

CHAPTER III

REVENUE RECEIPTS

3.1 Budget estimates and actuals

The variations between budget estimates and actuals revenue receipts from own source and other sources by 58 ULBs during the years 2002-03 to 2004-05 are given below (unit wise position is detailed in Appendix 8A, 8B and 8C):

(Rupees in crore)

Year	Source	Budget Estimates	Actual receipts	Variations Increase(+) Shortfall(-)	Percentage of realisation
2002-03	Own	143.27	100.47	(-) 42.80	70
	Other	198.03	126.67	(-) 71.36	64
	Total	341.30	227.14	(-) 114.16	67
2003-04	Own	143.91	113.06	(-) 30.85	79
	Other	167.17	124.17	(-) 43	74
	Total	311.08	237.23	(-) 73.85	76
2004-05	Own	151.77	117.57	(-) 34.20	77
	Other	162.93	149.36	(-) 13.57	92
	Total	314.70	266.93	(-) 47.77	85

The overall mobilization of resource under revenue section reflects a steady increase over the years from 2002-03 to 2004-05 but depicts shortfall ranging from 33 to 15 *per cent* with respect to budget estimates. The shortfall was mainly due to poor collection of rates, and also less receipt of grants from the Government.

The analysis of collection of revenue from own source revealed that only 20 ULBs could raise 80 *per cent* of estimated receipts during all the three years from 2002-03 to 2004-05. However, the collections from own sources

by the remaining 38 ULBs ranged between 13 *per cent* and 79 *per cent* during the above period.

Common trend of shortfall in revenue realisation adversely affects the capacity of ULBs to provide services to their tax payers.

3.2 Outstanding Property Tax

The position of arrears, current demand, collection and outstanding property tax (including service charge) at the end of 2004-05 in respect of 59 ULBs were as under (unit wise details shown in Appendix 9):

(Rupees in crore)

Arrear demand	Current demand	Total demand	Total collection	Outstanding
98.88	47.89	146.77	42.09	104.68

The outstanding dues at the close of the year shot up to Rs.104.68 crore which was more than two times the current demand of the year.

Except for twelve⁶ ULBs, the remaining ULBs failed to collect dues equivalent to even the current demand and thereby added to outstanding accumulation of dues.

However, the concerned ULBs did not take appropriate steps for recovery of huge outstanding dues.

3.3 Loss of revenue due to delay in revision of annual valuation of property

Property tax on land and building in a holding is determined on the basis of annual value of that holding. As per provisions of Acts, annual valuation of a holding shall, subject to other provisions, remain in force in respect of each ward for a period of six years (five years with effect from 1 October 2003 in respect of municipality). The ULBs shall cause a general revision of all holdings to ensure that there is a revision of annual valuation of

⁶ Barrackpore, Burdwan, Dhulian, Dubrajpur, Jhargram, Katwa, Kharagpur, Midnapur, Old Malda, Pujali, Raiganj and Rajarhat-Gopalpur.

all municipal holdings at the termination of successive period of six years. Each revision shall ensure minimum increase of valuation by 10 *per cent*.

Due to delay ranging from six months to 14 years in such assessment, 15 ULBs suffered a loss of revenue of Rs. 27.83 crore (Appendix 10). The loss of revenue in respect of Bidhannagar, North Dum Dum and Hoogly Chinsura municipalities could not be ascertained in the absence of details of current demand.

3.4 Loss due to inadmissible remission in property tax

Review Committee constituted for hearing and determination of application for remission of valuation of property made by Central Valuation Board (CVB) shall not reduce the valuation by more than 25 *per cent*. In contravention of the above provision, 16 Review Committees of various ULBs allowed remission upto the maximum of 97 *per cent*, resulting in loss of Rs.1.97 crore per annum in respect of 14 ULBs⁷. The details of similar remissions made by Siliguri Municipal Corporation and Barrackpore Municipality were not made available and hence could not be quantified in audit in terms of the actual amount of loss.

In accordance with provision of the Section 110(1) of the Asansol Municipal Corporation Act 1990, applications/petitions need to be received for review of taxes within one month from the date of publication of assessment list. The assessment list was published in the newspaper on 27 March 1997 and thus the last date of receiving of application/petition was 26 April 1997. But it was seen from the records that Asansol Municipal Corporation received 13610 applications after expiry of the prescribed time limit. However, it settled 12793 cases out of the above time barred applications during the period from 1997-98 to 2003-04 by reducing property tax resulting in a loss of Rs.2.04 crore.

⁷ Baruipur Rs. 2.21 lakh, Bansberia Rs.36.92 lakh, Beldanga Rs.3.84 lakh, Bolpur Rs.8.98 lakh, Berhampore Rs. 2.45 lakh, Chakdaha Rs.17.85 lakh, Chandannagar Rs. 1.94 lakh, Gayeshpur Rs.2.99 lakh, Jangipur Rs. 56.63 lakh, Jhargram Rs.3.79 lakh, Kamarhati Rs.29.51 lakh, Nabadwip Rs. 0.61 lakh, Taki Rs. 4.12 lakh, Uttarpara-Kotrang Rs.25.36 lakh.

3.5 Unauthorised writing off of property tax

The demand of property tax could be written off by the Urban Local Body only with the approval of Board of Councillors (BOC) with intimation to Government.

However, North Dum Dum Municipality had written off property tax of Rs.46.38 lakh during the year 2002-03 without the knowledge of the State Government, which was irregular.

3.6 Non/ under imposition of surcharge on commercial/industrial holdings

A surcharge at such rate not less than 20 per cent and not more than 50 per cent of the total property tax imposed on a holding, shall be levied if such holding is wholly or in part used for commercial, industrial or such other non-residential purposes as the BOC may from time to time decide. The rate of surcharge shall form part of property tax for the purpose of recovery.

In violation of the above provision, 33 ULBs did not impose any surcharge on property tax during the period from 1990-91 to 2004-05 resulting in loss of revenue of Rs.6.54 crore (Appendix 11). The loss in respect of Midnapur and Arambag municipalities could not be assessed in audit in the absence of relevant records.

Further, the Rajpur-Sonarpur Municipality imposed one percent surcharge on the property tax on commercial holdings instead of minimum rate of surcharge of 20 *per cent*. As a result the Municipality had sustained a loss of Rs. 61.19 lakh during the period from 1997-98 to 2003-04.

3.7 Non/short realization of water charges

It shall be the duty of every municipality to provide supply of wholesome water for the domestic use of inhabitants. The supply of water for domestic and non-domestic uses may be charged for at such scale of fee or price as may be prescribed. Till September 2002, the charge for water for domestic use was to be fixed for supply in excess of such standard as may be

prescribed by the BOC. The charge in municipal area ranging from Rs.15 to Rs.150 for supply of water to domestic and non-domestic consumers was to be fixed on the basis of property tax and ferrule⁸ size. However, due to non imposition of charges or imposition of charges at lower rate, nine ULBs sustained a loss of Rs.1.32 crore during 2002-03 and 2003-04 (Appendix - 12).

It was also noticed in audit that five ULBs had outstanding water charges of Rs.1.05 crore at the end of 2003-04 or 2004-05 as the case may be. The position of accumulated arrears is shown below:

(Rupees in lakh)

Name of ULB	Year	Amount
Asansol	2003-04	27.34
Budge Budge	2003-04	41.19
North Dum Dum	2003-04	3.87
Chandannagar	2004-05	20.88
Suri	2004-05	12.12
Total		105.40

3.8 Loss of revenue due to non allotment/ delay in allotment of stalls/ shops

The BOC may with prior approval of the State Government undertake the formulation, execution and running of commercial projects including market development schemes, industrial estate, depots for trading in essential commodities, maintain bus or tracker terminals together with commercial complexes, run tourist lodge and centers along with commercial activities or carry on similar projects on commercial basis.

Test check of market complex of five⁹ ULBs revealed that non-allotment/ delay in allotment of stalls/ shops for a period ranging from one to

⁸ A device placed on water pipe to allow fixed quantum of water through it.

⁹ Asansol: Rs.79.22 lakh, Barrackpur: Rs.51.25 lakh, Islampur: Rs.1.58 lakh, Uluberia: Rs. 4.15 lakh, Uttarpara-Kotrang: Rs.5.94 lakh.

two years resulted in loss of revenue of Rs.1.42 crore towards *salami*¹⁰ and rent in addition to blockage of capital.

This reflects inadequacy in control and monitoring mechanism in ULBs resulting in loss of potential revenues.

3.9 Non realization of rent

In 38 ULBs, the arrears in realization of rent from stalls and shops of market complexes amounted to Rs.2.26 crore till the close of the year 2002-03, 2003-04 and 2004-2005, as the case may be (Appendix 13).

Inaction in realization of rent from properties reduced the revenues of these ULBs to that extent, thereby widening the resource gap.

3.10 Outstanding fees

Certificate of enlistment for profession, trade and calling is issued annually on receipt of application fee. License for use of site for the purpose of advertisement and registration of cart and carriage are not given until license fee and tax for registration is paid by applicant.

In spite of provision for realization of fees in advance, 44 ULBs had accumulated outstanding fees of Rs.1.72 crore at the end of 2003-04 and 2004-05 as the case may be (Appendix 14). No action was initiated by the concerned ULBs to realize the outstanding dues.

3.11 Non/ short realization of road restoration charges

The specific rights of way in the sub-soil of public and private streets within the municipal area for different public utilities is subject to recoupment to the extent of the cost of restoration of damages caused to streets while carrying out such activities.

Test check of records of Baruipur, Rajpur-Sonarpur municipalities and Chandannagar Municipal Corporation revealed that claims of Rs.75.49lakh¹¹ for the period from 2000-2004 were made to the Telecom Authorities in

¹⁰ One time premium payable by leasee or tenant.

¹¹ Baruipur- Rs. 1.11 lakh (2001-02), Rajpur-Sonarpur -Rs. 30.66 lakh (2000-04), and Chandannagar -Rs.43.72 lakh (2002-04)

respect of damage of municipal roads while laying underground telephone cable. Further, the demand of Nabadwip Municipality towards road restoration charge pertaining to the period 1999-02 was partially paid leaving a balance of Rs.6.09 lakh. The ULBs, however, failed to realize road restoration charges till the date of audit (August 2005).

3.12 Recovery of misappropriated receipts at the instance of audit

As per Rule 79 of the West Bengal Municipal (Finance and Accounting) Rules, 1999, all collections made by collection clerk shall be entered in daily collection challan and credited to the cashier's cash book on the very day of collection.

Test check of records relating to miscellaneous receipts of Alipurduar Municipality revealed that the Licence Clerk did not account receipt of Rs.1,13,090 collected during September 2004 to February 2005 through seven sets of money receipts and retained the money with him till the date municipality produced all seven sets of receipt to audit for detailed scrutiny (9 August 2005). On the same date the License Clerk deposited a sum of Rs.1,12,325 and remaining Rs.775 were deposited on 23 August 2005. Non/short depositing of institutional funds within the stipulated time limit amounts to embezzlement besides reflecting inadequate financial discipline in the municipality and laxity in internal controls.

In reply to the show-cause notice (9August 2005) of the Municipality, the Licence Clerk accepted (16 August 2005) his lapse and sought pardon. The final action of the Municipality is awaited.

3.13 Non accountal of receipts

All receipts of municipal hospitals and dispensaries shall be deposited intact in the local fund account of the municipality. In violation of the above provision Bally, Bidhannagar municipalities and Chandannagar Municipal Corporation did not incorporate receipts of an amount of Rs.0.35 lakh, Rs.0.74 lakh and Rs.22.42 lakh respectively of dispensaries under their control in the

municipal account during the period 2003-04 and 2004-05. Collection of other three dispensaries of Bally Municipality was not made available to audit. On being pointed out by audit, Bally Municipality deposited Rs.0.35 lakh in the municipal fund collected during the period April 2003 to February 2005. Thus, lack of control over the maintenance of records by the dispensaries and hospitals resulted in retention of receipts outside the municipal fund.