

AUDIT FINDINGS



CHAPTER – II TIMBER





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2.1 Working Plans

A Working Plan (WP) is a document prepared for a period of 10 years which contains management strategy/plans for silvicultural operations *i.e.* raising of new plantation and developing existing plantation and in the process generating revenue through sale of forest produce. Non-existence of a WP adversely affects silvicultural operations and has a detrimental impact on the growth and regeneration of the forests. It also leads to stoppage of all activities relating to extraction of forest produce from the forests affecting the receipts of the Department. The National Working Plan Code (NWPC) issued by the MoEF, GOI, in June 2004 has also highlighted the need for judicious use of natural resources.

Audit scrutiny of WP relating to silvicultural operations of timber revealed the following deficiencies.

2.1.1 Non-revision of the WPs according to National Working Plan Code

The Supreme Court of India in the case of T N Godavarman Thirumulkpad *Vs* Union of India & Others has held (December 1996) that the felling of trees in all forests is to remain suspended except in accordance with the WPs of the State Governments, duly approved by the Central Government. The MoEF, GOI brought out (June 2004) the NWPC with the principles to strengthen the system of preparing of WPs in a uniform manner throughout the country and to re-shape the documents that embody forestry management prescriptions, *i.e.* the WPs. The NWPC contained the format in which the WPs were required to be prepared for obtaining approval of the MoEF, GOI which *inter-alia* included issues like survey and assessment of natural resources, markets and marketable products, methods of harvesting and their costs, past yield, revenue and expenditure, felling/cutting series of blocks and compartments, etc.

Audit scrutiny revealed that despite the apex Court orders in favour of felling in accordance with the WPs duly approved by the GOI and issue of NWPC prescribing detailed guidelines on preparation of WPs, the GOA did not opt

for the scope of commencement of silvicultural operations by re-designing the existing WPs in respect of four⁴ out of seven selected Divisions or prepare fresh WPs in case of remaining three Divisions in which the WPs were not in currency. Non-preparation of WPs in line with the format given in the NWPC has resulted in multiple issues as discussed in succeeding paragraphs.

2.1.2 Non-continuation of silvicultural operations

The basic component of preparing a WP is to ensure that felling of matured trees and generation of new plantation go simultaneously thereby ensuring ecological balance, which is termed as 'silvicultural operations' in forests parlance. Non-preparation of WPs in accordance with the format as prescribed in NWPC not only hindered silvicultural operations, but deprived the State exchequer of much needed revenue as well. Since the WPs did not envisage any operation of 'felling series'⁵, revenue foregone on this account could not be quantified in Audit.

Good practices:

States having considerable forest cover like Maharashtra, Madhya Pradesh, Chattisgarh, West Bengal etc have continued harvesting timber through preparation of WPs duly approved by MoEF, GOI.

Besides, silvicultural operations following the WP prescriptions would have ensured continuous presence and movement of forest officials on the forest floor which could have ensured (i) protection to the forest produce, and (ii) availability of legal timber in the market – both of which could have prevented illegal felling of timber which has emerged as the major threat for the forests as well as the officials of E&F Department, GOA engaged in protecting such large spread of forest cover in the State.

Information obtained from the **seven selected divisions** revealed that during the period 2006-07 to 2010-11, more than 5,000 cum of timber was illegally felled by miscreants from reserved forests of these Divisions. The forest royalty involved in these illegally felled timber was ₹ 23.65 crore, while the minimum market value of the timber is manifold higher⁶. Of this, the E&F Department could recover about 3,700 cum timber while the remaining outturn valuing over ₹ 6.70 crore (royalty value) was removed by the miscreants, as shown in the following Table 2. Audit findings as regards the timber recovered by E&F Department have been discussed in succeeding paragraph 2.2.

⁴ Kamrup East, Karimganj, Lakhimpur and Nagaon.

⁵ Identifying the block/coupes from which trees are to be felled during the WP period.

⁶ As seen from table 3 of this report.

Table 2

Table showing illegal felling of timber

Year	Illegally felled timber		Timber recovered		Timber removed by miscreants	
	Vol (in cum)	Amount involved (₹ in lakh)	Vol (in cum)	Amount involved (₹ in lakh)	Vol (in cum)	Amount involved (₹ in lakh)
2006-07	1,557.8800	629.14	1,186.28	473.27	371.60	155.87
2007-08	1,029.8572	484.88	918.92	429.96	110.94	54.92
2008-09	1,013.3119	523.14	606.48	303.41	406.83	219.73
2009-10	782.3940	421.03	529.26	280.31	243.83	134.77
2010-11	643.8570	307.26	451.52	202.86	192.34	104.40
Total	5,027.3001	2,365.45	3,692.4547	1,689.81	1,325.54	669.69

Source: Figures as furnished by the divisions.

The above figures reflect only the position of illegal felling and removal of timber which could be detected by the forest officials. In response to Audit observations on illegal felling of timber, the forest Divisions have been consistently reporting about their inability to cover the entire area of reserved forests under their jurisdiction with the available staff. Hence, the actual volume of illegal felling and removal of timber is evidently much higher. The “India State of Forest Report 2005”⁷ brought out by Forest Survey of India, MoEF, GOI indicated that there was decrease of 90 sq Km of forest cover in 2004-05 as compared to 2002-03 and had identified ‘illegal felling’ as its main cause.

After this was pointed out, the Department stated (November 2012) that at present the Department has undertaken project/scheme to revise all working plans in the State out of grant provided under 13th Finance Commission Award. The North-East Space Application Centre, Shillong has been involved for growing stock estimation based on remote sensing and GIS data. The scheme is sanctioned but the fund is to be released by GOA within the financial year.

Recommendation 1:

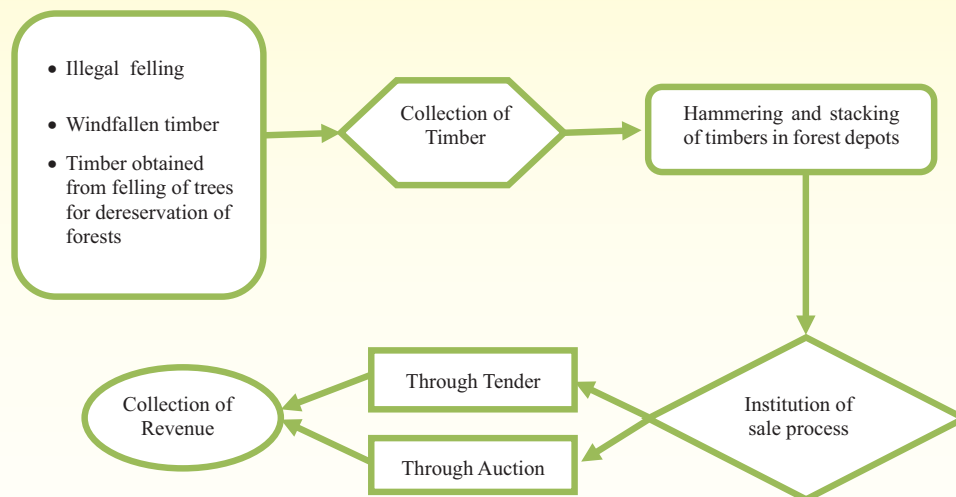
GOA may consider lifting the ban on felling of timber imposed in 1985 and direct the E&F Department, GOA to immediately initiate steps to revise the existing WPs which are in currency/prepare the WPs wherever due, in accordance with the format of NWPC prescribed by MoEF, GOI for exploitation of available resources in the interest of (i) maintaining ecological balance through silvicultural operations, (ii) containing illegal felling and (iii) generation of much needed revenue for the State exchequer.

GOA may also ensure timely release of funds for revision of the WPs.

⁷ Available online at www.fsi.org.in/sfr_2005.htm

2.2 Disposal of illegally felled/windfallen timber/timber obtained from de-reservation of forest for various projects

The major sources of timber are (i) seized and confiscated timber which is illegally felled by miscreants, (ii) timber derived from windfallen trees and (iii) timber derived from felling of trees for de-reservation of forests for various non-forest activities, as shown in the following diagram.



E&F Department has constituted a division named 'Forest Utilisation Office' for dealing with the requests of various agencies/Government Departments for supply of timber available in the timber depots under the forest divisions centrally. Besides, the respective forest divisions are also empowered to sell the timber available in their respective forest depots.

Audit findings on the sale process through auction/tender system *vis-à-vis* collection of revenue and other issues are discussed in the succeeding paragraphs.

2.2.1 Deficiencies in the system of timber sale

As per Assam Sale of Forest Produce Coupes and *Mahals* (Amendment) Rules, 2000 (ASFPCM Rules), timber lying in the forest depots are to be sold through tender process and if the sale process doesn't succeed despite three consecutive efforts, then timber could be disposed of through auction.

Audit scrutiny revealed that as per the system in place in the E&F Department, 'base price' is to be fixed at par with Government royalty rates according to the class of timber being put to sale.

An analysis of the Government royalty rates of various classes

of timber with the prevalent average market rates of the same was carried out by Audit. For this, Audit has independently collected the ‘market rates’ from the Directorate of Economics and Statistics, Assam. The analysis revealed that the market rates of timber were higher by 208.71 to 295.68 *per cent* in case of Teak timber, 317.86 to 512.79 *per cent* in case of Sal timber and 806.44 to 1,149.54 *per cent* in case of other timber as shown in the following Table 3.

Table 3
Analysis of average market rates *vis-à-vis* the rates of royalty

Year	Average Market rate			Rates of Royalty			Percentage variation between the average market rates and rates of royalty		
	₹/cum			₹/cum					
	Teak	Sal	Others	Teak	Sal	Others	Teak	Sal	Others
2006-07	20,486	17,943	16,600	6,552	4,294	1,532	212.67	317.86	983.55
2007-08	23,735	23,876	17,342	6,552	4,294	1,532	262.26	456.03	1,031.98
2008-09	25,925	26,313	19,143	6,552	4,294	1,532	295.68	512.79	1,149.54
2009-10	30,340	29,775	20,839	9,828	6,396	2,299	208.71	365.53	806.44
2010-11	37,086	35,214	23,241	9,828	6,396	2,299	277.35	450.56	910.92

Source: Directorate of Economics and Statistics, Assam and Departmental records.

However, during regular inspection of DFO, Kamrup West Division (this Division was not selected for the performance audit) it was observed that the Division employed a methodology of fixing the ‘base price’ based on the average of last three sale value of auction of similar category of timber. As a result, the division could generate revenue over and above the rates of royalty leviable on similar categories of timber ranging from 207.16 to 254.62 *per cent* as shown in the following Table 4.

Table 4
Collection of revenue over and above the rates of royalty

Year	Species	Volume (in cum)	Royalty value	Amount realised	Percentage of additional revenue
			(in ₹)		
2007-08	Sal	210.9280	8,99,397	31,74,740	252.99
2008-09	Sal	277.3310	11,82,539	41,93,563	254.62
2009-10	Sal	114.3700	7,31,511	22,46,893	207.16

It was noticed that the GOA has issued a notification adopting the above lines in September 2009 and directed the forest Divisions for fixing the ‘base price’ taking into consideration the average of last three sales values while selling timber lots on auction.

An analysis of the sale value of timber in seven selected Divisions during 2007-08 to 2010-11 with the market rates/average sale price of similar categories of timber in previous occasions is shown in the following Table 5.

Table 5

Analysis of sale value of timber in seven Divisions

Year	Species of timber/ volume (in cum)	Value of timber at royalty rates	Value at which sold	Market Value	Average of previous sales	Difference between Market Value and Sale Value	Difference between Average sale price and Sale Value	Difference between market rate/average sale price
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2007-08	Teak/539.5002	11,69,434	34,36,660	1,28,05,037	23,80,176	93,68,377	(-)10,56,484	93,68,377
	Sal/218.1480	87,909	8,44,237	52,08,502	4,93,843	43,64,265	(-)3,50,394	43,64,265
	Others/3,950.8913	38,81,144	49,96,688	6,84,81,673	67,96,949	6,34,84,985	18,00,261	6,34,84,985
2008-09	Teak/351.6591	7,55,145	24,73,542	91,16,762	83,10,008	66,43,220	58,36,466	66,43,220
	Sal/66.7780	46,799	5,60,025	17,57,130	4,62,936	11,97,105	(-)97,089	11,97,105
	Others/4,168.3926	31,45,044	46,95,230	7,97,95,540	46,62,802	7,51,00,310	(-)32,428	7,51,00,310
2009-10	Teak/878.3756	35,54,074	55,01,230	2,66,49,916	1,00,08,224	2,11,48,686	45,06,994	2,11,48,686
	Sal/83.2090	71,069	5,83,182	24,77,548	8,43,554	18,94,366	2,60,372	18,94,366
	Others/3,894.0439	56,45,619	62,26,250	8,11,47,981	92,09,996	7,49,21,731	29,83,746	7,49,21,731
2010-11	Teak/195.7662	8,13,681	7,19,016	72,60,185	3,95,295	65,41,169	(-)3,23,721	(-)3,23,721
	Sal/202.2602	11,18,124	11,66,587	71,22,391	11,98,998	59,55,804	32,411	32,411
	Others/3,656.8603	36,77,360	32,82,799	8,49,89,091	28,08,450	8,17,06,292	(-) 4,74,349	(-)4,74,349

Source: Departmental figures.

Thus, it may be seen that though the Divisions had fetched sale value which were higher than the royalty value (except some cases where timber was sold below the royalty value), yet these were far below the market rates/average of previous sale price relating to same category timber. Had these Divisions employed the methodology similar to the ones done by DFO, Kamrup West Division, there was likelihood of generation of additional revenue.

Further, in 695 out of 4,211 instances of sale of timber through tender/auction in the seven selected Divisions, it was noticed that 7,582.9686 cum timber involving other species were sold even below the royalty value of the timber. These timber lots were sold for ₹ 44.40 lakh instead of ₹ 106.63 lakh leading to loss of revenue of ₹ 62.23 lakh.

Besides, it was noticed that the formats of reports/returns furnished by the Divisions to the higher authorities do not contain provision for incorporating the 'base price' fixed for sale of timber lots. This deprives the higher authorities in the E&F Department to monitor the fixation of 'base price' as per the orders of GOA issued in 2009.

Recommendation 2:

GOA may issue instruction to the forest Divisions to follow the instruction of September 2009 scrupulously atleast for hardwood species like teak, sal etc., to ensure optimisation of revenue from sale of timber.

E&F Department may amend the format of report/return on sale of timber through tender/auction to enable incorporation of ‘base price’ fixed by the Divisions for better monitoring of the sale process of timber by higher authorities.

2.2.2 Fixation of ‘base price’ for sale of timber

As mentioned in paragraph 2.2.1, the GOA issued notification in September 2009 for fixing the ‘base price’ taking into consideration the average of last three sales while selling timber lots on auction. This system was to ensure maximisation of revenue yield as it was based on the average of actual price at which similar category of timber was sold in past three consecutive occasions.

An analysis of royalty rates, average of last three sales (obtained from the records of selected Divisions) and market value (independently obtained by Audit) relating to teak, sal and other categories timber during 2006-07 to 2010-11 revealed the following.

Table 6
Analysis of royalty rates, average of last three sales and market value

(in ₹/cum)

Year	TEAK			SAL			OTHERS		
	Royalty	Average sale price	Market Value	Royalty	Average sale price	Market Value	Royalty	Average sale price	Market Value
2006-07	4,309	-	20,486	4,158	-	17,943	1,643	-	16,600
2007-08	2,168	4,924	23,735	403	2,264	23,876	983	1,721	17,342
2008-09	2,147	23,631	25,925	701	6,932	26,313	754	1,119	19,143
2009-10	4,046	11,394	30,340	854	10,138	29,775	1,450	2,365	20,839
2010-11	4,156	2,019	37,086	5,528	5,928	35,214	1,006	768	23,241

Note: average sale price for 2006-07 is not filled up as the data was collected from 2006-07 onwards.



Thus, it may be seen from the graphs above that though the GOA order of September 2009 to sell timber by fixing the average of last three sales price as base price was envisaged to maximise revenue yield over and above the

royalty rates, in fact these remained close to the royalty rates and only on one occasion it had reached the level of ‘market rates’. Evidently, the system of selling timber at average prices did not yield the desired outcome of revenue optimisation. Further, as most of the Divisions and the E&F Department did not collect the ‘market rates’ of various categories of timber, they remained unaware about the wide gap between the ‘market rates’ and ‘actual price’ at which timber lots were being sold.

Incidentally, the instant case of huge variation between the market price and rates of royalty which is extending undue benefits to the contractors dealing in forest produce has been identified and discussed⁸ by the highest authorities in the GOA as a potential area of leakage of revenue.

The Department, while accepting the audit observation, stated (November 2012) that fixing of floor price of market rate or average of three sales may be feasible for timber which belong to A or B class which have good market demand and do not deteriorate very fast.

Recommendation 3:

E&F Department may consider prescribing systems for (i) collecting the market rates from reliable sources by various Divisions and (ii) suitably benchmark these ‘market rates’ as an indicator while fixing base price for sale of timber.

2.3 Functioning of Forest Utilisation Officer

As discussed in paragraph 2.2, E&F Department, GOA has created the Forest Utilisation Officer (FUO) Division with the basic purpose of dealing with the requests of various agencies/Government Departments for supply of timber available in the timber depots under the forest divisions.

Audit scrutiny revealed that though the Division was mandated to deal with the requests of various agencies/Government Departments for supply of timber, centrally, there was no system of reports/returns to be furnished by the forest Divisions to the FUO regarding availability of timber in their forest depots. Consequently, FUO could not serve the purpose of functioning as the repository of information about State-wise availability of timber which could have enabled the FUO as well as the other controlling offices to effectively respond to the requests from various agencies for supply of timber though substantial volume of timber was available in the forest Divisions as may be seen from Table 2 under paragraph 2.1.2. Resultantly, there was loss of revenue/excess outgo of Government money, as discussed in the succeeding paragraphs.

⁸ Principal Secretary (E&F, GOA)’s notes dated 22 December 2003 to the Chief Secretary and Minister (E&F), Assam.

2.3.1 Failure to supply timber requisitioned – loss of revenue

Border Road Task Force (BRTF) requested (September 2004) the FUI for supply of 3,006 nos. sal sawn timber of different sizes (totalling 130.89 cum). In the absence of a database of timber availability in various divisions, the FUI had to request all the divisions to intimate availability of timber. From the responses received, the FUI could supply 323 nos. sal sawn timber (between 2004 and 2008) through the DFO, Kamrup West Division.

As the FUI could not supply the remaining timber till 2008 (*i.e.* after expiry of more than four years from the date of receipt of indent), the BRTF authorities requested the former to refund the balance amount of ₹ 24.49 lakh deposited by them in favour of the E&F Department being the cost of the timber indented. The E&F Department accordingly refunded (September 2008) the amount, depriving GOA of revenue of ₹ 24.49 lakh. This was despite the fact that sufficient sal timber was available in various forest Divisions as evident from Table 5 under paragraph 2.2.1 which was disposed of during 2007-08 to 2010-11.

The Department stated (November 2012) that required timber could not be arranged as the private timber depots contacted for the purpose by the respective DFOs did not have the requisite sizes of timber/demanded additional amount for transportation of timber. The fact remains that no correspondence was found to have been made by the DFO with the BRTF authorities on the above lines till the latter requested for refund of the amount deposited.

2.3.2 Outgo of Government money

During 1985-86 when timber operation was in vogue in Assam, 2,450 cum timber was allotted⁹ to three firms namely M/s Navaratna Udyog, Lekhapani; M/s Lekhapani Saw and Veneer Mills, Lekhapani and M/s Tinsukia Oil and Saw Mills, Tinsukia between August 1984 and July 1985. The firms deposited royalty and sales tax for 2,003.059 cum timber. Of this, the firms lifted 1,138.766 cum timber leaving the balance 864.293 cum involving ₹ 11.81 lakh and sales tax of ₹ 83,418 as ban was imposed (1985) by GOA on felling of timber.

Audit scrutiny revealed that GOA while addressing the issue of unlifted timber by various firms decided (August 1992) that if the earmarked timber is not available for giving to the concerned firms who have paid the value, the firms may be given timber equivalent to the money deposited by them. The order

⁹ M/s Navaratna Udyog, Lekhapani – 450 cum vide Govt order No. FR. 22/85/32 dated 4 July 1985; M/s Lekhapani Saw and Veneer Mills – 1,000 cum vide Govt order No. FR. 22/85/32 dated 4 July 1985; and M/s Tinsukia Oil and Saw Mills – 1,000 cum vide Govt order No. FR. 72/83/Pt. III/65 dated 10 August 1984.

further stated that while calculating the timber equivalent to the money deposited by the firms, interest at 12 *per cent* up to date should also be added.

Scrutiny of records further revealed that despite the GOA order and requests made (November 1995) by the aforesaid firms for releasing timber, the E&F Department had not supplied the balance timber till 2010-11 (*i.e.* for more than 25 years). As a result, the firms approached the Gauhati High Court which ordered for payment of the balance amount alongwith interest. Accordingly, GOA had to pay ₹ 20.68 lakh¹⁰ to M/s Navaratna Udyog in March 2011. Besides, payment of interest of ₹ 21.45 lakh calculated upto March 2011 in respect of the other two firms were also awaiting sanction from GOA.

Thus, had there been an updated database of timber available in various forest Divisions, the E&F Department could have used it as a tool to identify requisite timber for releasing to these firms. This could have enabled the GOA to avoid payment of Government money on account of interest and principal despite availability of substantial volume of timber in various forest divisions.

The Department stated (November 2012) that timber could not be released to the firms due to non-availability of suitable timber as per the requirement of the firms. The fact remains that this aspect has not been explored at all as evident from departmental files and records.

Recommendation 4:

E&F Department may install a system of reporting regarding the volume and sizes of timber availability with the Divisions to the FUO for effective decision making and catering to the demands of various user agencies.

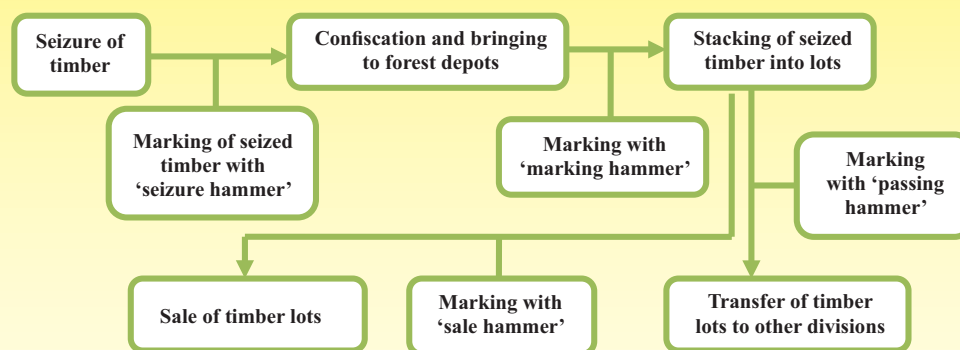
2.4 Management of hammers



In forest parlance, ‘hammers’¹¹ play an important role in case of marking of both, legal and illegal timber. Generally, hammers are classified into various categories namely ‘seizure hammer’, marking hammer’, ‘passing hammer’ and ‘sale hammer’. The functions of these hammers are discussed through the following block diagram.

¹⁰ ₹ 4.39 lakh (value of timber) + ₹ 0.33 lakh (sales tax) + ₹ 15.96 lakh (interest).

¹¹ Hammers are used for marking of timber by the E&F Department.



Thus, it may be seen from the block diagram above, the hammers are of utmost importance and can be used for transporting illegally felled timber if these fall into the hands of miscreants. In view of such immense importance of use of hammers for marking timber, the Indian Forest Act (Section 51d) as well as the AFR {Regulation 48(1)(a)} has conferred the powers to the State Governments to make Rules guiding the principles for the same.

Audit scrutiny revealed that GOA is yet to frame any specific Rules regarding management of hammers. The position of hammers in the seven selected Divisions and F.U.O are mentioned in the following Table 7.

Table 7
Availability of hammers

Name of Division	Hammers allocated	In use	Not in use	Not available/ lost
North Kamrup	112	19	93	-
Kamrup East	332	52	277	3
Dhemaji	28	28	-	-
F.U.O	20	2	13	5
Cachar	350	39	307	4
Nagaon	38	34	-	4
Karimganj	336	52	279	5
Lakhimpur	32	15	-	17
Total	1,248	241	969	38

Thus, out of 1,248 hammers available in these Divisions, only 241 were in use. More importantly, according to the information furnished to Audit, 38 hammers have since been missing/lost from these Divisions. The concerned Divisions broadly attributed the reasons for non-availability/loss of hammers to (i) reasons not known; (ii) lost in fire, (iii) transferred to other Divisions, etc. It was observed that there was a system of circulating the information about loss of hammers, yet the same was limited to the ranges/beats/check-gates under the concerned Divisions only. However, other Divisions remained unaware about such incidents. Further, though the position of hammers is watched through a control register in respective Divisions, yet there is no system for independent periodic physical verification of hammers. Also, there is no system of periodical reports/returns to be furnished by the Divisions to the higher authorities about the position of hammers. Due to

these deficiencies, the higher authorities remained unaware about non-utilisation of 969 hammers as well as non-availability/loss of 38 hammers in these Divisions which runs the risk of these being used by miscreants for transporting illegally felled timber.

The Department stated (November 2012) that CCsF of the territorial wings would be instructed to monitor the use of government hammers, ensure proper maintenance of records and also to inspect the records regularly.

Recommendation 5:

GOA may frame specific Rules for guiding the management of hammers which may inter-alia include a system for circulating the information of missing hammers to all Divisions. A reporting mechanism on status of hammers in the Divisions may also be evolved so as to enable the higher authorities for better monitoring and guarding against loss/pilferage/misuse of hammers.

E&F Department may investigate the cases of non-availability/loss of hammers in its Divisions.