

CHAPTER-III

MAJOR LAPSES IN REVENUE MANAGEMENT

3.1 Direct appropriation of revenue collected to the tune of Rs. 106.71 Lakh

As per rule 22 of Bihar Municipal Accounts Rules, 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. Instead of depositing the revenue collected into the municipal fund, 9 test checked ULBs appropriated Rs 106.71 lakh directly towards expenditure by the order of the executives (Table-4). Proper bills / relevant papers in support of expenditure were not found accounted for in cashbook nor passed by the executives. In Rosera, Jehanabad, Mahanar, Bagha, and Munger even executive orders for such expenditure were not made available to audit. However, in Katihar the expenditure directly appropriated was, recouped on 2-2-2007.

Table-4 Details of receipt appropriated directly towards expenditure.

Sl. No.	Name of ULB	Amount of Direct appropriation (Rs. in Lakh)	Period of appropriation	Authority which authorized the Expenditure/Remarks
1	Katihar	11.55	01-06	The expenditure was recouped on 2-2-07
2	Rosera	3.07	00-06	Relevant order not shown
3	Jehanabad	2.23	03-06	Order not shown
4	Mahanar	2.04	00-06	Order not shown
5	Dehri Dalmianagar	8.84	02-06	Passed by the Executive
6	Bagha	1.59	87-06	Order not shown
7	Munger	45.96	01-06	Order not shown
8	Araria	16.53	00-06	By Executive order
9	Hajipur	14.90	02-06	By Executive order
	Total	106.71		

Besides, violation of rules, direct appropriation indicates lack of control over revenues as per rule 20,30,64,69 & 79 of Bihar Municipal Accounts Rules, 1928 and defeats the purpose of budgetary exercise.

3.2 Non/Short credit of revenue collected to the tune of Rs 127.09 Lakh

Test check of records of collection branch of ULBs revealed that the tax collection officials of ULBs were in the habit of depositing the amount of collection in part and not wholly into Municipal fund.

In 34 ULBs the Tax Collectors, Tax Daroga, Cashier and other Collecting Staff either failed to deposit or short deposited Rs.127.09 Lakh, the amount of collection on account of taxes, fees and other miscellaneous revenues.

Sl. No.	Name of Unit	Period of Audit	Particulars of collection	Amount collected (In Rupees.)	Amount deposited (In Rupees.)	Non/Short credit (In Rupees.)	Deposited at the instance of Audit (In Rupees.)	Balance (In Rupees.)
1.	Katihar	2001-06	H'Cart receipt	1462054	1360902	101152	27779	73373
2.	Sasaram	2001-06	M' receipt	59070	29665	29405	190	29215
3.	Araria	2000-06	H' & M' receipt	2380873	86831	2294042	431268	1862774
4.	Murliganj	2002-06	H' & Tin ticket	26525	Nil	26525	Nil	26525
5.	Nawada	2002-06	H', M' receipt	458269	Nil	458269	340943	117326
6.	Mairwa	1995-06	Tin ticket	9048	Nil	9048	7018	2030
7.	Sitamarhi	1999-06	M', H', M/R	752855	246596	506259	128703	377556
8.	Dehri Dalmianagar	1995-96	H' & M' receipt	1219767	Nil	1219767	278533	941234
9.	Nirmali	1994-06	Mixed	596244	Nil	596244	Nil	596244
10.	Dumraon	1997-06	H&M receipt	171302	33029	138273	19782	118491
11.	Muzaffarpur	2000-05	H&M receipt	38801	9161	29640	22205	7435
12.	Bhabhua	1987-06	H&M receipt	68482	55283	13199	399	12800
13.	Bagaha	1987-06	H&M receipt	14683	Nil	14683	Nil	14683
14.	Munger	2000-06	H&M receipt	377909	Nil	377909	Nil	377909
15.	Sugauli	2000-06	H&M receipt	1086375	804859	281516	Nil	281516
16.	Jamui	2001-06	H&M receipt	8227	Nil	8227	2748	5479
17.	Darbhanga	2001-06	H&M receipt	128006	Nil	128006	110028	17978
18.	Supaul	2003-06	H&M receipt	1963823	1670890	292933	80000	212933
19.	Maharajganj	1996-06	H&M receipt	95462	80904	14558	Nil	14558
20.	Sheikpura	2000-06	H&M receipt	337478	161545	175933	166073	9860
21.	Barh	2003-06	H&M receipt	11984	Nil	11984	Nil	11984
22.	Revelganj	2000-06	H&M receipt	203356	88102	115254	92619	22635
23.	Buxar	2001-06	H&M receipt	193557	Nil	193557	58500	135057
24.	Gaya	2004-06	H&M receipt	726730	127513	599218	71775	527443
25.	Motihari	2003-06	H&M receipt	146691	Nil	146691	54345	92346
26.	Sultanganj	2004-06	H&M receipt	540080	315490	224590	Nil	224590
27.	Rosera	2000-06	H&M receipt	646440	186934	459506	Nil	459506
28.	Jehanabad	1993-06	H&M receipt	1107345	209887	897458	13708	883750
29.	Mahnar	2000-06	H&M receipt	2035772	1167309	868463	23930	844533
30.	Daudnagar	1996-06	H&M receipt	355395	235079	120316	92790	27526
31.	Hazipur	2002-06	H&M receipt	2509822	159697	2350125	798054	1552071
32.	Khagaul	2001-06	H receipt	1557	Nil	1557	1557	NIL
33.	Dumra	1997-06	H receipt	154	Nil	154	154	NIL
34.	Jagdishpur	2001-06	M receipt	5240	Nil	5240	5240	NIL
Total				19739376	7029675	12709701	2828341	9881360

This was apparently a case of misappropriation. However, Rs. 28.28 Lakh was deposited at the instance

of audit, leaving a balance of Rs.98.81 Lakh to be deposited as on 31st March 2007.

Above misappropriation was rendered possible due to non-observance of Rule 20 of Bihar Municipal Accounts Rules, 1928 by the executives of ULBs and Rule 30 of Municipal Account Rules (recovery of Taxes) 1951 by Tax Daroga / Revenue Officer.

3.3 Non/Short realization of Education and Health Cess to the tune of Rs.83.53 Lakh.

ULBs were authorized to collect education and health cess at the rate of 50 percent on holding tax. The revenue so collected was to be deposited in appropriate heads of government account after deducting ten per cent (10%) as collection charge.

Under the Bihar Primary Education (Amendment) Act, 1959, education cess was levied by the State Government from the year 1959-60 at the rate of 6.25% of Holding Tax, which was revised from time

to time to 50% in 1st April 1982. While 8 ULBs short realised Rs.45.49lakh, 2 ULBs did not realise any education cess during 2000-06.

Similarly, as per direction of the State Government (Health Deptt.)(Feb, 1973 and July 1983) under Health Cess Rules 1972, health cess was realizable at the rate of 20 per cent from May1972, which was revised from time to time to 50 percent from 1 April 1982 on holding tax. But, Katihar Nagar Parishad did not realize the amount of cess at the rate of 50 per cent on holding tax amounting to Rs. 18.27 lakh, 5 ULBs short realized Rs. 19.76 lakh. Further, the ULBs are required to deposit the amount of proceeds of above cess to government revenue after deducting 10% (ten percent) as collection charge.

Due to non- realization of education and health cess at prescribed rate of 50% on holding tax, not only the state exchequer was put to a loss of Rs 75.18 Lakh but the ULBs were also deprived of revenue of Rs 8.35 lakh (10% of 83.53 lakh) receivable in the form of collection charge, vide Table-6 below.

Table -6 Details of short realization of health and education cess.

	Name of ULB	Holding Tax Realised (In Rupees.)	Period	Education cess to be realised(In Rupees)	Education cess realised(In Rupees)	Short realisation of Education cess (In Rupees)	Health cess to be realised (In Rupees)	Health cess realised (In Rupees)	Health cess realised in short (In Rupees)
1	Muzaffarpur	27756300	2001 to20 05	13878150	13380270	497880	13878150	13366487	511663
2	Katihar	3656169.19	2001 to20 06	1827584.6	163921.42	1663663.18	1827584.6	0	1827584.6
3	Sasaram	2056592	2001 to 2006	1028294	788828	239466	1028294	817175	211119
4	Buxar	2736000	2000 to2006	1368000	1071000	297000	1368000	1071000	297000
5	Nawada	579233	2002 to 2003	289616.5	256978.5	32638	N.A.	N.A.	N.A.
6	Bhabhua	4285903	2000 to 2006	2142953	1721861	421092	N.A.	N.A.	N.A.
7	Lakhisarai	726454.94	2001 to 2006	363227.47	321034.54	42192.93	363227.47	363227.47	0
8	Khagaul	266582.73	2002 to 2005	133291.36	130089.99	3201.37	133291.36	86201.18	47090.18
9	Sultanganj	888462.45	2000 to 2006	444231.22	N.A.	444231.22	N.A.	N.A.	N.A.
10	Khagaria	1817210	2000 to 2006	908605	N.A.	908605	908605	0	908605
	Total	44768907.31		22383953.15	17833983.45	4549969.7	19507152.43	15704090.65	3803061.78

3.4 Non-deposit of Education and Health Cess of Rs 936.36 Lakh to Government Account

None of 40 test checked ULBs deposited 90 percent of cess in government account. Based on figures made available to audit, 27 ULBs did not deposit Rs. 936.36 lakh (Table-7) in government account and appropriated the same towards payment of salary to staff and meeting other recurring expenditure.

3.5 Non-realization of taxes outstanding against Government Buildings to the tune of Rs 187.31 lakh.

Taxes outstanding against Government buildings are payable by the concerned departments of State Government. In 18 test checked ULBs taxes of Rs. 187.31 lakh were outstanding against government buildings (Table-8). The ULBs made no effort to recover these dues from concerned department / authorities of the State Government though the same was recoverable for the period 1996-2006. No reason for non-realization was furnished to audit by the ULBs.

Table-8 Details of outstanding taxes against Govt. Buildings in 18 ULBs as on 31.03.06.

Sl No.	Name of ULB	Period	Taxes Outstanding (Rs. in Lakh)
1	Nawada	2002-06	13.09
2	Mairwa	1995-06	0.70
3	Supaul	2003-06	16.54

4	Barh	2003-06	10.69
5	Daudnagar	1996-06	2.72
6	Dumrao	2001-06	1.19
7	Dumra	1997-06	11.84
8	Hazipur	2002-06	26.47
9	Aurangabad	2003-06	6.95
10	Araria	2000-06	8.19
11	Motihari	2003-06	6.35
12	Mahnar	2000-06	1.36
13	Sheikhpura	2000-06	29.13
14	Buxar	2000-06	27.51
15	Revealganj	2000-06	0.36
16	Khagaul	2001-06	2.89
17	Sitamarhi	2001-06	16.80
18	Murliganj	2000-06	4.53
Total			187.31

3.6 Non/Short realization of bid amount of Rs 49.08 lakh

Properties of ULBs viz. roadside land, trees, pounds, ferry, market etc. situated on the lands of ULBs are leased out annually through open bid and amount of lease is to be realised from lessees. In 21 out of 40 test checked ULBs, Rs. 49.08 lakh was not realized from the lessees

(Table-9). Legal action, if any, taken to recover the amount was not made available to audit.

Sl No.	Name of ULB	Nature of Property	Period of bid	Amount not realized (in Rs)
1	Rosera	Bus Stand	1999-07	429480
2	Daudnagar	Bus stand, cycle rickshaw, Ferry Ghat and Road side land	2000-05	172486
3	Gaya	Tempo stand, Thela, Slaughter house	2004-05	20500
4	Sheikhpura	Hat/Bazar, Bus stand etc	2003-05	499947
5	Jagdishpur	Sauchalaya, Fish/meat market	2002-04	14295
6	Barh	Bus/Tempo Stand, Sabji/fish market	Up to 05-06	511792
7	Supaul	Tin ticket, Bamboo market, Bus/tempo stand Gudri market etc	1997-2006	1123476
8	Revelganj	Ghat, mela cart Registration	97-06	113073
9	Shahpur	Tin ticket, Toll tax of vehicle, sulabh sauchalaya	98 to 06	166709
10	Nirmali	Ghat, Land, market, slaughter house etc	94 to 00	508165
11	Dumraon	Road side land, slaughter house, tin tickets	00- 06	97370
12	Bagha	Cart/cycle	88-89 & 00-06	233890

13	Sugauli	Stand	03-06	163424
14	Motihari	Fatak, Registration of vehicle	03-06	39050
15	Sultanganj	Mela/Sauchalaya	00-02	109841
16	Sasaram	Fish market	05-06	55650
17	Bhabhua	Market, Entry fee	05-06	98750
18	Jamui	Kiul river Ghat and stand	01-06	415250
19	Nawada	Hat/Bazar	03-04	25400
20	Khagaria	Meat market and footpath	02-06	38300
21	Sitamarhi	Gudri bazaar	03-04	71000
Total				49,07,848

3.7 Outstanding rents to the tune of Rs 186.89 lakh

In 22 ULBs rent of shops / markets amounting to Rs. 186.89 lakh was found outstanding as on 31st March 2006 (**Appendix XII**). Non-realization of rent from tenants deprived the ULBs of their own revenue in time. No effective steps were taken to realize the outstanding dues in all these ULBs.

3.8 Loss of Rs. 2.88 lakh due to payment of Interest on overdraft in Darbhanga Municipal Corporation

Darbhanga Municipal Corporation issued cheque in excess of balance at credit from current account number 271 (Indian Bank) during June 2001 to Sept 2004. The Bank treated all such amounts as overdraft and debited Rs 2.88 lakh as interest on such overdraft. (**Appendix XIII**)

Thus, due to lack of control over financial transaction by the executive, the Corporation was put to a loss of Rs 2.88 Lakh.

3.9 Irregular expenditure of Rs. 8.44 lakh on Mobile Phones in Darbhanga Municipal Corporation

Urban Development Department, Government of Bihar in its letter number 204/76/521/NVV/Patna dated 27 January 1979 addressed to Hajipur Municipality (later communicated to all ULBs) treated expenditure on provision of phones as misutilisation of municipal fund and suggested for recovery. Further, prior sanction of the State Government as required under section 63(a)(a)(a) of Patna Municipal Corporation Act, 1951 was essential for such expenditure.

In contravention of these provisions, facilities of Mobile Phones were allowed to councillors of Darbhanga Municipal Corporation without obtaining required permission from the State Government and an expenditure of Rs 8.44 lakh was incurred on its usage during the period 2004-06.

Thus due to non-observance of above provisions and Govt. order, Rs 8.44 lakh was irregularly spent on purchase of mobile phones and subsequently on payment of monthly bills and vouchers, during 2004-06 indicating lapses in control by the Executives.

3.10 Irregular over drawal of Rs. 4.94 lakh through Self-Cheque in two ULBs

In two ULBs (Katihar and Mahnar) overdrawal of Rs.4.94 lakh (Rs. 2.82 lakh for

Katihar and Rs.2.12 lakh for Mahnar) was noticed. Against several bills, one self-cheque for consolidated amount was issued and the cashier withdrew the amount for disbursement which was in excess of the actual amount to be disbursed. This resulted in overdrawal of Rs. 4.94 lakh (**Appendix-XIV**), which was rendered possible by inadequate monitoring & internal control by the Executive Officers.

Besides, misappropriation of excess amount drawn could not be ruled out.

3.11 Suspected Misappropriation of Rs. 4.5 lakh in Barh Nagar Parishad

The following amounts were drawn through self cheques by Nagar Parishad, Barh from its fund but particulars of expenditure were not found entered in cash book:

Sl. No.	Voucher No.	Cheques No.	Date	Amount (Rs. in Lakh)	Remarks
1.	96	666900	11.05.04	3,94,716	Particulars of payment as evident from counterfoils of cheques shown to have been paid to M/S Sanjeev Agency for supply of sanitary materials.
2.	198 A	295296	23.05.05	55,000	-Doto Shri Sheo Dani Pd, Accountant, Purpose not mentioned
Total				4,49,716	

Relevant vouchers in support of expenditure incurred, if any, from above amount of Rs. 4.50 lakh were not made available to audit. Further, cheque counterfoils were not found signed by the Executive Officer. Thus, genuineness of expenditure of Rs. 4.50 lakh could not be ascertained and hence chances of misappropriation cannot be ruled out.

3.12 Irregular payment of Rs. 3.21 lakh on Allowance to Ward Councillors by Gaya Municipal Corporation

A sum of Rs. 3.21 lakh was paid as allowance to ward councillors by Gaya Municipal Corporation during the period 2004-06 (**Appendix-XV**) for attending Board's meeting.

Such type of payment was not covered under section 89 of Patna Municipal Corporation Act, 1951 (Application of Municipal fund) and as such sanction of the State Government under section 89 (g) (I) of the Act was essential before making payment.

Hence, payment of Rs. 3.21 lakh was irregular. Approval, if taken, from state Government by the ULB was not furnished to audit. The Chief Executive Officer is to be held accountable for this lapse.