



CHAPTER - VI FOREST RECEIPTS

6.1 Tax administration

The Principal Chief Conservator of Forests (PCCF) who is in overall charge of the Department is assisted by seven Chief Conservators of Forests (CCF) and 19 Conservators of Forests (CF). There are 58 forest divisions each headed by Deputy Conservator of Forests (DCF)/Divisional Forest Officers (DFO). The divisions are further divided into ranges and beats for ensuring effective control and supervision of the forests of the State.

The principal Acts under which the functioning of Department of Environment and Forests is governed are the Assam Forest Redgulation, 1891; Assam Sale of Forest Produce Coupes and *Mahals* Rules, 1977; Assam Minor Mineral Concession Rules, 1994 as amended and Rules and notifications/orders issued thereunder, from time to time.

6.2 Trend of receipts

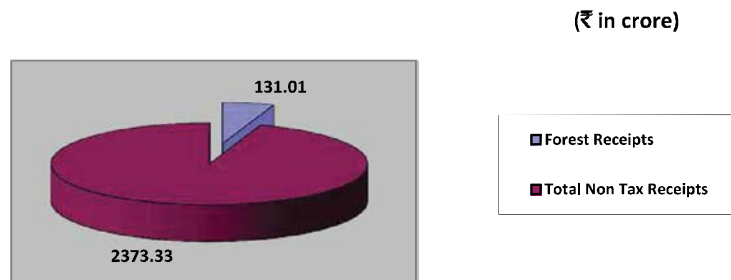
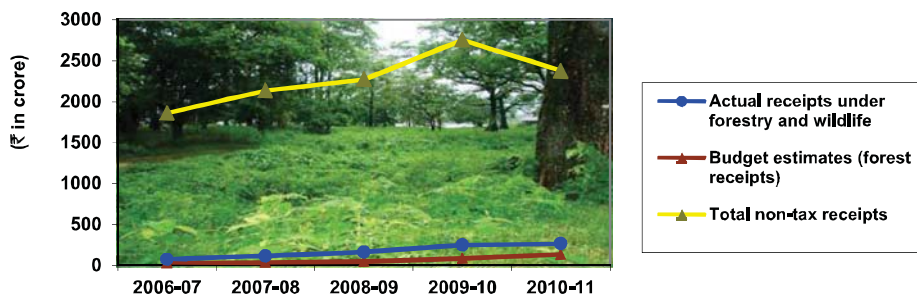
The Assam Budget Manual requires that the estimates of revenue and receipts should show the actual demand including arrears due for past years and the probability of their realisation during the year. According to the Assam Financial Rules, the Finance Department is required to prepare the estimates of revenue after obtaining necessary information/data from the respective Department.

The position of budget estimates, actual forest receipts along with total non-tax receipts of the State during 2006-07 to 2010-11 are exhibited in Table 1 and graph/pie chart below.

Table 1
Analysis of forest receipts

(₹ in crore)

Year	Budget estimate	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of col. 3 to col. 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	29.95	42.99	13.04	43.54	1,859.27	2.31
2007-08	37.50	75.03	37.53	100.08	2,134.59	3.51
2008-09	45.83	115.64	69.81	152.32	2,271.90	5.09
2009-10	85.90	160.56	74.66	86.91	2,752.95	5.83
2010-11	132.26	131.01	(-) 1.25	(-) 0.95	2,373.33	5.52



As seen from column 4 and 5 of Table 1, there was mismatch between the actual receipts and budget estimates during all the years except 2010-11 highlighting the need for budget estimates to be realistic. The percentage of actual receipts when viewed against the total non-tax revenue of the State registered an increasing trend and rose from 2.31 *per cent* in 2006-07 to 5.83 *per cent* in 2009-10, but came down marginally and stood at 5.52 *per cent* in 2010-11.

The abrupt increase in receipts during 2008-09 and 2009-10 was due to disposal of timber from forest depots and increase in demand for minor forest produce.

6.3 Impact of audit

During the period 2005-06 to 2009-10, we had, through our inspection reports (IRs) pointed out non-realisation of revenue due to non-settlement of *mahals*, loss of revenue due to illegal felling and removal of timber and other irregularities having revenue implication of ₹ 77.31 crore in 601 cases. Of these, the DOEF accepted audit observations in one case involving ₹ 1 lakh and had since recovered the entire amount. Details are shown in Table 2.

Table 2
Impact of audit

Year	No. of units audited	Amount objected		Amount accepted by DOEF/Government		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	44	145	14.10	Nil	Nil	Nil	Nil
2006-07	45	151	12.93	Nil	Nil	Nil	Nil
2007-08	36	123	25.94	Nil	Nil	Nil	Nil
2008-09	33	71	11.40	Nil	Nil	Nil	Nil
2009-10	31	111	12.94	01	0.01	01	0.01
Total	189	601	77.31	01	0.01	1	0.01

An analysis of the IRs issued during 2008-09 to 2010-11 indicated that 60 IRs¹ were issued against which the Department did not send even first replies to 47 IRs i.e. 78 per cent of cases. The response of the DOEF/Government towards the IRs and the position at column 5 – 8 of Table 2 indicate that there is a need for DOEF/Government to initiate concerted efforts and ensure that the issues raised in audit get due attention and remedial measures are taken to address them without delay.

6.4 Results of audit

Our test check of records of 38 units relating to the forest receipts during 2010-11 revealed loss of revenue, non-realisation of forest royalty and other irregularities involving ₹ 24.90 crore in 133 cases, details of which are in Table 3.

Table 3
Results of Audit

Sl. No.	Categories	(₹ in crore)	
		No. of cases	Amount
1.	Loss of revenue due to non-settlement/delay in settlement of <i>mahals</i>	27	9.25
2.	Non-realisation of forest royalty	18	1.51
3.	Loss of revenue due to delay in disposal of timber	15	1.09
4.	Loss of revenue due to illegal felling and removal of timber	6	0.89
5.	Other irregularities	67	12.16
Total		133	24.90

A few illustrative audit observations involving revenue implication of ₹ 2.48 crore are mentioned in the following paragraphs.

¹ The variation between the figure with those in Table 2 and paragraph 6.4 is due to the reason that the figures shown in units audited includes 'nil' IRs as well.

6.5 Audit observations

Our scrutiny of the records of the offices under DOEF 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 by us each year. However, not only do the irregularities persist, these remain undetected till we conduct subsequent audit. We are concerned as these observations are also sent to the higher authorities including the Government each time these are detected. There is, thus, a need for the Government to improve the control and monitoring mechanism besides putting in place an effective internal audit mechanism so that these omissions can be prevented, detected and corrected.

6.6 Short realisation of revenue due to issue of permits at pre-revised/lower rates

[Divisional Forest Officers (DFO), Aie Valley, Dibrugarh, Kamrup East, Kamrup North, Kamrup West, Nagaon and Parbatjhora Divisions; between June 2010 and January 2011]

The Government of Assam, Environment and Forests Department vide their notification dated 7 March 2005 and 1 September 2009 revised the royalty rates of stone/boulder/ gravel and sand as under:

Forest produce	Royalty rate in ₹/cum as revised w.e.f.	
	7-3-2005	1-9-2009
stone/boulder/ gravel	100	130
Sand	70	90

We noticed that the above seven Divisions issued 203 permits for extraction of 2,75,760.387 cum stone/gravel/ boulder and 20,197.98 cum sand between April 2009 and December 2010. However, while issuing these permits the Divisions charged royalty at rates lower than those applicable which resulted in short realisation of royalty of ₹ 1.06 crore as shown in **Annexure-IV**. We also noticed that the proforma for permit as prescribed by the Forest Department did not seek an undertaking from the

permit holder that in case of upward revision in rates of royalty, the balance amount would be recoverable from them.

After we pointed this out, DFOs, Kamrup West and Nagaon Divisions stated (between February and March 2011) that the short realisation was due to late receipt of the copy of the notification revising the rates of royalty. DFO, Nagaon further stated that the balance amount could not be billed as no undertaking was obtained from the user agencies. While we are yet to receive replies of the remaining Divisions, the reply of DFO, Nagaon indicates that scope of realisation of the entire amount was remote as the proforma of the permits issued did not include any clause for recovery of the balance amount in case of upward revision of royalty.

We recommend that the Government/Department may consider incorporating a clause in the permits seeking an undertaking from the permit holders that in case of any upward revision in rates of royalty, the balance amount would be recoverable from them. Besides, it may also be ensured that the notifications on revision of rates are circulated among the field offices without delay.

We reported the cases to the Department/Government between June 2010 and January 2011 and followed up with them between December 2010 and February 2011; we have not received their replies (August 2011).

6.7 Loss of revenue due to irregular reduction of *mahal* materials and amount payable after settlement of *mahal*

[DFO, Kamrup West Division, Bamunigaon; between December 2010 and January 2011]

Accumulation and depletion of sand/stone in the riverine *mahal*² due to river current is a constant process and failure to extract these within the stipulated timeframe results in washing away of these materials, thus leading to loss of revenue.

The sale notice prescribed under the Assam Sale of Forest Produce and *Mahal* Rules, 1977 provides that the tenderers should fully satisfy themselves about the availability of the *mahal* materials before quoting their bids and no complaint whatsoever is to be entertained later on. Further, the terms and conditions of the agreement form *inter alia* stipulate the periodicity of extraction, quantity of forest material, total amount to be paid and the dates of payment of instalments, security deposits etc. Failure to pay any instalment(s) on time would result in the *mahal* being sold at the risk of the *mahaldar* and loss suffered by the Government, if any, would be recovered from the *mahaldar*. There is no provision for reduction of quantity of forest produce once the operation of the *mahal* commences.

We observed that in three cases settled between June 2008 and September 2009, though the *mahaldars* were required to satisfy themselves about the availability of the materials before quoting their bids, they submitted complaints about non-availability of *mahal* materials, three to four months after commencement of the operation. The Government/ Department, however, instead of cancelling the settlements as per the provisions of the sale notice and the terms and conditions of the agreement and putting the *mahals* on re-sale at the risk of the defaulting *mahaldars*, irregularly entertained the petitions and reduced the extractable quantity (between January 2008 and June 2010) as per

the plea of the *mahaldars*. This violation of provisions of the sale notice and terms and conditions of agreements resulted in loss of revenue of ₹ 91.39 lakh as mentioned in Table 4.

² A well defined area from where certain types of forest produces are sold.

Table 4

Reduction of *mahal* materials and loss of revenue

<u>Name of the mahal</u> Year of operation	<u>Month of settlement</u> <u>Period of settlement</u> Month in which plea on non-availability of <i>mahal</i> materials submitted	<u>Amount at which</u> <u>initially settled</u> Amount re-fixed	<u>Initial quantity of</u> <u>forest produce</u> Quantity re-fixed	<u>Loss of</u> <u>revenue</u>
		(₹ in lakh)	(in cum)	(₹ in lakh)
Chaygaon Sand <u>mahal No.1</u> 2009-11	<u>July 2009</u> <u>31.7.2009 to 30.7.2011</u> November 2009	<u>102.00</u> 55.83	<u>10,000 cum</u> 5,500 cum	46.17
Chaygaon Sand <u>mahal No. 2</u> 2008-10	<u>April 2008</u> <u>16.6.2008 to 15.5.2010</u> September 2008	<u>56.04</u> 24.02	<u>35,000</u> 15,000	32.02
Kukurmara Sand <u>mahal</u> 2006-08	<u>September 2009</u> <u>17.9.2009 to 16.11.2010</u> December 2009	<u>35.21</u> 22.01	<u>50,000</u> 31,250	13.20

We reported the case to the Department/Government in January 2011 and followed up with them in February 2011; we have not received their replies (August 2011).

6.8 Loss of revenue due to irregular application of Court verdict

[DFO, Kamrup West Division, Bamunigaon; between December 2010 and January 2011]

Accumulation and depletion of sand/stone in the riverine *mahal* due to river current is a constant process and failure to extract these within the stipulated timeframe results in washing away of these materials, thus leading to loss of revenue. Further, forest produce in the riverine *mahals* are put up for sale every alternative year for a cycle of two years.

As per clause 5 of the agreement form, if the *mahaldar* (person having the right to extract forest produce from the *mahal* area) fails to pay the relevant instalment in time, the *mahal* will be put to re-sale at the risk of the *mahaldar* and the loss suffered by the Government is to be recovered from him.

We observed that the Kukurmara sand *mahal* was settled (April 2007) with a *mahaldar* at a price of ₹ 1.19 crore³. An agreement was entered into between the *mahaldar* and the DFO stipulating the terms and conditions which *inter-alia* mentioned that in case of failure to pay any dues in time, the *mahal* will be put to re-sale at the *mahaldar's* risk. The *mahaldar* started operation from 20 April 2007 and paid three instalments totalling ₹ 44.44 lakh, but failed to pay the fourth instalment of ₹ 14.81 lakh due on 17 January 2008.

As per the agreement, the DFO put the *mahal* on risk-sale on 28 January 2008 for extraction of 50,000

³ For two years for extraction of 80,000 cum of sand between 18 April 2007 and 17 April 2009.

cum sand during the working period upto 17 April 2009 against which three tenders were received, the highest being ₹ 51 lakh. However, the defaulting *mahaldar*, alongwith a partial payment of ₹ 5 lakh submitted a petition (12 February 2008) requesting for extension of time for payment of the fourth instalment and withdrawal of the risk-sale notice which was accepted by the Division. Being aggrieved, the highest bidder of the risk-sale approached the Hon'ble High Court of Gauhati for redressal. Meanwhile, the *mahaldar* paid the remaining amount of the fourth instalment on 18 and 28 February 2008, the risk-sale was withdrawn by the Division on 28 February 2008 and the *mahaldar* was allowed to continue operation.

The *mahaldar* again failed to pay the fifth instalment and requested (29 March and 17 April 2008) for extension of time and made a partial payment of ₹ 50,000 which was not accepted by the Division and the *mahal* was again put on re-sale (2 May 2008) with 40,000 cum sand to be extracted within 17 April 2009. However, the re-sale notice had to be withdrawn (3 May 2008) as per the Gauhati High Court's order to maintain status-quo in the case. Finally, the Gauhati High Court ordered (1 April 2009) to process the risk-sale as per the sale notice dated 28 January 2008 i.e. the first risk-sale.

We noticed that while the Department filed certificate case against the defaulting *mahaldar* as per the risk-clause, they also processed (July 2009) the risk-sale and settled (August 2009) the *mahal* with the second highest bidder⁴ at ₹ 35.21 lakh with the working period from 17 September 2009 to 16 November 2010. Further, while filing the certificate case against the defaulting *mahaldar*, the Department deducted the aforesaid amount of ₹ 35.21 lakh from the recoverable amount. The action of the Department was irregular because the working period involved in the risk-sale initiated on 28 January 2008 expired on 17 April 2009 and hence the Department should have processed the case accordingly and proceeded to recover the entire loss sustained from the defaulting *mahaldar* as per the clause of the risk-sale. Thus, irregular retrieval of the *mahal* after putting it on risk-sale and irregular application of Court's verdict by the Department in increasing the *mahal* period up to November 2010 resulted in non-operation of the *mahal* for the subsequent *mahal* period of two years from April 2009 to March 2011 thereby causing loss of revenue of at least ₹ 44.43 lakh⁵.

We reported the case to the Department/Government in January and followed up in February 2011; we have not received their replies (August 2011).

⁴ As the highest bidder failed to deposit the requisite security deposit.

⁵ Calculated considering the minimum value (reserve value) of the mahal i.e. the royalty rate of sand @ ₹ 70/cum for 80,000 cum sand for 19 months from April 2009 to November 2010 i.e. 80,000 cum (prescribed extractable quantity for 24 months)/24 X 19 months = 63,333 cum X ₹ 70/cum = ₹ 44.33 lakh.

6.9 Short levy of monopoly fee

[DFO, Dibrugarh Division; June 2010]

Under the Assam Forest Regulation, forest produce can be used for departmental construction only after obtaining prior permission of the Forest Department and advance payment of royalty. Upon payment of royalty in full in advance on the forest produce, a permit shall be issued by the Forest Officer allowing extraction of forest produce. In case of any unauthorised extraction without prior permission and advance payment of royalty, monopoly fee of 200 *per cent* of the royalty value is leviable.

We noticed that the University Engineer, Dibrugarh University had forwarded (January 2010) a statement showing extraction of various forest produce⁶ by 15 contractors which were utilised in construction works undertaken by the University alongwith a draft of ₹ 2.65 lakh being the royalty on the said forest produce. Since Dibrugarh University did not obtain prior permission as required under the Assam Forest Regulation, the DFO, raised (March 2010) a bill of ₹ 17.38 lakh on the Dibrugarh University being royalty on the forest produce utilised and

monopoly fee (penalty) at 200 *per cent* on the volume of timber only. As extraction and utilisation of the forest produce was unauthorised and without prior payment of royalty, monopoly fee at 200 *per cent* of the royalty value of all forest produce utilised by the authorities was leviable. This resulted in short levy of monopoly fee of ₹ 6.38 lakh⁷.

After we pointed this out, the DFO, Dibrugarh stated (June 2010) that the matter has been taken up with the Dibrugarh University. Further developments have not been reported (August 2011).

⁶ 1,392.90 cum sand; 1,457.80 cum gravel; 814.21 cum silt and 111.248 cum timber.

⁷ 200 *per cent* on (1,392.9 cum sand @ ₹ 90/cum = ₹ 1.25 lakh; 1,457.8 cum gravel @ ₹ 130/cum = ₹ 1.90 lakh and 814.21 cum silt @ ₹ 5/cum = ₹ 4,071).

We reported the matter to the Department and Government in July 2010 and followed up with them in February 2011. We have not received their replies (August 2011).



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