



**CHAPTER – I
GENERAL**

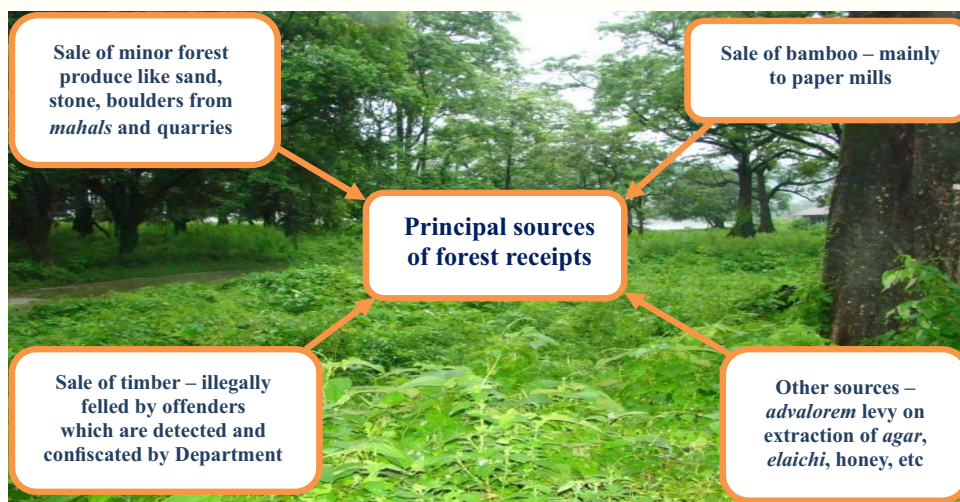




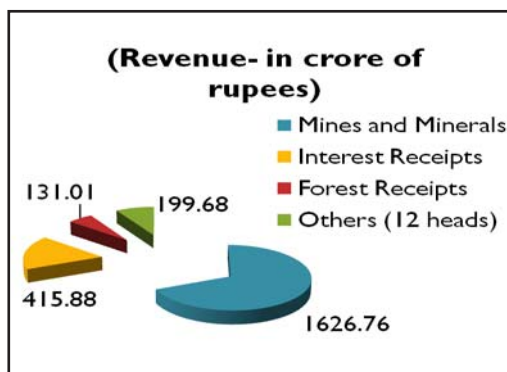
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1.1 Introduction

The subject 'Forests' is included in the 'Concurrent List' of the seventh schedule to Article 246 of the Constitution of India. The Indian Forests Act, 1927 and Forest Conservation Act (FC Act) 1980 which are Central Legislations and the Assam Forest Regulation, 1891 (AFR); Assam Sale of Forest Produce Coupes and *Mahals* Rules, 1977; Assam Minor Mineral Concession Rules (AMMCR), 1994 as amended and notifications/orders issued thereunder from time to time govern management and control of forestry and realisation of revenue by way of royalties, fees and penalties from various forest produce. The principal forest produce wherefrom revenue is generated are timber, bamboo and other non-wood forest produce like sand, gravel, stone, *agar*, *elaichi* and honey as depicted in the following diagram.



Forest receipts are non-tax receipts and during the period 2006-07 to 2010-11 accounted for 2.31 to 5.83 *per cent* of the total non-tax receipts of Government of Assam (GOA). In order to ensure balanced audit coverage on tax and non-tax receipts, attempt is made each year to ensure that the topics of non-tax receipts are given due attention. In case of non-tax receipts of GOA,



receipts from mines and minerals, interest receipts and forest receipts are the principal contributors in the descending order. Mines and Minerals receipts have been reviewed and included in Audit Report 2009-10, while the scope of audit in interest receipts and recommending areas for optimising resources is limited, hence 'forest receipts' being the third highest contributor in non-tax receipts has been selected as a topic of performance audit for the current year.

As envisaged in the 'National Working Plan Code' prepared and issued by the Ministry of Environment and Forests (MoEF), Government of India (GOI) in 2004– "in a developing country like ours, economic growth and ecological balance depends, to a great extent, on judicious use of its natural resources". In the 'Assam Forest Policy 2004', the GOA has also emphasised on maximising economic return from the available sources.

The regular felling and sale of timber has been stopped in the State of Assam after the ban (1985) of GOA. This has compelled the GOA to focus to sale of bamboo and other non-wood forest produce like sand, stone, gravel etc. for generation of revenue. At present, major revenue is generated from the operation of *mahal*¹ and issue of permits mainly from the riverine *mahals* and other hill quarries, auction sale of seized timber (illegally felled by miscreants and seized by forest officials). Further, under the FC Act, it is necessary to obtain prior approval of the GOI for use of forest land for non-forestry purposes on payment of "Net Present Value (NPV)" prescribed by the GOI. However, the moneys so collected on account of NPV by the GOA and all other State Governments are to be transferred to a Central fund named "Compensatory Afforestation Management and Planning Authority (CAMPA)" maintained by the GOI which re-distributes the same to the State Governments for afforestation purposes. Hence, the money collected under diversion of forest land for non-forestry purposes by the GOA have not been covered in this performance audit.

This performance audit on 'forest receipts' is thus essentially conducted to ascertain whether steps taken by the GOA to optimise revenue from forest resources were adequate and that the resources available for exploitation were tapped optimally to augment revenue in the best interest of the State. The performance audit revealed a number of deficiencies and points out a number of avenues which have the potential to generate substantial revenue from forest resources. These are discussed in the succeeding Chapters.

¹ A well defined area from where certain types of forest produce are sold.

1.2 Organisational set up

The Principal Secretary to the GOA, Environment and Forest (E&F) Department is in overall charge of the Department at the Government level. At the Department level, the E&F Department is headed by the Principal Chief Conservator of Forests (PCCF) who is assisted by seven Chief Conservators of Forests (CCF) and 19 Conservators of Forests (CF). There are 21 Territorial forest divisions each headed by Deputy Conservator of Forest (DCF)/Divisional Forest Officer (DFO). The Divisions are further divided into ranges and beats for ensuring effective control and supervision of the forests of the State. These Divisions are also responsible for effective management of forest produce and recover and remit forest receipts from the end users.

1.3 Scope of audit

The performance audit was conducted during February to July 2012. Audit commenced with examination of the records in office of the Principal Secretary, E&F Department, GOA and thereafter the office of the PCCF, CCF (Territorial)² and seven³ out of 21 territorial divisions were covered. Besides, offices of the CCF (Working Plan), Working Plan Officer (WPO) and Forest Utilisation Office (FUO) were also covered to examine various aspects of preparation of working plan (CCF and WPO) and sale of timber available in the forest depots under concerned forest Divisions - centrally (FU Division). The forest divisions were selected by applying statistical sampling technique (simple random sampling without replacement). Besides, audit findings in regular audit conducted during the course of the year have been suitably incorporated in this Report.

1.4 Audit Objectives

The performance audit was conducted with a view to ascertaining whether:

- working plans (WP) of the divisions were prepared and got approved from the GOI in time;
- steps were taken to optimise revenue resources by constantly reviewing the royalty rates and tapping all possible forest resources available for exploitation;
- system to collect royalty/forest receipts due to Government was effective;

² Being the controlling and monitoring authority of the functioning of the territorial forest divisions.

³ Cachar, Dhemaji, Kamrup East, Karimganj, Lakhimpur, Nagaon and North Kamrup.

- prescribed rules, instructions and procedures with consequent revenue loss in the event of deviation thereto were complied with; and
- there existed an effective internal control mechanism to avoid leakage of revenue.

1.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the GOA and the E&F Department for providing necessary information and records for audit. An Entry Conference was held on 10 February 2012 wherein scope, objective and methodology of audit were explained to the GOA and E&F Department. The Deputy Secretary and the CCsF (Planning, Monitoring and Evaluation) represented the GOA and the E&F Department respectively in the aforesaid meeting. The draft performance audit report was sent to the Government/Department in September 2012. The audit findings and recommendations were discussed in an exit conference held in November 2012 which was attended by the Deputy Secretary, E&F Department; Secretary, Finance from the Government side and CCsF, Planning, Monitoring and Evaluation from the Department side. The replies furnished by the Government and the Department during the exit conference and at other points of time have been appropriately incorporated in the report.

1.6 Trend of forest receipts

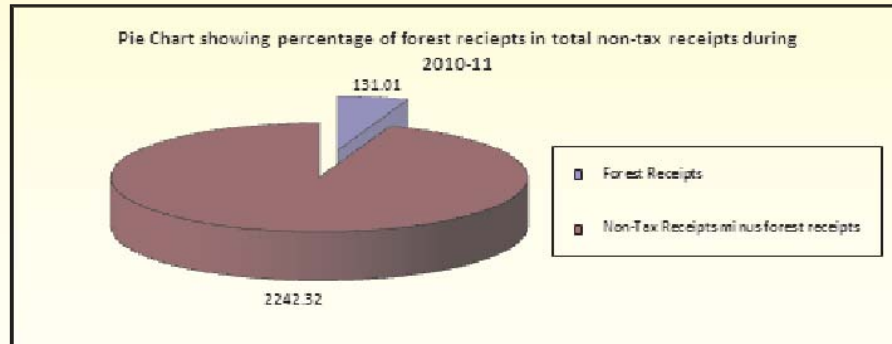
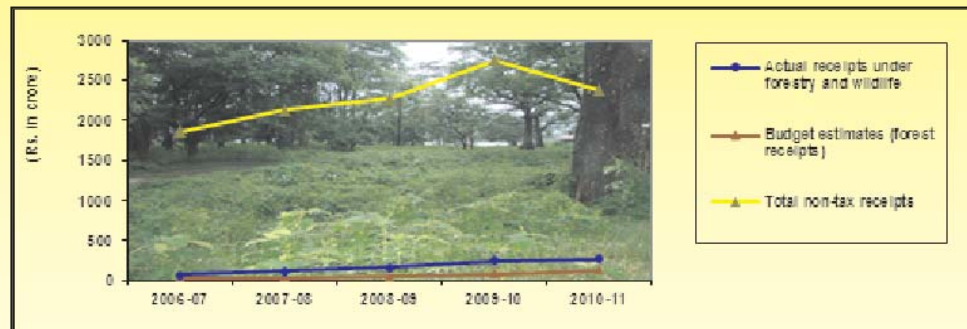
Position of budget estimates, actual forest receipts (which is a part of non-tax receipts) *vis-à-vis* the total non-tax receipts of the State during 2006-07 to 2010-11 are exhibited in the following Table 1 and graph/pie chart.

Table 1
Analysis of forest receipts

(₹ in crore)

Year	Budget estimate	Actual forest receipts	Variation excess (+) shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of col. 3 to col. 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	29.95	42.99	13.04	43.54	1,859.27	2.31
2007-08	37.50	75.03	37.53	100.08	2,134.59	3.51
2008-09	45.83	115.64	69.81	152.32	2,271.90	5.09
2009-10	85.90	160.56	74.66	86.92	2,752.95	5.83
2010-11	132.26	131.01	(-) 1.25	(-) 0.95	2,373.33	5.52

Source: Departmental figures and Finance Accounts.



As seen from columns 4 and 5 of Table 1, **there was mismatch between the actual receipts and budget estimates during all the years except 2010-11 and the percentage of variation ranged between 43.54 per cent during 2006-07 and 152.32 per cent during 2008-09.** The percentage of actual receipts when viewed against the total non-tax revenue of the State registered an increasing trend and rose from 2.31 per cent in 2006-07 to 5.83 per cent in 2009-10, came down slightly and stood at 5.52 per cent in 2010-11.