

CHAPTER-V:FOREST RECEIPTS**5.1 Results of audit**

Test check of records of forest receipts, conducted during the year 2005-06, revealed non recoveries, short recoveries and other losses of revenue amounting to Rs.111.22 crore, in 178 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non/short recovery of royalty	17	5.68
2.	Non levy of extension fee	21	0.67
3.	Non levy of interest	09	0.24
4.	Other irregularities	129	48.20
5.	Arrears recoverable as arrears of land revenue	1	1.35
6.	Review on Exploitation of forests	1	55.08
	Total	178	111.22

During 2005-06, the department accepted under assessments of Rs.21.42 crore involved in 54 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs.32.94 crore are given in the following paragraphs.

5.2 Review: Exploitation of Forests

5.2.1 Recommendations

The State Government may consider the following points:

- The PCCF may develop a mechanism to ensure that the instructions and orders issued from time to time for marking of trees, checking of felling, conversion, carriage, resin tapping works are followed in letter and spirit by the field agencies.
- Government may like to implement its orders with regard to the duties assigned to internal audit so that an effective mechanism is developed to exercise control on the working of the corporation at all levels.
- Reconciliation of royalty, interest, damage bills and extension fee etc. should be done with the corporation on regular basis to ensure that the figures of outstanding arrears as shown in the books of department are the same as per books of the corporation. This will facilitate authentic depiction of arrears and their recovery position.

5.2.2 Highlights

- The department failed to ascertain correct position of arrears pending collection as on 31 March 2005. It showed Rs.91.70 crore pending collection against corporation while the latter admitted only Rs.11.70 crore.

(Paragraph 5.2.9)

- No mechanism existed to ascertain correctness of weighted average sale rate, furnished by the corporation, which formed basis for fixation of rates of royalty.
- Variation was found in figures supplied to Pricing Committee/ Hon'ble Vidhan Sabha and to PCCF. Accordingly correct fixation of royalty could not be ascertained.

(Paragraph 5.2.12)

- Lacuna in the decision of pricing committee in grant of rebate to half broken trees resulted in less assessment of royalty by Rs.1.63 crore.

(Paragraph 5.2.14)

- Extension in working period of 276 lots during 2001-02 to 2004-05 though applied for by the corporation was not granted. This resulted in non recovery of extension fee of Rs.1.04 crore.

(Paragraph 5.2.18)

- Non charging of interest on belated payment of royalty of resin blazes resulted in less realisation of revenue of Rs.1.75 crore.

(Paragraph 5.2.20)

- Short handing over of resin blazes for tapping and non recovery of registration fee from resin tappers resulted in non realisation of revenue of Rs.1.78 crore.

(Paragraph 5.2.23 & 5.2.24)

- Delay in transportation of timber to sale depots after extraction resulted in its degradation which adversely affected fixation of royalty rates. This resulted in loss of revenue of Rs.6.38 crore.

(Paragraph 5.2.27)

5.2.3 Introduction

The State Government, besides exploiting forests departmentally, had been engaging private contractual agencies for regulating the timber trade and other work of forest operations. With a view to undertake proper and scientific exploitation of forest resources of the State, the State Government incorporated Himachal Pradesh State Forest Corporation (corporation) in March, 1974 under the Companies Act, 1956. The work relating to forest exploitation was entrusted to the corporation in a phased manner from the year 1974-75 and was completely handed over in 1982-83. The corporation was governed by the same terms and conditions which used to be applicable to private contractors prior to nationalisation of forests except the condition of security deposit which the contractors were required to pay and pricing pattern of the lots. The price, terms and conditions for the supply of resin blazes, standing trees, other forest produce to be handed over by the Forest Department to the corporation were to be determined for each year by a statutorily constituted committee known as “pricing committee”.

The rate of royalty in case of resin was based on the price of N grade[#] rosin sold by the corporation in market. However, in case of timber no uniform policy was adopted upto 2001-02. Thereafter, the rates of royalty were based on the weighted average sale rates of timber obtained by the corporation in the Himkatha sale depots in the preceding year.

5.2.4 Organisational set up

The Forest Department is headed by the Principal Chief Conservator of Forests (PCCF) under the administrative control of Principal Secretary (Forest) who is assisted by eight Conservators of Forests (CFs) in 37 territorial divisions. Each CF controls the exploitation and regeneration of forest activities being carried out by divisional forest officers (DFOs) under their control. Each DFO is incharge of assigned forest related activities in his territorial division.

5.2.5 Scope of audit

Records of the PCCF office and 26 out of 37 DFOs were test checked for the period 2000-01 to 2004-05.

5.2.6 Audit objectives

The review was conducted with a view to:

- assess the implementation of provisions of Indian Forest Act, rules and instructions issued from time to time for marking, felling and extraction of timber and resin;

[#] It is a processed form of resin

- evaluate recommendations made by the pricing committee to ascertain its impact on realisation of Government revenue; to ensure that there was no ambiguity/lacuna in the recommendations made by the Committee;
- evaluate the system of internal controls to ensure that there is no delay in realisation of Government revenue due from corporation.

5.2.7 Trend of revenue

Annual budget estimates were prepared by each DFO in respect of his division and submitted to conservator concerned who in turn sent these to the PCCF for approval and consolidation.

Though prescribed procedure for preparation of budget estimates was being followed, a wide variation was found between budget estimates and actual receipts of the corporation as detailed below:

Year	Original budget estimates	Revised budget estimates	Actual receipts	Receipts on a/c of escrow accounts	Total receipts	Increase/ decrease		% Increase/ decrease	
						Original	Revised	Original	Revised
2000-01	37.21	32.09	10.35	27.31	37.66	(+) 0.45	(+)5.57	1.20	17.36
2001-02	40.09	35.74	9.98	17.59	27.57	(-) 12.52	(-) 8.17	31.23	22.86
2002-03	39.70	39.80	13.19	11.02	24.21	(-) 15.49	(-) 15.59	39.01	39.17
2003-04	39.18	22.84	21.72	13.19	34.91	(-) 4.27	(+) 12.07	10.90	52.84
2004-05	32.09	32.00	26.71	--	26.71	(-) 5.38	(-) 5.29	16.76	16.53

After this was pointed out, department attributed the variation mainly to receipt of payment through escrow* account and stated in October 2005 that this payment was to be taken in account as per orders of Government. The reply of the department however is not tenable as even after taking into consideration the amount received through escrow account, the variation in original budget estimates and actual receipts ranged between (+) 0.45 crore to (-) 15.49 crore.

Besides, receipts on account of escrow account had also not been credited to the consolidated fund of the state which is a clear cut violation of principles of financial accounting.

* A credit enhancement measure for the bond issue for both the interest payments and principal repayments. The State Bank of Patiala was nominated as escrow agent to administer the escrow mechanism

5.2.8 Lack of Internal Control

5.2.8.1 Internal Control

PCCF instructed in July 1993 and July 2004 that range officer (RO) should check minimum of 25 *per cent*, Assistant Conservator of Forest (ACF) 15 *per cent*, DFO 10 *per cent* and the CF two *per cent* of markings of trees to be handed over to the corporation, in order to ensure adequate control and check. The results of checking/inspection were required to be mentioned in the detailed inspection notes and specific reference was to be made in the monthly tour diaries of the officers.

Test check of tour diaries of the concerned officers in 26 divisions, however, revealed that no such checking was ever done except in Palampur division. Similarly, felling, conversion, resin tapping, carriage works etc., were to be checked at least twice a month by RO and once in a month by ACF and as and when on tour by DFO. This was also not done. No checking /inspection notes were issued by any of the officers. There existed no monitoring mechanism at higher levels to ensure that prescribed checks had been made by the concerned officers.

After this was pointed out, PCCF again issued instructions in December 2005 to all CFs/DFOs to ensure compliance of the instructions.

5.2.8.2 Internal Audit

Internal audit is intended to provide reasonable assurance for prompt and efficient service. It is meant to ensure compliance with laws, rules and departmental instructions. It helps in correct assessment, speedy collection of revenue and prevention and detection of fraud and other irregularities. The State Government posted one deputy controller-cum-financial advisor and one section officer in the Forest Department to conduct internal audit, check accounts, supervise the clearance of outstanding audit objections and for physical verification of stores and stocks.

During test check of 26 divisions, it was noticed that no audit had been carried out by internal audit wing.

5.2.9 Reconciliation of figures

The pricing committee decided in April 1995 that in order to review position of outstandings as well as performance on account of realisation of royalty and sales tax etc., the Managing Director (MD) of corporation and the Forest Department will present a status paper annually at the time of taking up agenda items relating to fixation of royalty.

The pricing committee further decided in February 2005 that joint reconciliation of outstanding dues would be made on quarterly basis at the level of divisional managers (DM)/ DFOs and at the level of CFs/directors. In case, the corporation failed to pay the reconciled dues within 90 days, it will have to pay interest on that amount upto the date of its actual realisation, at the rates as approved by the pricing committee from time to time.

It was noticed in audit that no status paper, as required, had ever been submitted to pricing committee. As per information furnished by PCCF, an amount of Rs.91.70 crore was outstanding against the corporation as on 31.3.2005. The year wise position of arrears was as under:

Year	Rupees in crore
Upto 1998-99	23.53
1999-2000	8.43
2000-01	8.02
2001-02	16.24
2002-03	10.25
2003-04	11.31
2004-05	13.92
Total	91.70

The department in their agenda note submitted to the pricing committee for its meeting held on 15.2.2005 stated for the first time that reconciliation of accounts upto 1998-99 had been done. As such, Rs.23.53 crore was to be paid by the corporation within 90 days of the date of reconciliation failing which interest of Rs.14.83 crore was also payable upto 31.3.2006.

5.2.9.1 Examination of records revealed that PCCF in his letter of November 2005 stated that corporation had contradicted the outstanding amount shown by the department and had pleaded that only Rs.11.70 crore was outstanding against it. The PCCF directed all the conservators to reconcile figures latest by 5 December 2005. These have not been reconciled till date. Thus fate of Government revenue amounting to Rs.80 crore is uncertain. This shows that the department lacked monitoring/internal control over the correctness of the figures and recovery of arrears which resulted in non recovery of Government dues.

5.2.9.2 Further scrutiny revealed that out of Rs.91.70 crore, Rs.7.11 crore was outstanding on account of interest and interest on interest for the period from 1981-82 to 1992-93. The corporation had not made any payment of this amount, as the pricing committee had not fixed any time limit for payment of interest and interest on interest which had been abolished from 1992-93 onwards. This resulted in blockade of Government funds to the extent of Rs.7.11 crore.

5.2.10 Reconciliation of figures of standing volume

Cross verification by audit of figures of standing volume of various species supplied by Forest Department to the pricing committee on 15.2.2005 with the figures supplied by corporation to Vidhan Sabha in response to a question raised in assembly revealed huge differences as under:

2001-02			2002-03			2003-04			
Species	Deptt. figures	Corporation figures	Difference	Deptt. figures	Corporation figures	Difference	Deptt. figures	Corporation figures	Difference
Deo	17,463.54	18,610.00	(+)1,146.46	22,025.99	22,406.00	(+) 380.01	13,067.729	13,073.00	(+) 5.271
Kail	36,086.74	32,901.00	(-) 3,185.74	41,885.87	40,943.00	(-)942.87	36,221.56	37,380.00	(+) 1,158.44
Chil	1,00,732.99	1,03,223.00	(+) 2,490.01	1,68,644.56	92,231.00	(-) 76,413.56	76,688.87	77,703.00	(+)1,014.13
Fir/ Spruce	75,327.25	1,31,423.00	(+) 56,095.75	1,24,029.65	1,41,824.00	(+)17,794.35	49,514.03	65,723.00	(+)16,208.97

After this was pointed out, the department stated in December 2005 that figures of standing volume handed over by the department and actually received by the corporation were being reconciled and audit would be apprised of the position. Further reply was awaited (September 2006).

5.2.11 Determination of royalty structure

Prior to July 2001, royalty was being charged on intensity* basis. However, Government of Himachal Pradesh constituted in July 2001 a committee comprising of Financial Commissioner-cum-Secretary (Forests), Finance, PCCF and MD corporation for simplification of royalty and exploring feasibility of fixing royalty rates on advalorem basis. The committee was to submit its report preferably within a month.

During the course of audit it was noticed that the committee did not submit any report to Government or to the pricing committee. There was nothing on record to ascertain that the committee had ever met. Thus the purpose for which committee was constituted stood defeated.

5.2.12 Incorrect fixation of royalty rates

As per decision dated August 2001 of pricing committee, corporation was required to furnish weighted average sale rate received during the preceding year in respect of timber sold in sale depots. Thereafter, rates of royalty were to be fixed on the basis of weighted average sale rates of preceding year in respect of timber sold in the sale depots.

It was noticed that the department had no mechanism to ascertain whether the weighted average sale rate furnished by the corporation was correct or not. Accordingly the correctness of royalty rates could not be ascertained.

* Intensity means the total volume marked in lot divided by its area

Variation in figures supplied to Vidhan Sabha

5.2.12.1 Corporation furnished two different sets of figures of average sale value of timber sold at their depots, one to the pricing committee and other to Vidhan Sabha. Taking into account the average sale rate furnished by the corporation to Vidhan Sabha as correct, the department suffered a loss of Rs.32.84 lakh as detailed below:

(Rupees in lakh)

Year	Species/ Vol. @ sold 2002-03, 2003-04	Weighted average. sale rate furnished to pricing committee per cu.m by corporation	Royalty due per cu.m.	Average sale rate furnished to Vidhan Sabha per cu.m. by corporation	Royalty due per cu.m.	Diffe- rence per cu.m.	Total amount of royalty	Total sales tax leviable
2001-02	Deodar/ 22,406 cu.m.	15,809	3,952	15,973	3,993	41	9.19	2.76
2002-03	Kail/ 37,380 cu.m.	8,770	2,192	8,941	2,235	43	16.07	4.82
Total							25.26	7.58

Variation with figures supplied to PCCF

5.2.12.2 Two sets of figures were supplied by the corporation, one to the pricing committee and other to the PCCF. The average sale value supplied to the pricing committee was less than that supplied to the PCCF resulting in loss of Rs.3.87 lakh as detailed below:

(Rupees in lakh)

Year	Specie	Average sale value supplied to pricing committee in August 2001 per cu.m.	Royalty rate fixed by pricing committee for 2001-02 per cu.m.	Information furnished to the PCCF by corporation in October 2001	Royalty per cu.m.	Difference per cu.m.	Volume sold during 2001-02	Amount of royalty	Sales tax
2000-01	Deodar	15,573	3,890	15,625	3,906	16	18,610 cu.m.	2,97,760	89,328

After this was pointed out, department stated in December 2005 that the matter had been brought to the notice of the pricing committee which inturn had constituted a sub committee in October 2005 to deliberate on the said items and submit their report to the pricing committee. Further development was awaited (September 2006).

@ Average sale rates received during the year 2001-02 and 2002-03 were applicable for assessing royalty for the year 2002-03 and 2003-04 respectively

5.2.13 Sales made in roadside depots

The residue left over after transportation of commercial timber is sold by the corporation in their roadside depots. The amount received thereunder was neither included in average sale value of the timber sold nor any part of it was credited to Government account.

During the course of audit it was noticed that the corporation made a sale of Rs.14.75 crore between 2001-02 and 2003-04 by auction of various types of residual wood in the roadside depots. Though the sale was in the knowledge of the department, it neither made any effort to recover any cost from the corporation nor was it brought to the notice of pricing committee for inclusion in the average sale value of timber.

After this was pointed out, department placed the matter before the pricing committee in October 2005 which in turn appointed a sub committee to deliberate on the issue and submit its recommendations to the pricing committee in its next meeting. Further development was awaited (September 2006).

5.2.14 Lacuna in fixing the rates of royalty

As per procedure laid down by pricing committee, royalty is charged as percentage of weighted average sale rates. Weighted average sale rate is arrived at by dividing total sales received, by total volume sold in the preceding years in Himkatha sale depots. These sales consist of all kinds of timber including timber obtained from half broken trees. As such, the rates fixed take care of the loss suffered, if any, on account of half broken trees. However, pricing committee again allowed 50 *per cent* rebate in royalty in respect of half broken trees for which no basis was found on record. Thus, the decision of the committee was contrary to the decision to charge the royalty as percentage of weighted average sale rate for the timber extracted from all types of markings.

In 20 forest divisions, department charged royalty of Rs.1.25 crore which was 50 *per cent* of the full rates though loss on account of half broken tree was already taken care of while fixing the royalty rates. Thus department suffered a loss of Rs.1.25 crore in respect of half broken trees. Besides, Government was also deprived of Rs.37.45 lakh on account of sales tax.

After this was pointed out, department referred the case to pricing committee, which in turn had constituted a sub committee to deliberate on said items.

Government to whom the matter was referred intimated in December 2005 that a sub committee under the chairmanship of Principal Secretary (Forests) had been formed to look into the matter. Further reply was awaited (September 2006).

5.2.15 Breach of condition in grant of rebate in royalty

The pricing committee prescribed certain conditions for grant of concessional rate of royalty in respect of trees declared unfit after being marked for exploitation. These conditions included a joint inspection by sub divisional manager (SDM) and ACF who would certify that unfit trees were found rotten 25 per cent or more at stump cross section and did not yield one sound log of three m. length (with a minimum mid girth of 1.5 m), one sound pole of four m. length and width (a girth of one m. at any end) and one sound pole of three m. length (with a girth of 45 cm. at any end). These were required to be deleted from the marking lists and no royalty was to be paid for the same. PCCF also clarified in September 2004 that in addition to other conditions applicable for declaring a tree as unfit during joint inspection, it should also be certified in the joint inspection that a tree cannot yield one sound pole /log of specified size.

It was noticed in four* divisions that joint inspections were carried out between July 2000 and February 2005 for declaring marked trees as unfit after felling. Though fulfilment of above mentioned condition(s) necessary for grant of rebate was not certified during the inspection(s), rebate in royalty and sales tax of Rs.91.59 lakh was allowed. This resulted in loss of revenue to Government to that extent.

5.2.16 Loss of revenue due to delay in taking over of lot

As per instructions of Chief Conservator of Forests (T) issued in May 1985, marking list of the marked salvage lot is to be sent to concerned divisional manager of corporation who would send formal receipt within 30 days of receipt of marking list. If no such receipt is received within 30 days, the lot shall be deemed to have been handed over.

During audit of the records of DFO Kullu, it was noticed in October 2005 that a salvage lot containing 846^ trees of fir/ spruce and other broad leaved species having 3,345.73 cu.m. of standing volume was marked in June 2001 and the marking lists were handed over to the corporation on 14 December 2001 for exploitation during 2002-04, with lease period upto 31 March 2004. The corporation intimated in September 2003 that standing trees were rotten and requested joint inspection which was not carried out by the department. The corporation again intimated in November 2004 i.e. after the expiry of lease period that 123 trees of fir/spruce had been found hollow after felling for which joint inspection was carried out in May 2005 and these trees having 580.96 cu.m. standing volume were found hollow and rotten. As exploitation was done after a lapse of more than two years, 123 salvage trees which were fit for exploitation during marking became hollow/rotten due to continuous exposure to the vagaries of weather. Lack of action on the part of the department and delayed exploitation resulted in loss of revenue of Rs.5.82 lakh.

* Ani: Rs.29.80 lakh, Rampur: Rs.54.50 lakh, Sundernagar: Rs.1.88 lakh and Una: Rs.5.41 lakh

^ Fir/spruce: 706 trees: 2,949.53 cu.m., Broad leaved: 140 trees: 396.20 cu.m.

5.2.17 Short fixation of royalty rates in resin blazes

The royalty rate for resin blazes is fixed by the pricing committee keeping in view the percentage increase/decrease in the sale rate of N grade rosin.

5.2.17.1 The pricing committee fixed the royalty rate of resin blazes for 2001-02 at Rs.27 per blaze. While fixing rates for the year 2000-01, the sale rate of N grade rosin was Rs.29.64 per kg whereas the same was Rs.32.46 per kg for the year 2001-02. There was thus an increase of 9.51 *per cent* in the sale rate of N grade rosin. The royalty rate of Rs.25 per blaze fixed for the year 2000-01 was to be increased by 9.51 *per cent* for the year 2001-02 which worked out to Rs.27.38 instead of Rs.27. Incorrect fixation of royalty rate resulted in short recovery of royalty of Rs.7.34 lakh on 19.31 lakh blazes handed over during the year 2001-02 for tapping by the corporation.

After this was pointed out, department stated in July 2005 that the matter had been taken up with corporation to release the payment of differential amount of Rs. 7.34 lakh.

5.2.17.2 Similarly, in the year 2003-04 the average sale rate of N grade rosin decreased by Rs.1.94 as compared to the year 2002-03 when the sale rate was Rs.29.88. Thus, there was a decrease of 6.49 *per cent* in the sale rate of N grade rosin and accordingly the royalty rate per blaze for the tapping season 2003-04 worked out to Rs.23.38. The pricing committee, however, fixed the rate at Rs.23 per blaze which resulted in loss of revenue of Rs.8.17 lakh on 21.50 lakh blazes at the rate of Rs.0.38 per blaze.

After this was pointed out, the department placed the matter before the pricing committee which in turn revised the rates in October 2005 from Rs. 23 to Rs.23.38 per blaze for the year 2003-04.

5.2.18 Non payment of extension fee

As per decision of the pricing committee, terms and conditions as applicable to the contractors prior to the formation of corporation were applicable to it for exploitation of forests. Accordingly on the expiry of lease period, the corporation had no right on such trees which were left standing in the forest or felled trees and any scattered/stacked timber unremoved from the leased forest unless its period of lease was extended by CF/PCCF. For all extensions granted, extension fee at the rate of 1.5 *per cent* per month on the balance payable amount of royalty was leviable. In addition, where royalty had been paid, extension fee at the rate of 0.2 *per cent* per month was leviable on the total sale price. For second and subsequent extensions, the above rates were two *per cent* and 0.3 *per cent* per month respectively. However, no time limit had been fixed for grant of extension.

It was noticed in audit that corporation sought extension in working period of 276 lots from time to time during the years 2001-02 to 2004-05. However no extension was granted and the corporation continued the work of exploitation. There was nothing on record to indicate the stage at which these cases were pending finalisation. This resulted in non recovery of extension fee of Rs.1.04 crore.

5.2.19 Exemption from payment of damage bills

As per decision of the pricing committee dated 4.12.1986, damage bills* on account of resin were required to be prepared after joint inspection of the area by the staff of the corporation and Forest Department. In case the corporation staff did not join in the joint inspection, the list was to be prepared by the department and sent by the DFO to the DM for acceptance. The DM would return the accepted lists within one month of sending the same by DFO. If no acceptance was communicated in one month, these would be deemed to have been accepted.

5.2.19.1 A perusal of the agenda note supplied by the corporation to the pricing committee in July 2003 revealed that the DFOs sent the damage bills without joint inspection after a gap that ranged between two months and three years. The corporation did not accept these damage bills. Thereafter, the pricing committee decided that the corporation would make a payment of Rs.5 lakh in lumpsum to the Forest Department on account of unaccepted damage bills of resin blazes for the years 1996, 1997 and 1998 against the total liability of Rs.27.78 lakh. Thus lack of timely action resulted in a loss of Rs.22.78 lakh. Besides, interest of Rs.0.66 lakh on account of late payment of Rs.5 lakh was not claimed by the department.

After this was pointed out, department did not give any reasons of non conducting joint inspection and stated in October 2005 that loss on account of interest would be claimed from the corporation.

5.2.19.2 A damage bill[@] for Rs.2.78 lakh was incorrectly charged for Rs.4.40 lakh by DFO Kullu in November 2003. It was not accepted by the corporation. However, the department revised the bill for Rs.2.78 lakh and issued it in July 2004 which had neither been accepted nor paid by the corporation. The department also did not press for payment thereafter.

* Damages caused to resin blazes either through illicit tapping or tapping the blazes not in accordance with dimensions/specifications are raised by the department against the corporation

[@] Lot no. 1/2003-04

5.2.19.3 A damage bill for illicit felling of 29 fir trees having volume of 95.41 cu.m. was issued in July 2002 by DFO Parbati at lesser rates for Rs.1.79 lakh. The department revised the bill to Rs.17.01 lakh in February 2003. The corporation informed DFO Parbati in August 2003 that an amount of Rs.1.63 lakh had been recovered from the labour supply mates[§]. However, it did not deposit the same in the Government account on the plea that extension fee was also recoverable from the labour supply mate. Thereafter, corporation intimated the department to recover the amount at its own level. The DFO asked the corporation to make the payment as the damage was caused by them. Thereafter instead of pressing the corporation for the payment of damage bill, the department appointed a committee in July 2004 to find out factual position and submit the report within a month. Neither any report was submitted by the committee nor did corporation make any payment. This resulted in non realisation of Government revenue of Rs.17.01 lakh.

5.2.20 Interest on late payment of royalty

In accordance with the decision of the pricing committee from time to time, the corporation is required to pay interest at the rate of 11.5 *per cent* per month upto 2003-04 and at the rate of nine *per cent* per annum from 2004-05 on delayed payment of royalty.

It was noticed in audit that the corporation delayed the payment of royalty of resin blazes during 1999, 2001 and 2004 by 177 days to 1,546 days for which interest of Rs.13.61 lakh was leviable. The department neither raised any demand nor did the corporation make any payment.

Similarly, 18 DFOs* had also not claimed interest amounting to Rs.1.61 crore on late payment of royalty of timber lots for the years 2001-02 to 2004-05.

Non charging of interest on belated payment of royalty resulted in non realisation of revenue of Rs.1.75 crore in the above two cases.

After this was pointed out, PCCF stated in October 2005 that the matter will be taken up with the corporation for making the payment at the earliest.

5.2.21 Non levy of interest on seized timber

The pricing committee in its meeting held on 22.7.2003 decided that the corporation would release the amount received on account of sale of seized timber in auction to the respective DFO within 90 days under all circumstances. In case the sale proceeds are not deposited within 90 days, corporation was liable to pay interest at the rate of 12 *per cent* per annum.

[§] Labour supply mate means a contractor engaged by the corporation for felling, conversion and carriage of forest produce

* Ani, Banjar, Bharmour, Chamba, Churah, Chopal, Dalhousie, Kotgarh, Mandi, Pangi, Parbati, Rampur, Rekong Peo, Rohroo, Shimla, Sundernagar, Theog and Una

It was noticed that corporation sold seized timber in auctions held between 12.1.2000 and 19.3.2004 but sale proceeds of Rs.36.23 lakh realised through auctions was remitted late by 61 to 207 days between 11.5.2000 and 7.12.2004. Interest on late remittance of sale amount of seized timber worked out to Rs.2.74 lakh which was neither claimed by five DFOs* nor was paid by the corporation.

After this was pointed out, PCCF directed DFO Chamba in December 2005 to recover the outstanding amount on account of interest.

5.2.22 Non levy of penalty

As per clause 18(g) of the standard agreement deed, the corporation was required to pay sales tax alongwith royalty instalments on due dates failing which penalty at the rate of 18 *per cent* per month of sales tax due was payable.

The corporation did not pay sales tax with the royalty instalments. The delay ranged between 17 and 150 days for which the corporation was liable to pay penalty of Rs.65.21 lakh, which was not levied by the department resulting in loss of revenue of Rs.65.21 lakh.

5.2.23 Short handing over of resin blazes

5.2.23.1 As per PCCF letter dated 30.5.2000, prior approval of CF concerned was required for deletion of resin blazes in a particular year. This approval was required to be obtained before the commencement of tapping season and handing over of blazes to the corporation.

It was noticed that in 11^s forest divisions, 83,238 resin blazes which should have been handed over to the corporation during 2004 and 2005 tapping season, were deleted from enumeration list without seeking prior approval of the competent authority. The deletion of blazes was, therefore, irregular which resulted in loss of revenue of Rs.19.72 lakh.

5.2.23.2 As per instructions dated 22 January 1997 issued by the PCCF, the diameter of *chil* trees for resin tapping would be 30 cm from 1997 tapping season onwards. However, the PCCF in his instructions dated 3 September 2001, fixed the minimum diameter for resin tapping as 35 cm applicable from the 2002 resin tapping season in respect of trees to be tapped for the first time. For the old lots which were already under tapping or trees which had been tapped earlier but which were left out for enumeration and could be tapped now, the tappable diameter would continue to be 30 cm dia at breast height and above.

* Chamba, Chopal, Parbati, Rampur and Theog

^s Chopal, Dehra, Hamirpur, Kunihar, Mandi, Nalagarh, Palampur, Parbati, Renukajee, Solan and Theog

During audit of the records of DFO Una and Nalagarh, it was noticed between February 2006 to March 2006 that 13,696 *chil* trees having diameter of 30 cm and above had not been enumerated at all and were not handed over to the corporation for resin tapping between 2000 and 2004 tapping season. This resulted in depriving Government of revenue of Rs.16.69 lakh on account of royalty.

Further, in Bilaspur division 2,37,899 *chil* trees having a diameter of 30 cm and above were available for tapping as on 1.4.1994. After taking into account the trees marked to the rightholders* in timber distribution and salvage trees handed over to corporation for felling, 9,32,636 *chil* trees were available for tapping between tapping season of 2000 and 2004. Against this, 4,25,461 *chil* trees were handed over to the corporation for tapping. This resulted in short handing over of 5,07,175 *chil* trees during the years 2000 to 2004. As a result, Government was deprived of revenue of Rs.1.25 crore on account of royalty.

5.2.23.3 The PCCF instructed in July 1993 and July 2004 that resin tapping works were required to be checked at least twice a month by RO and once in a month by ACF and as and when on tour by DFO.

No checking/inspection notes were available on records shown to audit. As a result of non checking, 41,660 *chil* trees in Nahan division had been rendered unfit for tapping during 2000-01 to 2004-05 due to heavy/defective tapping by the corporation. Consequently, these trees could not be tapped in subsequent years. This not only resulted in loss of revenue of Rs.10.20 lakh but trees also became defective for subsequent tapping.

5.2.24 Non recovery of registration fee from resin tappers

According to Himachal Pradesh Resin and Resin Products (Regulation of Trade) Act as amended in 2002 and Rules made thereunder, every tapper of resin including corporation, is to be registered with the division concerned on payment of registration fee of 10 paise per blaze.

Test check of the records of 31^s DFOs revealed between June 2005 and March 2006 that 64.52 lakh resin blazes were tapped by the corporation during the tapping season of 2003, 2004 and 2005. However, the department did not recover registration fee of Rs. 6.45 lakh from the corporation. This resulted in non realisation of revenue of Rs. 6.45 lakh.

* A person who is entitled to get tree from a specified forest for construction/ repair of his house

^s Ani, Banjar, Bilaspur, Chamba, Chopal, Churah, Dalhousie, Dehra, Dharamsala, Hamirpur, Jogindernagar, Karsog, Kotgarh, Kuniyar, Mandi, Nachan, Nahan, Nalagarh, Nurpur, Palampur, Poanta Sahib, Rajgarh, Rampur, Rekong Peo, Renukajee, Rohroo, Shimla, Solan, Sundernagar, Theog and Una

5.2.25 Bamboo Working

Bamboo crop is grown in eight forest divisions of the State. Bamboos are felled/exploited in three to four years felling cycle prescribed in the relevant working plan. Any deviation from the working plan is required to be got approved from Government. Non exploitation of bamboo crop prevents fresh growth of coppice shoots/ clumps which eventually form the future bamboo crop.

Bamboo exploitation is being carried out by the corporation. For the lots handed over to the corporation for exploitation, royalty at the rate of 20 *per cent* of the gross sale of bamboo for the year 2000-01 onwards (revised to 30 *per cent* of gross sale from 2004-05 onwards) was payable.

Test check of records of eight forest divisions between February and March 2006 revealed the following irregularities.

Non exploitation of bamboo by the corporation

Exploitation is based on the enumeration carried out in the field. The working plan officer prescribes the felling cycle for bamboo in plan of a particular division. Based on these prescriptions, the bamboos are felled/exploited in three to four years felling cycle.

5.2.25.1 In three* divisions, 2,381.06 hectare of bamboo forests, handed over to the corporation between 2002-03 and 2004-05, were not exploited due to non availability of bamboo clump in the area. Since felling was prescribed in the working plan, non existence of bamboos was required to be investigated. The department, however, did not carry out any investigation for non existence of bamboos. This shows that either the prescriptions of the working plan were defective or bamboos had been illicitly removed from the forest which escaped the notice of the department.

This resulted in non realisation of royalty amounting to Rs. 13.69 lakh (including sales tax).

5.2.25.2 Test check of records of Nurpur forest division revealed that 177.24 hectares of bamboo forests had been prescribed for felling between 1996-97 and 2006-07 as per felling cycle prescribed in the approved working plan of the division. But no such felling had ever been carried out, as these were not handed over to the corporation for felling. This resulted not only in loss of revenue of Rs.2.39 lakh (including sales tax of Rs.0.55 lakh) for the years 2002-03 but also hampered further growth of bamboo. The reasons for non handing over of the bamboo areas were not on record.

* Bilaspur, Kunihar and Nalagarh

5.2.25.3 The DFO, Una submitted a proposal in September 1997 to CF, Dharamsala for inclusion of 118.96 hectares of bamboo area falling in scrub working circle under four years felling cycle. The proposal was turned down by CF(working plan) in July 1999 on the plea that no felling could be authorised under the plan that was yet to be approved and as such prior approval of PCCF was required. The DFO again requested the CF in July 1999 to get the approval of PCCF. However, no approval was received and the bamboo crop could not be felled during 2004-05. This resulted in loss of revenue of Rs.8.80 lakh (including sales tax).

5.2.26 Foregoing of revenue due to less yield of bamboo

According to the working plan of Solan division, yield of bamboo was estimated at 350 bundles per hectare for Lugon area including areas of Dharampur ranges, 300 bundles per hectare for Parwanoo area and 750 bundles per hectare for plantation area. The minimum yield thus prescribed was 300 bundles per hectare.

During audit of the records of DFO Solan it was noticed that five lots involving an area of 1,463 hectares of bamboo forests were handed over to the corporation for exploitation during 2000-01 to 2004-05. Based on the minimum yield of 300 bundles per hectare, the estimated yield worked out to 4,38,900 bundles as per prescription of the working plan against which the corporation had extracted only 1,99,349 bundles. This resulted in less yield of 2,39,551 bundles and consequently revenue foregone of Rs.39.20 lakh (including sales tax).

5.2.27 Loss due to delay in transportation of timber

The corporation extracts timber from the lots handed over to it by the department. The timber so extracted is classified as “A” or “B” class timber. No “C” class timber is extracted in the forests. The timber so extracted is required to be carried to the sale depots of the corporation within two months of extraction. Delay in transportation of timber from forest to sale depots directly affects the quality of timber. The Corporation had, however, delayed the transportation of timber by three months to two years from the date of extraction to the date of transportation to sale depots and during this period ‘B’ class timber got converted into ‘C’ class timber.

During the years 2001-2003 depots at Mantaruwala, Nurpur and Baddi, sold 1,149.226 cu.m. of deodar, 6,624.650 cu.m. of kail, 10,472.752 cu.m. of fir and 17,391.62 cu.m. of chil as ‘C’ class timber resulting in short realisation of royalty as compared to ‘B’ class timber. Resultantly, the weighted average sale rates were also affected and consequently the royalty rates as percentage of weighted average sale rates fixed for the years 2002-03 and 2003-04 were on the lower side. This resulted in loss of revenue of Rs. 6.38 crore.

5.2.28 Conclusion

The review revealed that the department did not ascertain correctness of data furnished by corporation for fixing rates of royalty. It lacked monitoring over correct accounting of arrears which required reconciliation with the corporation. A strong mechanism is required to be developed to ensure timely collection of revenue receipts and disposal of forest produce etc.

5.2.29 Acknowledgement

We are thankful to the department and various field offices for co-operation extended by them at various stages. Audit findings were discussed with Pr.Secretary (Forest) on 11 July 2006 in the exit conference. Government while accepting most of audit observations assured timely recovery of all sums due to Government, strengthening of internal controls of the department, reconciling the figures with corporation to represent a true and accurate position of arrears. The replies received from the department and Government have been taken into consideration while drafting the review.

5.3 Recovery of arrears recoverable as arrears of land revenue

Introduction

5.3.1 The Forest Department is responsible for recovery of dues pertaining to its own department. If Government dues cannot be recovered by any means available with the department, such arrears are certified as arrears of land revenue (ALR) and referred to the collector of the district concerned or the officer who has been delegated such powers for initiating recovery proceedings by adopting one or more of the processes provided under the Himachal Pradesh Land Revenue Act, 1953 (Act No. 6 of 1954). Government of Himachal Pradesh (Revenue Department) delegated the powers of collector under the Act *ibid* to the divisional forest officers of Kangra and Shimla districts in March 1997 to exercise powers of collectors within the jurisdiction of their respective forest divisions. According to the provisions of Revenue Recovery Act, 1890, when a sum, recoverable as ALR, is payable to a collector by a defaulter who is having property in a district other than that in which the arrear is accrued, the collector may send a certificate in the prescribed form to the collector of the district where property of the defaulter is situated, to recover the amount as if it was an ALR which had accrued in his own district.

Position of pendency of arrears within the department

5.3.2 According to the information supplied by Department of Forest, 144 cases involving an amount of Rs. 2.18 crore were pending for recovery as ALR as on 31 March 2005.

A comparison of circle wise information, as supplied by the CFs to PCCF with the figures of PCCF revealed discrepancy in the position of pendency as under:

(Rupees in lakh)

Sr. No	Name of circle	Position of arrears as intimated by the PCCF		Position of arrears as supplied by the respective CFs		Variation (+) or (-)	
		Amount	Cases	Amount	Cases	Amount	Cases
1.	Chamba	87.55	33	128.73	22	(-) 41.18	(+)11
2.	Nahan	5.40	7	5.73	8	(-) 0.33	(-) 1
3.	Shimla	47.32	66	37.84	68	(+) 9.48	(-) 2

The discrepancy in figures was never pointed out by the PCCF to the CFs although quarterly reports of outstanding arrears were being received in his office.

After this was pointed out, department stated in October 2005 that the variations were being reconciled with the respective CFs. Further reply was still awaited (September 2006).

Cases pending with Collectors within the State

5.3.3 Nine cases involving an amount of Rs. 16.91 lakh were being pursued through collectors within the State. Out of these, in four cases of DFO Rohroo involving an amount of Rs. 1.46 lakh for the period 1964-65 to 1980-81, non recovery certificate (NRC) was issued to Collector Kullu by Collector Shimla in March 1985. To ascertain the progress of recovery, latest reminder was issued by the DFO in November 2000. Thereafter, no action was taken by the DFO. However, records of Collector Kullu in June 2005 did not show any case outstanding in his records. Thus, the fate of these cases was not known. The remaining five cases involving Rs. 15.45 lakh which pertained to DFO Chopal, were stated to be pending with Collector Shimla since September 1988 and were not pursued. However, Collector Shimla showed only one case of Rs 0.05 lakh pending with him. The fate of remaining four cases was not known and no efforts had been made by the department to reconcile these and assess the factual position.

Cases pending with Collectors of other States

5.3.4 Seventeen cases involving an amount of Rs 65.15 lakh were pending for recovery as ALR with the collectors of other States as detailed below:

(Rupees in lakh)				
Sr. No.	Name of DFO	Period	Remarks	Amount
1.	Bharmour, Churah, Dalhousie	1960-61 to 1982-83	Twelve cases were sent by Collector Chamba between 1964 and 1994 to the collectors of Punjab and Haryana. The actual date of sending the cases to collectors of other states was not known. There was nothing on record to show that any action was taken for recovery of amount.	27.61
2.	Rampur	NA	Three cases were received back by DFO from Collector Ambala, Jalandhar and Yamunanagar between July 2000 to July 2001 as addressees of the defaulters were incorrect. No action was taken to trace the defaulters.	36.63
3.	Dharamsala	NA	Case was referred to Collector Chandigarh in June 1986 but recovery could not be effected due to incorrect address. The case was again sent in September 2000. No amount had been recovered (September 2006).	0.55
4.	Rohroo	NA	Case was referred to Collector Ambala in June 1996. No amount had been recovered (September 2006).	0.36
Total				65.15

Cases pending with the department

5.3.5 Thirty two cases involving an amount of Rs 69.82 lakh were pending for recovery with the departmental officers. No action was taken to issue NRC even after powers were delegated to DFOs of Kangra and Shimla as detailed below:

(Rupees in lakh)

Name of DFO	Period	No. of cases	Amount
Rohroo	1964-65 to 1980-81	3	2.87
Chopal	1959-60 to 1988-89	15	14.87
Nurpur	1978-79 to 1982-83	4	20.58
Rampur	NA	4	30.51
Kotgarh	1979 to NA	5	0.81
Dharamsala	NA	1	0.18

It would be seen from above that lack of action on the part of department resulted in non recovery of outstanding dues.

5.4 Non levy of permit fee

As per notification dated 20 August 2001 issued under the Indian Forest Act, 1927, as applicable to Himachal Pradesh and published in Rajpatra, Himachal Pradesh (Extra-ordinary), on 3 September 2001, dealers of khair heartwood/ chips and khair billets (with bark), having medicinal value were liable to pay export permit[&] fee of Rs. 250 per quintal and Rs. 175 per quintal respectively. However, through a notification dated 19 October 2004, Government of Himachal Pradesh restricted the levy of export permit fee to inter state transportation of khair wood. Accordingly, export permit fee was leviable on intra state transportation of khair wood upto 18 October 2004.

During audit of records of nine^{*} forest divisions, it was noticed between February 2005 and March 2006 that DFOs issued 147 passes for intra state export of 37,730.0912[#] quintals of khair wood between April 2003 and 18 October 2004, without levy of export permit fee. This resulted in non levy of Government revenue of Rs.78.36 lakh.

Further information collected from six[@] divisional managers of the corporation revealed that the corporation issued 160 permits for export of 39,310.41 quintals of khair wood within the State during October 2001 to 18 October 2004. However, no export permit fee was charged by the corporation. The department also did not ask the corporation to pay the export permit fee in respect of the permits issued by the corporation. This resulted in non realisation of Government revenue of Rs.89.74 lakh.

[&]Export permit : It is a pass from an officer duly authorised to issue the same to regulate import or export or moving of timber or other forest produce

^{*}Bilaspur, Dehra, Dharamsala, Hamirpur, Kunihar, Nahan, Nurpur, Rajgarh and Una

[#]Khair heart wood/chips: 16,437.8212 quintals, khair billets (with bark) 21,292.27 quintals

[@] Hamirpur, Dharamsala, Fatehpur, Nahan, Solan and Una

After this was pointed out, PCCF in case of Rajgarh division, intimated in May 2005 that this was a result of lapse in the notification dated 20 August 2001 which was subsequently rectified in the notification dated 19 October 2004. It was further stated that matter had been taken with Government for making the notification effective from August 2001. The reply of department was not tenable as the department was required to recover the permit fee upto 18 October 2004 i.e. prior to the date of issue of amendment.

The cases were reported to Government between March 2005 and April 2006; reply had not been received (September 2006).

5.5 Non charging of cost of fence posts

The Forest Department executes afforestation work in double the area, transferred to user agency under Forest (Conservation) Act, 1980, for non forestry purpose. The cost of fence posts required for compensatory afforestation is to be realised from the user agency as per departmental instructions and deposited as revenue under the relevant head. PCCF, Himachal Pradesh, Shimla fixed (August 1995) the norm of 70 fence posts to be used for fencing of one hectare of plantation area.

During audit of records of four[§] DFOs, it was noticed between March 2005 and March 2006 that cost[@] of 9,549 fence posts, required for compensatory afforestation in 136.41 hectare had not been charged from the user agencies during the period between April 2003 and March 2005. This resulted in non realisation of revenue of Rs. 12.41 lakh (including sales tax) to Government.

After this was pointed out, DFO Renukajee stated in September 2005 that user agency was being asked to deposit the cost of fence posts whereas DFO Karsog intimated in April 2006 that bill had been raised. Report of recovery was awaited. Reply from other divisions was, however, awaited.

The cases were reported to the department/Government between April 2005 and April 2006; their reply had not been received (September 2006).

5.6 Unauthorised grant of trees in timber distribution

As per departmental instructions of December 1986, timber distribution (TD) is to be done strictly in accordance with the provisions of forest and land revenue settlements and executive instructions issued by the department from time to time. The grant of trees in TD is made to the rightholders by the DFO on the basis of recommendations of the sarpanch of the concerned panchayat and the forest field staff with regard to the genuineness of the demand. Any deviation from such instructions by the field staff is irregular/ unauthorised.

[§] Karsog , Rampur, Renukajee and Rohru

[@] Cost of fence posts worked out at the rate of Rs. 100 per fence post on the basis of bills raised by the department

During audit of records of DFO, Theog, it was noticed in June 2005 that permits to fell 11 deodar trees having 26.158 cu.m. standing volume were issued to the rightholders during December 2003. Scrutiny of records disclosed that the trees were marked and granted in TD without obtaining sanction of the DFO. Thus, failure to exercise prescribed checks resulted in a loss of Rs.8.70 lakh.

After this was pointed out, DFO Theog intimated in January 2006 that unsanctioned TD applications could not be noticed due to heavy load of work and trees were marked/permits issued in a routine manner.

The cases were reported to the department/Government in July 2005; their reply had not been received (September 2006).

5.7 Loss of revenue due to time barred cases

As per provisions of Criminal Procedure Code, no court shall take cognizance of forest offence cases after the expiry of one year. As such, forest offence cases are required to be either compounded or challaned in a court of law within one year. A quarterly progress report indicating the position of forest offences is required to be sent by the division to the CF.

During audit of records of DFO Dalhousie, it was noticed in July 2005 that 25 damage reports for illicit felling of trees involving Rs. 3.50 lakh were issued between 1999-2000 and 2003-04, against offenders. The department however, failed to compound these cases or take them to a court of law within the prescribed period of one year. Thus, no action can be taken against the offenders as the cases have become time barred. This resulted in loss of revenue of Rs. 3.50 lakh to Government.

The cases were reported to the department/Government in August 2005; their reply had not been received (September 2006).

5.8 Under assessment of damages and compensation

In accordance with section 68 of Indian Forest Act, 1927, DFO Kullu fixed the rates of compensation for compounding of various forest offences in the division. The rate of compensation for illicit extraction /collection of stone was Rs. 50 per cu.m. whereas the value of forest produce to be charged was Rs. 250 per cu.m. or market value, whichever is more. For second and subsequent offence, double rate was to be charged.

During audit of records of DFO, Kullu, it was noticed in October 2005, that 12 forest offence cases such as illegal extraction of stones, damage of saplings due to muck dumping etc. had been committed by a hydro electric project, between November 2003 and August 2004. Scrutiny revealed that the offences committed by the project were second and subsequent offences for which double the rates of compensation were applicable. The project was, therefore, liable to pay Rs. 4.83 lakh (including sales tax) on account of compensation and value of forest produce. Against this, the division recovered only Rs. 2.41 lakh on this account. This resulted in short realisation of revenue of Rs. 2.42 lakh.

The matter was reported to the department/Government in November 2005; their reply had not been received (September 2006).

5.9 Loss of interest due to non keeping of funds in fixed deposit.

As per instructions (22 March 2004) of Government of India, Ministry of Environment and Forests, funds of compensatory afforestation (CA), net present value (NPV), catchment area treatment (CAT) plan etc. were to be kept in the form of fixed deposits (FDs) in a nationalised bank in the name of concerned DFO or nodal officer (Forest Conservation) of the State till compensatory afforestation management and planning agency (CAMPA) becomes operational and till further necessary directions received from the Central Government.

The Central Government advised (22.6.2004) that State/UT Governments may break the FDs as per their requirement for the purpose of CA & other such works and open a current account in the name of concerned DFO. The balance amount may be maintained as FDs in the name of concerned DFO or the nodal officer. The nodal officer shall submit the quarterly progress report to the concerned Regional Office for the utilisation of funds and the balance amount in the form of FDs. Constitution of CAMPA was notified (23 April 2004) by the Ministry of Environment and Forests for the management of money received towards CA, NPV and any other money recoverable.

During test check of records of 17* DFOs, it was noticed between January 2005 and March 2006 that an amount of Rs.42.58[∇] crore was received from various user agencies for CA, CAT plan, NPV etc., during the years 2003-04 to 2005-06. Audit scrutiny revealed that of these, Rs.25.55 crore kept in FDs were encashed between February and October 2005 and deposited in the treasury under the revenue head "0406-800 Other Receipts" whereas Rs.17.03 crore were deposited directly in the treasury under the revenue head between March 2004 and November 2005 as the State Finance Department had opined that keeping such funds in FDs for unlimited period will be violative of state financial rules. By crediting the amount of Rs.42.58 crore in Government treasury instead of keeping them in FDs, the

*Bharmour, Chamba, Churah, Dalhousie, Dharamsala, Jogindernagar, Kinnaur, Kullu, Lahaul at Keylong, Mandi, Nachan, Parbati, Renukaji, Rohru, Seraj, Shimla and Theog

[∇]2003-04: Rs.7.26 crore, 2004-05: Rs.23.31 crore, 2005-06: Rs.12.01 crore

Government suffered a loss of interest of Rs.2.46 crore (calculated at the rate of five *per cent* per annum from the date of deposit into treasuries) between March 2004 and March 2006.

After this was pointed out (between February 2005 and April 2006) in audit, the Government enclosed (September 2006) reply of the PCCF which interalia stated that the instructions of Government of India of 22 March 2004 were considered as a stop gap arrangement for a short period only and not an open ended procedure to be continued beyond the financial year. As the CAMPA did not become functional even by the close of the financial year, in such situation, the amount realised by DFOs and kept in the FDs would have remained unaccounted and unaudited in their records and thus on the basis of instructions (14 October 2004) of the State Finance Department, the amounts were deposited in the treasuries and no other instructions can have an over powering effect.

The reply is not tenable because of the specific instructions of GOI, Ministry of Environment and Forests dated 22 March 2004 and further clarification issued on 22 June 2004 stipulating the regulation and monitoring of utilisation of the funds. The action of the State Government to deposit the amounts in Government treasury was contrary to the requirements laid down by the Ministry on the subject as the funds realised under CAMPA were for CA, CAT plan etc. and were not to be treated as revenue of the State Government.

Further, information collected in May 2006 from PCCF, revealed that the Forest Department realised Rs.53.12 crore during 2004-05 and Rs.75.75 crore during 2005-06 from various DFOs in eight circles on account of CAT plan, NPV etc. These amounts were deposited into the treasury as revenue of State. This had not only resulted in loss of interest but also inflated the revenue of the department/ Government to that extent.

The matter was reported to the Government in July 2006 but the Government simply forwarded the reply of PCCF without offering any comments (September 2006).