

CHAPTER-III
TAXES ON MOTOR VEHICLES

Executive Summary: Chapter - III

| | |
|---|--|
| Marginal increase in tax collection | Receipts of taxes on motor vehicles registered an increase of 17.44 <i>per cent</i> over the receipt of the previous year. The receipt of motor vehicles was 7.77 <i>per cent</i> of total tax receipt as compared to 8.36 <i>per cent</i> of previous year. |
| Low recovery by the Department of observations pointed out by us in earlier years | During the period 2005-06 to 2009-10 we had pointed out non/short levy, non/short realisation of tax, fee etc, with revenue implication of ₹ 114.22 crore in 28 paragraphs. Of these, the Department/Government accepted audit observations in 27 paragraphs involving ₹ 67.87 crore but recovered only ₹ 24.20 crore in 25 paragraphs. |
| Non-compliance of observations of internal audit | We noticed that 11,443 paragraphs of 984 inspection reports for the period upto 2010-11 were outstanding at the end of 2010-11, of which some paras were outstanding since 1991-92. Thus, the high outstanding paras eroded the very purpose of internal audit. |
| Results of audits conducted by us in 2010-11 | During test-check of the records of 24 units relating to receipts of ₹ 933.92 crore, we noticed non/short recovery of tax and other irregularities involving ₹ 46.03 crore in 6,634 cases. The Department accepted underassessment and other deficiencies of ₹ 20.74 crore in 5,895 cases, of which 5,064 cases involving ₹ 19.32 crore were pointed out in audit during the year 2010-11 and rest in earlier years. ₹ 2.34 crore was realised in 1,063 cases during the year 2010-11, of which ₹ 0.85 crore in 440 cases pointed out in 2010-11 and rest ₹ 1.49 crore in 623 cases in earlier years. |
| What we have highlight in this Chapter | The Performance Audit on 'Computerisation in the Motor Vehicle Department' revealed a number of Systems and Compliance deficiencies which needs correction. Due to entry of wrong data in the software like chasis number and engines number, we cannot rely on the data of State/National Register. We have given specific recommendations at Para No. 3.8.18. We have also highlighted cases relating to non/short charging of taxes on motor vehicles. |

| | |
|-----------------------|---|
| <p>Our conclusion</p> | <p>The objective of the Computerisation of the Transport Department to imparting better and timely services to the users and plugging revenue leakage was not achieved as several components of the modules were not in operation and software deficiencies were found by us. In some Regional Transport offices though, the computerisation was implemented, the work continued to be done manually due to shortage of manpower and lack of training.</p> <p>Tax collected by flying squads and tax collection centres were deposited after delay ranging from one day to 424 days, due to insufficient supervisory checks. Temporary misappropriation of money can not be ruled out in these cases.</p> |
|-----------------------|---|

CHAPTER-III: TAXES ON MOTOR VEHICLES

3.1 Tax administration

The Transport Department is responsible for registration of vehicles, grant of permits for vehicles and exercises control over vehicles plying in the State. The Department also issues licences to drivers, conductors and traders and fitness certificate of vehicles. Levy and collection of taxes, fees and penalties under the provisions of the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the Rajasthan Motor Vehicles Taxation Act (RMVT Act), 1951, the Rajasthan Motor Vehicles Taxation Rules (RMVT Rules), 1951 and the Rajasthan Motor Vehicles Rules, 1990 are other responsibilities of the Department. Works relating to registration and fitness of vehicles, grant of licences, collection of taxes, fees, penalties *etc.* have been computerised in the Department.

The Transport Department is headed by the Transport Commissioner who is assisted by three Additional Commissioners and seven Deputy Commissioners at headquarter level. The entire State is divided into 11 regions, headed by Regional Transport Officers cum *ex-officio* Member, Regional Transport Authority. Besides, there are 37 vehicles registration cum taxation offices headed by District Transport Officers.

3.2 Trend of receipts

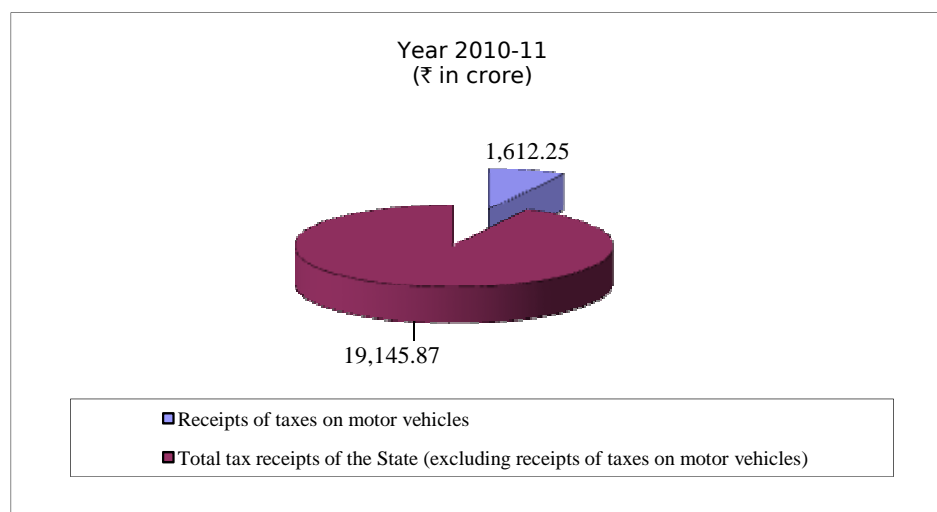
Receipts of taxes on motor vehicles during the years from 2006-07 to 2010-11 along with the total tax receipts of the State have been exhibited in the following table:

(₹ in crore)

| Year | Budget estimates | Receipts of taxes on motor vehicles | Variation excess (+)/ shortfall (-) | Percentage of variation | Total tax receipts of the State | Percentage of actual receipts vis-à-vis total tax receipts |
|---------|------------------|-------------------------------------|-------------------------------------|-------------------------|---------------------------------|--|
| 2006-07 | 950.00 | 1,023.61 | (+) 73.61 | (+) 7.74 | 11,608.24 | 8.82 |
| 2007-08 | 1,075.00 | 1,164.40 | (+) 89.40 | (+) 8.32 | 13,274.73 | 8.77 |
| 2008-09 | 1,200.00 | 1,213.56 | (+) 13.56 | (+) 1.13 | 14,943.75 | 8.12 |
| 2009-10 | 1,300.00 | 1,372.87 | (+) 72.87 | (+) 5.61 | 16,414.27 | 8.36 |
| 2010-11 | 1,500.00 | 1,612.25 | (+) 112.25 | (+) 7.48 | 20,758.12 | 7.77 |

Receipts of taxes on motor vehicles during the year 2010-11 along with total tax receipts of the State (excluding receipts of taxes on motor vehicles)

is shown in the following pie chart:



Though in actual terms, receipts of taxes on motor vehicles registered marginal increase every year but the percentage of receipts of taxes on motor vehicles as compared to total tax receipts of the State is decreasing every year in comparison to the year 2006-07. By the year 2010-11, these receipts accounted for 7.77 per cent of total tax receipts of the State.

3.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 39.47 crore, of which ₹ 19.32 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue as on 31 March 2011.

(₹ in crore)

| Year of arrear | Opening balance of arrears as on 1.4.2010 | Amount collected during the year 2010-11 | Closing balance of arrears as on 31.3.2011 |
|----------------|---|--|--|
| Upto 2005-06 | 22.12 | 2.80 | 19.32 |
| 2006-07 | 3.72 | 0.63 | 3.09 |
| 2007-08 | 5.47 | 0.11 | 5.36 |
| 2008-09 | 7.40 | 0.98 | 6.42 |
| 2009-10 | 5.87 | 0.59 | 5.28 |
| Total | 44.58 | 5.11 | 39.47 |

The chances of recovery of arrears of ₹ 19.32 crore, outstanding for more than five years, are bleak.

We recommend that the Government take appropriate action to recover the arrears.

3.4 Cost of collection

The gross collection of the revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during

the period from 2006-07 to 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection for same period are as follows:

| Sl. No. | Year | Gross collection (₹ in crore) | Expenditure on collection of revenue (₹ in crore) | Percentage of expenditure on collection | All India average percentage of expenditure |
|---------|---------|----------------------------------|--|---|---|
| 1. | 2006-07 | 1,023.61 | 15.56 | 1.52 | 2.47 |
| 2. | 2007-08 | 1,164.40 | 17.44 | 1.50 | 2.58 |
| 3. | 2008-09 | 1,213.56 | 29.25 | 2.41 | 2.93 |
| 4. | 2009-10 | 1,372.87 | 27.04 | 1.97 | 3.07 |
| 5. | 2010-11 | 1,612.25 | 30.82 | 1.91 | NA |

Increase in expenditure on collection of revenue during the year 2008-09 was due to increase in salary of staff on account of implementation of recommendations of sixth central pay commission in the State. We noted that the percentage of expenditure on collection of taxes on motor vehicles to gross collection was always on lower side in comparison to all India average percentage. The Government may continuous efforts for bringing down.

3.5 Impact of Audit Reports

We through our Audit Reports had pointed out cases of non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation of tax *etc.* with revenue implication of ₹ 114.22 crore in 28 paragraphs during the last five years. Of these, the Department/Government had accepted audit observations in 27 paragraphs involving ₹ 67.87 crore and had since recovered ₹ 24.20 crore in 25 paragraphs (December 2011) as shown in the following table:

| Year of Audit Reports | Paragraphs included | | Paragraphs accepted | | Amount recovered | |
|-----------------------|---------------------|---------------|---------------------|--------------|------------------|--------------|
| | Number | Amount | Number | Amount | Number | Amount |
| 2005-06 | 6 | 19.07 | 6 | 5.65 | 6 | 2.09 |
| 2006-07 | 6 | 7.23 | 6 | 5.92 | 6 | 2.40 |
| 2007-08 | 9 | 25.15 | 9 | 21.50 | 9 | 13.60 |
| 2008-09 | 3 | 47.75 | 2 | 19.98 | 1 | 0.57 |
| 2009-10 | 4 | 15.02 | 4 | 14.82 | 3 | 5.54 |
| Total | 28 | 114.22 | 27 | 67.87 | 25 | 24.20 |

These audit paragraphs required recovery from large number of vehicles. The Department has to recover the objected amount from owners of each such vehicle.

The Government may issue instructions to the Department to recover the amount involved in the audit paragraphs on priority.

3.6 Working of Internal Audit Wing

Internal Audit Wing is headed by the Financial Advisor and assisted by one Senior Accounts Officer and two Accounts Officers. Five internal audit parties are working in the Department each headed by Assistant Accounts Officer. The position of last five years of internal audit was as under:

| Year | Pending units | Units due for audit during the year | Total units due for audit | Units audited during the year | Units remained unaudited | Shortfall in per cent |
|---------|---------------|-------------------------------------|---------------------------|-------------------------------|--------------------------|-----------------------|
| 2006-07 | - | 77 | 77 | 77 | - | - |
| 2007-08 | - | 79 | 79 | 75 | 4 | 5 |
| 2008-09 | 4 | 79 | 83 | 67 | 16 | 19 |
| 2009-10 | 16 | 79 | 95 | 89 | 6 | 6 |
| 2010-11 | 6 | 43 | 49 | 49 | - | - |

We noticed that 11,443 paragraphs of 984 inspection reports for the year upto 2010-11 were outstanding at the end of 2010-11. Year-wise break up of outstanding paragraphs of internal audit reports is as under:

| Year | 1991-92 to 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | Total |
|-------|--------------------|---------|---------|---------|---------|---------|--------|
| Paras | 6,821 | 989 | 887 | 764 | 969 | 1,013 | 11,443 |

Paragraphs of internal audit reports were outstanding since 1991-92. Thus, the huge outstanding paras defeated very purpose of internal audit.

The Government may consider strengthening functioning of the Internal Audit Wing in order to take appropriate measures for plugging the leakage of revenue and for compliance with the provisions of the Act/Rules. Appropriate instructions may also be issued to the Department for taking action on the reports of the Internal Audit Wing.

3.7 Results of Audit

During test-check of the records of 24 units relating to receipts of ₹ 933.92 crore, we noticed non/short recovery of tax and other irregularities involving ₹ 46.03 crore in 6,634 cases which fall under the following categories:

(₹ in crore)

| Sl. No. | Category | Number of cases | Amount |
|--------------|---|-----------------|--------------|
| 1. | Computerisation in the Motor Vehicle Department (A Performance Audit) | 1 | 0.00 |
| 2. | Non/short recovery of tax, penalty, interest and compounding fee | 5,109 | 40.06 |
| 3. | Non/short computation of motor vehicle tax/special road tax | 1,516 | 5.96 |
| 4. | Other irregularities | 8 | 0.01 |
| Total | | 6,634 | 46.03 |

The Department accepted underassessment and other deficiencies of ₹ 20.74 crore in 5,895 cases, of which 5,064 cases involving ₹ 19.32 crore were pointed out in audit during the year 2010-11 and rest in earlier years. During the year 2010-11 ₹ 2.34 crore was realised in 1,063 cases, of which ₹ 0.85 crore in 440 cases pointed out in 2010-11 and rest ₹ 1.49 crore in 623 cases in earlier years.

A Performance Audit on '**Computerisation in the Motor Vehicle Department**' and a few illustrative audit observations involving ₹ 16.72 crore are mentioned in the succeeding paragraphs.

3.8 Performance Audit on 'Computerisation in Motor Vehicle Department'

Highlights

- 'VAHAN' software was implemented in 36 Regional Transport Offices (RTOs)/District Transport Offices (DTOs) from October 2009 to March 2010 after a delay of 52 to 57 months since its pilot implementation in Alwar in May 2005. The phase III of 'VAHAN' is yet to be implemented in 33 sub offices. The Permit and Enforcement module of 'VAHAN' have not been initiated at all. Though the 'SARATHI' software has been implemented in seven RTOs out of 13 RTOs, the software is running only in four offices due to shortage of manpower. Online application for learners License and conductor License was not implemented. Thus, the entire benefits of computerisation have not been achieved. The transfer of legacy data was not completed due to difference in structure base of old software's with 'VAHAN'/'SARATHI' software's.

(Paragraph 3.8.8 & 3.8.8.1)

- Due to inadequate validation controls in 'VAHAN' software, the system accepted incorrect and improbable data as dates of manufacture, pollution control, laden weight and seating capacity of vehicles. Further, there were many duplicate entries of engine number/chassis number based on back end entries without validation and key fields of insurance cover notes kept blank or fake numbers mentioned, resulting in incomplete/incorrect database in the State Register/National Register.

(Paragraph 3.8.9)

- There were design deficiencies in the system, which need to be corrected to avoid incorrect tax collection and data information. Further there was no provision in the system to highlight delays in issue of licence or registration *etc.*

(Paragraph 3.8.10.1)

- There was short recovery of fancy number fee of ₹ 19,200 in seven cases due to non mapping of fee for fancy number in the software.

(Paragraph 3.8.10.2)

- Data on issue of licenses/permits, fees collected were not verified by the Transport Commissioner's office, resulting in non-detection of errors which could have otherwise been restricted/curtailed by executive instructions/guidelines. Internal control mechanism was ineffective for reviewing transaction data for generating logs.

(Paragraph 3.8.11.2)

- Due to inadequate application control, the driving licences in 853 cases out of 1,61,754 test checked were found to be issued to non qualified applicants who were illiterate, below class 8th or qualification not specified, or whose age was shown as zero. Improbable and wrong entries affected the correctness of National/State Register of Licenses issued.

(Paragraph 3.8.12.2)

- Total hardware of ₹ 8.65 crore was sanctioned by the Central Government and the State Government for all offices but the details of supply, installation and utilisation/non-utilisation were neither monitored by the Transport Commissioner's(TC) office nor by the National Informatics Centre, Jaipur.

(Paragraph 3.8.14.3)

- There was no fire detection/fighting equipment to fight any contingency in server room of any test checked office.

(Paragraph 3.8.14.4)

- The connectivity had not been established in DTOs, Banswara and Dungarpur and RTO, Kota. There were constant disturbance in the network lines at RTO, Pali, which resulted in problems related with backup and updation of the software. Further, tax collection centres have not been connected with the TC/RTO's.

(Paragraph 3.8.14.5)

- The staff and officers posted at test checked offices were neither trained nor provided user manuals because of which the staff faced difficulties in operating the system on day to day basis.

(Paragraph 3.8.15.1)

3.8.1 Introduction

To achieve faster, better and transparent services and monitoring implementation of the Motor Vehicle Act and Rules, the Government of India developed two standardised software 'VAHAN' and 'SARATHI' through National Informatics Centre (NIC). These were provided to all the States Transport Authorities. The Transport Department, Government of Rajasthan was also provided technical assistance from the NIC, free of charge, for customisation and backend integration.

The National Permit (NP) composite fee regime had become effective from 07 May 2007 for national goods carrier vehicles. An electronic system of grant of NP had been developed by the Ministry of Road Transport and Highways in consultation with NIC, New Delhi. Access to this software had been made available to the State through a National Portal.

The Transport Department (Department) of Government of Rajasthan functions under the provisions of section 213 of Motor Vehicles Act (MV Act), 1988. The Department has been primarily established to enforce the provisions of MV Act, 1988, Central Motor Vehicles Rules (CMV Rules), 1989, Rajasthan Motor Vehicles Rules (RMV Rules), 1990, Rajasthan Motor Vehicles Taxation Act and Rules, 1951 in the State. The main functions of the Department are registration of vehicles and issue of permits, licenses and fitness certificates for vehicles. The Department also looks after implementation of road safety programmes, control of pollution caused by emission of the motor vehicles, enforcement of Rules, taxation and recovery, opening of routes etc., to adequate and economy transport for the movement of passengers and goods by road.

3.8.2 Organisational setup

The Department is headed by the Transport Commissioner cum Principal Secretary to the Government (Commissioner) as Head of the Department. He is assisted by three Additional Transport Commissioners, seven Deputy Transport Commissioners and one Financial Advisor, along with other supporting staff. Total strength of the Department is 1624. The entire state is divided into 11 regions, headed by the Regional Transport Officers cum ex-officio Member Regional Transport Authority. There are 37 vehicles registration offices headed by District Transport Officers cum taxation officers.

3.8.3 Audit objectives

The audit objectives were to ascertain whether:

- the objectives of computerisation through the NIC developed Information Technology (IT) applications of 'VAHAN', 'SARATHI' and 'National Permit System' were achieved;
- the phase wise implementation schedule was achieved by State for 'VAHAN' and 'SARATHI' were achieved as per the time frame fixed by Ministry of Road Transport and Highways;
- computerised system implements were complete (module wise) and correct and complete data was captured by the RTOs;
- connectivity was established among RTOs for creation of register of vehicles and licenses and National registers and central servers were put in place towards achievement of above stated objectives;
- reliable general and security controls were put in place to ensure data security and audit trail besides back up of data for loss/ crash of systems and to have an overall assurance for the functioning of the computerized system for the stated objectives; and
- internal control mechanism was in place at the State level to monitor the implementation of the two applications.

3.8.4 Audit criteria

The Performance Audit of the '**Computerisation in Motor Vehicle Department**' was conducted to assess the position of implementation and working of software 'VAHAN', 'SARATHI' and 'National Permit System' (NPS) against the provisions of:

- Motor Vehicles Act, 1988;
- Central Motor Vehicle Rules, 1989;
- Rajasthan Motor Vehicles Taxation Act and Rules, 1951; and
- Rajasthan Motor Vehicle Rules, 1990.

3.8.5 Audit scope and methodology

The scope of the present IT Audit covers audit of implementation and examination of controls in the 'VAHAN', 'SARATHI' and 'NPS' application

software's. Between July to October 2011, we visited five offices¹ for scrutiny of the records and to ascertain the correctness of data vis-à-vis data captured in the system. We also analysed data upto August 2011 from Transport Department of 10 selected RTOs/DTO's² by importing it using MS-Access and MS-Excel application.

3.8.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Commissioner in providing the necessary information and records for audit. An Entry conference was held on 9 June 2011 with the Commissioner and Technical Director & Project Coordinator of NIC, Jaipur, in which the scope and methodology was explained. An exit conference was held with Transport Department on 13 January 2012 with Transport Commissioner cum Principal Secretary wherein the findings of the Performance Audit were discussed. The replies received during the exit conference and during the course of Performance Audit have been incorporated under the relevant paragraph of this Performance Audit.

3.8.7 Description of the software's developed by the NIC

The NIC developed and provided the software to the State Government. The application system was on Linux operating system and database was on Oracle (Relational Data Base Management System) and developer as Windows backend. The following software applications have been developed:

- (i) **VAHAN** – An application developed by NIC for registration of vehicles and road tax clearance by the RTA/RTO. It helps the Department to register vehicles, collect tax, issue various certificates and permits and record fitness of vehicles.
- (ii) **SARATHI** – An application developed by NIC for issue of various licenses including learner license, permanent driving license, conductor's license and driving school license.
- (iii) **Data Transformation Service (DTS)** – A data transformation service developed by NIC for transferring 'VAHAN' and 'SARATHI' data from RTO locations to central database on web in the form of Oracle Data Integrator and ensuring data security.
- (iv) **National Permit System** – Electronic mode of grant/renew of national permit for goods carriages developed in consultation with NIC. Through this electronic system, consolidated fee can be deposited at any branch of SBI across the country w.e.f. 15-9-2010.

For monitoring of implementation of project a Deputy Transport Commissioner (Modernisation) has been appointed as nodal officer. Along with the Department, State Informatics Officer and two officers³ from NIC were assigned to the Transport Department for supervision.

¹ RTO Alwar and Pali, DTO Barmer, Jalore and Sirohi.

² RTO Alwar, Pali, Sikar and Udaipur, DTO Barmer, Deedwana, Dholpur, Jalore, Kotputli and Sirohi.

³ Technical Director & Project Coordinator and Senior System Analyst & Project Coordinator.

The audit findings pertaining to these three applications are discussed in the succeeding paragraphs.

3.8.8 Deficiencies noticed in planning and implementation of the system

The phase wise implementation of three application software's as on 14.07.2011 is as shown below:

| Sl. No. | Implementation status | Objective | Target (No. of offices) | Implemented (No. of offices) |
|---------|-----------------------|--|-------------------------|------------------------------|
| 1 | VAHAN | | | |
| | Phase I | VAHAN Implementation | 14 | 14 |
| | Phase II | VAHAN Implementation | 23 | 23 |
| | Phase III | Implementation of some modules of VAHAN at sub offices | 35 | 2 |
| 2 | SARATHI | SARATHI implementation | 13 | 7 |
| 3 | NPS | Implementation at 11 RTOs | 11 | 11 |

VAHAN Software

VAHAN software was initially introduced at Alwar in May 2005 as pilot site. Even after successful implementation of the software, this software was implemented in remaining 36 offices from October 2009 to March 2010 resulting in delay of period ranging from 52 to 57 months. As seen from the table above, the phase III of 'VAHAN' is yet to be implemented in 33 sub offices.

SARATHI Software

SARATHI software was implemented in seven Offices⁴ from September 2009 to April 2010. However, we noticed (October 2010) that the software was running in four offices⁵. The 'SARATHI' is yet to be implemented in 30 offices and all 35 Sub-Transport offices because of shortage of man power. Further the Department has not been able to implement online application for Learning License as well as in issue of Conductor License.

Reasons for non implementation of 'SARATHI' was called for, the Department stated that this was due to shortage of manpower for which recruitment is under process.

National Permit System

The online NP authorisation work had commenced from September 2010 and the national registers and central server were operationalised on 13.01.2010.

3.8.8.1 Transfer of legacy data

The planning for clubbing the legacy data of registered vehicles and driving licenses in the Department was under progress. The Department stated

⁴ Alwar, Deedwana, Jalore, Kotputali, Pali, Sikar, and Sirohi.

⁵ Alwar, Deedwana, Sikar and Sirohi.

(October 2011) that there was difference in the structure of database of legacy data and 'VAHAN' and 'SARATHI' software data, so they were facing the problem of uploading the old data in the new software.

3.8.8.2 Partial utilisation of the system

The software was designed to automate the management of complete information related to vehicle registration but the Permit module (functioning only at Jagatpura, Jaipur on trial) and Enforcement module was yet to be made operational. The software had not been initiated in 33 Sub-Transport offices.

The Government needs to take effective steps for earliest implementation of both the system in all the regional transport offices for a national registry of registered motor vehicles and driving licences in the interest of national security.

3.8.9 Data Accuracy in 'VAHAN'

Inadequate application controls

In data processing systems, adequate input, processing and output controls need to be designed to ensure data integrity and reliability. On analysis of the database of 4,52,751 registered vehicles of 10 test checked offices, we noticed that:

(a) Input and validation Controls:

- 10,037 cases of registration numbers were without the coding at the beginning of registration number for identification of the State/ Registering Authority. These numbers could not be authenticated without these details.
- There were 994 duplicate entries in the database. Further, there were 181 vehicles which had been registered with duplicate chassis number and 813 vehicles were registered with the duplicate engine numbers. The basic input control check for uniqueness of the engine and chassis number was not present in the system. During discussion with NIC, they informed that this is due to back end entry as there is no check in the back end entries.
- Though the operation dates (date of data entry) were from 17.05.2005 (Alwar) to 11.08.2011 (Barmer) but the year of manufacturing ranged from the year 2014 (Barmer) to 3200 (Alwar) in 27 cases, which was incorrect as the manufacturing date should not be accepted on or after the date of registration of the vehicle. This indicates that the input validation control on these date fields has not been enforced.
- The software had assigned coding between one to 10 and 99 for the norms of pollution but the relevant field in respect of 8,706 vehicles was left blank and at Udaipur 286 vehicles were assigned code as 11 and two vehicles were assigned code as 12 which was incorrect.
- We also noticed that there exists no check in value of certain fields for example:
 - In 100 cases, the laden weight of various types of vehicles exceeded 49,000 kg. Further, the unladen weight of vehicle was either more or equal to laden weight in various type of 31 vehicles.
 - The seating capacity of vehicles was indicated as 81 to 999 in 28 cases, which is not correct.

- During analysis of 4,52,751 records of owner table in respect of the test checked offices, we noticed that certain data fields were kept blank. In 17 cases, chassis number and in 6,414 cases engine numbers were not entered. The seating capacity was not entered in 8,335 cases. Cubic capacity was not entered in 3,279 cases and unladen weight was not entered in 8,612 cases. Further, laden weight was not entered in 1,09,384 cases and shown less than 151 Kg. in 55,474 cases. Further certain fields such as Operation date, Father's name, Address, city, Maker, Model, Manufacturing year, purchase date, receipt number and vehicle category were also left blank.

(b) Registration of two or more vehicles with same insurance cover note.

During analysis of 4,41,744 records, we noticed that in 8,246 cases, same insurance cover note numbers were used for registration of more than one vehicle. Thus, one vehicle one insurance criteria could not be checked. Further in 4,869 cases, cover note numbers were either kept blank or fake numbers were mentioned in the data field. The validity period of insurance was kept blank in 4,696 cases. Entry of a valid insurance cover note number was not made mandatory in the system.

All the above observations indicate deficiency in input controls and absence of supervision. The key fields left blank by the data entry operators need to be made mandatory so that complete database is maintained.

The matter was discussed with the officials of the NIC, they replied that, this is due to back end entry of data, as there is no check in entering the data from back end. The reply is not acceptable as due to this, wrong data is being entered and the same is transferred in the State/National Register.

3.8.10 Mapping of business Rules

3.8.10.1 System design deficiencies

Any system developed has to take into account all the rules and the applicable rates thereof. We noticed following deficiencies in the 'VAHAN'.

- We noticed that in 23 cases, the registration period of non-transport vehicles were shown more than the permissible period of 15 years.
- We noticed that the system charged the penalty on one time tax from the date of purchase instead of allowing grace period of thirty days.

3.8.10.2 Short recovery on allotment of fancy number

As per notification dated 18-8-2007 in reference to rule 4.3 of RMVR 1990, for allotting a specific choice/ fancy registration number in advance for two wheelers and other than two wheelers, an amount of ₹ 1,000 and ₹ 5,000 respectively were to be charged by the Registering Authority.

During the analysis of data of fancy number table, we noticed that the Department had charged ₹ 500 to ₹ 1,000 against the prescribed fee of ₹ 1,000 and ₹ 5,000 in seven cases. This was due to the fact that the rates of fancy numbers were not mapped in the software. This non-mapping of rates resulting in short recovery of fee of ₹ 19,200.

3.8.11 Data safety and security

3.8.11.1 Physical and logical access controls

Logical access controls are tools used for identification authorisation and accountability in computer information systems. They are components that enforce access control measures for systems, programs, processes, and information. Logical access controls can be embedded within operating system, applications, add-on security packages, or database.

It was observed that although each and every operator had different user ID and password, the operators shared their password with each other and in case of unavailability of any one of the operators, the work of that user was done by the other users by utilising his/her password. This informal methodology adopted was fraught with risk of unauthorised entries and also loss of trail for any such entries. Further, no documented password policy specifying the need to change the password periodically was circulated. There was also no restriction on 'logon' attempts to prevent access by unauthorised users. As such, the system was exposed to the risk of unauthorised access and consequent loss/transferring of data.

We also noticed that the system including server, network and switches etc. were freely accessible. Any unauthorised person could easily approach these places after entering the office premises. We noticed that one PC had been stolen from the office of DTO, Barmer.

3.8.11.2 Verification of data

As both client and server are independent DTOs/RTOs, transaction data relating to issue of licenses, permits, collection of taxes etc. has to be forwarded to the TC office for scrutiny. It was, however, noticed that the data was not verified by the TC office, resulting in non-detection of errors and loss of revenue which could have otherwise been restricted/ curtailed through executive instructions and guidelines.

We noticed that the existing internal control mechanism was not effective for reviewing the transaction data by management. There was no system to generate logs for recording actions of users which would provide certain degree of control to the system administrators.

3.8.11.3 Absence of Business Continuity and disaster recovery plan

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

Non formulation of business continuity planning had following impacts:

- Backups were being taken at irregular intervals.
- No backup register was prepared.
- Non-testing of stored backups was being done to check data restoration.

- Non-storing of backup data off site in fire proof cabinets.
- Non-formulation of antivirus policy due to which different freeware were installed on the server posing a threat to the data.
- No Insurance cover for the computer hardware/IT Assets against robbery etc. were taken.

3.8.12 Audit observations relating to 'SARATHI'

3.8.12.1 Input and processing controls

The Department was conducting computerised examination for issue of learner licenses. During test check of database we noticed that questions ranging from one to six were asked for the issue of learning license, based on which the applicant was considered eligible. The Department had not fixed minimum number of questions which were to be asked to an applicant before clearing the eligibility. As a result, the fairness in conducting the exam cannot be checked.

Further during test check of data of 99,717 applicants in 10 selected offices, we noticed that:

- Though 2,862 applicants got less than 60 *per cent* marks but they were declared pass by the software contrary to provision of the rules.
- In 101 cases, the number of questions answered was more than the number of questions posed by the system.

This indicates that the software has not been functioning properly and there was no manual check to control issue of licence to an ineligible applicant.

3.8.12.2 Inadequate application controls

In data processing systems, adequate input, processing and output controls need to be designed to ensure data integrity and reliability. During test check of 1,61,754 data, we noticed inadequacies in application control of the system as mentioned below.

- In 3,030 cases, licenses were issued to the applicants whose age was shown as "Zero".
- In 1,512 cases, transport licenses were issued to the applicants for more than three years.
- In 1,297 cases, non transport licenses were issued to the applicants for less than 20 years, whose age was below 30 years.
- In 853 cases, transport licenses were issued to non qualified applicants who were illiterate, below class 8th or qualification not specified.
- In 435 cases, non transport licenses were renewed for more than five years to the applicants whose age was more than 50 years.
- In 359 cases, non transport licenses were renewed for less than five years to the applicants whose age was more than 50 years.
- In 33 cases, non transport licenses were issued to the applicants for more than 20 years.

This indicates deficiency in input controls. These fields need to be given desired range/ limit so that incorrect or improbable information is not fed in the database. These wrong entries also affected the correctness of the State/National Registers of Licenses issued.

3.8.13 'National Permit System'

Irregular transaction through same ID

The unique transaction identification cannot be generated twice from NIC portal. However we noticed that transporter Sh. Bhagu Bai, deposited ₹ 15,000 on 13 April 2011 by transaction ID 110400249380, at Udaipur city (Rajasthan) for vehicle no. RJ 27 GA 8287. Another transporter M/s PBI India Limited deposited ₹ 15,000 on 28 April 2011 with the same transaction ID (110400249380) at Purani Mandi, Jammu (J&K) for vehicle no. JK 02 AG 7984. This indicated that there were no unique data validation checks in the software.

3.8.14 Other implementation issues

3.8.14.1 Ownership of database

Though the employees of the Department handle entire data entry at the Departmental counters, yet database administration was handled by the NIC. The consolidated data was being captured by NIC authorities and the Transport Department is dependent on NIC for providing the detailed and consolidated data. So the ownership of the data was being held by the NIC instead of the Transport Department.

3.8.14.2 Sharing of the database with other agencies

The information relating to vehicle i.e. registration number, chassis number, vehicle type, engine number etc. contained in server have to be shared with the police Department for initiating action in cases of theft, loss etc. Since the functions of the police Department have also been computerized, the databases of both the Department should be linked to enable the police Department to share critical information in time.

The Department stated (October 2011) that information in this regard was being provided.

3.8.14.3 Management of hardware assets

Non-monitoring of IT assets

The hardware amounting ₹ 8.65 crore was sanctioned by Central Government and State Government for all offices but the details of supply, installation and utilisation/non-utilisation was neither being monitored by TC office nor by the NIC, Jaipur.

3.8.14.4 Non-provision of fire fighting equipment in the server room

It is essential that the computer hardware, software and data are kept under strict fire safety measures. We noticed that there was no fire detection/ fighting equipment to fight any contingency in server room of any test checked office. The Department stated (October 2011) that no separate provisions had been made in this regard.

3.8.14.5 Lack of network infrastructure

For the system to be fully operational, network inter-connectivity among RTO's/DTO's is required, but this networking has not been done. It was observed that the connectivity had not been established in DTOs, Banswara and Dungarpur and RTO, Kota. There were constant disturbance in the network lines at RTO, Pali, which resulted in problems related with backup and updation of the software. Further, tax collection centres have not been connected with the TC/RTO's.

Due to non connectivity and disturbance in network lines, the national register and state register were not showing correct and updated information.

3.8.14.6 Short/excess recovery of tax, penalty and fine

The MV Act and Rules provides that tax, penalty and fine has to be paid by every owner/defaulters. During the test check of five offices, we noticed that there was short recovery of ₹ 2.02 lakh in 50 cases and excess recovery of ₹ 0.84 lakh in 19 cases of tax, penalty and fine.

3.8.15 Other points of interest

3.8.15.1 Inadequate training of personnel and non development of technical expertise within the Department

The 'VAHAN' and 'SARATHI' software system's front desk operation is to be directly handled by the Regional Transport Office personnel. The system is also to be implemented and maintained by the Regional Transport Office staff with the support of the NIC. During test check of offices, we noticed that the staff and officers posted at Alwar, Pali, Jalore, Sirohi, Barmer, Dholpur, Sikar, Deedwana, Kotputali and Udaipur were neither trained nor provided user manuals by TC office, as a result, the staff was facing problems with the operating software.

Any IT system though initially developed/implemented through outsourcing has to be invariably taken over by the Department eventually, by developing expertise within the Department. The data captured through 'VAHAN' is very critical since it involves personal data relating to the vehicle owners, insurance details besides revenue particulars and Demand Collection and Balance Statement.

Though the employees of the Department handle entire data entry at the Departmental counters, yet database administration was handled by the NIC. We noticed that efforts were not made to develop expertise within the Department to handle the database administration function.

The Department stated (October 2011) that training to the staff/officers (concerned to registration branch) for 'VAHAN' had been provided and NIC has been requested for providing the user manual.

3.8.15.2 Delay in transfer of state share

As per guidelines, the State Transport Commissioner/Principal Secretary (Transport) after compiling the state-wise information send the same through

e-mail to the Ministry by 5th of every month. It was stated that this would facilitate early distribution of funds to the States. On verification of the information received from States/Union Territory and MIS from State Bank of India, funds were to be released by the Ministry through Reserve Bank of India, Nagpur on a monthly basis.

We noticed that there was a delay of 93 days for receiving the State share from the Reserve Bank of India for the month of July 2010.

3.8.16 Internal Audit

During the test check of selected offices we noticed that though 'VAHAN' was implemented in the year 2005 (Alwar) itself and was functional in all field offices, yet internal audit was not conducted to get an assurance on the working of the computerised system.

3.8.17 Conclusion

The objective of Computerisation of the Transport Department was aimed at imparting better, efficient and timely service to the users and plugging revenue leakage. However, it was observed that completeness, accuracy and integrity of data entered and processed were not ensured due to deficient application controls coupled with weak supervisory controls. This adversely impacted the correctness and completeness of the National/State Register of Vehicles and Licenses. Several components of the modules were not in operation and software deficiencies were found which necessitated manual intervention for rectification, thereby rendering the system unreliable. Thus, the objectives of implementing 'VAHAN' and 'SARATHI' for better citizen services, improving working of RTOs and enforcement agencies, an efficient and transparent revenue collection, etc. are yet to be fully achieved.

3.8.18 Recommendations

The Government/Transport Department may consider implementing the following recommendations to rectify the deficiencies and improve the system:

- **take immediate measures to fully implement 'VAHAN' and 'SARATHI' system across the State;**
- **strengthen the input and validation control features to ensure that incorrect and incomplete data are not fed into the system;**
- **undertake training of staff and formulate IT Security Policy, Back up Policy, change management procedure and password policy so that the responsibility/accountability of staff be fixed and audit trail maintained for transaction;**
- **there should be check in the system to block the re-entry of the same number;**
- **investigate and rectify all inaccurate/improbable data and system deficiencies in collaboration with NIC;**
- **ensure clubbing of legacy data of registered vehicles and driving licenses with 'VAHAN' and 'SARATHI' on priority; and**
- **cleanse the National/State Registers of incorrect/ incomplete data.**

3.9 Other compliance Audit observations

During test check of the records of the Transport Department, we noticed several cases of non-levy of tax, fee and penalty. Some of these omissions were pointed out in earlier years but not only the irregularities persist, these remain undetected till an audit is conducted. These cases are illustrative and are based on a test-check carried out by us. We observed that no system existed in the Department to monitor proper maintenance of tax ledgers of registered vehicles to ensure the recovery of tax, fee and other charges. Besides, no return was prescribed to show the number of vehicles from which tax was due but not received. There is need to improve the internal control system including strengthening of internal audit and putting in place a monitoring mechanism by way of periodical returns to ensure collection of tax fee, etc.

3.10 Non-compliance of provisions of the Acts/Rules

The provisions of RMVT Act and Rules provide, inter alia, for:

- (i) Levy and collection of tax on all motor vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time;*
- (ii) levy of one time tax on non-transport vehicles at the rates prescribed by Government from time to time; and*
- (iii) levy of lump-sum tax on all transport vehicles at the rates prescribed and levy of penalty for default in payment.*

During test-check of the records, we noticed that Departmental authorities did not observe some of the above provisions in cases mentioned in paragraphs 3.10.1 to 3.10.4. This resulted in non-realisation of revenue of ₹ 16.72 crore.

3.10.1 Taxes on motor vehicles not realised

Under Section 4 of the RMVT Act, 1951 and the rules made thereunder, motor vehicle tax is to be levied and collected on all motor vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time. Further, under section 6 of the Act *ibid*, penalty is leviable on belated payment of tax.

During test check of the registration records, tax ledgers and general index registers of 20 Regional Transport Offices (RTOs) and District Transport Offices (DTOs) for the period 2009-10, we noticed (between June 2010 and March 2011) that motor vehicle tax and special road tax in respect of 4,946 vehicles for the period between April 2006 and March 2010 were not paid by the owners of these vehicles. There was nothing on record to show that the vehicles were off the road or were transferred to any other District/State. This resulted in non-realisation of tax amounting to ₹ 15.73 crore as mentioned below. Besides the tax, penalty is

also leviable till date of actual payment of tax:

| Sl. No. | Category of vehicles | No. of vehicles | Period of tax | Amount (₹ in crore) | Name of offices |
|--------------|---|-----------------|----------------------------|---------------------|--|
| 1. | Goods vehicles | 1,884 | April 2007 to March 2010 | 3.32 | RTOs Ajmer, Alwar, Bikaner, Chittorgarh, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs Bharatpur, Bhilwara, Hanumangarh, Jaipur (goods vehicles), Jhalawar, Jhunjhunu, Kotputli, Nagaur, Sriganganagar and Tonk. |
| 2. | Contract carriages (seating capacity upto 13 persons excluding driver) | 1,456 | April 2006 to March 2010 | 3.28 | RTOs Ajmer, Alwar, Bikaner, Chittorgarh, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs, Bharatpur, Bhilwara, Hanumangarh, Jhalawar, Jhunjhunu, Kotputli, Nagaur, Sriganganagar and Tonk. |
| 3. | Contract carriages (seating capacity more than 13 persons excluding driver) | 174 | April 2006 to March 2010 | 3.60 | RTOs Ajmer, Bikaner, Chittorgarh, Dausa, Jodhpur, Pali, Sikar and Udaipur; DTO Jhunjhunu. |
| 4. | Stage carriages | 235 | April 2008 to March 2010 | 1.02 | RTOs Alwar, Jodhpur, Sikar and Udaipur; DTOs Jhalawar, Jhunjhunu, Nagaur and Sriganganagar. |
| 5. | Articulated goods vehicles | 502 | April 2007 to March 2010 | 1.82 | RTOs Ajmer, Bikaner, Chittorgarh, Dausa, Jodhpur, Sikar and Udaipur; DTOs Bharatpur, Bhilwara, Jaipur (goods vehicles), Jhunjhunu, Kotputli, Nagaur, Sriganganagar and Tonk. |
| 6. | Passenger vehicles kept without permits | 174 | April 2007 to March 2010 | 1.17 | RTOs Ajmer, Alwar, Bikaner, Kota and Udaipur, DTOs Hanumangarh, Jhunjhunu, Kotputli, Nagaur and Sriganganagar. |
| 7. | Dumpers/ tippers | 464 | April 2007 to March 2010 | 1.23 | RTOs Ajmer, Alwar, Bikaner, Dausa, Jodhpur, Kota, Sikar and Udaipur; DTOs Bharatpur, Bhilwara, Jaipur (goods vehicles), Jhalawar, Jhunjhunu and Nagaur. |
| 8. | Private service vehicles | 57 | October 2006 to March 2010 | 0.29 | RTO's Bikaner and Udaipur. |
| Total | | 4,946 | | 15.73 | |

Similar cases of non/short recovery of taxes on motor vehicles ₹ 13.94 crore were also included as paragraph no. 3.8.1 in the Report of the Comptroller and Auditor General of India (Revenue Receipts) Government of Rajasthan for the

year 2009-10. The Department had accepted the audit observations and ₹ 5.32 crore had been recovered upto December 2011.

In terms of provisions of paragraph 5.7.10 of the Departmental Manual, the Department is required to issue demand notice in cases of vehicles where the tax has not been deposited/short deposited. Such demand notices were required to be entered in Demand and Collection Register. Further, in cases of vehicles where tax has not been paid, the list of such vehicles with route details along with tax due is required to be intimated to the enforcement branch for their recovery. Furthermore, in respect of vehicles where current/arrears of tax has not been deposited and these vehicles are not in use, action to recover the arrears from the movable/immovable property of vehicle owners is required to be taken.

When we pointed out this (between July 2010 and March 2011), the Government stated (September 2011) that in respect of 1161 vehicles ₹ 2.72 crore had been recovered.

3.10.2 Short realisation of lump sum tax in respect of transport vehicles

Under section 4-C of the RMVT Act, 1951, a lump sum tax on all transport vehicles was to be levied at the rates prescribed by notification from time to time by the State Government. The lump sum tax could be paid in full or in three equal instalments within a period of one year. Further, under section 6 of the Act *ibid*, penalty was leviable on late payment of tax.

(i) During test check of the registration records and tax ledgers of three RTOs⁶ for the years 2009-10, we noticed (between July 2010 and February 2011) that in respect of 112 transport vehicles, in which option of payment of lump-sum tax in three equal instalments was given between March 2006 and September 2009, the owners of these

vehicles did not pay the balance one or two instalments. The taxation officers did not initiate any action to realise the amount of tax due. This resulted in non-realisation of lump sum tax amounting to ₹ 26.21 lakh. Besides the tax, penalty is also leviable till date of actual payment of tax.

When we pointed out this (between August 2010 and March 2011), the Government stated (November 2011) that in respect of 47 vehicles ₹ 9.34 lakh had been recovered.

(ii) During test check of the registration records and tax ledgers of the RTO, Pali for the year 2009-10, we noticed (December 2010) that in respect of 74 transport vehicles, the taxation officer had computed lump sum tax at lower rate. This resulted in short realisation of lump sum tax amounting to ₹ 16.25 lakh.

When we pointed out this (January 2011), the Government stated (November 2011) that in respect of 27 vehicles ₹ 5.55 lakh had been recovered.

⁶ Dausa, Jodhpur and Pali.

3.10.3 Short levy of one time tax in respect of non-transport vehicles

By issue of notification dated 27.3.2006 under section 4(1) (b) of the RMVT Act, 1951, the State Government prescribed the rates of one time tax to be levied on non-transport vehicles. Further, under section 6 of the Act *ibid*, penalty was leviable on late payment of tax.

During test check of the registration records and tax ledgers of the DTO, Nagaur for the year 2009-10, we noticed (November 2010) that in respect of 45 non-transport vehicles, one time tax was calculated on lesser cost of vehicles due to non-inclusion of VAT and/or lower rate of tax by taxation officer. This resulted in non-realisation of one time tax amounting to ₹ 6.89 lakh.

When we pointed out this (December 2010), the Government stated (November 2011) that in respect of 4 vehicles ₹ 0.39 lakh had been recovered.

3.10.4 Temporary embezzlement and loss of interest due to lack of financial control and monitoring

Rule 5, 7, 45(4) and 170 of the General Financial & Accounts Rules envisage that all money received on behalf of the Government shall be brought in Government accounts without delay. The Administrative Department and Controlling officer are to see whether all the dues of the Government are correctly and promptly assessed, collected, accounted for and paid into the treasury. The unspent outstanding balances, if any, shall be recovered directly, without making any reference to Government servant from his salary, with interest at 18 *per cent* per annum. Proper account of receipt books received, issued, used and their balance shall be kept.

The Transport Commissioner vide office orders dated 9.10.2002 and 23.10.2002 prescribed period for remittance of money in Government account collected by the office, flying squad or tax collection centres as under:

| Government money collected by | Prescribed period for remittance of money |
|---|--|
| Office | Next day of money received |
| Flying squad and tax collection centres | (i) Upto ₹ 1 lakh: once in a week (ii) More than ₹ 1 lakh: as soon as money received. |

During test-check of the cash books, receipt books and cash/bank revenue collection registers of the RTO, Jodhpur for the year 2009-10, we observed (February and March 2011) following irregularities:

- In sub office, Phalodi and Pipad, entries of cash book were not checked and verified by competent authority. Physical verification of the cash was never carried out by the head of office.
- Entries of cash book, revenue collection register and general index register of vehicles were not verified by the concerned Accountant and Head of office with receipt books/challans submitted by the field staff. In absence of which, we could not ascertain the correctness of various records maintained in this regard.

- Out of tax collected ₹ 18.27 crore (between January 2008 and March 2010) by the flying squads and tax collection centres, ₹ 16.90 crore were deposited late. The delay ranged from one day to 424 days. This resulted in temporary embezzlement of cash as well as loss of interest ₹ 49.65 lakh⁷.

Thus, due to improper accounting of receipt books, irregular maintenance of cash book, lack of physical verification of cash, insufficient supervisory checks and non-observance of prescribed procedure resulted in facilitating temporary embezzlement of the Government money and loss of interest ₹ 49.65 lakh.

When we pointed out this (March 2011), the Government intimated (November 2011) that regular verification of cash book, proper maintenance of revenue collection register and checking thereof by Accountant and other officer has been started.

⁷ Calculated @ 18 per cent per annum.