

CHAPTER VIII - OTHER NON-TAX RECEIPTS

8.1 Results of audit

Test check of the records of the following receipts during 2008-09 indicated non-raising of demand, loss of interest, loss/non-realisation of revenue etc. amounting to Rs. 641.10 crore in 226 cases, which could be classified under the following categories:

(Rupees in crore)

Sl. no.	Category	No. of cases	Amount
INTEREST RECEIPTS			
1.	Interest receipts (A review)	1	620.89
	Total	1	620.89
FOREST RECEIPTS			
1.	Forest receipts (A review)	1	0.41
2.	Loss of revenue due to departmental lapses	3	0.01
3.	Loss of revenue due to delay in initiation of certificate cases	3	0.25
4.	Non-eviction of encroached forest land	4	0.79
5.	Non-disposal of forest produce	11	0.29
6.	Other cases	19	6.36
	Total	41	8.11
WATER RATES			
1.	Loss of revenue due to non achievement of target of irrigation	16	0.28
2.	Delay in assessment of water rates	16	8.73
3.	Other cases	152	3.09
	Total	184	12.10
Grand Total		226	641.10

During 2008-09, the departments accepted non-raising of demand, loss of interest, loss/non-realisation of revenue etc. of Rs. 14.04 crore in 145 cases of which 144 cases involving Rs. 14.03 crore were pointed out in audit during the year 2008-09 and rest in earlier years.

A few illustrative audit observations involving Rs. 621.70 crore including reviews on “**Interest Receipts**” and “**Forest Receipts**” are mentioned in the succeeding paragraphs:

INTEREST RECEIPTS

8.2 Interest Receipts

Highlights

- Non- adherence to the provisions of the Bihar Reorganisation Act, 2000 resulted in non-realisation of interest of Rs. 97.21lakh.

(Paragraph 8.2.7.2)

- Lack of monitoring by the Finance department led to disbursement of loans by the loan sanctioning departments without fixing the terms and conditions for its repayment. This resulted in loss of interest of Rs. 1,015.74 crore.

(Paragraph 8.2.8)

- Non-initiation of certificate proceedings resulted in a loss of Rs.12.41 lakh, non-realisation of interest of Rs.4.37 crore and principal of Rs.3.89 crore from 254 loanees. Further, short initiation of certificate cases resulted in non-realisation of Government dues amounting to Rs.19.88 crore.

(Paragraphs 8.2.9.1 and 8.2.9.2)

- The loan sanctioning departments did not recover the instalments due from defaulting loanees and accrued interest. This resulted in non-recovery of interest of Rs. 577.72 crore and principal of Rs. 442.37 crore.

(Paragraph 8.2.10)

- Arithmetical mistakes in working out the amount of interest payable by 15 loanees resulted in short raising of demand of Rs. 3.24 crore.

(Paragraph 8.2.11)

- Penal interest of Rs. 38.59 crore, though leviable against 22 loanees who had defaulted in repayment of principal and interest, was not levied.

(Paragraph 8.2.12)

8.2.1 Introduction

Interest receipts are one of the major sources of non-tax revenue of the State. System/procedure for sanction of loans, recovery of principal as well as interest and control mechanism for watching timely repayment of principal and interest etc. are governed by the Bihar Financial Rules, Volume-I as adopted by the Government of Jharkhand. Loans and advances made by the State Government fall under head “interest bearing loans and advances” to local funds, private individuals etc. and interest free advances to government servant and permanent advances.

Loans and advances carry different rates of interest as fixed by the State Government keeping in view the purpose of loan/advance. These are required to be repaid within the stipulated period in periodical instalments along with interest.

Under the provisions of the Act/Rules, interest should be charged at the rates prescribed by Government for any particular loan or for the class of loans concerned. The authority which sanctions a loan may, insofar as the law allows, enforce a penal rate of compound interest upon overdue instalments of interest or principal and interest. The terms and conditions specified in orders sanctioning the loans and advances prescribe the periodicity of instalments, the rates of interest, the mode and the manner of repayment of the principal and interest.

A review of the system of levy and collection of interest receipts on loans and advances was conducted in audit. It revealed a number of system and compliance deficiencies which have been mentioned in the subsequent paragraphs.

8.2.2 Audit objectives

The review was conducted with a view:

- to evaluate the status of raising demand and collection of dues as per the terms and conditions of the loans sanctioned;
- to assess the adequacy and effectiveness of internal control mechanism and maintenance of related records; and
- to examine the compliance with the provisions of the Act/Rules.

8.2.3 Organisational set up

The proposals received from different organisations for grant of loans and advances are processed by the concerned Heads of Administrative departments who sanction the loans with the concurrence of Finance department. Recoveries of loans and advances along with the interest are required to be watched by the respective Heads of the Administrative department. At present, there are six major loan disbursing departments¹ that sanction loans for different purposes.

8.2.4 Scope of audit

The audit of interest receipt was conducted to ascertain the extent of compliance with the provisions of the Act and Rules. The records of the loans sanctioned by four departments² out of six for the period 2003-04 to 2007-08 were test checked during August 2008 to March 2009. The departments were selected, based on the criteria of loan disbursement.

8.2.5 Acknowledgement

Indian Audit and Accounts department acknowledges the co-operation of the Finance, Industry, Energy, Urban Development and Panchayati Raj (Rural Development) departments in providing necessary information and records for audit. An entry conference was held with the Secretary, Finance department in January 2009 to discuss the audit objectives, criteria, scope and methodology

¹ Co-operative, Energy, Housing, Industries, Panchayati Raj (Rural Development) and Urban Development.

² Energy, Industries, Panchayati Raj (Rural Development) and Urban Development.

of the review. Audit findings, as a result of test check of records, were reported to the concerned departments, Finance department and the Government in April 2009 and were discussed in the exit conference held in September 2009. The Government was represented by the Chief Secretary, Government of Jharkhand and Principal Secretary, Finance department. The Principal Secretary, Finance department agreed with all the points raised in the review and assured to take necessary corrective/remedial measures.

Audit findings

8.2.6 Trend of revenue

8.2.6.1 Under the provisions of Rule 54 of Bihar Budget Procedures (BBP), the estimates of revenue and receipt should show the amounts expected to be realised within the year. In estimating fixed revenue for the ensuing year, the calculations should be based upon the actual demand including any arrears due for past years and the probabilities of their realisation during the year. In the case of fluctuating revenue, the estimate should be based upon a comparison of the last three years receipts. Further, the Controlling Officer should examine the budget received from the Disbursing Officer and submit it to Finance department.

Audit noticed that the administrative departments did not prepare and submit the budget estimates of interest receipts to the Finance department during 2003-04 to 2007-08. Instead the Finance department prepared the budget estimates on adhoc basis as mentioned in the following table:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variations (+) increase (-) decrease	Percentage of variation (+) increase (-) decrease
1	2	3	4	5
2003-04	56.03	46.65	(-) 9.38	(-) 17
2004-05	89.24	18.63	(-) 70.61	(-) 79
2005-06	89.24	71.49	(-) 17.75	(-) 20
2006-07	59.25	38.09	(-) 21.16	(-) 36
2007-08	61.48	87.14	(+) 25.66	(+) 42

The variations between budget estimates and actual realisation ranged between (-) 79 and (+) 42 *per cent* and indicate that the budget estimates prepared were not realistic. There is a need for preparing the budget estimates in accordance with the provisions of the Budget Manual.

Reasons for non-preparation of budget estimates and variations between budget estimates and actual interest receipts, though called for (November 2008), were not furnished (November 2009) by the concerned departments including the Finance department.

8.2.6.2 It was further noticed that major portion of interest receipts was from the interest realised on cash balance investment, while interest receipts from other source was meagre as detailed in the following table:

(Rupees in crore)

Year	Interest realised on loans and advances granted by the Government	Interest realised on Cash Balance Investment	Total Interest Receipt
1	2	3	4
2003-04	1.13	45.52	46.65
2004-05	1.54	17.09	18.63
2005-06	3.64	67.85	71.49
2006-07	1.89	36.20	38.09
2007-08	5.57	81.57	87.14

System deficiencies

8.2.7 Improper maintenance of records and registers

Under the provisions of Bihar Financial Rules, it is the duty of the departmental controlling officers to see that all sums due to government are regularly and promptly assessed, realised and duly credited in the Public Account. In order to assess the interest receipts due, basic records/registers like loan register, sanction register, demand, collection and balance register in which details of sanction, date of drawl of loans, amount of loan, schedule of repayment, rate of interest and penal interest, particulars of repayments of principal, payment of interest are required to be noted. **Audit noticed that no system was instituted by the Finance department to monitor the maintenance of records and submission of the returns.**

Test check of records of Energy department revealed that demand collection and balance register and loan register, were not maintained properly. Essential details like date of drawal of loans, amount of loan, schedule of repayment, rate of interest and penal interest etc. were not mentioned in the register. In case of Urban Development department and Industry department the registers like loan ledger, demand collection and balance register etc. were not maintained at all. Absence or improper maintenance of the registers is indicative of the fact that the departments do not have an effective control over the payment and recovery of loans and interest thereon. These are discussed in the succeeding paragraphs.

8.2.7.1 Non-adherence to the provisions of Bihar Reorganisation Act, 2000

Under the provisions of the Bihar Reorganisation Act 2000, the outstanding amount of loan and accrued interest sanctioned by the Government of Bihar before reorganisation of the State to the loanees situated in Jharkhand shall be recovered by the State of Jharkhand.

As per Finance Accounts of the Government of Bihar for 2000-01 (up to 14.11.2000), the total arrears of loans sanctioned by Government of Bihar and amount of accrued interest stood at Rs. 1,512.60 crore and Rs. 1,875.83 crore respectively. This also included the arrears of loan and interest sanctioned to the loanees pertaining to the areas of present Jharkhand State. However, the amount of loans/advances/interest recoverable by the Government of Jharkhand has not been apportioned till date. The extent of

realisable amount could not, therefore, be ascertained in audit. No record in this regard was available with any of the administrative departments test checked. Further, no demand was raised against the loanees and no recovery of principal and interest was effected.

8.2.7.2 Urban development department

It was noticed that no register to watch the recovery of the loans and advances was maintained by the Urban development department. As such, its efficacy in collection of the loans and interest could not be ascertained in audit. Test check of loan ledgers of five urban local bodies³ revealed that loans amounting to Rs.1.50 crore that were granted by the Urban development department of the Government of undivided Bihar between 1983-84 and 2000-01 (up to 14.11.2000) were still outstanding. The interest, though recoverable, has also not been demanded by the department till date. It worked out to Rs. 97.21 lakh for the years 2003-04 to 2007-08.

8.2.7.3 Status of loans and advances

The status of loans and advances sanctioned by the Government and interest realised thereon during the years 2003-04 to 2007-08 were as mentioned in the following table:

(Rupees in crore)						
Sl. no.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Opening balance	631.20	760.79	1,330.01	5,067.04	5,462.10
2.	Amount advanced during the year	133.53	576.80	3,746.84	410.81	597.66
3.	Amount repaid during the year	3.94	7.58	9.81	15.75	44.22
4.	Closing balance	760.79	1,330.01	5,067.04	5,462.10	6,015.54
5.	Net addition	129.59	569.22	3737.03	395.06	553.44
6.	Interest received	46.65	18.63	71.49	38.09	87.14
7.	Interest received on loans and advances (in <i>per cent</i>) ⁴	6.70	1.78	2.24	0.72	1.52

In 2005-06 there was a steep rise in the loans advanced. This was stated to be due to inclusion of power bonds issued for Rs. 2,855.91 crore by the State Government towards dues of central public sector units (National Thermal Power Corporation, Damodar Valley Corporation, National Hydroelectric Power Corporation etc.) against energy supplied to the Jharkhand State Electricity Board. The amount was treated by the State Government as loan to the Jharkhand State Electricity Board. Similarly, interest paid by the State Government on such power bonds amounting to Rs. 489.95 crore was also treated as loans to the Jharkhand State Electricity Board and accordingly included as loan.

Total loans under the different heads of accounts went up by 853 *per cent*

³ Municipality: Jugsalai, Municipal Councils: Adityapur and Chaibasa and Notified Area Committees: Jamshedpur and Mango.

⁴ Interest received on loans and advances = Interest receipts/ {(OB+CB)/2} X100.

during the last five years and stood at Rs. 6,015.54 crore as on 31 March 2008. The percentage of interest received on loans and advances to outstanding loan showed a decline from 6.70 *per cent* in 2003-04 to 1.52 *per cent* in 2007-08, which needs immediate corrective action. Although, the Finance department was requested (October 2008) to furnish the information regarding the amount of overdue principal and accrued interest as well as loanee wise position of the loans, but it has not been furnished till date. The information was also not available with the other administrative departments.

Thus, due to the failure of the Finance department to monitor the maintenance or records and ensure submission of returns by the loan disbursing authorities complete information regarding position of overdue principal and interest could not be ascertained by audit.

The Government may consider measures for enforcing accountability to ensure maintenance of records and submission of returns by the loan disbursing departments so that the repayment of loans and accrued interest could be monitored.

8.2.8 Sanction of loans without stipulating terms and conditions

Under the provisions of the Bihar Financial Rules Volume I, before sanctioning and disbursing a loan, the sanctioning authority is required to specify the terms and conditions which, *inter-alia*, include the date of commencement of payment of instalments, rate of interest, its periodicity and the term within which the loans together with interest are to be repaid. The loan sanctioning departments are required to record all these details in various registers like the loan sanction register and demand, collection and balance register for monitoring the repayment of loans and payment of interest. **Audit noticed that there was no monitoring on the part of the Finance department to ensure that the loans were disbursed only after specifying the terms and conditions.**

Test check of the records revealed that loans amounting to Rs. 3,792.30 crore were sanctioned by the Government but no terms and conditions were specified in the sanctioned order for recovery of the principal, interest and penal interest. This resulted in non levy of interest as discussed in the following paragraphs:

- The State Government paid loans amounting to Rs. 3,766.45 crore between 2002-03 and 2006-07 on power bonds and interest on power bonds issued against purchase of power from the central public sector undertakings by the Jharkhand State Electricity Board and converted these as loans to the Jharkhand State Electricity Board. However, no terms and conditions for repayment of loan and accrued interest had been stipulated.

After the case was pointed out, the Energy department stated that required information would be obtained from the Finance department. No reply was received from the Finance department.

- Loans aggregating Rs. 25.85 crore were sanctioned and disbursed to municipalities and notified area committees by Urban development department during 2000-01 to 2005-06, but no terms and conditions for repayment of loans and interest were fixed even after lapse of two to seven

years from the date of disbursement of loans.

The department did not furnish any reasons for sanction and disbursement of loans without stipulating the terms and conditions which was a prerequisite as per the provisions of the Bihar Financial Rules.

Non-specifying of terms and conditions resulted in non-realisation of the principal amount and non-levy of interest of Rs. 1,015.74 crore, which could have been levied (based on the rates applicable to other loans sanctioned by the departments) by the above mentioned departments.

The Government may consider instituting a mechanism for monitoring by the Finance department to ensure that loans are not disbursed without specifying the terms and conditions.

8.2.9 Certificate cases

Under the provisions of Bihar and Orissa Public Demands Recovery Act, 1914, any money which is declared by any law for the time being in force as arrears of revenue is recoverable as arrears of land revenue. The Government dues are recoverable by initiating certificate proceedings against the defaulters. The certificate proceedings, *inter-alia*, include attachment and sale of the defaulter's moveable and immovable property etc. The Requiring Officer and the Certificate Officer are jointly responsible for prompt disposal of certificate cases. Further, interest on public demand to which certificate relates shall be charged at the rate of 12 *per cent* per annum from the date of signing of certificate up to the date of realisation. Under the provisions of Limitation Act, 1963, certificate case is required to be instituted within 30 years from the date of raising demand. **Audit noticed that neither did any system exist for monitoring the initiation of the certificate case nor was any time limit fixed for disposal of the certificate proceedings.** Irregularities noticed during audit have been discussed in following paragraphs:

8.2.9.1 Non-initiation of certificate proceedings

Seed money loan and industrial loan

Test check of records of loans disbursed by three Industrial Area Development Authorities⁵ and six District Industry Centres⁶ indicated that Rs.4.10 crore was outstanding against 1,407 loanees. The age-wise details are mentioned in the following table:

Age group	Number of Cases	Amount (Rupees in lakh)
Above 30 years	328	12.41
Above 20 years but less than 30 years	664	58.04
Above 10 years but less than 20 years	304	168.05
Above 5 years but less than 10 years	108	166.92
Less than 5 years	3	4.09
Total	1,407	409.51

⁵ Adityapur, Bokaro and Ranchi.

⁶ Chaibasa, Deoghar, Dhanbad, Giridih, Hazaribag and Ranchi.

It would be seen from the foregoing table that in 328 cases, loans and interest amounting to Rs. 12.41 lakh has been outstanding for more than 30 years. In all these cases department has not initiated certificate proceedings and under the provision of limitation Act, 1963, certificate proceedings in these cases can not be initiated now. This resulted in loss of revenue of Rs. 12.41 lakh.

After the cases were pointed out, the General Manager, District Industry Centre, West Singhbhum, Chaibasa stated that the legal successor of the deceased loanees were expressing their inability to pay the outstanding dues, while the General Manager of other District Industry Centres and Managing Directors of Industrial Area Development Authorities stated that action would be taken for realisation of dues.

Interest free sales tax loan

Test check of records of three Industrial Area Development Authorities⁷ and six District Industry centres⁸ revealed that in case of interest free sales tax loan, interest of Rs. 4.37 crore, besides principal of Rs. 3.89 crore was outstanding for recovery against 254 loanees till March 2008. The department did not initiate certificate proceedings against the defaulting loanees to realise the amount, even though the lapse in some case was more than 30 years, from the expiry of the respective loan repayment terms.

8.2.9.2 Short initiation of certificate cases

Test check of records of Adityapur Industrial Area Development Authority, Jamshedpur and District Industry Centre, Deoghar revealed that in Adityapur Industrial Area Development Authority, a loanee was sanctioned a loan of Rs. 32.50 crore with the condition for repayment in six instalments commencing from July, 2006. The loanee, however, did not pay even a single instalment. As per terms and conditions of agreement, in case of default in repayment, the entire amount of loan along with the interest was to be recovered under the Bihar and Orissa Public Demands Recovery Act, 1914. But the authority initiated certificate proceedings for Rs. 25.12 crore instead of Rs. 44.96 crore, including interest of Rs. 12.46 crore. Similarly, the District Industry Centre, Deoghar initiated certificate proceedings against two loanees for Rs. 25.18 lakh instead of Rs. 28.78 lakh, due to arithmetical mistakes. These cases resulted in short initiation of certificate proceeding by Rs. 19.88 crore.

After the cases were pointed out, the General Manager, District Industry Centre, Deoghar agreed to revise the demand certificate.

8.2.9.3 Non-finalisation of certificate cases

Test check of the records of three Industrial Area Development Authorities⁹ and five District Industries Centres¹⁰ indicated that 215 certificate cases involving Rs. 2.33 crore, filed during the period from 1968-69 to 2004-05, had not been finalised, till date. The status of these cases as furnished by the

⁷ Adityapur, Bokaro and Ranchi.

⁸ Chaibasa, Deoghar, Dhanbad, Giridih, Hazaribag and Ranchi.

⁹ Adityapur, Bokaro and Ranchi.

¹⁰ Chaibasa, Deoghar, Giridih, Hazaribag and Ranchi.

department are mentioned in the following table:

(Rupees in lakh)

Sl. no.	Particulars	Number of cases.	Amount	Remarks
1.	Cases in which address was found incorrect	16	15.94	The cases were required to be returned to the requiring officers to trace out the correct address, which was not done.
2.	Cases in which loanees have shifted to other districts/places	17	38.19	No action was taken to transfer the cases to the concerned authority.
3.	Cases in which warrants were issued.	7	9.46	No further action was taken to seize and dispose of the property.
4.	Cases in which warrants were not issued/ served	175	169.00	No specific actions were taken to issue the warrant.
Total		215	232.59	

Non-finalisation of certificate cases resulted in non-realisation of certified amount of Rs. 2.33 crore as well as interest of Rs. 1.40 crore calculated for the period 2003-08. The chances of recovery of Rs. 2.33 crore were remote, as some of the cases were as old as 40 years.

The Government may consider prescribing a time limit for initiation and finalisation of certificate cases and evolve a monitoring system to ensure that recovery proceedings are initiated in time so that the amounts are not time barred and become irrecoverable under the provisions of Limitation Act, 1963.

Compliance deficiencies

8.2.10 Non-assessment and non-raising of demand for interest

Under the provisions of Bihar Financial Rules, the administrative departments are responsible for prompt assessment and recovery of the revenues payable to the Government.

Test check of records indicated that 65 loanees were sanctioned loans amounting to Rs. 1,351.34 crore during 2000-01 to 2006-07, but interest thereon was neither assessed nor was it levied by the concerned departments. This resulted in non-recovery of interest of Rs.577.72 crore for the period from 2003-04 to 2007-08. Besides, instalment of principal amount of Rs. 442.37 crore, were also not recovered as mentioned in the following table:

(Rupees in crore)

Sl. no.	Name of the department	Amount of loan	No. of cases	Period of loan	Instalment of principal due	Interest due (from 2003-04 to 2007-08)	Total
1	Energy Department	1,236.06	3	2001-02 to 2006-07	413.93	512.02	925.95

2	Urban Development	110.10	44	2000-01 to 2006-07	28.06	63.26	91.32
3	Panchayati Raj	5.18	18	2000-01 to 2006-07	0.38	2.44	2.82
	Total	1,351.34	65		442.37	577.72	1,020.09

After the cases were pointed out, the Energy department stated that all the three loanees were being asked to pay the amount of interest.

The Panchayati Raj department stated that in every sanction order of loan and advances, 25 per cent is deducted to meet the interest due on District Boards. However, there was nothing on record to indicate the recovery of the interest at source and its credit to proper head, as discussed in the following paragraph:

Recovery and non-adjustment of interest

The Panchayati Raj department sanctioned loan of Rs. 6.90 crore to different District Boards during 2000-01 to 2006-07. The amount to be deducted on account of loan was Rs.1.73 crore, being 25 per cent of sanctioned loan amount. It was stated that the amount was deducted but no records relating to this deduction were produced. As such, audit could not ascertain the correctness of the amount deducted and their credit to the appropriate head of account.

Audit scrutiny indicated that the amount to be adjusted was neither drawn and deposited nor was it credited by book transfer to the head '0049-Interest Receipts' by the District Boards. Further, it was noticed that the administrative department did not reconcile the accounts with treasury records, which resulted in Rs. 1.73 crore remaining unadjusted and ultimately lapsed.

8.2.11 Short raising of demand

The Managing Director Adityapur Industrial Area Development Authority was entrusted by the department of Industry for disbursement and recovery of soft loan along with interest accrued thereon. Further, General Managers of District Industry Centres were empowered by the department of Industry for disbursement and recovery of interest free sales tax loan along with interest from defaulters.

Adityapur Industrial Area Development Authority and District Industry Centres, Deoghar and Giridih raised a demand of Rs. 25.86 crore on account of interest against 15 loanees between August 2007 and July 2008. Audit noticed arithmetical mistakes in working out the demands. The correct amount worked out to Rs.29.10 crore. This resulted in short raising of demand of Rs. 3.24 crore. Further, no action was taken against the loanee for non-payment of interest demanded. Even the demanded amount of Rs. 25.86 crore was not recovered upto March 2009.

After the cases were pointed out, the General Manager, District Industry Centre, Deoghar accepted to issue revised demand.

8.2.12 Non-levy of penal interest

Under the provisions of the Bihar Financial Rules Volume I, in the event of default in repayment of principal or interest, a penal rate of interest over and above the normal rates may be levied on all overdue instalments of interest or principal and interest.

Test check of records of three departments¹¹ indicated that Rs. 1,273.74 crore was disbursed to 22 loanees¹² during 2000-01 to 2006-07. The terms and conditions of the sanction orders provide for levy of penal interest at the rate of 2.5 *per cent* per annum. Principal amount of Rs. 425.15 crore was due for recovery up to March, 2008, but not a single instalment was paid by the loanees along with interest of Rs. 522.90 crore payable thereon. Thus, the loanees were liable to pay penal interest of Rs. 38.59 crore which was not levied by the concerned departments.

8.2.13 Non-raising of interest on interest free sales tax loan

Under the provisions of Bihar Industrial Policy 1986, industrial units commencing production on or after 1 September 1986, interest free sales tax loan, equivalent to the amount of sales tax paid under the Bihar Sales Tax Act and Central Sales Tax Act, was to be given. This incentive was available for a period of five years from the date of commencement of production. The amount of loan was to be repaid in 10 half yearly equal instalments after five years of disbursement of loan. In case of default in repayment of interest free sales tax loans, interest was leviable at the rate of 16 *per cent* per annum.

Scrutiny of the records of Adityapur Industrial Area Development Authority, Jamshedpur, Ranchi Industrial Area Development Authority, Ranchi and District Industry Centre, Deoghar indicated that interest free sales tax loans amounting to Rs.86.68 lakh were paid to 48 loanees during 1996-97 to 1998-99. However, no details of the fact were mentioned in demand collection and balance register. The loans were due for repayment during the period from 2001-02 to 2008-09 but the loanees did not pay even a single instalment of loan. Thus, they were liable to pay interest from the date of default which worked out to Rs. 36.69 lakh for the period from 2003-04 to 2007-08 along with instalment of principal of Rs. 85.45 lakh. The department also did not raise demand for payment of outstanding amount.

8.2.14 Loss of interest due to delay in disbursement of loans

Under the provisions of the Bihar Financial Rules Volume I, an amount should be drawn from the treasury for immediate disbursement. Accordingly, the loans sanctioned by the Government and drawn by the concerned department are to be paid to the loanees immediately without undue delay, so as to avoid loss of interest to the Government.

Test check of records of Energy department indicated that in March 2002, the department sanctioned and drew Rs. 3.80 crore as loan for hydel power projects and kept the amount in the account of Tenughat Vidyut Nigam Limited. The amount was transferred to Jharkhand Renewable Energy

¹¹ Energy, Panchayati Raj and Industry.

¹² Energy (3), Panchayati Raj (18) and Industry (1).

Development Agency in October 2003, after a lapse of 18 months. This resulted in loss of revenue in shape of interest of Rs. 76.47 lakh.

Similarly, the Industry Department had provided a sum of Rs. 1.10 crore to Adityapur Industrial Area Development Authority, Jamshedpur and four District Industry Centres¹³ for disbursement of interest free sales tax loan through single window system before 31 May 1997. However, the loans were disbursed between June 1997 and October 2000 with delays ranging between one and 41 months. This resulted in loss of interest of Rs. 18.59 lakh.

8.2.15 Loss of revenue due to irregular utilisation of receipts

The Bihar Financial Rules provides that money receipt as dues of the Government shall be remitted without undue delay into treasury. The rule further provides that the receipt shall be remitted latest by the following day.

The Industry Department sanctions and distributes loans through Industrial Area Development Authorities and District Industry Centres to the loanees. The loanee-wise funds are made available to the authority that distributes the amount to different loanees and watch its recovery according to the terms and condition fixed by the department.

Test check of records of Bokaro Industrial Area Development Authority indicated that the authority collected a sum of Rs. 2.55 crore on account of interest free sales tax loan and seed money loan with interest. Out of which, Rs. 2.17 crore was remitted into the Government account in different spells during 1997-98 to 2007-08 with delays ranging from one to seven years. In addition, Rs. 33.63 lakh was redistributed as loan to different loanees without prior sanction of the Government and Rs. 4.37 lakh was not remitted into the Government account till date. The distribution of loans without sanction of the department/Government and delay in remittance to the Government account was against the principles of financial propriety and resulted in loss of interest of Rs. 61.41 lakh (calculated upto March 2008 at the bank rate of eight *per cent*).

After this was pointed out in January 2009, the secretary Bokaro Industrial Area Development Authority accepted that the redistribution of the amount was made from realised principal and interest, and stated that the balance amount would be remitted into the Government account.

Further, in Ranchi Industrial Area Development Authority, it was noticed that Rs. 28.10 lakh, realised in 2002-03 on account of repayment of interest free sales tax loan and seed money loan with interest, was not remitted into Government Account, till March 2009. This resulted in loss of interest of Rs. 11.24 lakh (calculated upto March 2008 at the bank rate of eight *per cent*). Non-existence of any monitoring system by the administrative department to watch timely remittance of money into the Government account led to its retention, which was against the provision of the Financial Rules. Misutilisation of revenue collected could not be ruled out.

After this was pointed out in January 2009, the authority accepted to remit the

¹³ Chaibasa, Dhanbad, Hazaribag and Ranchi.

balance amount into the Government account.

8.2.16 Loans sanctioned for non-development purposes

By a decision of November, 1964, under provisions of the Bihar Financial Rules Volume I, financial assistance in the shape of loans is to be granted only to profit making societies or organisations.

Loans amounting to Rs. 5.18 crore were granted to 18 Zila Parishads between 2001-02 and 2006-07 by the Rural Development department for payment of salaries to the employees in contravention of the above decision. The loans were disbursed to organisations which had no resource to make repayment of loan and interest. As a result, not a single instalment of principal and accrued interest has been recovered so far.

After this was pointed out, the District Development Commissioner-cum-Chief Executive Officer, Zila Parishad Jamshedpur accepted non-repayment of loans and interests. It stated that as the Parishad had no source of income, loans were sanctioned. Further reply has not been received (November 2009).

8.2.17 Conclusion

Proper maintenance of basic registers/records like loan register, sanction register and demand, collection and balance register by the departments is essential for effective control over the sanction and recovery of loans and interest thereon. Audit scrutiny revealed that these were either not maintained or maintained improperly. Lack of monitoring by the Finance department led to sanctioning of loans without prescribing/fixing terms and conditions of repayments. There was absence of monitoring by the administrative departments for non-realisation of overdue loans and recovery of interest. The internal control mechanism of the departments was weak. There is a need for the Government to have a comprehensive look at the system and procedure for prompt recovery of loans and interest.

8.2.18 Summary of recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- measures for enforcing accountability to ensure maintenance of records and submission of returns by the loan disbursing departments so that the repayment of loans and accrued interest could be monitored;
- instituting a mechanism for monitoring by the Finance department to ensure that loans are not disbursed without specifying the terms and conditions; and
- prescribing a time limit for initiation and finalisation of certificate cases and evolve a monitoring system to ensure that recovery proceedings are initiated in time.

FOREST RECEIPTS

8.3 Forest Receipts

Highlights

- Certificate cases for Rs. 44.85 lakh, were not instituted against defaulters. Further, non/delayed finalisation of certificate cases resulted in non-realisation of Rs 71.93 lakh besides loss of interest of Rs. 55.23 lakh.

(Paragraphs 8.3.7.1 to 8.3.7.3)

- Working plan of only 13 out of 31 territorial divisions had been prepared and approved by the Government of India. Delay in preparation/approval of working plans ranged between 2 and 14 years. Control forms prescribed for management of forests were not prepared/submitted by six divisions test checked.

(Paragraph 8.3.8)

- In five forest divisions, non-harvesting of bamboo from 78,249.64 hectares of forest area, due for exploitation during 1992-93 to 2007-08, resulted in loss of Rs. 354.15 crore.

(Paragraph 8.3.11.1)

- In Gumla Forest Division, non-exploitation of timber during 2003-08 in 380 hectares annually resulted in loss of revenue of Rs. 47.04 crore.

(Paragraph 8.3.11.4)

- In Kolhan and Porahat forest divisions, though 14,072.51 hectares of encroached forest land was evicted from encroachers but royalty of Rs. 324.69 crore for trees illicitly felled from that area was not levied/realized.

(Paragraph 8.3.12.2)

- In 16 forest divisions, non-disposal of seized minerals (extracted illegally from forest area) resulted in blockage of revenue of Rs. 1.14 crore.

(Paragraph 8.3.15)

8.3.1 Introduction

The State of Jharkhand comprising geographical area of 79,714 square kilometer has 23,605.47 square kilometer (29.61 *per cent*) of forest area. Forest receipts, a source of non-tax receipts, are largely derived from sale proceeds of major and minor forest produce, royalty, compensation, fees, fines etc. imposed under the Indian Forest Act, other Acts and Rules made thereunder.

The regulation of exploitation, seizure, sale, protection of forest produce and eviction from encroached forest land are governed by Indian Forest Act, 1927, Forest Conservation Act, 1980 and Bihar Public Land Encroachment Act, 1956.

The system of collection of the forest receipts was reviewed in audit. It revealed a number of system and compliance deficiencies which are discussed in the subsequent paragraphs.

8.3.2 Organisational set up

The Secretary is the head of Forest and Environment department at the Government level in the State. There are three Principal Chief Conservators of Forest who are technical advisors to the State Government. They are assisted by three Additional Principal Chief Conservators of Forests, seven Chief Conservators of Forest (CCsF) and five Regional Chief Conservators of Forest. There are 32 Conservators of Forest and 62 Divisional Forest Officers in the State. A forest division is subdivided into ranges which are headed by Range Forest Officer. A range is divided into beats which are headed by the foresters and Beat is further divided into Sub-Beats under Forest Guards.

8.3.3 Audit objectives

A review was conducted with a view to ascertain whether:

- provisions of Acts, Rules and departmental instructions were enforced to safeguard revenue to the State;
- internal control mechanism of the department was adequate and effective to prevent leakage and evasion of revenue; and
- effectiveness of pursuance of cases pending in the court of law or appellate authorities.

8.3.4 Scope and methodology of audit

A review was conducted between August 2008 and March 2009 in 27¹⁴ out of 62 Forest Divisions, six¹⁵ out of 32 Conservators of Forests, one out of three Additional Principal Chief Conservators of Forest and one out of three offices of the Principal Chief Conservators of Forest for the period from 2003-04 to 2007-08. The units were selected on the basis of maximum revenue yield. Data/information collected through proforma and questionnaires from the divisions and other offices were also analysed.

8.3.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Forest and Environment department in providing necessary information and records. An entry conference was held with the Secretary, Forest and Environment department, Jharkhand on 9 January 2009. He was apprised of the audit objectives, scope and methodology of the review. Audit findings

¹⁴ **Territorial Divisions:** Bokaro, Daltonganj North, Deoghar, Dhanbad, Dumka, Godda, Giridih, Gumla, Hazaribag West, Jamtara, Khunti, Kolhan, Latehar, Pakur, Porahat, Ranchi West, Saraikela and Simdega **Social Forestry Divisions:** Chaibasa, Deoghar, Dumka, Garhwa and Hazaribag, **Wild Life Divisions:** Hazaribag and Ranchi. **Afforestation Divisions:** Chaibasa and Chatra.

¹⁵ **Conservators of Forests:** Buffer Area, Daltonganj, Core Area, Daltonganj, Southern Circle, Chaibasa, Territorial Circle, Hazaribag, Conservator of Forest cum Director, Palamu Project Tiger, Daltonganj, Conservator of Forest Cum State Silviculturist, Ranchi

were reported to the Government in April 2009 and were discussed in the exit conference held in September 2009. The Government was represented by Chief Secretary, Government of Jharkhand and Secretary, Forest and Environment department. The Secretary, Forest and Environment department agreed with all the points raised in the review and assured to take appropriate corrective measures in respect of the deficiencies pointed out in the review.

8.3.6 Trend of revenue

According to the provisions of the Bihar Budget Manual (as adopted) read with Jharkhand Financial Rules, the responsibility for preparation of estimates of revenues rests with the Finance department. The Forest and Environment department is responsible for compilation of correct estimates of revenue and sending it to Finance department on the date fixed by the latter. The department is responsible for regular reconciliation of figures of the department with those booked by the Accountant General (A&E), Jharkhand.

A comparison of budget estimates and actual receipts as booked in the Finance Accounts of the State with the data furnished by the department during 2003-08 was as mentioned in the following table:

(Rupees in crore)					
Year	Budget estimate	Actual receipt as per Finance Account	Actual receipt as reported by PCCF	Variation (+) excess (-) short fall Col. 2 to 3	Percentage of variation Col. 5 to 3
1	2	3	4	5	6
2003-04	2.82	21.74	22.41	(+) 18.92	(+) 671
2004-05	20.00	4.51	4.69	(-) 15.49	(-) 77
2005-06	25.00	40.84	40.65	(+) 15.84	(+) 63
2006-07	25.00	3.68	5.27	(-) 21.32	(-) 85
2007-08	28.38	4.06	4.15	(-) 24.32	(-) 86

The variations between Budget estimates and actual receipts ranged between (-) 85 to (+) 671 per cent. The reasons for excess/short realisation were not furnished (March 2009) by the department. This indicated that budget estimates were not prepared on a realistic basis. Further, figures were not reconciled with those booked by the Accountant General (A&E). The department, though requested, did not furnish the budget estimates prepared and sent to the Finance department. The extent to which the preparation of budget estimates was based on scientific methods could not, therefore, be assessed in audit.

➤ Revenue of the State of the Jharkhand vis-à-vis neighbouring States

A comparison of the forest receipts/forest area of the State with neighbouring States is mentioned in the following table:

	Jharkhand	West Bengal	Chhattisgarh	Madhya Pradesh	Orissa
Forest covered area in Square Km					
	22,591	12,413	55,863	76,013	48,374

Forest receipts (Rupees in crore)					
2004-05	4.51	40.44	159.85	559.11	84.72
2005-06	40.84	38.61	203.17	490.40	59.13
2006-07	3.68	40.87	205.79	536.50	130.63
2007-08	4.06	NA	258.07	608.89	82.66

From the above it can be seen that forest receipts of Jharkhand were much lower than those of the neighbouring States. In terms of area, the forest area in West Bengal is less but revenue is higher.

Audit findings

System deficiencies

8.3.7 Recovery of arrears

As per Bihar Re-organisation Act, 2000, it is the responsibility of Jharkhand State, the successor State, to monitor the recovery of arrears in its territorial jurisdiction. The position of uncollected revenue for the state as on 31 March 2008, though called for, was not furnished (November 2009). As such, the reliability of the database and system of its maintenance could not be verified in audit.

However, information collected by test check of records of eleven forest divisions revealed arrears of Rs. 5.18 crore involved in 662 cases on 31 March 2008. Most of these arrears pertained to the period prior to creation of Jharkhand as under:

(Rupees in lakh)						
Sl. no	Division	No. of cases	Period	Amount under certificate cases	Amount not covered under certificate cases	Amount outstanding
1	Kolhan	23	1957-58 to 1979-80	2.27	Nil	2.27
2	Gumla	25	1990 to 1994	306.03	Nil	306.03
3	Latehar	157	1960-61 to 1986-87	27.55	4.33	31.88
4	Dhanbad	68	1953-54 to 1987-88	12.78	Nil	12.78
5	Giridih	79	1962-63 to 1994	26.86	Nil	26.86
6	Porahat	NA	1944-45 to 1983-84	2.47	23.40	25.87
7	Hazaribag (W)	47	1976 to 2003	34.51	Nil	34.51
8	Ranchi (W)	NA	1949 to 1986-87	14.80	9.25	24.05
9	Dumka	41	1970-71 to 1986-87	3.31	Nil	3.31
10	Chaibasa (S)	42	1960-61 to 1978-79	1.79	6.24	8.03
11	Daltonganj (N)	180	1960-61 to 2006-07	42.35	Nil	42.35
	Total	662		474.72	43.22	517.94

Age-wise analysis of the certificate cases is mentioned in the following table:

Period	Cases	Amount (Rupees in lakh)
50 yrs and 60 yrs	13	0.11
40 yrs and 50 yrs	142	3.99
30 yrs and 40 yrs	266	23.18
20 yrs and 30 yrs	144	65.66
10 yrs and 20 yrs	62	334.58
5 yrs and 10 yrs	11	28.57
Less than 5 yrs	2	0.98
Total	640¹⁶	457.07

Under the provisions of Bihar and Orissa Public Demand Recovery Act, 1914 read with Limitation Act, 1963, certificate cases for recovery of arrears must be initiated within 30 years. Thereafter the recovery will be barred by limitation of time. Accordingly, the possibility of the recovery of Rs. 27.28 crore pending collection for more than 30 years is remote.

Irregularities noticed in institution and finalisation of certificate cases in the test checked divisions are discussed in the succeeding paragraphs:

8.3.7.1 Absence of time limit for initiation of certificate cases

Under the provisions of the Indian Forest Act, 1927 and Rules made thereunder read with the Bihar and Orissa Public Demands Recovery Act, 1914, all money payable to the Government under the Act or any Rule made thereunder, may be recovered as arrears of land revenue. The Requiring Officer and the Certificate Officer are jointly responsible for prompt disposal of certificate cases. However, **no time limit for initiation of certificate proceedings has been specified in the Acts.**

Test check of records of four Divisional Forest Officers¹⁷ revealed that arrear of Rs. 43.22 lakh, outstanding against defaulters, during 1944 to 1987 were yet to be recovered till date. The concerned DFOs had at no time made any efforts to send the cases to the Certificate Officer for institution of certificate proceedings. This resulted in non-institution of certificate cases for Rs. 43.22 lakh. Further, in Dhanbad Forest Division, in one case, involving Rs. 1.63 lakh, though the DFO had requested (July 2000) for initiation of certificate proceedings. However, it has not been instituted till date.

8.3.7.2 Non-finalisation of certificate cases

The Act/Rule does not provide any time limit for finalisation of certificate cases.

Test check of records of five forest divisions¹⁸ indicated that 327 certificate

¹⁶ Due to non-availability of information/records, pendency of certificate cases in respect of four divisions, Ranchi West, Porahat, Dhanbad (21 cases) and Kolhan (1 case), amounting to Rs 17.65 lakh could not be worked out.

¹⁷ Chaibasa (South), Latehar, Porahat and Ranchi (W).

¹⁸ Dhanbad, Giridih, Kolhan, Latehar and Porahat (number of cases not available).

cases involving Rs. 71.93 lakh, filed upto 2001, were pending for finalisation upto March 2008. Further, the notices issued to debtors were not being served, as debtors had become either traceless or dead, as mentioned in the following table:

Reasons	Number of cases
Notices not issued/served	24
Debtors being traceless/ dead	27
Warrant issued	07
Debtors absent	27
No information regarding action taken on certificate cases	241
Hearing complete but verdict not pronounced (2004)	01
Total	327

The divisions had no information regarding names and addresses of their legal heir. Thus, due to improper pursuance, revenue of Rs. 71.93 lakh remained unrealised and was likely to be lost.

8.3.7.3 Loss of interest due to delayed institution of certificate cases

Under the Bihar and Orissa Public Demands Recovery Act, 1914, interest at the rate of 12 *per cent* per annum is leviable from the date of signing of certificate till the date of realisation. No such provision exists in Indian Forest Act, 1927 as applicable to Jharkhand.

Test check of records of four forest divisions¹⁹ indicated that the certificate cases involving Rs. 54.91 lakh were instituted after delays ranging between one and thirty years. This not only resulted in non-collection of the arrears but also resulted in loss of interest amounting to Rs. 55.23 lakh, which it could have earned under PDR Act, 1914.

The above status is indicative of the facts that the internal controls of the department are weak and need strengthening.

The Government may consider strengthening the mechanism for ensuring speedy initiation/disposal of certificate cases and prescribing a time limit for initiation and finalisation of certificate cases.

8.3.7.4 Loss due to discontinuation of certificate cases

No provision exists in the PDR Act to drop certificate proceeding once initiated. However, in Forest Division, Latehar, it was noticed that five certificate cases pertaining to Latehar forest division, involving dues of Rs. 4.91 lakh, were dropped by the Certificate Officer in violation of the Act. RCCF had instructed in July 1999 to investigate the reasons for dropping the cases. However, there was nothing on record to indicate that any action was taken on the instructions of RCCF. Dropping of cases resulted in loss of revenue of Rs. 4.91 lakh.

¹⁹ Dhanbad, Giridih, Gumla and Latehar.

8.3.7.5 Non-maintenance of register-IX and register of outstanding dues

Under the provisions of PDR Act, certificate proceedings are initiated for realisation of arrears for which the Requiring Officer sends the proposal to the Certificate Officer and enters the details of such cases in Register-IX. **Audit noticed that there was no internal control to monitor maintenance of the records.**

In four forest divisions²⁰, Register-IX was not being maintained. In forest divisions, Bokaro and Dhanbad, case records of certificate cases were not available though the concerned DFOs had been declared Certificate Officers. Further, a register of outstanding dues, to keep watch over realisation of arrears, was not being maintained in any of the test checked divisions.

8.3.7.6 Non-maintenance of demand, collection and balance register

No provision exists to maintain a register for monitoring demand and collection of revenue realisable. The register is essential to keep effective control over the regular and timely realisation of forest revenue. However, no such register was prescribed to be maintained either at division or at higher level.

The above facts indicate that there is a need for strengthening the internal controls, monitoring and proper maintenance of the records.

The Government may consider strengthening the internal controls for monitoring and maintenance of the records.

8.3.8 Delay in preparation of working plan

Under the Bihar Forest Rules (as adopted), forests are managed according to provisions of approved Working Plan, which details scheme for management of silvicultural operations. Absence of Working Plan prevents extraction of the forest produce which adversely affects both the revenue of the department and also the forests. Further, the National Working Plan Code provides for finalisation of a working plan two years in advance of expiry of the existing plan and for future management of forests, it provides for submission of control forms²¹ by the Divisional Forest Officer annually to the Conservator of Forests, within two months of the close of the control year²². There are four circles responsible for preparation of working plans, each headed by the Conservator of Forest, Working Plan Circle. **Audit noticed that there was no monitoring mechanism at the Government level to monitor timely submission of the working plans to the Government so that it could be approved/finalised within the prescribed time limit.**

Scrutiny indicated that Working Plans for only 13 out of 31 divisions for various periods were approved by Government of India while in 18 divisions, Working Plans had expired between 1994-95 and 2006-07. Of these 18

²⁰ Bokaro, Dhanbad, Giridih and Latehar.

²¹ Control forms 1 to 7, containing details of deviation, felling provisions for volume yield, results of felling, area yield, silvicultural operations and plantation control.

²² Control year: A term in the Forest department. The year starts in July and ends in June of that year.

divisions, Working Plans of only three divisions had been prepared and sent to the Government of India for approval while remaining 15 Working Plans were pending at various stages in the department. The delay in preparation/approval of Working Plans ranged between 2 and 14 years. Further, in six divisions²³ it was noticed that even control forms that are essential for preparation of working plans, were not prepared for submission to the respective CFs.

Delay in preparation of the working plans indicated that the monitoring mechanism was weak and ineffective. Non-preparation of the new working plans before expiry of the existing working plans resulted in deferring of timber extraction and revenue from the divisions.

8.3.9 Weak internal controls

Every department is required to institute appropriate internal controls for its efficient and effective functioning by ensuring proper compliance with laws, Rules and instructions. Internal controls help in creation of reliable financial and management information systems for prompt and efficient services and adequate safeguards against non/short collection or evasion of revenues. Internal controls should be reviewed and updated from time to time.

8.3.9.1 Internal audit

The department did not have an internal audit wing of its own. The internal audit wing of the Finance department was responsible for internal audit of the Forest department. It was, however, noticed that no frequency and duration of audit was fixed for audit of the Forest department and only 4 out of 112 units had been audited by the Finance department during 2003-08.

8.3.9.2 Vigilance wing

There existed a vigilance section under the direct charge of the Principal Chief Conservator which looks after complaints against the departmental officers. Information obtained indicated that this section remained non-functional during the period under review.

The Government may consider establishing a separate internal audit and vigilance wing for the department to ensure effective and efficient functioning of the department.

8.3.10 Forest offences

The status of offence cases pending in the Court of the State as on 31 March 2008, was not furnished by the department. However, test check of records of nine Forest Divisions²⁴ revealed that 1,640 offence cases were pending in the courts between 2003-04 and 2007-08 involving Rs. 830.26 crore as royalty and compensation as discussed below:

²³ **DFOs:** Giridih, Gumla, Kolhan, and Porahat **CFs:** Core Area, Daltonganj and Project Tiger Circle, Daltonganj

²⁴ Bokaro, Deoghar, Dhanbad, Giridih, Gumla, Kolhan, Latehar, SF Hazaribag and Wild life Ranchi.

- Under the provisions of Bihar Forest Rules, 'offence case register'²⁵, is required to be maintained to record all offence cases.

In six forest divisions²⁶, such registers were not being maintained properly. Thus, details of forest produce damaged or the assessment of damage was not being recorded and the progress of cases in courts was not being monitored. Due to improper maintenance of offence registers, actual number of cases pending and efficiency in pursuing the cases in the courts for the finalisation could not be ascertained.

- The monthly report, required to be submitted by DFO to CF, relating to offence cases neither reflected the number of cases pending in courts prior to the year 2000 nor number of cases disposed off by the courts during the period reported upon. This indicated lack of monitoring at the apex level in respect of cases pertaining to the period prior to the year 2000.

8.3.10.1 Delayed/non-preparation of offence reports

According to Bihar Forest Rules (as applicable to Jharkhand) and instruction issued in September 2000, forest guards were required to submit offence report within 24 hours to the Forester, who is to submit investigation report to the range officer within 15 days and range officer is to submit a report within 30 days to the divisional officer. All forest offences are to be filed in the Court within two months of its commission. Under Criminal Procedure Code, no Court shall take cognizance of an offence, after expiry of one year.

- In five forest divisions²⁷, it was noticed that only intimation regarding offence committed, in 104 cases pertaining to the period 2005-06 and 2007-08, were submitted to the DFOs by the range officers but no offence report was prepared by the range officers. No data/record relating to the details of the offence and loss suffered was made available to audit. As such the quantity and value of forest produce destroyed could not be ascertained.
- In ten forest divisions²⁸, submission of offence reports to divisional forest officers in 882 cases involving Rs. 1.45 crore were delayed beyond due dates by range officers. Delays ranged between 1 and 1,717 days.
- In eight forest divisions²⁹, 632 offence cases for the period 2004-08, involving Rs. 88.68 lakh, were sent to court with delays ranging from 1 to 2,280 days. There was nothing on record or any information produced to audit about the cognizance of the cases filed in the court in respect of cases filed after expiry of one year. Audit noticed from the information furnished that 406 cases were filed after a lapse of one year. Further, the latest position of cases registered in Court was not recorded in offence case

²⁵ Schedule XVIII – Form No. 22 A has been prescribed for maintenance of offence case register which contains information about date and place of occurrence of offence, details of offence, details of damage of forest produce, assessment of royalty and compensation, action taken by the division and details of action taken by Court.

²⁶ Bokaro, Giridih, Gumla, Latehar, SF Hazaribag and Wild Life, Ranchi.

²⁷ Core Area Daltonganj, Deoghar, Khunti, Latehar and Simdega.

²⁸ Bokaro, Core Area Daltonganj, Dhanbad, Deoghar, Giridih, Khunti, Kolhan, Latehar, Porahat and Simdega.

²⁹ Bokaro, Core Area, Daltonganj, Deoghar, Giridih, Khunti, Kolhan, Latehar and Simdega.

register. Audit could not ascertain whether any action was taken for speedy disposal of the cases.

- In Hazaribag West Forest Division, 16 offence cases pertaining to 1999-2007, involving Rs. 6.51 lakh, were returned by the Court on the grounds of being barred by limitation of time. Further, in the office of Conservator of Forest, Core Area, Project Tiger, Palamu and Divisional Forest Officer, Kolhan Forest Division, Chaibasa it was seen that 142 offence cases, involving Rs 23.08 lakh, instituted in the respective Courts were disposed/discontinued by the Courts. Reasons and date of order were not on records. No action was taken by the divisions to review the cases, resulting in loss of revenue of Rs. 29.59 lakh.
- In four forest divisions³⁰, 148 offence cases for the period 1999-2008 were neither compounded nor sent to Court resulting in blockage of revenue of Rs. 34.74 lakh.

Delay in preparation, submission of offence reports and institution of cases in Courts, not only results in cases becoming time barred but also offenders becoming traceless leading to loss of revenue.

The Government may consider putting in place a mechanism for timely preparation and submission of offence reports.

Compliance deficiencies

8.3.11 Implementation of working plan

In order to ensure regeneration commensurate to felling, Government of India, while approving Working Plan of a division, permits felling of trees only after making allocation of requisite fund for undertaking regeneration operation. Further, instructions (August 2003) were also issued by the Government of India for preparation of annual report³¹ on exploitation of forest produce, to be submitted, in prescribed proforma within two months of the end of control year, by a division to the Conservator. **Audit noticed discrepancies in exploitation of forest produce, which are discussed in the succeeding paragraphs.**

8.3.11.1 Non-harvesting of bamboo

Bamboo is felled/exploited in four-year felling cycle and each felling series becomes due for harvesting every fourth year. If bamboo from felling series is not harvested within the specified period, it starts sprouting and becomes useless resulting in loss of revenue. Further, non-felling of bamboo within the specified period prevents fresh growth of coppice shoots/clumps which eventually generate future bamboo crop. **Audit noticed that the exploitation of bamboo was not monitored at the apex level though its extraction was provided in the working plan of the division approved by the Government of India.**

³⁰ Bokaro, Giridih, Hazaribag (West) and Latehar.

³¹ Annual report on felling showing 'stand volume' of trees, compartment and circle wise, including dead, dying and diseased trees and for meeting demands under rights and concessions granted to people.

Test check of Working Plans of five territorial divisions indicated that 78,249.64 hectare area of bamboo coups were due for exploitation during 1992-93 to 2007-08. Of which, only 252 hectares was extracted during 2001-05. The concerned DFOs did not take any action to exploit bamboo in 78,249.64 hectares which resulted in loss of revenue of Rs. 354.15 crore (calculated at the minimum price) upto March 2008 as indicated in the following table:

Name of the division	Area of Bamboo coups not extracted (in hectares)	Exploitable period	Estimated yield (in number)		Rate	Estimated Revenue
			Culms	Stump		
Koderma	15,022.81	1992-93 to 2007-08	1,18,380 (Sale Units) ³²		Rs. 1850 per sale unit	21.90
Garhwa (North)	15,814.82	2003-04 to 2007-08	6,44,84,928	5,47,39,045	Rs. 6 per piece	71.53
Daltonganj (North)	10,717.69	1999-2000 to 2007-08	7,86,62,486	6,67,73,888	-do-	87.26
Buffer Area, Daltonganj	7,915.64	2001-02 to 2007-08	4,16,24,327	3,53,33,464	-do-	46.17
Latehar	28,778.68	2002-03 to 2005-06	21,21,56,428		-do-	127.29
Total	78,249.64					354.15

8.3.11.2 Non-availability of bamboo in coups

Test check of records of the Conservator of Forest, Buffer Area, Daltonganj indicated that four bamboo coups of 1,092 hectares valued at Rs. 3.95 crore were transferred to Daltonganj South State Trading Division in May 2003 for extraction. As per approved working plan the average yield per hectare (based on sample survey done in Durup and Karakat village/forest area), was 3,262 culms and 2,769 stumps. However, in November 2003, the coups were returned by the State Trading Division, Daltonganj stating that no bamboo was found in the coups. The department did not furnish any reply about the non-availability of bamboo at the harvesting stage.

8.3.11.3 Loss due to non-lifting of bamboo from coups

Test check of records of Conservator of Forest, Buffer Area, Daltonganj indicated that Dauna bamboo coups of 186 hectare were transferred to Daltonganj South State Trading Division in May 2003 for extraction. The State Trading Division intimated in March 2005 that 2,847 *tona* bundles of cut bamboo could not be lifted due to non-repairing of forest road by the territorial division. Thus, Government suffered a loss of Rs. 85,000.

³² One sale unit = 116 bundles of bamboo consisting of 20 bamboos of 1 meter length in each bundle.

8.3.11.4 Non-exploitation of timber

Working Plan of a division provides for felling of matured trees in a fixed felling/rotation cycle, depending upon their species. The timber coups that are due for exploitation as per the working plan are marked by the territorial division and handed over to State Trading division alongwith the records containing the estimated yield of timber. Non-felling results in deterioration in the quality of the timber which eventually leads to loss of revenue. As per the working plan, the annual felling in the working circle of Gumla division was 380 hectares.

Test check of records of the Divisional Forest Officer, Gumla in February 2009 indicated that as per working plan, trees standing on 380 hectares of forest land, having 28.32 Cu.M per hectare timber valued at Rs. 47.04 crore³³, were due for exploitation annually during 2003-08. But no exploitation was carried out for which no reasons were furnished.

Further, in Koderma forest division, though felling of trees in 40,970.91 hectares was approved by the Government of India, annual report, for exploitation of khair, dead, dying and diseased trees and for meeting demands of local people under “Rights and Concessions”, was not prepared, which resulted in non-extraction of timber. Due to non-assessment of the quantity of the available yield, loss of revenue could not be quantified in audit.

8.3.11.5 Non-extraction of forest produces through Eco-Development Committees and Van Samittees

The State Government constituted Eco-Development Committees and Van Samittees in Reserve and Protected Forests to ensure active participation of local people in management and protection of forest. It was also decided to extract forest produce through these committees under supervision and control of the forest department.

In 13 forest divisions³⁴, 3,793 Eco-Development Committees/Van Samittees were constituted, but no forest produce was extracted through/by these committees. Apart from not earning revenue on the produce, the department did not achieve the avowed objective of active participation of local people as well as extraction of forest produce.

The foregoing paragraphs are indicative of the fact that the monitoring system of the department needs strength to ensure proper implementation of the working plan so as to save the Government from loss of revenue and decay of forest produce.

The Government may consider:

(i) evolving a monitoring mechanism to ensure timely preparation of the forest working plan and for obtaining timely approval from the Government of India.

(ii) strengthen the monitoring system of the department for proper

³³ 28.32 CuM x 5 years x 380 hectares x Rs. 8743 per CuM.

³⁴ **Conservators of Forests:** Buffer Area Daltonganj and Core Area, Daltonganj **DFOs:** Bokaro, Deoghar, Dumka, Giridih, Gumla, Jamtara, Khunti, Kolhan, Porahat, Ranchi (East) and Wild Life, Ranchi

implementation of the working plans approved by Government of India.

8.3.12 Loss of royalty

Indian Forest Act, 1927, read with the State Amendment (Bihar Act of 1990) provides for realisation of royalty and compensation for damages to forest produce and forest land from encroachers. The Act, further, provides that encroachment of forest land shall be cognizable and a non-bailable offence. If any forest officer, not below the rank of the divisional forest officer, has reasons to believe that encroachment of forest land has been done, he shall evict the encroachers using the powers conferred on a Magistrate under the Bihar Public Land Encroachment Act, 1956. By instructions issued in May 2002 (in the light of judgement of the Supreme Court), the Government of India directed the Chief Secretary, Secretary, Department of Forest and Environment and Principal Chief Conservator of Forest of all the States to get the encroachers evicted from forest land in a time bound manner, but not later than 30 September 2002. Towards this end, committees at State and circle levels, as required, were constituted in April 2003 to monitor the work of eviction of forest land and to formulate a plan for evictions of the encroached forest land, ensure its execution and review the implementation of plan.

8.3.12.1 In Saraikela³⁵ forest division, it was noticed that 681.95 hectares of forest land was encroached in July 2002³⁶ but could not be evicted even after a lapse of seven years. The department did not assess the royalty realisable on the number of trees felled illicitly, issue demand notices against the encroachers and exercise powers conferred upon them under the Bihar Public Land Encroachment Act for eviction. Non-compliance to the provisions of the Act, non-adherence to the Government of India's instructions and absence of monitoring at the apex level resulted in non-raising of demand of Rs. 7.86 crore (Royalty: Rs. 7.02 crore³⁷ and Sales Tax: Rs. 84.29 lakh³⁸) on 3.41 lakh trees³⁹.

8.3.12.2 In two forest divisions, Kolhan and Porahat it was noticed that 44,660.79 hectares of forest land was under encroachment since 1978 and the trees standing on these lands were illicitly felled and removed by the offenders. According to information furnished by the divisions, 14,072.51 hectares of encroached forest land was evicted between 2002-03 and 2007-08. However, neither the quantity of forest produce illicitly felled nor the value realisable thereon from the offenders was assessed by the department. Thus, the Government suffered loss of Rs. 324.69⁴⁰ crore on 1.41 crore trees

³⁵ Saraikela Forest Division came into existence with forest land of North Forest Division, Chaibasa and Dhalbhum Forest Division, Jamshedpur

³⁶ According to report of DFO, Chaibasa North Forest Division dated 24.7.2002.

³⁷ 3,40,975 trees x Rs 206 (minimum value of one tree) = Rs 7,02,40,850 or Rs 7.02 crore.

³⁸ Sales tax leviable on Rs. 7.02 crore @ 12 per cent = Rs. 84.29 lakh

³⁹ 681.95 hectares x 2500 (maximum trees per hectare in one hectare as per Government order dated 24.11.1998) = 17,04,875 trees. 0.2 (minimum density) of 17,04,875 trees = 3,40,975 trees or 3.41 lakh trees.

⁴⁰ Density of forest: 0.4 (as per working plan)
Evicted Area of forest : 14,072.51 hectares

(Royalty: Rs. 289.89 crore and Sales tax: Rs. 34.79 crore). The loss has been worked out on the basis of density of the forest as per working plan and the minimum price per tree recovered as royalty from different user agencies to whom forest land was transferred for non-forest purposes during the period.

8.3.12.3 According to the Forest (Conservation) Act, 1980, standing trees coming in the alignment of a project are marked and the cost of trees is recovered from the user agency in whose favour the approval for transfer of forest land is accorded.

In Jamtara Forest Division, it was noticed that as per a report of survey conducted by the division in September 2005, 1,091 trees were reportedly damaged in course of construction of Ajay Barrage Irrigation Project. The actual occurrence of the damages was not on record. No action was taken (January 2009) by the DFO to assess the royalty realisable from the user agency that worked out to Rs. 20.09 lakh.

8.3.12.4 In 16 forest divisions⁴¹, it was noticed that 227.60 hectares of forest land was encroached between 2004-05 and 2007-08. The royalty and compensation for destruction of forest produce as worked out by the department was Rs. 1.25 crore which was realisable. But neither were the encroachers evicted nor was the amount of Rs. 1.25 crore realized. There was nothing on records to show that DFOs utilised power of Magistrate conferred upon them under the provisions of the BPLE Act which could have helped in early disposal of cases. In the absence of monitoring at apex level, encroachers of 227.60 hectares of forest land could not be evicted. Also, revenue of Rs. 1.25 crore, could not be realised.

8.3.13 Non-disposal of seized forest produce

Under the provisions of the Indian Forest Act, 1927 and instructions issued by the Principal Chief Conservators of Forest, Bihar in May 1959 and July 1996, seized forest produce involved in Court cases is required to be disposed immediately after obtaining permission of the Court, to avoid natural decay. Cases pending for more than six months in the courts were to be reviewed quarterly by the divisional forest officer in first week of January, April, July and October. Further, under Section 48 of the Indian Forest Act, unclaimed forest timber shall vest with the Government. According to an order issued by the Principal Chief Conservator of Forest in September 1999, unclaimed seized/illicit forest produce is required to be disposed immediately or transferred to State Trading Corporation with the permission of the respective courts. Prosecution is required to be initiated in claimed cases only.

To check illicit felling and smuggling, the Government issued (August 1990)

Trees: 14,072.51 ha x 2500 (maximum tree per hectare in one hectare as per Government order dated 24.11.1998) = 3,51,81,275 trees. 0.4 density of 3,51,81,275 trees = 1,40,72,510 trees or 1.41 crore trees.

Value :1,40,72,510 x Rs.206 (minimum value of one tree) = Rs. 289,89,37,060 or Rs.289.89 crore

Sales tax leviable at the rate of 12%: on Rs. 289,89,37,060 = Rs.34,78,72,447 or 34.79 crore.

⁴¹ Bokaro, Core Area Daltonganj, Daltonganj North, Deoghar, Dhanbad, Giridih, Godda, Hazaribag (West), Jamtara, Latehar, Pakur, Ranchi (West), SF Deoghar, SF Hazaribag, Simdega and Wild Life, Ranchi

instruction that raids be conducted within 24 hours of occurrence of illicit felling in any forest and steps be taken to prosecute and arrest the offenders immediately.

8.3.13.1 A monthly report in prescribed forms 'Ka', 'Kha' and 'Ga' for monitoring illicit felling, confiscation, encroachment and financial achievement is to be submitted by each division to Principal Chief Conservators of Forest up to 5th of each month but it was not being prepared by any of the test checked divisions. This indicated that monitoring of offence cases was lacking at the apex level.

8.3.13.2 In four forest divisions⁴², during 2004-08, 15,500 trees of different species, in 65 cases, were illicitly felled and removed by the offenders. Neither the smugglers were traced nor were the illicitly felled timbers recovered resulting in loss of Rs. 10.41 lakh (assessed by the divisions) to the Government.

8.3.13.3 In six forest divisions, perishable forest produce valued at Rs. 17.54 lakh, seized between 2004-05 and 2007-08, were lying un-disposed of. No periodical review was conducted by the divisional forest officers for its disposal, resulting in blockage of revenue of Rs. 17.54 lakh as detailed in the following table:

(Rupees in lakh)				
Sl. no.	Division	Name of forest produce	Quantity	Value
1	Wild Life Division, Hazaribag	Katha liquid	15 Kg	1.49
2	Simdega Forest Division	Kendu leaves	189.75 Qtls	7.62
3	Godda Forest Division	Ghangri	1,300 Gms	2.33
		Mahua seed	155 Bags	
		Mahua oil	5,130 Ltrs	
4	Core Area, Tiger Project, Daltonganj	Katha Biscuits	128.50 Kg	3.29
		Katha liquid	165.00 Kg	
		Kendu leaves	30 Kg	
5	Dhanbad Forest Division	Katha	749 Kg	1.12
6	Latehar Forest Division	Katha	145.30 Kg	1.69
Total				17.54

8.3.13.4 In 14 forest divisions⁴³, timber⁴⁴ valued at Rs. 46.86 lakh, in 707 cases, was seized by the department during 2004-08 and the cases were forwarded to the court. The seized forest produce were required to be disposed of after obtaining court's orders. But the department did not initiate any action to obtain permission of the court for disposal of seized timber.

⁴² Bokaro, Giridih, Jamtara and Social Forestry Division, Hazaribag.

⁴³ **Territorial Divisions:** Chaibasa South, Dhanbad, Dumka, Gumla, Khunti, Kolhan, Latehar, Pakur, Ranchi (West), Simdega, Wild Life, Hazaribag and Wild Life, Ranchi **Conservators of Forest:** Buffer Area Daltonganj and Core Area, Daltonganj.

⁴⁴ 4,736 pieces 153.53 CuM and 915.19 cft, 890 chirans, 244 botas of timber, 44 ballies and 508 bundles of fuel wood.

Further, in nine forest divisions⁴⁵, unclaimed timber⁴⁶ was seized between 2004-05 and 2007-08 but neither the volume nor the value were assessed. Based on departmental schedule of rates, the value of timber worked out to Rs. 52.80 lakh. The department did not dispose of the forest produce immediately instead, the cases were forwarded to Court. This resulted in blockage of revenue of Rs. 99.66 lakh. Further, timbers lying in the open, exposed to the vagaries of nature, were likely to deteriorate in quality and value.

8.3.13.5 Scrutiny of records of test checked divisions indicated that stock register of seized/confiscated forest produce was not being maintained. As a result, position of the produce actually in the stock could not be verified in audit. Physical verification of seized produce was also not conducted in any of the divisions test checked.

8.3.14 Non-disposal of confiscated vehicles

Under section 52 of the Indian Forest Act, 1927 read with 52A and 52B of Bihar Amendment Act of 1990, when there is reason to believe that a forest offence has been committed in respect of any forest produce, such produce together with the vehicle used in committing any such offence may be seized and confiscated by the divisional forest officer to be sold through public auction after allowing 30 days time for appeal from the date of confiscation. Further, the Government constituted committees at the state and district levels in May 1999 and July 2001, to determine the reserve price of confiscated vehicles and their sale through auction.

In 12 forest divisions, 94 vehicles, seized and confiscated between March 1991 and March 2008, were lying undisposed in the divisions. Of 94, in 46 cases even reserve price was not fixed even after 1 to 18 years. Reserve price for 48 vehicles was fixed at Rs. 22.60 lakh but the vehicles were not auctioned/sold as mentioned in the following table:

(Rupees in lakh)

Sl. no.	Name of the Forest Divisions	Total number of confiscated vehicles	Period of confiscation (between)	No. of vehicles for which RP fixed	Price fixed
1	Khunti	19	10/2004 to 03/2008	19	4.85
2	Ranchi (W) Lohardaga	6	03/2005 and 11/2007	Nil	Not fixed
3	Chaibasa (S)	1	11/2007 and 05/2008	1	0.40
4	Simdega	13	07/2001 and 02/2008	9	8.70
5	Wild life, Hazaribag	3	04/2005 and 06/2007	Nil	Not fixed
6	Dumka	4	06/2005 and 07/2006	Nil	Nil
7	Core Area, Daltonganj	8	8/2000 and 9/2002	8	1.61
8	Porahat	1	4/2003	1	1.25
9	Pakur	8	11/2002 and 2/2008	Nil	Nil

⁴⁵ **Conservator of Forest:** Core Area, Daltonganj **Territorial divisions:** Daltonganj (North), Godda, Khunti, Jamtara, Porahat, Ranchi (West), Saraikela and Simdega.

⁴⁶ 6,213 pieces, 58.38 CuM and 174 bundles and 267.30 qtls fuel wood.

Sl. no.	Name of the Forest Divisions	Total number of confiscated vehicles	Period of confiscation (between)	No. of vehicles for which RP fixed	Price fixed
10	Wild Life, Ranchi	2	NA	2	0.65
11	Latehar	12	3/1992 and 3/2008	Nil	Not fixed
12	Gumla	17	3/1991 and 2/2007	8	5.14
	Total	94		48	22.60

Thus, non-adherence to the Government's instructions resulted in non-disposal of confiscated vehicles and non-realisation of reserve price of Rs. 22.60 lakh.

8.3.15 Illegal extraction of minerals from forest area

Under the provisions of the Indian Forest Act, 1927, quarrying stone, burning lime or charcoal or collection or removal of any forest produce has been prohibited and was punishable. In the interim order of December 1996, the Supreme Court directed⁴⁷ to stop all such ongoing activities, without prior approval of the Central Government, within any forest in any State throughout the country. Royalty and compensation for the damage to forest produce was also to be realised from the offenders.

In 16 forest divisions⁴⁸, minerals, namely boulders, dhibra mica, shining stone, size stone, coal, morrum, iron ore, manganese and earth valued at Rs. 1.14 crore were illegally extracted from forest land. The minerals were seized (between 2003-04 and 2007-08) and were lying in the division. The DFOs did not dispose the forest produce instead, the cases were forwarded to Courts. Further, the divisions did not obtain permission from the respective Courts for disposal of minerals. This resulted in blockage of revenue of Rs. 1.14 crore.

8.3.16 Loss due to grazing

Under the provisions of Section 26 (d) of the Indian Forest Act, 1927 read with State Amendment (Bihar Act 9 of 1990), grazing on forest land is a punishable and a compoundable offence.

In 14 forest divisions⁴⁹, despite provision of funds for protection of plants in every afforestation scheme, besides regular staff in the division, during 2003-04 to 2007-08, 3,45,677 plants were destroyed by grazing. The royalty and compensation was assessed at Rs. 1.02 crore (Royalty: Rs. 37.10 lakh, Compensation: Rs. 57.21 lakh and Fine: Rs. 7.73 lakh). These cases were not compounded but referred to courts, resulting in blockage of Rs. 1.02 crore.

⁴⁷ TN Godavarman Thirumal Pad Vrs Union of India & other Working Plan (Civ) No. 202.

⁴⁸ **Conservator of Forest:** Buffer Area, Daltonganj **Territorial Divisions:** Bokaro, Chaibasa (South), Daltonganj (North), Deoghar, Dhanbad, Giridih, Godda, Jamtara, Latehar, Pakur, Porahat, Ranchi (West), Simdega, Wild Life, Hazaribag and Wild Life, Ranchi.

⁴⁹ Bokaro, Daltonganj (North), Deoghar, Dhanbad, Giridih, Hazaribag (West), Jamtara, Latehar, Pakur, Ranchi (West), SF Hazaribag, Simdega, Wild Life Hazaribag and Wild Life Ranchi.

8.3.17 Non-disposal of dry trees

As per survey reports conducted in three forest divisions⁵⁰ during 2004-08, 478 dry trees falling on roadside, valued at Rs. 42.70 lakh, were required to be disposed of immediately. Though, divisional forest officers sent proposals (between September 2004 and April 2008) to the respective State Trading Divisions for felling and disposal of these trees but the trees were not felled (February 2009). Non-felling/disposal of dry trees for one to five years was likely to result in loss of revenue of Rs. 42.70 lakh.

8.3.18 Non-disposal of manufactured wax

Test check of records of Ranchi Lac Range, a sealing wax unit under the administrative control of Conservator of Forest-cum-State-Silviculturist, Jharkhand, Ranchi, revealed that 18.50 MT of sealing wax was manufactured during 2000-01 at Rs. 77.50 per Kg. Of the 18.50 MT, of it, 2.457 MT was sold and 16.043 MT was lying in the stock for the last eight years. Due to prolonged storage, condition of the wax deteriorated in quality and value. The value fixed by Indian Lac Research Institute, Ranchi reduced from Rs 92 per Kg in 2004 to Rs 65.70 per Kg in 2006. Non-disposal of wax resulted in loss of Rs. 14.75 lakh (calculated at the rate of Rs. 92 per Kg prevailing in March 2004).

8.3.19 Non-realisation of godown rent

By an instruction issued by the Chief Conservator of Forests, Bihar in May 1982, 60 godowns of Kendu leaf were handed over (April 1987) to the Divisional Manager, Minor Forest Produce Project (MFPP) division, Hazaribag, an autonomous body, on annual rent of Rs. 1,600 per godown.

Records of the Conservator of Forest, Hazaribag Circle revealed that since 1987 neither did the Divisional Manager, MFPP division pay any rent nor did the department initiate any action towards its realisation. This resulted in non-realisation of revenue of Rs. 21.12 lakh⁵¹ as of March 2009.

8.3.20 Receipts from permanent nursery

According to a departmental order of November 2001, the plants raised in permanent nurseries (PNs) can be utilised for departmental plantation on payment at the rate of Rs. 1.57 per plant and would be sold to public at the rate of Rs. 1.50 per plant. It was further ordered that only 50 *per cent* plants in case of Rehabilitation of Degraded Forest (RDF) plantation and 25 *per cent* plants in case of Quick Growing Species (QGS) plantation can be utilised free of cost from permanent nurseries during completion year.

8.3.20.1 In Chatra Afforestation Division, scrutiny of statement for plants raised and sold from permanent nurseries, revealed that during August 2008, the closing balance of plants was 4,37,554. Though, there was no sale/consumption of plants during September 2008 to January 2009, in February 2009 the opening balance was shown as 1,99,530 plants resulting in difference of 2,38,024 plants. This reflected in shortage of plants and

⁵⁰ Dhanbad, Giridih and Godda.

⁵¹ 60 godowns x Rs.1,600 x 22 years (1987 to March 2009) = Rs. 21,12,000.00.

consequential loss of revenue of Rs. 3.74 lakh (calculated at the rate of Rs. 1.57 per plant).

8.3.20.2 In Social Forestry Division, Dumka, during 2007-08, 7,12,900 plants were planted in 385 hectares RDF plantation and 131.16 hectares QGS plantation. But, in contravention of the norms, 4,00,000 plants were utilised from PNs, free of cost, instead of 2,74,475 plants. This resulted in excess utilisation of 1,25,525 plants, free of cost, which involved a revenue of Rs. 1.97 lakh.

8.3.21 Delay in remittances of revenue

Under the provisions of Jharkhand Financial Rules read with the Bihar Treasury code (as adopted) and Rules made thereunder, all transactions to which any Government official is a party in its official capacity must be brought to account without delay. All money received by officers shall be deposited into the treasury, as soon as possible.

In Bokaro forest division, Rs. 2.51 crore was received in 2004-05 from user agencies as cost of forest produce, Cess, Bazar Samittee Cess, Sales Tax and TOT. Instead of remitting it into the Government account, it was kept under fixed deposit with a bank from July 2004 to March 2006. Out of this, in March 2006, Rs. 2.08 crore, pertaining to cost of forest produce, Bazar Samittee and Sales Tax, was remitted into the Government account. Further, in October 2007, Rs. 34.90 lakh was deposited in Government account. The balance amount of Rs. 7.99 lakh, alongwith amount of interest earned on fixed deposit, was not deposited in the Government account (March 2009). Non-remittance of revenue into Government account was against the codal provisions prescribed by the Government.

8.3.22 Conclusion

There were instances of delayed/non-preparation of working plans which led to non-felling of matured trees and harvesting of bamboo resulting in loss of revenue. Budgeting of revenue and monitoring of collection of revenue including arrears were deficient. No follow up action was taken by the department to realise arrears. Institution of offence cases, certificate cases and its follow up was poor. Proper action was not taken for disposal of seized forest produce. The department did not enforce proper maintenance of important registers and submission of periodical reports and returns. Internal controls were weak.

8.3.23 Summary of recommendations

The Government may consider:

- strengthening the mechanism for ensuring speedy initiation/disposal of certificate cases and prescribing a time limit for initiation and finalisation of certificate cases ;
- strengthening the internal controls for monitoring and maintenance of the records;
- establishing a separate internal audit and vigilance wing for the department

to ensure effective and efficient functioning of the department; and

- to putting in place a mechanism for timely preparation and submission of offence reports.
- evolving a monitoring mechanism to ensure timely preparation of the forest working plan and for obtaining timely approval from the Government of India;
- strengthening the monitoring system of the department for proper implementation of the working plans approved by the Government of India.

8.4 Other audit observations

Scrutiny of records in the offices of Irrigation departments indicated cases of non-recovery, short recovery and non-deposit of tax 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 do 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.

WATER RATES

8.5 Non-observance of provisions of Acts/Rules

The Bihar Irrigation Act, 1997 (Act II of 1998) and Bengal Irrigation Act, 1876 (adopted by the Government of Jharkhand) provide for:

- payment of water rates for water supplied for purposes other than those of irrigation; and*
- preparation of the statement of irrigated land (sudkar), preparation of detailed measurements cultivator-wise (khesra) and preparation of demand statement (khatiani) is required to be completed within the stipulated period of 99 days in respect of kharif and 68 days for rabi crops for the purpose of recovery of water rates;*

The Irrigation department did not observe some of the provisions of the Act/Rules in cases as mentioned in the paragraph 8.5.1 to 8.5.2 for levy and collection of water rates which resulted in non/short realisation of water rates of Rs. 39.51 lakh.

8.5.1 Non/short realisation of water rates

Under the Bihar Irrigation Act, the Canal Officer (Executive Engineer) may supply water for purposes other than those for irrigation on payment of water rates as prescribed by the Government. Water is not to be supplied without execution of an agreement for a purpose other than agriculture.

Test check of records of office of the Executive Engineer, Waterways Division, Ranchi in December 2008 indicated that the department did not raise any demand of water rates for water withdrawn by Birla Institute of

Technology, Mesra, Ranchi due to non-execution of agreement. The records revealed that the user agency had withdrawn 1,25,411.65 thousand gallons water during 2003-04 to 2007-08 for which water rates amounting to Rs. 5.64 lakh, though realisable, were not demanded by the department. This resulted in non-realisation of Rs. 5.64 lakh.

After the case was pointed out in December 2008, the Executive Engineer stated that steps were being taken to realise the amount. Further reply has not been received (January 2010).

8.5.2 Non-raising of demand due to non-preparation of *khatiani*

Test check (September and December 2008) of records of office of three Executive Engineers⁵², Water Ways divisions indicated that out of the total area of 22,455.31 hectares of irrigated land, *khatiani* in respect of 19,870 hectares of land was not prepared and despatched (during 2006-07 to 2007-08), to revenue division for raising demand and collection of revenue. Consequently, water rates amounting to Rs. 33.87 lakh could not be realised.

After the cases were pointed out (September and December 2008), the Executive Engineer, Chaibasa and Hazaribag stated that preparation of *khatiani* could not be completed in time due to shortage of staff while the Executive Engineer, Ranchi stated that the work was under process.

The matter was reported to the department and the Government in March 2009; their replies have not been received (January 2010).

**Ranchi
The**

**(R. K. Verma)
Principal Accountant General (Audit)
Jharkhand**

Countersigned

**New Delhi
The**

**(Vinod Rai)
Comptroller and Auditor General of India**

⁵² Chaibasa, Hazaribag and Ranchi.