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**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT), BIHAR  
(LOCAL AUDIT WING), PATNA - 800 001**

No. L.A.Sur/ 1865

Dated: - 25-6-09

To,

**The Principal Secretary to the Government of Bihar,  
Urban Development and Housing Department,  
Patna.**

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25/6/09

Sir,

Audit Report No.- 121/2009-10 on the accounts of **Patna Municipal Corporation** for the period **2007-08** is enclosed for your kind information and necessary action.

Yours faithfully

Encl: -As above

*Dhawal*  
25/6/09

Sr. Audit Officer, Surcharge  
Local Audit Wing, Bihar, Patna



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**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)**  
**LOCAL AUDIT WING, BIHAR, PATNA**

**A.R. No.:- 121/2009-10**

**Introduction**

Audit of the accounts of Patna Municipal Corporation for the year 2007-08 were test checked by the audit parties of the Office of the Principal Accountant General (Audit), Bihar, Local Audit Wing, Patna during the period from 12-01-2009 to 11-04-2009.

**2. Administration**

Sl. No.	Name of Mayor	Period
(i)	Shri Krishna Murari Yadav	01-04-2007 to 09-07-2007
(ii)	Shri Sanjay Kumar	10-07-2007 to 31-03-2008
<b>Name of Deputy Mayor</b>		
(i)	Shri Santosh Kumar Mehata	01-04-2007 to 31-03-2008
<b>Name of Municipal Commissioner</b>		
(i)	Shri Rana Avdesh Singh	01-04-2007 to 24-03-2008
(ii)	Shri Mihir Kumar Singh	25-03-2008 to 31-03-2008
<b>Name of Chief Accounts Officer</b>		
(i)	Shri Chandra Nath Jha	01-04-2007 to 01-10-2007
(ii)	Shri Sunil Prasad	02-10-2007 to 31-03-2008

**3. Scope of Audit.**

A list of records and registers test checked in audit has been given in **Appendix- I** and other records and register either not produced or not maintained or produced in incomplete form has been given in **Appendix- II** to the report.

**4. Previous Audit Reports.**

The position of outstanding paragraphs in respect of previous Audit Reports was as follows:-

Sl. No.	Audit Report No. and year	Period audited	Total No. of paras	No. of Settled paras	No. of outstanding paras
1	372 of 1979-80	1977-78	93	Nil	93
2	35 of 1983-84	1978-79	84	Nil	84
3	122 of 1985-86	1979-80	30	Nil	30
4	132 of 1985-86	1981-82	49	Nil	49
5	02 of 1986-87	1984-85	27	Nil	27
6	35 of 1988-89	1985-86	28	Nil	28
7	90 of 1989-90	1986-87	52	Nil	52
8	128 of 1991-92	1987-88 to	54	Nil	54

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		1989-90			
9	04 of 1998-99	1990-91 to 1991-92	78	Nil	78
10	56 of 1999-2000	1992-93	62	2	60
11	23 of 2000-2001	1993-94	76	Nil	76
12	14 of 2001-2002	1994-95	49	I	48
13	76 of 2001-2002	1995-96 to 1996-97	86	Nil	86
14	89 of 2002-03	1997-98	41	Nil	41
15	777 of 2005-06	1998-99 to 2004-05	40	I	39
16	463 of 2007-08	2005-06 to 2006-07	49	Nil	49
<b>Total</b>					<b>894</b>

The above statement shows that compliance of outstanding paragraphs was very poor. As such, the very purpose for which audit was conducted remained defeated.

Attention of authority is invited to improve the position of compliance of outstanding paragraphs of previous Audit Reports.

#### 5. Operation of Bank Accounts

The following Bank Accounts are in operation in the Patna Municipal Corporation, Patna.

Sl. No.	Name of the Accounts	Accounts Number	Opening Balance 01-04-2007	Closing Balance 31-03-2008
1	Patna Treasury, Patna	8448001020001	6,39,98,027.06	13,87,38,516.17
2	Bank of Baroda, Fraser Road Branch	00030100009684	25,65,62,357.00	3,39,39,615.70
3	Corporation Bank Exhibition Road (Collection Account)	001748	17,63,210.72	17,61,062.23
4	Indian Bank, Biscoman Bhawan, Patna (Collection Account)	537818823	81,98,168.21	18,14,671.57
5	Punjab National Bank East Gandhi Maidan (Collection Account)	3041002100033267	36,30,514.85	88,99,908.10
6	Punjab National Bank, Budha Colony, Patna	29000018101288	A/c opened in April 2007	2,05,37,962.00
7	UTI Bank, Patna (Collection Account)	142010200008822	30,20,674.18	30,20,674.18
8	Post Master, Patna G.P.O (P.F. Account)	-----	-----	1,63,51,875.52
9	Pension Fund			
10	(i) State Bank of India, Secretariat Branch	01100051132	(No transaction) during 2007-08)	24,272-54
11	(ii) State Bank of India, Secretariat Branch	0100005040	23,445.59 61,49,802.00	24,24,580.00
<b>Total</b>				<b>22,75,13,138.01</b>

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### Collection Account

Sl. No. 3, 4, 5 and 7 are collection account of the P.M.C. in which amount of collection are deposited by the P.M.C. and Circles, N.C.C. Bakipur, Kankarbagh and Patna City Circle only.

### Expenditure

- (i) Patna Treasury account is only in operation to credit the grants received from State Government on account of Pay, Salary and Schemes.  
The amount so received is immediately got transferred to Bank of Baroda. Fraser Road Branch to meet the expenditure.
- (ii) Though Bank Account at Sl. No. 3, 4, 5 and 7 are collection account but cheques are also issued to meet the expenditure.
- (iii) Bank Account at Sl. No. 8 is only utilised for deposit/withdrawal of P.F. amounts.
- (iv) Bank Account at Sl. No. 9 is only utilised for disbarment for Pension.

### Comments on opening balance/closing balance

- (ii) The Cash Book of P.M.C. was not found reconciled, as such, opening balance/closing balance could not be ascertained from cash book.

The Budget for the year 2009-10 disclosed the opening balance of the 2007-08 as Rs. 32,37,99,530.00 (P/6 Budget 2009-10). As the Cash Book was not complete it was stated by Accounts Officer, P.M.C (on 28-03-2009 during discussion in meeting specially arranged) that it was obtained from Bank balance as on 31-03-2007 (01-04-2007)

Sl. no.	Name of Bank/Treasury	Bank Account Number	Amount (01-04-2007)
I.	Patna Treasury	844800102001	6,39,98,027.06
II.	Bank of Baroda, Fraser Road Branch	00030100009684	25,65,62,537.00
III.	Corporation Bank, Exhibition Road	001748	1,76,320.72
IV.	Indian Bank, Biscoman Bhawan	537818823	81,98,168.21
V.	Punjab National Bank, East Gandhi Maidan	3041002100033267	36,30,514.85
VI.	UTI Bank	142010200008822	30,20,674.18
VII.	Pension Fund Secretariat Branch	01100051132	23,445.59
VIII.	Pension Fund Secretariat Branch	0100005040	61,49,802.00
<b>Total</b>			<b>34,17,59,489.61</b>

As per bank balance as on 01-04-2007 Rs. 34,17,59,489.61 was ascertained ibid where as per Budget it was Rs. 32,37,99,530.00 i.e. difference of Rs. 1,79,59,959.61 exists in the Budget.

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This indicates that the true and correct figure of opening balance was not exhibited, rather it was hypothetical figures.

- (ii) Closing balance neither struck off in the cash book nor in the Budget. However, from closing balance of Bank A/cs as exhibited in para no. 5, Rs. 211161262.49 and F.D.R. Rs. 23,55,31,952.00 comes to Rs. 44,66,93,214.49 (Total of Para no. 5, Sl. No. 1 to 9 except 8 and F.D.R.).

### 6. Important Audit Findings

Sl. no.	Reference to Para No.	Particulars	Amount involved (in lakh)
(1)	4	Non-compliance of previous Audit Reports	
(2)	5 (ii)	Wrong opening & closing balance exhibited	
(3)	9	Irregular maintenance of Cash Book	
(4)	11	Inflated Budget Estimates	
(5)	12	Failure of Accounting system & Internal Control Mechanism	
(6)	13	Non-revision of Assessment of holdings since the year 1994	
(7)	13 (ii)	Un-assessed 1.25 lakh Holdings	
(8)	14	Target of collection not achieved	
(9)	14 (ii)	Difference in figure of Receipts on collection of Holding Taxes furnished by each circle & those shown in the Budget of 2009-10	
(10)	15	Deficiencies in maintenance of collection Accounts	
(11)	17	Non-credit/short credit made by the cashiers of main office & different circles	3.55
(12)	18	Non-credit/short credit by Tax collectors	0.44
(13)	19	Direct appropriation of collection money	2.28
(14)	21	Loss of Revenue due to dishonor of cheques	7.42
(15)	22	Loss of Revenue due to non realization of Demand notice fees & warrant fees	
(16)	23	Huge outstanding Holding Tax	871.94
(17)	24	Outstanding taxes against government Holdings	187.83
(18)	25	Collection money of Education Cess & Health Cess not remitted to Government A/c.	385.97
(19)	26(ii)	Recurring loss of Revenue due to non-imposition of Taxes on Mobile Towers	
(20)	30	Lapse of amount of Stamp Duty	46.58
(21)	30(ii)	Diversion of amount of stamp duty towards payment of salary	2229.10
(22)	31	Un-utilised grant amount received under S.I.S.R.Y.	188.39
(23)	32	1237 employees were found more than strength as per men-in-position that was 1617 only (1237+1617 2854/-) for	

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		salary payment for whom no sanctioned fund was received by corporation	
(24)	34	Un-utilised grant of XIIth finance commission	343.58
(25)	35	Un-utilised grant for installation of 2 hand pumps in each ward	18.88
(26)	36	Grant received for Rural Development & Public Utility including lighting remained un-utilised during 2007-08	213.44
(27)	38	Blockage of fund on account of NSDP	64.48
(28)	39	Investment	2309.62
(29)	40	Loss of ownership of Municipal Corporation over Commercial Complex at Arya Kumar Road	440.96
(30)	41	Un-fruitful expenditure over computer Section of Accounts in PMC	6.45
(31)	43	Irregular payment of allowance to councilors	4.66
(32)	48	Unfruitful expenditure in water supply branch (WSB)	39.87
(33)	49	Diversion of Interest amount of XIth F.C. Grant (WSB)	28.86
(34)	50(i)	Blockage of fund (WSB)	186.19
(35)	50(ii)	Blockage of fund (WSB)	288.61
(36)	52	Outstanding advance in Patna Water Supply Branch (WSB)	25.70
(37)	53	Un-utilised amount lying circles of PMC	175.28
(38)	54	Heavy outstanding advances against scheme in WSB	30.94
(39)	55	Outstanding advances in PMC Head Office	243.78
(40)	57	Outstanding advances in NCC for cleaning drains	14.82

These irregularities have been described in detail in succeeding paragraphs.

### **7. Internal Audit.**

There is no specific provision either in the Patna Municipal Corporation Act, 1951 or its Rules made thereunder for internal audit of the accounts of PMC. But Bihar Municipal Accounts Rules (20, 30, 80, 54 to 66, 67, 83 to 84 & 127) provides a number of internal checks, which would be exercised either by the Chairman, Vice-Chairman, Municipal Commissioner, Executive Officer or any other officers entrusted for the purpose by the commissioners at a meeting. These checks were prescribed in the Rule in order to have proper control in the maintenance, coordination and also to avoid serious irregularities in the Municipal Accounts.

On scrutiny of the records of the corporation, it was noticed that no such checks as prescribed in aforesaid Rules were exercised by any of the executive of the corporation and for want of that a lot of serious irregularities were noticed.

Had the authorities of the corporation conducted such checks at regular interval those irregularities already committed or if any, remained undetected could be avoided.

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It is, therefore, impressed upon the authorities of the corporation to conduct regular checks to stop recurrences of these irregularities.

#### **8. Overviews/finance**

The position of financial overview of the Patna Municipal Corporation for the year 2007-08 could not be furnished due to irregular/non-maintenance of the cash book and Annual accounts:-

- (i) Receipt side of the Cash Book was not recorded at all.
- (ii) Only expenditure side of the cash book was made available to Audit.
- (iii) Owing to non-maintenance of receipt side, the opening balance and closing balance of cash book not be ascertained.
- (iv) Head wise expenditure was not written.
- (v) As per provisions contained in section 114 of the Act, Annual Accounts was not prepared and sent to the state Government and the Principal Accountant General (Audit), Bihar, Patna by the corporation.

#### **9. Irregular maintenance of cash book.**

The cash books of Patna Municipal Corporation and its allied circles were not maintained properly viz.

- (i) Collection side of each cash book was maintained without recording receipt side, except receipt from Treasury in the PMC cash book (at the instance of audit) and its allied circle receipt from PMC on account of Pay/allowance & other miscellaneous expenses as reimbursed received from PMC on the passed bills/vouchers from concerned circles.

Cash received/deposited directly to Bank (Corporation Bank, Indian Bank, Punjab National Bank & UTI Bank) on account of holding tax, water tax etc. was not recorded in the cash book (Receipt).

- (ii) Cash Book of PMC/allied circles N.C.C., Bakipur and P.C.C. were not reconciled except water board cash book and that of Kankarbgh circle.
- (iii) Patna Municipal Corporation cash book maintained at H.O. had got following bank in operation:-
  - (a) Patna Treasury
  - (b) Bank of Baroda
  - (c) Corporation Bank
  - (d) Indian Bank

(e) Punjab National Bank, Gandhi Maidan+Budha Colony Branch

(f) U.T.I. Bank

Cheques for withdrawals of fund were drawn frequently from each Bank and only one cash book was maintained, as such the OB/Receipt/Expenditure/Balance of each Bank account as per cash book could not be ascertained.

Maintenance of one account at Treasury (पत्रांक- अंके 0-19 / 2006 / 4688 / न० वि० वि० 18. 12.2006) was required to be maintained as per directive issued by State Government instead of 6 (six) accounts which were in operation.

#### 10. Treasury Pass Book

Signed Treasury Pass Book by T.O for the year 2007-08 had been produced to audit as under:-

	Receipt	Expenditure
1.	67,67,42,296.91	60,20,01,807.80
O.B.	6,39,98,027.06	C.B.- 13,87,38,516.17
<b>Grand Total</b>	<b>74,07,40,323.97</b>	<b>74,07,40,323.97</b>

Analysis of closing balance

Rs. 13,87,38,516.17

#### Balance as per list supplied

2005-06	
XIIth Finance	1,92,93,668.00
N.S.D.P.	36,95,000.00
2006-07	
Road construction & Repairing	2,95,000.00
Purchase of latest Machine & tools	1,00,00,000.00
2007-08	
XIIth F.C.	34357531.00
Hand pump	18,88,418.00
Public lavatory	2,13,43,932.00
Road construction & Repairing	2,66,04,450.00
<b>Total</b>	<b>80194331.00</b>
<b>Grand Total</b>	<b>11,34,80,999.00</b>
<b>Balance</b>	<b>2,52,57,517.17</b>

Details analysis of balance amount found in the Treasury could not be made available to audit. The same may be pointed out at the time of next audit.

Balance (O.B.)/closing of such Bank accounts along with expenditure could not be arrived at in the audit/ by P.M.C.



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### 11. Budget Estimates

As per section 94(1) of Patna Municipal Corporation Act 1951 the Chief Executive Officer shall on or before the tenth day of January each year cause to be prepared and laid before the standing committee in such manner as the standing committee may approve, budget estimates of the income and expenditure of the Municipal Fund for the next financial year.

As per section 94(3) of the Act *ibid*, the standing committee shall on or as soon as may be after the tenth day of January consider the budget estimates prepared by the Chief Executive Officer and make such modifications and additions thereto as it shall think fit and submit the same to the corporation not later than the fifteenth day of February.

As per section 94(5) the corporation shall finally adopt the budget estimates after such remission as may appear requisite before the beginning of the year to which they relate and shall forthwith submit copies thereof to the state Government.

From scrutiny of budget file it was revealed that budget estimates for the period under audit were not prepared and presented before the standing committee as per scheduled time as mentioned in the above mentioned sections of the Act *ibid*.

The time schedule for submission to the state Government was also not followed. The following statement makes it clear:-

Year	Date of presentation to the empowered standing committee	Date of submission to the State Government
2007-08	26-03-2007	Submitted vide letter No. 826/स्था० (ले०) dated 10-05-2007

The budget estimate was approved by the corporation in its 10<sup>th</sup> special meeting dated 30-03-2007 and was submitted to the secretary to the Government of Bihar, Nagar Vikas Vidhag, Patna, vide Municipal Commissioner's letter no. 826/स्था० (ले०) dated 10-05-2007. The approval of the same by the State Government if obtained was not shown to audit.

Budget provisions regarding estimated receipts and expenditure were as follows:-

Sl. no.	Office	Estimated Receipts	Estimated Expenditure	Deficit
1.	General Administration, Tax collection and Public Health branch	98,90,71,813.00	1,06,22,42,422.00	
2.	Water supply branch	50,04,16,680.00	54,76,17,696.00	
	<b>Total</b>	<b>1,48,94,88,493.00</b>	<b>1,60,98,60,118.00</b>	<b>12,03,71,625.00</b>

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Thus, there was deficit of Rs. 12,03,71,625.00 in the budget.

(ii) Difference between estimated receipts/expenditure and actual.

	<b>Estimated Receipts (in Rs.)</b>	<b>Estimated Expenditure (in Rs.)</b>
	1,48,94,88,493.00	1,60,98,60,118.00
	Actual (in Rs.)	Actual (in Rs.)
	1,19,57,88,353.00	73,24,49,993.00
<b>Difference</b>	<b>29,37,00,140.00</b>	<b>87,74,10,125.00</b>

**Audit Comments**

- (i) From the above statement it is clear that the Municipal Corporation prepared an inflated budget which showed the deficit of Rs. 12,03,71,625.00 but from figures of actual it was ascertained that there was no such deficit.
- (ii) There was a wide difference between figures of estimated receipts/expenditure and those of actual. The budget estimates should be rational and it should be kept nearest to the actual.
- (iii) As per directions issued by the Secretary to Government of Bihar, Nagar Vikas Vibhag, Patna vide letter no. 687 dated 26-02-2007 accounts of dissolved Patna Regional Development Authority (P.R.D.A.) was to be kept separate and no expenditure for the purpose of Municipal Corporation was to be incurred from the P.R.D.A. fund. As such, figures of budget estimates of P.R.D.A. have not been reflected here.

**12. Failure of Accounting System and Internal Control Mechanism.**

Accounting procedure laid down in the Bihar Municipal Accounts Rules 1928 is applicable to the Patna Municipal Corporation also. The corporation had its separate accounts section headed by the Chief Accounts Officer but maintenance of accounts was far from satisfactory. Almost all the important records/registers like Accountant cash book, Government Grant Register, Loan register, Advance ledger, Adjustment register, Deposit ledger, Annual Accounts, P.F. ledger etc. as prescribed under Municipal Accounts Rules are incomplete since last several years despite repeated comments in last and previous audit reports. The Executives fail to take effective measures for proper maintenance of cash book etc. There is no system of adjustment/recovery of advances and carrying over the outstanding advances year to year. Thus, the total outstanding advance as on 31-03-2008 was not ascertainable.

The internal sources of revenue of the corporation was very wide but the corporation failed to achieve the required percentage of collection of taxes and fees due to lack of monitoring

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by the Executives and non-maintenance of records/registers required to be maintained under provision of the Act and Rules.

The demand and collection register of taxes and fees was not maintained and there was complete lack of internal administrative control over assessment and collection of revenue. The corporation had got no official records to verify whether the taxes and fees were realised correctly and promptly and legal measures were initiated against defaulters by issuing distress warrants etc. and by imposing demand notice fee and warrant fee at the prescribed rates.

The Revenue officers and Executive Officers of the circles of the Municipal corporation neither exercise any check over collection accounts non observed accounting procedures prescribed under the Bihar Municipal Accounts Rules 1928 and due to lack of which serious irregularities like misappropriation of collection money by adopting irregular practiced were noticed which have been described separately.

In view of the above facts the position of maintenance of collection accounts was far from satisfactory and it may bad to occurrence of serious financial irregularities. Attention of the authority of the Municipal Corporation is drawn towards the matter and effective measures may be taken to investigate the position and to remove such defects.

### **13. Non revision of Assessment of holdings**

- (i) The assessment of holding, on the basis of which. Taxes are imposed and relised, was not revised in Patna Municipal Corporation. As per provision contained in Section 138(i) of Patna Municipal Corporation Act 1951, assessment of the holding is required to be revised every five year. The last revision of assessment was done during the year 1994 and such 1999-2000 was the financial year due for revision of assessment of holding which was not done till 31-03-2009.

Due to non revision of assessment, which was overdue in Patna Municipal Corporation was deprived of potential revenue of their own which would have been received in the shape of increased taxes.

- (ii) 1.25 lakh holding remained un-assessed till 29-10-2007 (Memo No. 915 dated 22-11-2007)

The meeting was arranged (29-10-2007 at 4 P.M) under the chairmanship of chief secretary N.V.V. & other officers of the corporation and it was accepted by officers present:-

- (i) Smt. S. Jalja, Chief Secretary N.V.V.

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- (ii) Dr. Rana Awadhesh, Municipal Commissioner, P.M.C.
- (iii) Sri Prem Chandra Chaudhay, Joint Secretary, N.V.V.
- (iv) Sri Bhuneshwar Jha, Deputy Secretary Cum Director, N.V.V.
- (v) Sri Srikrishna Srivastava, Deputy Municipal Commissioner, P.M.C.
- (vi) Sri P.K. Singh, Chief Accounts Officer, P.M.C.

that 1.25 lakh of holdings were un-assessed, and assessment of 1.25 lakh was to be done by 30-11-2007 under the Supervision of Sri Krishna Srivastava with the help of 42 Engineers of P.R.D.A. but such assessment of 1.25 lakh un-assessed holdings were not produced to audit.

Thus, it is obvious that there is a huge leakage of revenue on account of un-assessment of holdings and day by day it is increasing.

Authority may take suitable steps to get un-assessed holdings to be assessed early and the same may be intimated to the Examiner of Local Accounts, Bihar.

#### **14. Target and achievement (Collection)**

State Government (N.V.V.) has determined (on the basis of population general census 2001) under Patna Municipal Act 1951, and determination of holding tax under Rule 1933 for annual collection target (vide letter 4 (01) (2)-106/96/833 N.V.V. dated 23-06-2003) Rs. 68,94,75,000=00 whereas actual collection of Rs. 4,60,61,702=00 (Arrear Rs. 18424681+ Current Rs. 2,76,37,021.00) was exhibited in the Budget for the period 2009-10 in which it was Rs. 4,60,61,702=00 for 2007-08 being the amount shown actual receipt during the period 2007-08, and passed by the authority.

If, thus indicates that P.M.C. failed to achieve the target assigned to P.M.C. by State Government and there was achievement of 6.68% of the target. Reason for non-achievement of target was not explained to audit.

Effective steps may be taken to achieve the target of collection set by the State Government.

#### **(ii) Difference in figure of Receipt on collection of holding tax**

The figure furnished by circles being the amount of collection made through each circle on account of holding as ascertained in audit were as under:-

(i)	Patna City Circle	Arrear	35,08,994.00
		Current	23,39,329.00
(ii)	Bakipur Circle	Arrear	24,79,083.00
		Current	

(iii)	New Capital Circle	Arrear	1,99,88,924.00
		Current	
(iv)	Kankarbagh (including all taxes)	Arrear	2,72,24,422.00
		Current	
		<b>Total Rs.</b>	<b>5,55,40,752.00</b>

As per actual receipt shown in the Budget (2009-10) for the year 2007-08 was Rs. 4,60,61,702.00 i.e. there was difference of Rs. 94,79,050.00

Thus, it indicates that whatever figure was furnished by P.M.C. circles and those shown in the Budget were not realistic. The entire figures furnished are hypothetical.

### **15. Deficiencies in maintenance of Collection Accounts**

Collection branch is the backbone of the Municipal Corporation on which the revenue of the corporation (main sources of revenue, holding tax, professional tax, license fees for carrying out offensive & dangerous trades, registration of cycle and rickshaw etc. rent of shops and stalls and settlement of corporation land and property etc.) depends but the position of maintenance of collection accounts was in very deplorable state despite being repeatedly mentioned in previous audit reports in this regard. No effective steps were taken by the executive to improve the working of said branch. There was complete failure in monitoring, and control of the collection branch by the administration.

The demand & collection register of the taxes and other revenue on account of corporation fund is the basic and principal record, which is to be maintained in the manner as prescribed under Rules 10 to 16 of Bihar Municipal (Recovery of taxes) Rules 1951. But the same was not maintained by the collection section. The demand and collection register is quite essential for realisation of revenue, and checking leakage thereof. As a result, the collection of taxes and other Municipal revenues entirely depended upon sweet will of collection staffs. The corporation had no official records to control and ascertain whether taxes and other Municipal revenues were realized regularly or not. Possibility of non-realisation of Municipal revenues for intervening period/old arrear may not be ruled out. Neither outstanding list of any Municipal revenue (holding tax, professional tax, offensive & dangerous trade license fee, registration of cycle & rickshaw etc, rent of shop and stall etc.) was prepared nor was year wise position of collection against demand made available to audit.

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As a result the position of actual demand, collection and balance on account of entire Municipal revenue as well as time barred taxes during the period under audit could not be ascertained.

Whether any legal actions was initiated against the defaulters for realization of the tax prescribed under section 202 to 222 of Patna Municipal Corporation Act, 1951 could not be ascertained in Audit for want of concern register/information There was no record to show the number of holding assessed, valuation increased or decreased and new areas/colonies assessed after several general revisions. As assessment register/periodical assessment register/files and mutation register/files were not furnished to audit, it could not be ascertained whether all holdings were assessed or not. In such a situation possibility of non-assessment/under assessment of holding and new colonies and apartments may not be ruled out.

Similarly, due to non-maintenance of demand and collection register in respect of rent of shop/stall, professional tax, offensive & dangerous trade license fee, cycle rickshaw license fee etc. the actual position of demand collection and balance there of during the period under audit could not be ascertained, even allotment files/register of the shop/stall and list of sources of revenue were not furnished.

Information regarding basis of collection as per actual demands, method of checking the collection account of the Executives was sought through several letters, but no satisfactory reply was received.

Due to non-maintenance of aforesaid records and non-exercising of the interval checks be the authorities the possibility occurrence of major financial irregularities and leakage of Municipal revenue may not be ruled out.

#### **16. New taxation in Patna Municipal Corporation since October 2006**

New pattern for making collection of holding tax etc. through receipt books containing receipts in triplicate was implanted in Patna Municipal Corporation in place of 'J' receipt vide letter No. 1307/Est./Patna/ dated 03-11-2006 from 01-10-2006. As per new order the form was to be filled by the tax collection and was to be deposited directly in the following banks by cheque/draft/cash.

- (i) Punjab National Bank
- (ii) Indian Bank
- (iii) UTI Bank
- (iv) Corporation Bank

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The following irregularities were found in checking of the new receipts and deposit of collection money in the Bank:-

- (i) There was no provision of monitoring outstanding & current demand of holding taxes in the format of receipts, on the receipt column of water tax, latrine tax, education Cess & health Cess were not mentioned on the new adopted receipts.
- (ii) Daily collection register was not properly maintained by the circles of the P.M.C.
- (iii) Serial number was not mentioned on deposit scroll/challan.
- (iv) Tax collectors of all the circles of P.M.C received cheques from tax payers and deposited the same directly into the bank without entering in the cheques receipts register. On being dishonored, the bank deduct penalty from concern Bank the cheques dishonored account of P.M.C and returned the dishonored cheques were returned to the owner of the holdings.

The details of collection against dishonored cheques & concerned records were not furnished to audit. So, it could not be ascertained whether the amount was subsequently collected or not.

- (v) None of the circles of P.M.C maintained the demand & collection register. Collections were made only on the basis of hand book of tax collectors. As such, correctness of collection made by the tax collectors could not be checked either by the circles of P.M.C or by audit.

**17. Non-credit/short credit by the cashier**

A total sum of Rs. 3,54,735.20 was fund short deposited by the cashiers during the period 2007-08 vide details below:-

Sl. no.	Name of the Circle	Amount (In Rs.)	
(i)	P.M.C. Head office	74,301.00	Appendix III (a)
(ii)	Bakipur Circle	2,09,524.20	Appendix III (c)
(iii)	Kankarbag Circle	70,760.00	Appendix III (d)
(iv)	Patna Water Board	150.00	Appendix III (b)
<b>Total</b>		<b>3,54,735.20</b>	

(Vide Appendix- III (a) to III (d) to the report)

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Attention of the authority is invited for taking effective steps to get Rs. 3,54,735.20 deposited in the Municipal Corporation fund and the same may be intimated to the Examiner of Local Accounts, Bihar, Patna.

**18. Non-credit/short credit by tax collection (T.C.)**

It was noticed during the audit of Receipts of holding taxes and Miscellaneous receipts of P.M.C. Patna Municipal Corporation Head office and its circles that in some cases the collection amount was credited either in short or not deposited in the bank by the tax collectors. As a result, a sum of Rs. 43500.35 was fund short/non-credited in the Municipal Fund.

Non-credit/short credit in Bankipur circle – **Appendix IV (a)**

Non-credit/short credit in Patna City circle – **Appendix IV (b)**

Rs. 43,500.35 may be got deposited in the Municipal corporation fund and the same may be intimated to the Examiner of Local Accounts, Bihar, Patna.

**19. Direct appropriation of collection money**

It was noticed during the audit of the P.M.C. (Patna Municipal Corporation) and its circles that expenditure was incurred from collection money by the cashier by the order of the executive officer for meeting day to day contingent expenditure of the office. A total sum of Rs. 2,28,325.50 was directly appropriated towards expenditure vide details given below:-

Sl. no.	Name of circle	Amount (Rs.)	Appendix
(i)	Patna City circle	95,844.50	Appendix- V (a)
(ii)	Kankarbag circle	67,990.00	Appendix- V (b)
(iii)	Patna Water Board	64,491.00	Appendix- V (c)
	<b>Total</b>	<b>2,78,325.50</b>	

(Vide details in Appendix- V (a) to V (c) to the report)

The amount directly appropriated towards expenditure may be recouped and deposited in Municipal fund. Suitable steps may be taken to avoid such expenditure in future.

**20. Credit not traceable in Bank Accounts Patna Municipal Corporation maintained several.**

Bank accounts, in addition to treasury pass book, in which collection moneys on account of corporation fund were remitted. But Bank statement of those collection moneys was not produced or shown to audit. The following amount of challan was not traceable:-



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Sl. no.	Challan no./date	Amount (In Rs.)	Name of Bank
(i)	242/16-04-2007	55,561.00	Bank of Baroda A/c no.- 100090
(ii)	250/16-04-2007	76,045.00	---do---
(iii)	270/26-12-2007	73,210.00	---do---
(iv)	279/26-02-2008	41,625.00	---do---
(v)	280/10-03-2008	73,625.00	---do---
(vi)	281/13-03-2008	27,202.00	---do---
(vii)	282/27-03-2008	37,170.00	---do---
(viii)	283/10-04-2008	2,93,566.00	---do---
<b>Total</b>		<b>6,78,005.00</b>	

The credit of Rs. 6,78,005.00 remitted to those bank through bank challans was not traceable in the bank statement. Hence, Rs. 6,78,005.00 stands recoverable from the person (s) responsible and the same may be deposited in P.M.C fund.

#### **21. Loss of Revenue due to dishonor of cheques**

In course of audit of New Capital Circle branch of Patna Municipal Corporation (P.M.C.) for the period 2007-08, it was noticed that a sum of Rs. 7,40,711.00 was collected against holding taxes, etc. through cheques but the same was not credited to the Municipal Fund due to dishonor of those cheques by the concerned banks. The information regarding re-collection of the above mentioned amount was not furnished to audit. Details given in Appendix- VI to the report.

Such cases might have existed in other circles also but the cheque register was not maintained in those circles. Steps be taken to ascertain the position of re-collection and credit in Municipal fund of the amount of dishonored cheques in all the circles of the P.M.C. and the Examiner of Local Accounts, Bihar, Patna may be acknowledged with the findings.

Further, stern action may be taken against those who produced cheques without having sufficient fund in their accounts.

#### **22. Loss of Revenue due to non-realisation of Demand notice fee and warrant fees.**

As per Rule 3 of Patna Municipal corporation Accounts (Recovery of taxes) Rules 1963 for every demand notice issued under section 206 of Patna Municipal corporation Act 1951 a fee of twenty five paisa per rupee of the demand shall be payable by the person on whom the demand notice has been served and the same amount shall be included in the cost of recovery.