

PREFACE

This Audit Report for the year ended 31 March 2010 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of "Collection of Motor Vehicles Taxes, Fees and Fines" of the Transport Department, Government of West Bengal.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during September 2009 and June 2010 as well as those noticed in earlier years but could not be included in previous year's reports.

OVERVIEW

1. General

This Report contains five chapters which include 33 paragraphs relating to deficiencies in the system of monitoring the registration of vehicles, issue and renewal of licences, permits, collection of taxes, fees and fines and internal controls of the Transport Department of the state involving ₹ 14.41 crore. Some of the major findings are mentioned in the following paragraphs:

As on 30 June 2010, 100 inspection reports issued upto December 2009 containing 267 audit observations involving ₹ 9.44 crore were outstanding for want of response or final action by the Transport Department.

(Paragraph 1.9)

As of 31 March 2010, the Transport Department had not furnished explanatory notes in respect of seven selected and 202 unselected paragraphs including four sub paragraphs of Audit Reports from 1981-82 to 2007-08.

(Paragraph 1.10.2)

2. Deficiencies in System Implementation

We noticed that the system was implemented in a phased manner and as on 31 March 2009 VAHAN was operational in only 19 RAs out of the 27 units (26 RAs and STA) while SARATHI was operational in nine.

(Paragraphs 2.2)

We observed that a security policy had not been formulated by the Department. No guidelines had been issued to the RAs for protection of hardware and software of the system.

(Paragraphs 2.3.1)

We noted that due to lack of a business continuity plan, data could not be restored in the office of the RA, South 24 Parganas after a system crash which occurred on 4 September 2008 following which the data was irretrievably lost as the RAs had discontinued the maintenance of any manual register relating to collection of taxes and fees after computerisation of their activities.

(Paragraphs 2.5)

3. Vahan and Sarathi

In the VAHAN software we found that in the 'owners' table the same engine number was found to have been entered against two different registration numbers in 462 vehicles in 11 RAs. We cross checked the 'owner' table and 'Motor vehicle check' table and found that in case of 2,635 vehicles though the registration numbers were the same, the chassis number or the engine numbers differed in the two tables in the 11 RAs.

(Paragraph 3.2.1)

We found that the data was not accurate and was unreliable. In case of 68 vehicles registered in the RA, Howrah, the date of registration was earlier than the date of purchase of the vehicles by 1 to 25 days. We also found that 2,141 vehicles were registered either on a Saturday or a Sunday.

(Paragraph 3.2.2)

We analysed the database and found that 2,90,641 vehicles had not paid tax of ₹ 645.17 crore. Of these, 40,585 vehicles were more than thirty years old, some of which are dating back to 1930's.

(Paragraph 3.13)

We found that out of 33 fields prescribed for registration of motor vehicle in 'Form 20' under the CMV Rules 1989, five fields were not mapped in the system.

(Paragraph 3.15)

We found from the SARATHI database of the eight RAs selected for review that input validation controls were not inbuilt in the system. Hence, the system was unable to restrict input of invalid data. In the database of six RAs, we noticed that in 788 cases DL for transport vehicles were issued though the applicants did not have the requisite minimum educational qualification of eighth standard under Rule 8 of CMVR, 1989.

(Paragraph 3.16.1)

4. Other observations

We found no record/register was maintained to watch revalidation and return of the lapsed drafts. This resulted in blocking of revenue of ₹ 2.22 crore as revalidation of the BDs is still pending.

(Paragraphs 4.4.1)

We found that defaulting owners of seized vehicles neither paid the assessed dues nor was any action taken by the RAs to dispose of the seized vehicles through auction though a considerable period of time had lapsed since their seizure. This resulted in non-realisation of revenue of ₹ 25.07 lakh in 33 cases.

(Paragraph 4.6)

We found in the offices of the STA, WB and nine RAs that inability of the Department to issue saleable forms to the applicants for licence, registration and permits resulted in loss of revenue of ₹ 1.07 crore.

(Paragraph 4.7)

CHAPTER-I

GENERAL

1.1 Introduction

Road transport is considered to be one of the most cost effective and preferred modes of transport for both freight and passengers. Easy availability, adaptability to individual needs and cost savings are some of the factors working in favour of road transport. Road transport also acts as a feeder service to railway, shipping and air traffic.

The Transport Department, Government of West Bengal administers road transport activities through the State Transport Authority (STA) and 26 registering authorities (RAs) comprising of 19 Regional Transport Offices at the district level and seven Additional Regional Transport Offices at the sub-divisional level. The Department is concerned with the formulation of broad policies relating to regulation of road transport, arrangements for movement of vehicular traffic within the State and collection of motor vehicles taxes, fees and fines.

The Transport Department, Government of West Bengal planned the computerisation of the system of registration and taxation of vehicles to streamline the process of realisation of taxes in collaboration with the National Informatics Centre (NIC) in 1991. Accordingly five RAs were computerised in 2000 using a software called the Transport Information System (TIS).

In 2002, the Ministry of Road Transport and Highways, Government of India entered into a Memorandum of Understanding with NIC to develop core software for vehicle registration and driving licence workflow process computerisation. The VAHAN software for vehicle registration and tax collection and SARATHI software for issue and renewal of driving licences (DL) were developed centrally for the whole country. Accordingly, TIS was replaced by VAHAN. The details of various taxes, fees and fines levied on motor vehicles and for driving licence are contained in **Annexure – I**.

The VAHAN and SARATHI softwares were customised by the NIC, West Bengal state unit and implemented in the Public Vehicles Department (PVD), Kolkata in July 2004. These softwares were made operational in the offices of the RAs on different dates in a phased manner. During the period between 2004-05 and 2008-09, SARATHI was in operation in nine RAs¹ and VAHAN in 19 RAs².

¹ RAs: Asansol, Barasat, Barrackpore, Burdwan, Durgapur, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

² RAs: Alipurdwar, Asansol, Barasat, Barrackpore, Birbhum, Burdwan, Durgapur, Hooghly, Howrah, Malda, Murshidabad, Nadia, Paschim Medinipur, Purulia, Purva Medinipur, PVD Kolkata, Raigunj, Siliguri and South 24 Parganas.

1.2 Organisational set up

The Additional Chief Secretary to the Government of West Bengal is the administrative head of the Transport Department. He is assisted by one Special Secretary, five Joint Secretaries, two Assistant Secretaries, one Registrar and one Statistical Officer at the headquarters. The Secretary, State Transport Authority (STA), West Bengal, Director, Public Vehicles Department (PVD) Kolkata, 18 Regional Transport Officers (RAs) and seven Additional Regional Transport Officers (RAs) administer the provisions of the Motor Vehicles Acts and Rules. The Joint Secretary, Transport Department is responsible for all computerisation-related activities in the Department.

We reviewed the system of collection of motor vehicle taxes, fees and fines for issue and renewal of different types of licences, permits, trade certificates and compounding of offences and realisation of revenue thereof. The review revealed a number of deficiencies which are mentioned in the succeeding chapters of this Report.

1.3 Audit objectives

We conducted the review to ascertain whether:

- the provisions of the Acts and Rules made thereunder and the instructions/orders issued from time to time by the Department/ Government for monitoring the collection of the motor vehicles taxes, fees and fines were adequate and complied with;
- the security of the IT system, completeness and integrity of the data and supervision of the system was adequate, efficient and effective; and
- an internal control system existed and was adequate to help the organisation achieve its objectives with optimum use of its resources.

1.4 Audit criteria

The review was conducted with reference to the provisions made under the laws governing transport management in the State. These are:

Central Laws

- Motor Vehicles (MV) Act, 1988;
- The Central Motor Vehicles (CMV) Rules, 1989;

State Laws

- The West Bengal Motor Vehicles Tax (WBMVT) Act, 1979;
- The West Bengal Motor Vehicles (WBMV) Rules, 1989; and
- The West Bengal Additional Tax and One-time Tax on Motor Vehicles (WBAT) Act, 1989.

1.5 Scope and methodology of audit

We conducted the review between September 2009 and June 2010 covering the period between 2004-05 and 2008-09. The review covered the STA and 12

RAs³ out of 26 RAs selected on the basis of stratified random sampling method. We divided the 27 units (26 RAs and STA) in three strata on the basis of collection of revenue and selected 100 *per cent* i.e. two units from the first stratum having average collection of ₹ 38 crore and above, 50 *per cent* i.e. 10 out of 19 units from the second stratum with average revenue collection between ₹ four and ₹ 38 crore and 10 *per cent* i.e. one out of six units from the third stratum with average revenue collection below ₹ four crore.

IT audit in respect of VAHAN was conducted in 11 RAs⁴ while SARATHI was conducted in eight RAs⁵. The total number of records in VAHAN and SARATHI database was 20,97,965 (including tax exempted vehicles) and 13,52,189 respectively. Out of these 15,28,638 and 4,66,749 cases were related to pre-online period and 5,69,327 and 8,85,440 cases were related to post-online period in respect of VAHAN and SARATHI respectively.

The findings on system were derived from analysis of post-online data only where as findings on transaction were related to the period after the date of inception of VAHAN and SARATHI in the RAs though the registration dates of the vehicles were related to both pre-online and post-online periods. The CAATs⁶ were applied using the same criteria in respect of each finding for all the 11 RAs and deficiencies noticed in respect of RAs were incorporated in the paragraphs. Besides, we test checked the records of one check post (Rampur Motor Vehicle check post) out of three⁷ check posts. The results of data analysis were cross verified with the front end of the system of the RAs on test check basis and were found to be in conformity with the results. We also attempted verification of the audit findings with reference to the manual records. We further reviewed the physical records in respect of units⁸/functional areas⁹ yet to be computerised.

1.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. An entry conference was held in September 2009 with the Additional Chief Secretary, Transport Department in which the objectives, scope and methodology of audit were explained. It was also attended by the Technical Director, National Informatics Centre (NIC). In course of review the audit observations were issued to the RAs along with a soft copy of the details of the cases. The draft review report was forwarded to the Government in June 2010 along with a compact disc (CD) containing detailed information of the cases for their response. The exit conference was held in August 2010 with the Additional Chief Secretary, Transport Department in which the results of audit

³ RAs: Asansol (including check post at Rampur), Bankura, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri, South 24 Parganas and STA.

⁴ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Parganas.

⁵ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, PVD Kolkata, South 24 Parganas.

⁶ Computer Assisted Auditing Techniques.

⁷ Beltala (Paschim Medinipur), Barobisha (Jalpaiguri) and Rampur (Asansol).

⁸ STA and RA, Bankura.

⁹ Enforcement, Licence to sub-dealers, Permits and Trade certificates.

and the recommendations were discussed. The replies of the Department/Government received during the exit conference and at other points of time have been appropriately incorporated in this report.

1.7 Analysis of budget preparation and the trend of revenue collections

As per the Budget Manual, the responsibility for the preparation of the Annual statement of the estimated receipts and expenditure of the State and its presentation to the Legislature lies with the Finance Department. The materials on which the budget estimates (BEs) are based should be obtained by the Finance Department from the local budgeting officers. The actuals of the previous years and revised estimates of the current year ordinarily afford the best guide in framing the BEs of the ensuing year.

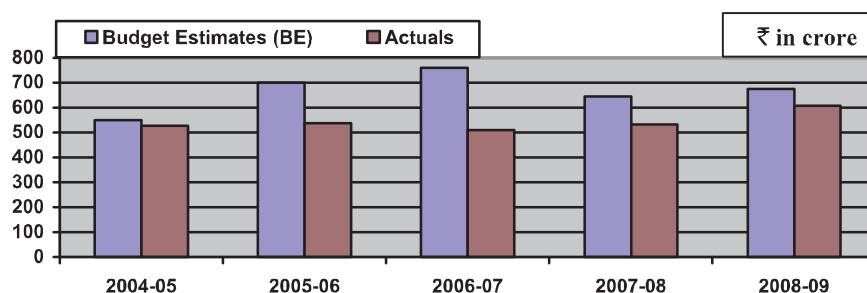
The salient factors which have led to the adoption of figures proposed for the BEs should be clearly and briefly explained. For the fluctuating items neither the actuals of the previous year nor the progress of actuals of the current year should be used as the only guide but due consideration should be given to exceptional circumstances of the previous years and special features of the current year.

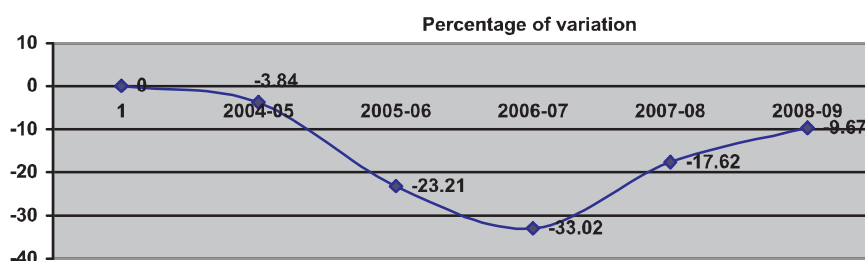
We observed that BEs and revised estimates (REs) in respect of Taxes on motor vehicles were prepared by the Finance (Budget) Department.

The BEs, actual receipts and variation in receipts over BEs and percentage of variation for the years 2004-05 to 2008-09 are shown in the following table:

(Rupees in crore)

Year	Budget estimates (BEs)	Actuals	Variation between BEs and Actuals excess (+) or shortfall (-)	Percentage of variation
2004-05	548.75	527.66	-21.09	-3.84
2005-06	700.00	537.56	-162.44	-23.21
2006-07	759.84	508.97	-250.87	-33.02
2007-08	645.88	532.07	-113.81	-17.62
2008-09	673.11	608.01	-65.10	-9.67





Thus, it would be seen from the figures given above that the collection of revenue had always been lower than the BEs. The variation between BEs and actual receipts between 2005-06 and 2007-08 ranged between (-) 9.67 and (-) 33.02 *per cent*, indicating that the BEs were not prepared on a realistic basis.

The Department stated that collection of revenue increased in 2007-08 and 2008-09 due to introduction of revised rate of one-time tax and life-time tax (September 2010). However, we did not receive the reasons for variation between BEs and the actuals despite our request (June 2010).

We recommend that the Government may issue directions to the Department to streamline the budgeting process and ensure that BEs are prepared in a scientific manner and are as close to the actuals as possible.

1.8 Cost of collection

The gross collection from motor vehicles taxes, fees and fines, the expenditure incurred on collection and the percentage of such expenditure to gross collection for the years 2006-07 to 2008-09 are given in the following table:

(Rupees in crore)				
Year	Gross collection	Gross expenditure	Percentage of expenditure to gross collection	All India average of expenditure on collection for the preceding year
2006-07	508.97	9.89	1.94	2.47
2007-08	532.07	10.86	2.04	2.58
2008-09	608.01	11.92	1.96	2.93

The above table shows that the collection from motor vehicles tax increased to ₹ 608.01 crore in 2008-09 from ₹ 508.97 crore in 2006-07, registering an increase of 19.46 *per cent*. The percentage of expenditure to gross collection which increased in 2007-08 was brought down in 2008-09. We noted that the percentage was also always lower than the all India average. The Department should continue with its efforts to maintain this positive trend.

1.9 Outstanding inspection reports and audit observations

The Accountant General (Receipt, Works & Local Bodies Audit), West Bengal (AG) conducts periodic inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Department through inspection reports (IRs). These IRs incorporating irregularities detected during the inspection

and not settled on the spot, are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within two months from the date of issue of the IRs. Serious financial irregularities are reported to the head of the Departments and the Government.

A review of IRs issued to the Transport Department upto December 2009 disclosed that 267 paragraphs involving ₹ 9.44 crore relating to 100 IRs remained outstanding at the end of June 2010 as mentioned in the following table along with the corresponding figures for the preceding two years.

	June 2008	June 2009	June 2010
Number of outstanding IRs	121	128	100
Number of outstanding audit observations	347	349	267
Amount involved (Rupees in crore)	12.52	22.24	9.44

The year-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned in the following table:

Year	Number of outstanding IRs	Number of outstanding paragraphs	Money value involved (Rupees in lakh)
1998-99	2	2	1.92
1999-2000	5	8	13.88
2000-01	9	16	130.81
2001-02	11	24	165.07
2002-03	13	37	130.54
2003-04	14	49	121.70
2004-05	16	41	51.52
2005-06	10	47	196.71
2006-07	8	19	20.42
2007-08	5	9	10.91
2008-09	5	9	98.04
2009-10	2	6	2.58
Total	100	267	944.10

This large pendency of IRs due to non-receipt of replies is indicative of the fact that the Department did not initiate timely action to rectify the defects, omissions and irregularities pointed out by us in the IRs.

We recommend that the Government may take suitable steps to install an effective mechanism for prompt and appropriate response to audit observations and initiate action against officers who do not send replies to the IRs/paragraphs within the prescribed time schedule. A system needs to be developed for prompt recovery of the revenue at least in respect of the audit observations that have been accepted by the Department/Government.

1.10 Follow up of Audit Reports

1.10.1 Summarised position

As per the Rules of Procedure of the Committee on Public Accounts (PAC) of the West Bengal Legislative Assembly (Internal Working) framed in 1997, the concerned Department was required to send action taken notes (ATNs) on the recommendations contained in the Report of the PAC within six months from the date of its presentation to the House. The position of outstanding ATNs due from the Transport Department is mentioned in the following table:

PAC Report	Date of presentation in the Assembly	Year of Audit Report	No. of ATNs due
22 nd Report of 1990-91	26 March 1991	1979-80	1
		1980-81	1
25 th Report of 1994-96	1 August 1995	1983-84	1
23 rd Report of 2008-09	24 March 2009	2006-07	2
Total			5

1.10.2 Compliance with the earlier Audit Reports

The Committee on Public Accounts discusses the Receipt Audit Reports and presents its reports and recommendations for compliance by the Government. Normally 20 *per cent* of the total number of paragraphs of the Audit Report is selected every year for discussion. The remaining paragraphs are disposed of on the basis of replies of the Government.

As of 31 March 2010, the Transport Department had not furnished explanatory notes in respect of seven selected and 202 unselected paragraphs including four sub paragraphs of Audit Reports from 1981-82 to 2007-08 as detailed in **Annexure-II**.

A meeting of the high level audit committee chaired by the Chief Secretary and consisting of heads of various departments was held on 4 February 2010 to discuss the selected outstanding paragraphs and ATNs on the recommendations of PAC. The Transport department was represented by the Joint Secretary. The Chief Secretary instructed the departments to furnish replies to the outstanding paragraphs and ATNs at an early date. However, no reply has been received from the Transport department (September 2010).

1.11 Results of audit

The findings of the review in the STA and 12 RAs along with the test check of records in two RAs¹⁰ conducted during 2009-10 revealed underassessment of tax and other irregularities of ₹ 14.41 crore in four cases as mentioned in the following table:

¹⁰ RAs: Malda and Purba Medinipur.

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Collection of Motor Vehicle taxes, fees and fines (A review)	1	14.16
2.	Non-realisation of revenue due to non-disposal of seized vehicles	3	0.25
Total		4	14.41

The Department accepted underassessment and other deficiencies of ₹ 4.75 crore during the year 2009-10.

A few illustrative cases and the findings of the review on “**Collection of Motor Vehicle taxes, fees and fines**” involving a financial impact of ₹ 14.41 crore are discussed in the following chapters.

CHAPTER-II

DEFICIENCIES IN SYSTEM IMPLEMENTATION

2.1 Introduction

In an IT system, formulation and documentation of needs of the users, security of the system, completeness and integrity of the data, defined supervision, change control mechanism and a business continuity plan are essential prerequisites for successful implementation of the system.

We noticed a number of system implementation deficiencies in VAHAN and SARATHI as discussed in this chapter.

General IT Controls

General controls create the environment in which the application systems and application controls operate. They include IT policies, standards and guidelines pertaining to IT security and information protection. The following deficiencies in general controls were noticed by us:

2.2 Documentation of IT Strategy

In order to achieve the desired objectives, there should be a proper IT strategy and a well devised plan for addressing issues relating to customising, implementing and maintaining the information system. The Department needed to set up a steering committee consisting of representatives of the Department and NIC for providing necessary direction and guidance to the computerisation efforts as well as to monitor the progress of implementations.

The Department did not furnish any document bringing out the stages of implementation of VAHAN and SARATHI to us. We noticed that the system was implemented in a phased manner and as on 31 March 2009 VAHAN was operational in only 19 RAs out of the 27 units (26 RAs and STA) while SARATHI was operational in nine. Even in these units, only certain features available in

the software were utilised while other functions were discharged through manual operations. We did not find any documentation indicating the involvement of the top management at the planning and implementation stage of the project. This resulted in development of a non-integrated application and partial utilisation of its features as mentioned in the following paragraphs.

2.2.1 Partial utilisation of software

Provisions exist in the VAHAN software for permits, enforcement, temporary registrations, issuing of trade certificates to dealers, surrender of vehicles, and maintenance of daily collection register and licence register of sub-dealers. In SARATHI there are provisions for issue/renewal of conductor licences and licenses to motor training schools.

We noticed that in none of the RAs the provisions of VAHAN for issue/renewal of permits to transport vehicles, enforcement activities relating to offending vehicles, temporary registration of vehicles, issue/renewal of trade certificates to dealers, surrender of vehicles,

maintenance of daily collection register and sub-dealer's licence register utilised by the Department. Similarly, the provisions relating to issue and renewal of conductor's licences and licences to the motor training schools available in SARATHI were not utilised by the Department. These activities were being done manually thereby defeating the purpose of providing these provisions in the system. This also led to non-generation of computerised receipts on this account for which a locally developed parallel software called "Regional Vahan Sarathi" (RVS) was being utilised by the Department.

The original software i.e. VAHAN had the facility of generation of receipts and as such it had better controls and would have added assurance in the accounting system. Thus, the development of the parallel software RVS served little purpose and was not required at all had the provisions of VAHAN been fully utilised.

Although we called for (May 2010) the reasons for partial utilisation of VAHAN and SARATHI softwares, the Department did not intimate the same. However, it stated (September 2010) that the provisions of the software would be utilised in the near future.

We recommend that the Government should use the processing capabilities in the VAHAN and SARATHI software in their entirety, and discontinue using the parallel software.

2.2.2 Non-existence of central State server system

Sections 63 and 26 of the MV Act and Rules 75 and 23 of the CMV Rules prescribe the maintenance of a State Register of motor vehicles in Form 41 and a State Register of driving licences in Form 10 respectively. The objective of computerisation was that data of the vehicles should flow from the RAs to the central State server system for monitoring the activities of the vehicles within the State and for supplying the information to the Central Government.

Our test check revealed that the Department had not taken any steps to set up a central State server system into which the information from the RAs could flow and be stored. As a result even the 19 computerised RAs could not be linked to share the information available in the system. Thus, no

state register could be prepared. Besides, due to non-linking of the system, the RAs could not cross check the data available with them resulting in a number of deficiencies as mentioned in para 2.2.3.

2.2.3 Vehicles found registered in more than one RAs

For transfer of a vehicle to another RA, a 'No Objection Certificate' (NOC) is required to be issued by the RA under whose jurisdiction the vehicle is kept. Information about NOCs issued by an RA would feature only in the 'NOC' table of that RA's database. Registration code 'WB23' was allotted for transport vehicles registered in RA, Barrackpore.

2.2.3.1 We cross verified the data of RA Barrackpore with the data of 10¹ other RAs and found 3,526 vehicles were available in the 'owner'² table of the database of the RA Barrackpore as well as in the database of the other 10 RAs. These vehicles were not found in the 'NOC' issued table of the RA

Barrackpore and 'NOC' received table of the other 10 RAs. This indicates that either the validation controls in these cases were bypassed or data pertaining to NOCs in respect of these vehicles were deleted. The reasons for the same were not found on record and the matter needs to be looked into.

2.2.3.2 We found from the database of 10 RAs that in case of 894 vehicles, the registration code was 'WB23' indicating that these were originally registered in RA, Barrackpore; however, information about these vehicles was not found in the database of the RA Barrackpore although in case of transfer of these vehicles it should have been found in the 'NOC' table of the RA, Barrackpore. The reasons for their non-existence, though called for, were not furnished to us.

2.2.3.3 In respect of goods vehicles tax is based on Gross Vehicle Weight (GVW). We found that 10 goods vehicles, which were originally registered in RA, Barrackpore were transferred to six³ other RAs and registered there with lesser GVW. Thus due to data input error there was short realisation of tax and additional tax of ₹ 1.18 lakh.

The above facts indicate that non-existence of a central State server system had resulted in non detection of the errors committed in the transfer of the vehicles from one RA to another RA. This underlines the need for linking all the database within the State by setting up a central State server system. Till then, the primary objective of computerisation to monitor the activities of vehicles within the State and provide information for creation of a National Register of Vehicles, would remain elusive.

After we pointed this out, the Department stated that the central server system was established in June 2010 and connectivity of 24 RAs out of 26 RAs was established with the central State server in respect of VAHAN till April 2011. RA, Darjeeling and RA, Kalimpong were yet to connect with the central State

¹ RAs: Asansol, Barasat, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Parganas.

² 'Owner' table contains information regarding vehicles and their owners.

³ RAs: Asansol, Barasat, Burdwan, Howrah, Nadia and PVD Kolkata.

server. In respect of SARATHI, no RA was connected with the central State server. Thus, in absence of connectivity of all the RAs with the central State server the objective of computerisation to monitor the activities of vehicles within the State could not be achieved.

2.3 Environment controls

Environment controls are aimed at ensuring that the assets of the project are not put to risk. This requires that risk assessment should be done and preventive measures put in place prior to implementing the project. We noticed that the Department had neither undertaken any risk assessment nor devised any preventive measures like a security policy and business continuity plan, before putting the system in use.

2.3.1 Lack of security policy

Information security policy through physical and logical controls restricts access to the system only to authorised individuals.

We observed that no security policy had been formulated by the Department. No guidelines had been issued to the RAs for protection of

hardware and software of the system. Preventive and detective measures like installing and updating antivirus software and framing a password policy was not done. We found expired/not updated antivirus software in five⁴ RAs. Creating of user's id and passwords were left to the discretion of the RAs. Passwords of less than eight characters were found in most of the RAs. Absence of a provision to record failed 'login attempts' is fraught with the risk of unauthorised access and consequent data tampering. We also observed that fire fighting devices were not installed in five⁵ RAs.

2.4 Lack of change management control

Once a system is implemented, change management controls should be put in place to ensure that the changes to the system are authorised, tested and documented and to see that there is adequate audit trail. The requests for changes (RFC) should be signed by the designated authorities of the Department and all the changes should be tested before they are put to use in the live environment.

Documentation regarding the request, approval, testing and authorisation of changes like updating tax rates in accordance with notifications issued by the Government, providing additional input validation controls like mandatory capturing of Permanent Account Number (PAN) or General

Index Number except in case of RA Siliguri was not made available to us. The absence of documentation not only resulted in absence of a trail as to whether the changes sought for had been carried out but was also fraught with the risk of non-detection of any unauthorised change made in the system. For example, the rate of tax was changed vide a notification effective from 08.09.2008 and had

⁴ RAs: Asansol, Burdwan, Howrah, Paschim Medinipur and South 24 Parganas.

⁵ RAs: Asansol, Howrah, Nadia, Paschim Medinipur and South 24 Parganas.

been incorporated in the system but the date of incorporation and the authority who authorised, it could not be verified. Documentation of the changes would ensure transparency and effective internal controls.

After we pointed this out, the Department accepted (September 2010) the observation for corrective action.

2.5 Lack of business continuity plan

Business continuity planning is essential to ensure that the organisation can prevent disruption of business and resume processing in the event of a total or partial interruption. The objective is to reduce downtime and minimise loss to business. Regular backup of data is the backbone of a business continuity plan.

We found that the Department had not evolved a backup policy. Though periodical backups had been taken in the RAs, there was no provision for testing of such backup for successful installation if needed. The RAs had no records to indicate the date(s) on which

the backup was taken and had no provision for off-site storage of backup. Mock trial of data recovery was not done regularly to ensure prompt restoration in the event of a system crash.

We noted that due to lack of a business continuity plan, data could not be restored in the office of the RA, South 24 Parganas after a system crash which occurred on 4 September 2008 following which the data was irretrievably lost as the RAs had discontinued the maintenance of any manual register relating to collection of taxes and fees after computerisation of their activities. The Department could not retrieve the lost data. Thus, they would have to depend upon the documents furnished by the vehicle owners/licence holders in respect of tax receipts/ payments in the event of a system crash.

After we pointed this out, the Department admitted the audit observation and stated that the data could not be retrieved because of technical failure (September 2010). RA, South 24 Parganas intimated (May 2011) that live backup was being taken from April 2010. RA, PVD intimated (May 2011) that backup was being taken after working hours on a daily basis. The other RAs did not furnish the current status of backups. Thus, taking backups was left to the discretion of the concerned RAs as no directions on this matter was issued by the Department.

The Government may consider evolving a well documented IT security policy, change management policy and suitable business continuity plan including live backup or backup after a short interval of time to ensure safety, transparency and prompt recovery of data/system.

CHAPTER-III

VAHAN AND SARATHI

3.1 Introduction

An IT system must have in-built controls to ensure that all the key information has been entered before the transaction is recorded in the database. The system should be complete by incorporating all the main processes mentioned in the business rules.

We noticed a number of deficiencies in respect of operations transacted through VAHAN and SARATHI as discussed in this Chapter. As already stated in Paragraph 1.5 pertaining to Scope and Methodology, the findings on system were derived from analysis of post-online data only whereas the findings on transactions were related to the period after the date of inception of VAHAN and SARATHI in the RAs though the registration dates of the vehicles were related to both pre-online and post-online periods. The CAATs were applied using the same criteria in respect of each finding for all the 11 RAs and deficiencies noticed in respect of RAs were incorporated in the paragraphs.

VAHAN

Application controls

The VAHAN database which contained a total number of 20,97,965 records out of which number of records pertaining to the pre-online system was 15,28,638 and the remaining 5,69,327 cases related to the post-online system.

A. *The audit findings included in the following paragraphs are based on the analysis of the records relating to post-online system as these pertain to the input controls, validation controls etc. in the system:*

Input controls and validation controls over input are vital for ensuring correctness and completeness of the data. These controls also ensure that data is entered correctly without duplication. The system lacks such controls as our analysis of the data in the selected RAs revealed. The following deficiencies were noticed in VAHAN software due to absence of input controls and validation controls.

3.2 Input control weaknesses of VAHAN

3.2.1. Input control weaknesses

- The engine number is the unique identification mark of a vehicle. The engine numbers cannot be identical for any two vehicles. However, we found that in the 'owners' table the same engine number was found to have been entered against two different registration numbers in 462 vehicles in 11 RAs¹.

¹ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Parganas.

The existence of duplicate engine numbers indicate lack of inbuilt data validation controls at data entry stage to restrict entry of duplicate engine numbers. Cases of fraud also cannot be ruled out.

- We cross checked the 'owner' table and 'Motor vehicle check' table and found that in case of 2,635 vehicles though the registration numbers were the same, the chassis number or the engine numbers differed in the two tables in the 11 RAs.
- Separate code numbers from '1' to '12' have been incorporated in the system to identify the allotment of vehicles to different categories like individual, company, Government etc. The code number 5 was specified for State Government. We found that in case of 985 Government vehicles registered under four² RAs, the owner code was not allotted as 5. Thus, the vehicles, which were Government vehicles, could not be identified from the system code as 'Government vehicles'.

3.2.2 Validation controls

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

- In case of 68 vehicles registered in the RA, Howrah, the date of registration was earlier than the date of purchase of the vehicles by 1 to 25 days.
- Registration of vehicles is done only on working days. We however found that in case of 2,141 vehicles, registered in 10³ RAs, the date of registration was found to be either a Saturday or a Sunday and in case of 333 vehicles registered under two⁴ RAs, the cash receipt was found to have been issued on a Saturday or a Sunday.

The applications for registration submitted at the time of initial registration of the vehicles, which are the main source of input data, were not made available to us and hence we were not in a position to cross check the data with reference to the original records.

The above facts indicate that the data was not accurate and was unreliable. The Department should take necessary steps to build in appropriate input controls and validation controls to prevent entry of incorrect data.

3.2.3 Incomplete database

As per Rule 47 of the CMV Rules, 1989 Form-20 has been prescribed for registration of vehicles which contains information in 33 fields.

Incomplete database means missing some information. We analysed the VAHAN database in 11 RAs and found that data capture was partial even in crucial fields like engine

number (433 cases), insurance cover note number (65,225 cases), insurance date (17,933 cases), seating capacity (51 cases), cubic capacity (52 cases),

² RAs: Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

³ RAs: Asansol, Barasat, Barrackpore, Burdwan, Howrah, Nadia, Paschim Medinipur, PVD Kolkata Siliguri and South 24 Parganas.

⁴ RAs: PVD Kolkata and South 24 Parganas.

laden weight (36 cases), address of owner (453 cases), purchase date of the vehicles (732 cases) and PAN (10,619 cases). This indicates that at the time of data entry input, these essential information fields were not made mandatory and consequently the database remained incomplete. In the absence of vital information like owner's name, PAN and engine number, registration of stolen/damaged vehicles and use of the same registration number by more than one vehicle cannot be ruled out. Absence of insurance cover note number does not ensure the coverage of third party risk. As per Central Government notification of May 2002, it is mandatory for the vehicle owner to disclose PAN but this was not captured in the database.

We could not verify the accuracy of the data from manual records as these were not made available to us. The incompleteness in the database made it unreliable and application of the business rules could not be assured. Any analysis and generation of MIS reports based on incomplete and unvalidated database was likely to produce incomplete and unreliable information. This pointed to weakness in the internal control mechanism which was further accentuated by absence of data validation and needs to be immediately rectified.

3.3 Partial mapping of additional amount of fitness fees

Rule 57(6) of the WBMV Rules, 1989 prescribes that the owner of a vehicle shall apply for renewal of C.F before one month of the expiry of fitness certificate. In case, the owner fails to make application before the prescribed date, he shall be liable to pay additional amount of 150 *per cent* of the application fee and testing fee. Further, if the owner fails to produce the vehicle on the date prescribed for inspection of the vehicle he shall be liable to pay additional amount of 150 *per cent* of fees, in addition to the amount mentioned in the schedule E-14 which is different for different categories of vehicles.

We found from the database of 11 RAs⁵ that in case of 1,45,406 vehicles, the owners did not produce the vehicles on the date prescribed for inspection of the vehicle. Though the additional amount of fee for late application was levied at the rate of 150 *per cent* of the application fee, the additional amount of

testing fee for delay in production of vehicles was not levied. Thus, absence of provision in the system resulted in short realisation of additional amount of fee of ₹ 2.53 crore.

After we pointed this out, the Department stated that the rate of additional amount of fee for submission of application was mapped in the system. The reply is not relevant as our observation relates to fee for delay in production of vehicles for testing and not for fee for late submission of application. We had found the deficiency in all the cases of 1,45,406 vehicles.

⁵ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Parganas.

3.4 Short realisation of fees for fancy registration mark

Rule 61(4) of the WBMV Rules provides for allotment of fancy registration number to motor vehicles at the rate of ten times of the difference of current number and number requested. The Government had reserved 29 numbers i.e. from 0001 to 0020 and all four digit numbers of the same digit (e.g. 1111 etc.). The fee for these 29 numbers was kept higher than the normal fancy numbers. These were released for allotment w.e.f. 22.11.2007 but the rates were not mapped in the system.

We noticed from the database of six⁶ RAs that 14 out of the 29 fancy numbers were allotted to 14 vehicles. Though the fee for these fancy numbers was higher than the normal fancy number, the Department collected the fee at the lesser rates i.e. at normal fancy number rates. We found that the rate of fee of

these 29 fancy numbers released for allotment from 22.11.2007 was not mapped in the system. Thus, non-mapping of the additional rates in the system resulted in short realisation of revenue of ₹ 28.90 lakh.

After we pointed this out, the RA, Asansol in three cases involving ₹ 5.92 lakh stated that demand notices would be issued to realise the balance amount. In the remaining cases the RAs did not furnish any specific reply.

B. The audit findings included in the following paragraphs are based on the analysis of the transactions related to the period after the date of inception of VAHAN in the RAs though the registration dates of the vehicles were related to both pre-online and post-online periods:

3.5 Short realisation of one-time tax

Section 9B of the WBAT Act, prescribes one-time tax for a period of five years on motor cars and omnibuses registered as non-transport vehicles being less than 10 years old. Rate of tax for motor cars is based on engine capacity and category (individual/society and others) of owners. The system provides options for payment of annual tax and one-time tax. In case of transfer of ownership from individual to others the difference of tax is to be realised.

We found from the database of 10⁷ RAs that 654 vehicles were less than 10 years old as such they were liable to pay one-time tax but the RAs incorrectly exercised the option of annual tax available in the system. Further, we

noticed that category of the vehicles was changed from 'individual/society' to 'others' on sale of some of these vehicles. The difference of one-time tax applicable for 'others' and for 'individuals/society' was payable by the owners of the vehicles.

This resulted in short realisation of one time tax of ₹ 24.32 lakh in 654 cases.

⁶ RAs: Asansol, Barasat, Burdwan, Hooghly, PVD Kolkata and South 24 Parganas.

⁷ RAs: Asansol, Barasat, Barrackpore, Burdwan, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Parganas.

The above fact indicates that the system was not customised to prevent acceptance of annual tax instead of one-time tax and transfer of ownership of vehicles without realising the due differential tax.

3.6 Non-realisation of special tax⁸

Under the provisions of the WBMVT Act, and WBAT Act, special tax is realisable at the prescribed rates for air conditioned vehicles based on their use, seating capacity, engine capacity and category of the vehicle.

We found from the database of nine RAs⁹ that special tax in respect of 4,265 air conditioned vehicles amounting to ₹ 2.93 crore was not paid by the owners during the period

from April 2004 to March 2009. The vehicles were neither surrendered nor was NOC issued in any case. The concerned RAs had not maintained any Tax Demand Register in the system to monitor the realisation of the tax from the defaulters. This resulted in non-realisation of revenue of ₹ 2.93 crore.

After we pointed out the cases, RA, Burdwan and RA, Asansol stated that demand notices would be issued in case of 35 vehicles involving ₹ 4.79 lakh. The other RAs did not furnish replies in the remaining cases.

3.7 Non-realisation of audio fees

Rule 218(7) of the WBMV Rules prescribes an audio fee for installation of any audio set with or without loudspeaker in the motor vehicle.

We found in six¹⁰ RAs that in 6,238 vehicles audio sets were installed; however, audio fees were not realised from the

owners of these vehicles though the vehicles were paying taxes. The system was not customised to make the field "audio fee" mandatory for the vehicles at the time of tax payment to prevent escapement of the fee in these cases. This resulted in non-realisation of audio fee of ₹ 33.32 lakh.

3.8 Non-realisation of dealer's tax

Section 3 of the WBMV Tax Act prescribes that every dealer or manufacturer who keeps any motor vehicle in his possession or control shall pay dealer's tax on such motor vehicle at the prescribed rate at the time of its first registration.

We analysed the 'owner' table and 'additional tax' table and found that in seven¹¹ RAs in 5,298 cases, dealer's tax amounting to

₹ 1.08 crore was not realised from 708 dealers during the registration of new vehicles during the period from April 2004 to March 2009. We also noticed that the dealer's tax field was not made mandatory in the system at the time of

⁸ It is a one-time tax for five years in respect of non-transport vehicles, payable by all types of air conditioned vehicles.

⁹ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, PVD Kolkata and South 24 Parganas.

¹⁰ RAs: Barasat, Barrackpore, Hooghly, Howrah, Siliguri and South 24 Parganas.

¹¹ RAs: Barasat, Barrackpore, Hooghly, Howrah, PVD Kolkata, Siliguri and South 24 Parganas.

registration of the new vehicles. Thus, these dealers were registered without realisation of the dealer's tax.

After we pointed this out, the Department stated (September 2010) that the matter has been referred to NIC for carrying out necessary rectification in the system. However, the reply was silent about the realisation of the amount.

3.9 Non-realisation of showroom inspection fee

Rule 60A of the WBMV Rules prescribes a showroom inspection fee for motor vehicles at the time of first registration.

We found from the database of six¹² RAs that 1,68,939 vehicles had been sold through showrooms or premises of 708 dealers/sub-dealers. There was nothing on record to indicate that inspection was conducted by the RAs. We noticed that the showroom inspection fee field was not made mandatory in the system at the time of registration of the new vehicles and registration of a vehicle was possible without payment of the showroom inspection fee. This resulted in non-realisation of inspection fee of ₹ 1.46 crore from the dealers.

After we pointed this out, the Department stated (September 2010) that the matter has been referred to NIC for carrying out necessary rectification in the system. However, the reply was silent about the realisation of the amount.

3.10 Collection of tax from fitness expired vehicles

Section 56 of the MV Act prescribes that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. Rule 62 of the CMV Rules and Rule 57(6) of WBMV Rules prescribes the validity of certificate of fitness renewed for transport vehicles.

We found from the database of two¹³ RAs that 5,500 vehicles had paid taxes but their fitness certificate was not renewed. The system did not ensure the renewal of fitness of the vehicles at the time of payment of tax. Thus, the vehicles were plying without certification of their fitness which could compromise public safety. The Department should ensure the renewal of Certificate of fitness at the time of payment of tax.

3.11 Non-assignment of new registration mark to other State vehicles

Section 47 of the MV Act, 1988 prescribes that when a motor vehicle registered in one state is kept in another state for a period exceeding twelve months, the owner will apply for new registration mark. If the owner fails to make an application within the period as prescribed, penalty may be imposed under the provisions of the Act.

We found from the database (tax payment records) of PVD, Kolkata that 128 vehicles of other states were paying tax in West Bengal for more than twelve months indicating that these had been plying in this state for more than 12 months

¹² RAs: Barasat, Barrackpore, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

¹³ RAs: Hooghly and Howrah.

without being assigned new registration mark. The RA had not generated any report from the system in respect of these vehicles that were paying taxes for more than twelve months so that action in this regard could be taken.

After we pointed this out, the Department stated (September 2010) that changes in the system to ensure allotment of new registration mark to the vehicles of other states at the time of payment of tax after 12 months will be ensured.

3.12 Irregularity in assignment of registration number

Section 41(6) of the MV Act, 1988 and the notification issued thereunder stipulates that a RA shall assign a unique mark to every vehicle at the time of registration. Provision exists for distinction in the allotment of mark to transport and non-transport vehicles. In a single series, 9,999 vehicles i.e. upto four digits can be awarded registration numbers. These numbers should be awarded in a sequence to monitor the year of registration of the vehicle.

We noticed from the database of 11 RAs that two to three series were taken up simultaneously for allotment of registration number for transport vehicles. Thus, a subsequent series was started even before the ongoing series was exhausted.

The series for registration numbers was allotted by the RAs manually. Thereafter, the numbers were generated by the system for allotment. This resulted in allotment of more than one series simultaneously. This indicates the possibility of misuse of the facility for blocking choice numbers and improper management of registration of vehicles.

There were also gaps between the registration numbers of a series. The missing registration numbers of vehicles were not found anywhere in the database. Due to gaps in the chronological order of registration number, the total number of vehicles registered at a particular period of time could not be ascertained. The missing registration numbers are also vulnerable to misuse.

In two¹⁴ RAs, no separate series was maintained in the allotment of registration mark to non-transport and transport vehicles.

After we pointed this out, the Department stated (September 2010) that suitable change in the system to ensure that before completion of one series of registration number no other series would be started, to maintain separate series for registration of transport and non-transport vehicles and to issue registration numbers serially would be made.

¹⁴ RAs: Asansol and Burdwan.

3.13 Non-maintenance of electronic Tax Demand Register and non-monitoring of tax collection

As per Rule 26 of the WBMVT Rules, 1957, the taxing officer shall maintain a tax demand register (TDR) in form 'J' showing registration number, name and address of the owner, tax due etc. and shall review the register in order to see whether the tax is regularly paid and shall take prompt action against the person concerned who did not pay tax. Further, one of the main objectives of computerisation of the motor vehicles offices was maintenance of updated electronic TDR.

3.13.1 Out of the 11¹⁵ RAs selected for review the Department had transferred the data from TIS to VAHAN in five RAs¹⁶ and in the remaining six RAs it was directly fed in the system from the vehicle registers.

Thereafter though information required for tax demand register was available in the system, it was not maintained in Form 'J' for monitoring tax collection. We analysed the database and found that 2,90,641 vehicles out of 19,30,266 vehicles had not paid tax of ₹ 645.17 crore. This may not be the actual position of non-realisation of tax but the computerised data showed such large extent of non-realisation. The age-wise analysis of these vehicles is mentioned in the table below:

(Rupees in crore)

Category of Vehicles	Age of the vehicles					
	Upto 15 years		Between 15 and 30 years		More than 30 years	
	Cases	Amount	Cases	Amount	Cases	Amount
Transport Vehicles	1,15,001	269.72	28,608	54.24	27,215	130.90
Non-Transport Vehicles	71,843	136.40	34,604	34.55	13,370	19.36
Total	1,86,844	406.12	63,212	88.79	40,585	150.26

Thus, it would be seen from the above table that there are 40,585 vehicles which were more than thirty years old, some of which are dating back to 1930's. The possibility of any of these old vehicles being on the road is remote. The presence of such improbable data in VAHAN indicates that the legacy data in TIS was not eliminated before importing it into VAHAN and further, that the aforesaid mistakes in the VAHAN database were not rectified by proper data validation before commencing on-line transactions. Hence, information generated out of the system may not be authentic and reliable.

Rule 121 of the WBMV Rules read with GOs circulated from time to time prescribe the rates of special fees per annum on heavy goods vehicles having gross vehicle weight (GVW) above 22,542 Kg.

3.13.2 We noticed that out of the above 2,90,641 vehicles, 5,999 vehicles were also liable to pay special fees of ₹ 4.42 crore that was also not recovered by the RAs as the vehicle owners did not turn up for payment of tax and no system for monitoring the collection of tax existed .

¹⁵ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, Nadia, Paschim Medinipur, PVD Kolkata, Siliguri and South 24 Paraganas.

¹⁶ RAs: Barasat, Barrackpore, Hooghly, Howrah and Paschim Medinipur.

3.13.3 The Department had not set up any mechanism to review the VAHAN database to ascertain the actual number of vehicles that were on road and liable to pay tax. The RAs did not attempt to ascertain the amount of arrears pending collection and could not furnish any reason for non-realisation of tax from the defaulting vehicles. We found that though the RAs sent monthly reports to the Assistant Secretary, Transport Department indicating revenue realised during the reported month, the report did not contain any information regarding revenue recoverable from the vehicle owners.

After we pointed this out five¹⁷ RAs in 50,709 cases involving ₹ 100.89 crore stated that demand notices for realisation of the due taxes were being issued. The remaining six¹⁸ RAs did not furnish any reply/specific reply.

The Department admitted the audit observation and stated that some vehicles might have been plying in the State without paying tax. After preparation of the state register of motor vehicles the problem would be sorted out (September 2010).

3.14 Non-realisation of fee for renewal of certificate of registration

Section 41(7) of the MV Act prescribes that the certificate of registration of a non-transport vehicle shall be renewed after a period of fifteen years from the date of issue of such certificate. Rule 81 of the CMV Rules, 1989 prescribes a fee for renewal of certificate of registration.

We found that system was not customised to generate reports in respect of the vehicles that required renewal of registration after the completion of fifteen years. Thus, the RAs were not able to monitor the

registration of vehicles that were paying tax even after the completion of fifteen years. We found from the database of six¹⁹ RAs that out of 1,97,171 cases, in 33,237 cases the registration certificates had not been renewed though the owners of the vehicles were paying tax even after the expiry of validity of registration certificates i.e. 15 years. This resulted in non-realisation of renewal fees of ₹ 66.47 lakh.

After we pointed this out, the Department stated (September 2010) that necessary action to register these cases would be taken.

C. Other instances

3.15 Non/partial mapping of business rules

We found that out of 33 fields prescribed for registration of motor vehicle in 'Form 20' under the CMV Rules 1989, five fields were not mapped in the system. These are mentioned as follows:

¹⁷ RAs: Asansol, Burdwan, Howrah, Nadia and Paschim Medinipur.

¹⁸ RAs: Barasat, Barrackpore, Hooghly, PVD Kolkata, Siliguri and South 24 Parganas.

¹⁹ RAs: Barasat, Barrackpore, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

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

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

SARATHI

The audit findings included in the following paragraphs are based on the analysis of the records relating to post-online system as these pertain to the input controls, validation controls etc. in the system:

3.16 Input control weakness

3.16.1 Lack of data input validation controls

We found from the SARATHI database of the eight RAs selected for review that input validation controls were not inbuilt in the system. Hence, the system was unable to restrict input of invalid data. The following deficiencies were observed due to lack of input validation controls in the system:

- According to Section 4 of the MV Act, 1988, no person under the age of 18 years shall drive a motor vehicle in any public place except in case of motor cycle having engine capacity below 50 cubic capacity (cc) which may be driven by a person above 16 years. Further, only a person above the age of 20 years can drive a transport vehicle. The input validation controls of age of 16/20 was however not made mandatory in the system.

We found in the database of PVD, Kolkata and RA, South 24 Parganas that in seven cases the DLs were issued/renewed to persons below the age of 16 years.

- We found in the database of six²⁰ RAs that in 788 cases DL for transport vehicles were issued though the applicants did not have the requisite minimum educational qualification of eighth standard under Rule 8 of CMVR, 1989.

As the application/documents submitted by the applicants were not made available to audit, we could not verify the data entered in the system.

- Though passing of driving test is compulsory for issue of driving licenses (DLs), we noticed from the 'DD licence' table and 'DL test result' table available in the database that in seven²¹ LAs, 4,458 applicants failed in the driving test and six applicants were absent but DLs were shown to have been issued to the applicants. This indicated that system was not customised to make passing of driving test compulsory for issue of DLs. Thus, the issue of

²⁰ RAs: Barasat, Barrackpore, Burdwan, Hooghly, Howrah and PVD Kolkata.

²¹ LAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, PVD Kolkata and South 24 Parganas.

DLs to ineligible persons cannot be ruled out and this could seriously compromise public safety.

- In 208 cases of six²² RAs, while the registration number of the vehicle on which the driving test was conducted was found to be the same, the class and category of the vehicle was different. In these cases the licensees of four wheelers were shown to have taken the test on two wheelers and *vice versa*. The input validation control of class of vehicle for driving test was not made mandatory in the system to avoid the lapse.

- We found from the 'DD licence' table and 'Learner Licence' table available in the database that in 82 cases under four²³ LAs the learner's licence for transport vehicles was shown to be issued but DL for light motor vehicles was not shown to have been issued in the 'DD licence' table. The input validation control of issue of learner's licence for transport vehicle only after issue of DL for non-transport vehicle was not made mandatory in the system to avoid such lapses.

- According to Section 14(2)(a) of the MV Act, 1988, licence to drive transport vehicle shall be effective for three years except DL issued to persons driving vehicles carrying dangerous or hazardous goods, which will be effective for one year.

We found in the database of three²⁴ RAs that in 45 cases DL for transport vehicles were issued with validity of more than three years and in seven²⁵ RAs we noticed that in 3,669 cases licences were issued with validity of less than three years in contravention of the rules. As the applications/documents submitted by the applicants were not made available to audit, the data entered in the system could not be verified by us.

- According to Section 14(2)(b) of the MV Act, 1988, a licence to drive non-transport vehicle shall be effective for twenty years or until the date on which the licence holder attains the age of fifty years, whichever is earlier.

We found in the database of five²⁶ RAs that in 761 cases DL for non-transport vehicles were issued with validity of more than twenty years and in eight²⁷ RAs we noticed 8,652 cases where it was issued with validity of less than twenty years in contravention of the rules.

- In 138 cases under four²⁸ RAs 'challan' numbers of money receipts in token of DL fee generated by SARATHI were found duplicate.

- We found in the database of seven²⁹ offices that 8,892 transactions had been conducted on Saturdays or Sundays though the offices of the RAs remain closed on those days.

²² RAs: Asansol, Barasat, Barrackpore, Hooghly, Howrah and PVD Kolkata.

²³ LAs: Barasat, Burdwan, PVD Kolkata and South 24 Parganas.

²⁴ RAs: Barrackpore, PVD Kolkata and South 24 Parganas.

²⁵ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah and PVD Kolkata.

²⁶ RAs: Barasat, Barrackpore, Burdwan, PVD Kolkata and South 24 Parganas.

²⁷ RAs: Asansol, Barasat, Barrackpore, Burdwan, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

²⁸ RAs: Asansol, Burdwan, PVD Kolkata and South 24 Parganas.

²⁹ LAs: Barasat, Barrackpore, Burdwan, Hooghly, Howrah, PVD Kolkata and South 24 Parganas.

We also found that the data entered in the respective tables was not checked by any other person/supervising authority to ensure its correctness/credibility.

Since incorrect issue of driving licenses is fraught with the risk to public safety, it is desirable that the Department ensure that the important fields mentioned above are made mandatory so that the system cannot proceed further in the event of any violation of business rules being detected.

After we pointed this out, the Department referred the matter to NIC for input validation controls (September 2010).

3.16.2 Incomplete database

We found that important fields were not made mandatory for data input. Consequently, the following fields were not captured in the system as detailed in the following table:

Sl. No.	Name of the table and total number of records	Name of the field	Number of records found blank
1.	DDLICENCE (8,85,440)	DL issuing authority	3,02,408
2.		Testing authority	8,83,441
3.		Pin code	86,800
4.		Qualification of DL holders	7,14,066
5.		Inward number	14,862
6.		1 st Identification Mark	2,95,970
7.		2 nd Identification Mark	3,37,799
8.		Vehicle registration number for conducting driving test	2,28,266
9.		Challan details (₹ 4.19 lakh)	1,802
10.	TEST RESULT (2,66,321)	Challan number	1,51,766
11.		Test result	23,400

In the absence of mandatory details of driving test such as “testing authority” and “registration number” of the vehicle on which driving test was conducted we could not derive reasonable assurance that driving tests were actually being conducted before issue of driving licences. We recommend that the Government may issue directions for capturing data in such important fields.

After we pointed this out, the Department stated that the matter would be checked and it would be referred to NIC for necessary action (September 2010).

The Government may ensure the completeness of the IT system by incorporating the business rules and putting in place proper validation controls which would ensure generation of complete and reliable information.

CHAPTER-IV

OTHER OBSERVATIONS

4.1 Introduction

The activities of Transport Department relating to issue/renewal of permits, trade certificates, licence to sub-dealers, maintenance of cash book, activities of the enforcement wing like receipts from compounding of fines and seizure of documents/vehicles were being performed manually. All these provisions except for issue/renewal of trade certificate were available in VAHAN but were not being utilised by the Department. We conducted the audit of these non-computerised activities and found certain deficiencies which are mentioned in this chapter.

We also observed that no Manual detailing the working of and the process of collection of motor vehicle taxes, fees and fines was prepared by the Transport Department.

4.2 Short realisation of permit fees

Permit is an important means to regulate the plying of transport vehicles within and outside the State. Every owner of a transport vehicle requires a permit to be granted or countersigned by the RAs or State Transport Authority (STA). The Transport Department issues and renews permits to contract carriages, stage carriages and goods carriages on realisation of requisite fees.

Rule 126 and 127 of the WBMV Rules, 1989 read with Notification No. 5305 WT dated 12.12.2003 prescribe the rates of fees for grant and renewal of permit for stage carriage, contract carriage, goods carriage, etc. in schedule 'A' of the rules *ibid*. The permit fees were subsequently enhanced with effect from 20.10.2005 vide Notification No. 4026-WT/ 6M-13/2005 dated 05.10.2005.

We found from scrutiny of the permit registers in the offices of 10¹ RAs that the RAs granted/renewed 2,732 permanent stage carriage permits, contract carriage permits and goods carriage permits valid for various periods between April 2004 and October 2014. However, the Department realised permit

fees at rates lower than the revised rates. This resulted in short realisation of permit fees of ₹ 37.85 lakh.

After this was pointed out, the Department accepted (September 2010) the audit observation. However, the action taken to recover the amount has not been received.

¹ RAs: Asansol, Bankura, Barasat, Burdwan, Howrah, Nadia, Paschim Medinipur, Purba Medinipur, PVD Kolkata and South 24 Parganas.

4.3 Short realisation of composite fee by State Transport Authority

As per Rule 87 of the CMV Rules the Transport Authorities of different states grant National Permit (NP) to goods carriages and collect composite fee in the form of bank draft (BD) from the holders of such permits and dispatch these to the State Transport Authority (STA) of the concerned state for permitting those vehicles to ply in that state. Further, Rule 128(4) of the WBMV Rules, 1989 provides that the annual rate of composite fee for goods carriages of other states in West Bengal shall be the same as fixed by those states from time to time for permitting the vehicles of West Bengal to ply in those states. The rate of composite fee ranged between ₹ 3,000 and ₹ 5,000 during the period under review.

4.3.1 We found that the STAs of 14 states² and Union Territory of Chandigarh sent 915 BDs for composite fees in respect of 10,546 NPs to the STA, West Bengal between February 2006 and March 2009. However, the composite fee was collected by those states at rates lower than the prescribed rates. The states were liable to send the composite fee of

₹4.64 crore instead of ₹2.29 crore through BDs. The STA, WB did not take up the matter with the authorities concerned for realisation of the balance amount resulting in short realisation of composite fee of ₹ 2.35 crore.

After we pointed this out, the Department accepted the audit observation and assured that the cases would be looked into (September 2010).

4.3.2 Our scrutiny further revealed that the Government of Tamil Nadu enhanced the rate of composite fee from ₹ 3,000 to ₹ 5,000 from 12.12.2008 through Notification dated 12.12.2008 circulated to all the States. Since the composite fee was required to be collected on reciprocal basis, the Government of West Bengal was required to issue orders for realisation of the tax at the rate of ₹ 5,000 per annum/per vehicle from the said date. However, the Government neither issued any order for collection of the tax nor did it request the Government of Tamil Nadu for collection of the difference of the composite tax from 1,663 permit holders of Tamil Nadu received between 26.12.2008 and 14.8.2009. This resulted in non-realisation of revenue of ₹ 33.26 lakh in the shape of composite fee.

After we pointed this out, the Department admitted the audit observation. However, specific action taken on this issue has not been intimated to the audit (September 2010).

² Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Nagaland, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh.

4.4 Deficiencies in monitoring, remittance and reconciliation of bank drafts

4.4.1 Absence of provisions for maintenance of register for recording defective/lapsed drafts

Bank Drafts (BDs) are remitted to Reserve Bank of India (RBI) for credit into the Government account. Defective or lapsed BDs are returned by RBI to the STA, from time to time.

We found that the WBMV Rules did not provide for maintenance of any register for monitoring the receipts of lapsed/defective BDs returned from the RBI. Consequently the STA, WB

did not maintain any separate record/register to monitor receipt of defective or lapsed BDs returned by RBI, Kolkata. Therefore, the actual number of BDs lapsed, subsequently revalidated and remitted to the Government account could not be ascertained.

We also found that the RBI, Kolkata returned 10,207 BDs valued at ₹ 2.22 crore to STA, WB as the validity of those drafts had expired. The STA, WB sent back the BDs to the issuing banks between July 2005 and March 2009 for revalidation. However, no record/register was maintained to watch revalidation and return of the lapsed drafts. This resulted in blocking of revenue of ₹ 2.22 crore as revalidation of the BDs is still pending.

After we pointed this out, the Department admitted the audit observation and stated that the problems would be solved with the introduction of the new system of receiving composite fees online.

4.4.2 Non-reconciliation of bank draft

The West Bengal Financial Rules provide that the departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury.

We cross verified remittance of 70 challans of BDs with the records of the RBI, Kolkata and noticed that BDs amounting to ₹ 2.08 crore were remitted to RBI, Kolkata between June 2006 and March 2008 but we traced the credits aggregating to ₹ 2.01 crore only in the Government account during that period. Non-reconciliation by the Department with the RBI resulted in non-detection of the variation of ₹ seven lakh.

After we pointed this out, the Department stated that reconciliation was started only from December 2009.

4.4.3 Non-authentication of entries made in Bank Draft Registers

The WBMV Rules, 1989 do not prescribe maintenance of a bank draft register to monitor the receipt and remittance of bank drafts.

We noticed that the STA, WB received a large number of bank drafts for composite fee for National Permit (NP) from different states. Though the details of the BDs were recorded in a register, the entries made in the register were neither authenticated nor periodically reviewed by any responsible

officer of the STA to ascertain the correctness of remittance of revenue to the Government account.

After we pointed this out, the Department admitted the audit observation and stated that the receipts and remittances of bank drafts could not be adequately monitored due to involvement of the officers of STA in court cases most of the time.

4.5 Improper maintenance of cash book

As per the West Bengal Treasury Rules and Subsidiary Rules, a cash book is required to be maintained in order to monitor receipts and remittance of revenue. All transactions should be entered in the cash book as soon as they occur and attested by the head of office in token of check. The head of the office should verify the totaling of the cash book or have this done by some responsible officer sub-ordinate to him other than the writer of the cash book and initial it as correct. At the end of each month the head of the office should verify the cash balance in the cash book and record a signed and dated certificate to that effect. Entries made in the cash book regarding remittances of receipt to the accredited bank for credit into Government account should be attested by the head of office after verifying them with reference to the bank receipt recorded in the pay-in-slips or challans.

We found that the receipts in token of money received were generated through RVS but cash book was being maintained manually in all the RAs test checked. The following irregularities were found in the cash book of three³ RAs:

(i) In PVD, Kolkata, we found that the cash book was neither signed by the cashier-in-charge nor was it verified by any officer during the period between August 2008 and February 2009. The collection on 17 October 2008 was shown in the cash book as ₹ 2.19 lakh. However, a

sum of ₹ 1.84 lakh only was remitted on 20 October 2008. Cross verification of the treasury records also confirmed that the actual deposit was ₹ 1.84 lakh. This resulted in short remittance of ₹ 0.35 lakh. The local office admitted that it was a bonafide mistake and stated that actual cash collection on 17 October 2008 was ₹ 1.84 lakh instead of ₹ 2.19 lakh which was wrongly entered on the receipt side of the cash book. Further, the local office stated that signature and authentication of the cash book had since been completed. However, the cash book was not shown to audit to enable us to verify this.

(ii) In RA, South 24 Parganas, during October 2005 and March 2009, a computer printout of daily receipts on account of receipt of taxes, fees & fines etc. was affixed on the 'Receipt' side of the cash book without any attestation/ authentication by any officer.

(iii) The blank 'payment' side was signed by the RA, South 24 Parganas upto 30 June 2008.

³ RAs: Asansol, PVD Kolkata and South 24 Parganas.

(iv) No cash collection was reflected on the receipt side of the cash book on 4 September 2008 and 5 September 2008, though those days were weekdays on which the office remained open.

(v) No cash collection on account of taxes, registration and permit was shown on 13 March 2009 except the collection of licence fees.

(vi) Neither was the monthly cash balance verified nor was any signed and dated certificate to that effect recorded by the head of the office.

The RA, South 24 Parganas, *inter alia* stated that due to failure of the computer system on 4 September 2008, no transaction was done on 5 September 2008. However, action would be taken to reflect the collection of 4 September 2008 in the cash book. The matter regarding maintenance of the Cash Book was noted for future guidance. However, the probability of gathering the details of the collections made on 4 September 2008 appears remote in view of our findings reported in para 2.5 of Chapter II.

In RA, Asansol no cash book was maintained during the period January 2008 and March 2009. Daily collection of revenue report extracted from computer was kept and that was produced to audit for verification.

In reply RA, Asansol stated that they had noted the audit observation for future guidance.

We recommend that the Government may consider issuing directions to the Department for maintenance of the cash book in accordance with the Treasury Rules and ensure that the prescribed checks are exercised by the head of the offices to safeguard Government revenues.

4.6 Non-disposal of seized vehicles

Section 16 of the WBMVT Act and Section 12 of the WBAT Act provide that a motor vehicle may be detained and seized by the enforcement authority due to non-payment of tax and additional tax and may be released on realisation of dues within 30 days of seizure. The owner is liable to pay double the amount of tax and penalty within a further period of 15 days after expiry of the said 30 days. In case no one turns up claiming the ownership of the motor vehicle within 30 days from the date of seizure, the Taxing Officer shall auction the vehicle to recover the Government dues.

We found from the records of seized vehicles, case registers and seizure lists in PVD, Kolkata and two⁴ RAs that 47 vehicles were seized between January 2006 and September 2009 for plying on road

without payment of tax and additional tax. In 33 cases, tax dues were assessed at ₹ 25.07 lakh and demand notices were issued between April 2007 and November 2009 by the RAs. The defaulting owners of the seized vehicles neither paid the assessed dues nor were any action taken by the RAs to dispose of the seized vehicles through auction. In the remaining 14 cases tax was not assessed by the RAs. The details like engine capacity, type of vehicles, etc.

⁴ RAs: Howrah and South 24 Parganas.

were not found on record. As such the amount recoverable from these vehicles could not be ascertained.

After we pointed this out, the Department accepted the audit observation and stated that reminders had recently been issued to the concerned RAs for necessary action.

4.7 Non-issuance of saleable forms

Rule 123 of the WBMV Rules provides that all kinds of forms prescribed under the CMV Rules, 1989 and the WBMV Rules, 1989, such as application form for issue of registration certificates, driving licences, permits etc. shall be saleable and priced at the rate of ₹ 5 per page (including both sides of each form).

We noticed that the Department was not supplying the forms for issue of registration certificates and driving licences. We found in the offices of the STA, WB and nine⁵ RAs that 13,02,084 licences, registration certificates, permits etc. were issued

during the period under review. However, no statutory forms were issued by the RAs and the applicants procured the forms from private agents. The Department could have earned revenue of ₹ 1.07 crore by sale of the forms.

After we pointed this out, the Department accepted the audit observation and stated that in place of the present system, computerised system of application was to be introduced (September 2010).

4.8 Non-realisation of differential tax and penalty from the owners of two wheelers

Section 9A of the WBAT Act as amended in August 2003, provides that the owner of a motor cycle registered after 25 November 1991 has to pay the difference of the life time tax payable as specified in schedule III and one-time tax (OTT) already paid within the appointed date. Notification issued by the State Government in December 2004, stipulated 16 March 2005 as the appointed date for payment of the difference of tax. In case of non-payment of differential tax within the prescribed date, penalty depending upon the category of the vehicle and the delay is leviable at the prescribed rates.

We found in the offices of four⁶ RAs that the owners of 2,345 two wheelers registered between July 2002 and February 2004 did not pay the differential tax of ₹ 46.82 lakh even 22 to 58 months after

lapse of the stipulated date. No action was taken by the Department to realise the same by issue of demand notices. This resulted in non-realisation of tax of ₹ 93.64 lakh including penalty of ₹ 46.82 lakh.

⁵ RAs: Asansol, Bankura, Barasat, Barrackpore, Jalpaiguri, Malda, Nadia, Purba Medinipur and Siliguri.

⁶ RAs: Asansol, Bankura, Malda and Siliguri.

After we pointed this out, the RAs stated that demand notices would be issued to realise the dues as soon as possible.

4.9 Application of incorrect rate of special tax

Section 9B of the WBAT Act, as amended from time to time, provides for realisation of one time tax for five years from the owners of non-transport vehicles at the prescribed rate based on their use, engine capacity and seating capacity in lieu of annual tax payable under the WBMVT Act. Further, the schedule to the Act provides for levy of special tax if such motor vehicle is air conditioned. In case of non-payment of one-time tax and special tax beyond 15 days after the due date, penalty ranging between 5 and 100 *per cent* of the unpaid tax is leviable.

We found in the offices of six⁷ RAs that the owners of 252 light motor vehicles either paid annual tax instead of one time tax for five years or RAs applied incorrect rates. The RAs did not take any action to realise the tax dues. This resulted in non-realisation of one time tax of ₹ 15.46 lakh. Besides penalty of ₹ 15.46 lakh could have been levied.

After we pointed this out, the Department accepted the audit observation and assured to look into the cases (September 2010).

4.10 Non/short realisation of tax, additional tax and penalty from the owners of Motor Training Schools

Rule 24 of the CMV Rules prescribes that no person shall establish or maintain any driving school or establishment for imparting instructions for driving motor vehicles without a licence granted by the licensing authority. Moreover, the vehicles owned by motor training schools are liable to be taxed at the rates prescribed in the Schedules.

We found from the motor training school register maintained in the offices of PVD, Kolkata RA, Howrah and RA, Barasat that in case of 139

vehicles owned by 83 motor training schools, the RAs either did not realise tax and additional tax or realised such taxes at lower rates. The application of lower rate was due to the fact that the RAs were treating these vehicles as owned by individuals and charging the tax at a lower rate. This resulted in non/short realisation of tax and additional tax of ₹ 21.42 lakh. Besides penalty of ₹ 21.42 lakh could have been levied.

After we pointed this out, the Department accepted the audit observation and assured to look into the cases (September 2010).

⁷ RAs: Bankura, Burdwan, Malda, Nadia, Purba Medinipur and Siliguri.

4.11 Non-monitoring of renewal of trade certificates

Rule 33 of the CMV Rules provides that a motor vehicle in the possession of a dealer shall be exempted from the necessity of registration subject to the condition that the dealer obtains a trade certificate (TC) from the concerned RA. No holder of a TC shall deliver a motor vehicle to a purchaser without registration of the vehicle, whether temporary or permanent. Further, Rule 35 of the CMV Rules, 1989 prescribes that a TC granted to a dealer shall be valid for twelve months from the date of issue and shall be renewable on realisation of prescribed fees. Presentation of vehicle for registration by the dealer before the RA with invalid TC attracts penalty u/s 192 of the MV Act, 1988.

4.11.1 We noticed that the RAs did not monitor the vehicles presented for registration with invalid TCs. No survey was also conducted to identify the dealers using invalid TCs for presentation of vehicles. No penalty was imposed on the dealers who presented the vehicles for registration with invalid TCs. We found in five⁸ RAs that the validity of 183 TCs issued to 50 dealers had expired between July 2000 and July 2009. No record was maintained in respect of presentation of vehicles by the defaulting dealers before the RAs for registration with invalid TCs. This resulted in non-realisation

of TC renewal fees of ₹ 1.08 lakh.

Further, the following two RAs renewed 13 TCs of three dealers in an irregular manner as mentioned below:

4.11.2 We noticed in PVD, Kolkata that a dealer applied for renewal of TC on 29 June 2007 and deposited fees on 5 September 2007. However, renewal was granted retrospectively from 26 May 2007. The dealer presented four auto rickshaws for registration between 31 May 2007 and 27 June 2007 with invalid TCs. However, no penalty was imposed.

We noticed in RA, Asansol that in case of one dealer, renewal of TC was granted for three years at a time with retrospective effect and in another case renewal was granted after expiry of the provisional appointment for dealership.

After we pointed this out, the RA, Asansol agreed to conduct survey to identify the dealers operating within his jurisdiction with invalid TCs. The RA, South 24 Parganas stated that attempts would be made to take up the matter with NIC for on-line link-up so that the system would not allow registration of vehicles presented for registration on the basis of invalid TCs. The remaining RAs did not furnish any specific reply.

⁸ RAs: Asansol, Burdwan, Nadia, PVD Kolkata and South 24 Parganas.

4.12 Non-realisation of licence renewal fee for sub-dealers

Rule 75(4) of the WBMV Rules prescribes that the RA should grant licence to sub-dealers to sell or deal or keep in possession any motor vehicle. A licence so issued is valid for a period of one year only and shall be renewable on payment of prescribed fees. District Magistrate is the administrative head of all the State Government offices in the district. The RAs work under the administrative control of the District Magistrate/Additional District Magistrate.

We noticed that the licence register to watch over the grant or renewal of sub-dealer's licence and the fees was not maintained in the four⁹ RAs. In the absence of this control mechanism, we could not ascertain the number of sub-dealer's licences issued, date of expiry of the licences, date of renewal and fees realised etc.

We further found from the licence register maintained in five¹⁰ RAs that the validity of licences of 135 sub-dealers had expired between 2005 and 2009.

The District Magistrate, Howrah issued suspension notices to 47 sub-dealers in March 2009 without conducting enquiry whether the sub-dealers continued with their business during the intervening period. The other RAs did not take any action to realise the sub-dealer's licence fee. This resulted in non-realisation of revenue of ₹ 23.80 lakh.

After we pointed this out, the RA, Bankura and RA, Paschim Medinipur stated that demand notices for realisation of the fee would be issued. The RAs, Howrah, Barasat and Siliguri did not furnish any specific reply.

We reported the above observations to the Department/Government in June 2010. They assured (September 2010) that necessary action would be initiated. A report on further action has not been intimated (February 2011).

4.13 Lack of proper infrastructure in Rampur Motor Vehicles Check post

The Rampur MV check post is situated on National Highway-2 at a distance of 14 kilometers from Asansol town. The check post had no check gate or any barrier to stop vehicles. As a result, the enforcement activities were conducted by the motor vehicles inspectors near the check gate of Garui Toll Plaza under the jurisdiction of National Highway Authority of India. The lighting arrangements at the check post was inadequate and hindered enforcement activities at night.

The check post was located in an isolated place. Though the average daily collection of revenue at the check post was around ₹ three lakh which was required to be deposited into the State Bank of India, Asansol Branch, there was no arrangement for permanent posting of police personnel.

After being pointed out by us, the Department accepted the audit observation and assured to look into the case (September 2010).

⁹ RAs: Burdwan, Nadia, PVD Kolkata and South 24 Parganas.

¹⁰ RAs: Bankura, Barasat, Howrah, Paschim Medinipur and Siliguri.

4.14 Non-integration of MV check post and commercial tax check post

In order to augment the collection of revenue, the Additional Chief Secretary, Transport Department instructed the District Magistrate, Burdwan in July 2007 to shift the Rampur MV check post near the Commercial Tax Check Post at Duburdihi for combined checking of vehicles with the commercial tax inspectors. Moreover, the Ministry of Surface Transport, Government of India also advised the State Government to set up integrated check posts. Though the matter was discussed in the revenue meeting held in February 2009, no further action had been taken for integration of the check post.

The Government may consider integration of the check posts to augment collection of revenue.

4.15 Internal Audit

Internal audit is a vital tool available to the management to monitor the functioning of an organisation. It helps the management to take corrective action wherever necessary to ensure that the systems are functioning reasonably well and the stated objectives are achieved.

The Internal Audit Branch set up in November 1998 under the Finance Department conducts internal audit in various Departments.

We observed that the Transport Department had no internal audit wing. The Finance (Internal Audit) Department also did not conduct audit of the Department during the period under review.

The Government may ensure that internal audit of the Department is conducted periodically.

CHAPTER-V

CONCLUSION AND RECOMMENDATIONS

The irregularities noticed during the review of the Transport Department have been discussed in the preceding chapters. The conclusions arrived at and summary of recommendations are mentioned in the succeeding paragraphs.

5.1 Conclusion

Despite instructions of GOI in 2002 to implement the standard software applications 'VAHAN' and 'SARATHI', little progress could be achieved by the State Government. By March 2009, only 19 RAs out of 26 RAs were using the 'VAHAN' package while only nine RAs were using 'SARATHI' for issuing driving licenses. Thus, the IT system had restricted geographical coverage. The RAs were not linked up and thus, no progress could be made in implementing a state wide area network to ensure that the entire state wide data of motor vehicles was available at a central server. Consequently, the State register of Motor Vehicles could not be prepared which in turn impacted on the preparation of a National Register of Vehicles. Even after a lapse of six years from the date of commencement of computerisation, all the modules are not yet operational and some of the applications are still being done manually. A locally developed software was being used in a few RAs for accounting purposes and such an application carried risks from the control point of view. Thus, the objectives of computerising the system of registration and taxation of vehicles and issuing of driving licenses could not be fully achieved.

The Department did not have an IT strategy or an IT plan leading to absence of direction in the IT implementation. The system was further compromised when complete information was not captured in the database and deficient input controls and validation checks, non-mapping of business rules and probability of manual interventions made the data unreliable. Lack of adequate supervision resulted in erroneous data capture thereby resulting in data redundancy. The IT procedures and management of changes were not satisfactory and records and relevant documentation describing the impact and testing of IT changes did not address all recent changes to the business rules. Legacy data was not weeded out from the database rendering it unreliable. The Department had not formulated and documented any security policy and had not issued any guidelines for protection of hardware and software of the system. Preventive and detective measures like installing and updating antivirus software, user's id and passwords were left to the discretion of the RAs, thus putting the assets at risk.

The Department was not able to extract useful information from the system regarding defaulters and has thus failed to exploit the full potential of the IT system. The system as a management information system (MIS) was inadequate.

No Manual detailing the working of and the process of collection of motor vehicle taxes, fees and fines was prepared by the Transport Department. The Department did not have an Internal Audit Wing and no internal audit was ever conducted, as a result of which the weaknesses in the functioning of the Department remained undetected.

5.2 Summary of recommendations

The Government may consider taking the following steps to enhance the efficiency and effectiveness of the Transport Department:

- developing an IT strategy and an IT plan to avoid ad-hoc implementation of the computerisation efforts;
- setting a time frame for early completion of all functions and in all RAs;
- establishing a State wide area network with interconnectivity of all offices to integrate the database so that the data being captured at RA level can be integrated at the state level in order to establish the State Register of vehicles;
- incorporating stringent input and validation controls into the system to ensure that unauthorised, invalid and non-existing data is not fed into the system to enhance data reliability and completely eliminate manual intervention;
- maintaining a well documented change management procedure for ensuring transparency and effective internal controls;
- drawing up an IT security policy with adequate documentation with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system;
- generating periodical reports from the system as a tool of management information system to aid the management to monitor the revenue collection and take suitable corrective measures; and

- establishing an internal audit wing for conducting periodical audit of the Department and preparing a manual detailing the internal control mechanism in the Department.

Kolkata
The



(M. RAY BHATTACHARYYA)
Accountant General (R,W & LBA)
West Bengal

Countersigned

New Delhi
The



(VINOD RAI)
Comptroller and Auditor General of India

ANNEXURE -I

Types of Taxes, Fees and Fines levied on Motor Vehicles and for Driving Licences by Transport Department

VAHAN

1. Registration of Vehicles: a) "Registration fee" is paid by the owner of the vehicle.
b) "Fancy registration marks fee" is paid by the owner of the vehicle for assignment of a registration mark for which he has a fancy for, if any.
c) "Showroom Inspection fee" shall be realised from the dealer or sub-dealer for inspection of vehicles by the transport authority.
d) "Dealer's tax" shall be paid by the dealer as specified in tax schedule in respect of the motor vehicles in his possession or control, whether or not such motor vehicles are driven in any public place.
2. Certificate of fitness of vehicle: Fitness fee is paid by the owners of vehicles for inspection of their vehicles by the transport authority.
3. Tax: (I) Road tax
 - a) "Life time tax" means the tax imposed on motor cycle or motor cycle combination under the Act and leviable for the entire life-time of such motor cycle or motor cycle combination, as the case may be.
 - b) "One-time tax" means the tax imposed on motor car and omnibus as specified for a period of five years from the date of its registration and being less than 10 years old and not being transport vehicles.
 - c) "Quarterly tax" means transport vehicle shall pay tax quarterly in advance, but a rebate of five per cent shall be allowed if the tax is paid for the whole year in advance.(II) "Special tax" is realisable at the prescribed rates for air conditioned vehicles based on their use, seating capacity, engine capacity and category of the vehicles.
(III) "Special fee" is realisable from the owners of heavy goods vehicle having gross vehicle weight (GVW) above 22,542 Kg.
(IV) "Audio fees" is realisable from the owners of vehicle in which any audio set with or without loudspeaker is installed.
4. Renewal of Certificate of registration: In case of non-transport vehicles certificate of registration is valid only for a period of fifteen years from the date of issue of such certificate and shall be renewable on payment of required fees.

SARATHI

1. Application for learner's licence is made by the applicant with proof of residence, age and citizenship.
2. Preliminary test is taken for learner's licence by the licensing authority for its satisfaction so that the applicant possesses adequate knowledge and understanding of the traffic signs, signals, rules of the road and duties of a driver.
3. Application for driving licence shall be accompanied by an effective learner's licence and appropriate fees.
4. Driving test shall be conducted by the licensing authority in a vehicle of the type to which the application relates.
5. Issue of driving licence by a licensing authority.
6. Addition to driving licence shall be accompanied by an effective learner's licence and driving licence held by the applicant with appropriate fees.
7. Renewal of driving licence shall be accompanied by driving licence and appropriate fee.

ANNEXURE-II

Year of Audit Report	No. of paragraphs	Audit Report Paragraph number
Selected paragraphs		
1994-95	1	5.2 (Review)
1997-98	1	5.08
2001-02	1	5.02 (Review)
2003-04	1	5.6
2004-05	1	5.2
2005-06	1	4.6
2007-08	1	5.4
Total	7	
Unselected paragraphs		
1981-82	2	3.2, 3.3
1982-83	7 + 3*	4.2.2(a), 4.2.3, 4.2.4, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9
1983-84	8	3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10
1984-85	5	5.2, 5.3, 5.4, 5.5, 5.6
1985-86	9	5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10
1986-87	9	6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10
1987-88	15	5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.10, 5.11, 5.12, 5.13, 5.14, 5.15, 5.16, 5.17
1988-89	8	4.2, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10
1989-90	7	4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8
1990-91	9	4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10
1991-92	11	5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12
1992-93	13	5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12, 5.13, 5.14, 5.15
1993-94	8	5.2, 5.3, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12
1994-95	6	5.3, 5.4, 5.5, 5.6, 5.7, 5.8
1995-96	12	5.02, 5.03, 5.04, 5.05, 5.06, 5.07, 5.08, 5.09, 5.10, 5.11, 5.12, 5.13
1996-97	14	5.02, 5.03, 5.04, 5.05, 5.06, 5.07, 5.08, 5.09, 5.10, 5.11, 5.12, 5.13, 5.14, 5.15
1997-98	6	5.03, 5.04, 5.05, 5.06, 5.07, 5.09
1998-99	7	5.02, 5.03, 5.04, 5.05, 5.06, 5.07, 5.08
1999-00	5	6.03, 6.04, 6.05, 6.07, 6.08
2000-01	7	5.02, 5.04, 5.05, 5.06, 5.07, 5.08, 5.09
2001-02	3	5.03, 5.04, 5.05
2002-03	6	5.2, 5.3, 5.4, 5.5, 5.6, 5.7
2003-04	4	5.2, 5.3, 5.4, 5.5
2004-05	5	5.3, 5.4, 5.5, 5.6, 5.7
2005-06	4	4.2, 4.3, 4.4, 4.5
2006-07	5+1*®	5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6.1, 5.2.8, 5.2.9, 5.2.10, 5.2.11, 5.2.12, 5.2.13, 5.2.14, 5.3, 5.4, 5.5, 5.6, 5.7
2007-08	3	5.2, 5.3, 5.5
Total	198 + 4	

* Sub-paragraph ® Review.