

## CHAPTER VI : OTHER NON-TAX RECEIPTS

### Section A: Forestry and Wild Life

#### 6.1 Tax administration

The Principal Chief Conservator of Forests (PCCF) heads the Forest Department under the administrative control of the Principal Secretary (Forests) who is assisted by eight Additional PCCFs (APCCFs) and 16 Chief Conservators of Forests (CCFs) at Headquarters.

#### 6.2 Internal Audit

Internal Audit is a vital component of the internal control mechanism and enables an organisation to assure itself that the prescribed systems are functioning reasonably well.

We observed that against five sanctioned posts, only three personnel were posted during the year 2013-14 in IAW. During the year 2013-14, 15 units were planned for audit by the Department of which 15 units were audited and inspection reports were also issued for the same. However, financial irregularities of ₹ 23.94 lakh were noticed during internal audit. Department informed that suitable action will be taken after receipt of the replies from the field offices.

#### 6.3 Results of Audit

In 2013-14, we test checked the records of 16 units relating to forest receipts and found short realisation of revenue due to sale of forest produce below upset price, non/short realisation of revenue due to deterioration/ shortage of forest produce, low yield of timber etc. involving ₹ 217.51 crore in 56 cases, which fall under the following categories in the **Table 6.1** below:

**Table 6.1**

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1	Short realisation of revenue due to sale of forest produce below the upset price	11	0.79
2	Non-realisation of revenue due to deterioration/shortage of forest produce	12	11.47
3	Loss of revenue due to low yield of timber	6	1.44
4	Other irregularities	27	203.81
Total		56	217.51

During the course of the year, the Department accepted the observations of ₹ 16.13 lakh in 10 cases.

A few illustrative cases involving ₹ 8.28 crore are discussed in the following paragraphs.

#### 6.4 Non recovery of inspection charges on the forest produce supplied to other Departments/ Organisations

As per Rule 50 of Forest Financial Rules, Forest Department shall recover the inspection charges at the rate of 10 *per cent* of the cost of supply made to the other departments or Non-Government Organisations (NGOs). Also, payments received from other Departments should be considered and accounted for as departmental revenue. As per the instructions issued by the Government (July 2002), Public Works Department (PWD) is responsible for security of Very Important Persons (VIPs).

During scrutiny of records of five<sup>1</sup> Divisional Forest Offices (DFOs) (between April 2013 and August 2013), we found that the DFOs supplied 1.84 lakh bamboos and 1.02 lakh poles to PWD, other Government departments and NGOs for VIP programmes and other purposes between 2009 and 2012. As per the market rates of the corresponding years, the value of these produce was ₹ 1.30 crore. Inspection charges at the rate of 10 *per cent* of the cost of forest produces supplied amounting to ₹ 13 lakh was leviable. Though these produces were returned by the concerned agencies, no process for recovery of inspection charges was initiated by the DFOs in any case. Thus, failure of the DFOs in imposition of inspection charges resulted in non-levy of ₹ 13 lakh (*Appendix 6.1*).

After we pointed this out (April to August 2013), the DFOs replied that matter would be taken up with the respective organisations for recovery of inspection charges. However, no further progress has been reported in these cases.

The matter was reported to the Government/ Department (January 2014); their reply is awaited (December 2014).

#### 6.5 Shortage of stock of forest produce in *nistar* depots

**6.5.1** As per the Government order (June 1990), shrinkage of 15 *per cent* will be allowed annually on the quantity of fuel wood kept for sale in depots. Also, the shrinkage shall be allowed only on the fuel wood which will be prepared and kept in that particular year in the depot for sale. However, no such shortage was allowed in bamboos and poles. Further, as per Rule 22 (1) of Chhattisgarh Finance Code, any loss shall be reported upon to the Government and the Accountant General.

During scrutiny of records of three<sup>2</sup> forest divisions (April to December 2012), we found that as per physical verification reports of five<sup>3</sup> *nistar* depots of DFOs, Bastar and Jashpur divisions, 3,049 bamboos and 70 poles were found short between 2008 and 2011. Further, physical verification reports of 13<sup>4</sup> *nistar* depots of three divisions revealed that shortage of 264.65 fuel stacks and 928.189 quintal fuel wood was allowed in excess to the allowance for shrinkage permitted by the Government. The value of these produce was ₹ 3.71 lakh at the rates of corresponding years. Thus, shortages of forest

<sup>1</sup> Dhamtari, Korba, Mahasamund, Rajnandgaon and Surguja (South)

<sup>2</sup> Bastar, Jashpur and Koriya

<sup>3</sup> Bamni, Nagarnar and Naganar (Bastar); Kansabel and Patthalgaon (Jashpur)

<sup>4</sup> Adwal, Asna, Bakawand, Bamni, Borpadar and Nagarnar (Bastar Division); Kansabel, Kunkuri, Pandaripani and Patthalgaon (Jashpur Division) and Chhindand, Chirmiri and Patna (Koriya Division)

produce in *nistar* depots and allowance of shrinkage in excess to the permissible limits resulted in short realisation of revenue amounting to ₹ 3.71 lakh (*Appendix 6.2*). The matter was also not reported to the Government and the Accountant General by the DFOs.

After we pointed this out (October 2013); the Government replied (September 2014) that Bastar division had since recovered amount of ₹ 1.40 lakh. Regarding Koriya division, it was stated that there was no shortage after allowing reduction in weight as per the Government instructions (July 2006).

Reply is not acceptable as the quantity of shortages due to shrinkage have been clearly mentioned in the physical verification reports of Asna and Borpadar *nistar* depots. Also, shrinkage is allowed at the rate of 15 *per cent* on the new stacks only. Further reply of Jashpur division is awaited (December 2014).

**6.5.2** During scrutiny of the records of DFO Surguja (South) (January 2012), we found in two<sup>5</sup> *nistar* depots that 1,585 bamboos and 1,080 poles were found short during physical verification in June 2010 and June 2011. Further scrutiny revealed that in three<sup>6</sup> *nistar* depots, shortage of 1,739.1 quintal fuel wood was allowed in excess to the allowance for shrinkage permitted by the Government. The value of produce was ₹ 3.73 lakh at the rates of corresponding years. Thus, shortages of forest produce in *nistar* depots and allowance of shrinkage in excess to the permissible limits resulted in short realisation of revenue amounting to ₹ 3.73 lakh (*Appendix 6.3*). However, the DFO did not report the matter to the Government and Accountant General.

After we pointed this out (November 2013), the Government replied (June 2014) that demand notice ₹ 3.65 lakh had been issued and ₹ 0.54 lakh had since been recovered.

## 6.6 Non recovery of transit fee on transportation of forest produce

Section 2 (4) (B) of Indian Forest (IF) Act, 1927, classifies all the produce from mines situated in forest area as forest produce. Thus, the mineral produce from such diverted land shall be forest produce. As per Rule 3 of Chhattisgarh Transit (Forest Produce) Rules, 2001 as amended in 2002, no forest produce will be transported from the forest land without valid transit pass issued by the Forest Department. Transit fee shall be collected at the rate of ₹ 7 per ton of mineral for issuing transit passes. Further, the status of land transferred for the non-forestry purposes under the Forest Conservation Act 1980 shall remain unchanged i.e. they will remain as forest land. Hence, the mineral produced from the land transferred for mining purposes shall be forest produce.

During scrutiny of the records of diversion of forest land in DFOs Korba and Surguja (South), we found that six<sup>7</sup> mines were located in the forest area for

<sup>5</sup> Gandhi Nagar and Latori

<sup>6</sup> Gandhi Nagar, Kamleshwarpur and Karanji

<sup>7</sup> Korba (Rajgamar Open Cast, Manikpur underground coal mines); Surguja (South) (Mainpat Bauxite mines and Gayatri and Raihar; Amera and Mahan open cast coal mines)

extraction of coal and bauxite. As per the information furnished by the Mineral Resources Department, 94.33 lakh ton coal (2010-11 to 2012-13) and 14.60 lakh ton bauxite (2008-09 to 2012-13) were extracted and transported from these mines from the forest areas. Since these minerals were extracted from the forest land, they were forest produce; the transit passes should be issued for their transportation and transit fee of ₹ 7.63 crore was recoverable. However, neither the transit passes were issued for transportation of minerals from forest areas nor transit fee was recovered from the concerned agencies.

Similar issue was raised in Paragraph 7.4.12 and 8.9 of Audit Report (Revenue Sector), Government of Chhattisgarh for the year ended 31 March 2010 and 2011 respectively. On the basis of recommendations made by the Public Accounts Committee (PAC) (October 2012), the Department had issued (March 2013) demand notices for para No. 7.4.12 to recover transit fee in all circles of the State since 2002-03. However, during scrutiny of the demand notices issued by the Department, we noticed that these mines were not even included in the list of mines for which demand notices have been issued. As a result, transit fee amounting to ₹ 7.63 crore was not realised (*Appendix 6.4*).

After we pointed this out (January 2012 to July 2013), in case of extraction of coal, the DFO Surguja (South) replied (July 2013) that demand notices have been issued for recovery of transit fee (June 2013) and in case of extraction of bauxite, the DFO replied that recovery shall be affected after taking guidance from the higher authorities. DFO Korba replied that the CF, Bilaspur had instructed (March 2013) that transit fee shall be collected on the minerals extracted from reserved/ protected forests as detailed in the WP. Since, the coal had been extracted from protected as well as revenue forest; the transit fee shall be recovered after ascertaining the quantity of mineral extracted from protected forest.

Reply of DFO, Korba is not acceptable. Hon'ble Supreme Court had clarified (December 1996), that irrespective of its ownership, any type of forest registered in the Government records shall come under the definition of forests under the Indian Forest Act. Also, Chhattisgarh Transit (Forest Produce) Rules do not differentiate revenue forests or reserved/ protected forests for the purpose of collection of transit fee. Even after being recommended by PAC, non-raising of demand in respects of these mines while doing so for others also underlines the lack of internal control mechanism in the Department for preventing the leakage of revenue. No further progress was intimated (December 2014).

The matter was reported to the Government/ Department (November 2013); their reply is awaited (December 2014).

## **6.7 Shortage of forest produce in consumer depot**

As per the order of PCCF (July 2002), physical verification of each *nistar*/ consumer depot shall be done by 30 June each year. The shortages, if any come to notice shall be enquired upon and responsibility for such shortage shall be fixed. Further, as per Rule 22 (1) of Chhattisgarh Finance Code, the loss cases, if any, shall be reported upon to the Government and the Accountant General.

During scrutiny of the physical verification report dated 30 June, 2010 of Pithora consumer depot (DFO, Mahasamund) we noticed that 13,951 bamboos, 139 poles, 775 fencing poles and 453 fuel stacks were found in stock. Further, 8,333 out of 13,951 bamboos were transported on 14 December 2010 to sale depot for auction. Thus, remaining material should have existed in the consumer depot. However, physical verification report dated 30 June 2011 showed that neither any material was available in the depot nor any sale made from the depot during the year. It was also observed that the Department did not take into account the shortage appearing in two continuous physical verification reports of the same depot. Thus, inaction of the Department to address the shortage resulted in short recovery of revenue amounting to ₹ 8.78 lakh (*Appendix 6.5*).

After we pointed this out (May 2013), the DFO replied (May 2013) that matter is being examined and would be intimated after examination. Further reply is awaited (December 2014).

The matter was reported to the Government/ Department (November 2013); their reply is awaited (December 2014).

### **6.8 Short realisation of revenue in sale of forest produce from *nistar* depot**

As per the order of PCCF (July 2011), physical verification of each *nistar*/ consumer depot shall be done at the end of each month. A *nistar patrika* is issued by each division in every calendar year declaring the subsidised sale prices of the forest produce to be sold from *nistar*/ consumer depots.

During scrutiny of the records of DFO, Dhamtari (August 2013), we found that the division sold 7,368 fuel stacks, 1,27,163 bamboos and 4,351 poles and realised ₹ 56.91 lakh as sale price between October 2011 and January 2013. As per the rates prescribed in *nistar patrika* for the corresponding periods, sale price of these produce was amounting to ₹ 93 lakh. Thus, the subsidised rates prescribed by the Government for sale of forest produce were not adhered to and they were sold at the rates less than the subsidised rates. This resulted in short realisation of sale price of forest produce amounting to ₹ 36.09 lakh (*Appendix 6.6*).

After we pointed this out (August 2013), the DFO replied that matter shall be intimated after examination.

The matter was reported to the Government/ Department (November 2013); their reply is awaited (December 2014).

## **Section B: Non-ferrous Mining and Metallurgical Industries**

### **6.9 Tax administration**

At the Government level, the Secretary, Mineral Resources Department is responsible for administration and implementation of the related Acts and Rules in the Mineral Resources Department. The Commissioner-cum-Director Geology and Mining (DGM) is the head of the Mineral Resources Department who is assisted by one Additional Director Mining Administration (Addl. DMA), 26 District Mining Officers (DMO), 19 Assistant Mining Officers (AMO) and 65 Mining Inspectors (MI). Against the above sanctioned posts, one Addl. DMA, 15 DMOs, 11 AMOs and 25 MIs are presently working in the Department.

### **6.10 Internal Audit**

The Internal Audit Wing (IAW) of a Department is a vital component of its internal control mechanism and is generally defined as control of all controls. It enables the organisation to ensure itself that the prescribed systems are functioning reasonably well.

We observed that against sanctioned posts one Joint Director and four Auditors, only one Auditor was posted during the year 2013-14 in IAW. During the year 2013-14, 19 units were planned for audit by the Department of which 17 units were audited and inspection reports were also issued for the same. However, none of the financial irregularities were noticed during internal audit, only suggestive notes have been issued.

### **6.11 Results of Audit**

In the year 2013-14, we test checked records of seven out of 16 units relating to Mineral Resources Department and found underassessment of royalty and interest, short levy/ realisation of stamp duty and registration fees, non/short levy of dead rent and interest and other irregularities etc. from mining lease holders amounting to ₹ 25.46 crore in 639 cases, which fall under the following categories in the **Table 6.2** below:

**Table 6.2**

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Underassessment of royalty and interest	116	5.93
2.	Short levy/ realisation of stamp duty and registration fees	2	0.004
3.	Non/short levy of dead rent and interest	37	0.11
4.	Other irregularities	484	19.42
<b>Total</b>		<b>639</b>	<b>25.46</b>

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 4.71 crore in 144 cases and recovered ₹ 5.13 lakh in four cases.

After issue of Draft paragraph, Department recovered ₹ 4.75 lakh during the year 2014-15 in 30 cases.

An illustrative case involving ₹ 12 lakh is discussed in the following paragraph.

### **6.12 Non realisation of dead rent and interest thereon**

According to the Rule 30(1) (a) of the Chhattisgarh Minor Mineral Rules, 1996, lessee shall pay, for every year except for the first year of the lease, yearly dead rent at the rates specified in Schedule IV in advance for the whole year, on or before the 20<sup>th</sup> day of the first month of the year. Rule 30(1) (d) provides, if the lessee fails to pay the dead rent due in time, he shall be liable to pay interest at the rate of 24 *per cent* per annum for the period of default.

We found during test check of 304 cases out of 533 cases relating to the *Khatoni* and lease case files in the offices of DMO Dantewada, Rajnandgaon and Deputy Director Mining (DDM), Raipur (between November 2013 and January 2014) that in 19 cases, the lessee did not pay dead rent amounting to ₹ 7.27 lakh for the year 2007 to 2014. Despite this, the DMO did not issue any demand notice for recovery of dead rent of ₹ 7.27 lakh and interest of ₹ 4.73 lakh thereon. Inaction on the part of DMO to monitor the lease cases resulted in non-realisation of dead rent and interest of ₹ 12 lakh (*Appendix 6.7*).

After we pointed this out (June 2014), the Department stated (September 2014) that an amount of ₹ 1.05 lakh has been recovered in four cases and demand notices had been issued to seven lessees in case of DDM, Raipur. Further, the DMO Rajnandgaon had recovered an amount of ₹ 33,080 and demand notices of ₹ 1.77 lakh had been issued in the remaining two lessees to recover the amount and action is being taken to recover from lessee by DMO, Dantewada.

The matter was reported to the Government (May 2014); their reply is awaited (December 2014).