

## 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 sixteen Chief Conservators of Forests (CCFs) at Headquarters. The forest area in the State has been divided into six circles each headed by a Conservator of Forests (CF). These circles have been further divided into Forest Divisions which are administered by the Divisional Forest Officers (DFO) who is assisted in field by the Sub Divisional Forest Officers (SDO) and Range Officers (RO).

The receipts of the Forest Department are administered under the provisions of:

- Indian Forest Act, 1927 and Rules made thereunder;
- Chhattisgarh *Van Upaj (Vyapar Viniyaman) Adhiniyam*, 1960 and Rules made thereunder;
- Forest Financial Rules; and
- National Working Plan Code 2004.

#### 6.2 Results of Audit

In 2014-15, we test checked the records of 12 out of 60 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 ₹ 14.90 crore in 343 cases, which fall under the following categories as mentioned 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	12	1.53
2	Non-realisation of revenue due to deterioration/shortage of forest produces	165	1.48
3	Loss of revenue due to low yield of timber	12	1.87
4	Other irregularities	154	10.02
Total		343	14.90

The Department accepted the observations of ₹ 7.35 crore in 72 cases pointed out during 2014-15.

A few illustrative cases involving ₹ 16.60 lakh are discussed in the succeeding paragraphs.

## 6.3 Preparation of timber lots and their sale

### 6.3.1 Non-observance of Departmental instructions in preparation of timber lots for auction

**Departmental instructions regarding preparation of pure lots of timber for sale were not followed which resulted in delayed sale of timber and consequent loss of revenue amounting to ₹ 11.57 lakh.**

During test check of auction files, material lists and other ancillary records of Divisional Forest Officer (DFO), Dantewada, we noticed (December 2013) that in nine out of 12 timber auctions held between September 2011 and March 2013, 24 mixed lots of Teak and 28 mixed lots of Sal carrying 193.786 cubic meter timber were kept in auction. These mixed lots consisted of timber of three to six lengths, three to eight girths and three to four classes including unsound timber. The poles and logs were also mixed while making the lots.

This was in contravention to the PCCF's instructions (February 2010) which prescribed preparation of pure lots i.e. a lot should have timber of one length only for ensuring maximum revenue realisation during sale of timber through auction. The girth and class of timber may be mixed up to one class above or below. CF, Jagdalpur had also reiterated (August 2011) that pure lots should be made as pure lots were sold at higher rates than the lots having mixed timber.

The DFO did not ensure compliance of PCCF's instructions regarding preparation of pure lots. Even the CF, Jagdalpur did not notice this while approving the auctions of timber. Mixing of lengths<sup>1</sup> or girths<sup>2</sup> and classes<sup>3</sup> of timber more than prescribed limits, adversely affected the sale of timber lots. These lots could not be sold in their first auction and the sale prices obtained in the subsequent auctions (two to nine months after first appearance in the auctions) were lower from the upset prices<sup>4</sup> ranging from 15 to 61 *per cent*. This resulted in loss of revenue amounting to ₹ 11.57 lakh as detailed in the *Appendix 6.1*.

After this was pointed out in audit, the Government replied (August 2015) that timber of higher and lower qualities both were received from felling. The pure lots of timber of higher categories were prepared initially and then mixed lots of lower quality timber were prepared for sale in auction. These lots were sold as per the Departmental instructions. Pure lots of lower categories were not prepared as there were chances of loss in their sale.

We do not agree with the reply as the PCCF had observed (February 2010) that mixing of timber of different lengths, girths and categories would reduce

<sup>1</sup> Teak is classified into length classes of 0-1, 1-2, 2-3, 3-4, 4-6 and above 6 meter. Sal is classified into length classes of 0-2, 2-3, 3-5 and above 5 meter.

<sup>2</sup> Teak is classified into girth classes of 21-30, 31-40 (poles); 41-50, 51-60, 61-75, 76-90, 91-105, 106-120, 121-135, 136-150 and above 150 centimeter (logs). Sal is classified into girth classes of 31-40, 41-50 (poles); 51-60, 61-90, 91-120 and above 120 centimeter (logs).

<sup>3</sup> Timber is classified in classes of III, III A, III B, IV, IV A, IV B and unsound.

<sup>4</sup> Upset price is the reserve price of each timber lot below which the lot cannot be sold during its first auction.

sale value of timber and therefore instructed that a lot of timber should have timber of one length only and girth and class of timber may be mixed up to one class above or below. However, against the prescribed limit of mixing of timber of two categories, timber of three to six categories of timber were mixed. Further there was mixing of timber of up to six lengths and three to seven girths.

### 6.3.2 Sale of timber below their non-commercial values

**During auction of timber lots, timber was sold below its non-commercial value resulting in loss of revenue amounting to ₹ 5.03 lakh.**

As per the instructions issued by the PCCF (November 2005), non commercial rates of timber shall be arrived by multiplying girth-wise volume of species with the girth-wise average rate received in the depots and subtracting the expenditure incurred on timber exploitation, transportation and at depot. As such, the non-commercial value of timber is the actual value of timber in standing trees.

During test check of files of auctions, fixation of non-commercial rates and other ancillary records of Divisional Forest Officer (DFO), Dantewada, we noticed (December 2013) that in eight out of 11 auctions held between September 2011 and January 2013, 39 lots carrying 160.295 cmt Teak and Sal timber were sold within two to five months since their first appearance in the auction. The upset price of timber was ₹ 25.47 lakh against which an amount of ₹ 16.87 lakh were realised as sale price.

As per the non-commercial rates of the corresponding years, the non-commercial value of timber sold in these lots was ₹ 21.90 lakh. Thus, sale price was less than the non-commercial value, which is actual value of timber in standing trees. The Department, while selling the timber within six months of their first introduction to the auctions, did not take into account the non-commercial value of timber. Thus, failure of the Department in ensuring the sale of valuable teak and Sal timber at least on their non-commercial values resulted in loss of revenue amounting to ₹ 5.03 lakh as detailed in the *Appendix 6.2*.

After this was pointed out in audit, the Government replied (August 2015) that sale prices were not obtained as per the upset price during first auction of these timber lots. The sale prices obtained in the subsequent auctions were approved as per Government instructions. We do not agree with the reply as the sale below the non-commercial value directly amounted to the loss of revenue to the Government. The Department should ensure the realisation of the non-commercial value of the timber sold during the auctions.

## 6.4 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.

As per the information furnished by the Department, three men were posted in the internal audit wing against the sanctioned strength of five. The Department had achieved the target of internal audit of 17 units during the year 2014-15. In the reports of these 17 units, 31 observations involving money value of

₹ 10.62 lakh were issued. The Department had reported (July 2015) that suitable action would be taken after receipt of the replies from the units.

Non-receipt of replies of the observations of internal audit even after the lapse of more than three months from the closure of the year 2014-15 indicates that the internal audit activity was not taken seriously in the Department.

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

### 6.5 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 Officer (AMO) and 65 Mining Inspector (MI).

The mining receipts are administered under the provisions of:

- Mines and Minerals (Development and Regulation) Act, 1957;
- Mineral Concession Rules, 1960; and
- Chhattisgarh Minor Mineral Rules, 1996.

### 6.6 Results of Audit

In year 2014-15, we test checked records of eight out of 16 units of Mineral Resources Department and found under assessment 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. amounting to ₹ 22.94 crore in 1,016 cases, which fall under the categories as mentioned in the **Table 6.2** below:

**Table 6.2**

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
<b>1.</b>	Underassessment of royalty and interest	207	1.80
<b>2.</b>	Short levy/realisation of stamp duty and registration fees	50	17.64
<b>3.</b>	Non/short levy of dead rent and interest	35	0.14
<b>4.</b>	Other irregularities	724	3.36
<b>Total</b>		<b>1,016</b>	<b>22.94</b>

The Department accepted under assessment and other deficiencies of ₹ 1.33 crore in 329 cases pointed out during 2014-15.

A few illustrative cases involving ₹ 7.06 crore are discussed in the following paragraphs.

## 6.7 Short realisation of Stamp Duty and Registration fee due to incorrect calculation of average annual royalty

**The average annual royalty was calculated incorrectly for the purpose of registration of mining lease. This resulted in short realisation of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 6.92 crore.**

During test check of 13 mining lease cases in the office of District Mining Officer, Sarguja, we noticed (January 2015) that a mining lease of coal was executed (May 2012) for a period of thirty years in favour of a company. The average annual royalty was worked out to ₹ 62.16 crore on the basis of average estimated production of 7.4 Million tons (MT) per annum in first five years of lease for the purpose of SD & RF. Accordingly, SD & RF amounting to ₹ 16.32 crore and ₹ 11.66 crore were levied and collected from the lessee.

The State Government had issued instructions (November 2011) to all the Deputy Director, Mining/ Mining Officers that SD & RF on execution of mining leases shall be calculated as per provisions of Article 35 of Schedule 1A of Indian Stamp Act, 1899 on the amount of average annual royalty of the extractable quantity shown in the application or in the mining plan whichever is higher.

During further scrutiny, we noticed that as per the mining plan, the average estimated production was 9.23 MT<sup>5</sup> per annum for complete lease period. As such, the average annual royalty was ₹ 77.53 crore and hence the leviable SD & RF was ₹ 20.35 crore and ₹ 14.54 crore respectively. Thus, non-consideration of complete period of the mining lease for calculation of average annual royalty resulted in short realisation of SD & RF of ₹ 6.92 crore as detailed in the *Appendix 6.3*.

After this was pointed out in audit, the Government replied (August 2015) that anticipated annual average royalty was calculated on the basis of extractable quantity shown in mining plan for five years. As per the instructions (November 2011), an undertaking was to be obtained from the lessee for payment of differential amount of Stamp duty in cases of change in extractable quantity on change in amount of royalty.

We do not agree with the reply as Article 35 of Indian Stamp Act provides for levy of SD & RF on average annual royalty for the complete lease period. The mining plan in this case provided for the annual extractable quantity for the period of 49 years. Also, as per mining plan, except first, second and third year, the average annual production was 10 MT. As such, the average of first five years worked out to be much lower than the average of the complete lease

Year	Quantity extractable as per Mining plan annually (MT)
First Year	0.00
Second Year	2.00
Third year	5.00
Fourth year onwards up to 30 <sup>th</sup> year	10.00 per year
<b>Total</b>	<b>277.00</b>
<b>Average annual extractable quantity for complete lease period (MT)</b>	<b>9.23</b>

period. Thus, realisation of SD & RF on the lower quantity in spite of having extractable quantity of full period was not in the interest of Government revenue.

### **6.8 Excess extraction of minerals and non realisation of differential Stamp Duty and Registration fee due to absence of provisions for quarry leases**

**Minor minerals were extracted 15 to 43 times of the quantity mentioned in the applications. Further, in case of quarry leases, due to absence of provision for realisation of differential Stamp duty and registration fees on royalty of minerals extracted in excess of that mentioned in application, there was short realisation of SD & RF amounting to ₹ 14.29 lakh.**

During test check of 78 quarry lease cases out of 280 cases registered in the office of District Mining Officers, Bilaspur and Mahasamund, we noticed (November 2014 and January 2015) in three leases that as per the applications of lessees, the average annual royalty was ₹ 4.91 lakh on which SD & RF amounting to ₹ 41,565 and ₹ 31,175 were levied respectively. However, during scrutiny of the case files we noticed that the lessees extracted minerals and paid royalty 15 to 43 times the quantity and royalty mentioned in the applications (as detailed in *Appendix 6.4*). This indicates lack of monitoring by the District Mining Officers over the extraction of minerals from the quarries.

Further, in case of mining leases, the Government issued (November 2011) instructions for taking an undertaking from the lessee for payment of differential SD & RF, if any, becomes chargeable due to change in the extractable quantity of mineral declared in mining plan. However, there is no such provision for the payment of differential SD & RF on excess extraction of minerals from quarry leases. This resulted in non realisation of SD & RF amounting to ₹ 14.29 lakh as detailed in *Appendix 6.4*.

After this was pointed out in audit, the Government replied (August 2015) that instructions were being issued for calculation of SD & RF on the basis of mining plan in respect of minor minerals in future. However, the reply is silent regarding action taken in respect of cases mentioned in the paragraph.

### **6.9 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.

As per the information furnished (June 2015) by the Department, against the sanctioned strength of one Joint Director (Finance) and three Auditors, there is one Joint Director (Finance) and two Auditors in the internal audit wing. The Department had conducted internal audit of eight units during the year 2014-15 as against the target of nine units. Further, the Department had reported that only suggestive notes have been issued to the units audited.