

CHAPTER-V: FOREST RECEIPTS

5.1 Results of audit

Test check of records of forest receipts, conducted in audit during the year 2004-05, revealed non recoveries, short recoveries and other losses of revenue amounting to Rs. 71.92 crore, in 227 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		Number of cases	Amount
1.	Non-recovery of royalty	4	2.77
2.	Short recovery of royalty	4	0.09
3.	Non levy of extension fee	13	0.56
4.	Non-levy of interest	24	2.86
5.	Other irregularities	182	65.64
	Total	227	71.92

During 2004-05, the Department accepted under assessments of Rs. 57.89 crore involved in 209 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 10.87 crore are given in the following paragraphs.

5.2 Non levy of permit fee

As per notification dated 20 August 2001 issued under the Indian Forest Act, 1927, as applicable to Himachal Pradesh and published in Rajpatra, Himachal Pradesh (Extra-ordinary), on 3 September 2001, dealers of khair heartwood/chips and khair billets (with bark), having medicinal value were liable to pay export permit[&] fee of Rs. 250 per quintal and Rs. 175 per quintal respectively. However, through a notification dated 19 October 2004, the Government of Himachal Pradesh restricted the levy of export permit fee on inter-state transportation of khair wood. Accordingly, export permit fee was leviable on intra state transportation of khair wood upto 18 October 2004.

During the course of audit of 13* forest divisions, it was noticed between July 2003 and March 2005 that Divisional Forest Officers (DFOs) issued 850 passes for intra state export of 2,02,540.32[#] quintals of khair wood between April 2002 and September 2004, without levy of export permit fee. This resulted in non realisation of Government revenue of Rs. 4.45 crore.

After this was pointed out in audit, the Principal Chief Conservator of Forests (PCCF) stated between November 2004 and March 2005 that export permit fee on intra state transportation was not leviable. Accordingly, the export permit fee was not levied by the DFOs. The contention of the Department was not correct as export permit fee on transportation of khair wood within the State was leviable upto 18 October 2004 and should have been recovered by the concerned DFOs. The fact was brought to the notice of the Department in April 2005.

The cases were reported to the Government between August 2003 and April 2005; reply had not been received (September 2005).

5.3 Non/short recovery of Net Present Value

The Government of Himachal Pradesh in their notification dated 9 January 2004 levied a charge of Net Present Value (NPV) earlier called environmental value for forest land diverted for non forestry use under Forest (Conservation) Act, 1980. The rates of Rs. 5.80 lakh per hectare was fixed for forest having less than 10 *per cent* forest cover, Rs. 7.50 lakh per hectare was for forest cover between 10-40 *per cent* and Rs. 9.20 lakh per hectare was for forest cover above 40 *per cent*. The rates specified in the notification were applicable retrospectively from 30 October 2002.

[&] Export permit : It is a pass from an officer duly authorised to issue the same to regulate import or export or moving of timber or other forest produce

* Bilaspur, Dehra, Dalhousie, Dharamsala, Hamirpur, Nurpur, Nalagarh, Nahan, Palampur, Paonta Sahib, Renukaji, Solan and Una

[#]Khair heart wood/Chips: 1,21,037.63 quintals, Khair billets (with bark): 81,502.69 quintals

5.3.1 During audit of three* DFOs, it was noticed between August 2004 and January 2005, that permission for diversion of 37.7818 hectare of forest land for non forestry use was accorded by the Government of India between December 2002 and November 2004 in favour of four user agencies. However, the DFOs did not levy NPV of Rs. 2.21 crore against the user agencies, resulting in non recovery of Government revenue to that extent. Non imposition was not monitored by the higher authorities though a periodical report in this regard was being sent to the Conservator of Forests and PCCF by the DFOs.

After this was pointed out in audit, DFO Shimla intimated in November 2004 that user agencies had been requested to deposit the NPV of Rs. 8.43 lakh. Report of recovery and reply from Ani and Palampur divisions were, however, not received (September 2005).

The matter was reported to the Department/Government in September 2004 and February 2005; their replies had not been received (September 2005).

5.3.2 During audit of DFO Kinnaur, it was noticed in June 2004 that NPV in respect of 18.7142 hectare of forest land diverted during 2003-04 for construction of Kashang Hydro Electric Project was levied at pre revised rate of Rs. 5 lakh per hectare instead of Rs. 5.80 lakh per hectare. This resulted in short levy of NPV of Rs. 14.97 lakh.

After this was pointed out in audit, the Department accepted the audit observation and stated in February 2005 that the user agency had been directed in September 2004 to deposit the differential amount of Rs. 14.97 lakh. Report of recovery had not been received (September 2005).

The matter was reported to the Government in July and followed by a reminder in December 2004; reply had not been received (September 2005).

5.4 Loss of revenue due to administrative failure

Any act causing damage by negligence or act of deliberate felling of a tree or clearing of land for cultivation or any other purpose in any protected forest etc., is an offence under the Indian Forest Act, 1927 and is punishable with imprisonment for a term of upto six months or with fine of upto Rs.500. It is the duty of every beat forest guard to immediately take cognizance of a forest offence, to issue the damage report for the offence committed and get the damage accepted by the offender. The forest produce and the implements used in committing the offence are to be seized. In case, the offender escapes arrest on the spot, an immediate report is required to be made and got signed by the nearest influential person (*Lambardar*). The forest offence cases can be compounded by the Forest Officer himself and in cases, where he is not

* Ani (1 case: 20.88 hectare), Palampur (1 case: 15.75 hectare) and Shimla (2 cases: 1.1518 hectares)

competent to compound or the offender does not come forward for compounding, it is registered with the police to be taken to court of law.

5.4.1 During audit of the records of DFO, Churah, it was noticed in July 2004 that 16 *deodar* trees having 21.99 cu.m. standing volume valued at Rs. 5.85 lakh were found illicitly felled by the Range Officer Tissa in May 2003 in Shakti RF/DPF*. The offenders went unnoticed and no timber was found at the spot. Neither any FIR was lodged by the Department nor any damage report was issued. Failure of the Department to take cognizance of offence in time resulted in loss of revenue of Rs. 5.85 lakh including sales tax.

The case was reported to the Department/Government in August and December 2004; their replies had not been received (September 2005).

5.4.2 During audit of the records of DFO, Rohru and Kinnaur, it was noticed between August 2003 and June 2004 that six damage reports were issued by the beat forest guards between March 2000 and October 2002, for illicit felling of trees. Out of these, 15.45 cu.m. timber valued at Rs.3.70 lakh in the case of four damage reports was seized by the Department between March 2000 and October 2002. The offenders remained untraced in these four cases but no FIR was lodged. In addition, the seized timber has not yet been disposed of. In another damage report, 11 trees valued at Rs. 4.59 lakh illicitly felled by a private company could not be seized though the illicit felling was stated to have been admitted by one of the employees of the company. No further action was taken to compound the offence or challan in a court of law. In the remaining case, though the offender had accepted the offence on 10 March 2000, the case was not compounded by the Department within one year. Consequently, the case was neither compounded nor challaned in the court of law. This resulted in non realisation of Government revenue of Rs. 8.29 lakh.

The cases were reported to the Department/ Government between November 2003 and July 2004 followed by reminders in March/ December 2004; their replies had not been received (September 2005).

5.5 Loss of revenue due to delay in handing over of lot

The royalty rates for the year 2002-03 in respect of *deodar*, *kail* and *rai* were Rs. 3,950, Rs. 2,430 and Rs. 770 per cu.m. respectively. These rates were reduced to Rs. 3,940, Rs. 2,190 and Rs. 740 during 2003-04. The marking lists are required to be sent to the Himachal Pradesh State Forest Corporation (Corporation) before 15 December of the year following the year of exploitation.

During audit of the records of DFO Mandi, it was noticed in January 2005 that a lot of 896 trees containing 1,485.84 cu.m. standing volume due for exploitation during 2002-03 was handed over to the Corporation in July 2002 and the Corporation had started the exploitation work in November 2002. The

* RF: Reserved Forest, DPF: Demarcated Protected Forest

lot was required to be handed over before 15 December 2001. As the DFO failed to hand over the lot by scheduled date, it was considered for the subsequent year i.e. 2003-04 by the Corporation. This resulted in short recovery of royalty of Rs.3.52 lakh including sales tax due to reduction in royalty rates in subsequent year.

The case was reported to the Department/Government in March 2005; their replies had not been received (September 2005).

5.6 Exemption/ deduction of royalty without joint inspection

The Government of Himachal Pradesh, on the recommendations of the Pricing Committee decided in January 2002, that royalty for entire volume of unfit trees be charged at full rates and that for hollow/rotten trees, *pro rata* deduction in royalty would be given if unfit trees are found rotten during joint inspection, to be conducted by Sub Divisional Manager (SDM) of Corporation/Assistant Conservator of Forests (ACF) of Forest Department, within a period of two months after felling. Hollow and rotten trees which have 25 *per cent* or more rot will be classified as unfit. No royalty will be payable for hollow or rotten trees which have 25 *per cent* or more rot or hollowness at stump cross section.

During audit of the records of DFO Parbati and Kullu, it was noticed between September and December 2004 that 13 lots containing trees of *deodar, kail, fir* species etc, were handed over to the Corporation for exploitation during 2000-01 to 2003-04. Of these, trees having 4,838.908 cu.m. standing volume valued at Rs.61.46 lakh were declared unfit without joint inspection of the Department and of the Corporation and no royalty was paid. The declaration of loss without joint inspection was incorrect and resulted in non recovery of royalty of Rs.61.46 lakh.

The cases were reported to the Department/Government between October 2004 and January 2005; their replies had not been received (September 2005).

5.7 Loss of revenue due to delay in exploitation

As per instructions issued in October 1980 under Indian Forest Act, 1927 as applicable to the State of Himachal Pradesh, all trees marked for exploitation and listed in lots would be handed over to Corporation for working. As per decision of the Pricing Committee of August 2001, a joint inspection is required to be conducted on the request of the Corporation within a period of two months after felling, if the volume of rotten/hollow trees is more than five *per cent* of the total marked volume. However, no royalty was payable on rotten trees, if the rot/hollowness at stump cross section is 25 *per cent* or more.

During audit of the records of DFO, Shimla, it was noticed in November 2004 that a salvage lot containing 1,623 trees of *deodar, kail, chil* and *rai* having 1,940.114 cu.m. of standing volume of timber was marked in 2001-02 and the

marking list which was required to be sent before 15 December 2001, was, however, sent to the Corporation in January 2003 for exploitation during 2003-04 i.e. after a lapse of one year. On the request of the Corporation, a joint inspection of rotten /hollow trees was conducted between July-September 2003 and 383 trees containing 591.487 cu.m. of timber were found rotten having 25 *per cent* or more rot and were classified as unfit for exploitation. Thus, delay in handing over the lot and continuous exposure of marked trees to the vagaries of weather resulted in 25 *per cent* or more rot at stump cross section of 383 trees for which no royalty was paid. This led to loss of revenue of Rs.16.39 lakh to the Government.

After this was pointed out in audit, DFO stated in February 2005 that the trees were marked and handed over to the Corporation during 2002-03 and the year 2001-02 was mentioned inadvertently on general abstract of salvage marking and there was no delay in handing over the marking lists. The contention of the Department was not tenable as the marking list was prepared by the Range Officer Mashobra in 2001-02 and same list was sent by the DFO to the Corporation in January 2003. Even if the lot was prepared for exploitation during 2003-04, the marking list should have been sent before 15 December 2002. However, the stage at which the delay had occurred was not made available.

The case was reported to the Government in December 2004; reply had not been received (September 2005).

5.8 Non charging of cost of fence posts

The Forest Department executes afforestation work in double the area, transferred to user agency under Forest (Conservation) Act, 1980, for non forestry purpose. The cost of fence posts required for compensatory afforestation is to be realised from the user agency as per departmental instructions. The PCCF, Himachal Pradesh, Shimla fixed (August 1995) the norm of 70 fence posts to be used for fencing of one hectare of plantation area.

During audit of the records of 11* DFOs, it was noticed between May 2003 and January 2005 that cost[@] of 1.67 lakh fence posts, required for compensatory afforestation in 2,388 hectare had not been charged from the user agencies during the period between April 2002 and March 2004. This resulted in loss of revenue of Rs.2.17 crore (including sales tax) to the Government.

After this was pointed out in audit, the Department stated between December 2003 and January 2005 that in the case of Theog, Parbati and Kunihar divisions, bills on account of cost of fence posts amounting to Rs. 35.21 lakh

* Bharmaur, Churah, Chamba, Kullu, Kunihar, Palampur, Parbati, Rampur, Suket, Theog and Una

[@] Cost of fence posts worked out at the rate of Rs. 100 per fence post on the basis of bills raised by the Department

had been raised between December 2003 and September 2004 against the user agencies and that DFO Suket had been directed in March 2005 to realise the cost of fence posts. Reply from remaining divisions was, however, awaited (September 2005).

The cases were reported to the Department/Government between June 2003 and February 2005; their replies had not been received (September 2005).

5.9 Loss of revenue due to non tapping of resin blazes

As per instructions dated 24 September 2001, the PCCF increased the minimum diameter for resin tapping as 35 cm from 30 cm applicable from the 2002 resin tapping season, in respect of trees to be tapped for the first time. Further, according to instructions issued in May 2000, for deletion of blazes, prior approval of the Conservator of Forests was to be obtained well before commencement of tapping season.

During audit of the records of 11^s DFOs, it was noticed between June 2004 and January 2005, that 89,934 *chil* trees having diameter of 30 cm to 35 cm and above were not handed over to the Corporation for resin tapping for the tapping seasons between 2000 and 2004, due to non enumeration of blazes/deletion of blazes from the marking lists. This resulted in depriving the Government of revenue of Rs.20.61 lakh on account of royalty.

After this was pointed out in audit, the Department stated in December 2004 that approval for deletion of 4,306 blazes for the year 2003 in Solan division had been accorded in July 2004. The reply is not tenable as prior approval was required for deletion of blazes and in this case the approval was obtained after the commencement of tapping season 2003. Reply from other divisions was awaited.

The cases were reported to the Department/Government between July 2004 and January 2005; their replies had not been received (September 2005).

^s Ani, Churah, Dalhousie, Dehra , Hamirpur, Mandi, Nachan, Parbati, Rohroo, Solan and Theog

5.10 Non levy of extension fee

Clause 3 of the standard agreement deed for lease provides that if a lessee fails to fell, convert and carry trees outside the leased area within the contract period, he may seek extension in the working period, failing which he shall have no right on the standing/felled trees and scattered/stacked timber lying in the leased forest. If extension applied for is granted, the lessee is required to pay extension fee at the prescribed rates. A register named "Periodical Dues Register" is maintained in each division which acts as a monitoring register for grant of extension period and recovery thereof.

During audit of the records of four [@] DFOs, it was noticed that 49 lots with lease periods between 31 March 2001 and 31 March 2004, were handed over to the Corporation for exploitation. The exploitation work of these lots could not be completed within the lease period. The Corporation was permitted to continue exploitation work in two divisions involving nine lots. However, extension fee of Rs. 7.83 lakh was not levied. This resulted in non realisation of revenue of Rs. 7.83 lakh. Extension in working periods of 40 other lots of the divisions though sought for between March 2003 and April 2004 was not granted. There was nothing on records to show that Corporation had stopped exploitation work. As a result, extension fee of Rs. 8.89 lakh could not be levied. This resulted in non realisation of revenue of Rs. 16.72 lakh.

After this was pointed out in audit between March 2002 and March 2004, DFO Chopal stated in November 2004 that extension fee would be demanded while DFO, Bharmour intimated that bill had been raised. Reply from other divisions was awaited.

The cases were reported to the Government in September 2004, their replies had not been received (September 2005).

5.11 Non levy of penalty

As per clause 18 (G) of the standard agreement deed of lease executed under Indian Forest Act, 1927, Corporation (the sole lessee of the State Government), is required to pay sales tax on royalties to the concerned DFO. In case of non payment/belated payment of the amount of sales tax, the lessee is required to pay penalty at the rate of 18 *per cent* per annum to the concerned DFO.

During audit of the records of DFO, Kotgarh and Seraj, it was noticed between July 2004 and February 2005 that sales tax amounting to Rs. 78.32 lakh payable on royalty instalments in respect of 11 forest lots, handed over to the Corporation for exploitation between April 2002 and March 2004, was paid after a delay ranging between 40 days and 516 days. However, penalty

[@] Bharmour, Chopal, Dalhousie and Rohroo

amounting to Rs. 2.84* lakh though leviable was not levied by the concerned DFO.

After this was pointed out in audit, the Department stated in November 2004 that in the case of Kotgarh division, bill for Rs. 1.50 lakh had been raised in September 2004. Report of recovery had not been received (September 2005). Reply from Seraj division was awaited (September 2005).

The cases were reported to the Department/ Government between August 2004 and March 2005; their replies had not been received (September 2005).

5.12 Non levy of interest

The Corporation which is entrusted with the responsibility of exploitation of all forest lots, is required to deposit instalments of royalty in respect of forest lots by due dates as fixed by the State Government. In case the royalty is not paid within 90 days after the due date, interest at the rate of 11.5 *per cent* per annum is chargeable with effect from 1 April 2001.

During audit of the records of four[#] DFOs, it was noticed between July 2004 and February 2005 that 27 forest lots were handed over to the Corporation for exploitation during the years 2002-03 and 2003-04, for which royalty amounting to Rs. 6.10 crore payable between 15 September 2002 and 30 November 2003 was paid between January 2003 and June 2004. The delay in payment of royalty ranged between 108 days to 483 days. Interest of Rs. 53.82 lakh though leviable was not demanded by the Department for belated deposit of royalty.

After this was pointed out in audit, the Department stated in November 2004 that in the case of Kotgarh division, bill on account of interest had been raised in September 2004. Reply from remaining divisions was awaited.

The cases were reported to the Department/ Government between August 2004 and March 2005; their replies had not been received (September 2005).

* Kotgarh: Rs. 1.50 lakh and Seraj: Rs. 1.34 lakh
[#] Chopal, Kotgarh, Karsog and Seraj at Banjar