

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 source and Government grants of 27 ULBs during the years 2004-05 to 2006-07 are given below (unit wise position is detailed in **Appendix – 9A, 9B & 9C**):

(Rupees in crore)

Year	Source	Budget Estimates	Actual receipts	Variations Increase(+) Shortfall(-)	Percentage of realisation
2004-05	Own fund	65.06	57.48	(-)7.58	88
	Govt. grant	72.22	67.73	(-)4.49	94
	Total	137.28	125.21	(-)12.07	91
2005-06	Own fund	75.14	65.98	(-)9.16	88
	Govt. grant	80.56	77.37	(-)3.19	96
	Total	155.70	143.35	(-)12.35	92
2006-07	Own fund	81.26	71.04	(-)10.22	87
	Govt. grant	87.95	81.95	(-)6.00	93
	Total	169.21	152.99	(-)16.22	90

The overall mobilization of resources under revenue receipts during the years 2004-05 to 2006-07 reflects shortfall upto 10 *per cent* with respect to budget estimates. The shortfall was mainly due to less realisation of receipt from own sources in comparison to the budget estimate.

The average realisation of revenue from own sources was 88 *per cent* during 2004-05 to 2006-07 and receipt of government grants around 94 *per*

cent. Nine¹⁰ ULBs failed to realise 80 per cent of estimated receipts during three years and Sainthia Municipality failed to realise 80 per cent of estimated receipts in any year during the three year period.

Only twelve¹¹ ULBs could raise 80 per cent of estimated own fund during 2004-07. Out of the remaining 15 ULBs whose collection ranged between 24 per cent and 79 per cent, six ULBs stated that shortfall was due to non receipt of dues from government holdings.

This trend of collection of revenue adversely affects the capacity of ULBs to provide services to their tax payers.

3.2 Poor monitoring of Property Tax collection

The position of arrears, current demand, collection and outstanding property tax (including service charge on Central Government properties) at the end of 2004-07 furnished by 32 ULBs was as under (unit wise details shown in Appendix – 10A, 10B and 10C):

(Rupees in crore)

Year	Demand			Collection			Total outstanding dues
	Arrear	Current	Total	Arrear	Current	Total	
2004-05	42.40	21.69	64.09	9.65	10.72	20.37	43.72
2005-06	47.40	25.78	73.18	9.15	13.68	22.83	50.35
2006-07	45.80	26.52	72.32	8.71	14.36	23.07	49.25

Only 31 to 32 per cent of the total demand has been collected during 2004-07 thereby further raising the arrear demand at the close of the year. Furthermore, 49 to 54 per cent of the current demand could be realised by the ULBs during the same period. This indicates poor monitoring in collection of tax.

¹⁰ Haldibari, Old Malda, Kharagpur, Sainthia, Balurghat, Kanchrapara, Bhatpara, Guskara and Bongaon.

¹¹ Chakdah, Chandernagar M C, Durgapur M C, Hooghly-Chinsurah, Joynagar-Mozilpur, Konnagar, Midnapur, Pujali, Ramjibanpur, Ranaghat, Serampore and Uluberia.

Except for Hooghly-Chinsurah, North Dum Dum and Ramjibanpur municipalities, the remaining ULBs failed to collect dues even equivalent to the current demand, which added to the outstanding accumulation of dues.

However, the concerned ULBs did not take appropriate steps for recovering the outstanding dues.

Test check of records of the outstanding property tax revealed that arrears are accumulating mostly in holdings of State Government Offices, School and College, Hospital, Zilla Parishad, Civil Court Bar Library, Criminal Court Bar Association, Sub-Division Civil Judge, etc. No steps were taken by the Municipality to realise the 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 or five years as the case may be.

Due to delay ranging from six months to five years in such revisions, seven municipalities suffered a loss of revenue of Rs 9.03 crore as detailed below:

(Rupees in lakh)

Name of ULB	Due date of revision	Actual date of revision	Period of delay	Loss of revenue
Ashokenagar-Kalyangarh	January 2005	Revised valuation not imposed as of March 2007	Two years and three months	18.68
Kalyani	April 2000	July 2005	Five years and three months	543.80
Hooghly-Chinsurah	October 2006	Revised valuation not imposed as of March 2007	Six months	38.84
Raiganj	July 2004	Revised valuation not effected as of June 2006	Two years	132.58

Kalna	April 2004	October 2006	Two years and six months	60.02
Jiaganj-Azimganj	April 2002	July 2004	Two years and three months	65.90
Habra	July 2005	July 2006	One year	42.81
Total				902.63

Fifteen ULBs¹² did not take action for revision of valuation as of 31 March 2007. The period of delay ranged between six months to 21 years in these ULBs. The loss of revenue in respect of the ULBs could not be ascertained for want of assessment of valuation.

Uttarpara-Kotrang merged the adjoining panchyat area including the area of Hindustan Motors Ltd. on 12 August 1991 but no property tax was realised from the unit till March 2005. The annual valuation as fixed by the Central Valuation Board, West Bengal took effect from the first quarter of 2005-06. Non-assessment of the unit for more than thirteen years caused huge loss to the Municipality.

In terms of Durgapur Municipal Corporation (DMC) Act, 1994 where the annual valuation of any land and building exceeds Rs 40000, the consolidated rate shall be determined on 40 *per cent* of the annual valuation. But while determining the annual tax of 319 holdings having annual valuation more than Rs 40000, DMC assessed tax at the rate of 30 *per cent* against the provision of 40 *per cent*. This resulted in loss of revenue of Rs 2.19 crore during July 2005 to August 2006.

3.4 Loss due to inadmissible remission in property tax – Rs 5.41 crore

In terms of Section 111(4) of the West Bengal Municipal Act, 1993 any person who is dissatisfied with the decision on valuation of his property 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.

¹² Contai, Durgapur M C, Kurseong, Rajpur-Sonarapur, Birnagar, Barasat, Serampore, Uluberia, Asansol M C, Darjeeling, Kanchrapara, Ghatal, Diamond Harbour, Taherpur and Bankura.

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. It also provides that the Review Committee may reduce the valuation of any land or building. However, 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, the concerned Review Committee in respect of five ULBs allowed remission, despite there being no calculation error upto the maximum of 81 *per cent*, as of March 2007 without recording any reason for such reduction. This resulted in loss to the Municipal Fund amounting to Rs. 5.41 crore during 1996-97 to 2006-07 as detailed below:

(Rupees in lakh)			
Sl No.	Name of the ULB	Period	Loss
1.	Birnagar	January 1997 to March 2006	23.22
2.	Uluberia	October 1996 to September 2005	488.52
3.	Chakdah	April 2005 to March 2006	3.03
4.	Joynagar-Mojilpur	April 2001 to March 2007	9.97
5.	Bolpur	July 2003 to March 2007	16.55
Total			541.29

3.5 Non/ under imposition of surcharge on commercial/industrial holdings – Loss of revenue of Rs 9.38 crore

As per Section 97 of the West Bengal Municipal Act, 1993, 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 as the BOC may from time to time decide if such holding is wholly or in part used for commercial, industrial or such other non-residential purposes. The rate of surcharge shall form part of property tax for the purpose of recovery.

In violation of the above provision, 27 ULBs did not impose any surcharge on property tax during 1997-2007 resulting in loss of revenue of Rs 9.38 crore (**Appendix - 11**). The reasons for non imposition of surcharge

were not on record. Further more, the matter in respect of 16 ULBs¹³, out of 27 ULBs was earlier pointed out in the Audit Report ending 31 March 2004, 2005 and 2006.

3.6 Non/short realisation of water charges –Loss of revenue of Rs 5 crore

In terms of Section 226 (1) of the West Bengal Municipal Act, 1993, 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 a municipal area ranging from Rs 15 to Rs 150 per month for supply of water to domestic and non-domestic consumers was to be fixed on the basis of property tax and ferrule¹⁴ size. However, due to non imposition of charges or imposition of charges at a lower rate, twelve ULBs sustained a loss of Rs 5.00 crore during the period from February 2003 to March 2007 (**Appendix - 12**).

It was also noticed in audit that ten ULBs had outstanding water charges of Rs 1.27 crore at the end of March 2007 as detailed below:

(Rupees in lakh)

Name of ULB	As of	Amount
Kandi	March 2007	7.26
Bhatpara	March 2007	26.12
Kalna	March 2007	12.65
Old Malda	March 2007	6.90
Ashokenagar-Kalyangarh	March 2007	33.88
Haldibari	March 2007	0.54
Guskara	March 2007	0.41
Halisahar	March 2007	3.32
Konnagar	March 2007	32.70
Purulia	March 2007	2.69
Total		126.47

¹³ Pujali, Jamuria, Chakdah, Asansol Kurseong, Mahestala, Midnapur, Taherpur, Garulia, Kandi and Old Malda

¹⁴ A device placed on a water pipe to allow fixed quantum of water to flow through it.

3.7 Failure in generating projected revenue due to non allotment/ delay in allotment of stalls/ shops

The BOC with prior approval of the State Government may 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 lodges and centers along with commercial activities or carry on similar projects on a commercial basis.

Test check of market complexes of Chandrakona and Dubrajpur municipalities revealed that non-allotment of stalls/ shops for a period ranging from two to four years failed to generate projected revenue of Rs 1.98 lakh and Rs 1.45 lakh towards *salami*¹⁵ and rent in addition to blockage of capital.

Further, Memari (July 2004), Kanchrapara (August 2004), Dainhat (April 2006), Joynagar-Mozilpur (March 2003) and Guskara (August 2002) municipalities constructed shopping / market complexes at a cost of Rs 75.22 lakh, Rs 4.55 lakh, Rs 23.34 lakh, Rs 27.48 lakh and Rs 14.40 lakh respectively. The stalls of the complexes were yet to be allotted till March 2007. Non-allotment of stalls rendered the expenditure unfruitful and frustrated the very purpose of augmentation of revenue.

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

3.8 Non realisation of rent/ lease money – Rs 2.33 crore

In 31 ULBs, the arrears in realisation of rent/*salami* from stalls, *hats* and shops, market complexes and land amounted to Rs 2.33 crore till the date of audit as detailed in **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 Irregular collection – Rs 1.21 crore

Test check of records of seven municipalities revealed that an amount of Rs 1.21 crore was collected from tax payers during 2002-2007 either without observing the procedure laid down or without any provision for such collection as per the details given below:

¹⁵ One time premium payable by leasee or tenant.

(Rupees in lakh)

Name of ULB	Period	Particulars	Amount
Serampore	2004-06	Collection of development fees without any provision.	59.50
	2003-06		18.56
Durgapur M C	2005-06	Collection of penalty charges /fines for unauthorized construction of buildings.	5.02
Khardah	2005-06		1.38
Ashokenagar-Kalyangarh	2005-07		0.30
Purulia	2002-07		3.24
Madhyamgram	2005-07		32.61
Balurghat	2004-07		0.15
Total			120.76

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

3.10 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 miscellaneous receipts of Dum Dum Municipality revealed that the cashier did not deposit Rs 0.13 lakh collected from *panthaniwas* between 11 May 2005 and 27 June 2006 and retained the money with him. On this being pointed out by audit the cashier deposited the amount on 28 June 2006. Similarly, a staff member of Raniganj Municipality sold building plan forms and mutation forms valuing Rs 0.47 lakh during July 2004 to February 2007 but the money was not deposited into the Municipal Fund. On this being pointed out by audit the amount was deposited between 1 March 2007 and 6 March 2007. No action has been initiated by the municipalities against the concerned officials as per Rule 26 of the West Bengal (Finance and Accounting) Rules, 1999.

In Chakdah Municipality, a municipal staff member unauthorisedly retained an amount of Rs 0.72 lakh which had remained un-disbursed from the vouchers pertaining to November 2001, May 2002, June 2003, October 2004, January 2005 and September 2005 under the National Old Age Pension Scheme. On this being pointed out in audit, the entire amount was deposited on 14 June 2006.

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

3.11 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 Neuro Centre and Polyclinic of the Chandernagar Municipal Corporation collected an amount of Rs 66.82 lakh as user charges during 2005-06. Out of that an amount of Rs 19.38 lakh was spent directly by the maternity home without being credited to the Municipal Fund.

3.12 Short / non realisation of revenue – Rs 44.77 lakh

Five ULBs suffered loss of Rs 44.77 lakh during 1997-2006 due to realisation of revenue at lower rate / non realisation of prescribed dues as detailed below:

(Rupees in lakh)		
Name of ULB	Particulars	Amount
Darjeeling	Realisation of lease money at lower rate than the prevailing market rate.	15.19
Tarakeswar	Short realisation of lease money	2.24
Jamuria	Non realisation penal interest on arrear property tax.	13.67
Gayespur	Interest on arrear property tax at lesser rate.	2.81
Asansol Municipal Corporation	Non realisation penal interest on arrear property tax and trade tax.	10.86
Total		44.77

Replies from the concerned ULBs/ Government are awaited.