

CHAPTER-V: FOREST RECEIPTS

5.1 Results of audit

Test check of the records of forest receipts, conducted during the year 2008-09, revealed non/short recovery of royalty, non-levy of interest/extension fee and other irregularities amounting to Rs. 105.83 crore in 165 cases, which fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	20	2.25
2.	Non-levy of interest	25	2.02
3.	Non-levy of extension fee	07	0.03
4.	Other irregularities	113	101.53
Total		165	105.83

During 2008-09, the department accepted under assessments of Rs. 24.86 crore involved in 120 cases which had been pointed out in audit in the earlier years.

A few illustrative audit observations involving Rs. 5.13 crore are mentioned in the succeeding paragraphs.

5.2 Audit observations

Scrutiny of records in the offices of forest department relating to revenue received revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty/interest and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

5.3 Non-observance of instructions of the Government

The instructions issued under Indian Forest Act, 1927 by the Government/department provide for:

- (i) recovery of cost of trees standing on forest land allotted to user agencies;*
- (ii) charging of market value of all trees including sapling;*
- (iii) marking of trees falling on road alignment;*
- (iv) joint inspection for disposal of unfit trees and rebate of royalty thereof;*
- (v) payment of interest for delay in payment of royalty by HPSFC;*
- (vi) levy of royalty on volume factor of the trees and faction on Grade IA and ID of trees of deodar was to be applied to kail species;*
- (vii) for tapping of resin from the trees of a prescribed diameter and height;*
- (viii) district forest officers to compound the cases at the rates prescribed from time to time;*
- (ix) firm to refill the pits made during digging of stumps failing which the firms was required to bear the cost of refilling.*

Non-compliance to the instruction in some cases as mentioned in the following paragraphs 5.3.1 to 5.3.9 resulted in non-realisation of Government revenue of Rs. 5.09 crore.

5.3.1 Non/short recovery of revenue

The standing trees coming in the alignment of a project are marked and handed over to the Himachal Pradesh State Forest Corporation (HPSFC) for exploitation. The cost of trees are, however, recovered from the user agency in whose favour the Government of India had accorded its approval for transfer of the forest land. The State Government had fixed the market rates of green standing trees of various species for the year 1992-93 on 15 May 1993. Thereafter, the rates were charged after taking 10 per cent increase each year over the market rates of 1992-93. This practice was prevailing in the department until the Government revised the market rates in December 2006

and authorised the Principal Chief Conservator of Forests (PCCF) to fix the market rates till next five years.

Test check of the records between May 2008 and March 2009 revealed that in three Divisional Forest Officers¹ (DFOs), Rs. 1.06 crore being the cost of 4,015 trees having standing volume of 669.574 cu.m was not claimed by the divisions nor was it paid by the user agencies. As a result, revenue to that extent was not recovered. Further, in five other DFOs², the cost of 4,314 trees having standing volume of 5,471.007 cu.m was charged between 1999-2000 and 2005-06 without taking into consideration the increase of 10 *per cent* each year. This resulted in short realisation of revenue of Rs. 1.09 crore.

Thus, total non/short recovery worked out to Rs. 2.15 crore including sales tax/value added tax (VAT).

The matter was reported to the department and the Government between June 2008 and April 2009; their reply has not been received (September 2009).

5.3.2 Non-levy of interest on delayed payment of royalty

The HPSFC is entrusted with the responsibility of exploitation of all forest lots and is required to deposit instalments of royalty of forest lots by due dates, as fixed by the State Government. In case royalty is not paid within 90 days after the due date, interest at the rate of 11.5 *per cent* and nine *per cent* per annum is chargeable with effect from Ist April 2001 and Ist April 2004 respectively. However, as per the decision of the Pricing Committee dated August 2008, no interest was to be charged from the HPSFC for one year on all pending payments as on 29 May 2007.

Test check of the records of six DFOs³, between May 2008 and December 2008, revealed that 53 lots were handed over to the HPSFC for exploitation during the year 2001-02, 2002-03, 2005-06 and 2006-07. Royalty of Rs. 3.28 crore payable between March 2003 and November 2006, was, however, paid late between June 2007 and June 2008. The delay in payment of royalty ranged between 180 and 1,539 days, after excluding the exemption period of one year i.e. 29-05-2007 to 28-05-2008. Interest of Rs. 98.97 lakh though leviable was not levied by the department for belated deposit of royalty.

The cases were reported to the department and the Government between June 2008 and February 2009; their reply has not been received (September 2009).

5.3.3 Short charging of cost of saplings

PCCF in his letter of September 1991 directed all DFOs to charge market value of all trees including saplings from the project authorities/user agencies. For working out cost, each sapling was to be treated as a Vth⁴ class tree.

¹ Dharamsala: 418 trees: 96.370 cu.m: Rs. 10.89 lakh; Nachan: 3,397 trees: 460.521 cu.m: Rs. 82.98 lakh and Palampur: 200 trees: 112.683 cu.m: Rs. 12.33 lakh

² Chamba: 146 trees: 89.497 cu.m: Rs. 8.43 lakh; Churah: 240 trees: 192.33 cu.m: Rs. 2.82 lakh; Kinnaur: 543 trees: 1,295.13 cu.m: Rs. 29.82 lakh; Seraj: 1,313 trees: 1,382.56 cu.m: Rs. 18.56 lakh and Rohru: 2,072 trees: 2,511.49 cu.m: Rs. 49.48 lakh

³ Ani, Bharmour, Chamba, Kotgarh, Kullu and Recong Peo

⁴ Trees with dia at breast height of 10 to 20 cm

Test check of the records of two DFOs, between June and September 2008, revealed that 14,002 saplings having standing volume of 840.12 cu.m were handed over to two national projects. These were required to be treated as Vth class trees and cost thereof was to be recovered at the rates prescribed by the Government from time to time. However, these saplings were charged at the rate of Rs. 100/215 per sapling which was much less than the prescribed rate. This resulted in short realisation of Rs. 62.51 lakh (including sales tax/VAT) as per details given below:

(Rupees in lakh)

Name of division	Saplings		Rate leviable per cu.m (Rs.)	Total amount	Amount levied @ Rs. 100/215 per sapling	Amount levied short	Sales tax/VAT	Amount realised short
	Specie	No cu.m						
Seraj at Banjar	Deo	858 51.48	24,762	12.75	0.86	11.89	3.57	15.46
	Kail	1,019 61.14	21,969	13.43	1.02	12.41	3.72	16.13
	Chil	4,600 276	9,023	24.90	4.60	20.30	6.09	26.39
Solan	Kokat	7,525 451.50	4,476	20.21	16.18	4.03	0.50	4.53
	Total	14,002 840.12 cu.m	-	71.29	22.66	48.63	13.88	62.51

The matter was reported to the department and the Government between July and October 2008; their reply has not been received (September 2009).

5.3.4 Loss of revenue due to administrative failure

As per departmental instructions of May 1995, trees coming in any road alignment are required to be marked in lots before handing over to HPSFC for exploitation. Further, instructions issued by PCCF in July 1993 and reiterated in July 2004 provided that Range Officer (RO) must make it a point to check minimum of 25 per cent, Assistant Conservator of Forests (ACF) 15 per cent, DFO 10 per cent and the Conservator of Forests (CF) two per cent of markings of trees before these are handed over to the HPSFC.

Test check of the records of DFO Ani in August 2008 revealed that as per the enumeration list prepared in July 2004, 241 trees were coming in road alignment of Gugra-Kutwa road. The DFO ordered in June 2007 for inspection and verification of facts. The RO confirmed the details of 231 trees in the marking list. There was overall difference of 10 trees, between the two lists prepared by Forest and Public Works Departments jointly. Audit analysis of two lists revealed that there was difference of 57 trees of high market value species as under:

Detailed in enumeration list as on July 2004			Detailed in marking list as on July 2007		Variation	
Species	No.	Volume (in cu.m)	No.	Volume (in cu.m)	No.	Volume (in cu.m)
Deodar	185	371.82	151	229.68	(-)34	(-) 142.14
Kail	25	44.15	13	24.90	(-)12	(-) 19.25
Chil	16	17.53	40	32.35	24	14.82
Khanor	2	17.60	0	0	(-) 2	(-) 17.60
Walnut	0	0	1	0.20	1	0.20
Ban	0	0	5	17.578	5	17.578
Brass	4	2.40	7	5.384	3	2.984
Ailanthus	9	8.888	0	0	(-) 9	(-) 8.888
OBL	0	0	14	7.883	14	7.883
Total	241	462.388	231	317.975	(-) 57	(-) 187.878

Audit observed that 57 trees of *deodar*, *kail* and OBL having market value of Rs. 55.11 lakh enumerated earlier were excluded from the marking list handed over to the HPSFC for exploitation. The removal of 57 trees of high market value and addition of 47 trees of low market value resulted in loss of Rs. 61.84 lakh including VAT of Rs. 6.87 lakh during the year 2007-08. Audit observed that if prescribed checking of marking was carried out by the concerned ACF/DFO/CF as required, the pilferage could have been avoided.

The matter was reported to the department and the Government in September 2008; their reply has not been received (September 2009).

5.3.5 Short realisation of royalty due to application of incorrect volume factor

Royalty is payable on the standing volume of trees determined on the basis of volume factor fixed by the Forest Department in the approved working plan. As per the working plan of Bharmour forest division prepared for the years 2002-03 to 2016-17 and made applicable from 2004-05 to 2018-19, volume factor prescribed for IA to ID⁵ class of trees of *deodar* specie was to be applied for *kail* specie.

5.3.5.1 Test check of the records of DFO Bharmour in December 2008 revealed that the volume factor for IA to ID class of 619 *kail* trees in 15 lots⁶ handed over to the HPSFC for exploitation during the year 2007-09 was taken as 3.89 cu.m per tree against the applicable volume factor of *deodar* prescribed⁷ in the working plan. The standing volume of these trees aggregated to 2,865.45 cu.m against which the division claimed 2,407.91 cu.m of volume. Application of incorrect volume factor resulted in short claiming of standing volume of 457.54 cu.m in respect of *kail* trees involving Rs. 12.29 lakh on account of royalty at the rate of Rs. 2,388 per cu.m including VAT.

5.3.5.2 As per the revised working plan for Shimla and Theog forest divisions for the year 1996-2011, the volume factor of ID class of *deodar* trees was fixed as 7.882 cu.m per tree.

⁵ It is classification of a tree according to the diameter

⁶ 2007-09: 15 lots: 15 December 2006

⁷ 1A: 4.11 cu.m; 1B: 5.38 cu.m; 1C: 6.80 cu.m and 1D: 8.50 cu.m

In Theog forest division, it was noticed in May 2008 that while handing over lot no. 7/2007-08 to the HPSFC, the division had incorrectly calculated the standing volume of four *deodar* trees of ID class as 7.882 cu.m instead of 31.528 cu.m. Thus, volume of 23.646 cu.m of three *deodar* trees was claimed short from the HPSFC. This resulted in short realisation of royalty of Rs. 1.15 lakh at the rate of Rs. 4,315 per cu.m including VAT.

The matter was reported to the department and the Government between June 2008 and January 2009; their reply has not been received (September 2009).

5.3.6 Irregular grant of rebate in royalty

The Pricing Committee prescribed certain conditions for grant of concessional rate of royalty for trees declared unfit after being marked for exploitation. For this purpose if the volume of rotten (unfit) trees is more than five *percent* of the total marked volume, a joint inspection is required to be conducted by Sub Divisional Manager (SDM) and ACF within a period of two months after felling of trees. These officers would certify that unfit trees would not yield any sound log/pole of specified size. These were required to be deleted from the marking lists and no royalty was to be paid for the same. The PCCF also clarified in September 2004 that it should be certified in the joint inspection that a tree cannot yield one sound pole/log of specified size and no tree be shown as unfit in the marking list/abstract which is to be determined after felling.

Test check of the records of three DFOs⁸, between January and February 2009, revealed that 28 lots having standing volume of 5,898.33 cu.m and containing trees of *deodar*, *fir*, *chil* and broad leaved species were handed over to the HPSFC for exploitation during 2006-07 and 2007-08. Of these, in two divisions⁹, though joint inspections of 285 trees of six lots having standing volume of 1,139.80 cu.m were conducted, but in the inspection reports, it was not certified that the tree did not yield any sound log/pole of specified size. In one division¹⁰, 341 trees of 22 lots having standing volume of 351.30 cu.m were shown unfit in marking lists without joint inspection which was to be done within two months after felling and for which the HPSFC paid royalty of Rs. 14,000 instead of Rs. 1.51 lakh. Therefore, rebate in royalty amounting to Rs. 10.57 lakh including VAT of Rs. 1.17 lakh allowed by the divisions, was irregular.

The cases were reported to the department and the Government between February and March 2009; their reply has not been received (September 2009).

5.3.7 Loss of revenue due to non-tapping of resin blazes

As per the instructions dated 24 September 2001 of the PCCF, the minimum diameter for resin tapping was raised to 35 cm dia breast height (dbh) from 30 cm dbh, applicable from 2002 resin tapping season, in respect of trees to be tapped for the first time. However, for the old lots which were already under tapping or trees which had been tapped earlier but left out for enumeration and could be tapped now, the tappable diameter would continue to be 30 cm dbh.

⁸ Dalhousie, Dehra and Nurpur

⁹ Dalhousie and Dehra (Marked volume : 3,208.929 cu.m)

¹⁰ Nurpur (Marked volume : 2,689.40 cu.m)

Further, according to the instructions issued in May 2000, prior approval of the CF was required to be obtained well before the commencement of the tapping season for deletion of blazes.

Test check of the records of six DFOs, between June 2008 and February 2009, revealed that 1,11,665 *chil* trees having diameter of 35 cm and above were not handed over to the HPSFC for resin tapping for the tapping season between 2007 and 2008 as per details given below:

(Rupees in lakh)

Sr. No.	Name of division	No. of <i>chil</i> trees (resin blazes)	Nature of irregularity	Amount of royalty involved
1.	Churah Dalhousie Parvati Rajgarh	44,902 16,562 17,300 <u>5,539</u> <u>84,303</u>	84,303 <i>chil</i> trees were neither handed over to the HPSFC for tapping nor approval of CF for deletion of the blazes from lots were obtained. Further, in Churah division, DFO had directed (August 2007) ROs, Chakoli and Bhalei to enumerate <i>chil</i> trees for the tapping season 2008. However, this was not done.	22.93 ¹¹
2.	Mandi	16,612	Lot No. 17/2008 containing 16,612 resin blazes were handed over to the HPSFC in March 2008 for tapping but the HPSFC requested the DFO to take back the lot as it was not possible for them to work on the lot at the belated stage. Accordingly, DFO deleted the blazes from the enumeration list without seeking approval of CF.	4.98
3.	Nalagarh	10,750	Approval of CF for deletion of resin blazes though sought for in April 2008 but was not accorded. Hence, deletion of blazes without approval was irregular. These were required to be tapped which was not done.	3.23
Total		1,11,665		31.14

Thus, non-enumeration/deletion of blazes without approval of the CFs had deprived the Government of revenue of Rs. 31.14 lakh on account of royalty. The matter was reported to the department and the Government between July 2008 and March 2009; their reply has not been received (September 2009).

5.3.8 Under assessment of compensation

In accordance with section 68 of the Indian Forest Act, 1927, DFO Bilaspur fixed (May 2007) the rates of compensation for compounding of various forest offences in the division. The rate of compensation for unauthorised muck dumping/excavation of material etc. on forest land was Rs. 75 per cu.m. However, for second and subsequent offence during the calendar year, double rate was to be charged.

¹¹ Churah: Rs. 12.11 lakh; Dalhousie: Rs. 4.97 lakh; Parvati: Rs. 4.58 lakh and Rajgarh: Rs. 1.27 lakh

Test check of the records of DFO Bilaspur in December 2008 revealed that Power Grid Corporation (PGC) had committed three forest offences of unauthorised excavation/dumping of soil between October and December 2007. Scrutiny revealed that the offences committed by the PGC during November and December 2007 were second and subsequent offence, for which double the rate of compensation was chargeable. The PGC was liable to pay Rs. 5.51 lakh on account of compensation against which the division recovered only Rs. 2.76 lakh resulting in short realisation of revenue of Rs. 2.75 lakh.

The matter was reported to the department and the Government in January 2009; their reply has not been received (September 2009).

5.3.9 Non-realisation of revenue due to cases becoming time barred

As per the Criminal Procedure Code, no court shall take cognizance of forest offence cases after the expiry of the period of limitation. The period of limitation ranges from six months to three years and is determined with reference to the offence committed. As per the departmental instructions of February 1985, the DFOs were required to ensure that no case became time barred for issuing challan and were required to take prompt action for disposal of the forest offence cases, as delay in taking action could result in acquittals of offenders in courts and compounding of offence cases also would become difficult.

Test check of the records of DFO Theog in May 2008 revealed that seven damage reports involving 38 trees of *deodar* and *kail* species having standing volume of 41.481 cu.m, were issued during 2003-04 and 2004-05, against offenders for illicit felling of trees. The department neither compounded these cases nor took them to the court of law within the prescribed period. Thus, inaction on the part of the department resulted in non-realisation of revenue of Rs. 13.05 lakh.

The cases were reported to the department and the Government in June 2008; their reply has not been received (September 2009).

5.4 Non-recovery of cost of filling pits and plantation

As per the Agreement deed executed by the Government with a firm was required to refill the pits made during digging of stumps failing which the firm was required to bear the cost of refilling.

The DFO Karsog did not recover the cost of refilling of pits mentioned in the following paragraph.

Under clause 22 of agreement deed executed (May 1997) between the State Government and a firm¹² for the supply of *deodar* stumps for extraction of *deodar* oil, the firm was required to refill the pits made during digging of stumps, consolidate the surface to natural slope and to do plantation at its own cost. If the firm fails to fill up the pits within 30 days of its digging, the DFO has the right to refill the pits departmentally at the cost not exceeding Rs. 40 per

¹² M/s Valley Extraction Pvt. Ltd.

pit to be borne by the firm. Besides, the cost of plants was also recoverable at the rate of rupees seven per plant from the firm.

Test check of the records of DFO Karsog in August 2008 revealed that 9,345 *deodar* stumps were handed over to the firm between January 2005 and May 2007. As per the agreement deed, the firm was required to refill 9,345 pits besides undertaking plantation on them. However, the firm did not fulfill the terms of the agreement and the department had to refill the pits and to carry out the plantation on its own. The cost of refilling pits and plantation worked out to Rs. 3.83 lakh and was not recovered from the firm leading to a loss of revenue to that extent.

The matter was reported to the department and the Government in September 2008; their reply has not been received (September 2009).