

CHAPTER III

REVENUE RECEIPTS

The revenue receipts of an Urban Local Body comprises of receipts from its own sources (tax and non-tax revenue), assigned revenue, grants and contributions. The deficiencies in management of resources, loss in assessment/ remission of tax and short/non realisation of other dues and charges noticed during audit are described in the succeeding paragraphs.

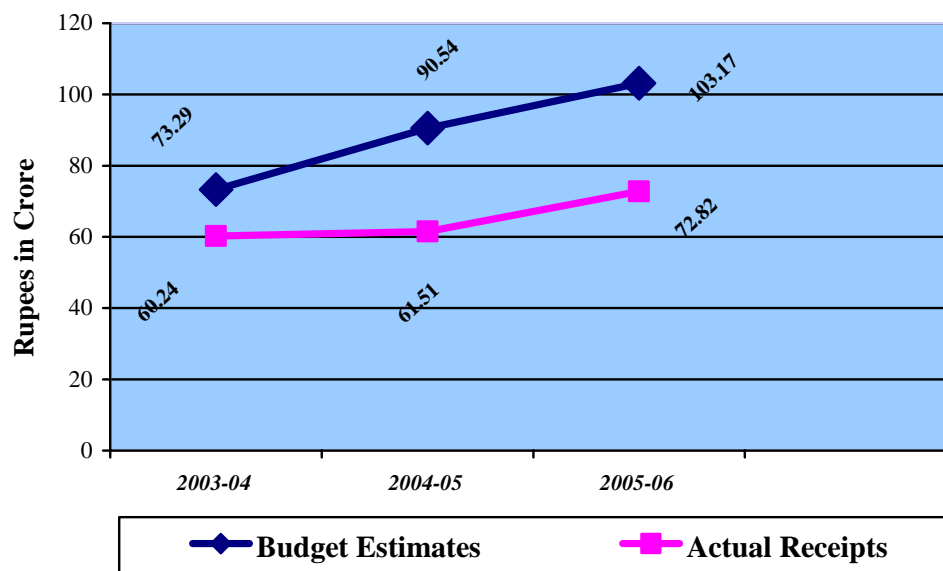
3.1 Budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts from own and other sources of 30 ULBs during the years 2003-04 to 2005-06 are given below (unit wise position is detailed in Appendix – 8A, 8B & 8C):

Year	Source	Budget Estimates	Actual receipts	Variations Increase(+) Shortfall(-)	Percentage of realisation
		(R u p e e s i n c r o r e)			
2003-04	Own	73.29	60.24	(-)13.05	82
	Other	74.82	61.28	(-)13.54	82
	Total	148.11	121.52	(-)26.59	82
2004-05	Own	90.54	61.51	(-)29.04	68
	Other	79.00	65.51	(-)13.49	83
	Total	169.54	127.02	(-)42.53	75
2005-06	Own	103.17	72.82	(-)30.35	71
	Other	80.03	75.05	(-)4.98	94
	Total	183.20	147.87	(-)35.33	81

The overall mobilization of resources under revenue receipts during the years 2003-04 to 2005-06 reflects shortfall upto 25 per cent with respect to budget estimates. The shortfall was mainly due to poor collection of taxes and fees and also less receipt of grants from the Government.

Own source revenues remain sluggish



The analysis of collection of revenue from own sources shows decrease from 82 per cent in 2003-04 to 68 per cent in 2004-05 but there was a slight increase in collection during the year 2005-06. Only eight ULBs could raise 80 per cent of estimated receipts during all the three years and the collections of the remaining 22 ULBs ranged between 2 per cent and 79 per cent. Ten municipalities failed to realise 80 per cent of estimated receipts in any year during the three year period.

This 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 2005-06 furnished by 29 ULBs was as under (unit wise details shown in Appendix - 9):

Demand			Collection			Total outstanding dues
Arrear	Current	Total	Arrear	Current	Total	
(Rupees in crore)						
57.87	27.63	85.50	10.83	15.15	25.98	59.52

Only 25 *per cent* of the total demand has been collected during 2005-06 thereby further raising the arrear demand at the close of the year.

Except for six⁹ municipalities, 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 recovering the outstanding dues.

Dhuliyar Municipality did not realise property tax during the year pending hearing of an application on revised rates of taxes effective from the second quarter of 2004-05. Such delay adversely impacted the Municipal Fund.

Test check of records of the outstanding property tax of Kanchrapara Municipality revealed that a sum of Rs 6.92 crore for the period 1983-84 to 2004-05 remained unrealised from Eastern Railway towards tax of railway properties. No steps were taken by the Municipality to realise such significant arrears of property tax.

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 the Act, 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 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 three months to 17 years in such revisions, 14 municipalities suffered a loss of revenue of Rs 28.84 crore (Appendix - 10). The loss of revenue in respect of Champdani, Murshidabad and Krishnanagar municipalities could not be ascertained in the absence of details of current demand.

⁹ Bhadreswar, Burdwan, Hooghly Chinsura, Jhargram, Katwa, South Dum Dum

On the other hand, Dhupguri and Bankura municipalities did not take action for valuation / revision of valuation.

3.4 Loss due to inadmissible remission in property tax

In terms of Section 111(4) of the West Bengal Municipal Act, 1993 any person who is dissatisfied with the decision as entered in the assessment list, may prefer an application for review before the Board of Councillors (BOC) within a period of two months from the date of presentation of bill for payment of tax.

The provision under Section 112(1) of the Act stipulates that every application presented under sub-section (4) of section 111 shall be heard and determined by a Review Committee, provided that where the Review Committee reduces the valuation of any land or building, such reduction shall not be more than twenty five *per cent* of the annual valuation of such land or building except in the case of gross arithmetical or technical mistake. In contravention of the above provision, Review Committees of various ULBs allowed remission upto the maximum of 96 *per cent*, as of March 2006, resulting in loss to the Municipal Fund amounting to Rs. 0.78 crore *per annum* in respect of thirteen ULBs¹⁰.

3.5 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, 25 municipalities did not impose any surcharge on property tax during 1994-2006 resulting in loss of revenue of Rs 3.01 crore (Appendix - 11). The loss in respect of Rishra and Bankura municipalities could not be assessed in audit in the absence of relevant records.

¹⁰ Asansol M.C.: Rs 0.10 lakh, Egra: Rs 10.47 lakh, Habra: Rs 3.09 lakh, Maheshtala: Rs 1.57 lakh, Mal: Rs 2.32 lakh, Old Malda: Rs 5.40 lakh, Panihati: Rs 25.13 lakh, Ranaghat: Rs 3.81 lakh, Dainhat: Rs 4.53 lakh, Nabadwip: Rs 1.00 lakh, Dhuliyani: Rs 6.43 lakh, Jalpaiguri: Rs 12.89 lakh, Baduria: Rs 1.13 lakh

3.6 Non/short realisation of water charges

In terms of Section 226 (1) of the West Bengal Municipal Act, 1993, it shall be the duty of every municipality to provide a 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 a 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 ferrule¹¹ size. However, due to non imposition of charges or imposition of charges at a lower rate, thirteen municipalities sustained a loss of Rs 5.21 crore during the period from February 2002 to March 2006 (Appendix - 12).

It was also noticed in audit that three municipalities had outstanding water charges of Rs 1 crore at the end of March 2005 and June 2006 as shown below:

Name of ULB	As on	Amount (Rupees in lakh)
Khardah	March 2005	6.15
Rishra	March 2005	25.09
Asansol	June 2006	68.85
Total		100.09

3.7 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 estates, 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.

¹¹ A device placed on a water pipe to allow fixed quantum of water to flow through it.

Test check of market complexes of eight¹² municipalities revealed that non-allotment/ delay in allotment of stalls/ shops for a period ranging from one to two years resulted in loss of revenue of Rs 0.46 crore towards *salami*¹³ and rent in addition to blockage of capital.

This reflects inadequate internal controls and a weak monitoring mechanism in the ULBs resulting in loss of potential revenue.

3.8 Non realisation of rent

In 29 ULBs, the arrears in realisation of rent/*salami* from stalls, guest house, *hats* and shops, of market complexes amounted to Rs 3.50 crore as of March 2005, August 2005, February 2006 and March 2006 as the case may be (Appendix - 13).

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

3.9 Outstanding fees

Certificate of enlistment for profession, trade and calling is issued annually on receipt of the application fee. License for use of a 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 the applicant.

In spite of a provision for realisation of fees in advance, eleven ULBs¹⁴ had accumulated outstanding fees of Rs 1.12 crore and Naihati Municipality accumulated Rs 20.70 lakh at the end of 2004-05 and 2005-06 respectively. No action was initiated by the concerned ULBs to realise the outstanding dues.

3.10 Irregular collection

Test check of records of six municipalities revealed that an amount of Rs 9.75 lakh was collected from tax payers during 2002-2006 either without

¹² Tufanganj: Rs 0.40 lakh, Mirik: Rs 6.72 lakh, Dainhat: Rs 14.26 lakh, Nabadwip: Rs 0.63 lakh, Purulia: Rs 1.95 lakh, Dinhat: Rs 19.05 lakh, English Bazar: Rs 2.57 lakh, Bhadreswar: Rs 0.75 lakh

¹³ One time premium payable by leasee or tenant.

¹⁴ Halisahar: Rs 0.75 lakh, South Dum Dum: Rs 72.41 lakh, Champdani: Rs 0.26 lakh, Rishra: Rs 6.81 lakh, Asansol M.C.: Rs 12.19 lakh, Khardah: Rs 0.15 lakh, Madhyamgram: Rs 10.31 lakh, Mirik: Rs 2.47 lakh, Ramjibanpur: Rs 0.15 lakh, English Bazar: Rs 1.37 lakh, Kandi: Rs 4.95 lakh.

observing the procedure laid down or without any provision for such collection as per the details given below:

Name of ULB	Period	Particulars	Amount (Rupees in lakh)
Dhupguri	June 2004	Collection of advertisement tax without determining the rate by BOC	0.17
Joynagar-Mozilpur	2003-05	Collection of development fees without any provision	1.88
Katwa	2004-06	Collection of penalty charges / fines for regularization of unauthorized construction of buildings	2.48
Naihati	2004-05		0.30
Purulia	2002-05		1.72
Baruipur	2003-05		3.20
Total			9.75

Such collection of revenue without observing the prescribed provision attracts the risk of litigation and consequent financial burden towards repayment with interest.

3.11 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 the 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 Nalhati, Kalyani, Bhadrashwar and Baduria municipalities revealed that collection clerks did not deposit Rs 3.88 lakh collected through receipt books and retained the money with them. On this being pointed out by audit the collection clerks deposited Rs 3.81 lakh as shown below:

Name of ULB	Particulars	Period of collection	Pointed out by audit on	Date of deposit	Amount (Rupees in lakh)
Nalhati	Miscellaneous receipts	August 2003, March /April 2006	16.5.2006 19.5.2006	17.5.2006 29.5.2006	0.56
Kalyani	Market collection	October 2003 to March 2005	20.02.2006 to 30.3.2006	30.03.2006	2.79
Bhadreswar	Cremation charges	January 2005 to March 2006	04.04.2006 to 13.08.2006	02.05.2006	0.01
	Miscellaneous receipts	April 2004 to March 2006	04.04.2006 to 13.08.2006	02.05.2006	0.42
Baduria	Toll tax	January 2005 to June 2005	04.04.2006 to 26.04.2006	12.04.2006	0.03
Total					3.81

However, in spite of the audit observation, Kalyani Municipality did not recover Rs 0.02 lakh and Rs 0.05 lakh in the Municipal Fund representing receipts towards trade license fees and market collection respectively

Non/short deposit of institutional funds within the stipulated time limit amounts to embezzlement besides reflecting inadequate financial discipline in the Municipality and laxity in internal controls.

Nalhati Municipality issued (17 May 2006) a show cause notice to the collection clerks. In reply the collection clerks accepted (17 May 2006) their lapses but the final action of the Municipality in this regard is awaited. Action, if any, taken by the remaining municipalities has not been intimated to audit.

3.12 Non accountal of receipts

According to Section 67 of the West Bengal Municipal Act, 1993, all moneys realised or realizable under this Act and all moneys otherwise received by the Municipality shall be credited into the Municipal Fund. In violation of this provision, the Maternity Home of Champdani Municipality did not deposit an amount of Rs. 8.87 lakh in the municipal account collected during 2002-04. Out of that an amount of Rs. 7.08 lakh was spent directly by the Maternity Home towards miscellaneous expenditure. Similarly parking fee of Rs 2.70 lakh collected during

2004-06 from a bus terminus was not deposited into the Municipal Fund of the Baduria Municipality. This resulted in retention of Rs. 11.57 lakh outside the respective Municipal Fund by the two municipalities.

3.13 Outstanding dues from water bodies

Halisahar Municipality leased out 64 water bodies to different clubs and cooperative societies from the year 1987-88 but failed to collect the dues of Rs 8.31 lakh as of March 2005. No action was taken by the Municipality to recover the outstanding dues till August 2005.

3.14 Short / non realisation of revenue

Five ULBs suffered loss of Rs 17.05 lakh during 2002-2005 due to realisation of revenue at lower rate / non realisation as detailed below:

Name of ULB	Particulars	Amount (Rupees in lakh)
Tufanganj	Realisation of Auditorium cum marriage hall rent at reduced rate	12.87
Champdani	Realisation of hire charges of Rabindra Manch at reduced rate	0.41
Rishra	Property tax for the period 1999 to 2001 against dishonoured cheque not realised	1.74
Dalkhola	Non collection of late fee for renewal of trade license	1.17
Bhadreswar	Collection of subscription at reduced rate from swimming trainees	0.54
	Non realisation of hire charges of road rollers	0.32
Total		17.05

The reasons for realisation of revenue at a lower rate / non realisation were not furnished to audit.

3.15 Loss to Municipal Fund

Bhadreswar Municipality collected fees from the cremation ground by engaging an agency on lease basis. The cremation fees amounting to Rs 0.34 lakh collected by the agency from 14 October 2005 to 31 March 2006 was not realised by the Municipality from the agency till the expiry of the lease term (March 2006). Thus non realisation of fees within the agreement period has resulted in a loss to the Municipal Fund of Rs 0.34 lakh.

Replies from the concerned ULBs/ Government are awaited.