

CHAPTER IV

EXECUTIVE SUMMARY

Substantial increase in tax collection	In 2010-11, the collection of taxes from motor vehicles increased by 29.89 <i>per cent</i> over the previous year which was attributed by the Department to increase in registration of vehicles and upward trend of prices of vehicles.
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Internal audit not conducted	During the year 2010-11, the Department planned to audit units pending for internal audit upto 2006-07. However, Department did not furnish the details of units audited during the year 2010-11. Pendency of units to be audited was very high and as such, the very purpose of internal audit was defeated. This result had its impact in terms of the weak internal controls in the Department leading to substantial leakage of revenue. It also led to the omissions on the part of the Regional Transport Officers remaining undetected till we conducted our audit.
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Very 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 Rs. 337.63 crore in 20 paragraphs. Of these, the Department/Government accepted audit observations in 19 paragraphs involving ₹ 82.07 crore but recovered only ₹ 14.18 crore in 16 paragraphs. The recovery position as compared to accepted objections was very low (17.28 <i>per cent</i> of the accepted money value)
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Results of audit conducted by us in 2010-11	In 2010-11, we test checked the records of offices of Commissioner of Transport, Regional Transport and Assistant Regional Transport Offices in the State and noticed under assessment of tax and other irregularities involving ₹ 262.30 crore in 153 cases.
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During the course of the year, the Department accepted underassessment and other irregularities of ₹ 490.12 crore in 37 cases, of which 13 cases involving ₹ 236.26 crore were pointed out in audit during the year 2010-11 and the rest in earlier years. An amount of ₹ 1.53 crore was realised in 32 cases during the year 2010-11.

What we have highlighted in this Chapter	A Performance Audit on “ Computerisation of Motor Vehicles Department ” revealed the following:
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- VAHAN application for registration of vehicles was implemented in all 26 RTOs of the State since March 2008. State consolidated Register was in place. However, tax module relating to registration of the specially designed vehicles falling under non-transport category and transport vehicles were not designed in the system.
 - Out of four modules (Registration, Taxes, and Fitness & Enforcement) meant for vehicles, the Fitness Module and Enforcement Modules were not implemented in any of the RTOs/ARTOs. Further, the module relating to tax has been implemented only for the non-transport vehicles. This module was not implemented for transport vehicles.
 - Out of 34 fields prescribed for registration of motor vehicles in ‘Form 20’ under Central Motor Vehicles Rules, 1989, five fields were not mapped in the system.
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- The system lacked necessary controls/checks to avoid wrong input in many crucial fields. We found that in 4684 of registered vehicles, the chassis numbers or engine numbers entered in Inspection Memos table did not match with the chassis numbers or engine numbers entered in registration records.
 - We found that fuel of 145 cars was changed from Petrol to CNG/LPG, but neither the fee collected nor the changes made in vehicles were incorporated in the system.
 - We found that out of 1.45 lakh vehicles entered in the system, PAN was left blank in 1.13 lakh entries and in 694 cases, the PAN entered was shown as 000000, NO, etc. i.e. an invalid number of alphabet.
 - We noticed that in 1766 cases, there were duplicate insurance cover notes, in 48 cases the insurance cover note details were blank and in 132 cases, the insurance cover notes were invalid. (e.g. 00000000, 0, NEW, etc).
 - We found penalty column lacked necessary validity controls. A minus amount could be entered in the penalty column and accordingly, a receipt of negative amount could also be generated. The system was therefore, vulnerable to generate receipt in minus amount.
 - SARATHI Application for driving licences was partially implemented as the module meant for issue of driving school licence, conductor licence and enforcement modules have not been implemented so far.
 - Driving licences were issued with incomplete details due to inadequate space in *Sarathi* system as the card had space for only four categories of driving licences.

Test check of records relating to assessment and collection of motor vehicles tax in the Commissioner of Transport, Regional Transport and Assistant Regional Transport Offices revealed the following:

- Operators of 2633 omnibuses, who kept their vehicles for use exclusively as contract carriage and 2272 vehicles used for transport of goods, had neither paid tax nor filed non-use declarations for various periods between 2007-08 and 2009-10. The Departmental officials failed to issue demand notices and initiate recovery action prescribed in the Act. This resulted in non-realisation of motor vehicles tax of ₹ 21.47 crore including interest of ₹ 2.14 crore and penalty of ₹ 2.68 crore.
 - In case of two fleet owners (Gujarat State Road Transport Corporation and Ahmedabad Municipal Transport Service), passenger tax of ₹ 363.77 crore was not levied. Besides, interest and penalty was also leviable.
 - In case of two fleet owners (Gujarat State Road Transport Corporation and Ahmedabad Municipal Transport Service), motor vehicle tax, interest and penalty of ₹ 10.94 crore was not levied.
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- In 20 cases of imported vehicles, lump sum tax of ₹ 15.61 lakh including interest and penalty was short levied.
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Recommendations

The Government may consider implementing the following recommendations to rectify the deficiencies and improve the *Vahan* and *Sarathi* systems.

- May take immediate measures to implement all the remaining modules in *Vahan* and *Sarathi* system so as to make the State Register/National Register complete in all respect.
 - May take immediate steps to appoint new members in place of retired members to plan and implement the (*Vahan* and *Sarathi*) system within a fixed time frame.
 - May take corrective measures to remove the deficiencies in the system (*Vahan* and *Sarathi*).
 - May take corrective measures to update the website of the Department on regular basis.
 - May take necessary steps to recover the electricity and other dues from the contractor.
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CHAPTER-IV TAXES ON VEHICLES

4.1 Tax administration

The State Commissioner of Transport (CoT) heads the Gujarat Motor Vehicles Department (GMVD) under the administrative control of the Additional Chief Secretary to the Government of Gujarat in the Ports and Transport Department. He is assisted by a Joint Commissioner and 82 officials at GMVD head office. There are 26 Regional Transport Offices (RTO). There are 10 permanent check posts³⁸ and three internal check-posts³⁹ working under 10 RTOs.

4.2 Analysis of budget preparation

The budget estimates are prepared on the basis of guidelines issued by Finance Department. The elements considered for the preparation of budget estimates were (i) actual receipts of last eight months of previous year and (ii) actual receipts of first four months of the current year.

4.3 Trend of receipts

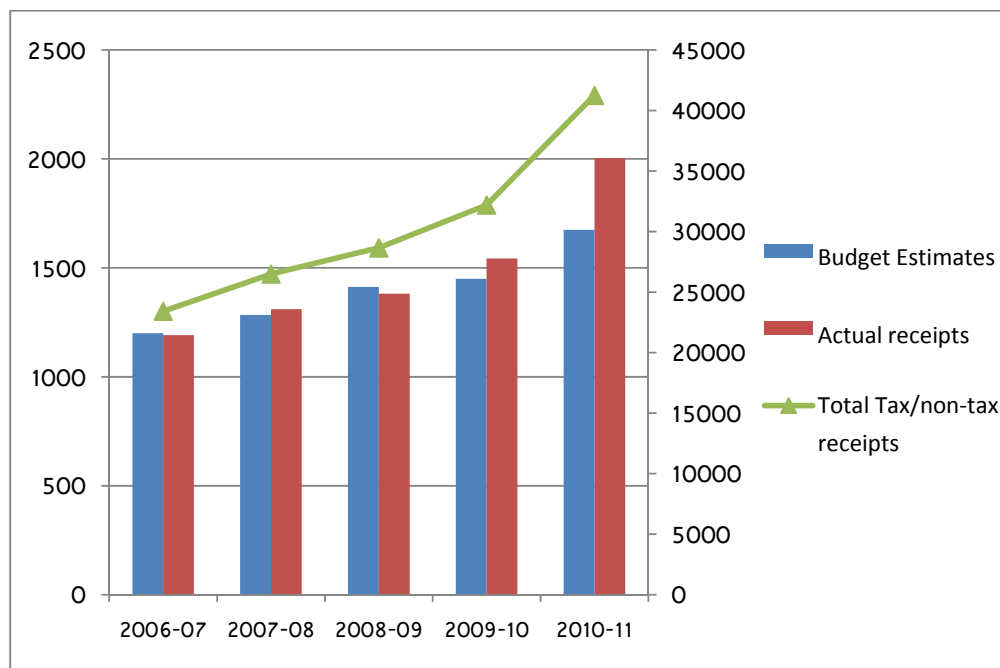
Actual receipts from Motor Vehicle Tax during the last five years from 2006-07 to 2010-11 along with the total tax/non-tax receipts during the same period are exhibited in the following table and graph.

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a vis total tax/non-tax receipts
2006-07	1,200.00	1,191.15	(-) 8.85	(-) 0.74	23,413.41	5.09
2007-08	1,284.00	1,310.09	(+) 26.09	(+) 2.03	26,494.88	4.94
2008-09	1,412.40	1,381.66	(-) 30.74	(-) 2.18	28,656.35	4.82
2009-10	1,450.00	1,542.64	(+) 92.64	(+) 6.39	32,191.94	4.79
2010-11	1,675.00	2,003.68	(+) 328.68	(+) 19.62	41,253.65	4.86

³⁸ Ambaji, Amirgarh, Bhilad, Dahod, Deesa, Shamlaji, Songarh, Tharad, Waghai and Zalod.

³⁹ Budhel (Bhavnagar), Khavdi (Jamnagar) and Samkhiyali (Bhuj).



The Department attributed the reasons for variation between budget estimates and actual receipts during 2010-11 to the increase in registration of vehicles and upward trend of prices of the vehicles. Though there was increase in actual receipts for the period 2006-07 to 2010-11, the actual receipts *vis-a-vis* total tax/non-tax receipts declined from 5.09 per cent to 4.86 per cent.

4.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 123.23 crore of which ₹ 49.36 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

(₹ in crore)			
Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2006-07	58.11	22.15	89.54
2007-08	89.54	59.73	75.73
2008-09	75.73	24.66	80.07
2009-10	80.07	26.36	96.06
2010-11	96.06	88.55	123.23

The above table indicates that arrears of revenue increased from ₹ 58.11 crore to ₹ 123.23 crore during the period of five years. **The Department needs to take strict action against the defaulters for reduction of arrears.**

4.5 Cost of collection

The gross collection in respect of receipts of taxes on vehicles and taxes on goods and passengers, expenditure incurred on its collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 alongwith the relevant all India average percentage of expenditure on collection to gross collection for the preceding years are mentioned in the following table:

(₹ in crore)

Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of cost of collection for the preceding year
Taxes on vehicles and taxes on goods and passengers	2008-09	1,551.01	43.43	2.80	2.58
	2009-10	1,549.54	54.79	3.54	2.93
	2010-11	2,010.06	76.17	3.79	3.07

Thus the cost of collection during all the three years remained above the all India average percentage.

4.6 Impact of Audit Reports - Revenue impact

During the last five years, audit through its audit reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 337.63 crore in 20 paragraphs. Of these, the Department/Government had accepted audit observations in 19 paragraphs involving ₹ 82.07 crore and had since recovered ₹ 14.18 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No	Amount	No	Amount	No	Amount
2005-06	5	17.80	5	10.98	5	2.58
2006-07	2	9.10	2	8.95	2	1.33
2007-08	1	83.08	1	36.56	1	7.37
2008-09	4	6.29	4	6.29	4	1.39
2009-10	8	221.36	7	19.29	4	1.51
Total	20	337.63	19	82.07	16	14.18

The above table indicates that recovery in accepted cases was very low (17.28 per cent of the accepted money value).

The Government may take suitable measures for speedy recovery.

4.7 Working of internal audit wing

The department has internal audit wing with a sanctioned strength of three parties consisting of one senior auditor and one sub-auditor in each party. During the year 2010-11, the department planned to audit units pending for internal audit upto 2006-07. However, department did not furnish the details of units audited during the year 2010-11. Pendency of units to be audited was very high and as such, the very purpose of internal audit was defeated.

4.8 Results of audit

We test checked the records of offices of Commissioner of Transport, Regional Transport and Assistant Regional Transport Offices in the State during the year 2010-11 and noticed under assessment of tax and other irregularities involving ₹ 262.30 crore in 153 cases, which fall under the following categories:

(₹ in crore)

Sr. No.	Category	No. of cases	Amount
1.	Computerisation in Motor Vehicles Department (A Performance Audit)	1	0.00
2.	Non/short levy of motor vehicle tax	70	16.08
3.	Other irregularities	76	5.45
4.	Passenger tax/MVT	6	240.77
	Total	153	262.30

During the course of the year, the Department accepted underassessment and other irregularities of ₹ 490.12 crore in 37 cases, of which 13 cases involving ₹ 236.26 crore were pointed out in audit during the year 2010-11 and the rest in earlier years. An amount of ₹ 1.53 crore was realised in 32 cases during the year 2010-11.

A Performance Audit on “**Computerisation in Motor Vehicles Department**” and few illustrative audit observations involving ₹ 49.77 crore are mentioned in the succeeding paragraphs.

4.9 A Performance Audit on “Computerisation in Motor Vehicle Department”

Highlights

VAHAN application for registration of vehicles was implemented in all 26 RTOs of the State since March 2008. State consolidated Register was in place. However, tax module relating to registration of the specially designed vehicles falling under non-transport category and transport vehicles were not designed in the system.

(Paragraph 4.9.7.1)

Out of four modules (Registration, Taxes, Fitness and Enforcement) meant for vehicles, the Fitness Module and Enforcement Modules were not implemented in any of the RTOs/ARTOs. Further, the module relating to tax has been implemented only for the non-transport vehicles. This module was not implemented for transport vehicles.

(Paragraph 4.9.7.2)

Out of 34 fields prescribed for registration of motor vehicles in ‘Form 20’ under Central Motor Vehicles Rules, 1989, five fields were not mapped in the system.

(Paragraph 4.9.8.1)

The system lacked necessary controls/checks to avoid wrong input in many crucial fields. We found that in 4684 of registered vehicles, the chassis numbers or engine numbers entered in Inspection Memos table did not match with the chassis numbers or engine numbers entered in registration records.

(Paragraph 4.9.9.1)

We found that fuel of 145 cars was changed from Petrol to CNG/LPG, but neither the fee collected nor the changes made in vehicles were incorporated in the system.

(Paragraph 4.9.9.3)

We found that out of 1.45 lakh vehicles entered in the system, PAN was left blank in 1.13 lakh entries and in 694 cases, the PAN entered was shown as 000000, NO, etc. i.e. an invalid number of alphabet.

(Paragraph 4.9.10.1)

We noticed that in 1766 cases, there were duplicate insurance cover notes, in 48 cases the insurance cover note details were blank and in 132 cases, the insurance cover notes were invalid. (e.g. 00000000, 0, NEW, etc).

(Paragraph 4.9.10.2)

We found penalty column lacked necessary validity controls. A minus amount could be entered in the penalty column and accordingly, a receipt of negative amount could also be generated. The system was therefore, vulnerable to generate receipt in minus amount.

(Paragraph 4.9.10.3)

SARATHI Application for driving licences was partially implemented as the module meant for issue of driving school licence, conductor licence and enforcement modules have not been implemented so far.

(Paragraph 4.9.11.1)

Driving licences were issued with incomplete details due to inadequate space in *Sarathi* system as the card had space for only four categories of driving licences.

(Paragraph 4.9.13.2)

4.9.1 Introduction

The Gujarat Motor Vehicles Department (GMVD) is governed by the Motor Vehicles (MV) Act, 1988, the Central Motor Vehicles Rules, 1989, the Bombay Motor Vehicles Tax Act, 1958 (BMVT Act), the Bombay Motor Vehicles Tax Rules, 1959 (BMVT Rules) and the Gujarat Motor Vehicles Rules, 1989. The Department is primarily responsible for compliance of the provisions of the Acts and the Rules framed there under which inter alia includes the collection of taxes and fees, issuance of driving licences, certificate of fitness to transport vehicles, registration of motor vehicles and granting regular and temporary permits to the vehicles.

The Government of India, in order to have a national registry of registered vehicles and driving licences issued and for providing valuable data for the centre and security agencies, asked all the State Governments in the year 2001 to implement the 'Vahan' and 'Sarathi' software systems developed by the National Informatics Centre (NIC). In this connection, 50 servers, 253 Desktop, 125 printers and other accessories were provided during February 2010 by NIC to the Department for implementation of *Vahan* system. All these 50 servers were installed at the 26 RTOs/ARTOs.

The *Sarathi* and *Vahan* software were supplied to the Department by NIC in November 2006 and March 2008 respectively after customising it in accordance with the requirement of the Department. In the *Vahan* system, necessary modifications relating to tax structure for Motor Vehicles prevalent in Gujarat were made as per the specific request by the Department from time to time. The *Sarathi* system for driving licence was implemented in November, 2006. The GMVD started the *Vahan* Software for vehicles registration on pilot basis only in March, 2008.

The Department has registered 1.30 crore vehicles till March 2011, out of which 14.25 lakhs vehicles were entered into *Vahan* system. The work of digitization of old records is under process. The Department issued 8.51 lakh driving licences through *Sarathi* system till March 2011. The old legacy data of 77.73 lakh licences issued under old computerised system were also ported to *Sarathi* system so that the same can be used in *Sarathi* as and when required.

4.9.2 Organisational set-up

The State Commissioner of Transport heads the GMVD. The Commissioner of Transport is under the administrative control of the Additional Chief Secretary, Ports and Transport Department, Government of Gujarat. The Commissioner is assisted by a Joint Director and a total staff of 109 gazetted and 1020 non-gazetted officials. There are 26 Regional Transport Offices/Assistant Regional Transport Offices and two Inspector offices for as many districts in Gujarat except Dang.

4.9.3 Audit Objectives

The review was conducted with a view to assess whether:

- There was full fledged Committee for implementation of the plan relating to system (VAHAN & SARATHI) and the Committee formed by the State had held regular meetings or not.
- Local applications for vehicle registration and private licences developed and implemented by the States, to the extent they differ from the structure of *Vahan* and *Sarathi*;
- Computerised systems implemented were complete (module wise) and correctness and completeness of the data captured by the RTO offices;
- Connectivity systems established between RTOs in the State for the creation of State Registers of vehicles and licences and National Registers and central servers were put in place towards achievement of above stated objectives;
- The computerised National Permit system was implemented as planned for and project objectives were achieved;
- Reliable general and security controls were in place to ensure data security and audit trail besides back up of data for loss of data due to crash systems and to have an overall assurance of the functioning of the computerised systems for the stated objectives;
- Internal control mechanism was in place at the Ministry and State level to monitor the implementation of the projects.

4.9.4 Audit Scope and Methodology

We analysed the records/data in the office of the Commissioner of Transport, Gandhinagar and field offices for the period from April, 2009 to March, 2011. Data analysis was done by using 'IDEA' software on data obtained from Commissioner of Transport, Gandhinagar and application controls were also analysed. In case of registration of vehicles through *Vahan* system, we analysed entire data of 5.55 lakh vehicles of Regional Transport Office, Ahmedabad, Nadiad, Rajkot and Assistant Regional Transport Office, Anand which were entered during the period April, 2009 to March, 2011.

4.9.5 Acknowledgement

Indian Audit & Accounts Department acknowledges the co-operation of the Commissioner of Transport office in providing necessary information and records for audit. An entry conference was held on 24th August 2011 in which scope and methodology of audit was explained to the Department/Government. The Commissioner of Transport, Officer on Special Duty and Administrator attended the meeting. Audit findings of the review were reported to the Government in October 2011. The report was discussed with the Department in the exit conference held in November 2011. The replies furnished by the Department have been considered and appropriately incorporated in the review.

Audit findings

4.9.6 Absence of a proper planning for implementing the system of computerisation

The main objective of *Vahan* and *Sarathi* was to have a uniform format and standardised software for issue of registration certificates by the transport departments of all the States and to have a national registry of registered motor vehicles and driving licences. It was planned to implement the system fully in all the States during the Tenth Plan (2002-2007). The final date was extended up to 31 March 2008.

A formal Committee was formed by the State (2004) for implementation of *Vahan & Sarathi* consisting of members of Commissioner's Office and NIC. However, it was noticed that no regular meetings were held and new members were not appointed in place of members who retired from the Committee. We found that there was no full fledged Committee to plan and implement the system (*Vahan & Sarathi*) and as such modules were partially implemented.

After this was pointed out the CoT agreed (November 2011) in the exit conference to reconstitute the committee.

4.9.7 Deficiencies noticed in planning and implementation of VAHAN

In data processing systems, adequate input processing and output controls need to be designed to ensure data integrity and eligibility. Analysis of data of 5.55 lakh vehicles entered in *Vahan* system in Regional Transport Office, Ahmedabad, Nadiad, Rajkot and Assistant Regional Transport Office, Anand from April, 2009 to March, 2011 revealed a number of deficiencies mentioned in the following paragraphs:

4.9.7.1 Incomplete State Register/National register of vehicles due to non-registration of specially designed vehicles

The *Vahan* software was designed to capture all the transactions⁴⁰ relating to vehicles. The main objective of the system was to have a uniform format and standardised software for issue of registration certificates by the transport departments of all the States and to have a national registry of registered motor vehicles. The work of registration of vehicles under *Vahan* system is done by the departmental officials.

The Gujarat Motor Vehicles Department introduced '*Vahan*' system in March, 2008 for registration of non-transport vehicles only in Ahmedabad on pilot basis. The same was later implemented in all 26 RTOs across Gujarat. However, tax module relating to registration of the specially designed vehicles⁴¹ falling under non-transport category and transport vehicles (about 14 per cent of total vehicle population) were not designed in the system. Thus, database was not complete to that extent. The State Register/National register of vehicles were not complete due to partial implementation of *Vahan* system.

The CoT stated (November 2011) that module for registration of specially designed vehicles has now been finalised and it would be implemented soon. Regarding audit observation that module relating to tax has not been implemented for transport vehicles, CoT stated that delay has occurred due to non-finalisation of module relating to tax structure. Once tax module is finalised, they would implement the module within few months.

4.9.7.2 Non-implementation of the fitness and enforcement modules

Out of four modules (Registration, Taxes, Fitness & Enforcement) meant for vehicles, the Fitness Module and Enforcement Modules were not implemented in any of the RTOs/ARTOs. Further, the module relating to tax has been implemented only for the non-transport vehicles. This module was not implemented for transport vehicles.

4.9.8 Mapping of Business rules

4.9.8.1 Non-mapping of business rules

Out of 34 fields prescribed for registration of motor vehicles in 'Form 20' under Central Motor Vehicles Rules, 1989, five fields were not mapped in the system which are as under:-

⁴⁰ Registration of New Vehicle/Other State Vehicle/Temporarily Registered Vehicle/Consulate Vehicle, Addition/Removal/Continuation of Hypothecation in Registration Certificate, Change of Address/Transfer of Owner in Registration Certificate, Vehicle Alteration, Issue of NOC, Renewal of Registration for Private Vehicle, etc.

⁴¹ Mobile canteen, cranes, library van, work shop, clinic, tree trimming vehicles, vehicles fitted with compressor, generators, drilling rigs, road water sprinklers, haulage vehicles, X-Ray van, cash van, tower wagons, fork lifts and comper van.

Sl. No.	Column No. of Form 20	Name of the fields
1	2	Age of the person to be registered as registered owner
2	5	Duration of stay at the present address
3	7	Place of birth
4	8	If place of birth is outside India, when migrated to India
5	9	Declaration of citizenship by status

Since the data are meant to be utilised at the State and Central level in future for cross verification at various ends, its non-mapping renders the data incomplete to that extent.

The CoT stated (November 2011) that information in these five fields are not vital and therefore not mapped in the system.

4.9.8.2 Non-mapping of provision for calculation of differential amount of tax

The rate of road tax for individual owner is 6 *per cent* of sale amount and in case of Company/Firms; it is 12 *per cent* of sale amount of the vehicle. Thus, whenever there is change in ownership from individual to Company/Firm, the differential tax is required to be calculated and recovered from the new owner of the vehicle.

We found that the VAHAN system did not have a provision to calculate and record the receipt of differential tax at the time of change in the name of the owner in the system. The calculation and receipt of the differential tax is being done manually.

4.9.8.3 Deficiency in the system of collection for differential tax collected manually

In case of temporary breakdown of the system or for any other reasons hand written receipts are issued in token of tax received. These receipts were later required to be entered in the system to update the records and rule out misappropriation of receipts due to loose controls etc. Further, any alteration made in the vehicles was also required to be incorporated in the VAHAN system.

Data analysis of non-transport vehicles (cars) registered at RTO, Ahmedabad during the period from 1-4-2009 to 31-3-2011, revealed that 22 vehicles were transferred in the name of company/firms from individuals and the tax was collected manually. On cross verification from receipt books, it was found that though the name of owner was changed in the VAHAN software, the differential tax collected manually was not incorporated in the VAHAN system.

The CoT accepted the deficiency and stated (November 2011) that in the new version of the module, provision of collection of differential tax/changes made in vehicles has been incorporated.

4.9.9 Data accuracy

4.9.9.1 Inaccuracies noticed in data of chassis number and engine number of vehicles

As per Section 44 of Motor Vehicles Act, 1988, every registering authority shall before proceeding to register a motor vehicle or renew the certificate of registration in respect of a motor vehicle, other than a transport vehicle, require the person applying for registration of the vehicle, to produce the vehicle before the registering authority in order to satisfy that the particulars contained in the application are true. For registration of any vehicle, the vehicle owner submits the application for the registration containing the details of the vehicle to the respective registration authority. On receipt of the application, the same is entered in the *Vahan* system and sent for inspection. The name of the inspector who has inspected the particular vehicle, chassis number, engine number and other details are entered into the VAHAN system for registration.

Our cross verification of data available in the *Ownership table* and *Pvt.-MVI check Table*⁴² of non-transport vehicles (cars) with the registration records revealed that in case of 4684 registered vehicles, the chassis numbers or engine numbers entered in *Ownership table* did not match with the chassis numbers or engine numbers entered in *Pvt.-MVI check Table*. We noticed that the data inaccuracies were due to incorrect practice of entering data of only last few digits of crucial fields like chassis number and engine number fields etc; in the *Pvt.-MVI check Table*.

Thus, the system lacked necessary controls/checks on chassis number and engine number fields to avoid wrong input in these crucial fields, while entering in the *Pvt.-MVI check Table*. From the above, it is evident that there is a need for developing a system to ensure capturing of the correct details of vehicle inspected.

The CoT agreed (November 2011) with the audit observation and stated that it is cumbersome for the inspectors to enter long figures in all the cases. He further stated that these cases would be scrutinised in detail.

Due to data entry errors in 1108 cases, the registration date of vehicles was entered into the system prior to the purchase date which shows that there were no checks/supervisions over the data entry operators.

⁴² Table in which verification report of inspection done by inspector is entered.

4.9.9.2 Inaccuracy in data entry resulting in faulty search logic in National Register of Vehicles

The National Register was designed to enable the owner of the vehicle to view the details of his vehicle online and verify its correctness. All the data entered/updated in VAHAN system across India get uploaded in the National Register. For this purpose, the search utility has been provided on the link “Vehicle Search” on the website “vahan.nic.in”. Any owner of the vehicle can get details of his vehicle by entering the registration number of vehicle and last five digits of chassis number.

However, during data analysis it was noticed that though chassis number was a mandatory field for data entry, no proper validation control existed to ensure completeness of the chassis number. As a result, in 16 cases, chassis number entered was even less than five characters. Further, these vehicles could not be traced on the National Register despite the fact that the data was available on the server mainly because of faulty logic in search programme. Thus, the owners of these vehicles were not able to access the information available on the National Register.

The CoT agreed (November 2011) with the audit observation and stated that clarification in this regard would be sought from NIC.

4.9.9.3 Inaccuracies due to non-updation of the system

Change of a vehicle from one fuel type to another fuel type can be done subject to the payment of fees of ₹ 150 per vehicle. A module for this purpose exists in VAHAN. The system is required to be updated at the time of approval of change of type of fuel to reveal correct information to stake holders.

Test check of records of 1100 non-transport vehicles (cars) registered at RTO, Ahmedabad revealed that fuel of 145 cars was changed from Petrol to CNG/LPG. The same was required to be updated in VAHAN system at the time of approval of change of type of fuel. However, neither the fee collected nor the changes made in vehicles were incorporated in the system. Due to non-updation of the system with respect to changes made in the system as mentioned above, the database of VAHAN did not reveal correct information about these vehicles to the stake holder’s viz. public, insurance agencies, banks and financial institutions and enforcement agencies. It was also found that tax module for transport vehicles had not been implemented by the Department.

4.9.10 Validity of data

4.9.10.1 Inaccuracies due to incomplete validation controls relating to PAN

Every purchaser of vehicle (excluding two wheelers) has to submit Form 20 prescribed for registration of his vehicle under Rule 47 of the Central Motor Vehicles Rules, 1989 and also mention his Permanent Account Number (PAN) in the Form at the time of registration of the vehicle.

The permanent account number (PAN) issued by Income Tax Department is required to be quoted in cases of purchase of motor car and provision had been made in the registration module of the VAHAN Software to capture the PAN details. Scrutiny of the VAHAN software revealed that the department had not made it compulsory for input validation in the business rules, due to this, we found that out of 1.45 lakh vehicles (except two wheelers) entered in the system, PAN was left blank in 1.13 lakh entries and in 694 cases, the PAN entered was shown as 000000, NO, etc. i.e. an invalid number of alphabet.

However, the Commissioner of Transport and other officers in exit conference intimated that PAN was not mandatory under the Gujarat Motor Vehicles laws though it was mandatory under the Income Tax Act, 1961. However, the fact remains that the PAN numbers have been entered incorrectly in 694 cases. The incorrect entries need rectification, besides, PAN number is an important field that can link the Department with Income Tax Department and therefore it should be made compulsory.

4.9.10.2 Duplicate insurance cover notes

The insurance of the vehicle is essential at the time of registration in terms of Rule 47 of the Central Motor Vehicles Rules, 1989. Due to lack of validation checks while capturing of insurance cover notes, in 1766 cases, it was observed that there were duplicate insurance cover notes. In 48 cases, the insurance cover note details were blank and in 132 cases, the insurance cover notes were invalid indicating figures like 00000000, 0, NEW, etc. Besides entry of insurance cover-note number was not made mandatory in the system.

The CoT agreed (November 2011) with the audit observation and stated that this anomaly has been rectified.

4.9.10.3 Absence of validity controls to check entry of vulnerable numbers

During test check of input application controls and validation checks in the VAHAN system, it was observed from the fee collection data entry form of registered vehicles, that penalty column lacked necessary validity controls. A minus amount could be entered in the penalty column and accordingly, a receipt of negative amount could also be generated. The system was therefore,

vulnerable to generate receipt in minus amount. Due to this, possibility of loss of revenue cannot be ruled out.

The CoT agreed (November 2011) with the audit observation and stated that corrections had been carried out.

4.9.11 Deficiencies noticed in implementation of *Sarathi* system

4.9.11.1 Partial implementation of *Sarathi* module

The *Sarathi* system was implemented in November 2006 with a view to capture all the transactions relating to issue/renewal/duplicate learner's licence, issue/renewal/duplicate driving licence, issue/renewal/duplicate conductor licence, change of address/additional endorsement in driving licence/conductor licence, etc. However, the module meant for issue of driving school licence, conductor licence and enforcement modules have not been implemented so far. Thus, the *Sarathi* system was not fully implemented.

The CoT stated (November 2011) that in respect of driving school licence and conductor licence, quantum of data is miniscule because very few licences are issued each month. However, they would implement these modules at the earliest. He further stated that implementation of module of enforcement is a comprehensive exercise. However, this would be implemented.

4.9.11.2 Non-maintenance of State/National Register of Driving Licences

The VAHAN and SARATHI database server is a decentralized system. All the servers at the RTOs/ARTOs installed were connected to the State Data Centre through VPN connection. The data pertaining to VAHAN of all the RTOs/ARTOs are copied to the State Consolidated Register on a daily basis. Further, the data from State Consolidated Register are uploaded to the State Register and then to the National Register.

However, due to insufficient bandwidth between the RTOs/ARTOs and the NIC State Data Centre at Gandhinagar, the data pertaining to Driving Licences issued through *Sarathi* could not be transferred to State Register for Driving Licence and in turn to the National Register for Driving Licences. Due to this, the State Register/National Register for Driving Licences issued in Gujarat could not be created till date.

The CoT accepted (November 2011) the audit observation and stated that connectivity of RTOs is being updated to prepare the State Register.

4.9.11.3 Non-utilisation of hand-held terminals

We found 192 hand held terminals (HHT) valued ₹ 61.43 lakh were purchased (March 2000) for the purpose of reading the data stored in the Smart Card driving licence and Registration Certificate. However, it was noticed that the

HHTs were still lying unutilised as the enforcement module in *Sarathi* system has not been implemented so far. Further, the HHT also cannot be utilised for *Vahan* system because the Registration Certificates issued through *Vahan* are not based on smart card.

The CoT agreed (November 2011) with the audit observations and stated that HHTs were utilised partially. As the registration certificates issued through *Vahan* were not based on smart card, HHTs were not fully utilised.

4.9.12 Non-updation of Commissioner of Transport's website on National Permit Scheme

The new National Permit scheme was introduced by Government of India, Ministry of Road Transport and Highways on 7th May 2010. The Ports and Transport Department also implemented the scheme from the same date. Under the new scheme, an applicant seeking new National Permit/Renewal of existing National Permit has to deposit ₹ 1,000 as authorization fees to concerned RTO/ARTO along with application. The RTO/ARTO after verification of the content of the application advises the applicant to make payment of ₹ 15,000, either by cash or through internet banking towards consolidated fee. The RTO/ARTO after verification of status of payment, issue electronically printed national permit having hologram of the issuing State/UT. Under this scheme, there is no need to issue State wise authorisation. A vehicle having National Permit would be entitled to move in other States without payment of any tax.

As per the guidelines issued by Government of India for the implementation of the new scheme, wide publicity was required to be given so as to educate the transporters about the scheme. However, even after one and half years of introduction of new National Permit Scheme, the website of the Department still displayed the old scheme about National Permit. Hence, the website which is the main medium for publicity gave incorrect information about the National Permit scheme.

During the exit conference CoT stated (November 2011) that it would be updated.

4.9.13 Safety and security

4.9.13.1 Mobile units for issuance of licence at remote places

The RTOs/ARTOs organise camps on regular basis so as to enable people residing in remote localities to obtain LDL/DL etc. In this context, clause 4 of Chapter-III of the agreement provides that mobile units for issuance of licence s at remote places would be provided by the contractor as per tender documents. There was no clarification in the agreement as to for how many days during the year the mobile units will be provided by the contractor. The documents provide that 30 mobile units were required by 23 RTOs/ARTOs at different places for issuance of licence s. But we found from the records that

mobile units were not provided by the contractor and as such people residing in remote localities were deprived of the benefit.

The CoT agreed (November 2011) with the audit observations and stated that the contract would be reviewed.

4.9.13.2 Insufficient space in Smart Card based driving licence

The *Sarathi* system was introduced to issue smart card based driving licence. The driving licence is issued in the prescribed format under Rule 7 of Central Motor Vehicles Rules, 1989. Close scrutiny of format of driving licence issued under *Sarathi* system revealed that space provided for printing the “Class of Vehicle” (COV), which the Licence holder is permitted to drive was limited to only four COV. Data analysis of the driving licence issued at RTOs (Ahmedabad, Rajkot and Nadiad) and ARTOs (Anand and Navsari) between April, 2009 and March, 2011 revealed that 476 driving licences were issued with more than four COV. Thus, these driving licences in Smart Card form were issued with incomplete details. Though there was provision in the system to issue print out of the Driving Licence in plain paper format showing all the COV, it was not despatched along with the Smart Card and was issued only on personal demand by the Licence holder. Hence, it could not be ensured that all these Licence holder were provided full details of the Licence.

The CoT agreed (November 2011) with the audit observation and stated that it is not feasible to have more number of COV in the given space. He further stated that attempts are being made to reduce the number of categories of licences and telescopic linkage of higher category licence with lower category licence.

4.9.13.3 Computer generated tokens

As per the agreement, the contractor was required to issue computer generated tokens bearing DL applicant name, date, time and token number to the applicant who has submitted duly approved documents. However, in none of the RTOs/ARTOs, computer generated tokens were issued. Due to non issuance of computer generated tokens, it could not be ensured in audit whether licences were issued on the basis of “*first come first serve*” basis. The computer generated tokens were essential to ensure transparency in the system.

The CoT agreed (November 2011) with the audit observations.

4.9.13.4 Serial Numbers of cards

Note below Form 7 issued under Rule 16 (2) of the Central Motor Vehicles Rules, 1989 about issue of Smart Card driving licences stipulates that as a security measure, card serial number will be printed by card manufacturer on the back side upper left corner of the card. However, it was noticed that the smart cards supplied by the contractor did not bear any serial number as prescribed and therefore possibility of misuse of the cards cannot be ruled out.

The CoT agreed (November 2011) with the audit observation and stated that numbering of smart cards has been introduced from November 2011.

4.9.13.5 Input and processing controls in *Sarathi* system

In Gujarat, the work of issue of Learner's Licence and Driving Licence through *Sarathi* system was assigned to M/s. Bharat Electronics Ltd., M/s. Algorithm Solutions Pvt. Ltd. and M/s. GEMALTO Pvt. Ltd. (henceforth referred as the contractor) and an agreement to this effect was executed on 24th July 2009. The contractor was responsible for providing infrastructure and operational requirements like equipments viz. Desktop machines, Smart card hardware/software, printers, etc. required for providing SDL preparations, developing sites at all RTOs for the purpose as stipulated in Chapter-III of the contract.

For learner's licence every applicant, after payment of fee and submission of requisite documents, was required to take a computer based examination (STALL-Screen Test Aid for Learner Licence) in the Regional Transport Office for evaluation of the knowledge of traffic rules. The system poses up to 15 multiple choice questions. If the applicant answers at least 11 questions correctly, he is marked as passed by the system.

Analysis of data of Learner's Licence and driving Licence entered in '*Sarathi*' system at RTOs (Ahmedabad, Rajkot and Nadiad) and ARTOs (Anand and Navsari) between April, 2009 and March, 2011 revealed lack of proper input and processing controls in the software resulting in generation of incorrect data as mentioned below:-

- In 5272 cases, one and half minutes or less time was taken by candidates to answer 11 questions and all candidates were declared passed. This aspect may be examined to ascertain the stage at which lapse has occurred.
- For answering each question in Learner's Driving Licence exam, a maximum time of 48 seconds was allowed and the test had to be completed in 12 minutes. Due to incorrect mapping of business rules pertaining to STALL exam, in 26 cases, it was observed that the applicants were given more than 12 minutes to pass the examination.
- Rule 8 of the Central Motor Vehicles Rules, 1989, prescribes minimum educational qualification of 8th Standard for driving licence of transport vehicles. It was noticed that in 14 cases, the applicants having educational qualification below 8th Standard were issued licence for transport vehicles. Further, in 1663 cases, driving license for transport vehicles were issued to applicants without specifying educational qualification. Hence, system did not have validation checks on minimum educational qualification in case of licence for transport vehicles.
- Due to incorrect mapping of business rules pertaining to STALL exam, in 212 cases, the number of questions answered were more than the number of questions posed by the system and all candidates were declared as passed.

- The candidates are declared passed after answering 11 questions correctly. However, due to incorrect mapping of business rules pertaining to STALL exam, in 12 cases, candidates answered more than 11 answers correctly but the test continued even after 11 correct answers. Chances of data manipulation in such cases cannot be ruled out because after eleventh correct answer, the learner's driving licence test closes automatically.

The CoT agreed (November 2011) with the audit observations and stated that these individual cases would be scrutinised in detail by the Department.

Deficiencies noticed in outsourcing agreement

4.9.14 Payment of electricity charges

As per article 7 of chapter III of the agreement with the contractor, the Commissioner of Transport was required to provide power connection to the contractor. The responsibility to install sub-meter and make payment for power charges was on the contractor.

Review of records maintained at the Office of the commissioner of Transport revealed that in none of the offices (RTOs/ARTOs), separate meters were installed. Due to this, Government bore the entire expenditure of electricity charges. The Department did not initiate any action in the last two years i.e. from 24th July, 2009 to till date install separate meter for the purpose of recovery of power charges.

CoT agreed (November 2011) to recover electricity charges from contractor. He further stated that separate meters have been installed for this purpose.

4.9.15 Conclusion

Though the GMVD has implemented VAHAN & SARATHI software in all the 26 RTOs/ARTOs, the implementation is partial. The fitness and enforcement module in VAHAN and SARATHI application for driving licences was partially implemented as the module meant for issue of driving school licence, conductor licence and enforcement modules have not been implemented so far. There are certain control deficiencies in the modules implemented. Out of 34 fields prescribed for registration of motor vehicles in 'Form 20' under Central Motor Vehicles Rules, 1989, five fields were not mapped in the system, fuel of 145 cars was changed from Petrol to CNG/LPG, but neither the fee collected nor the changes made in vehicles were incorporated in the system. We found that out of 1.45 lakh vehicles entered in the system, PAN was left blank in 1.13 lakh entries and in 694 cases, the PAN entered was shown as 000000, NO, etc. i.e. an invalid number of alphabet. Thus, the system lacked necessary controls/checks to avoid wrong input in these crucial fields. We found that in 4684 registered vehicles, the chassis numbers or engine numbers entered in Inspection Memos table did not match with the chassis numbers or engine numbers entered in registration records. We found penalty column lacked necessary validity controls. A minus amount could be entered in the penalty column and accordingly, a receipt of negative

amount could also be generated. The system was therefore, vulnerable to generate receipt in minus amount.

4.9.16 Recommendations

The Government may consider implementing the following recommendations to rectify the deficiencies and improve the system.

- May take immediate measures to implement all the remaining modules in *Vahan* and *Sarathi* system so as to make the State Register/National Register complete in all respect.
- May take immediate steps to appoint new members in place of retired members to plan and implement the (*Vahan* and *Sarathi*) system within a fixed time frame.
- May take corrective measures to remove the deficiencies in the system (*Vahan* and *Sarathi*).
- May take corrective measures to update the website of the Department on regular basis.
- May take necessary steps to recover the electricity and other dues from the contractor.

CoT agreed (November 2011) to implement the recommendations made by audit.

4.10 Non-Recovery of passenger tax, interest and penalty from fleet owners

Section 3 of the BMV (Taxation of Passengers) Act, 1958 and rules made thereunder provide for levy of tax on all passengers carried by a stage carriage at prescribed rate from the fleet owners. The Act also provides for levy of interest and penalty at prescribed rate on delayed payments.

During test check of records of Commissioner of Transport, Gandhinagar in January and June 2010, for the period 2008-09 and 2009-10, we noticed in case of two fleet owners (GSRTC⁴³ and AMTS⁴⁴) that these fleet owners had

collected passenger tax of ₹ 363.77 crore but did not pay it within the prescribed time. Taxation authority did not take any further action for recovery of dues except issue of demand notice in case of AMTS (March 2010). Besides, interest of ₹ 20.34 crore and penalty of ₹ 90.94 crore was also leviable for which demand was not raised. Further, AMTS delayed payment of passenger tax for CNG buses (private operators), ranging between eight to 26 days on which interest of ₹ 0.52 lakh and penalty of ₹ 25.95 lakh was leviable. Taxation authority did not raise demand of interest and penalty for the late payment. This resulted in non-realisation of passenger tax of ₹ 363.77 crore. Besides, interest and penalty was also leviable.

After this was pointed out to the Department in October and December 2010, the Department accepted the audit observations. Particulars of recovery have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁴³ Gujarat State Road Transport Corporation.

⁴⁴ Ahmedabad Municipal Transport Service.

4.11 Non/short realisation of motor vehicle tax on transport vehicles

The BMVT Act prescribes that contract carriage and goods carriage vehicles shall pay assessed tax on monthly and half yearly basis respectively except for the period where the vehicles are not in use. In case of delay in payment, interest at the rate of two *per cent* per month and if the delay exceeds one month, a penalty at the rate of two *per cent* per month subject to a maximum of 25 *per cent* of tax is also chargeable. The Act authorises the department to recover unpaid tax dues as arrears of land revenue. The Act also empowers the taxation authority to detain and keep in custody the vehicles of the owners who defaulted in payment of Government dues.

During test check of Demand and Collection Registers of 21 taxation authorities⁴⁵ between September 2009 and November 2010, we noticed that operators of 2633 omnibuses, who kept their vehicles for use exclusively as contract carriage and 2272 vehicles used for transport of goods, had neither paid tax nor filed non-use declarations for various periods between 2007-08 and 2009-10.

The Departmental officials failed to issue demand notices and initiate recovery action prescribed in the Act. This resulted in non-realisation of motor vehicles tax of ₹ 21.47 crore including interest of ₹ 2.14 crore and penalty of ₹ 2.68 crore.

After this was pointed out to the Department in July, September, November and December 2010 and January and March 2011, the Department accepted audit observations in 949 cases amounting to ₹ 4.35 crore. In 324 cases, the Department recovered an amount of ₹ 1.30 crore. In other cases, particulars of recovery and reply have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁴⁵ Ahmedabad, Amreli, Anand, Bardoli, Bhavnagar, Bhuj, Bharuch, Dahod, Gandhinagar, Godhra, Himatnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Patan, Rajkot, Surat, Vadodara and Valsad.

4.12 Non-Ascertaining of mailing address

Submission of proof of address is a pre-requisite to register a motor vehicle. This helps the department to initiate follow up action on annual tax and fee payments. The Act requires RTOs to issue Revenue Recovery Certificate (RRC) against defaulters after one month of non-payment of MVT. Audit scrutiny revealed that in several cases RRCs were issued after the prescribed time limit and often with incorrect mailing address. Before issue of certificate of registration, RTO has to verify evidence of address from one of the documents specified in CMV Rules, 1989. However, RTOs failed to verify and maintain updated records of address.

During test check of the records of nine taxation authorities⁴⁶ between October 2009 and June 2010 for the period 2007-08 to 2009-10, we noticed that in 1736 cases, the demand notices issued to vehicle owners for recovery of outstanding dues were returned back

due to incorrect address of vehicle owners. Failure on the part of the departmental officials in non-ascertaining the correct address of the vehicle owner resulted in postponement of recovery of tax to the tune of ₹ 15.98 crore.

After this was pointed out to the Department in July, September, October and December 2010, the Department accepted audit observations in 77 cases amounting to ₹ 9.88 crore. In three cases, an amount of ₹ 8.95 lakh has been recovered. In other cases, particulars of recovery and reply have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁴⁶ Ahmedabad, Amreli, Dahod, Mehsana, Nadiad, Patan, Rajkot, Surat and Vadodara

4.13 Non-payment of motor vehicle tax, interest and penalty by fleet owners

Section 12 of the BMVT Act and rules made thereunder provide that any tax due and not paid shall be recoverable in the same manner as arrears of land revenue. The Act also provides for levy of interest and penalty at prescribed rate on delayed payments of the tax. The Rules also provide to make declarations by the fleet owners in prescribed form HT and IT (preliminary and final) for assessment and collection of tax.

During test check of records of Commissioner of Transport, Gandhinagar for the period 2008-09 and 2009-10, we noticed in case of two fleet owners (GSRTC⁴⁷ and AMTS⁴⁸) that these fleet owners had not paid motor vehicle tax of ₹ 7.65 crore. Taxation authority failed to initiate any other action for recovery of the dues except issue of demand notice. This

resulted in non-levy of tax of ₹ 7.65 crore, interest of ₹ 1.38 crore and penalty of ₹ 1.91 crore. The total non-levy of tax is ₹ 10.94 crore including interest and penalty.

After this was pointed out to the Department in October and December 2010, the Department accepted the audit observations. Further report of recovery has not been received. (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁴⁷ Gujarat State Road Transport Corporation.

⁴⁸ Ahmedabad Municipal Transport Service

4.14 Non-renewal of national permit

As per Home Department notification dated 27.03.1997, the motor vehicle operator having national permit for a period of five years has to pay authorisation fee of ₹ 500 for each year during the validity period of the permit along with composite tax of ₹ 5,000 per annum for each of the states selected for such permit, except in case of cancellation of such permit for subsequent year.

During the test check of National Permit Registers of eight taxation authorities⁴⁹ between October 2009 and May 2010 for the period 2008-09 to

2009-10, we noticed that in respect of 634 transport vehicles, authorisation fees were not recovered for the period ranging from one to four years (i.e. 2004-05 to 2009-10). The taxation authorities also did not issue any notices to them. There was no structured mechanism to record and follow up the same. This resulted in non-realisation of authorisation fees of ₹ 4.03 lakh due to the State Government. Besides this, composite tax of ₹ 1.11 crore relating to other states was also recoverable in the form of demand draft.

After this was pointed out to the Department in July, September, November and December 2010, the Department accepted audit observations in 84 cases amounting to ₹ 40.62 lakh (₹ 1.30 lakh authorisation fees and ₹ 39.32 lakh composite tax). In 16 cases, the Department has recovered an amount of ₹ 20,000 as authorisation fee and ₹ 3.24 lakh as composite tax. In other cases, particulars of recovery and reply have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

4.15 Short levy of lump sum tax on imported vehicles

As per the Notification of April 2007 issued under the BMVT Act, 1958, six *per cent* of sales value is payable as tax on registration of indigenous four wheeled vehicles by individuals, local authorities, universities, educational and social institutions and for others the rate is double. In case of imported cars, tax is payable at twice the above rates. Further instructions were issued to treat certain vehicles (vide circular dated 27 July 2004) as imported vehicles and tax them accordingly.

During the test check of registration records of the four taxation authorities⁵⁰, between October 2009 and July 2010, for the period 2007-08 to 2009-10, we noticed in 20 cases of imported vehicles that in 19 cases tax was not levied at applicable rates. In one

case, tax was recovered only on customs duty paid and cost of vehicle was not included in total cost of vehicle for the purpose of levy of tax. This resulted in

⁴⁹ Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Nadiad, Rajkot and Surat.

⁵⁰ Ahmedabad, Rajkot, Rajpipla(Narmada), and Vadodara

short levy of MVT of ₹ 15.61 lakh including interest of ₹ 2.11 lakh and penalty of ₹ 1.89 lakh.

After this was pointed out to the Department in September and December 2010, the Department accepted audit observations of ₹ 3.03 lakh in nine cases. In six cases, the department recovered an amount of ₹ 2.24 lakh. In other cases, particulars of recovery and reply have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

4.16 Evasion of entry tax

The Gujarat Government (Sales Tax Department) decided (September 2001) to levy entry tax at the rate of 12 *per cent* on motor vehicles brought from other States in Gujarat within 15 months from the date of its registration. The Departmental instructions (October 2003) provided that RTOs should verify payment of entry tax by demanding prescribed documents from the vehicle owners.

During test check of the FT-forms and other records of two taxation authorities⁵¹ between January and February 2010, we noticed that seven registered vehicles brought from other states in 2008-09, the departmental officials did not keep on record any proof of payment of entry

tax as prescribed in circular before re-registration. This resulted in evasion of entry tax of ₹ 6.80 lakh.

After this was pointed out to the Department in September and October 2010, the Department accepted audit observations in five cases amounting to ₹ 5.30 lakh. Particulars of recovery and reply in remaining two cases have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁵¹ Nadiad and Surat.

