

EXECUTIVE SUMMARY

Tax collection and budget estimates	<p>The Department collected ₹ 1,331.37 crore during the year which represented a 17.70 <i>per cent</i> increase over the previous year.</p> <p>The Department's budget estimate is quite accurate as in the last five years, the variation between budget estimates and actual receipts was less than 10 <i>per cent</i> in four years.</p>
Very low recovery by the Department	<p>During the last four years, we pointed out short/non-levy of tax, incorrect classification, irregular exemption etc. with revenue implication of ₹ 380.52 crore in 1,164 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 17.30 crore and recovered ₹ 2.11 crore.</p>
Results of audit	<p>In 2010-11 we test checked the records of 65 units relating to Motor Vehicles Department and detected short/non-levy of tax involving ₹ 6.98 crore in 414 cases.</p> <p>The Department accepted underassessment and other deficiencies of ₹ 1.16 crore in 93 cases, of which nine cases involving ₹ 4.97 lakh were pointed out in audit during the year 2010-11 and the rest in earlier years.</p>
What we have highlighted in this chapter	<p>In this chapter we present a review on 'computerisation in the Motor Vehicles Department' and a few illustrative cases involving ₹ 1.11 crore selected from observations noticed during our test check of records relating to levy and collection of motor vehicle tax in RTOs/SRTOs where we found that the provisions of the Act/Rules were not complied with.</p> <p>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 irregularities persist, and remain undetected till we point it out.</p>
Our conclusion	<p>We recommended that the Department must upgrade its computerised system based on independent servers with a centralised server so that duplication of data can be avoided and better access control can be exercised.</p> <p>The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.</p>

CHAPTER-V: TAXES ON VEHICLES

5.1 Tax administration

The Transport Department is under the control of Principal Secretary (Transport) at Government level and the Transport Commissioner is the head of the Department. The levy and collection of tax and fee in the State are governed by the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules 1989 and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976. The activities of the Department include registration of motor vehicles, levy and collection of motor vehicle tax, grant of driving licence and road permits.

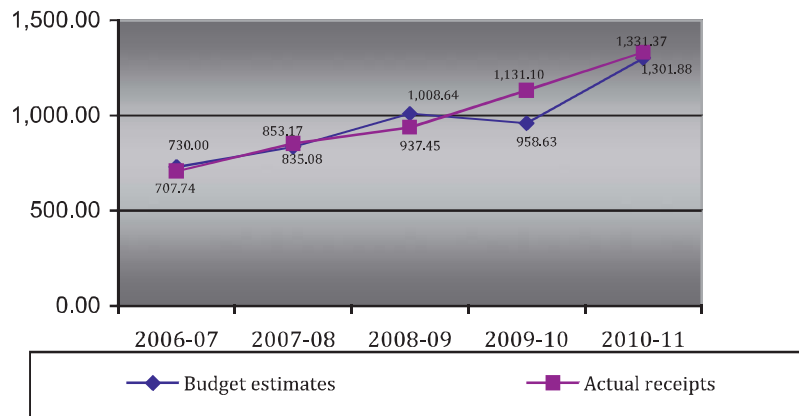
5.2 Trend of receipts

Actual receipts from taxes on motor vehicles during the years 2006-07 to 2010-11 along with the budget estimates during the same period is exhibited in the following table and graph.

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts	Percentage of growth rate
2006-07	730.00	707.74	(-) 22.26	(-) 3.05	11,941.82	5.93	12.60
2007-08	835.08	853.17	(+) 18.09	(+) 2.17	13,668.95	6.24	20.54
2008-09	1,008.64	937.45	(-) 71.19	(-) 7.06	15,990.18	5.86	9.88
2009-10	958.63	1,131.10	(+) 172.47	(+) 18.00	17,625.02	6.42	20.65
2010-11	1,301.88	1,331.37	(+) 29.49	(+) 2.26	21,721.69	6.13	17.70

Budget estimates and actual receipts



We noticed that except during 2009-10, the variation between the budget estimates and actual receipts was less than 10 *per cent*.

5.3 Cost of collection

The gross collection of revenue receipts under the head Taxes on vehicles, expenditure incurred on collection and the percentage of expenditure to gross collection during 2006-07 to 2010-11 alongwith the all India average percentage of expenditure on collection to gross collection for relevant years are mentioned below:

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure to gross collection	All India average percentage of the previous year
	(₹ in crore)			
2006-07	707.74	21.61	3.05	2.67
2007-08	853.17	26.00	3.05	2.47
2008-09	937.45	30.05	3.21	2.58
2009-10	1,131.10	33.96	3.00	2.93
2010-11	1,331.37	35.55	2.67	3.07

(Source: Finance Accounts for the relevant years)

We note with appreciation that there is a decline in the *percentage* of expenditure when compared to all India average cost of collection during the year 2010-11 which we consider to be largely due to growth in revenue collection.

5.4 Impact of audit

Revenue impact

During the last four years, we pointed out short/non-levy of tax, incorrect classification, irregular exemption etc., with revenue implication of ₹ 380.52 crore in 1,164 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 17.30 crore and had since recovered ₹ 2.11 crore. The details are shown in the following table:

Year of Audit Report	(₹ in lakh)					
	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2006-07	159	299.00	184	399.24	35	7.45
2007-08	148	206.00	162	271.43	25	13.07
2008-09 Vol I	404	398.00	138	604.64	131	77.66
2009-10	453	37,149.00	369	454.78	432	113.00
Total	1164	38,052.00	853	1730.09	623	211.18

Though the Department accepted 853 cases involving ₹ 17.30 crore against 1164 cases featured in IRs, it could recover ₹ 2.11 crore only which was 12.20 per cent of the total accepted amount.

5.5 Results of audit

In 2010-11 we test checked the records of 65 units relating to Motor Vehicles Department. We detected short/non-levy of tax and other irregularities involving ₹ 6.98 crore in 414 cases which fall under the following categories :

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	All India review on computerisation in Motor Vehicles Department	1	0
2	Short/non levy of tax	125	1.37
3	Incorrect classification	9	.03
4	Irregular exemption	11	.03
5	Other lapses	268	5.55
Total		414	6.98

The Department accepted underassessment and other deficiencies of ₹ 1.16 crore in 93 cases, of which 9 cases involving ₹ 4.97 lakh were pointed out in audit during the year 2010-11 and the rest in earlier years. An amount of ₹ 59.04 lakh was realised in 125 cases during the year 2010-11.

A review on “Computerisation in the Motor Vehicles Department” and a few illustrative observations involving ₹ 1.11 crore are mentioned in the following paragraphs.

5.6 All India Review on Computerisation in Motor Vehicles Department

5.6.1 Highlights

- Adequate documentation was not maintained for the development of application SMART MOVE.

(Paragraph 5.6.12)

- Creation of multiple records for vehicles and licences in the database resulted in redundancy of data which adversely affected the reliability of information.

(Paragraph 5.6.14)

- Vehicle particulars and driving license particulars were not captured correctly in the National Register created for vehicles and licenses.

(Paragraph 5.6.15)

- The online services envisaged in the computerisation project to reduce the rush in the RTO offices were not made fully operational.

(Paragraph 5.6.17)

- Unauthorised access to the database is possible by accessing the tables through backend.

(Paragraph 5.6.19)

- Smart card prescribed by Government of India for the issue of registration certificate and driving licences was not implemented.

(Paragraph 5.6.22)

5.6.2 Introduction

The Motor Vehicles Department (MVD) administers the provisions of the Motor Vehicle Acts and Rules in the State and is one of the major revenue earning Departments. MVD had computerised all its major operations such as registration of vehicles, collection of vehicle tax, issue and renewal of permits, driving licences, fitness certificates, conductor licences etc. Sub Regional Transport Office, Pattambi was granted Quality System Certification (ISO:9001:2008) by the Bureau of Indian Standards for the period from 16 March 2011 to 15 March 2014. SMART MOVE (application software for registration of Motor Vehicles, issue of Licences and Permits connected with Motor Vehicles) was also selected as a finalist for the Microsoft's SKOCH Awards (award funded and managed by Microsoft Corporation) for the year 2006.

5.6.3 Organisational setup

The Department is headed by the Transport Commissioner and under him four zonal offices, 18 Regional Transport Offices (RTO), 47 Sub Regional Transport

Offices(SRTO) (including five new offices proposed/opened in 2011) and 17 check posts are also functioning.

5.6.4 History of computerisation

The Department signed a Memorandum of Understanding (MoU) with the National Informatics Centre (NIC) for the development of an application software based on the core software provided free of cost by NIC Delhi unit in 2001. Computer Aided Learners Driving Licence System (CALLS) was installed at RTO, Thiruvananthapuram on 23 May 2002, at Ernakulam on 21 November 2002 and at Kozhikode on 13 June 2003. The customised application SMART MOVE based on VAHAN (a software for Registration of Vehicles) and SARATHI (a software for issue of licences connected with Motor Vehicles) software, comprising 97 modules, was installed for automation of all activities in RTO, Thiruvananthapuram as a pilot project in October 2002, funded by State Government. This project was replicated in RTO, Ernakulam under the modernization of information technology (MIT) project which was financed by the Government of India, Ministry of Information Technology in 2004. The State Government vide GO Ms 7/03-Tran dated 25 February 2003 decided to roll out computerisation of all other RTOs, SRTOs and Checkposts as a Build Operate Maintenance and Transfer (BOMT) model. Electronic Corporation of India Limited (ECIL) was entrusted with the implementation of the project with responsibility to create the infrastructure and provide support manpower and facility management to the MVD for a period of three years from the date of declaration of 'GO LIVE' of the project. The project was declared 'GO LIVE' on 1 January 2007. It was also decided that payment to the service provider (ECIL) was to be made from the service charges collected for each service rendered by the Department. Computerisation was completed in the Transport Commissionerate, 63 field offices and 17 check posts. Four zonal offices were not computerised. M/s. ECIL was the service provider for the period from 1 January 2007 to 31 December 2009 and from 1 July 2010, Centre for Development of Information Technology (C-DIT) is the service provider.

5.6.5 Information system

The application SMART MOVE is a two-tier Graphical User Interface (GUI) application written in Visual Basic and supports MSSQL Server 7.0, 2000 or higher.

5.6.6 Objectives of computerisation

The objectives of computerisation were as follows:

- Achieve computerisation in all the offices of the Department.
- Provide efficient, transparent, faster and quality services to the citizens.
- Provide better facilities and ambience to the citizens in the offices.
- Provide better working conditions to the staff.

- Digitize manual records of licences and registration books.
- Achieve total network connectivity through KSWAN between all the offices of the Department.

5.6.7 Background of the review

We had already conducted an integrated review on the functioning of Motor Vehicles Department including IT aspects in 2010 and our observations featured in the Audit Report for the year 2009-10. The gist of observations relating to IT aspects that appeared in the Report of 2009-10 are given below

- Neither NIC, the software developer nor MVD maintained any documentation of the major changes to the application.
- The computers and servers in the MVD had neither bios password nor windows password. There was no physical access control preventing entry of persons into the server room.
- The Windows Server 2003 which hosts the MS SQL database has neither system nor database password and hence access control for initial logging into the SMART MOVE application can be bypassed by a user.
- Due to lack of interconnection, it was not possible to verify the data of a different office when some service has to be rendered in respect of a vehicle registered at another RTO Office.
- The network protection had not been updated since November 2007. The personal firewall preventing internet access had also not been enabled in the computers. Due to lack of timely updating of Anti-Virus software, virus outbreak resulted in system crash at the RTO, Ernakulam in June 2009.
- The MVD did not carry out necessary tests stipulated in the agreement with ECIL before declaring 'Go-Live'.
- Despite the Government of Kerala directions on quality assessment on the implementation of e-governance solutions, the steps for carrying out the standardisation test have not been done so far.
- An analysis of data stored in vehicle registration table showed that the chassis number was not unique. The presence of duplicate chassis numbers in the database was due to the lack of input validation check in the database.
- We observed that there was no provision in the registration module to capture details of insurance cover, which was a statutory requirement under Chapter XI of the MV Act.
- We observed that Demand Collection Balance (DCB) module in the software SMART MOVE was not generating true information on arrears of tax in respect of transport vehicles.

The present review was taken up as part of an All India review to assess the overall achievement of computerisation at the national level and on the compatibility of State and National Register for vehicles and driving licences.

5.6.8 Audit objectives

The audit objectives were to ascertain whether :-

- The overall objectives of computerisation were achieved;
- The variation, if any, of SMART MOVE from VAHAN and SARATHI affected the computerisation objectives of the Ministry of Transport;
- The computerised National Permit System was implemented as planned for the project objectives were achieved;
- Reliable general and security controls exist; and
- An Internal control mechanism is in place with Department.

5.6.9 Audit methodology

We conducted the audit during the period from June to August 2011 covering the period from 2005-06 to 2010-11. Apart from the office of the Transport Commissioner we collected data from 13 field offices¹ (including two check posts) spread over Kerala by adopting Simple Random Sampling Method.

5.6.10 Audit criteria

The provisions in the Motor Vehicles Act 1988, Central Motor Vehicles Rules 1989, Kerala Motor Vehicles Rules 1989, Kerala Motor Vehicles Taxation Act 1976, Kerala Motor Vehicles Taxation Rules 1975, Project Documents, User Requirement Specification (URS), System Requirement Specification (SRS) and System Design Document (SDD) were relied upon as criteria to review the Department's performance.

5.6.11 Acknowledgement

We acknowledge the co-operation extended by the MVD in providing necessary information and records to audit. We held an entry conference on 9 June 2011 with the Transport Commissioner wherein the scope and methodologies of audit were explained. We held an exit conference on 28 October 2011 with the Secretary to the Government wherein key audit findings and recommendations were discussed. The responses made during the exit conference and on other occasions have been suitably incorporated in the report.

¹ RTO: Palakkad, Vatakara, Thiruvananthapuram and Wayanad.
SRTOs: Adoor, Chenganoor, Kayamkulam, Nedumangad, Pattambi, Perumbavoor and Ponnani
Check Posts: Velanthavalam and Walayar

Audit findings

5.6.12 No guidelines/specifications or documentation for the customisation of VAHAN & SARATHI

NIC Kerala unit developed the application SMART MOVE for the Motor Vehicles Department (MVD) by making modifications in the core software VAHAN and SARATHI supplied by the NIC, Karnataka unit. The MoU between the Government of Kerala and NIC Kerala unit (signed on 25 July 2001) required thorough examination of the desired modifications by a team of officials from NIC and MVD and approval of agreed changes/modifications by the Transport Commissioner and the Principal Secretary to the Government. We however noticed that no documentation was maintained of the changes incorporated in the customised application. In the absence of documentation we are unable to express an opinion on the justifications for the changes and whether all the changes decided and agreed upon were actually carried out.

5.6.13 Deficiency in interconnectivity

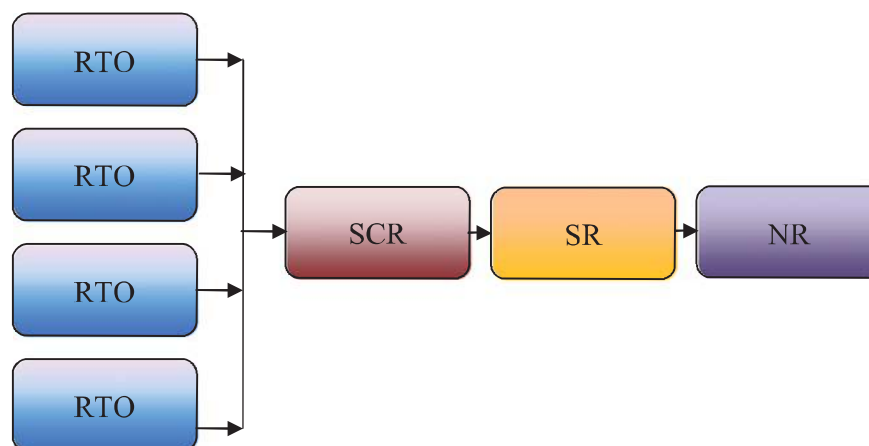
All the offices except the check posts were connected to the State Data Centre (SDC) either through the Kerala State Wide Area Network (KSWAN) or through BSNL leased line. Due to lack of connectivity the check post staff could not access the State Consolidated Register (SCR) or National Register (NR) to check the authenticity of the records produced by the vehicle owners in case of a doubt on the genuineness of the records. The Department may consider interconnecting the check posts to strengthen their effectiveness.

5.6.14 Creation of multiple records for vehicles and licences resulted in redundancy of data which adversely affected the reliability of information

Data related to vehicles and licences at each RTO/SRTO in the State are stored in independent servers kept at respective locations. This data is transmitted and updated at the database in the servers at SDC, Thiruvananthapuram maintained by the Kerala IT Mission every 10 minutes. From the SDC the data is again transmitted to the database of the State Register (SR) maintained by NIC at Poonkulam, Trivandrum. Data from SR is transmitted to the National register maintained in the servers at Hyderabad.

Data in respect of some vehicles or licences were stored in more than one RTO office due to change of address of the vehicle owner/ license holder, transfer of ownership of vehicles, issue of permits from a different office other than the one where the vehicle was registered, remittance of tax in different offices etc. Therefore multiple records in respect of one vehicle or one license were created in the database of the servers in the SDC. The web site of the Kerala Motor Vehicles Department was relying up on the data available with the SDC. When the information about a vehicle or driving licence is enquired through the department website, more than one record could be retrieved in several cases and it would not be possible to ascertain which data was current and valid. The Ministry of Road

Transport and Highways started a website parivahan.nic.in on 20 July 2011. Details of vehicles and licences are also available in this site which is retrieved from the NR to which data is transmitted from the respective SR. Even though multiple records in respect of the same vehicle was noticed in the SCR, only the latest changed record is being transmitted to the NR. Even though the NIC maintained a server at Poonkulam for SR, data from SR was not made available to the website. Department could not explain the process of data transmission from the SCR to SR and from SR to NR.



5.6.15 Discrepancies in the National Register

The ultimate objective of computerisation was to create State and National Registers for vehicles and licences. The objectives of creation of such registers were to provide online services to customers, to provide information to State Transport Department, Department of Road Transport and Highways, RTOs, border checkpoints, Police Department etc and to act as backup data in the event of a disaster, as a repository at the State and National level. We found the following discrepancies in the information available in the NR.

- Vehicles were wrongly classified in the NR even though the classification was correctly captured in the SCR. For example a vehicle correctly classified as ‘Motorcycle above 95 cc’ in the SCR was wrongly shown as ‘Goods Carriage National Permit’ in the NR.
- Details of vehicles with registration numbers starting from 1 to 999(all series) were not captured in the NR.
- Even though provision was made in the NR to capture ‘class of vehicle’ in respect of driving license, such data was not updated from the SR.

5.6.16 Variations between the National register and State consolidated register

- The format of License Number in the SCR (like ‘01/5583/1988’ consisting of three fields viz RTO code, License No., License Year) is different from

the format used in the NR (for the above license is KL01 19880005583). Thus the public would be unable to input the licence number in the national website to get online service due to the difference in the format of licence number in the State and National register.

- There was no provision in the NR to capture information on permit, validity of certificate of fitness in respect of transport vehicles, validity of registration in respect of non-transport vehicles and tax remittance particulars.
- Provision to capture the serial number of the present owner of a vehicle was made in the NR, but data in respect of Kerala vehicles were blank due to non-inclusion of this information in the SCR. This information would be helpful in knowing the number of ownership changes for a particular vehicle.
- Provision for incorporating insurance policy particulars such as Policy Number, Name of Insurance Company and date of expiry of policy were made in the NR whereas provision for the same was not available in SCR. Even if the provision was made in the software, the vehicle owners have to approach the field offices to update the validity each year on renewal of insurance policy as there is no connectivity between field offices and Insurance Companies for online updating.
- License for establishing vehicle pollution testing centre are issued by the Department. No provision for issue/ renewal of such license electronically was made in SMART MOVE. Provision for updating the information on Pollution Under Control Certificate (PUC) issued by such institutions in respect of vehicles in the vehicle registration table was also not made.
- In VAHAN, details of recovery of tax, fees or fine pointed out in audit can be entered, but no such facility exists in SMART MOVE.

5.6.17 Non-operation of online services

The Department provided e-application for 20 services through their website *www.keralamvd.gov.in* hosted in 2008. Even though it was termed as e-application, the facility provided through the web site was only for filling up and taking print out of the application forms. The applicant has still to approach the concerned RTO office along with the applications printed from the site and submit supporting documents for availing the service. As the e-payment facility was also not made operational, the applicant still has to visit the concerned RTO for remitting fees even for the services for which presence of the applicant or production of the vehicle was not required and hence the concept of 'Any where any service' could not be fulfilled.

5.6.18 Insufficient power supply

In the presence of audit on 11 July 2011, the RTO, Thiruvananthapuram could not function upto 1.00 PM due to power failure. No generator was installed in the office due to lack of space. The Joint RTO, Perumbavoor, Joint RTO Chengannur and Joint RTO, Adoor also stated that the generators installed were not functioning properly. Also in almost all the field offices the generator backup covers only 60 *per cent* of the total systems available. In respect of other systems only UPS backup is available for about an hour.

5.6.19 Security flaw in the software SMART MOVE

All the back end tables in the database stored in the servers of field offices are accessible to anyone from the client machines. Using SQL query option in MS-Excel a user can write SQL Queries in the Query Window in Excel and can modify data, add data or delete data/ table from the database. Any user can bypass the SMART MOVE and directly access the backend tables as mentioned above. Therefore the username and password provided to the users in the Department to log on into SMART MOVE is not effective in restricting unauthorised access to the database.

Even though the lapses in the security of the IT system were pointed out in the Audit Report of 2009-10, the Department introduced new security policy only in 35 offices and rectified the problem. In the remaining offices the flaw was still continuing.

5.6.20 Ineffective virus control

According to the agreement signed between the Department and service providers the responsibility for procuring the Antivirus package (Symantec Endpoint Protection 11.0) is vested with the Department and its installation and periodic updation is the responsibility of the service provider. Out of 14 offices test checked, Symantec Endpoint protection was not installed in the servers in three offices. In the other offices even though it was installed in servers, automatic updation in the client machines was not possible as the software was installed with the 'unmanaged' option instead of 'managed client server' option. In SRTO, Nedumangad instead of Symantec Licensed version, free edition of 'Avast Antivirus' was used. The responsibility to install and update the Symantec Antivirus package was vested with the service provider and was to be ensured by the head of office. The Transport Commissioner did not monitor the compliance.

5.6.21 Introduction of new national permit system

According to the new National permit system introduced by the Ministry of Transport and Highways, the registered owner of National permit goods carriages has to remit ₹ 15,000 to get an authorisation for plying his vehicle throughout India for one year. The amount shall be remitted through an SBI account opened for the purpose. The payment details shall be updated in the web portal vahan.nic by the bank authorities and authorisation shall be got printed and handed over to

the vehicle owner by the concerned RTO by accessing the website. For logging into the website, user ID and password were given to each RTO. The RTOs were unable to extract the list of vehicles authorised by him to ply under new permit system as such a feature was not provided in the website.

5.6.22 Non-introduction of smart card

The driving licence and registration certificate should be printed in the form of smart card as per rule 16(2) and (3) of Central Motor Vehicle Rules, 1989. Smart card should have also the facility to record the offences committed and penalties imposed on the license holder in addition to the data made compulsory by MV Act. Smart card has not been introduced in Kerala till date. The Department replied that tenders have been invited to identify the service provider for introducing smart card.

5.6.23 Defective/non-functioning of modules in SMART MOVE

The following problems were brought to the notice of audit by the field office staff in the working of various modules in SMART MOVE;

- i. Closing balance of a preceding quarter in the DCB statement does not tally with the opening balance of the succeeding quarter.
- ii. Refund of fee deposited for fancy registration number reservation to the unsuccessful bidder through SMART MOVE was not possible.
- iii. When the class of vehicle is altered as non transport, the validity of the changed status is not shown in the Registration Certificate (RC) printout.
- iv. In case of issue of license to driving school, heavy goods and passenger vehicle class cannot be added to the license.
- v. The change of address in RC/RC cancellation cannot be issued in SMART MOVE 6.0.4
- vi. RMA(Registration Mark Assignment)action/issue-verify window was not active in SMART MOVE 6.0.4
- vii. Printing of RCs and Driving Licenses (DL) through new version in SMART MOVE 6.0.4 was not possible.
- viii. To overcome the constraints faced in SMART MOVE 6.0.4 , the old version SMART MOVE 6.0.1 is also being used in field offices.
- ix. Stock of DL cards, RC forms, Fees receipts, tax tokens cannot be entered and issued through SMART MOVE.
- x. Full particulars of vehicle details or driving licence details relating to other offices cannot be downloaded from the Department website.

The Department admitted the problems mentioned in item(i) and (ii) as flaws in the software. But in respect of items (iii) to (x) they replied that these could be sorted out either by the service provider or by the staff in the Smart Support

Group (SSG) which was formed at the Transport Commissionerate to take up the issues related with the IT system.

5.6.24 Non-updation of master table

A master table called “Vehmast” was created in the database containing particulars of all models of vehicles available in the Indian markets. Particulars of the latest models of vehicles could be incorporated in this table only at the office of the Transport Commissioner and patches containing the modification have to be sent to all the RTOs to update their database. We noticed that details of all the latest model vehicles were not incorporated in the master table “Vehmast” which necessitated vehicle details to be keyed in to the system by the counter clerks at the field offices. We are of the view that non-updation of ‘Vehmast’ table and allowing field offices to capture details defeats the data validation controls and could result in wrong/partial entries of vehicle particulars which would in turn result in short/excess levy of tax. For example, tax in respect of motorcars, goods carriages and stage carriages are calculated based on the cubic capacity/unladen weight, gross vehicle weight and number of seats in the vehicle respectively. The Department replied that the ‘Vehmast’ table was made up-to-date. We verified the table again but found that it was not updated.

5.6.25 Incomplete legacy data

We found that transmission of legacy data relating to the period before computerisation, to the database was not completed in most of the field offices (except RTO, Wayanad, SRTO, Kayamkulam, SRTO, Ponnani) and the verification of the data already entered was also not done.

5.6.26 No provision for generating reports

It was found that statements of collection of fees, tax, cess, service charge, compounding fee etc for a quarter or year, report of number of driving license issued/renewed, permits issued/renewed, vehicles fined etc for a quarter/year which are required to be sent to DTC, TC are still prepared manually in all offices since the system has no report generation facility.

5.6.27 Failure of business continuity planning

Business continuity planning is essential to ensure that the organisation can minimise disruption to business and resume processing in the event of natural disaster or other untoward incident. Regular back up of data is important to achieve business continuity planning. According to the back up policy evolved and circulated by the Department, differential backup is to be taken on a daily basis and full back-up on weekly basis and sent to the Transport Commissioner. Back-ups were also to be stored in the main server, back-up server and another computer.

The main server in the SRTO, Perumbavoor was down on 3 December 2010 in the morning before the commencement of the office work. The Department could

not resume the functioning of the office till 6 December 2010 as the attempt to restart the work by making use of the back-up server failed. The back-up server could be operationalised only on 6 December 2010 after restoring the data available in the back-up CDs containing data up to 2 September 2010. As a result the data related to the period from 3 September 2010 to 2 December 2010 was lost. Although some portion of the lost data was restored from the server in the State Data Center, the Department did not restore complete data even after a lapse of six months. In SRTO Adoor, full backup to the tape cannot be taken due to error. The last full backup was taken on 2 February 2011. In RTO Wayanad, the office could not function on 16 August 2010 due to server problems. The Transport Commissioner neither replied to the above observations nor fixed responsibility on the respective field officers for the lapses.

We had suggested in the Audit report 2009-10 (Revenue Receipts, Chapter V, Taxes on Vehicles, Para 5.8.12.6), the necessity of a single server system to be maintained at the Transport Commissionerate to transmit data from all RTO/SRTOs so as to act as a backup. Had this been implemented the loss of data could have been avoided.

5.6.28 Change control procedures

Change management is a key IT control used to regulate system changes. It reduces the possibility of unauthorised changes to the system without forethought and ensures proper documentation of system changes. We noticed that at least ten versions of application software SMART MOVE and about 40 patches were released by NIC from September 2006 depending on the needs of the Department and changes in the taxation rules. The non maintenance of proper documentations for system changes was commented in the report for the year 2009-10. The latest version of SMART MOVE 6.0.4 was introduced in 2010-11. For this version also the Department had not maintained documentation. The Transport Commissioner stated that proper documentations was made for modification in the software and each modification was introduced only after testing and field trial. However copies of such documentation were not produced to Audit for verification.

5.6.29 Post implementation review (PIR)

A post implementation review (from a project management perspective) evaluates how the project was run and whether or not the goals have been accomplished. The post implementation review results in the PIR report, which is essentially the lessons learned document. A PIR would bring to light the area of weaknesses, deficiencies, flaws, drawbacks, etc. based on which the management could take measures to improve the system so that the goals are achieved with limited resources. We observed that no such review was conducted.

5.6.30 Conclusion

We found that

- Reliability of data in the National Register was not ensured.

- Creation of duplicate records in SCR resulted in redundancy of data.
- Online services were not made fully operational.
- Business continuity planning was not adequately monitored.
- The system security is compromised due to lack of system controls.
- Defective/Non-functioning of Modules in SMART MOVE reported by the field offices was not redressed.
- Smart card was not introduced.

5.6.31 Recommendations

- The Department may replace the existing system of storing data at independent servers in various locations with a centralised server system.
- E-payment/online submission of application may be enabled to facilitate online services.
- The Department may consider recruiting qualified personnel to administer the IT applications.

5.7 Other audit observations

We scrutinised the records of various Transport Offices which revealed several cases of non-compliance of the provisions of the Motor Vehicles Act 1988 (MV Act) and the Kerala Motor Vehicles Taxation Act (KMVT Act), 1976 and Government notifications and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Regional Transport Officers (RTOs) are pointed out by us each year but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system.

5.8 Non-compliance of provisions of Acts/Rules

The provisions of the MV Act and KMVT Act and Rules made thereunder provide for:

- i) collection of revenue on transport vehicles/stage carriages;*
- ii) levy of tax/fees at the prescribed rates within the due dates; and*
- iii) levy of penalty for various offences.*

We noticed that the RTOs did not observe some of the above provisions which resulted in non/short levy of tax/fee/fine of ₹ 1.11 crore as mentioned in paragraphs 5.8.1 to 5.8.5.

5.8.1 Short levy of one time tax

(8 RTOs² and 19 SRTOs³; June 2010).

Section 3(1) of the KMVT Act, 1976, stipulates that one time tax shall be levied from the date of purchase of vehicle at the rates specified at the time of first registration of the vehicle. The rate for motorcycles, motor cars, three wheelers and omnibus is six *per cent* of the purchase value of the vehicle. In the case of vehicles registered in the State on or after 1 April 2007 and re-classified as non-transport vehicle from the category of transport vehicle, the rate of one-time tax payable shall be determined on percentage basis with respect to the age of vehicle from the month of original registration.

We noticed that the registering authority short levied one time tax in 258 cases during 2009-10 due to difference in computing tax on purchase value of vehicles migrated from other States. The RTOs/SRTOs adopted wrong values while manually calculating the rate of tax payable when transport vehicles such as motor cars, three wheelers and omnibus were reclassified as non-transport vehicles. This resulted in short levy of tax of ₹ 45.14 lakh.

After we pointed out the matter to the Department between April 2010 and November 2010 and reported to Government in January 2011, the Department stated (July 2011) that ₹ 6.81 lakh had been collected from 43 cases. Report on recovery of balance amount has not been received (December 2011).

The department may modify the SMART MOVE software to ensure automatic calculation of one time tax.

² RTOs: Alappuzha, Ernakulam, Kottayam, Kozhikode, Pathanamthitta, Thiruvananthapuram, Thrissur and Wayanad.

³ SRTOs: Aluva, Changanassery, Cherthala, Irinjalakuda, Guruvayoor, Kanjirappally, Kayamkulam, Kodungalloor, Koduvally, Kothamangalam, Mallappally, Mattancherry, Neyyattinkara, Pala, Perumbavor, Thripunithura, Quilandy, Vaikom and Wadakkancherry

5.8.2 Short collection of permit fee for Educational Institution Bus

(7 RTOs⁴ and 25 SRTOs⁵; May 2010 to January 2011)

The Motor Vehicles Act 1988 as amended by Motor Vehicles (Amendment) Act 2000 prescribes contract carriage permit for educational institution buses (EIBs). Government of India, Ministry of Road Transport and Highways in their letter⁶ reiterated and clarified that EIBs are contract carriages. Accordingly, the State Government in August 2008 directed the Transport Commissioner to issue contract carriage permit for all newly registered educational institution buses and for all the existing EIBs on the expiry of Private Service Vehicle permits issued to them. The fee prescribed for contract carriage permits are ₹ 2000, ₹ 2500 and ₹ 3000 for vehicles having seats upto 13, between 14 and 20 and above 20, respectively.

We noticed that 32 RTOs/SRTOs issued Private Service Vehicle permits to 1,417 EIBs at the rate of ₹ 500 from June 2009 instead of issuing contract carriage permits from August 2008 onwards. The delay in implementation of the direction of the Government pertaining to contract carriages permits for EIBs resulted in short levy of permit fee of ₹ 32.78 lakh.

Further, the Department continued to issue Private

Service Vehicle permits to 419 EIBs after June 2009 instead of levying permit fee at prescribed rates applicable for contract carriage. This resulted in short levy of fee ₹ 9.65 lakh.

After we pointed out the matter to the Department between May 2010 and January 2011 and to the Government in February 2011. The Department stated (July 2011) that ₹ 17.43 lakh had been collected in 826 cases. Report on recovery of the balance amount has not been received (December 2011).

⁴ RTOs: Attingal, Ernakulam, Muvattupuzha, Pathanamthitta, Thiruvananthapuram, Thrissur and Wayanad.

⁵ SRTOs: Adoor, Aluva, Chengamur, Guruvayoor, Kanjirapally, Kayamkulam, Kazhakkuttam, Kodungallur, Kothamangalam, Kottarakkara, Koduvally, Mallapally, Mannarkkad, Mattancherry, Mavelikara, North Parur, Nedumangad, Pala, Parassala, Pattambi, Perumbavoor, Punalur, Thripunithura, Vaikom and Wadakkancherry.

⁶ Letter No. RT-11012/32/008 MVT dt: 28 August 2006.

5.8.3 Non-levy of penalty

(6 RTOs⁷ and 11 SRTOs⁸; November 2010).

Under Section 113 of the MV Act, no person shall drive any motor vehicle or trailer, the laden weight of which exceeds the gross weight specified in the certificate of registration. Under Section 194 of the Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention of the above provisions shall be punishable with minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 per tonne of excess load together with liability to pay charges for off loading the excess load.

We noticed that fine was not collected in certain cases by enforcement officials of the Department when they intercepted overloaded vehicles on road, as the drivers of the vehicles were not having sufficient money with them. In such cases a check report was sent to the

RTOs/SRTOs concerned. We found that fine of ₹ 13.79 lakh was not realised in 263 check reports in 17 RTOs/SRTOs during 2009-10.

After we pointed out the matter to the Department between April 2010 and November 2010 and reported to the Government in January 2011, the Department stated (July 2011) that ₹ 3.42 lakh had been collected in 81 cases. Report on recovery of balance amount has not been received (December 2011).

We recommend that the Department may devise a system of recording the offence against the vehicle number so that the fine can be realised at the time of next remittance of tax for the vehicle.

5.8.4 Short levy of one time tax on value on percentage basis

(8 RTOs⁹ and 18 SRTOs¹⁰; October 2010).

Section 3(1) of the KMVT Act stipulates that one time tax is leviable at the rate of six *per cent* of the purchase value of the vehicle at the time of registration of newly purchased motor cycles, motor cars, three wheelers and omni buses with effect from 1 April 2007.

We noticed that the purchase value of vehicles was entered in the computer manually. While capturing the data, the purchase value was entered wrongly without adding discount/Sales tax, cess etc in 658 cases in 26

⁷ RTOs: Ernakulam, Kottayam, Muvattupuzha, Pathanamthitta, Thrissur and Wayanad.

⁸ SRTOs: Changanassery, Cherthala, Guruvayoor, Irinjalakuda, Kanjirappally, Kodungallur, Kothamangalam, Mavelikkara, Pala, Perumbavoor and Wadakkancherry.

⁹ RTOs: Alappuzha, Attingal, Ernakulam, Kottayam, Kozhikode, Pathanamthitta, Thiruvananthapuram and Wayanad.

¹⁰ SRTOs: Aluva, Changanassery, Cherthala, Guruvayoor, Kanjirappally, Kayamkulam, Kazhakuttom, Koduvally, Mallappally, Mattancherry, Mavelikkara, North Parur, Nedumangad, Pala, Parassala, Thripunithura, Vaikom and Wadakkancherry.

RTOs/SRTOs during 2009-10. This resulted in short levy of tax of ₹ 6.58 lakh.

After we pointed out the matter to the Department between April 2010 and December 2010 and reported to the Government in January 2011, the Department stated (July 2011) that ₹ 1.34 lakh had been collected in 162 cases. Report on the recovery of balance amount has not been received (December 2011).

5.8.5 Incorrect grant of moffusil permits

(3 RTOs¹¹; December 2010).

The KMV Rule 269 stipulates that the minimum seating capacity of a stage carriage shall be directly proportionate to the wheel base of the vehicle. The seating capacity determines the tax due on stage carriage. The seating capacity can be reduced by two seats in respect of vehicles with separate entrance and exit and further reduced by one fifth in respect of vehicles operating as city/town service. However, such vehicles with reduced seating capacity are eligible for moffusil permit only on enhancement of seating capacity to the original position prescribed in the Rule.

We noticed that while transferring the vehicles to the jurisdiction of three RTOs, moffusil permits were granted to seven vehicles after collecting tax based on the reduced seating capacity of the vehicles instead of collecting tax at the minimum seating capacity of the stage carriage proportionate to the wheel base

prescribed. This resulted in short collection of tax of ₹ 3.26 lakh.

After we pointed out the matter to the Department between July 2010 and October 2010 and reported to the Government in February 2011, the Department stated (July 2011) that ₹ 1.59 lakh had been collected in one case. Report on the recovery of balance amount has not been received (December 2011).

¹¹ RTOs: Ernakulam, Kozhikode and Vatakara.