

CHAPTER VII: FOREST RECEIPTS

7.1 Tax administration

The Forest Department generates revenue mainly through sale of timber, firewood, bamboo and sale of minor forest produce which are the major sources of revenue for the Government. The forest produce is disposed through auction, invitation of tenders etc. Evasion of revenue occurs mainly through non achievement of target and supplies according to working plan.

The protection, conservation and sustained growth of the forests in Chhattisgarh state is the responsibility of the Forest Department which functions under the Principal Secretary (Forests). The Principal Chief Conservator of Forests (PCCF), Chhattisgarh at Raipur is responsible for overall administration of the Department.

The administration of forest divisions, sale of forest produce and realisation of revenue are the responsibilities of Divisional Forest Officers (DFO). Besides protection of forests, the Range Officers (RO) are responsible for carrying out the work of plantation, marking and felling of trees, transportation of timber and fuel wood from coupes¹ to depots, etc. The Working Plan (WP) circle and divisions have the responsibilities of timely preparation of WPs. The Forest Management and Information System (FMIS) division is the Information Technology wing of the Department to assist in Forest Management and Planning and application of software development

7.2 Impact of audit

7.2.1 : Position of IRs : During the last five years, audit through its Audit Reports had pointed out non/short realisation of revenue due to non-exploitation of bamboo/timber, low yield of timber/bamboo, shortage of forest produce, loss of revenue etc. with revenue implication of ₹ 344.09 crore in 576 cases. Of these, the Department/Government had accepted audit observations in 362 cases involving ₹ 280.54 crore. The details are shown in the following table:

¹ The Working Plan divides the forest area into various Working Circles (WC), WC into compartments and compartments into coupes.

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2004-05	9	42	161.02	42	161.02	-	-
2005-06	4	186	53.81	1	0.07	-	-
2006-07	7	58	104.48	58	104.48	-	-
2007-08	1	5	5.17	5	5.17	-	-
2008-09	11	285	19.60	256	9.79	-	-
Total		576	344.08	362	280.53	-	-

7.2.2 : Position of Audit Reports : In the Audit Report 2004-05 to 2008-09, the cases of non/short realisation of revenue, shortages of forest produce were indicated involving ₹ 34.19 crore.

(₹ in crore)

Year of Audit Report	Total Money Value	Amount Accepted	Recovery made up to march 2010
2004-05	20.21	-	-
2005-06	11.55	-	-
2006-07	2.43	-	-
2007-08	-	-	-
2008-09	-	-	-
Total	34.19	-	-

The above table indicates that during the last five years no recovery was effected by the Department. The Department had also not taken any initiative for clearance of the cases pointed out by audit.

7.3 Results of audit

Test check of records of forest receipts during the year 2009-10 revealed non/short realisation of revenue due to non-exploitation of bamboo/timber, low yield of timber/bamboo, shortage of forest produce, loss of revenue etc., amounting to ₹ 95.29 crore in 1,002 cases which can be categorised as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Assessment and collection of Forest Receipts – (A review)	1	78.19
2.	Loss of revenue due to low yield of timber	204	1.76
3.	Sale of timber below upset price	103	0.11
4.	Other irregularities	694	15.23
	Total	1,002	95.29

During the year 2009-10, the Department accepted the loss of ₹ 15.58 crore in 998 cases.

The Department recovered ₹ nine crore on being pointed out in audit.

A review on “**Assessment and Collection of Forest Receipts**” involving ₹ 78.19 crore is mentioned in the following paragraphs.

7.4 Assessment and collection of Forest Receipts

Highlights

- The practice of depositing CT/VAT into forest receipts was in contravention to the fundamental accounting principles. This practice not only overstated the receipts of Forest Department by ₹ 114.64 crore in last five years but also understated the receipts of Commercial Tax Department.

(Paragraph 7.4.6.2)

- The arrears of revenue as on 31st March 2010 amounted to ₹ 2.396 crore of which ₹ 0.194 crore were outstanding for more than five years and had not been recovered.

(Paragraph 7.4.6.3)

- Non-maintenance of depot sale register, improper maintenance of cash book and issue of work order prior to realisation of revenue led to embezzlement of Government revenue of ₹ 2.18 lakh as well as non-realisation of interest of ₹ 1.71 lakh thereon.

(Paragraph 7.4.7.1)

- Deficiencies in the system of auction and inordinate delay in disposal of forest produce resulted in non-realisation of revenue due to deterioration of the forest produce.

(Paragraph 7.4.8)

- Delay in preparation of Working Plan in two test checked divisions resulted in non-realisation of revenue besides adversely affecting the growth and regeneration of the forests.

(Paragraph 7.4.9)

- Non-recovery of transit fee on the extraction and transport of minerals extracted from forest lands led to non-realisation of transit fee amounting ₹ 76.90 crore.

(Paragraph 7.4.12)

- Non-adherence to the Working Plan of the Department/Divisions resulted in loss of revenue as well as reduction in control over the production. Work plans prepared were not realistic or the Departmental Machinery had not taken necessary efforts to execute the work plans.

(Paragraph 7.4.13)

- There was loss of revenue due to variation in the estimated and actual yield of forest produces.

(Paragraph 7.4.14)

- There were deficiencies in transportation of forest produce due to delays by the transport contractors, no action taken against defaulting contractors, less receipt of forest produce in depots and shortages found in physical verification of the produce.

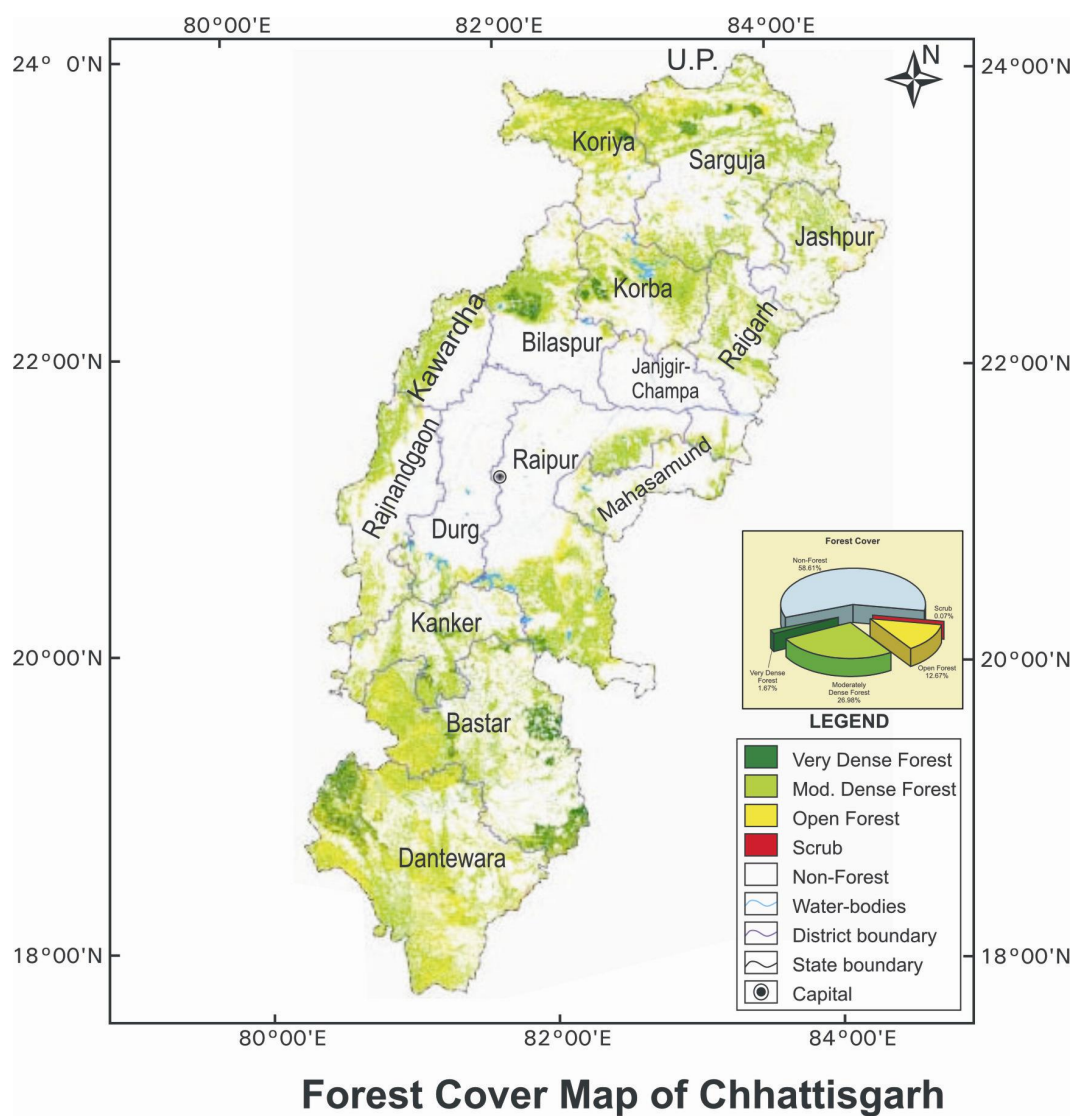
(Paragraph 7.4.15)

- Lack of Internal Audit Wing resulted in weak Internal Controls in the Department.

(Paragraph 7.4.17)

7.4.1 Introduction

The subject “Forest Receipts” is included in the Concurrent list in the VIIth Schedule of Article 246 of the Constitution of India. In Chhattisgarh State, out of the total geographical area of 1,35,191 sq. km., 59,772 sq. km., i.e. 44.2 *per cent* is covered by forest. Except the central part, there is reasonably good forest cover throughout the State. The distribution of Forest cover in the State is shown in the following map:



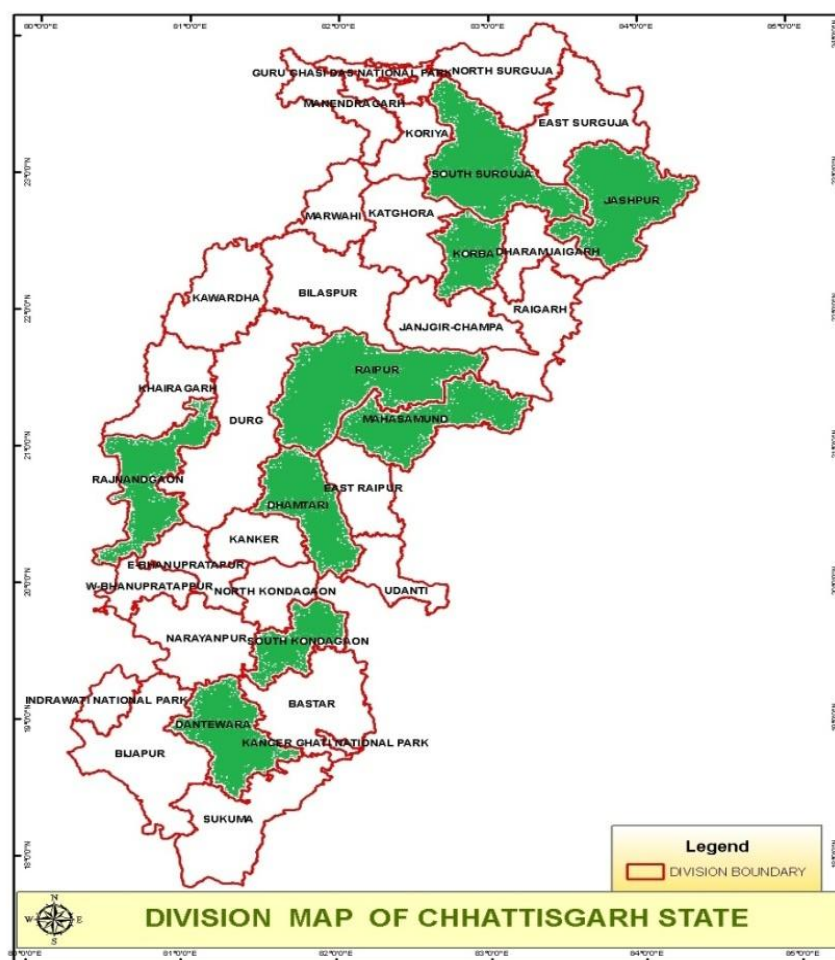
The districts with dense forest cover are Ambikapur, Bijapur, Dantewada, Jagdalpur, Jashpur, Kanker, Korba, Korla, Eastern parts of Raipur and Rajnangaon.

The Forest Department generates revenue mainly through sale of timber, firewood, bamboo and sale of minor forest produce through Minor Forest Produce

Federation. Extraction of forest produce in the State is done departmentally. The forest produce is disposed through auction, invitation of tenders, etc.

7.4.2 Audit Scope and methodology

The review was conducted during January to July 2010 to assess the efficacy of the system of collection of Forest revenue in the Department, covering the period from 2005-06 to 2009-10. Records of PCCF, 9² out of 32 territorial divisions in the State, two³ out of six territorial circles, WP circle and FMIS division were examined in the course of review. The territorial divisions were selected by the method of random sampling. The coverage of selected units constituted 26 *per cent* of total units. The divisions covered in the review are shown in the following map:



(Divisions covered in Review are shaded green)

² Dantewada, Dhamtari, Jashpur, Korba, Mahasamund, Raipur, Rajnandgaon, South Kondagaon, South Sarguja,

³ Durg, Raipur.

7.4.3 Audit criteria

The provisions envisaged in the following Acts, Rules etc. govern the functioning of the Forest Department in the state, form the criteria for the audit:

- The Indian Forest (IF) Act, 1927 and rules made thereunder;
- The Forest Conservation (FC) Act, 1980 and rules made thereunder;
- Chhattisgarh *Van upaj (Vyapar Viniyaman) Adhiniyam*, 1969 and rules made thereunder;
- National Working Plan Code (NWPC), 2004; and
- Instructions/Orders issued by Government/Department from time to time regarding assessment and collection of revenue.

7.4.4 Audit objectives

The review was conducted to ascertain, whether:

- Working Plans (WPs) of the divisions were prepared and got approved from Government of India (GOI) in time and the sale of forest produce was and were in the format as prescribed in National Working Plan Code;
- the prescriptions and schedules as envisaged in the WPs for silvicultural⁴ activities were being followed during the execution of different works in forests;
- the forest produce available and due for exploitation were extracted in time and the sale of forest produce was as per the norms and provisions and the expected revenue were realised from its sale; and
- the efficiency and effectiveness of the internal control mechanism in the Department, for ensuring optimum collection of revenue.

7.4.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Department in providing necessary information and records to audit. The scope and methodology of audit was discussed with the Secretary of the Department in an entry conference held on 08 March 2010. The review was forwarded to the State Government on 13 August 2010. The review was discussed with the Principal Secretary of the Department in an exit conference held on 05 October 2010. Most of the recommendations were accepted by the Department. The response of the Government received at the exit conference and at other points of time has been appropriately incorporated in the relevant paragraphs.

7.4.6 Trend of Revenue Receipt

⁴ Silviculture means carrying out various operations relating to the growth, health and quality of the forests.

The DFOs prepare the annual budget estimates of receipts on the basis of receipts of the previous year and the anticipated receipts for the next year. The budget for the receipts from production is prepared on the basis of the volume of felling to be done in next year as per WP and also taking into account the prevailing market price. These are submitted to the PCCF through the Conservators of Forest (CF). After compilation at the PCCF office, the total budget estimates for the Department is finally sent to the Finance Department for approval.

The contribution of forest receipts to the non-tax revenue of the State during the last five years ranged between 12.77 and 16.52 *per cent*. The trend of revenue earnings of the Department from 2005-06 to 2009-10 was as follows:

(₹ in crore)

Year	Budget estimates	Actual receipts	Surplus (+)/ shortfall (-)	Percentage of variation
2005-06	175.00	203.17	28.17	16.10
2006-07	211.53	205.79	(-) 5.74	(-) 2.71
2007-08	250.00	258.07	8.07	3.23
2008-09	280.00	322.29	42.29	15.10
2009-10	365.00	345.85	(-) 19.15	(-) 5.25

We observed from the above table that the actual receipts during the review period exceeded the budget estimates except in 2006-07 and 2009-10. As regards 2006-07 and 2009-10, the Revenue receipts fell short of the estimates by nearly three and five *per cent* respectively.

During the exit conference, the Department intimated that due to formation of *Salwa Judum* in Naxal affected areas in 2005-06, the Naxal activities had intensified which hampered the felling operations as per the provisions of WPs and resulted in shortfall of revenue in 2006-07 as well as 2009-10.

7.4.6.1 Forest Development Cess

During the scrutiny of records, we noticed that the above receipts of the Department also included the Forest Development Cess (FDC), which was collected by Chhattisgarh Forest Development Corporation Ltd. (CGFDCL) and Chhattisgarh Minor Forest Produce Federation (CGMFPP). Since, the FDC was not taken into account while fixing the targets, the inclusion of cess in the receipts of the Department inflated the actual receipts of the Department. The position of FDC received during the review period is furnished in the following table:

(₹ in crore)

Year	FDC received from CGFDCL	FDC received from CGMFPP	Total
2005-06	1.04	4.82	5.86
2006-07	1.42	4.26	5.68
2007-08	0.72	8.90	9.62
2008-09	0.99	11.37	12.36
Total	4.17	29.35	33.52

It may be seen from the table that funds received by FDC from CGFDCL and CGMFPP ranged between ₹ 5.68 crore and ₹ 12.36 crore during 2005-06 to 2008-

09 and if the above receipts are excluded from the receipts of FDC, the percentage of overachievement made in 2005-06 and 2008-09 will be reduced further. Similarly, there would be under achievement of targets in 2006-07 and 2007-08.

On being pointed out in audit, the Department replied that information regarding fixing of targets by CGFDCL and CGMFPF were not furnished to the Department.

During the exit conference, the Department intimated that budget estimates for FDC from the CGFDCL and CGMFPF have since been included in the Department's budget from financial year 2010-11.

7.4.6.2 Deficiencies in collection and payment of Commercial Tax recovered from the sale of forest produce

In Chhattisgarh Forest Department, we noticed that Commercial Tax (CT)/Value Added Tax (VAT) recovered from the sale of forest produce from the depots

As per the provisions envisaged in Rule 308 of Chhattisgarh Financial Code as well as Rule 29 of Government Accounting Rules, 1990, the classification of transactions in Government Accounts shall have closer reference to the function, programme and activity of the Government and the object of the transaction rather than the Department in which the transaction occurs.

under the "Nationalised trade of Timber and Bamboo" was included in the forest receipts under Major Head (MH) 0406 'Forestry and Wildlife'. Further, the CT/VAT so recovered is paid to the CT Department under the MH 0040 'Taxes on sales, trade' through allotment of budget under MH 2406 'Forestry and Wildlife'- 3836 'Nationalised trade of Timber and Bamboo'- 023 'Payment of commercial tax'.

The practice of depositing CT/VAT into forest receipts was in contravention to the fundamental accounting principles. This practice not only overstated the receipts of Forest Department by ₹ 114.64 crore in last five years but also understated the receipts of Commercial Tax Department. Further scrutiny of records revealed that due to above practice, ₹ 22.62 crore which were collected as CT, were not paid to the CT Department as given in the following table:

(₹ in crore)			
Year	CT collected	CT paid	Less payment
2005-06	18.13	15.73	2.40
2006-07	16.79	14.76	2.03
2007-08	23.02	17.19	5.83
2008-09	26.74	19.97	6.77
2009-10	29.96	24.37	5.59
Total	114.64	92.02	22.62

During the exit conference, the Department stated that the matter has already been taken up with the Finance Department for changing the procedure.

The Department may consider issuing necessary orders for depositing Sales Tax/VAT under proper Head of Account.

7.4.6.3 Arrears of revenue

The arrears of revenue as on 31st March 2010 amounted to ₹ 2.396 crore of which ₹ 0.194 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	0.194	190.446	190.42	0.22
2006-07	0.22	201.864	201.84	0.244
2007-08	0.244	265.598	265.54	0.302
2008-09	0.302	311.354	311.20	0.456
2009-10	0.456	343.240	341.30	2.396

It may be seen from the table that the arrears of revenue increased to ₹ 2.396 crore during 2009-10 as compared to ₹ 0.456 crore of the previous year i.e. an increase of 425 *per cent*. The increase in the arrears was reportedly due to inclusion of the work order valuing ₹ 1.94 crore after auction of forest produce issued to contractors which would be due in the next financial year. The Department further stated that necessary direction has been issued to the Conservators of forests for issue of instruction to the Forest Division to ensure recovery of the arrears. :

The Government may issue necessary instructions for realisation of the arrears in a time bound manner.

Audit findings

System deficiencies

As per Section 11 of *Chhattisgarh Rajya Vanopaj (Vyapar/Vinimayan) Adhiniyam, 1969*, every forest produce manufacturer, trader or consumer whose consumption is more than prescribed quantity, shall have to register itself with the forest Department.

7.4.7 Sale of Forest Produce and realisation of revenue

Only the registered manufacturer, trader or consumer will be allowed to take part in the auction of forest produce after producing annual registration and PAN before auction. As per Rule 1(A) of *Sthapit Depot se nilami me vikraya ki sharton ko*

viniyamit karne wale niyam: 1989, no person shall be allowed to take part in the auction until he had signed the sale information and deposited 10 *per cent* of the upset price of the lot or ₹ 1,000 whichever is higher, as advance for which he wants to bid. As per Rule 2(A)(1), the successful bidder has to deposit such amount to complete the 25 *per cent* of the sale price as earnest money just after the sanction of bid or within seven days as prescribed by the DFO failing which, the bid will be cancelled and the amount of advance will be forfeited. The amount

As per Rules 2(B)(1) and 2(C)(3), the payment of remaining 75 *per cent* along with all the taxes shall be made within 45 days of the sanction of the bid. As per Rule 2(B)(2), in case of failure of above, interest shall be levied at the rate of 18 *per cent* per annum from the 46th day.

deposited as advance and earnest money shall be entered into Earnest Money Register (EMR).

For the purpose of calculation of interest, period up to 15 days shall be considered as half month while more than 15 days shall be considered as full month.

As per Rule 13(A), the forest produce shall not be permitted to be removed before receipt of full payment along

with the taxes. Depot Sale Register (DSR) shall be maintained at the division office to keep watch on the sale proceedings and ensure the full realisation of revenue with all taxes before removal of produce from depot. Further, as per Rule 22 of Chhattisgarh Financial Code, any type of losses detected should immediately be intimated to the Government as well as to the Accountant General even if it has been made good.

7.4.7.1 Embezzlement of Government receipts

During the test check of records of DFO, Mahasamund (June 2010), we found that eight lots were sold to a contractor in the auction dated 17th June 2009 at the total sale price of ₹ 2,06,400. As per entries made in the EMR and work order, remaining earnest money amounting ₹ 30,900 (to complete the 25 *per cent*) and remaining sale price ₹ 1,87,566 (including taxes) were shown to be deposited by the contractor through Bank draft nos. 311503 (dated 22nd June 2009) and 326467 (dated 22nd August 2009) respectively. On receipt of Bank Drafts, DFO issued the work order to the contractor for removal of produce from depot without ensuring the encashment of the Bank Drafts. During the test check of records, it was found that the above stated drafts were subsequently found fake as they were neither found entered in the cashbook nor in the Consolidated Treasury Receipts (CTR) Statement. Further, the DSR was also not maintained in the division. This resulted in embezzlement of ₹ 2,18,466.

We, during further scrutiny, found that enquiry was in progress since January 2010 against the revenue clerk in five cases where the produce was removed by two contractors on the basis of fake bank drafts as detailed below:

Sl. No.	Date of Auction	Name of Contractor	Draft No.	Date of Draft	Issuing Bank	Amount (₹)
1.	17-Jun-08	Devanty Gauri, Mahasamund	831748	23-Jun-08	SBI, Mahasamund	77,954
2.	27-May-09	Jai Furnitures, Bhilai	762507	30-Jun-09	SBI, Bhilai	11,94,981
3.		Devanty Gauri, Mahasamund	013709	02-Jun-09	SBI, Mahasamund	9,125
4.		Devanty Gauri, Mahasamund	201392	04-Jun-09	SBI, Raipur	54,979
5.	12-Aug-09	Jai Furnitures, Bhilai	365447	13-Aug-09	SBI, Bhilai	2,14,647
6.		Jai Furnitures, Bhilai	365448	13-Aug-09	SBI, Bhilai	35,500
7.		Devanty Gauri, Mahasamund	365698	19-Aug-09	SBI, Mahasamund	5,375
8.		Devanty Gauri, Mahasamund	365699	19-Aug-09	SBI, Mahasamund	39,894
Total						16,32,455

The firm involved in the case identified by the audit was also involved in the case enquired by the DFO. The enquiry report of RO, Pithora dated 18 January 2010 revealed that the above said firm was fake and had not registered with the forest Department. The lot files relating to above sales were not found in division. The revenue clerk deposited the amount involved in those cases on 19 January 2010 which was remitted to the treasury in February 2010 as paid by those contractors. Thus, there was non-remittance of ₹ 16.34 lakh in the Government account for the period ranging from five to 19 months. The interest amounting to ₹ 1.71 lakh accrued on this amount was also not imposed. Further, even after the lapse of six months from the detection of the case, the matter was not reported to the Government and the Accountant General.

When we pointed out the case, the DFO simply replied that the matter was reported to the CF, Raipur and the concerned revenue clerk has been charge-sheeted by him. However, no reply was furnished on embezzlement of ₹ 2,18,466 as detected by the audit as well as non-reporting of case to the Government and the Accountant General.

Thus, non-maintenance of depot sale register, sale of produce to an unregistered dealer, improper maintenance of cash book and issue of work order without ensuring the realisation of revenue led to embezzlement of

₹ 2.18 lakh. Besides, interest of ₹ 1.71 lakh on belated realisation of revenue should be realised from the concerned contractors.

During the exit conference (October 2010), while accepting the audit observation, the Department assured that strict action would be taken in the case and clarification would be called for from the DFO regarding selection of unregistered bidders.

7.4.7.2 Non-recovery of interest from successful bidders despite late payment of sale price

During the test check of records of DFO, Mahasamund, we found that 197 Demand drafts of remaining 75 per cent amount relating to 17 auctions done between 2007 and 2009 were received much after the stipulated time and the period of delay ranged from 11 to 116 days. The produce was allowed to be lifted by the bidders without levy of interest. This resulted in non-recovery of interest amounting to ₹ 5.43 lakh from the bidders.

After we pointed out the cases, the DFO replied that the auctions have been done considering all the terms and conditions. The reply is not factual and consonant as there were no records available relating to recovery of interest from the bidders.

As per the provisions of forest manual (para 114A), timber and bamboo have degradable nature and have the useful life of five and two years respectively. Therefore, timber and bamboo stored in depots should be disposed off in time to avoid deterioration in quality as well as to obtain optimum sale value.

The payments through the above said drafts were merely the payments of remaining sale price which was not inclusive of the interest component.

During the exit conference (October 2010), the Department stated that the details have already been called for from the division for detailed

examination.

7.4.8 Delayed auctions of forest produce

The forest produce i.e. timber, fuel wood and bamboo are sold from the sale depots of the Department for the commercial purposes. Rule 6 of the “Conditions of sale of timber from established timber Depots”, 1989 envisages that the DFO shall fix the reserved price⁵ on the basis of calculated volume of each lot⁶ and if the bid for that lot is lower than the reserved price, he shall remove the lot from the auction. In order to avoid the deterioration in forest produce due to delay in disposal, the CCF, Production empowered (March 2005) the CFs and DFOs to accept even the lower bids. According to the above instructions, CFs were given

⁵ Reserved price of a lot is the price fixed by the competent authority below which the lot cannot be sold in the first auction.

⁶ According to the class and quality, the timber logs and poles are stacked in lots for the auction purposes.

full power to accept any price if the lot had already been kept in auction for four times or more in case of Teak, Sal and Sheesham and three times or more for other species. It is evident from the instructions that due to the degradable nature of timber, the bid will go lower in each auction for an older lot. Hence, it becomes mandatory that the competent authority, using the powers vested in him, should try to dispose the produce as early as possible to get the optimum value.



7.4.8.1 During the test check of records of two Divisions⁷, we found that in 28 auctions held between August 2005 and March 2010, 157 lots having 1157.543 cmt timber were kept in auction for 5 to 15 times. As a result, the divisions could realise only ₹ 50.52 lakh from their sale as against the reserved price of ₹ 84.23 lakh. The percentage of shortfall was up to 90 *per cent*. In further scrutiny, we found that there was no justification found recorded in the lot files regarding reasons for the non-disposal of lots even after fourth auction in Jashpur Division, especially when CF has been given full powers to accept any price on or after fourth auction. Further, we also noticed that in Jashpur Division, in five auctions held in 2009, the sale of new lots declined. This indicated that the traders were moving away from purchasing new lots. Normally five to six auctions take

⁷ Jashpur, South Sarguja.

place in a year. It allows them to purchase the lot after two or three auctions at a considerably lower price than the actual price as evident from the above facts.

After we pointed out this, DFO, Jashpur replied that the reasons for non-disposal are not recorded on lot files. As regards the non-disposal of the lots even after more than four auctions, he stated that the matter will be referred to the Department for issue of necessary guidance. DFO, South Sarguja replied that auctions were undertaken according to prescribed procedures and in order to obtain the maximum price. The replies do not explain the reasons as to why the competent authorities failed to exercise the powers vested with them to dispose of the timber lots after fourth auction when it was evident that lower bids would be received due to deterioration of the value of the timber with the passage of time.

7.4.8.2 The above practice also led to non-disposal of forest produce from the depots for long periods thus resulting in loss of revenue due to deterioration in quality of forest produce. During the test check of records of four⁸ divisions we found that for the period 2006-07 to 2008-09, forest produce valuing ₹ 1.09 crore was lying undisposed for one to five years. This resulted in loss of revenue of ₹ 36.64 lakh due to deterioration in quality of the produce as given in *Appendix 7.1*.



After we pointed out, the DFO, Rajnandgaon replied that auction of timber was done in accordance with the provisions and established procedures. DFO, Dhamtari replied that timber could not be disposed off as bids received were not favourable and in accordance with the provisions. The reply does not explain the reasons for delay for the same. Also no comment was made regarding the loss due to deterioration.

⁸ Dhamtari, Jashpur, Rajnandgaon, South Sarguja

In exit conference, the Department accepted the audit observation and stated that the matter would be examined, especially in the divisions pointed out by Audit.

Working Plan (WP) is a document prepared for the period of 10 years containing detailed scheme for management of silvicultural operations. The forest produce, generated as a result of these operations is the major source of revenue for the Department. National Working Plan Code (NWPC) (2004) provides that the procedure of revision of WP should be started two years before the expiry of current WP. Non-existence of WP results in stoppage of all activities relating to extraction of forest produce which not only hampers the revenue collection of the Department but also adversely affects the growth and regeneration of forests.

7.4.9 Delays in preparation of Working Plan

During the scrutiny of records of implementation of WP, we found the following:

(I) As per information collected from the PCCF office, out of 32 territorial divisions, 11⁹ divisions did not have continuous WP for one to three

years due to delay in submission of WP to the GOI. This adversely affected the quality of produce and regeneration activities in the forest areas for exploitation of revenue.

(II) During the test check of records of CF, WP we noticed that in five out of nine test checked divisions, the WPs were in operation. As regards remaining four divisions, though WP of South Sarguja division had ended in 2006-07, the same was submitted to GOI for approval after July 2009, i.e. after delay of more than two years. Similarly, though the WPs of Rajnandgaon, Raipur and Mahasamund had ended in 2008-09, the same were not forwarded to GOI as on the date of audit. However, the WPs of previous years were in operation in Raipur and Mahasamund after obtaining extension and approval for felling from GOI. Thus, due to abnormal delay in preparation of WP, 68 coupes which were due for exploitation could not be taken up by Rajnandgaon and South Sarguja divisions. This resulted in non-realisation of revenue of ₹ 37.80 crore as given in the following table:

Name of Division	Period of non-existence of WP	No. of coupes remained unexploited	Estimated quantity of timber to be extracted (cmt)	Estimated value of
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⁹ Bijapur, Durg, Kanker, Katghora, Khairagarh, Mahasamund, Marwahi, North Kondagaon, Raipur, Rajnandgaon, South Sarguja.

		SCI ¹⁰ Circle	IWC ¹¹ Circle	Timber	Fuel Wood	
Rajnandgaon	2009-10	9	9	15000.000	11500.000	25.60
South Sarguja	2007-08 to 2009-10	0	50	22125.328	15190.898	12.20
Total		9	59	37125.328	26690.898	37.80

After we pointed out in audit, DFOs replied that time extension was granted for the period 2007-10 without exploitation of timber. The reply was not relevant as it did not explain the reasons for the delay in preparation and approval of WP and did not clarify the reasons for non-working in the due coupes.

While accepting the audit observation, the Department stated during the exit conference that due to acute shortage of staff in WP divisions, the WPs could not be prepared and submitted in time to the GOI for approval. Now the works of preparation of WPs have been entrusted to the territorial Divisions. As on date, WPs of eight divisions are under preparation/awaiting approval. The reply of the Department is not acceptable as the Working Plan Divisions and Circles have their own staff. Working Plans of eight divisions should have been prepared and obtained the approval of Government of India within time. The Department did not take any initiative to prepare the working plans of the divisions. Due to non preparation of working plan, it had adversely affected not only the revenue but also the regeneration of forest activities.

As per the provisions of NWPC and the WP, Coupe Control Registers (CCR) should be maintained in the Divisions separately for recording the details of felling and other regeneration activities to be carried out in each felling/treatment series. Compartment History (CH) for each compartment should be maintained and updated showing details of area and physical as well as financial progress of all the works executed. Further, rule 217 of Chhattisgarh Forest Financial Rules prescribes that timber account (Form 20A) is to be prepared in the ranges and sale depots and submitted to the DFOs monthly.

Government may consider strengthening the system of periodical reports/ returns to be submitted by the divisions and effectively monitor the status of WPs in the State.

7.4.10 Non-maintenance of records

After the lapse of five years from felling/treatment as per WP, the DFO and other higher authorities shall inspect the compartments to assess the results of works executed and record a detailed

analytical report in the CH. It is submitted to the CF monthly and the report of the

¹⁰ SCI - Selection Cum Improvement Circle. This circle is the main felling circle in which trees are exploited for revenue generation.

¹¹ IWC – Improvement Working Circle. In this circle felling activities are carried out for the improvement of forests.

circle is further submitted to the CCF. This enables the Department to monitor the receipt and disposal of harvested as well as confiscated forest produce.

In three¹² of the test checked divisions, we found that CCRs were not maintained properly. In Korba division, CCR was not maintained after 1991-92. In these divisions, entries were neither made in the CCRs regarding other silvicultural activities nor CHs were found updated. Further, no analytical report regarding assessment of work done was also found recorded in any of the CH. There was no control in the divisions as well as higher offices to monitor the timely preparation and updation of these vital records.

During the test check of records of CF, Raipur, we further noticed that the timber accounts were not prepared in Udanti and Raipur (E) divisions since December 2006. Timber accounts of Dantewada and Jashpur divisions as well as their ranges were not prepared since 1998 and 1999 respectively. Though the returns were submitted monthly, no action was initiated by any of the higher authorities on this.

During the exit conference, the Department accepted the observation and stated that instructions would be issued to the field staff for proper maintenance of records.

With a view to meet the domestic requirements of forest produce (bamboo, poles and fuel wood) of the villagers residing in villages within a periphery of five kilometers from the forests, the Government adopted the *Nistar* policy in October 2001. These forest produce are being provided to the villagers at the subsidised rates so that they may not indulge in illicit felling in forest areas for meeting their domestic requirements.

Non-maintenance of crucial records would encourage malpractices in the sale and accountal of forest produce receipts and hence, the Department may take steps to put in place necessary

arrangements for timely preparation and submission of CCRs, CHs and timber accounts.

7.4.11 Deficiencies in *nistar*¹³ system

The list of such villages and their population is printed in *Nistar patrika*¹⁴ (published annually by each division) before the start of *nistar* season¹⁵ and on that basis the targets for the *nistar* supply from the notified *nistar* depots are fixed

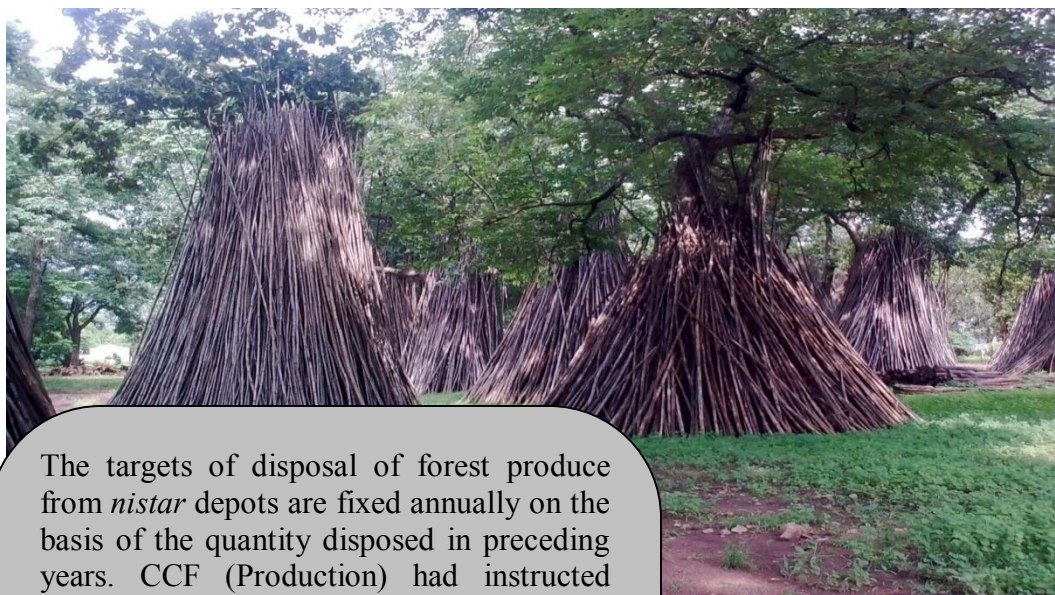
¹² Dhamtari, Korba, Mahasamund.

¹³ *Nistar* means supply of Bamboo, Poles and Fuel Wood at subsidised rates to the needy villagers residing within five km of forest area.

¹⁴ *Nistar Patrika* is published annually by the division detailing the targets and supplies under *nistar* system and other activities.

¹⁵ *Nistar* Season starts from 1st of January and ends on 30th June.

each year. Similarly, *Bansod*¹⁶ families are notified in each division before the start of the *nistar* season and Bamboos are supplied to them up to a maximum of 1500 per family per annum on subsidised rates. These subsidised rates are fixed annually and published in *nistar patrika*.



The targets of disposal of forest produce from *nistar* depots are fixed annually on the basis of the quantity disposed in preceding years. CCF (Production) had instructed (April 2002) that the storage in *nistar/bansod* depots should not be more than selling capacity in *nistar* depots. The CCF also instructed all the CFs/DFOs that undisposed forest produce in *nistar* depot should not be more than five *per cent* of the total produce kept in depot. Otherwise, the concerned DFO, SDO and RO shall be responsible for the loss so occurred. These instructions were issued to avoid excess storage in *nistar* depots as well as loss of revenue due to unsold forest produce.

7.4.11.1 Deficiencies in targets and supplies

During the test check of records of seven¹⁷ divisions, we noticed several deficiencies as given below:

- During the period between 2005-06 and 2008-09, the balances in *nistar* depots of seven

divisions at the end of *nistar* seasons were more than five percent and in one case it was even 100 *per cent*. This was not in consonance with the Departmental instructions which were issued in interest of revenue.

¹⁶

Bansod families are those who make different objects of bamboo for their livelihood.

¹⁷

Dantewada, Jashpur, Korba, Mahasamund, Raipur, South Kondagaon, South Sarguja.

- There was no basis for fixation of targets for the disposal of forest produce from *nistar*/consumer/*bansod* depots. Also, the target showed no increase or decrease on the basis of quantity disposed in preceding years. Further, between 2005-06 and 2009-10, the highest quantity of bamboo kept for disposal in *nistar* and consumer depots in Raipur division was more than 195 *per cent* and 21 *per cent* respectively against the targets fixed. In Korba, in one depot, the bamboo kept during 2006 and 2008 was 10 to 18 times of the target fixed.
- In further scrutiny, we found that 12.37 lakh undisposed bamboos were kept in Raipur division since 2006. Out of these, only 2.12 lakh bamboo having upset price¹⁸ of ₹ 26.93 lakh were sold and as against this, revenue of ₹ 18.95 lakh could only be realised due to degradation in quality of bamboo. This resulted in revenue loss of ₹ 7.98 lakh. Further, remaining 10.25 lakh bamboos could not be sold till date. Since the useful life of the harvested bamboo is two years (para 114A of Forest manual), these bamboos had lost their values completely resulting in non-realisation of revenue of ₹ 75.87 lakh.
- During the scrutiny of records in Korba division, we found that 1.03 lakh bamboo and 2570 poles remained undisposed since 2006 resulting in non-realisation of revenue of ₹ 8.15 lakh due to deterioration in quality. Similarly, in Jashpur, Mahasamund and South Kondagaon divisions, non-disposal of 4.71 lakh bamboos for more than one year resulted in non-realisation of revenue of ₹ 34.78 lakh.

Thus, inadequate control over the supply of forest produce for *nistar* and failure to sale the undisposed forest produce through auction in time resulted in revenue loss of ₹ 7.98 lakh and non-realisation of revenue of ₹ 1.19 crore.

In reply, the DFOs accepted the facts and stated that enough stock is kept for emergent natural calamities and VIP programmes. No supporting documents were however provided to substantiate the replies. Further, the replies were not in consonance with the essence of the *nistar* system as well as instructions of higher authorities.

While agreeing with the audit observation, the Department intimated during the

According to the policy adopted by the Government (October 2001), subject to availability, every *bansod* family will be provided with 1,500 bamboos on subsidised rates in a *nistar* season.

exit conference that instructions would be issued to the DFOs to prepare the realistic estimates of stock for meeting the requirements of natural calamity and VIP programmes.

7.4.11.2 Deficiencies in supplies of bamboos to *bansod* families

During the test check of records of Raipur division, we found that between 2005 and 2009, against the target of 67.42 lakh bamboos, 54.78 lakh (81 *per cent*)

¹⁸

Upset price and Reserved price have the same meaning.

bamboos were kept in *bansod* depots. Out of this, 45.99 lakh bamboos were sold to *bansod* families leaving 8.80 lakh (16 *per cent*) bamboos unsold. These bamboos were lying in depot since 2005-06. The division neither took any initiative to distribute the balance bamboos to *bansod* families nor took any initiative to dispose it off. This resulted in non-realisation of revenue of ₹ 55.04 lakh (at *nistar* rates).

We, in further scrutiny of records of Raipur division, found that in *nistar* season 2008, for the supply of bamboos to 907 registered *bansod* families, 18.98 lakh bamboos were kept in *bansod* depots against the target of maximum of 13.61 lakh bamboos. Of this, 16.95 lakh bamboos were sold to the *bansod* families at subsidised rates i.e. 1869 bamboos per family resulting in excess supply of 369 bamboos per family. This resulted in loss of revenue of ₹ 22.29 lakh¹⁹ due to excess sale of bamboos on subsidised rates to the *bansod* families. Similarly, in Korba division, against the target of 66000 bamboos in two *nistar* seasons (2006 and 2007), 87688 bamboos were supplied to the 22 registered *bansod* families. The excess sale of 21,688 bamboos on subsidised rates resulted in loss of revenue of ₹ 1.25 lakh to the Government.

After we pointed out the cases, the DFO, Raipur replied that the targets were fixed in January while the *bansod* families were registered up to June. However, no reply was given regarding the non-disposal of 8.80 lakh bamboos even at the subsidised rates. Also, no record was furnished by the division regarding number of families registered between January and June 2008. DFO, Korba did not furnish any reply.

During the exit conference (October 2010), the Department intimated that an enquiry would be conducted into the lapse and outcome will be intimated to audit.

The Department should take specific measures to fix the targets and specific time frame for disposal of forest produce from *nistar* depots.

¹⁹ Average Market rate – ₹ 13 per bamboo.
Bansod Rate – ₹ 6.34 per bamboo
 Difference – ₹ 6.66 per bamboo
 Loss = Excess supply per family X number of families X Difference of rates
 = 369 X 907 X 6.66
 = ₹ 22,28,989/-

As per Section 2(B) of IF Act, 1927, all the produces from the mines, if extracted from the forest land or transported through the forest area shall be called the forest produce. As per the provisions of Chhattisgarh Transit (Forest Produce) Rules, 2001, no forest produce will be transported from the forest land without a valid transit pass. The transit pass shall be issued by the Forest Department after payment of prescribed transit fee. Further, by amendment in June 2002, it was added in the above rules that for issuing transit pass, fee at the rate of ₹ 7 per tonne will be collected. Further, the status of land transferred for the non-forestry purposes under the FC Act, 1980 shall remain unchanged i.e. they will remain as forest land. Hence, the mineral produce from the land transferred for mining purposes shall be the forest produce.

7.4.12 Transportation of forest produce without issuing transit pass resulting in non-levy of transit fee

During the test check of records of three divisions²⁰, we found that land had been transferred to different agencies for mining purposes. During the period between 2005-06 and 2009-10, 169.81 lakh tonnes of coal and 928.74 lakh tonnes of Iron ore were extracted from the forest land diverted for the mining purposes. We observed that no transit pass was ever issued for the transportation of the minerals extracted from the diverted forest areas and

hence no transit fee could be realised from the quantity extracted from those areas as shown in the following table:

Year	(In lakh Tonnes)		
	Korba	South Sarguja	Dantewada
	Extracted quantity of Coal by SECL ²¹	Extracted quantity of Coal by SECL	Extracted quantity of Iron ore by NMDC ²²
2005-06	28.40	3.53	185.98
2006-07	31.71	3.32	112.61
2007-08	32.22	3.98	231.87
2008-09	30.70	4.00	216.44

²⁰ Dantewada, Korba, South Sarguja.

²¹ South Eastern Coalfields Limited.

²² National Minerals Development Corporation.

2009-10	26.70	5.25	181.84
Total	149.73	20.08	928.74
Transit Fee to be Collected	₹ 10.48 crore	₹ 1.41 crore	₹ 65.01 crore
Grand total	₹ 76.90 crore		

Thus, the Department did not enforce the rules relating to collection of transit fee of ₹ 76.90 crore.

After we pointed out in audit, the DFOs replied that since the minerals as stated above were not collected on the surface, hence these were not the forest produce and as such, no transit fee was collected on it. The reply was not convincing as non issue of transit pass against prescribed transit fees was in violation of the Act and the Rules. Further if DFOs had any doubt they should have sought Government clarification.

During the exit conference, the Department stated that collection of transit fee on minerals was not under the purview of Forest Department. However, the matter would be examined in consultation with the Law Department.

Timely execution of the work as per the provisions of WP has been made mandatory by the instructions issued by the Supreme Court (September 2000). The coupes due for exploitation in a particular year as per prescriptions of WP are marked in the preceding year.

Compliance Deficiencies

7.4.13 Non-implementation of WP

During the scrutiny of records, we found the following:

TIMBER

During the scrutiny of records of test checked divisions, we found that in four divisions, 57 coupes due for exploitation between 2005-10 as per the WP, were not exploited resulting in non-realisation of revenue of ₹ 17.54 crore as given in the following table:

Name of Division	Year	No. of coupes remained unexploited		Estimated quantity of timber to be extracted		Estimated value of timber (₹ in lakh)
		SCI	IWC	Timber	Fuel Wood	
Dhamtari	2005-06 to 2008-09	4	3	17534.49 cmt	17534.49 cmt	1605.15
Korba	2005-06 to 2009-10	1	21	442.887 cmt	451 nos.	37.99
Jashpur	2005-06 to 2006-07	0	8	234.415 cmt	137 nos.	18.77

Mahasamund	2005-06 to 2008-09	0	20	189.580 cmt	7758 nos.	91.94
Total		5	52			1753.85

Note: Estimated value is based on departmental figures.

Similarly, 39 thinning coupes in Korba and Jashpur divisions which were due as per WP were not taken up since 2005-06 to 2009-10. This may adversely affect the production and regeneration in these coupes.

After we pointed out in audit, the DFO Dhamtari replied that out of the seven coupes, two coupes had been exploited as per earlier WP and two coupes were felled as per current WP. Remaining coupes could not be exploited due to Naxal problem, non-approachable areas and unprofitability.

The reply was not acceptable as it did not explain how the coupes exploited in earlier WP became due again in current WP. Besides, the work plan should have been prepared realistically discounting the produce from troubled/unapproachable areas. No records were made available regarding other coupes.

DFO, Korba, Jashpur and Mahasamund replied that the coupes were unprofitable and hence were proposed for write off. The reply does not explain how unprofitable coupes were included in the work plan. Thus, either the work plan

In the WP, the bamboo coupes are divided into four felling series and each felling series becomes due for exploitation after every four years.

prepared are not realistic or the Departmental Machinery had not taken necessary efforts to execute the work plan. Even the coupes which were proposed earlier, remained to be exploited till date even after lapse of

one to five years.

BAMBOO

Non-exploitation of bamboo coupes not only results in loss of revenue but also blocks the regeneration in clumps. The untreated bamboo clumps intertwines and quality of bamboo degrades. Keeping this in view, the PCCF directed (January 2005) that no bamboo coupes which were due should remain untreated/unexploited even if the exploitation of the coupe is unprofitable.

During the scrutiny of records of test checked divisions, we found that during the year 2005-10, 21,412.173 hectare of Bamboo area was to be exploited in three divisions as per the provisions of respective WPs. Out of this, no area was exploited and this resulted in non-realisation of revenue of ₹ 7.72 crore as given in the following table:

Name of divisions	Year	Area to be exploited (ha)	Estimated production	Value (₹ in lakh)
Rajnandgaon	2005-09	7,922.430	42,46,422 nos.	698.54
Mahasamund	2005-09	1,736.180	3,46,576 nos.	54.89
Dantewada	2008-10	11,753.563	3,502.57 NT	18.69

Total	21,412.173	45,92,998 nos/ 3,502.57 NT²³	772.12
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Note: Estimated value is worked out on the basis of the departmental figures.

When we pointed out this, the DFOs replied that due to inaccessibility of areas, unprofitability and Naxal activities, the bamboo areas could not be exploited. The work plan should have been prepared realistically discounting the produce from troubled/unapproachable areas. Thus either the work plan prepared are not realistic or the Departmental Machinery is not taking necessary efforts to execute the working plan.

As per the provisions of WP, the coupes due for felling would be marked in the preceding year and estimated quantity of production would be worked out. The marking and felling work will be done completely within the prescribed time limits.

Partial felling

During the scrutiny of records of test checked divisions, we found that in two divisions, only 12,490 trees were felled against 38,596 trees marked in seven coupes. Non-felling of 26,106 trees resulted in non-realisation of revenue of ₹ 1.54 crore as mentioned

below:

Name of Division	Due year	No. of coupes	No. of trees not felled	Estimated yield		Estimated revenue (₹ In lakh)
				Timber (cmt)	Fuel (Stacks)	
Dhamtari	2007-08	3	12050	336.801	884	29.64
Rajnandgaon	2005-06	1	3349	100.000	280	11.49
	2006-07	3	10707	820.000	800	112.77
Total		7	26106	1256.801	1964	153.90

After we pointed out in audit, DFOs replied that partial felling was occurred mainly due to Naxal problem. However, it was not clarified by the DFOs as to how the trees were not exploited even after being marked for felling. Since the Department felled the trees partially despite the presence of Naxal activities, the reasons furnished for non-felling were not convincing.

While accepting the observation during the exit conference (October 2010), the Department replied that there was erroneous preparation of WP in Dhamtari and Mahasamund. In Rajnandgaon and Dantewada, extraction was not done due to Naxal activities.

The Department should monitor the preparation of WPs and implementation of their prescriptions strictly.

²³ Notional Ton.

The WP clearly states the procedures and methods for the marking and felling in timber coupes. It prescribes that the trees marked for felling will be classified as per quality i.e. timber and fuel wood and accordingly the estimated production in the coupe is worked out. As per instructions issued by the CCF (Production) in January 1984 and June 1995, 10 *per cent* variation between the estimated and actual yield of timber and fuel wood is permissible. In case, the variation is more than the permissible limit, the reason shall be investigated by the higher authorities and accordingly action will be taken in cases of revenue loss.

7.4.14 Loss of revenue due to low yield of forest produces

7.4.14.1 Low yield of Bamboo

In scrutiny of records, we found that in two²⁴ divisions, between 2005-06 and 2008-09, the shortfall of production against the estimates was between 15 to 74 *per cent* in 24 coupes resulting in loss of revenue of ₹ 1.38

crore as given in **Appendix 7.2**.

After we pointed out the cases, DFOs replied that less production was due to inaccessible areas and Naxal problems in the Bamboo forest areas. Reply is not consonant with the Departmental regulations.

During the exit conference, the Department intimated that the low yield was mainly due to sampling method/design and its extrapolation for estimation of produce. However, the Department agreed for re-examination of the sampling method.

As per the instruction issued in June 1995, no variation is permissible in estimated and actual yield of Bamboo.

7.4.14.2 Low yield of Timber

During the scrutiny of records, we found that in five²⁵ divisions, between 2005-06 and 2008-09, the shortfall of production against the estimates was between 14 and 78 *per cent* in 19 coupes. Though the variations were more than the permissible limit, no investigations were made to ascertain the reasons. Thus, the shortfall in excess of permissible limits resulted in loss of revenue of ₹ 1.34 crore as given in **Appendix 7.3**.

After we pointed out the cases, DFO, Rajnandgaon replied that reason for shortfall in production of timber was due to the excess production of fuel stacks. DFO, Dhamtari replied that reasons for shortfall were mainly due to differences in site quality, tentative estimation of condition and volume of trees, etc. DFOs

²⁴ Rajnandgaon, Raipur

²⁵ Dhamtari, Jashpur, Raipur, Rajnandgaon, South Kondagaon.

Raipur and South Kondagaon replied that the production in whole division was more than the estimates whereas DFO Jashpur stated that the shortages in production were natural and no one could be held responsible. The replies were not in consonance with the above provisions and orders. The WP prescribes the specific procedures for marking of trees for felling and estimation of production. Also, the coupe is the primary unit for estimations and production. The reasons for the short productions in coupes were also not analysed by them.

During the exit conference, the Department stated that the estimation method would be re-examined.

The Government may consider range wise farm factor for estimation of forest produce to obviate the inordinate variation between estimated and actual quantity.

Timber and bamboo which are degradable in nature, loses its value with the passage of time due to natural vagaries. As per the forest manual (para 114A), timber and bamboo have the useful life of five and two years respectively. Hence, it has been clarified by the Department several times that the felled forest produce in coupes should be transported to the depots before 30th June i.e. before rainy season. The above instruction has been issued mainly to ensure that the produce is kept in depots in better conditions and to dispose off early through auction. Further, as per the terms and conditions of the agreement, transportation of timber within the stipulated time period will be responsibility of the contractor.

7.4.15 Transportation of forest produces

For the transportation of timber from coupes to depots, transportation groups are established every year. A transportation contractor is appointed for every group by the DFO. Also, he will be responsible for making good the losses in timber during the transportation. Such losses will be calculated by the DFO and will be binding on the contractor. If the transportation from the contracted coupes is made using Departmental vehicles, the expenditure thereupon shall be recovered from the

contractor.

7.4.15.1 Loss of revenue due to forest produce lying untransported from coupes

During the test check of records of four divisions, we found that in contravention of above, the forest produce valuing ₹ 3.97 crore was lying untransported in 65 coupes after 30th June during 2005-06 to 2008-09. Further, in six out of 12 coupes in Dhamtari division, the transportation was made upto January next year. No records were furnished regarding remaining coupes. The produce was opened to

the natural vagaries for deterioration resulting in loss of revenue of ₹ 79.35 lakh as given below:

Name of Division	Year	No. of coupe	Quantity remained untransported till 30 th June		Value	Loss
			Timber (cmt)	Fuel Stacks		
Jashpur	2005-06	12	540.800	455	42,88,569	
	2006-07	6	226.197	351	19,26,842	
	2007-08	9	316.818	548	27,91,555	
	2008-09	3	145.886	81	11,86,058	
Total		30	1229.701	1435	1,01,93,024	20,38,605
Dhamtari	2007-08	12	1591.387	458	96,64,000	19,33,000
South Sarguja	2007-08	8	723.050	1515	69,25,014	13,85,003
South Kondagaon	2007-08	12	1622.558	575	89,95,675	
	2008-09	1	27.606	0	1,67,348	
	2009-10	2	411.788	66	37,26,659	
Total		15	2061.952	641	1,28,89,682	25,77,936
Grand total		65	5606.090	4049	3,96,71,720	79,34,544

After we pointed out the cases, DFO Dhamtari, South Sarguja and South Kondagaon stated that timber was completely transported during next transport season. Delay in transportation was due to early arrival of rainy season. Though, DFO, South Kondagaon initiated the action against the contractors for breach of terms of agreement during 2008-09 and black listed the contractors, no action was taken by other DFOs. Also, records of final transportation could not be made available to audit. None of the divisions intimated the reasons for not initiating any action for recovery of loss against the defaulting contractors.

During the exit conference, the Department stated that matter would be examined and strict compliance of the provisions and conditions of agreement shall be ensured.

7.4.15.2 Loss of revenue due to less receipt of forest produce in depots

During the test check of records of DFO, Dhamtari, we found that between 2006-07 and 2007-08, 3492.469 cmt timber and 481.828 cmt poles were transported from six timber coupes. As against these, 3084.098 cmt timber and 394.263 cmt poles were received in the depot. Though, there was no difference in the quantity of fuel stacks, the coupe wise shortfall in timber and poles were up to 31 *per cent*. Hence, there was short receipt of 408.371 cmt timber and 85.565 cmt poles in depot due to loss in transit resulting in loss of revenue of ₹ 33.92 lakh.

After we pointed out the case, DFO replied that shortfall was mainly due to shrinkage and other natural factors and hence, the contractor could not be held

responsible. Reply is not acceptable as in four out of six coupes, volume of logs and poles both got reduced by big margin. Further, Department had provided the allowance of only two to three centimeters for shrinkage in girth.

During the exit conference, the Department stated that clarification had been called for and the matter would be duly investigated.

As per Rule 22(1) of Chhattisgarh Financial Code, any loss should be immediately reported to the Head of the Department (HOD) as well as to the Accountant General (AG) and after enquiry, action for the recovery should be initiated.

7.4.16 Loss of revenue due to shortage of forest produce found in

physical verification

During the scrutiny of records, we observed that in four²⁶ divisions, forest produce valuing ₹ 13.23 lakh was found short during the physical verifications of various depots conducted by the forest authorities as given in the *Appendix 7.4*. While the recovery of the loss was initiated by three divisions, no action was taken by one division.

After we pointed out the cases, DFO Dhamtari replied that there is no change in total quantity. Only the species are changed. The reply is not acceptable as recording in depot is final and after that there should not be any variation in the species. DFOs Mahasamund, South Sarguja and Jashpur stated that actions for recovery of losses were being taken.

During the exit conference, the Department stated that matter would be examined and action would be taken accordingly.

Internal control mechanism is intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. It helps in prevention of frauds and other irregularities. Internal Audit Wing (IAW) is a vital component of the internal control and is generally defined as control of all controls to enable the organisation to assure that the prescribed systems are functioning reasonably well.

7.4.17 Internal control mechanism

Internal Controls also help in creation of reliable financial and management information systems for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

During the test check of records of PCCF office (January 2010), we noticed that there was no separate IAW in the Department and no staff was especially earmarked for this. The targets of internal audit were also not fixed. However, the internal audit has been started in 2009-10 for the financial year

²⁶ Mahasamund, South Sarguja, Jashpur, Dhamtari.

2007-08 deputing the clerical staff available in the headquarters. No internal inspections/peer review of DFOs was conducted to act as a check on their activities concerning exploitation and sale of forest produce. No internal inspections/peer review of DFOs was conducted to act as a check on their activities covering exploitation and sale of forest produce. In the absence of regular and trained staff, the internal audit was not effective in the Department.

After we pointed out in audit, the Department replied that the separate IAW will be established shortly.

During the exit conference (October 2010), the Department stated that a separate IAW has since been established.

The Government may consider strengthening the established IAW and prescribe a time frame for taking remedial measures on its observations.

7.4.18 Conclusion

The review revealed that the systems instituted by the Department for realisation of forest receipts in the state were deficient. We noticed that there were huge arrears of revenue due to lack of effective steps for recovery. Due to the practice of depositing Commercial Tax/VAT into forest receipts, the receipt of the Department was overstated. Non-maintenance of crucial records encouraged malpractices in sale and account of forest produce receipts.

The WPs of some divisions were not in continuous existence. While there were delays in approval of WPs, the activities in the related forest areas were not carried out as per schedule resulting in non-realisation of revenue as well as adversely affecting the quality of produce and regeneration of forests. The work plan prepared were not realistic or the Departmental Machinery was not taking necessary efforts to execute the work plan. Non-issue of transit pass against prescribed transit fees was in violation of the Act and the Rules. No internal inspections/peer review of DFOs was conducted to act as a check on their activities concerning exploitation and sale of forest produce in the *nistar* system, deficiencies in fixation of targets, storage and disposal of forest produce were also noticed. Auction system was also inaccurate as the powers entrusted to the competent authorities were not exercised by them resulting in delay in sale of timber and also deterioration in quality with the passage of time.

7.4.19 Summary of recommendations

The Government may consider the following recommendations:

- *issue necessary instructions for realisations of the arrears in the time bound manner;*
- *the Department may consider issuing necessary orders for depositing Sales Tax/VAT under proper head of account;*
- *monitor the preparation of WPs and implementation of their prescriptions strictly. The work plan may be prepared realistically discounting the produce from troubled/unapproachable areas;*
- *make necessary arrangements to ensure timely preparation and submission of CCRs, CHs and timber accounts;*
- *take specific measures in fixing the targets and disposal of forest produce from nistar depots;*
- *issue necessary instructions to the divisions to ensure compliance to the provisions relating to proper realisation and timely deposit of revenue into the Government accounts;*
- *strengthen the established IAW and prescribe a time frame for taking remedial measures on its observations; and*
- *issue necessary instructions to the CFs/DFOs/other officials to maintain the detailed records of auctions in order to ensure the transparency in the auction of the forest produce and also to maximise the receipts from sale of forest produce.*