

EXECUTIVE SUMMARY

Marginal increase in collection of revenue	<p>In 2010-11, the collection of revenue from forest receipts increased by 10.08 <i>per cent</i> over the previous year which was attributed by the department to increase in the enforcement activities and revision of rate of royalty on limestone from ₹ 45 to ₹ 63 per MT from 13 August 2009.</p>
Internal audit not conducted	<p>Audit of the Forest Department has never been conducted by the Examiner of Local Accounts. This resultantly had its impact in terms of weak internal controls in the Department leading to substantial leakage of revenue. It also led to the omission on the part of the Divisional Forest Officers remaining undetected till we conducted our audit.</p>
No recovery by the Department of observations pointed out by us in earlier years.	<p>During the period 2005-06 to 2009-10, we had pointed out non/short levy, non/short realisation of royalty, fee, fines, etc, with revenue implication of ₹ 15.59 crore in 27 cases. Of these, the Department/Government accepted audit observation in seven cases involving ₹ 4.13 crore but no recovery was made.</p>
Result of audits conducted by us in 2010-11	<p>In 2010-11, we test checked the records relating to forest receipts and found non/short realisation/levy of royalty, fee, fines etc involving ₹ 8.43 crore in 24 cases.</p> <p>The Department failed to respond to any of the irregularities brought to their notice and no recovery on the basis of our observations was made.</p>
What we have highlighted in this chapter	<p>In this chapter, we conducted a Performance Audit on “Forest receipts of Meghalaya” involving ₹ 97.11 crore noticed during our test check of records relating to settlement of mahals, existence of illegal saw mills, encroachment of forest land, fees and fines etc, in the Office of the Principal</p>

Chief Conservator of Forests and Divisional Forest Officer, where we found that the provisions of the Act/Rules were not followed.

It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action. We are also concerned that though these omissions were apparent from the records, which were made available to us, the Department was unable to detect these mistakes.

Our conclusion

The Department needs to redress the internal control system including strengthening of internal audit to prevent omissions of the nature detected by us in future.

It also needs to initiate immediate action to recover the short realisation of royalty, fees, fines etc, pointed out by us; more so in those cases where it has accepted our contention.

CHAPTER-VI: FOREST RECEIPTS

6.1 Tax administration

The Principal Secretary, Forest and Environment Department is the head of the Forest Department at the Government level. At the Department level, the Principal Chief Conservator of Forests (PCCF) monitors the overall implementation of forest related projects including forest receipts. The implementing authorities at the district level are the Divisional Forest Officers (DFO). All forest related activities including revenue collection are regulated by the Meghalaya Forest Regulation (Application and Amendment) Act, 1973, the Assam Settlement of Forest Coupes¹ and *Mahals*² by Tender System Rules, 1967 (as adopted), the Meghalaya Forest (Ejection of Unauthorised Person) Rules, the Meghalaya Tree (Preservation) Act, 1976 and the Meghalaya Removal of Timber Regulation Act, 1981 and various Rules made thereunder.

6.2 Trend of receipts

Actual receipts from Forest Department during the years 2006-07 to 2010-11 along with the total non-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 non-tax receipts of the State	Percentage of actual receipts vis-à-vis total non tax receipts
2006-07	14.30	16.66	(+) 2.36	17	184.37	9
2007-08	17.85	15.60	(-) 2.25	13	199.35	8
2008-09	19.27	17.36	(-) 1.91	10	225.31	8
2009-10	20.35	20.03	(-) 0.32	2	275.09	7
2010-11	22.77	22.05	(-) 0.72	3	301.69	7

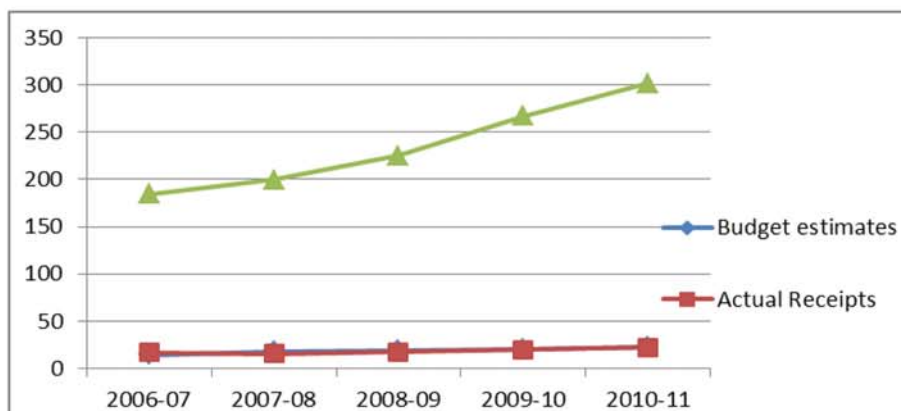
Thus, the percentage variation which was 17 *per cent* in 2006-07 came down consistently to the level of (-) 3 *per cent* in 2010-11. The high level of variation between the budget estimates and actual reflects that the Department needs to frame the budgets prudently based on past trends and future potential.

Forest receipts formed about 7-9 *per cent* of the total non-tax receipts of the State during the period 2006-07 to 2010-11.

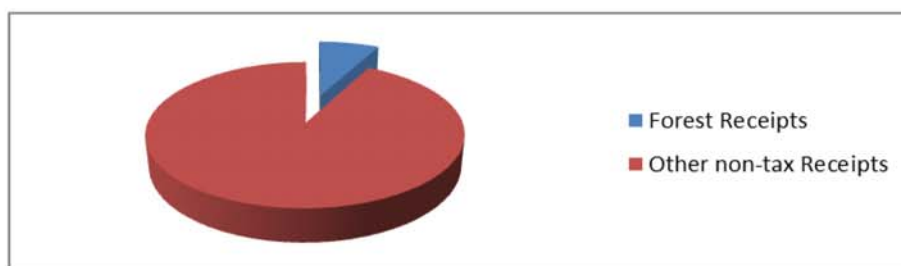
¹ A compact area where a number of trees are pre marked for sale by way of auction or tender on condition of their removal within a specified period.

² A well defined area wherefrom certain types of forest produce are sold on condition of their removal within a specified period.

A line graph of budget estimates, vis-à-vis the actual receipts and total non-tax receipts of the State may be seen below:



Also a pie chart showing the position of actual forests receipts vis-à-vis other non-tax receipts during the year 2010-11 may be seen below:



6.3 Impact of audit reports

During the last five years (including the current year's report), we have pointed out non/short levy, non/short realisation of royalty, fees etc., with revenue implication of ₹ 118.19 crore in 25 paragraphs. Of these, the Department/ Government had accepted audit observations in six paragraphs involving ₹ 100.39 crore, in respect of which, no recovery has been made. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2006-07	7	5.49	3	1.40	-	--
2007-08	6	9.93	-	--	-	--
2008-09	6	3.56	2	1.88	-	-
2009-10	5	2.10	-	--	-	-
2010-11	1	97.11	1	97.11	-	-
Total	25	118.19	6	100.39	-	--

Thus, though the Department/Government have accepted six paragraphs involving revenue of ₹ 100.39 crore, no recovery could be made during the past five years. This reflects that there is a need for the Department/Government to revamp the revenue recovery mechanism to ensure that at least the revenue involved in the accepted cases is recovered.

6.4 Results of audit

Test check of the records of 16 units relating to the Forest Department during the year 2009-10 revealed non-realisation of royalties, fees etc., amounting to ₹ 105.54 crore in 25 cases which can be categorised as under:

<i>(₹ in crore)</i>			
Sl. no.	Category	Number of cases	Amount
1.	Performance Audit on "Forest Receipts of Meghalaya"	1	97.11
2.	Non-realisation of fees	3	1.50
3.	Loss of revenue	6	3.74
4.	Other irregularities	15	3.19
Total		25	105.54

During the year 2010-11, the Department failed to respond to any of the irregularities brought to their notice except the Performance Audit where they have accepted all the lapses involving ₹ 97.11 crore.

A Performance Audit on "Forest Receipts of Meghalaya" involving ₹ 97.11 crore is mentioned in the succeeding paragraphs.

6.5 Performance Audit on “Forest Receipts”

Highlights

- Revenue of ₹ 2.84 crore could not be earned during 2005-06 to 2010-11 due to non settlement of Mahals.
(Paragraph 6.5.7)
- There were 162 illegal sawmills operating in the state as against 41 licensed sawmills.
(Paragraph 6.5.8)
- 26 per cent of reserved forests in Jaintial Hills Division (JHTD) were encroached as on March 2011 and not a single encroacher had been evicted by the DFOs. There was inadequate monitoring of the cases filed against encroachers.
(Paragraph 6.5.9)
- The Government had not revised royalties and export fees since November 1998 and October 1999 respectively resulting in foregoing of ₹ 16.99 crore.
(Paragraphs 6.5.10.1 and 6.5.10.2)
- All the six working plans/schemes of the State had not been prepared and submitted to the MOEF, despite creation of a separate office for processing the Working Plans.
(Paragraph 6.5.11.1)
- Failure to harvest the bamboos led to a revenue loss of ₹ 1.20 crore, though Bamboo was identified as the chief marketable product in the Garo Hills Territorial Division (GHTD).
(Paragraph 6.5.11.2)
- In GHTD and Khasi Hills Territorial Division timber measuring 471.85 cum involving royalty of ₹ 26.76 lakh had been felled and removed illegally
(Paragraph 6.5.12.1)
- Our cross verification of records of the Taxation and Forest Department for the period 2005-06 to 2010-11 revealed non recovery of ₹ 6.63 crore on account of evasion of royalty and export fee by two firms.
(Paragraph 6.5.12.2)
- Non resolution of differential rates of royalty with District Councils led to charging of two rates for the same products such as toko leaves, bamboo and cane, encouraging unhealthy competition between the State and the District councils.
(Paragraph 6.5.12.3)
- Export fee of ₹ 3.95 crore on 13.16 lakh MT limestone extracted from KHTD and JHTD was not levied
(Paragraph 6.5.14)

- Cess of ₹ 4.33 crore on 39.14 lakh MT of limestone extracted during 2005-06 and 2010-11 was not realised by the Department.

(Paragraph 6.5.14.1)

- We found that eight cement factories were setup in Jaintia Hills District without forest clearance. Failure of the State Government in allowing setting up of cement factories without the approval of the Central Government and lack of will to keep their operation in abeyance, resulted in non-recovery of net present value of ₹ 43.45 crore.

(Paragraph 6.5.14.16)

6.5.1 Introduction

The total geographical area of Meghalaya is 22,429 sq. km. out of which forest cover comprises 17,321 sq. km. (77.23 per cent)³. The recorded forest area is 9,496 sq. km. out of which 1,124.32 sq. km. (11.84 per cent) comprising reserved forests and protected forests is under the direct control of the Forests and Environment Department, Government of Meghalaya. The remaining unclassified forests covering 8,371.68 sq. km. (88.16 per cent) are managed and administered by three autonomous District Councils⁴.

6.5.2 Organisational setup

The Principal Secretary, Forests and Environment is the overall in-charge of the Forests and Environment Department. At the Directorate level, the Principal Chief Conservator of Forests (PCCF) is the administrative head. For carrying out its assigned responsibilities, the Directorate is divided into four circles viz., Territorial Circle, Wildlife Circle, Social Forestry and Environment Circle and Research and Training Circle.

The function of the Territorial Circle is to regulate interstate as well as intrastate transit of various forest produce; regulate the extraction and transit of minor minerals and collection of royalty therefrom; regulate the establishment and operation of wood based industrial units and; protection, management of reserved forests, proposed reserved forests, protected forests, etc.

The Principal Chief Conservator of Forests (Territorial) [PCCF(T)] is the head of the Territorial Circle. He is assisted by a Chief Conservator of Forests (CCF) and two Conservators of Forests (CF). There are three territorial divisional offices⁵ in the State at the field level each headed by a Divisional

³ India State of Forest Report 2009 published by Forest Survey of India.

⁴ Khasi Hills Autonomous District Council (KHADC), Jaintia Hills Autonomous District Council (JHADC) and Garo Hills Autonomous District Council (GHADC).

⁵ Offices of the Divisional Forest Officers - Khasi Hills Territorial Division (KHTD), Shillong; Jaintia Hills Territorial Division (JHTD), Jowai; Garo Hills Territorial Division (GHTD), Tura.

Forest Officer (DFO) and assisted by Assistant Conservators of Forests (ACF) and Forest Range Officers (FRO).

6.5.3 *Audit objectives*

A Performance Audit of the Forest Receipts in the State was conducted with the following objectives:

- ascertaining the adequacy of the systems in place to prevent violation of the laws and procedures and consequent loss of forest revenues;
- ascertaining whether collection of forest revenues was maximum to the extent prescribed;
- gauging revenue mobilisation efforts and timely revision of rates of royalty of various forest produce;
- whether use of forests and extraction and disposal of forest produce was in accordance with the various Acts, Rules and court orders; and,
- extent or lack thereof of co-ordination and information sharing between the Department and other state agencies to maximize collection of revenue.

- extent and adequacy of monitoring and internal control mechanism in place.

6.5.3.1 *Audit criteria*

In Meghalaya, the extraction and disposal of forest produce are regulated by the following Acts and Rules:

- Assam Forest Regulation, 1891 and Assam Settlement of Forest Coupes and Mahals by Tender System Rules, 1967 as adapted under the Meghalaya Forest Regulation (Application and Amendment) Act, 1973;
- Meghalaya Forest (Ejection of unauthorised persons from Reserved Forests) Rules, 1979;
- Government of India, Forest Conservation Act, 1980;
- Government of India, Forest Conservation Rules, 1981;
- Meghalaya Forest (Removal of Timber) (Regulation) Act, 1981;
- Meghalaya Forest (Removal of timber) (Regulation) Rules 1982;
- Meghalaya Forest Based Industries (Establishment & Regulation) Rules, 1998;
- Meghalaya Charcoal Rules, 2008.

6.5.4 Scope of audit

The Performance Audit for the period 2005-06 to 2010-11 was conducted between January 2011 and May 2011 through test check of records of the PCCF and PCCF(T) at the Directorate and all the three territorial divisions in the field.

6.5.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation extended by the Forests and Environment Department to Audit in the course of this assignment. An entry conference attended by the Deputy Secretary, Finance Department and the Chief Conservator of Forests (Territorial) was held on 14 January 2011 where the officials were apprised of the objectives, scope and methodology of this Performance Audit. The draft Performance Audit report was sent to the Government/Department on 21 June 2011 for their response. An exit conference was held on 1 July 2011 with the Under Secretary, Finance Department, Deputy Secretary, Forest Department and the Conservator of Forests (HQ) in which the results of audit were discussed. The Government/ Department have accepted most of the audit findings/recommendations and assured to take action.

6.5.6 Audit Findings**6.5.6.1 Revenue collection vis-à-vis budget estimates**

Forest receipts, a source of non-tax receipts, are largely derived from sale of major forest produce such as wind fallen/seized timber and from sale of minor minerals such as stone/boulders and sand. Export fees realised from forest produce exported outside the State also form a substantial part of the revenue. The budget estimates and forests revenue actually collected during the years 2005-06 to 2010-11 are shown below:

(₹ in crore)

Year	Budget Estimate	Actual Collection	Variation/ (+) excess/(-) shortfall	Percentage of variation
2005-06	13.00	15.30	(+) 2.30	18
2006-07	14.30	16.66	(+) 2.36	17
2007-08	17.85	15.60	(-) 2.25	13
2008-09	19.27	17.36	(-) 1.91	10
2009-10	20.35	20.03	(-) 0.32	2
2010-11	22.77	20.05	(-) 2.72	12

Source: Finance Accounts, Government of Meghalaya

It can be seen from above that revenue collection in the first two years of the period under review exceeded the budget estimates while in the remaining four years, the actual collections fell short of the estimates. Barring 2009-10 when the percentage of variation between the budget estimates and actuals was two *per cent*, the extent of variation in the other years was on the higher

side and ranged from 10 to 18 *per cent* which indicated that the budgetary formulation practices of the Department were not realistic.

6.5.7 Operation of mahals

Clause 2(c) of the Assam Settlement of Forest Coupes and Mahals by Tender System Rules, 1967 defines *mahal* as “a defined area wherefrom certain types of forest produce are sold on condition of their removal within a specified period”. Clause 3 of the said Rules further stipulates that *mahals* are to be settled by inviting tenders.

As on 31 March 2011, there were nineteen⁶ notified *mahals* in Meghalaya under the three territorial divisions.

6.5.7.1 Loss of revenue due to non-settlement of mahals

DFO, Khasi Hills Territorial Division

Mention was made in paragraph No 6.8.1⁷ of the Comptroller and Auditor General's (CAGs') Audit Report (AR) 2007-08, Government of Meghalaya (GOM) that since no *mahals* were put up for tender⁸ and all fifteen *mahals* under the KHTD with a total capacity of 27,950 cubic metres (cum.) of stone and 50,175 cum. of sand per working season remained unsettled during 2005-06 and 2006-07 resulting in loss of revenue of ₹ 74.83 lakh.

We further noted that no *mahals* in the KHTD were put up for tender during 2007-08 to 2010-11 also and hence there was a further revenue loss of ₹ 1.50 crore⁹ during these four years.

DFO, Jaintia Hills Territorial Division

Mention was made in paragraph 6.7¹⁰ of the CAGs' AR 2009-10, GOM that though the Department notified, in April 2008, the Umngot and Rongpani *mahals* in JHTD each with a capacity of 3,000 cum. of boulders per working season, the *mahals* could not be operated during 2007-08 and 2008-09 owing to the resentment of the local people. The resultant revenue loss was ₹ 9.60 lakh. It was further mentioned that though the CF(T) had in January 2009 instructed the DFO, JHTD in January 2009 to meet the Deputy Commissioner of Jaintia Hills and work out a solution within six days, no further action was found on record. We noted that the impasse had not been resolved even as of

⁶ **KHTD:** Umiam 2, Umiam 3, Umsaw Nongkharai, Umran, Umtrew, Umtru 1, Umtru 2, Umtru 3, Umtru river stone, Balat 1, Umiling, Jadukata, Umkrah river, Umtynggar river, Umiew river.

JHTD: Malidor, Rongpani, Umngot.

GHTD: Phuljharu.

⁷ Para 6.8.1 of the A.R. 2007-08 yet to be discussed by the PAC.
as there were no bidders on earlier occasions) during the period 2005-07, ⁸

⁹ (27,950 cum. of stone X ₹ 80 per cum. X 4 years = ₹ 89,44,000) + (50,175 cum. of sand X ₹ 30 per cum. X 4 years = ₹ 60,21,000) = ₹ 1,49,65,000.

¹⁰ Para 6.7 of the A.R. 2009-10 yet to be discussed by the PAC

May 2011 and as a result, the two *mahals* could not be operated in 2009-10 and 2010-11 also leading to a further revenue loss of ₹ 9.60 lakh¹¹ for these two years.

We further noted that Malidor, the third *mahal* in JHTD, with a capacity of 4,000 cum. of boulders per working season was notified by the Department in January 2002. The operation of the *mahal*, after following due process, was allotted in the same month to a *mahaldar* for ₹ 8.24 lakh who however, could operate the *mahal* only for a limited period as operations had to be stopped on account of objections raised by the Forest Department, Government of Assam. Later attempts to operate the *mahal* also did not materialise due to ecological concerns raised by students' organisations. The revenue loss due to the *mahal* remaining unexploited during the review period 2005-06 to 2010-11 worked out to ₹ 19.20 lakh¹².

DFO, Garo Hills Territorial Division

*Phuljharus*¹³ are seasonal plants with a harvesting period between January and March every year. *Phuljharu mahal* is the lone *mahal* under GHTD.

Mention was made in para 6.8¹⁴ of the AR 2009-10, GOM that delay in settlement of the *mahal* by the Department by which time the *phuljharu* collection season for 2008-09 was already over, led to a revenue loss of ₹ 7.11 lakh. In respect of the other years of the period under review, the position of this *mahal* was as under.

➤ We found that during 2005-06, since no responses were received for the sale of 950 quintals of *phuljharu* despite three sale notices issued in August, October and December 2005, the Government on 24 February 2006 accorded permission to the Forest Development Corporation of Meghalaya (FDCM) to collect the *phuljharu* on payment of royalty. The Directorate communicated this to the FDCM on 06 March 2006 while the work order was issued by the DFO, GHTD to the FDCM on 14 March 2006. The FDCM however, did not operate the *mahal*. The reasons for non operation were not found on record with the department.

➤ We noticed that during 2006-07 and 2007-08 tenders were invited on 17 October 2006 against which four offers were received on 31 October 2006 with the highest bid at ₹ 0.62 lakh. The Directorate on 14 February 2007 issued a provisional settlement order to the highest bidder who then deposited the first instalment of ₹ 0.31 lakh. Thereafter, the DFO, GHTD issued the work order on 13 March 2007. The *mahaldar* (Shri Kalusing Sangma), instead of operating the *mahal* appealed to the Directorate to settle the *mahal* for the next working season *i.e.*, 2007-08 on the plea that the settlement was made

¹¹ 6000 cum. of boulders X ₹ 80 per cum. X 2 years = ₹ 9,60,000.

¹² 4000 cum. of boulders X ₹ 80 per cum. X 6 years = ₹ 19,20,000.

¹³ Broomstick.

¹⁴ Yet to be discussed by the PAC

late as a result of which, the collection season for 2006-07 was over. The request was turned down. The mahaldar for the year 2006-07, being aggrieved at his plea being turned down filed a court case under WP(C) No 322 (SH) of 2007. The court dismissed his petition on 21 July 2008 but by that time the harvesting season was over. Hence, the mahal remained unsettled during 2007-08.

➤ We found that during 2009-10 the *phuljharu mahal* was put up for sale in September 2009 which attracted the highest bid of ₹ 8.51 lakh (October 2009). The Department Tender Committee approved (November 2009) settlement with the highest bidder. The DFO, GHTD issued provisional settlement order on 13 January 2010. The bidder appealed for reduction of offered value, on the ground that the harvesting season would be over by February, which was turned down (February 2010) by the Directorate. Thereafter, neither did the bidder turn up for operating the *mahal* nor did he deposit the bid value. There was, thus, a loss of ₹ 8.51 lakh for the *mahal* remaining unoperated during 2009-10.

➤ We found that during 2010-11 the sale notice for the *phuljharu mahal* was issued on 25 August 2010. Three tenders were received. The Department settled (13 December 2010) the *mahal* with the second highest bidder at his offered bid of ₹ 2 lakh. Accordingly, the DFO, GHTD informed (07 January 2011) the bidder to deposit the first installment of ₹ 1 lakh within fifteen days. There was no response from the bidder. The DFO, GHTD stated (26 May 2011) that the Department was “*contemplating to file a bakijai case against him*”. Consequently, the *mahal* remained unsettled during 2010-11.

A summary of the total number of notified *mahals* at the beginning of each of the years under review, the total number of *mahals* not operated during that year and the consequent revenue loss is given in **Appendix-I**. It will be seen that:

- none of the notified 17 and 19 *mahals* in existence during 2005-07 and 2007-11 respectively were actually operated;
- only the *phujharu mahal* in GHTD was allotted in four out of the six years under review, but the lessees did not operate the *mahal* in any of these years for various reasons;
- belated issue of settlement orders of *phuljharu mahal* led to a litigation case, and,
- against the potential revenue of ₹ 2.84 crore which would have been earned had the *mahals* been operated during 2005-06 to 2010-11, only ₹ 0.31 lakh was earned in 2006-07.

Reasons for non operation of *phujharu mahal* was not found on record.

Thus the above facts indicate that the Directorate has virtually not been able to earn any revenue from its *mahals* for various reasons and since the harvesting season for *phuljharu* is between January and March,

- (i) We recommend that the Department should take urgent steps to comprehensively tackle these issues by engaging with land owners and Government of Assam, taking proactive steps to effectively address the concerns of the public and civil society organisations and, exploring the viability of introducing the permit system or any other alternative measures to settle the *mahals* to earn revenue.
- (ii) Directorate should prescribe a clear-cut timeline for calling tenders for the *phuljharu mahal*, opening of tenders, acceptance of tenders, issue of allotment/work order, etc. to the successful bidder so that these formalities are completed well in time by, say, the first week of December every year.
- (iii) The Department may consider introducing a 'single window system' to avoid delay in the settlement process.

6.5.8 Existence of illegal saw mills

The Supreme Court in its order dated 15 January 1998 had opined that the proliferation of wood-based industries was the main cause of degradation of forests in the North Eastern States and hence it directed that the establishment of such industries be regulated. The enactment of the Meghalaya Forest-Based Industries (Establishment and Regulation) Rules, 1998 was a consequence of this order.

Rule 4(1) of the Meghalaya Forest-Based Industries (Establishment and Regulation) Rules, 1998 *inter alia* stipulates that all wood-based industries¹⁵ shall be established only in industrial/additional industrial estates notified by Government.

The State Government had declared eleven¹⁶ areas in Meghalaya as industrial estates and as of January 2011, had granted licenses to 41 wood-based industries between 23 June 1999 and 29 January 2008¹⁷ to operate at these notified locations. Of the 41 licensees 35, 04 and 02 licensees fell under the jurisdictional areas of the KHTD, JHTD and GHTD respectively.

Information furnished by the three territorial divisions, in May/June 2011 revealed that besides the 41 licensed wood-based industries, 164 unlicensed/illegal saw mills detected by the Department were operating in their territorial jurisdiction during 2005-06 to 2010-11 as below:

¹⁵ Wood-based industrial units include saw mills, veneer mills and plywood mills.

¹⁶ Byrnihat, Umiam, Mairang, Khliehriat, Khliehtyrshi, Nongstoin, Mendipathar, Williamnagar, Tura, Resubelpara and Mawkyrwat.

¹⁷ Information furnished by the Directorate vide letter No. MFA 12/75/290 dated 19 January 2011 to Audit.

Year	JHTD		GHTD		KHTD	
	No. of illegal saw mills detected	No. of illegal saw mills closed down	No. of illegal saw mills detected	No. of illegal saw mills closed down	No. of illegal saw mills detected	No. of illegal saw mills closed down
2005-06	03	--	35	35	--	--
2006-07	--	--	09	09	--	--
2007-08	27	05	25	25	109	--
2008-09	05	09	23	23	06	06
2009-10	--	--	43	43	--	--
2010-11	22	01	32	19	30	30
Total	57	15	167	154	145	36

Source: Information as furnished by the three divisions.

We noticed that the DFO, JHTD informed (15 April 2011) the Deputy Commissioner (DC), Jaintia Hills District, Jowai that a survey (March 2011) conducted by the JHTD revealed that besides the 22 illegal saw mills detected during 2010-11, another 39 illegal saw mills closed earlier had started operating again. In another correspondence the DFO requested (20 May 2011) the Executive Engineer, Jowai (Distribution) Division, Meghalaya State Electricity



Seized blade wheels of an illegal saw mill

Board (MeSEB) to disconnect power connection of 83 illegal saw mills. We compared this list (83 numbers) with the one sent to the DC (61 numbers) and detected 35 illegal saw mills which did not figure in the list sent to the DC. *Vice versa* there were 13 illegal saw mills on the list of the latter which did not figure in the list sent to the MeSEB. Thus, in effect 96 illegal saw mills were in operation in the areas under the JHTD as against 42 inferred from the above table. Further, the number of authorised (04) *vis-à-vis* unauthorised (96) sawmills in the JHTD was in the ratio of 1:24.

In the KHTD, 109 illegal saw mills were detected during 2007-08. The only action taken by the DFO, KHTD was to forward the list of 109 mills (13 April 2008) to the Chief Engineer (Distribution) MeSEB, Shillong with a request to disconnect their power supply. Thereafter, the KHTD never once pursued the matter with the MeSEB nor did the latter inform the former of any action it had taken in the matter. In the KHTD the number of authorised (35) *vis-à-vis* unauthorised sawmills (109) was in the ratio of 1:3.

In the GHTD, the number of authorised (02) *vis-à-vis* unauthorised sawmills (13) was in the ratio of 1:7. We further noted that in June 2010, the PCCF, Government of Assam had also brought to the notice of the GOM that 21 clandestine saw mills were operating on the Assam-Meghalaya border.

Thus, even by a conservative estimate, as many as 218 illegal saw mills¹⁸ were operating in the State as of May/June 2011.

The Directorate admitted to Audit in January 2011 that its efforts to close down illegal saw mills permanently were ineffectual as seals fixed by the Directorate were broken by the errant saw mill owners and operations resumed despite several instructions to the contrary, FIRs lodged with the police to halt the illegal operations were futile and assistance taken from the MeSEB to disconnect the power to the illegal saw mills achieved little success.

Viewed against this backdrop, the inability of the Department/Directorate to effectively deal with the problem was a matter of serious concern with grave implications for the ecology and environment of the State.

We recommend that the Government may consider setting up a Monitoring Committee comprising of officials from the Forest, Police and Deputy Commissioner's establishment besides Meghalaya Energy Corporation Limited (erstwhile MeSEB) whose sole function would be to ensure coordinated, orchestrated and sustained efforts by their staff to stop any illegal saw mill from operating in the State.

6.5.9 Encroachment of reserved forests

Rule 3 of the Meghalaya Forest (Ejection of unauthorised persons from Reserved Forests) Rules, 1979 stipulates that the DFO "may eject any person who has entered into unauthorised occupation of land in a Reserved Forest or order him to vacate such unauthorised occupation". The Union Ministry of Environment and Forests (MOEF) in May 2005¹⁹ subsequently clarified that forest dwellers including tribals who are in continuous possession of forest land prior to 25 October 1980 shall be eligible to be considered for settlement of land right including regularisation of encroachment on forest land.

The extent of illegal encroachments in the State's reserved forests subsequent to the cut-off date stipulated by the MOEF was as below:

Year/ period	Area encroached (in hectare)				No. of persons involved				No. of cases filed				No. of verdicts delivered by court
	GHTD	JHTD	KHTD	Total	GHTD	JHTD	KHTD	Total	GHTD	JHTD	KHTD	Total	
25.10.80 to 31.03.05	402.89	8047.00	1.27	8451.16	4498	3060	2	7560	57	925	2	984	NIL
2005-06	3.31	5.11	-	8.42	12	30	-	42	12	13	-	25	NIL
2006-07	11.57	12.16	-	23.73	20	05	-	25	16	17	-	33	NIL
2007-08	6.54	2.60	0.01	9.15	21	21	1	43	15	10	1	26	NIL
2008-09	6.16	0.42	-	6.58	25	03	-	28	10	03	-	13	NIL
2009-10	3.24	0.06	-	3.30	218	03	-	221	08	03	-	11	NIL
2010-11	1.87	-	-	1.87	22	-	-	22	09	-	-	09	NIL
Total	435.58	8067.35	1.28	8504.21	4809	3122	3	7941	127	971	3	1101	NIL

Source: Directorate/Divisions

¹⁸ JHTD -96; GHTD - 13; KHTD -109

¹⁹ MOEF letter No. 2-3/2004/FC to all States/Union Territories.

The above table reveals that between the period 25 October 1980 and 31 March 2011 the area of reserved forests encroached in the JHTD was 8,067.35 hectare. Considering that the total area of reserved forests under the JHTD was 31,145 hectare this meant that 26 *per cent* of reserved forests in the JHTD were encroached.

Overall however, there was a declining trend in encroachments after 2006-07 in the State.

We further noted that during the period 2005-11 under review, not even a single of the 7,941 encroachers were ejected from the reserved forests by the DFOs under the powers vested in them under Rule 3 *ibid*. Instead the DFOs took recourse to filing 1,101 cases against the encroachers in the courts between October 1980 and March 2011. We observed that:

- the 1,101 cases filed constituted just 13.86 *per cent* of the persons involved;
- the courts had not delivered a verdict in any of the 1,101 cases filed as of May 2011;
- the DFOs of the GHTD, JHTD and KHTD never followed up/pursued/monitored the cases sent to the court – the DFOs stated that once a case is filed its monitoring is done by the forest lawyer; and,
- the position of cases filed was not being monitored centrally at the Directorate level as no system of submission of periodical reports by the divisions was in place.

Thus the Department was not at all serious about tackling encroachment in forest areas effectively.

We also noticed that that the MOEF in February 2004²⁰ had directed:

- that in respect of any fresh occupation of forest land, the State Government shall hold the concerned District Magistrate, Superintendent of Police and the concerned DFO personally responsible for such encroachment and they would be liable for disciplinary action in respect of such encroachment;
- the constitution of State, Circle and District level encroachment monitoring committees immediately, who were required to meet quarterly, for eviction of encroachments and monitoring of the same.

We observed that the GOM had not implemented the above directives.

²⁰ MOEF letter No. 2-1/2003-FC(Pt) dated 05 February 2004 to all Chief Secretaries and PCCFs of States/Union Territories.

6.5.10 Failure to protect revenue

Protecting public revenues is a vital responsibility of every government department, more so, in the context of Meghalaya where the need for additional resource mobilisation had been engaging the attention of the GOM time and again.

6.5.10.1 Non-revision of royalty rates and consequential loss of revenue

Royalty means the prescribed fees payable for various forest produce to the State Forest Department and is arrived at based on market prices and average annual inflation of the said products. The prevailing rates of royalty (as of May 2011) for various forest produce and minor minerals were fixed by the Department on 12 November 1998.

We observed that following a decision taken at a departmental meeting on 12 June 2006, the Directorate submitted a proposal on 27 October 2006 to the Department for revision of royalty rates based on a comparison with the prevailing royalty rates of Assam Forest Department, for five types of minor minerals²¹. The Department did not act on this proposal. Subsequently, following a decision taken at another departmental meeting on 25 August 2008, the Directorate forwarded a fresh proposal²² to the Department on 29 August 2008 which was at par with the earlier rates proposed in October 2006. As of May 2011, the Department was yet to approve the proposal. On the other hand, the Government of Assam, Forest Department had under notification dated 30.4.2005 and 1.9.2009 revised the rates of royalty of minor minerals. The position is shown below:

(In ₹)

Sl.No	Item	Royalty rates (per cum.) effective from 12 November 1998	Revised royalty rates (per cum.) proposed in October 2006 and August 2008	Royalty rates (per cum) notified by the Government. of Assam, Forest Department	
				with effect from 30.04.2005	with effect from 01.09.2009
1.	Sand	30.00	55.00	75	90
2.	Gravel, broken stone, shingle, boulder	80.00	148.00	100	130
3.	Squared stone	95.00	175.00	-	130
4.	Clay, earth	32.00	59.00	15	15
5.	Shingle	80.00	148.00	75	130

²¹ 1) sand 2) gravel, broken stone and boulder 3) squared stone 4) clay, earth and shale 5) shingle.

²² The PCCF in his submission did not propose a revision of the royalty rates of various timber and wood based forest produce as these rates were already higher than the prevailing market rate of such produce.

We noted that prior to 12 November 1998 the rates were last revised on 01 March 1994, *i.e.*, after a gap of around four and-a-half years. Following the revision in November 1998, the rates have thereafter not been revised even after a passage of more than twelve years.

Figures²³ furnished by the three territorial divisions revealed that the total royalty collected from minerals (barring squared stone) during 2007-08 to 2010-11 was ₹ 18.78 crore. The incremental revenue would have been ₹ 15.87 crore had the Department approved the Directorate's proposal of October 2006 to enhance the rates of royalty.

6.5.10.2 Non-revision of export fees

Under the powers vested vide Section 40(1) of the Assam Forest Regulation, 1891, the GOM from 01 August 1994 introduced the levy of export fees on various forest produce removed outside the State. The export fees were last revised on 21 October 1999.

We observed that the Department on 13 October 2008 directed the Directorate to propose a revision of export fees. Accordingly, the latter on 07 November 2008 submitted a proposal to enhance/introduce new export fees in respect of eleven types of forest produce²⁴. We noted however that as of May 2011, the proposal was yet to be approved by the Department.

Out of the eleven types of forest produce, we test checked in respect of five items exported through Byrnihat checkgate, the additional export fees which could have been earned in 2009-10 and 2010-11 had the proposal been approved.

During these two years 1,04,421 trucks²⁵ carrying various forest produce crossed the checkgate out of which 28,128 trucks²⁶ carried five types of forest produce selected by us for test check, as indicated in the table below.

²³ Minor minerals extracted during 2007-08 to 2010-11:

Item	Quantity (cum.)	₹ in crore		
		Revenue realised	Revenue realisable at proposed rates	Loss due to non-revision
(i).Sand	16,11,280.38	4.83	8.86	4.03
(ii).Gravel, broken stone etc.	11,01,009.10	8.81	16.30	7.49
(iii).Clay, earth	2,86,216.55	0.92	1.69	0.77
(iv).Shingle	5,27,303.95	4.22	7.80	3.58
Total		18.78	34.65	15.87

Source: Divisional records

²⁴ round timber, sawn timber, firewood, charcoal(new), bamboo, broomstick, *tez patta*, cane, *dhoop* wood, bark and minor minerals.

²⁵ 35,666 and 68,755 trucks in 2009-10 and 2010 -11 respectively.

²⁶ 12,338 and 15,790 trucks in 2009-10 and 2010 -11 respectively.

Sl. No.	Forest produce (item)	No. of trucks	Present rates of export fee per truck (₹)	Export fee realised (₹ in lakh)	Proposed rates of export fee per truck (₹)	Export fee realisable at proposed rates (₹ in lakh)	Additional revenue (₹ in lakh) (Col 7-5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Phuljharu	5397	60	3.24	500	26.99	23.75
2.	Tez patta	2227	60	1.34	200	4.45	3.12
3.	Bamboo	2853	300	8.56	800	22.82	14.27
4.	Round timber	17	500	0.09	200	0.34	0.26
5.	Sawn timber	17634	200	35.27	600	105.80	70.54
Total		28128		48.50		160.40	111.94

Source: Records furnished by KHTD

It will be seen from the above table that the additional revenue foregone during 2009-11 was ₹ 1.12 crore in respect of just five items exported through one checkgate. The quantum of loss would be far higher if all the eleven types of forest produce exported through the other checkgates in the State were taken into account.

As is evident from paragraphs 6.5.10.1 and 6.5.10.2, the process of revising various royalties and fees was entirely Department-driven with the Directorate taking little initiative on its own in this regard. We observed that the Directorate did not have a system to monitor prices and price escalations of forest produce and minor minerals, reviewing whether the extant royalty rates and export fees reflected market conditions and periodically proposing revisions thereof. On the other, the actions of the Department in this regard were sporadic, characterised by indecision and indifference to protecting of government revenues. As a result, the royalty rates and export fees have not been revised even after twelve years and eleven years respectively.

We recommend that the government may ensure that rates of royalty and export fees are reviewed at least every two years by both the Directorate and Department and to protect revenue and ensure that royalties and fees are in sync with market conditions and the neighbouring state of Assam. We also recommend that:

- (i) It should be made incumbent on the Directorate to review/propose revision of rates biennially on its own.
- (ii) The Department on its part should notify the rates for a period of two years at a time.

6.5.11 Deficiencies noticed in working plans

6.5.11.1 Delay in preparation of Working Plans

To ensure sustainable management of forests the Supreme Court in January 1998, in Writ Petitions No. 202 of 1995 and 171 of 1996, ordered that state Governments shall prepare working plans²⁷ for all forest divisions and get them approved from the MOEF failing which, all felling and removal of timber of any kind will remain suspended in all forest²⁸ areas. Further, clause 8 of the National Working Plan Code brought out by the MOEF in June 2004 stipulates that Working Plans should be prepared two years in advance of expiry of the existing plan.

The status of Working Plans in the State was as follows:

State Forests			
Name of Territorial Forest Division	Date of approval of working plan	Working period	Status
KHTD	11.5.1999	1999-2000 to 2008-2009	Expired on 31.3.2009. Data for next working period still under compilation.
GHTD	16.12.1999	1999-2000 to 2008-2009	Expired on 31.3.2009. Field works and subsequent collection of data for next working period yet to be completed.
JHTD	12.5.1999	1999-2000 to 2008-2009	Expired on 31.3.2009. Field work and collection of data for next working period not yet started.
KHADC	25.10.2005	1.11.2005 to 31.10.2010	Expired on 31.10.2010. Draft working scheme for next working period submitted to PCCF for further action.
JHADC	13.03.2006	2005-2006 to 2010-2011	Expired on 31.3.2011. Draft working scheme for next working period submitted to PCCF for further action.
GHADC	14.11.2005	14.11.2005 to 31.10.2006	Expired on 31.10.2006. Draft working scheme for next working period submitted to PCCF for further action.

Source: Information gathered from MOEF and PCCF

As evident from the above table all working plans/schemes, whether of State or District Councils, have as of May 2011, expired – one scheme expired more than four years back and three plans two years back. We observed that the Directorate had not submitted any new working plans to the MOEF.

We noted that the Directorate had a Working Plan Division which was entrusted with the primary responsibility of formulating Working Plans. The Division, headed by a Working Plan Officer, had 35 other staff on its rolls as on 31 March 2011. The expenditure on pay and allowances of the Division

²⁷ According to the National Working Plan Code issued by the MOEF in June 2004, working plans are prescriptions prepared on the basis of principles of sustainable forest management and recognised and innovative silvicultural practices.

²⁸ The Supreme Court in its order dated 12 December 1996 stated that “forests” meant any area recorded as forest in the government record irrespective of the ownership.

during 2005-06 to 2010-11 was ₹ 4.08 crore. However, despite the creation of this office, the Directorate had fallen behind by four years²⁹ and counting, in the preparation and submission of working plans for forests in the State under its control. The fact that the schemes of the District Councils also had all expired was a poor reflection on the functioning of the Directorate/ Division. The PCCF stated in July 2011 that due to usage of conventional methods the collection of field data for preparation of Working Plan was slow and the only solution to overcome the problem was application of Remote Sensing (RS) and Geographical Information Systems (GIS) and a proposal to this effect had been sent to the State Government for approval.

The lapsed status of all the working plans/schemes in the State raises misgivings about the Department's/Directorate's level of commitment to the Supreme Court's directive on sustainable management of forests. The failure of an establishment created expressly for the purpose of preparing working plans to prepare the said plans, further pointed to the indifference and lack of oversight and monitoring both at the level of the Department and Directorate.

6.5.11.2 Non-implementation of the Working Plan resulting in revenue loss

We noticed that the Working Plan (1975-76) of the GHTD had prescribed a three-year felling cycle for bamboo. The plan further indicated that the total number of culms³⁰ available for harvesting from Dainadubi and Darugiri forest areas at 8,19,423 and 21,71,921 culms³¹ respectively. The annual yield from the two areas thus worked out to 9,97,115 culms³² per season.

²⁹ All three working plans expired on 31 March 2009. As per the MOEF Code, plans are to be prepared two years in advance of expiry of the existing plan. Hence, all the three plans should have been prepared by March 2007, which as of March 2011, was yet to be done.

³⁰ One culm is equal to one bamboo.

³¹ 1. Dainadubi

Name of Reserved Forest	Area (hectare)	Species of bamboo	Total no. of culms
Chimabangshi	60.00	Kako/Muli	115614
Dhima	123.60	Kako/Muli	131771
Rajasimla	152.00	Kako/Muli	242241
Ildek	38.00	Kako/Muli	61041
Dibru Hills	311.04	Kako/Muli	268756
	684.64		819423

2. Darugiri

Name of Reserved Forest	Area (hectare)	Species of bamboo	Total no. of culms
Darugiri	30.00	Kako/Muli/Tarai	52591
Songsak	155.20	Kako/Muli/Dalu	227326
Dambu	129.01	Kako/Muli/Dalu	252575
Rongrengiri	730.00	Kako/Muli	1231439
Baghmara	84.51	Kako/Muli	128506
Angratoli	263.68	Kako/Muli/Dalu	279484
	1392.40		2171921

³² (Dainadubi: 8,19,423 culms + Darugiri: 21,71,921 culms) ÷ 3 year cycle = 9,97,115 culms per year.

We, however, observed that although the GHTD's working plan for the period 1999-00 to 2008-09 identified bamboo as one of the chief marketable products and also mentioned that bamboo was to be harvested from Dainadubi and Darugiri forest areas, the plan failed to detail the bamboo bearing areas and the prescription for harvesting the bamboo in these areas. As a result, bamboo was not harvested during the ten-year period 1999-2009. The PCCF stated in July 2011 that harvesting of bamboos had not been proposed due to ecological considerations. The reply is not tenable as in the Working Plan of Garo Hills Circle pertaining to the years 1999-2000 to 2008-2009 it was mentioned that harvesting of bamboo may be made after the assessment of their growing stock. Thus, it is apparent that assessment of growing stock of bamboo had not been made and as such harvesting could not be executed. The said Working Plan nowhere mentioned that bamboo was not to be extracted due to ecological considerations.



Luxuriant growth of bamboo

The prevalent rate of royalty for dalu/muli bamboo is ₹ 100 per hundred and for kako bamboo ₹ 125 per hundred. Calculated on the basis of the royalty rate for dalu/muli bamboo, the revenue loss during the period 1999-2009 worked out to ₹ 99.71 lakh³³. Further, since the working plan of the GHTD for the period 2009-10 and onwards was yet to be prepared/approved, there was a further revenue loss of ₹ 19.94 lakh³⁴ during 2009-10 and 2010-11 as the bamboo could not be harvested in these years also.

6.5.12 Revenue losses

6.5.12.1 Illegal felling and removal of timber

Under Sections 24 and 25 of the Assam Forest Regulation, 1891, felling of timber and removal thereof from a reserved forest constitutes an offence. To prevent illegal removal of forest produce, erection of checkgates at all the vital entry and exit points is the primary responsibility of the Department. There are 48 forest checkgates³⁵ set up all over the State.

³³ 9,97,115 culms per year X 10 years @ ₹ 1 per culm = ₹ 99,71,150

³⁴ No working plan for the succeeding period (2009-10 onwards) has been prepared and submitted to the MOEF for approval.

³⁵ **GHTD:** (1) Gaptoli (2) Kharkutta (3) Mahendraganj (4) Hollaidonga (5) Dainadubi (6) Adokgre (7) Rongjeng (8) Darugre (9) Naringgre (10) Singkhama (11) Kherra (12) Williamnagar (13) Samanda (14) Nangbiram (15) Mendima (16) Nengpatchi (17) Pongsudam (18) Bangshi (19) Nameram (20) Gasuapara (21) Mandalgitik.

KHTD: (1) Mawsynram, (2) Cherrapunji (3) Bholaganj (4) Bagli (5) Byrnihat (6) Khanapara (7) Sukulbaria (8) Athiabari (9) Belahiri (10) Umsiang (11) Umtyrnga (12) Barapathar (13) Maikhuli (14) 7th

We had in past ARs³⁶ reported on the illegal felling and removal of timber from reserved forests and the consequent loss of royalty thereof – cases which have featured in the AR 2006-07, GOM and onwards are listed in the table below. Fresh instances noticed during course of this Performance Audit are also shown in the table below.



Stumps of illegally felled trees

Audit Report for the year ended/Para No.	Cases pointed out in earlier Audit Reports				Year	Fresh audit findings					
	GHTD		KHTD			GHTD		JHTD		KHTD	
	Timber illegally felled and removed (in cum.)	Royalty value involved (₹ in lakh)	Timber illegally felled and removed (in cum.)	Royalty value involved (₹ in lakh)		Timber illegally felled and removed (in cum.)	Royalty value involved (₹ in lakh)	Timber illegally felled and removed (in cum.)	Royalty value involved (₹ in lakh)	Timber illegally felled and removed (in cum.)	Royalty value involved (₹ in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
31.3.06/Para 6.4	754.76	35.93	-	-	2005-06	-	-	85.67	2.04	-	-
31.3.07/Para 6.10	203.93	9.76	-	-	2006-07	-	-	56.47	1.57	-	-
31.3.08/Para 6.9	1228.66	67.46	119.38	8.42	2007-08	-	-	28.03	0.61	-	-
31.3.09/Para 6.6	510.77	23.72	-	-	2008-09	-	-	13.00	0.55	-	-
31.3.10/Para 6.10	411.46	19.70	-	-	2009-10	145.83	8.11	16.85	1.38	-	-
-	-	-	-	-	2010-11	301.32**	18.25	8.89	0.09	24.70	0.40
Total	3109.58	156.57	119.38	8.42	Total	447.15	26.36	208.91	6.24	24.70	0.40

Source of data: Divisional records,

**upto December 2010

It will be seen that 3,109.58 cum. of timber with royalty value of ₹ 1.57 crore had been illegally felled and removed from reserved forests under the GHTD which was reported in earlier ARs. In course of this review we further noted from the divisional records that during 2009-10 and 2010-11 (upto December 2010) timber measuring 447.15 cum. with royalty value of ₹ 26.36 lakh had been illegally felled and removed.

In the KHTD, a revenue loss of ₹ 8.42 lakh was reported in the AR 2007-08, GOM due to illegal felling and removal of 119.38 cum. of timber. We further noticed from divisional records that during 2010-11 timber measuring 24.70 cum. with royalty value of ₹ 0.40 lakh had been illegally felled and removed.

Mile (15) Riat Khwan (16) Shyrwat (17) Umkhuti (18) Umtasor (19) Kyrdemkulai (20) Quinine (21) Murok, (22) 29th Mile (23) Umling, (24) 33rd Mile. **JHTD:** (1) Umkiang (2) Saphai (3) Saitsama.

³⁶ None of the paras reflected in the table have yet been discussed by the PAC.

In the JHTD we noticed that 208.91 cum. of timber with royalty value of ₹ 6.24 lakh had been felled and removed during 2005-06 to 2010-11.

In the above cases, the GHTD accounted for 90.97 per cent of the illegal timber felled and which accounted for 92.39 per cent of the total value of timber illegally felled in the State. We called for information from the DFO, GHTD regarding the vulnerable reserved forests from where the major illegalities were taking place. The information furnished in May 2011 revealed as follows:

Vulnerable reserved forests in GHTD		
Name of Range	Name of reserved forest under the Range	Location of forest checkgates
1.Dainadubi	(i) Chimabangshi (ii) Dhima	(i) Pongsudam (ii) Mendima (iii) Bangshi (iv) Nameram
2.Simsanggiri	Rongrenggiri	(i) Williamnagar (ii) Samanda (iii) Khera
3.Angratoli	Angratoli	Gasuapara

In spite of the recurring illegalities in the above mentioned reserved forests, no records could be furnished to substantiate that effective remedial measure had been taken at the divisional level to thwart the same. The location of the checkgates in these areas and their effectiveness was also questionable as despite their presence, the illegalities continued unabated. The Directorate on its part never reviewed the feasibility of checkgates once these were set up. This also indicated the Directorate's apathy in effectively tackling the menace.

6.5.12.2 *Loss due to evasion of royalty and export fee on illegal export of boulder/stone chips/from forest areas*

Rule 2(a) of the Transit Rules (framed under the Assam Forest Regulation, 1891) stipulates that no forest produce shall be extracted or removed except on payment of royalty. The prevalent rate of royalty on boulder/stone is ₹ 80 per cum. Further, the Department through a notification dated 21 October 1999 prescribed that all trucks carrying forest produce³⁷ from any forest or non-forest area for removal outside the State shall be levied a sum of ₹ 300 per truck as export fee. We randomly requisitioned 43 assessee files from the Superintendent of Taxes (ST), Williamnagar in February 2011 to verify whether persons/entities dealing in forest produce had correctly paid the prescribed royalties and fees. In two cases viz., M/s Capricorn Stone Products, Mendipathar and M/s Milestone Concrete (P) Limited, Adokgre, we noticed that the firms had extracted 6.97 lakh cum. of boulder during 2005-06 to 2010-11 and after crushing the same into stone chips, exported the entire

³⁷ Viz, "dhupwood, cane, bamboo, firewood, bark and minor minerals".

quantity through 34,971 trucks to other States. A cross-check of this information with the records of the DFO, GHTD showed that no royalty or export fees had been paid by these two firms for extraction and export of the stone chips. The royalty and export fee recoverable worked out to ₹ 5.58 crore and ₹ 1.05 crore, as detailed in **Appendix- II**, by way of royalty and export fee respectively. After this being pointed out, the DFO stated in February 2011 that he would take up the matter with the ST, Williamnagar. He further opined that lack of checkgates at vital exit points led to such illegal export of forest produce.

We recommend that:

- (i) The Directorate may in the above instances and other cases which come to light, issue standing instructions to the DFOs that FIRs should be immediately and invariably filed against the person(s)/firm(s) who have wilfully evaded payment of royalty and/or export fees. The progress and pursuance of these cases should be monitored on a monthly basis by the Directorate. The DFOs should additionally be instructed to explore all possible ways to recover the revenues due, in conjunction with other government agencies, if necessary.
- (ii) The Department/Directorate should prescribe that DFOs of territorial divisions should take the lead in convening inter-agency meetings on a quarterly basis with representatives of other revenue collecting agencies of the Central (Customs & Excise, Income Tax) and State (Superintendents of Taxes, Department of Mining and Geology, etc.) governments operating in their territorial jurisdiction for regular exchange of information and a greater degree of coordination in revenue collection efforts.
- (iii) The Directorate should carry out a review of the location of all the forest checkgates in the State to ensure that these are all well positioned. We noted that such an exercise had never been carried during the period under review.

6.5.12.3 Non-resolution of differential rates of royalty with District Councils

As mentioned earlier in this review, the total recorded forest area in Meghalaya is 9,496 sq. km. out of which 1,124.32 sq. km. and 8,371.68 sq. km. are under the control of the Department and the three Autonomous District Councils respectively. Under the provisions of the Sixth Schedule of the Constitution, the District Councils enjoy legislative, executive and judicial powers in management of forests under their control.

We observed that while the GHADC followed the rates of royalty prescribed by the Department, the KHADC and JHADC did not. A comparison of the schedules of rates of the Department and the latter two District Councils revealed that the KHADC and JHADC had their own rates which were on the

lower side barring for one item in KHADC and two in JHADC - the detailed position is given in **Appendix-III**.

In KHADC out of 12 items³⁸ of forest produce, the royalty for *toko* leaves was 400 *per cent* higher than that of the Department's. In respect of the other eleven items, the departmental rates were higher by 20 to 1,884 *per cent*. In JHADC, the royalty for bamboo and cane was higher by 60 to 2,567 *per cent* and 1,900 to 3,900 *per cent* respectively while the departmental rates were higher for seven items by 329 to 2,580 *per cent*.

At a meeting held on 25 August 2008, the Principal Secretary of the Department opined that the District Councils should bring their rates at par with the Forest Department as there cannot be two regimes operating royalty at different rates as the higher one would lose out. It was decided that the matter would be taken up with the District Councils. However, no further progress on this issue was found on record.

We recommend that the Department should take urgent steps to bring the royalty rates of forest produce of District Councils at par with its own. This would preclude the competition it has to face in earning revenue, maximise revenues for both the Department and the District Councils and correct what is presently an anomalous and untenable situation.

6.5.12.4 Arrears of revenue

Section 75 of the Assam Forest Regulation, 1891 stipulates that all money due to Government, on account of any forest produce if not paid when due, is to be recovered as if it were an arrear of land revenue.

The position of arrears of revenue up to 2004-05 of the three territorial divisions was as under:

(₹ in lakh)

Sl. No	Name of Division	Period of arrears	Revenue arrears
1.	GHTD	upto 2004-05	105.91
2.	JHTD	1982-83 to 2004-05	77.30
3.	KHTD	1950-51 to 2004-05	13.,74
Total			196.95

Source: Divisional records

We noted that the divisions were not able to recover even a single rupee of the above amount during 2005-06 to 2010-11. Arrears of revenue are reflected in divisional records in Form FD 7³⁹ prescribed in the Assam Forest Manual (adapted by the GOM). Since none of the divisions maintained this prescribed

³⁸ Comparison carried out for comparable items of forest produce in respect of which information could be obtained from the Department and District Councils.

³⁹ Form FD 7 shows the outstanding on account of revenue detailing defaulters names, particulars, period of outstanding, items for which outstanding, total outstanding and recoveries during each month.

form, we could not verify details of defaulters, amount outstanding against each and period for which outstanding. We further observed that the divisions did not take recourse to recover the amounts owed by the defaulters under Section 75 of the Assam Forest Regulation, 1891.

The KHTD and JHTD did not have any fresh arrears of revenue during 2005-06 to 2010-11. In the GHTD however, the position during this period of revenues realisable, revenue realised and arrears was as under:

(₹ in lakh)

Year	Revenue realisable	Revenue realised	Revenue in arrears	Percentage of revenue realised
2005-06	25.65	8.61	17.04	33.55
2006-07	54.81	17.57	37.24	32.05
2007-08	23.35	8.00	15.35	34.25
2008-09	44.49	5.76	38.73	12.94
2009-10	50.77	44.19	6.58	87.05
2010-11	Nil	Nil	Nil	Nil
Total	199.07	84.13	114.94	--

Source: Divisional records

We noticed from records that the above position of revenue realisable/realised/arrears of GHTD during 2005-06 to 2010-11 all pertained to the FDCM. The arrears accrued because the FDCM was allowed to lift timber without prior payment of royalty as required under Rule 2 of the Transit Rules framed under sections 40 and 41 of the Assam Forest Regulation, 1891. Instead, bills were raised against the FDCM by the GHTD after the former had lifted the timber which was a violation of the rule *ibid*. From the above table it will be seen that against bills of ₹ 1.99 crore raised during 2005-11, FDCM as on 31 March 2011 had paid up ₹ 0.84 crore and ₹ 1.15 crore was outstanding.

We recommend that:

- (i) The Directorate/GHTD should initiate vigorous steps to recover the arrears of revenue from FDCM.
- (ii) The Directorate should immediately instruct GHTD to allow the FDCM to lift timber only after the full amount of royalty is paid in advance as prescribed under the rules.

6.5.12.5 Bakijai cases

As mentioned in the preceding paragraph, under Section 75 of the Assam Forest Regulation, 1891 all money due to government if not paid when due, is to be recovered as if it were arrears of land revenue. Hence it follows that in cases where revenue cannot be realized through departmental procedures, these should be sent to the Recovery Officer/Bakijai Officer in the Deputy Commissioner's office, to be recovered as arrears of land revenue. The position of cases sent to the Bakijai Officers was as below:

Sl. No	Name of Territorial Division	Cases referred to Bakijai Officer/Recovery Officer			
		Nos.	Relating to the periods	Amount (₹ in crore)	Referred during the periods
1.	KHTD	38	1962-63 to 2003-2004	0.53	April 1967 to June 2006
2.	GHTD	66	1955-56 to 1991-92	0.03	June 1966 to September 1989
3.	JHTD	08	1976-77 to 1985-86	0.99	NA ⁴⁰
Total		112	1955-56 to 2003-04	1.55	

Source: Divisional records

We noted that although 112 cases with a total money value of ₹ 1.55 crore relating to the period 1955-56 to 2003-2004 had been referred by the three territorial divisions during June 1966 to June 2006 to Bakijai Officers, in not a single case had the revenue arrears been recovered.

Our examination further revealed that the Bakijai Registers in the three divisions were not properly maintained or regularly updated. The DFOs⁴¹ also did not monitor, pursue or take follow-up action once the cases were filed with the Bakijai Officers. We further observed that the Directorate had directed (25 August 1997) all the DFOs to send quarterly reports detailing status of Bakijai cases, viz., amount outstanding, amount realised, cases settled, etc. Records revealed that none of the divisions complied with this directive as a result of which the Directorate itself was totally in the dark about these cases. In effect, cases once referred to the Bakijai Officer meant reaching a dead end.

6.5.12.6 Undisposed timber

The position of undisposed⁴² timber under the GHTD and JHTD was as below:

Year	GHTD		JHTD		Total	
	Volume (in cum.)	Value* (₹ in lakh)	Volume (in cum.)	Value* (₹ in lakh)	Volume (in cum.)	Value* (₹ in lakh)
2002-03 to 2004-05	204.15	12.49	--	--	204.15	12.49
2005-06	332.52	19.45	53.01	1.05	385.53	20.50
2006-07	1096.25	61.63	23.44	0.21	1119.69	61.84
2007-08	550.69	17.77	23.52	0.55	574.21	18.32
2008-09	-	-	5.53	0.47	5.53	0.47
2009-10	-	-	11.42	1.09	11.42	1.09
2010-11	1291.92	74.89	8.89	0.09	1300.81	74.98
Total	3475.53	186.23	125.81	3.46	3601.34	189.69

Source: Divisional records. There was no undisposed timber in KHTD.

*royalty + departmental charges

The DFO, GHTD stated (04 February 2011) that 2,183.61 cum. of timber valuing ₹ 1.11 crore relating to the years 2002-03 to 2007-08 had deteriorated with the passage of time, mainly due to non-lifting of the same by the FDCM to whom the timber had been allotted. The DFO, JHTD stated (19 January 2011) that the FROs had been directed to dispose 116.92 cum. of timber

⁴⁰ Due to non-maintenance of Bakijai Register by the JHTD, period of referral could not be verified.

⁴¹ DFO, KHTD had pursued (23 February 2010) 3 cases only with the Bakijai officer. There was no reply from the latter.

⁴² Undisposed timber consists of windfallen and unclaimed seized timber.

valuing ₹ 3.38 lakh, relating to the period 2005-06 to 2009-10 as early as possible and further added that some quantity of timber had deteriorated.

We further noticed that during 2010-11, the undisposed timber in the GHTD was 1,291.92 cum. valued at ₹ 74.98 lakh and in the JHTD it was 8.89 cum. valued at ₹ 0.09 lakh which had neither been allotted to the FDCM nor sold by auction.

As per the prevailing arrangement, the three territorial divisions are required to sell undisposed timber only to the FDCM.

We recommend that while the first offer must be made to the FDCM, the divisions should be at liberty to sell off the undisposed timber to private parties in case the FDCM does not respond to the divisions' offer within a month from the date of which such offer is made.

6.5.13 Deficiencies relating to disposal of timber

6.5.13.1 Non-disposal of seized timber

Section 49 of the Assam Forest Regulation, 1891 lays down that when a forest offence has been committed in respect of any forest produce, such produce together with all tools *etc.* used in commission of such alleged offence may be seized by any Forest Officer or Police Officer. Section 54 of the Regulation further provides that the magistrate may direct the sale of any property seized under Section 49.

Our scrutiny of records indicated the following position in the GHTD, KHTD and JHTD with respect to seized timber during the period under review:

Year of offence	GHTD			KHTD			JHTD			Total		
	No. of offence reports	Volume of seized timber (in cum.)	Value of seized timber (₹ in lakh)	No. of offence reports filed	Volume of seized timber (in cum.)	Value of seized timber (₹ in lakh)	No. of offence reports filed	Volume of seized timber (in cum.)	Value of seized timber (₹ in lakh)	No. of offence reports filed	Volume of seized timber (in cum.)	Value of seized timber (₹ in lakh)
2005 -06	47	375.74	19.09	4	29.14	0.64	19	85.67	2.04	70	490.55	21.77
2006-07	117	828.21	40.01	1	8.63	0.14	13	56.47	1.57	131	893.31	41.72
2007 -08	58	175.88	7.12	3	8.44	0.14	15	28.03	0.61	76	212.35	7.87
2008 -09	66	204.85	9.50	1	8.94	0.06	-	-	-	67	213.79	9.56
2009 -10	66	342.38	14.92	1	4.86	0.08	3	16.85	1.38	70	364.09	16.38
2010-11	40	247.86	12.93	5	50.77	0.81	-	-	-	45	298.63	13.74
Total	394	2174.92	103.57	15	110.78	1.87	50	187.02	5.60	459	2472.72	111.04

Source: Divisional records

The above table shows that in the GHTD, 394 offence reports involving 2,174.92 cum. of seized timber valuing ₹ 103.57 lakh were filed in the courts. In the KHTD, 15 offence reports were filed involving 110.78 cum. of seized timber valuing ₹ 1.87 lakh and in the JHTD, 50 offence reports involving 187.02 cum. of seized timber valued at ₹ 5.60 lakh. Out of the 394 offence reports in the GHTD, verdicts had been announced



against only four reports⁴³ involving 35.36 cum. of timber valuing ₹ 1.58 lakh. In the KHTD, against 15 offence reports verdicts had been announced against only two reports⁴⁴ involving 12.79 cum. of timber valuing ₹ 0.24 lakh. Thus, 453 offence reports filed by the three territorial divisions between April 2005 and March 2011 involving 2,424.56 cum. of seized timber valuing ₹ 109.22 lakh were awaiting disposal in the courts as of May 2011. We did not come across any evidence that the DFOs had pursued these cases with the courts to expedite them nor we noted, was this position being monitored at all at the Directorate level.

Further, although Section 54 provides for disposal of the seized timber on the orders of the court and timber being a perishable item, the DFOs had not in a single of the above cases, moved the courts to dispose off the timber which may have deteriorated with the vagaries of weather/time etc.

We recommend that the DFOs should be made personally responsible to move courts under Section 54 within one month from the date of filing of offence reports. The Directorate should make it incumbent upon the DFOs to furnish monthly progress reports to it on this matter.

6.5.14 Non-realisation of export fee

Section 3(4)(b) of the Assam Forest Regulation, 1891 defines limestone as a forest produce whether found in, or brought from a forest. The Forests and Environment Department in October 1999⁴⁵ notified that all trucks carrying

Name of Division	Year	Offence report (nos)	Timber involved (cum.)	Valuation (₹ in lakh)	Remarks
⁴³ GHTD	2005-06	1	32.54	1.47	Disposed off by auction.
	2006-07	3	2.83	0.11	Disposed off by auction.
		4	35.37	1.58	
⁴⁴ KHTD	2005-06	1	4.16	0.10	Disposed off by auction.
	2006-07	1	8.63	0.14	Disposed off by auction.
		2	12.79	0.24	

⁴⁵ Forests and Environment Department GOM Notification No. 58/90/233 dated 21 October 1999.

‘forest produce’ from any forest or non-forest area for removal outside the State shall be levied a sum of ₹ 300 per truck as export fee.

We had in past Audit Reports reported that the Department was not levying export fee on limestone⁴⁶ exported outside the State – such cases involving a total revenue loss of ₹ 8.08 crore which featured in the Audit Reports for the years ended 31 March 2008, 2009 and 2010 are listed in the table below.

Audit Report for the year ended	Territorial Division concerned	Amount of export fee not levied (₹ in crore)	Period for which amount in previous column was calculated
31 March 2008	KHTD, JHTD	6.95	April 2002 to March 2002
31 March 2009	KHTD	0.47	April 2007 to March 2008
31 March 2010	KHTD, JHTD	1.38	April 2008 to December 2008
TOTAL		8.80	

During scrutiny of records of the Directorate in the course of this Performance Audit, we further noted that from January 2009 to March 2011, 13.16 lakh MT limestone extracted from KHTD and JHTD was exported through 1,31,579 trucks on which export fee of ₹ 3.95 crore had not been levied.

When this issue came to the fore on an earlier occasion, the Department maintained (May 2009 and June 2011) that export fee was not being levied as limestone was not a ‘forest produce’. This contention is unacceptable since royalty on limestone was being realised by the Forest Department and thus export fee was also leviable on the same forest produce in terms of the State Government’s own Notification.

6.5.14.1 Non-realisation of cess on limestone

Section 6(2) of the Meghalaya Mineral Cess Act, 1988 stipulates that no person shall remove or transport or attempt to remove or transport ‘minerals’ from any mine or quarry in the State unless the tax due under the Act has been paid. Section 2(d) of the Meghalaya Minerals Cess Act, 1988 defines ‘minerals’ to mean coal, sillimanite, limestone and fire clay. In exercise of the powers conferred by the Act, the Mining and Geology Department, GOM⁴⁷ fixed the rate of cess on limestone at ₹ 5 per metric tonne (MT) with effect from 31 March 1992 and further revised it to ₹ 20 per MT with effect from 06 January 2009.

We observed that while the Directorate of Mineral Resources, GOM was collecting cess on limestone at the rate fixed by the State Government from time to time in respect of limestone extracted out of areas leased out to cement companies in the State, the Department was not doing likewise in respect of

⁴⁶ Limestone is found only in KHTD and JHTD.

⁴⁷ Department of Mines and Minerals, GOM Notification No. MG.116/88/87 dated 31 March 1992.

limestone extracted from other areas in the State. Since limestone is a mineral as defined under the Act *ibid*, the failure of the Department to collect the prescribed rate of cess was inexplicable / unjustifiable.

As ascertained from Departmental records, ₹ 39.14 lakh MT of limestone was extracted from areas other than those leased to cement companies during 2005-06 to 2010-11 on which the Department realised royalty but failed to collect the cess amounting to ₹ 4.33 crore⁴⁸.

6.5.15 Irregular collection of royalty by the GHADC

In accordance with a longstanding arrangement in force⁴⁹, royalty on minor minerals extracted from areas under the control of a particular District Council in Meghalaya was to be collected by the Department and then shared in the ratio of 40:60 between the Department and the concerned District Council. This arrangement therefore, precluded a District Council from collecting royalty on minor minerals.

We noted that the KHADC and the JHADC abided by the above pact. The GHADC however, did not. On 05 March 2008 the DFO, GHTD brought to the notice of the CF, (Wildlife & Territorial) Circle, Tura that contractors/suppliers were no longer paying royalty on minor minerals to the GHTD as the GHADC had started collecting the same. The CF on 06 March 2008 in turn sought a clarification in the matter from his superiors. The PCCF in his letter dated 23 April 2008 to the CF reiterated that apportionment of royalty between the Department and the District Councils was a longstanding practice and directed that royalty on minor minerals should continue to be collected by the GHTD. After a lapse of more than a year, the CF on 18 June 2009 requested the GHADC to stop collecting royalty on minor minerals as this was a “*violation of the existing mutual arrangement between the State Government and the GHADC*”. However, as of May 2011 the matter was yet to be resolved and meanwhile, the GHTD had stopped the collection of royalty on minor minerals altogether.

We wrote to the GHADC on 27 January 2011, followed by reminders on 15 February 2011 and 23 March 2011, requesting for details of the royalty collected by the GHADC on minor minerals to which we did not receive a response. From a few records that we managed to obtain, as indicated below, it was evident that the GHADC was irregularly collecting royalty on minor minerals.

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(₹ in crore)

Period	Quantity of limestone extracted (MT)	Rate of cess per MT (₹)	Total cess unrealised (₹)
April 2005 to December 2008	2336053.22	5.00	1.17
January 2009 to March 2011	1578431.81	20.00	3.16
	3914484.99		4.33

⁴⁹ Since September 1956.

Source of information	Quantity of minor minerals extracted	Percentage of royalty collected by the GHADC	Royalty collected by the GHADC (₹ in lakh)
Letter dated 07.12.09 from the Secretary, GHADC to the PCCF	(i) 1809.97 cum. of sand at ₹ 30 per cum (ii) 2890.96 cum. stone @ ₹ 80 per cum.	60 %	1.71
Book No A 301/ Pass No 33 of GHADC.	(i) 300 cum. of sand @ ₹ 30 per cum. (ii) 500 cum. of stone @ ₹ 80 per cum.	100% 100%	0.49
ST, Williamnagar.	(i) 7338.98 MT of limestone @ ₹ 45 per cum. (ii) 7936.51 MT of limestone @ ₹ 63 per cum.	100% 100%	8.30

Further, in the cases cited above where the GHADC had collected 100 *per cent* royalty, we did not come across any evidence to suggest that the GHADC had remitted to the Department its share of 40 *per cent* of the proceeds.

Thus inaction of the GHADC is depriving the Department of its share of revenue.

We recommend that :

- (i) the Government convene a meeting of the Department and the GHADC to sort out the issue at the earliest or alternatively.
- (ii) the Government should withhold a portion of the annual financial assistance⁵⁰ given to the GHADC till it takes concrete steps to revert to the previous longstanding practice.

6.5.16 Use of forest land for non-forestry purposes without obtaining GOI approval

Section 2 of the Forest (Conservation) Act, 1980 mandates that proposals for diversion of forest land⁵¹ for any non-forest purpose would require the prior approval of the Central Government.

We noted that officials of the North Eastern Regional Office (NERO), MOEF, Shillong had carried out site visits of cement plants in Jaintia Hills District in May and June 2010 and found that eight cement factories in the district did not obtain the prior approval of the Central Government. In these eight factories the inspection by NERO revealed that most of the certificates issued by authorities at different levels did not have a complete description of the land involved and not a single project had got forest clearance although they were located well inside forest areas.

The MOEF under a letter dated 29 June 2003⁵² addressed to the Principal Secretary (Forests) of all States/Union Territories cited for their necessary

⁵⁰ During 2010-11 for instance, the GHADC received ₹ 2.14 crore as grant-in-aid from the State Government.

⁵¹ The Hon'ble Apex Court in its order dated 12 December 1996 had opined that the term 'forest' mentioned in section 2 of the Forest (Conservation) Act, 1980 refers to reserved forest, protected forests or any area recorded as forest in the Government records and even includes privately owned forest.

⁵² MOEF letter No. 5-1/98-FC(Part-II) dated 29 June 2003

action, the following operative part of the orders dated 12 November 2002 of the Hon'ble Supreme Court in Application No. 566 in Writ Petition (Civil) No. 2002 of 1995:

“.....while according transfer under Forest (Conservation) Act, 1980 for change in user-agency from all non-forest purposes, the user agency shall also pay into the said fund the net present value (NPV) of the forest land diverted for non-forest purposes. The present value is to be recovered at the rate of ₹ 5.80 lakh per hectare to ₹ 9.20 lakh per hectare of forest land depending upon the quantity and density of the land in question converted for non-forest use”

Further, the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) in a letter dated 25 September 2007⁵³ addressed to Chief Secretaries of all States/Union Territories stated the matter of non-compliance of the order of Supreme Court of India had been viewed seriously and directed that in cases where NPV has not been recovered from the user agencies, their operation should be kept in abeyance.

The MOEF in February, 2009 had revised the rates of NPV, taking into view the ecological role and value of the forests, into six ecological classes as below:

Eco-value	Class and NPV rates (₹ in lakh) per hectare					
	Class I	Class II	Class III	Class IV	Class V	Class VI
Very dense forest	10.43	10.43	8.87	6.26	9.39	9.91
Dense forest	9.39	9.39	8.03	5.63	8.45	8.97
Open forest	7.30	7.30	6.26	4.38	6.57	6.99

Taking the minimum NPV rate of ₹ 6.57 lakh per hectare, we calculated that the NPV recoverable from the eight cement factories would have been ₹ 43.45 crore as under:

Name of cement company	Area acquired for plant/mining (hectare)	Minimum NPV recoverable at ₹ 6.57 lakh per hectare (₹ in lakh)
1. M/S Star Cement	310.37	2039.13
2. M/S Topcem	73.88	485.39
3. M/S Taj Cement	59.54	391.18
4. M/S Best Cement	22.26	146.25
5. M/S Green Valley Industries(P) Ltd	40.00	262.80
6. M/S Amrit Cement Industries Ltd	30.00	197.10
7. M/S Adhunik Cement Ltd	45.00	295.65
8. M/S Cosmos Cement Ltd	80.33	527.77
Total	661.38	4345.27

Thus, failure of the State Government to strictly enforce the provisions of the Forest (Conservation) Act, 1980 by allowing cement factories to set up shop in the State without the approval of the Central Government further

⁵³ CAMPA letter No. 5-2/2006 –FC(Pt) dated 25 September 2007.

compounded by the lack of will to keep their operations in abeyance till the NPV was recovered, led to a revenue loss of ₹ 43.45 crore.

6.5.17 Conclusion

The Performance Audit revealed a number of deficiencies in collection of Receipts. We noticed that the *mahal* system has virtually not earned any revenue for the Department during the period covered by this Performance Audit due to non settlement of the Mahals. As against 41 licensed sawmills there were 164 illegal sawmills in the State. 26 per cent of the reserved forests in the JHTD were encroached. The divisions had filed 1,101 cases against encroachers and in not a single case had the courts delivered a verdict. The Department/ Directorate failed to ensure periodic revision of royalty and fees to protect revenue. There was no co-ordination and sharing of information between the Department/Directorate and other government agencies which could have plugged revenue leakages. The Directorate did not prepare the mandatory working plans, required to be approved by the MOEF as per the orders of the Supreme Court, to ensure sustainable management of the State's forests. Steps were not taken to bring parity in the royalty rates of the Department and the District Councils and the GHDC was collecting royalty on minor minerals despite not being allowed to do so. The Department had not taken adequate steps to recover the revenue from FDCM. The Department had also not moved the courts for disposal of seized timbers which may have deteriorated with the vagaries of time. Export fee was not being collected on limestone and the cement factories were set up without forest clearance. The Department was not collecting cess recoverable on limestone extracted which was inexplicable.

6.5.18 Summary of recommendations

We recommend the following to address some of the issues brought out in this Performance Audit:

- The Department may consider introducing a 'single window system' to avoid delay in the settlement of *mahals*.
- The Government may consider setting up a Monitoring Committee whose sole function would be to ensure coordinated, orchestrated and sustained efforts by their staff to stop any illegal saw mill from operating in the State. We also recommend that MOEF's directions of February 2004 for tackling encroached be implemented by this take in the right earnest.
- The Department/Directorate should review the rates of royalties and fees biennially to ensure that they are in sync with market conditions.
- Inter-agency meetings may be conducted on a regular basis with other revenue collecting state agencies for exchange of information and

greater coordination in revenue collection efforts and to prevent leakage/evasion of revenue.

- Differential royalty rates on Minerals of the Department and the District Councils may be brought on par early, by resolving the matter with the District Councils.
- The Government may consider withholding financial assistance to the GHADC till it desists from collecting royalty on minor minerals.
- The FDCM should be allowed to lift timber only on payment of the royalty in advance. In case the FDCM does not lift the timber allotted to it within a month, the Directorate should have the option of selling it to private parties.
- The DFOs may be made personally responsible to move courts for orders to dispose off seized timber and other forest produce to prevent their decline in value with the passage of time.