

**Chapter II**  
**Taxes on Vehicles**



## CHAPTER-II TAXES ON VEHICLES

### 2.1 Tax Administration

The Kerala Motor Vehicles department (MVD) is primarily established for enforcement of provisions of Motor Vehicle Act, 1988, Kerala Motor Vehicles Taxation Act, 1976 and the rules framed thereunder. Kerala Motor Vehicles department is entrusted with the responsibility of providing registration of vehicles in Kerala, issuance of driving licence, issuance of various permits, collection of road taxes and control of vehicular pollution. Safe Kerala Wing of Kerala MVD is for road safety activities and enforcement of Motor Vehicles Act. Through these regulatory activities, the Motor Vehicles department is one of the major sources of revenue for the State exchequer.

### 2.2 Internal Audit

Audit of the State Transport Authority, Regional Transport Offices (RTOs) and offices of the Deputy Transport Commissioner of each zone is conducted by the Senior Finance Officer of the Motor Vehicles department. Internal audit of Sub Regional Transport Offices (SRTOs) and Motor Vehicle Check Posts of department are conducted by the Senior Superintendent attached to the office of each of the Zonal Deputy Transport Commissioners. The Internal Audit team is comprised of one Accounts Officer, nine Senior Superintendents and 10 Clerks. Against the target of 110 units, 42 units were audited during 2023-24. Department stated that the periodicity of audit of all offices is annual, but it could not achieve the target due to shortage of manpower in Internal Audit Wing, and lack of Audit software. During 2023-24, department cleared 148 paragraphs which was 2.59 *per cent* of the outstanding 5,711 paragraphs.

### 2.3 Results of Audit

There were 91 auditable units in Motor Vehicles department out of which 43 units were selected for Audit during 2023-24. The audit is conducted through direct scrutiny by visiting the field offices, and also by analysing the data extracted from the VAHAN<sup>5</sup>. Test check of records revealed short/ non-levy/ payment of tax, fees, fines and penalties related to registration/ fitness of motor vehicles and other irregularities during the year 2023-24. In addition, a Subject Specific Compliance Audit on functioning of RTOs and State Transport Authority (STA) in Motor Vehicles Department of Kerala was also undertaken. Government needs to improve the internal control system including strengthening of internal audit so that occurrence/ recurrence of such cases can be avoided. Short/ non-levy of tax and other irregularities involving ₹705.00 crore observed in 553 cases that fall under the following categories, are given in **Table 2.1**.

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<sup>5</sup> The computerised software with integrated solutions for vehicle registration, fitness, taxes, permits and enforcement.

**Table 2.1: Details of under assessment of tax and other irregularities**

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	SSCA on functioning of RTOs and STA in Motor Vehicles Department	1	498.97
2	Short levy/ short collection and Non levy/ non collection of tax	552	206.03
<b>Total</b>		<b>553</b>	<b>705.00</b>

Source: Records maintained by the Accountant General.

The Motor Vehicles department fully automated its functions by implementing application software 'SMARTMOVE' with effect from January 2007, which was replaced by 'VAHAN' with effect from 2019 to automate the RTO operations related to Vehicle Registration, Permit, Taxation and Enforcement. Major findings of the SSCA on functioning of RTOs and STA in Motor Vehicles Department are mentioned in the succeeding paragraphs.

## 2.4 Subject Specific Compliance Audit on Functioning of RTOs and STA in Motor Vehicles Department of Kerala

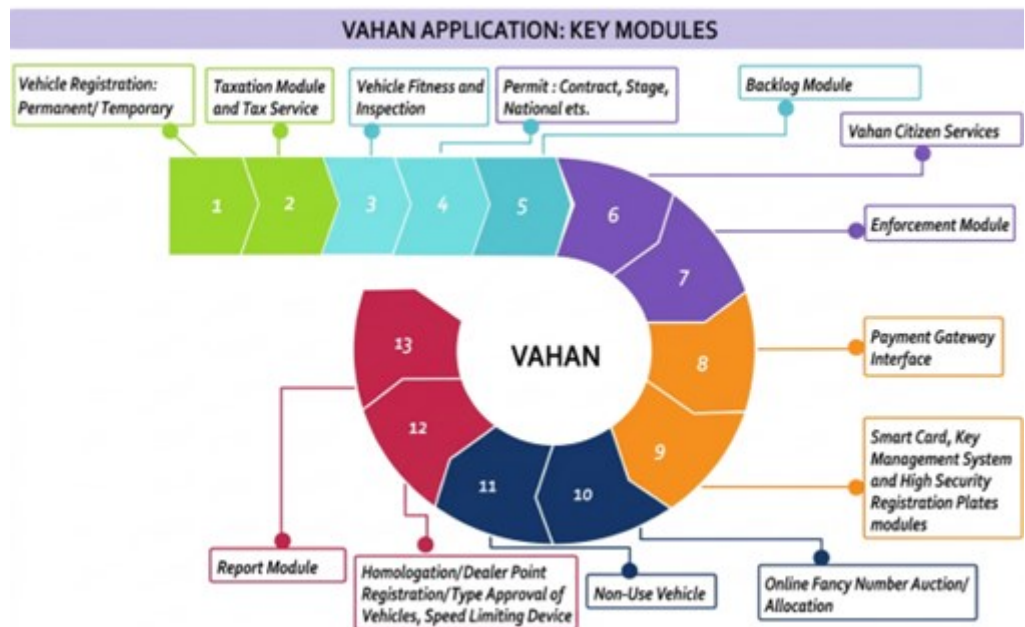
### 2.4.1 Introduction

The Motor Vehicles Act (MV Act), which consolidates and amends the law relating to motor vehicles, was enacted in 1988. The MVD, established under Section 213 of the MV Act, 1988, is responsible for enforcing the MV Act, 1988, the Kerala Motor Vehicles Taxation Act, 1976, and related rules. Its key functions include issuing driving licences, vehicle registration, permits, road tax collection, vehicle fitness and inspection, pollution control, and enforcement of traffic laws, under the policy framework of the Government of Kerala. At the national level, the Ministry of Road Transport and Highways (MoRTH) formulates transport policies and, in consultation with States, has introduced e-Transport initiatives such as VAHAN, SARATHI, and e-Challan to streamline registration, licensing, and fine collection.

#### 2.4.1.1 VAHAN

VAHAN is a centralised, web-enabled application, VAHAN provides easy online access to RTOs, vehicle dealers, citizens, transporters, and other stakeholders. The application's configurability allows for State-specific customisations. The vehicle insurance companies and Pollution Under Control Certificate (PUCC) centres are integrated with VAHAN. The key modules in VAHAN are outlined in **Figure 2.1**.

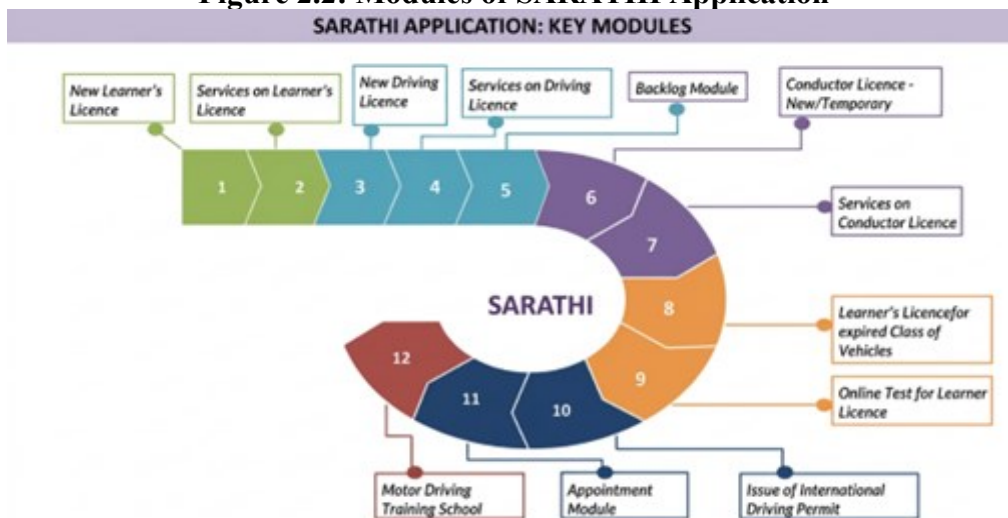
**Figure 2.1: Modules of VAHAN Application**



### 2.4.1.2 SARATHI

SARATHI is an application, designed to streamline and computerise driving licence-related services. It offers a comprehensive solution for issuing driving licences, learner licences, and other related services<sup>6</sup> provided by the Transport Department. SARATHI operates as a workflow-based, web-enabled, centralised application, featuring a wide range of configurable options to meet the specific needs of different States. It facilitates the management of driving, learner, conductor, and driving school licences. The application has been tailored to Kerala’s specific requirements and is currently operational in the State. The key modules in SARATHI are shown in Figure 2.2.

Figure 2.2: Modules of SARATHI Application



### 2.4.1.3 Faceless/ Contactless Services

Transport services have been shifted to a faceless mode using technologies like Aadhaar e-KYC, AI-based face recognition, and e-Sign, enabling online applications, payments, document uploads, and appointment scheduling. This has reduced queues and minimised middlemen involvement. In Kerala, 34 services under VAHAN and SARATHI have been adapted to this system in line with Central Motor Vehicles (CMV) Rules.

### 2.4.1.4 e-Challan System

The e-Challan system is a modern, digital solution designed to streamline the enforcement of traffic Rules and imposition of penalties under Section 136A of the MV Act, 1988. It replaces traditional paper-based challans with an electronic version, making the process more transparent, efficient, and user-friendly.

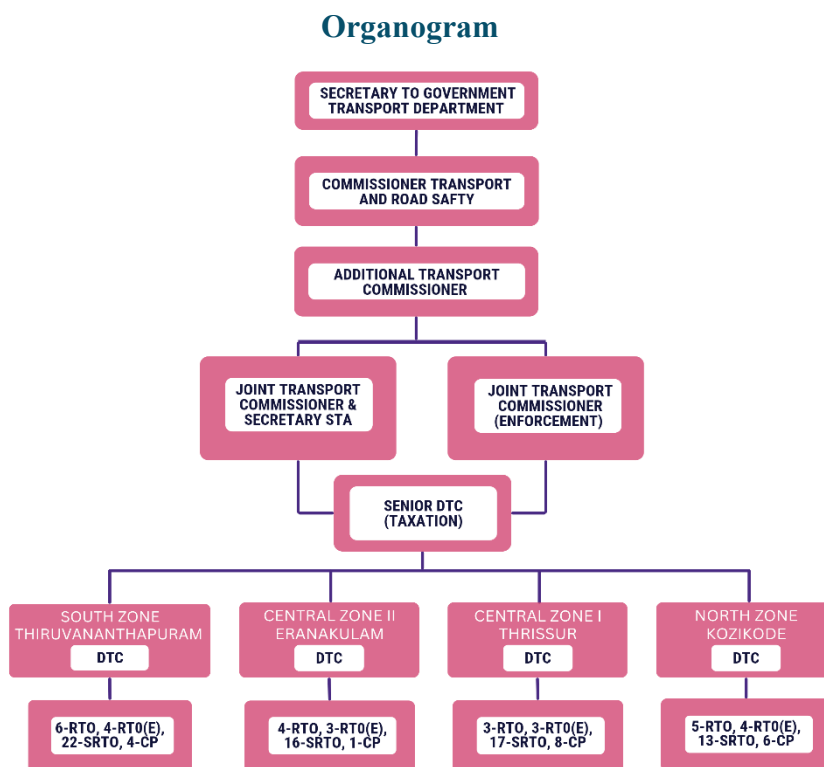
<sup>6</sup> Renewal of Driving Licences, issuing of International Driving Licences, conductor Licences, Motor Driving School Licences etc.

The key aspects of the e-Challan system are Automation of Traffic Violations, Real-time Updates, Online Payment Facility, Transparency and Accountability, Tracking Violations and Penalties, Increased Efficiency.

### 2.4.1.5 Organisational Setup

The Organisational Structure is depicted in **Figure 2.3**.

**Figure 2.3: Organisational Structure of Motor Vehicle Department**



### 2.4.1.6 Trend of Revenue

The Budget estimates and actuals for the last five years are as shown in **Table 2.2** below:

**Table 2.2: Budget estimates and actual revenue collection**

(₹ in crore)

Year	Budget estimates	Actual collection	Percentage of collection to budget estimates
2019-20	4,711.58	3,721.14	78.98
2020-21	3,968.22	3,386.28	85.33
2021-22	4,179.19	4,037.10	96.60
2022-23	4,138.59	5,386.81	130.16
2023-24	5,857.61	6,340.46	108.24

Source: Finance Accounts and Budget records.

In most years, revenue collection remained broadly in line with the budget estimates, indicating a consistent capacity to achieve revenue targets.

#### **2.4.1.7 Audit Objectives**

The Audit is conducted to ascertain whether:

1. RTOs managed the issue, renewal, and cancellation of licences effectively as per the Act/ Rules.
2. Regulation and control over the registration and use of vehicles through registration, issuing permits, and Certificate of Fitness was implemented by RTOs as per the Act/ Rules.
3. RTOs efficiently assessed, levied, collected, and remitted revenue (Motor vehicle taxes, fines, cess, etc. as per Act/ Rules) and took action on arrears.
4. Enforcement activities were effectively conducted by RTOs to ensure compliance with the Motor Vehicle Acts/ Rules with adequate follow-up to deter violations.
5. RTOs have been provided with the required manpower, equipment, and other resources to discharge the mandate and also to ensure public service delivery in a transparent and efficient manner.

#### **2.4.2 Audit Criteria**

The Audit criteria to be adopted include:

- i. The Motor Vehicles Act, 1988.
- ii. The Central Motor Vehicles Rules, 1989.
- iii. The Kerala Motor Vehicles Rules, 1989.
- iv. The Kerala Motor Vehicles Taxation Act, 1976.
- v. The Kerala Motor Vehicles Taxation Rules, 1975.
- vi. The Kerala Road Safety Authority Act and Rules, 2007.
- vii. Motor Vehicle Aggregator Guidelines, 2020.
- viii. Rent-a-Cab Scheme, 1989.
- ix. Kerala Financial Code, 1963.
- x. Notifications issued by the Ministry of Road Transport, GoI from time to time and Citizen's Charter of Motor Vehicles Department.

### 2.4.3 Audit Scope and Methodology

The Subject Specific Compliance Audit (SSCA) was conducted from August 2024 to January 2025, covering the period from 01 April 2019 to 31 March 2024. This audit covered the Transport Commissionerate and 19 field offices, including four check posts across Kerala, using a random sampling methodology with IDEA<sup>7</sup>. A two-pronged approach was adopted, focusing on data analysis of the VAHAN and SARATHI systems, as well as field verification. Back-end data from VAHAN, SARATHI, and e-Challan related to all RTOs and Sub-Regional Transport Offices (SRTOs) up to March 2024, were analysed for broad conclusions, with a detailed focus on sampled RTOs for in-depth verification.

An Entry Conference was held on 28 November 2024 with the Transport Commissioner (TC), during which the audit objectives, scope and methodology of the audit were explained. An Exit Conference was conducted on 19 June 2025 with the Secretary to the Government, where key audit findings and recommendations were discussed. The responses provided during the exit conference, as well as on other occasions, have been appropriately incorporated into the report.

### 2.4.4 Sampling

A total of 10 offices from the 86 RTO/ SRTO offices, were selected through a random sampling method using IDEA software. The sampling was done based on three parameters *viz.*, number of transport and non-transport vehicles registered in the RTOs/ SRTOs, revenue collected by RTOs over the past five years and number of transactions carried out through VAHAN and SARATHI. Based on the aggregate scores, the 86 offices were categorised into three risk strata and the following offices were selected.

Strata	Name of the office selected
<b>High Risk</b>	KL- 08 - RTO-Thrissur KL- 05 - RTO-Kottayam KL- 13 - RTO-Kannur KL- 40 - SRTO-Perumbavoor KL- 46 - SRTO-Guruvayur
<b>Medium risk</b>	KL- 31 - SRTO-Mavelikkara KL- 38 - SRTO-Thodupuzha KL- 47 - SRTO-Kodungallur
<b>Low Risk</b>	KL-12 - RTO-Wayanad KL-69 - SRTO-Udumbanchola

Additionally, the Transport Commissionerate, as the head office and the State Transport Authority, along with four check posts and four enforcement RTOs, has also been selected for audit.

<sup>7</sup> IDEA is a data analysis software.

### 2.4.5 Acknowledgement

We acknowledge the cooperation and support extended by the Transport Department, MVD, and the officials of the selected offices for providing the necessary information and records, which facilitated the smooth and timely conduct of the audit.

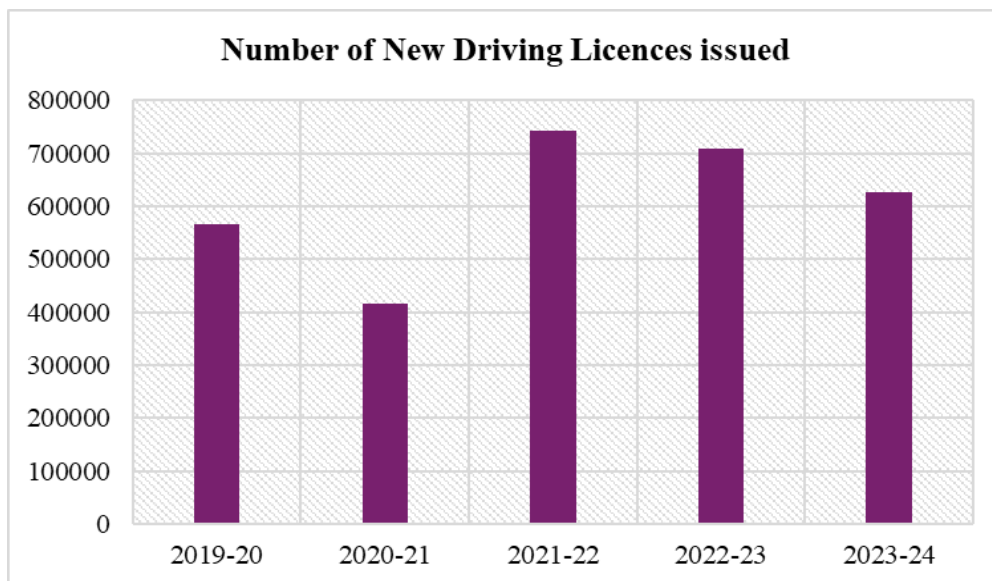
### 2.4.6 Audit Findings

The Audit findings based on the data analysis and scrutiny of the records in the selected offices are mentioned in the following paragraphs:

#### 2.4.6.1 Issue of Driving Licences

The different types of licences issued by MVD are learner's licence, driving licence, conductor licence and driving school licence. The issuance of driving licences is governed by Chapter II of the MV Act, 1988, the CMV Rules, 1989, and State-specific Rules under the Kerala Motor Vehicles Rules. The trend of driving licence issued during the period from 2019-20 to 2023-24 is given in **Chart 2.1** below:

**Chart 2.1: Trend of Driving Licence issued from 2019-20 to 2023-24**



There was a marked decline in the issuance of driving licences during 2020-21, which may be attributable to the disruptions caused by the COVID-19 pandemic. A substantial increase in the subsequent years indicated a recovery in operational activities. The marginal decline noted in 2023-24, in comparison to the preceding two years, suggests a stabilisation in the overall trend.

No individual is permitted<sup>8</sup> to drive a motor vehicle in any public place without holding a valid driving licence, and such a licence is issued<sup>9</sup> only upon the applicant successfully passing the prescribed driving test.

Audit obtained and analysed accident data for the year 2022-23 from State Crime Records Bureau (SCRB), which revealed that the cause of over 78 *per cent* of the accidents in the State were attributable to the fault of either the driver of the vehicle involved or that of another vehicle as detailed in **Table 2.3** below.

**Table 2.3: Cause wise details of accident**

Sl. No	Type of causes	No. of accidents	No. of death	Grievous injury
1	Fault of driver of motor vehicle	27,216	2,441	21,546
2	Fault of driver of other vehicle	8,418	612	6,891
3	Defect in mechanical condition of motor vehicle	24	7	17
4	Defect in road condition	57	11	40
5	Fault of cyclist/ pedestrian/ passenger/ stray animals	346	58	257
6	Drunken driving	216	34	98
7	Light condition/ weather condition/ Mobile talking	193	21	158
8	Cause not known	2,505	318	1,942
9	Other causes	6,422	758	4,975
	<b>Total</b>	<b>45,397</b>	<b>4,260</b>	<b>35,924</b>
	Percentage of accidents due to a driver's fault	78.49	71.66	79.16

Source: Details furnished by SCRB.

The high percentage of accidents due to the fault of drivers indicates that quality of drivers is critical in reducing accident.

The driving licence test is conducted in two phases, Part I, a ground test (on an 'H' track for Light Motor Vehicles (LMV) and an '8' track for two-wheelers) to assess fitness for the road test, and Part II, a road test to evaluate driving abilities. To enhance accuracy, transparency, and efficiency, MVD decided (October 2010) to establish Automated Driving Test Tracks (ADTTs) as part of its modernisation and e-governance initiatives, with circulars<sup>10</sup> prescribing track specifications, guidelines for slope and angular Reverse Parking Tests, and the use of checklists during road tests.

Audit identified the following shortcomings in ensuring driver testing quality as outlined in the subsequent paragraphs.

<sup>8</sup> Section 3 of the MV Act, 1988.

<sup>9</sup> Section 9(3) of the Act.

<sup>10</sup> Circulars 20/98, 04/13 and 05/17.

### 2.4.6.2 Non-Functioning of Automated Driving Test Tracks

The introduction of Automated Driving Test Tracks (ADTTs) was a key initiative intended to modernise and standardise the driving test process, enhance transparency and accuracy in the driving test process and minimise human intervention. These stations, equipped with advanced technology such as sensors and cameras, were designed to automate the testing procedure, ensuring a standardised assessment of driving skills.

Audit reviewed the progress of establishing ADTTs across RTOs and SRTOs and found that only nine ADTTs had been set up, despite the State having 86 RTOs/ SRTOs. As per information provided, only two of these nine centres are operating (January 2025), status is detailed in **Table 2.4** below:

**Table 2.4: Details of status of ADTTs**

Sl. No.	Name of RTO/ SRTO	Fund utilised (₹)	Date of starting operation	Current status of ADTTs	Remarks
1	Parassala	64,99,973	16/10/2015	Not working	KELTRON withheld service due to a payment issue.
2	Thiruvananthapuram	94,22,284	02/02/2017	Not working	
3	Muvattupuzha	67,79,973	05/03/2019	Not working	
4	Uzhavoor	94,22,284	01/03/2019	Not working	
5	Kasargod	1,00,00,000	Not become operational	Not working	M/s. SRIT, who was awarded the work, reluctant to provide services and hence the award was cancelled. Action is underway to identify new service provider.
6	Thrippunithura	1,00,00,000			
7	Taliparamba	1,00,00,000			
8	Kozhikode	9,74,060	2012	Working	Operational
9	Kannur	19,48,119	2013	Working	Operational
	<b>Total</b>	<b>6,50,46,693</b>			

Source: Departmental records.

Audit noticed that after the utilisation of ₹6.50 crore to establish nine ADTTs, seven of these facilities remain non-functional primarily due to contractor-related issues. Problems such as equipment malfunctions, frequent system downtimes, and inadequate maintenance have hindered their operation, resulting in the continued manual conduct of driving tests at these seven RTOs/ SRTOs (January 2025).

The expenditure of ₹6.21 crore incurred for establishing seven ADTTs did not serve its intended objective. Audit analysis of the cause of the three ADTTs that have not been made operational even for a single day are detailed below:

**Government sanctioned (October 2016) the establishment of ADTTs at Taliparamba, Kasargod and Thripunithura at a cost of ₹ one crore each, entrusting construction to KITCO (March 2017). Though KITCO completed and handed over the facilities in March and May 2022, the ADTTs could not be operationalised as M/s SRIT, the firm awarded the Annual Maintenance and Facility Management contract, refused to execute the agreement despite work orders in September – November 2022. Thus, despite spending ₹ three crore, all three ADTTs remained non-functional, with no further action taken by the Department (January 2025).**

The limited functionality and incomplete implementation of ADTTs have failed to ensure a fair and standardised driving licence testing process, potentially endangering overall road safety.

On this being pointed out, the Government stated (September 2025) that MVD constituted a committee to formulate detailed guidelines for implementing the Accredited Driver Training Centres (ADTC) as per the latest guidelines of MoRTH. It was also stated that a notice inviting Expression of Interest will be published soon and it is planned to establish one ADTC under each RTO and SRTO.

The delay in establishing ADTTs in the 77 RTO/ SRTO locations, non-functioning of ADTTs in the seven RTO/ SRTOs and non-issuance of an order inviting application for the establishment of ADTCs in the State, has forced the continued reliance on the manual testing system.

### ***Recommendation 2***

*Government should expedite the completion of the driving licence issuance automation and develop a structured, time-bound roadmap to achieve full automation of driving tests State-wide, ensuring technology-driven assessments are implemented across all RTOs and SRTOs.*

### **2.4.6.3 Non-adherence to the procedures mandated for conducting Manual Driving Tests**

The test of competence to drive referred in the MV Act is prescribed in the CMV Rules<sup>11</sup>. To assess whether the licensing authority or such other authorised person follow the Rules while conducting the driving test, the Audit team conducted Joint Physical Verification (JPV) with officials from the MVD, in the 10 selected RTOs and SRTOs. The JPV findings are summarised as follows:

- **Non-establishment of Parking Track**

The candidates driving a vehicle equipped with a reverse gear must demonstrate the ability to drive backward and reverse into a limited opening,

<sup>11</sup> Section 9(3) and Rule 15.

either to the right or left, with control and reasonable accuracy<sup>12</sup>. To adhere to this requirement, the TC issued Circular<sup>13</sup>, to establish a Parking Track alongside the ‘H’ track in all testing centres for the execution of Part I of the LMV test. Audit conducted JPV in the 10 selected RTO/ SRTOs and observed that Parking Track was not provided in any of the testing centres verified. In the absence of such a Parking Track, the skill to reverse the vehicle into a limited opening either to the right or left under control and with reasonable accuracy is not tested before issuing the licence.

- **Non-compliance of legal requirements in vehicles used for driving tests**

Operating a vehicle in a public place is permitted only if it is duly registered, covered by valid insurance, and accompanied by an up-to-date Pollution Under Control Certificate (PUC) to comply with emission standards<sup>14</sup>. As per TC’s Circular<sup>15</sup> read with Government Orders<sup>16</sup>, vehicles older than 22 years are not allowed to be used for driving tests.

The JPVs conducted in the 10 selected RTO/ SRTOs revealed significant non-compliance of the Rules and directions at the testing centres, as shown in **Table 2.5** below:

**Table 2.5: Usage of non-permissible vehicles for driving test**

Sl. No.	Non-compliance	Centre	No. of vehicles checked	Number of non permissible vehicles used
1	Vehicles without valid registration	RTO Thrissur, SRTO Guruvayur, RTO Wayanad	92	3
2	Vehicles without a valid PUC	RTO Kottayam, SRTO Kodungallur	44	2
3	Vehicles over 22 years old	RTO Kottayam	24	5

Source: Departmental records.

These violations not only breach legal requirements but also undermine safety and environmental standards. The use of non-compliant vehicles for driving tests compromises candidate safety and sets a poor precedent for enforcement. Adherence to regulatory norms is critical to ensure road safety, environmental compliance, and the credibility of the testing process.

<sup>12</sup> Rule 15(3)(k) of the CMV Rules, 1989.

<sup>13</sup> No.04/2013 dated 12 March 2013.

<sup>14</sup> Section 39 and Section 146 of the MV Act and Rule 115 of CMV Rules.

<sup>15</sup> Circular dated 26 June 2024.

<sup>16</sup> G.O.(Rt.) No.181/2024/Trans dated 23 May 2024 and G.O.(Rt.) No.170/2024/Trans dated 04 May 2024.

- **Non-Conducting of Road Safety Classes**

The TC, with a view to mould out competent and safety-conscious drivers, issued a Circular<sup>17</sup>, mandating that individuals obtaining learner's licences must undergo road safety awareness classes. This directive was based on the department's assessment that imparting road safety education is a critical component in developing responsible and skilled drivers. The Circular also directed the examining authorities that before allowing the candidates to take the driving test, they must ensure that the candidate had attended the road safety classes.

During JPVs, it was observed that in seven out of 10 selected RTOs/ SRTOs, venues were not available to provide road safety classes to the candidates.

- **Absence of Video Recordings at Testing Grounds**

The TC vide letter dated 26 March 2012, directed to undertake complete video recording of the Part I test to ensure transparency and correctness of the tests. In cases where two individuals are tested simultaneously and only one camera is available, video recordings will be conducted for each track on alternate days. These recordings may be randomly reviewed by the District Transport Commissioners (DTCs) and called for by the TC for verification. These instructions were effective starting from 01 April 2012.

The department provided video recording cameras to each RTO/ SRTOs for recording the Part-I test process. During JPVs, it was observed that no such video or dashboard camera recordings were carried out in any of the selected RTOs/ SRTOs.

The JPV conducted on manual testing procedures highlights non-compliance of mandated Rules including the use of non-compliant vehicles, the absence of required testing tracks, and the failure to conduct essential road safety classes.

On these being pointed out, the Government stated (September 2025) that directions have been given to all RTOs/ SRTOs to provide road safety classes to all applicants and only those applicants who have participated in such classes are permitted to attend the driving test. It was also added that a proposal is in place to fix CCTV cameras in all RTOs/ SRTOs and training halls to monitor the road safety classes.

The reply addressed only the failure to conduct road safety classes. The reply is silent on the shortfall in legal requirements for vehicles used for driving tests, and absence of video recordings at Testing Grounds.

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<sup>17</sup> No. 19/2011 issued on 13 September 2011.

**Recommendation 3**

*Government may direct the department to ensure that, until automated testing stations are fully established, manual testing is conducted strictly in accordance with prescribed procedures and within the mandated infrastructure.*

**2.4.6.4 Issuance of Driving Licences in violation of the provisions of the MV Act**

The validity period of non-transport vehicle licences is determined by the applicant's age at the time of issuance or renewal<sup>18</sup>, with the amended<sup>19</sup> provisions coming into effect from 01 September 2019. The amendment stipulated that, if the person:

- (i) is under thirty years old at the time of issue or renewal, the licence will remain effective until they reach the age of forty.
- (ii) is between thirty and fifty years old at the time of issue or renewal, the licence will be valid for a period of ten years.
- (iii) is between fifty and fifty-five years old at the time of issue or renewal, the licence will remain effective until they reach the age of sixty.
- (iv) is fifty-five years old or older at the time of issue or renewal, the licence will be valid for five years from the date of issuance or renewal.

The data from the SARATHI database shows that during the period between 01 September 2019 and 31 March 2024, the MVD had issued **27,78,399** driving licences. Detailed analysis of the data revealed that **7,524** of these licences were found deviated from the prescribed validity periods as shown below:

- In **3,819 licences** the validity period exceeded from two to 4,383 days as detailed in **Appendix II**.
- In **3,705 licences** the validity period is shorter by two to 4,336 days as detailed in **Appendix III**.

These inconsistencies undermine the legal framework of the MV Act, as licences may not accurately reflect the holder's eligibility as determined by their age. Five illustrative cases identified in the selected offices are as given in **Table 2.6** below:

<sup>18</sup> Section 14(2)(b) of MV Act.

<sup>19</sup> MV Amendment Act, 2019.

**Table 2.6: Illustrative cases of Driving Licences, issued with irregular validity**

Sl. No.	Name of the Office	Licence number	Date of issue of Driving Licence	Date of birth	Age as on the date of issue	Validity given upto	Validity to be given
1	RTO Kottayam	KL05 20190002715	28-10-2019	25-04-1993	26	27-10-2039	24-04-2033
2	RTO Thrissur	KL08 20190002560	23-11-2019	18-05-1989	30	17-05-2039	22-11-2029
3	RTO Wayanad	KL12 20210004654	22-10-2021	03-07-1994	27	29-05-2035	02-07-2034
4	RTO Kannur	KL13 20190003164	28-12-2019	18-09-1986	33	17-09-2036	27-12-2029
5	SRTO Mavelikkara	KL31 20190001155	22-11-2019	17-12-1995	23	21-11-2039	16-12-2035

Source: SARATHI Database.

On this being pointed out (January 2025) the Government stated (September 2025) that although the number of errors is minimal in comparison to the total number of licences issued during the period, the matter has been taken seriously. This error occurred due to the changeover from erstwhile SMARTMOVE software to new SARATHI based software. It was also ensured that the identified cases will be rectified. In this regard, direction has already been issued to all RTOs and Joint RTOs for constituting a special team in each office, to rectify the anomalies and a compliance report to be forwarded within ten days. It was also stated that the National Informatics Centre (NIC) has been requested to explore the possibility of auto checking the Drivers Licence validity period in the SARATHI database to ensure accurate licence validity period. Ideally, validation controls on the licence validity period should be part of the software to prevent such errors.

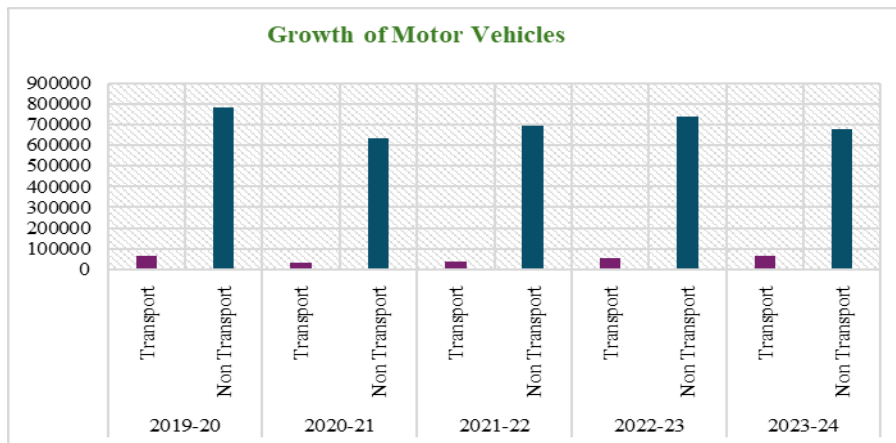
#### **Recommendation 4**

*Government may ensure the incorporation of validation controls in the SARATHI database by the NIC is completed within a defined timeframe.*

#### **2.4.6.5 Vehicle Registration and Regulations**

As per the statute, no person shall drive a motor vehicle, nor shall the owner permit or cause it to be driven, in any public or other place unless it is duly registered and the vehicle's registration certificate must remain valid and not be suspended or cancelled. The vehicle must display the registration mark in the prescribed manner. The number of motor vehicles registered in Kerala from 2019-20 to 2023-24 is detailed in **Chart 2.2** below:

**Chart 2.2: Number of Motor Vehicles registered from 2019-20 to 2023-24**



Source: Prepared by Accountant General (Audit II).

The decline in the number of registrations during 2020-21 appears to be due to COVID-19 pandemic and the steady growth in the two succeeding years indicates its recovery.

The statute stipulates that every motor vehicle must be registered with the appropriate authority in the jurisdiction where it is normally kept<sup>20</sup>, and no vehicle can be driven in public places unless its registration certificate is valid<sup>21</sup>. In the case of transport vehicles, registration is considered valid only if the vehicle holds a valid Certificate of Fitness<sup>22</sup>.

#### **2.4.6.6 Misclassification of Goods Carriages with Tipping Mechanism as standard Goods Carriage**

The Kerala Finance Act, 2010, introduces separate tax rates for goods carriages with tipping mechanism and without tipping mechanism. The rate of tax for goods carriages equipped with tipping mechanisms were outlined in Sl. No.3(ii) of the Schedule attached with the Kerala Motor Vehicle Taxation Act, 1976.

In the VAHAN software, to identify the class, permit type and category of vehicle, separate numerical codes were assigned. As per this, vehicle class '59' and permit type '105' are assigned to all goods carriages, including those equipped with tipping mechanisms. However, goods carriages with tipping mechanisms (Tippers) are specifically identified by assigning them an additional permit category '31'.

Audit analysis of tax remittance data in the VAHAN database for the period from 01 April 2022 to 31 March 2024 revealed that 46,040 vehicles were classified under vehicle class '59' and permit type '105'. However, a detailed examination of the 'vehicle details' indicated that 2,153 of these goods carriages, though equipped with tipping mechanisms, were not assigned the prescribed 'Tipper' permit category '31'. This misclassification led to the levy

<sup>20</sup> Section 40 of MV Act, 1988.

<sup>21</sup> Section 39 of MV Act, 1988.

<sup>22</sup> Section 56 read with Section 59 and 60 of MV Act, 1988.

and collection of motor vehicle tax at the lower rate applicable to standard goods carriages, resulting in short collection of revenue amounting to **₹0.94 crore** as detailed in **Appendix IV**.

On this being pointed out, the Government stated (September 2025) that instructions had already been issued to all the RTOs and Joint RTOs through various directions to verify the class of vehicles and permit categories while rendering services in office. Further stated that in view of the audit observation, a separate directive would be issued to all offices. In addition, NIC has been addressed to stick to vehicle class terminology used under the MV Act while classifying vehicles in the software, which would prevent recurrence of such issues.

#### **Recommendation 5**

*Government may instruct the Motor Vehicle Inspectors to conduct physical verification of the vehicles in which the defects were pointed out and ensure that appropriate permit codes are assigned so as to prevent the misclassification of permit categories and the resultant short collection of tax.*

#### **2.4.6.7 Violation of Permit conditions**

A transport vehicle can be used in public places only with a valid permit issued by the competent authority<sup>23</sup>, and such permits are subject to conditions relating to fitness, safety, and roadworthiness of the vehicle<sup>24</sup>. A permit also becomes invalid if the applicable tax is not paid within the prescribed period<sup>25</sup>, and operating a vehicle without a valid permit is punishable<sup>26</sup>. Government prescribes<sup>27</sup> the compounding fee applicable for offences under Section 192A (1) and the compounding fee leviable for the offences are as shown in **Table 2.7** below:

**Table 2.7: Compounding fee leviable for violating permit conditions**

<b>Vehicle Type</b>	<b>Compounding fee for using motor vehicles without a permit</b>
Light Motor Vehicle/ Two and three-wheeler.	₹3,000 for the first offence. ₹7,500 for any subsequent offence.
Medium Goods Vehicles, Medium Passenger Vehicles, Heavy Goods Vehicles and Heavy Passenger Motor Vehicles.	₹7,500 for the first offence. ₹10,000 for any subsequent offence.

<sup>23</sup> Section 66 of MV Act, 1988.

<sup>24</sup> Section 84(a) and 84(f) of MV Act, 1988.

<sup>25</sup> Section 15 of KMVT Act, 1976.

<sup>26</sup> Section 66(1) read with 192A(1) of MV Act, 1988.

<sup>27</sup> Vide G.O.(P) No.37/2019/Trans dated 26 October 2019.

An analysis of the permit data in the VAHAN database, related to RTOs/ SRTOs across the State, for the period from 01 April 2019 to 31 March 2024 revealed that out of **6,71,965** permits issued, **53,384** permit holders violated permit conditions mandated either under Section 84 of the Motor Vehicles Act, or under Section 15 of the KMVT Act, 1976, or both. Cross-verification with data on non-use of vehicles revealed that none of the vehicle owners had submitted non-use intimation for the above period. The details of the violations are categorised in **Table 2.8** below:

**Table 2.8: Cases of violation of permit conditions**

Violations	Cases	Compounding fee (₹ in crore)
CF, and tax expired cases	29,903	11.11
CF expired cases	14,370	4.78
Tax expired cases	9,111	3.23
<b>Total</b>	<b>53,384</b>	<b>19.12</b>

Source: VAHAN Database.

Audit noticed that despite the violations and vehicle details being available in the VAHAN MIS reports, the Department did not take corrective actions such as suspending or cancelling permits or issuing notices to the defaulters. This has also resulted in non-collection of compounding fees for operating motor vehicles without adhering to the conditions of a valid permit, amounting to **₹19.12 crore**, as detailed in **Appendix V**.

Audit obtained the FIR details of accidents from Police Department and cross verification of this revealed that 609 of these 53,384 vehicles met with accident during the period of violation of permit conditions as shown in **Appendix VI**. Illustrative cases noticed in the selected offices are detailed in **Table 2.9** below:

**Table 2.9: Illustrative cases of accidents occurred during the period of violation**

Sl. No.	Name of the Office	Registration number	Permit validity upto	CF/ Tax paid upto	Date of accident	Remarks
1	RTO Kottayam	KL05AC9707	07-01-2026	10-01-2021	17-12-2022	Grievous injury
2	RTO Thrissur	KL03K3045	12-02-2026	31-12-2019	26-04-2021	
3	RTO Wayanad	KL12J9372	29-12-2028	30-12-2023	10-02-2025	
4	SRTO Guruvayur	KL46P4993	08-03-2027	30-09-2021	12-06-2023	
5	SRTO Guruvayur	KL46P6781	26-01-2027	31-12-2021	07-04-2023	

Source: Records of Police Department.

On this being pointed out, the Government stated (September 2025) that directions have been issued to RTO/ SRTO officials to strictly enforce

statutory steps like suspension or cancellation of permits of those vehicles that are failing to comply with the stipulated permit conditions. It was also added that training was given to all RTOs/ SRTOs in VAHAN based MIS report generation module to collect such data. Periodical Special Drive checking is also being conducted to curb such violations.

#### **Recommendation 6**

*Government may consider instituting a mechanism to regularly track the status of periodic special drives and monitor compliance with follow-up actions, including suspension or cancellation of permits of vehicles violating the stipulated conditions.*

#### **2.4.6.8 Deficiencies in Vehicle Fitness Testing Procedures**

A transport vehicle is considered validly registered only if it has a certificate of fitness<sup>28</sup> confirming compliance with prescribed requirements, which is issued after conducting specified tests on key components such as lights, brakes, speedometers, and steering<sup>29</sup>. Further, no certificate of fitness can be granted after such date as may be notified by the GoI, unless the vehicle has been tested at an automated testing station<sup>30</sup>. GoI vide G.S.R.663(E), notified that fitness testing for transport vehicles must be conducted exclusively through Automated Testing Stations (ATS) with effect from 12 September 2023, provided that an ATS is operational in the jurisdiction of the registering authority. In areas where an ATS is not operational, the deadline for mandatory ATS testing was extended to 01 April 2025.

Audit identified several shortcomings in vehicle fitness testing procedures, as outlined below:

- **Absence of Automated Testing Stations**

To ensure uniformity in vehicle fitness assessment and eliminate arbitrariness in inspections, the department proposed (May 2011) to establish ATS for conducting vehicle fitness tests. As per the information provided, ATSs were established in nine out of the 86 RTOs/ SRTOs across the State. However, Audit observed that none of these ATSs were operational (January 2025). The computerised vehicle testing stations in the State were established before the issuance of MoRTH notifications. As a result, they do not fully comply with certain requirements and standards prescribed by MoRTH for vehicle testing. The status of these nine ATSs is as shown in **Table 2.10** below:

<sup>28</sup> Section 56 read with 39 of MV Act, 1988.

<sup>29</sup> Rule 62 of CMV Rules, 1989.

<sup>30</sup> Second proviso below Section 56(1) of MV Act, 1988.

**Table 2.10: Details of the status of ATS**

Sl. No.	Name of the Office	Status of ATS	Date of commencing	Fund utilized (₹)
1	Parassala	Not working	Light Motor Vehicle 23/01/2017 Heavy Motor Vehicle 06/08/2019	5,76,55,619
2	Thiruvananthapuram	Not working	04/11/2014	2,45,70,000
3	Uzhavoor	Not working	Light Motor Vehicle 25/02/2019 Heavy Motor Vehicle 30/03/2019	5,92,81,348
4	Muvattupuzha	Not working	25/02/2019	2,29,44,271
5	Thrippunithura	Not working	Not started functioning	2,57,00,000
6	Kozhikode	Not working	Light Motor Vehicle 18/06/2012 Heavy Motor Vehicle 02/08/2019	3,47,11,348
7	Kannur	Not working	01/07/2013	1,79,38,157
8	Taliparamba	Not working	Not started functioning	3,30,00,000
9	Kasargod	Not working		3,40,00,000
<b>Total</b>				<b>30,98,00,743</b>

Source: Departmental records.

Audit observed that though the Government had incurred an expenditure of **₹30.98 crore** for establishing nine ATSS, intended to modernise and standardise the vehicle testing process, the continued non-functioning of these facilities, resulted in ineffective utilisation of funds. Audit analysed the process of establishment of ATSS in three locations where the facility is not yet operational (January 2025) and the findings are shown in box below:

**Government sanctioned (October 2016) the establishment of ATSS at Taliparamba, Kasargod and Thripunithura at a cost of ₹3.50 crore each, entrusting construction to KITCO (March 2017) and an agreement was executed on 25 March 2017. Though completed and handed over during March and May 2022, the stations remained non-functional as M/s SRIT, awarded the Facility Management Contract, failed to execute the agreement despite work orders issued in September – November 2022. Government neither cancelled the contract by forfeiting the EMD as per rules, nor initiated any action to re-entrust operations. Consequently, the expenditure of ₹9.27 crore on the three ATSS remained unfruitful, with no further steps initiated to operationalise them (January 2025).**

Due to the lack of functional ATSS, vehicle fitness tests cannot be conducted as per the mandated standards, leading to non-compliance with regulations and also impact road safety.

On this being pointed out, the Government stated (September 2025) that tender has been floated for establishment of 19 ATS in the private sector. All ATSS are proposed to be operated in Build-Own-Operate-Maintain-Revenue share model and the process of bid opening is in process. Bid for operationalising the existing nine ATS is also in progress. It is targeted to be operationalised within six months.

**Recommendation 7**

Government may expedite the establishment of the 19 planned ATSs and the upgradation of existing ones to ensure compliance with Central Notification. Clear timelines should be set for making the ATSs fully operational, with strict adherence to the implementation roadmap.

- **Deficiencies in manual vehicle fitness testing**

To evaluate the procedures for the manual vehicle fitness tests, Audit conducted Joint Physical Verification (JPV) with Motor Vehicle Department (MVD) officials at the 10 selected RTOs/ SRTOs, and the JPV reveals the following shortfalls from the regulations<sup>31</sup>.

Motor Vehicle Inspectors, who were authorised to conduct fitness tests, were not provided any electronic or technical devices and dedicated tracks or roads to conduct the tests. The absence of these compromised the accuracy and thoroughness of vehicle assessments that include verifying the functionality of speed governors, headlamp beams, lights, horns, silencers, and dashboard equipment and hindered the effective evaluation of the braking systems and other critical components.



**Figure 2.4: RTO Thrissur**



**Figure 2.5: SRTO Guruvayur**

Audit collected the number of fitness tests conducted during the three years from 2022-23 to 2024-25, through ATS and through manual procedure in RTO Kannur, a selected office under which an ATS was established. The details are as shown in **Table 2.11** below:

**Table 2.11: Details of driving tests conducted in both automated and manual procedure**

Sl. No.	Year	Total number of CF Issued	
		Through ATS	Manual
1	2022-23	2,880	8,231
2	2023-24	2,910	9,919
3	2024-25	0 <sup>32</sup>	12,435

Source: Details provided by RTO Kannur.

<sup>31</sup> Rule 118, Rule 96(4) and Rule 62 of CMV Rules, 1989.

<sup>32</sup> RTO, Kannur informed that the ATS facility became inoperative from 26 March 2024.

It was observed that, although the ATS was available during the period 2022-23 and 2023-24, only about 25 per cent of the total Certificate of Fitness tests were conducted through it. This limited utilisation undermines the very purpose for which the facility was established.

On these being pointed out, the Government stated (September 2025) that tenders for upgradation of nine existing ATSs and establishment of new 19 ATSs have been floated. It was also intimated that all ATSs will be operated on revenue sharing model.

#### **Recommendation 8**

*Government may prepare a timeline for the establishment of Automated Testing Centres so as to adhere to the regulation and after fixing a timeline, request GoI to extend the timeframe for conducting fitness tests only through ATS, to that extend.*

#### **2.4.6.9 Irregular issuance of Certificate of Fitness with extended validity**

Certificate of Fitness<sup>33</sup> shall be valid for a period of two years for transport vehicles up to eight years old and one year for vehicles older than eight years. GoI had revised<sup>34</sup> the fees for conducting fitness test and grant or renewal of certificate of fitness. An analysis of data relating to Certificate of Fitness from the VAHAN database, shows that during the audit period from 01 April 2019 to 31 March 2024, Certificate of Fitness was issued to 10,90,765 transport vehicles registered in the State. Audit observed that the Certificate of Fitness for 953 transport vehicles over eight years old were issued with validity periods exceeding the one-year limit prescribed, as detailed in **Appendix VII**.

Granting an extended validity period allows these vehicles to operate on the road without undergoing mandatory tests after the expiry of the prescribed period. The extension of validity also results in financial loss to the government, as it enables the vehicles to skip one fitness tests. The non-collection of fees for one fitness tests skipped by the 953 vehicles comes to ₹0.08 crore.

Audit obtained the accident data from the Police Department and analysis of the data shows that eight vehicles out of these 953 vehicles met with accident during the currency of the extended validity period, the details of which are given in **Table 2.12** below:

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<sup>33</sup> Section 56 of MV Act, Rule 62(1) and 81 of the CMV Rules, 1989.

<sup>34</sup> Notification No.G.S.R.1183(E) dated 29 December 2016 and G.S.R.714(E) dated 04 October 2021.

**Table 2.12: Details of accidents occurred during CF extended period**

Sl. No.	Name of the Office	Registration number	CF validity granted up to	CF validity permissible up to	Date of accident	Remarks
1	RTO Attingal	KL08CA1414	23-03-2025	23-03-2024	15-05-2024	Minor injury
2	RTO Ernakulam	KL41U1407	10-08-2025	10-08-2024	23-09-2024	Grievous injury
3	SRTO Mattancherry	KL43Q5126	29-06-2025	29-06-2024	30-08-2024	Grievous injury
4	SRTO Perinthalmanna	KL55AG0679	31-10-2024	31-10-2023	16-02-2024	Grievous injury
5	SRTO Koyilandy	KL56X2197	15-06-2024	15-06-2023	16-08-2023	Fatal
6	SRTO Tirurangadi	KL65S2210	28-04-2024	28-04-2023	04-12-2023	Grievous injury
7	SRTO Tirurangadi	KL65S2874	16-05-2024	16-05-2023	27-06-2023	No injury
8	RTO Malappuram	KL85A8382	31-10-2024	31-10-2023	22-12-2023	No injury

Source: Data provided by Police Department.

This shows that the practice of granting extended validity of fitness not only compromises vehicle safety but also poses significant risks to the lives and property of other road users.

On this being pointed out, the Government stated (September 2025) that contrary to Rule 62(1) of CMVR some vehicles older than eight years were issued Certificate of Fitness for two years. This happened as CF validity period was not set in the VAHAN software in relation to the age of vehicles. It was also stated that proper validation checks with VAHAN database will be enabled to avoid such glitches in software. In addition, checks will also be undertaken by Internal Audit team. Further, the matter will be communicated to NIC for necessary changes.

**Recommendation 9**

*Government may ensure that the VAHAN database is immediately updated with proper validation checks to prevent issue of Certificate of Fitness in violation of Rule 62(1) of CMVR. Coordination with NIC may be expedited to implement the necessary software changes without delay.*

### 2.4.6.10 Existence of unregulated motor vehicle service providers in the State

No person is permitted to operate as a travel ticket agent, goods forwarding agent, aggregator, or Rent-a-Cab operator without obtaining the required licence from the designated authority, subject to conditions prescribed by the State Government<sup>35</sup>. The State Transport Authority (STA)/ Regional Transport Authority (RTA) are the authorities to issue such licences.

Audit observed compliance deviations as outlined in the subsequent paragraphs.

- **Non-regulation of Agents or Canvasser Licence**

The licence obtained for engaging as an agent is subject to conditions prescribed by the State Government, including the payment of fees for issuance or renewal and the deposit of a security amount up to ₹50,000 for agents handling goods and up to ₹5,000 for other agents or canvassers. Section 193 of the MV Act, 1988, prescribes penalties<sup>36</sup> for non-compliance of provisions relating to agents or canvassers.

Scrutiny of the available records and information provided by the STA, Audit found that no agent or canvasser licences have been issued in the State. However, data retrieved from the GST portal shows that as on 31 March 2024, there were **2,343** agents or canvassers registered with GST for providing services, as shown in **Table 2.13** below:

**Table 2.13: Details of Agents/ Canvassers registered with GST**

HSN Code	Description	Number of registered agencies
9965	Goods Transport Services	965
996511	Road transport services of goods, including letters, parcels, live animals, containers, and the like in refrigerated vehicles, trucks, trailers, or other motor vehicles by a goods transport agency	625
9967	Supporting Services in Transport	233
998551	Reservation Services for Transportation	520
	<b>Total</b>	<b>2,343</b>

Source: GST portal.

Audit noticed that these agents or canvassers are actively providing services and regularly filing GST returns without obtaining licences as required. Though this information was available with Kerala GST Department, the MVD did not use it for identification of unlicensed agents or canvassers. The

<sup>35</sup> Section 93 of MV Act, 1988 and the rent-a cab-scheme of 1989.

<sup>36</sup> ₹1,000 for first offence and ₹2,000 or imprisonment or both for second or subsequent offences.

unlicensed activities of the 2,343 agents or canvassers had also resulted in non-collection of security deposits and fines amounting to **₹8.56 crore**, as shown in **Appendix VIII**.

The non-compliance of statutory requirements weakens the regulatory framework and results in non-collection of security deposit and fine. Five illustrative cases noticed in the districts under which the selected offices situated are given in **Table 2.14** below:

**Table 2.14: Details of unlicensed agents/ canvassers**

Sl. No.	District	Trade Name/ Legal Name	Date of GST registration	HSN Code
1	Ernakulam	AI Chem	09-01-2023	9965
2	Palakkad	U.M.S. Industries Group	01-07-2017	9965
3	Alappuzha	Connections Sales & Services Private Ltd.	01-07-2017	9967
4	Aluva	MM Logistic Solutions	20-11-2023	9967
5	Aluva	S V A Logistics	22-01-2022	996511

On this being pointed out, the Government stated (September 2025) that directions have been issued to STA and to all RTOs to identify unlicensed agents/ canvassers operating in the State and a final reply would be furnished after receiving responses from these offices.

- **Non-Regulation of Aggregators**

The MV Act, 1988, defines<sup>37</sup> ‘Aggregators’ as digital intermediaries connecting passengers with drivers, and empowers<sup>38</sup> States to issue licences as per GoI guidelines. The GoI issued such guidelines<sup>39</sup> in November 2020 which requires State Government to notify the competent authority to issue aggregator licence and to hear appeals. In July 2024 the State Government notified<sup>40</sup> the TC as the competent authority and the Secretary, Transport Department as the Appellate Authority. Aggregator licences are valid for five years, with fees fixed at ₹5.00 lakh for grant and ₹2,500 for renewal.

The aggregators are also required to deposit security amount as shown in **Table 2.15**:

**Table 2.15: Security Deposit applicable to aggregators**

Sl. No.	Particulars	Amount in ₹
1	Upto 100 buses or 1,000 other motor vehicles	1,00,000
2	Upto 1,000 buses or 10,000 other motor vehicles	2,50,000
3	More than 1,000 buses or 10,000 other motor vehicles	5,00,000

<sup>37</sup> Section 2(1A) of MV Act, 1988.

<sup>38</sup> Section 93 of MV Act, 1988.

<sup>39</sup> F.No.16011/9/2019-T dated 27 November 2020.

<sup>40</sup> S.R.O. No.672/2024 and S.R.O. No.671/2024 dated 30 July 2024.

The MV Act<sup>41</sup> stipulates that whoever engages himself as an aggregator in contravention of the provisions of Section 93 or of any Rules made thereunder shall be punishable with fine up to one lakh rupees but shall not be less than twenty-five thousand rupees.

Audit observed that there was a delay of approximately four years on the part of the State Government in notifying the competent authority and even after notifying the authority, no aggregator licences had been issued in the State (January 2025). Audit obtained data from the GST portal, which revealed that as on 31 March 2024, a total of 47 service providers had obtained GST registration exclusively for rendering the services as detailed in **Table 2.16** below:

**Table 2.16: Details of GST registration taken for aggregator services**

HSN/ SAC Code	Description	Number of registered suppliers
996411	Local land transport services of passengers	15
996412	Local land transport- Radio Taxi and other similar services for passengers	29
87039090	Motor vehicles principally designed for the transport of persons – others	3
	<b>Total</b>	<b>47</b>

Source: GST portal.

The existence of 47 unlicensed aggregators in the State had resulted in non-collection of fees amounting to **₹2.35 crore** as shown in **Appendix IX**. Security deposit at the prescribed rate shown in Table 2.15 is also collectable from these aggregators. The absence of licence fee and security deposit collection has resulted in potential revenue loss for the State.

On this being pointed out, the Government stated (September 2025) that the Department has now streamlined the procedure of issuing licence to aggregators and have begun entertaining applications for aggregators licence. Further, notices will be issued to other commonly known aggregators to adhere to licensing conditions. It was ensured that steps will be taken to penalise and restrict their activities.

**Recommendation 10**

*Government may develop a system in MVD to collect information from other departments and implement a mechanism to identify unlicensed agents, canvassers, and aggregators through cross-verification of the collected data. Action may be initiated to collect the applicable fees, security deposits, and fines from unlicensed agents, canvassers, and aggregators.*

<sup>41</sup> Section 193(2) of MV Act, 1988.

- **Non-Regulation of Rent-a-Cab services**

The Central Government is empowered to frame schemes for regulating the business of renting motor cabs, whether for self-drive or for use through drivers, and for matters connected therewith<sup>42</sup>. GoI vide notification<sup>43</sup>, introduced the Rent-a-Cab Scheme, 1989, and as per the scheme, the operators of Rent-a-Cab must maintain a fleet of at least 50 motor cabs, each holding an All-India Tourist permit granted under Section 74 and 88(9) of the MV Act, 1989.

Thus, to obtain a licence as a Rent-a-Cab operator, the applicant must possess a fleet of 50 motor cabs with All-India Tourist permits and must obtain a licence by paying a prescribed fee of ₹5,000 to the State Transport Authority (STA). As such, a registered motor cab cannot be rented out to another person unless the operator obtained a licence under the Rent-a-Cab scheme.

Scrutiny of the records available with STA shows that only nine Rent-a-Cab licences had been issued in the State by STA. However, data retrieved from the GST portal shows that, as on 31 March 2024, there were **461** agencies registered under the HSN code - 00440048-Rent-a-Cab Operator for providing rental services in the State.

Audit noticed that these agencies, engaged in providing rental services for passenger vehicles, regularly filed GST returns without obtaining the required licence from the STA. Audit observed that lack of enforcement mechanism to identify Rent-a-Cab operators resulted in unlicensed operators providing services in the State. Further, licence fee @₹5,000 per operator amounting to **₹0.23 crore** was also realisable from the 461 unregulated operators as shown in **Appendix X**. Audit test checked the GST Returns filed by 50 of these operators and found that 25 of them filed Annual Returns. The total annual turnover of the 25 operators comes to ₹120.35 crore.

The significant discrepancy between licensed operators and GST-registered agencies highlights a critical gap in the enforcement of the Rent-a-Cab Scheme, 1989.

**An accident occurred at Kalargode in Alappuzha District on 02 December 2024, resulted in the death of five medical students and serious injuries to six others. Audit obtained the details of vehicles involved, the FIR, and report from the MVD. It was observed that all the eleven medical students were travelling in a motor car (KL-29C-1177) owned by an individual who had no relation to any of the passengers. The joint inspection report by the DTC, RTO (NC) and RTO Alappuzha concluded that the accident occurred due to multiple factors, including the presence of eleven passengers in a vehicle with a seating capacity of only seven, excessive speed and low visibility due to adverse weather condition. The report underscored the need to regulate the operations of illegal Rent-a-Cab services in the State.**

<sup>42</sup> Section 75 of MV Act, 1988.

<sup>43</sup> No. S.O.437(E) dated 12 June 1989.

Government stated (September 2025) that instructions have been given to enforcement officials to collect information on Rent-a-Cab operations in the State from various sources, including from online sources, websites etc. It was stated that a list of agencies engaged in such unauthorised operations have been collected through field sources and circulated to all DTCs and Regional Transport Officers with instructions to conduct enquiries and initiate appropriate legal action against the violators. It was added that directions have been issued to all RTOs/ SRTOs to verify unauthorised functioning of Rent-a-Cab through on-site inspections of the operator's premises through periodical returns and act upon it to ensure that no unlicensed Rent-a-Cab business runs in the State.

Further, it was stated that a proposal to reduce the threshold limit for applying for Rent-a-Cab licence from 50 vehicles to five vehicles has been requested to Central Government as it was found to be the major reason for rampant violation of the scheme.

The operation of unregulated Rent-a-Cab services poses concerns relating to regulatory non-compliance and passenger safety. Therefore, it would be prudent to revisit the licensing norms and formulate a policy framework that encourages wider compliance by bringing more operators under the licensing ambit.

#### ***Recommendation 11***

*Government may ensure enforcement officials collect and verify information on Rent-a-Cab operations through on-site inspections, and instruct STA to act against unlicensed operators, and consider revising the scheme to reduce the minimum cab requirement for licences in consultation with GoI.*

#### **• Non-regulation of Registered Vehicle Dealers under Rule 55A**

No individual or entity is allowed to operate as a dealer of registered vehicles without holding a valid authorisation certificate issued by the registering authority in the jurisdiction of their business<sup>44</sup>. The fee for granting or renewing this authorisation certificate is ₹25,000 as specified in Rule 81, and it remains valid for five years from the date of issuance or renewal.

Audit of available records, including the VAHAN database, MIS reports, and related documents, revealed that as on 31 March 2024, the MVD had issued only two authorisation certificates in Form 29B to registered vehicle dealers across the State.

However, data retrieved from the GST portal shows that, as on 31 March 2024, there were 471 dealers registered under GST Act, 2017. They are traders in goods categorised under HSN code 8703, which covers motor cars and other vehicles principally designed for the transport of persons. These dealers were regularly filing GST returns, indicating active operations. Audit

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<sup>44</sup> Rule 55A of CMV Rules, 1989.

noticed that out of these 471, none of them obtained authorisation certificate from MVD.

Despite their active engagement in the sector, 471 dealers failed to obtain the necessary authorisation certificates from the Regional Transport Authority. The disparity between the number of GST-registered dealers and the authorisation certificates issued by the MVD highlights significant lapses in enforcement. Audit observed that there is no mechanism that prevailed in the Department to identify unauthorised vehicle dealers in the State. In the absence of such a system, the Department failed to identify even the 471 dealers, whose details were available with another Department of GoK.

These unregulated activities undermine statutory compliance, obstruct the fair regulation of the vehicle dealership sector, weaken the legal accountability of unauthorised dealers and also resulted in a non-collection of fees of **₹1.18 crore** to the State as detailed in **Appendix XI**.

On this being pointed out, the Government stated (September 2025) that a Circular<sup>45</sup> was issued, which made it mandatory for registered vehicle dealers to obtain authorisation certificates with effect from 15 April 2023. However, in compliance with the direction of Hon'ble High Court of Kerala and representation from Kerala Used Vehicle Dealers and Brokers Association, the time limit was extended upto 02 August 2025. The Department assured that once the time period is over, the licensing will be undertaken and coercive measures such as blacklisting of vehicles in unregistered vehicle dealers yard will also be undertaken.

#### **Recommendation 12**

*Government may strengthen the enforcement mechanism to ensure strict compliance with Rule 55A and take coordinated action with GST authorities against unauthorised dealers. Government may also initiate action to recover the outstanding licence fees from the 471 unauthorised dealers.*

#### **2.4.6.11 Revenue Management**

The sources of revenue of the Motor Vehicle Department are taxes on motor vehicles, fees, service charges, fines, penalties and compounding fees.

The SSCA reveals certain shortcoming in collection of revenues as detailed in the subsequent paragraphs.

- **Excess Collection of One-Time Tax from Hybrid Vehicle Owners**

GoK introduced<sup>46</sup> the Electric Vehicle Policy to encourage the adoption of electric vehicles. To attain the goal of reducing carbon emissions, improving air quality, and fostering a more sustainable transportation system and to

<sup>45</sup> Circular 7/2023 dated 29 March 2023.

<sup>46</sup> Vide G.O.(Ms.) No.24/2019/Trans dated 10 March 2019.

attract more people to buy electric vehicles, GoK notified<sup>47</sup> (February 2021) a tax reduction of 50 per cent for all new electric vehicles for a period of five years, with effect from 01 April 2021. It was further notified<sup>48</sup> that Fully Hybrid Battery Electric Vehicles and Fuel Cell Electric Vehicles were included in the category of new electric vehicles. Government withdrew<sup>49</sup> the said tax rebate for fully hybrid electric vehicles and fuel cell electric vehicles with effect from April 2023.

Analysis of the tax remittance data for the period from 17 December 2021 to 31 March 2023 from VAHAN database, revealed that 2,139 Fully Hybrid Battery Electric Vehicles were registered in the State during the period and in 2,139 cases, one-time tax for 15 years was collected without applying the 50 per cent tax reduction for the first five years. This resulted in excess collection of tax of ₹15.16 crore, as detailed in **Appendix XII**.

Despite the clear provisions in the Government Orders regarding the 50 per cent tax reduction for new electric and hybrid vehicles, the intended benefit was not given to the 2,139 ‘Fully Hybrid Battery Electric Vehicle’ owners. This has resulted in the denial of tax benefits meant to encourage the adoption of environment friendly vehicles and reflects a gap in enforcement of Government policies. Five illustrative cases noticed in the selected offices are given in **Table 2.17** below:

**Table 2.17: Illustrative cases of excess collection of MV Tax in selected offices**

Sl. No.	Office Name	Regn. Number/ Model Name	Date of purchase	Sale amount (₹)	Rate of tax	Tax collected (₹)	Tax collectable (₹)	Excess collection (₹)
1	RTO Kottayam	KL05BA0333 Toyota Vellfire Hybrid	15-03-2023	96,55,000	21%	20,27,550	16,89,625	3,37,925
2	RTO Thrissur	KL08CA2233 Toyota Vellfire Hybrid	28-03-2023	96,55,000	21%	20,27,550	16,89,625	3,37,925
3	RTO Wayanad	KL12P4455 Toyota Camry Hybrid	28-12-2022	45,40,000	21%	9,53,400	7,94,500	1,58,900
4	RTO Kannur	KL13AW9999 Innova Hycross Hybrid Vx(8s)	02-02-2023	24,15,500	21%	5,07,255	4,22,712	84,543
5	SRTO Thodupuzha	KL38K7045 Innova Hycross Hybrid Zx(7s)	27-03-2023	29,81,500	21%	6,26,115	5,21,762	1,04,353

Source: VAHAN Database.

On this being pointed out, the Government stated (September 2025) that Government allowed a tax rebate of 50 per cent for the first five years for all kinds of electric vehicles including fully hybrid battery electric vehicles and fuel cell electric vehicles. However, Government withdrew the said tax rebate for fully hybrid electric vehicles and fuel cell electric vehicles. It was also stated that either the CMV Rules or the Kerala Motor Vehicles Taxation Act

<sup>47</sup> G.O.(P) No.12/2021/Trans dated 23 February 2021.

<sup>48</sup> G.O.(P) No.38/2021/Trans dated 17 December 2021.

<sup>49</sup> Notification Number G.O.(P) No.6/2023/Trans dated 31 March 2023.

did not include a specific definition for Hybrid Vehicles. Without a clear statutory definition, it was difficult to consistently apply 50 per cent tax reduction across all relevant vehicles including fully Hybrid Battery Electric Vehicles. Further, for the imposition of new tax structure, legislation in the form of Finance Act and Kerala Motor Vehicle Taxation Act have not been amended, without which the Government order could not be implemented.

The reply is not acceptable as the reduction of tax rate was notified by Government in exercise of the powers conferred by Section 22 of Kerala Motor Vehicle Taxation Act, 1976. Hence the Department is bound to implement it, irrespective of whether clear definition exists or not.

**Recommendation 13**

*Government may issue instructions to MVD officials to regularise the tax collection in respect of 2,139 fully Hybrid Battery Electric Vehicles by following the Government Notifications in its letter and spirit.*

• **Short Collection of Fee for Grant/ Renewal of Vehicle Registration**

The CMV Rules, 1989, prescribes the rate of fees for the grant or renewal of registration of motor vehicles. During the Audit period the rate was revised twice as detailed in the Amendment Notification<sup>50</sup>. An analysis of data relating to grant and renewal of vehicle registration for the period from 01 April 2019 to 31 March 2024 from the VAHAN database revealed that new registration or renewal of vehicles was granted in **51,54,623** cases. Out of this, it was observed that in **4,06,886** instances, the fees collected were lower than the prescribed revised rates, leading to short collection of fees of **₹98.69 crore**, as detailed in **Appendix XIII**.

Thus, the short collection of fees represents delays in updating revised fee structures in the IT system, indicating lack of synchronisation between policy updates and system configurations. This not only undermines compliance of provisions but also impacts State's revenue.

The Government stated (September 2025) that the reason for the non-collection of enhanced fee is due to lack of timely updation in VAHAN software which is handled by NIC. Hence, the NIC was requested to introduce a mechanism to ensure real time updates in the software, whenever fee structures are revised. It was also stated that the Hon'ble High Court of Kerala has directed to accept the renewal of the certificate of registration and Certificate of Fitness without insisting for additional fees and enhanced fees with an undertaking from the applicants to pay the additional fees and enhanced fees in case the decision of the Hon'ble Supreme Court is against them.

<sup>50</sup> G.S.R.1183(E) dated 29 December 2016 and G.S.R.714(E) dated 04 October 2021 of Ministry of Road Transport and Highways.

The Hon'ble High Court directed that registration may be renewed for those willing to submit an undertaking to pay the enhanced fees if the decision of the Hon'ble Supreme Court goes against them. Hence, the relief is limited to petitioners who have challenged the enhanced fees before the Hon'ble Supreme Court and does not constitute a general directive.

**Recommendation 14**

*Government in consultation with NIC may introduce a mechanism to ensure real-time updates in the VAHAN system whenever fee structures are revised and the system have automated alerts and systematic reconciliation procedures. Government may also instruct the MVD officials to initiate a mechanism to realise the revenue loss, if any.*

• **Non/ Short Imposition of Penalty for Delayed Renewal of Certificate of Fitness for Transport Vehicles**

A transport vehicle is considered validly registered only if it carries a valid Certificate of Fitness<sup>51</sup> (CF), and failure to present the vehicle for CF renewal by the due date attracts a penalty<sup>52</sup>. The penalty, effective from 18 July 2019, is leviable for each calendar month or part thereof, depending on the vehicle category, at the rates detailed in **Table 2.18** below:

**Table 2.18: Rate of penalty to be imposed for belated renewal of Certificate of Fitness**

Type of Transport Vehicle	Penalty Rate (₹/ Month)
Two-wheelers and Autorickshaws	100
Motor Cabs	150
Other Transport Vehicles	200

Source: Kerala Motor Vehicles (4<sup>th</sup> Amendment) Rules, 2019.

An analysis of the 'VAHAN' database for the period from 01 April 2022 to 31 March 2024 revealed that during the period **5,41,840** transport vehicles renewed their Certificate of Fitness in the State. It was observed that though **34,869** vehicles renewed the Certificate of Fitness belatedly, penalties for the delay were either not imposed or under-imposed, resulting in a revenue shortfall of **₹1.27 crore**, as detailed in **Appendix XIV**.

On this being pointed out, the Government stated (September 2025) that the office-wise list of observation has been forwarded to the offices concerned to recover the shortfall and seek an explanation/ reason for the non-collection of the penalty. It was also stated that this shortfall will be made good by consistent follow up.

<sup>51</sup> Section 56 of MV Act read with Rule 62 of CMV Rules, 1989.

<sup>52</sup> Rule 105(5) of KMV Rules, 1989.

**Recommendation 15**

*Government may issue directions, to the officers responsible for issuing Certificate of Fitness, for the strict compliance of Rule 105(5) of the Kerala Motor Vehicles Rules, 1989, so as to ensure that penalties for delayed renewal of Certificate of Fitness are imposed as per the stipulated rates for each category of transport vehicle.*

- **Short collection due to application of Incorrect Rates of Motor Vehicle Tax on goods carriages fitted with Tipping mechanism**

The Kerala Finance Act, 2010, introduces distinct tax rates for goods carriages with and without tipping mechanisms and the applicable tax rate for vehicles equipped with tipping mechanisms is specified under Sl. No. 3(ii) of the Schedule attached with the Kerala Motor Vehicle Taxation Act, 1976.

In the 'VAHAN' system the class, permit and category of vehicle were denoted by numerals. Vehicle class '59' and permit type '105' are uniformly assigned to goods carriages, including those fitted with tipping mechanisms whereas permit category '31' is specifically designated for goods carriages with tipping mechanisms (Tippers).

An analysis of tax remittance data from the VAHAN database, for the period from 01 April 2022 to 31 March 2024, revealed that out of the **43,301** tipper carriages, that were assigned the permit category '31', tax of **2,098** tippers was levied at the rate applicable to ordinary goods carriages. This resulted in short levy of MV tax of **₹0.87 crore**, as detailed in **Appendix XV**.

Though the vehicles were assigned the specific permit category applicable for goods carriages with tipping mechanisms in VAHAN, tax rate was applied incorrectly.

The Government stated (September 2025) that the anomalies in tax collection happens due to delay in timely updation of VAHAN software, which is handled by NIC. Hence, a request has been forwarded to NIC to suggest a mechanism to ensure real time updation in the software whenever tax structure are revised so that system sends automated alerts and applies current rates and prevents manual intervention in the calculation of tax. It was further stated that progress has been made to enhance compatibility of the VAHAN system with the tax structure of Kerala through regular meetings and coordination.

**Recommendation 16**

*Government may ensure that the request to NIC for introducing necessary process control in the system software for real time updation whenever tax structures are revised is taken up and implemented in a time bound manner. Government may also instruct the MVD officials to initiate steps to recover the short-paid tax, if any, from the 2,098 tipper owners.*

- **Non-collection of Green Tax**

It is mandatory<sup>53</sup> to levy and collect Green Tax on newly purchased diesel-powered motor vehicles (excluding motorcycles). Green Tax is also applicable to other categories of vehicles based on their age at the time of renewal of registration or renewal of the Certificate of Fitness and the rate of Green Tax was revised with effect from 01 April 2022 (Finance Act, 2022). The revenue generated is intended to support various measures aimed at controlling air pollution. The applicable rates are specified in **Appendix XVI**.

An analysis of the vehicle registration data from the VAHAN database for the period from 01 April 2022 to 31 March 2024 revealed the following:

- i) **Non-levy at the time of new registration**

Audit noticed that **91,952** diesel-powered vehicles (excluding motorcycles) were registered during the above period in the State. Out of this, in the case of **20,692** vehicles, Green Tax was not levied. This resulted in a non-levy of Green Tax amounting to **₹2.08 crore**, as detailed in **Appendix XVII**.

- ii) **Non-levy during renewal of registration of Non-Transport Vehicles**

It was noticed that during the above period **11,36,596** non-transport vehicles with four or more wheels, which had completed 15 years from their initial registration, had renewed the registration. Out of this, in **7,358** instances, the applicable Green Tax was not collected. This resulted in non-levy of Green Tax amounting to **₹0.44 crore**, as detailed in **Appendix XVIII**.

- iii) **Non-levy during renewal of Certificate of Fitness of Transport Vehicles**

During the period of audit **1,95,739** transport vehicles with four or more wheels, which had completed 10 years or 15 years since their first registration, were issued Certificates of Fitness. However, in **764** cases, the applicable Green Tax was not levied. This resulted in non-levy of Green Tax amounting to **₹5.44 lakh**, as detailed in **Appendix XIX**.

The total Green Tax not levied and collected comes to **₹2.57 crore**. The non-levy of Green Tax during Certificate of Fitness and registration renewals appears to have stemmed from an overreliance on vehicle owners' self-declarations, highlighting the absence of effective system-based validations.

On this being pointed out, the Government stated (September 2025) that the VAHAN software is since been modified by NIC to automatically calculate the admissible Green Tax for the vehicle and online remittance is facilitated to the public.

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<sup>53</sup> Section 3A of KMVT Act, 1976.

**Recommendation 17**

*Government may instruct the Motor Vehicles Department to take prompt action to recover the Green Tax in the identified cases.*

- **Non-collection of Service Charge at the MV Check Posts**

The Government vide order<sup>54</sup> directed to collect service charges while issuing temporary permits and special permits to vehicles in check posts. The service charge to be collected for issuing temporary permits (all classes) and special permits (all classes) was increased to ₹110<sup>55</sup>, with effect from 01 April 2019.

On an analysis of the SMARTMOVE database of the selected MV check posts and related records for the period from 01 April 2022 to 31 March 2024 in four selected check posts, it was observed that the prescribed service charge was not collected in **62,506** cases during this period while issuing Temporary permits and Special permits including permit validity extension allowed to both temporary and special permits as detailed in **Table 2.19** below:

**Table 2.19: Non levy of services charges for temporary and special permits**

Check Post	No. of permits				Service charge due (₹)
	Validity extended	Special permit	Temporary permit	Total	
MV CP Thalappady	8,457	5,074	2,910	16,441	18,08,510
MV CP Kattikkulam	5,609	797	2,506	8,912	9,80,320
MV CP Kumily	13,815	2,564	2,774	19,153	21,06,830
MV CP Amaravila	14,323	3,270	407	18,000	19,80,000
<b>Total</b>	<b>42,204</b>	<b>11,705</b>	<b>8,597</b>	<b>62,506</b>	<b>68,75,660</b>

Source: Departmental records.

Non collection of Service Charge resulted in a loss of **₹0.69 crore** to the State exchequer.

On this being pointed out, the Government stated (September 2025) that short collection is due to software glitch in erstwhile SMARTMOVE software which was used by the Department. It was also ensured that all short collection cases have been taken into account as ‘Not to be Transacted’ (NTBT) cases. Further Department stated that it has decided to convert all border check posts to virtual check posts incorporating the latest technological features using Automatic Number Plate Recognition (ANPR) cameras of GST. This will further enhance the collection potential. Department has also sent a proposal to the NIC to show short collection automatically in the total due for the latest application fee without obstructing the application submission and service.

<sup>54</sup> G.O.(P) No.28/2019/Fin dated 08 March 2019.

<sup>55</sup> Prevailed rate was ₹105 with effect from 24 September 2018.

**Recommendation 18**

Government may ensure timely system enhancements with automated validation to prevent short collection and recover dues in 'Not to be Transacted' (NTBT) cases.

• **Non-realisation of Motor Vehicles Tax**

All motor vehicles used or kept for use in the State are liable to tax, with goods and contract carriages taxed as per the prescribed schedule<sup>56</sup>. The tax is generally payable quarterly within one month, though certain goods carriages may opt for annual payment or a five-year lump sum<sup>57</sup>. Vehicle owners seeking tax exemption for non-use must submit Form G to the jurisdictional RTO. To mitigate the financial impact caused by the COVID-19 pandemic GoK allows tax concessions for contract carriages.

The MVD officers (not below the rank of Assistant Motor Vehicle Inspector) are empowered<sup>58</sup> to seize vehicles operated without tax payment, and if dues remain unpaid within 30 days, recover them by selling the vehicle after due notice and hearing. Tax arrears may also be recovered as arrears of public revenue on land<sup>59</sup>.

Analysis of tax remittance data of Goods Carriages and Contract Carriages, registered in the State, for the quarter ending 31 March 2024, from VAHAN database reveals the following as shown in **Table 2.20** below:

**Table 2.20: Details of goods/ contract carriages failed to pay tax**

Sl. No.	Type of vehicle	Total No. of vehicles	No. of vehicles failed to pay tax	Tax arrear (₹ crore)	Appendix
1	Goods Carriage without tipping mechanism	3,42,447	10,920	16.30	XX
2	Goods Carriage with tipping mechanism	50,815	4,447	9.52	XXI
3	Contract Carriage	76,285	2,198	24.14	XXII
	<b>Total</b>			<b>49.96</b>	

Audit observed that vehicle owners did not file Form G for tax exemption, and the Department failed to act under Sections 11 or 13 of the KMVT Act, even though the VAHAN database continued to show these vehicles as 'Active'. This indicated systemic weaknesses in monitoring and enforcing compliance with motor vehicle tax requirements. The inaction of MVD authorities in recovering dues led to significant revenue shortfall for the State.

<sup>56</sup> Section 3(1) of KMVT Act, 1976.

<sup>57</sup> Section 4(1) of KMVT Act, 1976.

<sup>58</sup> Section 11 of KMVT Act, 1976.

<sup>59</sup> Section 13 of KMVT Act, 1976.

The Government stated (September 2025) that directions had been issued to book all vehicles operating without paying road tax and to enforce seizure and recovery provisions within a defined timeframe, with recovery steps taken in coordination with district magistrates. It, however, highlighted constraints in executing seizures due to lack of storage space at police stations and MVD premises, and informed that a proposal to establish Approved Vehicle Seizure Yards under PPP mode had been approved by Government.

#### **Recommendation 19**

*Government may instruct the MVD officials to conduct regular reviews of the VAHAN database for the quick identification of tax defaulters and then enforce the seizure and recovery provisions stipulated in Sections 11 and 13 of the KMVT Act to recover the tax arrears in a time bound manner. Government may also monitor the implementation progress of Approved Vehicle Seizure Yards by MVD.*

#### **2.4.6.12 Enforcement Activities**

Deviations/ deficiencies noticed in the enforcement activities of the Department are discussed in the succeeding paragraphs:

- **Lack of action on Certificate of Fitness expired Transport Vehicles**

No motor vehicle can be driven in public places without valid registration, and transport vehicles are treated as validly registered only if they hold a Certificate of Fitness, which is also mandatory for vehicles operating under a permit<sup>60</sup>. The validity of a CF is two years for new transport vehicles and those up to eight years old, and one year for vehicles older than eight years<sup>61</sup>. Failure to present a vehicle for CF renewal within the prescribed timeline attracts monthly penalties of ₹100 for two-wheelers/ autorickshaws, ₹150 for motor cabs, and ₹200 for other transport vehicles<sup>62</sup>.

The penalty is in addition to action for operating without a valid CF, but no penalty is levied if the owner gives prior written notice to the registering authority before the CF expiry, declaring the vehicle not in use for the specified period. Operating a motor vehicle in violation of statute is punishable under section 192(1) of the MV Act, with a fine for the first and any second or subsequent offence. The offence can be compounded under Section 200 of the Act and the compounding fee prescribed is as detailed in **Table 2.21** below:

**Table 2.21: Compounding fee prescribed for offence under Section 192**

Category of vehicle	First offence (₹)	Second or subsequent offence (₹)
Two and Three-Wheeler	2,000	7,500
Light Motor Vehicle (LMV)	3,000	7,500

<sup>60</sup> Section 39, Section 56 and Section 84(a) of MV Act, 1988.

<sup>61</sup> Rule 62(1) of CMV Rules, 1989.

<sup>62</sup> Rule 105(5) of KMV Rules, 1989.

Category of vehicle	First offence (₹)	Second or subsequent offence (₹)
Medium Motor Vehicles	4,000	7,500
Heavy Motor Vehicles	5,000	7,500

An analysis of the VAHAN database for the period from 01 April 2022 to 31 March 2024 revealed that the Certificate of Fitness (CF) of **48,059** out of **18,25,802** active transport vehicles had expired, but these vehicles were neither presented for inspection nor reported as non-use to the Registering Authority, despite motor vehicle tax being paid for the period, indicating their intended use. Audit observed that although this information was available in the VAHAN database, the Enforcement Wing did not issue notices to the defaulting owners or initiate action to cancel registrations or permits of vehicles operating without a valid CF. This inaction led to non-collection of penalty and compounding fees of **₹23.12 crore** as detailed in **Appendix XXIII**.

The operation of CF expired vehicles in public roads poses a significant risk to public safety and has environmental implications. Audit collected the accidents details from Police Department and on analysis, it was noticed that 197 out of these 48,059 vehicles met with accidents after the expiry of the CF as shown in **Appendix XXIV**. Illustrative cases noticed in the selected offices are shown in **Table 2.22** below:

**Table 2.22: Illustrative cases of vehicles without CF met with accidents**

Sl. No.	Name of the Office	Registration number	CF validity upto	Date of accident	Remarks
1	RTO Kottayam	KL05AF5936	25-04-2023	13-01-2024	Grievous injury
2	RTO Kottayam	KL05N1738	06-10-2022	16-04-2024	
3	RTO Thrissur	KL08AT7252	08-12-2022	08-01-2023	
4	RTO Thrissur	KL08AV0302	16-02-2023	29-12-2023	
5	RTO Thrissur	KL08BE5976	18-12-2022	01-02-2023	

Source: Data collected from Police Department.

On this being pointed out, the Government stated (September 2025) that Enforcement Wing has only 85 squads for 85 *Taluks* against a vehicle population of 170 lakh and proposed to increase this to three squads per *Taluk* to cover all shifts, including nights. It further assured that MIS reports would be used for precise enforcement.

**Recommendation 20**

*Government may instruct the MVD officials to conduct regular reviews of the VAHAN database to identify vehicles with expired CFs and action to be taken either to renew the CF or to ensure that such vehicles are not plying on the roads. Government may also strengthen the Enforcement Wing by enforcing routine inspections of transport vehicles.*

- **Lack of action on Certificate of Registration expired Non-Transport Vehicles**

The registration certificate for non-transport vehicles is valid for 15 years from the date of issue and may be renewed for five years upon application<sup>63</sup>. Operating a motor vehicle without registration shall be punishable with a fine of ₹3,000 for the first offence and ₹7,500 for a second or subsequent offence. The Government issued Orders that the validity of motor vehicle documents expiring between 01 February 2020 and 30 December 2021, be extended upto 31 December 2021.

An analysis of the VAHAN database for the period from 01 April 2019 to 31 March 2024 revealed that the Certificate of Registration of **43,418** out of **12,09,790** active non-transport vehicles had expired. However, their owners continued to pay Motor Vehicle Tax beyond the validity period, indicating continued use, thereby raising road safety concerns. Audit noticed that while the Registering Authority accepted tax beyond the registration validity and thereby permitted the use of such vehicles on public roads, the Enforcement Wing failed to issue notices or initiate action against the defaulters. This combined lapse not only undermined statutory compliance but also resulted in non-collection of revenue of **₹24.57 crore**, by way of non-imposition of fine and non-collection of renewal fees as detailed in **Appendix XXV**.

Audit obtained the accident data from Police Department and compared it with the vehicle details in VAHAN and found that 147 of these vehicles met with accident after their validity of registration expired as shown in **Appendix XXVI**. Illustrative cases noticed in the selected offices are shown in **Table 2.23** below:

**Table 2.23: Illustrative cases of vehicles without registration met with accidents**

Sl. No.	Name of the Office	Registration number	Registration validity upto	Date of accident	Remarks
1	RTO Kannur	KL13R8698	26-06-2021	26-05-2024	Grievous injury
2	RTO Kannur	KL14A8888	29-06-2022	03-07-2024	
3	RTO Kottayam	KL05K8587	25-06-2021	12-11-2021	
4	RTO Thrissur	KL08AF2737	31-07-2020	17-05-2022	
5	RTO Thrissur	KL08AM4098	28-05-2022	05-07-2022	

Source: Data collected from Police Department.

On this being pointed out, the Government stated (September 2025) that VAHAN software has been recently enabled to send automatic SMS to the registered mobile number in advance on the expiry of validity of Certificate of Fitness, Registration, permit, PUCC etc. It was also stated that ANPR cameras and MIS reports will be used together to track such vehicles.

<sup>63</sup> Section 41(7) of MV Act, 1988.

**Recommendation 21**

*Government may direct the MVD officials to take action on Certificate of Registration expired vehicles and to ensure compliance by introducing periodical returns on the action taken by the officials.*

• **Operation of Transport Vehicles without a valid permit**

A transport vehicle can be operated in public places only with a valid permit issued by the competent authority<sup>64</sup>, and operating a vehicle without such a permit is a punishable offence that may also be compounded<sup>65</sup>. The Government prescribed<sup>66</sup>, the compounding fee leviable for offences under Section 192A(1). Analysis of data from VAHAN database, for the period from 01 April 2019 to 31 March 2024, revealed that out of 1,27,100 Contract carriage/ Goods carriage vehicles registered in the State, 1,620 (Contract carriages - 557 and Goods Carriage Tipper – 1,063) were operating, after paying the prescribed Motor Vehicles tax, but without a valid permit as required under Section 66. Cross-verification with data on the intimation of non-use of vehicles revealed that none of the vehicle owners had submitted the required non-use intimation. Ensuring adherence to permit regulations is crucial for maintaining road safety, regulatory compliance, and revenue collection for the government and has also resulted in non-collection of compounding fees for operating motor vehicles without a valid permit, amounting to **₹0.85 crore**, as detailed in **Appendix XXVII**.

On this being pointed out, the Government stated (September 2025) that VAHAN software has been recently enabled to send automatic SMS to the registered mobile number in advance on the expiry of validity of Certificate of Fitness, Registration, permit, PUC etc. It was also assured that MIS reports will be generated and owners of expired permits will be penalised as a special drive.

**Recommendation 22**

*Government may implement a digital tracking system through the VAHAN portal for permit renewals and ensure compliance through monitoring and strengthening the enforcement mechanisms so as to identify and penalise vehicles operating without valid permits.*

• **Failure to impose penalty or compound the offences during checking of vehicles**

A Certificate of Fitness is valid for two years for new vehicles and one year for vehicles over eight years<sup>67</sup>, while the Certificate of Registration for non-transport vehicles is valid for 15 years and renewable for five years<sup>68</sup>. Driving

<sup>64</sup> Section 66 of MV Act, 1988.

<sup>65</sup> Section 200 read with Section 193A(1) of MV Act, 1988.

<sup>66</sup> G.O.(P) No.37/2019/Trans dated 26 October 2019.

<sup>67</sup> Section 56 of MV Act, 1988.

<sup>68</sup> Section 41(7) of MV Act, 1988.

without valid fitness or registration attracts fines, which may be compounded<sup>69</sup>. The revised rate for violations were stated in paragraph 2.4.6.12 of this Report. The Government issued orders that the validity of motor vehicle documents expiring between 01 February 2020 and 30 December 2021, be extended upto 31 December 2021.

Audit examined **81,68,953** challans generated by MVD officials through the ‘e-Challan’ software during the audit period for the collection of fines related to motor vehicle offences in the State and noted the following observations.

**i) Non-compounding of offence for driving transport vehicles without a valid Certificate of Fitness**

Audit observed that CF was expired in the cases of **6,803** transport vehicles at the time of inspection. However, compounding fee was collected for other violations ignoring the offence of driving the vehicle without a valid certificate of fitness. As a result, the compounding fee of **₹2.05 crore** was not imposed, as detailed in **Appendix XXVIII**.

**ii) Non-compounding of offence for driving vehicles without valid registration**

Audit found that the registration of **30,948** non-transport vehicles had expired at the time of inspection. However, compounding fee was collected for other violations ignoring the offence of driving the vehicle without valid registration certificate. As a result, compounding fees of **₹9.28 crore** were not imposed, as detailed in **Appendix XXIX**.

The audit findings reveals that a substantial number of offences related to driving transport vehicles without valid Certificate of Fitness and driving non-transport vehicles without valid registration were not compounded. The oversight of the enforcement wing of MVD in booking these offences resulted in the non-imposition of compounding fees as detailed above. This not only represents a financial loss to the government but also undermines the legal mandate to ensure road safety and compliance with statutory requirements.

On this being pointed out, the Government stated (September 2025) that the Enforcement Wing had been instructed to book all detectable offences and collect compounding fees wherever possible. It was further stated that compounding fees are collected only on admitted charges, while admitted offences are compounded and the remaining non-admitted offences are referred to court through a check report.

**Recommendation 23**

*Government may establish a monitoring mechanism to ensure that instructions issued to the officials regarding booking of offences without exception are complied with.*

<sup>69</sup> Section 200 read with Section 192 of MV Act, 1988.

- **Irregular compounding of offence**

Certain motor vehicle offences are eligible for compounding<sup>70</sup>; however, this does not include offences under Section 190(3), which prescribes penalties of fine or imprisonment for violations relating to the carriage of dangerous or hazardous goods. To enhance road safety, the TC directed<sup>71</sup> Enforcement officials to carry out strict inspections of vehicles transporting such goods.

Audit analysis revealed that **1,972** e-challans were generated to collect compounding fees for the offence of carrying dangerous or hazardous goods, as detailed in **Appendix XXX**. The transportation of dangerous or hazardous goods without complying with prescribed safety standards presents significant risks to public safety and the environment. Despite the clear provisions and specific direction from the TC, the Enforcement Wing irregularly compounded the offences and permitted the vehicles to continue operating with the hazardous goods, after issuing a challan to collect the compounding fee.

On this being pointed out, the Government stated (September 2025) that instructions have already been issued to the officials of the Enforcement Wing to strictly comply with the provisions related to carrying of dangerous or hazardous goods. It was also added that a special drive checking is also being conducted in this regard every quarter.

**Recommendation 24**

*Government may establish a monitoring mechanism to ensure that instructions issued to the officials regarding the procedure to be adopted for booking the offence of carrying dangerous or hazardous goods are strictly complied with as it poses a threat to the life and property of the general public.*

- **Short collection of penalty for carrying overload in vehicles**

No motor vehicle shall drive or cause or allow to be driven in public places if its laden weight exceeds the gross vehicle weight specified in its registration certificate<sup>72</sup>. Violation of this requirement attracts a minimum fine of ₹10,000<sup>73</sup>. Government imposed<sup>74</sup> an extra penalty of ₹1,500 per tonne of excess load, along with the obligation to pay charges for offloading the excess load.

Analysis of the 'e-Challan' data for the audit period reveals that a total of **27,889** challans were issued under Section 194 of the MV Act in the State for carrying excess load in vehicles. The offences were booked under the offence code '7233' (driving or permitting a vehicle to be driven with a laden

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<sup>70</sup> Section 200 of MV Act, 1988.

<sup>71</sup> Circular No.25/2013 dated 13 November 2013.

<sup>72</sup> Section 113(3) of MV Act, 1988.

<sup>73</sup> Section 194(1) of MV Act, 1988.

<sup>74</sup> G.O.(P) No.37/2019/Trans dated 26 October 2019.

weight exceeding the gross vehicle weight specified in the Certificate of Registration). Of these, **19,398** challans were paid by vehicle owners. Audit verified these paid challans and found that in **204** cases, the penalty amount collected was lower than the prescribed amount to be collected for the detected excess weight. This has resulted in short collection of penalty of **₹0.29 crore** as detailed in **Appendix XXXI**.

On this being pointed out, the Government stated (September 2025) that compounding offences of excess vehicle load was hindered by dependency on offenders to get the load weighed, challenges to the challan by drivers/owners, and reluctance to pay the compounding fee. It was also stated that, apart from compounding, penal actions such as permit suspension under KMVR or prosecution before courts were also available. The department further added that the e-Challan software has already been enabled with an automated system to calculate penalties based on detected excess weight.

The reply is not tenable as the observation is about cases where the offenders pleaded guilty and the compounding fee collected was lower than the prescribed amount to be collected for the detected excess weight. The reply is silent on this aspect.

#### **Recommendation 25**

*Government may instruct the MVD officials to strictly enforce the penal provisions to ensure that penalties for overloading are levied as per the prescribed rate.*

#### • **Shortfalls in the implementation of Camera Surveillance System**

State Governments are required to ensure electronic monitoring and enforcement of road safety through technologies such as speed cameras, CCTV cameras, speed guns, and body-worn cameras<sup>75</sup>. As per the GoK guidelines<sup>76</sup>, Project Management Consultants (PMC) act only as advisors and facilitators, while works contracts are executed through a tripartite agreement involving the Client Department, Project Management Consultant, and the lowest bidder, with payments made by the Client Department based on the PMC's recommendations.

To mitigate and decrease the occurrence of accidents on public roads, the Government of Kerala launched the Safe Kerala Project in June 2018, with the objective of introducing camera-based surveillance and establishing an Advanced Automatic Traffic Enforcement System with Facility Management Services (FMS). For this purpose, administrative sanction was granted<sup>77</sup> for installing AI cameras across the State at a total cost of ₹235.82 crore (CAPEX ₹168.90 crore and OPEX ₹66.92 crore, including taxes), and the MVD subsequently entered into a Service Level Agreement (SLA) with KELTRON on 28 May 2020, appointing it both as the Project Management Consultant and the implementing agency under the Built Operate Own

<sup>75</sup> Section 136A of MV Act, 1988.

<sup>76</sup> G.O.(P) No.118/2018/Fin. dated 03 August 2018.

<sup>77</sup> G.O.(Rt.) No.134/2020/Trans dated 27 April 2020.

Transfer (BOOT) model for a period of five years. Audit, however, observed that such dual appointment of KELTRON contravened prescribed guidelines, and despite the project's operationalisation on 05 June 2023, significant concerns remain regarding agreement revisions, revenue collection, and the actual effectiveness of the AI camera system as stated below:

**i) Non-execution of revised agreement**

As there were significant delays in implementation of the project and the SLA is for five years, Government directed<sup>78</sup> to revise the agreement with KELTRON. Audit noticed that the agreement was not updated even after 20 months (December 2024) and the system continues to be operated without a valid agreement, potentially exposing the department to legal and financial risks.

**ii) Revenue Pending Collection**

As per the details shown in **Table 2.24** below, revenue collection is only about 29 *per cent* of the total collectable revenue.

**Table 2.24: Details of collection against collectable compounding fees for the offences detected by various types of surveillance cameras**

(₹ in crore)

Enforcement System	Collectable revenue	Collected revenue	Percentage collected	Pending revenue	Percentage pending
AI Cameras	351.00	100.70	28.69%	250.30	71.31%
Fixed Speed Violation Detection	0.19	0.06	31.58%	0.13	68.42%
Mobile Speed Violation Detection	0.93	0.19	20.43%	0.74	79.57%
Parking Violation Detection	0.26	0.12	46.15%	0.14	53.85%
<b>Total</b>	<b>352.38</b>	<b>101.07</b>	<b>28.68%</b>	<b>251.31</b>	<b>71.32%</b>

The introduction of camera surveillance in public roads were aimed at reducing the occurrence of accidents on public roads and to improve road safety. Imposition of penalty for the violation of traffic rules will act as a deterrent for committing the violation in future. The non-collection of penalty imposed for violations detected by the surveillance cameras defeated the purpose of implementation of the system.

The absence of a valid agreement and pending revenue collection hinder the achievement of the project's intended goals of enhancing road safety and ensuring traffic compliance.

On this being pointed out (January 2025), the Government stated (September 2025) that a proposal for a supplementary agreement with higher downtime penalties had been submitted to Government to improve the functioning of

<sup>78</sup> G.O. dated 18 April 2023.

the digital enforcement system, along with a request for funds to repair and relocate cameras wherever required. However, the reply does not address the revenue that could be collected.

#### **Recommendation 26**

*Government may expedite the processing of the MVD's proposal for a supplementary agreement and ensure that a revised agreement is executed with KELTRON, thereby enabling the continued operation of the camera surveillance system under a valid agreement.*

#### **2.4.6.13 Resource allocation and utilisation**

GoK through Budget, allot both Plan and Non-Plan grants to MVD for the development of its infrastructure facilities, for the installation of electronic monitoring systems in public roads to monitor and enforce road safety, for the purchase of modern electronic devices for Enforcement Wing, for upgrading the facilities available to general public, for the effective implementation of Government policies in relation to vehicular traffic etc.

- **Trend analysis of Allotment and Expenditure**

The details of expenditure against allotment of both Plan and Non-Plan grants for the five years from 2019-20 to 2023-24 are as stated in **Table 2.25** below:

**Table 2.25: Details of allotment and expenditure for the five years**

(₹ in crore)

Year	Plan Allotment	Plan Expenditure	Non-Plan Allotment	Non-Plan Expenditure	Total Allotment	Total Expenditure
2019-20	46.43	7.13	182.46	160.77	228.89	167.90
2020-21	38.77	19.54	167.55	152.32	206.32	171.86
2021-22	38.77	11.31	246.44	242.90	285.21	254.21
2022-23	38.38	13.87	231.69	193.31	270.07	207.18
2023-24	44.07	10.57	226.08	222.88	270.15	233.45

Source: Departmental records.

Audit noticed that the Plan expenditure of the department varies from 15 per cent of the allotted amount in 2019-20 to 50 per cent in 2020-21. On this being brought to notice, the Government stated (September 2025) that the reasons for low utilisation of Plan Fund was the impact of COVID-19 pandemic, delay in obtaining administrative and technical approvals etc. The department assured necessary measures to improve planning and ensure timely implementation of schemes. In the case of Non-Plan grants, the expenditure utilisation is consistently higher, with most years showing the utilisation of above 85 per cent. In 2021-22, nearly 98 per cent of the allotted funds were utilised whereas in 2022-23, the utilisation was only 83 per cent.

- **Manpower utilisation**

Audit verified the sanctioned staff strength and men in position against each cadre of posts and found that there is no significant shortfall in men in position. The staff strength of technical wing of the department is given in **Table 2.26** below:

**Table 2.26: Staff strength of Technical Wing**

Sl. No.	Designation	Sanctioned Posts	Men in Position (31 March 2024)
1	Regional Transport Officer	33	31
2	Joint Regional Transport Officer	89	86
3	Motor Vehicle Inspector	290	290
4	Assistant Motor Vehicle Inspectors	614	530*

\* The vacancy was subsequently filled as on June 2025, the number of AMVI in position was 604 and eight vacancies was reported to Kerala Public Service Commission.

The overall staffing level appears healthy, strategic efforts are recommended to address the critical vacancies and implement proactive succession planning to mitigate future impacts of retirements, ensuring sustained operational effectiveness.

Audit verified the progress in implementation of various schemes and project undertaken by the department during the audit period and the shortfall noticed are stated in the succeeding paragraphs.

- **Infructuous expenditure by Motor Vehicle Department**

- i) **Modernisation of check posts – Infructuous expenditure of ₹1.63 crore**

In the Annual Plan 2019-20<sup>79</sup>, ₹10.50 crore was allocated for infrastructure development and modernisation of MVD check posts, through land acquisition, setting up modern facilities, installing weighbridges, and implementing an e-Check Post Management System. An Expression of Interest was invited in November 2019 for modernising the Walayar Check Post in the first phase, followed by a Request for Proposal (RFP) in February 2020, and M/s ULCCS, the sole bidder quoting ₹9.41 crore, was selected as the implementing agency, with administrative sanction<sup>80</sup> granted in August 2020 and technical sanction<sup>81</sup> in November 2020. The project covered ICT and non-ICT equipment, software, training, installation of weigh-in-motion bridges and ANPR cameras, along with warranty and maintenance, and a work order was issued in November 2020 with an agreement executed in February 2021, leading to an advance payment<sup>82</sup> of ₹1.63 crore in March

<sup>79</sup> Order No.MIT2/11/2019-TC dated 29 October 2019.

<sup>80</sup> G.O. (Rt.) No.255/2020/Trans dated 05 August 2020.

<sup>81</sup> Order No.MIT2/11/2019-TC dated 05 November 2020.

<sup>82</sup> Proceedings No.MIT2/11/2019-TC.

2021. However, following objections from NHAI regarding demarcation and access permissions, and a later communication from MoRTH in September 2021 that regular border check posts were unnecessary, due to strengthened VAHAN and SARATHI platforms, the MVD requested discontinuation of the project.

Scrutiny of the project file revealed that at the time of issuing the RFP, MVD possessed only 90.09 *Cents* against 1.8 *Acres* required for the implementation of the project though Section 2003 of the KPWD Manual, mandates 100 *per cent* possession of hindrance-free land for inviting tenders. Moreover, the guidelines issued on 26 June 2020 by NHAI, states that access permission must be obtained from Highway Administration for any construction on National Highways. However, MVD executed an agreement on 04 February 2021 and paid ₹1.63 crore to M/s ULCCS on 26 March 2021 without securing NHAI's access permission.

This non-adherence, to extant directions in KPWD manual, on the part of MVD resulted in an infructuous expenditure of ₹1.63 crore. The project for the modernisation of MVD check posts was poorly planned and initiated execution without ensuring compliance with land possession norms and NHAI guidelines.

When this was brought to notice, the Department (July 2025) stated that modernization could not be undertaken due to NHAI's acquisition of MVD land. The earmarked funds would instead be used to set up a Way Side Amenity as per MoRTH guidelines, and the site was also proposed for housing the RTO Enforcement Unit, Palakkad, along with a control room for the Virtual Check Post to monitor ANPR cameras.

The reply is not tenable as the observation is about inviting bids without ensuring full possession of hindrance-free land and without obtaining access permission from the Highway Administration for construction on National Highways.

**ii) Radar surveillance system- Infructuous expenditure of ₹0.47 crore**

Government granted<sup>83</sup> administrative sanction of ₹6.00 crore for implementing the 'Radar Surveillance System in the Motor Vehicles Department' and appointed C-DAC as the executing agency at a cost of ₹0.99 crore. An agreement was executed in June 2018, and released an advance of ₹0.47 crore in 2018. Subsequently, C-DAC submitted (December 2019) a revised proposal for ₹4.83 crore on a deposit work basis, prompting MVD to seek revised sanction in January 2021. However, with the launch of the similar 'Safe Kerala Project', the TC clarified<sup>84</sup> that continuing both projects was not feasible, leading to the abandonment of the radar project. This lack of coordination and foresight resulted in an infructuous expenditure of ₹0.47 crore.

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<sup>83</sup> G.O.(Ms.) No.31/2017/Trans dated 05 April 2017.

<sup>84</sup> Letter No. MIT5/20/2017-TC dated 08 March 2022.

The Radar Surveillance System project, initially sanctioned to enhance the Motor Vehicles Department's enforcement capabilities, was abandoned due to inadequate planning, lack of foresight, and poor coordination. The decision to proceed with the project without a comprehensive feasibility analysis or consideration of parallel initiatives like the 'Safe Kerala Project' led to unnecessary expenditure.

On this being pointed out, the Government stated (September 2025) that Government had decided to convert all border check posts to virtual check posts incorporating the latest technological features using ANPR cameras of GST, based on the latest MoRTH guidelines.

The reply is not tenable as the observation is about the decision to proceed with the project without a comprehensive feasibility analysis or consideration of parallel initiatives.

**iii) Construction of Model Inspection and Certification Centre -  
Infructuous expenditure of ₹1.56 crore**

The MoRTH granted<sup>85</sup> administrative approval for a Model Inspection and Certification Centre at a cost of ₹15.75 crore, with ₹14.40 crores as the Central share and ₹1.35 crore as the State share, and entrusted construction to ARAI, Pune, releasing ₹1.10 crore in March 2016. The State allotted 3.5 acres of land from Cochin Port Trust on 09 September 2016, and M/s KITCO was assigned for initial works costing ₹1.29 crore. However, since the site was near a Naval Airbase, naval clearance was required, leading to repeated revisions in plans and higher civil cost estimates. When MoRTH declined additional funding, it directed ARAI to transfer unutilised funds to the State, resulting in ₹83.31 lakh being returned in April 2023 after deducting ₹26.69 lakh for various works it had undertaken.

The Transport Department then sought Public Works Department's support, but PWD declined, citing issues such as irregular and marshy land, restrictions on permissible height due to ground level and Naval constraints, validity limits of the Naval NOC, and lack of CRZ clearance. With these challenges and the risk of losing central funding, the Transport Department requested ARAI to resume execution, though Government approval for this is still awaited as of March 2025.

It was observed that contrary to Section 1402 of the KPWD Manual no thorough site investigation or data collection was conducted before finalising designs and estimates and in violation of Section 2003 of the said Manual, bids were invited without 100 *per cent* possession of hindrance-free land.

A total of ₹1.56 crore has been utilised for the project so far, as detailed in **Table 2.27** below:

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<sup>85</sup> Letter No. 25038/06/2015-RS dated 24 July 2015.

**Table 2.27: Details of amount utilised for the project**

Sl. No.	Contractor	Amount utilised (₹ in crore)	Purpose
1	KITCO	1.29	Construction of side wall and earth filling
2	ARAI	0.27	Various work including consultation
	<b>Total</b>	<b>1.56</b>	

Source: Departmental records.

Despite MoRTH releasing funds in March 2016, the project remains stalled due to delay in finalisation of project design, cost escalations and the non-availability of hindrance-free land.

This prolonged delay has resulted in a wasteful expenditure of **₹1.56 crore** as consultation fees and preliminary construction work, with no substantial achievement of progress.

When this was brought to notice, the Government stated (September 2025) that land acquisition for the I&C centre was hindered as Cochin Port Trust land was used by the Naval Airport for runway guidance facilities and further acquisition attempts failed. It was further stated that the land would be used for the I&C centre if State funds for civil works were provided, while efforts with ARAI were underway to utilize MoRTH funds for equipment. If MoRTH shifted the I&C centre elsewhere, the land would instead be used to construct an office for SRTO Mattanchery, which currently functions from rented premises.

The reply is not tenable as the observation is about lapses in the procedures that need to be undertaken while undertaking projects. The Department did not ensure 100 *per cent* possession of hinderance-free land before inviting bids and site inspection and data collection were not done prior to finalisation of design and preparation of estimates.

#### **Recommendation 27**

*Government may issue guidelines to prevent abandonment of projects due to the execution of redundant projects, the implementation of similar projects, the cost escalation by way of delay in execution etc. Government may also undertake a detailed feasibility study to reassess the above three project's viability, site constraints, regulatory requirements and construction feasibility. Government may initiate steps to fix responsibility for creating unnecessary expenditure to exchequer of ₹1.63 crore in modernisation of checkposts, ₹1.56 crore for construction of model inspection centre.*

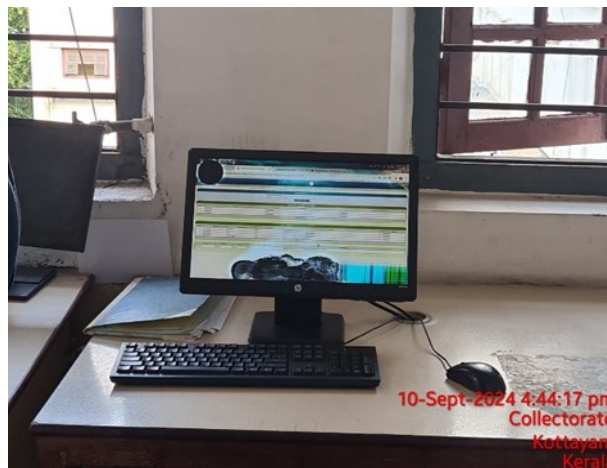
#### **2.4.6.14 Office Infrastructure**

Audit team conducted a JPV with officials of MVD to evaluate the infrastructure facilities supporting the daily operations of RTOs and SRTOs in 10 selected offices. The key findings from the JPV are summarised as follows:

All 10 offices were found to be functioning with inadequate infrastructure, including cramped office space, outdated equipment, and lack of basic amenities such as clean restrooms, adequate waiting areas, drinking water, and first aid facilities, which collectively hampered operational efficiency, service delivery, and the comfort of staff and visitors.



**Figure 2.6: SRTO Thodupuzha**



**Figure 2.7: RTO Kottayam**

These deficiencies highlight the urgent need for improvements to ensure efficient service delivery, a comfortable working environment, and enhanced public satisfaction.

On this being brought to notice, Government stated (September 2025) that efforts are being made to modernise the Information and Communication Technology (ICT) equipment and basic infrastructure of offices through Plan and Non plan allocations. Government acknowledged that ICT equipment and infrastructure, being 15 to 20 years old, required urgent refurbishment. Government also stated that to enhance the quality of the service it suggested MoRTH funding support, enhancement of NIC Parivahan server capacity which had reached its limit, and additional NIC manpower to expedite implementation of MVD's software changes.

- **Absence of Essential Facilities at Testing Grounds**

The department collects a fee of ₹960, inclusive of service charges, from applicants of each licence category. During the JPVs conducted, it came to light that except in one out of 10 driving test centres, the department did not provide any essential facilities such as access to drinking water, wash/refreshment rooms, roofed queue complexes, and waiting rooms for candidates or accompanying individuals. The absence of these fundamental amenities makes candidates compelled to stand in open spaces for extended periods, enduring unfavourable weather conditions while awaiting their turn.

The inadequate workspace, outdated equipment, lack of basic amenities in the offices, and absence of essential facilities at the testing grounds collectively

hinder effective service delivery. These deficiencies result in suboptimal outcomes and fail to provide value for money to taxpayers and citizens.

On this being pointed out, the Government stated (September 2025) that modernisation was being met through the FAST account and efforts are being made to modernise through Plan/ Non-Plan allocations.

**Recommendation 28**

*Government may modernise the offices that are frequently visited by general public for receiving services related to motor vehicles.*

**2.4.6.15 Conclusion**

RTOs and SRTOs are responsible for issuing licences, registrations, permits and certificate of fitness, as well as levying and collecting motor vehicle taxes, fees, and fines. The STA regulates agents, aggregators, cab schemes, and vehicle dealers, while enforcement is managed by RTOs (Enforcement). The SSCA on Functioning of RTOs and STA highlights systemic inefficiencies impacting key functions such as licensing, registration, fitness testing, tax administration, enforcement, and infrastructure management. An institutional framework with 86 RTOs/ SRTOs and significant volumes of licences and registrations issued annually, requires the department to ensure standardisation and compliance. Though the foresight shown in deciding to establish ADTTs more than 15 years ago deserves appreciation, Automated Driving and Fitness Testing Tracks remain largely non-functional. The manual testing processes suffer from infrastructural and procedural gaps. Despite having a robust systems like SARATHI, VAHAN, and e-Challan database, deficiencies were observed in tax assessment, and enforcement lapses leading to revenue loss, policy dilution and road safety. Further, infrastructure investments in check posts and surveillance systems proved infructuous, while field offices face space, equipment, and facility constraints. These issues collectively reflect the need to strengthen internal controls, better utilisation of resources, and policy enforcement.

We, therefore, recommend that the Department undertake comprehensive systemic reforms to build on the good practices, strengthen internal controls, fully operationalise automated systems, enforce statutory compliance, prioritise infrastructure spending and utilisation of resources for effective service delivery.

