

The Commercial Tax Department failed to follow best practices in implementation of e-challan due to which completeness, accuracy and validity of e-challan details submitted by the dealer could not be verified.

(Paragraph 8.24)

The Commercial Tax Department did not apply input and validation checks in COMTAX software to prevent entry of same challans for payment of different taxes. This resulted in use of same challans for payment of VAT and entry tax.

(Paragraph 8.27)

8.1 Introduction

'e-challan' is a web enabled software to facilitate capture of online payment made by the taxpayers who have an internet enabled online bank account. It was developed under the supervision of the Directorate of Treasury, Government of Chhattisgarh (GoCG) through National Informatics Centre (NIC), Raipur. The customized challan format where in government receipts can be accepted through internet via banking gateway and sent to treasury for all Departments was approved by Government of Chhattisgarh vide Rule 64A and 64B of Chhattisgarh Treasury Code.

In addition to this, the Transport Department has also facilitated (2012) the taxpayer to pay the motor vehicle tax through another portal i.e., Dealer Point Registration (DPR). The DPR software was developed by Smart Chip Limited. Government receipts can be paid through the bank's gateway after filling the requisite data in the e-form provided in the portal. The data at the end of the day is communicated by the bank to the concerned Treasury for compilation of the receipts account. It also provides for a citizen's interface to provide basic services to citizens.

8.2 Audit objectives

The main objectives were to evaluate:

- Whether proper planning was done by the Departments before implementation of e-challan;
- Whether all the controls are defined and operational in the IT environment;
- Whether application controls were defined and system was in compliance with laid down business rules;
- Whether necessary steps were taken to train the manpower to work in IT environment and
- Whether operational efficiency including services delivered to public/citizen/stake holders improved after implementation of e-challan.

8.3 Organisational set-up

The Director of Treasury, Accounts & Pension (DTAP)¹, Government of Chhattisgarh (GoCG) was the nodal agency to implement the e-challan software. The Director Treasury works under the administrative control of Secretary, Finance Department.

8.4 Scope and methodology of Audit

The Performance Audit on “Implementation of e-challan” was conducted in two departments viz., Commercial Tax and Transport Department, as these two were major revenue earning Departments for the Government. Director, Treasury was the implementing agency and hence was selected.

For evaluation of controls in modules of the application software and to ascertain completeness, regularity and consistency of the database 11² units of two Departments were selected on Simple Random Sampling (without replacement) basis. As the software was developed and maintained by National Informatics Centre (NIC) and Smart Chip (for DPR), required data was requisitioned from them.

The audit was conducted between May 2015 and August 2015 and period of audit coverage was from 2010-11 to 2014-15. The records/ files and data (oracle dump data) regarding e-challan provided by the auditee pertaining to this period was analysed through Structured Query Language (SQL) and Excel.

8.5 Audit Criteria

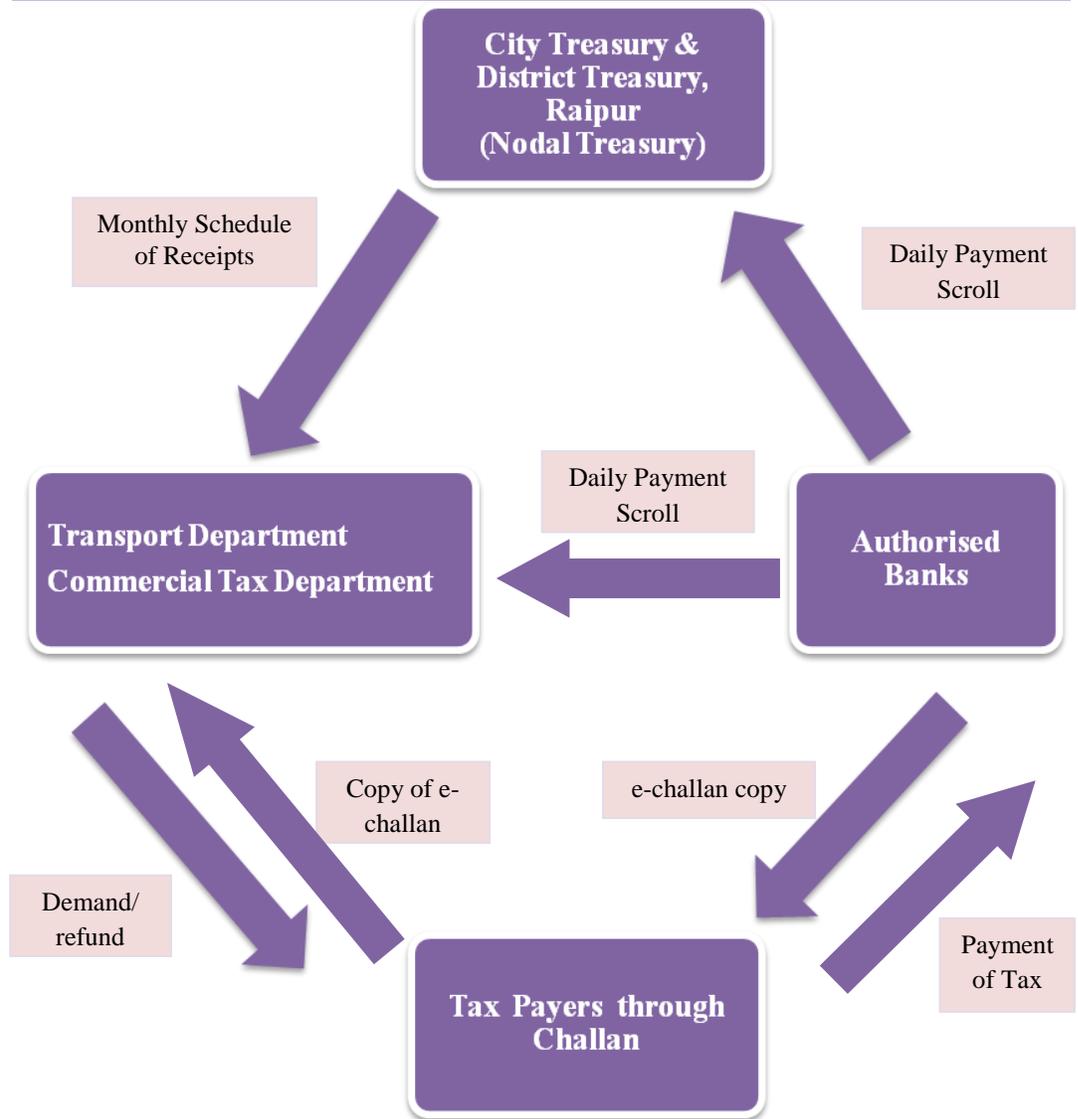
The provisions of following Acts, Rules etc., formed the criteria for Audit:

- Chhattisgarh Value Added Tax Act, 2005 (CGVAT Act);
- Central Sales Tax Act, 1956 (CST Act);
- Chhattisgarh Entry Tax Act, 1976 (CGET Act);
- *Chhattisgarh Motoryan Karadhan Adhiniyam* (CGMKA) 1991 and rules made thereunder; and
- Instructions, guidelines, norms etc. issued by the Department and the Government from time to time.

¹ Director, Treasury

² Transport Department- Commissioner (Transport), Regional Transport Officer (RTO) Bilaspur, RTO Jagdalpur, RTO Raipur, Additional Regional Transport Officer (ARTO) Durg, ARTO Rajnandgaon and District Transport Officer Jashpur: Commercial Tax Department- Commissioner (Commercial Tax), Commercial Tax Officer (CTO) Durg, CTO-7 Raipur and Assistant Commissioner-2 Division II Raipur.

8.6 Process flowchart of e-challan



The software was developed by the National Informatics Centre, Raipur. 'e-challan' is a web based portal in which the backend software used is Oracle while Java is used for frontend.

8.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of Directorate Treasuries, Commercial Tax and Transport Departments for providing requisite information and records to audit. The scope and methodology of audit was discussed with the Secretary, Transport Department in the entry conference held in June 2015. The draft report was forwarded to the Government and the Department on September 2015. The exit conference was held in October 2015 wherein the audit findings, conclusions and recommendations were discussed. The Government was represented by the Secretary, Finance and Principal

Secretary, Transport Department. The replies received during the exit conference and at other points of time from the Government have appropriately been included in the relevant paragraphs.

AUDIT FINDINGS

DIRECTORATE OF TREASURY

8.8 Lack of supervisory control in the implementation of e-challan

The Department neither conducted parallel run nor evaluated the process of implementation of e-challan.

During scrutiny of records for the implementation of e-challan in the Directorate of Treasury, we noticed (May 2015) that no monitoring committee was formed for the management of the project during its implementation. It was also noticed that no parallel run of the system was conducted to evaluate its performance and to remove any deficiencies. Lack of monitoring on the part of the management may lead to non-realisation of objective of seamless payment of various taxes.

During exit conference, the Government stated that a committee had been formed to supervise the e-challan system and evaluation of system would be done periodically to ensure proper functioning of the system.

8.9 Lack of Documentation

The Department did not prepare System Design Document (SDD). System Requirement Specification (SRS) and User Requirement Specification (URS) were also incomplete.

During scrutiny of files related to implementation of e-challan in the office of Directorate of Treasury, we noticed (May 2015) that SDD was not prepared before implementing the e-challan software. Moreover, as per standard practice, proper documentation of SRS and URS are to be maintained. However, we observed that though the system became operational in 2006, SRS and URS prepared were found to be incomplete as they did not contain the business rules to be mapped, the work flow and the technical specifications required for the new computerised system.

During the exit conference, the Government stated that SDD had not been prepared which would be rectified.

The Government may consider proper documenting of SDD, SRS and URS whenever any new IT service is introduced.

8.10 Failure to map input and validation check

The Department did not apply the necessary input controls and validation check to avoid incorporation of irrelevant data.

During scrutiny of database of e-challan, we noticed that there were 70 records with zero amount and 3,277 records with the amount varying from ₹ one to

₹ nine. Out of these, 719 records pertained to Commercial Tax Department and 2,316 records pertained to Transport Department. During further scrutiny of e-challan data, we observed (Table 8.1) that a tax payer deposited e-challan of ₹ one and ₹ four in the Transport Department, although there was no such rate of tax in the Department:

Table 8.1

PAYEE	ENTRY DATE	DATE_AC	TIN_CIN	Major/Minor/Sub Head	TR_REFNO	SC_SLNO	AMOUNT (₹)
GANESH PRASAD KHETAN	25-04-12	25-04-12	WBAFH62090L870344	0041/102/871	66080412055655	IK16525367	1
	25-04-12	25-04-12	WBAFH62090L870344	0041/102/871	66080412055663	IK16525549	4

The matter was pointed out to the RTO concerned. In compliance to our observation, RTO verified the matter and found that the same challan was used for the payment of life time tax amounting to ₹ 4.56 lakh by manipulating the challan. Similar use of challans was also made in three more cases. The RTOs concerned filed the FIRs against the vehicle owner in all four cases. To minimise the risk of incorrect data entry, it is mandatory to apply input controls like validation checks, duplicate checks and other related application controls which were not done. Thus, acceptance of such inadmissible amounts through e-challan renders it vulnerable to fraudulent use.

During the exit conference, the Government stated that necessary checks would be incorporated in the software.

The Government may consider checking the completeness of data and its correctness through the provision of adequate input controls at the data entry stage and appropriate validations.

8.11 Difference in amount paid through e-challan and treasury amount

There was difference in amount paid through e-challan and treasury amount.

Scrutiny of database in Transport Offices (RTO Raipur, ARTO Durg and Rajnandgaon) and Commissioner, Commercial Tax Department revealed that in 174 (103+71) cases the amount deposited in treasury is more than what had been collected through e-challan. Further scrutiny also revealed that in 142 (47+95) cases, the amount received through e-challan was less than what had been deposited in treasury.

Table 8.2

(₹ in lakh)

Name of the Department	No. of Cases	Treasury Amount	e-challan Amount	Difference Amount
Transport Department	103	5.33	0.88	4.45
	47	0.53	2.25	-1.72
Commercial Tax Department	71	49.06	6.79	42.27
	95	2.29	54.95	-52.66

Thus difference between bank and treasury data for same challans shows lacunae in completeness and accuracy of data.

During the exit conference, Government stated that an inter-departmental committee along with NIC would be formed and suitable action would be taken.

The Government may consider addressing software design deficiencies on priority basis.

8.12 Delay in accounting of e-challan amount into treasury

In 18,106 cases amount of ₹ 308.69 crore was accounted by the treasury with the delay ranging between 10 days to five months in treasury account with respect to the date of receipt in bank through e-challan.

We noticed that in 18,106 cases, an amount of ₹ 308.69 crore was accounted for by the treasury after a delay ranging between 10 days to five months in treasury with respect to the date of receipt in bank through e-challan.

No reconciliation was being carried out either between the treasury and department data or between the treasury and bank data thereby indicating that monitoring mechanism does not exist in the Department.

During the exit conference, Government stated that the discrepancies occurred due to delay in receipt of MIS from banks. It was further stated that in the case of delay in receipt of MIS in future, necessary action would be taken and penalty would be levied on the banks.

8.13 Existence of excess data in Treasury

Data incorporated in treasury not found in e-challan data.

All the online payment and supporting data generated in e-challan is imported in the treasury data. However, cross-verification with e-challan data with that of Treasury data revealed that the following three challans (Table 8.3) did not exist in e-challan data which indicate inadequate processing control.

Table 8.3

MAJOR HEAD	BANK CODE	CHDATE	CHALLAN_ DATE	GROSSAMOUNT (in ₹)	TREREFERENCENO
0041	0009999	06.04.2013	18-04-2013	1,500	660804130103
0040	0009999	31.10.2014	17-11-2014	20,000	660510140138
0042	0009999	01.10.2011	01-11-2011	1,173	660510110060

During the exit conference, the Government stated that the matter would be examined and necessary action would be taken including reconciliation with banks to avoid such discrepancies.

8.14 Generation of Treasury reference number in duplicate

Same Treasury reference is being generated for different e-challans.

When an amount is received through e-challan, the system assigns a unique treasury reference code. Thus, whenever an e-challan is generated there should be no duplication in the generated treasury reference code. Thus treasury reference code should function as primary key in the designed database. We noticed that same treasury reference code was generated for different e-challans as detailed below:

Table 8.4

MAJOR HEAD	BANK CODE	CHDATE	CHALLAN_ DATE	GROSSAMOUNT (in ₹)	TREREFERENCENO
0042	0009999	18-02-2012	29-02-2012	1,000	660502120048
0042	0009999	18-02-2012	29-02-2012	29,828	660502120048
0042	0009999	18-02-2012	29-02-2012	3,000	660502120047
0042	0009999	18-02-2012	29-02-2012	1,30,214	660502120047

Further, scrutiny of Treasury data in the office of CTO, Circle 7, Raipur revealed that in September 2013 a dealer (Chhattisgarh Beverages Corporation, TIN 2265170415) deposited three amount (₹ 95 lakh, ₹ 95 lakh and ₹ 93.21 lakh) having the same treasury reference number 66050913006898.

Generation of same treasury reference number in different e-challan shows that the implementing agency has failed to apply proper checks in the software to maintain uniqueness of treasury reference code.

During the exit conference, the Government stated that necessary modification had been carried out after being pointed out by audit.

8.15 Unsecured data provided to Department

Unsecured data being provided by bank to the Departments.

Scrutiny of e-challan data revealed that the data received by the Departments from bank is in editable text format which is vulnerable to manipulation. The data sent by the bank is the basic information of e-challan on the basis of which the

Departments verify their receipts. As the basic data is not being directly populated, chances of tampering of these data cannot be ruled out. Therefore, the user should only have “view only” access to the data.

During the exit conference, Government stated that the login ID would be provided to Banks, so that the data can be uploaded directly.

TRANSPORT DEPARTMENT

Transport Department started the process of filing of tax through e-challan from the year 2009-10. The Department maintains the tax details in VAHAN software. However, the Department did not initiate any action to integrate the e-challan software with that of VAHAN Software. The tax payer pays the tax online through e-challan. The Bank sends a copy of e-challan data (text form) to the concerned Treasury and also to the concerned Department so that the amount can be reconciled by the Treasury and the Department. The taxpayer can obtain (online) the print of e-challan. As there is no integration between VAHAN software and e-challan software the taxpayer has to present the printout obtained by him to the concerned Transport Office so that the tax details can be updated in VAHAN software. The Transport Office, after verifying the authenticity of e-challan copy with that of data sent by the bank, generates a receipt to the taxpayer. This receipt is presented by the taxpayer to the concerned section in the Department, so that the details are entered in the VAHAN software. Further, the Department introduced new online registration (January 2012) system i.e. Dealer Point Registration, where the registration number of the vehicle is generated online after payment of vehicle tax.

8.16 Lack of monitoring of the e-challan process

The Department failed to develop a monitoring mechanism to avoid incorporation of manipulated e-challan in VAHAN software.

During scrutiny of records relating to e-challan in the office of the Commissioner (Transport), we noticed that before implementation of e-challan, a proper mechanism was not put in place to monitor the functioning of the software. The details of vehicle tax paid through e-challan are maintained in VAHAN software. If the e-challan details are not proper or has been misused then the same error would be followed while entering the tax details in VAHAN software. Failure to develop a monitoring mechanism resulted in manipulation in tax details of VAHAN software.

On this being pointed out by audit, Government stated during exit conference that as soon as the lacunae in the system regarding e-challan came to notice, suitable action was initiated and FIR was also lodged. Verification of doubtful payment and entries is being done and suitable action would be taken. Further, Government stated that the Transport Department has since decided to stop payment by e-challan and switch over to an entirely online fully integrated payment option, since August 2015.

8.17 Failure to map business rules

The Department did not update the enhanced rate of fee for allotment of choice registration number in the dealer point registration software which resulted in collection of fee at pre-revised rates.

As per Rule 55 of Chhattisgarh Motor Vehicles Rules, 1994 the choice registration number is allotted to vehicles after payment of certain fees. Government of Chhattisgarh, Transport Department vide notification issued in February 2014 enhanced the rates of allotment of choice numbers.

In the six test checked Transport Offices³ 3,449 vehicles were allotted choice numbers after enhancement (February 2014) of the rate of fee for choice registration number. However, due to non-updation of the enhanced fee in the dealer point registration software, choice numbers were issued to these vehicles at pre-revised rates. Against the leviable fee of ₹ 3.62 crore only ₹ 1.13 crore was levied on these 3,449 vehicles and as such there was short realisation of fee of ₹ 2.49 crore.

Further, scrutiny of database of the whole state revealed that 4,569 choice number were allotted by the various Transport Offices of Chhattisgarh for which the taxpayers were liable to pay fee of ₹ 5.10 crore. However, the Department levied only ₹ 1.54 crore at pre-revised rates.

Thus, due to non-updation/non-mapping of the enhanced rate, prescribed vide Notification of February 2014, in Dealer Point Registration software by the Department, there was short realisation of ₹ 3.56 crore.

During the exit conference, the Government stated that reasons for the non-updating of software were being examined and suitable action would be taken in this regard.

8.18 Registration of old vehicles through Dealer Point Registration

The Department registered vehicles sold/purchased prior to implementation of Dealer Point Registration through DPR module.

The Dealer Point Registration was launched by the Transport Department in January 2012 to facilitate dealers to register new vehicles sold in the state of Chhattisgarh. As per the terms of agreement the dealer shall ensure that the new vehicle to be delivered by them to the purchaser is not a stolen/re-sold vehicle and the new vehicle is not mechanically defective and complies with the requirement of the Motor Vehicle Act/Rules and instructions made there under from time to time.

Scrutiny of database of DPR in three Transport Offices(RTO Raipur, Jagdalpur, DTO Jaspur), Audit noticed that 33 vehicles which were sold or purchased prior to January 2012 were registered through Dealer Point Registration. Registrations of

³ RTO, Bilaspur, Raipur and Jagdalpur; ARTO Durg and Rajnandgaon; DTO, Jaspur

these vehicles were totally illegal as vehicles with old registration number could not be registered through Dealer Point Registration.

During the exit conference, the Government stated that the issue of registering old vehicles was being examined and suitable action would be taken in this regard.

8.19 Logical access control

The Department did not formulate any password policy to restrict unauthorized use of User ID. There was irregularity in allotment of User IDs by the Department as the number of live User IDs were more than the existing officials.

We observed that no password policy has been formulated by the department so as to restrict unauthorised use of user ID. Scrutiny of database revealed the following:

- 442 user IDs were allotted by Transport Offices⁴ of which 215 IDs were closed by these offices. The remaining 227 IDs were live whereas the strength of Officers/employees in these offices was only 111. Keeping the user IDs live even after the transfer of official could lead to misuse of these IDs.
- It was also observed that a single user ID was being used by more than one employee as a result of which no responsibility could be fixed exclusively on the personnel in case of any manipulation.
- The system had failed to capture the user id for transactions involving the tax details of 3,02,193 vehicles having monetary value of ₹ 178.36 crore. Audit trail should contain the sufficient information to trace the history of activities in the system which may lead to sources of intentional and unintentional errors.

During the exit conference, the Government stated that directions have been issued to NIC to disable the user ID of all employees who are absent or unavailable to prevent misuse.

The Government may consider to develop an inbuilt system to monitor the changes made in the software so that there is audit trail to track the transactions.

8.20 Segregation of duties

The Department did not segregate the duties of the staff properly as the duties at various levels were being performed by the same personnel.

During scrutiny of records of e-challan in Transport Office, we noticed that the employee who was entering the challan details is also responsible to verify it from the treasury data. As the process for feeding and verifying of data was done by the same personnel and the treasury data comes in an editable text file, there is high probability of tampering of data. To maintain authenticity of data and put checks at various levels of data insertion it was important that duty of each

⁴ RTO Bilaspur, Raipur, Jagdalpur; ARTO, Durg and Rajnandgaon; DTO, Jaspur

employee/staff was defined and they were also aware of their responsibilities. Further, it was to be ensured that duty at various levels is not performed by the same personnel.

During the exit conference, the Government stated that remedial measures would be taken.

8.21 Delay in remittance of Government money to the bank at DealerPoint Registration

There was delay of up to 1,488 days in remitting the Government money into bank by the Dealers.

Scrutiny of database of DPR received from Smart Chip Ltd. in the Transport Offices⁵ revealed that dealers had registered 1,01,923 vehicles between January 2012 and March 2015. It was observed that tax amounting to ₹ 103.82 crore collected from the purchasers by the dealers were deposited with the Government after a delay ranging from two to 1,488 days. However, as per the agreement between the dealer and RTOs/ARTOs/ DTOs, no vehicle was to be sold by the firm/dealer to any native of Chhattisgarh without Registration number and the motor vehicle tax and any other charges applicable from time to time is to be received from the purchaser and the same shall be deposited online under the relevant head on the same day by the firm/dealer.

Despite violation of terms and conditions of agreement, the Transport Officers approved the registrations of these vehicles without initiating any action against the defaulting dealers. Moreover, the Government failed to collect the penalty as per the provisions of the Chhattisgarh *Motoryaan Karadhaan Abhiniyam* amounting to ₹ 1.90 crore for this delay. However, in the absence of provision for penalty in the agreement, the Government was deprived of not only penalty of ₹ 1.90 crore but undue additional benefit of interest on ₹ 103.82 crore was also given to the dealer.

During the exit conference, the Government stated that delay in remittance of Government money to the bank, caused by dealers, would be examined and suitable action would be taken.

COMMERCIAL TAX DEPARTMENT

The Commercial Tax Department started the receipt of e-challan from the year 2008-09. The assesses/dealers can file their self-assessment tax online through their user ID. If there is any excess of tax paid by the dealer it is refunded to the dealer after the annual self-assessment is filed by the dealer. The self-assessment process is done by filing their returns through CGCOMTAX which is the Commercial Tax Departmental portal. The details include among other things the sale and purchase made by the dealer and details of challans through which the

⁵ RTOs of Bilaspur, Raipur and Jagdalpur, ARTOs of Durg and Rajnandgaon, DTO, Jaspur

tax has been paid in that financial year. All the details in the returns are filled in by the dealer himself.

While paying the tax through e-challan a 14 digit unique number (challan number) is generated for each challan. This number is to be entered in the “challan no” column while filing return through CGCOMTAX.

8.22 Non integration of e-challan data with the module of department (CGCOMTAX)

The Department failed to map the business rules as there was no integration of e-challan data with the module (CGCOMTAX) of the Department.

Scrutiny of CGCOMTAX software in the office of the Commissioner, Commercial Tax revealed that, no system had been developed to check whether the amounts shown in the returns filed by the dealer are identical with that of the amount deposited by them through e-challan. Further, the refund paid to the dealer was being maintained manually. As the dealers were assessing themselves and the refund was also made as per their assessment, the possibility of depicting false payment details in their returns by the dealer was very high.

We further observed that a dealer (Steel Authority of India (SAIL), Tin No. 22943200659) paid ₹ 25 lakh through e-challan having treasury reference number 660510101360. Further scrutiny of e-challan data revealed that the same treasury reference number was generated by another dealer (M/s Moolchand Golcha, Tin No. 22643100623) who had made a payment of ₹ seven only. Thus, failure to map the business rules may result in manipulation of challan details in their returns by the dealers.

On this being pointed out, the Government stated during exit conference that necessary steps would be taken to interlink the department module with that of treasury software. In the case of generation of same treasury reference number, the Government stated that the required information would be called for from the treasury and necessary action would be taken after receipt of information.

The Government may consider end-to-end integration of the software with the departmental software in order to eliminate manual intervention.

8.23 Existence of multiple challan data

The Department did not implement proper checks to maintain authenticity of data as there is existence of multiple challan data in the master table.

During scrutiny of database of e-return in the office of the Commissioner, Commercial Tax, Audit noticed that there is repetition of two to 38 times in 3,07,772 cases. Existence of one record upto 38 times in the master table can lead to multiple use of same challan by the dealer. To maintain authenticity of data and to implement proper checks it is important that the data being fed is reliable. For the data to be reliable it has to be depicted in the system in its accurate form. Therefore there should be no duplication of the same data in the master table.

On this being pointed out, the Government stated during exit conference that that new challan master table was being created for final assessment and other challan data would be shifted to the temporary table.

8.24 Best practices regarding implementation of IT systems not being followed

The Department failed to apply application controls like checks to verify the completeness, accuracy and validity of details submitted by the dealer which is against the standard practices of IT.

Scrutiny of data of returns filed by the dealer in the Office of Commissioner, Commercial Tax, for the period 2010-15, revealed that in 8,755 cases, the dealers had not filled the unique number of the challan in “**challan no.**” column of the return.

For instance a dealer (Vicon Automobiles Pvt. Ltd., Tin No.22741100719) had submitted quarterly returns for the year 2010-11 to 2013-14. Further scrutiny of these returns revealed that there was no uniformity in “challan No” field filled by the dealer. The dealer instead of filling the unique number of the challan in “**challan no.**” column of the return had filled details like “No Id”, “0”, “00”, “000”, “0000”, “45”, “Trans” etc. Moreover, the same details had been repeated several times. Further in 24,174 cases of e-challan amounting to ₹ 1,367 crore, assessment year has been shown as 0 (zero). As year is the basis of assessment, proper checks should have been implemented to incorporate this field as per standard practice.

From the above facts it is clear that the Department has not applied any checks to verify the completeness, accuracy and validity of details submitted by the dealer.

During exit conference, the Government replied that the matter will be examined and proper checks on all fields would be carried out in CGCOMTAX.

8.25 Acceptance of e-returns after expiry of due date

The Department failed to implement checks/flagging in the software to identify the cases submitted after selection for re-assessment under Section 21(3) of VAT Act.

As per Section 21(3), if a dealer has been assessed under Section 21(2) i.e. by way of self-assessment, the commissioner shall select for re assessment a number of such dealers as he deems fit whose assessment for a year is deemed to have been made under sub-section (1) in accordance with the provisions of sub-section (2) and such selection shall be made within one calendar year from the said year.

Scrutiny revealed that 5049, 9457 and 2139 dealers had filed form-18 (for self-assessment) after the selections was undertaken by the Commissioner under Section 21(3) for the year 2010-11, 2011-12 and 2012-13 respectively. This had happened due to the fact that the date for filing form-18 was extended from time to time through notifications. The Act states that after selection of the cases under

Section 21 (3), the other cases would be treated as self assessed. However non implementation of checks/flagging in software to identify such cases resulted in 16,645 cases being excluded from selection.

On this being pointed out, the Government stated during exit conference that necessary action would be taken after verification.

8.26 No checks implemented to avoid acceptance of challan of doubtful authenticity in dealer's return

The Department accepted challans not found in e-challan and treasury data. Further manipulated challan was also accepted by the Department.

Scrutiny of data of returns filed by the dealers in the Office of Commissioner, Commercial Tax, revealed that two dealers (Sky Automobiles, Tin No. 22241500634 and Vicon Automobiles Tin No. 22741100719) have shown a detailed payment of ₹ 6.79 crore vide 51 challans in their e-returns. During cross verification of challan details with that of e-challan and Treasury data (MH: 0040) it was noticed that the amounts detailed are not found in the e-challan data and the Treasury data.

In another case a dealer had submitted return showing payment of ₹ 2,49,795 in July 2012 through e-challan. However on cross verification, it was noticed that actual payment made by the dealer was ₹ 24,979 only.

Further scrutiny of returns filed in the office of CTO, Circle II, Durg revealed that a dealer (M/s Vardhaman Motors Tin No. 22193203060) showed a payment of ₹ 30 lakh made in July 2012 but this was not found in e-challan and treasury data. As the challan details are not found in the e-challan and Treasury data, the authenticity of above data is doubtful.

During exit conference, the Government stated that in one case difference amount of ₹ 3.08 lakh along with interest had been recovered. In the remaining cases, necessary action would be taken after verification of challans from treasury account. Further, legal action would also be initiated against the dealers.

8.27 Evasion of VAT by filling same challan details of Entry Tax/Central Sales Tax(CST)

The Department failed to implement input and validation checks in COMTAX software to prevent use of same challans by the dealer in payment of different taxes.

Scrutiny of returns submitted by the dealers in CTO, Circle II, Durg and CTO, Circle 7, Raipur, we noticed that two dealers had submitted annual returns of VAT and entry tax for the period 2011-12. As per the tax liability shown in these returns, the dealers submitted the details of payment paid by e-challans. Further scrutiny of details of payment submitted by the dealers with returns revealed that these dealers had used the same challans for payment of VAT and entry tax as mentioned in the following table:

Table 8.5

Dealer Name	Challan No	Challan date	Amount (₹)
J.K. Network (TIN- 22313202218)	750076	21.01.2012	9,107
	750047	21.01.2012	16,167
	062842	20.04.2012	14,677
Shradha (TIN- 22401703179)	66051111000534	05.11.2011	11,115

The above dealers made the payment of entry tax only. However at the time of filling of returns, the dealers submitted the details of same challan as the payment of both VAT and entry tax. Thus fraudulent use of same challan in both returns resulted in evasion of tax of ₹ 51,066.

Further, we found cases where nine dealers submitted the same challan details in two different returns i.e VAT and ET; VAT and CST (*Appendix 8.1*).

Thus non application of input and validation checks in the COMTAX software by the Department to avoid entry of same challans for payment of different taxes resulted in evasion of tax by fraudulent use of challan details by two dealers.

During exit conference, the Government stated that in one case amount of ₹ 61,363 was recovered while in other case necessary action would be taken after verification. In the remaining nine cases the dealers wrongly mentioned the same challan in two separate returns. Further, necessary checks would be implemented in COMTAX to avoid such discrepancies and legal action would be initiated against the dealers.

8.28 Difference in e-challan data amount and treasury data amount for thesame challan

The Department failed to reconcile such amounts which were depicted differently in e-challan and Treasury data.

Scrutiny of database of e-challan in the office of CTO, Circle II, Durg Audit noticed that in the returns (self assessment) submitted by a dealer(M/s Shubham Enterprises, Tin no. 2223200279) for the year 2011-12,payment of ₹ 2.78 lakh was paid vide challan bearing treasury reference number 66051211000022 for the month of December 2011. On scrutiny of challan data it was found that amount of only ₹ 100 had been paid through e-challan. However the treasury data is showing the amount of ₹ 2.78 lakh.

Similarly during scrutiny of data in the office of CTO, Circle-7, Raipur we noticed that a dealer (Humboldt-WEDAG, Tin No. 22801702571) in his returns submitted for the year 2010-11 had mentioned payment of ₹ 1.69 lakh in October 2010 vide challan bearing treasury reference number 660510101240. Further scrutiny revealed that amount of only ₹ 750 have been paid through e-challan.

Thus there is mismatch of amount for same challan in Treasury data and challan data. Depiction of different amounts for same challan shows lacuna in processing of data as a result of which, short relisation of ₹ 4.46 lakh cannot be ruled out.

During exit conference, the Government stated that reasons for difference would be examined and if any discrepancy found, necessary action would be taken.

8.29 Amount not received through bank being depicted in Treasury data

The Department failed to reconcile such amounts which were depicted multiple times in Treasury data which was not found in e-challan data.

The treasury database revealed that there were multiple transactions (two to four times) against each Treasury Reference Number which showed an inflated amount of ₹ 7.07 crore against Government receipt. However, on cross verification of the e-challan data with treasury data showed a Government receipt of only ₹ 3.21 crore against 12 transactions as shown in **Table 8.6**:

Table 8.6

TIN	CHALLAN_DATE	GROSS AMOUNT (₹)	FIN_YEAR	TREFFERENCE NO	ECHSLNO	COUNT	Amount as per e-Treasury data (₹)
0	11.12.08	25,00,000	2008_09	229432006590		3	75,00,000
0	30.01.09	25,00,000	2008_09	660501090148		2	50,00,000
0	30.01.09	25,00,000	2008_09	660501090149		2	50,00,000
0	11.02.09	25,00,000	2008_09	660502009142		2	50,00,000
0	28.02.09	27,889	2008_09	660502090158		2	55,778
22155100984	13.12.12	5,00,000	2012_13	660512120052	0	2	10,00,000
22121900437	11.03.13	50,000	2012_13	660503130036	0	2	100,000
22414700231	12.09.13	50,00,000	2013_14	660509130050	0	2	100,00,000
22351901426	16.09.13	10,00,000	2013_14	660509130063	0	4	40,00,000
22641902285	16.09.13	10,00,000	2013_14	660509130063	0	4	40,00,000
22414700231	16.09.13	50,00,000	2013_14	660509130063	0	2	100,00,000
22651704157	19.09.13	95,00,000	2013_14	66050913006898	6600900000	2	190,00,000
	Total	3,20,77,889 say 3.21 crore					7,06,55,778 say 7.07 crore

Further scrutiny of e-challan data revealed that out of the 12 cases mentioned above only four cases amounting to ₹ 1.45 crore as detailed in the following **Table 8.7** were received through e-challan.

Table 8.7

TIN_CIN	TR_REFNO	ENTRYDATE	AMOUNT (₹)	PAYEE
22943200659	660501090148	29.01.2009	25,00,000	Steel Authority of India Limited
22943200659	660501090149	29.01.2009	25,00,000	
22232200252	660502090158	26.02.2009	27,889	Mandoli Rice Industries
22651704157	66050913006898	19.09.2013	95,00,000	Chhattisgarh State Beverages Corp Ltd

Thus, excess accounting of ₹ 5.62 crore by the Commercial Tax Department cannot be ruled out.

During exit conference, the Government stated that necessary action would be taken after verification with the treasury.

The Government should take necessary steps to modify the software immediately so that multiple records against a single treasury reference number is not generated. Moreover, treasury should reconcile the figures of e-challan with the records in the database before incorporating it in the Government accounts.

8.30 Lack of coordination between the implementing agency, departments and software developing agencies

There was lack of coordination between the implementing agency, departments and the software developing agencies.

During scrutiny of files relating to implementation of e-challan in Transport Department and Commercial Tax Department we found that there was lack of coordination between the implementing agency (Directorate of Treasury) and the Departments in which the e-challan process has been implemented. Further, there was also lack of coordination between the departments and the software developing agencies. No correspondence files were being maintained by any of the departments to pursue the problems encountered in the e-challan process or of any problems encountered in the software. Thus lack of coordination resulted in fraudulent use of e-challan, transaction being processed at treasury level without capturing the relevant field, generation of duplicate treasury reference code, non insertion of bank data into the treasury data; delay of up to five months in accounting the government money to the treasury received through e-challan.

During exit conference, the Government stated that necessary action would be taken to interlink the software with the Treasury.

8.31 Conclusion

During the Performance Audit of “Implementation of e-challan” we observed the following:

- Monitoring committee to supervise the implementation of e-Challan software was not formed. Feasibility study or parallel run were not conducted before implementing the software.
- Input and validation checks were not adequately applied in the software. The software had not been fully integrated with the other software of the user departments such as CGCOMTAX and VAHAN. This lacuna resulted in manual interventions at many stages and manipulation of data.
- Business rules regarding enhanced rate of fee for allotment of choice registration number were not mapped by the Transport Department in the Dealer Point Registration software resulting in short realisation of revenue amounting to ₹ 3.56 crore.

Raipur
The

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Chhattisgarh

Countersigned

New Delhi
The

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India