CHAPTER-IV: FOREST RECEIPTS

4.1 Results of audit

Test check of records of forest receipts, conducted during the year 2006-07, revealed non/short recovery and other irregularities amounting to Rs.27.37 crore, in 238 cases, which broadly fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	27	1.59
2.	Non levy of extension fee	33	1.01
3.	Non levy of interest	33	0.63
4.	Other irregularities	145	24.14
Total		**238**	**27.37**

During 2006-07, the department accepted under assessments of Rs. 48.94 crore involved in 563 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs. 34.75 crore are given in the following paragraphs.

4.2 Short realisation due to less extraction of timber

The Himachal Pradesh State Forest Corporation (corporation), entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on salvage♦ trees at rates fixed by the State Government on the recommendations of the Pricing Committee. It also exploits such lots which are marked to meet *bona fide* requirements of the right holders at highly subsidised rates. The out-turn♣ percentage of the trees marked (including sawn timber, hakkaries•, pulpwood etc.) was fixed in February 1986 by the Forest Department at 65 *per cent* of the standing volume for *deodar, kail* and *chil* trees.

During audit of records of Divisional Forest Officer (DFO), Chamba, it was noticed in July-August 2006 that a salvage lot of 804 trees of deodar *species* containing 1,789.92 cu.m standing volume of timber was handed over to the corporation for exploitation during the year 2004-05, to meet the *bona fide* requirements of the right holders of Chamba town. Of these, seven trees having standing volume of 44.48 cu.m were not workable as these were situated in steep slopes. The remaining 797 trees having 1,745.44 cu.m of standing volume were felled and converted into timber, from which minimum quantity of 1,134.536 cu.m of converted timber was required to be obtained. However, the corporation extracted only 907.237 cu.m of timber. The DFO neither investigated the reasons for less extraction nor the corporation was asked to explain the reasons therefor. Thus, less extraction of 227.299 cu.m of timber resulted in short realisation of royalty of Rs. 16.46 lakh including sales tax of Rs. 3.80 lakh.

The matter was reported to the department and Government in August 2006, reply had not been received (September 2007).

4.3 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 (CA) is to be realised from the user agency as per departmental instructions and deposited as revenue under the relevant head. Similarly, the cost of fence posts required for fencing for carrying out afforestation in the catchment area under catchment area treatment (CAT) plan of the concerned project, is also to be recovered from the user agency.

During audit of records of five[ω]DFOs, it was noticed between July 2006 and November 2006 that cost[*] of 5,80,359♣ fence posts, required for compensatory

♦Dead, dry and fallen trees

♣ Out put

• Pieces of logs, golas etc. cut into two from center

ω Bharmour, Chamba, Kinnaur, Rohru, and Seraj at Banjar

*Cost of fence posts worked out at the rate of Rs.100 per fence post on the basis of bills raised by the department

♣ CA: 47,459; CAT Plan: 5,32,900

afforestation and for the area under CAT plan in total area of 9,281.9546[δ] hectare had not been charged from the user agencies during the period falling between May 2004 and November 2005. This resulted in non realisation of revenue of Rs.7.63 crore including sales tax of Rs.1.71 crore to Government.

The matter was reported to the department and Government between August 2006 and December 2006; reply had not been received (September 2007).

4.4 Non realisation of net present value

Government of Himachal Pradesh (Department of Forest) vide 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. As per Government of India (GOI), Ministry of Environment and Forest (MOEF) letter dated September 2003, NPV shall be charged in all those cases which have been granted in principle approval and shall be realised before case of final approval is forwarded to GOI.

4.4.1 During audit of records of five[®] DFOs, it was noticed between August 2006 and March 2007, that approval for diversion of 11.5202 hectare of forest land for non forestry use was accorded in principle in seven cases by GOI between May 2005 and March 2007, in favour of user agencies. DFOs concerned however, did not levy NPV of Rs. 70.49 lakh for 11.5202 hectare of forest land against the user[Θ] agencies.

4.4.2 Under GOI orders dated June 2004, NPV was payable where forest area was broken up for making an opening for underground works and where deforestation work was involved.

During audit, it was noticed that in two forest divisions of Bharmour and Chamba, sanction for diversion of 96.145 hectare of forest land was accorded. Of this, 10.145[ϑ] hectare of land was required for underground works. In this area, 1,870 trees were required to be felled and tunnel[^] to be constructed. This attracted levy of NPV of Rs.58.84 lakh. The same was not levied resulting in non levy of Government revenue to that extent.

The matter was reported to the department and Government between August 2006 and April 2007; reply had not been received (September 2007).

[δ] CA: area: 636.9546 hectare and CAT plan:area: 8,645 hectare
[®] Dharamsala, Kotgarh, Nurpur, Renukaji and Suket at Sundernagar
[Θ] Public Works Department and Department of Technical Education
[ϑ] Bharmour: 3.145 hectare and Chamba : 7 hectare
[^] adits (access to the main channel) to the head race (a water conductor system in hydel project)

4.5 Non levy of extension fee

As per decision of the pricing committee, terms and conditions as applicable to the contractors prior to the formation of corporation were applicable to it for exploitation of forests. Accordingly, on expiry of lease period, corporation had no right on such trees which were left standing in the forest or felled trees and any scattered/stacked timber not removed from the leased forest unless its period of lease was extended by Conservator of Forests/ Principal Chief Conservator of Forests (CF/PCCF). For all extensions granted, extension fee was payable at rates prescribed by Government.

During audit of records of 14[*] DFOs, it was noticed between May 2006 and March 2007 that 172 lots were handed over to corporation for exploitation during lease period from 30 June 2004 to 30 June 2006. Though exploitation work could not be completed within the lease period, extension fee of Rs.68.95 lakh was not realised as detailed below:

- In seven divisions, corporation was allowed to continue exploitation work in 76 lots beyond the lease period that expired on 30 June 2006. Extension fee of Rs. 26.99 lakh payable by the corporation, was neither demanded by the department nor paid by the lessee.

- In other seven divisions, extension in lease periods of 96 lots sought by corporation between March 2006 and December 2006, was not granted by the department till date. Corporation continued exploitation work without payment of extension fee of Rs. 41.96 lakh.

Thus, non levy of fee and non grant of extension in working periods resulted in non realisation of revenue of Rs. 68.95 lakh.

After this was pointed out, three[•] DFOs intimated between May 2006 and January 2007 that bills for Rs. 12.35 lakh as pointed out by audit had been raised against the corporation. Further report on recovery and reply from other divisions had not been received (September 2007).

The cases were reported to the department and Government between June 2006 and April 2007; reply had not been received (September 2007).

[*] Ani at Luhri, Bharmour, Chamba, Chopal, Churah, Dehra, Dharamsala, Kinnaur, Nahan, Paonta Sahib, Rajgarh, Rampur, Rohru and Theog

[•] Kinnaur: Rs. 4.53 lakh; Rampur: Rs. 4.26 lakh and Theog: Rs. 3.56 lakh

4.6 Short recovery due to application of incorrect volume factor

Royalty is payable on standing volume of trees determined on volume factor fixed by the department in the approved working plan.

During audit of records of DFO Bharmour, it was noticed in August 2006 that volume of 44.26 cu.m was claimed short from corporation/user agency as detailed below:

- Volume factor for Vth[∂] class trees of *deodar* and *kail* species was taken as 0.06 cu.m instead of 0.22 cu.m fixed in approved working plan of forest division. The standing volume of 163[♣] trees of *deodar* and *kail* species worked out to 35.86 cu.m instead of 9.78 cu.m fixed by the division while handing over the same to corporation.
- Similarly, volume factor of Vth class tree of *fir* species was taken as 0.06 cu.m instead of 0.24 cu.m prescribed in the working plan. The standing volume of 101 *fir* trees worked out to 24.24 cu.m instead of 6.06 cu.m fixed by the division while handing over the same to National Hydro Electric Power Corporation.

This resulted in short recovery of Rs. 2.24 lakh on account of cost of trees, royalty and sales tax.

The matter was reported to the department and Government in September 2006; reply had not been received (September 2007).

4.7 Non/short charging of cost of saplings

PCCF in his letter of September 1991 directed all DFOs to charge market value of all trees including saplings from the project authorities/user agencies. For working out cost, each sapling was to be treated as a Vth class tree.

During audit of records of three DFOs, it was noticed between January 2005 and January 2007, that cost of 1,17,674 saplings amounting to Rs. 45.86 lakh was either not charged or charged short by the divisions as per details given below:

[∂] Classification of a tree with reference to dia at breast height
[♣] Deodar: 11: volume 2.42 cu.m; Kail: 152: volume 33.44 cu.m

(Amount in lakh)

Name of division	Total saplings	Rate per sapling in rupee		Amount levied short		Total amount realised short
		Leviable / Levied	Levied short	Cost of sapling	Sales tax$	
Nalagarh	814 Khair	520 / 10	510	4.15	1.24	5.39
	100 Shisham	646 / 10	636	0.63	0.19	0.82
	85 Kikar	195 / 10	185	0.16	0.05	0.21
Renukaji	810 Kokat	195 / Nil	195	1.58	0.20	1.78
Suket at Sundernagar	1,15,865&	80 / 55	25	28.97	8.69	37.66
Total	**1,17,674**			**35.49**	**10.37**	**45.86**

This resulted in non realisation of revenue of Rs. 45.86 lakh to Government.

After this was pointed out, PCCF Shimla intimated in May 2007 that Rs. 2.02 lakh in the case of Nalagarh forest division had been recovered in March 2007. Further report of recovery and reply from remaining two divisions had not been received (September 2007).

The matter was reported to the department and Government between February 2005 and February 2007; reply had not been received (September 2007).

4.8 Loss of interest due to non keeping of funds in fixed deposit

As per instructions (22 March 2004) of Union Ministry of Environment and Forests (MOEF), funds of compensatory afforestation (CA), net present value (NPV), catchment area treatment (CAT) plan etc., were to be kept in the form of fixed deposits (FDs) in a nationalised bank in the name of concerned DFO or nodal officer (Forest Conservation) of the State till Compensatory Afforestation Management and Planning Agency (CAMPA) becomes operational and till further necessary directions received from Central Government.

Subsequently MOEF advised (22 June 2004) that State/UT Governments may encash the FDs partly if required for the purpose of CA and other such works and open a current account. The balance amount may be maintained as FDs by the DFO/nodal officer. The nodal officer shall submit the quarterly progress report to the concerned regional office for the utilisation of funds and the balance amount in the form of FDs. As per MOEF's letter dated 18 November 2005, CAMPA had

$ VAT 12.5%

& specie wise details not given, rate of lowest quality taken for working out the loss already been constituted and notified by the Central Government on 23 April 2004 and till such time CAMPA intimates head of account for adoption, the funds would be maintained in the form of FD in the name of nodal officer or concerned DFO of the State Government and the funds realised towards the NPV shall not be utilised by the State Government.

During test check of records of 28[ν] DFOs, between May 2006 and March 2007 it was noticed that an amount of Rs. 54.24[ℜ] crore was received from various user agencies for CA, NPV, CAT plan etc., during the years 2004-05 to 2006-07. Audit scrutiny revealed that the entire amount of Rs. 54.24 crore had been deposited in the treasury under the revenue head "406-800-Other Receipts" between March 2005 and July 2006 as the State Finance Department had opined that keeping such funds in FDs for unlimited period will be violative of financial rules. By crediting the amount of Rs. 54.24 crore in Government treasury instead of keeping them in FDs, Government suffered a loss of interest of Rs. 4.53 crore (calculated at the rate of five *per cent* per annum from the date of deposit into treasury) between March 2005 and March 2007. The action of the State Government to deposit the amounts in Government treasury was contrary to the requirements laid down by the Ministry on the subject as the funds realised under CAMPA were for CA, CAT plan etc., and were not to be treated as revenue of the State Government. This also inflated the revenue of the department/ Government to that extent.

The cases were reported to the department and Government between June 2006 and April 2007; reply had not been received (September 2007).

4.9 Loss of revenue due to non weighment of deodar stumps

The State Government entered into an agreement with two firms in May 1996 and October 1996 for supply of deodar stumps for manufacturing deodar oil. The royalty on stumps to be supplied to the firms was fixed at the rate of Rs. 130 per quintal for the year 1996-97. Thereafter, it was to be determined yearwise as per prevailing market rates of deodar wood oil subject to the condition that it should not be less than Rs. 130 per quintal or 20 *per cent* above of the previous year's market price, whichever is higher. It was decided in December 1997 by Government that weight of stumps be taken on actual weighment basis. The rate of royalty was based on deodar oil recovery at three *per cent* per quintal fixed by the department.

During audit of records of two[♥] DFOs, it was noticed between November 2006 and January 2007 that 11,169[♦] stumps of deodar were supplied to two firms by the department. However, weighment of deodar wood extracted from the stumps

[ν] Ani, Bilaspur, Churah, Dalhousie, Dehra, Dharamsala, Hamirpur, Jogindernagar, Kullu, Kotgarh, Kunihar, Kinnaur, Nachan , Nalagarh, Nahan, Nurpur, Pangi, Parbati, Palampur, Rajgarh, Rohru, Renukaji, Rampur, Seraj, Suket, Shimla, Theog and Una

[ℜ] 2004-05: Rs. 0.27 crore; 2005-06: Rs. 52.74 crore and 2006-07: Rs. 1.23 crore

[♥] Karsog: Rs. 20.33 lakh and Nachan at Gohar: Rs. 7.29 lakh

[♦] Karsog: 8,648 and Nachan: 2,521

marked was not actually made in the field units. As a result, the department could not exercise control on actual out-turn of deodar oil, which ranged between four to six *per cent* against the prescribed limit of three *per cent*. This resulted in short realisation of royalty of Rs. 27.62 lakh (including sales tax/ value added tax) as per details given below:

Year	Total quantity of deodar oil extracted	Weight of deodar wood required for extraction at 3 *per cent*	Actual weight of deodar wood shown by the department	Short accountal of deodar wood	Short recovery of royalty at Rs. 144.30 per quintal (Rs.)	30 *per cent* Sales tax/ 12.5 *per cent* VAT leviable (Rs.)	Total amount (Rs.)
2004-05	40,814.10 kg	13,605 qtl.	8,558.10 qtl.	5,046.90 qtl.	7,28,268	2,18,480	9,46,748
2005-06	65,278 kg	21,759 qtl.	10,578 qtl.	11,181 qtl.	16,13,418	2,01,677	18,15,095
Total	**1,06,092.10 kg**	**35,364 qtl.**	**19,136.10 qtl.**	**16,227.90 qtl.**	**23,41,686**	**4,20,157**	**27,61,843 say Rs. 27.62 lakh**

The matter was reported to the department and Government between December 2006 and February 2007; reply had not been received (September 2007).

4.10 Non recovery of compensation for environmental value

As per notification of 24 June 2002, the State Government levied a charge as compensation for the loss of "environmental value" of forest land diverted to non forestry use, under Forest (Conservation) Act, 1980. This compensation is to be levied as one time payment at the rate of Rs.8 lakh per hectare for the areas having forest cover above 10 *per cent* and at the rate of Rs.5 lakh per hectare for the remaining forest areas, before handing over the possession of the diverted forest land to the user agency. These rates would also apply to the projects where approval for diversion of forest land under the Act ibid had been accorded but the possession of forest land was yet to be handed over to the user agency.

During audit of records of two* DFOs, it was noticed in November 2004 and November 2005 that Ministry of Environment and Forest accorded approval in November 2000 for diversion of 954.69 hectare of forest land involving Rs.64.13 crore in favour of National Thermal Power Corporation (NTPC) Ltd. for construction of Kol Hydro Electric Project (KHEP). Out of this, possession of 415.0317 hectares of forest land of Kunihar and Shimla divisions was not handed over to user agency. Compensation for environmental value for this part of land amounting to Rs. 21.56 crore was neither paid by the agency nor was it demanded by the assessing authorities. This resulted in non realisation of Government revenue to that extent.

* Kunihar: 243.0317 hectare and Shimla: 172 hectare

After this was pointed out, PCCF accepted the audit observation in May 2007 and stated that NTPC was required to pay the compensation for loss of environmental value. Report on recovery had not been received.

The matter was reported to Government between December 2004 and December 2005; reply had not been received (September 2007).

4.11 Irregular grant of rebate in royalty

The pricing committee prescribed certain conditions for grant of concessional rate of royalty for trees declared unfit after being marked for exploitation. If the volume of rotten (unfit) trees was more than five *per cent* of the total marked volume, a joint inspection was required to be conducted within a period of two months after felling by sub divisional manager (SDM) and ACF. These officers would certify that unfit trees were found rotten 25 *per cent* or more at stump cross section and did not yield one sound log of three meter length (with a minimum mid girth of 1.5 m), one sound pole of four meter length and width (a girth of one m at any end) and one sound pole of three meter length (with a girth of 45 cm at any end). These were required to be deleted from the marking lists and no royalty was to be paid for the same, PCCF also clarified in September 2004, it should also be certified in the joint inspection that a tree cannot yield one sound pole /log of specified size.

During audit of records of six[*]DFOs, it was noticed between May 2006 and March 2007, that 21 lots having standing volume of 34,186.704 cu.m and containing trees of *deodar*, *kail*, *chil*, *fir* and broad leaved species were handed over to the corporation for exploitation between 2003-04 and 2005-06. Of these, in three[∈] divisions, although 3,061.794 cu.m volume of trees declared unfit for 15 lots was more than five *per cent* of the total marked volume of 25,957.766 cu.m, yet no joint inspection was conducted. No reasons were on record for non conducting of joint inspections. Rebate in royalty amounting to Rs.32.18 lakh was also allowed by the department.

In remaining three[℘] divisions, though joint inspections of 788 trees of six lots having standing volume of 1,721.734 cu.m were conducted, but in the inspection reports, it was not certified that the trees did not yield any sound log/pole of specified size. Therefore, rebate in royalty amounting to Rs. 35.28 lakh allowed by the divisional officers was irregular.

This resulted in irregular grant of rebate in royalty amounting to Rs.67.46 lakh (including sales tax/value added tax) to the corporation.

The cases were reported to the department and Government between June 2006 and April 2007; reply had not been received (September 2007).

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[*] Chamba, Kullu, Parvati, Paonta Sahib, Shimla and Theog
[∈] Kullu, Paonta Sahib and Parvati (Total marked volume: 25,957.766 cu.m)
[℘] Chamba, Shimla and Theog (Total marked volume: 8,228.938 cu.m)

4.12 Short recovery of revenue

The standing trees coming in the alignment of a project are marked and handed over to corporation for exploitation. The cost of trees is, however, recovered from the user agencies in whose favour the GOI had accorded its approval for transfer of forest land. Government had fixed the market rates of green standing trees of various species for the year 1992-93 on 15 May 1993. Afterwards, the State Government revised (December 2006) the market rates of green standing tree species retrospectively from 15 May 1993.

During audit of records of six* DFOs, it was noticed between December 2006 and March 2007 that cost of 7,378 trees of *Chil* species having standing volume of 2,652.657 cu.m falling in the alignment of different projects/ transmission lines etc. were charged at lesser rates. The department, however, did not raise additional demand of cost of trees at revised rates. This resulted in short realisation of Government revenue of Rs. 1.98 crore.

After this was pointed out, DFO Kunihar stated in March 2007 that bill for balance amount of Rs. 1.42 crore (including cost of 186 saplings and 58 broad leaved trees) had been raised against the user agency. Further report and reply from remaining divisions had not been received (September 2007).

The matter was reported to the department and Government between January 2007 and April 2007; reply had not been received (September 2007).

* Bilaspur: 378 trees: 97.59 cu.m; Dharamsala: 467 trees: 450.062 cu.m; Kunihar: 6,060 trees: 1,630.536 cu.m; Nahan: 192 trees: 214.983 cu.m; Nalagarh: 234 trees: 212.406 cu.m and Nurpur : 47 trees : 47.080 cu.m