

EXECUTIVE SUMMARY

Tax collection	<p>In 2010-11 the collection from forest receipts increased by 4.32 <i>per cent</i> over the previous year.</p>
Results of audit conducted by us in 2010-11	<p>In 2010-11 we test checked the records of 101 units relating to forest receipts and found underassessment, non/short realisation of revenue and other irregularities involving ₹ 61.57 crore in 159 cases.</p> <p>The Department accepted under assessment and other deficiencies of ₹ 7.27 lakh in four cases, which were pointed out by us during the year 2010-11.</p>
What we have highlighted in this Chapter	<p>In this Chapter we present illustrative cases selected from observations noticed during our test check of records relating to irregular felling in excess of marked trees and irregular sale of timber in the office of the District Forest Officers (DFOs) where we found that the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action.</p>
Our conclusion	<p>The Department needs to initiate immediate action to recover the amounts pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER - IX FOREST RECEIPTS

1 Tax administration

The Forest Department functions under the overall control of the Principal Secretary at the Government level while the Principal Chief Conservator of Forest (PCCF) is responsible for the overall administration of the Department. Out of 92 divisional forest offices, 75 offices deal with revenue generating activities in the state.

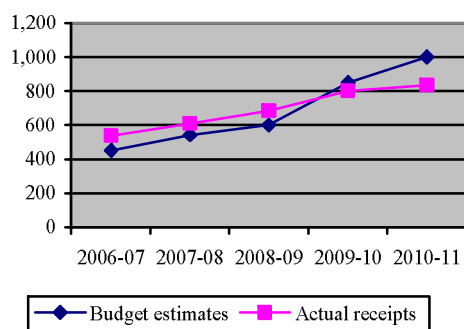
2 Trend of receipts

Actual forest receipts during the period 2006-07 to 2010-11 along with the total non-tax receipts during the same period are exhibited in the following table and line graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation Excess (+)/shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual forest receipts vis-à-vis total non-tax receipts
2006-07	450.00	536.50	(+) 86.50	(+) 19.22	2,658.46	20.18
2007-08	543.00	608.89	(+) 65.89	(+) 12.13	2,738.18	22.24
2008-09	600.00	685.60	(+) 85.60	(+) 14.27	3,342.86	20.51
2009-10	850.00	802.00	(-) 48.00	(-) 5.65	6,382.04	12.57
2010-11	1,000.00	836.61	(-) 163.39	(-) 16.34	5,719.77	14.63

The percentage of contribution of forest receipts to the total non-tax receipts of the State after declining during the years 2008-09 and 2009-10 registered a marginal increase in 2010-11.



In 2010-11 the collection from forest receipts increased by 4.32 per cent over the previous year.

9.3 Analysis of budget preparation

No files regarding budget preparation were made available to audit at Government level. However, we observed from the records available at the office of the PCCF that the budget estimates were prepared on an *ad hoc* basis without following any uniform criteria on estimating the receipts to be actually realised during the year. The revised estimate for the year 2010-11 was ₹ 1,002.25 crore against budget estimate of ₹ 1,000 crore. The actual receipt (₹ 836.61 crore) showed decrease of 16.53 *per cent* compared to the revised estimates which was mainly due to the abnormal decrease of revenue from the sale of wood and other forest produce.

9.4 Working of internal audit wing

Nine posts (Director Finance/Budget and Financial Advisor-1, Dy. Director-1, Assistant Director-1, Assistant Internal Audit Officer-6 of which 1 post is vacant) have been sanctioned by the Finance Department for internal audit in the Forest Department. As per departmental orders dated 28 October 1992, an audit manual for internal audit in the Department has been prepared. Internal audit is conducted in accordance with the roster prepared for each year.

As per the roster prepared for the year 2010-11, internal audit of 57 unit offices was planned against which audit was conducted in 54 unit offices.

9.5 Results of audit

Test check of the records of 101 units relating to forest receipts revealed underassessment, non/short realisation of revenue and other irregularities involving ₹ 61.57 crore in 159 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non-realisation due to non-exploitation of bamboo/timber coupes	2	0.22
2.	Short realisation due to sale below the upset price	6	0.62
3.	Non-realisation due to deterioration/shortage of forest produce	26	1.75
4.	Short realisation due to non-accountal of forest produce	6	0.65
5.	Short realisation due to low yield of timber/bamboo against estimated yield	9	0.95
6.	Other observations	110	57.38
	Total	159	61.57

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 7.27 lakh in four cases which were pointed out in audit during the year 2010-11.

A few illustrative audit observations highlighting important audit findings are mentioned in the following paragraphs.

9.6 Irregular felling in excess of marked trees

As per provision of para 16 of chapter 12 of the working plan any exploitation outside the prescription of working plan will be treated as irregular and a violation of the Forest Conservation Act, 1980.

We observed from the records of DFO (P) Dindori (August 2009 and July 2010) that 33 coupes of No. VII and 3 coupes of No. XI, with a total of 37,416 marked trees were handed over to the

Production division, Dindori for exploitation by the DFO (G) Dindori in July 2009. The DFO (P) Dindori submitted exploitation scheme in respect of the taken over coupes to the Chief Conservator of Forest, Central Circle, Jabalpur in February 2010. No further coupes of marked trees were found handed over to Production division, Dindori. Out of these coupes, 74,166 trees were found exploited against 28,928 marked trees in 31 coupes (in the remaining five coupes trees were felled in accordance with marking) and 22,826.50 cum of timber was extracted and 12,390 fuel stacks were obtained against estimated yield of 12,958.82 cum of timber and 4,126 fuel stacks. Thus 45,238 trees were found exploited in excess of marked trees and an additional yield of 9,867.68 cum of timber and 8,264 fuel stacks was produced.

We reported the matter to the PCCF and the Government (March 2011). The Government stated (May 2011) that during the period of exploitation, revision for marking of trees was required as per existing working plan and as a result of revision in marking of trees the estimated yield changed and the same was handed over to Production division. The reply is not tenable as exploitation of 45,238 additional unmarked trees was done outside the prescription of the working plan and adversely affected forest density and environment which is a clear violation of the Forest Conservation Act, 1980. Besides, revising the marking of the trees after their felling undermines the system of marking of trees and is therefore irregular.

9.7 Irregular sale of timber

As per Rule 3 of *Sthapit depot se Imarti Lakdi ke vikray ki sharton ka viniyman karne wale Niyam*, any person shall not be allowed to bid on behalf of any person/firm unless he produces before the Divisional Forest Officer (DFO), a Power of Attorney (POA) duly certified by the competent court of law and executed by the person or firm empowering him so to act. Further, the Indian Stamp Act, 1899, prescribes that the amount of stamp for POA shall be ₹ 50 for authorising one person or more to act in a single transaction and ₹ 100 for more than one transaction.

We observed from the records of DFO(P) Khandwa relating to sale of timber in Ashapur depot between February 2009 and February 2010 that a timber broker purchased 25 lots of timber on behalf of eight firms. In violation of the rule *ibid*, the POAs presented for this purpose were certified by the Notary on stamp papers amounting to ₹ 10 and 20 in respect of six firms and the broker was also allowed to bid on behalf of two other firms on presentation of affidavits. The sales were not supported by valid POAs which resulted in irregular sale of timber amounting to ₹ 56.48 lakh.

We reported the matter to the PCCF and the Government (April 2010). The Government stated (September 2010) that the related purchasers had been blacklisted for not fulfilling the conditions of rule (3) and the erring officials had been warned. It was further stated that as an immediate measure stamp duty of ₹ 230 short realised had been recovered and action was being taken to prevent recurrence of such mistakes.