

## Chapter-V Forest Receipts

### 5.1 Tax administration

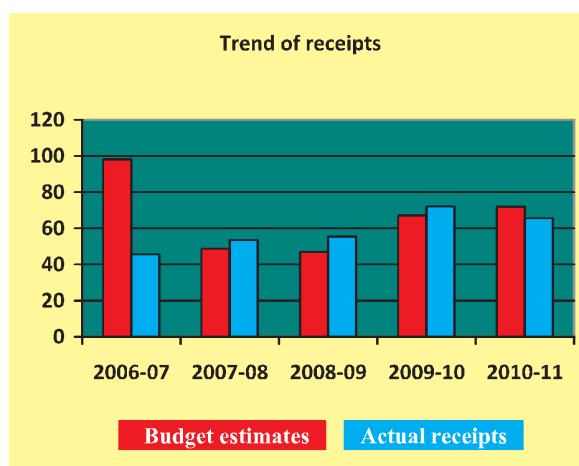
The Forest Department is headed by the Principal Chief Conservator of Forests (PCCF) under the administrative control of the Principal Secretary (Forests) who is assisted by eight Conservators of Forests (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities 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 forest during the years 2006-07 to 2010-11 along with the total tax receipts during the same period is exhibited in the following table and graph:

(₹ 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
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
2010-11	71.77	65.44	(-) 6.33	(-) 9	5,337.69	1



It would be seen from the above that variations between the budget estimates and the actual receipts remained between (-) 54 per cent and 18 per cent during the period 2006-07 to 2010-11.

### 5.3 Impact of audit

During the last five years (including the current year's report), we have featured 45 audit observations with revenue implication of ₹ 61.76 crore. Of these the Department/Government had accepted/partially accepted 27 paragraphs involving ₹ 47.62 crore and had since recovered ₹ 4.63 crore. The details are shown in the following table:

(₹ in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2006-07	11	3,475.00	7	3,268.18	5	235.27
2007-08	12	1,074.00	8	896.90	7	141.11
2008-09	10	513.00	7	378.06	6	85.61
2009-10	06	780.00	3	217.12	0	0.0
2010-11	06	333.74	2	1.81	1	0.62
<b>Total</b>	<b>45</b>	<b>6,175.74</b>	<b>27</b>	<b>4,762.07</b>	<b>19</b>	<b>462.61</b>

This is indicative of the fact that the Department had not been able to enforce prompt recovery even in accepted cases.

**The Government may consider introducing a mechanism ensuring recovery against accepted cases in a time bound manner.**

### 5.4 Results of audit

In 2010-11, our test check of the records of 28 units relating to forest receipts revealed non/short recovery of royalty, non-levy of interest/extension fee and other irregularities involving ₹ 39.76 crore in 171 cases, which fall under the following categories:

(₹ in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	14	15.10
2.	Non-levy of interest	19	0.63
3.	Non-levy of extension fee	6	0.08
4.	Other irregularities	132	23.95
	<b>Total</b>	<b>171</b>	<b>39.76</b>

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 59.62 lakh in ten cases which were pointed out in earlier years. An amount of ₹ 48,000 was realised in one case during the year 2010-11.

A few illustrative cases involving ₹ 3.34 crore are mentioned in the following paragraphs:

## 5.5 Audit observations

Our scrutiny of the records in the offices of the 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 royalty/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, 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:

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

We noticed non-compliance of the above rules/instructions in some cases. These have resulted in non-realisation of Government revenue of ₹ 3.34 crore and are mentioned in the following paragraphs 5.7 to 5.12.

## 5.7 Short/non-levy/non-crediting of departmental charges

### 5.7.1 Four forest divisions<sup>68</sup>

As per instructions of Principal Chief Conservator of Forests (PCCF), Himachal Pradesh, issued in May 2004, Departmental charges at the rate of 17.5 per cent were to be charged in the case of Compensatory Afforestation (CA) schemes to cover the establishment and infrastructure charges of the Department.

Our scrutiny between July 2010 and March 2011 of the CA bills raised by the Department, revealed that in eight cases of diversion of forest land for non-forestry purposes approved by the Government of India between December 2007 and March 2010, three Divisional Forest Officers (DFOs) while claiming the cost of CA of ₹ 74.74 lakh from the user agencies, did not include the Departmental charges of ₹ 13.08

lakh in seven cases. In Theog division, CA of ₹ 29.22 lakh was realised, but against the Departmental charges of ₹ 5.11 lakh, ₹ 94,000 only were realised

<sup>68</sup> Ani at Luhri, Bharmour, Palampur and Theog

from the user agency. This resulted in non-recovery of Departmental charges of ₹ 17.25 lakh<sup>69</sup>.

We reported the matter to the Department and to the Government between August 2010 and April 2011. The CF in his reply (July 2011) stated that the Palampur division has raised and issued a bill for ₹ 48,000 to the user agency. We have not received the replies of the remaining divisions (December 2011).

### 17 forest divisions<sup>70</sup>

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 afforestation head.

**5.7.2** We noticed between July 2010 to March 2011 from the CA bills that 17 forest divisions had realised ₹ 8.60 crore inclusive of Departmental charges of ₹ 1.41 crore<sup>71</sup> between February 2006 and October 2010 on account of CA in respect of 62 cases of diversion of forest land for non-forestry purposes.

The Departmental charges were deposited in CAMPA<sup>72</sup> account instead of depositing it in the revenue head of the Department. Thus, non-deposit of 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 August 2010 and April 2011; we have not received their replies (December 2011).

### 5.8 Non-levy of interest on belated payment of royalty

#### Seven forest divisions<sup>73</sup>

The pricing committee in its meeting dated February 2005 decided that the Himachal Pradesh State Forest Corporation (HPSFC) would pay interest at the rate of nine *per cent* per annum on belated payment of royalty if not paid by 30<sup>th</sup> November and 20<sup>th</sup> March, in case of high lying lots and by 15<sup>th</sup> September and 15<sup>th</sup> December for resin tapping lots. A grace period of 90 days is also allowed for payment of royalty without paying interest.

We noticed between August 2010 and March 2011 from the lot register and details of payment of royalty etc. as furnished by the HPSFC to the PCCF of seven DFOs, that 33 lots were handed over to the Corporation for exploitation during 2007-08 to 2010-11. Royalty of ₹ 2.65 crore payable

<sup>69</sup> Ani: ₹ 3.35 lakh, Bharmour: ₹ 9.25 lakh, Palampur ₹ 48,000 and Theog: ₹ 4.17 lakh

<sup>70</sup> Banjar, Bharmour, Chamba, Churah, Dalhousie, Dehra, Karsog, Kotgarh, Kullu, Rajgarh, Rampur, Reckong-Peo, Rohru, Shimla, Solan, Suket at Sundernagar and Una

<sup>71</sup> Banjar: ₹ 2.46 lakh, Bharmour: ₹ 5.33 lakh, Chamba: ₹ 5.34 lakh, Churah: ₹ 2.33 lakh, Dehara: ₹ 55,000; Dalhousie: ₹ 3.14 lakh, Karsog: ₹ 2.43 lakh, Kotgarh: ₹ 1.11 lakh, Kullu: ₹ 1.72 lakh, Rajgarh: ₹ 16.75 lakh, Rampur: ₹ 7.23 lakh, Reckong-Peo: ₹ 40.95 lakh, Rohru: ₹ 13.60 lakh, Shimla: ₹ 3.99 lakh, Solan: ₹ 10.24 lakh, Suket at Sundernagar: ₹ 17.10 lakh and Una: ₹ 6.33 lakh

<sup>72</sup> Compensatory Afforestation Fund Management and Planning Authority

<sup>73</sup> Chopal, Karsog, Kotgarh, Nurpur, Palampur, Rampur and Reckong-Peo at Kinnaur

between March 2008 and February 2009 was however, paid between April 2009 and September 2010. The delay in payment of royalty ranged between 329 and 741 days. Interest of ₹ 38.64 lakh<sup>74</sup> though leviable was not demanded by the Department. We also noticed from the final accounts of the Corporation that due to non-raising of the bill, provision for interest liabilities of ₹ 38.64 lakh had not been made in the balance sheet by the Corporation.

After we reported the matter to the Department between September 2010 and April 2011; Kotgarh division stated that Corporation had been directed to pay the interest and Palampur division stated (July 2011) that bill of ₹ 40,214 on account of interest on belated payment of royalty has been raised and issued to the Corporation whereas Nurpur division stated that the bill of ₹ 78,328 for interest has been issued after reconciliation with the Corporation. The reply of the remaining divisions has not been received (December 2011).

We reported the matter to the Government between September 2010 and April 2011; we have not received their replies (December 2011).

## **5.9 Illicit felling of trees**

### **Four forest divisions<sup>75</sup>**

As per the instructions of the PCCF HP, the Block officer/Range officers are required to inspect the forests from time to time and take effective steps against illicit felling and report the matter to the higher authorities for taking action. Damage reports (DRs) are required to be issued and got signed from the offenders, if known. The cases are to be registered with the police.

**5.9.1** We noticed between July 2010 and December 2010, from the register of offence cases, timber form register (MF-7) and inquiry reports submitted by inquiry officers in respect of four divisions that 141 trees were illicitly felled by offenders during December 2007 and March 2010. In three divisions<sup>76</sup>, no DRs were issued and in Jogindernagar division, FIR with the police was registered in respect of four trees

out of 23 trees felled illicitly. The case of illicit felling could not be detected by the field staff but was detected by the flying squad. In Parvati division, illicit felling was done two to 18 months, before it came to notice of the field staff. The laxity on the part of the field staff in timely detection of the offences and reporting them to the police resulted in seizure of 76.949m<sup>3</sup> of timber against the total volume of 198.08 m<sup>3</sup>. The remaining 121.13 m<sup>3</sup> of timber was taken away by the offenders which resulted in loss of revenue to the tune of ₹ 50.39 lakh.<sup>77</sup>

<sup>74</sup> Chopal: ₹ 19.52 lakh, Karsog: ₹ 8.05 lakh, Kotgarh: ₹ 1.50 lakh, Nurpur: ₹ 78,000; Palampur: ₹ 1.02 lakh, Rampur: ₹ 4.69 lakh and Reckong-Peo at Kinnaur: ₹ 2.11 lakh

<sup>75</sup> Ani at Luhari, Chamba, Jogindernagar and Parvati at Shamshi

<sup>76</sup> Chamba, Jogindernagar and Parvati at Shamshi

<sup>77</sup> Ani at Luhari: ₹ 20.03 lakh, Chamba: ₹ 5.48 lakh, Jogindernagar: ₹ 3.77 lakh and Parvati at Shamshi: ₹ 21.10 lakh

As per instructions contained in PCCF HP Shimla letter dated July 2004 the damages/illicit felling etc., detected is required to be got acknowledged/signed by the regular staff viz. Forest guard/Block Officer/Assistant Manager Corporation. In case the Corporation refuses to acknowledge/accept the damage bill preventive steps like stopping of works etc. were required to be taken immediately. The Corporation would be liable to pay the price at lease or the prevailing market rates, whichever is higher alongwith a penalty of 100 per cent thereof.

**5.9.2** As per the clause-7 of the standard agreement lease deed, the marked trees for felling shall remain at the risk of the lessee (Corporation) after a fortnight from the date of communication of acceptance of proposal by lessee. The lessee shall be responsible for any damage caused to the forest crop in the process of forest working by negligence.

We noticed from the damage bill issued by Rohru forest division in September

2010 that 25 Deodar trees having standing volume of 34.10 m<sup>3</sup> were illicitly felled in the area which was handed over to the Corporation in December 2007 for exploitation of a salvage lot No. 14 marked in the compartments of 65 (a) & (b) in Khabal forest in Khashdhar Range. The RO Khashdhar raised the damage bill on the Corporation in August 2008 clearly stating that illicit felling had taken place in the compartments no. 65 (a) & (b) where lot No. 14 was marked. But the Corporation refused to accept the damage bill on the grounds that the area where illicit felling had taken place was beyond 250 meters of the working site. After noticing the illicit felling and non-acceptance of damage bill, the Department did not stop the work. As a result, revenue of ₹ 27.99 lakh (price of trees at the market rate alongwith penalty) including VAT could not be realised.

The omission was pointed out to the Department and the Government between August 2010 and February 2011; we have not received their reply (December 2011).

### 5.10 Non-tapping/short handing over of resin blazes

#### Two DFOs<sup>78</sup>

For scientific management of forests, division wise working plans are prepared, the prescriptions of which are required to be followed by field functionaries. As per working plans of forest divisions, two blazes are proposed to be caved for the *Chil* trees of Class IIB and above.

We noticed between August and October 2010 from the handing over list of enumerated resin blazes of two divisions that 47,538 resin blazes of class IIB<sup>79</sup> and above were handed over to the Corporation for tapping of resin during tapping seasons 2009 and 2010. The Corporation had caved one blaze per *Chil* tree instead of two blazes as prescribed in the

<sup>78</sup> Chopal and Nachan

<sup>79</sup> Having diameter of 50 cms and above

working plans. The field staff of Department did not notice the mistake. This resulted in non-tapping of 47,358 blazes<sup>80</sup> and loss of revenue of ₹ 16.51 lakh.

The omission was pointed out to the Department and the Government between September and November 2010; we have not received their reply (December 2011).

### 5.11 Short/non-realisation of revenue

#### Four DFOs<sup>81</sup>

The approval for diversion of forest land for non-forestry purposes is granted by the Government of India, Ministry of Environment and Forest (MoEF), in favour of a user agency on payment of a specified sum in the form of net present value. As per Departmental instructions of September 1991, the cost of trees standing on the forest land diverted/transferred for non-forestry purposes is to be recovered from the user agencies 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). The standing trees coming in the alignment of a project to be undertaken by the user agency are marked and handed over to the HPSEC for exploitation.

We noticed between July 2010 and March 2011 from the records of Compensatory Afforestation (CA) of four divisions that in four cases, final approval of GOI/MoEF for diversion of 345.6833 hectares of forest land for non-forestry purposes had been received between November 2007 and December 2010 after payment of Net Present Value (NPV) and CA charges as billed by the Department. The cost of 680 trees/sapling of different species<sup>82</sup> having standing volume of 573.27

m<sup>3</sup> coming in the alignment of the projects, with market value of ₹ 27.32 lakh (including VAT), was however not included in the bill. As such, the same remained unclaimed and un-recovered.

The omissions were pointed out to the Department and to the Government between September 2010 and April 2011; their reply was awaited (December 2011).

### 5.12 Non-tapping of resin blazes

After nationalisation of forest working, resin tapping work of resin lots exclusively rests with the Corporation being the sole agent for the purpose.

We noticed from the handing over list of resin blazes of Ani forest division in August 2010 that 44,279 resin blazes were enumerated, marked and handed over to the Corporation in January 2010

<sup>80</sup> 42,543 blazes at the rate of ₹ 35 and 4,815 blazes at the rate of ₹ 33.70

<sup>81</sup> Dalhousie, Kullu, Reckong-Peo at Kinnour and Theog

<sup>82</sup> Brahmi, Chil, Deodar, Kail, Tosh, Kunish, Neoza, Popular, Rai, Robina, Willow and other B/L

for working during 2010 tapping season. Out of this, the Corporation could tap only 2,471 resin blazes and the remaining 41,808 blazes were returned in May 2010 on the grounds that the resin blazes could not be worked as no tenderer came forward to bid. Being the sole exploiting agency, the Corporation was under obligation to manage extraction of resin or pay the royalty as resin not extracted in a season could not be saved for tapping in subsequent seasons. The Department did not raise the bill of royalty amounting to ₹ 14.63 lakh on account of these un-tapped blazes handed over for working.

After this was pointed out (August 2010), the PCCF stated (September 2010) that there was no pricing committee decision to return back marked and handed over lots on grounds that a tenderer was not coming forward. The loss, therefore, needs to be made good from the Corporation. Further reply has not been received (December 2011).

The omission was also reported to the Government in September 2010 and June 2011, we have not received their reply (December 2011).