

CHAPTER – V: OTHER TAX RECEIPTS

5.1 Results of Audit

Test check of the records of the following receipts, conducted in audit during the year 2003-2004, revealed under assessments of tax, fee, duty and losses of revenue etc., of Rs 190.37 crore in 498 cases which broadly fall under the following categories:-

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
A	Stamp and Registration Fees		
1	Short realisation of stamp duty and Registration fees due to late receipt of revised rates	2	0.33
2	Other cases	82	3.71
3	Review on Stamp Duty	1	41.29
	Total	85	45.33
B	Land Revenue		
1	Non-levy and short levy of cess and / or interest on arrears of cess	59	24.57
2	Non/fixation of salami and commercial rent	54	10.06
3	Non-settlement of vested lands	52	1.50
4	Non-settlement of <i>sairats</i>	51	1.95
5	Long para on loss of revenue due to non-renewal/violation of terms and conditions of lease – hold <i>Khasmahal</i> Land	1	6.70
6	Other cases	163	77.12
	Total	380	121.90
C	Education and Health Cess		
	Non-remittance of education and health cess into Government Account	1	4.13
	Total	1	4.13
D	Electricity Duty		
1	Non-recovery of assessed tax and penalty	1	10.41
	Total	1	10.41
E	Entry Tax/P.G.Tax		
1	Non-levy or short levy of tax	13	0.15
2	Non-levy of penalty	1	0.01
3	Other cases	1	0.12
	Total	15	0.28
F	Taxes on Sugarcane		
1	Non-recovery of tax on removal of sugar from factory	3	0.91
2	Other cases	13	7.41
	Total	16	8.32
	Grand Total	498	190.37

During the year 2003-2004, the concerned departments accepted under assessments and other irregularities in two cases involving Rs 6.97 crore which had been pointed out in audit during earlier years.

A few illustrative cases including a Review on **Stamp Duty** involving tax effect of Rs 62.53 crore are discussed in the following paragraphs:

A: STAMP DUTY

5.2 Review: Review on Stamp Duty

Highlights

Discrepancy of Rs.18.59 crore between departmental figures of receipts and those shown in Finance Accounts were not reconciled by the Department for the years 1993-1994 to 2002-2003.

(Paragraph 5.2.6)

Out of 12 districts test checked, it was noticed that two Treasury Officers had not started recording six digit serial number on the stamps as of May 2004 and in seven districts there was inordinate delays in starting six digit number and sending the details to concerned District Sub-Registrars for verification of stamps in execution of deeds.

(Paragraph 5.2.8)

In 12 test checked districts, only 858 out of 1,004 vendors had been rendering their accounts to concerned Treasury Officers/Deputy Collectors. Of these, accounts of 140 vendors were checked and it was noticed that inspection/verification/reconciliation was not done by the Treasury Officers/Deputy Collectors with the records of District Sub-Registrars.

In five DSR Offices, during the years 1995-1996 to 2002-2003, non-judicial stamp papers worth Rs 10.02 crore were utilised in excess for registration than the stamp papers sold by the concerned treasuries.

(Paragraph 5.2.9)

In a Treasury, stamp papers valued at Rs 3.06 crore were lost in January 2004 due to theft.

(Paragraph 5.2.11)

The sale of stamps valued at Rs 2.87 crore by unauthorised vendors of other States resulted in loss of revenue to the State exchequer.

(Paragraph 5.2.13)

There was no evidence on record of inspections carried out by the Inspectors and action taken if any, on their reports. The internal audit system was non-existent.

(Paragraph 5.2.17)

Introduction

5.2.1 The Indian Stamp Act, 1899 and Rules made thereunder as amended from time to time regulate the levy of stamp duty on the instruments registered with the Registration Department.

The duties and responsibilities of the Registration Department are confined to registration of instruments presented for registration and collection of stamp duty under the Act. The Department is also empowered under the provisions contained in Bihar Stamp Rules, 1954 to make appointment of licensed stamp vendors through the Collector of the concerned districts for sale of stamps.

In the State, Secretary-cum-Inspector General of Registration (IGR), Bihar, Patna places indents for all categories of stamps to the Indian Security Printing Press (ISP), Nasik and Security Printing Press (SPP), Hyderabad. Of the 35 stamp treasuries in Bihar working under the direct control of respective Collector, one treasury (Secretariat Treasury, Patna) is designated as nodal treasury (August 1991). The Treasury Officer (TO) of Secretariat Treasury administers the receipt of stamps from the ISP and SPP and their supply to other district treasuries. The sale of stamps to the general public is effected either directly through treasuries or through the licensed stamp vendors.

On receipt of consignments, the nodal treasury distributes sealed packets of stamp to other stamp treasuries, on the date fixed by the IGR. Stamps having denomination upto Rs. 5000 are sold by the treasuries to the licensed stamp vendors after collecting the sale value through treasury challan while Stamps exceeding denomination of Rs. 5000 are sold to individual after obtaining sale proceeds through treasury challan. The licensed vendors are required to submit the account of stamps sold and in stock to the concerned treasuries by fifth of next month. The treasuries in turn as well as licensed vendors are required to submit the account of sale of stamps to the Collector through the Deputy Collector (DC),(Stamp/Legal Cell) who verifies the accounts of vendors and reports to the Collector.

A flow chart showing the entire process of indent, receipt and sale of stamp papers and collection of stamp duty in registration offices is given in Appendix-I.

Organisational set up

5.2.2 At the apex level, IGR is responsible for administration of the Act and Rules. He is assisted by one Deputy Inspector General of Registration (DIG), four

Assistant Inspector General of Registration (AIG) and four Inspectors at Divisional level. The DIG/AIG is responsible for indenting and supply of stamps while the function of inspectors are confined to inspect and report on all offices in his jurisdiction once in a year to the IGR.

Procurement of stamps from ISP and SPP by the IGR is made on the basis of indents received from the TOs of stamp treasuries for utilisation in District Sub Registrar (DSR)/Sub-Divisional Sub-Registrar (SR), insurance/share sectors in the State.

There are 38 DSR and 71 SR offices in the State. The DSRs/SRs are responsible for levy and collection of stamp duty under the provisions of the Act. The DC (Stamp/Legal cell) is responsible for advising on referred, impounded and refund cases under the Bihar Stamp Rules (BSR), 1954 and also for verification of stamps issued by the treasuries.

The stamps are stored at the Central Stamp Depot (CSD), Patna for issue to different treasuries.

Scope of audit

5.2.3 The review covering the period from 1993-1994 to 2002-2003 was conducted between January and May 2004 with reference to the records of IGR, TOs, DSRs, SRs and DC of 12¹ out of 38 districts in Bihar.

Objective

5.2.4 The review was conducted with a view :

- to ascertain how demand for supply of stamps was projected & Budget estimate in respect of revenues from stamp duty was prepared;
- to ascertain, whether action was taken to ensure adequate supply of stamp papers to/from various treasuries;
- to examine the system of assessment of requirement, indenting, accounting of stock, sale and proceeds;
- to ascertain leakage of revenue under stamp duty; and
- to analyse trends in activity in insurance sector.

Variation between the budget estimates and actual receipts

5.2.5 The position of budget estimates and actual receipts during the period 1996-1997 to 2002-2003 is given below:-

¹ Arrah, Begusarai, Gaya, Khagaria, Madhubani, Muzaffarpur, Nalanda, Patna, Purnea, Saran, Siwan and Vaishali

(Rupees in crore)

Year	Budget Estimate	Actual Receipts	Variation (+) increase/ (-) shortfall	Percentage of variation
1996-1997	347.85	227.41	(-) 120.44	(-) 35
1997-1998	417.57	253.13	(-) 164.44	(-) 39
1998-1999	325.00	279.34	(-) 45.66	(-) 14
1999-2000	372.50	325.77	(-) 46.73	(-) 13
2000-2001	343.48	301.86	(-) 41.62	(-) 12
2001-2002	340.00	304.44	(-) 35.56	(-) 10
2002-2003	400.00	348.21	(-) 51.79	(-) 13

The reasons for variation between the budget estimates and actual receipts have not been received.

Discrepancies between departmental figures of receipt (actuals) and figures as per Finance Account

5.2.6 As per information furnished by the Department, revenue worth Rs 2,574.92 crore was realised during the years 1993-1994 to 2002-2003 whereas, as per Finance Account revenue realised by the Department was Rs 2,556.33 crore as detailed below:-

(Rupees in crore)

Year	Revenue realised as per Department	Revenue realised as per Finance Account	Difference short (-) Excess (+)
1993-1994	162.57	157.94	(-) 4.63
1994-1995	155.25	152.53	(-) 2.72
1995-1996	206.25	205.82	(-) 0.43
1996-1997	219.75	227.41	(+) 7.66
1997-1998	242.82	253.13	(+)10.31
1998-1999	268.10	279.34	(+)11.24
1999-2000	339.14	325.77	(-) 13.37
2000-2001	279.24	301.86	(+) 22.62
2001-2002	314.31	304.44	(-) 9.87
2002-2003	387.49	348.09	(-) 39.40
Total	2,574.92	2,556.33	(-) 18.59

Above table indicates that sales of Rs 18.59 crore were either not accounted for in the Government account or treasury challans were actually not routed through the bank. As such possibility of short accounting of sale proceeds in Government account cannot be ruled out.

Unrealistic Assessment and Indenting of requirement of non-judicial stamps

5.2.7 Under the BSR, IGR, has to send consolidated annual requirement of stamps in the State to the ISP and SPP latest by 15th June each year on the basis of annual forecast received from district treasuries by 10th April each year. All forecasts shall be shown in separate columns for each denomination of stamps (whether supply is required or not), the actual issues during each of the preceding

three years, the average annual consumption based on the issue of the preceding three years, the balance in hand on the 1st April, the estimated issues for the current financial year and the forecast of stamps which the Central Stamps Store will be required to supply during the ensuing year.

It was observed in audit that out of 12 district treasuries, only two (Muzaffarpur and Purnea) district treasuries sent indent to the IGR to meet their requirement of stamps. However, the requirement of stamps was assessed by the IGR on the basis of previous year's actual receipt plus ten *per cent* thereof violating the prescribed rules. As per information furnished by the IGR the value of indents for non-judicial stamps placed with the ISP and SPP and stamps received against indent at Central Stamp Depot, Patna during 1996-1997 to 2002-2003 was as under:

(Rupees in crore)				
Year	Indent	Supply	Shortage in supply	Percentage Shortfall
1996-1997	351.83	36.90	314.93	89.51
1997-1998	767.04	111.73	655.31	85.43
1998-1999	402.57	284.18	118.39	29.41
1999-2000	387.27	113.51	273.76	70.69
2000-2001	625.34	356.00	269.34	43.07
2001-2002	1,601.82	70.27	1,531.55	95.61
2002-2003	587.54	298.38	289.16	49.21
Total	4,723.41	1,270.97	3,452.44	73.10

Above table indicates that between 1996-1997 and 2002-2003, against indent for Rs 4,723.41 crore, stamps worth Rs 1,270.97 crore only were received, resulting in an over all shortfall of 73 *per cent* in the supply of stamps against the indent. The shortfall in supply of stamp papers during 1996-1997 to 2002-2003 ranged between 29 and 96 *per cent*.

However, IGR sent (January 2003) emergent indent to ISP Nasik for supply of stamps to fulfill the requirement of the State.

The consolidated position of balance, supply and sale of stamps in 12 test checked treasuries during 1996-1997 to 2002-2003 were as under:

(Rupees in crore)				
Year	Opening stock	Supply	Sales	Closing Stock
1996-1997	309.99	18.23	64.92	263.30
1997-1998	263.30	48.50	73.10	238.70
1998-1999	238.70	63.15	84.27	217.58
1999-2000	217.58	114.36	99.59	232.35
2000-2001	232.35	123.95	110.43	245.87
2001-2002	245.87	97.73	128.10	215.50
2002-2003	215.50	124.73	162.10	177.85

Scrutiny of records relating to account of stamps in the test check treasuries revealed that the value of closing balances of stamps at the end of each year ranged between Rs177.85 crore and Rs 263.30 crore during 1996-1997 to 2002-2003 was far in excess of the value of the stamps sold during the year. The value of stamps sold ranged between Rs. 64.92 crore and Rs 162.10 crore during the corresponding period. The balances at hand were sufficient to cater to the

needs in subsequent years. The supplies made by the IGR to the treasuries during the years resulted in piling up of the stock. The emergent tender of IGR sent to the supplier was not tenable. The assessment and indenting of stamp was highly unrealistic.

Irregularities in sale and accounting of stamps

5.2.8 As per instruction of the Department issued in November 1996 the TOs were required to record six digit serial number with reference to the year of sale on each and every non-judicial stamp of the denomination of Rs. 500 and above, before sale from the treasury. TOs were also required to send to the concerned DSR/SR, the list with full particulars of stamp papers sold. The DSR/SR had to maintain a register indicating the serial number of stamp paper (denomination wise and vendor wise/party wise) sold by the treasury and to verify it at the time of registration of various instruments as a measure of check against utilisation of fake stamp papers.

In the 12 districts test checked, it was noticed that TOs of Arrah and Gaya had not yet (May 2004) started recording six digit serial numbers on the stamps issued. Information from three district treasuries (Begusarai, Khagaria and Nalanda) was not made available to audit. Position of remaining seven district treasuries was as under:-

Name of districts	Month from which Serial Number started	Month of submission of details to DSR
Madhubani	December 2003	December 2003
Siwan	June 1997	December 2001
Purnea	April 1998	June 2000
Muzaffarpur	August 1998	August 1998
Patna	May 1997	May 1997
Chapra	January 1997	January 1998
Vaishali	August 1997	August 1997

The table above indicates that there was inordinate delay in recording six digit number on the stamps issued by the TOs and sending the details to concerned DSRs/SRs.

5.2.9 The purchase as well as sale of judicial and non-judicial stamps by stamp vendors was restricted to area (registering office) as specified in their licences. Stamp vendors are required to maintain the stock account with the value and denomination of stamp papers. Further, the name of the consumer to whom the stamp papers are sold, the denomination and the value of such stamp papers are to be recorded in the sale account register maintained by the stamp vendors. Every licensed vendor must submit by the fifth day of next month a statement of stock

of stamps to the concerned TO and to the DC (Stamps/Legal cell) showing total procurement and sale of stamps during the month.

The DC (Stamp/Legal Cell) shall conduct comparative study of stamps issued by the TOs, sold by the vendors and utilised in the DSR/SR offices with reference to the statements received from DSRs/TOs and Vendors and report to the Collector. Discrepancies found in course of audit are discussed in succeeding paragraphs:-

- In 12 districts², only 858 out of 1,004 vendors had been rendering their accounts to concerned TOs/DCs (294 vendors to TOs, 564 vendors to DCs). Out of 858 accounts rendered, 140 were checked in audit. Proper inspection/verification of the accounts rendered by the vendors was not done by the concerned TOs/DCs as no proof in support thereof was made available to audit.
- Cross verification of records of five DSR offices³ with concerned treasuries revealed excess utilisation of stamp papers of Rs 10.02 crore between 1995-1996 and 2002-2003 in the concerned DSRs offices as detailed below:

(Rupees in crore)

Sl. No.	Name of DSR office	Period Between	Nature of Irregularities	D.S.R Office	Treasury	Excess
01	Purnea, Siwan, Vaishali, Saran and Bhojpur	1995-1996 and 2002-2003	Stamp papers worth Rs. 114.63 crore were utilised in DSR offices against sale of Rs. 104.62 crore by treasuries	114.63	104.62	10.01
02	Purnea	1997-1998	71 stamps of denomination of Rs 1000 each shown issued on 19 February 1997 to a vendor were used in DSR whereas 52 stamps were found issued to the vendor on same date in treasury records.	0.0071	0.0052	.0019
03	Siwan	March 1997 and April 1998	10 stamp papers of Rs 5,000 denomination each bearing serial numbers (between 2246 and 2476) other than that issued by the treasuries (1 to 2093 and 1 to 77) were used in DSR office	0.0050	-	0.0050
Total						10.0169

The variation of Rs 10.02 crore between sale of non judicial stamps by concerned treasuries and stamps utilised in concerned DSRs, indicated that the stamp papers used in the DSR offices were either fake or the stamp papers were obtained unauthorisedly.

- Scrutiny of vendors account in DSR Purnea for the year 1996-1997 and 1997-1998 revealed that a vendor had inflated closing balance of stamp of different denominations as detailed below:

² Arrah, Begusarai, Chapra, Gaya, Khagaria, Madhubani, Muzaffarpur, Nalanda, Patna, Purnia, Siwan and Vaishali

³ Arrah, Purnea, Saran, Siwan and Vaishali

(Amount in Rupees)

Position of actual/inflated stock of stamps as on	Denomination	Actual number	Inflated number	Difference	Value
27.04.1996	2,000	15	20	05	10,000
15.05.1996	2,000	24	34	10	20,000
11.6.1997	05	108	208	100	500
	10	07	207	200	2,000
	50	07	57	50	2,500
	100	Nil	67	67	6,700
	500	11	71	60	30,000
	1,000	17	87	70	70,000
Total Value					Rs 1,41,700

The utilisation of excess non-judicial stamp papers was carried forward (eight years) by the vendor in his account but concerned authorities did not take any initiative to reconcile the differences between the sale of the stamp papers from treasuries and their actual utilisation, thus violating the executive instructions.

Thus maintenance of incorrect account of stamps by the vendor and subsequent sale of these excess stamps indicated procurement of doubtful stamps valued at Rs.1,41,700 from sources other than the treasury. Possibility of these stamps being fake cannot be ruled out.

Delay in issue of notification

5.2.10 Collectors are authorised to grant licence to private persons for the sale of stamps under Appendix-V of BSR. The Government issued a notification in May 1999 for renewal of licence of vendors at the rate of Rs. 100 per year as renewal fee. The notification was published in Gazette in December 2002. The IGR however directed in September 2003 (after about five years since the notification was issued) all Collectors, *inter- alia*, to realise the arrear of renewal fee on the licences granted on or after 1999. If licence of any vendor is not renewed according to prescribed procedure, their licences would be treated as invalid for next year.

In Patna district, licenses of 74 vendors were neither renewed nor cancelled and stamps were issued to them violating the above executive instructions. Failure on the part of IGR to issue necessary direction timely and failure on the part of the Collector either to realise the arrears or declaring the licences as invalid had deprived the Government with additional revenue of Rs 0.30 lakh for the period 1999 to 2003 besides allowing illegal sale of stamps.

Theft of stamps from Treasury

5.2.11 The BSR provides that no place should be used as a strong room unless it is certified to be secure and fit for use by an officer (Executive Engineer) of the

Public Works Department. The Inspecting Officer will grant a certificate of safety and it is the duty of the Treasury Officer to obtain such certificate from him.

Test check of double and single lock register and physical verification report of Begusarai treasury revealed that out of 8,818 stamps (each of Rs. 5,000 denomination) 6,119 stamps valued at Rs. 3.06 crore were found stolen on 20 January 2004 and FIR in this regard was lodged with the town police, Begusarai on the same day by the TO.

Scrutiny of records further revealed that the TO had repeatedly requested between September 2000 and September 2003 the Superintendent of Police, Begusarai to record an order prescribing the position of the *sentries* and additional precautions to be taken in the strengthening of security system etc. but no response was received till the date of occurrence. Non-adherence to the security norms made the strong room susceptible to theft.

Incorrect reporting of loss of stamp papers

5.2.12 Under the Bihar Financial Rules read with Bihar Treasury Code any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property, held by or on behalf of Government caused by defalcation or otherwise, which is discovered in a treasury or other office or department, should be immediately reported by the officer concerned to his immediate official superior and Finance Department as well as to the Accountant General.

In treasury office, Jehanabad, the physical verification of strong room conducted on 23 May 2003 by the Department revealed damage of 15,000 stamps of denomination Rs 1,000 valued at Rs 1.50 crore. The damage was reported to be caused by white ants. The fact of damage was reported to the Accountant General, Bihar in April 2004 after delay of 10 months, though the codal provision required for immediate reporting.

However, a joint verification of the damaged stamps conducted by audit with the TO, Jehanabad on 20 August 2004 revealed that out of 15,000 stamps of denomination of Rs 1,000 each, 5,148 number of stamps worth Rs 51.48 lakh were in good condition and usable. This indicated that the physical verification conducted on 23 May 2003 did not depict the correct position of damaged stamps.

INSURANCE SECTOR

Loss of Government revenue due to unauthorised sale of stamps

5.2.13 By a circular issued in June 1994 by Board of Revenue, Bihar, the purchase as well as sale of judicial and non-judicial stamps by stamp vendors was restricted to the area (Registry office) as specified in their licences. Only special circumstances stamps could be purchased from other treasuries with the special order of the DC concerned.

Scrutiny of information furnished by Regional office of National Insurance Company Ltd. (NICTL), Patna and Divisional offices of Life Insurance

Corporation (LIC) of India, Patna, Muzaffarpur and Bhagalpur revealed that out of total purchase of insurance stamps valued Rs 7.07 crore during the years 1999 to 2003, stamps worth Rs 5.05 crore were purchased by these insurance companies from unauthorised vendors of Jamshedpur, Patna and Kolkata though sufficient quantity of insurance stamps were available with the concerned stamp treasuries as detailed below:

Year	Insurance stamp purchased from				Total	Stamps available with concerned treasuries.	Loss of revenue to State exchequer
	Government treasury	Stampex India, Jamshedpur	Vendors of				
			Kolkata	Patna			
1999-2000	Nil	1.07	Nil	Nil	1.07	8.53	Nil
2000-2001	Nil	1.87	Nil	Nil	1.87	8.48	0.77
2001-2002	1.52	0.90	0.08	Nil	2.50	6.77	0.98
2002-2003	0.50	1.12	Nil	0.005	1.625	6.40	1.12
Total	2.02	4.96 (a)	0.08 (b)	0.005 (c)	7.065		2.87⁴
		(a) + (b) + (c) = 5.045					

Scrutiny of records of TO, Jamshedpur revealed that no licence for stamp vending was issued by the DC, Singhbhum (Jamshedpur) in favour of Stampex India, Jamshedpur. As such, the sale of stamps by Stampex India, Jamshedpur to the insurance companies was unauthorised. Further, a vendor of Patna who sold stamps of Rs. 50,000 to NICL, Patna was also not appearing in the list of vendors furnished by the TO Patna. The sale of stamps worth Rs 2.87 crore by the unauthorised vendors of other States for use by LIC/NICL Patna resulted in loss of revenue to the State exchequer.

Purchase of stamp papers by vendors from other vendors

5.2.14 As per condition of the licence, a vendor shall obtain stamps only from the Government treasury as specified in his licence and submit the monthly statement of accounts of purchase and sale of stamps to the TO and the DC (Stamp/Legal cell).

Scrutiny of statement furnished by the vendors of Jamshedpur revealed that two vendors (Sri Saroj Chanda and Sri Pradip Ghosh, proprietors of Stampex India, Jamshedpur) procured stamps worth Rs. 1.73 crore from vendors of other districts / State as detailed below:

Year	Value of stamps in Rupees	Name of vendors from whom the stamps were purchased.
1999-2000	7,00,000	Sri M. Prasad ,Patna (Bihar), A.K. Saha, Kolkata (West Bengal)
2000-2001	7,25,000	Sri A.K .Saha, Kolkata (West Bengal)
2001-2002	88,83,000	Sri M. Prasad, Patna and A.K. Saha, Kolkata
2002-2003	69,84,000	Sri M. Prasad Patna, Sri S.lal , D.K. Sahu, R.R. Sahu , K.K. Sahu (All Ranchi) Jharkhand and A.K.Saha , Kolkata .
Total	1,72,92,000	

⁴ Arrived at by ignoring the period prior to bifurcation of Bihar i.e. 15.11.2000 when Jamshedpur was part of Bihar.

Sri Saroj Chanda and Sri P.Ghosh of Jamshedpur stated (June 2004) that insurance stamps worth Rs. 71.83 lakh were purchased between 1999-2000 and 2002-2003 from Sri M. Prasad, a vendor of Patna. On cross verification it was noticed that Sri M. Prasad had not maintained any record of sale of stamps.

After this was pointed out, the DC (Legal cell) collected and furnished to audit (June 2004) the statement of sale/ purchase of stamps by the vendor for the period from 1993-1994 to 2002-2003. This indicated that neither the vendor had submitted the accounts within prescribed period nor the Department had initiated any action to check/detect the unauthorised sale/ purchase by the vendor and cancel the licence for violation of terms and conditions of licence.

Sale of stamps by vendors outside the prescribed area

5.2.15 As per condition of licences, the vendors were authorised to sell the stamps only in areas as prescribed in the licence. Under paragraph 7 of instructions of Board of Revenue issued in June 1994 the DC (Stamp/Legal Cell) shall conduct comparative study of stamps issued by the TOs, sold by the vendors and utilised in the DSR office with reference to the statements received from DSRs/TOs/Vendors. The discrepancy found if any, would be brought to the notice of Collector immediately, but no such system has been prescribed for Insurance companies under these instructions.

- As per the statement of sale of stamps by two vendors of Jamshedpur (Sri Saroj Chanda and Sri Pradip Ghosh), insurance stamps were sold not only in other districts of Bihar (Bhagalpur, Muzaffarpur and Patna) but also in other states (Hazaribagh in Jharkhand, Asansol and Howrah in West Bengal, Sambalpur and Cuttak in Orissa and Raipur in Chhattisgarh). The sale of stamps in areas other than Jamshedpur was in contravention of the condition of licence.

The Department did not take any action to cancel the licences of vendors and stop the sale beyond the specified area.

- Test check revealed that three Divisional Offices (Patna, Muzaffarpur and Bhagalpur) of LIC and Regional Office, Patna of NICL, purchased insurance stamps worth Rs 4.96 crore during the period 1999-2000 to 2002-2003 from Stampex India, Jamshedpur. Cross verification of purchase of stamps by these insurance companies with the records of supply as declared by the supplier revealed that the supplier had actually sold the stamps worth Rs 6.22 crore. This resulted in discrepancy in sale of stamps amounting to Rs 1.26 crore. Possibility of sale of fake stamps can not be ruled out.

Discrepancies in sale and purchase of insurance stamps

5.2.16 As per instructions of Board of Revenue issued in June 1994, the TOs were required to prepare a consolidated statement of sale of stamps (both by treasury and through vendors) and submit the same to concerned DC (Stamps/Legal cell),

who in turn after cross verification with the statement of vendors, reports to the Collector.

Cross verification of statements furnished by TO, Jamshedpur and vendors,(Sri Saroj Chanda and Sri Pradip Ghosh) revealed that TO Jamshedpur sold stamps worth Rs15.62 crore during the period from 1999-2000 to 2002-2003 to these vendors whereas the accounts of these vendors reflected purchase of Rs. 15.69 crore for the corresponding period. Details are as under:

(Rupees in crore)			
Year	Sale of stamp by treasury to Shri Chanda and Shri Ghosh	Purchase shown by Shri Chanda and Shri Ghosh from treasury	Difference
1999-2000	3.10	3.10	Nil
2000-2001	4.39	4.42	0.03
2001-2002	3.28	3.32	0.04
2002-2003	4.85	4.85	Nil
Total	15.62	15.69	0.07

No records were produced to audit to indicate that accounts of sale of stamps by the treasuries/vendors were prepared and submitted to the concerned authorities periodically.

Internal Control and Monitoring

5.2.17 Internal audit is considered to be an effective mechanism for evaluating the various internal controls in the system and identifying their weakness. The Finance (Audit) Department works as internal auditor for all State Government departments including the Registration Department. By an order of May 1960, the internal audit parties are required to conduct cent *per cent* audit of purchase and sale of stamps including scrutiny of registers maintained by offices and verification of deposits of the amount with the treasury records for credit to consolidated Fund of the State.

- Information as made available to audit in the Registration offices, revealed that no internal audit was conducted during the years from 1993-1994 to 2002-2003 as no audit report in support of carrying out the internal audit was made available to audit. This indicated that a very vital component of internal control had not been utilised.

- Scrutiny of records revealed that there were four Inspectors in the Department against a sanctioned strength of nine having their jurisdictions at Bhagalpur, Darbhanga, Koshi, Magadh, Munger, Patna, Purnea, Saran and Tirhut.

Information regarding inspections conducted by the Inspectors and their report was called for during audit but the same was not furnished by the Department till June 2004.

Recommendations

5.2.18 The Government may examine and consider the following:-

- Payment of stamp duty may be made either by cash through treasury challan / demand draft / pay order of any scheduled bank or by cash through authorised bank under receipt;
- Role of intermediaries in the form of stamp vendors may be dispensed with;
- Introduction of online connectivity between banks and DSR/SR offices to ensure that registering authority links the payment of stamp duty with the documents to be registered;
- Treasury Officers should ensure inspection/verification/reconciliation of accounts rendered by the vendors to them with the records of DSRs/SRs;
- Instructions to record six digit serial number on the stamps by the TOs and its cross verification by the concerned DSRs/SRs is ensured till any alternative system is evolved and adopted;
- Strengthen the internal audit set up in the Department.

The matter was reported to the Government in July 2004; they have accepted all the recommendations.

B: LAND REVENUE

5.3 Loss of revenue due to non-renewal/violation of terms and conditions of leasehold *Khas Mahal* land

Under the Bihar Government Estates (*Khas Mahal*) Manual, 1953 and Rules framed thereunder, the State Government is to issue notices to the lessees, for grant of lease, six months prior to the expiry of lease to apply for renewal of such lease, whereas a lessee is required to apply for renewal thereof three months prior to the expiry of his lease. A lessee continuing to occupy lease-hold property without payment of rent and renewal of lease is to be treated as a trespasser and shall have no claim for renewal on previous terms and conditions.

On fresh leases, *Salami*⁵ at the current market value of land besides annual rental (one fiftieth and one twentieth of such *Salami* for residential and commercial leases respectively), is leviable. In case of arrears, the lessees are liable to pay double the rent at a rate of rent as determined in fresh lease from the date of non payment of rent together with interest on arrear rent at 10 per cent per annum.

Mention was also made in paragraph 2.4 of the Report of the Comptroller and Auditor General of India (Revenue Receipts), Government of Bihar for the year

⁵ *Salami* is the Government share in increased value of land.

ended 31 March 1998 on the above subject and revenue implications thereof. The Public Accounts Committee had recommended (December 2002) that survey of leased land be completed within six months.

A test check of records between April 2002 and April 2004 in the office of Additional Collector, Patna revealed that three leases in respect of 6.17 acres of land had expired between February 1998 and March 2000, in which neither the Department issued notices nor the lessees had applied for renewal of expired leases in time. These lessees continued to occupy leasehold property without payment of rent. Inaction on the part of the Department to levy and collect rental dues resulted in non-levy/recovery of Rs 6.70 crore as detailed below:

(Rupees in crore)								
Sl. No.	Name and address of lessees	Area involved (in acre)	Date of expiry of lease	Rate per decimal (Rs)	Salami	Penal rent	Penal interest	Total
1.	New Patna Club, Gardiner Road Patna	4.13	28.2.1998	72,000	2.97	1.47	0.22	4.66
2	M/S Sahay property & investment Pvt. Ltd, Patna Gaya Road	1.01	25.8.1998	72,000	0.72	0.36	0.05	1.13
3.	Sri B. Fransis, Patna Gaya Road	1.03	31.3.2000	72,000	0.74	0.15	0.02	0.91
Total		6.17			4.43	1.98	0.29	6.70

The case was reported to the Department in April 2002 and April 2004 and to the Government in July 2004; their reply has not been received (September 2004).

5.4 Non-remittance of Education and Health cess into Government account

By Government notifications issued under the provisions of the Bihar and Orissa Municipal Act, 1922 and the Patna Municipal Corporation Act, 1951, the collection of education and health cess was entrusted to all the Municipal bodies in December 1959 and May 1972 with the direction to remit the proceeds of those cess to the State treasuries after deducting 10 *per cent* thereof as collection charges which shall form part of the Consolidated Fund of the State.

In 15 Bodies,⁶ it was noticed between June 2002 and June 2004 that collected amount of education and health cess of Rs 1.92 crore and Rs 2.21 crore respectively between 1998-1999 and 2002-2003 were not remitted to the Government account. Thus, a sum of Rs 4.13 crore remained out of the Consolidated Fund of the State.

⁶ *Municipal corporation - Bhagalpur and Darbhanga
Municipalities - Dehri - Dalmianagar, Forbesganj, Gopalganj, Hajipur, Jamalpur, Kahalgaon, Nawada and Raxaul
Notified Area Committee - Birpur, Bettiah, Murliganj, Naugachia and Pero*

The matter was reported to the Department and the Government in September 2003, June 2004 and August 2004; their reply has not been received (September 2004).

C: ELECTRICITY DUTY

5.5 Non-recovery of assessed tax and penalty

Under the provisions of Bihar Electricity Duty Act, 1948 as amended from time to time any person/licensee from whom any money is due or may become due, or liable to pay duty, has failed to pay the sum upto the date fixed in the notice of demand served upon him, shall be personally liable to the State Government for payment of the sum due. In case of default, the prescribed authority shall direct that such person shall pay by way of penalty a sum not exceeding twice the amount payable.

In course of audit of the office of the Deputy Commissioner of Commercial Taxes (DCCT), Patna special circle, it was noticed in case of a licensee that electricity duty was levied to the tune of Rs 29.82 crore in January 2003 for the period 1999-2000 but the licensee paid only Rs 26.35 crore and balance amount of Rs 3.47 crore remained unrecovered till March 2004. As the licensee failed to pay the dues within the stipulated time, penalty equivalent to twice the amount payable was leviable but the same was not levied. Thus, total sum recoverable worked out to Rs 10.41 crore including penalty of Rs 6.94 crore.

After this was pointed out in March and June 2004, the DCCT stated (July 2004) that permission has been sought from the CCT Bihar for initiating action under the provisions of Bihar Electricity Duty Act, 1948.

The case was reported to the Government in May 2004; their reply has not been received (September 2004).