

## Chapter - V Performance Audit

### Urban Development and Housing Department

#### 5.1 Revenue Management by ULBs

##### *Executive Summary*

*Revenue management is the key to economic stability and development of urban infrastructure. In order to discharge their functions properly and to cater to the requirements of economic development, it is immensely important for the Urban Local Bodies (ULBs) to manage their revenues in the best possible way. Performance Audit on 'Revenue Management by ULBs' conducted during April to August 2015 covered 36 ULBs. Important findings are summarised below;*

In test checked ULBs, the income from own sources was not sufficient to meet their establishment expenditure. The income from own sources was only 36 per cent to 76 per cent of the establishment expenditure during 2010-15. **(Paragraph 5.1.7.2, 5.1.7.3, 5.1.7.4)**

Budget Estimates were not realistic and time schedule for adoption and submission of Budget Estimates were not followed.

**(Paragraph 5.1.7.5)**

Advance of ₹ 5.74 crore including ₹ 4.20 crore paid before 2010-11 was outstanding as on 31 March 2015 in the test checked ULBs.

**(Paragraph 5.1.13.2)**

##### **Nagar Nigams (Nigams)**

Schemes of ₹ 2.78 crore were executed by the Nigams during 2010-15 without including the same in the draft development plan prepared by the District Planning Committee and approved by the State Government.

**(Paragraph 5.1.8.1)**

Six to nine types of taxes and all the five types of user charges were not levied by the Nigams.

**(Paragraph 5.1.9.1)**

Due to non-imposition of user charges for water supply and door-to-door collection of solid waste, Nigams were deprived of revenue of ₹ 5.46 crore and ₹ 9.15 crore respectively during August 2013 to March 2015.

**(Paragraph 5.1.9.1)**

A sum of ₹ 17.88 crore remained unrealised under property tax, mobile tower tax and shop rent as on 31 March 2015.

**(Paragraph 5.1.10.1)**

Settlement amount of ₹ 52.45 lakh related to the year 2010-15 remained unrealised as on 31 March 2015.

**(Paragraph 5.1.10.1)**

##### **Nagar Parishads (NPs)**

Schemes of ₹ 12.64 crore were executed by the NPs without including the same in the Draft Development Plan prepared by the District Planning Committee and approved by the State Government.

**(Paragraph 5.1.8.2)**

Six to eleven types of taxes and all the five types of user charges were not levied by the NPs.

**(Paragraph 5.1.9.2)**

Due to non-imposition of user charges for water supply and door-to-door collection of solid waste, NPs were deprived of revenue of ₹ 1.44 crore and ₹ 5.38 crore respectively during August 2013 to March 2015.

*(Paragraph 5.1.9.2)*

A sum of ₹ 16.24 crore remained unrealised under property tax, mobile tower tax and shop rent as on 31 March 2015.

*(Paragraph 5.1.10.2)*

Instead of depositing the Collection money on the day of collection in Nagar Parishads, Cashiers/Tax Collectors of five Nagar Parishads retained the Collection money of ₹ 54.69 lakh (2010-15) on account of property tax, shop rent, bid money etc., for periods ranging from one to five years.

*(Paragraph 5.1.10.2)*

#### **Nagar Panchayats (NPys)**

Schemes of ₹ 1.87 crore were executed by eight NPys without including the same in the Draft Development Plan prepared by the District Planning Committee and approved by the State Government.

*(Paragraph 5.1.8.3)*

Eight to twelve type of taxes, all type of user charges and one to four types of fees and fines were not levied by 22 NPys.

*(Paragraph 5.1.9.3)*

Due to non-imposition of user charges for door to door collection of solid waste, 14 NPys were deprived of revenue of ₹ 3.93 crore during August 2013 to March 2015.

*(Paragraph 5.1.9.3)*

A sum of ₹ 5.47 crore remained unrealised by 20 NPys under property tax, mobile tower tax and shop rent as on 31 March 2015.

*(Paragraph 5.1.10.3)*

### **5.1.1 Introduction**

The 74<sup>th</sup> Constitutional Amendment Act, enacted in 1992, envisioned creation of local self-governments for the urban areas wherein municipalities were provided with constitutional status for governance. The amendment empowered the Urban Local Bodies (ULBs) to function efficiently and effectively for preparation of plans for economic development and social justice and to perform functions including those in relation to the matters listed in the Twelfth Schedule of the Constitution. In Bihar, 1.18 crore people (11 per cent of total population) live in urban areas and the State Government constituted 141 ULBs (11 Nagar Nigams, 42 Nagar Parishads and 88 Nagar Panchayats) on the basis of population to provide the civic services to the urban population. Last election for constitution of elected bodies in ULBs was held in the year 2012.

Revenue management is the key to economic stability and development of urban infrastructure. In order to discharge their functions properly and to cater to the requirements of economic development, the ULBs have to generate adequate resources. The ever increasing pressure on urban infrastructure due to rapid increase in urban population made it immensely important for the ULBs to manage their revenues in the best possible way and to explore new sources of revenues and utilise them effectively.

### 5.1.2 Sources of Municipal Funds

The ULBs in the State are financed by receipts from their own resources and grants and assistance received from the Central/State Government. The State Government implemented the Fourth State Finance Commission recommendations (*Appendix- 5.1*) and released grants-in-aid to the ULBs to compensate for their establishment expenditure. In accordance with the powers conferred by the Bihar Municipal (BM) Act, 2007, the ULBs were empowered to levy and collect 12 types of taxes, five types of user charges and four types of fees and fines (*Appendix-5.2*) and realise rent and fees from their land, buildings, shops, markets, vehicle stands etc.

### 5.1.3 Audit Objectives

The audit objectives were to assess whether:

- the sources of revenues as provided in Acts and Rules or otherwise were promptly assessed and levied by the ULBs;
- the levied revenues were promptly collected and timely deposited in the Municipal Fund;
- the collected revenues were economically, efficiently and effectively managed and utilised by the ULBs; and
- the revenues generated by the ULBs from their own sources were sufficient to meet core obligations.

### 5.1.4 Audit Criteria

The main sources of audit criteria for the Performance Audit were:

- Bihar Municipal Act, 2007
- Bihar Municipal Accounts Rules, 1928/2014
- Bihar Financial Rules, 2005
- Report of the Fourth State Finance Commission; and
- Circulars and orders issued by the State Government from time to time.

### 5.1.5 Audit Scope and Methodology

The Performance Audit (PA) on revenue management by ULBs covering the period 2010-15 was conducted during April to August 2015. Out of 141 ULBs, 36 units viz., 3 Nagar Nigams (Nigams), 11 Nagar Parishads (NPs) and 22 Nagar Panchayats (NPys) were test checked in this PA selected by applying Simple Random Sampling under Stratified Sampling Method (*Appendix-5.3*).

The entry conference was held with the Principal Secretary, Urban Development and Housing Department (UD&HD), Government of Bihar (GoB) in March 2015 where audit objectives, scope and methodology adopted for the PA were discussed. Audit findings were discussed with the Special Secretary, UD&HD in Exit Conference held on 23 December 2015. The responses of the UD&HD and audited entities have been incorporated at appropriate places in the report.

### 5.1.6 Organisational Structure

The UD&HD of the State Government headed by the Principal Secretary is the nodal department of the ULBs. The organisational set-up of ULBs is as follows:



(Source: Section 20 and 36 of BM Act, 2007)

### Audit Findings

#### 5.1.7 Financial Management

##### 5.1.7.1 Revenue of ULBs of the State

#### Revenue from own sources

As per data provided by the UD&HD, GoB, the position of revenue from own sources of the ULBs during 2012-15 is given in **Table 5.1** below:

**Table – 5.1: Revenue from own sources**

Particulars*	(₹ in crore)		
	2012-13	2013-14	2014-15
Total Demand	125.54	129.58	149.97
Total Collection	72.75	52.15	53.78
Percentage of collection	57.95	40.25	35.86

(Source: Information provided by UD&HD)

\* Data for the period 2010-12 was not available with the Department.

Analysis of the above data showed that there was gradual decrease in collection of revenue from own sources during 2012-15.

The Special Secretary, UD&HD replied in Exit Conference that due to shortage of staff at ULBs level, collection of revenue decreased. However, percentage of collection has been improved in the year 2015-16. He further stated that steps have been taken for compilation of data of revenue collected by ULBs at the State level.

#### Grants as per State Finance Commission recommendations

State Finance Commissions were constituted by GoB to review the financial position of local bodies and to recommend the principles to govern the distribution of net proceeds of taxes, duties etc., between the State and the local bodies. GoB constituted the Fourth State Finance Commission (FSFC) in June 2007 which submitted its report in June 2010. The grants released as per FSFC recommendations during 2011-15 are given in **Table 5.2** below:

**Table – 5.2: Release of FSFC Grants***(₹ in crore)*

year	Grants to be released as per FSFC recommendations	Grants actually released	Short release
1	2	3	4 (2-3)
2011-12	252.63	251.02	1.61
2012-13	264.77	264.27	0.50
2013-14	325.93	325.63	0.30
2014-15	406.79	406.69	0.10
<b>Total</b>	<b>1250.12</b>	<b>1247.61</b>	<b>2.51</b>

*(Source: Allotment letters of UD&HD, GoB)*

It is evident from **Table 5.2** that against the eligibility of ₹ 1250.12 crore during 2011-15, ₹ 1247.61 crore was released. Thus, there was a short release of grant of ₹ 2.51 crore only during 2011-15.

### 5.1.7.2 Revenue of test checked Nagar Nigams

#### *Revenue from own sources*

The revenue of the Nigams from their own sources and the establishment expenditure during 2010-15 is given in **Table 5.3** below:

**Table – 5.3: Revenue from own sources***(₹ in crore)*

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue from own sources	5.82	8.02	10.63	12.00	13.40	49.87
Establishment expenditure	14.53	19.94	27.30	25.64	31.60	119.01
Resource gap	8.71	11.92	16.67	13.64	18.20	69.14
Revenue from own sources as percentage of establishment expenditure	40.05	40.22	38.94	46.80	42.41	41.90

*(Source: Information provided by the audited entities)*

It is evident from **Table 5.3** that the income of the Nigams from their own sources was not enough to meet even their establishment expenditure and it ranged between 39 to 47 *per cent* of their establishment expenditure during 2010-15.

Audit further observed that Health Cess and Education Cess collected by the test checked Nigams amounting to ₹12.18 crore (**Appendix-5.4**) which was to be remitted into the Government account after retaining 10 *per cent* as collection charges, was not remitted into Government account and the amount was treated as own source of revenue. This resulted in over statement of revenue from own sources.

#### *Grants as per State Finance Commission recommendations*

The details of grants received by the Nigams from FSFC during 2011-15 is given in **Table 5.4** below:

**Table-5.4: Grants received by Nigams under FSFC***(₹ in crore)*

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	Total
1.	Grants received	21.85	19.37	24.09	28.52	93.83
2.	Grants for salary/pension	4.65	6.70	10.93	13.70	35.98
3.	Revenue from own sources	8.02	10.63	12.00	13.40	44.05
4.	Establishment expenditure	19.94	27.30	25.64	31.60	104.48
5.	Resource Gap (4-3)	11.92	16.67	13.64	18.20	60.43

*(Source: Information provided by the audited entities and grant sanctioning letters)*

As evident from **Table 5.4** the resource gap for the period 2011-15 was ₹60.43 crore. Thus, even if grants for salary and pension were added to their own revenue, the Nigams not be able to meet their establishment expenditure.

### 5.1.7.3 Revenue of test checked Nagar Parishads

#### Revenue from own sources

The revenue of the NPs from their own sources and their establishment expenditure during 2010-15 is given in **Table 5.5** below:

**Table – 5.5: Revenue from own sources**

Particulars	(₹ in crore)					
	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue from own sources	6.06	7.62	6.77	9.48	9.46	39.39
Establishment expenditure	10.53	10.08	19.05	16.92	25.13	81.71
Resource gap	4.47	2.46	12.28	7.44	15.67	42.32
Revenue from own sources as a percentage of expenditure	57.55	75.60	35.54	56.03	37.64	48.21

(Source: Information provided by the audited entities)

It is evident from **Table 5.5** that the income of the NPs from their own sources was not enough to meet even their establishment costs and it ranged between 36 to 76 per cent of their establishment expenditure during 2010-15.

Audit further observed that Health Cess and Education Cess collected by the nine test checked NPs amounting to ₹ 5.32 crore (**Appendix-5.4**) which was to be paid into the Government account after retaining 10 per cent as collection charges, was not remitted into Government account and the amount was treated as own source of revenue. As a result, revenue from own sources was overstated to that extent.

#### Grants as per State Finance Commission recommendations

The details of grants received by the NPs from FSFC during 2011-15 is given in **Table 5.6** below:

**Table-5.6: Grants received under FSFC by NPs**

Sl. No.	Particulars	(₹ in crore)				
		2011-12	2012-13	2013-14	2014-15	Total
1.	Grants received	27.85	24.66	30.19	36.96	119.66
2.	Grants for salary/pension	6.35	9.15	14.92	19.70	50.12
3.	Revenue from own sources	7.62	6.77	9.48	9.46	33.33
4.	Establishment expenditure	10.08	19.05	16.92	25.13	71.18
5.	Resource Gap (4-3)	2.46	12.28	7.44	15.67	37.85

(Source: Information provided by the audited entities and grant sanctioning letters)

As evident from **Table 5.6**, the NPs were dependent on FSFC grants to meet their establishment expenditure as there was resource gap of ₹ 37.85 crore during 2011-15 which could not have been met without FSFC grants.

### 5.1.7.4 Revenue of test checked Nagar Panchayats

#### Revenue from own sources

The revenue of the NPys from their own sources and their establishment expenditure during 2010-15 is given in **Table 5.7** below:

**Table-5.7: Revenue from own sources**

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue from own sources	2.17	2.83	2.99	3.24	3.97	15.20
Establishment expenditure	3.66	4.38	6.26	6.40	8.35	29.05
Resource gap	1.49	1.55	3.27	3.16	4.38	13.85
Revenue from own sources as a percentage of expenditure	59.28	64.61	47.76	50.62	47.54	52.32

(Source: Information provided by the audited entities)

It is evident from **Table 5.7** that the income of the NPys from their own sources was not enough to meet even their establishment expenditure and it ranged between 48 to 65 *per cent* of their establishment expenditure during 2010-15.

Audit further observed that Health Cess and Education Cess collected by the 14 test checked NPys amounting to ₹ 57.24 lakh (**Appendix-5.4**) which was to be paid into the Government account after retaining 10 *per cent* as collection charges, was not remitted into Government account and the amount was treated as own source of revenue. As a result, revenue from own sources was overstated to that extent.

#### **Grants as per State Finance Commission recommendations**

The details of grants received by the NPys from FSFC during 2011-15 is given in **Table 5.8** below:

**Table-5.8: Grants received from FSFC by NPys**

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	Total
1.	Grants received	14.50	16.72	21.29	26.38	78.89
2.	Grants for salary/pension	3.98	5.98	10.24	13.77	33.97
3.	Revenue from own sources	2.83	2.99	3.24	3.97	13.03
4.	Establishment expenditure	4.38	6.26	6.40	8.35	25.39
5.	Resource Gap (4-3)	1.55	3.27	3.16	4.38	12.36

(Source: Information provided by the audited entities and grant sanctioning letters)

As evident from **Table 5.8**, the NPys were dependent on FSFC fund to meet their establishment expenditure as there was resource gap of ₹ 12.36 crore during 2011-15 which could not have been met without FSFC funds.

The Special Secretary, UD&HD replied in Exit Conference that steps would be taken to improve the revenues of the ULBs and suitable instructions would be issued to ULBs to remit the Health and Education Cess into Government account.

#### **5.1.7.5 Budget**

Section 84 of BM Act, 2007 provides that the municipality shall by the 15<sup>th</sup> day of March each year adopt the budget estimates for the ensuing year and submit the budget estimates so adopted to the State Government. The Budget Estimates received shall be returned to the Municipality before the 31<sup>st</sup> day of March of that year with or without modifications of the provisions relating to subventions by the State Government. As per Government's instructions, variation between budgets and actuals should not be more than 10 *per cent*.

Further, Section 75 of the Act *ibid* stipulates that payments not to be made out of Municipal Fund unless covered by Budget grant. Audit scrutiny disclosed following deficiencies:

### **Nagar Nigams**

#### ***Unrealistic Budget Estimates***

The comparison between the figures of the budgeted and actual expenditure of the test checked Nigams revealed that there was an excess of upto ₹ 30.88 crore (510 *per cent*) and a savings of upto ₹ 173.42 crore (92 *per cent*) in Nigams during 2010-15 (*Appendix -5.5*).

#### ***Delay in adoption and submission of Budgets***

Budgets were adopted by Nigams with a delay of upto three months (Darbhanga) and were submitted to the State Government with a delay of over four months (Darbhanga) during 2010-15 (*Appendix-5.6*).

Municipal Commissioners (MCs) of the Nigams replied that in future, budgets would be prepared on realistic basis and the time schedule for adoption and submission would be adhered to.

#### ***Non-modifications by the State Government***

During 2010-15, budgets of none of the test checked Nigams were returned by the State Government with or without modifications.

### **Nagar Parishads**

#### ***Non-preparation of Budget***

In Bagaha NP, budget for one year (2014-15) and in Madhepura NP, budget for four years (2010-14) were not prepared. Thus, expenditure of ₹ 37.55 crore incurred by the NPs during the aforesaid period was unauthorised.

#### ***Unrealistic Budget Estimates***

The comparison between the figures of the budgeted and actual expenditure of the test checked NPs revealed that there was an excess of upto ₹ 5.32 crore (51 *per cent*) and a savings of upto ₹ 273.06 crore (98 *per cent*) in NPs during 2010-15 (*Appendix-5.7*).

#### ***Delay in adoption and submission of Budgets***

It was noticed that budgets were adopted by NPs with a delay of upto one year (Jamui) and were submitted to the State Government with a delay of upto 16 months (Jamui) during 2010-15 (*Appendix-5.8*).

The Executive Officers (EOs) of the NPs replied that in future, budgets would be prepared on realistic basis and the time schedule for adoption and submission would be adhered to.

#### ***Non-modifications by the State Government***

During 2010-15, budgets of none of the test checked NPs were returned by the State Government with or without modifications.

## Nagar Panchayats

### *Non-preparation of Budget*

In seven NPys, budgets were not prepared for three to five years during 2010-15 (*Appendix-5.9*) and therefore, expenditure amounting to ₹ 38.63 crore incurred by the NPys during aforesaid period was unauthorised.

### *Unrealistic Budget Estimates*

The comparison between the figures of the budgeted and actual expenditure of the test checked units revealed that there was an excess of upto ₹ 14.80 crore (695 per cent) and a savings of upto ₹ 70.44 crore (96 per cent) in NPys during 2010-15 (*Appendix-5.10*).

### *Delay in adoption and submission of Budgets*

It was noticed that budgets were adopted by NPys with a delay of upto one year (Koilar) and submitted to the State Government with a delay of upto six months (Lalganj) during 2010-15 (*Appendix -5.11*).

The Executive Officers (EOs) of the NPys replied that in future, budgets would be prepared on realistic basis and the time schedule for adoption and submission would be adhered to.

### *Non-modifications by the State Government*

During 2010-15, budgets of none of the test checked NPys were returned by the State Government with or without modifications.

The Special Secretary, UD&HD replied in Exit Conference that action would be taken and guidelines would be issued to ULBs to prepare realistic budget.

***Recommendation: Realistic budget estimates should be prepared by the ULBs and the State Government should intimate the comments about the budget proposals to the ULBs.***

## 5.1.8 Planning

### 5.1.8.1 Nagar Nigams

As per Section 275 of BM Act, 2007, all schemes to be executed by the ULBs should be included in the Draft Development Plan (DDP) of the district prepared by the District Planning Committee (DPC) and approved by the State Government.

Audit scrutiny disclosed that out of three test checked Nigams, two Nigams executed 160 works from own sources involving expenditure of ₹ 2.78 crore (59 works of ₹ 1.13 crore in Biharsharif and 101 works of ₹ 1.65 crore in Darbhanga), though the works were executed without inclusion of the same in the DDP prepared by the DPC and approved by the State Government.

The MCs of the Nigams stated that schemes other than Backward Regions Grant Fund (BRGF) were not submitted for approval by the DPC. However, it would be adhered to in future.

### 5.1.8.2 Nagar Parishads

In contravention of the provisions enumerated in *paragraph 5.1.8.1 ante*, in seven NPs, 446 development works undertaken from own sources involving expenditure of ₹ 12.64 crore were executed without inclusion of the same in the DDP prepared by the DPC and approved by the State Government (*Appendix-5.12*).

The EOs of the NPs stated that schemes other than BRGF were not submitted for approval by the DPC. However, it would be adhered to in future.

### 5.1.8.3 Nagar Panchayats

In contravention of the provisions enumerated in *paragraph 5.1.8.1 ante*, in eight NPys 147 works undertaken from own sources, involving expenditure of ₹ 1.87 crore were executed without inclusion of the same in the DDP prepared by the DPC and approved by the State Government (*Appendix-5.13*).

The Special Secretary, UD&HD replied in Exit Conference that suitable instructions would be issued to ULBs in this regard.

## 5.1.9 Levy of own revenue

### 5.1.9.1 Nagar Nigams

#### *Taxes, user charges and fees/fines*

Under Section 127 to 129 of the BM Act, 2007, 12 types of taxes, surcharge, toll etc., five types of user charges and four types of fees/fines were leviable by the ULBs (*Appendix-5.2*).

Out of 12 types of taxes, property tax, water tax and communication tower tax were levied by all the three test checked Nigams while surcharge on transfer of lands and tax on advertisement were levied only in Darbhanga and Munger Nigams. Toll was levied only in Munger Nigam whereas, tax on deficit in parking space, fire tax, surcharge on entertainment tax, tax on congregations and tax on pilgrims and tourist were not levied by any of the test checked Nigams (*Appendix-5.14*).

Further, despite being provided in the BM Act, 2007 to revise the rates once in every five years, the revision of property tax was done with a delay of 15 years in Biharsharif Nigam and five years in Munger Nigam while in Darbhanga Nigam, revision was not done (April 2015) though it was due since 2002-03.

Out of five types of user charges, none was imposed in any of the test checked Nigams.

Out of four types of fees/fines, fees for issue of municipal licences for various non-residential uses of lands and buildings was not levied in Biharsharif and Darbhanga Nigams (*Appendix-5.14*).

The MCs of Darbhanga and Munger Nigam stated that taxes, user charges and fees/fines would be levied, if approved by the Board.

In Biharsharif and Munger Nigams, due to non-imposition of user charges for water supply and door-to-door collection of solid waste, the Nigams were deprived of revenue of ₹ 5.46 crore (Biharsharif - ₹ 4.02 crore and Munger - ₹ 1.44 crore) and ₹ 9.15 crore (Biharsharif - ₹ 7.20 crore and Munger - ₹ 1.95 crore) respectively under the two heads during August 2013 to March 2015.

The MC of the Biharsharif Nigam stated that collection of user charges for door-to-door collection of solid waste was put on hold by the Nigam Board and presently the service was being provided free of cost and levy of user charges for water supply was under consideration. The MC of Munger Nigam stated that efforts would be made to collect user charges for water supply and door-to-door collection of solid waste.

#### ***Revenue from assets***

In Munger Nigam, despite Board's resolution (2007 and 2013) for construction of markets and stalls on vacant land of the Nigam, the Nigam failed to construct the market/stall due to inaction on the part of the then Executive Officer. The present MC of the Nigam stated that the matter would be placed before the Nigam Board again and action would be taken accordingly.

In Darbhanga Nigam, allotment of 28 shops was done in April 2015 *i.e.*, after seven years of its construction (April 2008) due to preparation of faulty notice for allotment by the Nigam and thereby cancellation of allotment by the Mayor without assigning any reason. The delay in allotment of shops resulted in loss of rent of ₹ 12.74 lakh during April 2008 to March 2015. The MC of the Nigam stated that the process of allotment of shops was postponed by the Board/Mayor.

Despite being requested by the lease holder, the Nigam failed to renew the lease of land for petrol pump which was due in February 2006. As a result, the Nigam sustained loss of ₹ 1.71 lakh during February 2006 to March 2015. The MC of the Nigam stated that the first notice for vacation of the land on lease had been given in February 2015.

In Darbhanga Nigam, the agreements done for letting out the shops did not contain specific provision for renewal of rent resulting in delay of more than 15 years in renewal of rent. MC, Darbhanga Nigam stated that the delay in renewal of rent was due to the failure of the Board to take a decision. The reply was not tenable as there was no provision in the agreement to renew the rent.

In Biharsharif Nigam, rent was not revised for the last 17 years. The delay in revision of rent resulted in loss of revenue to the Nigam. City Manager, Biharsharif replied that the shops were old and in dilapidated condition, hence the rent was not revised. The reply of the City Manager was not tenable as no such exemption was provided by the Competent Authority.

#### **5.1.9.2 Nagar Parishads**

##### ***Taxes, user charges and fees/ fines***

In contravention of the provision enumerated in ***paragraph 5.1.8.2 ante***;

Out of 12 types of taxes, communication tower tax was levied by all the 11 test checked NPs, property tax was levied by 10 test checked NPs (except Arwal), water tax was levied by only six NPs, surcharge on transfer of land was levied by only four NPs and tax on advertisement was levied by only three NPs. Fire tax (Kishanganj), surcharge on electricity consumption (Kishanganj) and toll on heavy vehicle etc., (Jamalpur) were levied by only one NP each whereas, tax on deficit in parking space, surcharge on entertainment tax, tax on congregations and tax on pilgrims and tourist were not levied by any of the test checked NPs (**Appendix-5.15**).

Contrary to the provisions, in two NPs, revision of rates of property tax was done with a delay of 5 to 28 years and in eight NPs, revision had not been done even after lapse of 2 to 16 years (**Appendix-5.16**).

Out of five types of user charges, none was imposed in any of the test checked NPs.

Out of four types of fees/fines, fees for the issue of birth and death certificates was levied in all the 11 test checked NPs, fee for sanction of building plans was levied in 10 NPs (except Barh), fees for various licenses was levied in only seven NPs and fees for issue of municipal licenses for various non-residential uses of lands and buildings was levied in only two NPs (Madhepura and Supaul) (**Appendix-5.15**).

The EOs of the NPs stated that taxes, user charges and fees/fines would be levied.

In seven NPs, due to non-imposition of user charges for door-to-door collection of solid waste ₹ 5.38 crore (Bagaha - ₹ 0.84 crore, Jamalpur - ₹ 1.37 crore, Jamui - ₹ 0.63 crore, Kishanganj - ₹ 0.95 crore, Madhepura - ₹ 0.50 crore, Mokama - ₹ 0.69 crore and Supaul - ₹ 0.40 crore) could not be recovered and in Mokama NP, due to non-imposition of user charges for water supply, ₹ 1.44 crore could not be collected during August 2013 to March 2015.

### **Revenue from assets**

In Jamui NP, 15 shops constructed by District Urban Development Agency (DUDA) and handed over (September 2013) to the NP were not let out even after Board's resolution in this regard resulting in loss of ₹ 1.43 lakh to the NP during 2013-15.

In three NPs, due to non-revision of rent of shop despite Board's resolution /agreement, loss of ₹ 2.70 lakh (Jamui - ₹ 0.77 lakh, Kishanganj - ₹ 0.35 lakh and Supaul - ₹ 1.58 lakh) was incurred. Rate of shop rent was not revised in Madhepura and Sasaram NPs for the last thirteen to twenty and nine years respectively.

#### **5.1.9.3 Nagar Panchayat**

### **Taxes, user charges and fees/ fines**

In contravention of provision enumerated in **paragraph 5.1.8.2 ante**;

Out of 12 types of taxes, communication tower tax was levied in 21 NPys (except Kateya NP), property tax was levied in 17 NPys, water tax was

levied in four NPys, surcharge on transfer of land was levied in three NPys, toll on heavy vehicles etc., was levied in three NPys while surcharge on electric consumption (Nasariganj) and advertisement tax (Sherghati) was levied by one NPy each. However, tax on deficit in parking space, fire tax, surcharge on entertainment tax, tax on congregations and tax on pilgrims and tourist were not levied by any of the test checked NPs (*Appendix-5.17*).

In contravention of the provision enumerated in *paragraph 5.1.8.2 ante*, in 13 NPys, revision of rates of property tax was not done even after lapse of 1 to 35 years and in Sherghati NPy, revision of rates of property tax was done with a delay of 31 years (*Appendix-5.18*).

Out of five types of user charges, none was imposed in any of the test checked NPys.

Out of four types of fees and fines, fees for issue of birth and death certificates was levied by 21 NPys (except Areraj), fees for sanction of building plan was levied by only 16 NPys, fees for issue of various licenses was levied by five NPys and fees for various non-residential uses of lands was levied by only two NPys (Naubatpur and Sherghati) (*Appendix-5.17*).

The EOs of the NPys stated that taxes, user charges and fees/fines would be levied.

In 14 NPys due to non-imposition of user charges for door-to-door collection of solid waste, ₹ 3.93 crore and in Banka and Lalganj NPys due to non-imposition of user charges for water supply ₹ 0.50 lakh and ₹ 1.16 lakh respectively could not be collected during August 2013 to March 2015 (*Appendix-5.19*).

### ***Revenue from Assets***

Rate of shop rent was not revised in Bikramganj for 16 years and in Chanpatia and Motipur for seven years.

The Special Secretary, UD&HD replied in Exit Conference that due to lack of cooperation by the Municipal Board and local issues such as public protest etc., all the taxes, user charges, fees and fines could not be levied/collected and revision of rate of taxes could not be done.

***Recommendation: ULBs should initiate effective steps to levy taxes and user charges as per BM Act, 2007 and revise the rates at regular intervals.***

## **5.1.10 Collection of own revenue**

### **5.1.10.1 Nagar Nigams**

#### ***Property tax***

Against total demand of ₹ 50.56 crore under property tax in respect of the three Nigams during 2010-15, only ₹ 36.73 crore was realised and ₹ 13.83 crore remained unrealised (March 2015). The collection of the property tax was 67, 64 and 88 *per cent* of the total demand during 2010-15 in Biharsharif, Darbhanga and Munger Nigam respectively (*Appendix 5.20*).

The MCs of the Nigams attributed the low collection of property tax to shortage of staff.

**Mobile tower tax**

Against total demand of ₹ 2.97 crore under mobile tower tax in respect of the three Nigams for the period 2010-15, only ₹ 0.80 crore was realised and ₹ 2.17 crore remained unrealised as on 31 March 2015. The collection of mobile tower tax was 26, 13 and 43 *per cent* of the total demand in Biharsharif, Darbhanga and Munger respectively (**Appendix 5.20**).

**Shop rent**

Against total demand of ₹ 2.83 crore under shop rent in respect of the three Nigams for the period 2010-15, only ₹ 0.95 crore was realised and ₹ 1.88 crore remained unrealised as on 31 March 2015. The collection of shop rents in Biharsharif, Darbhanga and Munger was 39, 38 and 21 *per cent* of the total demand respectively (**Appendix-5.20**).

**Procedure for recovery of taxes**

Section 155 of BM Act, 2007 prescribes the procedures for recovery of taxes which include presentation of bill, serving notice of demand, sale and attachment of property, issue of warrants etc. But, none of the Nigams followed this provision for demand and collection of unrealised taxes amounting to ₹ 16 crore for the period 2010-15.

**Non-deposit/delayed deposit of collected money**

In violation of Bihar Municipal Accounts Rules (BMAR), 1928 read with BMAR, 2014, amount of ₹ 5.87 lakh collected on account of property tax and shop rent during 2010-15 was not deposited in the treasury/bank on the next day in Biharsharif Nigam (₹ 0.29 lakh) and Munger Nigam (₹ 5.58 lakh) as on April 2015. The MCs of the Munger Nigam stated that the employee concerned was terminated. However, the amount was not yet recovered.

As specified under section 20 of BMAR, 1928, the MCs also failed to ensure that the moneys collected were deposited in time. The collected money of ₹ 99.89 lakh on account of property tax etc. in respect of the three Nigams was deposited with delays of more than two months in Biharsharif (₹ 81.96 lakh), more than 19 months in Darbhanga (₹ 12.94 lakh) and more than seven months in Munger Nigams (₹ 4.99 lakh). The MCs of the Nigams replied that money would be deposited timely in future.

**Outstanding bid moneys of settled sairats**

As per GoB's instruction, certificate case should be filed where bid money of *sairats* was not realised. Further, as per terms and conditions of the settlements of *sairats* of the Nigams, the settlement amounts were to be realised immediately at the time of bid/within the year for which the settlement was made.

However, it was noticed that bid amount of ₹ 52.45 lakh in 18 *sairats* (Biharsharif - ₹ 12.86 lakh in 11 *sairats*, Darbhanga - ₹ 36.33 lakh in four *sairats* and Munger - ₹ 3.26 lakh in three *sairats*) for the period 2010-15 was outstanding as on 31 March 2015.

The MCs of Biharsharif and Darbhanga stated that certificate cases would be filed against the defaulters while MC, Munger replied that action would be taken to recover the amount.

#### ***Non-settlement of sairats***

As per GoB's instructions, *sairats* should not be left unsettled. But it was noticed that neither settlement through bids nor departmental collections were made in nine *sairats* which caused loss of ₹ 3.79 lakh in Biharsharif Nigam.

#### ***Non-realisation of Development Permit Fee***

As per Building Bye-Laws (modified in 1993), Patna Nigam (erstwhile Patna Regional Development Authority) had to levy development permit fee in urban agglomeration areas on any person who develop or re-develop any piece of land at the prescribed scale of fees. The fee was payable by the individual at the time of submission of the application for the development of land. Subsequently, Building Bye- Laws, 2014 was framed by GoB which was applicable from 29 January 2015 to all municipalities of Bihar.

Contrary to aforesaid provision, Ara Nigam did not realise development permit fee in respect of 133 cases during 2014-15 while granting building permission. As a result, the Nigam sustained loss of revenue of ₹ 13.30 lakh. The Commissioner accepted the audit findings and replied (May 2015) that development permit fee would be realised in future.

#### ***Non-realisation of Labour Welfare Cess***

As per Building and Other Construction Workers' Welfare Cess Act, 1996 and instruction issued by the Government of Bihar (June 2008), those residential houses having construction cost of more than ₹ 10 lakh, one per cent of the cost of construction would be realised as labour welfare cess by the municipal bodies before sanctioning the building plans and the proceeds would be deposited in Other Construction Workers Welfare Board account after deducting collection charges at the rate of one *per cent*.

Contrary to aforesaid provisions, labour cess to the tune of ₹ 1.18 crore was not realised in respect of 530 building plans sanctioned during 2014-15 by the Ara Nigam and the Nigam sustained loss of ₹ 1.18 lakh as collection charges. The MC replied (May 2015) that the labour cess would be realised in future.

### **5.1.10.2 Nagar Parishads**

#### ***Property tax***

Against total demand of ₹ 27.40 crore under property tax in respect of nine NPs, only ₹ 14.90 crore was realised and ₹ 12.50 crore remained unrealised as on 31 March 2015. The collection of property tax ranged between four and sixty eight *per cent* during 2010-15 (*Appendix-5.21*).

#### ***Mobile tower tax***

Against total demand of ₹ 3.03 crore under mobile tower tax, only ₹ 0.85 crore was realised and ₹ 2.18 crore remained unrealised as on

31 March 2015. The collection of mobile tower tax ranged between 18 and 66 per cent of the total demand (**Appendix-5.22**).

### **Shop rent**

Against total demand of ₹ 2.21 crore under shop rent, only ₹ 0.65 crore was realised and ₹ 1.56 crore remained unrealised as on 31 March 2015. The collection of shop rent ranged between one and sixty four per cent of the total demand (**Appendix-5.23**).

### **Procedure for recovery of taxes**

In contravention of the provisions enumerated in **paragraph 5.1.10.1 ante**, none of the test checked NPs exercised their powers for realisation of taxes despite there being huge unrealised taxes (₹ 14.68 crore).

### **Non-deposit/delayed deposit of collection money**

In contravention of the provisions enumerated in **paragraph 5.1.10.1 ante**, collection money of ₹ 54.69 lakh on account of property tax, shop rent, bid money etc. (Arwal - ₹ 48.41 lakh, Jamui - ₹ 0.16 lakh, Kishanganj - ₹ 0.10 lakh, Madhepura - ₹ 5.33 lakh and Supaul - ₹ 0.69 lakh) collected during 2010-15 was not deposited in the Municipal Fund and retained by Cashiers/Tax Collectors in five NPs as on April 2015. The EOs of the NPs stated that the money would be deposited in the Municipal Fund.

In five NPs the collection money (₹ 1.13 crore) on account of property tax etc., was deposited with delay up to 23 months (**Appendix-5.24**). The EOs of the NPs replied that collected amount would be deposited timely in future.

In Madhepura NP, bank drafts of ₹ 2.82 lakh collected during 2010-15 for sanction of building plan (112 cases) were not deposited as on April 2015 in bank by the NP which resulted in loss of revenue.

### **Outstanding bid moneys of settled sairats**

In contravention of the provisions enumerated in **paragraph 5.1.10.1 ante**, an amount of ₹ 9.19 lakh in 19 sairats for the period 2010-15 remained unrealised as on 31 March 2015 in five NPs (**Appendix-5.25**).

### **Non-settlement of sairats**

In contravention of the provisions enumerated in **paragraph 5.1.10.1 ante**, neither departmental collections nor settlement through bids were made in 22 sairats (one in Arwal and 21 in Bagaha) which caused loss of ₹ 10.65 lakh in two NPs (₹ 0.13 lakh in Arwal and ₹ 10.52 lakh in Bagaha).

### **Non-realisation of Development Permit Fee**

Contrary to the provision enumerated in **paragraph 5.1.10.1 ante**, Danapur, Khagaul and Phulwarisarif NPs did not realise development permit fee in respect of 1007 cases (Danapur - 766, Khagaul - 85 and Phulwarisarif - 156) during 2012-15 while granting building permission. As a result, these NPs sustained loss of revenue of ₹ 15.11 lakh (Danapur - ₹ 11.49 lakh, Khagaul - ₹ 1.28 lakh and Phulwarisarif - ₹ 2.34 lakh). The EOs accepted the audit findings and replied (December 2014 to June 2015) that development permit fee would be realised in future.

***Non-realisation of Labour Welfare Cess***

Contrary to the provisions enumerated in *paragraph 5.1.10.1 ante*, labour cess to the tune of ₹ 6.32 crore (Danapur - ₹ 5.49 crore and Phulwarisharif – ₹0.83 crore) was not realised in respect of 883 (Danapur - 720 and Phulwarisharif - 163) building plans by the NPs Danapur and Phulwarisharif resulting in loss of ₹ 6.32 lakh to the NPs on account of collection charges. The EOs replied (May and June 2015) that they were unaware about the provisions and it would be realised at the time of sanctioning the building plans in future.

<b>5.1.10.3</b>	<b>Nagar Panchayats</b>
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***Property tax***

Against total demand of ₹ 5.29 crore under property tax in respect of 15 NPys during 2010-15, only ₹ 1.63 crore was realised and the rest amount of ₹ 3.66 crore remained unrealised as on 31 March 2015. The collection of property tax ranged from one to sixty two *per cent* of the total demand in 13 NPys (*Appendix- 5.26*).

***Mobile tower tax***

Against total demand of ₹ 1.54 crore under mobile tower tax in respect of 20 NPys, only ₹ 0.35 crore was realised and the rest amount of ₹ 1.19 crore remained unrealised as on 31 March 2015. The collection of mobile tower tax ranged between six to forty *per cent* of the total demand during 2010-15 (*Appendix-5.27*).

***Shop rent***

Against total demand of ₹ 1.16 crore under shop rent in respect of six NPys only ₹ 0.54 crore was realised and the rest amount of ₹ 0.62 crore remained unrealised as on 31 March 2015. The collection of shop rent ranged between nine to seventy *per cent* of the total demand during 2010-15 (*Appendix- 5.28*).

***Procedure for recovery of taxes***

In contravention of the provisions enumerated in *paragraph 5.1.10.1 ante*, none of NPys utilised their powers for realisation of taxes despite there being huge unrealised taxes (₹ 4.85 crore).

***Non-deposit/delayed deposit of collection money***

In contravention of the provisions enumerated in *paragraph 5.1.10.1 ante*, collection money of ₹ 46.86 lakh recovered during 2010-15 on account of property tax etc. was not deposited in Municipal Fund and retained by Cashiers/Tax Collectors of 12 NPys on April 2015 (*Appendix-5.29*). The EOs of the NPys stated that the money would be deposited in the Municipal Fund.

It was also noticed that out of the collection money mentioned above, a sum of ₹15.87 lakh was directly appropriated towards day to day expenditure by two NPys (₹ 15.74 lakh in Gogri Jamalpur NPy and ₹ 0.13 lakh in Simri Bakhtiyarpur NPy) in contravention of the provisions.

In four NPys the collected money (₹ 10.82 lakh) on account of property tax was deposited with a delay up to more than four years (*Appendix-5.30*).

***Outstanding bid moneys in settled sairats***

In contravention of the provisions enumerated in *paragraph 5.1.10.1 ante*, an amount of ₹ 29.60 lakh on account of settlement of 35 *sairats* remained unrealised as on 31 March 2015 in nine NPys (*Appendix-5.31*).

***Non-settlement of sairats***

In contravention of the provisions enumerated in *paragraph 5.1.10.1 ante*, due to non-settlement of nine *sairats*, five NPys suffered loss of ₹ 18.87 lakh during 2010-14 (*Appendix-5.32*).

The Special Secretary, UD&HD replied in Exit Conference that due to shortage of staff, collection of property tax was poor and steps were being taken to strengthen human resources in ULBs. It was also stated that necessary instructions would be issued to ULBs to realise arrears of shop rent and bid money outstanding and to initiate action against the defaulters for non-deposit of collection money.

***Recommendation: Action should be initiated by the ULBs to enhance the collection of various revenues and the collection moneys should be deposited timely in Municipal fund.***

**5.1.11 Utilisation of own revenue**

**5.1.11.1 Non-recoupment of expenditure on salary**

Section 41 of BM Act, 2007 stipulates that the expenditure on salaries of the Municipal Executive Officers shall be borne by the State Government.

But, in the three test checked Nigams, expenditure of ₹ 1.76 crore (Biharsharif - ₹91.44 lakh, Darbhanga - ₹ 70.90 lakh and Munger - ₹ 13.19 lakh) was incurred during 2010-15 on account of salary of the Municipal Commissioners which was not recouped to the Nigams despite demands sent to GoB. Special Secretary, UD&HD replied in Exit Conference that recoupment would be made.

**5.1.11.2 Irregular upgradation under ACP scheme**

The GoB debarred (July 2010) the autonomous bodies from granting Assured Career Progression (ACP) scheme to their employees.

But, in Biharsharif Nigam, ACP was granted to two employees resulting in inadmissible payment of ₹ 16.76 lakh to them during 2010-15. The MC of Nigam stated that benefit of ACP was granted in the light of the decision of the Board.

In Supaul NP, ACP was granted to a Junior Engineer and his pay was also wrongly fixed at a higher stage which resulted in inadmissible payment of ₹1.95 lakh to the JE during 2012-15. The EO of the NP stated that the matter would be examined.

### 5.1.11.3 Irregularities in award and execution of contracts

Section 75 of BM Act, 2007 provided that the contract involving expenditure exceeding ₹ 12 lakh shall be made with the approval of the NP Board. Bihar Financial Rules (BFR), 2005 stipulates that the quantity of materials to be purchased shall be mentioned in the advertisement.

Audit scrutiny revealed that the rules and regulations were flouted in the award and execution of the contracts by NP Siwan and Sasaram as discussed below:

#### *Purchase without approval of NP Board*

In Siwan NP, 37 High Mast Lights and 50 Decorative Poles were purchased for ₹ 3.28 crore and 1100 LED Lights were purchased for ₹ 5.89 crore without approval of NP Board. The EO of the NP stated that approval of the Board would be taken in future.

#### *Purchase without disclosure of quantity*

In Sasaram NP, purchase of 39 High Mast Lights and 102 Decorative Poles costing ₹ 4.34 crore was made without disclosing the quantity in the advertisement published for the same. The EO of Sasaram NP stated that as per Board's decision, purchase was to be made as per requirement, so the quantity was not mentioned in the advertisement.

The Special Secretary, UD&HD replied in Exit Conference that enquiry is being made on the issue.

### 5.1.12 Human Resources Management

#### *5.1.12.1 Shortage of staff*

In test checked ULBs, the percentage of vacancy against the sanctioned strength ranged between 47 *per cent* (Munger) and 69 *per cent* (Darbhanga) in Nigams, 50 *per cent* (Bagaha) and 100 *per cent* (Arwal) in NPs and 11 *per cent* (Bargania) and 100 *per cent* (Kanti) in NPys {*Appendix-5.33 (A), (B), (C)*}. The shortage of staff adversely affected the revenue collection as discussed in **paragraph 5.1.10**.

The Special Secretary, UD&HD replied in Exit Conference that the matter was being discussed at the higher level and necessary action would be taken.

**Recommendation:** *The State Government should initiate adequate steps to appoint more staff so that collection of revenue was not adversely affected.*

### 5.1.13 Monitoring and Internal Control

#### 5.1.13.1 State Level Monitoring

##### *Lok Prahari*

Section 44(1) of BM Act, 2007 provided for appointment of *Lok Prahari* (Ombudsmen) for looking into any allegation of corruption, lack of integrity, malpractice etc., of the authorities of the ULBs. But, the *Lok Prahari*s had not been appointed by the State Government as of November 2015.

### **Urban Services Charges Advisory Board**

Section 128(A) (1) of BM Act, 2007 provided for establishment of Urban Services Charges Advisory Board to advise the levy of User Charges by the ULBs. But, the Urban Services Charges Advisory Board had not been established as of November 2015.

### **Property Tax Board**

Section 138(A) of BM Act, 2007 provided for putting in place a State level Property Tax Board for independent and transparent procedure for assessing property tax. Though the Bihar Property Tax Board Rules, 2013 was framed by the UD&HD, GoB (April 2013), the Board had not been constituted as of November 2015.

#### **5.1.13.2 Unadjusted advances**

Rule 76(f) of BMAR, 1928 envisaged that the advances should be adjusted regularly and promptly. But, a sum of ₹ 5.74 crore (₹ 4.20 crore prior to 2010-11) paid as advances for execution of schemes, contingency etc. remained unadjusted as of March 2015 is detailed in *Appendix-5.34 (A), (B), (C)* and summarised in **Table 5.9** below:

**Table 5.9: Unadjusted Advances**

(₹ in lakh)

ULBs	Prior to 2010-11	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Nagar Nigam	352.76	1.49	0	0.97	1.06	50.42	406.70
Nagar Parishad	63.27	1.07	2.47	0.43	1.54	1.98	70.76
Nagar Panchayat	3.76	0.22	0.78	5.25	9.32	77.70	97.03
<b>Total</b>	<b>419.79</b>	<b>2.78</b>	<b>3.25</b>	<b>6.65</b>	<b>11.92</b>	<b>130.10</b>	<b>574.49</b>

(Source: Information provided by the audited entities)

Further, in Munger Nigam, an advance of ₹ 6.45 lakh paid prior to April 2010 was outstanding against five retired employees as of April 2015 even after adjustment of their retirement benefits. The MCs of Nigams, EOs of NPs and NPys replied that advances would be adjusted.

The Special Secretary, UD&HD replied in Exit Conference that direction would be issued to ULBs to adjust the advances on priority basis.

#### **5.1.13.3 Non- remittance of Provident Fund Subscription**

Model Rules for Management of Provident Fund provide that employees contribution shall be remitted into Provident Fund (PF) account between the 1<sup>st</sup> and 4<sup>th</sup> of each month so that interest may accrue for the month of deposit. In contrary to this provision, a total sum of ₹ 2.49 crore was deducted from the salary of the employees by two Nigams (Darbhanga and Munger) during the period 1981 to 2012 but, the same was not deposited in their PF account as of March 2015. Thus, MCs of the Nigams failed to ensure deposit of the PF subscription into individual accounts of the employees which caused considerable loss of interest to them.

#### 5.1.13.4 Non-maintenance of key records

As per BM Act, 2007, the ULBs had to prepare, maintain and update key records viz., Financial Statements, Balance Sheet, Demand and Collection register of internal resources, inventories of properties etc., to watch the revenue collection and its management and to maintain transparency and accountability.

However, none of the test checked ULBs maintained these basic records and registers.

#### 5.1.13.5 Non-constitution of Municipal Accounts Committee

Section 98 of BM Act, 2007 provided for constitution of Municipal Accounts Committee for examination of the accounts of the Municipality and submit report on such examination. But, the Committee was not constituted in any of the test checked ULBs.

#### 5.1.13.6 Non-exercise of requisite checks

BMAR 1928 and 2014 provided for a number of checks to be exercised for proper accounting of receipts and one of such of checks enumerated in Rule 22 of BMAR 2014 provided that all receipts shall be credited to the treasury or bank account of the municipality latest before noon on the following working day.

But, this was not followed by the authorities which resulted in retaining of huge amounts by the tax collectors/cashiers as discussed in **paragraph 5.1.10.**

***Recommendation: ULBs should augment the monitoring and internal control mechanisms envisaged under the relevant provisions so that instances of long pending advances and non-remittance of PF Subscriptions could be avoided.***

#### 5.1.14 Conclusions

Financial management of ULBs in the State was deficient as evidenced from non - maintenance of key records, preparation of un-realistic budgets, non/delayed deposit of collected money, huge outstanding advances and improper management of revenue earning assets.

Income of the ULBs was not enough to meet their obligations. To meet establishment cost and for providing civic services, the ULBs continued to rely on Government grants.

Out of 12 different types of taxes, only six were imposed by the ULBs whereas, user charges were not at all levied by them. Further, taxes/rents/fees were neither revised at regular intervals nor collected in time resulting in accumulation of arrears.

There was considerable shortage of staff in ULBs which adversely affected its functioning.

Monitoring was inadequate as Financial Statement was not prepared, Municipal Accounts Committee was not constituted, mandatory checks over revenue management were not exercised and Urban Services Charges Advisory Board and Property Tax Board were not constituted.