

CHAPTER VIII: FOREST AND OTHER NON-TAX RECEIPTS

8.1 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. Department follows the undermentioned Acts and Rules for collection of revenue:

- The Indian Forest Act (IF) Act, 1927 and rules made thereunder;
- The Forest Conservation (FC) Act, 1980 and rules made thereunder;
- Chhattisgarh *Van upaj (Vyapar Viniyaman) Adhiniyam*, 1960 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.

8.2 Analysis of budget preparation

Budget is prepared as per rules 127 and 128 of the Forest Financial Rules. It stipulates the procedures for preparation of Budget Estimates. Budget are prepared by the Divisional Forest Officers (DFOs) and forwarded to Conservators of Forest (CFs) for onward transmission to the Chief Conservator of Forest (CCF)/Budget and Accounts.

The budget estimate for the year 2010-11 was ₹ 400.00 crore and revenue realised was ₹ 305.17 crore. There is a decrease of 23.71 *per cent* over the

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

budget estimate. The Department intimated (September 2011) the decrease was due to disturbances prevailing in the area.

8.3 Trend of Revenue Receipt

Actual receipts of the Department during the years 2006-07 to 2010-11 along with the non-tax revenue of the State ranged between 7.95 and 14.63 *per cent* as shown in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non tax receipts of the State	Percentage of actual receipts vis-à-vis total non-tax receipts
2006-07	211.53	205.79	(-) 5.74	(-) 2.71	1451.34	14.17
2007-08	250.00	258.07	8.07	3.23	2020.45	12.77
2008-09	280.00	322.29	42.29	15.10	2202.21	14.63
2009-10	365.00	345.85	(-) 19.15	(-) 5.25	3043.00	11.36
2010-11	400.00	305.17	(-)94.83	(-)23.71	3835.32	7.95

We observed that though the revenue receipt of the Department exceeded the budget estimates by 3.23 and 15.10 *per cent* during the year 2007-08 and 2008-09 respectively but there was shortfall in receipt in remaining year and the shortfall ranged between 2.71 and 23.71 *per cent*. Similarly the percentage of actual receipts of the Department to the total non-tax receipt of the State was ranged between 7.95 to 14.63 *per cent*. As regards 2010-11, the Revenue receipts fell short of the estimates by nearly 23 *per cent*.

8.4 Analysis of arrears of revenue

The arrears of revenue as on 31st March 2011 amounted to ₹ 2.45 crore of which ₹ 0.22 crore were outstanding for more than five years. The table mentioned below depicts the position of arrears of revenue during the period 2006-07 to 2010-11:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2006-07	0.22	201.86	201.84	0.24
2007-08	0.24	265.60	265.54	0.30
2008-09	0.30	311.35	311.20	0.45
2009-10	0.45	343.24	341.30	2.39
2010-11	2.39	357.19	357.13	2.45

It may be seen from the table that there was marginal increase of arrears of revenue. The arrears increased to ₹ 2.45 crore during 2010-11 as compared to ₹ 2.39 crore of the previous year i.e. an increase of 2.5 *per cent*.

8.5 Impact of audit

8.5.1: Position of Inspection Reports (IR) : During the last five years, audit through its IRs 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 ₹ 278.35 crore in 1536 cases. Of these, the Department/Government had accepted audit observations in 1318 cases involving ₹ 135.09 crore. The details are shown in the following table:

(₹ in crore)

Year of IR	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2005-06	4	186	53.81	1	0.07	Nil	Nil
2006-07	7	58	104.48	58	104.48	Nil	Nil
2007-08	1	5	5.17	5	5.17	Nil	Nil
2008-09	11	285	19.60	256	9.79	Nil	Nil
2009-10	11	1002	95.29	998	15.58	1	9.00
Total	34	1536	278.35	1318	135.09	1	9.00

8.5.2: Position of Audit Reports : In the Audit Report 2005-06 to 2009-10, the cases of non/short realisation of revenue, shortages of forest produce were indicated involving ₹ 101.17 crore as mentioned below:

(₹ in crore)

Year of Audit Report	Total Money Value	Amount Accepted	Recovery made up to March 2011
2005-06	11.55	Nil	Nil
2006-07	2.43	Nil	Nil
2007-08	Nil	Nil	Nil
2008-09	Nil	Nil	Nil
2009-10	87.19	9.02	Nil
Total	101.17	9.02	Nil

The above table indicates that during the last five years no recovery was effected by the Department.

The Government intimated that all the cases will be examined and efforts will be made for the early recovery.

8.6 Internal audit

Internal Audit is a vital component of the internal control mechanism and enables an organisation to assure itself that the prescribed systems are functioning reasonably well. During the year 2010-11, the IAW had planned audit of 36 units. 26 Inspection reports were sent to the respective divisions, of the 36 units audited.

8.7 Results of audit

Test check of records of nine units of forest department during the year 2010-11 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 ₹ 20.49 crore in 352 cases which can be categorised as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non-realisation due to deterioration/ shortage of forest produce	149	0.75
2.	Loss of revenue due to low yield of timber	74	4.77
3.	Other irregularities	129	14.97
	Total	352	20.49

During the year 2010-11, the Department accepted the loss of ₹ 1.17 crore in 69 cases.

A few illustrative cases involving ₹ 14.89 crore are mentioned in the following paragraphs.

8.8 Audit observations

We scrutinised the records of various Divisional Forest Offices (DFOs) and found several cases of non-observance of the provisions of the Acts/Rules/ Government notifications/instructions leading to loss of revenue due to non/short exploitation of bamboo/timber, low yield of timber, shortage of forest produce etc as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the DFOs are pointed out by us each year, but not only do the irregularities persist, these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that such omissions can be avoided.

8.9 Non-levy of transit fee

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 the prescribed transit fee. Further, by amendment in June 2002, transit fee at the rate of ₹ 7 per tonne was to be collected. Further, land diverted for non-forestry purposes under the Forest Conservation Act, 1980 shall remain forest land.

We found in the test check of records of Divisional Forest Officer (DFO), Durg, that land had been transferred to Bhilai Steel Plant for mining purposes. During the period between 2008-09 and 2009-10, 1.88 crore 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. Thus, non enforcement of rules relating to collection of transit fee resulted in loss of ₹ 13.16 crore.

After being pointed out by us, the Government intimated (September 2011) that the matter regarding the issue is being examined in consultation with the Law Department.

8.10 Shortage of forest produce in Depots

Forest Department issues instructions from time to time that all material produced in coupes should be transported to *Nistar* Depots before 30th June each year in order to avoid loss due to deterioration, fire, theft, etc. Further, rule 22(1) of Chhattisgarh Financial Code provides that a preliminary report of the losses should be submitted expeditiously to the Head of the Department (HOD) as well as Accountant General (AG) and the investigation be completed within a period of six months from the date of detection of loss.

8.10.1 We found in the test check of record of DFO (General), Raipur, (May 2006) that forest produce valued at ₹ 14.96 lakh was found short during the physical verification of 12 *Nistar*² Depots conducted by the forest authorities in June 2006 for the year 2001-02 to 2004-05. Despite this

the DFO did not intimate the losses to the HOD and the AG. After this being pointed out by audit, the Government replied (September 2011) that in case of six depots³, the opening balances of the succeeding years indicate that there was no loss of material in depots. However, in respect of rest of the Depots, it was intimated that recovery/write off of loss amounting to ₹ 2.89 lakh is in progress. The Government further intimated that recovery of ₹ 1.33 lakh has been made in respect of three depots⁴.

8.10.2 We found in the test check of records of two⁵ Divisional Forest Officers (DFOs) between (February 2009 and March 2009) that forest produce valuing ₹ 9.41 lakh was found short during the physical verification of the depots conducted by the forest authorities. Despite this, the DFOs had neither taken any action to recover the value of the forest produce from the officials responsible for the shortage nor ascertained the reasons for the same.

After being pointed out by us, the Government intimated (September 2011) that due to wrong classification and measurement in coupe⁶, the difference in quantity and species has occurred in depot. Though there is loss in some

² *Nistar* means supply of Bamboo, Poles and Fuel Wood at subsidised rates to the needy villagers residing within five km of forest area.

³ Dharsivan, Uperwara, Abhanpur, Sandi, Bhatapara, Dhamtari

⁴ Torla, Barpali (2003-04 & 2004-05)

⁵ Kanker, Kawardha

⁶ Coupe is the area demarcated in forests for the purpose of cutting trees etc.

species but overall there is no shortage of production. The reply is not correct, our observation was based on the measurement of the produce available in depot which is final and after that there should not be any further variation. Further, conversion of one species to another species is also not correct.

8.11 Short realisation of Net Present Value of Diverted Forest Areas

As per the State Government order, dated 18.11.2004, the user agency shall deposit the Net Present Value for the diverted forest area at the rate prescribed to the State Forest Department.

We found in the test check of the records of the DFO (August 2008), that, on the proposal of the State Government, the Central Government in principle agreed for diversion of 84.00 Hectare of forest land for renewal of Mahamaya Iron and ore mines in favour of M/s

Bhilai Steel Plant, Durg for non forestry purpose. The diverted areas were under coupe No-159 and the site quality of these areas were classified as IV-B by the Divisional Forest Officer (DFO), Working plan Division, Durg. Accordingly, the DFO computed the Net Present Value (NPV) payable by the user agency as ₹ 5.21 crore at the rate of ₹ 6.20 lakh per hectare, which was deposited by the user agency in time.

On further scrutiny, it revealed that the DFO calculated the NPV payable by the user agency taking prescribed rate applicable for IV-C. Since the diverted forest land were classified as IV-B by the DFO, the NPV should have been computed applying the rate of IV-B i.e. ₹7.80 lakh per hectare and the total amount payable by the user agency should have been ₹6.55 crore. Thus application of incorrect rate by DFO resulted in short realisation of revenue of ₹1.34 crore.

After we pointed out the case (June 2011), DFO Durg asked (July 2011) the user agency to deposit the balance amount of ₹ 1.34 crore.

8.12 Short recovery of royalty

As per instructions laid down in letter no 345 dated 19.6.2008 of the Collector of Mines, Raipur Chhattisgarh that as per mines and minerals rules any minerals extracted from the bed of main channel, a royalty clearance certificate from Mining department is required to be obtained before processing disposal of the rock to avoid royalty evasion tendency.

We found in the test check of records of Executive Engineer (EE) Water Management Division No 1 Raipur, that 1,16,869 cum hard rock was excavated from main channel of Mahanadi main canal at 70 Km to 75 Km. Contract for lifting the hard rock was finalised in favour of M/s Jafari Construction, Raipur at the cost of ₹ 32.57 lakh.

However before finalising the contract, clearance from Mining Department was not obtained. Though the royalty for the extracted hard rock was worked

out to ₹ 35.07 lakh at the rate of ₹ 30.00 per cum and the agency was directed to get the entire amount of royalty deposited before lifting the materials, but no cognizance to the instructions of Mining Department was given by EE and the contractor was allowed to lift the materials without depositing the royalty. The contractor deposited ₹ nine lakh towards royalty against the evaluated royalty of ₹ 35.07 lakh. This resulted in short recovery of royalty of ₹ 26.07 lakh.

After we pointed out the case, the Divisional Officer replied that the contractor was instructed to deposit the royalty charges in the Mining Department.

The matter was brought to the notice of the Department and Government for their comments and their replies are awaited.

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