

EXECUTIVE SUMMARY

This Report contains the results of a performance audit on 'Forest Receipts' of Government of Assam for the period 2006-07 to 2010-11 involving revenue implication of ₹ 1,154.43 crore.

Major Audit Findings

- There was mismatch between the actual receipts and budget estimates during all the years except 2010-11.

(Paragraph 1.6)

- The Government of Assam's order of September 2009 to sell timber by fixing the average of last three sale price was envisioned to maximise revenue yield above the royalty rates. However, in fact, the average of last three sale price remained close to the royalty rates and far below the level of market rates except in one occasion only.

(Paragraph 2.2.2)

- Only 241 out of 1,248 hammers available in the Divisions were in use. Further, 38 hammers have since been missing/lost from the Divisions as per the information furnished to Audit.

(Paragraph 2.4)

- Non-finalisation of Working Plans of bamboo in respect of three Divisions had led to loss of revenue of ₹ 1.86 crore.

(Paragraph 3.3)

- The market price/price at which Hindustan Paper Corporation authorities procure bamboo from Assam is about ₹ 10 while the cost of extraction and transportation upto HPC mill gate per bamboo is ₹ 2. However, the Government of Assam gets around ₹ 1 per bamboo, *i.e.* the least of all the components while the contractors supplying bamboo to HPC are benefitted of substantial percentage of the sale value.

(Paragraph 3.4)

- Due to the failure of the Environment and Forest Department to initiate timely action to renew the Working Plan after expiry of erstwhile bamboo lease of M/s Ashoka Paper Mill (which is defunct) after September 2004,

the quota of atleast 60,000 MT per annum could not be allotted to the mills of HPC. This could have enabled generation of additional revenue of ₹ 7.38 crore.

(Paragraph 3.5)

- The HPC authorities purchase bamboo from Assam at ‘Air Dried method’ whereas they procure bamboo from other sources at ‘Green’ method. Consequently, while purchasing 97,819 MT bamboo from contractors of Assam at ‘Air Dried method’ the HPC authorities got 3.42 crore bamboo. Had the system been similar with other sources *i.e.* purchase on ‘MT Green’ basis, 3.42 crore bamboo would have made 1,95,429 MTG leading to recovery of revenue of ₹ 2.36 crore. This resulted in loss of revenue of ₹ 1.18 crore.

(Paragraph 3.6)

- Implementation of the methodology of working out the royalty on the basis of study carried out by the Environment and Forest Department at periodical interval, would have enabled the Government of Assam to ensure that the royalty rates are fixed on more scientific basis and aligned with the market rates which would have benefitted the State exchequer and also ensured that there is no undue benefit to the contractors dealing in forest produce. Considering the minor forest produce extracted from seven selected Divisions during 2006-07 to 2010-11, Government of Assam was deprived of generating additional revenue of ₹ 76.13 crore.

(Paragraph 4.1)

- The Government of Assam ordered for granting permits on payment of a price at the nearest *mahal* rate. However, it was noticed in seven selected Divisions that while issuing permits for extraction of sand, stone, boulders etc. during 2006-07 to 2010-11, they applied the rates of royalty leading to loss of revenue of ₹ 84.57 crore.

(Paragraph 4.3)

- Irregular and unjust decision of the Government on extraction of sand, stone, boulders on payment of royalty ignoring (i) clear notings at various levels against the same, (ii) the proposal of Commissioner and Secretary (Environment and Forest) to obtain undertaking from National Highway Authority of India about payment of balance royalty if higher rates are determined at later date and most importantly (iii) the facts disclosed in the letter of NHAI which clearly mentioned allotment of works to contractors allowing price of sand, stone, boulders at much higher rates than the royalty rates would not only cause loss of revenue to the tune of ₹ 844.94 crore to the Government exchequer, it would also extend undue gain to the private parties (contractors) of the equal amount.

(Paragraph 4.4)

- The ‘Assam Minor Mineral Concession Rules’ which came into force from 1994 envisages levy of penalty for illegal extraction of minor forest produce at four times. Further, the orders of the Environment and Forest Department issued in 1992 provides for levy of monopoly fee at 200 *per cent* in cases of illegal extraction of forest produce. However, the forest Divisions while dealing with cases of illegal extraction of minor forest produce were still imposing 200 *per cent* monopoly fee as per earlier orders of the Department instead of four times of the royalty as laid down in the Assam Minor Mineral Concession Rules.

(Paragraph 5.2)

- States having considerable forest cover like Odisha, Madhya Pradesh etc. have initiated certain steps for optimising revenue from available resources and identifying new avenues for mobilisation of additional resources. However, the Government of Assam or the Environment and Forest Department has not yet initiated similar measures.

(Paragraph 5.5)

Conclusion

There is a need to re-design the existing Working Plans/preparing the Working Plans in the lines of National Working Plan Code so that silvicultural operations of timber could be commenced which would ensure flow of legal timber in the market. This would largely contain illegal felling and generate revenue for the State exchequer. The base price for sale of timber on auction needs to be linked with the prevalent market rates of timber. Effective management of the available bamboo resources in the State would enable generation of revenue of more than ₹ 50 crore per annum from sale of bamboo only. Implementation of the methodology of the study carried out by the Environment and Forest Department for fixing rates of royalty at periodic intervals in respect of minor forest produce would ensure that the rates are fixed in line with the market rates. This would help the State exchequer with additional resources and ensure that there is no undue benefit to the contractors. Irregular and unjust decision of Government of Assam on extraction of sand, stone, boulders on payment of royalty ignoring the previous decisions against the same has led to huge loss of revenue while extending undue benefit to the contractors. The penal and interest provisions available in the Assam Minor Mineral Concession Rules were not being enforced by the forest Divisions. Initiation of revenue optimisation measures would help in maximising revenue from available resources as well as identify new avenues for mobilisation of additional resources. A proper system of reports/returns would enable the higher authorities in the Environment and Forest Department to monitor the activities of the Department. Utilising the internal audit wing more effectively would enable the Environment and Forest Department to ensure that the activities of the Department were functioning reasonably well.

Major Recommendations

- *Steps may be initiated to revise the existing Working Plans which are in currency/prepare the Working Plans in accordance with the format of National Working Plan Code prescribed by Ministry of Environment and Forests, Government of India for exploitation of available forest resources;*
- *system of supplying bamboo to HPC through contractors appointed by it may be revisited to replace it with a system of putting the bamboo coupes under sale through mahal operation;*
- *the orders for revising the rates of royalty by 15 per cent every two years and also the orders for application of nearest mahal rates while issuing permits for extraction of minor forest produce need to be revisited. Instead, the methodology for fixation of royalty at periodical interval calculated on prescribed percentage of the market rates as per the study conducted by Environment and Forest Department in 2003 may be implemented;*
- *the decision of allowing contractors of NHAI to extract sand, stone, boulders etc. at 'simple royalty' despite availability of the details of the rates at which work orders were issued by the NHAI to its contractors needs to be investigated; and*
- *measures for revenue optimisation need to be initiated for maximising revenue from available forest resources and identifying new avenues for mobilisation of additional resources.*