

CHAPTER – V

REVENUE RECEIPTS

GENERAL

5.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Mizoram during the year 2004-05, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

Table 5.1

(Rupees in crore)

I. Revenue raised by the State Government	2000-01	2001-02	2002-03	2003-04	2004-05
Tax revenue	14.43	19.12	27.96	33.85	39.55
Non-tax revenue	40.37	44.87	52.63	58.01	75.60
Total:	54.80	63.99	80.59	91.86	115.15
II. Receipt from the Government of India					
State's share of divisible Union taxes	87.45	43.73	94.60	130.33	155.79
Grants-in-aid	685.97	760.07	846.42	1,148.76	1,230.92
Total:	773.42	803.80	941.02	1,279.09	1,386.71
(III) Total receipt of the State	828.22	867.79	1,021.61	1,370.95	1,501.86
(IV) Percentage of I to III	6.62	7.37	7.89	6.70	7.66

Details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

Table 5.2

	Head of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase(+) or decrease (-) in 2004-05 over 2003-04
		(Rupees in crore)					
1.	Sales tax	6.06	9.85	18.20	23.32	28.08	(+) 20
2.	State excise	0.96	1.36	1.29	1.36	1.40	(+) 3
3.	Stamps and registration fee	0.07	0.08	0.08	0.13	0.10	(-) 23
4.	Taxes on vehicles	2.02	2.10	2.56	3.38	3.80	(+) 12
5.	Taxes on goods and passengers	0.51	0.53	0.57	0.61	0.69	(+) 13
6.	Other taxes on income and expenditure, tax on professional, trades, callings and employment	3.33	3.62	3.96	4.08	4.37	(+) 7
7.	Other taxes and duties on commodities and services	0.32	0.34	0.33	0.25	0.25	---
8.	Land revenue	1.16	1.24	0.97	0.72	0.86	(+) 19
	Total	14.43	19.12	27.96	33.85	39.55	

The reasons for variation though called for have not been furnished (October 2005).

Details of the major non-tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

Table 5.3

Head of Revenue		2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase(+) or decrease (-) in 2004-05 over 2003-04
		(Rupees in crore)					
1.	Interest receipts	3.12	1.45	2.44	3.27	3.66	(+) 12
2.	Other non tax receipts	10.44	10.14	10.31	12.55	11.52	(-) 8
3.	Forestry and wild life	1.86	1.63	3.80	3.16	2.74	(-) 13
4..	Miscellaneous general services (including lottery receipts)	3.86	5.00	7.01	6.27	9.03	(+) 44
5.	Power	17.79	23.04	18.21	26.14	40.81	(+) 56
6.	Medical and Public Health	0.27	0.39	0.40	0.33	0.46	(+) 39
7.	Cooperation	0.24	0.02	0.81	0.16	2.01	(+) 1156
8.	Public works	0.89	0.50	2.04	3.68	2.90	(-) 21
9.	Police	0.26	0.26	0.39	0.28	0.22	(-) 21
10.	Other administrative services	1.65	2.44	7.22	2.17	2.25	(+) 4
Total		40.37	44.87	52.63	58.01	75.60	

Reasons for variations have not been furnished (October 2005).

5.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2004-05 in respect of principal heads of tax and non-tax revenue are given below:

Table 5.4

Head of Revenue	Budget estimates	Actuals	Variations excess (+) shortfall (-)	Percentage of variation
	(Rupees in crore)			
Tax revenue :				
(i) Sales tax	19.00	28.08	(+) 9.08	(+) 48
(ii) State excise	1.36	1.40	(+) 0.04	(+) 3
(iii) Taxes on vehicles	3.20	3.80	(+) 0.60	(+) 19
(iv) Taxes on goods passenger	0.50	0.69	(+) 0.19	(+) 38
(v) Other taxes & duties on commodities and services	0.35	0.25	(-) 0.10	(-) 29
(vi) Land revenue	1.40	0.86	(-) 0.54	(-) 39
Non-tax revenue :				
(i) Interest receipts	1.80	3.66	(+) 1.86	(+) 103
(ii) Forestry and wild life	2.60	2.74	(+) 0.14	(+) 5
(iii) Medical and Public Health	0.40	0.46	(+) 0.06	(+) 15
(iv) Cooperation	0.02	2.01	(+) 1.99	(+) 9950
(v) Public works	2.00	2.90	(+) 0.90	(+) 45

State excise : The increase was due to increase in import of liquor by the security forces.

Taxes on vehicles: The increase was stated to be due to increase in vehicular population.

Forestry and wild life : The increase was stated to be due to receipt of higher bid amount in respect of forest produce.

The Reasons for variation though called for have not been furnished by other departments (October 2005).

5.3 Cost of collection

The gross collection under principal receipt heads, expenditure incurred on collection and percentage of such expenditure to gross collection during the year 2002-03 to 2004-05 along with all India average percentage of expenditure on collection to gross collection were as under:

Table 5.5

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue ³⁰	Percentage of expenditure on collection	All India average percentage
			(Rupees in crore)			
1.	Sales Tax	2002-2003	18.20	2.31	12.69	1.18
		2003-2004	23.32	2.46	10.55	1.15
		2004-2005	28.08	2.68	9.54	---
2.	Taxes on Vehicles	2002-2003	2.56	1.83	71	2.86
		2003-2004	3.38	1.97	58	2.57
		2004-2005	3.80	1.99	52	---

It would be seen from the above that expenditure on collection under sales tax and taxes on vehicles was higher as compared to the All India average.

5.4 Collection of Sales Tax per assessee

The number of assessees, sales tax revenue and sales tax revenue per assessee, for the period from 2000-01 to 2004-05 was as follows:

Table 5.6

Year	No. of assessees	Sales tax revenue	Revenue/assessee
		(Rupees in lakh)	
2000-2001	194	606.00	3.12
2001-2002	460	985.00	2.14
2002-2003	558	1820.00	3.26
2003-2004	596	2332.00	3.91
2004-2005	Awaited	2808.21	--

Before November 1999, sales tax was realisable in respect of petroleum products only. However, with the introduction of sales tax on other items thereafter, the number of small and medium assessees has gone up leading to the variation of revenue collected per assessee.

³⁰ Figures as furnished by the department.

5.5 Arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.32.32 lakh of which Rs.1.30 lakh were outstanding for more than four years as detailed in the following table:

Table 5.7

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 4 years as on 31 March 2005
		(Rupees in lakh)	
1.	Sales Tax etc.	Awaited	Awaited
2	Land Revenue	8.14	Awaited
3.	Forest	24.18	1.30

Arrears of revenue in respect of other principal heads of revenue though called for (July 2005) have not been received (October 2005).

5.6 Results of audit

Test check of records of sales tax, state excise, motor vehicles taxation, land revenue, forest and other taxation departments conducted during 2004-05 revealed under assessments/short/non-levy/loss of revenue amounting to Rs.16.31 crore in 95 cases. During the course of the year, the Department accepted under assessments/short/non-levy/loss of revenue of Rs.1.96 crore in 42 cases pointed out during 2004-05 and in earlier years and recovered Rs.15.44 lakh.

This report contains 10 paragraphs and two reviews relating to receipts under taxes on motor vehicles and Information Technology audit of Vehicle Registration System in Mizoram involving Rs.13.57 crore. The Department/Government accepted the points raised in the review and six paragraphs involving Rs.5.65 crore of which Rs.6.00 lakh has been recovered upto October 2005. No reply has been received in respect of remaining cases (October 2005).

5.7 Failure of senior officials to enforce accountability and protect interests of Government

The Principal Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong conducts periodical inspection of various offices of Government/departments to test check the correctness of assessments, levy and collection of tax receipts and non-tax receipts and verify the accuracy in maintenance of accounts and records as per Acts, Rules and procedures prescribed

by Government/Department from time to time. These inspections are followed by inspection reports (IRs) issued to the heads of office inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of Government/heads of the Department, by the Office of the Principal Accountant General (Audit), Meghalaya, Arunachal Pradesh and Mizoram, Shillong.

A half yearly report regarding IRs pending settlement is sent to the Secretaries of the concerned department to facilitate monitoring and settlement of audit objections raised in these IRs.

IRs issued up to December 2004 pertaining to offices under sales tax, state excise, land revenue, motor vehicles tax and forest departments disclosed that 162 objections relating to 70 IRs involving money value of 27.50 crore remained outstanding for settlement at the end of June 2005. Of these, 23 IRs containing 35 objections involving money value of Rs.0.56 crore had not been settled for more than three years. The year wise position of old outstanding IRs and paragraphs is detailed in **Appendix-XXXI**.

In respect of 26 paragraphs relating to 16 IRs involving money value of Rs.5.39 crore issued upto June 2005, even first reply required to be received from the Department/Government has not been received (October 2005).

Report regarding position of old outstanding IRs/paragraphs was reported to Government in August & September 2005, their reply has not been received (October 2005).

5.8 Follow up on Audit Reports - Summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo motu* replies on all paragraphs and reviews featured in the Audit Report within three months of its presentation to the legislature. As regards action taken notes (ATNs) on the recommendations of the PAC, the Committee specified the time frame for submission as six months.

Review of follow up on submission of *suo motu* replies and of ATNs as of 31 October 2005 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that:-

Departments of the State Government had not submitted *suo motu* replies on 40 paragraphs featured in the Audit Reports for the years 1998-99 to 2003-04 in respect of revenue receipts as detailed below:

Table 5.8

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/ reviews included in the Audit Report (excluding standard paragraphs)		Number of paragraphs/ reviews on which <i>suo motu</i> replies are awaited	
		Paragraphs	Reviews	Paragraphs	Reviews
1998-99	13.4.2000	3	---	---	---
1999-2000	17.10.2001	3	---	---	---
2000-01	26.3.2002	7	1	6	---
2001-02	17.7.2003	8	1	6	---
2002-03	23.3.2004	15		12	---
2003-04	26.9.2005	16	---	16	---
Total		52	2	40	---

The department failed to submit ATN of one paragraph pertaining to Revenue Receipts for the year 1999-2000 (para 6.6(i)) on which recommendations were made by PAC in its 11th Report, presented before the State Legislature in March 2005.

Thus, failure by the respective departments to comply with the instructions of the PAC resulted in the objective of ensuring accountability of the executive remaining unfulfilled.

SECTION A – REVIEW

TRANSPORT DEPARTMENT

5.9 Receipts under taxes on motor vehicles

Highlights

Non renewal of registration after 15 years led to plying of vehicles without valid registration certificate and non realisation of revenue of Rs.8.02 lakh.

(Paragraph 5.9.8)

Failure to detect vehicles plying without valid fitness certificates resulted in non realisation of fee and fine of Rs.85.29 lakh.

(Paragraph 5.9.10)

Realisation of licence fees from agents at lesser rate resulted in short realisation of Rs.19.31 lakh.

(Paragraph 5.9.10)

Failure to detect vehicles plying with load beyond permissible limit led to non levy of fine of Rs.15.88 lakh.

(Paragraph 5.9.11)

Non conducting of smoke emission test resulted in plying of vehicles without pollution control certificates and consequential loss of revenue of Rs.3.29 crore.

(Paragraph 5.9.13)

5.9.1 Introduction

The Motor Vehicles Act (MV Act), 1988 and Rules made thereunder as amended from time to time regulate registration and control of motor vehicles, and also levy and collection of fees for registration of motor vehicles. Mizoram Motor Vehicles Act (MMV Act), 1996 and Rules made thereunder as amended and various notifications/orders/instructions issued from time to time provide for levy

and collection of tax on different types of motor vehicles registered and plying in Mizoram. The major receipts from motor vehicles comprise tax on motor vehicles and fees for registration, issue of driving licence, road permit, fitness certificate *etc.*

5.9.2 Organisational set up

The Director is the overall incharge of the Transport Department and deals with all policy matters and administration of Acts and Rules. In performance of duties, he is assisted by one Joint Director, one Assistant Commissioner of Transport and five district transport officers(DTOs). The Secretary, State Transport Authority (STA), is responsible for issue and management of national permits, tourist permits, special plying permits and plying permits for the Aizawl region. The DTOs act as registering authorities (RAs) for various districts and enforce provisions of various Acts and Rules in the area under their jurisdiction. The motor vehicle inspectors (MVIs) and enforcement staff under the DTOs are primarily responsible for ensuring that vehicle for which tax has not been paid, permit has not been renewed and fitness certificate has not been obtained is not plying on the road. In addition to their day to day duties they collect fees, fines for contravention and violation of Acts and Rules referred to above.

5.9.3 Audit Objectives

The review was conducted with a view to ascertain

- effectiveness and adequacy of the Rules and procedures in assessment and collection of taxes, fees and fines;
- efficiency in functioning of enforcement wing and checkgates and
- efficiency and effectiveness of monitoring and evaluation.

5.9.4 Scope of audit

The review was conducted through test check of records of STA including enforcement wing and three³¹ out of five DTOs for the year 1999-2000 to 2003-04 during December 2004 to March 2005.

5.9.5 Audit Criteria

Audit examination was based on the following criteria:

- collection of taxes, fees and fines at prescribed rates;
- enforcement check with reference to target;
- recovery of outstanding dues at par with other States;
- cash management *vis-a-vis* financial rules;

³¹ *DTO, Aizawl, Lunglei and Saiha.*

- pollution control measures as prescribed in the Act and
- internal audit.

5.9.6 Audit Methodology

The following methodologies were adopted during the course of review:

- Verification of records such as cash book, receipt books, treasury challans, combined register, permit register.
- Scrutiny of departmental files, records, correspondences among various unit offices and orders/notifications issued by the Government/Department from time to time.
- Cross verification of records of police check gate and Taxation Department with those of the Transport Department.
- Analysis of reports and returns submitted by various unit offices.
- Scrutiny of tax realisation *vis-a-vis* rates prescribed by Act, Rules and Government notifications issued from time to time and their accounting and credit to Government accounts.

5.9.7 Trend of revenue

The budget estimates and actual collection of taxes on vehicles during 1999-2000 to 2003-04 is as under:

Table 5.9

(Rupees in crore)

Year	Budget estimate	Actual collection of revenue	Percentage of excess of actuals over budget estimate
1999-00	1.55	1.83	18.06
2000-01	1.85	2.02	9.19
2001-02	2.00	2.10	5.00
2002-03	2.50	2.56	2.40
2003-04	3.00	3.38	12.67

There was an increasing trend in actual collection of revenue over the previous year. As regards variation between budget estimates and actual collection, the Department stated that the estimate was prepared on the basis of actual collection of first five months and hence susceptible to variation.

5.9.8 Registration

Plying of vehicles without/lapsed registration

Under MV Act and Rules made thereunder, a motor vehicle dealer shall be exempted from the requirement of registration if the owner of the vehicle obtains a trade certificate from the RA in accordance with the provisions of the Acts and Rules. These rules prohibit delivery of a motor vehicle by the dealer to a

purchaser without permanent or temporary registration. The Act further provides that a certificate of registration in respect of a motor vehicle other than a transport vehicle shall be valid for a period of 15 years from the date of issue of such certificate and shall be renewable after expiry of validity period after payment of prescribed³² fees.

The Act *ibid* also prescribes a minimum fine for vehicles plying without registration at Rs.2,000 for the first offence and Rs.5,000 each for subsequent ones.

Test check of records of three DTOs revealed that 510 motor vehicles were sold by seven dealers between February 2002 and May 2004. These vehicles plied without registration for periods ranging between two and 455 days. The RAs failed to levy and realise fines of Rs.10.20 lakh from the owners of vehicles at the point of registration. The enforcement staff also failed to detect these vehicles plying on road without valid registration certificate.

During Review Committee Meeting(RCM) in June 2005, Government while admitting audit observation stated that necessary instructions would be issued to field offices to detect vehicles plying without registration and recover prescribed fines. Action taken to recover Rs.10.20 lakh has not been received.

Test check of records of two DTOs³³ revealed that certificate of registration of 324 vehicles (other than transport vehicles), expired between June 2001 and February 2004 but were not renewed after the expiry of the said period (15 years).

There was nothing on record to show that these vehicles had been transferred to other regions/States. The concerned DTOs did not take any step to get the registration certificates of these vehicles renewed resulting in non renewal of registration certificates of the above vehicles and non realisation of revenue of Rs.8.02 lakh.

During the RCM, the Government while admitting the facts stated that the Department failed to reregister the vehicles due to shortage of staff. The reply is not tenable as the validity of certificates of registration could be checked while receiving road tax from the vehicle owners.

5.9.9 Road Tax

Under the provisions of MMV Act, as amended from time to time, tax on motor vehicles are to be paid quarterly in advance on or before 15th day of April, July, October and January each year. In case of default in payment of road tax within the stipulated date, penalty at varied rates of half of the quarterly tax to twice the quarterly tax as the case may be is also leviable. Combined registers are maintained in the offices of the DTOs which are required to be reviewed by the RA at regular intervals. However, there is no provision in the Act to effect

³² *Two wheeler: Rs.60;LMV: Rs.200;MMV: Rs.300 and HMV: Rs.600.*

³³ *DTOs Aizawl and Lunglei.*

recovery as arrears of land revenue under Bengal Public Demand and Recovery Act (RR Act), 1913 applicable to the state of Mizoram like other receipts.

Test check of records of three DTOs³⁴ for the period between April 1999 and March 2004 revealed that in 216 cases road tax of Rs.11.48 lakh were in arrears. Demand notices issued to the defaulters failed to evoke any response. In the absence of provision for recovery of dues under RR Act, no further action could be initiated by the department to realise dues of Rs.11.48 lakh.

During RCM, the Government while admitting the facts stated that the matter would be taken up for amendment of Acts and Rules to insert provisions for recovery of dues as arrears of land revenue.

Road tax from local taxis

Government of Mizoram vide notification of March 1997 revised the rates of road tax on all classes of vehicles with effect from 01 April 1997. In terms of the said notification, annual road tax of Rs.700 was payable by local taxis having seating capacity of five persons. In Mizoram, seating capacity of Maruti car (taxi) has been increased from four (three+one) to five (four+one) by the STA from October 1992 and plying permits are issued accordingly.

Test check of records of three DTOs³⁵ for the period from April 1999 to March 2004 revealed that road tax on 4,434 local taxis were realised at Rs.500 instead of Rs.700 per annum treating these vehicles as having seating capacity of four (three+one) persons instead of five (four+one) persons. Thus, incorrect determination of rate of tax resulted in short realisation of road tax of Rs.8.87 lakh.

During the RCM, the Government stated that DTO, Aizawl and Champhai have enforced the correct rate after it was pointed out by audit and orders in this regard have been communicated to other DTOs. The details of recovery of road tax has not been reported (October 2005).

Road tax on Tata LP Trucks

As prescribed by the manufacturers, Tata LP/SE 1613 trucks carry a payload of 12 MT. Government of Mizoram notified in March 1997 the rates of road tax for goods vehicles at Rs.4,530 for 10 MT and Rs.410 for every additional tonne of load.

Test check of records of DTO, Aizawl revealed in December 2004 that in 207 cases, road tax from Tata LP/SE 1613 trucks registered between October 1999 and March 2004 was realised at Rs.4,530 instead of Rs.5,350 per annum. This incorrect determination of payload of vehicles by the DTO at the time of registration resulted in short realisation of road tax of Rs.3.58 lakh.

³⁴ Aizawl, Lunglei and Saiha.

³⁵ Aizawl, Lunglei and Saiha.

During RCM, the Government while admitting the facts stated that the DTOs are now collecting the road tax as per payload after the same was pointed out by audit. But action taken to recover the balance tax of Rs.3.58 lakh is awaited.

5.9.10 Control of transport vehicles

Fitness certificates

Section 56 of the MV Act provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the competent authority. Fitness certificate issued to new transport vehicle is valid for a period of two years and is to be renewed annually thereafter on payment of prescribed fees³⁶. The Act *ibid* also provides for minimum fine for driving vehicles without registration at Rs.2,000 for the first offence and at Rs.5,000 each for subsequent offence. The enforcement staff are required to conduct periodical check of vehicles to ensure that no vehicle plies on road without a valid certificate of fitness along with other requirements of the Act and the Rules.

Test check of records of three DTOs³⁷ revealed that owners of 3,876 transport vehicles did not get renewed certificates of fitness of their vehicles falling due between October 2002 and March 2004. The Department failed to detect these vehicles plying without certificate of fitness resulting in fees of Rs.7.77 lakh and fine of Rs.77.52 lakh remaining unrealised.

During the RCM, the Government/Department while accepting the audit point intimated that DTO Champhai started imposition of fine after the same was pointed out in audit. Other DTOs were instructed to implement the same.

Plying of Mizoram State buses

The MV Act prohibits plying of any transport vehicle in a public place without a valid permit. Permit fee is Rs.500 per vehicle for stage carriages in the State of Mizoram. The Act stipulates minimum fine of Rs.2,000 for vehicles plying without permits.

Test check of records of DT, Mizoram for the period 1999-2000 to 2003-04, revealed that, 503 buses of the Mizoram State Transport (MST) were plying as transport vehicles within and outside the State of Mizoram. None of these buses were covered by permits. Neither the MST applied for permits, nor was any action initiated by the STA to realise permit fee and fine. Thus, plying without permits was not only illegal but also resulted in non realisation of permit fees of Rs.2.52 lakh. Besides, minimum fine of Rs.10.66 lakh for plying without permit was also leviable but not levied.

During the RCM, the Government agreed to examine the case. Further report is awaited.

³⁶ LMV: Rs.200;MMV: Rs.300 and H MV: Rs.400

³⁷ DTO Aizawl, Lunglei and Saiha.

Agents licence fees

The Mizoram Motor Vehicles Taxation (MMVT) Rules provides that no person shall act as an agent unless he holds a valid licence issued by the STA. Rule 145 of the MMVT Rules further prescribes various rates of licence fees for agents authorised to sell tickets of public service vehicles at Rs.10,020 and for renewal of licence at the rate of Rs.1000 per annum within due date and for belated renewal at the rate of Rs.1,500 per licence.

Test check of records of the Secretary, STA, Mizoram revealed in December 2004 that during the period from April 2000 to March 2004, 204 licences were issued to agents on realisation of fees ranging between Rs.520 and Rs.720 in case of fresh licence and three licences were renewed on realisation of Rs.500 and Rs.700 instead of the rates prescribed. Thus, application of incorrect rate by the STA resulted in short realisation of licence fees of Rs.19.31 lakh from the agents.

Composite fees

Composite fee (CF) is to be realised by the Secretary, STA of the home State which issues national/tourist permit as the case may be and remitted to the concerned STA by way of bank draft. Government of Mizoram, Transport Department in their notification of March 1995 revised CF on maxi cabs and mini buses (14-35 seater) plying with tourist permit at Rs 12,000 and Rs.48,000 respectively per year per permit with effect from 01 April 1995.

Test check of records of Secretary, STA, Mizoram revealed that in 95 cases of maxi cabs, CF was realised by Assam for plying of vehicles in Mizoram during the period from April 2003 to March 2004 at Rs.6,000 instead of Rs.12,000 per annum and sent to Secretary, STA, Mizoram. Similarly, in four cases of mini bus (14-35 seater) of Meghalaya, CF was realised at the rate of Rs.24,000 instead of Rs.48,000 per annum during the aforesaid period. The difference in rate was neither paid by the vehicle owners nor was the matter vigorously pursued by the STA, Mizoram with his counterparts in Assam and Meghalaya where short realisation was made. This resulted in short realisation of CF of Rs.6.66 lakh.

During RCM in June 2005, the Government stated that effective steps would be taken to recover the amount from the defaulters. Recovery has not been reported.

5.9.11 Functioning of enforcement wing and checkgates

To prevent unauthorised plying of vehicles and for proper implementation of motor vehicles taxation laws in the State, five³⁸ check gates were erected at various strategic locations. The vehicles entering the State without permits are to be checked physically at the check gates and entry fees at prescribed rate are to be realised from such vehicles.

³⁸ Vairengte-bordering Assam; Kanmun-bordering Tripura; Khawdungsei-bordering Manipur; Mualkawi-bordering Myanmar and Ngopa-bordering Manipur.

Government of Mizoram in May 2002 revised the entry fee from Rs.350 to Rs.500 per month in respect of vehicles entering Mizoram without valid national/tourist permit. The entry fees are to be collected by the enforcement staff stationed at check gates. Further, as per the MV Act plying of vehicles without permit attracts a minimum fine of Rs.2,000 and Rs.5,000 for first and subsequent offences respectively.

Plying of vehicles without valid permits

Cross check of records of police checkgate with records of transport checkgate at Vairengte revealed that, 97 Tata Sumos entered between March 2000 and June 2001 in the State of Mizoram. Of these, 86 were without valid permit which performed 1,209 trips inside the State. Thus, about 89 *per cent* of the vehicles entered unauthorisedly and plied within the State. But the enforcement staff at the transport check gate failed to detect these vehicles entering the State without valid permits nor were these vehicles penalised while plying within the State. Thus, failure of the enforcement wing to detect unauthorised plying of vehicles resulted in loss of entry fee of Rs.0.80 lakh. Fine of Rs.57.87 lakh was leviable in these cases but was not levied.

During RCM, the Government agreed to investigate the matter. Results of investigation has not been reported.

Non levy of fine for carrying excess load beyond permissible limit

The MMV(T) Rules, fixed the maximum permissible weight to be carried in a vehicle in the State of Mizoram at 15 MT. Government of Mizoram specified minimum fine for vehicles carrying loads exceeding permissible limit at Rs.1,500 for each vehicles plus Rs.500 for every ton of load above the permissible weight.

Cross verification of records of Taxation Department revealed that 432 transport vehicles carried 1,880.65 MT of excess load above the permissible limit between April and December 2003. However, Transport Department failed to detect these overloaded vehicles and levy fine at prescribed rate for carrying excess load beyond permissible limits. This resulted in non realisation of fine of Rs.15.88 lakh.

During the RCM, the Government stated that enforcement staff would be instructed to coordinate with the taxation checkgate and collect tax and fine. Further action taken in this regard is awaited.

5.9.12 Sale of forms

As per MMV(T) Rules, rates for sale of application forms for registration of vehicles, fitness certificates and permits are Rs. five, Rs. two and Rs.50 respectively.

Scrutiny of records of the DT Mizoram for the years 1999-2000 to 2003-04 revealed that during the period from April 1999 to March 2004, 14,897 registration certificates, 11,244 fitness certificates and 7,164 plying permits were

issued by the STA and DTOs but fees on sale of these forms were not realised. Reasons for the lapse were not on record. This resulted in loss of Rs.4.55 lakh.

During the RCM, the Government while accepting the facts stated that rates specified in the Rules would be implemented. Further report on status of implementation is awaited.

5.9.13 Pollution control mechanism

Government of Mizoram in June 1999 notified that every motor vehicle shall comply with the standard of vehicle smoke emission as prescribed by Central Government with effect from 01 June 1999. Accordingly, all vehicle owners were required to produce their vehicles for such tests in the offices of respective DTOs and obtain pollution under control certificate valid for a period of six months on payment of fees at the rate of Rs.50 per vehicle. The rate of fees was further revised to Rs.150 with effect from 28 May 2002.

Test check of records of the DT, Mizoram revealed that despite issue of notification, not a single test could be conducted during the years 1999-2000 and 2003-04 by the departmental officers for want of apparatus. Thus, lapse on the part of Government to supply the apparatus for emission test not only resulted in plying of vehicles ranging between 26,928 and 42,145 without “pollution under control” certificates during the aforesaid period but also led to loss of revenue of Rs.3.29 crore.

During RCM, the Government stated that Central Government had been requested to relax the norms in respect of Mizoram but reply from Central Government had not been received. The reply is not tenable as the State Government did not conduct a single test before requesting for relaxation of norms and the provision made under its own notification was not complied with.

5.9.14 Revenue retention and classification

Under the provisions of Receipts and Payments Rules, 1983 every officer receiving money on behalf of Government shall without delay reflect the same in the cash book and deposit the amount into Government account. The Rules further provide that the cash book should be regularly closed with dated initial of the drawing and disbursing officer (DDO). The DDO is also required to physically verify the cash in chest at regular intervals.

Retention of Cash outside Government accounts

Test check of records of Secretary, STA, Mizoram and three DTOs³⁹ revealed that despite the codal provisions referred to above, revenue ranging between Rs.1.96 lakh and Rs.24.56 lakh pertaining to the period from April 1999 to March 2004 was retained in cash chest instead of depositing the same into Government account immediately. The delay ranged between one to 27 months.

³⁹ Aizawl, Lunglei and Saiha

Reasons for such irregular retention of Government money were neither on record nor stated to Audit.

During RCM, the Government stated that instruction would be issued to all units to deposit Government revenue into treasury immediately.

Misappropriation of Government money

Test check of records of Secretary, STA, Mizoram revealed that verification of cash in chest had never been carried out by the DDO during the period covered by audit. The cash balance as per cash book on 07 December 2004 was Rs.6.57 lakh. A joint physical verification of cash chest conducted by the DDO and audit on the same day revealed that the actual balance was Rs.3.45 lakh, thus revealing a misappropriation of Rs.3.12 lakh. Reasons for such misappropriation could not be explained.

During the RCM, the Government stated that the amount has already been recovered. But the measures taken to prevent recurrence of such irregularity have not been reported to Audit (October 2005).

Misclassification of revenue

In exercise of powers conferred under Section 200 of the MV Act, the Government of Mizoram authorised police personnel not below the rank of Assistant Inspector of Police to compound traffic offences committed under the Act *ibid*. The amount of fees and fines collected by the Police Department are to be deposited under the receipt head of the Transport Department.

Cross verification of records of DT, Mizoram with those of the Police Department, Mizoram revealed that during the years 1999-2000 to 2003-04 an amount of Rs.44.48 lakh was realised as fees and fines from offenders under the Motor Vehicles Acts and Rules by the police personnel. However, instead of depositing the revenue so collected under the receipt head of the Transport Department, the same was deposited under the receipt head of the Police Department. Thus, lack of knowledge of deposit of revenue under proper revenue head by the Police Department resulted in misclassification of revenue.

During RCM, the Government stated that the matter would be taken up with Police Department for rectification. Further report on rectification of accounts is awaited.

5.9.15 Internal Audit

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. Internal audit, a vital component of internal controls is generally defined as control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

Test check of records of DT, Mizoram revealed that an internal audit wing existed in the Department headed by a Finance and Accounts officer, but it was observed that apart from guiding the departmental officers regarding maintenance of accounts, the wing did not have any other significant function. During the period covered under the review, no periodical inspection was carried out by the wing.

After this was pointed out in audit, the Department while admitting the facts stated in June 2005 that periodical inspection would be carried out henceforth. Intimation on action taken in this regard is awaited.

5.9.16 Conclusion

Periodical review of the combined register by the concerned DTOs was not carried out. As a result, the Department failed to check non registration, non payment of road tax and delay in depositing of revenue in Government account *etc.* The Department did not formulate any system for monitoring and evaluating the performance of the Department particularly the enforcement wing. Government specified the rates for issuance of pollution under control certificates though there was no apparatus to conduct such tests.

Internal Audit was not conducted. Deficiencies in the Acts and Rules, absence of proper vigilance over functioning of unit offices and lack of co-ordination among Police, Taxation and Transport Department resulted in pilferage of Government revenue.

The foregoing points were reported to the Government in May 2005. Their replies had been received and incorporated in the paras.

5.9.17 Recommendations

The State Government may consider taking following steps to improve the effectiveness of the system.

- alternative measures for depositing motor vehicles taxes directly into treasury may be considered;
- to prevent illegal plying of motor vehicles and for proper collection of fines/fees, functioning of the enforcement wing may be monitored by prescribing targets/returns at regular intervals;
- immediate arrangements for apparatus for emission test of vehicles;
- internal control mechanism may be revamped for better monitoring and management of the Transport Department and
- to monitor overloading of vehicles coordination between taxation, police and transport departments may be strengthened.

During the RCM (June 2005) the Government/Department accepted the above recommendations and agreed to implement the same.

5.9.18 Acknowledgement

Audit findings as a result of review on the “Receipts under taxes on motor vehicles” were reported to the Department/Government in May 2005 with a specific request for attending RCM so that the view point of Government/Department could be taken into account before finalising the review. The meeting was held on 17 June 2005 which was attended by the Under Secretary to the Government of Mizoram, Transport Department representing Government and by the Assistant Superintendent of Accounts from the Department.

The views expressed by the members and replies of the Department have been taken into consideration during finalisation of the review.

5.10 Information technology audit of the Vehicle Registration System in Mizoram

Highlights

Lack of time frame in implementation resulted in backend computerisation taking 3½ years for completion.

(Paragraph 5.10.5)

35,658 vehicle details were recorded twice creating a database of 71316 records resulting in wastage of resources in terms of manpower and storage space.

There were large number of cases of duplicate chassis numbers and engine numbers which were indicative of weak validation controls.

The details of insurance records of 23,630 vehicles were entered two to six times resulting in creation of 70,645 records. There was large number of cases of registration of two or more vehicles with common insurance cover note number.

Data capture was partial in many cases resulting in incomplete database.

Fee of Rs.2.03 lakh was not collected from defaulters for delay in applying for new registration within the mandatory period of seven days

Registering fee of Rs.5.66 lakh and minimum fine of Rs.0.83 crore from 4,158 vehicles whose registrations have expired was realisable.

The department failed to detect 4,561 transport vehicles plying without a fitness certificate resulting in non realisation of fees of Rs.11.72 lakh and minimum fine of Rs.0.91 crore.

There was short realisation of revenue amounting to Rs.15.69 lakh due to charging road tax at a lower rate.

(Paragraph 5.10.6)

There was no documentation of modifications made to the application software, user requirement specification, system design, user manual etc. Physical access control, environment control, logical access control and business continuity planning were not effectively in place.

(Paragraphs 5.10.7)

Recommendations

The Government may consider the following for effective management of registration system:

- The Department should maintain documents regarding description of system, tables and columns, linkages of files approved changes/modifications made to the system *etc.*
- Appropriate access controls alongwith proper input and processing controls coupled with validation check should be urgently incorporated within the system to prevent entry of duplicate and improbable data.
- The system should have inbuilt validation checks to detect duplicate engine/chassis number and link with the system of the State Crime Record Bureau/National Crime Record Bureau to detect stolen/lost vehicles.
- Data integrity should be periodically checked and data capture should be complete and should be utilised to increase revenue collections.
- Department should ensure that 'VAHAN' database contains information of only those vehicles which are available in "Owner" database.
- Exception report should be generated to detect inaccurate data or data which violates the MV Act and Rules.
- A disaster recovery plan and business continuity plan should be put in place.

5.10.1 Introduction

Assessment, levy and collection of taxes, fees and fines on motor vehicles are governed in the State of Mizoram under the provisions of the Central Motor Vehicles Act 1988 (MV Act) and Rules made thereunder and the Mizoram Motor Vehicle Act 1996 and Rules made thereunder and various notification issued by the Government from time to time.

In order to achieve faster and better services, transparency and better monitoring of State revenue generated from implementation of MV Act and Rules, Government of India provided a standardised software (Vahan), developed by NIC to the Transport Department of Mizoram. The department was also provided with technical assistance of NIC, free of charge, for customisation and backend integration. The backend computerisation of District Transport Office, Aizawl (DTO) was taken up as a pilot project and completed on 03.08.04 while that of the remaining five DTOs is in progress (March 2005).

5.10.2 Highlight of the application software

VAHAN package was developed on Windows operating system using Visual basic 6.0 for the front end application program and SQL Server 7.0 for the backend database. It automates management of information related to vehicle registration, identity of its owner and technical details of the vehicles. The system also manages information related to tax, fitness, permit, authorisation including interstate aspects and insurance details.

5.10.3 Organisational setup

At apex level Secretary Transport Department, Mizoram is the head of the department. He is assisted by the Director, Joint Direct (MV), Assistant Commissioner Transport, six District Transport Officers and Assistant Project Manager (IT).

5.10.4 Audit scope and methodology

The scope of the review of Information Technology (IT) audit of Transport Department, Government of Mizoram included examination of controls in selected operational applications, viz registration of vehicles and its allied activities and collection of fees and road tax with the objective of ensuring accuracy and comprehensiveness of the data and the effectiveness of its application in the management of registration of vehicles and realisation of fees/road tax. IT audit of the department was conducted during June 2005 and October 2005 and covered the period from the date of implementation upto March 2005.

During review, the general operational controls were assessed and data was analysed. Audit findings on the evaluation of the application control, and on the data of registration and taxation of DTO, Aizawl upto March 2005 are discussed in the subsequent paragraphs.

5.10.5 System development

- ***No time frame was set resulting in delay in commissioning of the project***

The project for introduction of information technology in road transport sector was initiated during January 2001. For this purpose, Vahan software was installed at NIC, Mizoram State unit for carrying out backlog data entry during June 2002. No time frame was, however, set for completion of the task and the work was completed 3rd August 2004 after of 3½ years of the project being initiated.

After this was pointed out, the department stated (June 2005 and September 2005) that the delay was due to funds, preparation of site, customisation of software, installation of hardware and software and networking etc and that the time frame was not set as the project was ventured with NIC.

The reply of the department validates audit contention that lack of time frame for completion of different stages of the project resulted in commissioning the project 3½ years after its initiation.

- *Partial utilisation of processing capabilities*

Although Vahan system also manages information relating to permit and its validity, including interstate aspects, enforcement, etc, these aspects had not been computerised so far. This resulted in utilisation of processing capabilities available in the system.

After this was pointed out, the department stated (June 2005 and September 2005) that effort to implement these aspects of the vahan software was being made. Further development is awaited.

- *Modification/change management procedures*

The software (Vahan) received from GOI was customised by personnel from NIC, New Delhi at Aizawl to meet the need of the State prior to its implementation. Thereafter minor modifications were carried out by NIC, Aizawl from time to time as and when sought for by the department. The changes/modification sought for and those carried out prior to and after implementation had, however, not been documented. This resulted in complete absence of trail as to whether the changes sought for and those carried out have been duly approved.

After this was pointed out (June 2005) the department justified the necessity for changes/modifications and further stated (September 2005) that hard copies of the executable files which have been changed/modified are available for trailing. The fact, however, remains that there was complete absence of trail as to whether the changes/modifications sought for and those carried out have been duly approved.

5.10.6. Analysis of Databases

- *Methodology*

To analyse the data pertaining to DTO, Aizawl, the assistance of departmental personnel was taken to download the data into MS Access . This downloaded data was analysed using CAATs⁴⁰ tools viz; IDEA and MS Excel.

- *Duplicate data*

Analysis of the database ('Owner') revealed that out of 72,349 records 35,568 entries of duplicate registration numbers were found. Out of these duplicate cases, it was seen that the chassis numbers were different in 26 cases (52 vehicles), the engine numbers were different in 23 cases (46 vehicles); the registration date were different in 14 cases (28 vehicles) and owner's name were different in 243 cases (486 vehicles). Thus the data base lacks integrity a primary requirement of any automated system.

After this was pointed out (June 2005), the department stated (June 2005) that the matter had been regarded as serious and would be rectified.

⁴⁰ Computer Assisted Audit Techniques

- ***Lack of control over monitoring of duplicate engine/chassis number***

Engine and chassis number are the unique identification marks of a vehicle which are essential for its registration under the provisions of the MV Act and Rules made thereunder. Analysis of the database revealed that there were 766 cases of duplicate engine numbers involving 1,781 vehicles 267 cases of duplicate chassis numbers involving 543 vehicles.

84 manual records were scrutinised with the combined register of vehicles which revealed that in 10 cases (20 vehicles), the engine numbers in seven cases and chassis number in three cases were same between different vehicles. (*Appendix- XXXII*). Also 23 re-registered vehicles were incorrectly recorded as vehicles from other states/new vehicles in the data base. Audit also found that in 41 cases, the duplicate was due to incorrect entry of engine/chassis number.

This indicated the lack of validation control in the system to ensure uniqueness of the vehicle with distinct engine numbers and chassis numbers. This may lead to allotment of two or more registration certificates for the same vehicle, enabling stolen vehicles to be reregistered and committing various insurance irregularities.

- ***Lack of control over duplicate Insurance Certificate/Cover Note number***

Under the provisions of the MV Acts and Rules made thereunder, every vehicle has to be insured prior to registration.

Analysis of the vehicle insurance database revealed that out of 82,399 records of vehicle insurance detail available in the file, the information relates to only 35,384 vehicles having distinct registration number. The database was found inflated due to multiple data entry (two to six times) relating to 23,630 nos. of vehicles. Further Analysis of 35,384 records revealed 11,729 blank entries in period of insurance, 12,503 blank entries, 1,244 duplicate entries in Cover Note no. indicating lack of validation controls in the system and poor authorisation controls. The level of duplication ranged from two to 612. Moreover, these common cover note numbers was found to be shared by different insurance companies as in two cases involving 10 vehicles common cover note numbers 1,30,502 and 2,00,504 were shared by five different insurance companies (*Appendix- XXXIII*).

Cross analysis of distinct records of 'Owner' and 'Vahans' databases revealed that insurance details of 1583 registered vehicles were not available in the Vahans database. Similarly, although insurance details of 61 vehicles were captured in the Vahans database, the vehicles were not listed in the owner database. These omissions were due to lack of validation/input controls within the system.

The department replied that necessary instruction is being issued to update the records. Further development is awaited (October 2005).

- ***Registration of vehicles on Sundays/National holidays***

Registration of vehicles is done on a working day of the week.

Audit however found that 167 vehicles were registered on sunday, one vehicle (MZ 01B 7597) on Republic day (26/01/2002) and another vehicle (MZ 01B 2111) on Gandhi Jayanti (02/10/2000) which are either non working days of the week or National holidays (*Appendix- XXXIV*).

Cross verification of cases of duplicate engine/chassis number with vehicles registered on holidays revealed that eight vehicles which share a duplicate engine/chassis number and 12 vehicles sharing duplicate cover note number were registered on sunday.

- ***Data integrity***

Unusual and improbable data makes the data integrity doubtful and suggests unreliability of data or points to existence of other irregularities. To check such deviations validation control should be inbuilt within the system.

Audit detected that 35 vehicles were registered prior to date of purchase of vehicle. The number of days the vehicle were registered prior to their date of purchases ranged from 1 day to 5,174 days (*Appendix- XXXV*). Similarly, the seating capacity in some cases has been incorrectly entered. For e.g. Two wheelers had been shown to be of between 3 to 23 seater, Palio ED as 999 seater, Maruti Gypsy as 87 seater (*Appendix- XXXVI*). These revealed lack of validation control.

- ***Incomplete database***

As per Central Motor Vehicles Rules, 1989 (CMV Rules), form 20 has been prescribed for registration of vehicles which contain information about the vehicles to be registered in 34 fields. The Vahan package provides for capture of all the information.

Analysis of database, however, revealed that data capture was partial even in crucial fields (*Appendix- XXXVII*). Data entry pertaining to mandatory fields such as date of purchase of the vehicle, father's name of registered owner, address, vehicle maker's name, vehicle model, engine number, seating capacity, horse power, unladen weight, month and year of manufacture, etc. have not been captured in many cases.

After this was pointed out (June 2005), the department stated (June 2005) that as the date of purchase was not available in the combined register, the column was left blank during backlog entry and that full entry of particulars is being made from the date of computerisation. The reply is not tenable as analysis revealed that many of the above listed data were not captured even after the project was implemented.

- ***Incorrect data relating to fitness certificate***

As per MV Act, and Rules framed thereunder, the road worthiness/fitness of a vehicle and issue of fitness certificate is a pre-requisite for its registration. In 337 cases, the next fitness due date of the private vehicles was shown to be after 15 to 45 years. Such inaccurate data is reflective of violation of the provisions of the MV Act and Rules and a pointer to lack of process control.

- ***Non-compliance with provision of Motor Vehicles Rules, 1989***

CMV Rules, provide that an application for registration of motor vehicle shall be made within a period of seven days from the date of taking delivery of the vehicle. Failure to do so attracts a fee of Rs.50 for every subsequent month under the provisions of the Mizoram Motor Vehicles Rules, 1997.

Scrutiny of database revealed that 1,002 vehicles were given new registration beyond the mandatory period of seven days (excluding grace period of two days provided for intervening saturday and sunday for vehicles registered on monday). However, no fee was collected from the defaulters for delay in applying for new registration resulting in non realisation of fee of Rs.2.03 lakh for delayed registration as per the information available in the database.

- ***Plying of vehicles with lapsed registration***

As per MV Act, a certificate of registration in respect of a motor vehicle, other than a transport vehicle, shall be valid only for a period of 15 years from the date of issue of such certificate. No such vehicle shall be used in any public place until its certificate of registration is renewed. In case of default a minimum fine for driving without registration at Rs.2,000 for the first offence and Rs.5,000 each for subsequent offence is leviable.

Scrutiny of the database revealed that as on 31 March 2005, 4158 vehicles including 302 Government vehicles had their registrations expired. Neither the vehicles had been reregistered nor had they surrendered their registration certificate. As such, registering fee of Rs.5.66 lakh and minimum fine of Rs.0.83 crore for using unregistered vehicle is realisable.

After this was pointed out, the department stated in June 2005 that necessary action would be taken. Further development was awaited (October 2005).

- ***Plying of vehicles without fitness certificate***

MV Act, provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the competent authority. A minimum fine of Rs.2,000 for the first offence and Rs.5,000 each for subsequent offence was leviable for driving a vehicle without registration.

Scrutiny of the database revealed that certificate of fitness of 4,561 transport vehicles of different category (MGV, LMV, LGV, HMV) expired as on 31 March 2005 which were not renewed. The enforcement staff of the department, however, failed to utilise the information available with them and detect these vehicles plying without a fitness certificate resulting in fees of Rs.11.72 lakh and minimum fine of Rs.0.91 crore remaining unrealised.

- ***Short realisation of revenue***

GOI, Ministry of Surface Transport, Department of Road Transport and Highways⁴¹ clarified that as per Section 2(29) of the MV Act, all vehicles constructed or adapted to carry more than six passengers excluding the driver may be classified as ‘Omni Bus’. The rate of road tax for Omni Bus plying for hire or for conveyance of passengers in Mizoram is Rs.300 for every authorised seat. The system has not adopted this directive and was charging road tax at a lower rate. This has resulted in short realisation of revenue amounting to Rs.15.69 lakh.

⁴¹ letter No. RT-11036/13/97-MVL dated 15th March 2000

After this was pointed out (June 2005), the department stated (June 2005) that the reply would be furnished in due course. Reply is awaited (October 2005).

- *Lack of continuity of registration numbers*

In a single series, 9,999 vehicles (*i.e.*, upto four digits) can be awarded a registration number. The registration numbers should be awarded in a sequence to monitor the year of registration (model) of the vehicle.

Test check of the database (June 2005) revealed that at DTO, Aizawl, registration in a subsequent series was started even before the ongoing series was exhausted. The number registration numbers missing in the four series test checked was as under:

Series	Number of registration numbers found missing in the series
MZ01	2555
MZ01A	1842
MZ01B	671
MZ01C	2679 out of 8619 registration numbers issued till 31/03/05

Moreover, two vehicles were assigned registration numbers MZ01C 8619 and MZ01C on 04/11/1999 and 22/10/1999 respectively even when MZ01A series had not yet started. This indicates misuse of facility for blocking choice number and improper management of registration of vehicles apart from opening up the possibility of misuse of un-registered number.

After this was pointed out, the department stated (September 2005) that the reply will be furnished after the checking and rectification is completed. Further development is awaited (October 2005).

5.10.7 General Controls

General controls create the environment in which the application systems and application controls operate *e.g.*, IT policies, standard and guideline pertaining to IT security and information protection. The observations in this regard are given below:

- *Lack of documentation*

A proper System Analysis requires that each module of the system proposed to be developed should be properly documented. The department does not have a proper written and authenticated documentation of the modules developed for 'Vahan' and implemented so far. Hence the system is not user friendly as it lacks details of installation procedure, details of screens available for data entry, input and output files, linking of files, details of files and tables created and description of the columns thereof. There also was no authenticated user manuals. No documents were also available to indicate the version of the software received and installed by the department.

After this was pointed out (June 2005), the department replied that the documents computerised are all authenticated. The reply is not tenable as audit observations were regarding lack of documents relating to details of

installation procedure, details of screens available for data entry, input and output files, linking of files, details of files and tables created and description of the columns thereof.

- *Physical Access Control*

Physical access controls are specifically aimed at ensuring that only those who have been authorised by management have physical access to the computer systems.

During audit it was noticed that for registration, issue of fitness certificate, driving licence, etc, the vehicle owners after duly filling up the necessary and paying the requisite dues, bring the documents to the concerned computer operator at the computer cabin. This single room computer cabin named 'Vahan room' also houses the Compaq ML 350 G3 Server together with the terminals meant for data operators. The unauthorised entry of persons coupled with inadequate logical access control puts the system and data at risk of unauthorised intentional/accidental manipulation/destruction etc.

After this was pointed out, the department stated (June 2005 and September 2005) that a separate IT cell is recently set up and the server has been shifted to IT cell to safeguard the systems from unauthorised intentional/accidental manipulation/destruction of data.

- *Environment controls*

Environmental controls are aimed at ensuring that the assets of the project are not put to risk. This requires that risk assessment and preventive measures be undertaken prior to implementing the project.

During audit it was seen that the department had neither undertaken any risk assessment nor had put any preventive measures in place putting the system and site valued Rs.11.48 lakh at risk.

After this was pointed out (June 2005), the department stated (June 2005 and September 2005) that fire extinguishers would be placed at all sites. Further development is awaited (October 2005).

- *Logical Access Control*

It was seen that the system is left open whenever the user take a break or leaves the room. However the system does not have a procedure for blanking the screen and protecting it further by a password. This leaves the system open to unauthorised manipulation/destruction of data.

It was also seen that although each and every operator has different user ID and password the operators of the system in the Vahan room share their password with each other and that in case of absence of any one of them the work of the absent user was being done by the other users by utilising his/her password. The informal methodology adopted is fraught with risk of loss of trail for unauthorised worked done.

After this was pointed out (June 2005), the department stated (September 2005) that orders were being issued to follow audit instruction.

- *Business continuity planning*

Business continuity planning is about planning to recover key business processes following a disaster. The objective is to reduce downtime – and hence loss to the business – to a minimum.

Scrutiny of the vehicle registration system revealed that the department has a system of daily backup of data in a re-writable CD. When the system crashed during October 2004 the data, however, could not be recovered as the CD on which the data backup was taken was corrupted. The department also takes monthly backup using a read only CD to supplement the system of backup. A mock test to ascertain the efficacy of the backup had, however, not yet been taken by the department. Further, backup data was stored in the same building housing the computer systems instead of being stored off-site. This was fraught with risk of loss of data in case of an occurrence of a disaster.

After this was pointed out, the department stated (June 2005) that caution of audit will be taken into account.

5.10.8 Conclusion

It was noticed in audit that there was no proper planning for successful implementation of different stages of the project. Various controls such as application controls, process control, validation control, etc were either absent or not effectively in place. The insufficient application controls in the system had led to inconsistent and incomplete database maintained by the DTO. Orders issued by the Government were also not incorporated into the system leading to loss of revenue. The system as a management information system (MIS) was inadequate.

The matter was reported to Government (July 2005); the reply is awaited (October 2005).

SECTION – B - PARAGRAPHS
ENVIRONMENT AND FOREST DEPARTMENT
5.11 Unauthorised extraction of bamboo

Unauthorised extraction and supply of 1.51 crore bamboos to Hindustan Paper Corporation (HPC) without payment of royalty led to loss of revenue of Rs.1.51 crore.

Sections 6(4) and 7(1) of the Mizoram (Forest) Act, 1955 provide *inter alia*, that no forest produce shall be extracted/removed from forest area unless a written permission is granted by the Forest Department after realisation of the prescribed royalty in full. Further, it shall be the duty of every forest officer to prevent commission of any forest offence. During 2002-03 the rate of royalty on bamboo varied between Re.one and Rs.2.25 per piece.

Test check (June 2004) of records of the Principal Chief Conservator of Forests(PCCF), Aizawl, revealed that 1.74 crore bamboos were allowed to be sold outside the State of Mizoram through permit, tender systems during 2002-03 after realisation of the prescribed royalty in full. HPC, Panchgram, Assam, however, disclosed that 3.25 crore (1.30 lakh MT) bamboos were purchased from the State of Mizoram during the aforesaid period. Thus, the Department failed to detect atleast 1.51 crore bamboos unauthorisedly extracted and supplied to HPC, Panchgram, Assam, from the State of Mizoram without payment of royalty. This resulted in minimum loss of revenue of Rs.1.51 crore calculated at the minimum rate of Re.one per bamboo.

After this was pointed out in August 2004, the Department stated in March 2005 that the matter was taken up with the HPC, Panchgram for verification. The report on verification and recovery is awaited (October 2005).

The matter was reported to Government in August 2004 and May 2005; reply had not been received (October 2005).

5.12 Loss of revenue

Sale of 1.34 crore bamboos at the bid value of Rs.90.41 lakh against minimum royalty of Rs.1.34 crore and failure to confiscate 15 lakh bamboos led to loss of revenue of Rs.1.34 crore.

Government of Mizoram, Environment and Forest Department fixed in August 2001 rates of royalty of different classes of bamboos for sale outside the State for commercial purposes between Re.one and Rs.2.25 per bamboo. Clause 20 of the terms and conditions for sale of forest produce *mahals* forming part of

tender stipulates that a forest *mahal* shall be operated strictly within the working period specified in the tender notice. However, the working period shall automatically expire in case the stipulated quantity of *mahal* produce is extracted before the expiry of the working period. Clause 22 *ibid* provides that any *mahal* produce cut or extracted and remaining in the *mahal* area or depot after expiry of the working period shall be seized and confiscated by the Government for disposal. PCCF advised in April 1994 for imposition of minimum six times royalty as compounding fee for inadvertent contravention of various Forest Acts and Rules.

Test check of records of the PCCF, Mizoram, Aizawl revealed that Tuivawl-Tuivai-Tuiruang bamboo *mahal* was settled in December 2001 through tender with a mahalder. As per the terms and conditions of the tender/agreement the mahalder was allowed to extract 10 lakh bamboos within the working period October 2001 to June 2002. Accordingly, the mahalder extracted and transported the stipulated quantity of bamboos on payment of full bid value in May 2002. Thereafter, the mahalder collected another 15 lakh bamboos from the *mahal* without prior permission and requested the PCCF to allow him to transport these bamboos on realisation of the prescribed royalty in May 2002. But the Department did not initiate any action either to prosecute the mahalder or to collect compounding fee in lieu of prosecution. This resulted in non realisation of compounding fee of Rs.90 lakh.

After this was pointed out in July 2003, the PCCF, Mizoram stated in July 2005 that the DFO, Darlawn was requested to conduct spot verification and to charge royalty on the excess quantity of bamboos extracted. The report on recovery has not been received (October 2005).

Test check of records of the PCCF, Aizawl in June 2004 revealed that nine^{41a} bamboo *mahals* with the stipulation to extract 1.39 crore bamboos were settled through tender and agreement with six highest bidders at their bid value of Rs.90.41 lakh between October 2003 and February 2004 without considering the royalty value. The bidders extracted and sold 1.34 crore bamboos outside the State for commercial purposes from these *mahals* during the aforesaid period. Based on the Government instruction of August 2001 the minimum royalty on 1.34 crore bamboos worked out to Rs.1.34 crore. Thus, settlement of *mahals* without considering the prescribed royalty resulted in loss of Rs.43.59 lakh.

After this was pointed out in August 2004, the PCCF, Mizoram stated in July 2005 that no royalty rate was fixed for settlement of bamboo *mahals* as the rate fixed by Government in August 2001 was meant for bamboo permit and not for bamboo *mahal*. The reply is not tenable as the rate fixed by Government in August 2001 was meant for bamboo sold outside the State for commercial purposes.

The cases were reported to Government between July 2003 and June 2005; reply had not been received (October 2005).

^{41a} *Saihapui, Bulung, Tlawng, Bairabi, Langkaih, Tlawngte, Teirei, Sakeilui and Tuivawl-Tuivai-Tuiruang.*

5.13 Non levy of penalty

Failure of the Department to detect 6.09 lakh excess bamboos extracted by a mahalder in violation of the agreement led to loss of revenue of Rs.65.82 lakh.

Under Rule 3 of the Mizoram Forest Produce *mahals* (MFPM) Rules, 2002, (effective from August 2003) forest *mahals* are settled through tender/public auction. Further, Rule 22(4) of the Rules, *ibid*, provides that if a mahalder extracts any quantity of *mahal* materials in excess of the stipulated quantity as per agreement, he shall be penalised by charging at least three times the rate quoted for the entire *mahal*. However, any subsequent offence of similar nature shall attract a penalty of six times the rate quoted for the entire *mahal* and disqualification from bidding for the next three years.

Test check of records of the PCCF, Aizawl revealed that Chhimluangpui and Saihapui bamboo *mahals* for the year 2003-04 were settled through agreement in October 2003 with a mahalder at Rs.21.94 lakh with the stipulation to extract maximum quantity of 21 lakh bamboos. The mahalder extracted and transported 21 lakh bamboos from these *mahals* outside the State during 2003-04. The HPC, Panchgram, Assam, however, disclosed that the mahalder supplied 27.09 lakh (10837 MT) bamboos to it from the State of Mizoram during the aforesaid period. Thus, the mahalder extracted 6.09 lakh excess bamboos in contravention of the agreement. Penalty of Rs.65.82 lakh leviable for unauthorised extraction was not levied and collected. This resulted in loss of revenue of Rs.65.82 lakh.

After this was pointed out in August 2004 the PCCF, Mizoram stated in July 2005 that excess bamboos might have been extracted by the mahalder based on permits issued by the DFO, Kolasib. The reply is not tenable as no permit was issued to the mahalder as reported by the DFO, Kolasib.

The matter was reported to Government in August 2004 and June 2005; reply had not been received (October 2005).

5.14 Theft/deterioration of harvested timber

Failure of the Department to protect departmentally harvested timber measuring 380.5749 cum led to loss of revenue of Rs.19.68 lakh.

In order to mobilise additional revenue, Government of Mizoram, Environment and Forest Department, carried out thinning operation of teak trees in Government plantations during April and July 1999. If any forest produce is subject to speedy and natural decay, such produce shall be kept in safe custody for disposal.

Test check of records of Divisional Forest Officers (DFO), Protection and Territorial Divisions, Aizawl revealed that 15,142 teak logs measuring

902.943 cum valued at Rs.1.09 crore (floor price) were harvested from Government plantations at Vairengte and Tuirial during thinning operation between April and July 1999. As the logs were subject to speedy decay, these were to be kept in safe custody to protect it from deterioration and theft. Instead, the same divided into 19 lots, were kept in roadside open depots without ensuring proper safety and security.

These lots were put to tender in November 1999 and since the highest bid value of Rs.60 lakh was below the floor price of Rs.1.09 crore, the timber lots were put to retender for seven times between December 1999 and October 2001 but no sale was effected due to poor response from timber traders both from within and outside the State. As such, the timber continued to deteriorate due to exposure to the vagaries of nature. However, subsequent remeasurement between June 2001 and March 2003 disclosed that 4,425 logs measuring 380.5749 cum of timber were lost due to theft and deterioration. Thus, non disposal of these logs at the initial price offered as well as lack of proper surveillance led to loss of revenue of Rs.19.68 lakh.

After this was pointed out between March 2003 and August 2004, the DFO, Protection Division, Aizawl stated in October 2004 that efforts were being made to raise massive plantations to compensate the loss and the concerned forest officers had been instructed to keep strict vigil in the forest areas in order to curb similar loss of revenue in future. The reply is not tenable as the forest protection force was unable to prevent theft of departmentally operated depots which led to loss of revenue.

The matter was reported to Government in March 2003 and August 2004; reply had not been received (October 2005).

5.15 Loss of revenue due to non acceptance of offer of the highest bidders

Loss of revenue of Rs.13.08 lakh for non acceptance of offer of the highest bidder for sale of Chimluanpui and Tlawng bamboo mahals.

In Mizoram, bamboo *mahals* are settled annually through notice inviting tenders. Clause 6 of the terms and conditions of tender notice confers upon Government discretionary power to accept or reject any tender without assigning any reason. Such discretionary power, however, should be exercised in the best interest of State revenue.

Test check of records of the PCCF, Aizawl revealed that four tenders were received in response to tender notice (September 2001) for sale of Chhimluangpui bamboo *mahal* for the working period October 2001 to June 2002. The highest tenderer offered Rs.8.55 lakh for the *mahal* and was accordingly recommended by the Tender Settlement Committee (TSC) constituted by PCCF to the Government

of Mizoram for acceptance. But the Government accepted in December 2001 offer of the third highest bidder of Rs.4.97 lakh without assigning any reason and final work order was issued in January 2002. Thus, non acceptance of the offer of the highest bidder led to loss of revenue of Rs.3.58 lakh.

Similarly, four tenders were received in response to tender notice (September 2001) for sale of Tlawng bamboo *mahal* for the working period October 2001 to June 2002. The highest bidder offered Rs.25 lakh for the *mahal*. The offer of the highest bidder was recommended (October 2001) by the TSC to the Government of Mizoram for acceptance. But Government without accepting the offer of the highest bidder directed the PCCF in December 2001, to retender the *mahal*. Accordingly, the *mahal* was put to retender in December 2001 and settled with the highest bidder for Rs.15.50 lakh. Thus, non acceptance of the highest offer at the first instance without any valid reason led to loss of revenue of Rs.9.50 lakh.

After these were pointed out in audit in July 2003, the PCCF, Aizawl stated in July 2005 that the reasons for non acceptance of offer of the highest bidders would be clarified by Government.

The cases were reported to Government in August 2003; reply had not been received (October 2005).

TAXATION DEPARTMENT

5.16 Evasion of tax by unregistered dealer

Failure to register 29 dealers led to evasion of tax of Rs.60.93 lakh.

Under the Mizoram Sales Tax Act, 1989 no dealer shall carry on business in taxable goods unless he is registered and possesses a certificate of registration. The Act empowers the Commissioner of Taxes (COT) to register any dealer who fails to apply for registration. Field surveys are required to be conducted to bring the dealers in the ambit of tax by registering them. Further, the COT directed in June 2000 that a tax equal to two *per cent* of the cost of sale to any Government department is to be deducted at source. In Mizoram, sales turnover of motor vans and building materials are taxable at the rate of 12 and eight *per cent* at the first point of sale inside the State.

Cross check in November 2004 of records of the Director of Health Services (DHS), Mizoram, Aizawl with the records of the COT, Aizawl and the Assistant Commissioner of Taxes (ACT) South Zone, Aizawl revealed that a dealer sold three motor vans (clinic and research van) valued at Rs.3.75 crore to DHS in September 2003. The dealer neither applied for registration nor was the tax on sales turnover of motor vans deducted by the department. The COT and the ACT failed to initiate any action to register the dealer by conducting field survey to

ensure compliance of the COT's instruction of June 2000. Thus, failure to conduct proper field survey and to bring the dealer under tax net led to evasion of tax of Rs.45 lakh.

The matter was reported to the Department in June 2005; reply had not been received (October 2005).

During test check of records of the ACT, Lunglei Zone, Mizoram it was noticed in December 2004 that 15 sheets of declaration form 'C' were issued in July 1996 to a dealer registered under the CST Act. The dealer was, however, not registered under the Mizoram Sales Tax (MST) Act, 1989.

Cross verification of records of ACT, Lunglei with that of the Superintendent of Taxes, Unit-D Guwahati, Assam revealed that a dealer procured building material of Rs.62.57 lakh from Assam during the year 2001-02 and 2002-03 by utilizing two of the form C declarations issued to him in July 1996. The dealer was required to be registered under the Mizoram Sales Tax Act. He had neither applied for registration nor any action to register him was initiated by the Department. The dealer also did not submit any return for the above period. Thus, he concealed the turnover of Rs.62.57 lakh and evaded tax of Rs.5.01 lakh.

After this was pointed out in February 2005 the ACT Lunglei, while admitting the facts stated in April 2005 that whereabouts of the dealer were not known and there was no prospect of realising the revenue.

Cross verification in December 2004 of records of ACT, Lunglei Zone with those of the ST, Circle-IV, Shillong revealed that 27 unregistered dealers based in Saiha imported 91,500 bags of cement valued at Rs.1.74 crore between July and December 2001. The dealers neither applied for registration nor were registered by the COT. This resulted in evasion of tax of Rs.10.92 lakh.

After this was pointed out in August 2004 the ACT, Lunglei stated in June 2005 that the dealers did not import any cement as those transactions were not recorded in the taxation check gate at Vairengte. The reply is not tenable as the fact is evident from the documents furnished by the selling dealer to the assessing officer at Shillong.

The cases were reported to Government between August 2004 and June 2005; reply had not been received (October 2005).

5.17 Under assessment of passenger tax

Underassessment of passenger and goods tax of Rs.43.60 lakh due to irregular adoption of lumpsum rate.

Under the provisions of the Mizoram Passenger and Goods Taxation (MPGT) Act, 1988 and Rules framed thereunder, every owner of taxable vehicle shall file prescribed return to the assessing officer along with payment of admitted tax. The tax is leviable at 10 *per cent* on all fares in respect of all passengers and goods carried in a taxable vehicle. The State Government may accept a lumpsum tax in lieu of the tax chargeable on fare. Further, as per notification issued in July 1988 the lumpsum tax is to be paid annually or half yearly in advance.

Test check of the assessment records of the ACT (South Zone), Aizawl in May 2004 revealed that the Mizoram State Transport (MST) neither paid advance tax on lumpsum rate nor submitted any return along with payment of admitted tax. The assessing officer irregularly assessed MST between April 2000 and April 2002 for the period 1999 to 2002 at lumpsum rate in lieu of the tax chargeable on fare and levied tax of Rs.4.52 lakh. Cross verification of the annual accounts of MST revealed that during the aforesaid period Rs.4.81 crore was collected as fares and freights by the MST, on which tax of Rs.48.12 lakh was leviable. Thus, it resulted in under assessment of tax of Rs.43.60 lakh.

After this was pointed out in August 2004, the Joint Commissioner of Taxes, Aizawl stated in July 2005 that the duty of assessment and collection of MPGT had been allocated to Transport Department with effect from April 2005. The case was thereafter referred to Transport Department in August 2005; reply has not been received (October 2005).

The matter was reported to Government between August 2004 and August 2005; reply had not been received (October 2005).

5.18 Evasion of tax due to concealment of turnover

Eight registered dealers concealed turnover of Rs.3.80 crore and evaded tax of Rs.28.96 lakh and interest of Rs.7.37 lakh.

Under the provisions of the Mizoram Sales Tax Act, 1989, if the Commissioner is satisfied that any dealer has concealed the particulars of his turnover or deliberately furnished inaccurate particulars of such turnover, he may direct that such dealer shall pay, by way of penalty, in addition to the tax payable by him, a sum not exceeding one and a half time that amount. Further, the dealer shall also be liable to pay interest at the prescribed rate ranging from 6 to 24 *per cent* for the period of default on the amount by which tax paid falls short.

Test check of records of the ACT (South Zone), Aizawl revealed in May 2004 that a cement dealer (A) in his return for the quarter ending December 2002 disclosed sale of cement valued at Rs.4.03 lakh which was enhanced to Rs.11.62 lakh by the assessing officer while assessing the dealer in March 2004. The assessing officer failed to note that 'A' sold cement to 'B', a construction dealer registered in the same circle, valued at Rs.35.90 lakh during the same period. Thus, the dealer concealed turnover of at least Rs.24.28 lakh and evaded tax of Rs.2.96 lakh including interest of Rs.1.02 lakh.

After this was pointed out in August 2004, the ACT while admitting the facts stated in April 2005 that notice had been issued to the dealer for rectification of assessment. Report on revised assessment and recovery has not been received (October 2005).

Test check of assessment records of the ACT, North and South Zone, Aizawl revealed in May 2004 that seven registered dealers disclosed net taxable turnover of Rs.2.62 crore for the year 2001-02 and 2002-03 and were assessed accordingly between 26 February 2003 and 12 January 2004. The record, however, revealed a minimum taxable turnover of Rs.6.18 crore. This irregular assessment resulted in escapement of turnover of Rs.3.56 crore with consequential evasion of tax of at least Rs.27.02 lakh as detailed below:

Table 5.10

(Rupees in lakh)

Name of assessing officer	No. of dealers	Commodity (rate of tax)	Opening Stock as on 01-04-02	Purchases made during 2002-03	Closing Stock as on 31-3-03	Taxable turnover	Turnover disclosed and assessed	Turnover concealed	Tax evaded
ACT, South Zone, Aizawl	02	Machinery, spare parts, tractors, building materials (eight per cent)	18.90	81.93	5.96	94.87	26.47	68.40	5.47
- Do -	01	Iron and steel (four per cent)	6.15	33.01	--	39.16	1.87	37.29	1.49
ACT, North Zone, Aizawl	04	Tyres, tubes, confectioneries, packed food, washing soap, biscuits etc., (eight per cent)	74.60	458.05	48.33	484.32	233.57	250.75	20.66
Total			99.65	572.99	54.29	618.35	261.91	356.44	27.02

Tax effect would be even more, if the element of profit is taken into consideration. Besides interest of Rs.6.35 lakh was also leviable.

After this was pointed out in August 2004, the Department while admitting the facts stated in May 2005 that five dealers had been reassessed and Rs.2.88 lakh was recovered and the other two dealers were being reassessed. Further report on recovery of balance tax and reassessment of two dealers has not been received (October 2005).

The cases were reported to Government in August 2004; reply had not been received (October 2005).

5.19 Under assessment of tax

Turnover of Rs.57.10 lakh being sale price of 16 motor vehicles assessed at the rate of six instead of 12 per cent resulted in under assessment of tax of Rs.3.43 lakh.

Section 44(8) of the Mizoram Sales Tax Act, provides that if any dealer knowingly produces incorrect accounts, registers or documents or knowingly furnishes incorrect information, he shall be punishable with conviction in addition to the tax and/or penalty. Such offence can be compounded under Section 47(1) of the Act *ibid* in addition to the tax so recoverable, with a sum of money not exceeding Rs.1,000 or double the amount of the tax recoverable, whichever is greater. Further, as per Government of Mizoram, Finance (Taxation) Department notification of August 2001 the rate of tax on motor vehicles was enhanced from 6 per cent to 12 per cent effective from 01 October 2001.

Test check of assessment records of the ACT, North Zone, Aizawl for the period October to December 2001 revealed in June 2004 that a dealer procured 16 motor vehicles from outside the State valued at Rs.57.10 lakh and sold these on or after 01 October 2001. But, the dealer included the turnover in his return for the quarter ending September 2001. While making assessment in July 2003 the dealer was assessed at pre revised rate of six per cent instead of 12 per cent. This resulted in under assessment of tax of Rs.3.43 lakh. Besides, penalty of Rs. 6.86 lakh was also leviable but not levied.

After this was pointed out in August 2004 the Joint Commissioner of Taxes stated in January 2005 that the dealer was asked to produce books of accounts for rectification.

The matter was reported to Government in August 2004; reply had not been received (October 2005).

5.20 Non-levy of interest

Non-levy of interest for delay in payment of taxes amounting to Rs.2.29 lakh.

Under the provisions of Mizoram Sales Tax Rules, 1990, if a dealer fails to pay full amount of tax due within specified time, he shall be liable to pay simple interest at prescribed rate ranging between 6 per cent and 24 per cent for the period of default on the amount by which tax paid falls short.

Test check of records of ACT, Aizawl South Zone in May 2004 revealed that a dealer was assessed to tax of Rs.10.30 lakh in March 2004 for the year 2002-03. The dealer paid Rs.2.04 lakh leaving a balance amount of Rs. 8.26 lakh. However, the assessing authority failed to levy interest of Rs.2.29 lakh for delayed/non-payment of taxes by the dealer alongwith the return.

The matter was reported to Department and the Government in August 2004 and May 2005; reply had not been received (October 2005).