

CHAPTER-VI : FOREST RECEIPTS

EXECUTIVE SUMMARY

Substantial increase in tax collection	In 2011-12 the collection from the forestry and wildlife sector increased by 109.42 <i>per cent</i> as compared to the Budget Estimates which was attributed by the Department to the deposit of arrear dues by the Orissa Forest Development Corporation Limited (OFDC).
Very low recovery by the Department against the observations pointed out by audit in earlier years	During the period 2006-11 audit pointed out non / short-levy, non / short-realisation of royalty, interest and other irregularities etc., with revenue implication of ₹ 48.32 crore in 16,259 cases. Of these, the Department accepted audit observations in 11,213 cases involving ₹ 22.40 crore; but recovered only ₹ 2.81 crore in 372 cases. The average recovery position, being 12.54 <i>per cent</i> as compared to acceptance of objections, was very low and ranged between zero <i>per cent</i> and 83.72 <i>per cent</i> .
Results of audit in 2010-11	<p>In 2011-12, Records of 40 units relating to forest receipts were test checked and non / short-levy of interest, non-disposal of timber seized in undetected forest offence cases, non-realisation of royalty and other irregularities involving ₹ 3.06 crore in 1,693 cases were noticed in audit.</p> <p>The Department accepted non / short-levy of interest, non-realisation of royalty, non-disposal of timber seized in undetected forest offence cases and other deficiencies of ₹ 3.02 crore in 1,626 cases pointed out by audit during the year 2011-12. An amount of ₹ 0.31 crore was recovered in 60 cases during the year 2011-12 relating to the earlier years.</p>
Highlights	<p>In this Chapter, Illustrative cases of ₹ 4.89 crore selected from the observations noticed during the test check of records maintained in the offices of the Principal Chief Conservators of Forests (PCCFs), Regional Conservators of Forests (RCFs) and Divisional Forest officers (DFOs) are presented, where audit found that the provisions of the Acts / Rules / Orders / instructions were not adequately adhered to.</p> <p>It is a matter of concern that similar omissions have been pointed out by audit repeatedly in the Audit Reports for the past several years; but the Department has not taken corrective action. Though these omissions were apparent from the records, which were made available to audit, the above authorities were unable to detect these deficiencies.</p>

Conclusions

The Department needs to issue instructions for strict compliance of the codal provisions read with their orders / instructions including strengthening of internal audit so that weaknesses in the system are addressed and omissions of the nature detected by audit are avoided in future.

It also needs to initiate immediate action to recover the royalty and interest on belated payment of royalty and dispose of the timbers seized in undetected (UD) cases pointed out by audit and more so in those cases where audit contentions were accepted by the Department.

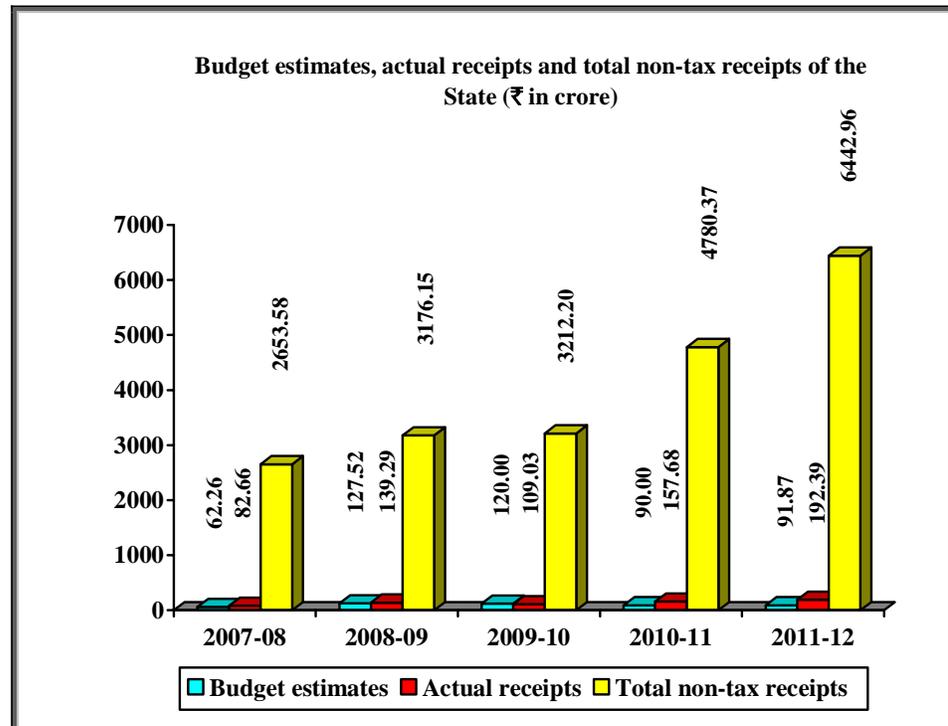
6.1.1 Non-tax revenue administration

Demand and receipts under forestry and wildlife sector is regulated by the Indian Forest Act, 1927, the Orissa Forest Contract (OFC) Rules, 1966, the Orissa Forest (OF) Act, 1972, the Orissa Forest Department (OFD) Code, 1979 read with Government orders and instructions issued from time to time. The above Act, Code and Rules are administered by the Principal Chief Conservators of Forests (PCCF) under the overall supervision of the Principal Secretary, Forest and Environment Department being assisted by Headquarter and field level staff. The Divisional Forest Officers (DFOs) assess and realise forest receipts like royalty from sale of kendu leaf, timber and other forest produce and environmental forestry receipts from the zoological parks.

6.1.2 Trend of receipts

Actual receipts from the forestry and wildlife sector during the years 2007-08 to 2011-12 along with the total non-tax receipts of the State during the same period is depicted in the following table and graph.

(₹ 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
2007-08	62.26	82.66	(+)20.40	(+)32.77	2,653.58	3.12
2008-09	127.52	139.29	(+)11.77	(+)9.23	3,176.15	4.39
2009-10	120.00	109.03	(-)10.97	(-)9.14	3,212.20	3.39
2010-11	90.00	157.68	(+)67.68	(+)75.20	4,780.37	3.30
2011-12	91.87	192.39	(+)100.52	(+)109.42	6,442.96	2.99



The trend of receipts showed that it fluctuated from year to year. The contribution of forest receipts to total non-tax receipts of the State has been declining since 2008-09 to 2011-12 and it accounted for only 2.99 per cent of the non-tax receipts in 2011-12.

The reasons for wide fluctuations in Budget Estimates (BEs) and actuals were attributed to excess deposit of royalty towards kendu leaf, timber and other forest produces for the year 2007-08, whereas no reason was stated for the year 2008-09 and 2009-10. The reasons for increase in collection during 2010-11 and 2011-12 as compared to the previous year was attributed to deposit of ₹ 119.17 crore and ₹ 157.70 crore respectively by the OFDC towards Royalty on Kenduleaf.

The huge variation between the BE and the Actuals indicates that the BEs were not realistic.

Audit recommends that the Government may consider issuing instructions to the Department for framing the BEs on a firmer and realistic basis.

6.1.3 Analysis of arrears of revenue

Arrears of revenue as on 31 March 2012 was ₹ 73.27 crore. Details of arrears outstanding for more than five years were not available with the Department. The various stages at which the arrears were pending could also not be furnished by the Department due to non reconciliation of the figures between the Department and the OFDC Limited.

6.1.4 Impact of Audit

Revenue impact

During the last five years i.e. 2006-07 to 2010-11, we pointed out loss, non / short-levy, non / short-realisation of royalty, interest and other irregularities etc., with revenue implication of ₹ 48.32 crore in 16,259 cases. Of these, the Department accepted audit observations in 11,213 cases involving ₹ 22.40 crore and recovered ₹ 2.81 crore in 372 cases. The details are given in the following table.

(₹ in crore)								
Year	No. of units audited	Amount objected		Amount accepted		Amount recovered		Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
2006-07	45	3,946	25.93	3,933	11.24	105	2.05	18.24
2007-08	45	1,895	3.07	1,377	1.05	39	0.03	2.86
2008-09	45	3,314	3.69	1,856	0.86	226	0.72	83.72
2009-10	51	4,487	6.70	2,829	5.46	02	0.01	0.18
2010-11	45	2,617	8.93	1,218	3.79	--	--	--
Total	232	16,259	48.32	11,213	22.40	372	2.81	12.54

The recovery position as compared to acceptance of objections was very low, accounting for only 12.54 per cent.

Appropriate steps may be taken to ensure that recovery in the cases accepted by the Department recovery is effected immediately.

6.1.5 Results of Audit

We test checked the records of 40 units relating to forest receipts in 2011-12 and found non / short-levy of interest, non-disposal of timber seized in undetected forest offence cases, non-realisation of royalty and other irregularities involving ₹ 3.06 crore in 1,693 cases.

During the year, the Department accepted non / short-levy of interest, non-realisation of royalty, non-disposal of timber seized in undetected forest offence cases and other deficiencies of ₹ 3.02 crore in 1,626 cases pointed out in 2011-12. An amount of ₹ 30.92 lakh was recovered in 60 cases during 2011-12 relating to earlier years.

6.2 Audit observations

We scrutinised the records maintained in various forest divisions as well as in the offices of the PCCF, Conservators of Forests (CFs) and DFOs and found several cases of non-compliance to the provisions of the Act and Rules read with the orders issued by the Government from time to time, which resulted in non-levy and non-realisation of Government revenue as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out these omissions repeatedly; but not only do the irregularities persist, these remain undetected till an audit is conducted.

The Government may consider issuing instructions for strict compliance to the codal provisions read with their orders/instructions and to improve the internal control mechanism so as to avoid recurrence of such omissions.

6.3 Non-compliance to legal provisions and Government orders

The Orissa Forest Contract Rules, 1966 and Government orders of February 1977 and August 2005 prescribe for:

- (i) *timely disposal of seized material, and*
- (ii) *levy of interest on Orissa Forest Development Corporation (OFDC) Ltd. for belated payment of royalty at prescribed rates.*

Non-compliance of some of the above legal provisions and orders in the cases mentioned in the succeeding paragraphs resulted in non-levy and non-realisation of Government revenue of ₹ 4.89 crore.

6.3.1 Non-disposal of sandal wood seized in forest offence cases

The Government instructed (August 2005) for early disposal of forest produces seized in Un-Detected (UD) forest offence cases and Offence Report (OR) cases by different DFOs of the State in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage. As per standing arrangement, sandalwood seized in different Forest Divisions were being sold at different rates fixed from time to time by the Government through three retail outlets functioning under the DFO, Forest Resource and Survey Division (FR&SD) Cuttack.

During test check of the records of 18¹ forest divisions during the period between November 2002 and May 2012, we found that 20,835.425 kilograms of sandalwood seized in 319 UD forest offence cases and Offence Report (OR) cases during 1979-80 to 2010-11 were lying undisposed as on the date of audit. The stock of sandalwood with DFO, Jeypore was lying

undisposed since 1979-80, while in the remaining divisions the OR cases were lying undisposed for periods more than one to 18 years. The prolonged storage of sandalwood is also fraught with the risk of deterioration in quality. Considering the market price of a minimum of ₹ 1,000 per kilogram as adopted in the neighbouring State of Andhra Pradesh, the value of seized sandalwood works out to ₹ 2.08 crore. Thus, inordinate delay in revision of rate of sandal wood by the Government and stoppage of sale resulted in blockage of Government revenue of ₹ 2.08 crore.

After we pointed out the cases, the Government stated (September 2012) that fixing up of the sale price for disposal of sandalwood was under process, after finalisation of which the seized sandalwood would be disposed of through OFDC Ltd.

¹ Angul, Balasore WL, Balliguda, Bhubaneswar, Cuttack, Dhenkanal, Deogarh, Ghumusar (North), Ghumusar (South), Jeypore, Karanjia, Khariar, Khordha, Koraput, Paralakhemundi, Phulban, Rairangpur and Rayagada.

6.3.2 Non-disposal of timber and poles seized in Undetected Forest Offence Cases

The Government issued instructions (August 2005) for early disposal of timber and poles seized in undetected forest offence cases (UD) either by public auction or by prompt delivery to the OFDC Limited within two months from the date of seizure.

During test check of the records of 17 DFOs² between the period from February 2009 and February 2012, we found that 11,722.63 cft. of timber, 1,300 poles along with 334 stacks and 73.5 quintal of firewood valued at ₹ 20.60 lakh seized in 547 UD during 2007-08 to 2010-11 were

lying undisposed. Inaction of the Department in disposing the timber and poles either by public auction or by delivery to the OFDC resulted in non-realisation of revenue of ₹ 20.60 lakh.

After audit pointed out the cases, the Government stated (September 2012) that during the period from 2007-08 to 2010-11 seized in 549 forest offence cases relating to 17 Forest Divisions 11,774.13 cft of timber 1,250 poles, 289.5 stacks and 57.5 quintal of firewood valued at of ₹ 20.44 lakh were seized. Out of this, 2,861.02 cft of timber, 173 no. poles 58 stack of firewood with money value of ₹ 4.90 lakh involved in 119 cases were disposed off and balance 8,913.11 cft of timber, 1,077 no poles, and 231 stack and 57.5 quintal of firewood with money value of ₹ 15.54 lakh are to be disposed off. However, no specific plan on action plan to dispose off the forest produce was formulated.

6.3.3 Non-levy of interest on belated payment of royalty

As per the OFC Rules, 1966, if a contractor fails to pay any installment of royalty for sale of forest produce by the due date i.e., 31 March each year, he is liable to pay interest at the rate of 6.25 per cent per annum on the amount of default for the period of delay in payment. The Government, in February 1977, instructed that OFDC being a contractor was also liable to pay interest for default in payment of royalty.

During test check of the records of 15 DFOs³, between October 2009 to May 2012, we noticed that OFDC paid royalty of ₹ 10.68 crore on 807 lots for the period from 1999-2000 to 2010-11 belatedly, between June 2008 and September 2011, with delays ranging between two and 112 months. However, interest of ₹ 2.60 crore leviable for belated payment was

not levied by the DFOs against OFDC.

After we pointed out the cases, the Government stated (September 2012) that all the concerned DFOs raised demand of ₹ 2.53 crore against OFDC Ltd. for the late payment of royalty.

² Athamalik, Baliguda, Baragarh, Bolangir, Bonai, Boudh, Ghumsur (North), Ghumsur (South), Kalahandi, Karanjia, Keonjhar, Koraput, Malkangiri, Rayagada, Sambalpur (North), Satkosia WL and Sundergarh.

³ Baliguda, Baragarh, Baripada, Bamra (WL), Bolangir, Bonai, Deogarh, Jeypore, Keonjhar, Mahanadi (WL), Paralakhemundi, Rairakhola, Rairangpur, Rayagada and Rourkela.