

CHAPTER-VI: FOREST RECEIPTS

6.1 Tax administration

The Principal Secretary, Forest and Environment Department is the head of the Forest Department at the Government level. At the Department level, the Principal Chief Conservator of Forests (PCCF) monitors the overall implementation of forest related projects including forest receipts. The implementing authorities at the district level are the Divisional Forest Officers (DFO). All forest related activities including revenue collection are regulated by the Meghalaya Forest Regulation (Application and Amendment) Act, 1973, the Assam Settlement of Forest Coupes¹ and *Mahals*² by Tender System Rules, 1967 (as adopted), the Meghalaya Forest (Ejection of Unauthorised Person) Rules, the Meghalaya Tree (Preservation) Act, 1976 and the Meghalaya Removal of Timber Regulation Act, 1981 and various Rules made thereunder.

6.2 Trend of receipts

Actual receipts from Forest Department during the years 2005-06 to 2009-10 along with the total non-tax receipts during the same period is exhibited in the following table and graph.

Table 6.1

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation Excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual receipts vis-à-vis total non tax receipts
2005-06	13.00	15.30	(+) 2.30	18	146.01	10
2006-07	14.30	16.66	(+) 2.36	17	184.37	9
2007-08	17.85	15.60	(-) 2.25	13	199.35	8
2008-09	19.27	17.36	(-) 1.91	10	225.31	8
2009-10	20.35	20.03	(-) 0.32	2	275.09	7

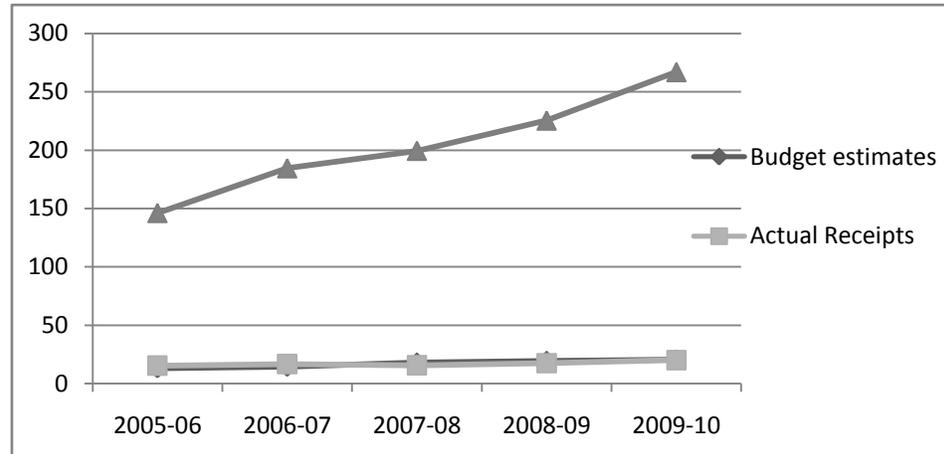
Thus, the percentage variation which was 18 *per cent* in 2005-06 came down consistently to the level of (-) 2 *per cent* in 2009-10. The high level of variation between the budget estimates and actual reflects that the Department needs to frame the budgets prudently based on past trends and future potential.

¹ A compact area where a number of trees are pre marked for sale by way of auction or tender on condition of their removal within a specified period.

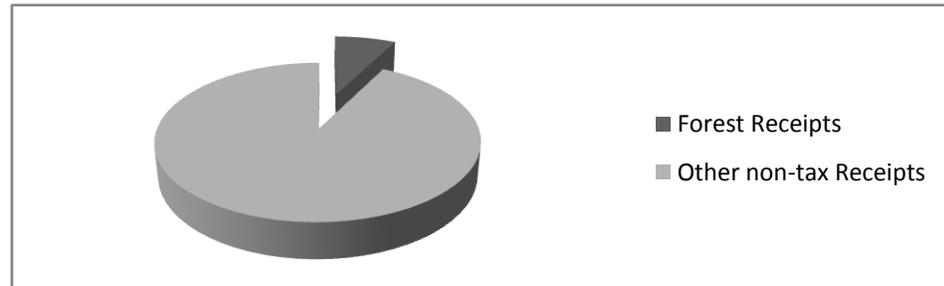
² A well defined area wherefrom certain types of forest produce are sold on condition of their removal within a specified period.

Forest receipts formed about 7-10 per cent of the total non-tax receipts of the State during the period 2005-06 to 2009-10.

A line graph of budget estimates, vis-à-vis the actual receipts and total non-tax receipts of the State may be seen below:



Also a pie chart showing the position of actual forests receipts vis-à-vis other non-tax receipts during the year 2009-10 may be seen below:



6.3 Impact of audit reports

During the last five years (including the current year's report), we have pointed out non/short levy, non/short realisation of royalty, fees etc., with revenue implication of ₹ 15.59 crore in 27 paragraphs. Of these, the Department/Government had accepted audit observations in seven paragraphs involving ₹ 4.13 crore, in respect of which, no recovery has been made. The details are shown in the following table:

Table 6.3**(Rupees in crore)**

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2005-06	3	2.00	2	0.85	-	--
2006-07	7	5.49	3	1.40	-	--
2007-08	6	9.93	-	--	-	--
2008-09	6	3.56	2	1.88		
2009-10	5	2.10	-	--		
Total	27	15.59	7	4.13	-	--

Thus, though the Department/Government have accepted paragraphs involving revenue of ₹ 4.13 crore, no recovery could be made during the past five years. This reflects that there is a need for the Department/Government to revamp the revenue recovery mechanism to ensure that at least the revenue involved in the accepted cases is recovered.

6.4 Results of audit

Test check of the records of 16 units relating to the Forest Department during the year 2009-10 revealed non-realisation of royalties, fees etc., amounting to ₹ 13.26 crore in 23 cases which can be categorised as under:

Table 6.4**(Rupees in crore)**

Sl. no.	Category	Number of cases	Amount
1.	Non-realisation of fees	4	8.36
2.	Non-deposit of forest royalty	4	1.23
3.	Loss of revenue	7	1.16
4.	Other irregularities	8	2.51
Total		23	13.26

During the year 2009-10, the Department furnished replies to 11 observations involving money value of ₹ 3.15 crore.

A few illustrative audit observations involving ₹ 1.77 crore are mentioned in the succeeding paragraphs.

6.5 Audit observations

Our scrutiny of the records in the offices of Forest Department revealed several cases of non-observance of the provisions of the Act/Rules, resulting in non/short levy of fees and royalties and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative, based on test check carried out by us. We point out similar omissions reflecting the gaps in revenue collection mechanism every year, but the irregularities persist. We feel the department needs to improve its internal control system.

6.6 Non-realisation of export fee

During test check of the records of the PCCF, Shillong in August 2009, we

Under the Meghalaya Forest Regulations, 'forest produce' includes rock and minerals including limestone when found in or brought from a forest. In October 1999, the Government of Meghalaya, Forest and Environment Department, notified that for removal of any forest produce outside the State, a transit pass shall be issued on realisation of ₹ 300 per truck.

noticed that 45,939 trucks of limestone were exported from the State between April 2008 and December 2008, but transit passes were issued to these trucks without realising ₹ 300 per truck. This resulted in non-realisation of revenue of ₹ 1.38 crore.

We pointed out the case to the department/Government in December 2009; but their replies

have not been received (October 2010).

6.7 Loss of revenue due to non-settlement of boulder mahals

While auditing the records of the DFO, Jaintia Hills Territorial Division in July

As per Assam Settlement of Coupes and Mahals by Tender System Rules, 1967 (as adopted by the Government of Meghalaya), mahals are to be settled by inviting tenders. Sand/stone boulders in a river bed are in a constant process of accumulation and depletion due to river current. If the mahals are not settled during the specified working period, the sand/stone is carried away downstream by the river current, resulting in revenue loss.

2009, we noticed that the DFO proposed to the Government in November 2006 to constitute two stone boulder mahals on Umngot and Rongpani rivers with stipulated quantity of 3,000 cubic metre (cum) boulder each as the stone boulders available in these rivers were constantly drained into Bangladesh by river current. The State Government in April 2008 issued a notification and constituted the two mahals as proposed and approved the tender notice for

sale. The DFO intimated the Conservator of Forests (CF), in October 2008 that the tender notice could not be circulated due to strong resentment amongst the people residing near both the *mahal* areas. The CF in turn, instructed the DFO in January 2009 to meet the Deputy Commissioner of Jaintia Hills in order to work out a solution within six days. Further action taken in this regard to find out a way to operate the *mahals* was not found on records. The two riverine *mahals* remained un-operated during the working periods 2007-08 and 2008-09, leading to loss of revenue of at least ₹ 9.60 lakh.

We reported the case to the Department and the Government in July 2009; their replies have not been received (October 2010).

6.8 Loss of revenue due to non-finalisation of *phuljharu mahal*

We noticed during test check of the records of the PCCF, Shillong in August 2009, that the *phuljharu mahal* in Garo Hills Forest Division was put up for sale by inviting tenders in November 2008 for the period upto June 2009. In response, four bids were received, out of which the highest bidder offered ₹ 7.11 lakh. The DFO, Garo Hills Territorial Division, recommended settlement of the *mahal* with the highest bidder to the PCCF in January 2009 for necessary approval. The PCCF forwarded the case to the Government in February 2009 to accord necessary sanction for settlement of the *mahal* after a lapse of more than one month. However the Government asked the PCCF in July 2009 to inform the procedure adopted for settlement of the *mahals* in the earlier cases who in turn informed the Government that the procedures adopted in settlement of the *mahal* was the same as was adopted in earlier years. He further informed the Government that due to delay in settlement of the *mahal*, the season for collection of *phuljharu*³ was already over for the year 2008-09. Thus, delay in finalising the settlement of the *mahal* by the Government led to loss of revenue of ₹ 7.11 lakh.

Mahals are settled by inviting tenders. *Phuljharu* is a seasonal plant and if not harvested before the onset of monsoon, it withers away and loses its commercial value, leading to loss of revenue.

We reported the case to the Department and to the Government in December 2009 but their replies have not been received (October 2010).

³ Broomstick.

6.9 Short realisation of revenue

We cross verified the records of an user agency⁴ with those of the DFO, Khasi Hills Forest Division in September 2009 and noticed that 5,766.22 cum of stone and 960.24 cum of sand were extracted and utilised for various works by the contractors between April 2008 and March 2009. The user agency realised royalty of ₹ 1.85 lakh instead of ₹ 4.90 lakh from the contractors' bills and forwarded the same to the Forest Department. No effective steps were initiated by the Forest Department to recover the balance revenue. Thus, failure of the user agency to realise royalty at the prescribed rate resulted in short realisation of royalty of ₹ 3.05 lakh.

The Government of Meghalaya, Forests and Environment Department in their notification dated 12 November 1998, fixed the rate of royalty per cum of sand and stone at ₹ 30 and ₹ 80 respectively.

The Forest Department contended that the user agencies were responsible to recover the loss but we noticed that no coordinated steps had been taken either by the Forest Department or by the user agencies to identify and resolve the issues due to which the Government is sustaining loss of revenue year after year, which may become irrecoverable with the passage of time.

We reported the case to the Department/Government in October 2009 but their replies have not been received (October 2010).

6.10 Illicit felling and removal of timber

During scrutiny of the records of the DFO, Garo Hills Forest Division in January 2010, we noticed that 411.458 cum of timber of mixed species involving royalty of ₹ 19.70 lakh was illegally felled by miscreants from the reserve forests under the Division between April 2008 and March 2009 and the entire outturn was removed during the aforesaid period. Illegal felling and removal of such a large quantity of timber by miscreants from the State reserve forest indicates poor enforcement measures and also resulted in loss of revenue of ₹ 19.70 lakh.

Under the provisions of the Meghalaya Forest Regulations and Rules made thereunder, felling and removal of trees from a reserve forest without a valid pass constitutes a forest offence punishable with fine. To prevent such illegal removal of the forest produce, erection of forest check gates at all the vital points is the primary responsibility of the Forest Department.

We reported the matter to the Department/Government in March 2010 but their replies have not been received (October 2010).

⁴ EE, PWD Roads, Mairang Division.