CHAPTER – IV
MOTOR VEHICLE TAX

4.1 Tax administration

The Transport Department is responsible for collection of taxes, fees and fines on motor vehicles in Assam. Motor vehicles tax is realised primarily from all vehicles registered in the State; tax is realised once for 15 years in the case of private vehicles while for commercial vehicles, it is realised each year, at the option of the vehicle owner to pay it every quarter, half year or annually. Besides, composite fee in lieu of motor vehicles tax is also collected from commercial vehicles bearing national permit/tourist permit of other States willing to ply in the State. Further, there is provision for levy and collection of fines for various offences which are imposed under the respective Act and Rules. Motor vehicle tax so collected is deposited in the Government exchequer under the major head of account-0041.

The functioning of the Department is governed according to the provisions of the Motor Vehicles Act, 1988 and Rules 1989, the Assam Motor Vehicles Taxation Act, 1936 and Rules, 2003 and various administrative orders issued from time to time.

The Principal Secretary is in overall charge of Transport Department in the Government. The Commissioner of Transport is the head of the Department who is assisted by one Joint Commissioner {who is also the ex-officio Secretary, State Transport Authority (STA)}, one Deputy Commissioner and one Assistant Commissioner of Transport. There are 26 district level offices which are headed by district transport officers who are assisted by motor vehicles inspectors and other officials in discharging their day to day functions. They are empowered to implement taxation laws and rules.

4.2 Budget preparation

As per the provisions of the Assam Budget Manual, the estimates of revenue and receipts should show the actual demand including arrears due for past years and the probability of their realisation during the year. According to the Assam Financial Rules, the Finance Department is required to prepare the estimates of revenue after obtaining necessary information/data from the respective Department/ Government.

The Department of Transport stated (June 2011) that in estimating the revenues, tax structure of motor vehicles, trend of revenue, trend of motor

vehicles registered, movement of vehicles across the motor vehicle checkgates, amount of arrears of taxes, etc., are taken into consideration.

4.3 Trend of receipts

The position of budget estimates, actual receipts under 'Taxes on Motor Vehicles' alongwith the total tax receipts of the State during 2006-07 to 2010-11 are exhibited in Table 1 and graph/pie chart below.

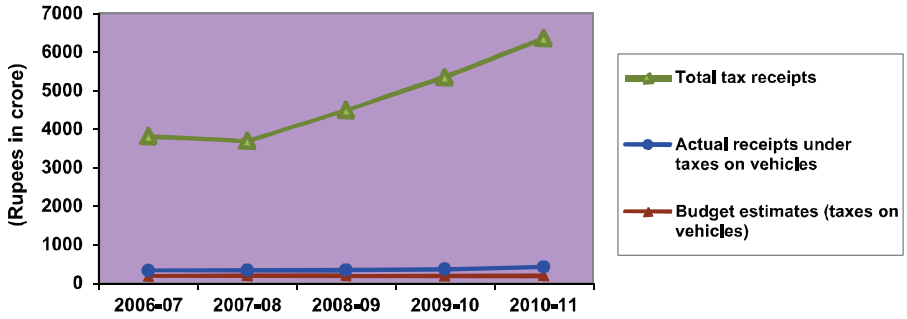
Table 1

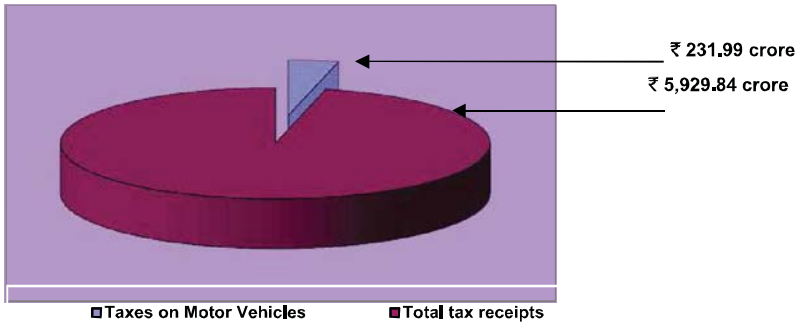
Analysis of taxes on motor vehicles receipts

(₹ in crore)

Year	Budget estimate	Actual receipts of Taxes on Motor Vehicles	Variation excess (+) shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts {(3) to (6)}
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	172.63	151.15	(-) 21.48	(-) 12	3,483.32	4
2007-08	191.62	138.62	(-) 53.00	(-) 28	3,359.50	4
2008-09	193.00	145.21	(-) 47.79	(-) 25	4,150.21	3
2009-10	181.51	177.26	(-) 04.25	(-) 2	4,986.72	4
2010-11	189.54	231.99	42.45	22	5,929.84	4

Source: Finance Accounts and Departmental figures.





Position of motor vehicle taxes vis-a-vis total tax receipts during 2010-11

It is noticed from the table above that the percentage of taxes on motor vehicles receipts when compared to the total tax receipts of the State remained between three and four *per cent* during the last five years.

Though the Department has put in place a mechanism for estimating the revenues, there were substantial variations between budget estimates and actual receipts ranging between (-) 28 and 22 *per cent* reasons for which need to be examined by the Department/Government so that the same is reduced.

4.4 Cost of collection

Details of gross collection of taxes on motor vehicles, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the all India average percentage of expenditure on collection of preceding years are mentioned in Table 2.

Table 2

Cost of collection

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection of preceding year
2008-09	145.21	9.03	6	2.58
2009-10	177.26	8.62	5	2.93
2010-11	231.99	10.07	4	3.07

Source: Finance Accounts and Departmental figures.

The percentage of expenditure to gross collection in all the three years 2008-09 to 2010-11 was significantly higher than the all India average percentage of expenditure on collection.

We recommend that the Government take appropriate steps to reduce the cost of collection.

4.5 Impact of audit

During the period 2006-07 to 2009-10, we had, through our inspection reports (IRs) pointed out instances of non-realisation of tax, non-assignment of new registration marks, non/short realisation of trade licence fee/certificate fee, non-levy of fine on trucks carrying excess load and other irregularities with revenue implication of ₹ 185.40 crore in 1,664 cases. Details are shown in Table 3.

Table 3

Impact of audit

(₹ 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
2006-07	20	1,500	2.26	262	0.37	0	Nil
2007-08	20	73	177.66	0	0	0	
2008-09	19	27	2.18	9	0.31	0	
2009-10	15	64	3.30	18	0.77	7	0.06
Total	**74**	**1,664**	**185.4**	**289**	**1.45**	**7**	**0.06**

Against 1,664 audit observations involving money value of ₹ 185.40 crore, the Department accepted 289 observations involving ₹ 1.45 crore which is barely 0.78 *per cent.* Out of the accepted amount of ₹ 1.45 crore, the Department could recover only ₹ 6 lakh. Recovery of revenue (four *per cent)* when compared to the number of cases accepted by the Department was extremely low which points towards a need for strengthening the monitoring mechanism in the Department which would ensure recovery of revenue at least in respect of the accepted cases.

4.6 Working of internal audit wing

Internal audit, a vital component of the internal control mechanism, functions as eyes and ears of the Department and is a vital tool which enables the management to assure itself that prescribed systems are functioning reasonably well.

The Department stated that the Finance Department has not put in place any separate internal audit system for the Transport Department. Had there been an effective internal audit system in the Department, deficiencies detected by us during local audit could possibly have been detected, rectified and prevented.

We recommend that the Department may, in coordination with Finance Department, arrange to conduct internal audit of its records/accounts through the Director of Local Audit regularly.

4.7 Results of audit

Our test check of records in 19 unit offices of the Transport Department during 2010-11 revealed non/short levy of fine/motor vehicles taxes amounting to ₹ 413.74 crore in 60 cases as shown in Table 4.

Table 4

Results of audit

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	**Computerisation in the Transport Department (A performance audit)**	1	–
2.	Non-levy of fine on overloaded vehicles	1	409.64
3.	Non/short realisation of motor vehicle taxes	34	2.67
4.	Other irregularities	24	1.43
Total		**60**	**413.74**

During the course of the year 2010-11, the Department accepted 85 cases involving revenue of ₹ 35 lakh, of which, 19 cases pertained to 2010-11 and the rest to earlier years. The Department recovered ₹ 5.50 lakh during 2010-11 in 13 cases.

A performance audit of **"Computerisation in the Transport Department"** and few illustrative cases involving ₹ 46.75 lakh are mentioned in the following paragraphs.

4.8 Performance audit on "Computerisation in the Transport Department"

Highlights

- Lack of a well defined IT strategy/policy affected the mechanism of measuring and monitoring the progress of computerisation project, besides, hampering the implementation of revised rates.

(Paragraph 4.8.7.2)

- Pending backlog data entry and capture of invalidated data in the system rendered State Register and National Register incomplete.

(Paragraph 4.8.7.3)

- Non-mapping of and blank values in columns related to tax rates in the software led to short realisation of revenue of ₹ 4.84 crore.

(Paragraph 4.8.10.5)

- Non-development of technical expertise within the department led to over reliance on NIC for system maintenance, administration and back-up.

(Paragraph 4.8.14)

4.8.1 Introduction

In order to provide faster and better services, transparency and regular monitoring of State revenues generated from implementation of the Motor Vehicle Act (MV Act) and Rules and as a part of the national project of computerisation of vehicle registration and issuance of driving licences, the Government of India (GOI) initiated development of a standardised software to be used across the country. As part of the project, '*VAHAN*'[1] and *SARATHI*'[2] softwares were developed by the National Informatics Centre (NIC) for maintenance of records of registration of vehicles and issue of driving licences respectively, in electronic form. The project aims at building a web enabled national database of all vehicles registered and driving licences issued throughout the country.

'Java' and 'Visual Basic' were languages used as front end in '*VAHAN*' and '*SARATHI*' respectively while Red Hat Linux 3.0 was used as the operating system in the server and Oracle 10g as the back end database.

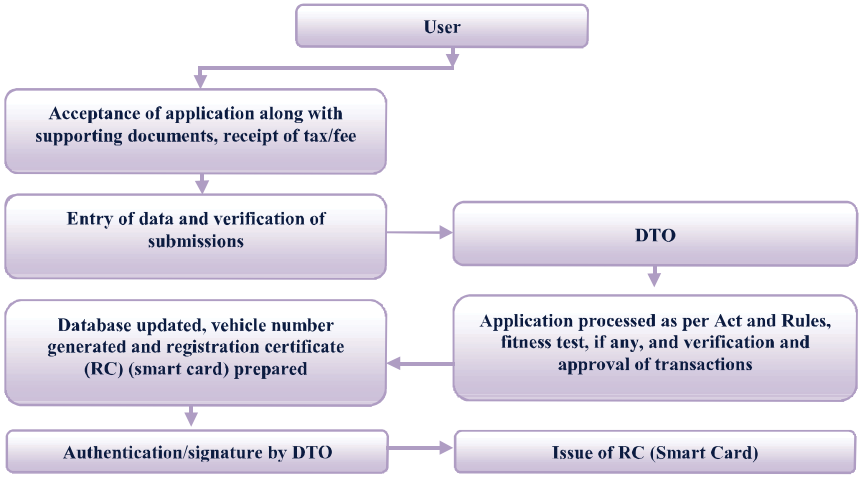
The computerisation project in Assam started in 2005 with the District Transport Office (DTO), Kamrup (R&L) and was subsequently expanded to cover the other 25 DTOs, the latest being DTO, Baksa (February 2011) which according to the Government, was expected to be completed by March 2012.

[1] *VAHAN* software captures information about the registered vehicles and their owners such as owner's name, permanent and temporary address, vehicle description such as date of registration, chassis and engine number, type and class of vehicle, etc.

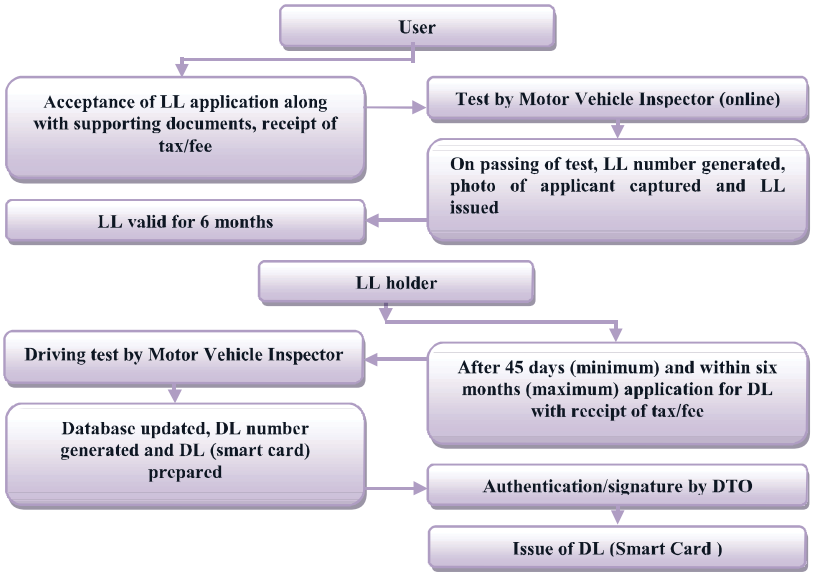
[2] *SARATHI* software captures information about the details of licence holders like name, permanent and temporary address, licence number, class of vehicles the licence holder is authorised to drive, validity period of the licence, etc.

Processes through '*VAHAN*' and '*SARATHI*'

Registration of vehicles through '*VAHAN*': Vehicles are classified as (i) transport and (ii) non-transport vehicles. Each vehicle is allotted a permanent registration number within one month of application for registration, by the jurisdictional DTO and a registration certificate (smart card) is issued through '*VAHAN*' software. Details like name of the owner, cost, engine number, chassis number, life tax paid and date of registration etc. are captured during the registration process. The workflow process of '*VAHAN*' application software is shown below:



Issue of driving licences through '*SARATHI*': An individual above 16 years of age seeking a driving licence (DL) (for two wheelers without gear) and individuals aged 18 years and above (for other vehicles) are initially issued a learner's licence (LL) valid for six months. The applicant has to clear a simple test and his/her details like name, date of birth, address are captured and subsequently, a permanent DL is issued through '*SARATHI*' for a period of 20 years or 50 years of age, whichever is earlier, on the applicant passing a driving test. The workflow process of '*SARATHI*' application software is shown below:



4.8.2 Organisational set-up

The Principal Secretary is in overall charge of the Transport Department in the Government. The Commissioner of Transport is the head of the Department who is assisted by one Additional Commissioner (who is also assigned with the monitoring of the Computerisation project), one Deputy Commissioner and one Assistant Commissioner of Transport. There are 26 district level offices[3] which are headed by district transport officers who are assisted by motor vehicles inspectors (MVI) and other officials in discharging their day-to-day functions. They are empowered to implement taxation laws and rules, including the computerisation of Transport Department.

4.8.3 Audit objectives

The objectives of the performance audit were to ascertain whether:

- the phase wise implementation schedules for '*VAHAN*' and '*SARATHI*' were achieved as per time frames fixed;
- computerised systems implemented were complete (module wise) and the data captured by the RTO offices were correct and complete;
- connectivity was established between DTOs in the State for creation of database of vehicles and licences and ultimately for the National Registers;
- reliable general and security controls were in place to ensure data security and audit trail besides backup of data to guard against loss of data/crash of systems;

[3] There are 29 District Transport Officers, of which, one DTO is attached to Commissioner of Transport and two DTOs are in charge of enforcement and permit of Kamrup district.

- the overall objectives of computerisation through the NIC developed computer applications of '*VAHAN*' and '*SARATHI*' were achieved; and
- an internal control mechanism was in place to monitor the implementation of the project.

4.8.4 Scope and methodology of Audit

A performance audit of the "Computerisation of the Transport Department" was conducted by us covering the period from July 2007[4] to March 2011. We test checked (July-December 2011) the records relating to the implementation of the computerisation project in MVD. The data furnished by the DTOs were scrutinised using the generalised audit software – IDEA (Interactive Data Extraction and Analysis). The results of queries were compared with the information maintained in the physical records/documents available at the DTOs. Six[5] out of 26 DTOs were selected based on random sampling. Besides, we examined the application software for its correctness, completeness and adequacy of controls. The output generated by the system and its use was also examined by us.

4.8.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of Transport Department in general, in providing necessary data/information for audit. An entry conference was held in June 2011 with the Commissioner of Transport in which the scope, objectives and methodology of the performance audit were explained. After completion of audit, the draft performance audit Report was issued to the Government/Department in November 2011 and discussed in an exit conference in December 2011. The Principal Secretary, Transport Department and the Commissioner of Transport, Assam attended the meeting on behalf of the Government and Department respectively, while the Technical Director and Scientist represented the NIC, State Unit, Assam. The replies furnished by the Government and the Department during the exit conference and at other points of time have been suitably incorporated in the respective paragraphs. The Government and Department have accepted all our recommendations and agreed to process them for implementation.

[4] Though the computerisation project was initiated in 2005, actual implementation of 'VAHAN' and SARATHI' started in July 2007.

[5] Dibrugarh, Jorhat, Kamrup (R&L) Nagaon, Nalbari and Sivasagar.

Audit findings

System deficiencies

4.8.6 General Controls

General controls include controls over data centre operations, system software acquisition and maintenance, access security, application system development and maintenance. These create the environment in which the application systems and application controls operate.

4.8.7 Planning and implementation

Development of a system, a component of general controls, requires adoption of a well established life cycle which includes a conceptual plan, detailed system study, formulation of System Requirement Specifications (SRS) as well as User Requirement Specifications (URS) and a System Design Document (SDD). Before taking up an IT project it is necessary to evolve a long/short term IT policy addressing the methodology of developing, acquiring, implementing and maintaining the information systems and related technology.

Our scrutiny of the planning and implementation aspects revealed the following deficiencies:

4.8.7.1 Implementation of '*VAHAN*' and '*SARATHI*'

We observed that

- the permit and enforcement wings of the DTOs were not computerised and consequently, the modules relating to these two wings were not being implemented.
- In two[6] out of the six selected DTOs, the module for allotment of fancy numbers was not used and the fancy numbers were being issued manually while in three DTOs[7] registration of commercial vehicles was not yet computerised.
- 99 out of a total 162 master tables in the database of all the six selected DTOs were blank.

Thus, as of October 2011, the Department was yet to use all the modules/tables available in the software as enforcement and permit modules were still being performed manually. Due to partial implementation of the computerisation project in the DTOs, the Department could not derive the

[6] DTO, Nagaon and Sivasagar.
[7] DTO, Dibrugarh, Jorhat and Sivasagar.

benefits of maintenance of data/record in electronic form including ease of storage and quick retrieval of data/information.

The Department stated during the exit conference that the project was being implemented in a phased manner. However, they could not provide any documented time schedule planned for implementation of the project in a phased manner which could provide a benchmark to the Department to assess the performance and ensure timely implementation of various phases of the project.

After we pointed this out, the Government in their reply stated (December 2011) that computerisation was an ongoing process and after stabilisation of the core aspect i.e. "*VAHAN*" and "*SARATHI*", simultaneous operations, like Permit and Enforcement wing could be included in the computerised system. Regarding issue of fancy numbers manually, it was stated that DTO, Nagaon has started issue of fancy numbers through computer and other DTOs were directed to do the same. As regards the master tables remaining blank, the Government stated that these tables could be effectively used only after stabilisation of the project.

The Government may consider taking appropriate steps for early implementation of both the softwares in all the DTOs through a dedicated action plan so that the desired results can be derived.

4.8.7.2 Absence of IT strategy/policy and documentation

We observed that the Department had not formulated and documented the IT strategy/policy. In the absence of a well defined IT strategy/policy, the Department was deprived of a benchmark to measure the progress in implementation of the computerisation project. This also affected the mechanism for monitoring the implementation of the project by higher authorities. Besides, absence of a strategy/policy also hampered implementation of revised rates of taxes as mentioned below.

The Government of Assam revised (24 May 2011) the rates of registration fee and notified (4 August 2011) that the new rates would take effect from 1 September 2011. However, due to delay by the Department in communicating the rates to NIC, these changes could be made effective only from 13 September 2011, that too, on a trial basis. Consequently, the DTOs had to issue manual receipts for the differential amount (amount calculated by the system minus amount to be collected as per the revised rates). Had the DTOs not initiated prompt action and resorted to manual collection of differential taxes, there could have been serious implication and resultant short realisation of taxes.

Further, documents related to the project like SRS and SDD prepared by the system developer (NIC) were not handed over to the Department. We, therefore, could not verify the adequacy of these documents.

After we pointed this out, the Government in their reply stated (December 2011) that the project is a part of the National Policy of IT used in the Transport sector. A separate policy had thus not been felt necessary and the software has been evolving according to the requirements of the system. They

also stated that SRS, URS and SDD are yet to be finalised and frozen for distribution by NIC.

We recommend that the Department may formulate a well defined IT strategy/policy for effective and efficient implementation of the project.

4.8.7.3 Pending backlog entry led to incomplete State Register and National Register

Successful application of software would largely depend on the completeness, authenticity and reliability of data entered into these. Details of backlog (pre-computerisation) data of vehicles registered and driving licences issued manually were required to be entered into the system, on priority.

We noticed that as many as 4,89,544 records pertaining to DTO, Kamrup were yet to be captured in '*VAHAN*' and '*SARATHI*' application. The other five DTOs did not make any assessment of backlog data. We observed that in practice, the backlog entries were captured only when the vehicle owner approached the department for any further transaction including payment of tax. We feel that the basic objective of creation of State/National register (SR/NR) would be achieved only when the database is complete with details of all vehicles and licence holders including those pertaining to pre-computerisation period. Consequently, the Department could not complete the SR thereby leading to non-alignment of the SR with the NR.

After we pointed this out, the Government during the exit conference admitted that there was huge backlog data and stated that backlog data entry will be started with DTO, Kamrup (R&L).

We recommend that the Department formulate a specific target date for entering backlog data into the software and the work be monitored properly to ensure timely completion.

4.8.8 Application Controls

Application controls include controls that help ensure proper authorisation, competence, accuracy and validity of transactions and other types of data input e.g. to check possible invalid input and system enforced transaction controls that prevent users from performing unauthorised transactions. It helps to minimise the risk of incorrect data entry by making validation checks, duplicate checks and other related controls. These provide the earliest opportunity to detect and correct possible mistakes.

Input Controls

4.8.9 Non-validation of data entry

The database of any computerised system has to be correct and complete in all respects. To ensure this, the procedures and controls should guarantee that the data received for processing is genuine, complete, accurate and properly authorised.

We observed that though the software provided for capturing the particulars of vehicles available in the Combined Register[8] in the database, there were errors and omissions in entering the data into the system.

Our scrutiny revealed the following deficiencies which occurred due to lack of data validation checks.

4.8.9.1 RC issued beyond the permissible period

Section 41 (7) of the MV Act, 1988 (the Act) provides that a certificate of registration (RC) in respect of a motor vehicle, other than a transport vehicle, shall be valid for a period of 15 years from the date of issue of certificate and shall be renewed as per provisions of the Act. After expiry of 15 years, the RC shall be renewed for every five years as per Rule 52 (2) of the Central Motor Vehicles Rules, 1989.

During analysis of the database in the selected DTOs, we noticed that in 1,078 cases of four wheelers registered between February 1956 and August 2011, RCs were issued with validity of more than 15 years. Since the database is designed to replace the Combined Register in the long run, it is expected to serve as a vital control register for the DTOs for monitoring validity of registration and tax payments by vehicle owners. Erroneous entries in the database would thus result in non-raising of alert by the system at the end of 15 years' registration span leading to plying of vehicles without valid registration and fitness thereby compromising safety of public property and human lives coupled with non-realisation of revenue in the shape of registration fees and road tax.

Our verification of the above findings with reference to manual records (five cases[9]) indicated that RC was granted for 15 years and subsequently renewed for five years on realisation of due fees and taxes. Thus, in respect of test checked cases, the software did not reflect the date of renewal of RC and contained only the initial date of registration.

[8] The register contains the details of a vehicle viz. owner details including address, registration number, date of purchase, model, manufacturing year, capacity, tax payment particulars, hypothecation etc.

[9] DTOs: Kamrup (two cases) and Nalbari (three cases).

After we pointed this out, the Government in their reply stated (December 2011) that the DTOs have been instructed to do a system check and make the required corrections.

4.8.9.2 Blanks in the database

Scrutiny of the database relating to '*VAHAN*' and '*SARATHI*' revealed that many crucial fields like 'unladen' weight in the case of private motor cycle and laden weight in the case of goods vehicle on which tax was calculated were left blank or shown as "information not available". Further, in a number of cases, the amount against fields like sale amount, *challan* amount were entered as 'zero'. Details are shown below:

Field	Field details (blank/zero/negative)	Number of cases
Father's name	Blank	204
Address		18
Maker model		1,761
Horse power (HP)		305
Engine No.		184
PAN No.		2,69,845
Cubic capacity		289
Receipt No.		1,251
No. of cylinder	Zero	363
Seating capacity		455
Unladen weight		289
Laden weight		1,33,283
Manufacture month		7,226
Manufacture year		204
Sale amount		1,43,069
Purchase date		143
Unladen weight zero in two wheelers		24
Challan amount		3,859

(Source table : *VAHAN*_VT_Owner and *SARATHI*_DDLicence)

Our verification of manual records (14 cases[10]) revealed that the errors occurred at the time of data entry only which the system failed to check.

After we pointed this out, Government in their reply stated (December 2011) that appropriate action would be taken to fill in the blanks and also efforts will be taken to pre-empt such errors in future.

4.8.9.3 Non-validation of data entry resulting in key fields containing incorrect values

Our analysis of the database in six test checked offices revealed that the following fields contained incorrect/unrealistic data as detailed below:

[10] DTO: Kamrup.

Sl. No.	Field name	Kamrup	Dibrugarh	Jorhat	Nagaon	Nalbari	Sivasagar	Total
'VAHAN'								
1.	Seating capacity of two wheelers more than two	97	11	43	21	4	26	**202**
2.	Unrealistic sale amount	98	7	0	10	2	0	**117**
3.	Insurance valid for more than one year	7,726	14	7	64	39	18	**7,868**
4.	Registration date prior to purchase date	2	0	0	0	0	0	**2**
'SARATHI'								
5.	DL issued after expiry of LL	5,290	255	103	0	805	556	**7,009**
6.	LL issue date is after DL issue date	632	7	12	136	8	2	**797**
7.	DL issued before 45 days of issue of LL	1,498	1,388	8	206	47	80	**3,227**
8.	DL issued for five years to persons above 100 years of age	5	0	0	0	0	0	**5**
9.	Unrealistic Blood group as "U"	55,410	302	26	5,911	6,362	32	**68,043**
10.	Date of birth after DL issue date	1	0	0	0	0	0	**1**
11.	Unrealistic *challan* amount of DL	1	0	0	0	0	0	**1**

Our verification of physical records (nine cases[11]) revealed that there was error in data entry. Absence of validation checks allowed entry of invalid data making the database unreliable.

After we pointed this out, the Government while accepting our observation stated (December 2011) that the software would be modified to block incorrect entries.

4.8.9.4 Existence of duplicate entries

Chassis numbers, engine numbers and registration numbers are unique identification marks of a vehicle which are essential for the purpose of its registration under the provisions of the MV Act.

Our analysis of the database indicated cases of duplicate entries in the database. Out of 2,72,311 vehicles registered in the six test checked DTOs, 99 vehicles were registered with duplicate chassis numbers and 584 vehicles were registered with duplicate engine numbers and such duplication occurred two to three times. In 27 instances, vehicles having same engine and chassis numbers was registered twice and allotted with two different registration numbers.

Further, in 79,019 cases there were duplicate insurance cover notes which raised doubts on the bonafides of the insurance certificate/cover notes in the cases of vehicles so registered. Duplication of registration is not only illegal

[11] DTO: Kamrup.

but also poses the risk of plying invalid/stolen vehicles, besides leading to non levy of tax and legal complications for the bonafide owners in case of accidents, theft, security etc., and generating incorrect MIS data. Verification of manual records (10 cases[12]) also confirmed the fact.

After we pointed this out, the Government while accepting our observation stated (December 2011) that the DTOs have been asked to be more cautious while registering vehicles.

4.8.9.5 Unrealistic sale amount of vehicles

Analysis of data revealed that sale amount of vehicles ranged between ₹ 50 lakh and ₹ 90 crore in 117 cases. For instance, we found data in respect of four wheeler (Safari VX) involving sale amount as ₹ 50 lakh while in case of a motor cycle the sale amount was entered as ₹ 90 crore, which were unrealistic. Verification of manual records (two cases[13]) revealed that there were data entry errors which the higher authority failed to detect.

The aforesaid deficiencies are indicative of defective data entries, improper data validation checks and also inadequate supervisory controls over the input to ensure accuracy of data. Consequently, information generated out of the system when connected with SR and NR would not be authentic and reliable, besides leaving scope for manipulation in revenue collection and use of the vehicle.

After we pointed this out, Government while accepting our observations stated (December 2011) that the DTOs are being asked to verify anomalies in the entry and NIC has been asked to build-in necessary system checks, to prevent erroneous entries.

We recommend that the Department ensure that validation controls are built into the system to avoid entry of unauthorised and inconsistent data. The Department may investigate cases of duplicate registration, chassis, engine and insurance cover notes noticed in audit.

4.8.10 Processing Control

Processing controls are application controls that ensure complete and correct processing of input data. They also ensure that incorrect transactions are not processed.

Our scrutiny revealed the following deficiencies in processing of data:

[12] DTOs: Kamrup (five cases), Nalbari (two cases) and Sivasagar (three cases).
[13] DTO: Kamrup.

4.8.10.1 Lack of continuity in assigning registration numbers

The Act provides that a registering authority shall assign a unique mark in a series to every vehicle at the time of registration. Unless the current series is exhausted, no new series should be taken up for allotment.

Scrutiny of the data of six selected DTOs revealed that before the current series of registration numbers got exhausted, registration in the next series was allotted as mentioned below:

Name of DTO	Series No.	Total registration numbers available	Total numbers issued	Gaps
Kamrup	AS01AH	9,999	9,704	295
	AS01AJ	9,999	9,729	270
Jorhat	AS03F	9,999	7,333	2,666
Dibrugarh	AS06J	9,999	9,552	447
Nagaon	AS02G	9,999	9,868	131
Nalbari	AS14B	9,999	5,352	4,647
Sivasagar	AS04H	9,999	9,523	476

Scrutiny of data in the above DTOs further revealed that while allotting the registration numbers, chronological order was not maintained and there were gaps in the registration numbers ranging from five to 101 as illustrated below.

Series no.	Gaps detected	Numbers
AS01AH	3667 TO 3671	5
	4519 TO 4530	12
	5134 TO 5151	18
AS01AJ	2305 TO 2310	6
	5841 TO 5850	10
AS06J	9898 TO 9999	101

The gaps in the chronological order of registration numbers would give an incorrect position of the total vehicles registered on a given date, besides allowing scope for misuse of unused registration numbers.

We recommend that the registration numbers other than fancy/choice numbers should be generated automatically by the system so that no number is left unused.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the DTOs have been instructed to exhaust issue of all numbers of a particular series, before going to the next one.

4.8.10.2 Purchase date does not change even in case of second owner

Analysis of 'VAHAN_VT_OWNER' table[14] and VAHAN_VH_P_OWNER table[15] conducted by us revealed that the date of purchase of the vehicle in case of resale is not updated in the VAHAN_VT_OWNER table and it shows

[14] The table contains the details of the owner of a vehicle including the date of purchase.
[15] The table contains details of previous ownership of a vehicle if it is resold.

the initial date of purchase of vehicle by the first owner. It was found that the database does not depict the actual date of purchase by the second/subsequent owner in the VAHAN_VT_Owner table.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the issue would be taken up with NIC and necessary safeguards would be built into the system.

4.8.10.3 Date of birth not matching in '*SARATHI*'

Driving licences are used as authorised proof of identity in various areas such as opening of bank accounts, application of Income Tax Permanent Account Number, etc.

We noticed that date of birth (DOB) in driving licence (DL) and learner's licence (LL) were different in 344 records. In 182 cases, the DOB in DL was a date which was subsequent to that mentioned in LL. In 162 cases, DOB in LL was later than the DOB in DL. Lack of proper application control in the software resulted in mismatch in this vital field which is fraught with risk of manipulation. Our verification of manual records (seven cases[16]) revealed that in one case the date of birth mentioned by the applicant was different in the application form for LL and DL which could not be detected due to lack of application control in the system.

After we pointed this out, Government while accepting our observation stated (December 2011) that a software control has since been provided in new version of *SARATHI* which is under development.

4.8.10.4 Short realisation of fee for fancy number

As per sub-section (6) of section 41 of the Act, choice or fancy numbers are provided to owners of motor vehicles on payment of a prescribed fee. The Government of Assam had fixed (June 2010) the fee for choice or fancy number at ₹ 4,000.

Analysis of data revealed that in 27 cases though fancy numbers like 0022, 4444, 1313, 6161 etc., were issued to the vehicle owners, fees of only ₹ 500 was realised in each case against the prescribed fee of ₹ 4,000.

We further verified this with the manual records (six cases[17]) which confirmed the fact. There was thus, short realisation of ₹ 3,500 in each case totaling to ₹ 94,500 in the 27 cases checked in audit.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the DTOs had been asked to recover arrear dues.

[16] DTOs: Kamrup (four cases) and Nalbari (three cases).
[17] DTOs: Kamrup (five cases) and Sivasagar (one case).

4.8.10.5 Short realisation of road tax

The Government of Assam revised (May 2005) the rates of tax leviable on personalised vehicles as one time tax as mentioned below.

SCHEDULE See Section 4, 4A(3) and 4A(4) One Time Tax on personalised vehicles			
Article No.	**Description of Vehicles**	**Rate of One-Time tax for 15 years**	**Tax for every 5 years after 15 years (In ₹)**
1(A)	New personalised four wheeler vehicles		
(a)	Original cost price upto ₹ 3 lakh	3 *per cent* of the original cost	5,000
(b)	Original cost price upto ₹ 15 lakh	4 *per cent* of the original cost	7,000
(c)	Original cost price above ₹ 15 lakh	5 *per cent* of the original cost	10,000

Analysis of data revealed that in 836 cases of private four wheelers (registered between16 July 2005 and 21 April 2011), tax of ₹ 87 lakh was shown to have been collected. However, as per the revised rates effective from 17 May 2005 to August 2011, revenue of ₹ 5.71 crore was to be collected. Thus, there was short realisation of ₹ 4.84 crore, reasons for which needs to be looked into by the Department. In these cases, verification with manual records could not be done as the case files did not contain copies of receipts issued to vehicle owners.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the matter would be investigated with the assistance of NIC.

We recommend that the Government may ensure mapping and incorporating proper values in the columns/tables for inter-operability of the tables and automated calculation of correct rates of taxes.

4.8.11 Output Controls

Output controls are the processing controls which ensure that the output is complete, accurate, timely and is correctly distributed.

4.8.11.1 Non-generation of automated MIS reports

Our scrutiny indicated that though there was a provision in the system for generation of automated reports viz., demand notice of tax to defaulting vehicle owners (both private and commercial), monthly/quarterly reports to ascertain the position/status of tax realisation of vehicles (tax due for collection and that collected), etc., the same was not utilised by the Department due to lack of awareness among the users. These reports would have served as an important tool for monitoring proper and timely collection of revenue/arrears of revenue.

Our scrutiny in DTOs, Jorhat and Nagaon revealed that in respect of 138 commercial vehicles, road tax amounting to ₹ 24.70 lakh including fine, was not realised. Had these reports been generated timely, these cases could have been detected by DTOs and consequently demand notices could have been served for collection of revenue that had remained in arrears.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the NIC has been asked to give a demonstration for MIS reports so that the same could be used to generate demand notices in case of defaulting vehicles and steps were being taken to update combined registers by 15 January 2012.

4.8.12 Security Controls

4.8.12.1 Physical and logical access controls

Physical access controls are aimed at ensuring that only those officers/officials who have been authorised by the management have physical access to the computer systems.

We observed that the hardware (including the server, network and switches etc.) was freely accessible making these vulnerable to physical threats from unauthorised persons. For instance, in DTO, Nagaon we noticed that the servers of both the Department as well as AMTRON[18] were placed in a small congested room in the ground floor, near the windows, along with UPS, batteries, camera and printers installed for taking photographs for smart cards. We further noticed that there was no fire detection/fighting equipment or fire extinguishers to fight any contingency in any of the selected DTOs.

A view of the server room of the office of the DTO, Nagaon is depicted below:

Pictures of server room of DTO, Nagaon depicting congestion, unrestricted entry and stocking of papers on the servers, UPS and batteries.

[18] M/s AMTRON has been outsourced for issue of smart cards of registration certificates.

Our analysis of the logical access controls indicated the following deficiencies:

- The system has no restriction on the number of logs in case of attempts by unauthorised users to log into the system.
- The Department had neither undertaken any risk assessment nor put any password policy in place thereby rendering the system vulnerable to misuse as evident from the fact of fraudulent issue[19] of 195 smart cards.
- No awareness has been created among the users regarding periodical change of password.

We also observed that the user IDs and passwords were being shared among users. The situation was fraught with the risk of data manipulation, misuse and unaccountability.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the issues raised by audit would be communicated to NIC for making necessary changes/modifications in the system. Also, the DTOs have been instructed to issue unique passwords to different users.

4.8.12.2 User restriction to modify database not provided

During scrutiny of the software we observed that the system did not restrict users from modifying/changing the database. For instance, a Motor Vehicle Inspector (MVI) can enter into the system with his own user ID and modify the status of fitness of a vehicle which has been declared fit/unfit by another MVI. Since fitness certificates are to be issued to the vehicles after proper verification of the records/vehicles by the concerned MVI, manipulation of such vital entries in the database should not be allowed by the system in general. In exceptional cases like MVIs proceeding on leave/transferred, these changes/modifications could be allowed, and that also after authorisation of the concerned district transport officer.

After we pointed this out, the Government while accepting our observations stated (December 2011) that the matter will be taken up with NIC for modifying the system.

The Department may consider ensuring the safety and security of data and restricting access only to the authorised persons.

[19] As detected by the departmental authorities and FIR filed with police dated 28.6.2010.

4.8.13 Non-documentation of the business continuity and disaster recovery plan

Business continuity planning is necessary for recovery of business processes, with minimum loss to business and minimal downtime, in the event of a disaster. Considering the criticality of the system, the Department was required to formulate, document and test disaster recovery plans and ensure that staff were made aware of their responsibilities to ensure business continuity.

We observed that the Department neither documented nor tested its business continuity and disaster recovery plan. We noticed that there were instances of system crash in Nalbari and Sivasagar DTOs, though, no loss of data was reported. We further observed that a policy for taking backup of critical data at regular intervals and storing it at remote locations to ensure continuity of operations in case of a disaster was also not framed.

We recommend that the Department may draw up an IT security policy with a credible threat assessment mechanism, disaster recovery and business continuity plan to derive optimum output from the system.

After we pointed this out, Government while accepting our observations stated (December 2011) that the database is backed up at Hyderabad Data Centre of NIC and SR and NR in separate locations for disaster recovery. However, the reply was silent regarding the documentation and testing of such a policy which is vital for continuity of business.

4.8.14 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 user Department, eventually, by developing required expertise. The data captured through '*VAHAN*' and '*SARATHI*' is very critical since it involves personal data relating to the vehicle owners, insurance details besides revenue particulars etc.

We observed that though the employees of the Department (regular as well as non-regular staff) handle entire data entry at the departmental counters, database administration was, however, handled by NIC. We noticed that the Department is yet to initiate steps to develop expertise within the Department for handling the database administration functions which meant an over-dependence on NIC for system maintenance, administration and back-up. Lack of training/awareness of staff resulted in 'fancy' numbers issued in DTO, Nagaon and Sivasagar not getting reflected in the relevant table viz. VAHAN_VT_Fancy Register which not only resulted in incorrect reflection of data but was also fraught with security risks.

Though the Department stated that user manuals on *'VAHAN'* and *'SARATHI'* were provided to the users, we noticed that in five[20] out of six offices test-checked, no training was provided to the staff working in the system and the data was entered by casual employees/persons other than regular staff.

Considering the importance of the data maintained in '*VAHAN*' and '*SARATHI*', we recommend that training of staff may be undertaken on priority, with a strategy for eventual independent handling of all supporting functions of the project.

After we pointed this out, Government while accepting our observations stated (December 2011) that a plan to set up a separate IT cell in the Department has been proposed and NIC will keep providing technical support till setting up of the IT cell. Further, during the exit conference the Government stated that due to budgetary constraints, recruitment of IT literate personnel could not be done.

4.8.15 Lack of inter-connectivity among DTOs

For the system to be fully functional, the project envisages networks for inter-connectivity between the Commissioner of Transport (CoT) and DTOs on a real time basis.

We found that inter-connectivity between the CoT and DTOs was yet to be established. Cross verification of data of the six selected DTOs revealed that in six cases vehicles with the same chassis number were registered in different DTOs in the names of different persons. Had the DTOs been inter-connected on a real time basis, subsequent entry of the same chassis number would have been restricted by the system. Lack of validation checks led to duplicate data remaining untraced while updating the SR and NR.

After we pointed this out, the Government stated (December 2011) that the DTOs were connected with NIC Centre, Guwahati and New Delhi. However, we found that the same was not on a real time basis, which alone could have prevented duplicate entries.

We recommend that steps may be initiated to ensure that the systems of the Commissionerate and the DTOs are inter-connected on a real time basis through a specific action plan with timelines.

4.8.16 Lack of monitoring and internal control mechanism

Though computerisation commenced in 2005, internal audit was not conducted. As a result the Department could neither derive an assurance on the working of the computerised system nor could they detect the deficiencies and errors noticed during the course of our audit.

The internal control mechanism, particularly relating to the computerisation project was weak as evidenced by the following.

[20] DTOs: Dibrugarh, Jorhat, Nagaon, Nalbari and Sivasagar.

- There was no system of generating logs for recording actions of users which could have provided the system administrators and the management, a certain degree of control on authorisation and delegation of power.
- Involvement of senior management in implementation of the project was found to be deficient as there was no monitoring of data entry as evidenced by large number of incorrect/unrealistic data discussed in some of the preceding paragraphs.

After we pointed this out, the Government accepted our observations (December 2011).

We recommend that the Department may ensure that periodic internal audits are conducted and internal controls at various levels are strengthened.

4.8.17 Non-monitoring of IT assets

The total cost of the hardware purchased and installed in all the offices was ₹ 2.54 crore by the State. Further, NIC Guwahati also provided hardware (44 nos. of servers, 203 nos. of computers, 166 nos. of printers and 18 nos. of UPS). However, we noticed that neither the register of IT assets was maintained nor was any record of issue/receipt of hardware kept in any of the selected offices.

After we pointed this out, the Government while accepting our observation stated (December 2011) that the stock registers were being reconstituted.

4.8.18 Conclusion

The computerisation project of Transport Department has been initiated in Assam as a part of the national project of computerisation of vehicle registration and issuance of driving licences with the aim of building up a web enabled national database throughout the country. A validated, reliable and complete database is a pre-requisite for achieving the same. Our audit of the computerisation of Transport Department in Assam revealed a number of deficiencies as mentioned below.

- The Department was yet to formulate a well defined IT strategy/policy which hampered effective implementation of the project.
- There was delay in commissioning the project. Even after a lapse of five years and incurring a total expenditure of ₹ 2.54 crore, all the modules were not operational and some applications were still being done manually since the level of assurance derived from the system was very low.
- Deficiencies in input controls led to defective data entries, improper data entries/data validation checks and inadequate supervisory controls over the input rendered the data inaccurate and unreliable.
- Lack of processing and output controls led to unmatched date of birth etc., and non-generation of automated reports.

- The Department did not test and document its IT security policy, disaster recovery and business continuity plan; and
- Non-entry of the backlog data, duly validated, in the software defeated the purpose of creation of a complete SR/NR.

4.8.19 Summary of recommendations

The Government/Department may consider implementing the following recommendations:

- taking appropriate steps for early implementation of both *VAHAN* and *SARATHI* in all the DTOs through a dedicated action plan so that the desired results can be derived;
- formulating a well defined IT strategy/policy for effective and efficient implementation of the project;
- formulating a specific target date for entering backlog data into the software;
- ensuring that validation controls are built into the system to avoid entry of unauthorised and inconsistent data;
- ensuring the safety and security of data and restricting access only to the authorised persons;
- drawing up an IT security policy with a credible threat assessment mechanism, disaster recovery and business continuity plan to derive optimum output from the system;
- imparting training to the staff on priority, with a strategy for eventual independent handling of all supporting functions of the project; and
- ensuring that the systems of the Commissionerate and the DTOs are inter-connected on a real time basis through a specific action plan.

4.9 Audit observation

Our scrutiny of the records of the Transport Department revealed several cases of non-observation of the provisions of Acts/Rules/departmental orders as mentioned in the succeeding paragraph. These cases are illustrative and are based on test checks carried out by us. Such omissions on the part of the departmental officers are pointed out by us each year, but not only do the irregularities persist, these remain undetected till we conduct subsequent audit. We are concerned as these observations are also sent to the higher authorities including the Government each time these are detected, but the Government or the Department did not take sufficient measures to monitor the status and arrest their recurrence. There is a need for the Government to strengthen their control and monitoring mechanism including regular internal audit so that these omissions can be prevented, detected and corrected.

4.10 Non-realisation of motor vehicle tax

[District Transport Officers, Bongaigaon, Goalpara, Golaghat, Morigaon, Nagaon, Kamrup (Registration & Licensing) and Karbi Anglong; January and July 2010]

The Assam Motor Vehicles Taxation Act, 1936 provides that taxes on motor vehicles are to be paid in advance on or before 15 April of each year or optionally in four equal installments payable on or before 15 April, 15 July, 15 October and 15 January respectively. The Act also provides that every owner of a motor vehicle who fails to pay the appropriate road tax in time shall be liable to pay a fine at a rate of ₹ 5 per day of such delayed payment with effect from 9 May 2002.

Further, as per the provisions of the Act, the district transport officer is required to maintain a combined register to watch the recovery of tax. He is also required to review the register at periodic intervals and issue demand notices to defaulters.

We observed from the combined registers of the above DTOs that the owners of motor vehicles in 573 cases did not pay road tax of ₹ 65.78 lakh for various periods falling between April 2000 and June 2010. In addition to non-realisation of road tax of ₹ 65.78 lakh, fine at prescribed rate of ₹ 5 per day was also leviable in these cases for non-payment of dues within the stipulated time. This indicates that there is a need to reinforce the review mechanism by the district transport officers so that demand notices to the defaulting vehicle owners for recovery of the dues are issued in time and regularly.

After we pointed this out, the DTOs, Golaghat, Kamrup and Nagaon stated (between June and August 2011) that review of the cases pointed out by audit indicated that owners of 94 vehicles had already paid their dues but the same were not entered in the combined register; demand notices were since issued in 79 cases involving tax and fine of ₹ 22.61 lakh, of which, ₹ 4.97 lakh was recovered from 13 vehicle

owners. Replies from remaining three DTOs involving revenue of ₹ 24.14 lakh have not been received (August 2011).

Replies of the DTOs highlighting instances of not entering tax payment details in the combined registers in 94 cases and issue of demand notices to 79 vehicle owners for payment of dues and recovery of considerable amount of revenue after our intervention substantiate the fact that the combined registers were not being reviewed regularly by them. Besides, non-entry of payment details in combined registers resulted in these registers not showing true and fair position of payment of tax by vehicle owners and/or arrears recoverable. This defeated the basic objective of maintenance of such control registers.

We recommend that the Department/Government issue suitable instruction to DTOs making it mandatory for them to review the combined registers at regular intervals and ensuring recovery of revenue from defaulters without delay.

We reported the cases to the Department/ Government between February and August 2010 and followed up between January and April 2011; we are yet to receive their replies (August 2011).