, the Government of India (GOI) had felt an urgent need to create a National Database of registration, driving licenses, national permits etc. to serve as a reliable planning tool both for the Central and State Governments.

The Central Government has been encouraging the States to work on a standardised application format and to undertake computerisation of back-end processing based on such standardised formats using inter-operable software so that the registration certificates/national permits/driving licenses are readable throughout the country.

With a view to achieving the above objectives and as a part of the National e-Governance programme in order to usher in transparency and induction of Information Technology in Transport Sector, the Ministry of Road Transport and Highways approached the National Informatics Centre (NIC) in 2002, for development of standardised software. It would also be helpful in generating MIS reports like collection particulars, vehicle population, etc.

### **5.8.2 Organisational Structure**

The Transport Department is headed by the Transport Commissioner and functions under the administrative control of the Home Department. The Transport Commissioner also functions as the State Transport Authority. There are seven zonal offices headed by Deputy Transport Commissioners, 61 Regional Transport Offices (RTOs), 49 unit offices (UOs) and 19 check posts in the State under the direct supervision of the Regional Transport Officers.

### **5.8.3 Computerisation**

**Vahan** is an application developed by NIC for registration of vehicles, issue of permits, collection of road tax and to record fitness of vehicles.

**Sarathi** is an application developed by NIC for issue of learners license, permanent driving license, conductor's license, driving school license, etc.

The applications, 'Vahan and Sarathi' were developed on a two-tier architecture with Visual Basic as the front end application and supports MSSQL Server 7.0, 2000 or higher as back end.

Vahan and Sarathi were customised and tested at a pilot site (Chennai North) in November 2003. The same software was replicated in 41 offices in June 2005 and later in all other offices during 2007 to 2010 in a phased manner. The financial outlay for both Vahan and Sarathi on hardware and infrastructure facilities was ₹ 20.13 crore.

### **5.8.4 Audit objectives**

We conducted the performance audit with a view to ascertain whether:

- the phase-wise implementation of Vahan and Sarathi was achieved as per time frame fixed;
- computerised systems implemented were complete (module wise) and to verify the correctness and completeness of the data captured by the RTO offices;
- connectivity systems established between RTOs in the State for the creation of State and National Registers of vehicle and licenses;
- the web based issue of National Permit was implemented as planned;
- reliable general and security controls were in place to ensure data security and audit trail; and
- the overall objectives of computerisation of the Department were achieved.

### **5.8.5 Scope and Methodology of audit**

We conducted the performance audit during the period from June 2011 to September 2011 covering the period from 2006-07 to 2010-11. We scrutinised the documents relating to project implementation at the office of the Transport Commissioner. Apart from the above, we collected data from ten RTOs<sup>43</sup> and nine related unit offices<sup>44</sup> and five check posts<sup>45</sup> spread over Tamil Nadu by adopting Simple Random Sampling Method. Further, sample checks were made with manual records.

### **5.8.6 Acknowledgement**

We acknowledge the co-operation extended by the Home (Transport) Department in providing us the necessary records and information. An entry conference was held with the Principal Secretary, Home (Transport) Department on 27 May 2011 in which the audit objectives and methodology were explained. The draft performance audit report was forwarded to the Government and the Department in September 2011. An exit conference was held with the Transport Commissioner on 28 October 2011 and the reply furnished during the exit conference has been suitably incorporated in the performance audit.

### **5.8.7 Audit findings**

A performance audit on Computerisation of Transport Department was included in the Audit Report 2006-07. In the performance audit, certain important points like non-linking of State Transport Authority (STA), computerisation of check posts and deficiencies in input controls were pointed out. During the current performance audit, we noticed that though the check posts have been computerised to collect the fees comprehensively, there is no provision for capturing the break up of offences. Further, check posts are not linked either with the RTOs or with the unit offices. This resulted in non-existence of the database for offences apart from non-monitoring of offence at various offices. There was no inter-connectivity among the offices as well as with STA and the deficiencies in input controls continue to exist. The audit findings are detailed in the subsequent paragraphs.

### **5.8.8 General controls**

General controls include controls over data centre operations, system software acquisition and maintenance, access security, and application system development and maintenance. They create the environment in which the application systems and application controls operate. Audit evaluated the above aspects and noticed the following deficiencies.

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<sup>43</sup> Chennai (Central and West) Coimbatore (North and South), Cuddalore, Meenambakkam, Thiruvanniyur, Tiruvallur, Trichy and Vellore.

<sup>44</sup> Chidambaram, Gudiyatham, Manapparai, Neyveli, Poonamallee, Tambaram, Thiruverumbur, Vaniyambadi and Vridhachalam.

<sup>45</sup> Coimbatore (In and Out), Katpadi, Poonamallee and Serkadu.

#### **5.8.8.1 Planning and implementation**

Proper planning and implementation is necessary for success of any project. The study of project files and implementation in the field offices revealed the following deficiencies:

- **Vahan application** – After the software was rolled out at the pilot site for nearly two years from 2003, the Department replicated the software in the remaining RTOs during 2005-2010. Despite the existence of a nodal officer in charge of IT operations (Deputy Transport Commissioner I) and a monitoring committee headed by the Joint Transport Commissioner (Road Safety), the implementation of the software at the pilot site was not completely perfected before replication in other offices and there continued to be various versions and updation.

However, we noticed that the requirement of the software has not been frozen till now and hence two versions and 38 updations were developed.

Further, for generation of various reports, NIC had developed five versions during the period from 2008 to 2011. However, because of non-integration, the Department has to run different versions for generation of various reports like daily collection reports, ownership details, vehicle details, cancelled receipts, etc. Generation of various reports from multiple versions with patches shows deficiencies in the development of the software.

After we pointed this out, the Department during the exit conference replied (October 2011) that the complete documentation of all requirements would be framed immediately and forwarded to NIC.

- **Data migration from the legacy system for Vahan** - The basic objective of creation of State/National register would be achieved only if the data base is complete. We noticed that approximately 7.8 lakh records in 11 offices<sup>46</sup> are pending to be migrated from the legacy system. In practice, the data is updated as and when the subsequent transaction takes place. We observed that the Department has no defined plan for migration of the legacy system. To this extent, the database continues to be deficient.

After we pointed this out, the Department during the exit conference replied (October 2011) that action would be taken to migrate the data.

- **Connectivity** - Government sanctioned a sum of ₹ 1.19 crore (February 2008) to provide connectivity to all the Zonal offices, RTOs, UOs and check posts through Tamil Nadu State Wide Area Network (TNSWAN) connectivity for sharing of information. Based on the request made by the Department in September 2008, M/s Electronic Corporation of Tamil Nadu (ELCOT) Limited had submitted a detailed estimate for an amount of ₹ 3.48 crore in October 2008. Due to delay in finalisation of the project by the Department, the estimate was revised to ₹ 4 crore in June 2010. Subsequently, the revised estimates were forwarded to the Government by the Department in May 2011. The matter is still pending with the Government. As a result,

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<sup>46</sup> Chidambaram, Coimbatore (North & South), Cuddalore, Gudiyatham, Meenambakkam, Neyveli, Tiruvallur, Vaniambadi, Vellore and Vridhachalam.

TNSWAN connectivity envisaged in February 2008 has not materialised till date (December 2011).

We observed during audit scrutiny that due to lack of inter-connectivity there exists two registration numbers for same vehicle in the database. In 16 offices<sup>47</sup>, in respect of 168 cases there were duplicate entries of chassis numbers. Further, in four offices 11 registration numbers like ‘TN31312204’ were issued which were not in the standard format. While issuing permits at the RTO for the vehicles registered in the unit office, the data has to be captured for collecting the permit fee. At the time of data entry at the RTO, the registration number was entered incorrectly. This was further verified with register of motor vehicles and found that the wrongly entered registration numbers related to non-transport vehicles for which life time tax had been paid.

Due to lack of inter-connectivity among the RTOs and unit offices, unit office master details are captured again at the RTO and this resulted in existence of multiple master data. As connection was not provided to the users at the cash counter, verification of tax details, license details, permit details etc., among the RTOs and unit offices under its jurisdiction could not be made.

Due to the absence of connectivity at check posts the information with regard to cancellation of permits, thefts and blacklisted vehicles and tax arrears details could not be ascertained at the inter-state border.

After we pointed this out, the Department during the exit conference replied (October 2011) that the issue would be taken up in consultation with NIC.

- **Smart Card** – The decision to issue smart cards was taken by the Department due to the following advantages such as: (i) the data stored in optical strip is digitally signed and prevents unauthorised access; (ii) the data can be updated but cannot be erased, this provides permanent audit trail and prevents intentional tampering; and (iii) this system shall have mobile hand-held terminals to read the data available in the smart card which enables enforcement officers to have quick access. In December 2007, the Department invited tenders and in October 2008, an agreement was signed with the only selected vendor and the smart card scheme was implemented in three pilot sites. The Government ordered (May 2010) to implement the smart card scheme in other RTOs/UOs. Subsequently the Department invited tenders (June 2010). Since one of the tenderers had obtained stay order from the Hon’ble Madras High Court (March 2011) with regard to the tender processing, the Department could not implement the scheme of issue of smart card in other offices. Due to non-implementation of issue of smart card, the perceived benefits such as prevention of unauthorised access, audit trails and quick access by enforcement officers could not be achieved.

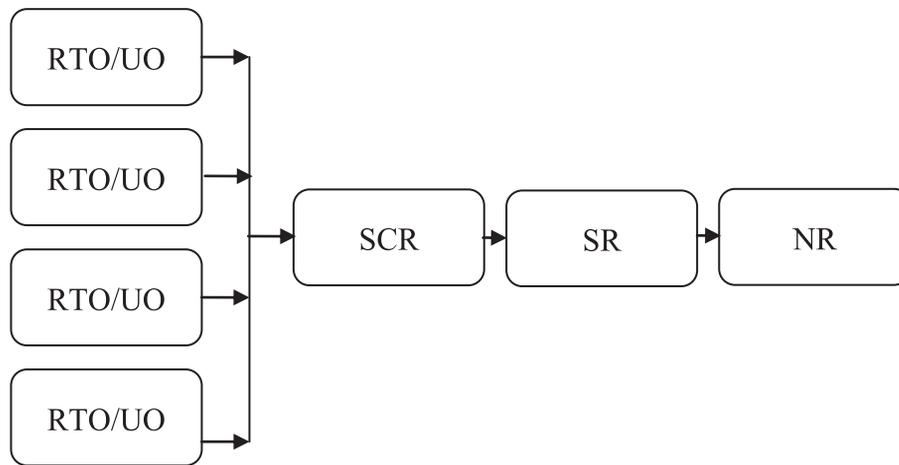
After we pointed this out, the Department replied (October 2011) during the exit conference that action would be initiated as soon as the court stay is vacated.

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<sup>47</sup> Ayanavaram, Chidambaram, Coimbatore (North & South), Cuddalore, Gudiyatham, KK Nagar, Meenambakkam, Neyveli, Poonamallee, Tambaram, Tiruvallur, Tiruverumbur, Trichy, Vellore and Vridhachalam.

- **State Register/National Register:** The information captured at the RTO level is transferred to the State Consolidation Register (SCR) to act as back up data for disaster recovery. The data transmission through VPN connection occurs on a daily basis at scheduled times. Selected data from the SCR is to be replicated to the State Register (SR) which will act as a repository at the State level to provide information to the State Transport Department, RTOs, automobile dealers and Police Department. Selected data from the State registers will flow to the National Register (NR). This will also enable the users to avail the service on “anywhere service” basis.

#### DATA FLOW



We analysed the website relating to State Register and National Register for correctness and completeness of the information. The analysis revealed the following:

- In the **State Register** certain important information, viz., permit details, financier details, convicted license details and suspended/cancelled driving license details are not available.
- The macro level details such as revenue collection, total number of vehicles registered, permits and driving licenses issued in a year are generated from the MIS report of the SR.
- When a new unit office is formed under any RTO, the data dump relating to the jurisdiction of the unit office is replicated at the unit office from the RTO and subsequently transmitted to the SR. As tax details are also transferred along with the vehicle details, the SR showed the tax collection at the RTO as well as at the unit office resulting in replication of data.
- In the **National Register** there is no provision to capture information on permit, validity of certificate of fitness in respect of transport vehicles, validity of registration in respect of non-transport vehicles and tax remittance particulars. Further, the vehicle details available in the SR are not available in the NR.

**We recommend that the Government may consider freezing the user requirement, creating interconnectivity and completing data migration within a specified time frame.**

#### **5.8.8.2 Business continuity plan**

Business continuity planning is essential to ensure that the organisation can prevent disruption of business and resume processing in the event of a total or partial interruption of information availability. We observed that though standby servers were provided in each office for immediate restoration of the system, they were not configured on mirroring technology; instead backups were taken on a daily basis in a removable hard disk. At the time of disruption in the main server, the standby server was operated from the available backup to resume the process. Due to this, data lost between the time of backup and the time of crash cannot be restored. We noticed that in the RTO Cuddalore and Meenambakkam, there was loss of data for nine and fifteen days in 2008-09 and 2009-10 respectively while restoring the data due to non-existence of daily backup. Though master data was manually captured subsequently, the collections made during the period were not captured.

#### **5.8.9 Mapping of business rules**

All the relevant business rules and procedures are required to be identified and suitably incorporated in the system. Audit analysis revealed that the following rules were not mapped.

- **Collection of penalty** – Quarterly tax has to be paid within 45 days of commencement of the quarter. For delayed payment penalty is leviable at 25, 50 and 100 *per cent* for delay beyond 45, 60 and 90 days respectively. For automatic calculation of penalty for belated payment of tax, the penalty rates and parameters have to be mapped in the system. We observed from an analysis of the database for the period from April 2007 to March 2011 that for 81,995 vehicles, though tax was paid after the stipulated period, penalty was not collected due to non-mapping of the penalty rates in the software. We checked the DCB register and found that in the RTO Chennai Central, around ₹ 0.98 lakh was due as penalty in respect of 44 cases out of 61 cases test checked.
- **Collection of quarterly tax in respect of transport vehicles whose permits were renewed but not updated in the system:** The road tax for the transport vehicle has to be calculated after fixing parameters like seating capacity and laden weight through the issue of permit. The above business rule of ensuring validity of the permit was not made mandatory in the system while collecting the road tax.

We noticed that quarterly tax in respect of 509 vehicles continued to be collected though the validity of the permit of the vehicles was shown as 'expired' in the system. The above cases were cross verified with the manual records and we found that the Department had manually verified the permit validity. In view of this the data available in the system could not be relied upon.

**We recommend that the software needs to be modified making it mandatory to enter permit details while calculating the quarterly tax.**

- **Collection of idle tax in respect of goods carriages:** If any vehicle is kept idle, the refund of tax already received for the period in which the vehicle was kept idle was required to be supported by a stoppage report by the Motor Vehicle Inspector that the vehicle was actually idle. We noticed that the provision has not been mapped in the software. Further, the Department was also collecting an amount of ₹ 105 per month for the period the vehicle was kept idle. In the absence of any provision in the Act, collection of any amount as ‘idle tax’ was not in order.

- **Grant of driving license for persons below 18 years:** As per Section 4 of the Motor Vehicles Act, 1988, no person under the age of 18 years should drive a motor vehicle in any public place provided that a motor cycle with engine capacity not exceeding 50 cubic capacity may be driven in a public place by a person after attaining the age of 16 years.

We noticed that while granting driving license for applicants who were under 18 years of age, the class of vehicle was indicated as “motor cycle without gear” instead of “motor vehicle with less than 50 cubic capacity”. Non-mapping of this business rule led to incorrect grant of license to persons below 18 years in 78 cases in eight offices<sup>48</sup>.

**We recommend that the Government may take necessary steps to incorporate all the business rules and procedures within a time frame.**

#### **5.8.10 Application controls**

Application controls pertain to specific computer applications. They include controls that help to ensure proper authorisation, completeness, accuracy and validity of transactions. We observed the following deficiencies in the application controls.

##### **5.8.10.1 Manual override**

While computerising the functions of any critical system, it should be ensured that there is no option for the user to manually override the functions. The study of the application along with the data analysis and verification of manual records revealed that there was manual intervention and tax was omitted to be collected in the following instances. Allowing the users to manually override the system is a serious security threat to the Department as it provides an opportunity for non/short levy of taxes.

- **Road Tax:** There exists a regular mode namely ‘quarterly, half-yearly, yearly’ for collection of tax. We noticed that the Department bypassed the use of regular mode through manual intervention for collection of taxes for the current period even though the tax for earlier period was in arrears. Further, the defaulters’ list generated through the system did not depict the

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<sup>48</sup> Ayanavaram, KK Nagar, Meenambakkam, Tambaram, Tiruvallur, Tiruvanmiyur, Vaniyambadi and Vellore.

same. In 13 offices<sup>49</sup> in respect of 8,701 cases, tax for the current period, was collected even though the tax for earlier periods was in arrears. We test checked 1,146 cases from the manual records and found that arrears of tax amounting to ₹ 38.92 lakh were due for 535 vehicles. In the remaining cases tax clearance certificates had been issued and the period of tax collection was entered wrongly in the system as verified from the demand collection balance (DCB) register.

After we pointed this out, the Department replied during the exit conference that the privilege of bypassing regular mode was restricted to the RTO and further stated that the collection of such arrears and for generation of arrear report would be monitored in consultation with NIC.

- **Life time tax:** Life time tax for non-transport vehicles at the time of registration was to be calculated automatically by the system based (percentage) on the cost of the vehicle. Change registration data menu allows for editing the vehicle information including cost of the vehicle. We noticed that in 17 offices<sup>50</sup>, for the period from April 2007 to March 2011, in respect of 647 vehicles, there was difference of tax collected with reference to the cost of the vehicle resulting in short collection of life time tax. We further observed from the database that for the period from March 2009 to March 2011, in respect of non transport vehicles, while the value of the vehicle was uploaded by the dealers, the same was not taken into account for the purpose of calculation of tax. Instead, the RTOs adopted the value stated in the invoices, which was less than the value already uploaded in the system by the dealers. The Department needs to investigate the short collection of tax.

- **Road Safety tax:** The collection of taxes and fees module at the cash counter has a provision to list down all the taxes/fees to be collected for all the categories of vehicles. The user at the cash counter has to select the fees and taxes applicable for each transaction through manual intervention instead of the system generating them automatically. In 17 offices<sup>51</sup>, road safety tax was omitted to be collected in respect of 408 vehicles, amounting to ₹ 3.62 lakh as verified from Form 20 (application form for registration of vehicles) and the receipt annexed thereto.

After we pointed this out, the Department stated (October 2011) during the exit conference that necessary modification would be made in the software in consultation with NIC.

The Department replied (October 2011) during exit conference that the issue would be taken up with the dealers to adopt a single value and also agreed to collect the difference of tax from the dealers.

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<sup>49</sup> Ayanavaram, Coimbatore (North & South), Cuddalore, Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Trichy, Tiruvanmiyur, Tiruverumbur, Vaniyambadi and Vellore.

<sup>50</sup> Ayanavaram, Chidambaram, Coimbatore (North & South), Cuddalore, Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tambaram, Tiruvallur, Tiruvanmiyur, Trichy, Vaniyambadi and Vridhachalam.

<sup>51</sup> Ayanavaram, Chidambaram, Coimbatore (North & South), Cuddalore, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tambaram, Tiruvallur, Tiruvanmiyur, Tiruverumbur, Trichy, Vellore and Vridhachalam.

- **Data security:** The security of information system involves the protection of computerised data from unauthorised modification. The software is also designed to generate the receipt number automatically on random basis.

On verification of the database and generation of receipt status from the report we noticed that, a single receipt number was shown for more than one vehicle in 267 cases relating to five offices<sup>52</sup> which is indicative of unauthorised intervention and modification in the database. Further, as there was no audit trail/exceptional report for such modifications, the custodian of the data could not monitor such issues. This indicates a serious security lapse in the information system, where the risk of tampering with the data is high.

After we pointed this out, the Department stated (October 2011) during exit conference that this was not possible through Vahan software as the receipts were auto generated by the system and further stated that action would be taken on the issues pointed out by audit.

#### **5.8.10.2 Validation**

Validation controls in the system render the database complete and reliable. Lack of validation controls in the key fields affected the reliability on the information generated by the system as detailed below:

- **Key fields:** The database contained information of 'date from' and 'date upto' for which the tax had been collected for the purpose of indication of the period for which the tax payment was made. In 2,821 cases there was acceptance of dates such as 1 January 1900, 1 April 2011 to 31 March 2011, etc. and in 74,158 cases the sale amount was shown as zero. This indicated deficient validation control in the software in addition to the risk of omission of tax collection details and generation of wrong MIS.
- **Collection of tax by cheque:** The collection of tax by cheque is meant only for state transport vehicles having a unique registration alphabet 'N'. In 19 offices<sup>53</sup>, in 28,524 cases, the mode of collection of tax was selected as 'cheque', though tax has been collected by the prescribed mode viz., bankers' cheque, demand draft etc as verified from the 'bank draft register'. Absence of the validation control led to wrong generation of the daily collection report.
- **Continuity in assigning registration number:** As per Section 41(6) of MV Act, a registering authority shall assign a unique mark in a series to every vehicle at the time of registration. As per the Government Order No.1195 dated 1 July 1989, before a current series gets exhausted, registration number in the next series should not be allotted. In six offices<sup>54</sup>, though 6,130 registration numbers remained unallotted in the previous series, registration numbers were issued in the subsequent series.

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<sup>52</sup> Coimbatore (North & South), Poonamallee, Tiruvallur, Tiruvanmiyur.

<sup>53</sup> Ayanavaram, Coimbatore (North & South), Chidambaram, Cuddalore, Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tambaram, Trichy, Tiruvallur, Tiruvanmiyur, Tiruverumbur, Vaniyambadi, Vellore and Vridhachalam.

<sup>54</sup> Coimbatore (North & South), Poonamallee, Tiruvallur, Tiruvanmiyur and Vridhachalam.

- **Qualification for issue of conductor/driver licenses:** As per rule 55 of the Tamil Nadu Motor Vehicles Taxation Rules, no person shall be granted a conductor license unless he has passed SSLC public examination or equivalent thereof and is able to read and write freely and easily in Tamil. Under Rule 8 of the Central Motor Vehicle Rules, 1989, minimum educational qualification for obtaining a license to drive a transport vehicle shall be a pass in the eighth standard. This provision has also been incorporated in the “Vahan and Sarathi” softwares.

In 17 offices<sup>55</sup>, in 29,365 cases the information regarding educational qualification was not filled. Nevertheless, the system generated the license.

- **Grant of driving license after the expiry of learners’ license:** As per the provisions of Section 14 of the Motor Vehicles Act, 1988 a learner’s license is effective for a period of six months from the date of issue of the license and regular license can be obtained on the expiry of 30 days from the date of issue of learners license. The software has a provision to disallow the issue of driving license beyond the date of expiry. In 16 offices<sup>56</sup> 1,090 licenses were issued after the expiry of the validity period of learners’ license in violation of the provisions of the Act.

- **Collection of driving license fees:** In 16 offices<sup>57</sup> in respect of 7,592 cases relating to the period from April 2007 to March 2011, the details of collection of fees for issue of driving licenses were not available in the system. We verified from cash records and receipts that the driving license fees had been actually collected, but the deficiency in the software resulted in non reflection of the same.

**We recommend that the Government may put in place a mechanism to ensure that the data entered in the system is correct and the validation checks are sufficient.**

After we pointed this out, the Department replied (October 2011) during the exit conference that such validation would be built in the software by NIC.

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<sup>55</sup> Ayanavaram, Coimbatore (North & South), Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tambaram, Tiruvallur, Tiruvanmiyur, Tiruverumbur, Trichy, Vaniyambadi, Vellore and Vridhachalam.

<sup>56</sup> Ayanavaram, Coimbatore (North & South), Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tambaram, Tiruvallur, Tiruvanmiyur, Trichy, Vaniyambadi, Vellore and Vridhachalam.

<sup>57</sup> Ayanavaram, Coimbatore (North & South), Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tiruvallur, Tiruvanmiyur, Tiruverumbur, Trichy, Vaniyambadi, Vellore and Vridhachalam.

### **5.8.11 Other points of interest**

#### **5.8.11.1 Non-utilisation of module**

- **Re-registration of motor vehicles of other states** - Life time tax for re-registration of non-transport vehicles is to be levied at a percentage of the cost of the vehicle depending upon the age of the vehicle from the date of original registration. The rate of tax ranged between 2.75 and 12 *per cent* depending upon the age of the vehicle.

For updation of amendments of tax rates based on the parameters there exists a module namely 'Tax slab' in the application. This has to be updated for calculating the tax automatically. This has not been updated by the RTOs and unit offices. Further, there was no instruction from the Department for updating the same. Instead, the taxes for re-registration were calculated manually and collected through the system. We observed from the database for the period from April 2007 to March 2011, that in 15 offices in respect of 167 vehicles, the tax for re-registration was calculated wrongly resulting in short collection of tax of ₹ 20.90 lakh.

#### **5.8.11.2 Output control**

Output controls ensure that all output was produced and distributed on time, fully reconciled with pre-input control parameters, errors and exceptions are properly investigated and acted upon. The following instances of non/incorrect generation of reports were seen:

- **Monthly periodical report:** Monthly periodical reports containing various information like vehicle details, tax collection details, arrears of taxes, blacklisted vehicle, and permit details are prepared by the RTOs/UOs. Except the revenue collection report, all other reports are prepared manually, due to non-updation of information.
- **List of defaulters for payment of road tax:** The software developed by NIC has a provision to map the vehicle for which 'tax clearance certificate' (TCC) to other RTOs and 'No objection certificate' (NOC) for vehicles proceeding to other states has been issued. Even though NIC had developed a version for mapping such changes, the provision has not been implemented in the customised version used by the Department. Thus the list of defaulters report generated by the system was not correct.

We verified for a particular class of vehicle viz., ‘Maxicab’ and found that in 18 offices<sup>58</sup> there were 20,563 tax defaulters for the period April 2007 to March 2011, for whom the Department did not issue notice for collection of demand as the list includes vehicles for which TCC and NOC have been issued. We conducted test check from the manual records in respect of 1,633 vehicles and found that in respect of 223 vehicles for which TCC/NOC has not been issued there was non-levy of tax to the tune of ₹ 37.42 lakh. In the remaining cases TCC/NOC had been issued apart from cancellation of permits as verified from the demand collection balance (DCB) register.

- **Transport vehicles due for renewal of permit:** We noticed that the report of the list of transport vehicles which were due for renewal of permit was not generated and as such the Department did not have any mechanism for automated monitoring of the vehicles which were due for renewal of permit. In 10 offices the permits of 1,032 tourist taxis have not been renewed so far (December 2011) though renewal was due as early as in April 2007 as verified from the manual permit register. This resulted in non-collection of permit fees/tax to the tune of ₹ 67.03 lakh.

#### **5.8.12 Conclusion**

Though the Department implemented Vahan and Sarathi in all offices, requirements from the system have not been completely analysed, framed and documented while replicating the softwares in the RTOs after pilot study. This resulted in many updations in the software after initiation of the project. Even after several updations, the software is incomplete by non-validation in the key fields, non-mapping of business rules and necessitating manual intervention for calculation of taxes and penalty in certain cases. Non-migration of the legacy data, lack of connectivity among offices/check posts and creation of multiple records for tax collection affected the reliability of the information available in the State Register.

#### **5.8.13 Recommendations**

The Government may consider the following:

- **firming up the user requirement specifications and mapping all the business rules to avoid repeated updation and manual intervention;**
- **evolving a suitable mechanism to ensure that the data entered in the system is correct and the validation checks are sufficient;**
- **ensuring the correctness of the data in the SCR before this is captured in the State Register/National Register;**

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<sup>58</sup> Ayanavaram, Chidambaram, Coimbatore (North & South), Cuddalore, Gudiyatham, KK Nagar, Manaparai, Meenambakkam, Neyveli, Poonamallee, Tambaram, Trichy, Tiruvallur, Tiruverumbur, Vaniyambadi, Vellore and Vridhachalam.

- **providing inter-connectivity among all the RTOs, unit offices, check posts and STAs; and**
- **ensuring the correctness of the invoice value before levying tax for non-transport vehicles.**