

CHAPTER – VIII

FOREST RECEIPTS

Chapter-VIII Forest Receipts

8.1 Results of audit

In 2014-15, test check of records of 81 units of Forest Department showed non/ short recovery of royalty, non-levy of interest / extension fee and other irregularities involving ₹ 199.08 crore in 52 cases, which fall under the following categories in the **Table 8.1** below.

Table-8.1

(₹ in crore)			
Sl. No.	Particulars	Number of cases	Amount
1.	Performance Audit on “ Forest Receipts in Madhya Pradesh ”	1	173.44
2.	Loss of revenue due to classification of timber into fuel wood/Loss of revenue due to lower production of timber vis-à-vis estimated production	4	3.24
3.	Losses due to auction of wood below upset price	6	0.48
4.	Losses due to non-disposal of forest produce confiscated	7	1.34
5.	Blockage of revenue due to non felling of marked trees	2	4.37
6.	Arrears in recovery of Forest Revenue	8	4.40
7.	Blockage of revenue due to incorrect estimation of woods extracted and non-transportation of woods extracted	2	9.22
8.	Blockage of revenue due to non-felling of trees in marked coupes/short extraction of bamboos than estimation	2	0.85
9.	Other irregularities	20	1.74
Total		52	199.08

The Department accepted underassessment and other deficiencies of ₹ 8.23 lakh in one case which were pointed out in audit during the year 2014-15.

Audit findings of the Performance Audit on “**Forest Receipts in Madhya Pradesh**” having money value of ₹ 173.44 crore are discussed in the following paragraphs:

8.2 Performance Audit on “Forest Receipts in Madhya Pradesh”

Highlights

We test checked the records related to Forest Receipts in Madhya Pradesh between December 2014 and June 2015. It revealed a number of deficiencies relating to non-implementation of Working Plan, shortage in production, shortage in forest receipts and lack of monitoring involving financial effect of ₹ 173.44 crore. Some of the important findings are highlighted as follows:

The production of timber and fuel wood was 11 to 95 *per cent* below the estimated production in 250 coupes of nine Divisions. Further, in 426 other coupes of eight Divisions, though variation in overall production was within 10 *per cent* of the estimation, the production of timber which is more valuable was 11 to 100 *per cent* short of estimation. This resulted in loss of ₹ 69.23 crore.

(Paragraph 8.2.9)

The Forest Department did not reconcile data regarding the quantity of minerals extracted and transported through forest area with the Mining Department. This resulted in short recovery of transit fee for transportation of minerals by ₹ 12.23 crore.

(Paragraph 8.2.12)

The e-auction was not implemented even after nine years from its contemplation and incurring expenditure of ₹ 19.95 lakh.

(Paragraph 8.2.16)

Forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore.

(Paragraph 8.2.18)

The forest produce sent from coupe was found short on transportation to depot resulting in loss of ₹ 2.07 crore.

(Paragraph 8.2.20 and 8.2.21)

Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.

(Paragraph 8.2.23)

Value Added Tax (VAT) recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in overstatement of receipt and expenditure.

(Paragraph 8.2.29)

There was lack of preparation/ maintenance of necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders, etc. and regular reconciliation of remittances.

(Paragraph 8.2.19, 8.2.27, 8.2.31 and 8.2.32)

The rate of handling charge levied on private producers was not revised for eight years.

(Paragraph 8.2.33)

8.2.1 Introduction

Forests of Madhya Pradesh are spread over an area of 94,689 sq Km, which is 30.72 *per cent* of the total geographical area of the state (3,08,245 sq Km) and 12.10 *per cent* of the total forest area of the country. The forest cover is concentrated in the central, eastern and southern parts of the state. The main forest products, which generate revenue in wood category are timber, bamboo, fuel wood and *Khair* while in non-wood category these are *tendu patta*, Sal seed, *harra*, gums, *chironji*, flowers and seeds of *mahua* etc. In addition, compensation including fine imposed in forest offence cases, supervision charges on compensatory afforestation, transit fees on minerals transported through forest area, etc are also the sources of forest receipts. MP Minor Forest Produce Federation is engaged in trade of non-wood produce, while trade in wood produce is done departmentally through auction and by *nistari*¹ sale to consumers. Forest receipt is a major source of non-tax revenue for the Government, during the period 2010-11 to 2014-15, it ranged between 9.34 and 14.63 *per cent* of total non-tax revenue of the State.

8.2.2 System for management of forest

Forest Department manages the forests through its various General and Production Divisions. Divisions are subdivided into 'Ranges' which are further divided into 'Circles'. The 'Compartment' is the smallest unit of forest for its management whereas 'Coupe' is a demarcated forest area where the exploitation is to be carried out.

General Divisions are engaged in various territorial activities such as security, improvement of forest, marking of trees for felling, etc. and Production Divisions are engaged in felling, transportation and selling of forest produce. In forest areas with lesser production, General Divisions also execute the works of Production Divisions.

Forests are managed according to the provisions of Working Plan (WP), which are prepared for a period of 20 years by the separate working plan Divisions of Forest Department, headed by PCCF (Working Plan and Forest Land-record) and are approved for each Division for a period of ten years by the Ministry of Forests and Environment, Government of India (GoI). The WPs contain detailed scheme of management for silvicultural² operations, which includes formation of working circles, demarcation of coupes, felling of trees and post felling treatment such as clearing of bushes and plantations etc.

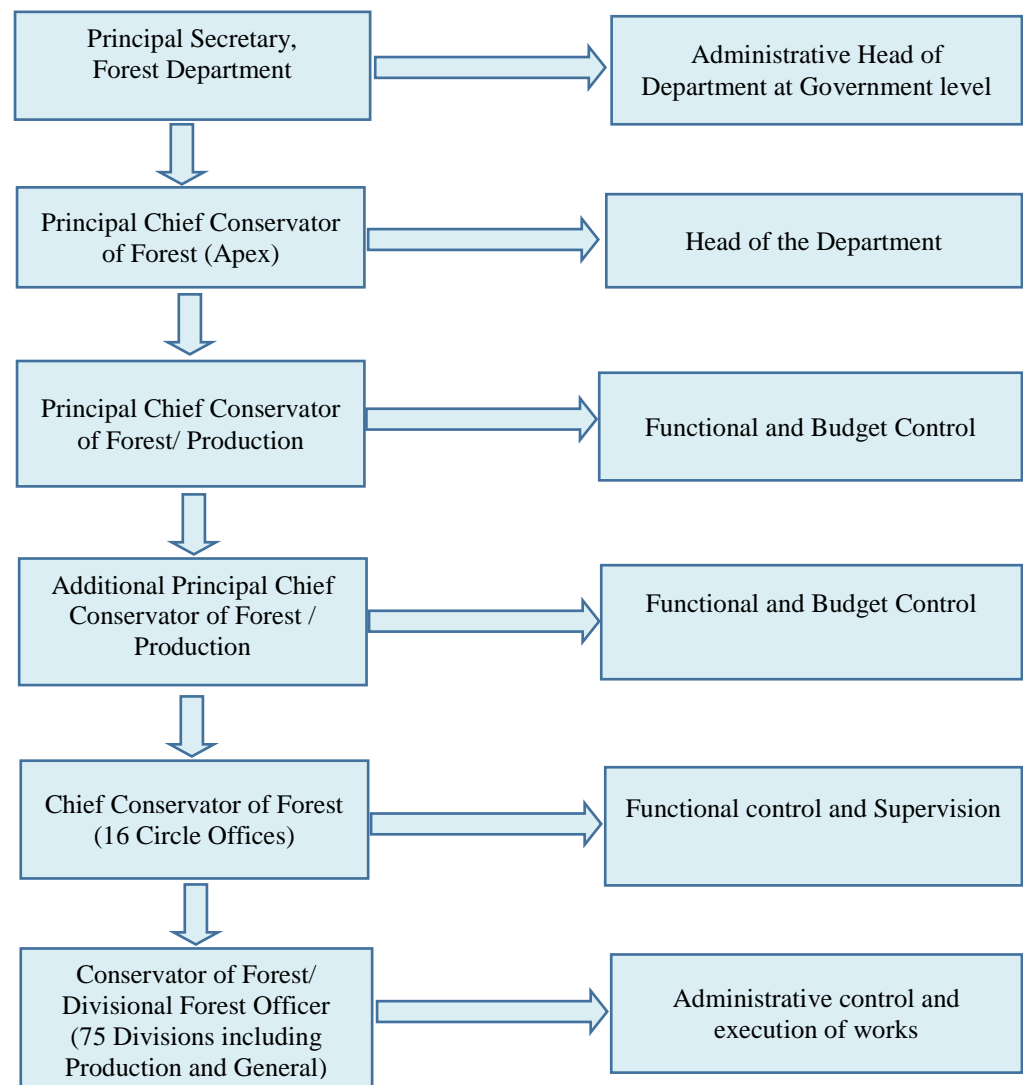
¹ To provide fuel woods, bamboos and poles to nearby inhabitants at concessional rates.

² Silviculture is the art and science of controlling the establishment, growth, composition and quality of forest vegetation for the full range of forest resource objectives.

8.2.3 Organisational set up

The Department functions under the overall control of the Principal Secretary (PS) at the Government level while the Principal Chief Conservator of Forests (PCCF) is the head of the Department and is responsible for the overall administration of the Department. The hierarchy and responsibilities of the Department thereupon is shown in **Chart 1**:

Chart 1: Showing organisational set up



The CF/ DFO is in-charge of the Territorial/ General/ Production Divisions assisted by Sub Divisional Officer (SDO) and Range Officer (RO). The RO is assisted by Deputy RO, Foresters and Forest Guards.

8.2.4 Audit Scope and methodology

The Performance Audit was conducted during the period December 2014 to June 2015 and the records pertaining to the period 2010-11 to 2014-15 were

examined in 18 Divisions³ out of 75 Divisions selected on the basis of stratified random sampling and the office of the Additional PCCF (Production).

8.2.5 Audit criteria

Performance audit was based on criteria derived from:

- The Indian Forest Act, 1927; Forest Conservation Act, 1980 and MP *Van Upaj (Vyapar Viniyaman) Act*, 1969;
- Madhya Pradesh *Vanopaj (Vyapar Viniyaman) Kashtra* rules, 1973, *Van Upajon ka Vyayan (disposal) Niyam*, 1974, Madhya Pradesh Finance Code (MPFC) , Madhya Pradesh Treasury Code (MPTC) and Madhya Pradesh Forest Financial Rules (MPFFR); and
- Instructions and orders issued by the Government and the Department.

8.2.6 Audit objectives

The Performance Audit was conducted to assess whether:

- marking, felling and extraction activities envisaged in the working plan were being followed economically, efficiently and effectively;
- the forest receipts were assessed and collected efficiently to optimise the revenue; and
- the internal control mechanism and accounting system were efficient and effective.

8.2.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Forest Department for providing necessary information and records to audit. The scope and methodology of audit was discussed with the Principal Secretary of the Forest Department in an entry conference held on 27 March 2015. Draft Performance Audit report was issued to the Government on 27 July 2015. The findings of the Performance Audit were discussed with Principal Secretary of the Forest Department and APCCF (Production) in the exit conference held on 12 October 2015. Replies of the Government were received (November 2015) and suitably incorporated. The views of the Government/ Department have been suitably incorporated in the Performance Audit. All the seven recommendations of the audit were accepted by the Department.

8.2.8 Trend of Forest Receipts

According to Rule 128 of MPFFR, the DFOs prepare the annual budget estimates of receipts on the basis of receipts of the previous year and the anticipated receipts for the next year. These are submitted to the PCCF

³ Six General Divisions - Burhanpur, Khandwa, Dewas, Betul North, Chhindwara West and Chhindwara South; Five other General Divisions (engaged also in Productions works)- Sehore, Gwalior, Sidhi, Singrauli and Katni; Seven Production Divisions- Khandwa, Chhindwara, Mandla, Dindori, Balaghat North, Harda and Seoni

through the CCF of the circle and finally sent to the Finance Department for approval.

The trend of revenue received for the last five years ending 31 March 2015 is given in **Table 8.2**.

Table-8.2

(₹ in crore)

Year	Budget estimation	Actual receipts	Variation	Percentage Increase (+)/ decrease (-)	Percentage share of Forest receipts in non tax receipts
2010-11	1,000.00	836.61	(-) 163.39	(-) 16.34	14.63
2011-12	1,027.32	878.81	(-) 148.51	(-) 14.46	11.74
2012-13	969.04	910.38	(-) 58.66	(-) 6.05	13.00
2013-14	1,100.00	1,036.80	(-) 63.20	(-) 5.75	13.46
2014-15	1,250.23	968.77	(-) 281.46	(-) 22.51	9.34
Total	5346.59	4,631.37			

(Source: Finance accounts and Budget estimates of Government of Madhya Pradesh)

During the period 2010-11 to 2014-15, the Forest Department collected revenue of ₹ 4,631.37 crore against the budget estimate of ₹ 5,346.59 crore in various sub-heads such as sale of timber and other forest produce, receipts from social and farm forestries, State trading in timber, bamboo and other receipts. In the years 2010-11, 2011-12 and 2014-15, there was variation of 16.34, 14.46 and 22.51 *per cent* respectively from budget estimates which implies that the estimations were unrealistic. The variation in actual realisation came down to 6.05 and 5.75 *per cent* respectively for the years 2012-13 and 2013-14.

During the period 2010-11 to 2014-15, the share of forest receipts in the non tax receipts decreased from 14.63 *per cent* to 9.34 *per cent*.

The Government did not furnish reply (November 2015).

Audit findings

Shortfall in forest produce

8.2.9 Loss of revenue due to low yield of timber

The production of timber and fuel wood was 11 to 95 per cent below the estimated production in 250 coupes of nine Divisions. Further, in 426 other coupes of eight Divisions, though variation in overall production was within 10 per cent of the estimation, the production of timber which is more valuable was 11 to 100 per cent short of estimation. This resulted in loss of ₹ 69.23 crore.

Marking of coupes due for exploitation and estimation of timber/ fuel wood to be obtained out of the marked coupes is done by the General Division. As per instructions issued by the CCF (P) (January 1984), 10 *per cent* variation between estimated and actual yield of timber and fuel wood is permissible. PCCF further clarified (March 2004) that the reason for high variation may be investigated and reconciled by joint inspection during exploitation by the authorities of both General and Production Divisions.

We scrutinised felling progress report and other records of felling in 12 Divisions and observed that in 193 out of 2,900 coupes of eight⁴ Divisions, actual production was 24,896.915 cu m timber and 26,249 fuel stacks against the estimated production of 37,119.563 cu m timber and 38,190 fuel stacks during the period 2010-11 to 2014-15. The shortage of production varied between 11 and 85 *per cent* in various coupes. There was nothing on record to establish that joint inspection was carried out in these coupes. The shortfall in production resulted in loss⁵ of ₹ 27.08 crore of revenue.

Further, Working Plan of Sehore (G) Division prescribed treatment in 62 coupes under SCI circle. During the period 2010-11 to 2013-14, in 57 coupes out of these 62 coupes, as against estimated yield of 17,995.850 cu m timber, actual production of 7,330.332 cu m timber was obtained, which was 15 to 95 *per cent* short of estimation in different coupes. There was short production of 5,488.818 cu m⁶ timber. This resulted in loss of ₹ 11.50 crore of revenue.

Further, in 426 other coupes of eight Divisions⁷, the estimated production of timber and fuel was 1,35,306.105 cu m and 63,024 stacks against which actual production was 1,03,025.66 cu m and 1,06,138 stacks respectively. Though the overall production was within the limit of 10 *per cent* shortage, the production of timber was 11 to 100 *per cent* short of estimation which was compensated by the increase in fuel wood production, resulting in loss of ₹ 30.65 crore.

The Government stated (November 2015) in respect of Balaghat North (P) Division that the estimated production had been revised in joint inspection and actual production was within 10 *per cent* limit. In respect of Harda (P) and Dindori (P) it was stated that the production of timber and fuel wood depend on whether the tree was green, dead or diseased and the General Division marked trees and estimated production on the basis of form factor which may vary in excess of 10 *per cent*. In respect of Seoni (P) it was stated that the actual production was 10 *per cent* below as well as above the revised estimated production in different coupes. The reply in respect of other six Divisions had not been furnished.

The reply in respect of Balaghat North (P) Division is not acceptable as the joint inspection to revise estimation was to be carried out during the felling of trees as per directions (March 2004) of PCCF, whereas the joint inspection was carried out after the felling, which serves no useful purpose. The reply in respect of Harda (P) and Dindori (P) is not correct as production of timber and fuel wood depends on state of tree i.e. Sound, Half sound and fuel, which is mentioned in the marking book and the estimation is based on it. The reply in

⁴ Khandwa (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Seoni (P) and Katni (G)

⁵ The loss has been calculated by deducting 10 *per cent* permissible variation. The amount is arrived at by using average auction rate for mixed timber sold during the period 2010-11 to 2014-15 and corresponding amount received in selected divisions (total amount divided by the total quantity) and nistar rate for fuel stacks

⁶ 5488.818 (Short Production) = 17995.850 (Estimated Production) - 7330.332 (Actual Production) - 3377.115 (Seized material in Forest offence cases) - 1799.585 (10 *per cent* of Estimated Production)

⁷ Khandwa (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Seoni (P) and Harda (P)

respect of Seoni (P) is not correct as the audit observation pertains to the coupes where variation is in excess of 10 *per cent* limit.

8.2.10 Loss of revenue due to low yield of bamboo

The production of bamboo was below the estimation and there was short production of commercial bamboo compensated by the increase in production of industrial bamboo, resulting in a loss of ₹ 10.37 crore.

The CCF (P) clarified (June 1995) that no variation is permissible between estimated and actual yield in case of bamboo exploitation.

Following irregularities were observed in extraction of bamboo from felling progress report and other records of felling:

8.2.10.1 In six⁸ out of 12 Divisions, the shortfall in the actual yield (12352.530 NT industrial and 19146.094 NT Commercial) of bamboo ranged between 10 and 100 *per cent* in various coupes against the estimated yield (19950.736 NT industrial and 27280.092 NT Commercial), which resulted in loss of revenue⁹ of ₹ 9.68 crore.

The Government stated (November 2015) in respect of Balaghat North (P) and Harda (P) that at Division level the actual production was in excess of estimation. In respect of Mandla (P), the Government stated that the estimation of General Division was not a binding limit in case of bamboo coupes and required bamboos were extracted during silvicultural operation and in respect of Seoni (P) stated that the overall production (Industrial and Commercial bamboo) of the Division was within 10 *per cent* of permissible limits. The reply in respect of other two Divisions had not been furnished.

The replies are not in consonance with the directions (June 1995 and January 2005) of PCCF which state that variation in actual production vis-à-vis estimated production was to be taken coupe-wise.

8.2.10.2 In two Divisions, Khandwa (P) and Balaghat North (P), though the overall production increased in 18 coupes of Industrial and Commercial Bamboo to 7,939.649 NT and 2,308.531 NT against the estimated production of 4,653.924 NT and 3,916.776 NT. Thus due to decrease in the production of commercial bamboo by four to 100 *per cent* from estimation, Government suffered loss of revenue amounting to ₹ 69.49 lakh.

The Government stated (November 2015) in respect of Balaghat North (P) that the reasons for increase in industrial and decrease in commercial bamboo was ecological and biological, the monkeys destroys first year bamboo (*Karla*). The reply in respect of Khandwa (P) Division was not furnished.

The reply is not acceptable as the marking and estimation takes place in third year (one year prior to the felling), thus, the incidence of the first year is taken care of in the estimation.

⁸ Khandwa (P), Mandla (P), Balaghat North (P), Harda (P), Seoni (P) and Katni (G)

⁹ The calculation by audit is based on the sanctioned rates for Industrial Bamboo and average rate of auction for Commercial Bamboo

8.2.11 Loss of revenue due to illicit felling

During the marking of coupes for felling, 14 to 72 per cent stumps and pollards were found in place of trees however, Preliminary Offence Report (POR) were not found registered resulting in loss of ₹ 6.51 crore.

The Government issued instructions (February 2004) to ensure accountability of all the officials from Forest Guard to DFO in cases of illicit felling, and envisaged action against them if lapses occurred on their part. The PCCF directed (March 2005) that Range Assistant would note in the summary of the marking book about the stumps available in the coupe, whether POR is registered for these stumps or not and the reasons for their occurrence. The RO would put a note of verification and SDO would consent to it.

We observed in nine Divisions¹⁰ that during the period 2010-11 to 2014-15, out of 1,29,650 trees marked for felling in 127 coupes, 45,539 trees were stumps or pollards¹¹, which varied between 14 and 72 per cent of the total trees marked in these coupes. The note regarding registering of POR was not found in the summary of the marking books in any of the above cases. Occurrence of illicit felling at such a large scale, resulted in a loss of ₹ 6.51 crore to the Government (**Appendix XXVIII**). Further, no enquiry or action initiated against officials/officers for these lapses was seen in audit.

The Government stated (November 2015) in respect of Balaghat North (P) that action taken on stumps and pollards was not entered in marking books by the General Division. In respect of Dindori (P), the Government stated that POR of 166 felled trees were filed and the remaining 508 trees were felled in the storm. In respect of Mandla (P), the Government stated that the General Division was responsible for action. In respect of Singrauli (G) it was stated that certificate in respect of registering of forest offence cases had been obtained from concerned officials. The reply in respect of other five Divisions was not furnished.

The reply in respect of Balaghat North (P) and Mandla (P) is not acceptable as revision of marking had not been taken up with General Division. The reply in respect of Dindori (P) is not correct as marking books did not have entries regarding POR and felling in storm, the records to support reply were not provided as well. The reply in respect of Singrauli (G) is not acceptable as records regarding registering of the POR were not produced in support of reply.

¹⁰ DFO (G) Sehore, Burhanpur, Khandwa, Dewas, Singrauli, Katni and DFO (P) Mandla, Dindori, Balaghat North

¹¹ Stumps are remains of illicitly felled tree of height up to 1 m and Pollards are of height 1 to 2 m

Non/short recovery of forest receipts

8.2.12 Non/short recovery of transit fee

The transit fee for transportation of minerals extracted from forest area was short recovered by ₹ 12.23 crore.

GoMP issued (May 2001) directions regarding transportation of minerals from forest land under which leaseholder shall pay the transit fees at a rate of ₹ seven per MT coal and limestone etc., along with the royalty payable to the Mining Department. The leaseholder shall also submit all the monthly/half yearly report to DFO which are prescribed by the Mining Department. Mining Department shall provide record relating to the recovery of transit fee to the DFO from time to time; thereafter transit fee will be adjusted in the revenue head – 0406 of the Forest Department.

We observed in two General Divisions, Singrauli and Sidhi that in two cases¹², during 2010-11 to 2014-15, 1.75 crore MT mineral was transported as seen from the records of Mining Department, making a liability on lease holders to pay ₹ 12.28 crore transit fee to the Department. In these two cases lease holders through monthly report, declared the transportation of 69.45 lakh MT mineral, however, deposited an amount of only ₹ five lakh on account of transit fee. On the basis of the statement of leaseholders, the Department raised the demand of balance ₹ 4.81 crore¹³ against these leaseholders.

Further, there is no system prescribed in the Forest Department to reconcile the quantity of mineral corresponding to which the royalty was paid by the leaseholder to the Mining Department. In the absence of such a system, the transportation of 1.06 crore MT of mineral did not come to the notice of Forest Department and hence demand for recovery of ₹ 7.42 crore was not even raised (November 2015). Thus, there was short declaration by 1.06 crore MT and short recovery of ₹ 12.23 crore of Transit fee.

Principal Secretary during the exit conference stated (October 2015) that matter would be enquired and issue would be discussed with Mining Department. The Government stated (November 2015) in respect of Sidhi (G) that the recovery of transit fee pertaining to Majhagava extension lime stone mine for ₹ 23.68 lakh had been made and remaining amount would be recovered soon.

We recommend that the system of reconciliation with Mining Department of quantities extracted from forest land and transported may be strengthened.

¹² Muher-Amroli coal block, Singrauli (₹ 4.36 crore) of Sasan Ultra Mega Power Ltd. and Majhagava extension lime stone mine, Sidhi (₹ 0.47 crore) of Jaiprakash Associate Pvt. Ltd.

¹³ 69.45 lakh MT (Declared transportation) x ₹ 7 per MT - ₹ 5.00 lakh (Deposited Amount) = ₹ 4.81 crore (Balance)

8.2.13 Short assessment and recovery of compensation in forest offence cases

In 148 forest offence cases, there was short recovery of ₹ 12.07 lakh of compensation for seized forest produce.

We observed in seven¹⁴ out of 11 General Divisions that the value of forest produce seized was estimated at ₹ 7.39 lakh in 148 cases disposed off during 2010-11 to 2014-15. The offence cases against offenders, however, were compounded after recovery of compensation of ₹ 2.78 lakh instead of ₹ 14.85 lakh. This was violation of the provisions of Section 68 of IFA which prescribes that for compounding a forest offence cases by DFOs and SDOs, recovered amount in the shape of compensation should not be less than double the value of Forest produce. This resulted in short assessment and recovery of ₹ 12.07 lakh as compensation (**Appendix XXIX**).

The Government stated (November 2015) that reply would be furnished separately.

8.2.14 Non-levy of supervision charges in compensatory afforestation

The supervision charges amounting to ₹ 67.59 lakh in Compensatory Afforestation project was not recovered from the user agency and in five other cases an amount of ₹ 5.45 crore received in lieu of supervision charges was deposited into CAMPA fund instead of Government Revenue.

The GoMP, Forest Department directed (December 2004) that 10 *per cent* supervision charge on the project cost of compensatory afforestation shall be levied from user agency, except the Government Departments and shall be deposited into revenue head.

We observed in two General Divisions, Chhindwara South and Katni that in two forest land diversion cases of National Highway authority of India, compensatory afforestation (CA) projects for ₹ 6.76 crore were prepared. For execution of these CA projects, an amount of ₹ 67.59 lakh as supervision charges was leviable from user agencies, which was neither demanded nor collected. Thus, the Government was deprived of the revenue of ₹ 67.59 lakh.

Further, an amount of ₹ 5.45 crore was recovered from user agency on account of supervision charges in four cases of land diversion in Dewas, Singrauli, Sidhi and Katni General Divisions. This amount was deposited into CAMPA¹⁵ fund instead of Revenue Head '0406' of the GoMP. Thus, the Government was deprived of revenue amounting to ₹ 5.45 crore.

The Principal Secretary, while accepting the audit's contention, stated in the exit conference (October 2015) that rectification would be done, however, no specific reply regarding recovery of supervision charges was made.

¹⁴ Sehore, Burhanpur, Khandwa, Singrauli, Sidhi, South Chhindwara and Katni.

¹⁵ CAMPA, compensatory afforestation management and planning authority is an autonomous body.

Disposal of forest produce

8.2.15 Short realisation in sale of industrial bamboo

The sale of industrial bamboo 30 to 58 per cent below average price received in previous year and non availing the option of local auction resulted in short realisation amounting to ₹ 2.38 crore.

Forest produce inter-departmental committee has decided (September 2012) that disposal of industrial bamboo will be done by inviting tenders at headquarter level and APCCF (P)/ CCF (P) has been empowered to accept bids having highest rates. This order further stipulates that those lots, for which bids have not been received or received below the upset price, shall be disposed of by way of auction by the CCF having in charge of circle / DFOs in charge of divisions. For this purpose, these CCFs/DFOs shall have powers to dispose of these bamboos in auction as in case of sale of timber.

We observed from the records of APCCF (P) that during first tender invited (January 2014), for 16 lots of industrial bamboo, bids for seven lots were received below upset price while no bids were received for remaining nine lots. In second tender invited (February 2014), for these lots, only one bid was received for 14 lots while two to three bids were received for remaining lots. The bids so received were 30 to 58 per cent below upset price. However, the option of auction at Division level was not availed and industrial bamboo was sold below the upset price. This resulted in short-realisation of ₹ 2.38 crore.

The Government stated (November 2015) that reply would be furnished separately.

8.2.16 Non-implementation of e-auction

The e-auction was not implemented even after nine years from its contemplation and incurring expenditure of ₹ 19.95 lakh.

The GoMP issued (September 2006) instructions for implementation of electronic tendering by replacing the system of manual tendering. For setting up e-auction platform, Next Tenders (India) Pvt. Ltd. was appointed as consultant (May 2007).

GoMP formed (July 2009) a technical committee presided over by the APCCF (Production) for implementation of e-auction, which was to submit its recommendations on amendments in current procedure of auction as well as selection of agency. National Informatics Centre (NIC) submitted (October 2010) a report outlining the e-auction system, which was accepted (December 2010) by APCCF (IT). Meanwhile, PCCF (IT) informed (February 2012) NIC that the Department did not want it to develop the applications and Forest Department would develop applications of its own.

PCCF (IT) informed (October 2014) the APCCF (Production) that the viability study of two options- System developed by NIC and System developed by professional service provider- was going on and the decision on implementation of e-auction would be taken thereafter.

After incurring an expenditure of ₹ 19.95 lakh in nine years up to September 2015 on these exercises, the Department was not in a position to provide a definite time frame by which e-auction system would be implemented. Thus, the very purpose of transparency and competitiveness in auction system could not be fulfilled.

The Government stated (November 2015) that implementation of e-auction would take some more years as the infrastructure for its implementation was lacking. However, considering the advantages associated with e-auction, the Principal Secretary instructed the officials of the Forest Department in the exit conference (October 2015) to expedite the work of transition towards e-auction.

8.2.17 Lack of transparency in auction

The auction process lacked transparency as details of second highest bidder and his signature was not recorded and presence of CF during auction was not ensured.

The PCCF had issued (June 2008) certain directives regarding procedures to be followed for auction of timber in Depots. It was instructed that at the time of auction, CF shall compulsorily be present, auction process shall be audio and video graphed in those Depots, where regular complaints are being received and name and signature of second highest bidder shall be recorded in the bid-sheet. The objective of this entire procedure was to ensure transparency in the auction.

We observed in all the 11 Divisions¹⁶ that the second highest bid and name of its bidders and their signatures were not recorded in any of the bid-sheets. Thus, the transparency in the auction was not ensured. Moreover the presence of the CF was also not confirmed from the records, though during the period 2010-11 to 2014-15, a total of 2,31,517 lots were auctioned and an amount of ₹ 2,071.53 crore was realised.

The Government stated in respect of seven Division¹⁷ that the details and signature of the second highest bidder could not be obtained as during auction long process was to be followed in short time; in future the process would be adhered to; auctions were video graphed to ensure transparency. The reply in respect of other four divisions was not furnished.

The fact remains that the instructions issued by PCCF regarding presence of CF and details of second highest bidders were not adhered to.

8.2.18 Loss of revenue due to non-disposal of forest produce on time

The forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore.

¹⁶ Sehore (G), Khandwa (P), Gwalior (G), Chhindwara (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Seoni (P) and Harda (P)

¹⁷ Khandwa (P), Sidhi (G), Chhindwara (P), Mandla (P), Dindori (P), Balaghat North (P), and Harda (P)

As per Rule 114A of Madhya Pradesh, Disposal of timber and Forest Produce Rules, 1974, useful life of felled timber and bamboo is five years and two years respectively. Therefore, timber and bamboo stored in depots should be disposed off in time to avoid deterioration in quality and to obtain optimum sale value.

Deficiencies noticed in non-disposal of forest produce are illustrated below:

8.2.18.1 We observed in six¹⁸ Divisions out of 18 Divisions that 1,094.414 cu m logs of timber, 1,617.835 cu m and 39,220 numbers of poles, 0.869 cu m *chiran* and 69 NT bamboo were pending for disposal in depot for periods ranging between one year and four years and their expiry was nearing. Thus, revenue of ₹ 6.93 crore remained blocked with risk of non disposal due to deterioration of quality of timber and bamboo.

The Government stated (November 2015) that 42.712 cu m remaining timber in Balaghat North (P) Division had been disposed of and effort for disposal was being made in Khandwa (P) Division. The reply in respect of four other divisions was not provided. The reply is not correct as the quantity of timber pending for disposal was 194.593 cu m in Balaghat North (P) Division.

8.2.18.2 We observed in depots of six¹⁹ out of 11 General Divisions that 151.186 cu m timber seized in 376 forest offence cases pending in the Courts, pertained to the periods from 1982 to 2015 were lying un-disposed. However, in these cases the Department did not apply to the court for order of disposal under the provisions of Section 58 of IFA²⁰. As a result, 38.676 cu m timber, being more than five years old, had completed its useful life resulting in loss of ₹ 8.10 lakh. Besides, in the remaining 112.51 cu m of timber lying undisposed, which is nearing its useful life, there is likelihood of loss of ₹ 10.69 lakh.

The Government did not furnish reply (November 2015).

8.2.18.3 In Gwalior (General) Division 11 lots were formed in 2004-05. The upset price of these lots was fixed in December 2006 at ₹ 6.63 lakh and thereafter were put to auction thrice from November 2007 to March 2010. These lots could not be sold and the forest produce was perished (December 2012). Thus, the delay for eight years resulted in loss of ₹ 6.63 lakh due to deterioration.

The Government did not furnish reply (November 2015).

We recommend that in order to avoid losses due to deterioration of forest produce seized in forest offence cases, disposal of forest produce should be done at the earliest with permission of the Court and to ensure transparency in auction process, e-auction system may be implemented at the earliest.

¹⁸ DFO (G) Sehore, DFO (P) Khandwa, Mandla, Dindori, Balaghat North and Harda

¹⁹ DFO (G) Sehore, Burhanpur, Khandwa, Dewas, Singrauli and Chhindwara South

²⁰ Magistrate may direct sale of any property seized under Section 52 of IFA which is subject to speedy and material decay

8.2.19 Non preparation of Timber Account

The preparation of Timber accounts were pending for periods ranging from three months to 38 years and 11 months.

Timber Account contains information such as the opening balance of the produce, time when it was received, quantity disposed during the month, balance quantity pending etc., which is vital for monitoring the receipt and disposal of harvested as well as confiscated forest produce by the DFO. This would also enable detection of any shortage of timber between the coupe and the depot. The DFO on a monthly basis submit it to CF who will forward it to CCF.

We observed in 15²¹ out of 18 Divisions that timber accounts were not being prepared timely and were pending for periods²² ranging from three months to 38 years and 11 months against the Rule 217 of MPFFR which prescribes that monthly Timber Account in Form 20A is to be prepared in the ranges and sale depots to be submitted to the DFOs. The DFO (G) Burhanpur stated that accounts of his Divisions were not prepared beyond 1976 while DFO (G) Khandwa stated that the timber account was not prepared after 1997. However, both DFOs could not produce even these timber accounts to Audit.

Further, in four Divisions²³, the timber account was incomplete as it did not contain the information pertaining to *nistar* depots or ranges. Besides, in Dindori (P) and Chhindwara South (G) Divisions the timber account was prepared on a half yearly basis and in Katni (G) Division on annual basis instead of monthly. Thus, monitoring the receipt and disposal of harvested as well as confiscated forest produce was not ensured as evident from Paragraph 8.2.18 in which it was noticed that sizeable quantity of timber remained undisposed.

The Principal Secretary stated in exit conference (October 2015) that timely preparation of Timber Account would be ensured.

Shortage in re-measurement/ physical verification of forest produce

8.2.20 Loss due to shortage in forest produce sent from coupes

The forest produce sent from coupe were found short on transportation to depot resulting in loss of ₹ 1.42 crore.

The APCCF (Production) directed (March 2003) that provision for relaxation due to driage and other reasons as enumerated in the directions (October 1997) of CCF (Production) for different girth classes may be considered during measurement in coupes and no provision of relaxation is available during the re-measurement in depot and if any shortage is noticed, recovery of the same shall be made from coupe in-charge.

²¹ Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P), Chhindwara (P), Betul North (G), Dewas (G), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Chhindwara South (G), Balaghat North (P), Harda (P) and Katni (G)

²² As on last day of audit of respective Divisions

²³ Sehore (G), Gwalior (G), Singrauli (G) and sidhi (G)

8.2.20.1 We observed in eight²⁴ out of 12 Divisions that during the period 2010-11 to 2013-14, 24,084.244 cu m timber was sent from 127 coupes to depots. On re-measurement in depots, the timber was found to be 23,527.555 cu m. Thus, there was shortage of 556.689 cu m timber. This resulted in loss of ₹ 1.17 crore. (**Appendix XXX**).

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Mandla (P), Dindori (P) and Singrauli (G) that measurements in the the coupe were taken by the untrained labours on undulated land and hence errors occurred, the recovery of felling and collection expenses were being made from coupe in-charge. The reply in respect of other three Divisions was not furnished.

The reply stating recovery of felling and collection charges is not acceptable as recovery of amount of shortage in quantity of the timber was not made.

8.2.20.2 We observed from coupe completion reports and felling progress reports in four Divisions²⁵ that 2,475 cu m timber, 955 fuel stacks and 29.039 NT bamboos were produced, against which 2,418 cu m timber and 12.742 NT bamboo was transported to the depot. The remaining quantity of forest produce was neither transported nor was available in the respective coupes. Due to non-availability of forest produce, the Department suffered loss of ₹ 25.55 lakh.

The Government stated (November 2015) in respect of Dindori (P) that all the produce had been transported to the depot. The reply in respect of other three Divisions was not furnished. The reply is not correct as records reveal that transportation was not yet complete.

We recommend that accountability may be fixed for the shortfall in forest produce at the time of re-measurement in depots and recovery of such losses would be made from officials held responsible.

8.2.21 Loss due to shortfall in confiscated forest produce

The forest produce seized in illicit felling were found short on transportation to depot resulting in loss of ₹ 64.80 lakh.

The GoMP, Forest Department, directed (February 2004) that Forest Officers shall be held accountable for any loss due to illicit felling according to duties discharged by them for protection of area under their control. In the Department, loss is worked out by deducting the value of confiscated timber from the estimated value of illicitly felled trees. PCCF observed (January 2005) shortfall in volume of POR material received in depot and instructed that after reconciliation, action for recovery of shortfall may be initiated.

We observed from records relating to carting of confiscated timber in seven²⁶ out of 12 Divisions that during the period 2010 to 2015, out of total 1,317.532 cu m of material seized in forest offences cases and transported to sale depots

²⁴ Sehore (G), Khandwa (P), Singrauli (G), Mandla (P), Dindori (P), North Balaghat (P), Harda (P) and Katni (G)

²⁵ Sehore (G), Khandwa (P), Sidhi (G) and Dindori (P)

²⁶ DFO (G) Sehore, Dewas and Sidhi, DFO (P) Khandwa, Mandla, Balaghat North and Harda

of the Divisions, shortfall of 309.297 cu m was observed in re-measurement at depots. Thus, material received at depots fell short by 23.48 per cent, resulting in undervaluation of loss by ₹ 64.80 lakh which was not recovered from the concerned officials (**Appendix XXXI**).

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Sidhi (G), Khandwa (P) and Mandla (P) that shortfall in volume was due to driage, delay in transportation of timber and measurement of timber at the site of offence was done with bark while in depot measurement was done after removing it. The reply in respect of other two Divisions was not furnished. The fact remains that material received at depots fell short and the change in method of measurement of timber at site of offence is not in accordance with the directions issued by Forest Department.

8.2.22 Loss due to shortage of forest produce found in physical verification

The shortfall noticed in physical verification of forest produce in nistar depots amounting to ₹ 30.84 lakh was not recovered.

We observed in six²⁷ out of 18 Divisions that during the period 2010-11 to 2013-14, shortage of 52,397 numbers of bamboo, 2,806 numbers of poles and 863.05 fuel stacks amounting to ₹ 27.85 lakh was noticed during physical verification of depots conducted by the forest authorities.

Further, during the period 2008-14; 6,177 bamboo and 1,213 poles amounting to ₹ 2.99 lakh provided to Public Works Department (PWD)/ Police Department and Municipal Corporation by the DFO (G) Sehore and Gwalior for barricading purpose were not returned. Thus, shortfall in forest produce resulted in loss of ₹ 30.84 lakh (**Appendix XXXII**).

These loss cases were also not reported to the HOD/ Accountant General (AG) for follow-up action such as explaining the reasons of losses, circumstances under which loss occurred and preventive measures taken to prevent losses in future. This was contrary to the Rule 22 (1) of MPFC which provides that any loss should be reported to the Head of Department (HOD) as well as the AG and after enquiry, action for recovery should be initiated.

The Government stated (November 2015) in respect of Singrauli (G) Division that the loss would be recovered after the receipt of report on disciplinary action against delinquent staff. The reply in respect of five other Divisions was not provided. However, the Principal Secretary took the issue of loss due to shortage of forest produce found in physical verification seriously and stated in the exit conference (October 2015) that recovery from the persons responsible would be made.

²⁷ Sehore (G), Burhanpur(G), Khandwa(G), Singrauli(G), Chhindwara South(G) and Katni (G)

Implementation of Working Plan

8.2.23 Non-realisation of revenue due to short/ non-felling

Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.

The PCCF directed (April 2004) that in case of any disagreement regarding demarcation of the coupe, number of trees marked, quality of classification of trees and unrecorded illicit felling in coupes, a joint inspection shall be carried out by DFOs of General and Production Divisions. It was further directed (November 2004) that works envisaged in the WP for coupes in different working circles would be implemented. It was also directed that if the felling in the coupes is not beneficial, the felling of marked trees would be carried out for silviculture operations followed by regeneration works compulsorily and coupe would not be written off in any condition.

During the felling year²⁸ 2010-11 to 2014-15, against the sanction of Ministry of Environment and Forest, Government of India (GoI) for felling in 7,40,286.557 ha in the State, felling was carried out in 7,20,049.343 ha. Besides, 96,67,876 trees were felled against the total 1,04,36,188 marked trees during the same period. Thus, there was shortfall of 20,237.214 ha area for treatment and 7,68,312 marked trees were not felled.

We observed following deficiencies:

8.2.23.1 In five²⁹ out of 11 Divisions, marking and felling in 50 coupes with an area of 6,189.900 ha was not carried out as the Department failed to check the encroachment and ensure felling of trees before submergence. This shows deficiency in management of forests resulting in estimated³⁰ non-production of forest produce amounting to ₹ 8.34 crore.

The Principal Secretary, while accepting the deficiency in implementation of working plan stated in the exit conference (October 2015) that at the time of preparation of working plan, certain coupes were included in the working plan however while at the time of implementation, marking was done as per availability of the tree.

The reply is not acceptable as the coupes were not marked, and due to which, availability of trees could not be ensured.

8.2.23.2 The WP of Gwalior (G) Division for the period 2005-2015 prescribed treatment of 10 coupes under Improvement Working Circle³¹ (IWC) every year. The GoI also accorded permission for felling in these coupes for the year 2010-11 and 2011-12 respectively. Marking and felling in

²⁸ Felling cycle begins in October and continues up to September

²⁹ Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P) and Singrauli (G)

³⁰ Estimation of production is done by the audit Division-wise, on the basis of average production for the concerned year per hectare in other coupes where felling was executed (3089.856 cu m timber, 1525.70 cu m *Arkat* wood and 3837.487 fuelstacks)

³¹ In Improvement Working Circle ill-formed trees are felled to provide space for growth for other trees.

these coupes was not carried out. Thus, the Government was deprived of revenue.

The Government did not furnish (November 2015) reply.

8.2.23.3 The WP of Sidhi (G) Division was approved for the period 2000-10. The permission for execution of works envisaged in the WP for 2010-11 was accorded (March 2010) and the next WP for the period 2012-22 was approved by the GoI in November 2013. Thus, felling in the year 2011-12 was not carried out, resulting in non-extraction³² of timber amounting to ₹ 10.53 crore.

The Government did not furnish reply (November 2015).

8.2.23.4 In four³³ out of 12 Divisions, 9645 marked trees of 20 coupes were not felled by the Department. This led to short production of 2,151.458 cu m timber and 2,134.308 fuel stacks, resulting in non-realisation of revenue amounting to ₹ 4.81 crore.

The Government stated (November 2015) in respect of Balaghat North (P) Division that the trees of rare species were not felled and the General Division was intimated (April 2011) about the same. The Government did not furnish reply in respect of other three Divisions.

The reply is not acceptable as the joint inspection with General Division was not carried out to ascertain the claim that the trees were of rare species.

8.2.23.5 In General Divisions Sehore and Katni, 36 coupes of bamboo due for felling during the period 2009-10 to 2013-14 were not felled without assigning reasons. This resulted in non-extraction of 188.524 NT commercial and 25.823 NT industrial bamboos amounting to ₹ 18.79 lakh.

The Government did not furnish reply (November 2015).

We recommend that in order to derive optimum revenue potential of the forest resources and at the same time maintain biodiversity through silvicultural activities, provisions of Working Plan may be implemented strictly.

8.2.24 Non- adherence to the conditions of the sanction

While executing the Working Plan, the DFOs did not account for illicit felling and felling mandated under FCA which resulted in excess felling for the relevant year.

The annual permission for execution of WP prescriptions by GoI for the year 2013-14 and 2014-15 stipulated that for all kinds of felling including felling of dead, dying and diseased trees, for granting of right and concessions, illicit felling and felling mandated under Forest Conservation Act (FCA) approval shall be accounted for against the prescribed felling yield of the relevant year.

We observed in six³⁴ out of 11 General Divisions that during 2013-14 and 2014-15 felling was executed estimating production of 24,702.73 cu m timber, 10,521 poles and 20,672.85 fuel stacks. During this period, the Department

³² 4765.422 cu m timber and 4784 fuel stacks is average yield of 2010-11 and 2012-13.

³³ Singrauli (G), Mandla (P), Dindori (P) and Balaghat North (P)

³⁴ DFO (G) Sehore, Burhanpur, Singrauli, Sidhi, Chhindwara South and Katni

had seized 2,840.79 cu m timber in forest offence cases and 8,055.805 cu m timber was produced in felling mandated under FCA. Thus, the total quantity of 10,896.59 cu m timber was not taken into account while implementing sanction granted by the GoI. This resulted in excess felling and realisation of revenue ₹ 22.83 crore without heeding to its environmental impact (**Appendix XXXIII**).

The Government stated (November 2015) in respect of Sidhi (G) Division that during the year 2014-15, 84.342 ha area of one coupe was not felled in lieu of felling mandated under FCA and remaining area would be considered for not felling by 2018-19. The Government did not furnish reply in respect of other six Divisions.

The reply is not acceptable as felling under FCA was to be accounted for in the concerned year. However, the reply is silent in respect of accounting for seizure in prescribed felling.

8.2.25 Felling of trees below selection girth

Felling of trees below selection girth prescribed in WP resulted in excess felling and corresponding revenue realisation amounted to ₹ 8.69 crore.

WPs prescribe the felling of mature trees in Selection-cum-improvement³⁵ (SCI) circles to obtain optimum volume of timber from the trees and diversification of flora into various age-classes. For this, WP stipulates the selection girth, arrived at by using certain criteria such as climatic region and species, etc. Felling of trees below selection girth is prohibited except in cases of dead, dying and deceased trees.

We observed in 10³⁶ out of 12 Divisions that during the period 2010-11 to 2014-15, 1,04,704 trees of Sal, teak and other species were felled in 131 SCI coupes. Of these felled trees, 68,940 were below the selection girth (65 per cent) fixed for them. The marking book did not mention that these trees were dead, dying or deceased. The felling of immature trees did not give opportunity for their further growth and hence optimum timber could not be obtained. Felling of trees prohibited in WPs, resulted in excess felling and corresponding revenue realisation of ₹ 8.69 crore (**Appendix XXXIV**).

The Government stated (November 2015) in respect of Balaghat North (P), Dindori (P) and Singrauli (G) Division that the dead, dying and diseased trees of below selection girth were felled and in respect of Harda (P) Division, the Government stated that below selection girth trees were felled to provide thinning. The Government stated in respect of Mandla (P) that most of the trees of below selection girth were either half sound or fuel wood class.

The reply in respect of Balaghat North (P), Dindori (P) and Singrauli (G) Division is not correct as the marking books did not show that these trees were dead, dying or deceased and the fact that such a large number of trees (65 per cent) were ill-developed is not acceptable as well. The reply in respect of Harda (P) Division is not acceptable as there was no such provision in the WP

³⁵ In SCI coupes, selected mature as well as ill-formed trees are felled.

³⁶ DFOs (G) Sehore, Burhanpur, Khandwa, Dewas, Singrauli, Chhindwara South and DFOs (P) Mandla, Dindori, Balaghat North and Harda

for felling of below selection girth for thinning. The reply in respect of Mandla (P) is not acceptable as criteria do not prescribe that half sound and fuel wood class trees would be felled if below selection girth.

Transportation of forest produce

8.2.26 Non-receipt of security deposit from haulage contractor

In haulage contracts for transportation of forest produce, the security deposit amounting to ₹ 1.51 crore was not obtained from the contractors.

Condition 6 of the agreement of transport contract for transportation of forest produce stipulates that the contractor shall furnish a security deposit in the shape of crossed bank draft/ deposit at call/ fixed deposit/ bank guarantee of any scheduled bank equivalent to 10 *per cent* of the total amount of haulage contract as guarantee for performing and observing the terms and conditions of the contract.

We observed in 341 agreements of haulage contract in nine³⁷ out of 12 Divisions that during the period 2010-11 to 2014-15 security deposit amounting to ₹ 1.51 crore was not furnished by the contractors, yet the work was awarded and execution was started resulting in non compliance of the clause of the contract agreement and undue monetary favour to contractors for the period of contract.

The Government stated (November 2015) that in respect Sidhi (G) and Dindori (P) Divisions, 10 *per cent* security deposit was deducted from the running bills of the contractors and in respect of Chhindwara (P) and Mandla (P) Divisions, the security deposit had been recovered. The Government did not furnish reply in respect of other five Divisions.

The replies in respect of Sidhi (G) and Dindori (P) Divisions is not acceptable as the clause of the agreement stipulated recovery of security deposited at the time of awarding the work and not in installments through his running bills. Further, as per condition 6 of the agreement, the purpose of collection of security deposit was to serve as a guarantee for performing the terms of the contract which cannot be ensured if the amount is deducted in the installments through running bills. The reply in respect of Chhindwara (P) and Mandla (P) Divisions is not correct as security deposit was not recovered in advance.

8.2.27 Non-maintenance of account of transit pass

Monthly account of transit pass was not being obtained from the persons to whom TP books were issued.

We observed in 15 Divisions³⁸ out of 18 Divisions that monthly account of transit pass was not being obtained from ROs, SDOs, Depot Officers and Gram Panchayats to whom Transit Pass (TP) books were issued contrary to rule 10 (1) of Transit (Forest Produce) Rules 2000, which provides that any

³⁷ Khandwa (P), Chhindwara (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), North Balaghat (P), Harda (P) and Seoni (P)

³⁸ Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P), Gwalior (G), Dewas (G), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Chhindwara South (G), Balaghat North (P), Harda (P), Seoni (P), and Katni (G)

person, to whom book of transit passes is supplied, shall submit a monthly account to the Divisional Forest Officer, of forest produce extracted through the transit passes issued by him.

Besides, in eight Divisions³⁹ the return of counterfoils of the TPs was not found to be entered in the TP register contrary to the rule 10 (2) which provides that counterfoils of all used transit passes and unused passes, if any, shall be returned to the officer from whom the book of passes was obtained. Thus in absence of TP accounts, cross verification of forest produce that had to be extracted vis-à-vis actually extracted and transported could not be ensured. Simultaneously, it would not be ensured that requisite transit fee was being deposited or not.

The Principal Secretary stated in exit conference (October 2015) that timely preparation of accounts of TPs would be ensured.

Internal control mechanism

8.2.28 Internal audit

Internal control mechanism is intended to provide reasonable assurance of proper enforcement of laws, rules and Department instructions. It helps in prevention and detection of frauds and other irregularities. Internal Control also helps in creation of reliable financial and management information systems for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

During the period 2010-11 to 2014-15, the year wise break up of internal audit conducted by the Department is given in the **Table-8.3**:

Table- 8.3

Year	No. of Divisions Selected for Audit	No. of Divisions Audited	Shortfall in per cent	No. of Paras raised	No. of Paras disposed off	No. of Pending Paras
2010-11	72	52	28	431	274	157
2011-12	66	47	29	647	341	306
2012-13	42	42	0	604	87	517
2013-14	62	15	76	132	32	100
2014-15	47	22	53	287	0	287
Total	289	178		2101	734	1367

(Source: Information provided by the Department)

From the above table it is clear that there was shortfall in internal audit as Divisions audited during the period 2010-11 to 2014-15 which varied from zero to 76 per cent. The criteria for selection of Divisions for audit were not provided to audit. Besides, as on 31 March 2015, 1,367 paras (65 per cent of the total paras) pertaining to the period 2010-11 to 2014-15 were pending for disposal, which showed lack of responsiveness to internal audit.

³⁹ Sidhi (G), Khandwa (P), Singrauli (G), Dindori (P), Chhindwara South (G), Balaghat North (P), Harda (P) and Seoni (P)

8.2.29 Overstatement of receipts and expenditure of the Department

VAT recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in over statement of receipt and expenditure.

We observed in eight Divisions⁴⁰ out of 10 Divisions that the Value Added Tax (VAT) recovered from the sale of forest produce from the depots under the head “State trade of Timber and Bamboo” was also included in the forest receipts under Major Head (MH) 0406 “Forestry and Wildlife” by the Department. Thus, the actual receipts for the five years also includes ₹ 251.58 crore received on account of VAT during these years.

Further, the VAT so recovered was paid to the Commercial Tax (CT) Department under the MH 0040 “Taxes on sales Trade” through the budget allotment under Major Head 2406, Sub Head - 0058- payment of Taxes and Royalties’, thus, incurred an expenditure of ₹ 254.07 crore⁴¹ on payment of VAT. This had the effect of not only overstating the actual receipts and expenditure of the Department but also making the process of framing the budget estimates unrealistic.

The Principal Secretary accepted the audit observation and stated in the exit conference (October 2015) that the system would be amended.

The system of VAT received from sale of forest produce and its payment should be streamlined in accordance with the accounting principles.

8.2.30 Delay in adjustment of revenue into Government account

The forest receipts amounting to ₹ 8.50 crore were deposited in to Government Account with a delay ranging from five to 157 days.

We observed in 11⁴² out of 19 Divisions that in 670 cases, bank draft of ₹ 8.50 crore received as a result of auction of timber, registration fee from traders etc. during the period from 2010-11 to 2014-15 were accounted for in Government account after delay of five to 157 days from the date of receipt of bank drafts in the Division as detailed in **Table-8.4** below. This was in contravention of the Rule 11.v.b of MPFFR, which provides that any cheque or bank draft received from private person in lieu of Government revenue should be entered in the cashbook and should be remitted into bank/ treasury without any delay.

Table-8.4

Delay in days	No. of Cases	Amount deposited with delay (₹ in lakh)
5 to 25	422	840.76
26 to 50	82	6.97
51 to 157	166	1.92
Total	670	849.65

⁴⁰ DFO (G) Sehore, Singrauli, Sidhi and DFO (P) Khandwa, Mandla, Dindori, Balaghat North, Harda

⁴¹ The difference is attributable to various reasons such as non-availability of budget allotment in the concerned year and subsequently deposited in next financial year etc.

⁴² Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P), Dewas (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Harda (P) and Katni (G)

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Sidhi (G), Khandwa (P), Dindori (P) and Mandla (P) that delay was due to frequent auctions, staff shortage, leave of concerned staff and holidays. The reply in respect of five other Divisions was not provided. The fact remains that the Government was deprived of revenue for the period of delay in remittance.

8.2.31 Non-reconciliation of remittances

The reconciliation of remittance amounting to ₹ 3.23 crore from treasury records was pending for up to 49 years.

We observed in 14 out of 19 Divisions audited that reconciliation was not being done on monthly basis as the reconciliation was pending for one to 38 months in these Divisions against the subsidiary rules 505 of Madhya Pradesh Treasury Code (MPTC) which provides that reconciliation of revenue remitted into treasury by the DFOs, should be completed in the following month.

Further, the reconciled account in respect of 234 cases of nine Divisions showed that for the period from 1966-67 to 2014-15, the amount of ₹ 79.73 lakh was accounted for but the same was not available in treasury records⁴³. Thus, the possibility of serious irregularities viz. fraud, misappropriation etc. cannot be ruled out. Similarly, in 466 cases the amount of ₹ 2.43 crore was shown in the treasury records as the receipt of the concerned Division but the same was not incorporated in the accounts of 11 Divisions. This may result in understatement of revenue receipts of the Department to that extent.

The Principal Secretary stated in the exit conference (October 2015) that delay was on the part of Treasury, however, process of reconciliation would be expedited by carrying out discussions with Treasury.

8.2.32 Non-receipt of returns from registered manufacturers, traders etc.

Even though the manufacturers/ traders/ consumers were not submitting quarterly returns, their registration was being renewed.

The PCCF directed (March 2011) that the registration of registered manufacturers, traders and consumers would not be renewed who are not submitting regular returns. The furnishing of returns would enable the Forest Department to ensure that the timber purchased and subsequently consumed was legitimate and as per the permission of the Forest Department.

We observed in seven⁴⁴ out of 11 General Divisions that the registration of 791 registered manufacturers, traders and consumers were renewed in the calendar year 2014. Except 13 saw mill owners, none of these registered manufacturers, traders and consumers were submitting quarterly returns. The renewal was in contravention of rule 7 (4) of Madhya Pradesh *Vanopaj (Vyapar Viniyaman) Kashtra* rules, 1973 which stipulates that every registered manufacturer, trader and consumer shall submit returns of its account to Forest Division.

⁴³ Up to the date of audit of the respective Divisions

⁴⁴ Sehore, Burhanpur, Khandwa, Dewas, Sidhi, Chhindwara South and Katni

The Government stated (November 2015) that instructions had been issued to Range officers to obtain quarterly returns from registered traders.

We recommend that the system of monitoring and supervision may be strengthened by regularly preparing / obtaining necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders, etc. and regular reconciliation of remittances.

8.2.33 Non-revision of handling charges

The handling charges, levied from private producers remained unrevised since March 2007, while the labour rates substantially increased during the period.

The GoMP, Forest Department had reduced (March 2007) the rate of handling charges from ₹ 250 to ₹ 100 per cu m of timber from private producers without any analysis. The private producers are the land owners extracting forest produce from their own land. Forest produce extracted from private land is either retained by the Department by making upfront payment of forest produce to such producer or Department collects the forest produce, sells it and makes payment thereafter. For performing these activities, handling charges are levied.

We observed in nine⁴⁵ out of 10 Divisions that the labour rate had increased by 139 to 175 per cent during the period March 2007 to March 2015 but the handling charges levied from the private sellers of forest produce remained the same. Thus, there is likelihood that handling charges levied by the Department may not cover the actual expenditure incurred on providing the services to private producers.

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Sidhi (G), Khandwa (P), Dindori (P) and Mandla (P) that recovery was being done at the rates fixed and the revision of handling charges was to be done by the Government.

We recommend that the rate of handling charge levied from private producers may be revised periodically.

⁴⁵ Sehore (G), Khandwa (P), Chhindwara (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P) and Harda (P)

8.2.34 Conclusion and Recommendations

- The Forest Department did not reconcile data regarding the quantity of minerals extracted and transported through forest area with the Mining Department. This resulted in short recovery of transit fee for transportation of minerals by ₹ 12.23 crore.

Recommendation: The Department may consider the strengthening the system of reconciliation with Mining Department of quantities extracted from forest land and transported.

- The forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore and the e-auction was not implemented even after 9 years from its contemplation and incurring expenditure of ₹ 19.95 lakh.

Recommendation: The Department may consider the disposal of forest produce at the earliest with permission of the Court in order to avoid losses due to deterioration of forest produce seized in forest offence cases and to ensure transparency in auction process; e-auction system may be implemented at the earliest.

- The forest produce sent from coupe and seized in illicit felling were found short on re-measurement in depot resulting in loss of ₹ 2.07 crore.

Recommendation: The Department may consider fixing accountability for the shortfall in forest produce at the time of re-measurement in depots and recovery of such losses may be made from officials held responsible.

- Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.

Recommendation: The Department may consider strict implementation of provisions of Working Plan in order to derive optimum revenue potential of the forest resources and at the same time maintain biodiversity through silvicultural activities.

- VAT recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in overstatement of receipt and expenditure.

Recommendation: The Department may consider the streamlining of the system of VAT received from sale of forest produce and its payment in accordance with the accounting principles.

- The internal control mechanism was weak as necessary records such as timber account, monthly account of transit passes etc. were not maintained/ updated, quarterly returns from registered traders were not obtained and regular reconciliation of remittances was lacking.

Recommendation: The Department may consider strengthening the system of monitoring and supervision by regularly preparing/ obtaining necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders, etc. and regular reconciliation of remittances.

- The rate of handling charge levied on private producers was last revised in March 2007 and was not revised since then.

Recommendation: The Department may consider periodic revision of the rate of handling charges levied from private producers.



(DEEPAK KAPOOR)

Accountant General

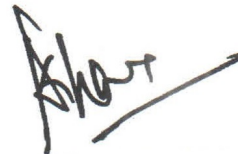
(Economic and Revenue Sector Audit)

Madhya Pradesh

Bhopal

The 19 February 2016

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi

The 22 February 2016