

CHAPTER-VI : FOREST RECEIPTS

6.1.1 Non-tax revenue administration

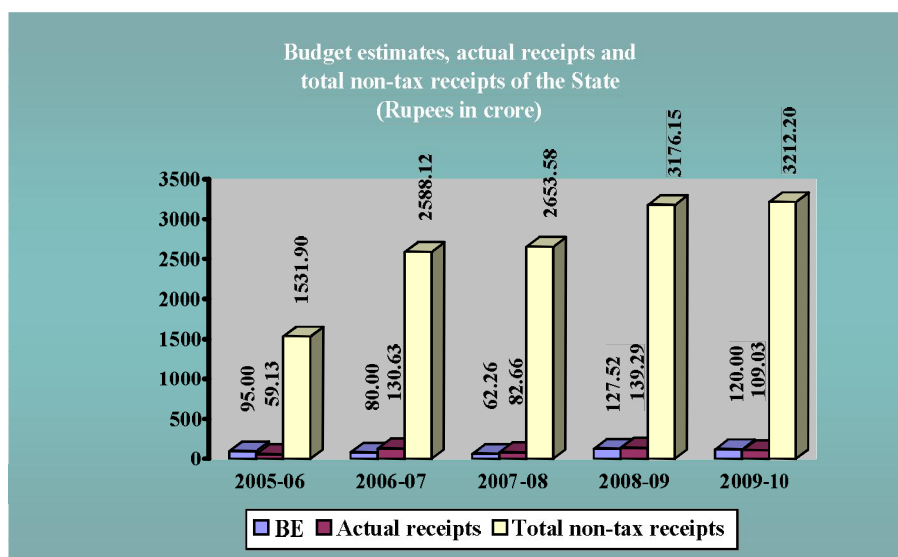
Levy and collection of receipts under forestry and wildlife sectors are regulated by the Orissa Forest (OF) Act, 1972, the Orissa Forest Department (OFD) Code, 1979 and the Orissa Forest Contract (OFC) Rules, 1966 read with Government orders and instructions issued from time to time. The above Act, Code and Rules are administered by the Principal Chief Conservators of Forests (PCCF), under the overall control of the Principal Secretary, Forest and Environment department. They are assisted by the circle and divisional level officers like Conservators of Forests (CFs), Divisional Forest Officers (DFOs) and their field level staff under the territorial, wildlife and kendu leaf wings of the department. The forest receipts mainly comprise of royalty from kendu leaves and other forest produce and environmental forestry receipts from zoological parks.

6.1.2 Trend of receipts

Actual receipts from the forestry sector during the years 2005-06 to 2009-10 along with the total non-tax receipts during the same period is exhibited in the following table and graph.

Year	Budget estimates	Actual receipts	Variation Excess (+)/ shortfall (-)	Percentage of variation	(Rupees in crore)	
					Total non tax receipts of the State	Percentage of actual receipts vis-à-vis total non-tax receipts
2005-06	95.00	59.13	(-) 35.87	(-) 37.76	1,531.90	3.86
2006-07	80.00	130.63	(+) 50.63	(+) 63.29	2,588.12	5.05
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

The trend of receipts showed that it fluctuated from year to year and its contribution to total non-tax receipts of the State varied between 3.12 *per cent* and 5.05 *per cent*.



The reasons for wide fluctuations in budget estimates and actuals were attributed to non-deposit of royalty by the Orissa Forest Development Corporation (OFDC) Ltd. during the year 2005-06 and excess deposit of royalty towards kendu leaf, timber and other forest produce during 2006-07 and 2007-08 into Government account.

The huge variation between the budget estimates and the actuals indicates that the budget estimates are not realistic. **We recommend that the Government may consider issuing instructions to the department for framing the budget estimates on a realistic basis to ensure that the actuals are close to the budget estimates.**

6.1.3 Impact of audit

Revenue impact

During the last five years i.e. 2004-05 to 2008-09 we pointed out loss, non/short levy, non/short realisation of royalty, interest and other irregularities etc., with revenue implication of ₹ 186.25 crore in 15,317 cases. Of these, the department accepted audit observations in 12,553 cases involving ₹ 44.22 crore and recovered ₹ 2.43 crore in nine cases. The details are shown in the following table:

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	
2004-05	45	3,356	131.04	2,939	18.15	5	0.46	2.53
2005-06	46	2,806	22.52	2,545	12.94	-	-	-
2006-07	45	3,946	25.93	3,836	11.22	4	1.97	17.56
2007-08	45	1,895	3.07	1,377	1.05	-	-	-
2008-09	45	3,314	3.69	1,856	0.86	-	-	-
Total	226	15,317	186.25	12,553	44.22	9	2.43	

The recovery position as compared to acceptance of objections was very low ranging between 2.53 per cent and 17.56 per cent.

We recommend that the department take appropriate steps to ensure that they could recover at least the amount involved in the accepted cases.

6.1.4 Results of audit

We test checked the records of 51 units relating to forest receipts in 2009-10 and found non/short levy of interest, non-realisation of royalty, non-disposal of timber seized in undetected forest offence cases and other irregularities involving ₹ 6.70 crore in 4,487 cases which fall under the following categories:

(Rupees in crore)			
Sl. No	Categories	No. of cases	Amount
1.	Non/short levy of interest on belated payment of royalty	2,070	5.11
2.	Non-realisation of royalty	270	0.52
3.	Non-disposal of timber seized in undetected forest offence cases	1,127	0.79
4.	Other irregularities	1,020	0.28
Total		4,487	6.70

During the course of 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 ₹ 5.46 crore in 2,829 cases pointed out in 2009-10.

A few illustrative cases involving ₹ 5.02 crore¹ are mentioned in the following paragraphs.

6.2 Audit observations

We scrutinised the records maintained in various forest divisions as well as in the offices of the PCCFs, 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/short levy and blocking 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.

¹ It does not include the para on loss of revenue.

6.3 Non-compliance to legal provisions and Government orders

The OFC Rules, 1966 and Government orders of February 1977, August 2005, May 2006 and November 2008 prescribe for:-

- (i) levy of interest on Orissa Forest Development Corporation Ltd. (OFDC) for belated payment of royalty at prescribed rates;*
- (ii) timely disposal of seized material; and*
- (iii) raising of demand of royalty against OFDC at the prescribed rates for delivery of units of working coupes.*

Non-compliance of some of the above legal provisions and orders in the cases mentioned in the succeeding paragraphs 6.3.1 to 6.3.3 by the DFOs resulted in non/short levy as well as blocking of Government revenue of ₹ 5.02 crore².

6.3.1 Non-levy of interest on belated payment of royalty

As per OFC Rules, 1966, if a contractor fails to pay any instalment 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 26 DFOs³, between April 2009 and February 2010, we noticed that OFDC paid royalty of ₹14.25 crore on 1,900 lots for the period from 1989-90 to 2007-08 belatedly, between June 2008 and March 2009, with delays ranging between three and 228 months. But interest of ₹ 4.96 crore leviable for belated

payment was not levied by the DFOs against OFDC.

After we pointed out the cases, five DFOs⁴ raised demand for ₹ 97.73 lakh between December 2009 and February 2010. The remaining DFOs agreed, between May 2009 and January 2010 to raise the demand for interest. Further reply is awaited (December 2010).

We brought the matter to the notice of the Government in April 2010; their reply is yet to be received (December 2010).

² It does not include the para on loss of revenue.

³ Angul, Athagarh, Athamalik, Bargarh, Baripada, Bhubaneswar (City Division), Bolangir (West), Bonai, Boudh, Chandaka (WL), Dhenkanal, Ghumsur(North), Ghumsur(South), Jeypore, Karanjia, Khariar, Khurda, Keonjhar, Malkangiri, Nayagarh, Nabarangpur, Parlakhemundi, Phulbani, Rayagada, Sambalpur (South) and Sunabeda (WL) .

⁴ Athagarh, Bargarh, Boudh, Dhenkanal and Sambalpur (South).

6.3.2 Non-disposal of timber and poles

The Government, in August 2005, issued instructions for early disposal of timber and poles seized in undetected (UD) forest offence cases either by public auction or by prompt delivery to the OFDC within two months from the date of seizure in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage of the seized materials.

During test check of the UD forest offence cases register of 26 DFOs⁵, between May 2009 and February 2010, we noticed that 22,652.55 cft of timber and 496 poles seized in 926 cases during 2007-08 and 2008-09 were lying undisposed till the date of audit due to non-disposal through public auction or non-delivery of such stock to OFDC

by the DFO concerned. This resulted in blocking of Government revenue of ₹ 35.60 lakh representing the value of the above stock.

After we pointed out the cases, the DFOs stated between May 2009 and February 2010, that action would be taken to dispose of the forest produce. A report on further development is awaited (December 2010).

We reported the matter to the Government in April 2010; their reply is yet to be received (December 2010).

6.3.3 Short demand of royalty due to application of incorrect rates

The Government prescribed (November 2008) the royalty for working of coupes (standing trees) at the rate of Rs. 1,040 per unit for the years 2007-08 and 2008-09. For the purpose, calculation of units of different classes was to be done as per their instructions dated 8 May 2006.

During test check of records in May 2009, we noticed that in Cuttack division 6,288 standing trees were delivered to OFDC in 12 lots, between April 2007 and March 2009, with an estimated yield of 1,591.24 units attracting royalty of ₹ 16.55 lakh at the rate of ₹ 1,040 per unit. But the DFO

raised demand of ₹ 10.62 lakh only by applying the rate of ₹ 530 per unit for the year 2007-08 and ₹ 780 per unit for the year 2008-09 for the lots delivered as approved by the concerned CF following the earlier practice of fixing division-wise rates This resulted in short demand of royalty of ₹ 5.93 lakh.

After we pointed out the cases, the DFO, Cuttack raised additional demand for ₹ 5.93 lakh towards royalty for 12 lots delivered to OFDC in October 2009. The details of realisation of the demand are awaited (December 2010).

We reported the matter to the Government in April 2010; their reply is yet to be received (December 2010).

⁵ Angul, Athamalik, Bargarh, Berhampur, Bolangir (W), Bonai, Boudh, City Division (Bhubaneswar), Cuttack, Deogarh, Dhenkanal, Ghumsur (N), Ghumsur(S), Kalahandi (S), Karanjia, Keonjhar, Khariar, Khurda, Nabarangpur, Nayagarh, Phulbani, Rairakhol, Rayagada, Sambalpur (N), Sambalpur (S) and Sunabeda (W.L).