

CHAPTER-III
MAJOR IRREGULARITIES IN REVENUE MANAGEMENT

3.1 Non Revision of Assessment of Holdings

As per provision contained in Section 106 of BMA, 1922 and Section 138 (1) of Patna Municipal Corporation Act (PMCA), 1951, revision of assessment of the holding is required to be done in every five years. Out of 43 ULBs test checked during 2007-08, revision of assessment of holding was not found done in 17 ULBs (Table -10) and status of the same was not made available in 26 ULBs⁴. Only in Jamalpur Nagar Parishad (2006-07) and Danapur Nagar Parishad (2007) revision of assessment of holding was done in due time. Due to non-revision of assessment, which was long due, ULBs were deprived of huge additional revenue.

Table-10
Year of Last Assessment

Sl.No.	Name of ULB	Year of last assessment	Sl.No.	Name of ULB	Year of last assessment
1	Ara	1993-94	10	Jamalpur	2006-07
2	Bettiah	1994	11	Jogbani	1973
3	Biharsharif	1994-95	12	Koath	1975-76
4	Chanpatia	1992-93	13	Mokama	1974-75
5	Danapur	2007	14	Munger	1997
6	Haveli Kharagpur	1983-84	15	Ramnagar	1982-83
7	Hilsa	1976	16	Samastipur	1986
8	Hisua	1991-92	17	Sherghati	Not done till date
9	Jagdishpur	1997			

3.2.1 Loss of Revenue due to Under Assessment of Holding Tax in PMC - Rs. 1.62 Crore

As per Section 106(i) of B&OMA, 1922 re-assessment of holding tax is to be done every five years. Last assessment of holding tax was done in 1994 in PMC.

Under Rule 3 of Assessment of Annual Rental Value (ARV) of Holdings Rules, 1993, Patna Municipal Corporation notified (Sept. 1993) classification of different roads of Patna and under Rule 5 ibid notified (Sept. 1993) rate per

⁴**Nagar Nigam-** Bhagalpur, Darbhanga, Gaya, Muzaffarpur, Patna, **Nagar Parishad-** Barahia, Begusarai, Fulwarisharif, Jainagar, Kishanganj, Koilwar, Madhubani, Purnea, Saharsa, Siwan. **Nagar Panchayat-** Bairgania, Banka, Bikramganj, Bodhgaya, Dighwara, Farbishganj, Islampur, Maner, Nasriganj, Rafiganj, Warsaliganj,

square foot for different holdings as detailed in **Appendix-VI** after obtaining approval from the Government.

Test check of records of assessment revealed that all the four circles of PMC made under valuation of ARV of holdings. This had resulted in a revenue loss of Rs. 1.62 crore in PMC as detailed in **Appendix-VII**.

3.2.2 Loss of Revenue Due to Undervaluation of Annual Value of Holdings - Rs.50.80 Lakh in Biharsharif Nagar Nigam

Uniform policy for fixation of Annual Valuation (AV) of holdings, based on expected rental value was not framed by Biharsharif Nagar Nigam. In the absence of this, chances of under valuation of AV of holdings cannot be ruled out.

Test check of Assessment Register of Property Taxes (holding tax, latrine tax, water tax) along with relevant records revealed that arbitrary fixation of expected annual rental value was made on several holdings under Biharsharif Nagar Nigam. As a result Biharsharif Nagar Nigam sustained loss of revenue to the tune of Rs.50.80 lakh in the shape of holding tax, latrine tax and water tax etc. during the period 1994-95 to 2006-07 as detailed in **Appendix-VIII**.

The reason for arbitrary fixation of expected ARV of holdings which resulted in loss of Rs.50.80 lakh to the Nagar Nigam was not explained in audit.

3.3 (a) Non/Short Credit of Revenue Collected - Rs. 80.70 Lakh

Test check of records of revenue collection of ULBs revealed that the officials engaged in tax collection remitted money in part into the Municipal Fund instead of depositing the entire collection amount.

In 39 ULBs the Tax Collectors, Tax Darogas, Cashiers, Accountants and other collecting staff either failed to deposit or short deposited Rs. 80.70 lakh, being the collection of taxes, fees and other miscellaneous revenues as detailed in Appendix-IX.

This was apparently a case of misappropriation. However, Rs. 8.36 lakh was deposited at the instance of audit, and a sum of Rs. 72.34 lakh remained to be deposited as on 31st March, 2008.

The above misappropriation was rendered possible due to non-observance of Rule 20 of BMAR, 1928 by the Executives of ULBs and Rule 30 of MAR (Recovery of Taxes), 1951 by Tax Daroga/ Revenue Officers.

3.3 (b) Huge Amount of Collection Money Retained by Individuals - Rs. 79.24 Lakh.

A sum of Rs. 79.24 lakh (Table -11) was either not deposited or deposited in short by the collecting staff, Cashiers, Head Assistant on account of collection money received in the form of Holding Tax, Professional Tax, Miscellaneous Receipt etc. in 3 ULBs.

**Table -11
Huge Amount of Collection Money Retained by Individuals**

				(Rs. in lakh)
Sl.No	Name of ULB	Name and designation of staff	Non/short deposit	Remarks
1	Bettiah Nagar Parishad	Sri Ram Ayodhya Prasad, Cashier	49.17	Departmental action wanting
		Sri Abdullah Wahab, Cashier	1.43	
2	Begusarai Nagar Parishad	Vinay Kumar Verma, Head Assistant	7.84	FIR lodged
		Shiv Nandan Sahu, Cashier	7.15	FIR lodged
		Madan Mohan Prasad, Cashier	2.98	Departmental action wanting
3	Jamalpur Nagar Parishad	Late Shankar Prasad Sinha, Cashier	10.67	Departmental action wanting
Total			79.24	

This was rendered possible due to non-observance of Rule 20 of BMAR, 1928 by the Executives of ULBs and Rule 30 of MAR (Recovery of Taxes), 1951 by Tax Daroga/ Revenue Officers.

3.4 Fraud in Holding Tax Collection by Tampering of Duplicate 'H' Receipt in Begusarai Nagar Parishad

Sri Rajesh Kumar, Tax Collector (Commission Agent) short deposited the collection amount by Rs. 31,038/- which was noticed in test check of Holding Receipt i.e. 'H' Receipts.

The modus operandi adopted by Sri Kumar was fraudulent one. The amount booked by him on 22 original 'H' receipts differed from the amount entered in carbon copies of 'H' receipts. A total of Rs. 35,600/- was booked on 22 original 'H' receipts. However, only Rs. 4,562/- was entered in carbon copies. This was an obvious case of fraud. The case was referred (June 2008) to the Secretary, UD&HD and the State Vigilance Commissioner for necessary action. The results of departmental action/investigation are yet to be intimated to this office.

3.5 Loss of Revenue Due to Waiving of Latrine Tax by Siwan Nagar Parishad - Rs. 19.03 Lakh

In an ordinary meeting of the board at Siwan Nagar Parishad on 13.07.06 it was resolved vide proposal no. 7 (xvi) to waive of latrine tax in the Nagar Parishad area during 2005-06 to 2006-07 resulting in revenue loss of Rs. 19.03 lakh as per detail below:

Table -12
Demand and Collection of Latrine Tax
(Rs. in lakh)

Year	Demand	Collection	Balance
2005-06	9.87	0.54	9.33
2006-07	9.87	0.17	9.70
Total	19.74	0.71	19.03

As per Section 82(1) of B&OMA, 1922 the commissioner at a meeting convened expressively for the purpose may impose taxes and fees within the limits of the municipality with the sanction of the State Government. Thus, waiver of any tax too requires Government's approval. No such approval of the State Government was taken in this regard and Nagar Parishad is deprived of sizable revenue through this tax.

3.6 Direct Appropriation of Revenue Collected - Rs. 15.93 Lakh

As per rule 22 of BMAR, 1928, all money received by the municipality shall be remitted intact to the treasury as often as can be conveniently managed and shall on no account be appropriated towards expenditure. In six test checked ULBs, instead of depositing the revenue collected into the Municipal Fund Rs.15.93 lakh was directly appropriated towards expenditure as per detail below:

Table-13
Receipts Appropriated Directly Towards Expenditure
(Rs. in lakh)

Sl. No.	Name of ULB	Amount	Period of Audit
1	Bettiah	1.29	2000-01 to 2006-07
2	Chanpatia	0.60	2001-02 to 2006-07
3	Fulwarisharif	2.99	2002-03 to 2006-07
4	Haveli Kharagpur	6.14	2001-02 to 2006-07
5	Koath	0.08	2001-02 to 2006-07
6	Madhubani	3.89	2004-05 to 2006-07
7	Patna (Water Board)	0.94	2005-06 to 2006-07
Total		15.93	

Necessary order of the Executive Officer for such expenditure was not made available to audit. Besides, violation of rules, direct appropriation indicates lack

of control over revenues as per rule 20, 30, 64, 69 and 79 of BMAR, 1928 and defeats the purpose of budgetary exercise.

3.7 Short Realisation of Education Cess - Rs. 7.97 Lakh

Under the Bihar Primary Education (Amendment) Act (BPEAA), 1959, education cess was levied by the State Government from the year 1959 at the rate of 6.25% of holding tax, which was revised from time to time to 50% on 1st April 1982. In three ULBs, education cess was realised in short to the tune of Rs.7.97 lakh (Table-14).

Table -14
Short Realisation of Education Cess in Three ULBs

(Rs. in lakh)					
Sl. No.	Name of ULB	Period of collection	Amount to be collected	Amount actually collected	Short realisation
1	Bikramganj	2001-02 to 2006-07	3.88	2.91	0.97
2	Hisua	1995-96 to 2006-07	1.74	1.39	0.35
3	Kishanganj	2005-06 to 2006-07	7.60	0.95	6.65
Total			13.22	5.25	7.97

3.8 Non-Deposit of Education and Health Cess to Government Account - Rs.25.43 Crore

ULBs were authorised to collect education and health cess at the rate of 50% on holding tax. The revenue so collected was to be deposited in appropriate heads of Government account after deducting ten percent (10%) as collection charge. Out of 43 test checked ULBs, 32 ULBs did not deposit 90 percent of cess in Government account. However, Banka Nagar Parishad deposited partially Rs. 0.68 lakh during 2006-07. Based on records made available to audit, 32 ULBs did not deposit Rs.25.43 crore, as detailed in **Appendix-X**, in Government account and appropriated the same towards payment of salary to staff and meeting other recurring expenditure which was highly irregular. Despite being pointed out in the previous Annual Reports this practice still persists in ULBs.

3.9 Non Realisation of Taxes Outstanding against Government Buildings - Rs.10.31 Crore

Out of 43 test checked ULBs, taxes of Rs.10.31 crore were outstanding against Government buildings in 14 ULBs (Table-15). Position of remaining 29 ULBs was not furnished by the units.

Table -15**Details of Taxes Outstanding Against Government Buildings upto March, 2007 in 14 ULBs**

(Rs. in lakh)

Sl.No.	Name of ULB	Amount	Sl.No.	Name of ULB	Amount
1	Ara	73.92	8	Kishanganj	6.46
2	Banka	26.87	9	Madhubani	42.39
3	Bhagalpur	293.89	10	Mokama	15.21
4	Biharsharif	70.67	11	Munger	67.12
5	Chanpatia	3.14	12	Ramnagar	4.63
6	Darbhangha	293.20	13	Saharsa	46.27
7	Hisua	0.57	14	Siwan	87.02
Total					1031.36

No effort was made by the ULBs to recover these dues from concerned department/ authorities resulting in deprivation of potential revenue to the ULBs.

3.10 Rents Outstanding - Rs.6.54 Crore.

In 19 ULBs, shops/markets rent amounting to Rs.6.54 crore was found outstanding for varying periods as on 31st March 2007 as per detail below:

Table -16**Details of Rent Outstanding against Shops/Markets - Rs.6.54 Crore in 19 ULBs**

(Rs. In lakh)

Sl. No.	Name of ULB	Audit period	Outstanding shop rent on 31.03.07	Sl. No.	Name of ULB	Audit period	Outstanding shop rent on 31.03.07
1	Ara	2005-06 to 2006-07	19.62	11	Kishanganj	2005-06 to 2006-07	5.01
2	Begusarai	2005-06 to 2006-07	4.28	12	Madhubani	2004-05 to 2006-07	19.69
3	Bettiah	2000-01 to 2006-07	1.04	13	Munger	2006-07	10.78
4	Bodhgaya	2001-02 to 2006-07	10.05	14	Muzaffarpur	2005-06 to 2006-07	37.41
5	Danapur	2005-06 to 2006-07	0.29	15	Patna	2005-06 to 2006-07	380.23
6	Darbhangha	2006-07	68.71	16	Purnea	2005-06 to 2006-07	36.82
7	Farbisganj	2001-02 to 2006-07	2.45	17	Rafiganj	2003-04 to 2006-07	3.82
8	Hisua	2001-02 to 2006-07	1.98	18	Samastipur	2001-02 to 2006-07	23.14
9	Islampur	2001-02 to 2006-07	1.38	19	Sherghati	2003-04 to 2006-07	21.63
10	Jamalpur	2002-03 to 2006-07	6.03	Total			654.36

Non-realisation of rent from tenants deprived the ULBs of their own revenue in time. The ULBs also failed in taking any effective step to realise the outstanding dues.

3.11 Non/Short Realisation of Bid Amount of Rs.1.18 Crore on Account of Settlement of Properties

Properties of ULBs viz road side land, ferry market, bus stand etc situated on the lands of ULBs are leased out annually through open bid and the amount of lease is to be realised from lessees within the stipulated time period i.e. within the year of settlement. In 28 out of 43 test checked ULBs, Rs.1.18 crore was not realised from the lessees as detailed in **Appendix-XI** despite the lapse of bid period. Legal action, if any, taken to recover the amount was not made available to audit.

3.12 Short-deduction and Non remittance of Sales Tax, VAT, Royalty etc. - Rs. 92.20 Lakh

As per provisions, Sales Tax, VAT and Royalty deducted at source from schemes/work executed is to be credited to the concerned Government head of account. However, in 25 ULBs Sales Tax, VAT and Royalty amounting to Rs.36.64 lakh was short deducted while in 18 ULBs, an amount deducted to the tune of Rs.55.56 lakh was not remitted to concerned Government account as detailed in **Appendix-XII**. To that extent the State Government is deprived of the revenue from this source.

3.13 Revenue Loss of Rs.18.89 Lakh on Transmission Towers

In a meeting under the chairmanship of Principal Secretary, UD&HD on 20.12.07 (Resolution 12), it was decided to impose tax on mobile towers under the municipal area at the rate of Rs.2000 per meter of height of the tower per year from ground level and also imposing commercial tax on holdings where the towers are located.

Out of 43 ULBs test checked, records were made available in only four ULBs which revealed that due to non-imposition of tax, revenue loss to the tune of Rs.18.89 lakh (Table-17) was incurred.

Table - 17
Loss of Revenue of Tax on Transmission Towers Due to Non-Realisation in 4 ULBs

(Rs. In lakh)

Sl.No.	Name of ULB	Amount	Period of Audit
1	Jamalpur	0.47	2002-03 to 2006-07
2	Mokama	0.30	2004-05 to 2006-07
3	Siwan	15.40	2005-06 to 2006-07
4	Sherghati	2.72	2003-04 to 2006-07
Total		18.89	

3.14 Non-recovery of Rs.67.86 Lakh in Certificate Cases due to Non Deposit of Court Fees by Gaya Nagar Nigam

As per provisions contained in Section 216 of PMCA, 1951, 1468 Certificate Cases were lodged pertaining to period 1983-84 to 2006-07 for recovery of Rs. 133.29 lakh under Public Demand Recovery Act (PDRA), 1914. Out of these, a total no. of 1101 cases was disposed off and Rs.65.43 lakh was recovered. The District Certificate Officer (DCO) informed the Administrator, Gaya Nagar Nigam vide letter no. 1567 dt. 28.11.98 that those cases in which court fees were not deposited would not be considered.

Thus, upto March' 07 Rs.67.86 lakh was pending for recovery in 367 Certificate Cases due to non-deposit of court fees which was clearly avoidable.

3.15 Irregular Expenditure of Rs.15.85 Lakh on Mobile Phones

As per UDD, Government of Bihar letter no. 204/76/521/NVV/Patna of 27th January, 1979, an expenditure on provision of phone is to be treated as misutilisation of Municipal Fund and as such, it is to be recovered from persons at fault. Further prior sanction of the State Government as required under Section 63 (a) (a) (a) of PMCA, 1951 was mandatory for such expenditure.

In contravention to these provisions, expenditure on payment for mobile phones and recharge coupons amounting to Rs.15.85 lakh (Table-18) were made in five ULBs without obtaining required permission from the State Government during the period 2004-05 to 2007-08 which clearly indicates lapses in control by the Executive Officers of the ULBs.

Table - 18
Irregular Expenditure on Mobile Phones to the tune
of Rs. 15.85 Lakh

(Rs. In lakh)			
Sl.No.	Name of ULB	Audit period	Amount
1	Darbhanga	2006-07	2.58
2	Madhubani	2004-05 to 2006-07	0.28
3	Muzaffarpur	2005-06 to 2006-07	10.79
4	Patna	2005-06 to 2006-07	1.92
5	Siwan	2005-06 to 2006-07	0.28
Total			15.85