

CHAPTER-I

GENERAL

1.1 Introduction

Road transport is considered to be one of the most cost effective and preferred modes of transport for both freight and passengers. Easy availability, adaptability to individual needs and cost savings are some of the factors working in favour of road transport. Road transport also acts as a feeder service to railway, shipping and air traffic.

The Transport Department, Government of West Bengal administers road transport activities through the State Transport Authority (STA) and 26 registering authorities (RAs) comprising of 19 Regional Transport Offices at the district level and seven Additional Regional Transport Offices at the sub-divisional level. The Department is concerned with the formulation of broad policies relating to regulation of road transport, arrangements for movement of vehicular traffic within the State and collection of motor vehicles taxes, fees and fines.

The Transport Department, Government of West Bengal planned the computerisation of the system of registration and taxation of vehicles to streamline the process of realisation of taxes in collaboration with the National Informatics Centre (NIC) in 1991. Accordingly five RAs were computerised in 2000 using a software called the Transport Information System (TIS).

In 2002, the Ministry of Road Transport and Highways, Government of India entered into a Memorandum of Understanding with NIC to develop core software for vehicle registration and driving licence workflow process computerisation. The VAHAN software for vehicle registration and tax collection and SARATHI software for issue and renewal of driving licences (DL) were developed centrally for the whole country. Accordingly, TIS was replaced by VAHAN. The details of various taxes, fees and fines levied on motor vehicles and for driving licence are contained in **Annexure – I**.

The VAHAN and SARATHI softwares were customised by the NIC, West Bengal state unit and implemented in the Public Vehicles Department (PVD), Kolkata in July 2004. These softwares were made operational in the offices of the RAs on different dates in a phased manner. During the period between 2004-05 and 2008-09, SARATHI was in operation in nine RAs¹ and VAHAN in 19 RAs².

¹ RAs: Asansol, Barasat, Barrackpore, Burdwan, Durgapur, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

² RAs: Alipurduar, Asansol, Barasat, Barrackpore, Birbhum, Burdwan, Durgapur, Hooghly, Howrah, Malda, Murshidabad, Nadia, Paschim Medinipur, Purulia, Purva Medinipur, PVD Kolkata, Raiganj, Siliguri and South 24 Parganas.

1.2 Organisational set up

The Additional Chief Secretary to the Government of West Bengal is the administrative head of the Transport Department. He is assisted by one Special Secretary, five Joint Secretaries, two Assistant Secretaries, one Registrar and one Statistical Officer at the headquarters. The Secretary, State Transport Authority (STA), West Bengal, Director, Public Vehicles Department (PVD) Kolkata, 18 Regional Transport Officers (RAs) and seven Additional Regional Transport Officers (RAs) administer the provisions of the Motor Vehicles Acts and Rules. The Joint Secretary, Transport Department is responsible for all computerisation-related activities in the Department.

We reviewed the system of collection of motor vehicle taxes, fees and fines for issue and renewal of different types of licences, permits, trade certificates and compounding of offences and realisation of revenue thereof. The review revealed a number of deficiencies which are mentioned in the succeeding chapters of this Report.

1.3 Audit objectives

We conducted the review to ascertain whether:

- the provisions of the Acts and Rules made thereunder and the instructions/orders issued from time to time by the Department/Government for monitoring the collection of the motor vehicles taxes, fees and fines were adequate and complied with;
- the security of the IT system, completeness and integrity of the data and supervision of the system was adequate, efficient and effective; and
- an internal control system existed and was adequate to help the organisation achieve its objectives with optimum use of its resources.

1.4 Audit criteria

The review was conducted with reference to the provisions made under the laws governing transport management in the State. These are:

Central Laws

- Motor Vehicles (MV) Act, 1988;
- The Central Motor Vehicles (CMV) Rules, 1989;

State Laws

- The West Bengal Motor Vehicles Tax (WBMVT) Act, 1979;
- The West Bengal Motor Vehicles (WBMV) Rules, 1989; and
- The West Bengal Additional Tax and One-time Tax on Motor Vehicles (WBAT) Act, 1989.

1.5 Scope and methodology of audit

We conducted the review between September 2009 and June 2010 covering the period between 2004-05 and 2008-09. The review covered the STA and 12

RAs³ out of 26 RAs selected on the basis of stratified random sampling method. We divided the 27 units (26 RAs and STA) in three strata on the basis of collection of revenue and selected 100 *per cent* i.e. two units from the first stratum having average collection of ₹ 38 crore and above, 50 *per cent* i.e. 10 out of 19 units from the second stratum with average revenue collection between ₹ four and ₹ 38 crore and 10 *per cent* i.e. one out of six units from the third stratum with average revenue collection below ₹ four crore.

IT audit in respect of VAHAN was conducted in 11 RAs⁴ while SARATHI was conducted in eight RAs⁵. The total number of records in VAHAN and SARATHI database was 20,97,965 (including tax exempted vehicles) and 13,52,189 respectively. Out of these 15,28,638 and 4,66,749 cases were related to pre-online period and 5,69,327 and 8,85,440 cases were related to post-online period in respect of VAHAN and SARATHI respectively.

The findings on system were derived from analysis of post-online data only where as findings on transaction were related to the period after the date of inception of VAHAN and SARATHI in the RAs though the registration dates of the vehicles were related to both pre-online and post-online periods. The CAATs⁶ were applied using the same criteria in respect of each finding for all the 11 RAs and deficiencies noticed in respect of RAs were incorporated in the paragraphs. Besides, we test checked the records of one check post (Rampur Motor Vehicle check post) out of three⁷ check posts. The results of data analysis were cross verified with the front end of the system of the RAs on test check basis and were found to be in conformity with the results. We also attempted verification of the audit findings with reference to the manual records. We further reviewed the physical records in respect of units⁸/functional areas⁹ yet to be computerised.

1.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. An entry conference was held in September 2009 with the Additional Chief Secretary, Transport Department in which the objectives, scope and methodology of audit were explained. It was also attended by the Technical Director, National Informatics Centre (NIC). In course of review the audit observations were issued to the RAs along with a soft copy of the details of the cases. The draft review report was forwarded to the Government in June 2010 along with a compact disc (CD) containing detailed information of the cases for their response. The exit conference was held in August 2010 with the Additional Chief Secretary, Transport Department in which the results of audit

³ RAs: Asansol (including check post at Rampur), Bankura, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri, South 24 Parganas and STA.

⁴ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Parganas.

⁵ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, PVD Kolkata, South 24 Parganas.

⁶ Computer Assisted Auditing Techniques.

⁷ Beltala (Paschim Medinipur), Barobisha (Jalpaiguri) and Rampur (Asansol).

⁸ STA and RA, Bankura.

⁹ Enforcement, Licence to sub-dealers, Permits and Trade certificates.

and the recommendations were discussed. The replies of the Department/Government received during the exit conference and at other points of time have been appropriately incorporated in this report.

1.7 Analysis of budget preparation and the trend of revenue collections

As per the Budget Manual, the responsibility for the preparation of the Annual statement of the estimated receipts and expenditure of the State and its presentation to the Legislature lies with the Finance Department. The materials on which the budget estimates (BEs) are based should be obtained by the Finance Department from the local budgeting officers. The actuals of the previous years and revised estimates of the current year ordinarily afford the best guide in framing the BEs of the ensuing year.

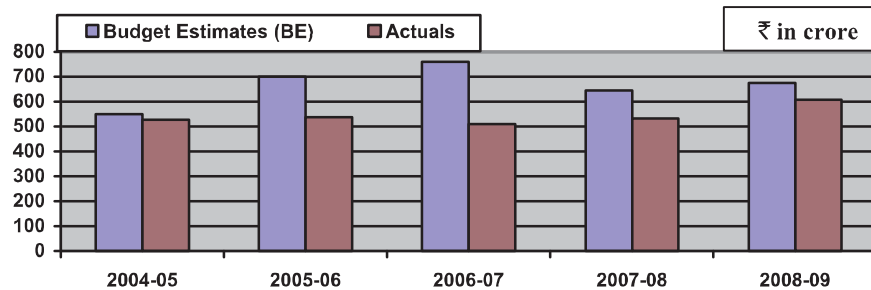
The salient factors which have led to the adoption of figures proposed for the BEs should be clearly and briefly explained. For the fluctuating items neither the actuals of the previous year nor the progress of actuals of the current year should be used as the only guide but due consideration should be given to exceptional circumstances of the previous years and special features of the current year.

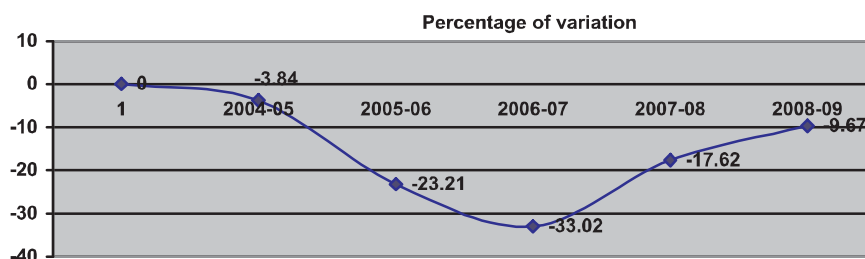
We observed that BEs and revised estimates (REs) in respect of Taxes on motor vehicles were prepared by the Finance (Budget) Department.

The BEs, actual receipts and variation in receipts over BEs and percentage of variation for the years 2004-05 to 2008-09 are shown in the following table:

(Rupees in crore)

| Year | Budget estimates (BEs) | Actuals | Variation between BEs and Actuals excess (+) or shortfall (-) | Percentage of variation |
|---------|------------------------|---------|---|-------------------------|
| 2004-05 | 548.75 | 527.66 | -21.09 | -3.84 |
| 2005-06 | 700.00 | 537.56 | -162.44 | -23.21 |
| 2006-07 | 759.84 | 508.97 | -250.87 | -33.02 |
| 2007-08 | 645.88 | 532.07 | -113.81 | -17.62 |
| 2008-09 | 673.11 | 608.01 | -65.10 | -9.67 |





Thus, it would be seen from the figures given above that the collection of revenue had always been lower than the BEs. The variation between BEs and actual receipts between 2005-06 and 2007-08 ranged between (-) 9.67 and (-) 33.02 *per cent*, indicating that the BEs were not prepared on a realistic basis.

The Department stated that collection of revenue increased in 2007-08 and 2008-09 due to introduction of revised rate of one-time tax and life-time tax (September 2010). However, we did not receive the reasons for variation between BEs and the actuals despite our request (June 2010).

We recommend that the Government may issue directions to the Department to streamline the budgeting process and ensure that BEs are prepared in a scientific manner and are as close to the actuals as possible.

1.8 Cost of collection

The gross collection from motor vehicles taxes, fees and fines, the expenditure incurred on collection and the percentage of such expenditure to gross collection for the years 2006-07 to 2008-09 are given in the following table:

(Rupees in crore)

| Year | Gross collection | Gross expenditure | Percentage of expenditure to gross collection | All India average of expenditure on collection for the preceding year |
|---------|------------------|-------------------|---|---|
| 2006-07 | 508.97 | 9.89 | 1.94 | 2.47 |
| 2007-08 | 532.07 | 10.86 | 2.04 | 2.58 |
| 2008-09 | 608.01 | 11.92 | 1.96 | 2.93 |

The above table shows that the collection from motor vehicles tax increased to ₹ 608.01 crore in 2008-09 from ₹ 508.97 crore in 2006-07, registering an increase of 19.46 *per cent*. The percentage of expenditure to gross collection which increased in 2007-08 was brought down in 2008-09. We noted that the percentage was also always lower than the all India average. The Department should continue with its efforts to maintain this positive trend.

1.9 Outstanding inspection reports and audit observations

The Accountant General (Receipt, Works & Local Bodies Audit), West Bengal (AG) conducts periodic inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Department through inspection reports (IRs). These IRs incorporating irregularities detected during the inspection

and not settled on the spot, are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within two months from the date of issue of the IRs. Serious financial irregularities are reported to the head of the Departments and the Government.

A review of IRs issued to the Transport Department upto December 2009 disclosed that 267 paragraphs involving ₹ 9.44 crore relating to 100 IRs remained outstanding at the end of June 2010 as mentioned in the following table along with the corresponding figures for the preceding two years.

| | June 2008 | June 2009 | June 2010 |
|--|-----------|-----------|-----------|
| Number of outstanding IRs | 121 | 128 | 100 |
| Number of outstanding audit observations | 347 | 349 | 267 |
| Amount involved (Rupees in crore) | 12.52 | 22.24 | 9.44 |

The year-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned in the following table:

| Year | Number of outstanding IRs | Number of outstanding paragraphs | Money value involved (Rupees in lakh) |
|--------------|---------------------------|----------------------------------|---------------------------------------|
| 1998-99 | 2 | 2 | 1.92 |
| 1999-2000 | 5 | 8 | 13.88 |
| 2000-01 | 9 | 16 | 130.81 |
| 2001-02 | 11 | 24 | 165.07 |
| 2002-03 | 13 | 37 | 130.54 |
| 2003-04 | 14 | 49 | 121.70 |
| 2004-05 | 16 | 41 | 51.52 |
| 2005-06 | 10 | 47 | 196.71 |
| 2006-07 | 8 | 19 | 20.42 |
| 2007-08 | 5 | 9 | 10.91 |
| 2008-09 | 5 | 9 | 98.04 |
| 2009-10 | 2 | 6 | 2.58 |
| Total | 100 | 267 | 944.10 |

This large pendency of IRs due to non-receipt of replies is indicative of the fact that the Department did not initiate timely action to rectify the defects, omissions and irregularities pointed out by us in the IRs.

We recommend that the Government may take suitable steps to install an effective mechanism for prompt and appropriate response to audit observations and initiate action against officers who do not send replies to the IRs/paragraphs within the prescribed time schedule. A system needs to be developed for prompt recovery of the revenue at least in respect of the audit observations that have been accepted by the Department/Government.

1.10 Follow up of Audit Reports

1.10.1 Summarised position

As per the Rules of Procedure of the Committee on Public Accounts (PAC) of the West Bengal Legislative Assembly (Internal Working) framed in 1997, the concerned Department was required to send action taken notes (ATNs) on the recommendations contained in the Report of the PAC within six months from the date of its presentation to the House. The position of outstanding ATNs due from the Transport Department is mentioned in the following table:

| PAC Report | Date of presentation in the Assembly | Year of Audit Report | No. of ATNs due |
|------------------------------------|--------------------------------------|----------------------|-----------------|
| 22 nd Report of 1990-91 | 26 March 1991 | 1979-80 | 1 |
| | | 1980-81 | 1 |
| 25 th Report of 1994-96 | 1 August 1995 | 1983-84 | 1 |
| 23 rd Report of 2008-09 | 24 March 2009 | 2006-07 | 2 |
| Total | | | 5 |

1.10.2 Compliance with the earlier Audit Reports

The Committee on Public Accounts discusses the Receipt Audit Reports and presents its reports and recommendations for compliance by the Government. Normally 20 *per cent* of the total number of paragraphs of the Audit Report is selected every year for discussion. The remaining paragraphs are disposed of on the basis of replies of the Government.

As of 31 March 2010, the Transport Department had not furnished explanatory notes in respect of seven selected and 202 unselected paragraphs including four sub paragraphs of Audit Reports from 1981-82 to 2007-08 as detailed in **Annexure-II**.

A meeting of the high level audit committee chaired by the Chief Secretary and consisting of heads of various departments was held on 4 February 2010 to discuss the selected outstanding paragraphs and ATNs on the recommendations of PAC. The Transport department was represented by the Joint Secretary. The Chief Secretary instructed the departments to furnish replies to the outstanding paragraphs and ATNs at an early date. However, no reply has been received from the Transport department (September 2010).

1.11 Results of audit

The findings of the review in the STA and 12 RAs along with the test check of records in two RAs¹⁰ conducted during 2009-10 revealed underassessment of tax and other irregularities of ₹ 14.41 crore in four cases as mentioned in the following table:

¹⁰ RAs: Malda and Purba Medinipur.

(Rupees in crore)

| Sl. No. | Categories | No. of cases | Amount |
|--------------|---|--------------|--------------|
| 1. | Collection of Motor Vehicle taxes, fees and fines (A review) | 1 | 14.16 |
| 2. | Non-realisation of revenue due to non-disposal of seized vehicles | 3 | 0.25 |
| Total | | 4 | 14.41 |

The Department accepted underassessment and other deficiencies of ₹ 4.75 crore during the year 2009-10.

A few illustrative cases and the findings of the review on “**Collection of Motor Vehicle taxes, fees and fines**” involving a financial impact of ₹ 14.41 crore are discussed in the following chapters.