CHAPTER VI: NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of non-tax receipts conducted during the year 2006-07 revealed under assessment/short levy, loss of revenue etc. of Rs. 103.11 crore in 44 cases, which broadly fell under the following categories:

(Rupees in crore)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>Number of cases</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Forest Receipts (A review)</td>
<td>01</td>
<td>73.95</td>
</tr>
<tr>
<td>2.</td>
<td>Loss of revenue on sale of tendu leaves</td>
<td>16</td>
<td>16.34</td>
</tr>
<tr>
<td>3.</td>
<td>Loss of forest revenue</td>
<td>20</td>
<td>12.15</td>
</tr>
<tr>
<td>4.</td>
<td>Miscellaneous</td>
<td>05</td>
<td>0.63</td>
</tr>
<tr>
<td>5.</td>
<td>Others</td>
<td>02</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>44</strong></td>
<td><strong>103.11</strong></td>
</tr>
</tbody>
</table>

During 2006-07, the department accepted under assessments in 56 cases pertaining to earlier years and recovered Rs. 18.92 crore.

A review on ‘Forest Receipts’ involving a financial effect of Rs. 73.95 crore and a few illustrative cases involving a financial effect of Rs. 94.24 crore are mentioned in the following paragraphs.
## 6.2 Review of Forest Receipts

### 6.2.1 Highlights

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-preparation of working plans as well as failure to follow the prescriptions in the plans wherever prepared resulted in deferment of revenue of Rs. 147.63 crore.</td>
<td>(Paragraph 6.2.8)</td>
</tr>
<tr>
<td>Failure to enforce the conditions of contracts for exploitation of bamboo led to the loss of revenue of Rs. 10.94 crore.</td>
<td>(Paragraph 6.2.9.2)</td>
</tr>
<tr>
<td>Apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears of Rs. 26.28 crore.</td>
<td>(Paragraph 6.2.10.3)</td>
</tr>
<tr>
<td>Arrears in inspection of forest offices by the internal audit wing and failure of the department to take corrective action on observations made by it indicated the failure of a vital internal control.</td>
<td>(Paragraph 6.2.11)</td>
</tr>
<tr>
<td>Delay in invitation of tenders for sale of tendu leaves led to the loss of revenue of Rs. 19.74 crore.</td>
<td>(Paragraph 6.2.12)</td>
</tr>
</tbody>
</table>

### 6.2.2 Introduction

The subject ‘Forests’ is included in the ‘Concurrent List’ in the seventh Schedule to Article 246 of the Constitution of India. The Indian Forests Act, 1927 and Forest Conservation (FC) Act, 1980, which are Central Acts, Bombay Forests Rules 1942, and Bombay Forests Manual mainly govern protection and management of forests in the State. Under the FC Act, it is necessary to get prior approval of the Government of India (GOI) for use of forest land for non-forestry purposes.

Forests in Maharashtra constitute 20.13 per cent of the geographical area of the State. The Forests Department generates revenue through sale of timber, firewood, bamboo, tendu leaves and other minor forest produce. In addition, compensation including fines is charged for unauthorised use of forest land and illicit felling of trees. The exploitation of forest produce is done either departmentally or through Forest Labourers’ Co-operative Societies (FLCS) and contractors. The forest produce is disposed through auction, invitation of tender and long term agreement with private parties.

The system of collection of forest receipts was reviewed in audit which revealed a number of system and compliance deficiencies which have been subsequently discussed.
6.2.3 Organisational set up

The protection and conservation of forests for sustained growth is the responsibility of the Forests Department which functions under the Principal Secretary (Forests) in the Revenue and Forests Department. The Principal Chief Conservator of Forests, (PCCF) Maharashtra at Nagpur is responsible for the overall administration of the department. He is assisted by three Additional PCCFs and seven Chief Conservators of Forests (CCF). There are 11 territorial circles comprising 48 divisions and 309 ranges headed by CCF, CF, Deputy Conservator of Forests (DCF) and Range Forest Officers (RFO) respectively. The administration of forest division, sale of forest produce and realisation of revenue are responsibilities of DCFs. Besides protection of forests, the RFOs are responsible for carrying out the work of plantation, marking and felling of trees, transporting timber and fuel wood from the forest floor to the sale depots, etc.

6.2.4 Scope of audit

The review of the efficacy of the system of collection of forest revenue was conducted for the period 2001-02 to 2005-06. Records of 16\(^1\) out of 48 territorial divisions in the State as well as those of the Mantralaya, PCCF, and two\(^2\) out of 11 circles were examined in the course of this review.

6.2.5 Audit objectives

The review was conducted to ascertain whether

- working plans (WPs) of the divisions were prepared and got approved from the Government of India (GOI) in time;
- the activities envisaged in the WP were executed as per schedule;
- forest produce available and due for exploitation were extracted in time and expected revenue realised; and
- internal control mechanism to ensure proper functioning of various wings and for optimum collection of revenue existed in the department.

6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Forests Department in providing necessary information and records for audit. The draft review report was forwarded to the Government and department in May 2007 and was discussed in the Audit Review Committee meeting held in September 2007. Principal Secretary, Forests Department represented the Government while the Principal Chief Conservator of Forests represented the department. Views of the Government/department have been incorporated in relevant paragraphs.

6.2.7 Trend of forest revenue

The preparation of the annual budget estimates of revenue is the responsibility of each DCF. This estimation is based on the estimated yield of forest produce

---

1 Allapalli, Bhandara, Bhamragad, Central Chandrapur, Dahanu, East Melghat, Gadchiroli, Nagpur, Nanded, Nashik (West), Pandharkawada, Satara, Solapur, Wadsa, Yavatmal and Yawal.
2 North and South Chandrapur circles.
from the coupes\(^3\) due for exploitation in a particular year as per the WP and is required to be submitted to the PCCF through the CF concerned for approval.

Audit scrutiny revealed that the actual receipts fell short of the budget estimates by 23 to 45 \textit{per cent} every year during 2001-02 to 2005-06 indicating unrealistic preparation of budget estimates. The details are mentioned below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget estimates</th>
<th>Actual</th>
<th>Percentage of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>200.00</td>
<td>134.14</td>
<td>(-) 32.93</td>
</tr>
<tr>
<td>2002-03</td>
<td>136.50</td>
<td>104.58</td>
<td>(-) 23.38</td>
</tr>
<tr>
<td>2003-04</td>
<td>143.33</td>
<td>86.33</td>
<td>(-) 39.77</td>
</tr>
<tr>
<td>2004-05</td>
<td>160.90</td>
<td>88.62</td>
<td>(-) 44.92</td>
</tr>
<tr>
<td>2005-06</td>
<td>126.46</td>
<td>92.02</td>
<td>(-) 27.23</td>
</tr>
</tbody>
</table>

Further scrutiny revealed that DCFs of Bhandara and Gadchiroli divisions retained Rs. 9.57 crore realised from the sale of timber during 2001-02 to 2005-06 in forest deposits instead of crediting it to revenue due to non-finalisation of the account of coupes allotted to FLCS for exploitation.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that shortfall in revenue collection was attributable to non-exploitation of coupes for want of funds for regeneration activities.

**System deficiencies**

6.2.8 Working plan

A working plan (WP) is a document prepared for a period of 10 years which contains detailed scheme of management for silvicultural operations\(^4\). The forest produce resulting from these operations generates revenue for the Forest Department. Non-existence of a WP has a major impact on the growth and regeneration of the forests. It also leads to stoppage of all activities relating to extraction of forests produce from the forests which affect the receipts of the department and hence, it is in the interest of the environment as well as the department that the WPs are prepared and approved well in advance. Audit scrutiny revealed a number of deficiencies in the preparation as well as implementation of WPs which are mentioned below.

---

3 Coupe is the demarcated forests area where the exploitation activity is to be carried out

4 Raising of new plantation and developing existing plantation and in the process collection of revenue through sale of forest produce.
6.2.8.1 Preparation of working plan

DCFs of WP divisions are required to take up the work of revision of WP two and half years in advance of the expiry of the existing plan so as to allow sufficient time for obtaining the sanction of the GOI through the PCCF.

Three\(^5\) divisions did not prepare the WPs during 2001-02 to 2005-06 while eight\(^6\) divisions did not have continuous WPs for one to three years between 2001-02 and 2005-06. **There was no monitoring by the PCCF to ensure the preparation and timely submission of WP to the GOI. Non-preparation of new WPs before expiry of the existing WPs resulted in deferring of timber extraction and revenue from these divisions.**

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that due to shortage of staff there was delay in preparation of WP. It was further stated that in future, staff from other divisions would be deployed and within two years WP would be prepared in all divisions. Remote sensing and digital data would also be used for the preparation of WPs. The reply is not tenable as separate WP divisions existed in the department which have been created with the sole aim of preparation and finalisation of WPs.

6.2.8.2 Implementation of the working plans

As per the WP, forest area is divided into various working circles and circles are divided into coupes. Marking of the coupes due for exploitation in a particular year is to be done in the year preceding the year in which respective coupe is due for exploitation as per prescription in the WPs. Non-exploitation of coupes as per the prescription of WPs leads to deferment of revenue realisable from the extracted timber and other produce and also blocks regeneration activities affecting future revenue adversely.

Under the directions issued in September 2000 by the Supreme Court, the Government was required to provide sufficient funds for regeneration of forests before commencement of exploitation in forests as per the prescription in the WPs. Under these directions of the Apex Court, the GOI was to grant permission for exploitation after ensuring that the State Government had made sufficient provision of funds for regeneration activities.

The Bombay Forest Manual stipulates maintenance of control books to compare the actual exploitation in the year with the prescriptions of the WP and recording the yield of timber and other forest produce and the revenue derived therefrom.

Audit scrutiny revealed that the State Government had made a provision of only Rs. 21.98 crore against the requirement of Rs. 55.75 crore for regeneration activities in 2002-03. Because of this failure of the State Government, the GOI did not grant permission for exploitation which resulted in revenue not being realised due to non-exploitation of timber as discussed below:

---

\(^5\) Dahanu, West Nashik, Yawal

In six divisions, it was observed that though 651 coupes were due for exploitation during the years 2001-02 to 2005-06, yet these coupes were not exploited resulting in revenue of Rs. 147.63 crore remaining unrealised. Details of coupes which were not exploited alongwith reasons for non-exploitation furnished by the divisions are mentioned as follows:

<table>
<thead>
<tr>
<th>Division</th>
<th>Due year of exploitation</th>
<th>Coupes due for exploitation (Number)</th>
<th>Estimated yield</th>
<th>Estimated revenue not realised (Rs. in crore)</th>
<th>Reasons for non-exploitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagpur</td>
<td>2004-05</td>
<td>14</td>
<td>525.00</td>
<td>187.00</td>
<td>Non-availability of funds</td>
</tr>
<tr>
<td>Bhamragad</td>
<td>2001-02 to 2005-06</td>
<td>469</td>
<td>1,93,806.25</td>
<td>80,611.50</td>
<td>Naxalite problem</td>
</tr>
<tr>
<td>Bhandara</td>
<td>2002-03</td>
<td>36</td>
<td>10,779.06</td>
<td>22,279.00 and 21,227 poles</td>
<td>Non-receipt of permission of the GOI</td>
</tr>
<tr>
<td>Gadchiroli</td>
<td>2001-02</td>
<td>33</td>
<td>4,376.88</td>
<td>20,493.00</td>
<td>Naxalite problem</td>
</tr>
<tr>
<td></td>
<td>2002-03</td>
<td>39</td>
<td>3,348.57</td>
<td>17,403.00</td>
<td>Non-receipt of permission of the GOI</td>
</tr>
<tr>
<td>Pandharkawada</td>
<td>2002-03</td>
<td>32</td>
<td>4,600.00</td>
<td>1,400.00</td>
<td>Non-receipt of permission of the GOI</td>
</tr>
<tr>
<td>Wadsa</td>
<td>2003-04 to 2005-06</td>
<td>28</td>
<td>2,437.00</td>
<td>4,943.00</td>
<td>Naxalite problem</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>651</td>
<td>2,19,872.76</td>
<td>1,47,316.50 and 21,227 poles</td>
<td>147.63</td>
</tr>
</tbody>
</table>

It was also noticed that in four divisions, control books had not been maintained. **This indicated that the vital internal control to watch exploitation of coupes as per prescription of the WP was not being implemented which led to deficiencies in implementation of the WPs not being highlighted.**

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that exploitation of coupes in naxalite affected areas would be decided after consultation with the Home Department. It was further stated that in future, efforts would be made to minimise the other reasons for non-exploitation of coupes.

---

7 Beat is a stack of fuel wood of two metre length, 1.2 metre breadth and one metre height
8 Gadchiroli, Nagpur, Nanded and Wadsa
6.2.9 Exploitation of bamboo

In the WP, the bamboo coupes are divided into three felling series and each felling series becomes due for harvesting after every three years. If bamboo is not harvested from a felling series in a particular year, that felling series can be harvested only after three years resulting in loss of revenue. Non-exploitation of bamboo coupes also blocks regeneration of new shoots which becomes exploitable after three years. **Audit scrutiny revealed serious deficiencies in exploitation of bamboo which could have been avoided had the department taken timely action.** Some of the important cases noticed in audit are discussed below:

6.2.9.1 Loss of revenue due to non-exploitation of bamboo

As per the WPs of four divisions, bamboo in 43,011.72 hectare area was due for exploitation during 2001-02 to 2005-06. It was, however, observed that the area under bamboo was not fully exploited resulting in loss\(^9\) of revenue of Rs. 11.72 crore. Reasons for non-exploitation furnished by the divisions are mentioned below:

<table>
<thead>
<tr>
<th>Division</th>
<th>Area due for exploitation</th>
<th>Area actually exploited</th>
<th>Area not exploited</th>
<th>Reasons for non-exploitation as stated by the department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhamragad</td>
<td>33,780.85</td>
<td>10,934.63</td>
<td>22,846.220</td>
<td>Less demand of nistar bamboo from the local people</td>
</tr>
<tr>
<td>Bhandara</td>
<td>4,807.148</td>
<td>2,774.874</td>
<td>2,032.274</td>
<td>Shortage of funds</td>
</tr>
<tr>
<td>Nashik (West)</td>
<td>824.00</td>
<td>Nil</td>
<td>824.00</td>
<td>Poor quality due to illicit cutting/grazing/fire.</td>
</tr>
<tr>
<td>Yawal at Jalgaon</td>
<td>3,599.72</td>
<td>Nil</td>
<td>3,599.72</td>
<td>Absence of an approved WP</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,011.718</strong></td>
<td><strong>13,709.504</strong></td>
<td><strong>29,302.214</strong></td>
<td></td>
</tr>
</tbody>
</table>

The reasons given by the department are not tenable because in the case of Bhamragad division, out of 75 coupes, 51 coupes were allotted to Ballarpur Industries Limited (BILT) which exploited them and 24 coupes were reserved for departmental exploitation without ascertaining the actual requirement for nistar bamboo.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that action would be taken in future to ensure proper estimation of exploitable quantity of bamboo.

---

\(^9\) Based on the financial return of Rs. 4,000 per hectare of bamboo plantation as mentioned in the publication of ‘Indian Forestry and Education Institute, Dehradun’

\(^10\) Making available the forest produce at concessional rates to the villagers residing in or near the forest area.
6.2.9.2 Loss of revenue due to non-exploitation of bamboo by contractors

In Wadsa division, two contracts were executed in December 2001 for exploitation of three bamboo coupes during 2001-02 to 2003-04. As per one of the tender conditions, security deposit was to be paid separately for each year on or before the first day of each supply year and royalty was to be paid in advance in three instalments in October, December and February of the respective supply year for harvesting of bamboo as per the working season. Thus it was necessary for the department to obtain permission of the GOI for exploitation before the commencement of the supply year.

The contractors exploited bamboo only during 2001-02 and did not pay the security deposit of Rs. 4.63 crore towards royalty and other taxes for the year 2002-03 as permission for exploitation before commencement of the supply year 2002-03 was not granted. Scrutiny of records revealed that the GOI did not accord permission during 2002-03, as the required budgetary allocation for regeneration activities was not made by the State Government in time. It was noticed that even after the receipt of the GOIs approval, the department failed to terminate the existing contracts and float new tenders for the remaining working season till 31 May 2003. The contracts were belatedly terminated in September 2003 after a delay of eight months.

It was further noticed that these three coupes due for exploitation during 2003-04 for which permission of the GOI for exploitation was received in October 2003, were sold in March 2004 to BILT at a rate lower than the rates offered by the original contractors which led to loss of revenue of Rs. 6.31 crore.

Thus, failure of the department to provide adequate funds for regeneration activities led to non-exploitation of the bamboo coupes during 2002-03 and sale of coupes during the year 2003-04 at a lower rate led to a loss of revenue of Rs. 10.94 crore.

After the cases were pointed out, the Government accepted the facts in September 2007.

6.2.9.3 Loss of revenue due to inaction of the Government

The Government in October 2001, invited tenders for exploitation of 21 bamboo coupes during 2001-02 to 2003-04 of Amravati and Chandrapur forest circles. However, eight coupes of Gadchiroli and Sironcha divisions with estimated quantity of 44,914.87 air dry metric tonne (ADMT) bamboo under the Chandrapur circle remained unsold as the offers received were lower than the estimated rates. Tenders were again invited four times between December 2001 and April 2002 but the rates offered were lower than expected.

It was noticed that BILT, in September 2002, offered to purchase bamboo at the rate of Rs. 1,141.25 per ADMT in 2002-03 and Rs. 1,255.38 per ADMT in 2003-04 from these eight unsold coupes and requested the Government to incorporate these unsold units in the quantity of existing Bhamragad agreement executed between department and BILT in December 2001.

---

11 Supply year means the year commencing 1 October and ending on 30 September of the subsequent year.

12 Working season means extraction period from 1 October to 31 May of subsequent year.

13 ADMT means 1,000 kgs weight of air dry bamboo.
Government accepted this offer in January 2003 after a delay of more than three months and also failed to obtain the GOI permission for exploitation due to non-allotment of fund for regeneration activities in time. Even though BILT exploited bamboo from the coupes in Bhamragad division after January 2003, they expressed inability to accept the offer of the Government to exploit 44,914.87 ADMT of bamboo from the eight unsold coupes. Thus, delay on the part of the Government in accepting the offer of BILT coupled with failure to obtain the GOI approval due to non-allotment of fund for regeneration activities resulted in loss of revenue of Rs. 5.13 crore.

After the case was pointed out, the Government while accepting the facts stated in September 2007 that BILT was trying to negotiate the rates and avoiding exploitation of coupes in these divisions. The reply is, however, silent regarding reasons for delay of more than three months in accepting the offer of BILT and non-allotment of fund for regeneration activities which eventually led to loss of revenue.

6.2.10 Weaknesses in reporting and accountability

6.2.10.1 Delay in preparation of timber account

Timber account showing receipts and disposal of forest produce and seized material is required to be compiled monthly by the RFOs for submission to DCF for monitoring the harvesting and disposal of the forest produce as well as for facilitating submission of consolidated report of the stock of forests produce to the Government through the CF concerned. It was observed that due to the delay in preparation of timber accounts by 52 RFOs of eight divisions, preparation of the consolidated account of timber by CF for submission to the Government through PCCF was in arrears for 7 to 24 months.

6.2.10.2 Under reporting of revenue loss due to illicit felling

The Bombay Forest Manual does not prescribe the procedure for working out the cost of illicitly felled trees and the seized material. As per the procedure followed by the department, the loss of revenue due to illicit felling is worked out by deducting the value of seized material at sale depot rates (SDR) from the cost of illicitly felled trees. The cost of illicitly felled trees is based on the schedule of rates (SOR) approved by the CCF/CF for each year for valuation of the quantity of timber from illicitly cut trees. SDR is always higher than the SOR as the transportation and other departmental expenditure are included in SDR.

In five divisions, it was observed that 14,576.724 cubic metre (cum) of timber was illicitly cut during 2001-02 to 2005-06 and was valued at Rs. 6.71 crore on the basis of SOR. The divisions seized 7,081.99 cum of timber during the above period valued at Rs. 5.27 crore on the basis of the SDR which was adjusted from the loss of Rs. 6.71 crore calculated as per the SOR. Loss of revenue in this case was thus calculated at Rs. 1.44 crore. Since the value of seized timber was calculated at SDR, this included departmental expenditure incurred on dragging and transportation of timber upto the point

14 Bhamragad, Bhandara, Gadchiroli, Nagpur, Nashik West, Pandharkawada, Wada, Yawal
15 Bhamragad, Central Chandrapur, East Melghat, Gadchiroli and Pandharkawada.
of sale. The actual loss should have been worked out by considering SOR in respect of both seized and unseized material. Considering the SOR applicable to seized timber, the value works out to Rs. 3.40 crore and thus, the actual loss of revenue is Rs. 3.31 crore instead of Rs. 1.44 crore as reported by the department.

After the cases were pointed out, the Government in September 2007 assured that the procedure of working out loss due to illicit felling would be recast and correct mechanism adopted.

The Government may consider prescribing a uniform procedure for working out the cost of illicitly felled trees and the cost of seized material.

6.2.10.3 Deficiency in pursuance of dues

Under the Bombay Forest Manual, every forest division should maintain a register showing outstanding dues and furnish a quarterly report to the concerned CFs. The CFs in turn furnishes a quarterly report of outstanding dues in respect of all the divisions under him to the PCCF. Further, the conditions governing sale of forest produce provides that the arrears of dues recoverable from purchaser/contractor are required to be recovered as arrears of land revenue by issue of revenue recovery certificate. Audit scrutiny revealed that forest revenue of Rs. 26.28 crore remained unrecovered as of 31 March 2006 as mentioned below:

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 20 years</td>
<td>4.36</td>
</tr>
<tr>
<td>Between 10 years and 20 years</td>
<td>11.78</td>
</tr>
<tr>
<td>Between 5 years and 10 years</td>
<td>2.52</td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>7.62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26.28</strong></td>
</tr>
</tbody>
</table>

Out of the above dues, recovery of Rs. 7.07 crore due up to 2005-06 from the contractors was not referred to the revenue authorities. Further, dues of Rs. 3.28 crore for the period up to 2005-06, though referred to revenue authorities, had not been recovered by it as of September 2007.

Besides, Rs. 12.60 crore was due from 369 FLCS, of which, dues of Rs. 3.35 crore pertained to 86 societies which are now closed and Rs. 8.10 crore pertained to 93 societies which were under liquidation. Only, Rs. 1.15 crore was recoverable from 190 FLCS which were functional.

After the cases were pointed out, the PCCF stated that due to non-existence of any property and credit in bank account in case of closed/liquidated societies, recovery of dues was not possible. As regards functional FLCS it was stated that due to non-existence of WPs, there was no work for FLCS and thus recovery from them was pending. In other cases, PCCF stated that reasons for non-recovery would be ascertained from the CFs.
The position above also shows that non-existence of WPs as well as apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears with the passage of time.

6.2.11 Working of internal audit wing

Internal audit wing (IAW) is a vital component of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

The IAW attached to the PCCF in March 2007, had one desk officer (DO), three Chief Accountants (CA) and one clerk as against the sanctioned staff of one DO, three CA, two accountants and three clerks. The IAW was required to inspect 102 units annually. Out of 510 units to be inspected during 2001-02 to 2005-06, the IAW inspected only 107 units. The year wise break up of the inspection reports (IR)/paragraphs issued by the IAW during the years 2001-02 to 2005-06 is as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Opening balance</th>
<th>Addition during the year</th>
<th>Clearance</th>
<th>Closing balance</th>
<th>Percentage of clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of IRs</td>
<td>No. of Paras</td>
<td>No. of IRs</td>
<td>No. of Paras</td>
<td>No. of IRs</td>
</tr>
<tr>
<td>2001-02</td>
<td>36</td>
<td>4,058</td>
<td>13</td>
<td>517</td>
<td>--</td>
</tr>
<tr>
<td>2002-03</td>
<td>49</td>
<td>4,363</td>
<td>18</td>
<td>781</td>
<td>--</td>
</tr>
<tr>
<td>2003-04</td>
<td>67</td>
<td>5,107</td>
<td>42</td>
<td>1,465</td>
<td>--</td>
</tr>
<tr>
<td>2004-05</td>
<td>109</td>
<td>6,545</td>
<td>28</td>
<td>1,022</td>
<td>--</td>
</tr>
<tr>
<td>2005-06</td>
<td>137</td>
<td>7,538</td>
<td>06</td>
<td>264</td>
<td>--</td>
</tr>
</tbody>
</table>

The above table shows that the percentage of clearance of IRs was nil and clearance of paragraphs ranged between 0.38 and 4.63 per cent. At the end of March 2006, 143 IRs with 7,678 paragraphs were outstanding for want of remedial measures. Increasing trend of outstanding objections, arrears of inspection and vacancies in the IAW indicated that the vital internal control measure to ensure that the revenue collection was optimum and all the planned activities were carried out by the field officers in the manner prescribed, was not observed properly.

The department did not furnish any reason for the arrears of inspection and low clearance of internal audit observations (October 2007).

The Government may consider strengthening the IAW and ensuring time bound action by the forest officials on the objections raised by the IAW so as to safeguard interest of revenue and avoid recurrence of mistakes pointed out.
Compliance deficiencies

6.2.12 Loss of revenue due to delay in sale of tendu

Tendu leaves are disposed of by invitation of tenders. For harvesting the produce in the month of April-May (tendu season), contracts for collection and removal of tendu leaves are required to be finalised by the month of December of the preceding year to enable the contractors to take up operations such as coppicing\textsuperscript{16}, etc. for good yield of the produce. Any delay in this process results in less yield and low offers.

Records of the CCF (Evaluation and Nationalisation), Nagpur showed that invitation of tenders for 437 tendu units for tendu season 2005 was delayed upto February 2005. Consequently, only 234 units were sold and 203 units involving revenue of Rs. 13.82 crore, remained unsold and were subsequently declared unproductive in June 2005. Further, the revenue realised from the units sold was only Rs. 14.86 crore against the expected revenue of Rs. 20.78 crore. Thus, delay in inviting tenders resulted in less realisation of revenue of Rs. 19.74 crore.\textsuperscript{17}

After the cases were pointed out, the Government while accepting the facts stated that delay was due to elections for the State Assembly. Further there was also low demand for tendu leaves. However, faster processing of tenders would have made some difference in revenue.

The reply is not tenable as invitation of tenders is a yearly process and the Government is also aware of the likely adverse impact on tendu sale in case of delay in the tendering process. Therefore, the process of tendering should have been started in time.

6.2.13 Loss of revenue due to excess shrinkage in transportation

As per the recommendation of the Public Account Committee made in December 1996, the PCCF in September 2002 fixed the norms for shrinkage and accordingly four per cent shrinkage in teak timber during transportation from coupe depot to sale depot was permissible.

In Gadchiroli and Pandharkawada divisions, it was noticed that 1,425.489 cum of teak timber was transported from the coupe depot to sale depot during 2004-05 to 2005-06. The sale depot records, however, showed receipt of 1,242.041 cum timber. This resulted in loss of revenue of Rs. 14.39 lakh on the quantity lost/pilfered in transit. The divisions, however, did not fix responsibility for less receipt of timber.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that action would be taken to investigate the reasons. Further development is awaited (October 2007).

6.2.14 Conclusion

A working plan is a document which contains the detailed scheme of management for silvicultural operations. Non-existence of a WP would consequently have a major impact on the growth and regeneration of the

\textsuperscript{16} Making small cut in the root suckers of tendu trees so as to facilitate growth of new shoots/leaves.

\textsuperscript{17} Rs. 13.82 crore + (Rs. 20.78 crore – Rs. 14.86 crore)
forests. WPs were not prepared for a number of divisions. Control books which are a vital internal control to watch exploitation of coupes were not maintained which led to deficiencies in implementation of the WPs not being highlighted. Failure to enforce conditions of contracts for exploitation of bamboo and failure to take timely decisions led to the loss of revenue. Apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears with the passage of time. Increasing trend of outstanding observations, arrears of inspection and vacancies in the IAW indicated that the vital internal control measure to ensure that the revenue collection was optimum and all the planned activities were carried out by the field officers in the manner prescribed, was not functioning properly.

6.2.15 Summary of recommendations

The Government may consider:

- streamlining the implementation of WPs to ensure sustained development of forests so as to avoid deferment of revenue;
- expediting procedures for exploitation of bamboo; and
- strengthening the IAW and ensuring time bound action by the forest officials on the observations raised by the IAW so as to safeguard interest of revenue and avoid recurrence of the mistakes pointed out.

6.3 Non-accounting of loans for recovery of principal and interest

The loans advanced by the Government usually carry interest at rates fixed by the sanctioning authorities. The period and manner of repayment of loans as well as the rates of interest and the modes of their payment are generally specified before grant of the loans and are indicated in the sanction orders. Amounts paid by the Government on invocation of guarantees by the lending institutions are also treated as loans to the concerned borrowers. Penal interest is chargeable on instalments of principal and interest not paid as per the conditions of sanction.

Test check of the records of the loan accounts of co-operative spinning mills maintained by the Director of Textiles in July 2007 revealed the following:

6.3.1 In respect of seven mills, loan amounts totalling Rs. 36.03 crore and interest of Rs. 24.52 crore, which were paid between December 2002 and May 2005 by the Government on invocation of guarantees, had not been accounted for in the respective loan accounts of the mills. This resulted in the Government not claiming interest of Rs. 13.30 crore on the total amount of Rs. 60.55 crore upto 31 March 2006.

6.3.2 In the cases of two mills\(^1\) revenue recovery certificates were issued between March 2003 and September 2005 to the respective Collectors for recovery of outstanding loans and interest of Rs. 18.14 crore and Rs. 5.16 crore respectively. However, Rs. 16.08 crore paid by the Government on invocation of guarantees had not been reflected in the loan accounts for the years 2002 to 2005 and consequently the claim lodged for recovery was short by Rs. 19.62 crore including Rs. 3.54 crore which had accrued as interest.

6.3.3 In respect of three mills\(^2\) under liquidation, claims for recovery of loans paid by the Government on invocation of guarantees were lodged short with the liquidator to the extent of Rs. 14.86 crore, including interest of Rs. 2.82 crore, between December 2002 and May 2005.

After the cases were pointed out, the Director, Textiles, agreed to update the loan accounts of the co-operative spinning mills and also revise the claims lodged with the liquidator, besides submitting the revised claims to the respective Collectors (September 2007).

The matter was reported to the Government in August 2007; their reply has not been received (October 2007).

6.4 Non-payment of interest

The Government of Maharashtra, Home Department, vide its resolutions issued between October 2001 and March 2006 allowed the Maharashtra State Road Transport Corporation (Corporation) to retain 5.5 per cent of the passenger tax collected by them, which was payable to the Government and convert it as share capital contribution of the Government to the Corporation. The Corporation was liable to pay interest at the rate of six per cent per annum on the share capital contribution.

Test check of the records of Pay and Accounts Office, Mumbai in July 2006 revealed that interest of Rs. 74.58 crore payable for the years 2004-05 and 2005-06 on the share capital of Rs. 723.64 crore by the Corporation to the Government was neither paid by the Corporation nor demanded by the Government.

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

\(^1\) Painganga Co-op. Spinning Mills Ltd, Sakharkhed, Buldhana and Maharashtra Co-op. Spinning Mills Ltd, Bhusawal, Jalgaon.

\(^2\) Prabhavati Co-op. Spinning Mills Ltd, Parbhani; Solapur Weaver's Co-op. Spinning Mills Ltd, Solapur and Yavatmal District Co-op. Spinning Mills Ltd, Pusad, Yavatmal.