

## EXECUTIVE SUMMARY

<b>Decrease in tax collection over Budget estimates</b>	In 2010-11, the collection of taxes on motor vehicles decreased by 17.19 <i>per cent</i> as compared to the budget estimates.
<b>Very low recovery by the Department in respect of observations pointed out by us in earlier years</b>	During the period 2005-06 to 2009-10, we had pointed out non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 790.45 crore in 954 cases in respect of taxes on motor vehicles. Of these, the Department/Government had accepted audit observations in 863 cases involving ₹ 482.69 crore. The negligible recovery of ₹ 1.35 crore (0.27 <i>per cent</i> ) against accepted cases involving ₹ 482.69 crore indicates lack of promptness on the part of the Government/ Department in recovering the Government dues.
<b>Results of audit conducted by us in 2010-11</b>	In 2010-11, we test-checked the records of 48 units relating to taxes on motor vehicles and found non/short levy, non/short realisation, loss of revenue and other irregularities involving ₹ 20 crore in 199 cases.  The Department accepted non/short levy, non/short realisation, loss of revenue and other deficiencies of ₹ 19.43 crore in 64 cases, of which eight cases involving ₹ 1.23 crore were pointed out during 2010-11 and the rest in earlier years.
<b>What we have highlighted in this Chapter</b>	In this Chapter we present a performance audit on ‘Computerisation of Transport Department in Bihar’ and a few illustrative cases of ₹ 17.81 crore selected from observations noticed during our test-check of records relating to non/short levy, non/short realisation, etc. in the district transport offices, where we found that the provisions of the Acts/Rules were not observed.  It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department did not take corrective action till we pointed these out in audit.  We are also concerned that though these omissions were apparent from the records which were made available to us, the District Transport Officers were unable to detect these mistakes.
<b>Our conclusion</b>	The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.  It also needs to take appropriate steps to recover the amount involved at least in accepted cases.

### 3.1.1 Tax administration

The collection of motor vehicles taxes in the State is administered by the Transport Department, which is headed by the State Transport Commissioner (STC). In performance of his duties, he is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine regions and 38 districts which are controlled by the Secretaries of the Regional Transport Authorities and the District Transport Officers (DTOs) respectively. They are assisted by motor vehicle inspectors for the collection of revenue.

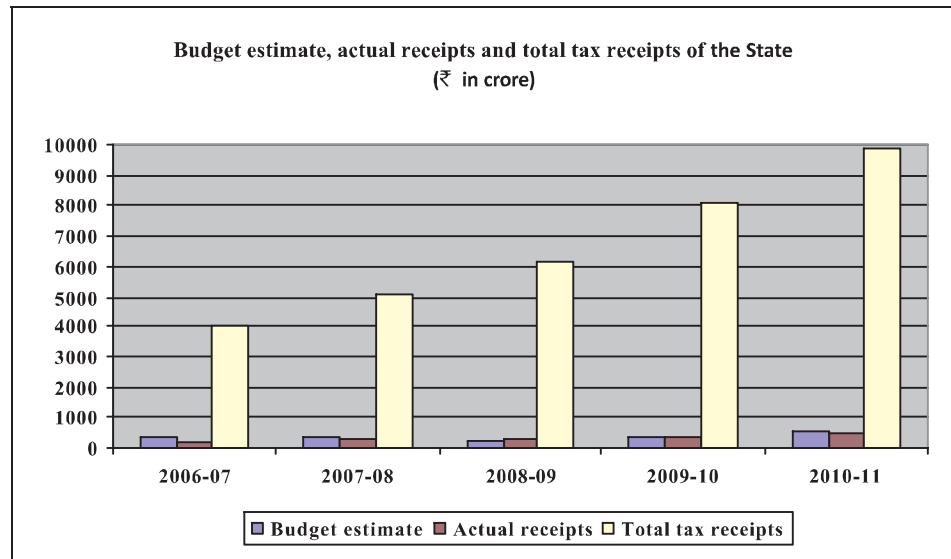
### 3.1.2 Trend of receipts

The variation between the budget estimates (BEs) and the actual receipts from motor vehicles taxes during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

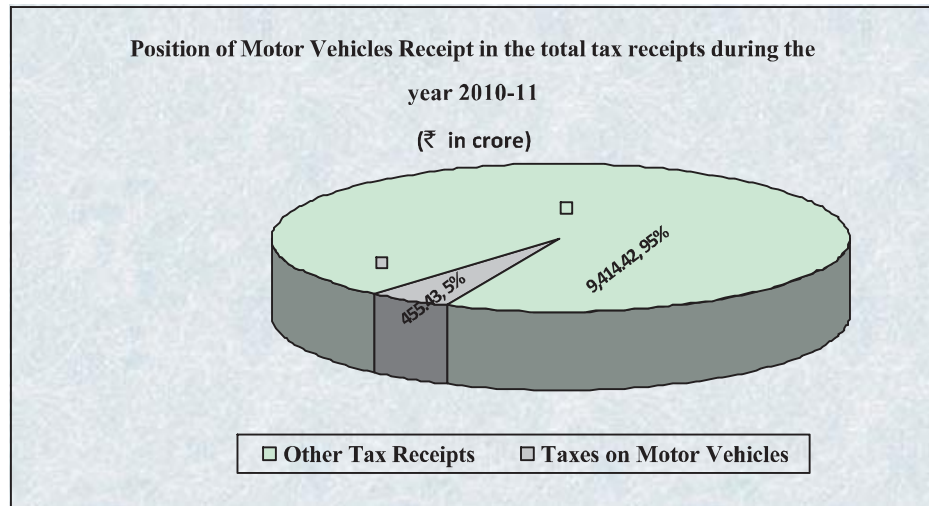
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2006-07	350.00	181.38	(-) 168.62	(-) 48.18	4,033.08	4.50
2007-08	375.00	273.21	(-) 101.79	(-) 27.14	5,085.53	5.37
2008-09	256.60	297.74	(+) 41.14	(+) 16.03	6,172.74	4.82
2009-10	355.00	345.13	(-) 9.87	(-) 2.78	8,089.67	4.27
2010-11	550.00	455.43	(-) 94.57	(-) 17.19	9,869.85	4.61

The trend of receipts vis-à-vis the estimated receipts of taxes on motor vehicles and total tax receipts is depicted in the following bar diagram:



The pie chart below depicts the contribution of taxes on motor vehicles to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11.



### 3.1.3 Cost of collection

The gross collection of motor vehicles tax receipts, 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 to gross collections for the relevant previous years are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	297.74	6.95	2.33	2.58
2009-10	345.13	10.41	3.02	2.93
2010-11	455.43	16.92	3.72	3.07

The above table indicates that during the years 2009-10 and 2010-11, the percentage of expenditure on collection was more than the all India average percentage for the previous year.

**The Government needs to take appropriate measures to keep the percentage of expenditure on collection below the all India average in the coming years.**

### 3.1.4 Impact of audit

#### Revenue impact

During the period from 2005-06 to 2009-10, we had pointed out in our inspection reports cases of non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 790.45 crore in 954 cases. Of these, the Department/ Government had accepted audit observations in 863 cases involving ₹ 482.69 crore and had since recovered ₹ 1.35 crore. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	42	53	198.42	27	13.99	1	0.01 lakh
2006-07	47	172	41.63	116	28.49	Nil	Nil
2007-08	47	201	141.29	215	142.94	5	0.37
2008-09	46	218	155.98	210	96.04	4	0.98
2009-10	38	310	253.13	295	201.23	Nil	Nil
<b>Total</b>	<b>220</b>	<b>954</b>	<b>790.45</b>	<b>863</b>	<b>482.69</b>	<b>10</b>	<b>1.35</b>

This low recovery of ₹ 1.35 crore (0.27 per cent) against the accepted cases involving ₹ 482.69 crore indicates lack of promptness on the part of the Government/ Department in realising the Government dues.

**We recommend that the Government may take appropriate steps to recover the amounts involved, at least in accepted cases.**

### 3.1.5 Working of internal audit wing

There is an internal audit wing called Finance (Audit) which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the Administrative Department.

An audit team of Finance (Audit) comprises of three members, one being the head of the team. In consideration of the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. The Department did not furnish further information regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved to us.

### 3.1.6 Results of audit

In 2010-11 our test-check of the records of 48 units relating to motor vehicles taxes revealed non/short levy, non/short realisation, loss of revenue and other irregularities involving ₹ 20 crore in 199 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	'Computerisation of Transport Department in Bihar' (A Performance Audit)	1	0.96
2	Non/short levy of taxes	55	15.56
3	Non/short realisation of trade tax	32	1.39
4	Non-realisation of OTT/fees	21	0.40
5	Irregular issue of driving licence	10	0.22
6	Non-realisation of tax from vehicles involved in surrender	9	0.33
7	Irregular issue of certificate of fitness	4	0.10
8	Other cases	67	1.04
<b>Total</b>		<b>199</b>	<b>20.00</b>

During the course of the year, the Department accepted non/short levy, non/short realisation, loss of revenue and other deficiencies of ₹ 19.43 crore in 64 cases, of which eight cases involving ₹ 1.23 crore were pointed out during 2010-11 and the rest in earlier years.

Audit findings of the Performance Audit on '**Computerisation of Transport Department in Bihar**' with financial impact of ₹ 95.94 lakh and a few other illustrative audit observations involving ₹ 16.85 crore are mentioned in the succeeding paragraphs.

## 3.2 Performance audit on ‘Computerisation of Transport Department in Bihar’

### Highlights

In the eight test-checked District Transport Offices, the *VAHAN* and *SARATHI* software in a project mode were implemented with delays ranging between three and 27 months.

(Paragraph 3.2.6)

Security policy was inadequate and made the computer systems vulnerable to misuse / manipulations or unauthorised additions/deletions of data.

(Paragraph 3.2.11.1)

Inadequacy of Input controls and validation checks resulting in duplication of engine number and chassis number, registration of two or more vehicles under the same insurance cover note, capturing of irrelevant period of tax payment and exhibiting wrong seating capacity rendering the database unreliable.

(Paragraph 3.2.14)

The amount of tax generated by the *VAHAN* software was not in accordance with the existing business rules.

(Paragraph 3.2.15.3)

### 3.2.1 Introduction

The Government of India, in order to have a National Register of registered motor vehicles and driving licences and to provide valuable data for the Centre and State security agencies, issued directives to all State Governments to adopt ‘*VAHAN*’<sup>1</sup> and ‘*SARATHI*’<sup>2</sup> softwares. The softwares were developed by the National Informatics Centre (NIC), New Delhi. Apart from the National Register, these softwares were also intended to help develop the State Register of motor vehicles and licences. This computerisation effort was taken up by the State Government under a Central Sector Scheme and was to be implemented through the NIC on behalf of the Ministry of Road Transport and Highways (MoRTH), New Delhi in coordination with State Transport Department.

The Transport Department, Government of Bihar initially implemented the *SARATHI* application in May 2008 and *VAHAN* software in February 2009 in the District Transport Office (DTO), Patna. The software was implemented on client server architecture with Oracle 10g<sup>3</sup>. The operating platform was Windows 2000 for server and Windows XP for all clients. The hardware for the Transport Department was procured from Government of India funds and supplied by NIC, New Delhi to the State. As of September 2011, *VAHAN* and *SARATHI* was adopted in all 38 DTOs in the State. Prior to adoption of *VAHAN* and *SARATHI* applications, the Department was maintaining the registration and licencing data on an application named Road Transport

<sup>1</sup> An application developed for registration of vehicles and road tax clearance.

<sup>2</sup> An application developed for issue of various licences.

<sup>3</sup> Oracle 10g is a grid computing product group including a database management system and an application server.

Management Information System (NICTRAN) in five<sup>4</sup> DTOs, while the rest of the DTOs were maintaining the data manually.

### 3.2.2 Organisational Setup

At the apex level, the State Transport Commissioner (STC), Bihar is the head of the Department and is responsible for administration of the Acts and Rules and implementation of all policy matters. In performance of his duties, he is assisted by two Joint State Transport Commissioners at the headquarters. The State has been divided into nine<sup>5</sup> transport regions and 38 transport districts<sup>6</sup> which are controlled by the Secretaries of the Regional Transport Authorities and the District Transport Officers respectively. They are assisted by the Motor Vehicles Inspectors (MVIs) in discharging their duties.

The Joint State Transport Commissioner, Bihar is the nodal officer for computerisation activities. At the State Headquarters, the State Informatics Officer is the nodal officer. At the district level, the District Informatics Officer is the nodal officer.

### 3.2.3 Audit objectives

The performance audit was conducted with a view to assess and evaluate whether:

- the objectives of computerisation through the software applications *VAHAN* and *SARATHI* have been achieved;
- reliable general and security controls were in place to ensure data integrity and security;
- connectivity was established between the DTOs in the State for creation of a State Register of vehicles and licences; and
- business rules were mapped in the system.

### 3.2.4 Scope of Audit and methodology

The performance audit on ‘Computerisation of Transport Department in Bihar’ was conducted during the period between June and October 2011 in nine<sup>7</sup> out of 38 DTOs and the office of the State Transport Authority, Patna. The data in soft copy was made available to audit by the office of STC, Bihar, Patna in MS Access format and same was analysed and cross checked by using Interactive Data Extraction Analysis (IDEA) Software, a Computer Assisted Audit Technique and Tools (CAATs), generally accepted and used for auditing in Information Technology (IT) environment.

<sup>4</sup> Bhagalpur, Gaya, Muzaffarpur, Patna and Purnea.

<sup>5</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>6</sup> Araria, Arwal, Aurangabad, Banka, Begusarai, Bettiah, Bhabhua, Bhagalpur, Bhojpur, Buxar, Chapra, Darbhanga, Gaya, Gopalganj, Jamui, Jehanabad, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhepura, Madhubani, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Shekhpura, Sheohar, Sitamarhi, Siwan, Supaul and Vaishali.

<sup>7</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali –selected on random basis.

### 3.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the STC in providing the necessary information and records to audit. An entry conference was held in July 2011 wherein the scope and methodology of audit was discussed with the Secretary of the Transport Department, Government of Bihar and the Director, NIC Bihar. Their views on the proposed performance audit was also elicited and suggestions made by them were suitably adopted. The performance audit report was forwarded to the Government in October 2011. The exit conference was held in November 2011 where STC represented the Government and the Department.

### Audit findings

#### 3.2.6 Delay in Implementation of the project

As per the approved proposal (December 2008) for computerization in the Transport Department, a committee for review/monitoring, control and smooth functioning of the project was constituted by the Secretary, Transport Department, Government of Bihar. The committee consists of the State Transport Commissioner, Joint State Transport Commissioner and three other members from the NIC, Bihar unit.

The Transport Department fixed a time-schedule for successful implementation of the *VAHAN* and *SARATHI* in a project mode. As per the implementation schedule all offices of the Department were classified into four<sup>8</sup> categories according to the work load at the DTOs and it was decided to implement *VAHAN* and *SARATHI* software in the entire State latest by 30 June 2009 as per the approved proposal of the Transport Department.

In the eight test-checked DTOs, we observed that the actual implementation of this project was delayed between three and 27 months. The details are given in the table below:

Sl. No.	Name of the Office/Category	Target date of implementation	Actual month of implementation		Delay in months	
			<i>VAHAN</i>	<i>SARATHI</i>	<i>VAHAN</i>	<i>SARATHI</i>
1	Bhagalpur/B	30 April 2009	November 2009	February 2009	06	Nil
2	Darbhanga/B	30 April 2009	August 2011	June 2010	27	13
3	Gaya/B	30 April 2009	August 2010	August 2009	15	03
4	Katihar/C	31 May 2009	November 2010	May 2010	17	11
5	Madhubani/C	31 May 2009	August 2011	February 2011	26	20
6	Muzaffarpur/B	30 April 2009	December 2009	February 2009	07	Nil
7	Patna/A	31 March 2009	February 2009	May 2008	Nil	Nil
8	Purnea/B	30 April 2009	March 2010	January 2010	10	08
9	Vaishali/C	31 May 2009	September 2009	February 2009	03	Nil

\* Category A: State Transport Commissioner and District Transport Office, Patna by 31 March 2009.  
 Category B: Divisional Offices (Bhagalpur, Chapra, Darbhanga, Gaya, Munger, Muzaffarpur, Purnea, Sharasa) by 30 April 2009.  
 Category C: Remaining twenty nine districts by 31 May 2009.  
 Category D: All the RTAs offices by 30 June 2009.



From the table above, it can be seen that the Department had implemented the project in DTO Patna well ahead of the target date, a commendable effort in view of the fact that the maximum number of vehicles are registered in DTO Patna. Similarly, the maximum number of driving licences are also issued from DTO Patna. However, we observed that there was inordinate delay of upto 27 months (Darbhanga) in implementation of the project.

After we pointed this out, the Department stated during the exit conference that due to lack of infrastructure and software, the project could not be implemented by the scheduled date.

### 3.2.7 Hardware supplied by NIC Delhi

#### 3.2.7.1 Non-adherence to approved proposal

During scrutiny we observed that the proposal of computerisation included 37 DTOs, nine RTAs and STA across the State and was approved by the Ministry of Road Transport and Highways, New Delhi in December 2008. This proposal did not include DTO Patna as this was already computerised as a pilot district from the State fund.

Under the approved projects, the hardware was to be supplied by the Government of India as per the approved requirement and for the approved places. However, we observed that a requisition was sent by the Transport Department to NIC Delhi through NIC Patna for obtaining hardware for the computerisation of DTO Patna though this was not in the approved project. However, NIC Delhi sent (between May 2010 and August 2010) the necessary hardware to DTO Patna for computerisation. The requisition made by the Transport Department and supply made by NIC was against the approval of Ministry of Road Transport and Highways, New Delhi and also resulted in irregular utilisation of Central funds.

#### 3.2.7.2 Non-utilisation of hardware by DTO Patna

The details of utilisation of hardware in DTO Patna is given below:

Number of hardware	Server system	PC (Computer)	DMP	Color Printer /laser printer	Web cam	Sign Pad	Finger Print device	UPS
Total number <sup>9</sup>	4	40	26	4	16	10	7	6
Utilised by DTO Patna	4	28	17	4	5	5	6	6
Unutilised hardwares	NIL	12	9 <sup>10</sup>	NIL	11	5	1	NIL

It is evident that the hardware supplied/purchased was not fully utilised by the DTO Patna.

After we pointed this out, the Department accepted the fact and stated during the exit conference that the hardware would be utilised.

<sup>9</sup> Total number shows hardware received through NIC and purchased locally by the DTO.

<sup>10</sup> Seven DMP (Dot Matrix Printer) were under repair.

### 3.2.7.3 Discrepancies in figure between hardware supplied and received

The details of hardware supplied by NIC Delhi for computerisation and those received by DTO Patna were as under:

	Server system	PC	DMP	Color Printer	Web Cam	Sign Pad	Finger Print Device	UPS (5KVA)
Supplied by NIC.	2	25	15	-	10	10	10	2
Received by DTO, Patna	2	25	15	2	10	-	-	2

(Source: Information supplied by NIC Patna and DTO Patna)

As indicated in the table above, there was a difference in receipt of some hardware viz. Color Printers, sign pads and finger print devices.

### 3.2.8 Utilisation of Modules

The modules contained in the VAHAN application are Vehicle Registration, New Vehicle Registration, Renewal of Vehicle Registration, Transfer of Ownership, Change of Address, Removal of Hypothecation, Permit and Taxes, Issue of National Permit and All India Tourist Permit, Renewal of Permit, State-specific Road Tax calculation and collection, Fitness, Issue of fitness certificate, Renewal of fitness certificate and Enforcement.

We observed that the following modules/tables were not being utilised or were utilised partially.

Modules/Tables	Description	Number of records	Remarks
Enforcement Module	Designed to capture the working of the Enforcement wing	No records	This module contains fields for data entry in respect of levy of fine on offending vehicles on road such as using vehicles without registration/permit, driving uninsured vehicles, vehicles without certificate of fitness, laden weight offences etc. We observed that compounding fee of ₹ 1.94 crore was collected by the enforcement wing during the year 2010-11 but these data were not captured in the VAHAN.
Permit Module	Provides information of permit details of passenger vehicles/goods vehicles	No records	We observed that permits were being issued manually by the RTA.
Trade	Provides information of trade certificate holders	No records	Contains trade licence fee and the name of agencies. The work is still being done manually.

Pin code	Provides information of the number of an area and area name.		Contains pincode of Delhi region instead of Patna region.
Temporary vehicle owner fee. Temporary vehicle insurance	Provides information of temporary vehicle fee and its insurance	No records	Not utilised
Trailer	Provides information like registration number, chassis number etc.	No records	Not utilised
Private vehicle tax and passenger vehicle tax table	Provides information of different tax slabs.	Irrelevant Records	Contains irrelevant data like “9999999”.
Private vehicle MVI check and fitness certificate print	Provides details of private vehicle inspection details and printing of fitness certificate.	No records	Fitness certificate to vehicles issued manually.
Registration surrender and history	Stores/provides information about surrender details of RC of a vehicle	No records	Not utilised
Theft report	Provides information about theft report of a vehicle	Only three records	Details of only two vehicles were entered in the year 2009 and one vehicle in 2011.
Fitness information	Contains details of fitness of a vehicle	22,557	Against registration of 1,45,193 vehicles (after 31.05.2009) only 22,557 records are shown.

After we pointed this out, the Department stated during the exit conference that it was difficult to utilise enforcement module and the other modules would be utilised with the help of NIC.

### 3.2.9 Legacy data issues

As per the order of the Transport Department issued on 8 December 2009, entry of legacy data for all the commercial vehicles was to be completed by 18 December 2009. After completing all the legacy data work, up-to-date data was to be migrated to the new *VAHAN* software. We test-checked nine<sup>11</sup> DTOs and observed that in five<sup>12</sup> DTOs, the legacy data from the previous computerised system, though stated to be complete, was not migrated to *VAHAN* while in the other four<sup>13</sup> DTOs legacy data entry work was still in progress (August 2011). Further, we observed that NICTRAN was in operation in four<sup>14</sup> DTOs for the purpose of collection of taxes due to non-migration of data to the *VAHAN* system. Thus, full utilisation of the *VAHAN* software was not ensured. In case of personal vehicles and driving licenses, legacy data entry work was yet to be started. In the absence of consolidated data in the *VAHAN* software, the State Register and National Register can not be completed.

<sup>11</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>12</sup> Bhagalpur, Gaya, Muzaffarpur, Patna and Purnea.

<sup>13</sup> Darbhanga, Katihar, Madhubani and Vaishali.

<sup>14</sup> Bhagalpur, Gaya, Muzaffarpur and Purnea.

After we pointed this out, the Department accepted the fact and stated during the exit conference that vehicles wherein comparatively more taxes are involved are given priority while migrating legacy data to the new software.

### 3.2.10 Lack of proper documentation and system development controls

As per the generally accepted procedures, User Requirement Specifications (URS) and System Design Document (SDD) which give the complete description of the proposed system to be developed should be approved by the user agency so that the vendor understands the requirement of the client. Also proper documentation such as URS, Software Requirement Specification (SRS), detailed design, data flow diagram, data dictionary relationship between tables etc. are crucial for the computerisation of the project.

The relevant documents (URS, SDD) prepared by the system developer were not produced to audit though called for. In absence of such records we could not verify the adequacy of this documentation.

After we pointed this out, the Department accepted the fact and stated during the exit conference that the software was developed by the NIC and the same would be obtained.

### 3.2.11 Information security

Though the Department had computerised the vehicle registration and licencing functions, adequate measures were not taken for the security of the information system so created to ensure data integrity and security.

#### 3.2.11.1 Absence of password policy

We observed in the test-checked DTOs that the user IDs and passwords for accessing the computer system were being shared by users. The access levels were not defined for the computer systems in any of the selected DTOs. The practice of sharing passwords was fraught with the risk of unauthorised use of the system and lack of accountability. The Department had neither undertaken any risk assessment nor put any password policy in place, thereby rendering the system vulnerable to misuse/manipulation or unauthorised addition/deletion of data. The practice of change of password for access and use of computer system was also not in place.

After we pointed this out, the Department accepted the point during the exit conference and stated that it would be rectified.

**The Government/Department may take suitable steps to restrict the access to the computer system by framing a password policy.**

### 3.2.11.2 Non-utilisation of antivirus software

An Anti-virus software is used to prevent, detect and remove viruses from the computer system.

We observed that no antivirus software was installed in the computer systems in the test-checked DTOs except in Patna.

After we pointed this out, the Department stated during the exit conference that it was not supplied by NIC. However, Windows-based free anti-virus software would be installed.

### 3.2.12 Physical and environmental control

Physical controls prevent unauthorised access and interference to the IT systems. The system should also be protected from environmental damage caused by fire, water, earthquake, electrical power surges or power shortages.

We observed in the test-checked DTOs that the physical and environmental controls were weak. For example, fire alarms and automatic fire extinguishers were not installed in the IT centres. The IT centers in

DTOs Gaya and Vaishali were established in dilapidated buildings and there was seepage in the ceiling of the buildings.

### 3.2.13 Incomplete database

Incompleteness of database means missing essential information which adversely affects the reliability of the system.

Under the Central Motor Vehicle (CMV) Rules, 1989, the owner of a vehicle shall apply in Form 20 for the registration of his vehicle. This Form 20 contains

information about the vehicle and its owner. From the analysis of the data of 3,77,696 vehicles in seven<sup>15</sup> test-checked DTOs, we observed that the data capture was incomplete. Vital information such as owner's name, address, engine number, make, PAN, as well as cubic capacity, laden and unladen weight were not captured, as shown in **Annexure – XVII**.

This indicated that input of crucial information was not made mandatory in the software and consequently the database remained incomplete. In the absence of vital information like engine number, registration of stolen vehicles and use of the same registration number by more than one vehicle cannot be ruled out.

After we pointed this out, the Department accepted the fact and stated during the exit conference that it was due to legacy data transfer. However, it would be examined and rectified.

<sup>15</sup> Bhagalpur, Gaya, Katihar, Muzaffarpur, Patna, Purnea and Vaishali.

### 3.2.14 Application Controls

Input controls and validation checks over input are vital for ensuring integrity of the data and essential to prevent incorrect data from being fed. Adequate input and validation controls ensure that the data entered is complete and correct.

#### 3.2.14.1 Input controls

- Alphanumeric chassis number and engine number assigned by the manufacturer are the unique identification mark of a motor vehicle. The CMV Rules prescribe that a person, while applying for registration of his vehicle, shall mention the chassis number and engine number in the application form.

During test-check of the registration database in VAHAN in nine<sup>16</sup> DTOs, we observed in seven<sup>17</sup> DTOs that out of 3,77,696 registration records of vehicles, 2,015 vehicles contained duplicate engine numbers and in respect of 3,322 vehicles, engine number and chassis number were the same as detailed in **Annexure-XVIII**.

The existence of duplicate engine numbers/same engine and chassis number indicated lack of input controls at an entry level to restrict entry of duplicate engine numbers/same engine and chassis number. In absence of such data validation check, possibility of assignment of more than one registration number to the same vehicle could not be ruled out.

- Under the Motor Vehicles Act, 1988 (MV Act), an application for the registration of a vehicle shall be accompanied by a valid insurance certificate.

During analysis of the database of the DTOs Patna and Muzaffarpur, we observed that out of 1,54,579 and 25,472 records of registration, 262 and 12 records respectively contained duplicate insurance cover note number in the database. Due to absence of proper input controls, the system failed to restrict the registration of more than one vehicle under the same insurance cover note number. Manual verification of records could not be conducted by us due to non-availability of source documents.

After we pointed this out, the Department accepted the fact during the exit conference and stated that it would be examined and rectified accordingly.

#### 3.2.14.2 Validation checks

- In seven DTOs, we observed that the field in respect of 'seating capacity' exhibited wrong data with respect to the corresponding field of 'maker model' in case of 1,370 vehicles as shown in the following table:

<sup>16</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>17</sup> Bhagalpur, Gaya, Katihar, Muzaffarpur, Patna, Purnea and Vaishali.

Sl. No.	Name of the DTOs	No of vehicles	Maker Model	Seating capacity entered
1	Bhagalpur	402	Trailer	1
		2	Motorcycle	124-125
		3	Auto rickshaw	399-435
2	Gaya	199	Trailer	1
3	Katihar	17	Trailer	1
		1	Motor cycle	110
4	Muzaffarpur	55	Trailer	1
		1	Bus	580
5	Patna	97	Trailer	1-750
		5	Bus	70-85
		3	Truck	74-970
		4	Delivery Van	70-415
6	Purnea	245	Trailer	1
7	Vaishali	335	Trailer	1
		1	Motor cycle	25
<b>Total</b>		<b>1,370</b>		

This indicates that there was no validation check in the seating capacity field.

- The database contains fields for information of the tax paid. During test-check of data in five<sup>18</sup> DTOs, we observed that in 13 cases, the field relating to 'date from' and 'date upto' for which tax had been paid was irrelevant as the 'date from' and 'date upto' were showing different dates between calendar years 2016 and 2041 as mentioned in the following table:

Sl. No.	Name of the DTOs	Vehicle no	Receipt no/date	Tax from date	Tax upto date
1	Gaya	BR02M4468	TX3603057/10.12.10	18/11/2025	17/11/2040
		BR02M7821	TA3681703/03.05.11	26/02/2021	25/02/2031
		BR02M6187	TX3638758/10.02.11	24/12/2020	23/12/2030
2	Patna	BR01GA8950	AC3624007/18.02.11	05/08/2025	04/08/2026
		BR01PA5716	O3306993/29.01.10	31/01/2024	30/01/2025
		BR01PA6367	S3394717/11.05.10	14/07/2016	13/10/2016
3	Katihar	BR39G2816	KA3615094/25.03.11	28/01/2026	27/01/2041
4	Purnea	BR11L0264	PU3261474/23.02.11	10/02/2021	09/02/2031
5	Muzaffarpur	BR06GA0198	MT3675153/27.05.11	20/05/2021	19/05/2031
		BR06GA0204	MT3685287/06.06.11	20/05/2021	19/05/2031
		BR06GA0169	MT3685786/08.06.11	14/05/2021	13/05/2031
		BR06GA0170	MT3685787/08.06.11	14/05/2021	13/05/2031
		BR06GA0250	MT3687718/18.06.11	25/05/2021	24/05/2031

This indicated inadequate validation checks which may result in omission in tax collection and generation of wrong MIS report.

- Section 40 of the MV Act provides that every owner of a motor vehicle shall cause the vehicle to be registered by the registering authority in whose jurisdiction he has the residence or place of business where the vehicle is normally kept. Further, Section 46 of this Act provides that a motor vehicle registered in any State shall not required to be registered elsewhere in India

<sup>18</sup> Gaya (3), Katihar (1), Muzaffarpur (5), Patna (3) and Purnea (1).

and a certificate of registration issued in respect of such vehicle shall be effective throughout India. On a cross verification of the ‘owner table’ in VAHAN in DTOs Patna and Muzaffarpur, we observed that vehicles registered in DTO Muzaffarpur and assigned a registration number also appeared in the database maintained by DTO Patna. However, the chasis/engine numbers in these cases were different as mentioned in the table below:

Sl. No.	Vehicle No.	District	Date of registration	Engine No. Chassis Number	Make of the vehicle	Remarks
1	BR 06G 7069	Patna	09.08.1996	<u>FXE252441</u> FXG033261	Truck	Vehicle bearing the same registration number is also present in the database of DTO Muzaffarpur (Sl. No. 2).
2	BR 06G 7069	Muzaffarpur	08.07.2010	<u>497TC94NOZ847557</u> MAT38213198N33515	Milk Tanker	After giving NOC by DTO, Muzaffarpur to a vehicle (Sl. No.1) to get it assigned in DTO Patna, the same registration number was again allotted to another vehicle.
3	BR 06G 7851	Patna	30.01.1999	<u>697D22ERQ112575</u> 373011ERQ109136	Truck	Vehicle bearing the same registration number is also present in the database of DTO Muzaffarpur (Sl. No. 4).
4	BR 06G 7851	Muzaffarpur	07.10.2010	<u>C13326</u> 06123028	Tractor	Vehicle bearing the same registration number is also present in the database of DTO Patna (Sl. No. 3).
5	BR 06G 9130	Patna	17.02.1989	<u>ALEL71864</u> ALEL199688	Truck	Vehicle bearing the same registration number is also present in the database of DTO Muzaffarpur (Sl. No. 6).
6	BR 06G 9130	Muzaffarpur	14.02.2011	<u>C73081</u> 04140384	Tractor	After granting of NOC by DTO Muzaffarpur to a vehicle (Sl. No. 5) to get it assigned in DTO Patna, the same registration number was again allotted to another vehicle.
7	BR 06G 7852	Muzaffarpur	07.10.2010	<u>C69303</u> 04135353	Truck	Two vehicles bearing the same registration number but different engine and chassis numbers appeared in both NICTRAN and VAHAN software in DTO Muzaffarpur.
8	BR 06G 7852	Muzaffarpur	09.10.2009	<u>497TC94FOZ823047</u> MAT38213198FA442	Truck	

Thus, the validation check of assigning a unique registration number corresponding to a unique chasis and engine number was not ensured. As a result, vehicles bearing the same registration number were plying in different places which was not only in violation of the codal provisions but also has serious security implications.

After we pointed this out, the Department accepted the facts during the exit conference and stated that seating capacity as ‘0’ was not accepted by the computerised system in case of trailers. On the issue of plying of two vehicles with the same registration number it was opined that this is a serious issue and action would be taken.

**The Government/Department may take effective steps to rectify the deficiencies in input controls and validation checks so that a reliable database can be prepared for the National Register.**



### 3.2.14.3 Connectivity amongst the District Transport Offices

Under the e-governance plan of the State Government, inter-connectivity between the DTOs had been planned through modem on internet under the State Wide Area Network (SWAN) project.

The District Transport Offices are required to be connected with the Data Centre situated at NIC Patna for the flow of data from the DTO to the State register. For this a suitable and secure network infrastructure is required to be in place having adequate bandwidth to support data transfer between the individual DTOs and the State Register/ National Register.

The existence of the same registration in two DTOs (as shown in the table pre-page) clearly indicates that there is no connectivity amongst the DTOs.

After we pointed this out, the Department accepted the fact and stated during the exit conference that there was no inter-connectivity amongst DTOs. However, all the DTOs are individually connected with the State Data Centre.

### 3.2.15 Non-mapping/delayed mapping of business rules

#### 3.2.15.1 Improper generation of onetime tax token

As per Schedule 1 part C of Bihar Motor Vehicles Taxation (BMVT) Act, 1994 as amended by Bihar Finance Act, 2010, onetime tax of ₹ 5,000 is leviable at the time of registration on all three-wheelers having seating capacity of not more than four persons (excluding the driver). This onetime tax is valid for a period of ten years from the date of first registration.

In DTOs Patna and Vaishali we observed that the VAHAN software auto generated demands for ₹ 7,500 as onetime tax on three-wheelers instead of ₹ 5,000. This indicated that provisions of the Act and Rules were not mapped correctly in the system.

#### 3.2.15.2 Short realisation of onetime tax

Under section 7(1) of the BMVT Act, as amended by Finance Act, 2011, one time tax at the rate of five *per cent* of the cost of the vehicle (w.e.f 1 April 2011) excluding sales tax for the whole life of the vehicle shall be levied at the time of registration of personalised vehicles.

We observed during data analysis of four<sup>19</sup> DTOs that in case of 2,888 vehicles registered between 1 April 2011 and 4 July 2011, the tax was calculated at the pre-revised rate which was three *per cent*. This resulted in short levy of one time tax of ₹ 95.94 lakh as mentioned in the following table:

<sup>19</sup> Bhagalpur, Gaya, Patna and Vaishali.

(Amount in ₹)

Name of office	Number of vehicle registered	Amount payable	Amount realised	Amount short realised
Bhagalpur	1,556	68,27,072	44,38,749	23,88,323
Gaya	10	88,427	54,820	33,607
Patna	619	1,33,73,431	81,00,709	52,72,722
Vaishali	703	50,61,433	31,62,310	18,99,123
<b>Total</b>	<b>2,888</b>	<b>2,53,50,363</b>	<b>1,57,56,588</b>	<b>95,93,775</b>

After we pointed this out, the Department accepted the point during the exit conference and stated that the software would be rectified and short collected revenue would be recovered.

### 3.2.15.3 Incorrect computation of road tax and additional motor vehicles tax

As per Section 7(3) of the BMVT Act, in case of vehicles other than personal vehicles, the tax may be paid for one or more quarterly periods at the annual rate of the tax payable for the quarter. Further, Section 5(1) and 5(2) of the Act *ibid* provide that every owner of a registered motor vehicle shall pay tax on such vehicle at the rate specified in Schedule-I and additional tax as specified in Schedule-II.

We observed during data analysis of DTOs Gaya and Patna, that the tax generated by the software was not in accordance with the existing business rules. This indicates that above business rules were not incorporated correctly in the system.

### 3.2.15.4 Inadequate coding of class of vehicles

- Under section 7(3) of the BMVT Act, as amended from time to time, motor vehicles tax and additional motor vehicles tax on all transport vehicles (excluding goods carriage and motor cabs) shall be calculated on the number of seats for passenger vehicles based on wheel base. As per instructions issued by the STC (September 2000), ordinary bus having 205 inch (5195 mm) wheel base was to be registered with seating capacity 53. The code assigned for this class of vehicle was 73. We observed during data analysis of vehicle class 73 (Bus) in DTOs Patna and Muzaffarpur that 59 buses were registered with seating capacity between 36 and 52 though these vehicles had 205 inch wheel base. This omission may cause short realisation of taxes.

- The *VAHAN* software provides for assignment of a unique code to each category of vehicle and linking these with other critical parameters such as tax and granting road permits etc. We observed that due to lack of input controls, the system allowed allotment of 'vehicle class 1 (Moped)' to 'vehicle class 3 (Motor cycle)' in three cases in DTO Katihar and one case in DTO Purnea. Further, 'vehicle class 106 (Truck)' was allotted to Bus (for Bus vehicle code is 73) in two cases in Purnea. Assignment of a code other than the code allotted for the purpose indicated that the data entered in the database was not complete and correct.

After we pointed this out, the Department accepted the point during the exit conference and stated that it would be rectified.

### 3.2.15.5 Certificate of fitness

Section 56 of the MV Act, prescribes that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A certificate of fitness in respect of a transport vehicle is granted/renewed for a period of two years/one year, as the case may be, in terms of Rule 62 of the CMV Rules.

In DTOs Patna and Muzaffarpur, we observed that in 36 cases of transport vehicles, the registration date was prior to the date of fitness check. Further, we observed in four<sup>20</sup> DTOs that in case of 404 vehicles, the chassis number was different in the certificate of fitness and the certificate of registration. In

five cases of DTO Patna, the validity of renewed certificate of fitness was two to three years while in one case of Bhagalpur the fitness validity of new transport vehicles was granted for only one year. This indicates that the above business rules were not incorporated correctly.

After we pointed this out, the Department accepted the fact during the exit conference and stated that the MVIs would be instructed to take computerised test of vehicles and link it with the database.

### 3.2.15.6 Charging of improper fee for issue of driving licences

As per Rule 14 read with Rule 32 of the CMV Rules, a fee of ₹ 200 including the cost of computerised chip shall be charged for issue of driving licence in Form 7. Further, it stipulates that ₹ 50 for test of competence to drive shall be charged. As per notification issued (October 1996) by the Government of Bihar, surcharge of ₹ 50 shall also be charged for such tests.

We observed during data analysis of the *SARATHI* software of nine DTOs<sup>21</sup> that the all driving licenses were issued to the applicants by the licensing authorities in Form 7 by charging an additional amount of ₹ 40 and ₹ 80 as detailed below:

(Amount in ₹)

Purpose	Amount chargeable	Amount charged
Issue of driving license	200	200
For test of competence of drive for each class	50+50 (surcharge)	100
Driving license fee (other test-checked districts except Muzaffarpur)	No fee prescribed	For two different classes of vehicles <sup>22</sup> - 40 For one class of vehicle - 40
Driving license fee (Muzaffarpur)	No fee prescribed	For two different classes of vehicles - 80 For one class of vehicle - 40

<sup>20</sup> Bhagalpur, Muzaffarpur, Patna and Vaishali.

<sup>21</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>22</sup> Classes of vehicles: Motor Cycle (MC) without gear, MC with gear, light motor vehicles, invalid carriages, medium goods vehicles, medium passengers vehicle, heavy goods vehicle and heavy passengers motor vehicles.

After we pointed this out, the Department accepted the fact during the exit conference.

### **3.2.16 Other points of interests**

#### **3.2.16.1 Deficiency in data on the stolen vehicles**

A database of stolen vehicles reported to DTOs is required to be maintained to prevent any transaction of these vehicles till the vehicle is reclaimed by the legitimate owner.

The database of stolen vehicle was not maintained in DTO Muzaffarpur due to error displayed as 'invalid chassis number'. Therefore, the details of stolen vehicles reported by the Police Department was not entered in the database. Further, in DTO Vaishali the database of stolen vehicles with reference to the data of the Police Department was not updated. Thus, there was a risk of allowing transactions on stolen vehicles.

After we pointed this out, the Department accepted the fact during the exit conference and stated that it would be rectified with the help of NIC.

#### **3.2.16.2 Lack of identity proof of owner in certificate of registration**

As per Rule 48 of the CMV Rules, certificate of registration (in electronic medium as smart card) is issued to the owner in Form 23A (smart card).

We observed during test-check that these smart cards did not contain identity proof of the owner such as specimen signature or thumb impression and photograph whereas the certificate of registration issued in Form 23 (Manual) had a provision for specimen signature of the owner. In the absence of identity proof of the owner in smart card, it was difficult to verify the genuineness of the owner from the certificate of registration by the registering authority or any other authorities.

#### **3.2.16.3 Error in generation of daily receipt report**

We observed during test-check of records of DTO Gaya that in the daily receipt report generated by the *VAHAN* software, penalty was calculated twice, once in the tax column along with tax and again in a separate column also. Thus, there was difference between the actual amount collected and amount which appeared in the generated report.

Further, the system was generating consolidated report of the receipts of the Registration fee collection counter and the Tax collection counter. Thus, the counter-wise collection report was not quantified separately.

After we pointed this out, the Department stated during the exit conference that this would be rectified with the help of NIC.

### **3.2.17 Lack of training of personnel**

As per the Memorandum of Understanding (MoU) between the Government of Bihar and the Government of India, training of essential State Government personnel on computer usage and application would be arranged by NIC free of charge. Training would be arranged at the NIC Region/State/District computer centers as far as possible.

We observed that a sum of ₹ 5.27 lakh was paid to NIC (June 2008) for training of transport personnel by the DTO Patna, though the MoU provided free of cost training to State Government officials by NIC. However, no such training was provided to the personnel of the Transport Department.

After we pointed this out, the Department stated during the exit conference that training would be conducted to strengthen and improving the skill of personnel.

### 3.2.18 Conclusion

The objectives of computerising the system of registration and taxation of vehicles could not be fully achieved. As the legacy data was not successfully integrated with the *VAHAN* and *SARATHI* software, the purpose of having State Register and National Register could not be achieved. The IT security policy was inadequate and made the information system vulnerable to misuse/manipulation or unauthorised addition/deletions of data. Validation checks in the software were inadequate. Controls were not adequate to ensure integrity and reliability of the data. The business rules were also not mapped correctly in the system. The overall objective of the computerisation was yet to be fully achieved by the Department, as many functions continued to be discharged manually. The replies received from the district transport authorities in almost all selected district give us an impression that Department is completely dependent upon the NIC for even basic/core function and were far from being self reliant.

### 3.2.19 Summary of recommendations

The Department may consider implementing the following recommendations:

- **Ensuring sufficient controls in the system so that a complete and reliable database is maintained by the DTOs updating the software as and when policy changes are effected, or any revision in the rate of taxes and fees is done.**
- **Restricting access to the system through user authentication process.**

### 3.3 Non-compliance of the provisions of the Acts/Rules

*The provisions of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, Motor Vehicles (MV) Act, 1988 and Rules made thereunder require levy and payment of:*

- *taxes on motor vehicles/additional tax by the vehicle owners at the appropriate rates;*
- *tax/additional tax in advance and within the prescribed period; and*
- *penalty up to double the tax, if the tax is not paid within 90 days.*

*Non-compliance of the provisions of the Acts/Rules in some cases as mentioned in paragraphs 3.4 to 3.8 resulted in non/short levy, non/short realisation of tax etc. of ₹ 16.85 crore.*

### 3.4 Non - realisation of motor vehicle taxes

#### Thirty two<sup>23</sup> District Transport Offices

Under section 5 and 9 of the BMVT Act, motor vehicles tax is to be paid to the taxing officer in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax, if he is satisfied that the prescribed conditions have been fulfilled by the vehicle owner. The District Transport Officers (DTOs) are required to issue demand notice to ensure timely realisation of tax.

Non-payment of tax beyond 90 days attracts penalty at the rate of 200 *per cent* of the tax due. Under section 22 of the BMVT Act, if the tax or penalty or both has not been paid in accordance with the provisions of the Act, an officer not below the rank of Inspector of Motor Vehicles or any other officer specially authorised by the State Transport Commissioner, may seize the motor vehicles and detain it till the payment of tax.

We observed that the Government/Department did not install a mechanism for periodic review of the taxation registers by the DTOs and also did not prescribe a time frame within which a demand notice is to be issued to the defaulting vehicle owners.

During test-check of the taxation registers and the computerised database between April 2010 and March 2011 we observed that though the owners of 1,025 transport vehicles did not pay tax of ₹ 5.34 crore pertaining to the period between April 2001 and December 2010 within the due dates, yet the DTOs neither seized the defaulting vehicles nor

<sup>23</sup> Arrah, Arwal, Aurangabad, Banka, Begusarai, Bettiah, Buxar, Chapra, Jamui, Jehanabad, Kaimur (Bhabhua), Katihar, Khagaria, Lakhisarai, Madhepura, Madhubani, Motihari, Munger, Nalanda, Nawada, Samastipur, Sasaram, Sheikhpura, Sheohar, Siwan, Supaul and Vaishali (Taxation register); Bhagalpur, Gaya, Muzaffarpur, Patna, Purnea (Computerised database).

initiated action towards realisation of the dues from the defaulting vehicle owners. In none of the cases, change of addresses of the owners or surrender of documents for securing exemption from payment of tax was found on record. This resulted in non-realisation of tax of ₹ 16.02 crore including penalty of ₹ 10.68 crore (**Annexure-XIX**).

After we pointed this out, DTO Kaimur (Bhabhua) stated in May 2010 that certificate cases would be initiated against the defaulting vehicle owners while the remaining DTOs stated between April 2010 and March 2011 that demand notices would be issued. We await further development in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 3.5 Non - realisation of tax from vehicles involved in surrender

#### Five<sup>24</sup> District Transport Offices

Under section 17 (1) and 19 of the BMVT Act, and rules made thereunder, when the owner of a motor vehicle does not intend to use his vehicle for a period of more than one month but not exceeding six months at a time, he can be exempted from the payment of tax by the competent authority provided his claim for exemption is supported by the surrender of the documents for the period of non-use of the vehicle. The vehicle owner shall also from time to time furnish an undertaking to the concerned taxing officer for extension, if any, during the said period. The taxing officer, in such cases, is required to carry out physical verification of the parking place of the vehicle at least once in a month in a random manner and record a memorandum of inspection in the case record of the vehicle. If at any time during the period covered by an undertaking, the motor vehicle is found to be used or kept at a place other than the place mentioned in the undertaking, such vehicle shall, for the purpose of this Act, be deemed to have been used throughout the period without the payment of tax. Accordingly, tax including penalty is leviable in such cases.

We observed during test-check of taxation registers and surrender registers between June 2010 and March 2011 that surrender was irregularly granted to 12 vehicles. This resulted in non-realisation of tax of ₹ 35.74 lakh including penalty of ₹ 23.83 lakh as mentioned in the following table:

<sup>24</sup> Gaya, Lakhisarai, Motihari, Muzaffarpur and Purnea.

(₹ in lakh)

Sl. No.	Name of DTOs	No. of vehicles	Period for which tax was not paid	Irregularities	Tax effect		
					Tax	Penalty	Total
1	Gaya and Motihari	03	Between October 2002 to November 2010	Surrender was irregularly accepted without payment of up to date tax.	6.55	13.10	19.65
2	Gaya, Lakhisarai and Purnea	05	Between February 2008 to November 2010	Initial surrender was accepted without proper documents as per Act.	2.68	5.37	8.05
3	Muzaffarpur	04	August 2006 to September 2010	The Department did not take any steps for realisation of tax in respect of vehicles surrendered beyond six months without fresh undertaking.	2.68	5.36	8.04
<b>Total</b>					<b>11.91</b>	<b>23.83</b>	<b>35.74</b>

After we pointed this out, DTOs Muzaffarpur and Purnea stated between February and March 2011 that demand notices would be issued while the remaining DTOs stated between June 2010 and March 2011 that suitable action would be taken. We await further developments in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 3.6 Irregular issue of transport vehicle driving licence

#### Five<sup>25</sup> District Transport Offices

Under section 9 of the MV Act, the licensing authority shall grant driving licence to an applicant to drive such class of vehicle who is holding a learner's licence of that class and has passed the competency test for driving the vehicle. Further, as per section 7(1) of the Act *ibid* read with rule 10 of the CMV Rules, no person shall be granted a learner's licence to drive a transport vehicle unless he has held a driving licence to drive a light motor vehicle for at least one year.

We observed during test-check of transport vehicle driving license registers between March 2010 and March 2011 that 10,530 transport vehicle driving licences were granted during 2008-09 and 2009-10 to applicants who were not holding licences to drive light motor vehicles. This omission not only violated the provisions of the Act and Rules but also

involved road safety issues. This resulted in loss of Government revenue of ₹ 22.11 lakh on account of fee recoverable for grant of driving licences.

<sup>25</sup> Banka, Chapra, Gaya, Katihar and Nawadah.



After we pointed this out, DTO Katihar stated in August 2010 that demand notices would be issued and amount would be realised at the time of renewal while the remaining DTOs stated that action would be taken for realisation of dues. We await further development in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 3.7 Non/short realisation of trade tax from the dealers of motor vehicles

#### Fourteen<sup>26</sup> District Transport Offices

Under section 6 of the BMVT Act and the Rules framed thereunder, tax at an annual rate as prescribed shall be paid by a manufacturer or a dealer in respect of motor vehicles which are in his possession in course of his business as a manufacturer/dealer. Non-payment of tax within the due date attracts penalty ranging between 25 and 200 *per cent* of the tax due as provided under section 23 *ibid* read with rule 4(2) of the BMVT Rules. Further, the STC instructed all DTOs to initiate legal action for realisation of tax and renewal of trade certificate.

During test-check of the returns furnished by the manufacturers/dealers and the registration registers, we observed between March 2010 and March 2011 that in case of 73 dealers of motor vehicles, trade tax at the prescribed rate was either not deposited or deposited short in respect of 33,507

vehicles (30,320 two wheelers and 3,187 three/four wheelers) possessed by them between the period from January 2004 and June 2010. Though the DTOs were required to examine the stock register of dealers/manufacturers for realisation of trade tax, there was nothing on record to indicate that such examination of records were done. This resulted in non/short realisation of trade tax of ₹19.23 lakh including leviable penalty.

After we pointed this out, DTO Arrah stated in February 2011 that demand notice for realisation of trade tax would be issued while the remaining DTOs stated between March 2010 and March 2011 that demand notices would be issued and action for recovery would be taken as per rules. We await report on recovery in cases where demand notices were issued and further developments in the remaining cases (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

<sup>26</sup> Arrah, Begusarai, Bhagalpur, Chapra, Gaya, Katihar, Khagaria, Lakhisarai, Madhepura, Madhubani, Patna, Purnea, Samastipur and Sasaram.

**3.8 Non/short realisation of additional tax and green tax****Five<sup>27</sup> District Transport Offices**

Under section 5 and 7 of the BMVT Act every owner of a registered motor vehicle shall pay tax and additional motor vehicle tax on such vehicle at the rate specified in the schedules. As provided under rule 6 of the BMVT Rules, the taxing officer after satisfying himself that the amount tendered in the payment of the tax is equal to the amount of tax payable, shall accept payment of the taxes and grant receipt thereof with a tax token.

Further, as per section 5 (6) of the BMVT Amendment Act (as amended vide BF Act, 2010 effective from 9 April 2010), green tax at the rate of 10 *per cent* of the tax payable, including additional tax, shall be payable by every owner of a registered transport vehicle more than 12 years old except on three wheelers, tractors and trailers. Besides, the provision for allowing rebate on additional motor vehicle tax has also been withdrawn by the said amendment. Non-payment of tax within the due date attracts penalty ranging between 25 and 200 *per cent* of the tax due as provided under section 23 *ibid* read with rule 4(2) of the BMVT Rules.

We observed during test-check of taxation registers and the computerised database between August 2010 and March 2011 that the owners of 193 transport vehicles did not pay the green tax of ₹ 84,000 during the period between May and September 2010, though the vehicles were more than 12 years old. Further, rebate on additional tax of ₹ 1.36 lakh was also allowed in contravention of the amendment of the Act. In all these cases the concerned DTOs irregularly issued tax token without ensuring realisation of green tax due and allowed rebate on additional tax. This resulted in non/short

realisation of green tax and additional tax of ₹ 6.62 lakh including leviable penalty of ₹ 4.41 lakh.

After we pointed this out, DTOs concerned stated between August 2010 and March 2011 that demand notices would be issued. We await further developments in the matter (October 2011).

The matter was reported to the Government / Department in June 2011; we are yet to receive their reply (October 2011).

<sup>27</sup> Chapra, Katihar, Madhepura and Sasaram (Taxation Register); Patna (Computerised database).