

CHAPTER – V
REVENUE RECEIPTS
GENERAL

5.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2003-04, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

Table 5.1

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-01	2001-02	2002-03	2003-04
I.	Revenue raised by State Government					
(a)	Tax revenue	13.88	20.63	30.89	37.26	43.73
(b)	Non-tax revenue	67.01	63.65	70.91	76.30	120.57
	Total	80.89	84.28	101.80	113.56	164.30
II.	Receipts from Government of India					
(a)	State's share of divisible Union taxes	340.77	115.67	90.93	121.68	160.60
(b)	Grants-in-aid	587.26	761.46	892.57	873.05	1251.46
	Total	928.03	877.13	983.50	994.73	1412.06
III.	Total receipts of State (I + II)	1008.92	961.41	1085.30	1108.29	1576.36
IV.	Percentage of (I to III)	8	9	9	10	10

Non-Plan grants received by the State from Government of India during the period from 1999-2000 to 2003-04 are given below:

Table 5.2

(Rupees in crore)

Year	1999-2000	2000-01	2001-02	2002-03	2003-04
Non-plan grants	9.86	169.48	246.76	242.83	300.04

It would be seen that in comparison with 1999-2000, non-Plan grants received by the State during 2003-04 increased by 2943 per cent.

The details of tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

Table 5.3

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
1.	(a) Sales Tax	0.35	8.19	16.78	17.62	21.79	(+) 23.67
	(b) Central Sales Tax	...	...	...	...	...	...
2.	State Excise	10.08	9.02	10.55	14.26	15.42	(+) 8.13
3.	Stamps and Registration fees	0.45	0.25	0.27	2.10	0.31	(-) 85.24
4.	Taxes and Duties on Electricity	...	...	...	...	...	...
5.	Taxes on Vehicles	1.12	1.12	1.61	1.75	2.02	(+) 15.43
6.	Taxes on Goods and Passengers	...	...	...	...	...	...
7.	Land Revenue	1.36	1.45	1.00	0.81	3.57	(+) 340.74
8.	Taxes on Agricultural Income	...	...	...	...	...	...
9.	Others	0.52	0.60	0.68	0.72	0.62	(-) 13.89
	Total	13.88	20.63	30.89	37.26	43.73	(+) 17.36

The reasons for decrease under the head 'Stamps and Registration fees' was due to decrease in sale of non-judicial stamps. Increase under the head 'Land Revenue' was due to increase in other receipts.

The details of the major non-tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

Table 5.4

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Interest Receipts	4.23	8.99	6.36	5.97	8.45	(+) 41.54
2.	Dairy Development	0.03	0.02	0.02	0.01	0.01	...
3.	Other Non-tax receipts	21.74	17.78	15.75	24.25	30.60	(+) 26.19
4.	Forestry and Wild Life	16.23	13.00	25.24	15.61	9.62	(-) 38.37
5.	Non-Ferrous Mining and Metallurgical Industries	4.32	5.18	4.48	7.44	17.39	(+) 133.74
6.	Miscellaneous General Services (including lottery receipts)	4.02	3.27	3.66	6.73	15.64	(+) 132.39
7.	Power	7.08	12.08	11.86	12.17	33.62	(+) 176.25

(Rupees in crore)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
8.	Major and Medium Irrigation	...	...	...	...	...	...
9.	Medical and Public Health	0.08	0.04	0.10	0.13	0.27	(+) 107.69
	Co-operation	0.02	0.02	0.02	0.03	0.02	(-) 33.33
10.	Public Works	1.76	1.58	1.77	2.18	1.90	(-) 12.84
11.	Police	0.88	0.91	0.87	0.71	1.81	(+) 154.92
12.	Other Administrative Services	6.62	0.78	0.78	1.07	1.24	(+) 15.89
	Total	67.01	63.65	70.91	76.30	120.57	(+) 58.02

The reasons for decrease under the head 'Forestry and Wild Life' was due to decrease in sale of timber and other forest produces.

5.2 Variation between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2003-04 in respect of the principal heads of tax and non-tax revenue are given below:

Table 5.5

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-) with reference to actuals	Percentage of variation
1.	Sales Tax	25.00	21.79	(-) 3.21	(-) 12.84
2.	State Excise	11.50	15.42	(+) 3.92	(+) 34.09
3.	Stamps and Registration Fees	0.56	0.31	(-) 0.25	(-) 44.64

Reasons for variations between budget estimates and actuals though called for have not been furnished (October 2004).

5.3 Cost of collection

The gross collection under taxes on vehicles, expenditure incurred on collection and the percentage of such expenditure during the year 2001-02, 2002-03 and 2003-04 along with All India average percentage of expenditure on collection of gross collection were as under:

Table 5.6

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure	All India average
			(Rupees in crore)			
1	Taxes on vehicles	2001-02	1.61	0.42	26	2.99
		2002-03	1.75	0.49	28	2.86
		2003-04	2.02	0.50	25	--

Cost of collection, in respect of other principal heads of revenue though called for (September 2004) have not been received (October 2004).

It will be seen from above that expenditure on collection was much higher as compared to the all India average.

5.4 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, MVT, Forest receipts and other receipts conducted during 2003-04 revealed under – assessment, non-levy, short levy, loss of revenue of Rs.59.64 crore in 113 cases. During the course of the year, the departments accepted under assessments of Rs.4.25 crore in 34 cases pointed out in 2003-04 and recovered Rs.1.92 lakh. No reply has been received in respect of remaining cases.

This report contains 12 paragraphs and one review relating to collection of forest receipts involving Rs.23.05 crore. The Departments/Government have accepted two cases involving Rs.0.27 crore of which Rs.0.01crore had been recovered upto October 2004. No reply has been received in other cases.

5.5 Failure of senior officials to enforce accountability and protect interests of Government

The Principal Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong arranges to conduct periodical inspection of various offices of the Government/Departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts and verify the maintenance of accounts and records as per Acts, Rules and procedures prescribed by the Government/Departments from time to time. These inspections are followed by Inspection Reports (IRs) issued to the heads of office inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the Department, by the Office of the Principal Accountant General (Audit), Meghalaya, Arunachal Pradesh and Mizoram, Shillong. A half-yearly report regarding pending IRs is sent to the Secretaries of the concerned Department to facilitate monitoring and settlement of audit objections raised in these IRs through intervention of the Government.

Inspection Reports issued upto December 2003 pertaining to offices under Sales Tax, State Excise, Land Revenue, Motor Vehicles Taxes and Forest Departments disclosed that 348 observations relating to 172 IRs involving money value of Rs.113.16 crore remained outstanding at the end of June, 2004. Of these, 42 IRs containing 62 observations involving money value of Rs.7.42 crore had not been settled for more than five years. The year-wise position of outstanding IRs and paragraphs is detailed in **Appendix – XXXI**.

In respect of 52 observations relating to 14 IRs involving a money value of Rs.37.15 crore issued upto March 2004, even first reply required to be received from the Departments/Government had not been received.

It is recommended that the Government prescribe a time schedule for regular submission of reply to IRs/paragraphs for settlement.

The position of old outstanding IRs/paragraphs was reported to the Government in August and September 2004; their reply had not been received (October 2004).

5.6 Response of the departments to draft paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments have not been received are invariably indicated at the end of each such paragraph included in the Audit Report.

Twelve draft paragraphs and one draft review proposed for inclusion in this Report were forwarded demi-officially to the Secretaries of the respective departments during August 2002 and June 2004. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs/review for inclusion of the views/comments of the Government in the Audit Report. Despite these efforts, no response was received in respect of 11 draft paragraphs and the review and these have been included in this Report without the response of the departments.

5.7 Follow up on Audit Report – summarised position

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, had recommended (March 1993), *inter alia* that the concerned departments of the State Government should (i) without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and, (ii) submit action taken notes (ATN) in respect of recommendations of

the PAC within the dates as stipulated by the PAC or within a period of six months whichever is earlier.

While accepting the recommendations (1996), the Government specified the time frame of three months for submission of *suo motu* replies by the concerned departments. The Public Accounts Committee specified the time frame for submission of ATN on their recommendations as one month upto 48th Report.

Reviews of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1986-87 to 2001-02 revealed that the concerned administrative departments were not complying with these instructions. As of September 2004, *suo motu* explanatory notes on 38 paragraphs of these audit reports were outstanding from various departments as detailed in **Appendix – XXXII**.

Review of two reports of the PAC containing recommendations on four paragraphs in respect of Forest Department presented to the Legislature between September 2001 and March 2002 revealed that the department failed to submit ATN on the recommendations made by the PAC as detailed below :

Table 5.7

Year of Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs are awaited	Number of PAC Report on which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
1991-92	6.6	44 th Report	21 st September 2001
1994-95	6.4	44 th Report	21 st September 2001
1995-96	6.8, 6.10	48 th Report	19 th March 2002

Thus due to failure of the department to comply with the instructions of the PAC the objective of ensuring accountability remained unfulfilled.

REVIEW

ENVIRONMENT AND FOREST DEPARTMENT

5.8 Collection of forest receipts in Arunachal Pradesh

Highlights

Failure of the Department to transport timber to a safe place led to deterioration of 66922.391 cum timber with consequential revenue loss of Rs.13.36 crore.

(Paragraph 5.8.6)

Lifting of timber by APFC without full payment of royalty, resulted in loss of Rs.1.71 crore.

(Paragraph 5.8.7)

Failure to prepare working plan for operation of cane led to blockage of revenue of Rs.3.43 crore.

(Paragraph 5.8.9)

Realisation of royalty of Rs.47.01 lakh against Rs.2.35 crore on 2.72 lakh cum of stone/boulder, 0.41 lakh cum of sand and 0.04 lakh kaps of cane led to short-realisation of royalty of Rs.1.88 crore.

(Paragraph 5.8.10)

5.8.1 Introductory

Arunachal Pradesh is endowed with both natural and renewable forest resources. The State has a geographic area of 83743 sq. km and recorded forest area of 51,540 sq. km. The actual forest cover is 68,847 sq. km which constitutes 82.21 *per cent* of geographical area. There is a net increase of 245 sq. km in the forest cover in 1999 assessment compared to 1997 assessment.

The major forest produce of the State is timber. The minor forest produce includes stone, boulder, gravel, sand, bamboo, cane, thatch, leaf, *etc.* The administration, levy and collection of forest receipts are governed by the Assam Forest Regulation, 1891 (as adopted by the Government of Arunachal Pradesh), the Arunachal Pradesh Forest Manual 1980, the Arunachal Pradesh (Control of Felling and Removal of Trees from Non-Forest Land) Rules 2001 besides, administrative orders issued from time to time.

5.8.2 Organisational set up

At the apex level, the Department is headed by the Principal Chief Conservator of Forests (PCCF) who is also the Principal Secretary, Environment and Forest (E&F) Department. He is assisted by one additional

PCCF, four Chief Conservators of Forests and one Deputy Conservator of Forests (DCF) in regard to administration of the Department and levy and collection of forest receipts. At the field level, the provisions of the Act and the Rules are administered for collection of forest receipts by 21 Divisional Forest Officers (DFO) (Territorial) grouped under four circles, each headed by one Conservator of Forest.

5.8.3 Audit objective

The review was conducted to evaluate the adequacy and efficiency of the Environment and Forest Department in the levy and collection of forest receipts and to provide an unbiased and impartial view of due observance of the Acts, Rules, procedures and executive orders issued from time to time.

5.8.4 Scope of audit

A review on levy and collection of forest receipts covering the period April 1998 to March 2003 was conducted between January and March 2004 by scrutinising and test checking the records of the PCCF, Itanagar, and 12[#] (out of 21) unit offices.

5.8.5 Trend of revenue

Forest receipt is a major source of revenue of the State. The budget estimates and actual collections under forest receipt for the year 1998-99 to 2002-03 were as under:-

Table 5.8

(Rupees in crore)

Year	Budget Estimates	Actual receipts	Excess(+)/ Shortfall (-)	Percentage of Excess (+)/ Shortfall (-)
1998-1999	15	12.89	(-) 2.11	(-) 14
1999-2000	15	16.23	(+) 1.23	(+) 8
2000-2001	16	13.00	(-) 3.00	(-) 19
2001-2002	15	25.24	(+) 10.24	(+) 68
2002-2003	12	15.61	(+) 3.61	(+) 30

The Department stated (January 2004) the reason for excess receipts in the years 2001-02 and 2002-03 was on account of collection of outstanding revenue and the less collection in the years 1998-99 and 2000-01 was due to ban on timber operation imposed by the Hon'ble Apex Court in 1996 and closure of wood based industries. The reason for excess collection in the year 1999-2000 was not intimated.

[#] Along, Banderdewa, Bhalukpong, Bomdila, Deomali, Jairampur, Namsai, Pasighat, Roing, Rupa, Tezu and Yingkiong.

5.8.6 Levy and collection of forest receipts

Loss of revenue due to deterioration of inventorised timber

In terms of the directives (April 1997) of the High Power Committee (HPC) constituted (March 1997) by the Hon'ble Apex Court, the Chief Secretary, Government of Arunachal Pradesh instructed (April 1997) that the Divisional Level Committees (DLCs) should be the overall in-charge of inventorisation of timber lying in forest, transit depots and mill yards and for its transportation to a safe place for safeguarding the same until its eventual disposal. Further, the Hon'ble Apex Court instructed (May 2001) that the HPC cleared inventorised timber should be confiscated by the Government if these were not transported to the notified industrial estates by the wood based industries and permit holders.

Test check (January-February 2004) of records of the PCCF, Itanagar disclosed that in 22 cases, 49568.199 cum out of 118751.79 cum of timber of mixed wood species inventorised between May 1997 and December 1999 was lifted by the permit holders between March 1998 and April 2001. The balance 69183.591 cum of timber lying in forest/transit depots/mill yards was not shifted to the notified industrial estates by the allottees. As such, the same was confiscated between May 2001 and December 2001 as per the Hon'ble Apex Court's order (May 2001), *ibid*. However, after confiscation, 2261.12 cum out of 69183.591 cum of timber was shifted to the notified places and disposed of between October 2001 and January 2003. The balance 66922.391 cum timber was left exposed to the vagaries of weather and lost its commercial value. Thus, failure of the department to transport and dispose the remaining timber resulted in loss of revenue of Rs.13.36 crore. It was further noticed that the PCCF, Itanagar moved in December 2003 to the Government for according write-off sanction to the aforesaid loss of revenue. The report on the progress of write-off sanction was awaited (June 2004).

5.8.7 Unauthorised removal/lifting of forest produces without payment of royalty

According to the Rules framed under the Assam Forest Regulation, 1891, as adopted by the Government of Arunachal Pradesh, Government Departments were permitted to extract, by engaging contractors or otherwise, forest produce for departmental use on prior payment of royalty. A transit pass was to be issued by an authorised Forest Officer in token of full payment of the amount due to Government on account of the Forest produce.

Test check of records of five[#] (out of 12) unit offices disclosed that the APFC was allowed to lift timber of mixed species measuring 5642.5224 cum on part payment of royalty of Rs.11.95 lakh against full royalty of Rs.1.83 crore between April 1998 and March 2002. The balance royalty was neither paid by the APFC nor was any action initiated by the Forest Department to realise the same (March 2004). This resulted in lifting of timber without full payment of

[#] Banderdewa, Bhalukpong, Deomali, Khonsa, Pasighat.

royalty in violation of the Forest Rules. Further, the chance of recovery of this balance royalty of Rs.1.71 crore is remote as the APFC has closed down their business since 2002-03.

5.8.8 Damage of forest produce due to inadequate protection measures

The Hon'ble Apex Court instructed (January 1998) the State Government of all North Eastern States that an action plan should be prepared by the PCCF of the concerned States for intensive patrolling and other necessary protective measures to be under-taken to ensure protection of forest wealth. The State Government were responsible for providing all facilities including security in this regard.

It was noticed during audit of the Divisional Forest Officer (DFO) Khellong that 3000 Hollock trees and Medicinal plants on five hectares land, valued at Rs.81.13 lakh were removed/damaged in the departmental plantation areas at Bhalukpong during 2001-02. But the Forest Protection Force failed to prevent the un-authorized removal/damage of forest produces. The DFO reported (May 2001) this case to higher authority, but no action was taken. Thus, inadequate protection measures resulted in un-authorized removal/damage of forest produces valued at Rs.81.13 lakh.

5.8.9 Operation of matured cane without approval of working plan

The Hon'ble Apex Court instructed (January 1998) that for scientific management of forest, working plans for extraction and operation of forest produce in all forest divisions should be prepared by the State Government and approved by the Ministry of Environment and Forest (MOEF), Government of India (GOI) within two years. Forest working should be carried out strictly in accordance with the approved prescriptions of the working plans.

It was noticed in audit that in eight[#] out of 12 unit offices 46.48 lakh kaps^ψ of matured cane were to be extracted/operated during five years ending 31 March 2003 as per Cane Harvesting Rules. However only 20.12 lakh kaps out of 46.48 lakh kaps of matured cane were operated/extracted leaving 26.36 lakh kaps of matured cane un-operated as tabulated below:-

[#] Along, Bomdila, Khellong, Namsai, Pasighat, Roing, Tezu and Yingkiong.

^ψ Kap=72 running metre of cane.

Table 5.9

(Kaps in lakh)

Name of Forest Division	Period	Quantity to be extracted/operated as per the cane Harvesting Rules	Quantity extracted/operated during the period	Quantity left un-operated
Along	April 1998 to March 2003	2.80	1.46	1.34
Bomdila	- do -	2.57	0.41	2.16
Khellong	- do -	3.63	Nil	3.63
Namsai	- do -	29.89	14.36	15.53
Pasighat	- do -	2.85	0.58	2.27
Roing	- do -	2.26	1.73	0.53
Tezu	- do -	1.31	0.81	0.50
Yingkiong	- do -	1.17	0.77	0.40
Total		46.48	20.12	26.36

It was further noticed that the Forest Department did not prepare any working plan for approval of the GOI, MOEF for extraction/operation of cane as required under the Hon'ble Apex Court orders. This, not only resulted in unauthorised operation of 20.12 lakh kaps of cane but also led to blockage of royalty of Rs.3.43 crore on the balance 26.36 lakh kaps which could have been operated had the working plan been prepared and got approved by the GOI, MOEF.

5.8.10 Short-realisation of royalty

The Government of Arunachal Pradesh, Environment and Forest Department revised (March 2001) the rate of royalty inclusive of monopoly fee on stone/boulder, sand and cane at Rs.79/m³, Rs.40/m³ and Rs.13/kap respectively with effect from 15 March 2001 for all Forest Divisions of the State.

Test check (January-March 2004) of Quarterly Reports forwarded to the Conservator of Forests and the PCCF by four (out of 12) unit offices[#] checked disclosed that 2.72 lakh cum of stone/boulder, 0.41 lakh cum of sand and 0.04 lakh kaps of cane were sold between April 2001 and March 2002 and royalty of Rs.47.01 lakh realised at pre-revised rates against Rs.2.35 crore at revised rates. This resulted in short-realisation of royalty of Rs.1.88 crore. It was also noticed that the quarterly reports forwarded by these unit offices to the higher authorities were not reviewed at any stage at apex level to ascertain the correctness of levy and collection of royalty on these minor forest produces.

[#] Along, Banderdewa, Pasighat, and Khellong.

5.8.11 System deficiency

Outstanding revenue

The Arunachal Pradesh Forest Acts and Rules do not permit extraction and removal of any forest produce without prior payment of royalty. In cases of default the same are to be recorded in Form FD-7 and recovery of the same pursued with due diligence. In case such pursuance yield no result the same are to be referred to the *Bakijai* Officer to be realised as arrears of land revenue.

The position of outstanding forest receipts during the last five years ending 31 March 2002-03 revealed as under:-

Table 5.10

Year	Outstanding at the beginning of the year	Amount of outstanding during the year	Amount of outstanding collected during the year	Amount outstanding at the end of the year	Percentage of collection
1998-1999	12.37	-	0.56	11.81	4.53
1999-2000	11.81	3.19	-	15.00	Nil
2000-2001	15.00	-	6.53	8.47	43.53
2001-2002	8.47	-	0.98	7.49	11.57
2002-2003	7.49	-	0.16	7.33	2.14

It was noticed from the records of 12 unit offices[#] that the position of outstanding revenue was neither reviewed nor pursued diligently. Except for some noticeable arrear collection in the year 2000-01 the other years reflected abysmally low collections. None of the cases was even referred to *Bakijai* for speedy recovery of the outstandings.

Offence cases

Under the Assam Forest Regulation, 1891 (as adopted by the Government of Arunachal Pradesh) and the Arunachal Pradesh Forest Manual 1980, all forest offences were to be recorded in a register in Forms FD-31-33 and reported to the higher authority and to the Court for speedy disposal. Further, the Hon'ble Apex Court instructed (January 1998) to identify within 45 days all forest divisions where significant illicit felling/removal of forest produces took place and to initiate disciplinary proceedings against those found responsible. Action taken report in this regard was to be submitted to the Central Government followed by quarterly reports.

[#] Along, Banderdewa, Bhalukpong, Bomdila, Deomali, Jairampur, Namsai, Pasighat, Roing, Rupa, Tezu and Yingkiong.

Test check of records of 10 unit offices[#] (out of 12 units test checked) revealed that offence case register was not maintained in the prescribed Form-FD-31-33. Further, neither any action was initiated to identify the forest divisions where significant offence cases took place nor was any action taken to submit quarterly report in this regard as required under the Hon'ble Apex Court's order. The particulars of quarterly reports on offence cases though called for (January, March and April 2004) in audit has not been received (June 2004).

5.8.12 Violation of Forest Act

Under Section 34 (g)(h) of the Assam Forest Regulation, 1891 (as adopted by the Government of Arunachal Pradesh) the E&F Department shall regulate extraction of forest produces from all forest areas and collect royalty on such forest produces.

It was noticed in audit that in terms of the Arunachal Pradesh Minor Mineral Concession Rules, 2002, the Government of Arunachal Pradesh, Geology and Mining (G&M) Department notified (January 2003) that royalty on sand, stone/boulder/shingle/gravel, clay, *etc.*, was to be realised by the Geology and Mining Department with effect from 1 January 2003. Based on this notification the E&F Department, Government of Arunachal Pradesh, stopped collection of royalty on these produce extracted from forest areas from January 2003. The action of the E&F Department is irregular as the notification does not in any way interfere with the provision of Assam Forest Regulation and E&F Department is still responsible for collection of forest royalty on minor minerals extracted from forest area which is treated as forest produce under the Act. The loss of revenue in this regard could not be ascertained as the E&F department stopped maintaining accounts of quantity of minor mineral extracted from forest area.

5.8.13 Other points of interest

Loss of revenue

Under the Assam Forest Regulation, 1891 (as adopted by the Government of Arunachal Pradesh), drift and wind fallen trees/timbers shall be deemed to be the property of the Government and such timber shall be collected and transported to the notified place for disposal.

Test check (January 2003 and February 2004) of records of the Divisional Forest Officers (DFO), Namsai and Yingkiong revealed that between April and May 2002, wind fallen trees of soft wood species numbering 86 and 910, measuring 332.9750 cum and 838 cum and valued at Rs.5.65 lakh and Rs.13.29 lakh respectively were lying in the forest of Medo Range of Namsai Division and Karko Range of Yingkiong Division. The DFOs reported (June and December 2002) the matter to the Principal Chief Conservator of Forests (PCCF), Itanagar and requested approval for transportation and disposal of timber. However, the PCCF neither issued any instruction in this regard nor

[#] Along, Banderdewa, Bhalukpong, Bomdila, Jairampur, Namsai, Pasighat, Roing, Tezu, Yingkiong.

was any further action taken by the DFOs to transport and dispose the timber. The timber being of soft wood species, deteriorated due to prolonged exposure to the vagaries of nature and lost its value. Thus, inaction of the Department led to a loss of revenue of Rs.18.94 lakh.

On this being pointed out (May 2003 and June 2004) in audit, the DFOs, Namsai and Yingkiong stated (September 2003 and August 2004) *inter alia* that the timber in question could not be transported/disposed of as no fund/response was received from higher authorities.

Loss of revenue due to gregarious flowering of bamboo

Bamboo attains maturity within four to five years of growing. As per bamboo cutting/felling Rules, regular survey/random sampling shall be made by the Territorial Divisional Forest Officer to ensure scientific operation and to see that no gregarious flowering occurs as bamboo perishes and dies once gregarious flowering takes place.

Cross check of records of the Divisional Forest Officer (DFO), Southern Working Plan Division, Namsai revealed (January 2003) that approximately three lakh matured 'Kako' bamboos decayed due to gregarious flowering in Turung reserve forest under the Territorial Division, Namsai during February 2001. However, the loss of the bamboos could have been avoided had the Territorial DFO, Namsai conducted survey in Turung reserve forest and initiated action to operate the aforesaid bamboos as required under the Rules, *ibid*. Thus, inaction on the part of the Territorial DFO, Namsai resulted in decay of atleast three lakh bamboos leading to a loss of revenue of Rs.3.15 lakh.

On this being pointed out (April 2003), the DFO, Namsai stated (August 2004) that the matter was taken up in time with the higher authorities for permitting sale of 'Kako' bamboos but the permission was given belatedly when the bamboos had lost its commercial value.

5.8.14 Internal audit

It was noticed that the Department had no Internal Audit Wing weakening the supervision internal control system resulting in the lapses as mentioned in the review.

The foregoing points were reported to the Government and the Department (August 2004) for their comments.

5.8.15 Recommendation

With a view to strengthening the working of the Department and to plug avenues of revenue loss the Forest Department may consider the following aspects:

- Internal Audit Wing may be set up immediately so as to improve and strengthen the internal control mechanism.
- Mechanism may be instituted to ensure that no forest produce is lifted by any entity without full payment of royalty.

- Prompt action should be taken for realisation of penalties and other outstanding forest revenue.
- Forest activities in any forest area should not be executed without the prior approval of the Central Government.
- All seized timber may be expeditiously transported to notified place for upkeep and prompt disposal.

PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

5.9 Loss of revenue due to deterioration of timber

Failure of the Department to initiate action against a licensee of wood based industry led to loss of revenue of Rs.21.31 lakh.

In Arunachal Pradesh, timber is operated departmentally and allotted to the licensee of wood based industries on realisation of royalty charges in full. The terms and conditions of such allotment of timber stipulated that every wood based industry is required to furnish an undertaking to the effect that the total quantity of all classes of timber allotted by the Department shall be lifted on payment of royalty charges in full. The allotment order also categorically states that no selective lifting of timber will be allowed.

Test check (July 2003) of records of the Divisional Forest Officer, Banderdewa revealed that 1032.0467 cum of round timber of mixed species was departmentally operated during 2000-01 and allotted to a licensee of wood based industry between December 2001 and March 2002. However, the licensee lifted only 412.5041 cum of timber and rejected the balance 619.5426 cum of timber stating (May and August 2002) that the same was not commercially viable. The Department did not raise full demand against the entire quantity of 1032.0467 cum of timber allotted to the licensee and was satisfied with the payment of Rs. 18.92 lakh for the quantity of 412.5041 cum of timber lifted by him. This resulted in loss of revenue of Rs.21.31 lakh.

The matter was reported to the department and the Government in November 2003; their reply had not been received (October 2004).

5.10 Short levy of penalty

Levy of penalty of Rs.0.05 lakh against Rs.8.44 lakh led to short-levy of penalty of Rs.8.39 lakh.

Under the Assam Forest Regulation, 1891 (as adopted by the Government of Arunachal Pradesh) if a person taps trees in contravention of Act and Rules framed thereunder, he shall be liable to pay a penalty of Rs.10 per tree in respect of which the offence is committed. In Arunachal Pradesh, royalty for collection of 'Oleo resin' by tapping pine trees is payable at Rs.17 per blaze per season.

Test check of records of the Principal Chief Conservator of Forests, Arunachal Pradesh, Itanagar revealed (August 2003) that the Government of Arunachal Pradesh executed (September 2001) an agreement with a licensee for extraction of ‘Oleo resin’ by tapping pine trees of reserve forests under Bomdila Forest Division. The terms and conditions of the agreement stipulated that pine trees above 80 cm girth duly marked by Forest Officer should be tapped and if the condition is violated, the licensee shall be liable to pay a penalty of a sum equal to three times of the royalty payable by him over and above the penalty payable under the Act. Between October 2001 and February 2002 the licensee tapped 13836 under girth pine trees (below 80 cm girth) for extraction of ‘Oleo resin’ in violation of the condition of the agreement. For such violation, a penalty of Rs.8.44 lakh was to be levied against which only Rs.0.05 lakh was levied by the Divisional Forest Officer, Bomdila. This resulted in short-levy of penalty of Rs.8.39 lakh.

The case was reported to the Department and the Government in November 2003; their reply had not been received (October 2004).

EXCISE DEPARTMENT

5.11 Misclassification of IMFL

Non-inclusion of import fee in the ex-bond price of 93677 cases of IMFL led to misclassification with consequential loss of revenue of Rs.95.55 lakh.

The Govt. of Arunachal Pradesh (AP), Excise Department notified (December 2001), that IMFL would be classified as premium or general based on the “ex-bond price”. IMFL with “ex-bond price” of Rs.750 per case and above were to be classified as premium and those below Rs.750 per case were to be classified as general. Excise duty at Rs.162 and Rs.60 per case were to be realised from premium and general brand respectively with effect from 13 December 2001.

Test check of records of the Commissioner of Excise, Itanagar and the Deputy Commissioner of Excise, Bomdila revealed that four bonded warehouses imported and sold 93677 cases of six varieties of IMFL[#] between February 2002 and February 2004. The “ex-bond price” of these IMFL was fixed at Rs.740 to Rs.749 per case without including import fee of Rs.30 per case.

[#] Name of bond	Variety of IMFL sold	No of cases
South Bank IMFL Distributors, Naharlagun, Arunachal Liquor (Pvt) Ltd., Naharlagun	Bagpiper Rum, Old Monk Rum, MCD Celebration Rum, Amigoz	22883 24987
Three Star bonded Warehouse, Naharlagun	Rum, Blue Ribband Duet Gin	30130
Classic bonded Warehouse, Bhalukpong	and Romonav Vodka	15677

Excise duty of Rs.56.21 lakh was realised @ Rs.60 per case classifying the same as general brand instead of classifying as premium brand and collecting excise duty of Rs.1.52 crore @ Rs.162 per case. Thus, non-inclusion of import fee in the “ex-bond price” led to misclassification of these IMFL with consequential loss of revenue of Rs.95.55 lakh.

After this was pointed out in June 2004 the Superintendent of Excise, Bomdila stated (August 2004) that the matter had been taken up with the Commissioner of Taxes, Itanagar for initiating action. The reply of the Commissioner of Taxes, Itanagar and the Government had not been received (October 2004).

5.12 Short levy of penalty

Short levy of penalty for belated payment of renewal fee by five retail vendors led to short levy of penalty of Rs.5.20 lakh.

Under Rule 22 of the Arunachal Pradesh Excise Rules, 1994, licence granted to a retail vendor shall expire one year after the date of issue of licence. Further, the Government of Arunachal Pradesh, Excise Department instructed (March 1996) that if any retail vendor fails to renew the licence on payment of the prescribed fee within the stipulated date, he shall be liable to pay penalty, in addition to the renewal fee, of Rs.50 per day for the period of default in making payment of such fee.

Test check of records of the Superintendent of Excise, Tawang disclosed that five retail licences for different periods between April 1998 and March 2002 were to be renewed on due dates between March 1998 and March 2001. But these licences were belatedly renewed on different dates between April 1998 and April 2002. The delay in these cases ranged from three days to 1717 days for which penalty of Rs.5.23 lakh was leviable against which Rs.0.03 lakh only was levied. This resulted in short levy of penalty of Rs.5.20 lakh.

After this was pointed out in August 2002 in audit, the Department stated (August 2004) that Rs.0.89 lakh was realised from four licensees and demand notices were served on them for payment of the balance penalty. The report on recovery of balance penalty of Rs.4.31 lakh had not been received (October 2004).

LAND MANAGEMENT DEPARTMENT

5.13 Non-realisation of penalty

Erroneous regularisation of 91481.92 m² of Government land occupied by 403 private individuals without realising penalty of Rs.1.08 crore.

Consequent upon report of large scale unauthorised occupation of Government land by private individuals, the Government of Arunachal Pradesh, Land Records Department pursuant to a cabinet decision instructed (October 1994) to regularise the cases of unauthorised occupation of Government land by realising penalty at Rs.100 per square metre (m²) and Rs.200 per m² in addition to premium and lease rent applicable to the land occupied for residential and other than residential purposes respectively. The Cabinet also decided to treat all the cases of unauthorised occupation equally irrespective of the status of the occupant.

Test check of records of the Deputy Commissioner (DC), (Land Revenue), Ziro and those of the Director of Land Management, Itanagar disclosed that 403 cases involving Government land measuring 74931.96 m² and 16549.96 m² for residential and commercial purposes respectively were forwarded by DC, Ziro in April 1998 and April 1999 to the Government for regularisation. However, the Government while conveying approval for regularisation of these cases directed (September 1998 and June 1999) the DC, Ziro to allot the aforesaid land to 403 private individuals on realisation of normal premium and annual lease rent without penalty. The action of the Government was violative of the Cabinet decision and discriminatory in the sense it used the State resources to benefit a group of illegal occupants. This erroneous regularisation resulted in non realization of penalty of Rs.1.08 crore.

After this was pointed out in November 2003 the Deputy Commissioner, Ziro while admitting the facts stated (August 2004) that penalty could not be realised due to non-receipt of any confirmation and approval from the higher authorities. The reply is however not convincing since the penalty was leviable as per the decision of the Cabinet.

The matter was reported to the Government in November 2003 and July 2004; their reply had not been received (October 2004).

5.14 Short-realisation of land revenue

Erroneous fixation of rate for allotment of 6.46 lakh m² of land to NEEPCO led to short realisation of land revenue of Rs.1.07 crore besides, interest of Rs.57.97 lakh.

The Government of Arunachal Pradesh, Land Records Department instructed (June 1986 and July 1994) to realise value of land allotted to the Central Government Department at Rupees five and Rs.10 per square metre as one time payment with effect from June 1986 and April 1994 respectively. However, if any land in any district is allotted to an organisation other than the Central Government Department for industrial purpose, the land revenue should be realised as under :

Premium (one time payment) at the rate of Rupees two and Rupees five per square metre *plus* annual lease rent at Re. 0.50 and Rupees two per square metre with effect from July 1986 and April 1994 respectively.

Further, under Rule 6 (ii) of the Arunachal Pradesh Allotment of Government Land Rules, 1988, interest at the rate of 15 *per cent* per annum shall be charged on the unpaid amount of premium and annual lease rent.

Test check of records of the Deputy Commissioner (Land Revenue), Ziro disclosed that an area of land measuring 6.46 lakh square metre at Yazali was allotted to the North Eastern Electric Power Corporation Limited (NEEPCO) in September 1992. NEEPCO not being a Central Government Department was liable to pay premium including annual lease rent of Rs.1.40 crore on the aforesaid land for the period from September 1992 to August 2003. But the DC, Ziro treated NEEPCO as a Central Government Department and collected (April 1992) Rs.32.32 lakh only as one time payment for price of the aforesaid land. This erroneous fixation of rate resulted in short realisation of land revenue of Rs.1.07 crore. Besides, interest of Rs.57.97 lakh for belated/non-payment of balance lease rent though leviable had not been levied.

After this was pointed out in November 2003 the Deputy Commissioner, Ziro stated (August 2004) that one time land value at the rate of Rupees five per square metre was realised as per the Government approval. The reply is not tenable as the NEEPCO is not a Central Government Department and as such premium at the prescribed rates should have been realized from it instead of one time payment.

The matter was reported to the Government in November 2003 and July 2004; their reply had not been received (October 2004).

5.15 Unauthorised occupation of Government land without payment of land revenue

Failure of the department led to un-authorized occupation of 35085 m² of Government land by 87 private individuals without payment of penalty inclusive of premium and annual lease rent of Rs.36.49 lakh.

Under the Arunachal Pradesh (AP) Allotment of Government Land Rules, 1988 every allottee/lessee shall pay premium (one time payment) and annual lease rent to the State Government at the rates fixed by the Government from time to time. Further, the Government of Arunachal Pradesh, Land Records Department instructed in October 1994 to regularise the cases of un-authorized occupation of Government land for residential purposes by realising penalty of Rs.100 per square metre, in addition to premium and annual lease rent. In Arunachal Pradesh, the rates of premium and annual lease rent for Government land occupied for residential purpose in any district shall be Rupee one and Re.0.50 per square metre with effect from April 1994 respectively. However, if any un-authorized occupation of Government land is not regularised, the occupant shall be evicted from the land by the Deputy Commissioner (DC).

Test check of records of the DC (Land Revenue), Yingkiong disclosed that 35085 square metre of Government land was un-authorizedly occupied by 87 private individuals for residential purposes in Yingkiong district headquarters. These cases were forwarded (December 1996) to Government by the DC, Yingkiong for allotment through regularisation. But the Government rejected (March 1998) regularisation of these cases on the ground of paucity of Government land at Yingkiong township. Thereafter, no action was initiated to evict the occupants from the aforesaid Government land. Thus, inaction of the department resulted in un-authorized occupation of Government land and loss of penalty of Rs.35.09 lakh, premium of Rs.0.35 lakh and annual lease rent of Rs.1.05 lakh.

The matter was reported to the department and the Government in February 2003; their reply had not been received (October 2004).

5.16 Short-realisation of lease rent

Short-realisation of lease rent of Rs.23.51 lakh, besides interest of Rs.3.08 lakh.

Under the Arunachal Pradesh Allotment of Government Land Rules, 1988, every allottee/lessee shall pay the lease rent annually to the Government at the rates fixed by the Government from time to time. Further, if any lessee fails to pay the full amount of annual lease rent he shall be liable to pay interest at the rate of 10 *per cent* and 15 *per cent* per annum on the unpaid amount of lease

rent payable for the land allotted for residential and commercial purposes respectively.

Test check of records of the Director of Land Management, Itanagar revealed that 18.01 lakh m² and 12.62 lakh m² of land were under occupation of different allottees for residential and commercial purposes respectively in six districts[#] for the period between April 2002 and March 2003. The annual lease rent payable by the allottees during the aforesaid period worked out to Rs.34.25 lakh against which Rs.10.74 lakh was realised by the concerned Deputy Commissioners. This resulted in short-realisation of lease rent of Rs.23.51 lakh. Besides, interest of Rs.3.08 lakh for non-payment of balance lease rent was leviable but was not levied.

The matter was reported to the Department and the Government in November 2003; their reply had not been received (October 2004).

5.17 Non-realisation of land revenue

Non-initiation of any action for allotment of 1.18 lakh m² of land occupied by seven private Schools and 32 State Government offices led to non-realisation of land revenue of Rs.8.68 lakh.

Under the Arunachal Pradesh Allotment of Government Land Rules, 1988, the State Government is empowered to allot land to any organisation against payment of premium (one time payment) and annual lease rent and Departments of the State Government on payment of price of the land at the rates prescribed by the Government from time to time. However, if any unauthorised occupation of Government land is not regularised the occupant shall be evicted from the land by the Deputy Commissioner.

Test check of records of the Director of Land Management, Itanagar and the Deputy Commissioner (DC) (Land Revenue), Ziro revealed that seven^ψ private schools and 32^β State Government offices occupied Government land measuring 1.18 lakh m² in Lohit, West Kameng and Lower Subansiri Districts for different periods between April 1995 and August 2002. The DCs of the concerned districts forwarded (between April 1998 and March 2002) these cases to the Government for allotment of land. But land in these cases were neither allotted to the occupants on payment of prescribed premium and annual lease rent nor action taken to evict the unauthorised occupants from the Government land. Thus, inaction on the part of the Government resulted in non-realisation of land revenue of Rs.8.68 lakh.

[#] Tawang, West Kameng, Lower Subansiri, Lohit, Changlang and Upper Subansiri.

^ψ Green View at Namsai, Sand Valley at Namsai, Khunlai at Manmow, Chow Nanda Memorial at Chongkham, Kid's Foundation at Chongkham, Sun Flower at Mahadevpur and Nav-Joity English Medium at Bhalukpong.

^β Five at Ziro, one at Koloriang, 16 at Hapoli, two at Yachuli, three at Roga, one at Dollungmukh, one at Monipolyang, one at Palin and two at Yazali.

The cases were reported to the Department and the Government in November 2003; their reply had not been received (October 2004).

TAXATION DEPARTMENT

5.18 Evasion of tax by un-registered dealer

Failure of the Commissioner of Taxes to register a dealer led to evasion of tax of Rs.26.04 lakh.

Under the Central Sales Tax Act, 1956 no dealer liable to pay tax, shall carry on business unless he is registered and possesses a certificate of registration. In Arunachal Pradesh, ores and minerals are taxable at the rate of four *per cent* with effect from 1 April 2002.

Cross verification (January 2004) of records of the Director of Geology and Mining, Itanagar with those of the Commissioner of Taxes, Itanagar revealed that between April 2002 and September 2003, M/s Oil India Limited (OIL), an unregistered dealer, extracted and despatched 38292 MT of crude oil to Assam in course of inter-state trade. Though royalty of Rs.3.25 crore was paid by M/s OIL no tax had been paid. The dealer neither applied for registration nor paid the tax. The assessing officer also failed to detect and register the dealer. The unregistered dealer thus concealed turnover of atleast Rs.3.25 crore and evaded tax of Rs.26.04 lakh.

The case was reported to the Department and the Government in June 2004; their reply had not been received (October 2004).

5.19 Evasion of tax by un-registered dealers

Failure to register a dealer by the assessing officer led to evasion of tax of Rs.3.33 lakh.

Under Section 10 (1) of the Arunachal Pradesh Sales Tax Act, 1999 no dealer liable to pay tax shall carry on business as a dealer unless he is registered and possesses a certificate of registration. The Act, empowers the assessing officer to register a dealer compulsorily if he fails to apply for registration. In Arunachal Pradesh, building materials and galvanized iron pipe are taxable @ eight and four *per cent* respectively.

Cross check of records of the Superintendent of Taxes, Papumpare, Itanagar with those of the Deputy Chief Wildlife Warden, Naharlagun revealed (August 2003) that an unregistered dealer sold building materials and GI pipe

valued at Rs.51.75 lakh between November 2002 and March 2003. The dealer did not apply for registration nor was he registered by the assessing officer as required under the Act, *ibid*. Thus, failure of the assessing officer to bring the dealer under the tax net resulted in evasion of tax of Rs.3.33 lakh.

The case was reported to the Department and the Government in December 2003; their reply had not been received (October 2004).

TRANSPORT DEPARTMENT

5.20 Non-levy of fine

Failure to initiate action against 77 owners of transport vehicles plying without permits led to non-levy of minimum fine of Rs.2.64 lakh.

Under Section 192A of the Motor Vehicles Act, 1988 (as amended in 1994) no owner of a motor vehicle shall use or permit the use of the vehicle as transport vehicle in any public place unless a permit is granted or countersigned by the prescribed authority. Whoever drives or causes or allows a motor vehicle to be used in any public place without a permit shall be punishable for the first and subsequent offences with a minimum fine of Rs.2000 and Rs.5000 respectively. Further, under Section 15 of the Arunachal Pradesh Motor Vehicles Taxation Act, 1984 the owner of a motor vehicle may apply to the Taxation Officer by surrendering his registration certificate to the effect that his vehicle shall not be used as transport vehicle in any public place for a particular period.

Test check of records of the Deputy Commissioner (Motor Vehicle Tax), Ziro disclosed that validity period of 77 permits granted to the owners of 77 transport vehicles expired on different dates between March 2000 and March 2003. These owners neither renewed the permits before expiry of validity periods nor was any application submitted to the Taxation officer to the effect that their vehicles would not be used in any public place after expiry of validity periods of permits. Hence the owners of these vehicles were liable to pay a minimum fine of Rs.2.64 lakh which was not levied.

The matter was reported to the Department and the Government in November 2003; their reply had not been received (October 2004).