

CHAPTER-V FOREST RECEIPTS

5.1 Tax administration

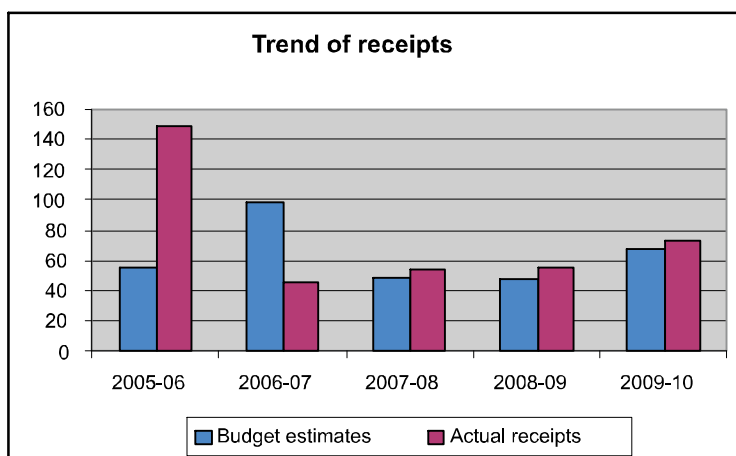
The Forest Department is headed by the Principal Chief Conservator of Forests (PCCF) under the administrative control of the Principal Secretary (Forests) who is assisted by eight Conservators of Forests (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities being carried out by divisional forest officers (DFOs) under their control. Each DFO is incharge of assigned forest related activities in his territorial division.

5.2 Trend of receipts

The budget estimates and the actual receipts from the forest during the years 2005-06 to 2009-10 along with the total tax/non-tax receipts during the same period is exhibited in the following table and paragraphs:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-à-vis total tax/non-tax receipts
2005-06	56.00	149.63	(+) 93.63	(+) 167	2,186.69	7
2006-07	98.02	45.55	(-) 52.47	(-) 54	2,993.23	2
2007-08	48.64	53.60	(+) 4.96	(+) 10	3,780.61	1
2008-09	46.94	55.40	(+) 8.46	(+) 18	3,998.73	1
2009-10	67.16	72.11	(+) 4.95	(+) 7	4,358.18	2



It would be seen from the above that there was wide variations between the budget estimates and the actuals during the period from 2005-06 to 2008-09. The department may consider framing budget estimates on realistic basis.

5.3 Impact of audit

During the last five years (including the current year's report), we have pointed out 1,007 observations involving ₹ 357.97 crore. Of these, the Department/Government had accepted 889 observations involving ₹ 141.33 crore and had since recovered ₹ 62.88 crore. The details are shown in the following table:

(Rupees in crore)

Year of Audit	No. of units audited	Observations included		Observations accepted		Amount recovered
		No.	Amount	No.	Amount	Amount
2005-06	37	178	111.22	54	21.42	15.84
2006-07	37	238	27.37	563	48.94	9.84
2007-08	37	252	88.34	67	16.89	21.68
2008-09	35	165	105.83	120	24.86	12.47
2009-10	33	174	25.21	85	29.22	3.05
Total	179	1,007	357.97	889	141.33	62.88

The department had so far recovered ₹ 62.88 crore which included recovery of accepted cases pertaining to the period prior to 2005-06 also. This is indicative of the fact that the department had not been able to enforce prompt recovery even in accepted cases.

5.4 Results of audit

Test check of the records of 33 units relating to forest receipts revealed non/short recovery of royalty, non-levy of interest/extension fee and other irregularities involving ₹ 25.21 crore in 174 cases, which fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	17	3.25
2.	Non-levy of interest	26	1.73
3.	Non-levy of extension fee	04	0.01
4.	Other irregularities	127	20.22
Total		174	25.21

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 29.22 crore in 85 cases which were pointed out in earlier years. An amount of ₹ 3.05 crore was realised in 29 cases during the year 2009-10.

A few illustrative cases involving ₹ 7.80 crore are mentioned in the following paragraphs.

5.5 Audit observations

Our scrutiny of the records in the offices of forest department relating to revenue received revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty/interest and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. We point out such omissions in audit each year, but not only do the irregularities persist but also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

5.6 Non-observance of instructions of the Government

The instructions issued under the Indian Forest Act, 1927, by the Government/department provide for:-

- recovery of the cost of trees standing on forest land allotted to user agencies;
- charging of the market value of all trees including sapling;
- marking of the trees falling on road alignment;
- payment of interest for delay in payment of royalty by the Himachal Pradesh State Forest Corporation (HPSFC);
- for tapping of resin from the trees of a prescribed diameter and height;
- district forest officers to compound the cases at the rates prescribed from time to time.

We noticed non-compliance of the above rules/instructions in some cases. These have resulted in non-realisation of the Government revenue of ₹ 7.80 crore and are mentioned in the following paragraphs 5.6.1 to 5.6.6.

5.6.1 Non/short recovery of revenue

The approval for diversion of the forest land for non-forest purposes is granted by the Government of India, Ministry of Environment and Forest, in favour of a user agency on payment of a specified sum in the form of net present value. The standing trees coming in the alignment of a project to be undertaken by the user agency are marked and handed over to the HPSFC for exploitation.

Three DFOs⁴⁸

We test checked the records between August 2009 and March 2010 and

As per departmental instructions of September 1991, the cost of trees standing on the forest land diverted/transferred for non-forest purposes is to be recovered from the project authorities before handing over the area to them, in whose favour the approval for transfer of the forest land has been granted by the Government of India (GOI).

observed that though the approval for transfer of the forest land for non-forestry purposes in respect of four cases was obtained between March 2007 and April 2009, the cost of 507/103 trees/saplings having standing volume of 382.797 cubic meter (cu.m) was not claimed

by the divisions. As a result, revenue of ₹ 62.47 lakh including value added tax (VAT) of ₹ 6.94 lakh was not recovered.

⁴⁸ Dharamsala: Deodar: 13 trees, others: 27 trees: 41.183 cu.m: ₹ 13.50 lakh; Kinnaur: 273 trees: 82.02 cu.m: ₹ 11.40 lakh and Rampur: 297 trees and saplings: 259.594 cu.m: ₹ 37.57 lakh.

Seven DFOs⁴⁹

We also noticed that during 2008-09 in seven other divisions, 23,395/6,502 green standing trees/saplings having standing volume of 9,147.6104 cu.m were coming in the alignment of the projects/transmission lines⁵⁰. While working out the demands for these standing trees, the department incorrectly applied the rates as were applicable in 2007-08 and raised the bills accordingly. This resulted in short realisation of revenue of ₹ 4.07 crore including VAT of ₹ 45.22 lakh.

The PCCF had fixed the market rates of green standing trees of various species for the years 2008-09 in July 2008. These rates are applicable from 1st April of the year.

After we reported the matter to the concerned divisions between August 2009 and March 2010, DFO Mandi raised (March 2010) the revised bill of ₹ 1.53 crore. Further report on recovery and the reply from other divisions have not been received (September 2010).

We reported the cases to the Department and to the Government between September 2009 and April 2010; their reply has not been received (September 2010).

5.6.2 Non-levy/non-crediting of departmental chargesDFO Rampur

Our scrutiny of the records between September and October 2009 revealed that DFO while claiming the cost of CA of ₹ 2.32 crore from the user agency did not include departmental charges of ₹ 40.52 lakh in respect of two cases of diversion of the forest land for non-forestry purposes approved by the GOI between February 2009 and April 2009. This resulted in non-levy of the departmental charges of ₹ 40.52 lakh.

As per instructions of PCCF, Himachal Pradesh, issued in March 2003 and May 2004, departmental charges at the rate of 17.5 per cent was to be charged in the case of compensatory afforestation (CA) schemes to cover the establishment and infrastructure charges of the department.

⁴⁹ Bilaspur: 9,098 trees and saplings: 2,350.9864 cu.m: ₹ 8.17 lakh; Churah: Deodar: 12 trees, others: 20 trees: 31.36 cu.m: ₹ 3.52 lakh; Kullu: 89 trees, others: 571 trees: 1,327.75 cu.m: ₹ 32.23 lakh; Mandi: Deodar: 46 trees, 9,084 trees: 2,674.132 cu.m: ₹ 1.53 crore; Nachan: Deodar: 267 trees, others: 7,758 trees: 1,412.288 cu.m: ₹ 1.40 crore; Parvati: Deodar: 463 trees, others: 225 trees: 983.20 cu.m: ₹ 51.91 lakh and Suket: 2,264 trees: 367.894 cu.m: ₹ 18.32 lakh.

⁵⁰ 220 KV DC transmission line from Prini to Panarsa to Nalagarh, 220 KV Kangoo to Rauri transmission line, construction of 5 MW Siul-I, HEP and construction of Avalanche control structure on access road to south portal of Rohtang tunnel.

12 Forest Divisions⁵¹

Our scrutiny of the records in 12 forest divisions between August 2009 to March 2010 revealed, that the divisions had realised ₹ 5.16 crore (inclusive of departmental charges of ₹ 73.35 lakh) on account of CA in respect of 56 cases of diversion of the forest land for non-forestry purposes. The departmental charges of ₹ 73.35 lakh were deposited in the CAMPA⁵² account instead of depositing it in the revenue head of the department.

As per PCCF letter of March 2003, the amount realised on account of the departmental charges was to be deposited as revenue of the department instead of depositing it in compensatory plantation head.

Thus, non-deposit of the departmental charges in the Government account resulted in understating of revenue to that extent.

We reported the matter to the Department and to the Government between October 2009 and May 2010; their reply has not been received (September 2010).

5.6.3 Non-levy of interest on delayed payment of royalty

10 DFOs⁵³

We noticed in the test check of the records of 10 DFOs, between August 2009 and March 2010 that 107 lots were handed over to the HPSFC for exploitation during the year 2002-03 to 2007-10. Royalty of ₹ 7.40 crore payable between March 2003 and March 2008 was, however, paid late between March 2008 and September 2009. The average delay in payment of royalty was 840 days. Interest of ₹ 87.12 lakh though leviable was not levied by the department for belated deposit of royalty.

The pricing committee in its meetings dated August 2001 and February 2005 decided that the HPSFC would pay interest at the rate of 11.5 per cent per annum upto 2003-04 and thereafter 9 per cent per annum on belated payment of royalty.

After we pointed out the cases to the divisions between August 2009 and March 2010, the Department in respect of the DFO Theog stated (April 2010) that the HPSFC had been asked (August 2009) to release the payment of interest of ₹ 2.39 lakh. Further report on recovery and reply from remaining divisions has not been received (September 2010).

We reported the matter to the Department and to the Government between September 2009 and April 2010; their reply has not been received (September 2010).

⁵¹ Bharmour: 5 cases: ₹ 5.06 lakh; Chamba: 5 cases: ₹ 7.77 lakh; Chopal: 8 cases: ₹ 4.33 lakh; Churah: 3 cases: ₹ 6.86 lakh; Kullu: 4 cases: ₹ 7.16 lakh; Nachan: 7 cases: ₹ 8.77 lakh; Nurpur: 5 cases: ₹ 9.34 lakh; Parvati: 3 cases: ₹ 11.40 lakh; Rampur: 4 cases: ₹ 2.86 lakh; Rohru: 6 cases: ₹ 2.66 lakh; Seraj: 3 cases: ₹ 2.48 lakh and Una: 3 cases: ₹ 4.66 lakh.

⁵² Compensatory Afforestation Fund Management and Planning Authority.

⁵³ Ani, Bharmour, Chamba, Chopal, Kinnaur, Kullu, Parvati, Rohru, Seraj and Theog.

5.6.4 Underassessment of compensation

DFO Bharmour

We noticed in November 2009 that National Hydro Power Corporation (NHPC) Chamera-III had committed 15 forest offences of unauthorised dumping of muck between 30.09.2008 and 27.10.2008. We further observed that for first offence committed on 30.9.2008, the damage bill was raised at normal rates. The second and subsequent offences committed by the NHPC during 30.9.2008 and 27.10.2008 were not charged at double the rate of compensation. The NHPC was liable to pay ₹ 123.62 lakh on account of compensation against which the division had raised claim of ₹ 61.89 lakh only. This resulted in short claiming of compensation of ₹ 61.73 lakh.

For compounding forest offence cases under Indian Forest Act 1927, DFO Bharmour fixed (July 2008) the rates of compensation for unauthorised dumping of muck on forest land as ₹ 45 per cu.m. For second and subsequent offence during the same calendar year, compensation at double the rate was to be charged.

We reported the matter to the Department in November 2009. It accepted the audit observation and raised (March 2010) a revised bill of ₹ 123.62 lakh against the user agency. Further report on recovery and reply of the Government to whom the matter was reported in January 2010 has not been received (September 2010).

5.6.5 Loss of revenue due to non-tapping/short handing over of resin blazes

DFO Chopal

We noticed in the test check of the records of DFO Chopal between August and September 2009 that out of total 83,174 resin blazes handed over to the HPSFC for resin tapping season 2009, 32,356 *chil* trees were of class IIB⁵⁴ and above. Our scrutiny revealed that the division had enumerated one blaze per *chil* tree irrespective of class of tree whereas two blazes were to be enumerated for trees of class IIB and above. This resulted in non-tapping of 32,356 blazes and resultant loss of revenue of ₹ 9.71 lakh.

As per para 3.24 of approved working plan of Chopal forest division operative for the period 2003-04 to 2017-18, two blazes were to be caved for the *chil* trees of class IIB and above.

Seven DFOs⁵⁵

We noticed in the test check of the records between August 2009 and March 2010 of seven DFOs that 98,557 resin blazes which should have been handed over to the HPSFC during 2008 and 2009 tapping season were deleted from

⁵⁴ Having diameter of 50 cms and above.

⁵⁵ Churah, Mandi, Nachan, Parvati, Rajgarh, Rampur and Seraj.

enumeration list without seeking prior approval of the competent authority. The deletion of blazes was, therefore, unauthorised which resulted in loss of revenue of ₹ 29.57 lakh.

As per instructions of May 2000 of the PCCF, prior approval of the CF concerned was required for deletion of resin blazes in a particular year. This approval was required to be obtained before the commencement of tapping season and handing over of blazes to the HPSFC.

After we pointed out the cases in audit between August 2009 and March 2010, DFO Seraj at Banjar

stated (March 2010) that the matter was under process since July 2008 to obtain the approval of the CF. The reply is not correct as the requisite approval of the CF was required in advance before deletion of blazes. Reply from the remaining divisions has not been received (September 2010).

We reported the matter to the Department and to the Government between October 2009 and April 2010. We have not received their replies (September 2010).

5.6.6 Loss of revenue due to suspected pilferage of trees

DFO Suket at Sundernagar

We noticed in August 2009 that the GOI had granted (June 2005) in-principle approval⁵⁶ for diversion of 2.084 hectares of forest land for construction of Shilhnu road falling in Suket forest division. As per enumeration list, 89 trees and 71 saplings were coming in the proposed road alignment. Scrutiny revealed that the road had already been constructed by the user agency⁵⁷ as intimated by concerned

As per departmental instructions of May 1995, trees coming in any road alignment are required to be marked in lots and handed over to HPSFC for exploitation after receipt of final approval for diversion of forest land for non-forestry purpose from GOI, Ministry of Environment and Forests.

Range Officer to the DFO in November 2007 without receipt of final approval⁵⁸ of the GOI. Our scrutiny further revealed that the trees/saplings coming in the road alignment were neither marked and handed over to the HPSFC for exploitation till August 2009 nor the whereabouts of these trees were known to the department and the possibility of pilferage could not be ruled out. This resulted in loss of revenue of ₹ 9.03 lakh including value added tax of ₹ one lakh.

We reported the matter to the Department and to the Government in September 2009, their replies were awaited (September 2010).

⁵⁶ In principle approval is the conditional acceptance of GOI to the proposal of the State Government for diversion of forest land.

⁵⁷ Himachal Pradesh Public Works Department.

⁵⁸ Final approval is the approval accorded by GOI to the proposal of the State Government for diversion of forest land.