

CHAPTER V: MOTOR VEHICLE TAX

5.1.1 Tax administration

5.1.1.1 Passengers and goods tax

Registration of motor vehicles, assessments, levy and collection of passengers and goods tax (PGT) are governed under the provisions of the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder, as applicable to the State of Haryana. The Financial Commissioner and Principal Secretary to Government Haryana, Excise and Taxation Department is the administrative head at the Government level. Overall charge of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana, Panchkula. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field. All the motor vehicles carrying goods and passengers are required to be registered with AETO of the district concerned, in which the owner of the vehicles has residence or place of business where the vehicle is normally kept in the State.

5.1.1.2 Taxes on vehicles

Registration of motor vehicles, issue of permits for plying of transport vehicles for carrying goods and passengers, issue of driving/conductor licences, levy and collection of token tax, permit fee, licence fee etc. are governed under the provisions of the Motor Vehicles Act, 1988, (MV Act), Central Vehicles Rules, 1989, the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Financial Commissioner and Principal Secretary to Government Haryana, Transport Department is the administrative head at the Government level and is responsible for the administration of the MV Act/Rules in the State and assisted by the Transport Commissioner, who exercises general superintendence over the functioning of the Department. The powers of Registering and Licencing Authority are being exercised by 54 Sub-Divisional Offices (Civil) in respect of non-transport vehicles, whereas 21 Secretary, Regional Transport Authorities (RTAs) are exercising the powers of Registering and Licencing Authority in respect of transport Vehicles.

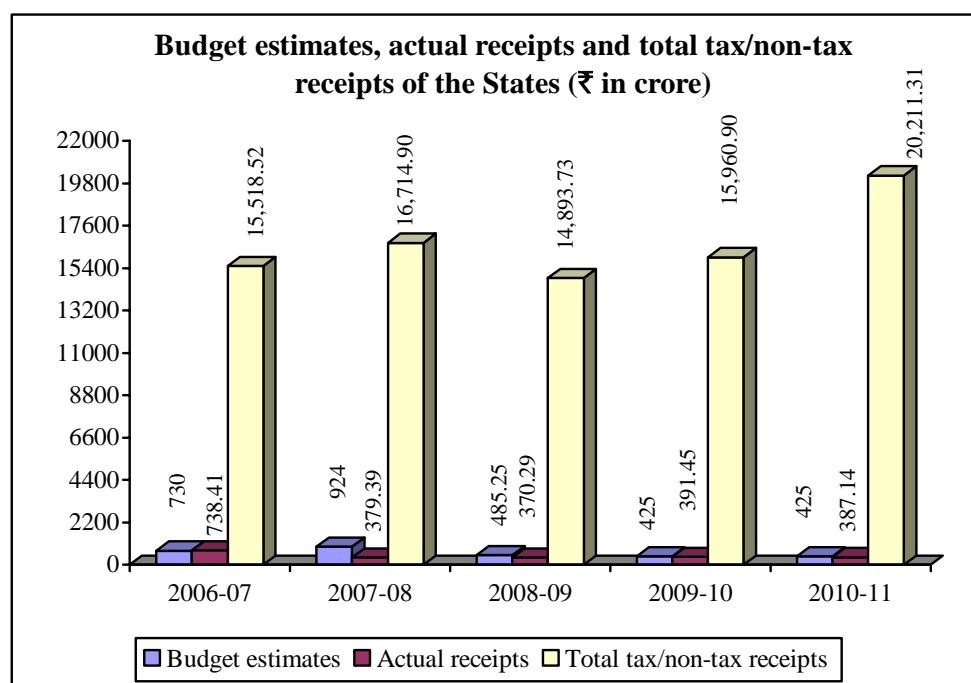
5.1.2 Trend of receipts

Actual receipts from PGT and Taxes on Vehicles during the years 2006-07 to 2010-11 along with the total tax/non-tax receipts during the same period is exhibited in the following table and graph:

5.1.2.1 Passengers and goods tax

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation Excess(+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a-vis total tax/non-tax receipts
2006-07	730.00	738.41	(+) 8.41	(+) 01	15,518.52	5
2007-08	924.00	379.39	(-) 544.61	(-) 59	16,714.90	2
2008-09	485.25	370.29	(-) 114.96	(-) 24	14,893.73	2
2009-10	425.00	391.45	(-) 33.55	(-) 8	15,960.90	2
2010-11	425.00	387.14	(-) 37.86	(-) 9	20,211.31	2

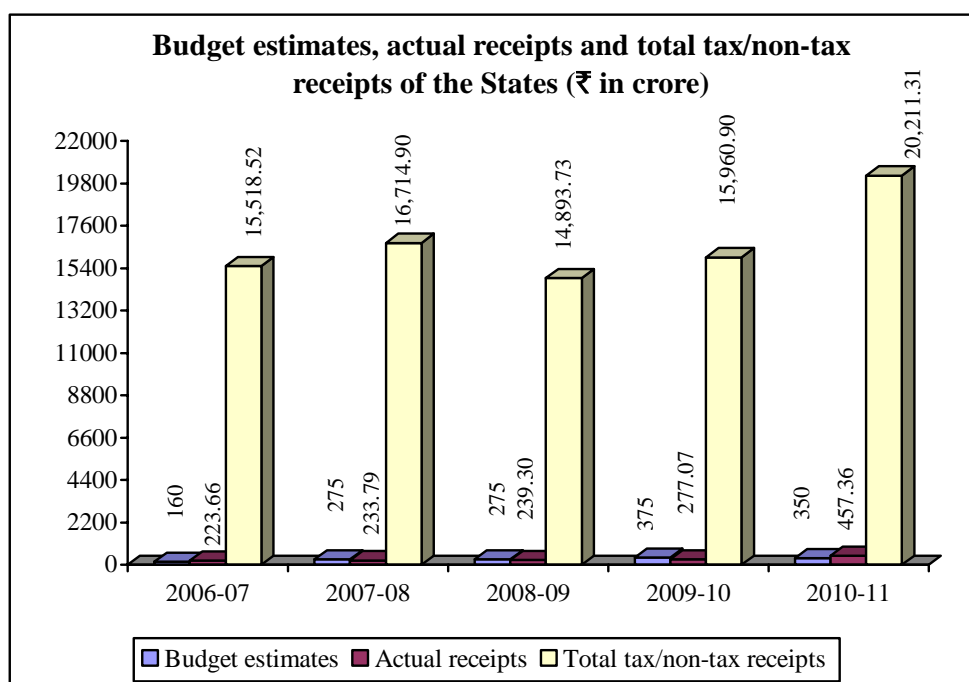


The actual receipts of the Excise and Taxation Department relating to Passengers and Goods Tax to the total tax/non-tax receipts of the State during the period 2006-07 to 2010-11, ranged between two to five *per cent*.

5.1.2.2 Taxes on vehicles

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation Excess(+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a-vis total tax/non-tax receipts
2006-07	160.00	223.66	(+) 63.66	(+) 40	15,518.52	1
2007-08	275.00	233.79	(-) 41.21	(-) 15	16,714.90	1
2008-09	275.00	239.30	(-) 35.70	(-) 13	14,893.73	2
2009-10	375.00	277.07	(-) 97.93	(-) 26	15,960.90	2
2010-11	350.00	457.36	(+) 107.36	(+) 30.67	20,211.31	2



The actual receipts of the Transport Department relating to Taxes on vehicles with reference to Budget estimates for the year 2006-07 to 2010-11 varied in a range between 35 to 107 *per cent*, which indicated that the budget estimates were not realistic.

5.1.3 Analysis of arrears of revenue

A: Passengers and goods tax

The arrears of revenue relating to PGT as on 31 March 2011 amounted to ₹ 59.41 crore of which ₹ 23.25 crore (39 per cent) were outstanding for more than five years. The following table depicts the arrears of revenue during the period 2006-07 to 2010-11:

(₹ in crore)

Year	Opening balance of arrears	Amount collected	Closing balance of the arrears	Actual receipts	Percentage (Col. 3 to Col. 2)	Percentage of closing balance of arrears to actual receipts (Col. 4 to Col. 5)
1	2	3	4	5	6	7
2006-07	36.00	10.09	51.97	738.41	28	7
2007-08	51.97	22.28	48.55	379.39	43	13
2008-09	48.05	11.52	58.08	370.29	24	16
2009-10	58.08	16.88	64.50	391.45	29	16
2010-11	64.50	13.96	59.41	387.14	22	15

We observed that arrears of revenue of PGT had increased from ₹ 36 crore at the beginning of the year 2006-07 to ₹ 59.41 crore (65 per cent) at the end of the year 2010-11. The percentage of realisation of arrears to the arrears outstanding at the beginning of the year ranged between 22 to 43 per cent during the period 2006-07 to 2010-11.

The Government may advise the Excise and Taxation Department to take effective steps for collecting the arrears promptly to augment Government revenue.

B: Taxes on vehicles

The Department intimated that there was an arrears of revenue of ₹ 3.03 crore as on 31 March 2010. Year-wise details of information regarding arrears of revenue viz. arrears pending at the beginning of the year, arrears added and collected during the year and arrears pending at the end of the year for the period 2006-07 to 2010-11 is not available with the Department. Thus, the Department had not maintained centralised database regarding arrears of revenue at the apex level for monitoring and expediting the progress of recovery of arrears.

5.1.4 Cost of collection

The gross collection in respect of PGT and Taxes on vehicles revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2010-11 along with the relevant 'All India average percentage' of expenditure of collection to gross collection for the relevant year are mentioned below:

A: Passengers and goods tax

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
2006-07	738.41	-	-
2007-08	379.39	1.13	0.30
2008-09	370.29	1.50	0.41
2009-10	391.45	1.94	0.50
2010-11	387.14	1.94	0.50

B: Taxes on vehicles

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year
2006-07	223.66	6.93	3.10	2.47
2007-08	233.79	5.47	2.34	2.58
2008-09	239.30	8.00	3.34	2.93
2009-10	277.07	11.32	4.08	3.07
2010-11	457.36	13.38	2.93	-

Source: Finance Account.

5.1.5 Revenue impact of the Audit**5.1.5.1 Position of Inspection Reports****A: Passengers and goods tax**

The performance of the Excise and Taxation Department (PGT) to deal with the irregularities detected in the course of local audit conducted during the year 2009-10 and the corresponding figures for the preceding four years is tabulated below:

(₹ in crore)

Year	Units audited			Cases accepted		Recovery made during the year	
	Number	Number of cases	Amount	Number	Amount	Cases	Amount
2005-06	22	29	11.37	29	11.37	9	0.94
2006-07	22	1,325	2.65	501	0.95	2	0.17
2007-08	22	1,690	3.64	384	1.52	21	0.02
2008-09	22	1,406	1.94	319	0.36	18	0.06
2009-10	23	1,358	1.76	847	0.80	72	0.07
Total	111	5,808	21.36	2,080	15.00	122	1.26

We observed that the recovery in respect of accepted cases during the years 2005-06 to 2009-10 was only 8 per cent.

B: Taxes on vehicles

The performance of the Transport Department (Taxes on vehicles) to deal with the irregularities detected in the course of local audit conducted during the year 2009-10 and the corresponding figures for the preceding four years is tabulated below:

(₹ in crore)

Year	Units audited			Cases accepted		Recovery made during the year	
	Number	Number of cases	Amount	Number	Amount	Cases	Amount
2005-06	81	71,531	20.72	71,529	20.39	11	0.20
2006-07	81	66,261	18.43	-	-	-	-
2007-08	81	58,275	3.30	4,163	0.49	1	0.01
2008-09	81	4,209	2.11	1,523	1.42	81	0.10
2009-10	72	1,234	1.63	422	1.05	66	0.13
Total	396	2,01,510	46.19	77,637	23.35	159	0.44

We observed that the recovery in respect of accepted cases during the years 2005-06 to 2009-10 was only two per cent.

5.1.5.2 Position of Audit Reports

During the last five years (including the current year's report), audit through its Audit Reports had pointed out non/short levy/realisation of PGT, non-levy of interest on delayed/non-payment of tax, non/short realisation of permit fee/token tax/bid money etc., with revenue implication of ₹ 11.84 crore in 20 paragraphs (including one review). Of these, the Department/Government had accepted audit observations in 18 paragraphs (including one review) involving ₹ 9.56 crore and recovered ₹ 1.48 crore. The details are shown in the following table:

A: Passengers and goods tax

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered			
	(₹ in crore)						(₹ in lakh)	
	No.	Amount	No.	Amount	No.	Amount		
2006-07	1	1.12	1	1.12	1	57.22		
2007-08	3	1.47	3	1.47	3	25.19		
2008-09	1	0.99	1	0.99	1	4.52		
2009-10	1	0.65	1	0.65	1	6.32		
2010-11	1	1.46	1	1.46	1	9.61		
Total	7	5.69	7	5.69	7	102.86		

B: Taxes on vehicles

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	(₹ in crore)				(₹ in lakh)	
	No.	Amount	No.	Amount	No.	Amount
2006-07	3	1.20	2	0.55	2	18.64
2007-08	5	3.16	4	1.53	1	5.07
2008-09	2	0.63	2	0.63	2	7.78
2009-10	2	0.81	2	0.81	2	7.22
2010-11	1	0.35	1	0.35	1	6.33
Total	13	6.15	11	3.87	8	45.04

We observed that the recovery of accepted cases in respect of PGT and Taxes on vehicles was 18 and 12 *per cent* respectively. The slow progress of recovery even in respect of accepted cases is indicative of failure on the part of the heads of offices/Departments to initiate action to recover the Government dues promptly.

We recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases are promptly recovered.

5.1.6 Working of internal audit wing**A: Passengers and goods tax**

The Department stated (October 2011) that an internal audit system was set up for control and supervision of expenditure as well as receipts. The Department had one Chief Accounts officer, four (against five sanctioned posts) Accounts Officers and 11 (against 14 sanctioned posts) Section Officers. There were 17 Section Officers in the districts level offices who conducted internal audit in respect of the levy of PGT. Internal audit party had conducted 13 audits (against 23 auditable units) of revenue receipts and expenditure. The Chief Accounts Officer failed to furnish the details of objections raised and settled along with planning of auditable units and the coverage of internal audit was not adequate. Moreover, the irregularities discussed in the paragraph 5.3.1.1 to 5.3.1.2 are indicators of ineffective internal control mechanism as none of the irregularities pointed out by us were detected by the internal audit parties.

B: Taxes on vehicles

The Department stated (October 2011) that an internal audit system was set up for audit of expenditure and receipts. The Department had one Senior Accounts Officer (Audit), three Section Officers (Audit), one Assistant and two Clerks. The internal audit party had conducted audit of 21 RTAs and 50 registering authorities for the year 2010-11. The Senior Accounts Officer (Audit) failed to furnish the details of objections raised and settled along with planning of auditable units. The irregularities discussed in the paragraphs 5.4.1.1 to 5.4.1.2 are indicators of ineffective internal audit as none of the irregularities pointed out by us were detected by the internal audit.

The Government may consider strengthening internal audit wing to ensure timely detection and correction of errors in assessments, levy and collection of PGT and Taxes on vehicles revenue.

5.1.7 Results of audit

Test check of the records in the offices of Transport relating to revenue received from taxes on vehicles and taxes on goods and passengers during the year 2010-11 revealed non/short recovery of tax/duty, fees and penalty etc. amounting to ₹ 3.28 crore in 1,906 cases which fall under the following categories:

(₹ in crore)

Sr. No.	Category	Number of cases	Amount
A: Transport Department (Taxes on vehicles)			
1.	Non/short recovery of token tax in respect of stage carriage buses/combine harvesters etc.	418	0.92
2.	Non-recovery of bid money	45	0.53
3.	Short charging of permit/countersignature fees from owners of heavy/light transport vehicles	40	0.08
4.	Non/short realisation of registration fee and token tax on vehicles transferred from other States	111	0.02
5.	Miscellaneous irregularities	214	0.28
	Total	828	1.83
B: Excise and Taxation Department (Taxes on goods and passengers)			
1.	Non-recovery of passengers tax from bus owners of co-operative societies/ educational institutions	358	1.10
2.	Non-recovery of goods tax	709	0.34
3.	Miscellaneous irregularities	11	0.01
	Total	1,078	1.45
	Grand total	1,906	3.28

During the year 2010-11 the Department accepted underassessment and other deficiencies of ₹ 1.31 crore involved in 360 cases of which 313 cases involving ₹ 23.88 lakh had been pointed out during 2010-11 and balance in the earlier years. The Department recovered ₹ 1.07 crore in 47 cases during the year 2010-11, relating to the earlier years.

In this Chapter, we mention about non-observance of the provisions of the Punjab Passengers and Goods Tax Act and Non-observance of the provisions of Punjab Motor Vehicles Act. A few illustrative cases involving ₹ 1.81 crore are mentioned in the following paragraphs.

5.2 Performance Audit on Computerisation in Motor Vehicle Department

5.2.1 Highlights

- VAHAN and SARATHI had been implemented in 72 out of 76 locations in the State. Enforcement module had not been implemented anywhere in the State. Smart cards for registration and licences were not issued at any location.

(Paragraphs 5.2.9)

- Due to lack of IT strategy defining a time frame for implementation of the project in a complete manner, the Department failed to fully utilise the processing capabilities available in the system.

(Paragraph 5.2.10.1)

- Citizen centric services for online downloading and submission of forms, online appointments for driving tests, making payments etc. were not introduced with the result that citizens had to depend on commission agents for these services.

(Paragraph 5.2.10.7)

- Generation of cashbook through faulty customised reports facilitated short deposit of revenue amounting to ₹ 8.20 lakh in the Government account as seen in Rohtak district. In Faridabad, local software was used with no linkage with the VAHAN Application, defeating the purpose and advantage of VAHAN. In Gurgaon dual databases in VAHAN resulted in mismatches and non-integration of the database.

(Paragraphs 5.2.11.1 to 5.2.11.3)

- Delay in mapping revision in road tax rates in VAHAN software resulted in estimated loss of ₹ 1.26 crore.

(Paragraphs 5.2.12.1)

- Inadequate validation checks resulted in registration of vehicles with identical engine numbers/chassis numbers with the result that the objective of maintaining reliable data in State and National Registers was not achieved.

(Paragraph 5.2.13.1 to 5.2.13.3)

- Out of 15.45 lakh records, 2.91 lakh records had no valid vehicle insurance detail rendering more than 18 *per cent* of the data redundant. There were a number of cases of registration of two or more vehicles with common insurance cover note number.

(Paragraph 5.2.13.5)

- **Due to absence of inbuilt input validation controls, the SARATHI software did not block the invalid data and facilitated issue of licences to persons below the age of 18 years, double issue of driving licences, issue of driving licence before the prescribed time limit of 30 days from the issue of learning licence and other mistakes in issue of licence.**

(Paragraph 5.2.14)

- **There was no documentation of modifications made to the application software, user requirement specification, system design etc. Business continuity planning and training needs were not adequately addressed.**

(Paragraph 5.2.15.1)

5.2.2 Introduction

The Central Motor Vehicles (MV) Act, 1988 vests upon the State Governments the responsibility of providing an efficient public transportation system, registration of vehicles, issue of driving licences, road permits, fitness certificates of vehicles and collection of road taxes.

In order to discharge these functions, the Transport Department, Haryana has been bifurcated into two wings i.e. Operation Wing and Regulatory Wing. The operational wing looks after the operation of Haryana Roadways and is responsible for providing essential public transport services within the State as well as to important destinations in the neighbouring States.

The Regulatory wing looks after implementation of the Motor Vehicle Act/Rules, issue of Driving Licences, Registration of Vehicles, issue of Permits etc. and is responsible for regulation of Transport and other Road Safety issues etc. It is also entrusted with policy making, implementation and enforcement of transport rules to collect taxes and fees, under the Haryana Motor Vehicles Act, 1991, Haryana Motor Vehicles Rules, 1993, Central Motor Vehicles (MV) Act, 1988 and Central Motor Vehicles (MV) Rules, 1991.

The revenue from taxes on vehicles increased from ₹ 239.36 crore in 2008-09 to ₹ 443.23 crore in 2010-11. In order to computerise all the processes involved in issue of Driving Licences, Registration of Vehicles, Issue of Permits etc. the Ministry of Road Transport and Highways (MoRTH) Government of India (GOI) advised all the States to implement standard software VAHAN and SARATHI developed by NIC in the year 2002. The Software and hardware were provided free of cost to all the States. The objective of computerisation was to build a comprehensive national database of vehicles and licences and to make documents issued by any State readable throughout the country.

We undertook an IT review of “Computerisation in Motor Vehicles Department”. The review revealed number of system and data deficiencies which are discussed in the succeeding paragraphs.

5.2.3 Organisational set up

At apex level, Financial Commissioner and Principal Secretary, Transport Department is responsible for formulation of policies, programmes and their implementation by the Department. In performance of duties, he is assisted by Transport Commissioner who exercises general superintendence over the functioning of the Department. Two Additional/Joint Transport Commissioners are the next higher authorities under the Transport Commissioner, who supervise the overall functions at the Headquarter and field offices.

The Secretaries, Regional Transport Authorities (RTAs) are primarily responsible for enforcement of the provisions of Motor Vehicles Act/Rules in respect of transport vehicles. There are 21 district offices, each of which is headed by Secretary, RTA, who register transport vehicles and issue learner/driving licences in respect of such vehicles.

54 Sub Divisional Officers (SDOs) (Civil) in the State have been notified as Registering and Licensing Authorities to register vehicles for private use (non-transport) and issuance of learner/driving licences in respect of such vehicles and also the conductor licences.

5.2.4 Audit objectives

Information Technology (IT) based review of two applications of Transport Department was undertaken with a view to ascertain whether:

- IT plan was prepared and the Softwares were implemented as per prescribed time schedule;
- data captured through local applications implemented by some of the offices for vehicles registration and driving licences have achieved computerisation objectives of the Ministry;
- computerised systems were implemented completely and data captured by RA/RTA offices was correct, complete and reliable;
- reliable general and security controls were in place to ensure data security and audit trail;
- back up of data was being taken regularly to prevent data loss and disaster recovery management system was effective to have an overall assurance of the functioning of computerised system;
- internal control mechanism was in place at State level to monitor the implementation of the project; and
- the overall objectives of Computerisation through NIC developed computer applications were achieved.

5.2.5 Audit criteria

The audit objectives were evaluated against the following criteria:

- Haryana Motor Vehicles Act, 1991

- Haryana Motor Vehicles Rules, 1993
- Central Motor Vehicles (MV) Act, 1988
- Central Motor Vehicles (MV) Rules, 1989
- Agenda and minutes of IT PRISM; and
- Generally accepted IT best practices.

5.2.6 Scope of audit and methodology

Thirteen¹ RAs and six² RTAs were selected for field study using Simple Random Sampling without Replacement (SRSWOR) method. Databases maintained by these test checked offices in respect of these applications pertaining to period since inception till date of audit (during July-September 2011) was analysed by using Computer Aided Audit Techniques (CAATs) Interactive Data Extraction and Analysis (IDEA). In addition, record maintained in the office of Transport Commissioner pertaining to these Softwares was also examined.

5.2.7 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and data of these Software for analytical purpose. We had forwarded the draft review report to the Department and Government in October 2011. An exit conference was held on 7 December 2011 with the Financial Commissioner and Principal Secretary, Transport Department. During the exit Conference, the findings of the review and recommendations were discussed. The replies furnished by the Department during the exit conference and at other times have been appropriately incorporated in the respective paragraphs.

The FC&PS also stated (December 2011) that the recommendations would be examined and considered.

5.2.8 Significance of database

As on March 2010, there were 56.03³ lakh vehicles on road and 35.52 lakh persons were having valid driving licences all over the State. Legacy data of all the vehicles and licences is envisaged to be captured through these softwares.

At all test checked locations, issuance of driving licences and Registration Certificates was being done through VAHAN and SARATHI Software and vital details about vehicles like date of purchase, chassis number, engine number etc was being transferred to State and National Registers. Proper capture of these details can be of immense use to law enforcing agencies, keeping in view the deteriorating law and order position especially in National Capital Region. At some of the key test checked locations like Gurgaon,

¹ RAs: Ambala, Barara, Faridabad, Gurgaon. Karnal, Kurukshetra, Naraingarh, Jhajjar Panipat, Rewari, Rohtak, Sonapat and Yamunanagar.

² RTAs: Faridabad, Gurgaon, Karnal, Panipat, Rewari and Sonapat.

³ Transport: 484878 and non-transport: 5118324

Rohtak and Faridabad, RAs had dispensed with manual cashbook and were maintaining electronic cashbook/Daily collection Registers.

5.2.9 Information set up of VAHAN and SARATHI

VAHAN Software

The VAHAN Software was designed to feed all the information relating to motor vehicles from the Vehicle Registration files. The system sought to achieve following objectives:

- creation of a National Register which would serve as a national database for number of registered vehicles, their category-wise breakup, age profile etc.;
- better planning of the transport sector by using computerised database;
- prevent leakage of revenue and augment tax collection by using data for collection of road taxes and tracking tax arrears;
- cutting down delays at inter-State borders and reducing existing barriers by maintaining a uniform document containing relevant data of vehicles; and
- Inter-connectivity amongst RAs/RTAs in the State.

SARATHI Software

The SARATHI Software was designed to feed all necessary information relating to issue of driving licences. The system sought to achieve following objectives:

- Proper Learner Licence and regular driving licence Management;
- Maintenance of State and National Registers of Driving Licences; and
- Providing Citizen centric services

VAHAN and SARATHI have been developed by NIC as mission mode projects under National e-Governance Programme (NeGP). Separate databases for each RA/RTA in client server architecture with front end in Visual Basic and database in Structured Query Language at backend was being maintained. Connectivity with Haryana State Wide Area Network had not been established. The data was being transferred to NIC State Headquarters through Virtual Private Network from 72 out of 76 locations. Connectivity had not been established at four⁴ locations. From the database available at 72 locations, selected information was being captured in State Registers which are envisaged to act as State repository of all crucial data/information. Smartcard based registration certificates and licences were not being issued at any test checked locations due to non-finalisation of tenders.

⁴ RTA Palwal, RA Panipat, Gohana and Ferozpur Jhirka.

Audit Findings

5.2.10 Deficiencies noticed in planning and implementation of the system

5.2.10.1 Lack of IT strategy and planning resulting in implementation of unauthorised Software

GOI instructed (January 2002) that uniform format and standardised software VAHAN and SARATHI may be adopted for issue of Driving Licences (DLs) and Registration Certificates (RCs) using smart cards by the Transport Departments of all the States so that a National Register of motor vehicles readable throughout the country prepared and leakage of revenue could be prevented.

It was observed during audit that in the absence of any IT strategy and proper planning, there was inordinate delay in implementing 'VAHAN' and 'SARATHI'. During the period 2003 to 2006, at many locations, unauthorised softwares were implemented instead of 'VAHAN'. Frequent need based changes in database structure as well as field structure was made by local officials of NIC without adopting any proper procedure. Due to use of unauthorised software, the project got unduly delayed as the data captured through these unauthorised Software could not be migrated to VAHAN and SARATHI Software. The updation of legacy data at these locations was being done manually with the result that data available in VAHAN was incomplete and financial data was not comparable with manual cashbook.

5.2.10.2 Partial utilisation of the system

The VAHAN Software was designed to automate the management of complete information related to vehicle registration. Analysis of data revealed that all the modules of VAHAN were not being put to use by the field offices with the result that Department failed to fully utilise the processing capabilities available in the system.

In 12⁵ out of 19 locations test checked, financial data including maintenance of cashbooks and issue of receipts was manual. The system at these locations was being used only for taking print-outs of RCs by capturing information relating to owners, vehicles etc.

The working of the enforcement wings could not be monitored as the data pertaining to offending vehicles on road for fitness or laden weight offences had not been captured. Due to non-maintenance of database of offending vehicles, compounding of fine and taking deterrent action against the habitual offenders could not be taken effectively.

Audit feels that complete workflow of the VAHAN Software may be implemented so as to fully utilise the processing capabilities available in the system.

⁵ Six RAs: Ambala, Barara, Karnal, Naraingarh, Panipat, Sonapat
Six RTAs: Faridabad, Gurgaon, Karnal, Panipat, Rewari & Sonapat

5.2.10.3 Lack of change control mechanism

Changes/modifications in the system were carried out by NIC authorities on the basis of requirement of RAs/RTAs after replication but no procedures were framed for authorisation and documentation of changes at an appropriate level. The change control mechanism, as such, was fraught with the risk of unauthorised changes not being detected.

Further, before issuing notification making any change in business rules, necessary changes in the Software should have been incorporated and the Transport Department should have monitored that revision is carried out uniformly throughout the State from the date of notification to avoid any loss to the State exchequer.

It was observed in audit that no monitoring cell had been established in the Department with the result there was delayed implementation of instructions concerning enhanced rates of various taxes/penalties resulting in short realisation of revenue as discussed in paragraphs 5.2.12.1 and 5.2.12.2.

5.2.10.4 Lack of proper documentation and system development controls

Before developing any computer system, user requirement specifications (URS) and software requirement specifications (SRS), which give the complete description of the system to be developed, should be approved by the management. Also, documentation such as URS, SRS, detail design, data flow diagram, data dictionary, relationship between tables *etc.*, is crucial for continuity of the computerisation project. It is all the more necessary since the implementation of these Softwares has been outsourced. Subsequent vendor, who is awarded the contract, needs to have proper documentation to understand the existing application and effective discharge of the functions. It was observed that documentation of these Software was not available at test checked locations.

5.2.10.5 Inordinate delay in finalisation of tenders of smartcards

The purpose of VAHAN and SARATHI project was to issue driving licences, registration certificates and permits by using Smart card technology. Tenders for this purpose were invited (December 2002) and in response seven firms had quoted their rates. The tenders were subsequently rejected in July 2004.

The matter was discussed in the 32nd meeting of Technical Committee held on 5 September 2006 wherein it was decided that work relating to historic data should be outsourced and matter regarding smart card based driving licences and registration certificates should be kept pending.

In a meeting held on 14 January 2008 under the Chairmanship of FC&PS, it was decided that the project would be outsourced to a vendor on BOOT basis. MoRTH provided IT infrastructure (Servers, Computers, Printers, networking and other accessories) and also funded establishment of VPN or BSNL broadband connectivity at a cost of ₹ 8.55 crore and deadline of 31 December 2009 was fixed to implement the smartcard based driving licence and registration certificates.

It was observed during audit that the Department had not finalised (August 2011) the tenders for smartcards even after nine years of first invitation of tenders. As a result, RCs were still being printed on ordinary paper and security checks as envisaged in GOI scheme could not be introduced.

During Exit Conference, the ATC informed that process of vendor selection was underway.

5.2.10.6 Non-development of technical expertise within the Department

Any IT system though developed/implemented through outsourcing has to be invariably taken over by the Department, eventually by developing expertise within the Department. It was observed that VAHAN and SARATHI software system's front desk operations were being directly handled by the staff of multiple agencies at different locations viz; Balbhawan, DITS and District Red Cross Societies with the support of the National Informatics Centre. In RA, Faridabad, DRC had further awarded the work to a vendor. No training has been provided to the office staff of RAs/RTAs, in operation of these systems with the result, the Department is still dependent on the third party outsourcing agencies. No MOU has been signed with these Societies underlying terms and conditions regarding qualification of staff to be recruited for this purpose, tolerance limit of acceptance of errors etc and penalty to be levied in case errors in the data exceed permissible limit. The digitised data is neither being checked by staff of RAs, nor by DRCs/DITS resulting in data errors shown in paragraphs 5.2.11 to 5.2.14.5.

5.2.10.7 Non-provision of citizen centric service

One of the objectives of the project was to provide services relating to issue of driving licences and Registration certificates to citizens in an efficient and prompt manner with minimum interface or presence of applicants. It was observed that online downloading and submission of duly filled forms to the Registering/Licensing Authorities, taking appointment online for appearing in the test of competence to drive and integration of payment gateway had not been started at any locations test checked with the result that citizens had to depend upon commission agents for these services.

5.2.10.8 Monitoring and evaluation of the project

VAHAN and SARATHI are Centrally funded projects for which NIC is providing technical consultancy. No monitoring cell was, however, established in the Transport Department to collect and analyse periodic MIS returns generated through Software and making timely intervention for ensuring effective programme implementation. Internal audit has also not been involved in the checking of financial and other data pertaining to vehicles and owners resulting in incorrect capture of data.

Further, proper stock registers of hardware and Software provided free of cost by GOI had neither been maintained at Headquarter nor in any of the offices

test checked. Physical verification of these assets had never been conducted (October 2011).

In Tosham, hardware provided by GOI was stolen and in Rewari, the hardware got burnt in an accidental fire.

5.2.11 Deficiencies in operation of Vahan Software

5.2.11.1 Generation of Daily Collection Registers (DCRs)/cashbook by designing unauthorised print reports facilitating short deposit of revenue in the Government account: ₹ 8.20 lakh

Rule 2.2 of Punjab Financial Rules, as adopted by the Haryana Government, requires a Drawing and Disbursing Officer (DDO) to satisfy himself that all the monetary transactions are entered in the cash book as soon as they occur and are attested by him. The official who receives the money on behalf of the Government is required to deposit the amount into the treasury/bank on the same day or in the morning of the next day. The head of the office is also required to verify all the entries including totals of all the entries in the cash book or have this done by some responsible official other than the writer of the cash book and initial all entries as correct.

In RA, Rohtak, manual DCRs/cashbook was dispensed with and generation of receipts and cashbook were started electronically w.e.f 16 March 2011. Instead of using standard Software VAHAN for generating DCRs/ cashbooks, in-house crystal reports were designed which were neither tested nor documented before implementation. We observed that while designing these crystal reports, some of the fields were not mapped properly with the result, these totals of cashbook generated through these reports did not reflect total money collected from general public on account of fee, taxes, road tax and other incidental charges for getting vehicles registered. Further, tables of VAHAN designed to capture financial details were not joined

properly with the result that some of the receipts entered in the database were missing in electronic DCRs/cashbook.

In contravention to the codal provisions referred *ibid*, the monetary transactions entered in the DCRs/cash book were not attested and tallied by the head of office with the receipts actually issued to public. Alterations in totals of DCRs/cashbooks were done by dealing hand manually in some cases and these totals were not checked independently by any other official.

Analysis of data for the period 16 March 2011 to 6 September 2011 revealed that due to incorrect design of customised crystal reports, collection of fees, fines and Government taxes was less reflected to the extent of ₹ 8.20 lakh in the DCRs/cash books. Based on the totals of cash books/DCRs, corresponding amount was also less deposited in the treasury.

During the process of analysing the details of amount short deposited, files and other records pertaining to Registration of vehicles were checked which revealed that:

- Due to improper joining of tables in crystal reports, 38 receipts involving extra fee of ₹ 4.92 lakh collected from public for allotment of choice /out of turn numbers (**Annexure-VI**) were not appearing in electronic cashbook and deposited in treasury thereby resulting in short deposit of Government receipts to that extent.
- Due to improper mapping of fields, total collection was reflected less in the electronic cashbook and based on these totals, ₹ 0.89 lakh (**Annexure-VII**) were less deposited in the treasury.

We could not examine the records pertaining to balance shortage of ₹ 2.39 lakh as vital details like Registration numbers, name of owners of vehicles had not been indicated against these cases in DCRs/cashbook. Examination of one such case, however, indicated that these records pertained to cases where the applicants while registering new vehicles, had chosen to retain their old numbers but in the Software, details of taxes and vehicles were not swapped.

Regarding non swapping of details of vehicles where the applicant chooses to retain his old registration number, the technical advisor, NIC in the Exit Conference admitted that this facility was not available in the Software.

The Additional Transport Commissioner in December 2011 stated that unaccounted Government revenue of ₹ 8.03 lakh had been recovered from the delinquent official.

5.2.11.2 Usage of local software having no linkage with VAHAN

In RA, Faridabad, the work relating to issue of Driving Licences and Registration Certificates had been outsourced to an external agency. Analysis of data revealed that outsourced agency was not implementing complete workflow of VAHAN and SARATHI Software. The outsourced agency was using these Software only for taking printouts of Registration Certificates and licences by capturing information relating to owners, vehicles etc. The financial data was entered in unauthorised Software developed in Foxpro by the vendor to generate cashbook and issue receipts which was editable and did not facilitate automatic calculation of tax. The Software had no linkage with VAHAN Software and vital details like sale price of vehicles, chassis number and engine number of vehicles were not being captured. The source code was available with the data entry operator deputed by outsource agency who was given exclusive rights in this Software.

Generation of cashbook and issue of receipts through an unauthorised Software which is neither documented nor tested was fraught with the risk of financial irregularities.

The ATC stated in December 2011 that instructions have been issued to all the field offices to stop usage of unauthorised Software.

5.2.11.3 Dual database

In RA, Gurgaon, VAHAN had been installed at two nodes which had been linked to two different databases. In one database, details relating to collection of fee and taxes were being stored and in the other database, details of vehicles and owners were being stored. In the database pertaining to collection of fee and taxes, only last four digits of chassis number and first name was captured to generate receipt for cash received from a person. In the database pertaining to capture vehicle details, dummy entry of zero or one was being reflected in the field designed to capture sale price of vehicle with the result zero tax was being reflected in the field designed to automatically calculate tax. These two databases were not linkable as temporary Registration number starting with “ZZ” was being generated in the database pertaining to fee and taxes whereas Registration number starting with “HR” was being generated in the other database. Similarly, other fields like chassis number and name were also non-linkable as part information was being captured in the database pertaining to fee and taxes and none of the databases was complete and showed reliable information stored in the fields designed to capture financial transactions and vital details of vehicles.

RA, Gurgaon in his reply (September 2011) stated that matter will be taken up with NIC officials and single database would be maintained hereafter.

5.2.12 Mapping of business Rules

5.2.12.1 Delay in implementation of revised rates of road tax

The Government of Haryana notified the enhancement of road tax based on value of vehicle on 13 January 2011. Audit observed that enhanced rates in the Software were not modified timely. Analysis of data of 13⁶ test checked RAs revealed that system calculated road tax at old rates causing a tentative loss of ₹ 5.52 crore.

Five RAs⁷ which were maintaining electronic cashbooks while confirming loss of ₹ 1.26 crore in their reply (June-September 2011) stated that instructions of Transport Department were received late in the evening and hence were implemented on the next day.

Actual loss in other test checked RAs where computerised database was showing less collection of tax to the extent of ₹ 4.26 crore could not be ascertained as:

- issue of receipts and maintenance of cashbooks was manual and system generated receipt number and date of receipt available in the Software had no linkage with manual receipts;
- financial data captured in the VAHAN Software was unreliable as discussed in paragraphs 5.2.10.2, 5.2.11.2 and 5.2.11.3; and

⁶ Ambala, Barara, Faridabad, Gurgaon. Karnal, Kurukshetra, Naraingarh, Jhajjar, Panipat, Rewari, Rohtak, Sonapat and Yamunanagar.

⁷ Gurgaon. Jhajjar, Rewari, Rohtak and Sonapat.

- changes in the Software had not been made on due dates. In RA, Panipat Software had not been modified even after six months from the date of notification.

5.2.12.2 Delay in implementation of revised penalty rates

Section 41 (11) of Motor Vehicle Act, 1988 *inter-alia* lays down that in case owner of a vehicle fails to make an application under sub-section 1 or sub section 8 to the Registering Authority for registration of his vehicle within 1 month from the date of purchase of vehicle, penalty not exceeding ₹ 100 would be levied under section 177 of the Act by the registering authority on account of this delay. Further the Department notified (12 July 11) that in case the vehicle is not registered within 21 days from the purchase of vehicle, penalty at the rate of 0.5 per cent of the lump sum onetime tax payable would be charged on per day basis. The penalty was to be charged w.e.f. 22nd day from the date of purchase of vehicle and was to be restricted up to twice the amount of tax due.

Analysis of electronic data pertaining to 3 RAs⁸ revealed that in 3,896⁹ one time tax paid cases, applications for registration of vehicles were filed after a delay of permissible period of 21 days. Fine amounting to ₹ 45.08 lakh was due in these cases. Neither any provision for calculation of fine was incorporated in the Software nor was fine manually calculated and entered in the database.

The RAs in their reply stated that penalty could not be imposed as letter issued by Transport Department was not received in time. RA, Jhajjar stated that instructions had not been received till the date of audit (September 2011).

We feel that application should be Web enabled so that any changes in the business rules can be uniformly implemented throughout the State in time.

The Technical Director, NIC stated in December 2011 that modalities were being worked out at NIC level to make these Software Web enabled so as to avoid such type of delays.

⁸ Rewari: ₹ 2272142, Rohtak: ₹.1800188 and Jhajjar: ₹ 435262

⁹ Data of RA: Jhajjar, Rewari and Rohtak only was available after July 2011.

5.2.12.3 Non-Availability of MIS reports to identify the vehicle required to be re-registered

Sec 41(7) of Central Motor Vehicles Act, 1988 provides that a certificate of registration in respect of a motor vehicle, other than a transport vehicle, shall be valid only for a period of 15 years from the date of issue of such certificate and shall be renewable. Further as per provisions of Rule 52(3) of Central Motor Vehicle Rules 1989, a motor vehicle shall not be deemed to be fit for plying after the expiry of the period of validity entered in the certificate of registration and no such vehicle shall be used in any public places until its certificate of registration is renewed.

An analysis of owner table of VAHAN database revealed that since legacy data of vehicles registered earlier through unauthorised software had not been migrated to VAHAN Software, necessary monitoring was not being done to check plying of vehicles with lapsed registrations. Analysis of available data at test checked locations revealed that 18,340 vehicles had their registrations expired. The

owners of the vehicles have not re-registered their vehicles in contravention to the provisions stated, *ibid.* Apparently, the vehicles were plying on the road without fitness.

Data Accuracy of Vahan

5.2.13 Lack of input validations

In order to ensure that database of computerised system is reliable, correct and complete in all respects, the procedures and controls should guarantee that the data received for processing is genuine, complete, accurate and properly authorised.

The following discrepancies were noticed which were due to absence of data validation checks:

5.2.13.1 Assigning of same engine number and chassis number to more than one vehicle

Chassis/Engine number is unique to each vehicle and the same cannot be allotted to more than one vehicle. Analysis of data of test checked offices revealed that there were 36,900 vehicles (**Annexure-VIII**) with same Engine number. In 18 cases, vehicles having same chassis and Engine number had been assigned different registration numbers. Further, 166 duplicate chassis numbers (**Annexure-VIII**) with different transactions were also noticed which is indicative of absence of validation checks in the system and also inadequate supervisory controls over the input to ensure accuracy of data.

5.2.13.2 Tampering of chassis number

In case of chassis number, a check is embedded in the software which does not allow input of duplicate chassis number. Analysis of data revealed that in 2043 cases (**Annexure-VIII**), data entry operators surpassed the validation check by putting an extra symbol while feeding the chassis number and allowing the vehicle to be registered with another registration number having same engine number. The tampered data was being replicated in State Registers and National Registers also.

Analysis of data further revealed that in 40 cases, vehicles bearing same Chassis number and Engine number had been registered by more than one Registering authority within the State. Duplicate registration of the same vehicle was not only illegal but was obviously fraught with the risk of plying invalid/stolen vehicles as well as insurance irregularities by declaring non-existent vehicles as stolen.

5.2.13.3 Incomplete capture of chassis code

As per standard codification adopted worldwide by the automotive industry, Chassis numbers are assigned 17-character code. First two characters denote country of origin. Similarly, other 15 characters also contain vital details relating to make, model etc. All the 17 characters are kept unique for a vehicle and are not repeated by automobile manufacturers. As such this code is helpful for Police and other crime prevention agencies for identifying a vehicle.

Analysis of electronic data revealed that Chassis numbers had not been entered in the database as per the standardised format. Instead of giving proper code, either hyphenation was used or numeric code of less than six characters was captured. Instances of 75,912 such records have been shown in **Annexure-VIII**.

Due to incomplete capture of code, whole exercise of maintaining a reliable data of all the vehicles on a National/State Register might be rendered futile as incomplete code will neither be unique nor enable the Police and other agencies in identifying these vehicles.

The FC&PS in December 2011 stated that staff needs to be sensitised regarding complete capture of chassis codes. The FC&PS also expressed his concern regarding registration of 40 vehicles bearing same chassis and Engine number by more than one Registration authority within the State and wanted to know how it was happening.

We feel that validation checks should be strengthened and internal audit should be involved in the checking of data so that data available in State and National registers is reliable.

5.2.13.4 Unreliable data

On receipt of application for registration, VAHAN auto generates a receipt number. In this receipt number, vehicle class, sale amount of vehicle forms the basis of registration fee as well as road tax for the system.

Analysis of data revealed that in many cases, there was a mismatch between amount due and amount calculated by Software. Further analysis revealed that details of owners had been interchanged in favour of certain applicants for allotment of Registration numbers of their choice.

5.2.13.5 Registration of two or more vehicles with same insurance cover note

Rule 47 of CMV Rules prescribe Form 20 for the application of vehicle registration in which the insurance certificate or the cover note is to be filled in by the owner of the vehicle.

There was no validation check in VAHAN to ensure that the insurance cover note submitted for a particular vehicle was not re-used for registration of other similar vehicles with the result that system was fraught with the risk of same insurance cover note being used again and again for registering more than one

vehicle. The transport authorities also did not verify the validity of insurance cover note submitted along with application. Test check of the data relating to insurance cover note numbers in 15.45 lakh records indicates that there was repetition of the insurance cover notes in 2.91 lakh vehicles. The recurrence of multiplicity of the insurance certificate/cover note numbers indicated that the insurance certificate/cover note numbers might have been forged to get the vehicles registered which would give rise to legal complications.

RAs in their reply (June-September 2011) stated that discrepancies pointed out by audit would be rectified with the help of NIC officials and Data entry operators have been instructed to be careful in future.

5.2.14 Data Accuracy of SARATHI

Analysis of data of 13 RAs revealed that input validation controls had not been inbuilt in the system to ensure that the system accepted only valid data and invalid data like issue of licences to minors and other mistakes in data entry process etc, were blocked by the computerised system as discussed in succeeding paragraphs:

5.2.14.1 Issue of double licences

Section 6 (1) of the Motor Vehicle Act, 1988 provides that no person can hold more than one licence at a time.

Analysis of the SARATHI data provided by the test checked offices revealed that the authorities had issued double licences to 889 persons (**Annexure-IX**) in violation of the above said provisions of the Act.

5.2.14.2 Issue of licence to underage persons

As per section 4 (1), no person under the age of 18 years can ply vehicles above 50 CC.

Analysis of data revealed that in 690 cases, (**Annexure-IX**) licences for plying vehicles above 50 CC had been issued to persons below 18 years of age.

5.2.14.3 Issue of regular licences within 30 days of issue of Learning Licence

As per rules for issuance of regular driving licence, the applicant must be holding learner's licence for at least 30 days.

Analysis of data revealed that in 34,931 cases (**Annexure-IX**) regular licences had been issued to applicants who had held the learner's licence for a period less than 30 days at the time of issuance of regular licences which is indicative of the fact that there is no common field in both of the modules to check and prevent these lapses.

5.2.14.4 Issue of driving licence on the basis of expired learning licences

Section 14 (1) of the Motor Vehicle Act, 1988 provides that a learner's licence issued under this Act shall be effective for six months.

Analysis of the data revealed that in 66,328 cases (**Annexure-IX**) regular licences had been issued to the applicant whose validity of learner licences had expired which is indicative of insufficient validation controls.

5.2.14.5 Issue of driving licence of four wheelers on the basis of learning licence of two wheelers

Analysis of data revealed that in 9880 cases (**Annexure-IX**), learning licence had been issued for two wheelers but regular driving licences had been issued for four wheelers.

The RAs in their reply stated (July-September 2011) that validation checks will be incorporated in the Software with the help of NIC authorities. The reply is not tenable as before signing the licences, the authorities should have ensured that provisions laid down in the Motor Vehicle Act/Rules are complied with.

The FC&PS in December 2011 expressed his concern regarding discrepancies noticed in the issuance of driving licence. He stressed the need to plug the loopholes in the validation checks of this Software at National level so as to avoid such type of lapses.

5.2.15 Data safety and Security

5.2.15.1 Insufficient logical controls and non segregation of duties

In a computerised environment, rights of different users should be clearly defined and access of database should be restricted depending upon responsibility of the users.

Analysis of data of VAHAN and SARATHI Software revealed that logical controls in these application Softwares to protect data from unauthorised persons were not effective. No documented procedure to the user privileges for authorising access to the system was being followed in test checked offices. Privileges of 'administrator' were being exercised by clerks which might create potential risk to the integrity of data and system as a whole. Further, though operators had been assigned different user_id and passwords at all the locations but it was observed that operators were sharing their passwords and no password policy had been framed.

We feel that a proper password policy may be framed and logical controls should be strengthened.

5.2.15.2 Absence of Business Continuity and disaster recovery plan

Proper disaster management system is necessary to ensure that in case of loss of data due to crash of hard disk, earthquake etc. system can be put in place without any delay. It was observed in audit that the Department did not have a formal business continuity and disaster recovery plan for continuation of the Departmental activities in the event of a disaster. Neither any backup server had been maintained nor had any team been constituted to resume the work in case of server failure.

5.2.16 Conclusion

There has been delay in implementation in the project in a complete manner. Even after nine years, all the modules are not yet operational. The financial data captured through these Softwares is neither complete nor reliable as the cash books and issuance of receipts was still manual in most of the offices test checked. Process of finalisation of tenders for smartcards had not been completed even after nine years of invitation of tenders. There is a lack of in-house expertise for running the system. Involvement of top level management in the system development and its functioning was inadequate. Lack of adequate supervision has resulted in erroneous data capture thereby resulting in data redundancy. The Department has not been able to extract useful information from the system regarding defaulters through VAHAN in any of the RTAs test checked and has thus failed to exploit the full potential of the system.

5.2.17 Recommendations

The Government should consider:

- setting a time frame for different stages of the computerisation and ensuring implementation of the project in a complete manner;
- preparation and maintenance of system documentation and manuals including training manuals; and drawing up an IT security policy with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system;
- ensure issue of RCs and driving licences on smart cards;
- maintaining a well documented change management procedure for ensuring transparency and effective internal controls;
- strengthening the validation control at the time of data capture and proper supervision of data entry process and strengthening of input and processing controls to prevent entry of incorrect and redundant data into the system; and
- making generation of exception reports at regular intervals mandatory to identify vehicles violating the MV Act and Rules.

Other Audit observations

EXCISE AND TAXATION DEPARTMENT

5.3 Non-observance of the provisions of Acts/Rules

The Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and rules framed thereunder, as applicable to the State of Haryana, provide for levy of passengers tax at the prescribed rate.

While the owners of the vehicles did not pay the tax, the Department also did not issue the demand notice as required in the cases as mentioned in the paragraph 5.3.1. This resulted in non/short realisation of tax of ₹1.46 crore.

5.3.1 Non/short realisation of passengers tax

Under Section 22 of the PPGT Act and the rules framed thereunder, as applicable to the State of Haryana, the owner of the bus shall pay lump sum tax in advance by 20th of each month either by making deposit into the Government treasury or by furnishing demand draft or pay order to the appropriate authority. PPGT Rules, 1952 provide that if any sum is payable by an owner under the Act or rules, the assessing authority shall serve a demand notice (fix a date not less than 15 days from the date of service) by which the owner shall furnish the receipted challans in proof of such payment. Under Section 14 (B) of the Act, where any tax or penalty is not paid within prescribed time, the owner of the vehicle shall be liable to pay interest at the rate of two *per cent* per month on the amount of tax and penalty remaining unpaid for a period not exceeding three months and also additional interest upto two *per cent* per month for the period of default exceeding three months.

5.3.1.1 Transport co-operative societies

Under the scheme of privatisation of passenger road transport, the permit holder buses on link routes of the State are required to pay lump sum passengers tax, based on the seating capacity of the bus on monthly rate of ₹ 12,000 for 52/54 seater and ₹ 6,000 for 30/32 seater buses and in case their routes extended upto 24 kilometers at the rate of ₹ 16,000 for 52/54 seater and ₹ 10,000 for 30/32 seater buses with effect from March 2007.

During test check of the records of nine¹⁰ offices of Deputy Excise and Taxation Commissioner (Passengers and Goods Tax) {DETC (PGT)} between September 2009 and November 2010, we noticed that 59 transport co-operative societies¹¹ either did not deposit the monthly passengers tax or deposited it short during the period April 2008 and March 2010. There was nothing on record to show that the Department has raised the demand to realise tax from the defaulting societies. This resulted in non/short realisation of

tax of ₹ 70.30 lakh, besides interest of ₹ 54.70 lakh¹² was also leviable.

After we pointed out the cases between September 2009 and November 2010, six¹³ DETCs stated between November 2010 and May 2011 that a sum of ₹ 9.32 lakh had been recovered in 11 cases between March 2010 and May 2011 and efforts were being made to recover the balance amount of ₹ 34.40 lakh. DETC Hisar stated in October 2010 that notices had been issued to recover the dues of ₹ 15.36 lakh from the defaulting vehicle owners. DETCs Ambala Cantonment and Fatehabad stated in December 2010 and January 2011 that efforts were being made to recover the dues of ₹ 11.14 lakh. We have not received report on action taken to levy interest and the recovery of balance amount (October 2011).

¹⁰ Ambala Cantonment, Bhiwani, Faridabad (East), Fatehabad, Gurgaon, Hisar, Jhajjar, Jind and Sirsa.

¹¹ As per Haryana Co-operative Societies Act, 1984, a transport co-operative society means a society registered under the Act for plying buses on link routes in the State and granted permit under Section 7 of the Motor Vehicle Act, 1988.

¹² Interest calculated upto December 2010.

¹³ Bhiwani, Faridabad (East), Gurgaon, Jhajjar, Jind and Sirsa.

5.3.1.2 City bus operators

Section 9 (2E) of the PPGT (Haryana Amendment) Rules, 2004, as inserted with effect from 24 February 2004, provides that the holders of permit for plying buses on the roads within the municipal corporation limit in Gurgaon and Faridabad districts are required to pay passengers tax at the rates prescribed for ordinary half body¹⁴ and ordinary full body¹⁵ buses at ₹ 4,200 and ₹ 7,000 per month respectively.

During test check of the records of the offices of DETC (PGT), Faridabad (East), Faridabad (West) and Gurgaon in April and May 2010, we noticed that 28 private bus operators who were granted permits for plying buses in city areas did not deposit the monthly passengers tax for different periods between April 2009 and March 2010. There was nothing on records to show that the Department had taken any action to recover the tax from the defaulting bus owners, or to cancel the permits. This resulted in non/short realisation of tax of ₹ 13.06 lakh. Additionally, interest amounting to ₹ 7.80 lakh was also leviable for the period between April 2009 and December 2010.

After we pointed out the cases in April and May 2010, DETC (PGT), Gurgaon stated in January 2011 that a sum of ₹ 29,400 had been recovered in one case between June and October 2010 and efforts were being made to recover the balance amount of ₹ 1.52 lakh. DETC (PGT), Faridabad (West) stated in April 2010 that notices would be issued to recover the dues of ₹ 3.82 lakh from the defaulting vehicle owners. DETC (PGT), Faridabad (East) stated in July 2011 that notices had been issued to the defaulting vehicle owners for recovery of passengers tax of ₹ 7.43 lakh. We have not received reply regarding action taken to levy interest and recovery of balance amount (October 2011).

We pointed out the matter to the Excise and Taxation Commissioner, Excise and Taxation Department between November 2009 and December 2010 and reported to the Government in February 2011; we are yet to receive their reply (October 2011).

¹⁴ Half-body bus means an omnibus, which is not a maxi cab, and not a full-body bus.

¹⁵ Full-body bus means an omnibus whose capacity shall be, with ordinary 3x2 seating arrangement, to carry more than 35 but not more than 54 persons, and with luxury 2x2 seating arrangement to carry more than 12 but not more than 35 persons.

TRANSPORT DEPARTMENT

5.4 Non-observance of the provisions of Acts/Rules

The Punjab Motor Vehicles Act, 1924 (PMVT Act)/Haryana Motor Vehicle Rules, 1993 provides for:-

- (i) *payment of motor vehicles tax/token tax/permit fee by the owners of vehicles at the prescribed rate; and*
- (ii) *token tax to be paid in advance and within the prescribed period.*

We noticed that the Transport Department did not observe the provisions of the Acts/Rules in the cases for levy and collection of token tax and permit fee as mentioned in the paragraph 5.4.1. This resulted in non/short realisation of tax/permit fee of ₹ 35.37 lakh.

5.4.1 Non/short recovery of token tax

Under the PMVT Act and the rules framed thereunder, as applicable to the State of Haryana, yearly token tax shall be leviable in advance on every motor vehicle¹⁶ in equal instalments for quarterly periods commencing on the first day of April, July, October and January per vehicle. Any broken period in such quarterly periods shall, for the purpose of levying the tax, be considered as a full quarter. Further, Section 9 of the Act provides that in case of omission to comply with the provisions, the licensing officer may impose a penalty which may extend to twice the amount of tax due. When a person neglects or refuses to pay instalment of tax within one month from the expiry of the period fixed for such payment, the licensing officer may forward to the Collector a certificate specifying the amount of tax due recoverable as arrears of land revenue.

5.4.1.1 Stage carriage bus owners

Under Section 3 (1) of the PMVT Act, token tax on a stage carriage bus plying for hire and use for the transport of passengers shall be leviable at the rate of ₹ 550 per seat per annum subject to a maximum of ₹ 35,000 per vehicle per annum.

During test check of the records of 10 offices¹⁷ of the Secretary, RTA between October 2009 and August 2010, we noticed that in 122 buses of the co-operative transport societies plying as stage carriages during the period April 2008 to March 2010, token tax was either not deposited or deposited short by

the societies. The Department had not issued any demand notices to recover the tax or taken any other action against the defaulters. This resulted in

¹⁶ Motor vehicle means stage carriage and contract carriage permit holder vehicles.

¹⁷ Bhiwani, Fatehabad, Gurgaon, Hisar, Jhajjar, Kaithal, Rewari, Rohtak, Sirsa and Sonapat.

non/short realisation of token tax of ₹ 22.75 lakh. Additionally, maximum penalty of ₹ 45.50 lakh was also leviable.

After we pointed out the cases between October 2009 and August 2010, all the RTAs stated between November 2010 and October 2011 that ₹ 5.52 lakh had been recovered in 42 cases between December 2009 and March 2011 and efforts were being made to recover the balance amount of ₹ 17.23 lakh. We have not received any report on recovery of balance amount and action taken to levy penalty (October 2011).

5.4.1.2 City bus owners

As per notification issued in March 2004 under Section 3 (1) of the PMVT Act, a stage carriage or contract carriage plying under a permit issued under Faridabad and Gurgaon city 'Private Bus Service Scheme, 2004' is required to pay token tax prescribed for a half body bus and for a full body bus at the rate of ₹ 18,000 and ₹ 30,000 per annum respectively.

During test check of the records of the offices of Secretary, RTA, Faridabad and Gurgaon in April 2010, we noticed that 75 private bus operators who were granted permits for plying buses in city areas did not deposit token tax for different periods between April 2009 and March 2010. The Department had not issued any demand notices or taken any other action against the defaulting bus owners to recover token tax. This resulted in non/short realisation of token tax of ₹ 12.62 lakh. Additionally, maximum penalty of ₹ 25.24 lakh was also leviable.

After we pointed out the cases in April 2010, the Secretary, RTAs Faridabad and Gurgaon stated in December 2010 and January 2011 that a sum of ₹ 81,000 had been recovered in seven cases between April and December 2010 and efforts were being made to recover the balance amount of ₹ 11.81 lakh. We have not received any report on recovery of balance amount and action taken to levy penalty (October 2011).

We pointed out the matter to the STC, Transport Department between December 2009 and October 2010 and reported to the Government in February and March 2011; we are yet to receive their reply (October 2011).