

~~on account of failure of these banks to transfer collection to the Government account. Thus Government revenue remained blocked with the banks.~~

~~\* Test check of bank draft register revealed that STC sent 743 expired bank drafts amounting to Rs 27.17 lakh received from other states on account of composite fee for the period from April 2001 to March 2004, to different authorised banks in March 2005 for revalidation. Government revenue was blocked as the expired bank drafts remained pending for revalidation as of June 2005.~~

### **Conclusion**

~~4.2.17 The Transport Department could not exercise proper internal control for timely raising and realisation of demand leading to huge amount of motor vehicles taxes pending for collection at various stages of recovery. Proper safeguards were also not exercised in allowing exemption from payment of taxes on vehicles.~~

### **Recommendations**

~~4.2.18 Government may examine and consider:~~

- ~~\* creation of specific and definite mechanism to ensure appropriate and timely action for issue of demand notice followed by certificate proceedings for recovery of unpaid taxes,~~
- ~~\* taking effective measures in coordination with the District Certificate Officer for disposal of pending certificate cases, and,~~
- ~~\* evolving a control system for monitoring the working of the enforcement wing, DTO and MVI at apex level to ensure prompt detection of unauthorised vehicles and ensuring prompt recovery of tax.~~

## **4.3 Information Technology based review on Road Transport Management Information System (NICTRAN) in Transport Department**

### **Highlights**

Lack of control over registration on the basis of duplicate engine/chassis numbers.

**(Para 4.3.5)**

Lack of control over registration on the basis of duplicate insurance certificate/cover note numbers.

**(Para 4.3.5)**

### **Introduction**

**4.3.1** As a measure of reform in monitoring, controlling and streamlining of timely realisation of taxes, the Transport Department of Government of Bihar decided to computerise the system of taxation and implemented (1992) Road Transport Management Information System (NICTRAN) in active collaboration

with Bihar State unit of National Informatics Centre (NIC). NICTRAN was conceived as a comprehensive transport management information system, to effectively monitor vehicle registration, tax collection, preparation of defaulters' list and issue demand notices. NICTRAN was operational in five<sup>23</sup> out of 37 districts of Bihar.

NICTRAN package was developed on XENIX<sup>24</sup> operating system using FOXBASE Plus DBMS<sup>25</sup>. The package being user friendly and menu driven was intended to provide quick and accurate tax calculation procedures. It was also to provide for vehicle registration, fast disposal of tax token slips on counters and generation of demand notices and reminders in cases of default. Apart from these functions, the package would be able to generate daily, monthly and yearly cash books.

#### ***Audit objectives***

**4.3.2** Information Technology (IT) based review of NICTRAN was conducted with the objectives to ascertain:

- \* completeness of registration database (since implementation of computerisation),
- \* control over duplicate engine/chassis numbers (from 2000),
- \* control over duplicate insurance certificate/cover note numbers (from 2000),
- \* correctness of realisation of additional registration fee (from 13.06.2003) and realisation of outstanding tax from defaulter vehicle owners.

#### ***Audit scope and methodology***

**4.3.3** The district transport offices (DTOs) of Bhagalpur, Patna and Purnea were selected for IT Audit. The taxation and registration data was collected from the DTOs in tape cartridges between March and May 2005 and analysed using CAATs<sup>26</sup> viz. IDEA<sup>27</sup> 2002. The taxation and registration data since computerisation to April 2005 was analysed to verify the completeness of database. Duplicate engine/chassis and insurance certificate/cover note numbers were analysed from 1.1.2000. The audit findings are discussed in the succeeding paragraphs.

#### ***Incomplete database***

**4.3.4** According to Rule 47 of Central Motor Vehicle Rules, 1989, Form 20 is prescribed for registration of vehicles, which contains information in 33 fields. In NICTRAN, all 33 fields have been provided for data entry.

<sup>23</sup> Bhagalpur, Gaya, Muzaffarpur, Patna, and Purnea

<sup>24</sup> A variant of UNIX operating system

<sup>25</sup> Database Management System

<sup>26</sup> Computers Assisted Audit Tools

<sup>27</sup> Interactive Data Extraction and Analysis

\* Analysis of the registration databases of DTOs of Bhagalpur, Patna and Purnea (since implementation of computerisation) revealed that data capture was partial even in crucial fields (detailed in **Annexure I**). Data entry pertaining to mandatory fields for registration such as registration date, owner's name, address, dealer's name, engine/chassis number and insurance certificate/cover note number, date was not done in many cases, as detailed in the following table:

DTO	No. of Vehicles	Total number of fields having blank values					
		Registration Date	Owner's name	Address	Dealer's name	Engine /Chassis No.	Insurance Company/Insurance No.
Bhagalpur	36,896	5,390	8,371	6,946	10,031	8,758/6,572	27,838/27,841/ 27,837
Patna	1,83,054	25,124	13,425	27,316	27,212	28,870/26,620	34,961/37,132/34,961
Purnea	10,713	24	Nil	38	FNA <sup>28</sup>	Nil/6	FNA

In reply, the Department stated in September 2005 that action is being taken to fill in the missing data in the databases of DTOs Bhagalpur and Patna.

\* According to Central Government notification<sup>29</sup>, it is mandatory for vehicle owners to disclose annual income and PAN/GIR<sup>30</sup> number from 31 May 2002. Audit observed that no such information was available in the database of the three DTOs taken up for audit. Scrutiny of taxation database of DTOs revealed that while granting NOC to those opting for tax payment in other districts of Bihar/outside the State, the place where tax would be payable, was not mentioned in cases shown in table below (detailed in **Annexure II**):

DTO	No. of cases where NOC was issued	No. of cases in which district/place not mentioned
Bhagalpur	79	62
Patna	560	184
Purnea	82	45

Information regarding place wise NOC could not be retrieved from the database in some cases and instantaneous information, therefore, could not be passed on to other DTOs for cross checking and timely realisation of revenue.

Besides making the database unreliable, any analysis or reports for Management Information System (MIS) based on an incomplete database is likely to furnish incomplete and misleading information.

***Lack of control over registration on the basis of duplicate engine/chassis and insurance/ cover note numbers***

**4.3.5** Chassis/engine numbers of the vehicles consist of alphanumeric figures, which are unique and hence provide the identification of a vehicle. A vehicle owner is required to declare at the time of registration in Form 20 that the vehicle has not been registered elsewhere in India. Further, under Rule 47 of CMV Rules, Form 20 shall also be accompanied by a valid insurance certificate.

<sup>28</sup> Field Not Available

<sup>29</sup> GSR 400(E) dated 31.05.2002

<sup>30</sup> Permanent Account Number/General Index Registration Number

\* Analysis of database of three DTOs revealed instances of duplicate engine and chassis numbers. Duplicate numbers identified and further verified from the registration registers are shown below (detailed in **Annexure III**):

DTO	No. of duplicate engine numbers	No. of duplicate chassis numbers	No. of duplicate engine/chassis numbers
Bhagalpur	04	01	15
Patna	15	06	09
Purnea	-	-	01

This indicated lack of validation checks during the data entry. Thus, the integrity of output of the system, could not be ensured. Manual verification of cases involving registration records of series BR-1Y, BR-1Z and BR-1AP (DTO Patna) could not be done as the registration registers were either partially filled in or not filled in at all.

In reply the Department stated in September 2005 that records of DTO Bhagalpur revealed that the error was due to negligence of motor vehicle dealers and lack of proper investigation by the MVI, while in the case of DTO Patna, motor vehicle owners have been issued notice for verification of engine/chassis numbers by MVI.

\* Analysis of registration database of DTOs Bhagalpur and Patna from 1 January 2000 revealed that there were vehicle registration records with duplicate insurance/cover note numbers as indicated below (detailed in **Annexure IV**):

DTO	Company	Total number of duplicate/multiple insurance/cover note numbers
Bhagalpur	United India Insurance	29
	Oriental Insurance Company	08
	National Insurance Company	39
	National India Assurance	05
<b>Total</b>		<b>81</b>
Patna	United India Insurance	129
	Oriental Insurance Company	401
	National Insurance Company	168
	National India Assurance	195
	Bajaj Allianz	04
<b>Total</b>		<b>897</b>

This indicated lack of validation checks in the system. The insurance field was not available in the registration database of DTO Purnea.

In reply the Department stated in September 2005 that in the case of DTO Bhagalpur, the error was due to issue of same insurance number to different vehicles and that insurance companies had been requested not to do so in future,

whereas in case of DTO Patna, a meeting had been called for with officials of insurance companies for discussion.

**Short realisation of additional registration fee (choice fee)**

4.3.6 Government of Bihar vide notification<sup>31</sup> substituted Rule 64 of BMV Rules with effect from 13 June 2003.

As per sub section (3) of the said notification, if the owner of a vehicle applies for a preferred registration number out of the numbers incorporated in the said notification, he/she shall pay an additional fee ranging between Rs. 5,000 and Rs 25,000, depending upon the rate fixed for that particular number. An additional fee of Rs. 5,000 will also be chargeable if any particular or out of sequence registration number is allotted, as preferred by a vehicle owner.

\* Scrutiny of the database of DTOs Bhagalpur and Patna revealed that additional registration fee was realised at the old rate of Rs. 100 each, instead of revised rate effective from 13 June 2003, as shown below:

(Amount in Rupees)				
DTO	Series	No. of vehicles	Rate at which fee realisable	Fee short realised
Bhagalpur	BR-10D	06	5,000	29,400
	BR-10G	01	5,000	4,900
	<b>Total</b>	<b>07</b>		<b>34,300</b>
Patna	BR-1AP	02	5,000	9,800
	BR-1G	01	5,000	4,900
	BR-1V	19	5,000	93,100
	BR-1V	02	10,000	19,800
	<b>Total</b>	<b>24</b>		<b>1,27,600</b>

\* Short realisation of additional registration fee (choice fee) involving 31 vehicles in DTOs Bhagalpur and Patna was confirmed on manual verification of registration register.

\* Field for additional registration fee was not available in database of DTO Purnea. Hence, short realisation, if any, could not be verified from the database.

The Department had not prescribed policies and procedures for monitoring of changes to NICTRAN software. Moreover, the Department did not document or maintain system change requests for modifications to the software.

This resulted in acceptance of additional registration fee (choice fee) at old rate, and consequential short realisation of fee of Rs. 1.62 lakh.

The Department in its reply in September 2005, accepted audit observation in respect of DTO Patna and issued notices to vehicle owners on 25 August 2005.

<sup>31</sup> No. GSR 4 dated 13 June 2003

**Outstanding tax (including penalty) from defaulter vehicles**

**4.3.7** Under Section 5 of BMVT Act and Rules framed thereunder, tax for a vehicle is payable annually or quarterly within 15 days of commencement of the year or quarter, as the case may be. Further, under Rule 4 of the BMVT Rules, penalty is also leviable in case of default in payment of tax.

DTOs are required to utilise the system to detect defaulter vehicles, issue demand notices (automatically generated by the system) to the defaulter vehicle owners and initiate certificate proceedings in case demand notice fails to effect recovery.

\* Analysis of database of DTO Patna revealed that there was an outstanding tax liability including penalty of Rs. 3.03 crore against 62 defaulter buses (BR-1P series) of BSRTC<sup>32</sup> calculated for the period from 7 August 2002 to 30 August 2004.

The Department replied in September 2005 that demand notices have been issued to BSRTC.

\* Analysis of database of DTO Patna revealed that there was an outstanding tax liability including penalty of Rs. 23.83 lakh against 20 defaulter commercial vehicles (Trucks BR-1G series) calculated for the period from 11 August 2002 to 30 August 2004.

In reply, the Department accepted audit observation in September 2005, and stated that demand notices have been issued to vehicle owners.

The system maintains upto date tax position of tax payers and facilitates automatic issue of demand notices and reminders. Non utilisation of the system, indicates absence of internal management control in the Department.

**Conclusion**

**4.3.8** Lack of proper internal management control led to non utilisation of the features of NICTRAN. Lack of control at the input stage has rendered the database incomplete. Absence of validation checks led to duplication of records in the database.

The system was also not uniform in the three DTOs, indicating laxity on the part of the Transport Department, in quickly disseminating changes as per amendments to rules, to the DTOs using NICTRAN. The changeover to the IT system using NICTRAN was not effective. Thus the DTOs were not able to achieve the objectives of NICTRAN for maintaining complete vehicle registration database as also correct tax calculation, generation of demand notices and identification of cases of default.

**Recommendations**

**4.3.9** The Government may examine and consider the following recommendations:

<sup>32</sup> Bihar State Road Transport Corporation.

- \* The system should have sufficient controls so that consistent and complete database can be maintained by DTOs. The software may be updated well in time when policies change. Any revision in the rate of taxes and fees, should be incorporated in the computer database so that cases of short realisation do not occur in future;
- \* Adequate control of management over IT Department is required to meet the business needs. All transactions may be entered accurately, validated, authorised and correctly classified, to avoid incomplete/incorrect database. Data fields may be preprogrammed with limits; and,
- \* System documentation may be done and updated to incorporate any changes made. Management may also ensure that a 'Change Management Policy' is in place. Documents of taxation regulations may be retained. The management must ensure that a Business Continuity Plan is in place, to ensure running of critical applications and safeguarding data in the event of a disaster.