

## CHAPTER-VI : NON-TAX RECEIPTS

### 6.1 Results of audit

Our test check of records of 32 units dealing with mining and forest receipts during the year 2009-10 revealed loss of revenue due to illegal felling and removal/delay in disposal of timber and other deficiencies involving ₹ 347.84 crore in 84 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Mining Receipts - assessment, levy and collection of royalty, fees and rent (A review)	1	334.91
2.	Forest Receipts	83	12.93
<b>Total</b>		<b>84</b>	<b>347.84</b>

During the course of the year, the departments accepted audit observations involving ₹ 290.75 crore in nine cases, of which one case involving ₹ 289.70 crore was pointed out in audit during 2009-10 and the rest in earlier years. An amount of ₹ 57.18 crore was realised in six cases during the year 2009-10.

A review on '**Mining Receipts - assessment, levy and collection of royalty, fees and rent**' involving of ₹ 334.91 crore and other audit observations involving ₹ 40.61 lakh are mentioned in the following paragraphs.

## 6.2 Mining Receipts - assessment, levy and collection of royalty, fees and rent

### Highlights

Annual budget estimates were prepared without reference to past trends and future potential.

**(Paragraph 6.2.6)**

Suppression of production of crude oil, condensate and natural gas by Oil India Limited and Oil and Natural Gas Corporation Limited led to short payment of royalty and interest of ₹ 168.48 crore.

**(Paragraph 6.2.8.1)**

Non-payment of royalty (April 2008 to March 2009) on deducted discount on well head prices of crude oil distributed to oil marketing companies deprived the State of revenue of ₹ 525.04 crore.

**(Paragraph 6.2.8.2)**

Differential royalty of ₹ 10.48 crore, payable by the Central Government from Oil Industry Development Board Fund, was not claimed and realised by the State Government.

**(Paragraph 6.2.8.3)**

Due to computation of oil price at lower side during 2004-05 and 2008-09, ONGCL evaded royalty of ₹ 119.01 crore including interest.

**(Paragraph 6.2.8.4)**

Failure of the department to enforce payment of royalty on natural gas at well head price resulted in short realisation of ₹ 24.56 crore including interest.

**(Paragraph 6.2.12)**

Adoption of incorrect method for determination of royalty payable on natural gas resulted in loss of revenue of ₹ 11.97 crore.

**(Paragraph 6.2.13)**

Payment of royalty on the quantity of coal dispatched from the leased area instead of actual quantity extracted at pit mouth resulted in short payment of royalty of ₹ 6.45 crore.

**(Paragraph 6.2.15)**

### 6.2.1 Introduction

For conservation, systematic development and regulation of mining activities in India, the Government of India (GoI) enacted the Mines and Minerals (Development and Regulation) (MMD&R) Act, 1957, the Mineral Concession Rules (MCR), 1960, the Mineral Conservation and Development Rules, 1988, the Granite Conservation and Development Rules, 1999 and the Colliery Control Rules, 2004. The mining activities in Assam are governed under the above Acts and the Assam Minor Mineral Rules, 1994 framed by the State

Government in exercise of the powers under the MMD&R Act. The levy and collection of royalty, dead rent and surface rent on minerals are regulated under the above cited Acts/Rules. The conservation, development and extraction of oil and natural gas are regulated under the Oilfield (Regulation and Development) (ORD) Act, 1948 and the Petroleum and Natural Gas (PNG) Rules, 1959.

Coal, crude oil and natural gas are the major minerals and limestone, boulder, stone and sand are the minor minerals in the State. The Geology and Mining Department of the Government of Assam realises revenue from major minerals and from limestone (minor mineral), which comprises of application fees for mining lease/prospecting licence, royalty, dead rent, surface rent, fines/penalties and interest on belated payment of dues. Levy and collection of royalty from other minor minerals are entrusted to the Forest and Environment Department. As of March 2009, there were 13<sup>1</sup> petroleum exploration licences (PEL) comprising an area of 6,299<sup>2</sup> sq km and 36<sup>3</sup> petroleum mining leases (PML) covering lease area of 4,637.78<sup>4</sup> sq km held by Oil and Natural Gas Corporation Limited (ONGCL), Oil India Limited (OIL) and Canoro Resources Limited (CRL). The total leased area as on 31 March 2009 was 10,936.78 sq km, which is 13.94 *per cent* of the total area of the State (78,438 sq km).

**We conducted a review on levy and collection of royalty and surface rent from mines and well heads covering the period from 2004-05 to 2008-09.**

### 6.2.2 Organisational setup

The Commissioner & Secretary, Mines & Minerals Department, is the head at the Government level and the Director of Geology & Mining (DG&M), Assam is the head of the Department, who is assisted by one Joint Director, four Chief Geologists/Jt. Directors, one Chief Drilling Engineer, one Deputy Chief Chemist, five Deputy Directors/Sr. Geologists, one Mining Engineer, one Sr. Drilling Engineer, two Sr. Chemists, five Chemists, one Assistant Mining Engineer, one Assistant Mechanical Engineer, three Drilling Engineers, 16 Geologists, 27 Assistant Geologists and other ministerial staff.

**The directorate does not have any units in the field unlike other States where there are formations under the Department/directorate in the field/district also.**

### 6.2.3 Audit objectives

We conducted the review to ascertain whether:

- a system was in place and observed for proper assessment, levy and collection of royalty and surface rent including interest and penalty;
- the provisions of the Acts/Rules were being observed; and

<sup>1</sup> Oil and Natural Gas Corporation Limited (7) and Oil India Limited (6).

<sup>2</sup> Oil and Natural Gas Corporation Limited (4010 sqkm) and Oil India Limited (2289 sqkm).

<sup>3</sup> Oil and Natural Gas Corporation Limited (20) Oil India Limited (15) and Canoro Resources Limited (1).

<sup>4</sup> Oil and Natural Gas Corporation Limited (687.69 sqkm) Oil India Limited (3897.34 sqkm) and Canoro Resources Limited (52.75 sqkm).

- an internal control mechanism including internal audit existed within the Department which was effective in checking leakage of Government revenue.

#### **6.2.4 Audit scope and methodology**

We checked the records of the DG&M in respect of holding licences and mining leases for exploration and extraction of crude oil, natural gas, coal, limestone etc., for the period from 2004-05 to 2008-09 during October 2009 to May 2010. We collected information from the Sales Tax Department and Annual Accounts and Reports of OIL, ONGCL, CRL and the web site of the Ministry of Petroleum and Indian Bureau of Mines (IBM) for cross examination/verification with the records of the directorate. We also scrutinised the records relating to levy and collection of royalty, dead rent and surface rent and challans showing remittance into the treasury and lease files relating to the aforesaid period. Besides, we verified the relevant Government records maintained at the Secretariat.

#### **6.2.5 Acknowledgement**

We acknowledge the co-operation of the Mines and Minerals Department for providing necessary information to audit. We organised an entry conference in December 2009 wherein the audit criteria, objectives and methodology were discussed. We communicated our findings of the review to the Department in June 2010 and discussed the same with the joint Secretary to the Government of Assam and the DG&M in the exit conference held in July 2010. The DG&M furnished the replies on the draft review in August 2010, which has been incorporated suitably in the respective paragraphs of the review.

#### **Audit findings**

##### **6.2.6 Trend of revenue**

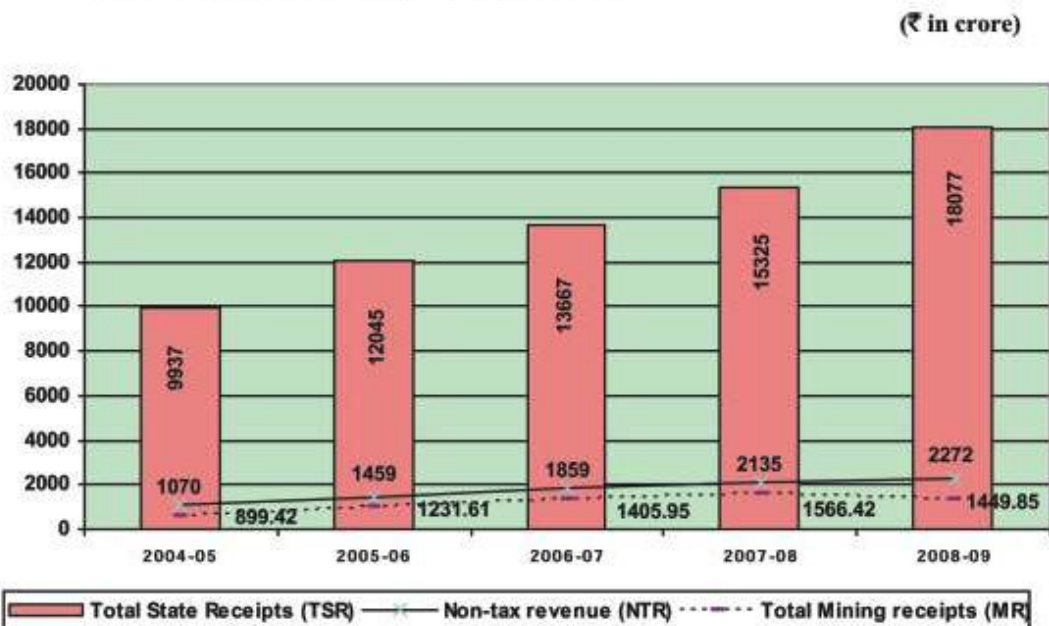
As per the provisions of the Assam Budget Manual, the estimates of revenue should be prepared taking into consideration the actual demand including arrears due for past years and the probability of its realisation during the year. Again, according to the provisions of the Assam Financial Rules, the responsibility for preparation of estimates of revenue rests with the Finance Department. The Commissioner & Secretary, Mines and Minerals Department is required to compile correct estimates and send the same to the Finance Department within the due date. The Finance Department/Mines & Minerals Department had not taken the inputs/criteria (as mentioned in the budget manual) into consideration while preparing the estimates of revenue as would be evident from Table II and III.

The following table and chart show Assam's mining receipts in a five year time series up to 2008-09 in relation to the total state receipts and non-tax receipts.

**Table-I**  
Mining Receipts in perspective

Sl. No.	Year	Total State Receipts (TSR)	Non-tax revenue (NTR)	Oil & Natural gas (Royalty)	Coal & Lignite (Royalty)	Other Mining Receipts	Total Mining receipts (MR)	Total MR as percentage of TSR	Total MR as percentage of NTR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	2004-05	9,937	1,070	885.87	12.79	0.76	899.42	9.05	84.06
2.	2005-06	12,045	1,459	1,216.16	15.02	0.43	1,231.62	10.22	84.41
3.	2006-07	13,667	1,859	1,385.82	19.71	0.42	1,405.95	10.28	75.63
4.	2007-08	15,325	2,135	1,547.88	17.88	0.66	1,566.42	10.22	73.37
5.	2008-09	18,077	2,272	1,430.12	19.20	0.53	1,449.85	8.02	63.81

Source: TSR, NTR and Royalty – Finance Accounts,



The share of total mining receipts which was around 10 *per cent* of the total State receipts between 2005-06 and 2007-08 fell to 8.02 *per cent* in 2008-09. The percentage share of total mining receipts in the non-tax receipts which had been increasing steadily every year and had reached 84.41 *per cent* in 2005-06 declined to 63.81 *per cent* in 2008-09, mainly due to allowance of royalty on post discount prices on crude oil.

The table and chart below show the actual receipts in respect of oil and natural gas *vis-a-vis* budget estimates over a five year time series up to 2008-09.

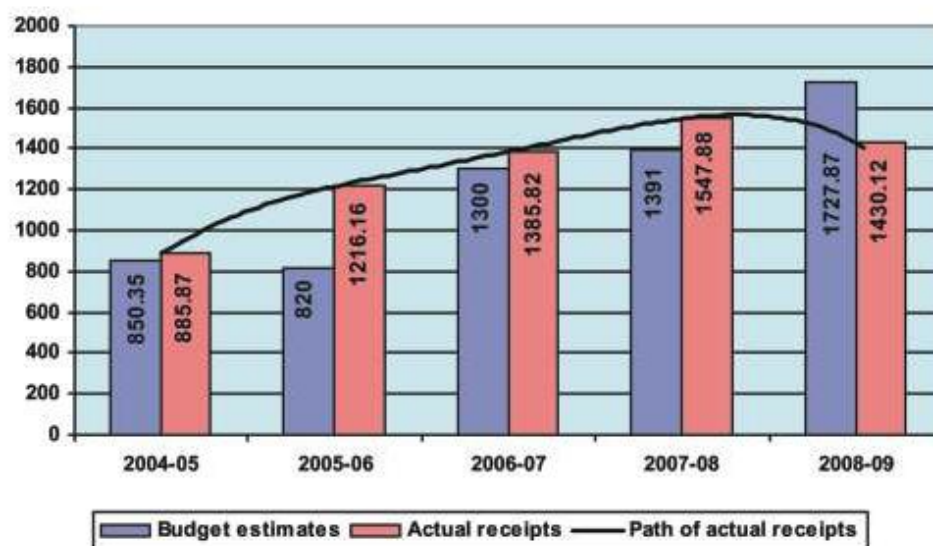
**Table-II**

**Budget estimates *vis-à-vis* actual receipts in respect of oil & natural gas**

Sl. No	Period	Budget estimates	Actual receipts of Royalty (₹ in crore)	Variation (+) excess (-) shortfall	Percentage of variation	Royalty as percentage of TSR	Royalty as percentage of NTR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	2004-05	850.35	885.87	35.52	4.18	8.91	82.79
2.	2005-06	820.00	1,216.16	396.16	48.31	10.10	83.35
3.	2006-07	1,300.00	1,385.82	85.82	6.60	10.14	74.55
4.	2007-08	1,391.00	1,547.88	156.88	11.28	10.10	72.00
5.	2008-09	1,727.87	1,430.12	(-) 297.75	(-) 17.23	7.91	62.95

**Source:** Budget estimates – Detailed estimates of revenue receipts of Finance Department.

(₹ in crore)



Thus, there was increasing trend in the collection of revenue over the budget estimates except in 2008-09. The increase ranged between 4.18 and 48.31 *per cent* for the period 2004-05 and 2007-08. In 2008-09 the actuals decreased to 17.23 *per cent* over the budget estimate.

The table and chart below show the actual receipts in respect of minerals other than oil and natural gas *vis-a-vis* budget estimates over a five year time series upto 2008-09.

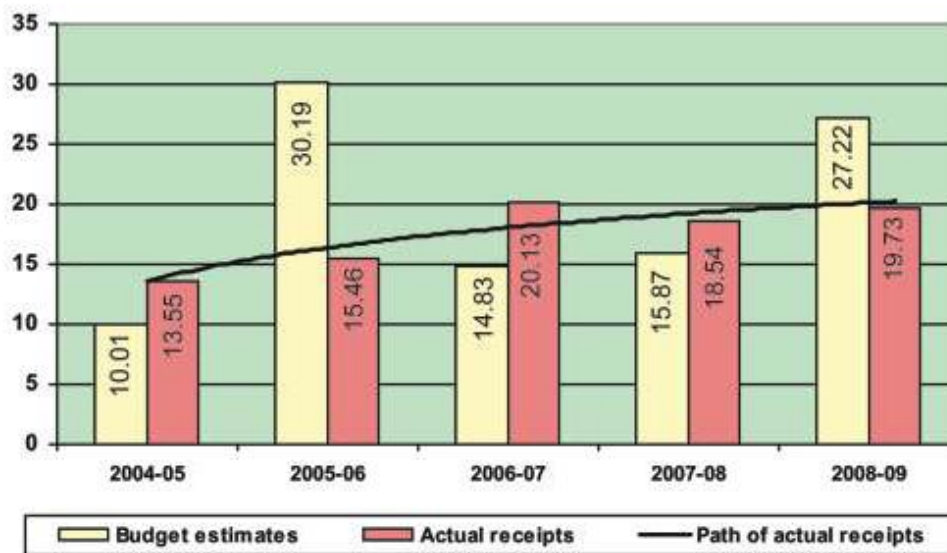
**Table-III**

**Budget estimates *vis-a-vis* actual receipts in respect of receipts other than oil and natural gas**

Sl. No.	Period	Budget estimates	Actual receipts	Excess(+)/shortfall (-) over budget estimates	Percentage of excess/shortfall	Royalty as percentage of TSR	Royalty as percentage of NTR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(₹ in crore)							
1.	2004-05	10.01	13.55	3.54	35.36	0.14	1.27
2.	2005-06	30.19	15.46	(-)14.73	(-) 48.79	0.13	1.06
3.	2006-07	14.83	20.13	5.30	35.73	0.15	1.08
4.	2007-08	15.87	18.54	2.67	16.82	0.12	0.87
5.	2008-09	27.22	19.73	(-) 7.49	(-) 27.51	0.11	0.87

**Source:** Budget estimates – Detailed estimates of revenue receipts of Finance Department.

(₹ in crore)



The share of other mining receipts remained less than one *per cent* of the total State receipts between 2004-05 and 2008-09. The percentage share of other mining receipts in the non-tax receipts declined to 0.87 *per cent* in 2008-09 from 1.27 *per cent* in 2004-05.

The following table shows the budget estimates for mining receipts as prepared by the Finance Department and those prepared by the DG&M.

**Table-IV**

**Budget estimates as per Finance Department vis-à-vis Budget estimates as per directorate in respect of royalty on account of oil & natural gas and those other than oil & natural gas**

Sl. No.	Period	Budget Estimates of Finance Department	Budget Estimates of Directorate of Mines and Minerals (₹ in crore)	Variation (+) excess / (-) shortfall	Percentage variation	Actual mining receipts (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2004-05	860.36	628.96	(-) 231.40	(-) 26.89	899.42
2.	2005-06	850.19	750.70	(-) 99.49	(-) 11.70	1,231.62
3.	2006-07	1,314.83	1,214.58	(-) 100.25	(-) 7.62	1,405.95
4.	2007-08	1,406.87	1,315.50	(-) 91.37	(-) 6.49	1,566.42
5.	2008-09	1,755.09	1,318.50	(-) 436.59	(-)24.88	1,449.85

**Source:** Budget estimates – Detailed estimates of revenue receipts of Finance Department and those of the Administrative Department.

From the above, it is evident that the framing of budget estimates of mining receipts by the DG&M was not done in a scientific manner.

#### 6.2.7 Non-reconciliation of figures with those of AG/Treasury

Rule 117 of the Assam Financial Rules, 1939 stipulates that the head of the Department should ensure regular reconciliation of departmental figures with those booked by the Accountant General (A&E).

The Directorate did not reconcile its figures with those booked by the Accountant General (A&E) though they were requested regularly by the AG (A&E) for reconciliation on a quarterly basis. We noticed

variations (as indicated below) during 2004-05 to 2008-09 due to non-compliance of the provision of the Assam Financial Rules.

**Table-V**

**Variation of royalty figures between the records of Finance Accounts and the directorate**

Sl. No.	Year	Royalty as per Finance Accounts (₹ in crore)	Royalty as per Departmental records	Variation increase (+) decrease (-)
(1)	(2)	(3)	(4)	(5)
1.	2004-05	899.42	893.07	6.35
2.	2005-06	1,231.62	1,230.87	0.75
3.	2006-07	1,405.95	1,404.58	1.37
4.	2007-08	1,566.42	1,568.89	(-) 2.47
5.	2008-09	1,449.85	1,590.07	(-)140.22

We also observed that no reconciliation of figures was carried out by the directorate with the treasuries during the period covered in audit to ascertain the correctness of the deposits made by the lessees. Such lapses on the part of



the department may lead to misappropriation, defalcation and embezzlement of Government money.

The Department stated (August 2010) that receipt schedules in respect of four treasuries have been collected and reconciled with departmental figures and it would be easier to carry out reconciliation, if royalty receipt statements are received from the AG (A&E). We do not agree with this as it is the responsibility of the Department to carry out the reconciliation.

### System deficiencies

#### 6.2.8 Absence of a mechanism for obtaining relevant data/records from the lease-holder

The ORD Act and the Rules made thereunder provide for levy of royalty in respect of oil and natural gas extracted from the leased area at the prescribed rates. The Rules also provide that a lease holder of oil and natural gas shall furnish full and proper return showing the quantity of crude oil, condensate and natural gas extracted by him during the preceding month from the mining operations undertaken under the provisions of the lease.

We observed that DG&M finalised the royalty on the basis of the monthly returns submitted by the lease-holders and there was no system prescribed for raising a demand after calling, collecting and cross linking the following important data/details, essential for making a correct assessment:

- i) Lease-wise annual quantity tally statement for oil and natural gas separately;
- ii) Trading and manufacturing account;
- iii) Profit and loss account and balance sheet, wherever required; and
- iv) Monthly details of opening stock, gross production, details of dispatch, internal use (purpose-wise), transit losses, wastages, losses due to human errors, losses due to theft and closing stock etc.

Thus, the assessments were being finalised exclusively on the basis of the monthly returns furnished by the lease-holders. We did not find any records relating to any inspection/monitoring of the leased areas conducted by the officers/officials of the Department/Directorate. As the Department did not have field units, no periodical reports or returns were being generated for the latter to examine and monitor the operations undertaken by the lease-holders. Besides, no internal audit of the Department/Directorate was conducted during 2004-05 to 2008-09. Thus, the Department/Directorate accepted as receipts whatever was paid by the lease-holders. Some cases which we noticed in audit are discussed in the following paragraphs, bringing out the above issues.

### 6.2.8.1 Short payment of royalty on crude oil, condensate and natural gas due to suppression of production

(I) We found from the monthly returns of net production of crude oil and condensate obtained from the nine<sup>5</sup> oil fields in the State furnished by OIL that production of crude oil and condensate during the period from April 2004 to March 2009 was 177.25 lakh KL on which royalty was paid. We cross-checked these figures with those depicted in the Annual Accounts of the lessee and found that the actual production during the aforesaid period was 179.52 lakh KL from those nine oil fields. This resulted in suppression of production of 2.27 lakh KL crude oil and condensate leading to short payment of royalty of ₹ 72.40 crore including interest of ₹ 14.05 crore [(Annexure-II(A))].

The Department stated (August 2010) that the actual production of crude oil was 177.24 lakh KL on which royalty was paid. This is not correct as actual production of crude oil (as per annual accounts) was 177.72 lakh KL and condensate was 1.80 lakh KL on which royalty was also payable.

Similarly, ONGCL submitted return of net production of crude oil for 65.39 lakh MT from fourteen<sup>6</sup> oil fields for the period 2004-05 to 2008-09 whereas the net production figure was 66.74 lakh MT as depicted in the records of the Ministry of Petroleum/Annual Accounts. This resulted in suppression of production of 1.35 lakh MT and short payment of royalty of ₹ 46.68 crore including interest of ₹ 9.54 crore [(Annexure-II (B)) to the State Government.

The Department stated that the matter was taken up (August 2010) with the ONGCL to clarify the position on difference between the two sets of figures.

(II) As per the monthly returns of production of natural gas furnished to the Directorate by OIL, extraction/production of gas during the period from April 2004 to March 2009 was 78,445.76 lakh SCUM<sup>7</sup> on which royalty was paid. We cross checked these figures with those in the Annual Accounts of the lessee and observed that the actual extraction/production during the aforesaid period was 99,763.68 lakh SCUM gas from those six<sup>8</sup> gas fields in the State. This resulted in suppression of production of 21,317.92 lakh SCUM gas and consequent short realisation of royalty of ₹ 49.40 crore including interest of ₹ 9.81 crore [(Annexure-II(C))].

The Department stated that the figures shown by us were inclusive of the production figures of OIL in Arunachal Pradesh. We do not accept the reply as the production figures of Assam only was taken into consideration.

<sup>5</sup> (1) Dibru PML, (2) Digboi, (3) Dum Duma, (4) Hugrijan, (5) Moran, (6) Moran Extn, (7) Naharkatia, (8) Naharkatia Extn and (9) Tinsukia PML.

<sup>6</sup> (1) Badarpur, (2) Borholla, (3) Changmaigaon, (4) Charali+ Extn-I, (5) Geleki+Extn-I & II, (6) Khoraghat, (7) Kor-Extn (I), (8) LKW+DML+LPPA, (9) Merapani, (10) Nambur, (11) Namti, (12) Rudrasagar, (13) Sivasagar (Desangmukh) and (14) Sonari/Safrai.

<sup>7</sup> Standard Cubic Metre.

<sup>8</sup> (1) DumDuma, (2) Hoogrijan, (3) Moran, (4) Moran Extn., (5) Naharkatia and (6) Naharkatia Extn.

**The Government may consider instituting a system for cross-checking the returns of the lessees with the primary records of the Department as well as other records of the lessees such as annual accounts etc.**

#### 6.2.8.2 Short realisation of royalty due to deduction of discount from well head price

Section 10 read with Section 6A of the Oil Fields Regulation and Development Act, 1948 stipulates that any amendment for revision of rate of royalty has to be notified by the Central Government in the Official Gazette and should be laid before each House of Parliament while it is in session.

We found that the Ministry of Petroleum and Natural Gas (MoPNG), GoI framed a mechanism in October 2003 through an administrative order for sharing of under-recoveries<sup>9</sup> of oil marketing companies on account of non-revision of the selling prices of PDS<sup>10</sup> kerosene and domestic LPG<sup>11</sup> without affecting the revenue of the State

Government in terms of royalty on crude oil. The MoPNG subsequently withdrew (May 2008) the provision of the said order without any consultation with the State Government.

OIL and ONGCL accordingly paid royalty for the period from April 2008 to February 2009 after deducting discount from the well head price for non-recovery/under recoveries (as per the directive of May 2008 of MoPNG) in respect of crude oil supplied to Indian Oil Company Limited-Assam Unit and Bongaigaon Refineries and Petrochemicals Limited.

The issue of the administrative order (instead of a notification) by MoPNG without consultation with the State Government was in violation of the provision of the ORD Act. This adversely impacted the State revenues and as such, the State Government belatedly took up the matter in August 2009 with the MoPNG to withdraw the order of May 2008 and to restore the provisions of the order of October 2003 for calculation of royalty at pre-discount price but with no result. Thus, the state was deprived of revenue of ₹ 525.04 crore (OIL: ₹ 477.99 crore and ONGCL: ₹ 47.05 crore) (Annexure III & IV).

The Department stated (August 2010) that the discount factor had adversely affected the State revenue and the matter was again taken up (July 2010) with the MoPNG on the basis of the audit observation but no response has since been received (November 2010).

<sup>9</sup> Discount on account of subsidy on the product distributed.

<sup>10</sup> Public Distribution System.

<sup>11</sup> Liquefied Petroleum Gas.

### 6.2.8.3 Non-submission of claim for additional royalty on crude oil

The Government of Assam granted (27 August 2004) a petroleum mining lease for an area of 52.75 sq. km to CRL for Amguri Block under Production Sharing Contract (PSC) to extract crude oil. For this, the State Government agreed to realise royalty on crude oil at the fixed rate of ₹ 528 per MT and the additional royalty in excess of ₹ 528 per MT would be realised from the Oil Industry Development Board<sup>12</sup> (OIDB) Fund as decided by GoI. The claims of the State Government for the additional royalty are to be scrutinised by the Director General of Hydrocarbons and submitted to OIDB for payment to the concerned State Government.

CRL started commercial production from April 2006 and extracted 32,645.536 MT crude oil from Amguri block and paid royalty at the rate of ₹ 528 per MT to the tune of ₹ 1.73 crore during the years 2006-07 to 2008-09. The State Government, however, had not submitted the claim for the additional royalty to the OIDB on a monthly basis as required. We observed from the Annual Accounts of OIDB for the year ended 31 March 2009 that while OIDB had considered liability for payment of additional royalty for the Governments of Arunachal Pradesh and

Gujarat for the year 2008-09, no such liability had been provided for the Government of Assam due to non-submission of claim. This resulted in non-realisation of additional royalty of ₹ 10.48 crore for the months from April 2006 to March 2009 (Annexure-V).

The Directorate in December 2008 and April 2010 requested the Government to submit the claim but the Government preferred the claim for ₹ 12.33 crore for the period from April 2006 to December 2009 in July 2010 only after the issue was raised by audit.

<sup>12</sup> The primary objective of OIDB is to collect cess for creation of the Fund and to provide financial assistance to the companies and oil industries for development as per directives of GoI.

#### 6.2.8.4 Short realisation of royalty due to computation of price of crude oil at lower side

As per the PNG Rules, the royalty on crude oil was prescribed at 20 *per cent* of the value of the crude oil obtained at the well head. The lessee is required to furnish every month a production return and a royalty return in respect of quantity of oil and natural gas obtained and royalty payable during the month. The refinery-wise well head price is arrived at after deducting the sales/value added tax, octroi and post well head expenses from the all inclusive price as intimated by the Commercial group of the ONGCL, New Delhi.

ONGCL paid royalty of ₹ 792.69 crore for the years 2004-05 to 2008-09 in respect of oil marketing companies<sup>13</sup> determining the price of crude on a lower side compared to the price fixed by the Commercial group of ONGCL, New Delhi against ₹ 900.30 crore payable. This resulted in short realisation of royalty amounting to ₹ 119.01 crore including interest of ₹ 11.40 crore (Annexure-VI (A), (B), (C), (D), (E),

(F) & (G)).

The Department while accepting the point stated that the difference occurred due to deduction of discount on price to IOCL and the ONGCL had already paid ₹ 56.95 crore in adjustment of IOCL price discount and the matter for payment of balance amount would be taken up. The reply of the department is not tenable as the payment of ₹ 56.95 crore made by the ONGCL during January 2007 and May 2008 was the adjustment of deduction of discount amount and not against the short payment as we observed.

#### 6.2.9 Internal controls

Internal control is a management tool that provides reasonable assurance that the organisation's objectives are being achieved in an efficient, effective and adequate manner. It ensures that the financial interests and resources of the organisation are safeguarded, reliable information is available to the management and the activities of the entity comply with applicable rules, regulations and laws.

The directorate had a weak internal control mechanism as would be evident from the succeeding paragraphs.

##### 6.2.9.1 Non-inspection of leased areas of oil and natural gas

The ORD Act and the Rules made thereunder empower the State Government to sanction lease of oil and natural gas on the land vested in the State with prior approval of the Central Government.

It is inherent the responsibility of the State Government to ensure that surveillance is adequately exercised for systematic development and

<sup>13</sup> Bongaigaon Refinery & Petrochemicals Limited : ₹ 79.43 crore, Indian Oil Company Limited : ₹ 497.79 crore and Numaligarh Refinery Limited : ₹ 323.08 crore.

regulation of the minerals in the State.

We observed that the directorate did not prescribe any system or procedure for inspection of the leased areas of oil and natural gas. They had not also inspected any of the 36 leased areas in operation at any time during 2004-05 to 2008-09. Non-inspection of leases is fraught with the risk of non-detection of whether:

- exploration activities were carried out in a lawful manner as per the provisions of the ORD Act and the Rules made thereunder and as per the terms and conditions of the lease agreement;
- adequate measures were adopted for preservation, conservation and development of oil and natural gas, and other minerals, if available, from the leased areas and natural resources available therein and exploration activities were carried out without excessive wastage of minerals; and
- the quantity of oil, natural gas and other major/minor minerals excavated were correctly reflected in the monthly production returns submitted by the lease holders and royalty, dead rent and surface rent were correctly paid thereon.

The Department attributed the reasons for not undertaking inspections to lack of infrastructure facilities like branch/field offices, trained manpower and good vehicles etc., and assured that a system for periodic inspection of the leased areas would be developed.

#### **6.2.9.2 Non-preparation of departmental manual**

We observed that the department did not have a departmental manual setting out the functions and the responsibilities of staff of all categories in accordance with the instructions issued by the Government/Department, which could act as a key document for perspective planning, reference and internal controls. Due to the absence of such a important document, the departmental officers did not have a reference point for their day to day activities.

The Department while noting the point stated that action will be initiated in this regard.

**The Government may consider preparing a departmental manual detailing functions and responsibilities of departmental staff.**

#### **6.2.9.3 Information Technology (IT)**

The activities of the department are three fold: (i) issue of lease for mining activities, (ii) assessment, levy and collection of fees, royalty, dead rent etc., from mining activities and (iii) to attract new investors by sharing mining related information.

We found that the activities of the Department/Government in connection with granting lease, assessment, levy and collection of mining receipts etc, had not been computerised.

The Department while noting the point stated that action will be initiated for introduction of information technology for effective functioning.

**The Government may consider early introduction of computerised system covering entire gamut of activities of the Department and introduce online submission of returns and payment thereof to detect evasion or late payment.**

#### 6.2.9.4 Internal audit

An independent and effective internal audit is essential for ensuring compliance to the provisions of the Acts/Rules and the Government instructions regarding assessment of revenue, prompt raising of demands, collection and accounting thereof and for overall functioning of the department in an effective, efficient and economical manner.

We found that the Government had neither put in place any internal audit wing in the Directorate nor arranged for any internal audit by the Examiner of Local Audit or otherwise, to help in the management of mining receipts from oil and natural gas. As a result, the records of the directorate were not subjected to internal audit during 2004-05 to 2008-09 and

therefore, the irregularities discussed in this review could not be detected.

The Department stated that it does not have a system of internal audit and will take necessary action in the matter.

**The Government may consider either setting up an internal audit wing in the Directorate or arrange for internal audit by the Finance Department.**

#### 6.2.9.5 Non-maintenance of control registers

Demand and Collection Register (DCR) is a key control document, required to be maintained for effective monitoring and control over the assessment and collection of royalty and other Government dues

We found that the directorate did not maintain a DCR to watch the licences or leases.

The Department stated that separate registers for each

lease holder for each type of mineral for assessment and collection of royalty etc. are maintained. The registers contain the figures of the quantity of minerals produced, dispatched, gross production, stipulated deductions, net production and amount of royalty payable/paid with challan number and date.

The fact remains that the registers lacked information on month wise opening balance, demand raised, recoveries made and closing balance of mineral. Moreover, the Government has not yet prescribed any format for the DCR.

**The Government may consider prescribing maintaining the DCR incorporating the above information for watching the recovery of Government dues.**

#### 6.2.9.6 Non-enforcement of preventive measures

The Directorate did not have vigilance, enforcement and inspection wings for conducting search and seizure, detecting of fraud and evasion cases and preventing illegal mining. In the absence of these wings, unauthorised activities relating to mining could not be ruled out.

**The Government may consider ensuring establishment of vigilance enforcement/protection squads/wings to enforce search and seizure, detection of fraud, illegal mining and evasion.**

#### 6.2.10 Loss due to absence of standard norms for deduction

Section 6 A (3) of the ORD Act and the PNG Rules stipulate that no royalty shall be payable in respect of any crude oil, casing-head condensate or natural gas used for drilling or other operations, relating to production of petroleum or natural gas. The Rules as well as the PML agreements did not, however, specify any standard norm for such utilisation.

**6.2.10.1** ONGCL and OIL claimed deduction of 11,392.07 lakh SCUM and 20,191.44 lakh SCUM natural gas respectively (on which no royalty was paid) as operational utilisation, out of the total gross production of 23,375.71 lakh SCUM and 99,141.11 lakh SCUM respectively during 2004-05 to 2008-09. The monthly

return of gross production and operational utilisation of natural gas furnished by ONGCL and OIL indicated wide variations which ranged between 18.33 and 52.60 *per cent*.

The Government of Assam had taken up the matter (May 2002 and November 2008) with the Central Government to restrict the operational utilisation of natural gas to five *per cent* but with no result. The Directorate also took up the matter with OIL in October 2004 to restrict operational utilisation to around five *per cent*. Though OIL assured (2004) to bring down the flare level, it has not taken any action in this regard.

Thus, in the absence of any standard norms for use of natural gas in mining operation and non-initiation of appropriate measures to fix the norm at five *per cent*, the State Government was deprived of revenue of ₹ 46.67 crore for allowing operational utilisation above the proposed limit of five *per cent*.

**6.2.10.2** From the monthly returns of gross production and operational utilisation of crude oil furnished annually by ONGCL, we found wide variations in the percentage of operational utilisation to total production, ranging from 0.93 *per cent* in 2004-05 to 1.98 *per cent* in 2006-07, which declined to 1.82 to 1.14 *per cent* in the subsequent years. In the absence of any specified standard norm for utilisation of crude oil in mining operations, excess utilisation, if any, was not quantifiable in audit.

**6.2.10.3** The Government of Assam sanctioned 20 leases during 2004-05 to 2008-09 in favour of ONGCL. We observed from the monthly production statements of the lessee (ONGCL-Assam assets) that during the above period, 99,028.702 MT crude was deducted as unavoidable loss from gross production



for the purpose of computation of realisable royalty without specifying the cause of the unavoidable loss. The Government/MoPNG had not fixed any norms in this regard.

The Department stated that MoPNG in clarification of the above point intimated that ONGCL was paying royalty on the quantity acknowledged by the refineries. These quantities are reconciled with the production quantity on wet basis adjusted for quantity used either internally for operations or quantity unavoidably lost. We do not agree to the contention of the Ministry as the 7.5 *per cent* deduction allowed from payment of royalty covers all losses including transportation loss from well head to Central Tank Farm (CTF). No loss/deduction is allowable for the supply from CTF to the refineries.

#### 6.2.11 Non-registration of lease deed after sanction of lease

The PNG Rules empower the State Government to grant mining lease of petroleum and natural gas on land within the State, with the approval of the Central Government. The Registration Act, 1908 requires that the deeds conveying lease hold rights for the period beyond one year should be compulsorily registered. The Indian Stamp Act, 1899, applicable to Assam, provides that it would suffice if the amount of royalty is estimated by the Collector for the purpose of levy of duty based on assessment of quantity of minerals expected to be mined or extracted during the period of lease.

We found that the Directorate while granting mining lease neither specified the extractable quantity of minerals in the lease deeds executed nor made any assessment of royalty and incorporated the same in the deeds. However, in respect of 17 out of 36 lease deeds, the Directorate levied and realised the stamp duty of ₹ 11.47 lakh based on dead rent which led to short realisation of stamp duty and registration fees. We could not quantify the short realisation due to absence of estimates of extractable

quantity of minerals. The balance 19 lease deeds remained unregistered (May 2010). In the absence of details, the leviable stamp duty and registration fee could not be quantified.

The department accepted the fact but remained silent as regards realisation of dues in respect of the remaining 19 lease deeds.

**The Government may consider issuing instructions to the Department to specify the extractable quantity of minerals and royalty estimated thereon in the lease deed itself and ensure the execution of lease deeds only after payment of stamp duty and registration fee.**

## Compliance deficiencies

### 6.2.12 Short realisation of royalty

The MoPNG, GoI revised (June 2006) the price of natural gas from ₹ 1,920 per thousand SCUM to ₹ 2,304 per thousand SCUM, effective from 5 June 2006 for the North-Eastern Region Consumers<sup>14</sup>.

ONGCL and OIL paid royalty during 2007-08 and 2008-09 at different rates based on the selling price of natural gas to the consumers<sup>14</sup> instead of royalty payable at 10 per cent on the value/price of natural

gas at the well head. This led to short realisation of ₹ 24.56 crore including interest of ₹ 1.28 crore as indicated below:

**Table-VI**  
Short realisation of royalty

Sl. No.	Lease Holder	Period	Net production (in SCUM)	Royalty payable @ ₹ 230.40 per scum	Royalty paid (₹ in crore)	Short payment	Interest leviable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	ONGCL	April 2007 to March 2009	52,13,95,653	12.01	9.79	2.22	0.16
2.	OIL	April 2007 to March 2009	3,28,13,60,168	75.60	54.54	21.06	1.12
<b>Total</b>				<b>87.61</b>	<b>64.33</b>	<b>23.28</b>	<b>1.28</b>

The Department stated that royalty on natural gas is 10 per cent of the value of natural gas obtained by the lessee at the well head. Both OIL and ONGCL work out the well head value from the sale value of natural gas based on the selling price of natural gas to the consumers. The price of natural gas also varies according to the calorific value of natural gas of which ONGCL has been paying royalty on natural gas at different rates. We does not agree as the lessees are required to pay royalty on the price of natural gas at the well head value.

### 6.2.13 Short payment due to levy of royalty at different rates

The PNG Rules stipulate that a lessee shall pay to the State Government a royalty at 10 per cent of the value at well head for the natural gas obtained by the lessee from the leased area. Gas collection cost is not deductible for the purpose of calculation of royalty.

OIL paid royalty to the State Government on 31,91,094.971 thousand SCUM of natural gas between April 2004 and May 2006 at rates ranging from ₹ 113.42 to ₹ 143.28 per thousand SCUM after deducting gas collection cost whereas ONGCL during the same period

paid royalty at rates ranging from ₹ 160.70 to ₹ 180.73 per thousand SCUM without deducting gas collection cost. The deduction of gas collection cost by OIL for payment of royalty on natural gas resulted in short payment of royalty to the extent of ₹ 11.97 crore as indicated in the following table:

<sup>14</sup> Gas Authority of India Ltd. and Assam Gas Company.

**Table-VII**  
**Short payment of royalty due to levy of different rates**

Sl. No.	Period	M/s. ONGCL		M/s OIL		Difference in rate of royalty	Short payment of royalty by OIL	
		Qty. of natural gas M <sup>3</sup> per thousand	Average rate of royalty (₹)	Qty. of natural gas M <sup>3</sup> per thousand	Average rate of royalty (₹)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1.	2004-05	2,38,499.171	160.70	13,52,340.734	113.42	47.28	639.39	
2.	2005-06	1,89,522.936	172.49	15,89,950.699	143.28	29.21	464.42	
3.	April,06 to May,06	37,952.130	180.73	2,48,803.498	143.28	37.45	93.18	
<b>Total</b>								<b>1,196.99</b>

The department stated that the matter was taken up with MoPNG which clarified that the deduction of post well head cost of collection is also in line with international practice for determination of royalty on well head value basis. But ONGC paid royalty on the sale value or producer's price. The ministry further stated that GoI by Gazette Notification of August 2007 modified the schedule of ORD Act whereby well head value has been clearly defined and it is provided that per unit rate of post well head cost shall be determined based on actual post well head expenditure reported in previous year's audited account and OIL has been following this. Hence, Government of Assam is not in a position to claim royalty from OIL without deducting post well head cost. We do not accept the contention of the ministry/department as stated by quoting notification *ibid* is specifically for other than nominated block. OIL and ONGCL are under nominated block.

#### 6.2.14 Non-levy/realisation of penal interest on delay in adjustment of discount/payment of royalty on crude oil

The ORD Act and the Rules made thereunder provide that the lessee shall pay royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rates specified in the Schedule of the Act. The royalty is to be paid on monthly basis on the last day of the month succeeding the period in respect of which it is payable. The PNG Rules further provide that all licence fees, lease fees, royalties and other payments, if not paid within the specified time, would be increased by 200 basis points over the prime lending rate (PLR)<sup>15</sup> of State Bank India (SBI) for the delayed period.

**6.2.14.1** We observed that ONGCL had paid the royalty for the period from April 2005 to December 2007 after deducting discount of ₹ 23.32 crore from the royalty payable. The discounted amount was subsequently paid by the lessee after delays ranging between 26 and 149 days. But the lessee had not paid the penal interest on the

<sup>15</sup> 13 per cent from April 2004 to March 2007 and 14.75 per cent from April 2007 to March 2008.

amount for delayed period. This resulted in non-levy of penal interest of ₹ 1.30 crore (Annexure-VII).

The Department stated that the matter would be examined and taken up with ONGCL. We did not receive further information on raising the demand (November 2010).

**6.2.14.2** ONGCL had made payment of royalty on crude oil during the period between March 2005 and April 2008 with delays on account of arrear royalty due to revision of IOCL/Numaligarh Refineries Limited price, Wholesale Price Index deduction etc., ranging from 27 to 183 days as detailed below:

**Table-VIII**  
**Non-realisation of penal interest due to delayed payment of royalty on crude oil**

Sl. No.	Period/Month	Royalty <sup>15</sup> paid (₹)	Date of payment	Period of delay	No. of days	PLR	Penal Interest Payable (₹ in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	April-December 2004	55,42,500	26.03.05	1.02.05 to 25.03.05	53	13.00	1.05
2.	April 2004-February 2006	4,95,33,794	28.04.06	1.04.06 to 27.04.06	27	13.00	4.76
3.	2006-07	15,60,46,410	28.06.07	1.05.07 to 27.06.07	58	14.75	36.57
4.	March 2007	4,91,456	31.10.07	1.05.07 to 30.10.07	183	14.75	0.36
5.	April-August 2007	3,94,87,752	31.10.07	1.10.07 to 30.10.07	30	14.75	4.79
6.	April 2007-February 2008	20,81,95,955	29.04.08	1.04.08 to 28.04.08	28	14.75	23.56
	<b>Total</b>	<b>45,92,97,867</b>					<b>71.09</b>

The Directorate did not raise any demand for realisation of the penal interest. This resulted in non-realisation of penal interest of ₹ 71.09 lakh.

The Department stated that the matter will be examined and if any irregularities are noticed, the same will be taken up with ONGCL for realisation of the penal interest.

**6.2.15 Short payment of royalty on coal**

Section-9 of the MMDR Act regulates the payment of royalty by the lessee on quantity of minerals removed or consumed from the leased area. According to the judgment of the Supreme Court of India (Case No.AIR-1998 SC-3052), the entire mineral extracted/raised is exigible to royalty.

We found that payment of royalty on coal by North Eastern Coals Fields Ltd (NECFL) was based on the quantity of coal dispatched from the leased area for sale rather than the quantity of coal extracted. During 2004-05 to 2008-09, NECFL extracted 51.99 lakh MT coal (including opening balance of 3.31 lakh MT), but paid royalty on dispatched quantity of 49.66 lakh MT. This resulted in short payment of royalty amounting to ₹ 6.45 crore (2.33 lakh MT x ₹ 276.76 per MT).

<sup>15</sup> Royalty was paid by the lessee in lump sum and hence interest was calculated from the first day of the succeeding month to which the royalty related i.e. after the period of 30 days.

The Department stated that the lessee dispatched 49.66 lakh MT coal on which royalty was paid and as such there was no loss of revenue. We do not agree with this contention in light of the Apex Court's judgement.

#### 6.2.16 Short payment of royalty and interest on coal and limestone

Section-9 of MMDR Act regulates the payment of royalty by the lessee on quantity of minerals extracted from the leased area in a month by 10<sup>th</sup> of the following month. In case of default in payment of royalty in time, the lessee shall be liable to pay simple interest at the rate of 24 *per cent* per annum from the date after a grace period of 60 days from the due date i.e., 10<sup>th</sup> of the following month.

The Assam Mineral Development Corporation Ltd. (AMDCL) extracted and dispatched two lakh MT coal during 2004-05 to 2008-09 from the leased area but paid royalty of ₹ 72.29 lakh only on 1.13 lakh MT. This resulted in short payment of royalty of ₹ 55.23 lakh and interest of ₹ 47.79 lakh. No action was initiated to recover the

balance amount of ₹ 1.03 crore.

Similarly, Vinay Cement Ltd. and North East Cement limited (NECEM) extracted and dispatched 8.46 lakh MT limestones during 2004-05 to 2008-09 from their leased areas. The lessees paid royalty of ₹ 79 lakh against ₹ 1.51 crore. This resulted in short payment of ₹ 1.40 crore (royalty: ₹ 0.72 crore and interest: ₹ 68 lakh).

The Department while accepting our point stated that demand for royalty of ₹ 52.94 lakh, ₹ 62.31 lakh and ₹ 9.95 lakh had been raised against AMDCL, Vinay Cements and NECEM respectively and the matter of the interest component would be taken up on receipt of the principal amount. We are yet to receive report on realisation of royalty and interest (November 2010).

#### 6.2.17 Short realisation of surface rent

The PNG Rules provide that the lessee shall pay surface rent for the area of land actually used by him/her on operations conducted under the lease at such rates not exceeding the land revenue assessed or assessable on the land or as specified by the State Government with the approval of the Central Government. As per the Assam Land Revenue Re-assessment Act, 1997, the rate of land revenue is ₹ 3,750 and ₹ 7,500 per hectare per annum in rural and urban/industrial site respectively.

The State Government sent a proposal (1995) to the MoPNG to raise the surface rent to ₹ 5,597 per hectare per year on the basis of prevailing and assessable rates of land revenue. The matter was however not pursued further. We noticed that during January 2004 to December 2008, the area of land occupied by OIL and ONGCL was 6,136.17 hectare (15 PML) and 17,172 hectare (20 PMLs) respectively. OIL paid surface rent of ₹ 1.37 lakh at rates ranging from ₹ 16.40 to ₹ 58.86 per hectare per year while

ONGCL paid ₹ 55,000 in respect of four PMLs during 2004-05 to 2008-09. Thus, failure of the Department/Government to obtain the approval of the GOI for revision of the proposed rate and non-collection of surface rent at the prescribed rate of Land Revenue Department resulted in short realisation of revenue of ₹ 8.72 crore<sup>17</sup>.

The Department stated that OIL and ONGCL were requested (December 2009) to pay surface rent at the prevailing rates of land revenue till the Government of Assam received approval of the revised rate from GoI. But OIL informed that pending the disposal of the writ petition challenging the validity of section 3A and 25B of the Assam Land Revenue Re-Assessment (Amendment) Act, 1977 they were paying surface rent at the old rates as per order (2003) of the Hon'ble Gauhati High Court and would pay at the enhanced rate in the event of disposal of the writ petition. We found that the court order of 2003 gave an opportunity to the respondent (Government) to move the court for modification/cancellation/alteration of the order, which the State Government has not done and as a result had to forgo the revenue.

#### 6.2.18 Non-initiation of action under Public Demand Recovery Act resulted in non-recovery of outstanding royalty

Section 25 of the MMDR Act enables the Government to recover any sum due under a mining lease as an arrear of land revenue.

We found from the records of the DG&M that royalty on coal, limestone etc., against three<sup>18</sup> lessees/agencies for the period from January 1979 to March 2009 for ₹ 4.66 crore including interest of ₹ 3.03 crore was realisable against which ₹ 4.22 lakh

was realised from ONGCL. The Department, however, did not institute *Bakijai* cases against them for realisation of the balance amount even after a lapse of 31 years.

The Department stated that the matter was taken up with the lessees on several occasions but with no result and they were considering instituting *Bakijai* cases against them.

#### 6.2.19 Conclusion

The review revealed that the Department failed to effectively perform its role to ensure optimum exploration of the State's vital natural resources and in turn augment the revenue by harnessing the same. The budget estimates were prepared by the department without taking into consideration the past trend and future potential. There were contentious issues which need early resolution. There was no system to scrutinise the various agreements for licences and leases to ensure the protection of the interest of the State. Several discrepancies and instances of loss of revenue were noticed by audit as no checks were undertaken by the Department to ensure the correctness of the revenue deposited by the licensees/lessees. The Government had not specified

<sup>17</sup> ₹ 3750x(6136.17+17172) Ha-(1,37,000 + 55000).

<sup>18</sup> (1) M/s AMDCL, (2) M/s ONGCL (Lakwa and Rudrasagar) and (3) M/s Vinay Cement Ltd.

any system for cross verification of returns submitted by the lessees. No vigilance enforcement and inspection wings were in existence for surveillance and detection of illegal mining. The internal controls were weak as evidenced by absence of system for inspection of the leases of oil and natural gas, non-maintenance of control register and non-availability of departmental manual. Besides, there was no internal audit wing in the department leading to non-detection of the deficiencies pointed out in the review.

#### **6.2.20 Recommendations**

The Government may consider:

- instituting a system for cross-checking of the returns of the lessees with the primary records of the department as well as other records of the lessees such as annual accounts etc.;
- compiling all orders detailing functions and responsibilities of departmental staff and making a departmental manual;
- introducing computerised system covering the entire gamut of activities of the Department and introducing online submission of returns and payment thereof to detect evasion and late payment;
- ensuring internal audit of the directorate; and
- establishing vigilance enforcement/protection squads/wings to enforce search and seizure, detection of fraud, illegal mining and evasion.

## FOREST RECEIPTS

### 6.3 Other audit observations

Our scrutiny of records of Divisional Forest Offices revealed several cases of non-observation of the provisions of Acts/Rules/departmental orders as mentioned in the succeeding paragraphs. These cases are illustrative and are based on test checks carried out by us. Such omissions on the part of the departmental officers are pointed out in audit each year, but not only do the irregularities persist; these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system including strengthening of internal audit.

#### 6.3.1 Loss of revenue due to non-realisation of residual *mahal* fee from the *mahaldar*

[Divisional Forest Officer (DFO), Kamrup East Division; September 2009]

The Assam Sale of Forest Produce, Coupes and *Mahal* (ASFPCM) Rules, 1977, provide that the tenderer of forest produce would have to implement the settlement order within the stipulated date. In case of failure to do so, the settlement is to be cancelled and the forest produce re-sold at the risk & cost of the earlier tenderer.

We observed that Digaru Sand *Mahal*<sup>19</sup> No. I (A) was settled for ₹ 42.55 lakh in September 2006 with a *mahaldar*<sup>20</sup> for extraction of 10,000 cum of sand for two years commencing from 15 October 2007. The *mahaldar*, on payment of first *kist*<sup>21</sup> money of ₹ 5.32 lakh on 20 March 2007, took possession of the *mahal* on 15

October 2007. He extracted 1250 cum of sand but failed to deposit the second *kist* money due on the rescheduled date of 15 June 2008. Though the DFO was aware of the fact of non-deposit of the second *kist*, the required action for resale was initiated after lapse of six months (December 2008) and offered the *mahal* to the second highest tenderer for extraction of balance quantity of 8,750 cum sand at ₹ 33 lakh as per his bid. The settlement, however, could not come into effect as the second *mahaldar* also failed to deposit the first *kist* money. The invitation of subsequent tender for resale was finally postponed due to declaration of general elections. Thus, failure to resell 8,750 cum sand to another *mahaldar* resulted in loss of revenue of ₹ 37.23 lakh.

The DFO neither took any action to recover the amount from the original *mahaldar* nor instituted any *Bakijai*<sup>22</sup> case against him.

We reported the case to the Department/Government in November 2009; we have not received their replies (November 2010).

<sup>19</sup> A defined geographical area from where sand is sold on the condition of its removal within a specified period.

<sup>20</sup> A person authorised to collect produces from mahal.

<sup>21</sup> Installment

<sup>22</sup> A process of recovery of dues as arrears of land revenue through the District Collector.



**6.3.2 Non-realisation of annual renewal fee from timber depots**

[DFO, Jorhat; August-September 2009]

The Government of Assam, Department of Environment & Forest, in their Notification dated 26 June 2003 instructed to realise annual renewal fee at the revised rate of ₹ 5,000 from each timber depot from 1 April 2003.

The DFO, Jorhat did not realise annual renewal fee of ₹ 3.38 lakh from 34 timber depots, due for the years from 2007-08 to 2009-10.

After we pointed out the case, the DFO stated (June 2010) that the timber shops/depots were physically verified and it was found that the owners of 17 shops had closed their business and as such renewal of these shops did not arise. The DFO further added that an amount of ₹ 1.56 lakh was realised from the other 17 timber depots. However, he did not inform since when the shops were closed and when the physical verification was conducted.

We reported the case to the Government in November 2009; we have not received their replies/comments (November 2010).

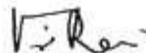


(MOHINDER SINGH)

Principal Accountant General (Audit), Assam

GUWAHATI  
THE

Countersigned



(VINOD RAI)

Comptroller and Auditor General of India

NEW DELHI  
THE