

5.3 IT Audit of gARVI- System of registration of documents

5.3.1 Introduction

The levy and collection of stamp duty and registration fees on specified documents is regulated in Gujarat under the Indian Stamp Act 1899, Registration Act 1908, Gujarat Stamp Act 1958, Gujarat Stamp Rules 1978 and the Gujarat Stamp (Determination of Market Value of Property) Rules (MVR) 1984. The Inspector General of Registration (IGR) under the Revenue Department (the Department), Government of Gujarat (GoG) is responsible for the overall control and administration of matters relating to stamp duty and registration fees.

The Department had implemented (August 2003) Registration of Documents (*ReD*) system which was designed by the National Informatics Centre (NIC) of India for registration of documents. In this system, database was stored in local servers. After implementation of the *eJamin*¹ project by the Revenue Department in 2010, the Department switched over to *gARVI* system (from October 2010 in a phased manner). *gARVI* system has been developed with the objective of computerisation of the entire process of registration at Sub-Registrar Offices (SROs). *gARVI* aimed at improving the services for the general public by speeding up the process of registration so that the registered document could be returned to the executants on the very same day.

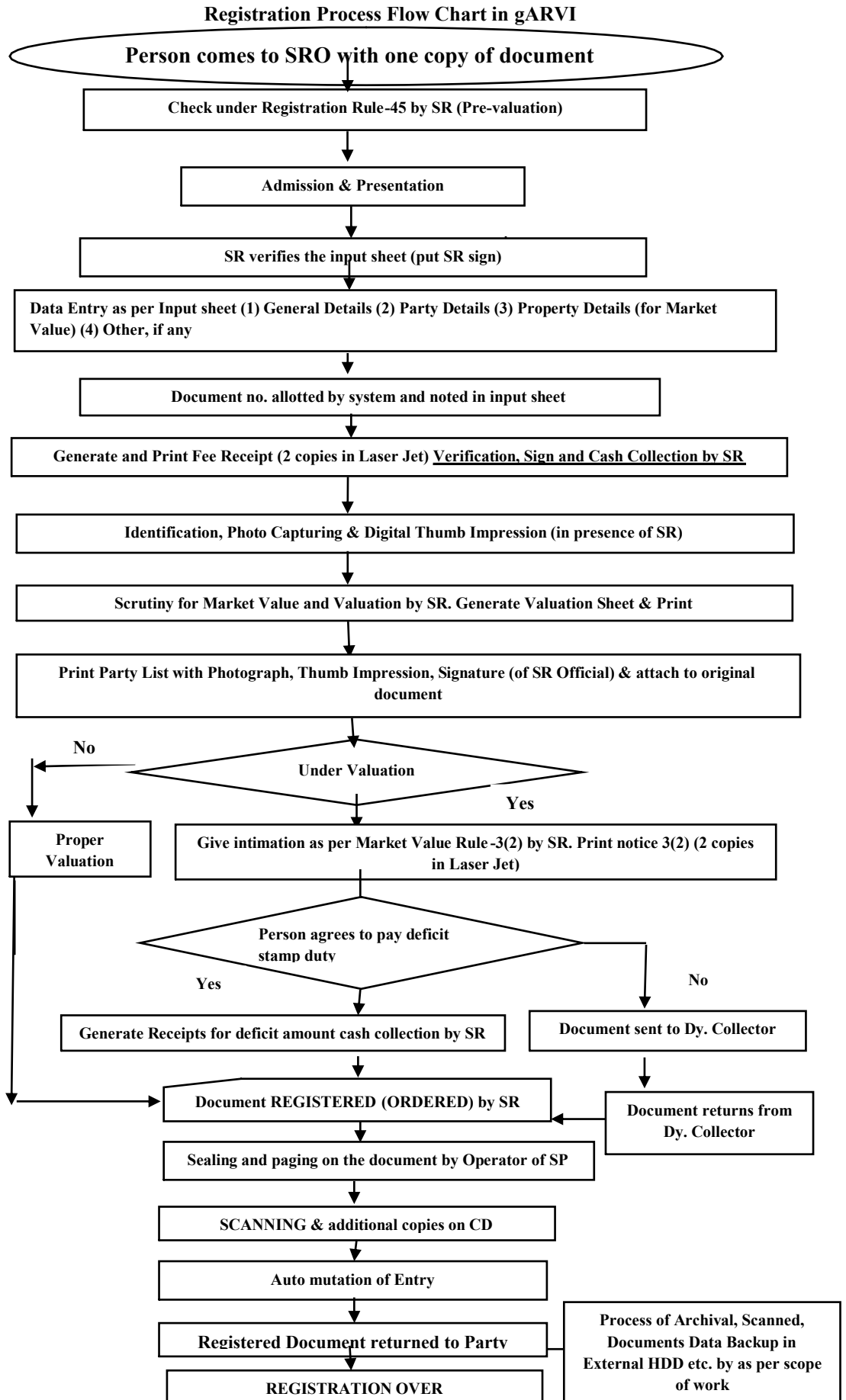
The processes are as described below:

- * Calculation of market value of property
- * Calculation of stamp duty and registration fees
- * Capturing photo and thumb impression of the parties involved
- * Scanning the documents for storage
- * Generation of various reports for use by the management, and
- * Auto-mutation in land records in case of transfer of agricultural land

The chart on the next page shows various automated processes in *gARVI* system. As against the *ReD* system where data was stored locally in servers in SROs, *gARVI* is a web-based application wherein master data is maintained in a central server at the State Data Centre (SDC). The main data server performs various tasks, such as, data analysis, storage, data manipulation, archiving and other tasks using a client-server architecture. The registration of documents was done at 287 SROs in the State. All SROs, IGR office and the State Data Centre are connected through Gujarat State Wide Area Network (GSWAN)².

¹ Integrated land records (*e-Jamin*) management system under which all the land records and registration records were converted to centralized format and brought to central servers at State Data Center (SDC).

² It is an end-to-end internet protocol based network designed for the service convergence (voice, video and data) on a single backbone and is maintained by the Gujarat Informatics Limited (a Government of Gujarat undertaking).



gARVI system has also been integrated with “Land Records Management System” for effecting automatic mutations in record of rights (i.e. land records) in case of transfer of agricultural land.

The Department invited (September 2012) tenders and appointed five service providers for the establishment and running of Electronic Registration Centres at all SROs grouped in six zones³. The service providers were responsible for providing, installing and maintaining hardware, system software, data entry, scanning of documents and maintaining data backup as well as the required manpower. The service provider also had to take daily backup of scanned documents in the external hard drive.

5.3.2 Audit Objectives

We conducted the IT audit with a view to ascertain whether:

- * the computerisation was in line with the intended objectives of the Department and the system covered all the intended functions;
- * the information in the database was reliable;
- * adequate controls were in place to ensure the efficiency and accuracy of data processing, its output and also for the safety of data in the system; and
- * the Department monitored the compliance of the terms of service by the service providers in running the Electronic Registration Centres efficiently at each SRO and also taking backup of the data uploaded in the central server of the State Data Centre.

5.3.3 Scope of audit

We evaluated the IT application controls and the effectiveness of *gARVI* system in achieving the intended organisational objectives of the Department especially in switching over from the *ReD* system to *gARVI*. We also evaluated the system of registration of documents and monitoring the activities of the service providers for supply/installation/maintenance of the computer hardware/software for running the computerized system.

We had requested the Department to provide backup data from 2010 to 2015 for all SROs. However, the Department provided backup data for the period from 2013 to 2015 pertaining to 14 offices only. Accordingly, data pertaining to these 14⁴ SROs was taken up for analysis.

³ Zone-1: Jamnagar, Kutch and Rajkot; Zone-2: Amreli, Bhavnagar, Junagadh and Porbandar; Zone-3: Ahmedabad, Gandhinagar and Surendranagar; Zone-4: Banaskantha, Mehsana, Patan and Sabarkantha; Zone-5: Anand, Dahod, Kheda(Nadiad), Pachmahal and Vadodara; Zone-6: Bharuch, Dang, Narmada, Navsari, Tapi, Valsad and Surat

⁴ Ahmedabad-3 (Memnagar), Ahmedabad-13 (City), Ahmedabad-14 (Dascroi), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Himatnagar, Jamnagar-2, Junagadh, Mehsana, Surat-3 (Navagam), Rajkot-2 (Kotharia) and Vadodara-4 (Gorva)

5.3.4 Audit methodology

An entry conference was held with the officers of the Department and NIC on 6 June 2016 to explain the objectives and methodology to be adopted in the IT audit. The audit methodology consisted of checking the data available from *gARVI* system for data completeness, regularity and consistency by using Computer Aided Audit Tools (CAATs) such as Interactive Data Extraction and Analysis (IDEA). Audit applied both substantive and compliance tests to evaluate the extent of reliability of various controls in *gARVI* System.

The Draft Audit Report was forwarded to the Department and to the Government in August 2016. An Exit Conference was held on 10 October 2016, wherein major findings of the IT Audit were discussed with the Department. The replies received from the Department (August 2016) and during the Exit Conference have been appropriately commented upon in the relevant paragraphs of the report.

Audit findings

The audit findings have been organized under four headings viz., System Development, Input Controls and Data Validation, Processing Controls and Monitoring and Disaster Recovery Plan.

5.3.5 System Development

5.3.5.1 Ownership of source code, modules and data

There was no evidence available to verify whether the *gARVI* system was properly authorised, tested, accepted and documented. Changes/amendments to the system done post implementation were also not documented.

The Department stated (June and September 2016) that a need-based programme to fulfil the requirements of the office of IGR, NIC (which is a Government Agency) makes changes as directed by the Department as and when required. Hence, no such records were maintained. Further, the Department stated that the software application *gARVI* was developed in-house by NIC. Hence, the source code belonged to NIC, whereas the data belonged to the Department.

However, the fact remains that in the absence of proper documentation the Department had no means to monitor or control the system when required and was totally dependent upon NIC, Gandhinagar even after five years of implementation of *gARVI*.

5.3.5.2 Change-over plan

Before October 2010, all data backups including scanned copies of instruments were stored at local data servers at each SRO. After implementation of *gARVI* system, data backups were stored online in the Central Data Server. However, scanned copies of instruments were uploaded in the Central Data Server from 2015 only. Uploading of scanned copies of

the instruments registered during 2010 to 2014 was still pending even after completion of five years of switching over to a centralized database.

The Department stated (September 2016) that storage of scanned copies of documents registered since the year 2010 would require huge space in the State Data Centre. The Department was making efforts to get the required storage space.

5.3.5.3 Access to Deputy Collectors

Section 32A of the Gujarat Stamp Act, 1958 stipulated that if the officer registering the instrument had reasons to believe that the consideration set forth in the instrument presented for registration was not as per the market value of the property, he shall, before registering the document, refer the same to the Deputy Collector (Stamp Duty Valuation Organisation) (DC SDVO) for determination of the market value of the property. Section 33 of the Gujarat Stamp Act stipulated that every public officer including Sub Registrars before whom any instrument, chargeable with duty, was produced or came in the performance of his functions, shall if it appeared to him that such instrument is not duly stamped, impound the same.

Accordingly, SRs referred such instrument to the DC (SDVO) for determination of proper stamp duty/ proper classification of instrument.

Access to *gARVI* system had not been provided to the DC(SDVO) who had to solely rely upon the hard copies of documents forwarded by SROs for giving opinion/determining true market value/deciding proper classification of the instruments. Further, the additional/reduced stamp duty levied by DC (SDVO) was not reflected in the *gARVI* system. Illustrative cases are tabled below:

Sl. No.	Name of SR offices	Document number /Article and year	Deficit duty paid as per the system (amount in `)	Deficit duty paid as per DC(SDVO) orders but not reflected in system (amount in `)
1	Ahmedabad -14 (Dascroi)	228/20/2015	7,94,394	1,89,714
2	Ahmedabad-14 (Dascroi)	1530/20/2015	17,79,097	10,59,374
3	Ahmedabad-3 (Memnagar)	1845/20/2014	4,60,823	9,405
4	Ahmedabad-3 (Memnagar)	7487/20/2015	8,19,087	1,97,784

Thus, complete automation of all the processes was not achieved.

The Department accepted the audit observation and stated (September 2016) that the work of providing user-ids and passwords to the Deputy Collectors was under progress.

The Department may integrate the process of valuation by DC (SDVO) in the *gARVI* system at the earliest.

5.3.5.4 Furnishing of data for the Income Tax Department

Section 285BA of the Income Tax Act, 1961 stipulated that the details of instruments of transfer of immovable properties with consideration of ` 30 lakh and above were required to be furnished to the Income Tax (IT) Department in the form of Annual Information Return (AIR).

Under “Reports” module in “*gARVT*” system, details of registered documents of immovable properties, where consideration was more than ` 30 lakh, was required to be sent to the IT Department annually. However, the report could capture the amount between ` 0 and ` 99,99,99,999 only and not beyond that. Therefore, the possibility of non-transfer of some data to Income Tax Department could not be ruled out where the consideration was above ` 99,99,99,999.

We observed that SROs sent these details individually in Compressed Disks (CDs) even though the system had a centralised server facility. Further, there was no option in the system to generate reports regarding status of submission of AIR by the respective SRs to the IT Department. Thus, IGR/Inspectors of Registration (IRs) could not monitor the SRO-wise status of submission of such annual return to the IT Department.

The Department stated (September 2016) that the software had now been modified to capture the details of registered documents of immovable properties where consideration was more than ` 30 lakh. The Department also stated that SROs were required to prepare separate AIRs because they had been allotted separate TANs. Thus, consolidated AIR generated from the system would not serve the purpose.

The Department may incorporate an option in the system to enable monitoring of submission of such annual return by the SRs to the IT Department at the IGR level.

5.3.5.5 No provision for entry of documents containing distinct matters

Under Section 5 of the Gujarat Stamp Act, 1958, any instrument comprising several distinct matters or distinct transactions shall be chargeable with aggregate amount of duties with which separate instruments would be chargeable under the Act. For example, when an instrument of mortgage was executed by a borrower to obtain loan from any financial institution/bank and both movable properties and immovable properties were offered as security, aggregate stamp duty of deed of hypothecation under Article 6(1) (b) and under mortgage deed Article 36 (b) was leviable.

We observed that the *gARVI* system did not have provision for registration of documents comprising distinct matters covered under more than one article of Schedule I to the Gujarat Stamp Act and levy of separate stamp duty as provided under Section 5 of the Gujarat Stamp Act. In the absence of such provision, Department had to calculate and levy deficit duty manually in such cases.

The Department stated (September 2016) that necessary provisions in the software would be made.

5.3.5.6 Levy of penalty

Rule 28 of the Gujarat Registration Rules, 1970 stipulated that fine was required to be levied, if there was delay of more than four months in presentation of the document for registration after the date of its execution.

We observed that no such provision was made in the *gARVI* system. Consequently the levy and collection of the fine was done manually.

The Department stated (September 2016) that auto-calculation of fine by the system would not serve the purpose because Registration/ Adjudication Authorities had been vested with discretionary powers to decide the quantum of fine based on the merits of each individual case under Section 25 and 34 of the Registration Act .

The Department may modify the software to include a provision whereby fine modified under Section 25 and 34 could be entered by the registering authority. The database would then contain the actual fine imposed and the fine reduced by using discretionary powers for better transparency.

5.3.6 Input Controls and Data Validation

The objective of input control was to ensure that (i) the data received for processing is genuine, complete, accurate and properly authorised and (ii) data is entered accurately and without duplication. Data validation is a process of checking transaction data for any errors or omissions and ensuring the completeness and correctness of data. We observed various deficiencies in validation controls and data entry in “gARVI” system which may compromise the correctness and reliability of the data being fed into the system.

5.3.6.1 Invalid Permanent Account Number (PAN)

Mention of PAN was mandatory in transactions above ` 5 lakh/` 10 lakh for both buyers and sellers of property. Permanent Account Number (PAN) is a 10 digit alpha-numeric number. First five digits contain alphabets only, next four digits numbers only and last character contains alphabet only. However, we observed that:

- * The system accepted PANs in invalid formats. In 14 SROs⁵, out of 2,83,667 transactions involving buyers/ sellers where PANs were entered, 993 PANs were found to be invalid.

⁵ Ahmedabad-3 (Memnagar), Ahmedabad-13 (City), Ahmedabad -14 (Dascroi), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Himatnagar, Jamnagar-2, Junagadh, Mehsana, Rajkot-2 (Kotharia), Surat-3 (Navagam) and Vadodara-4 (Gorva)

- * In 18,904 cases, the system accepted property transactions by buyers and sellers above ` 30 lakh without capturing PANs as required in the Annual Information Return (AIR) to be furnished to the IT Department.

Lack of such data validation checks in the software resulted in incorrect data being fed in the system.

The Department stated (September 2016) that necessary controls in the software had been put in place.

5.3.6.2 Controls to validate dates

Documents were required to be presented before the SR for registration. After verification of the transactions details of the document and market value and ensuring payment of applicable stamp duty and registration fees, SR would proceed with the registration of the document and put his dated signature.

- * In 12 cases registered during the period 2013-2015 pertaining to six SROs⁶, date of presentation of document was shown to be a date later than the date of signature of the SR (i.e. date of order).
- * In 17 cases registered during the period 2013-2015 pertaining to four SROs⁷, date of execution by the executants was shown to be a date later than the date of presentation.

Thus, no checks to validate dates were present in the system.

The Department stated (September 2016) that necessary controls in the software had been put in place to validate dates.

5.3.6.3 Validation checks against duplicate registration

We found that a sale deed of a plot of land with a particular survey number could be registered innumerable times in the system. There was no in-built warning system developed to caution against such duplicate registration. Thus, there was risk of fraudulent multiple sales of the same property by a seller to different buyers.

The Department stated (September 2016) that necessary validation checks in the software would be put in place against duplicate registration.

5.3.6.4 Validation checks for transfer of Government properties

Section 22-A of the Registration Act, 1908 stipulates that the registering officer shall refuse to register any instrument relating to the transfer of immovable properties by way of sale, gift, mortgage, exchange or lease, belonging to the State Government, or the local authority or any religious institution.

⁶ Ahmedabad-13 (City), Ahmedabad -14 (Dascroi), Bhavnagar-2 (Chitra), Gandhinagar, Rajkot-2 (Kotharia) and Vadodara-4 (Gorva)

⁷ Gandhinagar, Jamnagar-2, Mehsana and Surat-3 (Navagam)

We observed that master database of such restricted properties was neither created nor consolidated by NIC/IGR. In the absence of such a master database in the application system, alerts for transfer of such properties could not be generated from the system.

The Department stated (September 2016) that the system had provision to enter restricted property data in the database on the basis of written instructions of the competent authority. However, the same data would be updated in the system, if provided by the concerned authorities.

There is a need to obtain such database from the concerned department and fed into the system.

5.3.6.5 Incorrect data entry

Data Entry Operators (DEOs) of the service provider were responsible for entry of data in the system. However, the Department did not have an adequate mechanism to check/validate the data entered by the DEOs.

During data analysis of SRO-3, Surat (Navagam), it was observed that towards deposit of title deed (under Article 6) registered to secure a loan of ` 29.28 crore, as against the maximum duty leviable of ` 11.20 lakh, duty levied was entered as ` 112 lakh.

Even though the stamp duty of ` 112 lakh was not actually paid, excess duty entered got reflected in the reports generated by the *gARVI* system.

Further, in SRO-14, Ahmedabad (Daskroi), it was seen that in a document registered under Conveyance, the market value of the property was erroneously entered as ` 31,613.63 crore as against the consideration amount of ` 1.63 crore. Thus, the stamp duty leviable was worked out even higher than the actual the consideration on which stamp duty was actually payable. Hence, stamp duty was calculated as ` 1,549.06 crore by the system as against the correct amount of duty paid of ` 5.47 lakh.

During Exit Conference (October 2016), the Department accepted the fact that there was absence of cross-checking of data entered by SRs. The Department stated that designated officials would be entrusted with the work of checking data entry by selecting sample size for the purpose.

The data may be cross verified by the Department. When errors are found, data may be corrected not only in manual records, but also in the database to maintain data integrity.

5.3.6.6 Correctness of duty on mortgage deeds

Under Section 3 of the Gujarat Stamp Act 1958, every instrument mentioned in Schedule I shall be chargeable with duty at the prescribed rates. Further, additional duty at the rate of 40 *per cent* of the stamp duty paid was also leviable under Section 3(A).

As per Article 36B, in case of a mortgage deed, where possession of the property or any part of the property comprised in such deed was not given or not agreed to be given and as per Article 6 (1)(a), in case of an agreement relating to deposit of title deeds where loan or debt was repayable on demand or after three months from the date of the instrument, stamp duty was leviable as follows:

Loan Amount	With effect from 1.4.2006 to 14.5.2013 as per Amendment Act Gujarat 14 of 2006		With effect from 15.5.2013 as per Gujarat Act 15 of 2013	
	Rate of Duty	Maximum limit	Rate of Duty	Maximum limit
(i) Where loan amount does not exceed ₹ 10 crore	Twenty-five paise for every hundred rupees or part thereof	₹ one lakh	Twenty-five paise for every hundred rupees or part thereof	No maximum limit
(ii) Where loan amount exceed ₹ 10 crore	Fifty paise for every hundred rupees or part thereof	₹ three lakh	Fifty paise for every hundred rupees or part thereof.	Maximum ₹ eight lakh

During data analysis pertaining to 67,323 instruments of mortgage/ agreements relating to deposit of title deeds/ debentures trust deed, we noticed in 890 documents that as per data entries stamp duty leviable was of ₹ 6.98 crore. However, actual stamp duty paid was of ₹ 2.56 crore only. Thus, there was difference of ₹ 4.43 crore in the duty leviable as per system and duty actually paid.

We observed during test check that this difference was mainly on account of understatement/ overstatement of loan amounts due to mistakes in data entry. Further, we observed that there was no validation control to restrict the applicable duty, entered manually by the registering authority, to the maximum duty leviable. Details are as follows:

(₹ in crore)

No of SR offices	Total No. of documents of mortgage/ deposit of title deed	No. of documents where irregularity noticed	Stamp duty leviable as per entries	Stamp duty levied by system	Difference in duty (₹ in crore)	Criteria
12 ⁸	7,646	239	0.37	0.22	0.15	Upto ₹ 10 crore as on 14.05.13
12 ⁹	59,118	600	1.59	0.64	0.95	Upto ₹ 10 crore from 15.05.13
5 ¹⁰	105	7	0.29	0.10	0.19	More than ₹ 10 crore

⁸ Ahmedabad-3 (Memnagar), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Himatnagar, Jamnagar-2, Junagadh, Mehsana, Rajkot-2 (Kotharia), Surat-3 (Navagam) and Vadodara-4 (Gorva)

⁹ Ahmedabad-3 (Memnagar), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Himatnagar, Jamnagar-2, Junagadh, Mehsana, Rajkot-2 (Kotharia), Surat-3 (Navagam) and Vadodara-4 (Gorva)

¹⁰ Ahmedabad-3 (Memnagar), Anand, Bharuch, Gandhinagar and Mehsana

						as on 14.05.13
11 ¹¹	454	44	4.73	1.59	3.14	More than ` 10 crore from 15.05.13
Total	67,323	890	6.98	2.55	4.43	

The Department stated (September 2016) that detailed reply would be furnished after verification of facts.

5.3.6.7 Exemption of Registration Fees on instruments relating to transfer of immovable properties executed in favour of women

Under Section 78(2) of the Registration Act, 1908, registration fee shall be levied on conveyance, exchange of property, power of attorney (sale of immovable property), release for consideration, Instrument of Settlement (any case other than Religious or Charitable purpose), transfer of lease, any certified copy of decree of or order of court at *ad valorem* scale on the amount or value of consideration. Under Section 78(3) of the Registration Act, 1908, registration fee shall be levied on Gift at *ad valorem* scale on the amount or value of property. Under Section 78(4)(a), the rate of registration fees shall be one rupee for every rupees one hundred or part thereof on the amount or value of consideration. Further, as per Note 19 under Section 78(4), no fee shall be payable in respect of the instrument relating to transfer of immovable property executed in favour of any woman or women whereby the said woman or as the case may be, women only become the owner of the said property.

In case of documents of transfer of immovable properties in favour of woman/women, the system calculated registration fee as 'zero' as per the provisions of the Registration Act.

In 52,973 documents test checked by audit where 'zero' registration fee was levied, we found that in 51,229 documents buyers' gender was shown as 'male'. This indicated that necessary input controls were not present in the system.

We observed that during entry of the details of parties in the system, even when 'Male' or 'Office' was entered in the gender field, the system allowed the registration at 'zero' registration fee. Thus, no inbuilt mechanism was available in the system to ensure that when executants (buyers) were specified as 'women' and registration fee leviable was shown as 'zero', the system should not proceed with the registration process if buyers' gender was specified as 'man' or 'office'.

The Department stated (September 2016) that necessary controls in the software had been put in place.

¹¹ Ahmedabad-3 (Memnagar), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Himatnagar, Jamnagar-2, Mehsana, Rajkot-2 (Kotharia), Surat-3 (Navagam) and Vadodara-4 (Gorva)

5.3.6.8 Field left blank in case of registration of gift deeds

Under Article 28 on documents of gift, stamp duty was leviable on market value of the property at the rate of 4.9 *per cent*.

We noticed in eight offices¹² that out of 2,267 cases, in respect of 124 documents, data regarding the market value was not entered in the system. The registration fees and stamp duty were however, levied manually.

In the absence of such market value, the correctness of stamp duty/registration fees levied could not be ascertained from the system.

Department stated (September 2016) that registration fees and stamp duty were calculated by SROs based on market value.

A provision may be made in the system to calculate the registration fee and stamp duty based on the market value to avoid errors due to data entries.

5.3.7 Processing Controls

5.3.7.1 Facility to lock e-stamp certificates through integration with the website of SHCIL

Section 2(k) of the Gujarat Stamp Act stipulates that “impressed stamp” includes the certificate issued under e-stamping system. E-stamping was a secured electronic mode of paying for non-judicial stamps. The e-stamp certificate was designed with advanced security features which included Unique Identification Number (UIN), Optical Watermark, 2D Barcode and Microprint. In case a client did not want to use it, he could get a refund as per rules by the Collector / any other designated officer authorised by the Superintendent of Stamps and IGR.

Stock Holding Corporation of India Limited (SHCIL), being the Central Record Keeping Agency, was responsible for the overall application and maintenance of e-stamping in the State.

We observed that with the help of high resolution scanner and printer, the e-stamp certificates could be copied for use on multiple occasions. As a control measure against possible re-use of e-stamp certificate, the online system of e-stamping provided for locking of certificates by the SROs in the website of SHCIL by entering the corresponding document number in the website of SHCIL whenever the e-stamp certificate along with the instrument was presented before them for registration. Locking of certificate was also required to be checked at the time of processing of refund claims in order to ensure that it has not been used earlier.

A mention had been made in Para No. 5.6.26.2.1 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year

¹² Ahmedabad-3 (Memnagar), Bharuch, Gandhinagar, Himatnagar, Mehsana, Rajkot-2 (Kotharia), Surat-3 (Navagam) and Vadodara-4 (Gorva)

ended 31 March 2011, wherein non-observance of the procedure of locking e-stamping certificate by most of the SROs by entering Unique Identification Number (UIN) and the necessity of mandatory entry of UIN in the ReD system was brought to the notice of the Department. The Department had stated that all SROs had been instructed to lock the e-stamping certificates to avoid their multiple uses.

Examination of e-stamping system in “gARVT” revealed that there were instances where SROs did not lock the e-stamping certificates by entering UIN by accessing the website of SHCIL. Further, there was no field in gARVI system to enter UIN and automatic locking of the e-certificates. Thus, the possibility of fraud by using e-stamps on more than one occasion could not be ruled out.

During Exit Conference (October 2016), the Department agreed to integrate the gARVI system with the website “e-stamps” of the Stock Holding Corporation of India Ltd. to have a greater transparency in accounting of e-stamps and preventing possible instances of multiple uses of same e-stamp certificates, as early as possible. They also stated that the locking of e-stamp certificates would be made mandatory from November 2016 onwards.

The e-stamp certificates were printed with QR codes¹³ and details of e-stamps could be read from the QR code using a scanner. Department may utilise this feature to verify the correctness of the e-stamp instead of manually entering the registration number, date and time of the document containing the e-stamp. Automatic locking of e-stamp certificate should be implemented during the registration process.

5.3.7.2 Calculation of stamp duty on instruments of transfer of immovable properties

Under Article 17, 20, 26, 28, 45f, 49 and 57 of schedule I to the Gujarat Stamp Act 1958, stamp duty was leviable on certificates of sale, conveyance, exchange of property, gift, power of attorney (sale of immovable property), release for consideration and transfer of lease at the rate of 4.9 *per cent* on the market value or consideration, whichever was higher.

During the data analysis of 2,06,765 documents registered under the above articles, we noticed that in 4,275 documents, stamp duty was not levied at the prescribed rate of 4.9 *per cent as shown in the system*. Stamp duty involved in these transactions was ` 72.24 crore. The details are as follows:

¹³ A machine-readable code consisting of an array of black and white squares

Article No.	Description of the instrument	No. of SR offices	Total Documents	No. of documents in which difference in duty noticed	Difference in duty involved (in crore)
17	Certificate of Sale	04 ¹⁴	209	148	0.03
20	Conveyance	14 ¹⁵	2,02,796	4,015	71.34
26	Exchange of Property	09 ¹⁶	101	22	0.26
45f	Power of Attorney (Sale of Immovable property)	03 ¹⁷	352	06	0.05
49	Release	11 ¹⁸	3,282	83	0.50
57	Transfer of lease	01 ¹⁹	25	01	0.06
	Total		2,06,765	4,275	72.24

During cross verification of 24 documents in audit, it was noticed that the reasons for short levy shown in the system were due to errors in data entry, reduction of duty by DC (SDVO) in exercise of powers vested in him under Section 32 A, adjustment of duty already used in Agreement for Sale (Agreement)/ Power of Attorney (PoA) executed previously on the same properties, etc. which were not reflected in the system.

The Department may include a provision in the system for cross references of document numbers of Agreement/ PoA in case of adjustment of duty already paid on Agreement/ PoA previously executed.

5.3.7.3 Incorrect generation of pending documents list

After completion of the process of registration, the SROs make an order in token of authorisation and the system would record the date of such authorisation. In other cases, SROs kept such documents as ‘pending’.

We noticed from the “pending documents for registration” list generated by the system that even though date of order was available in the database, 13 documents were still shown as pending.

The Department agreed (September 2016) to make necessary changes in the software.

¹⁴ Ahmedabad-13 (City), Ahmedabad-14 (Dascroi), Bhavnagar-2 (Chitra) and Gandhinagar

¹⁵ Ahmedabad-3 (Memnagar), Ahmedabad-13 (City), Ahmedabad-14 (Dascroi), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Himatnagar, Jamnagar-2, Junagadh, Mehsana, Rajkot-2 (Kotharia), Surat-3 (Navagam) and Vadodara-4 (Gorva)

¹⁶ Ahmedabad-3 (Memnagar), Ahmedabad-13 (City), Ahmedabad-14 (Dascroi), Anand, Jamnagar-2, Junagadh, Mehsana, Surat-3 (Navagam) and Vadodara-4 (Gorva)

¹⁷ Ahmedabad-13 (City), Ahmedabad-14 (Dascroi) and Gandhinagar

¹⁸ Ahmedabad-3 (Memnagar), Ahmedabad-13 (City), Anand, Bharuch, Bhavnagar-2 (Chitra), Gandhinagar, Jamnagar-2, Junagadh, Mehsana, Surat-3 (Navagam) and Vadodara-4 (Gorva)

¹⁹ Junagadh

5.3.8 Disaster recovery plan

5.3.8.1 Database backup policy

No disaster recovery plan had been developed by the Department. Back-up data was stored at the Central Data Server, Gandhinagar. Further, the Department stated that data of scanned documents was stored in 3 CDs and was kept at SROs, Inspector of Registration (IR) at District levels and IGR office.

We observed that these backup CDs were kept in CD covers and were stored in cupboards instead of keeping them in weather/fire-proof and safer areas. There was no record available in IGR office indicating that the backup of scanned documents had ever been tested.

Department stated (September 2016) that they would ensure testing of data stored in CDs.

Department may store the data in Hard Disk at the IGR office level and the same may be kept in weather/ fire proof and safer areas.

5.3.9 Monitoring

We found that the Department was completely dependent on NIC for all activities relating to the operation of *gARVI*. The Department did not have adequate qualified officials to monitor the implementation of *gARVI* system.

The Department stated (September 2016) that they would recruit in-house IT officials as per the availability of the budget provision.

5.3.10 Incomplete Database

The major sources of stamp duty are (a) stamp duty collected in cases of allotment/ lease of Government land, (b) stamp duty collected at the time of registration of documents, (c) stamp duty collected in cases of unregistered documents, (d) stamp duty collected in cases of purchases/ sales of shares, stocks, etc. Thus, the system captures database of stamp duty collected by the Department in only those cases where the instrument has been registered. Thus, we could not ascertain from the *gARVI* system whether the stamp duty captured by the system was as per the total stamp duty collection reflected in Government accounts.

The major source of registration fees is the fees collected at SROs during registration of documents. The system is expected to capture the database of registration fees realized by the Department. The following table shows the registration fees realized as per the Finance Accounts of the State and as per the reports generated by the *gARVI* system:

(` in crore)

Sl. No.	Year	Registration Fees realized as per the Finance Accounts	Registration Fees realized as per the reports generated by the system	Percentage of variation
1	2012-13	524.71	497.79	5.13
2	2013-14	594.66	568.89	4.33
3	2014-15	704.29	682.73	3.06

Thus, there has been variation in the figures of registration fees realized as per the Finance Accounts of the State and as per the reports generated by the *gARVI* system. Though the variation ranged between 3 and 5 *per cent* and was not significant, this indicates that there were discrepancies in the database of registration fees captured by the system.

5.3.11 Conclusion

The *gARVI* system has been developed with the objective of computerization of entire process of registration to make it simple and transparent. During IT audit, we observed that:

- * There was absence of proper documentation and ownership of source code.
- * User requirement specifications were not assessed. As a result, manual intervention continued in the process of registration of the documents such as non provision of access to *gARVI* system to the Deputy Collectors (SDVO) for determination of market value of properties, levy of penalty in case of delay in presentation of documents for registration, etc.
- * There were inadequate input controls and validation checks in the system which compromised the correctness and reliability of data being fed in the system.
- * *gARVI* was not integrated with the website of SHCIL to facilitate locking of E-Stamps as a result of which the possibility of fraud by using e-stamps on more than one occasion cannot be ruled out.

5.3.12 Recommendations

The Department may take necessary actions to:

- * integrate the process of valuation by DC(SDVO);
- * evolve a system for automatic locking of e-certificates during registration process;
- * minimize manual interventions in the system; and
- * strengthen input controls and validation checks to make the database complete, accurate and reliable.