

## CHAPTER - V

### NON-TAX RECEIPTS

#### 5.1 Results of Audit

Test check of assessment records in the offices dealing with the following revenue receipts during 2002-2003 revealed losses, blockage of government revenue etc. amounting to Rs.65.95 crore in 197 cases, which fall into the following categories :

(Rupees in crore)

| Sl. No. | Particulars                | No. of cases | Amount       |
|---------|----------------------------|--------------|--------------|
| 1.      | Forest Receipts            | 182          | 32.22        |
| 2.      | Ferry Receipts             | 1            | 2.21         |
| 3.      | Mines and Mineral Receipts | 14           | 31.52        |
|         | <b>Total:</b>              | <b>197</b>   | <b>65.95</b> |

During the year, the Department has accepted under assessment of Rs.32.95 crore in one case which had been pointed out during 2001-2002.

A few illustrative cases involving Rs.46.02 crore highlighting important audit observations are mentioned in the following paragraphs:

#### A. FOREST RECEIPTS

#### 5.2 Loss of revenue due to illicit felling and removal of timber

Under the Assam Forest Regulation, 1891, and the Rules framed thereunder, felling/removal of forest produce from forest areas without valid authorisation, constitutes a forest offence punishable with fine. Forest produce removed illegally is also liable to be seized by forest officials. To prevent such illegal felling/removal of forest produce, the Department has deployed Forest Protection Squads and Forest Protection Force in forest areas and also set up number of check gates.

Test check of records of four Divisional Forest Officers revealed that 14,255.463 cu.m. of timber had been illegally felled during 1997-98 to 2002-03. Out of this, 5,752.069 cu.m. were recovered by the Department

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and the remaining 8,503.394 cu.m valued at Rs.3.26 crore were removed by miscreants as tabulated below:

| Sl. No. | Name of the Division | Period of removal  | Quantity of timber illegally felled (in cu.m.) | Timber recovered by the Department (in cu.m) | Timber removed by the miscreants (in cu.m) | Percentage of removal | Value (Rupees in crore) |
|---------|----------------------|--------------------|--|--|--|-----------------------|-------------------------|
| 1.      | Sonitpur West        | 2000-01 to 2002-03 | 7,992.739                                      | 2,089.034                                    | 5,903.705                                  | 73.86                 | 2.27                    |
| 2.      | Nagaon               | 2001-02 to 2002-03 | 2,097.402                                      | 1,202.587                                    | 894.815                                    | 42.66                 | 0.45                    |
| 3.      | Nagaon South         | 2000-01 to 2001-02 | 2,472.256                                      | 1,121.030                                    | 1,351.226                                  | 54.65                 | 0.44                    |
| 4.      | Kachugaon            | 1997-98 to 2001-02 | 1,693.066                                      | 1,339.418                                    | 353.648                                    | 20.88                 | 0.10                    |
|         | <b>Total:</b>        |                    | <b>14,255.463</b>                              | <b>5,752.069</b>                             | <b>8,503.394</b>                           | <b>59.65</b>          | <b>3.26</b>             |

The overall percentage of removal of timber by the miscreants in these Divisions was 59.65 per cent of the total timber illegally felled.

In none of the cases, FIRs were lodged with the Police. Thus, the failure of the Department to prevent / check illegal felling and removal of timber by miscreants, despite having forest protection force, squads and check gates, resulted in loss of revenue of Rs.3.26 crore.

The cases were reported to the Department and the Government between July 2002 and March 2003; their replies have not been received (November 2003).

### **5.3 Non-realisation of monopoly fee**

According to the Rules framed under the Assam Forest Regulation, 1891, Government Departments are permitted to extract, by engaging contractors or otherwise, forest produce for their Departmental use on prior payment of royalty. A transit pass is 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. Government Notification issued on 30 June 1992, stated that monopoly fee upto 200 per cent of the royalty shall be recovered on excess quantities of forest produce collected unauthorisedly.

Scrutiny of records of Divisional Forest Officer, Nagaon and Sonitpur West Divisions, revealed that three contractors of PWD Divisions, ARISP Nagaon and Tezpur and one contractor of N.F. Railway were issued permit to collect 7,760 cu.m. sand/stone/gravel against which the contractors

collected 73,936.592 cu.m. of sand/stone and gravels during 2001-02. So the contractors had collected 66,176.592 cu.m. of sand/stone/gravels unauthorisedly. The Department raised the bill of Rs.44.59 lakh as royalty but failed to demand the monopoly fee of Rs.89.18 lakh on unauthorised collection of forest produce.

The unauthorised collection of forest produce was attributed to non-enforcement of proper surveillance / control of the Department on the movement of forest produce. This resulted in non-realisation of revenue of Rs.89.18 lakh

The matters were reported between June 2002 and March 2003 to the Department and the Government; their replies have not been received (November 2003).

**5.4 Loss of revenue due to sale of Minor Forest Produce (MFP) by permit instead of tender**

According to the provisions of the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, forest produce is to be disposed of by tender or auction at competitive rates. The quantity of forest produce in the Mahal should be carefully estimated and stipulated in the sale notices so that maximum revenue is obtained.

Test check of records of two Divisions (Divisional Forest Officer, Dhubri and Kamrup East Division, Guwahati) revealed that six \* sand/gravel/stone mahals under the concerned Divisions were settled for the terms 1998-2000 to 2002-04 by competitive tenders for extraction of 47,000 cu.m of sand/gravel/stone at Rs.1.21 crore.

It was also noticed that 27,333.50 cu.m of sand/gravel/stone from two mahals under Dhubri Division and 14,080 cu.m of sand from four mahals under Kamrup East Division were available. These quantities available were sold between April 2001 and December 2002 on permits on realisation of royalty at the rate of Rs.67.50 and Rs.50.00 per cu.m respectively instead of at tender rates.

Due to the Department not selling the quantities at tender sale rate, the Government was deprived of additional revenue of Rs.83.73 lakh (calculated at the differential rate of tender sale and sale on permit). Moreover, the royalty rate, revised in July 1992 had not been revised thereafter.

\* Dhubri Division – Khoraghat Sand and Gravel Mahal –1 and Dudhnath Stone Mahal No.-1 for 1998-2000 and 1999-2001.

Kamrup East Division – Digaru Sand Mahal No.1(A), 1(B), 1(C) and 2(A) for 2001-03 and 2002-04

The matter was reported to the Department and the Government in February–March 2002; their replies have not been received (November 2003).

### **5.5 Incorrect deduction of moisture content**

According to the agreement between the Government of Assam and Hindustan Paper Corporation (HPC) Limited (a Government of India enterprise) on extraction of bamboo from Reserve Forest area, the Corporation is to pay royalty of Rs.62.50 per tonne of air dry bamboo at 10 per cent moisture content as per weighment carried out at weigh bridge installed at the project site.

Mention was made in paragraphs 7.6 and 5.5 of Audit Report (Revenue Receipts), Government of Assam for the year ended 31 March 2000 and 2001 respectively, regarding short payment of royalty of Rs.38.31 lakh on excess deduction of moisture content. But, no action was taken to recover the above amount by the Department and the Government.

Test check of the records of the Divisional Forest Officer, Cachar and Hailakandi Divisions, further revealed that HPC Limited extracted 1,11,427 MT of bamboo during the years 2000-01 to 2001-02. The Department allowed a deduction of 52,450 MT on account of moisture content instead of admissible quantum of 11,142.70 MT. This resulted in short payment of royalty of Rs.25.82 lakh on excess deduction of moisture content.

The above matter was reported to the Department and the Government in September 2002; their replies have not been received (November 2003).

### **5.6 Loss of revenue due to non-settlement of mahals**

Sand/Stone in a river bed is in constant process of accumulation and depletion due to river current. If a mahal is not worked during the specified working period, the sand/stone is carried away by the river current and does not, therefore, become available later. The working period so lost, thus, results in loss of revenue.

**5.6.1** Test check of records of the Divisional Forest Officer, Golaghat, revealed that the Doigrung Sand and Stone Mahal was settled in December 1990 with the highest tenderer at his offered bid of Rs.2.11 lakh for extraction of 4,000 cu.m of stone and 300 cu.m of sand during the working period from 26 August 1990 to 25 August 1992. Accordingly, the mahaldar took over in February 1991, the possession of the mahal with a request in December 1990 for extension of loss period of 112 days for

belated issue of settlement order, which was not considered because of non payment of 5<sup>th</sup> and 6<sup>th</sup> kists by the mahaldar.

Thereafter, the mahal was put to re-sale in April and June 1992 at the risk of the mahaldar. On both the occasions, the sale notices were withdrawn, following the submission in May–June 1992 of prayer petitions by the mahaldar for extension of 2 years. Ultimately, the Government rejected the prayer in October 1992.

Being aggrieved, the mahaldar filed a writ petition before the Hon'ble Gauhati High Court and the Hon'ble Court directed in December 1993 the Government to dispose of the representation within 2 months. The Government instead of taking timely action, put the Mahal to sale in December 2000 after a lapse of 7 years which resulted in loss of revenue of Rs.13.27 lakh..

**5.6.2** Test check of records of the Divisional Forest Officer, Digboi, revealed that the Mahal No. DIG-V was put to re-sale in June 1992 at the risk of the highest tenderer due to failure in implementing the settlement orders in October 1991 for the working period from 1 June 1991 to 31 May 1993 for extraction of 5,000 cu.m of sand.

Being aggrieved, the settlement holder filed two title suits (34/1992 and 35/1992) before the Court of Asstt. District & Session Judge, Tinsukia. Both the cases were disposed of by the Hon'ble Court as per the letter of August 1996 of the Government pleader, but the mahal was left unsettled till May 2002 without any recorded reasons.

Thus, due to non-settlement of the mahal for the period from 1 September 1996 to 31 May 2002 despite disposal of the court cases, the Department had to sustain loss of revenue of Rs. 7.19 lakh.

The matters were reported in August 2002 and March 2003 to the Department and the Government; their replies have not been received (November 2003)

## **5.7 Loss of revenue due to unauthorised grant of extension**

Rule 21(3) of the Assam Sale of Forest Produce Coupes and Mahals Rules, 1977, as amended by Government vide notification of March 2000 provides as follows:

In case the settlement holder is not able to operate the Mahal for certain period within the settled terms of the Mahal for reasons beyond his control, such period may be provided to him in addition to the Mahal period, but not exceeding a total of 3 months, by the Principal Chief Conservator of Forest. The Mahalder in every such case shall apply to the

Divisional Forest Officer concerned within seven days of each occurrence. The Divisional Forest Officer shall submit a report in the matter through the Conservator of Forest for consideration.

Test check of records of the Divisional Forest Officer, Dhemaji disclosed that the Upper Subansiri Sand and Gravel Mahal was notified in May 2000 for sale for the working period from 28 August 2000 to 27 August 2002 for extraction of 2,500 cu.m. sand and 2,000 cu.m. of gravel. The highest tender received was for Rs.10.03 lakh.

In the meantime, pending fresh settlement, the ex-mahaldar, was granted in December 2000 extension by the Government, following his prayer petition in May 2000 on payment of extension fee of Rs.0.19 lakh for collection of the balance quantity of sand and gravel for the period from 8 January 2001 to 8 July 2001. Thereafter, the ex-mahaldar filed a writ petition before the Hon'ble Gauhati High Court. The Hon'ble Court directed in July 2001 the Government not to grant extension of the mahal period and to dispose of the petition of the ex-mahaldar within two weeks and to settle the Mahal with the highest tenderer. But, the Government neither disposed of the petition nor settled the Mahal without any recorded reasons.

Thus, due to grant of extension in contravention of the Rules as well as non-settlement of the Mahal, despite directive from the Hon'ble Court, the Department had to forgo the government revenue to the extent of Rs.7.96 lakh.

The matter was reported in July 2002 to the Department and the Government; their replies have not been received (November 2003).

#### **5.8 Loss of revenue due to non-issue of lieu Transit Pass**

In accordance with the Assam Forest Regulation, 1891 and Rules framed thereunder, lieu Transit Pass (T.P) is to be issued on realisation of fees prescribed by the Authority from time to time in respect of vehicles carrying timber entering Assam from neighbouring states. The Department prescribed fee at rate of Rs.100 per cu.m. in lieu of TP in November 1998.

In the course of test check of records of 3 check gates under the territorial jurisdiction of the Goalpara Division, it was noticed that 153 numbers of vehicles carrying 1,799.931 cu.m. of timber entered Assam from Meghalaya for different destinations (West Bengal / Bihar etc.) between 20 July 1999 and 28 June 2002. The vehicles were allowed to cross the border / check gates on realisation of Rs.10/- per truck instead of lieu T.P. This resulted in loss of revenue of Rs.1.78 lakh.

The matter was reported to the Department and the Government in September 2002; their replies have not been received (November 2003).

## **B. INLAND WATER TRANSPORT**

### **5.9 Ferry Receipts**

#### **5.9.1 Introductory**

Ferry receipts include lease charges and tolls which are levied and collected under Northern India Ferries Act, 1878, and Control and Management of Ferry Rules, 1968, and 1976. Government levies lease charges from individuals for plying government owned vessels on specified ferry routes at the rates determined by open tender/negotiation. Toll charges on cargo ferries run by the Inland Water Transport (IWT) Department and on passengers/vehicles/goods carried by departmentally operated vessels on certain routes are levied at prescribed rates.

#### **5.9.2 Uneconomical operation of ferry services**

While discussing the Audit Report (Revenue Receipts), Government of Assam for the year 1985-86, the Public Accounts Committee (P.A.C.) in 53<sup>rd</sup> report laid in State Assembly on 9 April 1990 recommended that the IWT Department cause a study to analyse the bottleneck for loss in ferry receipts, and find remedial measures, to run the organisation on “no profit no loss” basis. Toll rates were last revised in March 1992.

The IWT Department was operating ferry services ranging between 63 to 70 per year with fleet strength of 143\* vessels/boats during 1997-98 to 2001-02 on specified routes over the rivers Brahmaputra, Barak and their tributaries. Of these, ferry services ranging between 34 to 49 numbers were leased out and 21 to 31 numbers were operated departmentally. The Government earned total revenue of Rs.9.23 crore (Rs.1.97 crore from departmental operation and Rs.7.26 crore from leased out ferries) against the total expenditure of Rs.49.10 crore on fuel, wages and maintenance etc. leading to uneconomical operation of the ferry services.

The Commissioner and Secretary to the Government of Assam, Transport Department, directed the Department in January 1999 that all proposals for settlement of departmentally run ferries and leased out ferries be accompanied with profit and loss account in every case for approval of the

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\* Silchar - 51, Dibrugarh - 56 and Guwahati - 36

Government. But in none of the cases test checked did the Department adhere to this instruction.

The Department failed to take adequate remedial measures for running the organisation economically as recommended by the Public Accounts Committee in April 1990. Moreover, no revision in toll rates had been made after March 1992.

### **5.9.3 Loss on operation of commercial services (Cargo ferries)**

The P.A.C. in their 53<sup>rd</sup> report recommended that the Department should analyse the lacuna leading to shortfall of receipts compared to expenditure incurred in departmental operation of commercial services so as to take corrective steps for starting similar services in future.

Hire charges for the vessels/barges leased out other than for tourist purposes were determined at the rate of 10 per cent of the cost of construction, including renovation of the vessels/barges. The Department started commercial service through lessees over the river routes in January 1975 and placed 35 numbers of vessels/barges under commercial services on the three river routes, Brahmaputra, Subansiri and Barak. Out of these, only 14 to 20 vessels/barges were leased/hired out during 1997-98 to 2001-02.

Scrutiny of records of IWT Department, Guwahati relating to operation of commercial services revealed that during the period 1997-98 to 2001-02, as against total receipt of Rs.2.84 crore, the Department incurred total expenditure of Rs.13.79 crore on account of pay and allowances, wages and maintenance of all vessels/barges resulting in loss of Rs.10.95 crore.

It was noticed that the Department had included the cost of construction of vessels for calculation of hire charges but did not include the salary component.

The Department failed to adopt corrective steps to analyse the various factors responsible for loss as recommended by the P.A.C.

### **5.9.4 Non-realisation of bid money, salary of staff etc. from the lessee**

As per provision of Control & Management of Ferries Rules, 1968, and 1976, the lessee shall pay bid money in 4 equal instalments (kist). The rules also provide that the lessee shall bear the expenditure on pay and allowances of staff placed at his disposal for the entire period of lease which shall be payable in advance in one instalment. In case of failure to



pay the quarterly instalments of kist, and other dues within the prescribed period, the lessee shall be liable to pay a fine at the rate of one per cent of the defaulted amount for each day of default.

Scrutiny of records of the Executive Engineer, IWT Division, Dibrugarh and Silchar, revealed that an amount of Rs.17.55 lakh being the kist money/salary of staff etc. in 19 numbers of ferry services for the period from 1997-98 to 2001-02 remained unrecovered from the lessee till March 2003. The Department neither realised the defaulted amount nor imposed any fine which worked out to Rs.2.09 crore.

#### **5.9.5 Non-realisation of hire charges**

As per the terms and conditions of the agreement, the hirer should deposit in advance hire charges as per the bill raised by the owner of vessel. In case, the hirer failed to pay the hire charges, he would be liable to pay additional charges at the rate of ten per cent, as penalty, of the bill value.

Test check of records of the Director, IWT, Guwahati, revealed that 20 commercial vessels/barges were hired out to 11 private companies, corporations and Government departments between August 1997 and June 2002. But, hire charges of Rs.57.39 lakh were not realised in advance for which penalty amounting to Rs.5.74 lakh was leviable. In two cases, vessels were even hired out in May 2001 for the second occasion while Rs.2.88 lakh was lying outstanding since January / February 1999. The Department had not taken any steps to realise the same as of November 2003.

#### **5.9.6 Irregular utilisation of departmental receipts towards departmental expenditure**

As per Rule 7 of the Assam Treasury Rules, all moneys received by or tendered to a government servant on account of the revenues of the state, shall without undue delay be paid in full into treasury or into the bank. Money so received shall not be appropriated to meet departmental expenditure.

Test check of records of two IWT Divisions at Guwahati and Silchar revealed that tolls of Rs.7.15 lakh collected between April 1999 and March 2002 were utilised towards departmental expenditure for purchase of POL in violation of the rules *ibid*. Irregular appropriation of departmental receipts towards departmental expenditure resulted in non-deposit of revenue to Government account.

Matters were reported to the Department and the Government in May 2003; their replies have not been received (November 2003).

## **C. GEOLOGY AND MINING**

### **5.10 Short realisation of royalty**

**5.10.1** The Petroleum and Natural Gas Rules, 1959, stipulate that a lessee shall pay to the State Government on demand a royalty computed at the rate of 10 per cent of the gross value at well head of all crude oil / natural gas obtained from the mining operations.

The Petroleum and Natural Gas Ministry (Government of India) vide letter dated 31 December 1991 fixed the price of natural gas with calorific value in the range of 9,000 to 9,500 K. Cal. per cu.m. at Rs.1,000 per thousand cu.m with effect from 1 January 1992 for North Eastern Region. The discount available on this price on a case to case basis was limited to maximum of Rs.400 per thousand cu.m. It was further clarified that for gas with lower or higher calorific value than the range mentioned above, a rebate or premium to be calculated as per formula conveyed vide Ministry's letter dated 17 February 1987, is to be deducted or added to the basic price.

Test check of records of the Director, Geology and Mining, Assam, revealed that M/s Oil India Limited (OIL) produced 110.13 lakh cu.m, and 40.34 lakh cu.m of natural gas having calorific value more than 10,000 K.Cal. during 1999-2000 and 2000-2001 respectively. For determining the royalty payable on the natural gas produced, OIL instead of applying the Formula fixed by the Ministry (GOI), applied its own method incorporating deduction of cost of collection and distribution charges etc. and paid royalty at an average rate of Rs.59.89 and Rs.77.83 per thousand cu.m. instead of minimum of Rs.100 per thousand cu.m. This resulted in short realisation of royalty of Rs.5.31 crore.

On this being pointed out, the Department stated in May 2003 that the demand was raised in January 2003. The matter had been referred by the Department to the Government. Further reply was awaited (November 2003).

**5.10.2** Rule 14 of the Petroleum and Natural Gas Rules, 1959, stipulates that a lessee shall pay to the State Government on demand a royalty computed at the rate of 10 per cent of the gross value at the well head of all crude oil/natural gas obtained from mining operations. The minimum rate of royalty during the period from 1997 to 1999 was Rs.578 per MT.

Test check of records of the Director, Geology and Mining, Assam, revealed that royalty was recovered from the Oil and Natural Gas Corporation (ONGC) Limited and Oil India Limited (OIL) on 96.85 lakh MT of crude oil extracted by both the lease holders during 1997-98 and 1998-99. However, as per “Indian Mineral Year Book 2000” published by Indian Bureau of Mines, the lease holders actually produced 102.55 lakh MT of crude oil during 1997-98 and 1998-99 from the oil fields situated in Assam. Thus, there was an under statement of 5.70 lakh MT of crude oil compared to production as reflected in the “Indian Mineral Year Book” resulting in non-realisation of royalty of Rs.32.95 crore.

On this being pointed out, the Department stated in April 2002 that the matter was being settled with OIL and ONGC Limited and also had been taken up with Ministry of Petroleum and Natural Gas, Government of India. Final outcome would be intimated in due course of time. The final reply was awaited (November 2003).

The matter was reported to the Government in February 2002; their reply has not been received (November 2003)

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