CHAPTER-VI
OTHER TAX AND NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of the offices of Irrigation, Medical and Public Health and Forest Department conducted during the year 2009-10, revealed non-realisation of centage charges, royalty, non-increasing of medical charges, etc. of ` 478.43 crore in 421 cases which fall under the following categories:

(` in crore)

Sl. No.	Category	Number of cases	Amount
Irrigation Department			
1.	Non-realisation of centage charges	2	4.04
2.	Non-realisation of royalty	3	0.14
3.	Other irregularities	47	9.16
	Total	**52**	**13.34**
Medical and Public Health Department			
1.	Non-increasing of medical charges at the rate of 10 *per cent* per annum	48	1.19
2.	Non-imposition of penalty on un-registered genetic centres	7	0.08
3.	Other irregularities	60	1.92
	Total	**115**	**3.19**
Forest Department			
1.	**Receipts from Forest Department (A review)**	1	33.93
2.	Miscellaneous losses	86	204.09
3.	Idle investment, idle establishment, blocking of funds	31	6.13
4.	Regulatory issues	11	4.30
5.	Pending recoveries	79	171.32
6.	Non-achievement of objectives	1	4.31
7.	Other irregularities	45	37.82
	Total	**254**	**461.90**
	Grand total	**421**	**478.43**

During the year 2009-10, the Department accepted and recovered ` 3.82 crore in 22 cases which were pointed out in earlier years.

A review on **Receipts from Forest Department** with financial impact of ` 33.93 crore and a few illustrative cases involving ` 1.90 crore are mentioned in the succeeding paragraphs.

6.2 Receipts from Forest Department

Highlights

- The volume factor of the Eucalyptus trees having diameter of more than 45 cm was not decided simultaneously with the change of felling cycle. This resulted in short levy of royalty of ` 4.94 crore.

(Paragraph 6.2.10)

- Lack of coordination between forest and mining departments resulted in loss of transit fees amounting to ` 238.53 crore.

(Paragraph 6.2.12)

- Loss of revenue due to removal/closure of barriers amounting to ` 42.84 crore.

(Paragraph 6.2.14)

- Non-levy of transit fee by the divisions on the minerals used in construction of roads by National Highway Authority of India resulted in loss of revenue of ` 29.62 crore.

(Paragraph 6.2.16)

6.2.1 Introduction

The Forest Department was established for conservation and management of forests of the State. In Uttar Pradesh the total covered area of forest land is 22,330 sq. km. This is 9.27 *per cent* of the total geographical area of 2,40,928 sq. km. of the State. The main objectives of the Department are to implement the National Forest Policy and State Forest Policy which aim at improvement of existing natural and planted forest by conservation, development and scientific management as well as to increase tree cover by social, agro forestry and afforestation schemes, to ensure environmental stability and ecological balance. The Department realises revenue by way of royalties, fees and penalties as defined in the Indian Forest Act 1927 and Uttar Pradesh Forest Manual. The major portion of revenue in the Forest Department is collected from the Uttar Pradesh Forest Corporation (UPFC) by way of royalty on exploitation of trees, bamboo and *tendu* leaves etc.

6.2.2 Organisational set up

At the Government level, the Principal Secretary, Forest Department is responsible for implementation of the policies and overseeing the activities of the Department. At the departmental level, the Principal Chief Conservator of Forests (PCCF) is the head and is assisted by three Additional PCCFs and Finance Controller (FC). The FC is responsible for financial management including control over grant/appropriation and is also the Chief Internal Auditor of the Department. The realisation of revenue/receipt is done by the respective Divisional Forest Officers (DFOs)/Divisional Directors.

6.2.3 Audit objectives

Our objectives were to assess whether:

- the working plans (WPs) of the divisions were prepared and got approved from the Government of India (GOI);
- an adequate and effective system existed for assessment and collection of revenue;
- Acts, Rules, orders and circulars issued by the Central Government, State Government and Department from time to time were followed; and
- the internal control system was adequate and effective to monitor the revenue collection and its proper management.

6.2.4 Audit criteria

We conducted the performance audit with reference to the following:

- Indian Forest Act, 1927, as amended from time to time.
- UP Forest Manual (Receipts).
- Government orders/circulars etc.
- Forest Manual (Receipt) and Financial Hand Book.
- UP Transit of timber and other Forest Produce Rules, 1978.

6.2.5 Sampling and audit methodology

After segregating the 80 Forest Divisions in the State into high, medium and low risk category based on the revenue collected in the year 2008-09, we selected 26[1] divisions by statistical random sampling method for test check.

We carried out the test check of the records (2004-09) of the PCCF office and 26 selected divisions during September 2009 to March 2010.

6.2.6 Acknowledgement

We acknowledge the co-operation of the Department in providing necessary information and records to audit. The audit objectives were discussed in an entry conference held on 18 November 2009 with the Principal Chief Conservator of Forests. The findings were discussed in the exit conference held on 8 July 2010. The Government and the Department were represented by the Secretary, Forest, Uttar Pradesh and Additional Principal Chief Conservator of Forests respectively. Their replies have been incorporated in the relevant paragraphs.

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[1] **High Risk Area: (revenue > ` 7.50 crore)** Forest division Agra, Bahraich, Bareilly, Bijnour (Najibabad), Hamirpur, Mahoba, Obra, Pilibhit (RF), Ramnagar and Renukoot (10).
Medium Risk Area: (revenue < ` 7.50 crore but > ` one crore) Forest division Chitrakoot, Gonda, Kanpur Dehat, Lalitpur, Lucknow, Meerut, Mirzapur, Padarauna and Pilibhit (9).
Low Risk Area: (revenue < ` one crore) Forest division Dudhwa National Park (Khiri), Etah, Faizabad, Firozabad, Hardoi, Jaunpur and Siddharth Nagar (7).

Audit findings

System deficiencies

6.2.7 Unrealistic budget estimates

As per provisions of the Budget Manual an estimate should show the amounts actually expected to be received during the budget year.

The position of Budget Estimates (BEs), actual receipts and percentage of difference between budget estimates and actual receipts during the last five years is detailed below:

(` in crore)

Year	Budget estimates	Actual receipts	Difference between actual receipts and budget estimates	Percentage of difference
2004-05	79.31	107.42	28.11	35
2005-06	79.10	161.98	82.88	105
2006-07	127.46	212.37	84.91	67
2007-08	185.15	294.80	109.65	59
2008-09	185.15	271.92	86.77	47

It may be seen that the variation between the BEs and actuals ranged between 35 *per cent* and 105 *per cent*. This wide variation shows that the BEs were unrealistic and did not take into consideration the actual receipts of the previous year.

After we pointed this out, the Government stated during the exit conference in July 2010 that the Forest Department is not revenue-oriented and the estimates are always on the conservative side. We do not agree as BEs are not only required to be framed to meet the revenue requirement of the Government but also to serve as guidelines for the officers of the Department in achieving the prescribed targets for revenue collections.

We suggest that the budget estimates should be framed based on realistically and as per the method prescribed in the budget manual.

6.2.8 Position of arrears

As per the information furnished to us, the total revenue pending for collection as on 31 March 2009 was ` 10.93 crore. The details were as under:

(1) Arrears recoverable from UPFC ` 1.11 crore
(2) Arrears recoverable from others ` 9.82 crore
Total ` 10.93 crore

Agewise/yearwise breakup of arrears was not available with the divisions/PCCF.

We recommend that the Department should put in place a mechanism for properly monitoring the arrears. Further, the arrears from UPFC may be recovered as per provisions of the Uttar Pradesh Forest Manual and from others as arrears of land revenue by referring the cases to the revenue authorities for issuing recovery certificate.

6.2.9 Working Plans (WP)

A Working Plan (WP) is a document prepared for a period of 10 years. It contains detailed schemes for management of silvicultural[2] operations. The forest produce resulting from these operations generates revenue for the Department. As per the prescribed procedure, the marking of trees in compartments is done by the divisions and handed over to the UPFC for exploitation with estimates of obtainable timber.

6.2.9.1 Delay in preparation of the Working Plans (WP)

Five divisions[3]

Working plans should be prepared well in advance and approval of the Government of India taken. Absence of a WP prevents extraction of the forest produce which adversely affects both the revenue of the Department and also the forests. Any extraction of forest produce without an approved WP is illegal.

We found that the existing WPs expired in 2007-08 and no WP existed for 2008-09 onwards. The delay in preparation of the WPs indicated that the monitoring mechanism was weak.

After we pointed this out, the Government replied during the exit conference that the WPs have now been completed. The reply is however silent about the delay in preparation of WPs which resulted in deferring of timber extraction and consequent non-realisation of revenue from these divisions.

We recommend that preparation of the working plans should be monitored and approval of the same obtained from the Government of India well before expiry of the operational working plans so that revenue of the Department is not affected. The Government may consider prescribing periodic returns/reports to be submitted by the divisions for effectively monitoring the status of preparation and implementation of Working Plans in the State.

6.2.9.2 Loss of royalty due to non-exploitation of bamboo

Two divisions[4]

Bamboo is felled/exploited in three to four years felling cycle prescribed in the relevant working plan. Each felling series becomes due for harvesting after every three/four years. If bamboo is not harvested from a felling series in a particular year, that felling series can be harvested only after three/four years resulting in loss of revenue. Non-exploitation of bamboo crop prevents fresh growth of coppice shoots/ clumps which eventually forms the future bamboo crop.

We observed that a large number of lots of bamboo allotted to UPFC during 2004-09, were not exploited by UPFC. The Department also

[2] Raising of new plantation and developing existing plantation and in the process collection of revenue through sale of forest produce.

[3] Awadh, Gonda, Hardoi, Kashi (Ramnagar) and Siddharth Nagar.

[4] Mahoba: ` 32.28 lakh; Renukoot: ` 8.47 lakh.

did not pursue the matter regarding exploiting these lots with UPFC. This resulted in loss of royalty of ` 40.75 lakh and also hindered further fresh growth of bamboo in those lots, affecting future revenue.

After we pointed this out, the Government agreed with our observation during the exit conference and asserted that the Forest Corporation should do the exploitation. However steps taken to ensure exploitation of bamboo as per the felling cycle were not mentioned.

6.2.10 Non-prescription of volume factor of trees having diameter above 45 cm

Twenty divisions[5]

As per orders issued by the Chief Conservator of Forests (Management) UP, Nainital (June 1978), the volume factor for calculating royalty of eucalyptus trees having diameter up to 45 cm only was prescribed based on a felling cycle of 8 years. Later on in April 1993, the felling cycle was increased to 10/30 years (10 year for canal side trees and 30 year for road side trees) and to 15 years (both canal and road side trees) in April 1998, but the volume factor remained the same. The volume factor is dependent on the diameter of trees, which naturally increases with age. The volume factor of trees having diameter above 45 cm. was determined only in December 2008.

We observed that 90,916 eucalyptus trees with diameters ranging between 45-50 cm and 90-95 cm were allotted to UPFC during 2004-09. Although the felling cycle was increased from eight years to 10 years in April 1993 and to 15 years in April 1998 respectively, the volume factor for the trees was not ascertained simultaneously by the Department. In the absence of the same, the divisional authorities levied royalty at the rates applicable for trees having diameter upto 45 cm only based on the felling cycle of eight years including trees having higher diameter. As a result, on trees having higher diameter, the rate of royalty for trees with diameter upto 45 cm was applied between 2004-2009. This resulted in loss of revenue of ` 4.94 crore.

After we pointed this out, the Government, during the exit conference agreed with the audit observation that the volume table was issued late.

The Department should ensure that whenever the felling cycle of trees is changed, the volume factor is determined simultaneously.

[5] Agra **:** ` 2 lakh; Bahraich : ` 13.90 lakh; Bareilly: ` 37.17 lakh; Faizabad: ` 45.24 lakh; Firozabad: ` 6 lakh; Gonda : ` 6.33 lakh; Hardoi : ` 21.19 lakh; Jaunpur : ` 2.43 lakh; Kanpur Dehat : ` 32.12 lakh; Lalitpur : ` 2.16 lakh; Lucknow: ` 16.54 lakh; Mahoba: ` 28,000; Meerut : ` 1.27 crore; Mirzapur : ` 3.43 lakh; Obra : ` 15,000; Padarauna (Kushinagar) : ` 2.08 lakh; Pilibhit (RF) : ` 8.09 lakh; Pilibhit (SF) : ` 1.67 crore; Renukoot : ` 15,000; Siddharth Nagar : ` 74,000.

6.2.11 Absence of mechanism for collection and allotment of tree roots and levy of royalty

Seven divisions[6]

The trees obstructing the construction of National Highways and roads are felled and royalty thereon is paid by the UPFC as per the procedure laid down in the Forest manual. In the normal felling, the trees are felled above 10 cm from the earth and roots are left because the excavation of roots is uneconomical, but in case of construction of National highways and roads, the trees are uprooted. The Department did not prescribe any mechanism for collection and allotment of tree roots coming in the way during construction of National highway and roads to UPFC and levy of royalty thereon.

We observed that 88,572 trees were uprooted between 2004 and 2009 by construction agencies during construction of National Highways (NH) and roads. Since the roots are used as fuel wood, they should have been collected and allotted to UPFC and royalty levied as was done in Sitapur and Moradabad Divisions where the roots were allotted to UPFC. Had this procedure been adopted by all seven divisions, the Department would have fetched revenue of ` 58.01 lakh in the shape of royalty.

After we pointed this out, the Government replied during the exit conference in July 2010 that there is no policy to recover the royalty on fuelwood and tree roots come in the category of fuelwood. We do not agree with the reply because as per the Forest manual, UPFC is responsible for paying royalty on fuelwood allotted for disposal and further two divisions under the Department had allotted tree roots to UPFC.

We suggest that the Government should devise a mechanism for collection and allotment of tree roots to UPFC coming in the way during construction of NH/roads and realise royalty for the same.

6.2.12 Lack of co-ordination between Forest and Mining Departments

Eight divisions[7]

The State Government issued directions in February 2008 regarding issue of 'No Objection Certificate' (NOC) by the Forest Divisions to District Magistrate (Mining Department) for mining in non-forest land by private contractors. The minerals excavated attracts transit fee under the UP Transit of timber and other Forest Produce Rules 1978 (UPTTOFP Rules).

We observed that 449 NOCs were issued to District Magistrates for mining of minerals (forest produce) from non-forest land. Though minerals so excavated attracted transit fee, the Department had no system in place to

[6] Firozabad: 21,519; Hardoi: 2,277; Kanpur Dehat: 9,462; Lalitpur: 12,673; Meerut: 10,486; Padarauna: 14,526; Ram Nagar: 17,629; Total: 88,572 roots.

[7] Hamirpur:207; Hardoi: 5; Kanpur Dehat:8; Lalitpur:32; Mahoba:72; Obra:93; Padarauna:5; Renukoot:27.

collect information from the Mining Department regarding the quantities of mineral excavated by contractors/leaseholders so that transit fee could be levied on the same. This lack of a system to coordinate and estimate the quantity of minerals extracted in the districts resulted in a loss of revenue to the Department. We worked out the transit fees leviable in four Divisions[8] for the period 2004-09 as ` 238.53 crore, on the basis of figures intimated by the Mining Department in July 2009 and September 2010.

After we pointed this out, the Government agreed with our observation during the exit conference but the point of loss of revenue was not accepted. We do not agree with the reply as the mineral excavated attracts transit fee under the UPTTOFP Rules.

We recommend that the Government should devise a mechanism for co-ordination of Mining and other Departments with the Forest Department to plug the leakage of revenue.

6.2.13 Non-revision of rates

We noticed that a committee comprising officers of the Forest Department and UPFC in a meeting held in November 1992 recommended that the rates of lease rent payable on the forest land should be raised from ` 500 to ` 1,000 per hectare annually. The committee also recommended that the rate should be revised after five years by mutual agreement between the Forest Department and UPFC. But the rate effective from 30 November 1992 has not been revised so far. Similarly, rates of fees, rents and royalties have not been revised for the past several years. For example, grazing charges have remained unchanged since 1981, transit fee since 2004, saw mills license fee since 2004, road fee since 1995 and royalty on *tendu patta* since 2002. Although the market prices have gone up, the above rates have not been revised in keeping with the market rates. There was no system to review and revise these rates periodically.

After we pointed this out, the Government agreed with our view during the exit conference and replied that the rates are being revised wherever possible.

The Government should prescribe a system for periodical revision of the rates of fees, rents and royalties at fixed intervals.

[8] Hamirpur : ` 102.62 crore (2004-09), Lalitpur : ` 49.73 crore (2004-09), Mahoba : ` 85.46 crore (2004-09), Obra : ` 72.12 lakh (2008-09).

6.2.14 Loss of revenue due to removal/closure of barriers

Seventeen divisions[9]

> Under the UP transit of timber and other Forest Produce Rules 1978, transit fee is leviable on each forest produce at the barriers established under the rules ibid. The Government decided in July 2008 to remove with immediate effect the forest barriers installed to collect the transit fees, penalties etc. on transportation of forest produce. Alternative arrangements such as strengthening of enforcement activities were to be made to realise the revenue.

We observed that these divisions collected revenue of ` 84.44 crore in 2007-08 and ` 41.60 crore between April 2008 and June 2008 before removal of forest barriers. If the trend of revenue collection of the previous year i.e. 2007-08 is taken into account, there was shortfall of revenue of ` 42.84 crore after removal of barriers in these divisions between July 2008 to March 2009. Though the Department was required to make alternate arrangements like strengthening of enforcement activities etc. to ensure that there is no shortfall/leakage of revenue yet it had failed to maintain the collection levels achieved with the aid of barriers in previous years. The Government had also admitted during the exit conference that removal of barriers resulted in a recurring loss of revenue.

We recommend that effective alternative arrangements should be made to ensure that there is no leakage of revenue being collected previously at barriers.

6.2.15 Working of internal audit wing

Internal audit wing (IAW) is a vital component of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well. The performance of the IAW during the years 2004-05 to 2008-09 is shown below:

Period	Opening balance of paras	Addition during the year	Clearance during the year	Closing balance of paras
2004-05	4,692	460	-	5,152
2005-06	5,152	609	-	5,761
2006-07	5,761	375	-	6,136
2007-08	6,136	145	-	6,281
2008-09	6,281	872	-	7,153

The above table shows that no objections were settled during the period 2004-09 as a result of which 7,153 paragraphs were outstanding for want of remedial measures. This indicated that the purpose of having this vital internal control measure to ensure that the revenue collection was optimum was not served.

9 Bahraich : ` 2.03 lakh; Dudhwa : ` 74,000; Faizabad: ` 4.36 lakh; Firozabad: ` 28.42 lakh; Gonda : ` 3.43 lakh; Hamirpur: ` 9.35 crore; Hardoi : ` 52,000; Kanpur Dehat : ` 25.29 lakh; Lalitpur : ` 44.93 lakh; Lucknow: ` 5.88 lakh; Mahoba: ` 9.38 crore; Mirzapur : ` 2.66 crore; Najibabad : ` 1.82 crore; Obra : ` 16.65 crore; Pilibhit (RF) : ` 54.15 lakh ; Renukoot : ` 1.28 crore; Siddharth Nagar : ` 89,000.

After we pointed this out, the Department stated during the exit conference that due to shortage of staff and lack of computers, the functioning of IAW is not being carried out properly.

The Government may consider strengthening the IAW and ensuring time bound action by the forest officials on the objections raised by the IAW so as to safeguard interest of revenue and to avoid recurrence of the mistakes pointed out.

Compliance deficiencies

6.2.16 Non-levy of transit fees

Lalitpur Division

> Under the UP Transit of timber and other Forest Produce Rules 1978, as amended in June 2004, transit fee is leviable on forest produce at the rate of ` 38 Per Metric Ton (MT). The Indian Forest Act stipulates that forest produce includes peat, surface soil, rock and minerals (including limestone, laterite, mineral oils and all products of mines or quarries). As per UP Minor Minerals (Concession) Rules, 1963, ordinary earth is also a mineral.

We observed that the contractors of the National Highway Authority of India transported different kinds of forest produce such as earth, sand, moorum, grit, aggregate and stone pitching during the construction of National Highway No-26 without paying transit fee to the Department. The Department also did not raise the demand for transit fee against the contractor. This resulted in non-levy/realisation of transit fee of ` 29.62 crore as detailed below:

Material	Quantity in volume (Cubic Meter)	Quantity in weight (MT)[10]	Transit fee due (in `)
Earth	24,32,322	41,38,165.97	15,72,50,307
Sand	-	46,436.00	17,64,568
Moorum	8,24,305	16,48,610.00	6,26,47,180
Aggregate	8,73,879	18,16,376.67	6,90,22,314
Other material stone pitching	86,000	1,46,313.80	55,59,924
Total		**77,95,902.44**	**29,62,44,293**

We observed that similar construction works have been carried out in six other test checked divisions[11] but as details of minerals/forest produce used were not available, the exact amount of loss in these six divisions could not be quantified. However, there was loss of transit fee in all such divisions where NH/Road construction/other construction had taken place.

After we pointed this out, the Government replied during the exit conference that these materials were not brought from forest areas and were not forest produce as per definition of forest produce under the Indian Forest Act. We do

[10] Mineral conversion rate from Cubic Meter to Metric Ton:-
Earth & stone pitching :9 metric ton per 5.29 m3
Moorum: 9 metric ton per 4.50 m3
Aggregate: 9 metric ton per 4.33 m3

[11] Firozabad; Hardoi; Kanpur Dehat; Meerut; Padarauna; Ramnagar.

not agree with the reply as Government had ordered (February 2008) to collect transit fees on minerals excavated from non-forest land.

6.2.17 Non-disposal of seized and unclaimed timber

Thirteen divisions[12]

Under the Indian Forest Act, 1927, unclaimed forest timber shall vest with the Government. According to an order issued (March 1996) by the PCCF, seized and unclaimed forest produce is required to be allotted or transferred to UPFC immediately and may be auctioned within 90 days from the date of allotment.

We observed that timber worth ` 86.89 lakh was lying undisposed from 1989-90 to 2008-09. As timber is perishable, its timely disposal is essential to ensure maximum revenue. The inaction of the Department resulted in blocking of revenue of ` 86.89 lakh.

After we pointed this out, the Government agreed to the audit findings. However the reply is silent above the steps taken to ensure auction of seized and unclaimed timber within the prescribed time limit.

6.2.18 Non-realisation of Net Present Value of forest land

Three divisions[13]

As per the guidelines issued in 2003 by the Ministry of Environment and Forest, Government of India for diversion of forest land for non-forest purpose under the Forest (Conservation) Act 1980, the Net Present Value (NPV) of forest land shall be charged at the rate of ` 5.80 lakh per hectare and ` 9.20 lakh per hectare depending upon the quantity and density of land.

We observed that forest land was transferred (2003-05) to Government departments (Public Works, Irrigation) and a private company (Airtel). The NPV of land of ` 3.90 crore should have been recovered before the transfer of land. We noticed that out of this, demand for ` 2.95 crore only was raised between March 2006 and December 2009 against the user departments/agencies leaving a balance of ` 94.60 lakh. The reasons for short raising of demand were neither on record nor were efforts made to realise the NPV even for the amount for which demand was raised. This resulted in non-realisation of NPV of ` 3.90 crore.

[12] Agra : ` 1.57 lakh; Bareilly: ` 2.19 lakh; Dudhwa : ` 23.97 lakh (1993-94); Gonda : ` 3.32 lakh (2005); Hardoi : ` 13.90 lakh (2004); Jaunpur : ` 99,000 (1989-90); Kanpur Dehat : ` 39,000 (2007-08); Lucknow: ` 5.05 lakh (2001-02); Meerut : ` 11.24 lakh (1997-98); Mirzapur : ` 1.51 lakh (2001); Padarauna (Kushinagar) : ` 2 lakh (1997-98); Pilibhit (SF) : ` 6.11 lakh; Ramnagar : ` 14.66 lakh (1999-2000).

[13] Bahraich: ` 94.60 lakh; Jaunpur: ` 2.06 crore; Mirzapur: ` 89.06 lakh.

After we pointed this out, the Government agreed with our observation during the exit conference and assured that action will be taken as per the Government of India guidelines. Further report has not been received (October 2010).

6.2.19 Non-reconciliation of remittances with treasury

Four divisions[14]

> Para 185 of the Financial Hand book Volume VII provides that on the first of each month each treasury which has received forest remittance during the previous month should send to the Divisional Officer concerned a Consolidated Treasury Receipt (CTR) showing details of each remittance separately. The remittances should be reconciled with Form No. 26 and discrepancy, if any, adjusted within the current month by the Division concerned.

We observed that contrary to the provision of the Financial Rules, the reconciliation of forest receipts of ` 34.45 crore was not done with the treasury records.

After we pointed this out, the Government agreed with our findings during the exit conference.

6.2.20 Revenue receipts booked in deposit

Ten divisions[15]

> Paragraph 21 of the UP Financial Hand Book volume-V Part I and paragraph 97(iii) of Budget Manual state that the departmental authorities are required to see whether all revenue receipts due to Government are correctly and properly assessed and credited into Government account without undue delay. Government vide GO (June 1999) had also instructed that all non-tax revenues should be deposited in Forest revenue head “0406-Forest”.

We observed that an amount of ` 1.46 crore received on account of sale of plants, transit fee, lease rent etc. during the years 1997-98 to 2008-09 was deposited in forest deposit account head “8782-103-Forest Remittances” rather than being credited under the revenue head “0406 Forest Revenue”. These divisions did not follow the provisions of the Financial Rules.

After we pointed this out, the Government agreed with our comment during the exit conference.

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[14] Dudhwa : ` 1.11 crore (4/06 to 3/09); Hardoi : ` 1.88 crore (4/05 to 3/09); Ramnagar : ` 31.12 crore (4/08 to 3/09); Siddharth Nagar : ` 33.89 lakh (4/07 to 3/09).

[15] Agra: `. 5.23 lakh; Dudhwa : ` 14.71 lakh; Gonda : ` 1.04 lakh; Hamirpur : ` 73.67 lakh; Hardoi : ` 5.78 lakh; Lalitpur : ` 11.46 lakh; Padarauna (Kushinagar): ` 1.34 lakh; Pilibhit (SF) : ` 1.02 lakh; Renukoot : ` 30.88 lakh; Siddharth Nagar : ` 60,000.

6.2.21 Conclusion

Our review indicated that Working Plans were not prepared for a number of divisions from 2008-09 onwards. As WPs are required for efficient management of silvicultural operations, their absence would have a major impact on the growth and regeneration of the forests. Failure to ensure exploitation of bamboo by UPFC led to loss of revenue. Lack of co-ordination of the Forest Department with other departments/agencies, like Mining Department also led to loss of revenue and efforts had not been made for periodical revision of rates of fees, rents and royalties. Volume factor was not decided simultaneously with change in felling cycle. Removal of barriers without an alternative mechanism to realise the revenue earned at barriers caused a significant loss of revenue to the State.

6.2.22 Recommendations

The Government may consider implementation of the following recommendations.

- the budget estimates should be prepared on a scientific and realistic method prescribed in the budget manual;
- arrears from UPFC may be recovered as per provisions of the Uttar Pradesh Forest Manual and from others as arrears of land revenue by referring the cases to the revenue authorities for issuing recovery certificates;
- preparation of the working plans should be monitored and approval of the same obtained from the Government of India well before expiry of the operational working plans so that the revenue of the Department is not affected. The Government may consider prescribing periodic returns/reports to be submitted by the divisions for effectively monitoring the status of preparation and implementation of WP in the State;
- whenever the felling cycle of trees is changed, the volume factor should be determined simultaneously;
- a mechanism should be devised for collection and allotment of tree roots to UPFC coming in the way during construction of NH/roads and of royalty realisation for the same;
- co-ordination with other departments and agencies should be ensured to avoid loss of revenue;
- a system for periodical review should be prescribed and the rates of fees, rents and royalties revised at fixed intervals;

- time bound action by the forest officials on the objections raised by the IAW should be ensured so as to safeguard interest of revenue and to avoid recurrence of mistakes pointed out; and
- effective alternative arrangements should be made to ensure that there is no leakage of revenue being collected previously at forest barriers.

6.3 Other audit observations

Our scrutiny of records in the offices of the Irrigation and Medical and Public Health Departments revealed cases of non-realisation of centage charges and royalty, short levy of operation fees as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions are pointed out by us each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

6.4 Non-levy of centage charges on deposit work

Sharda Canal Division, Barabanki

Under the provisions of the Financial Hand Book Volume-V (Part-I) read with Government order dated 19 August 1998, centage charges at the rate of 12.5 *per cent* in respect of Irrigation Department on the actual outlay on works are to be levied and credited to the Government account in respect of deposit works undertaken by the Irrigation department on behalf of commercial departments and local bodies in the State.

We observed that the department did not levy centage charges amounting to ₹ 92.54 lakh on the outlay of ₹ 7.40 crore out of the total deposit work for ₹ 15.20 crore, undertaken by the division on behalf of UP Jal Nigam, Lucknow between February 2009 and February 2010.

After we pointed this out, the Executive Engineer of the division stated in March 2010, that the terms and conditions of the project did not contain provision for centage charges. After revision of the terms and conditions of the project and approval of the higher authorities, the centage charges would be recovered.

We reported the matter to the Department and the Government in March 2010. Their reply has not been received (October 2010).

6.5 Non-realisation of royalty on collection of stone ballast

Sharda Sagar Division of Irrigation Department in Pilibhit

The Government vide letter dated 22 September 1988 read with instructions issued on 2 February 2001, directed the drawing and disbursing officers to ensure, before making payment to contractors/suppliers on account of supplies of stone ballast, moorum, earth and sand, that they had made payment of royalty of the supplies to the Mines and Mineral Department and produced receipt in form MM-11 issued by the Mines and Mineral Department. In case of default, royalty is to be deducted from the bills of contractors/ suppliers.

We observed that 19 contractors supplied 32,486.03 cum. stone ballast to the Sharda Sagar Division between April 2007 and June 2008 for construction work. During our examination of the records of the division we found that prior to making payment to the contractors in respect of completed works, the division did not obtain the receipt in form MM-11 issued by the Mines and Mineral Department and also did not deduct royalty at the prescribed rate[16] from the bills of the contractors. This resulted in loss of royalty of ` 10.40 lakh.

We reported the matter to the Department and the Government in March 2010. Their reply has not been received (October 2010).

6.6 Short levy of operation fees

Six[17] Chief Medical Superintendents

With a view to provide better and qualitative medical facilities to patients, user charges in Government hospitals/dispensaries (except hospitals affiliated to Government medical colleges) was leviable from 1 July 2000 vide Government order dated 28 June 2000. The user charges so levied were to be enhanced by 10 *per cent* at the beginning of each calendar year. The Government vide order dated 31 December 2003 stopped increase in user charges only for the calendar year 2004.

We observed between September 2009 and January 2010 that the hospitals levied user charges of ` 1.38 crore relating to operation fees between the calendar years 2005 to 2009. The charges at the revised rate however worked out to ` 2.24 crore. The levy of user charges at the pre-enhanced rates instead of the revised rate resulted in short levy of user charges of ` 86.69 lakh.

After we pointed this out, the CMS Hardoi stated that the increase in user charges was stopped vide order dated 31.12.2003. We do not agree with the

[16] ` 32 per cum.

[17] Ballia, Firozabad, Gonda, Hardoi, Kheri and Raebareli.

reply as the said order was effective only for the calendar year 2004. The other CMS did not furnish any reply.

We reported the matter to the Department and the Government between October 2009 and February 2010. Their reply has not been received (October 2010).

Lucknow,	**(Dr. Smita S. Chaudhri)**
The	**Accountant General (C&RA)**
	Uttar Pradesh

Countersigned

New Delhi,	**(VINOD RAI)**
The	**Comptroller and Auditor General of India**