

CHAPTER XVII : MINISTRY OF WATER RESOURCES

Farakka Barrage Project

17.1 Non-recovery of license fee

The General Manager, Farakka Barrage Project, disregarded the Ministry's directive while fixing the license fee at flat rates and allowed deduction at lower rates from occupants of Project quarters resulting in non recovery of Rs 2.61 crore

Executive Engineer, Township Division, Farakka Barrage Project (Project) is responsible for collecting license fee from occupants of quarters. The rates of license fee fixed are lower than those prescribed for CPWD quarters for the same type of accommodation. In August 1987 the Ministry of Urban Development introduced flat rate of license fee for government accommodation throughout the country. The rates were applicable for the residential accommodation in general pool and also under various Ministry/Departments of Government of India across the country, except in respect of substandard /unclassified accommodation of Ministry of Defense, accommodation for service personnel /offices of Ministry of Defense and accommodation under the control of the Ministry of Railways.

Audit scrutiny conducted in August 2007 revealed that despite receiving Ministry of Water Resources' order in March 1988 along with copy of the Ministry of Urban Development's (Directorate of Estates) instruction, the General Manager, Project did not revise the license fee at flat rate for Project accommodation. Further, the General Manager, Project decided in July 2004 to close the issue of revision of license fee at flat rate in the Project, citing special position of Project particularly due to temporary quarters and their bad condition. However, the Director of Estates in March 1999 issued an order requiring charging of 75 *per cent* of the flat rate of license fee for substandard/unclassified accommodation. It also stated that old permanent structures constructed prior to 1930 and old temporary structures constructed before 1960, which were lacking in most of the basic facilities might be classified as sub-standard/unclassified accommodation. Thus the quarters of FBP colony did not fall under this category of sub- standard/ unclassified accommodation. Audit also noticed that during the last 12 years the Project incurred an expenditure of Rs 28.33 crore towards special repair and ordinary repair and maintenance of the residential quarters in the said FBP colony.

Thus, despite having clear directive from the Ministry, non implementation of license fee at flat rate for Project accommodation had resulted in non recovery of license fee at revised rates since July 1987, amounting to Rs 2.61 crore leading to potential loss to government.

The matter was reported to the Ministry in July 2009; their reply is awaited as of March 2010.

17.2 Loss due to non-deduction of surcharge and education cess

Failure on the part of the General Manager, Farakka Barrage Project to issue instruction, as per the provision of the Finance Act, resulted in non-deduction of surcharge and education cess on the income tax realized from contractors' bills with consequent loss of Rs 31.71 lakh.

Finance Act 2005¹ envisaged that in the case of every firm and domestic company, surcharge at the rate of 10 per cent would have to be deducted on income tax. The above provision was amended from the assessment year commencing on 1st April 2008 when deduction of surcharge was to be made subject to the condition that deduction of income tax exceeds Rs one crore. Moreover, the amount of income tax, as increased by the surcharge, shall be further increased by an additional surcharge at the rate of two per cent to be called the education cess on income tax.

Audit scrutiny of contractors' bills paid by the Farakka Barrage Project (Project), since April 2005, revealed that the Project had deducted Rs 2.54 crore towards income tax from the executing contractors during the period from April 2005 to March 2009. However, neither the surcharge nor the education cess amounting to Rs 25.44 lakh and Rs 6.27 lakh was deducted on the amount of such income tax so realized from the individual contractors, for reasons not on record. The General Manager of the Project also did not issue any instruction in this regard to the units of the Project. Non-deduction of surcharge and education cess on such income tax realized is a failure on the part of the Drawing and Disbursing Officer to comply with the provision of the Finance Act and caused a loss of Rs 31.71 lakh during the said period.

In reply to a query issued in April 2009, the Senior Accounts Officer in-charge of the Pay and Accounts Office of the Project confirmed deduction of income tax only but not the surcharge and education cess.

The case was reported to the Ministry in June 2009; their reply was awaited as of March 2010.

¹ Section 2.6(b) of Finance Act 2005