

CHAPTER VI

OTHER NON-TAX RECEIPTS

6.1 Tax administration

Receipts from Forests, Public Works, Police, Mines and Minerals and Irrigation and Waterways are major non-tax revenues of the State Government. The assessment and collection of these non-tax revenues are governed by separate sets of Acts and Rules which are administered by the Principal Secretaries/Secretaries of the concerned departments who are assisted by the respective Directorates.

6.2 Results of audit

We test checked the records of 30 units relating to non-tax receipts and found underassessment of revenue and other irregularities involving ₹139.03 crore in 131 cases which fall under the following categories:

| (Rupees in crore) | | | |
|------------------------------|---|--------------|---------------|
| Sl. No. | Categories | No. of cases | Amount |
| FOREST | | | |
| 1. | Management of Forest Receipts (A review) | 1 | 75.19 |
| 2. | Non/short realisation of Government revenue | 17 | 1.56 |
| 3. | Other irregularities | 14 | 0.92 |
| Total | | 32 | 77.67 |
| MINES AND MINERALS | | | |
| 1. | Non/short realisation of price of minerals | 42 | 5.04 |
| 2. | Other irregularities | 37 | 4.53 |
| Total | | 79 | 9.57 |
| DEPARTMENTAL RECEIPTS | | | |
| 1. | Non-realisation of police cost | 6 | 45.95 |
| 2. | Other irregularities | 14 | 5.84 |
| Total | | 20 | 51.79 |
| Grand total | | 131 | 139.03 |

During the course of the year, the departments accepted underassessment and other deficiencies of ₹ 37.59 crore in 50 cases, of which 49 cases involving ₹ 37.58 crore were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹0.66 lakh was realised in one case during the year 2009-10.

A few illustrative cases involving ₹ 4.40 crore and a review on ‘**Management of Forest Receipts**’ with a financial effect of ₹ 75.19 crore are mentioned in the following paragraphs.

A. FOREST RECEIPTS

6.3 Management of Forest Receipts

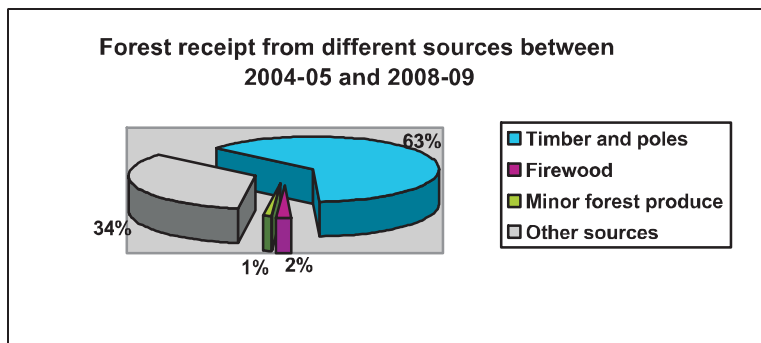
Highlights

- Absence of a system to watch realisation of arrears of revenue resulted in non-realisation of revenue of ₹ 51.04 crore from the WBFDC.
(Paragraph 6.3.8.1 and 6.3.8.2)
- Absence of a system for monitoring the deductions made by the WBFDC resulted in excess deduction of administrative cost and service charges of ₹ 38.63 crore.
(Paragraph 6.3.9.1 and 6.3.9.2)
- Non-implementation of the working plan in five forest divisions resulted in non-harvesting of 364.91 hectares and led to blocking of revenue of ₹ 37.96 crore.
(Paragraph 6.3.13.1)
- Sale of timber and cashew nuts below the reserve price resulted in loss of revenue of ₹ 51.28 lakh.
(Paragraph 6.3.17)
- Delay in disposal of a proposal for diversion of forest land resulted in non-realisation of revenue of ₹ 22.26 crore.
(Paragraph 6.3.21)
- Inaction of the department against contravention of the provisions of the Forest (Conservation) Act and Rules resulted in non-realisation of revenue of ₹ 17.14 crore.
(Paragraph 6.3.22.1)

6.3.1 Introduction

Forest receipts are non-tax revenue of the State Government and during the period 2004-05 to 2008-09, accounted for 0.31 *per cent* and 2.14 *per cent* of the total revenue and the total non-tax revenue of the state respectively. These comprise sale proceeds of timber, honey, cashew nuts, royalty on minerals extracted from forest area, fees and fines. In case of diversion of forest land for non-forestry purpose, net present value (NPV) is realisable from the user agency. The work of harvesting and sale of timber in South West Bengal and North West Bengal was entrusted to the West Bengal Forest Development Corporation (WBFDC) by signing of two memoranda of understanding (MOU) between the WBFDC and the forest directorate. For South West Bengal, the MOU was signed in March 1999 and for North West Bengal the

MOU was signed in March 2004. The WBFDC pays royalty/revenue as provided in the MOU to the department from the sale value of timber.



6.3.2 Audit criteria

Forest receipts are mainly governed by the following Acts and Rules.

- The Indian Forests Act, 1927 as amended by the West Bengal Act, XXII of 1988.
- The Forest (Conservation) Act, 1980 and the Forest (Conservation) Rules, 2003.
- The West Bengal Forest Produce Transit Rules, 1959.
- The West Bengal Forest Manual Part I and Part II.

6.3.3 Organisational set up

The Additional Chief Secretary to the Government of West Bengal, Forest Department is the head of the Department and is assisted by three Principal Chief Conservators of Forests (PCCFs) viz. the PCCF, West Bengal (WB); the PCCF, Wildlife and Bio-Diversity and the PCCF, Research, Monitoring and Development.

The PCCF, West Bengal assisted by four Additional PCCFs¹, is the administrative head of the Forest Directorate consisting of 12 circles², each headed by a Chief Conservator of Forests (CCF). There are 56 forest divisions under the charge of Divisional Forest Officers (DFOs) and Deputy Field Directors (DFDs) out of which 46 are revenue generating divisions.

6.3.4 Audit objectives

We conducted the review to ascertain whether:

- Rules and regulations governing realisation of forest receipts were adequate and were complied with;
- Follow up action in case of default was adequate; and

¹ Finance, Headquarters WLD, Human Resource Development and Vigilance and Wildlife.

² Central, Conservation and Extension, Finance, Headquarters, Monitoring, Evaluation and Soil Conservation (North), Personnel Management Cell, Public Grievance, Law and Information, Research and Development, Sunderban Tiger Reserve (West) and Wildlife (North).

- Internal controls were in place for proper collection and accountal of forest receipts.

6.3.5 Audit scope and methodology

We conducted the review during September 2009 to March 2010 and covered 21³ forest divisions selected by applying stratification and simple random sampling method without replacement⁴ (SRSWOR) out of the 56 divisions. The review covered 76.91 *per cent* of the forest receipts during the period from 2004-05 to 2008-09.

In addition, we test checked the records relating to financial performance of the Joint Forest Management Projects, arrears of revenue, budgeting exercise and working plans, etc. in the offices of the PCCF, WB; the CCF, Finance and the CF, Working Plan & GIS (Geographical Information System).

6.3.6 Acknowledgement

We acknowledge the cooperation of the Forest Department in providing necessary information and records for audit. We held an entry conference in September 2009 with the PCCF, West Bengal and other senior officials of the forest directorate in which the objectives of the review and the audit methodology were explained. The findings of the review were forwarded to the department and to the Government in May 2010 and was discussed in an exit conference held in August 2010. The Government was represented by the Joint Secretary, Forest Department and the department was represented by the PCCF, WB. The replies of the Government and that of the department received during the exit conference have been appropriately incorporated in the respective paragraphs.

6.3.7 Trend of revenue

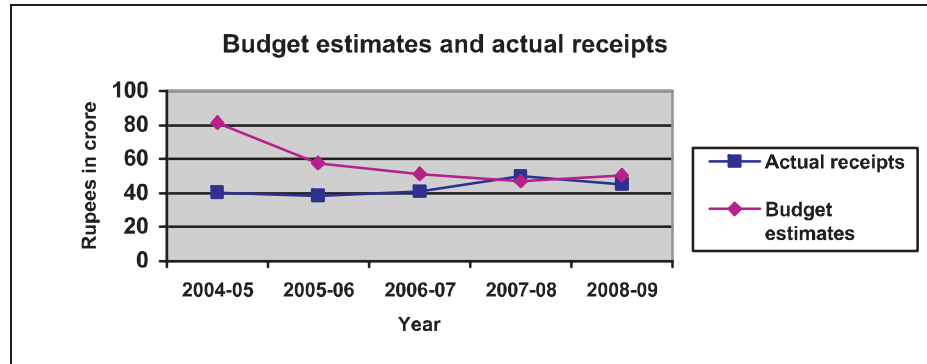
As per the provisions of the West Bengal Budget Manual, 1991, the budget estimate (BE) in respect of the forest receipts under the head of account “0406-Forestry & Wildlife” is prepared by the Forest Department every year in terms of Rule 333 of the West Bengal Financial Rules. The figures of budget estimates and actual receipts during the period under review were as under:

³ Baikunthapur, Bankura (North), Bankura (South), Burdwan, Buxa Tiger Reserve (East), Buxa Tiger Reserve (West), Coochbehar, Darjeeling, Durgapur, Jalpaiguri, Kharagpur, Kurseong, Medinipur, Non-Timber Forest Produce, Panchet, Parks & Gardens (North), Utilisation, Wildlife-I, Wildlife-II, South 24-Parganas and Sunderban Tiger Reserve.

⁴ We divided the 56 divisions in three strata on the basis of collection of revenue and selected 100 *per cent* of the divisions from the first stratum, 50 *per cent* divisions from the second stratum and 10 *per cent* divisions from the third stratum.

(Rupees in crore)

| Year | Budget estimates | Actual receipts | Variation excess (+)/shortfall (-) | Percentage of variation excess (+)/shortfall (-) |
|---------|------------------|-----------------|------------------------------------|--|
| 2004-05 | 81.39 | 40.44 | (-) 40.95 | (-) 50.31 |
| 2005-06 | 57.67 | 38.61 | (-) 19.06 | (-) 33.05 |
| 2006-07 | 51.18 | 40.87 | (-) 10.31 | (-) 20.14 |
| 2007-08 | 46.99 | 49.84 | (+) 2.85 | (+) 6.06 |
| 2008-09 | 50.43 | 45.33 | (-) 5.10 | (-) 10.11 |



Though the department followed the prescribed system for framing the BE, wide variations between BE and actual receipts were noticed during 2004-05 to 2006-07 which indicated that the BE prepared during these years were not realistic. The PCCF, WB stated that the variation between budget estimates and actual receipts was due to non-achievement of approved target of harvesting of timber in South West Bengal due to extremist activities in forest areas during the last two years. However, the reasons for wide variations during 2004-05 to 2006-07 were not furnished (October 2010).

SYSTEM DEFICIENCIES

6.3.8 Realisation of revenue

6.3.8.1 Absence of a system to watch realisation of arrears of revenue

The Forest Department earns revenue from sale proceeds of timber, honey, cashew nuts, royalty on minerals extracted from forest area, NPV and cost of afforestation, etc. Therefore, in case of default in payment of revenues, the department should take suitable remedial measures.

We noticed that no periodic return depicting the amount of arrears pending collection from various sources was prescribed by the department. In absence of such a system, the department was unaware of the total amount pending collection. From the accounts of the WBFDC we found that

₹ 45.50 crore was outstanding as on 31 March 2009 from the WBFDC. Year-wise details are mentioned below:

(Rupees in crore)

| Year | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|--|---------|---------|---------|---------|---------|
| Outstanding liabilities of the WBFDC towards the Forest Department | 7.90 | 10.49 | 16.95 | 30.25 | 45.50 |

The amount of arrears have mounted from ₹ 7.90 crore to ₹ 45.50 crore during the last five years. The department failed to monitor the realisation of revenue resulting in non-realisation of Government revenue of ₹ 45.50 crore from the WBFDC.

After this was pointed out, the PCCF, WB intimated that the matter was being brought to the notice of the WBFDC.

The Government may consider putting in place a monitoring system by way of periodical returns and creating and maintaining a database for monitoring revenue realisable and realised from various sources.

6.3.8.2 Absence of a provision for levy of interest on belated payment of revenue

As per the MOUs executed in March 1999 and March 2004, the WBFDC shall pay the Government revenue from sale of timber in the financial year following the harvesting year in respect of South West Bengal and deposit the revenue twice a year, in September and March respectively in respect of North West Bengal. However, the Forest Acts, Rules and instructions issued thereunder do not have any provision for levy of interest on non/belated payment of dues to the Government though in other states, like Orissa, the Forest Corporation has to pay interest on belated payment of royalty.

We found in 51 cases of 10⁵ divisions that there was belated payment and non-payment of Government revenue of ₹ 14.61 crore and ₹ 5.54 crore respectively by the WBFDC. The average delay in remittance of the amount was 48 months beyond the prescribed time limit. Had there been a provision for levy of interest, the department would have realised the outstanding revenue of ₹ 5.54 crore and also earned an interest of at least

₹ 2.02 crore as mentioned in **Appendix-II** of the report.

After we pointed this out, the PCCF, WB stated that the WBFDC had been requested to ensure regular payment of revenue and since the WBFDC is a 100 per cent State Government undertaking the imposition of interest will not be desirable. The reply is not tenable since we noticed that though the WBFDC defaulted in payments of revenue to the forest department its fixed deposits in banks increased from ₹ 17.23 crore to ₹ 62.99 crore between 2004-05 and 2008-09 and it earned interest of more than ₹ 4 crore during 2004-05 to 2007-08.

⁵ Baikunthapur, Bankura (North), Bankura (South), Burdwan, Darjeeling, Jalpaiguri, Kharagpur, Kurseong, Medinipur and Panchet.

The Government may consider making a provision for levy of interest to deter non/belated payment of revenue.

6.3.9 Absence of a system for monitoring the deductions made by the WBFDC

As per the MOUs signed in March 1999 and in March 2004, the revenue collected by the WBFDC by sale of timber is paid to the Government after making the prescribed deductions for operational expenses, project input (i.e., money advanced for the project) and share of forest protection committees. Further, the WBFDC is entitled to deduct its administrative cost at the rate of 15 *per cent* and service charge at the rate of 17 *per cent* from the sale value of timber in South West Bengal and North West Bengal respectively.

6.3.9.1 We found that no information was maintained by the department for monitoring the deductions made by the WBFDC from sales of timber before payment of revenue to the Government. We noticed from the status report⁶ of the WBFDC that the Corporation had deducted ₹59.82 crore at the rate of 23 *per cent* as administrative cost instead of ₹30.47 crore at the rate of 15 *per cent* in respect of South West Bengal during the period from 1998-99 to 2006-07. The reasons for excess deduction by the WBFDC were neither found on record nor furnished by the PCCF, WB. Thus, absence of a system for

monitoring the deductions made by the WBFDC led to excess deduction of the administrative cost of ₹29.35 crore by the WBFDC.

6.3.9.2 We found that the WBFDC authorised five⁷ divisions to harvest and auction timber on its behalf. The divisions remitted the total revenue from sales of timber to the WBFDC. Thereafter, the WBFDC paid the Government revenue after making the deductions in respect of service charge of ₹9.28 crore. Since the divisions themselves harvested and auctioned timber, the WBFDC was entitled to get only the component of the service

The service charge consists of 'Interest on working capital' and 'Selling and distribution expenses'. However, the percentage of each component has not been mentioned in the MOU.

charge pertaining to the 'Interest on working capital'. In absence of a prescribed percentage of composition of service charge, the loss of Government revenue could not be ascertained.

6.3.9.3 We found from the records of the DFD, Buxa Tiger Reserve (West) and the DFD, Buxa Tiger Reserve (East) divisions that the WBFDC deducted an amount of ₹7.98 lakh pertaining to the sundry debtors of the WBFDC in

⁶ Status report: A report prepared by the WBFDC Corporation on joint forest management and enhancing forest produce.

⁷ Baikunthapur, Buxa Tiger Reserve (East), Buxa Tiger Reserve (West), Darjeeling and Jalpaiguri.

addition to the prescribed deductions of the operational cost, project inputs, service charges, etc. This resulted in short realisation of revenue of ₹7.98 lakh.

After we pointed this out, the PCCF, WB replied that the matter was being brought to the notice of the WBFDC.

The Government may consider establishing a system to watch the deductions made by the WBFDC from the revenue and also defining the percentage composition of the service charge.

6.3.10 Short realisation of transit pass fee on imported timber

Timber is imported into West Bengal through the Kolkata Port Trust (KOPT). From the accounts of the KOPT⁸ we found that 28,65,000 cum⁹ of timber was imported during the period between 2004-05 and 2008-09 and TP fee of

Rule 5 of the West Bengal Forest Produce Transit Rules, 1959 provides that timber can be imported and transported under a transit pass (TP) issued by the forest department. The department realises a TP fee at the rate of ₹50 per cubic meter (cum) from the importers of timber for issue of the TP with effect from February 2000.

₹ 14.34 crore was realisable from the importers. We cross checked this information with the data collected from the department and found that the department realised TP fee of ₹ 8.51 crore on imported timber between 2004-05 and 2008-09. This resulted in short realisation of TP fees of ₹ 5.83 crore as mentioned in **Appendix-III** of the report. To prevent evasion of tax on import of commodities the Sales Tax authorities liaise with the Customs authorities. However, the Forest

Department does not have a mechanism to cross verify the records regarding import of timber of the Customs authorities with the TPs issued by the department to identify the importers who imported timber without TP.

After we pointed this out, the PCCF, WB replied that the matter had been taken up with the Chairman of the KOPT requesting him to issue necessary instructions to the CISF personnel manning the exit points in the port area, to ensure that all trucks carrying timber are accompanied by transit passes. However, the reply was silent about the action to recover the fees pointed out by us.

The Government may consider establishing liaison with the Customs authorities in respect of imported timber to avoid leakage of revenue.

⁸ <http://kolkataporttrust.gov.in/>

⁹ The quantity of imported timber was 28,65,000 tonne as per website of Kolkata Port Trust.

6.3.11 Non-disposal of timber

Under the provisions of Section 52 and 58 of the Indian Forest Act, 1927, the forest produce seized in connection with forest offences need prompt disposal to avoid natural decay.

6.3.11.1 We reviewed the undetected offence register and found in 113 cases of three¹⁰ divisions that timber was seized between July 1991 and March 2009 in connection with forest offences. Age-wise analysis of the cases is mentioned below:

| | Number of cases |
|---|-----------------|
| Cases more than 15 years old but less than 18 years old | 4 |
| Cases more than 10 years old but less than 15 years old | 6 |
| Cases more than 5 years old but less than 10 years old | 15 |
| Cases more than 2 years old but less than 5 years old | 20 |
| Cases less than 2 years old | 68 |
| Total | 113 |

Though the timber was required to be disposed of immediately this was not done even after average delay of 86 months from the date of seizure resulting in blocking of revenue of ₹ 52.28 lakh as mentioned below:

| (Rupees in lakh) | | | | |
|-----------------------------|-----------------|--------------------------------|--|-----------------|
| Name of the forest division | Number of cases | Timber seized between | Time lapsed till date of audit between | Value of timber |
| Wildlife-II | 29 | January 2005 and December 2008 | 12 and 60 months | 16.86 |
| Buxa Tiger Reserve (West) | 60 | April 2007 and March 2009 | 9 and 32 months | 23.34 |
| Coochbehar | 24 | July 1991 and July 2006 | 27 and 163 months | 12.08 |
| Total | 113 | | | 52.28 |

We further noticed that though the register of offence cases was checked by the higher authorities like CF and CCF, no effort was made to conduct periodical verification to check the extent of deterioration of the timber.

After we pointed this out, the PCCF, WB replied that the divisions were being asked to take corrective action.

6.3.11.2 We found that the Divisional Manager, Kurseong Logging Division of the WBFDC returned 54 timber lots in August 2006 to the DFO, Baikunthapur. These lots were handed over to the WBFDC between 1999-2000 and 2003-04 for disposal. We noticed that out of these 54 timber lots, 15 timber lots were rotten at the time of return and no reasons were recorded for acceptance of such old timber lots. We further noticed that the DFO, Baikunthapur did not initiate any action to dispose of the remaining 39 timber lots.

¹⁰ Buxa Tiger Reserve (West), Coochbehar and Wildlife-II.

This resulted in loss of revenue of ₹3.78 lakh involved in the 15 rotten timber lots as well as blocking of revenue of ₹18.94 lakh involved in the unsold 39 timber lots.

After we pointed this out, the PCCF, WB replied that the matter was being brought to the notice of the WBFDC.

The Government may consider strengthening the system of monitoring the disposal of timber to avoid deterioration of its quality and consequent revenue loss.

6.3.12 Absence of time limit for auction of confiscated vehicles

Under the provisions of section 59A(4) (a) of the Indian Forest Act, 1927, as amended by the West Bengal Act, XXII of 1988, the vehicles confiscated for forest offences may be sold by public auction. Before disposing the vehicle through public auction the forest department is required to get the reserve price fixed by the Motor Vehicles Department. For this purpose requisition is required to be sent to the Motor Vehicles Department. No time limit has been prescribed for early auction to prevent deterioration of the vehicles.

We found in five¹¹ divisions that 131 vehicles confiscated between May 1992 and August 2008 for forest offences were not disposed of till date (October 2010).

Age-wise analysis of these vehicles is mentioned below:

| | Number of cases | Trucks | Vans | Cars |
|---|-----------------|--------|------|------|
| Cases more than 15 years old but less than 18 years old | 11 | 3 | 6 | 2 |
| Cases more than 10 years old but less than 15 years old | 20 | 8 | 8 | 4 |
| Cases more than 5 years old but less than 10 years old | 22 | 10 | 10 | 2 |
| Cases more than 2 years old but less than 5 years old | 78 | 10 | 42 | 26 |

Thus, it would be seen from the above table that 53 vehicles are pending disposal for more than five years.

Of these, two divisions sent request for fixation of reserve price in 21 cases to the Motor Vehicles Department. Three¹² forest divisions did not take any initiative to get the reserve prices of the vehicles fixed by the transport authorities. We noticed that the department had not fixed a time frame for itself and had not developed any system for prompt disposal of the vehicles in case of non-receipt of the reserve prices from the Motor Vehicles Department. The condition of the vehicles was bound to deteriorate decreasing their utility

¹¹ Baikunthapur, Buxa Tiger Reserve (East), Buxa Tiger Reserve (West), Coochbehar and Jalpaiguri.

¹² Baikunthapur, Buxa Tiger Reserve (East) and Coochbehar.

and sale value. The revenue blocked due to non-disposal of the confiscated vehicle could not be quantified as the reserve prices were not available with the department.

After we pointed this out, the PCCF, WB replied that in case of non-receipt of the reserve price from the Motor Vehicles Department, the district magistrate would be requested to depute one executive magistrate to be present at the time of holding auctions to ensure transparency and the divisions were being advised accordingly.

The Government may consider fixing a time limit for disposal of the confiscated vehicles.

6.3.13 Preparation and implementation of Working Plan

The silvicultural activities of a forest division are carried out in accordance with the approved Working Plan (WP) of the division. A WP aims at continuity of activities under the forest policy. The WPs are prepared by the Forest Department for a period of 10 years and contain sub-plans for plantation, regeneration and collection of timber from dead and wind fallen trees, timber operations, etc. and are approved by the Regional Chief Conservator of Forests (RCCF), Ministry of Environment and Forests, Government of India. When the WPs are not followed, this adversely affects the activities of plantation, regeneration and timber operation leading to shortfall in revenue collection.

6.3.13.1 We found in 11 divisions¹³ that clear felling coupe (CFC)¹⁴ operation in 8,093 hectare (ha) was due as per the WPs between 2004-05 and 2008-09. Of these, one division¹⁵ did not carry out the CFC operation in 32 ha whereas 10 divisions¹⁶ carried out CFC operations in 6,927 ha only instead of the prescribed area of 8,061 ha. This resulted in non/short CFC operation in 1,166 ha leading to blocking of revenue amounting to ₹ 44.59 crore.

After we pointed this out, the PCCF, WB replied that the shortfall in the harvesting targets of CFCs in South West Bengal was due to

severe political disturbance. However, the reasons for non/short CFC operation in 364.91 ha involving ₹ 37.96 crore in five¹⁷ forest divisions of North West Bengal were not furnished.

¹³ Baikunthapur, Bankura, Burdwan, Buxa Tiger Reserve (East and West), Durgapur, Jalpaiguri, Kharagpur, Kurseong, Medinipur and Panchet.

¹⁴ Clear Felling Coupe: It is a system in which old crop is cleared by one single felling.

¹⁵ Baikunthapur.

¹⁶ Bankura, Burdwan, Buxa Tiger Reserve (East and West), Durgapur, Jalpaiguri, Kharagpur, Kurseong, Medinipur and Panchet.

¹⁷ Baikunthapur, Buxa Tiger Reserve (East and West), Jalpaiguri and Kurseong.

6.3.13.2 We found in four divisions¹⁸ that thinning¹⁹ operation in 2,163 ha was due as per the WPs between 2006-07 and 2008-09. Out of these, one division (Buxa Tiger Reserve, East) did not carry out the thinning operation at all in 13 ha, whereas three divisions carried out thinning operations in 735 ha only instead of the prescribed area of 2,150 ha. This resulted in non/short thinning of 1,428 ha leading to blocking of revenue as well as hampering the growth of the forest.

After we pointed this out, the PCCF, WB replied that the thinning operations could not be carried out in some of the divisions due to lack of funds and such shortfall in harvesting/thinning targets should not be considered as blocking of revenue since the primary goal of forestry operation is to conserve forest resources. The reply is not tenable as non-conducting of thinning operation hampers the growth of trees in the forest besides blocking revenue.

6.3.14 Inadequate coverage by internal audit

Internal audit is a vital tool available to the management to monitor the functioning of an organisation. It helps the management to take corrective action wherever necessary to ensure that the systems are functioning reasonably well and the stated objectives are achieved.

The Internal Audit (IA) Branch set up in November 1998 under the Finance Department conducts internal audit in various departments. The IA Branch is headed by the Commissioner and assisted by two Joint Commissioners. 28 Internal audit officers in place of the sanctioned strength of 192 are conducting the internal audit of the departments.

We found that the IA Branch started the audit of the Forest Department only in the year 2008-09 and audited six divisions between August 2008 and March 2009. The remaining 49 divisions were never audited by the wing till March 2009. The findings regarding receipts were also limited to sale of timber below the schedule of rate and non-disposal of seized timber. No audit plan was prepared by the IA Branch.

The Government may strengthen the manning of the Internal Audit Branch to ensure that internal audit of a certain percentage of units of the Forest Department is conducted at regular intervals.

6.3.15 Non-updating of forest manual

Documentation and updating of procedure for various functions of the department is essential for assisting the authorities at various levels to carry out their duties.

We found that the present West Bengal Forest Manual, Part I and Part II, published in 1964, was not updated/revised despite many changes in the activities of the department as well as in the Acts and Rules. Some examples are:

¹⁸ Buxa Tiger Reserve (East), Jalpaiguri, Kurseong and Medinipur.

¹⁹ Thinning – it is an operation to thin out some trees to help in improving the growth of the remaining trees in a specified area.

- The Forest Department entrusted the work of harvesting and sale of timber in the state to the WBFDC under two projects of Joint Forest Management in 1998-99 and 2004-05. The WBFDC is required to pay within the prescribed time a royalty/revenue to the Government “at the prescribed rates”/“after making prescribed deductions” of/from sale value of timber. Because of non-updating/revision, the manuals do not provide for a system of monitoring the sales and payments/deductions of/from revenue by the WBFDC and also for deterrent measures to prevent default in payment of revenue by the WBFDC.
- Under the provisions of the Indian Forests Act, 1927, as amended by the West Bengal Act, XXII of 1988, the forest produce seized and the vehicles confiscated in connection with the forest offences may be sold by the authorities. However, the manuals do not provide for early sale to prevent the forest produce and the vehicles from deterioration.
- The manuals do not contain the provisions of the Forest (Conservation) Act, 1980 and the Forest (Conservation) Rules, 2003.
- The changes in the Acts and Rules as well as in the activities of the department were available only in notifications/circulars issued from time to time.

The manuals, thus, did not serve the intended purpose due to non-updating/revision.

After we pointed this out, the PCCF, WB replied that efforts were being made to update the manuals within the next two years.

The department may consider updating the manuals periodically so that these serve the purpose for which they were intended.

COMPLIANCE ISSUES

6.3.16 Non-realisation of depot rent

As per condition of Auction Sale notice of timber lots, the timber lots from the depot have to be lifted by the purchaser within 120 days from the last date of auction. For lifting of the lots beyond the stipulated date the purchaser shall have to pay depot rent of ₹0.50 per day per hundred rupees.

We found in the offices of the DFO, Durgapur and Bankura (North) that in 392 cases the lots were lifted by the purchasers from the depots after the prescribed time limit. The average delay was 278 days for which the depot rent was not realised. This resulted in non-realisation of depot rent

of ₹ 89.18 lakh as mentioned in **Appendix-IV** of the report.

After we pointed this out, the PCCF, WB replied that necessary instructions were being issued to the divisions for realisation of depot rent.

6.3.17 Loss of revenue due to sale of timber and cashew nuts below the reserve price

A Price Fixation Committee (PFC) consisting of the Chief Conservator of Forests (CCF), Marketing Circle, the CCF and the Divisional Forest Officer of the concerned division fixes the reserve price for the lots of timber and cashew nuts to be auctioned. In case of sale below the reserve prices fixed by the PFC, the reasons are to be recorded in the auction register and have to be approved by the competent authority.

We noticed in 480 cases of three divisions that the timber and cashew nut lots were sold below the reserve prices fixed by the PFC without assigning any reason. This resulted in loss of revenue of ₹ 51.28 lakh as given below:

(Rupees in lakh)

| Name of the forest division | Number of cases | Short realisation of revenue |
|-----------------------------|-----------------|------------------------------|
| DFO, Medinipur | 32 | 6.24 |
| DFO, Kharagpur | 124 | 23.59 |
| DFO, Panchet | 324 | 21.45 |
| Total | 480 | 51.28 |

After we pointed this out, the PCCF, WB did not furnish any specific reply.

6.3.18 Non-realisation of royalty on supply of honey

A PFC headed by the Secretary/ Principal Secretary of the forest department fixes the rates of royalty for supply of honey to the WBFDC every year. The rate of royalty was fixed at ₹ 10 per kg for supply of honey to the WBFDC during the years 2008-09 and 2009-10.

We observed in two²⁰ divisions that royalty from the WBFDC on the supply of 50,316 kg of honey was not collected. Reasons for non-realisation of royalty on supply of honey were neither found on record nor furnished by the PCCF,

WB. This resulted in non-realisation of royalty of ₹ 5.04 lakh as mentioned below:

| Name of the forest division | Year of supply of honey | Amount of crude honey supplied (In Kgs) | Rate of royalty | Amount of royalty realisable from WBFDC (Rupees in lakh) |
|-----------------------------|-------------------------|---|-----------------|--|
| Sunderban Tiger Reserve | 2008-09 | 12,550.00 | ₹ 10 per kg | 1.26 |
| | 2009-10 | 13,800.00 | | 1.38 |
| 24 Parganas (South) | 2008-09 | 12,015.80 | | 1.20 |
| | 2009-10 | 11,950.00 | | 1.20 |
| Total | | 50,315.80 | | 5.04 |

²⁰ South 24-Parganas and Sunderban Tiger Reserve.

After we pointed this out, the PCCF, WB replied that the matter had been taken up with the WBFDC.

6.3.19 Non-realisation of lease rent

Three²¹ divisions leased out forest land measuring 2,479.973 hectares to the Defence department on yearly rent. We noticed that lease rent of ₹4.74 crore was outstanding from July 1971 to March 2009 as mentioned below:

| Name of the forest divisions | Area of leased out forest land (in hectares) | Period of due lease rent | Amount of lease rent due (Rupees in crore) |
|------------------------------|--|--------------------------|--|
| Jalpaiguri | 130.275 | April 1981 to March 2009 | 0.20 |
| Kurseong | 2,044.76 | July 1971 to March 2009 | 4.35 |
| Baikunthapur | 304.938 | April 1997 to March 2009 | 0.19 |
| Total | 2,479.973 | | 4.74 |

After we pointed this out in May 2010, the PCCF, WB replied that the matter of non-payment of lease rent by the army authorities for the forest land given on lease to the army in the past had been discussed in the Civil-Military Liaison Conference held on 31 July 2010 and the army authorities had promised to clear the outstanding dues of rent at an early date.

6.3.20 Non-realisation of compensation for damaged trees

Teesta “B” range in the Darjeeling district was notified by two Government orders for field firing by the army.

In terms of Section 68 of Indian Forest Act, 1927, causing damage to trees is a forest offence and compensation is realisable from the offender for damage to trees.

We found that due to field firing, 50 per cent of the trees in 1,660 hectares of forest area comprising pure middle aged Sal crop were damaged between April and September 2004 under the Sarugarah Range of the DFO, Baikunthapur division. The CCF

(North Bengal) intimated the PCCF, WB and the DFO, Baikunthapur in September 2004 to take up the matter with the Defence authorities for realisation of cost of compensatory afforestation. The division did not take any action including ascertaining the quantum of loss, for realisation of compensation. Based on the rates of compensatory afforestation realised by the forest department from the NHPC Ltd. for Teesta Low Dam Project – III in the same district, the amount of compensation stood at ₹ 24.21 crore.

After we pointed this out, the PCCF, WB did not furnish any specific reply.

²¹ Baikunthapur, Jalpaiguri and Kurseong.

6.3.21 Delay in disposal of proposal for diversion of forest land

Under the guidelines of the Forest (Conservation) Act, 1980, a proposal for diversion of forest land should be disposed of at the state level within a maximum period of 60 days. After that, the matter has to be referred to the Central Government.

We found in the DFO, Baikunthapur division that forest land measuring 304.938 hectares was leased out to the Defence authorities in 1973 on yearly rental. In January 2009 the Defence authorities submitted a proposal for diversion of the said forest land

under section 2 of the FC Act, 1980. They also gave an undertaking to bear the costs prescribed under the Act. We noticed that the proposal was pending in the DFO, Baikunthapur division since the date of its submission i.e. January 2009.

The yearly rental of the forest land was ₹ 0.90 lakh only, whereas the inordinate delay in diversion of the said forest land resulted in non-realisation of Net Present Value (NPV) of a minimum of ₹ 22.26 crore²². The Defence authorities had agreed to make available non-forest land of equivalent area to be occupied by them and also agreed to pay cost of compensatory afforestation to the Forest department. But the proposal was still pending with the department though the time period of sixty days provided in the Act had already expired.

After we pointed this out, the PCCF, WB replied that there were many aspects to be considered before a forest land is diverted for non-forestry purpose. The reply of the department, as regards to the adherence of the time schedule is not, however, in consonance with the guidelines of the Forest (Conservation) Act, 1980.

6.3.22 Inaction against contravention of Forest (Conservation) Act and Rules

6.3.22.1 Short realisation of environmental loss

Under the Forest (Conservation) Act and Rules, continuation or resumption of mining operation on expiry of a mining lease as well as use of forest land for non-forestry purpose without prior approval of the Central Government would amount to contravention of the Act and Rules. Whoever contravenes or abets the contravention of the provisions, shall be punishable with a simple imprisonment which may extend to fifteen days. However, no complaint in this regard shall be filed in a court without giving the person or the authority an opportunity to explain the conduct and to show cause by issuing a notice in writing.

We found in Durgapur division that a mining lease was granted in January 1996 for a period of 10 years to the Eastern Coalfields Limited (ECL), Jhanjra area involving forest land measuring 90.30 hectares for the purpose of coal

²² At the rate of ₹ 7,30,000 per hectare applicable to Eco Class-I for open forests.

mining. The period of lease expired on 31 January 2006 but the ECL continued to use the forest land even after expiry of period of lease in violation of the provisions. We also noticed that the department raised a demand of ₹18.14 crore for compensation of environmental loss in April 1998 including an amount of ₹one crore paid by the ECL in November 1995. Thereafter the DFO, Durgapur Division issued a show cause notice in November 2008 to the ECL for non-payment of the remaining dues and for contravening the provisions of the Act. The division did not take any further action as per the provisions of the Act.

After we pointed this out, the PCCF, WB replied that the matter had been taken up with the ECL authorities and the Ministry of Environment and Forest for sorting out the same.

6.3.22.2 Unauthorised construction of Rock Garden in forest area

We found in the DFO, Darjeeling that the Darjeeling Gorkha Hill Council (DGHC) authorities used reserved forest area of 1.95 hectares for creation of Rock Garden without getting the required approval. The division did not take any action as prescribed under the Act, against the authorities. Consequently, the authorities did not come forward with the proposal of diversion of the forest land resulting in non-realisation of net present value of a minimum of ₹13.63 lakh²³.

After we pointed this out, the PCCF, WB did not furnish any specific reply (October 2010).

6.3.23 Blocking of revenue due to non-disposal of cashew nuts and timber lots

We found in 113 cases of the DFO, Kharagpur division that the purchasers

Under the terms and conditions of the auction sales notices, the successful bidders have to pay the sale value within the prescribed time. Failure will render the purchaser liable to forfeiture of the security deposit and earnest money. The lots so affected will be resold by auction/tender and defaulters shall be liable to pay for any loss arising out of such resale.

failed to pay the sale value within the prescribed time limit. We also noticed that neither were those lots re-auctioned nor was any action taken against the defaulting purchasers for realisation of the outstanding amount even after lapse of time ranging between 9 and 21 months. This resulted in blocking of revenue of ₹50.82 lakh.

After we pointed this out, the PCCF, WB replied that the divisions were being asked to take further necessary action.

²³ At the rate of ₹6,99,000 per hectare applicable to Eco Class - VI for open forest.

6.3.24 Non-recovery of loss from defaulting purchasers

We found in 141 cases of eight²⁴ divisions that there was a loss of revenue of ₹ 51.81 lakh due to resale or failure to resell the lots, in respect of which the purchasers defaulted in payment of the sale value. The divisions did not take any action to recover the loss even after lapse of average time of 32 months. This resulted in non-recovery of loss of ₹ 51.81 lakh as mentioned in **Appendix V** of the report.

After we pointed this out, the PCCF, WB replied that the divisions were being advised to lodge certificate cases against the defaulters.

6.3.25 Conclusion

The review revealed a number of deficiencies in the system of collection of forest receipts. Absence of a system to watch realisation of revenue resulted in non-realisation of huge amount of arrears. Non-prescription of a deterrent provision to prevent delay in payment of Government revenue led to non-payment or belated payment. The department did not establish liaison with the customs authorities to check leakage of transit pass fee on imported timber. There was no system to monitor deductions made by the WBFDC. The department did not prescribe any time limit for recovery of loss from the defaulting purchasers of Forest produce and for disposal of confiscated vehicles. The coverage by the internal audit was inadequate due to inadequate staff strength. Besides, the forest manual published in 1964 was not updated.

6.3.26 Summary of recommendations

The Government may consider implementation of the following recommendations in the interest of collection of revenue:

- putting in place a monitoring system by way of periodical returns and creating and maintaining a database for monitoring revenue realisable and realised from various sources;
- making a provision for levy of interest to deter non/belated payment of revenue;
- establishing a system to watch the deductions made by the WBFDC from the revenue and also define the percentage component of the service charge;
- establishing liaison with the customs authorities in respect of imported timber to avoid leakage of revenue;
- strengthening the system of monitoring the disposal of timber to avoid deterioration of its quality and consequent revenue loss;
- fixing a time limit for disposal of vehicles confiscated for forest offences;

²⁴ Bankura (North), Bankura (South), Baikunthapur, Burdwan, Buxa Tiger Reserve (West), Darjeeling, Durgapur and Medinipur.

- strengthening the manning of the Internal Audit Branch to ensure that internal audit of a certain percentage of units of the Forest Department is conducted at regular intervals; and
- updating the Forest manual so that it serves the purpose for which it was intended.

B. RECEIPTS FROM MINES AND MINERALS

6.4 Non/short realisation of royalty and cess on minor minerals

Rule 33 (5) of the West Bengal Minor Minerals Rules, 2002 prescribes that extraction of minor minerals is permissible on the strength of a quarry permit issued after realisation of royalty and other dues in advance at the rates prescribed by the Government. Besides, under the provisions of the Cess Act, 1880 as amended in 1984, read with the West Bengal Primary Education Act, 1973 and the West Bengal Rural Employment and Production Act, 1976, holders of quarry permits are also liable to pay cess at the prescribed rates. A Register called Brick field register is maintained by the department in which the details of mining operations relating to brick earth are entered into. The cess is paid at the time of payment of royalty.

We found between March 2007 and August 2009 during the test check of five²⁵ DL and LR offices that in 78 cases quarry permit holders extracted and dispatched 76.70 lakh cubic feet (cft) of brick earth during the period from 2004-05 to 2008-09, of which in 62 cases the district authorities failed to realise cess of ₹8.93 lakh for extraction of 59.56 lakh cft. of brick earth and in 16 cases realised cess of ₹1.19 lakh against the realisable amount of ₹2.57 lakh for extraction of 17.14 lakh cft. of brick earth. This resulted in

non/short realisation of cess of ₹10.31 lakh.

Further, we observed that in another 69 cases quarry permit holders extracted and dispatched 111.78²⁶ lakh cft. of brick earth and sand for which royalty and cess of ₹52.07 lakh was realisable but the district authorities realised ₹27.92 lakh only. This resulted in short realisation of royalty and cess of ₹34.24 lakh.

The DL and LRO, Burdwan stated between June 2007 and September 2008 in 44 cases involving ₹26.90 lakh that action was being taken to realise the dues. A report on realisation has not been received. In the remaining cases, the DL and LROs did not furnish any specific reply.

The Government stated in August 2010 that out of ₹21 lakh realisable, an amount of ₹6.31 lakh has been realised by three²⁷ DL and LROs but a report on the action taken by other DL and LROs has not been received.

²⁵ Burdwan (East), Burdwan (West), Howrah, Murshidabad and Nadia.

²⁶ Brick earth: 64,49,175 cft. Sand: 47,29,170 cft.

²⁷ Burdwan (West), Howrah and Nadia.

6.5 Non/short realisation of revenue from minerals extracted unauthorisedly

Rule 33 (5) of West Bengal Minor Minerals Rules, 2002 prescribes that no person is entitled to undertake mining operation except under the authority of a valid quarry permit. In the event of unauthorised extraction of minor minerals apart from other penal action, the department is empowered to recover the minerals raised unlawfully or where such minerals have already been disposed of, the price thereof.

6.5.1 We found in 22 BL and LR offices under seven²⁸ DL and LR offices between August 2008 and 2009 that in 121 cases 104 brickfield owners and in one case a company extracted 94.31 lakh cft. of brick earth and 0.86 lakh cft. of sand respectively between 2003-04 and 2008-09 without any valid quarry permit. Though the department conducted physical verification of unauthorised extraction of

brick earth/sand, they did not initiate any action to recover the price of the minerals or lodge FIR with the police in 73 cases resulting in non-realisation of price of brick earth of ₹ 29.98 lakh while in the remaining 49 cases, ₹ 15.36 lakh was realised as royalty and cess instead of realising ₹ 37.82 lakh as the price of earth/sand. This resulted in non/short realisation of revenue of ₹ 52.44 lakh.

The district authorities admitted the audit observations and stated that action would be taken to realise the dues. A report on recovery is awaited.

The Government stated in August 2010 that out of ₹ 29.76 lakh realisable an amount of ₹ 11.07 lakh has been realised by three²⁹ DL and LROs. They did not intimate about the action taken by other DL and LROs.

6.5.2 We cross verified the records of Eastern and South Eastern Railways with those in three³⁰ District Land and Land Reforms offices (DL and LROs) between December 2009 and March 2010 and found that 13 railway contractors extracted 5.24 crore cft. of earth between April 2004 and March 2009 for construction of new railway line/doubling of existing railway line without obtaining valid quarry permit from the concerned DL and LROs. As the extraction of earth was unauthorised, the price thereof was recoverable at the prescribed rate under the Mines and Minerals (Development and Regulation) Act. The DL and LROs, North 24-Parganas and Hooghly did not take any action to recover the price of earth worth ₹ 1.88 crore from the contractors whereas the DL and LRO, Purba Medinipur realised ₹ 1.55 lakh as the price of earth instead of ₹ 1.56 crore realisable. This resulted in non/short realisation of price of earth of ₹ 3.43 crore.

²⁸ Bankura, Murshidabad, Burdwan (West), Paschim Medinipur, Coochbehar, Howrah and Nadia.

²⁹ Bankura, Murshidabad and Nadia.

³⁰ Hooghly, North 24-Parganas and Purba Medinipur.


After we pointed this out, the district authorities stated that necessary steps have been taken for issuing demand notice to the authority concerned for realisation of Government dues. They did not furnish any report on realisation.

We forwarded the cases to the Government in April 2010 followed by reminders issued upto July 2010; they did not furnish any reply (October 2010).

We noticed that the department had not put in place any system of cross verification of the earth extracted and used by the railway contractors with the Railway's records.

The Government may consider putting in place a mechanism to cross check with the Railways information regarding the earth extracted by the railway contractors.

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