

CHAPTER-V: FOREST RECEIPTS

5.1 Results of audit

Test check of the records of forest receipts, conducted during the year 2007-08, revealed non/short recovery of royalty, non-levy of extension fee/interest and other irregularities amounting to Rs. 88.34 crore in 252 cases, which fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non-levy of extension fee	22	1.12
2.	Non-levy of interest	16	0.35
3.	Non/short recovery of royalty	12	0.27
4.	Other irregularities	202	86.60
Total		252	88.34

During 2007-08, the department accepted under assessments of Rs. 16.89 crore involved in 67 cases which had been pointed out in audit in the earlier years.

A few illustrative cases involving Rs. 10.74 crore are mentioned in the succeeding paragraphs.

5.2 Short recovery of revenue

The standing trees coming in the alignment of a project are marked and handed over to the Himachal Pradesh State Forest Corporation (HPSFC) for exploitation. The cost of trees is, however, recovered from the user agency in whose favour the Government of India had accorded its approval for transfer of the forest land. The State Government had fixed the market rates of green standing trees of various species for the year 1992-93 on 15 May 1993. Thereafter, the rates were charged after taking 10 *per cent* increase each year over the market rates of 1992-93 as per the prevailing practice in the department, until the Government revised the market rates in December 2006.

During audit of the records of six¹ DFOs, it was noticed (between September and December 2007) that cost of 20,880 trees (including saplings) of *deodar*, *kail*, *rai*, *fir* and *chil* species having standing volume of 15,656.928 cu.m, falling in the alignment area of projects/transmission lines etc. were charged between 1999-2000 and 2006-07 without taking into consideration the increase of 10 *per cent* each year in contravention of the prevailing practice in the department. This resulted in short realisation of revenue of Rs. 3.72 crore including value added tax.

After the cases were pointed out between September and December 2007, the DFOs Kullu and Karsog intimated in February and March 2008 that bill for Rs. 1.54 crore had been raised against the user agencies. A report on recovery and reply from the remaining DFOs has not been received (September 2008).

The matter was reported to the department and the Government between October 2007 and January 2008; their reply has not been received (September 2008).

5.3 Non/short charging of cost of fence posts

The Forest Department executes afforestation work in double the area, transferred to user agency under the Forest (Conservation) Act, 1980 for non-forestry purpose. The cost of fence posts required for compensatory afforestation (CA) is to be realised from the user agency as per the departmental instructions of 12 May 2004 and deposited as revenue under the relevant head. Similarly, the cost of fence posts required for fencing for carrying out maintenance of plantation in the catchment area under the catchment area treatment (CAT) plan of the concerned project, is also to be recovered from the user agency.

During test check of the records of six² DFOs, it was noticed between January and December 2007 that cost³ of 2,84,906⁴ fence posts, required for CA and for the maintenance of plantation in the catchment area under CAT plan in total area of

¹ Karsog: 8,236 trees: 1,938.497 cu.m; Kullu: 3,459 trees: 3,767.83 cu.m; Nachan: 544 trees: 134.105 cu.m; Parbati: 3,112 trees: 8,739.494 cu.m; Rampur: 189 trees: 190.946 cu.m and Suket : 5,340 trees : 886.056 cu.m.

² Bharmour, Chopal, Nachan, Rajgarh, Rampur and Una.

³ Cost of fence posts worked out at the rate of Rs. 100 per fence post on the basis of bills raised by the department.

⁴ CA: 6,986; CAT Plan: 2,77,920.

2,925.5848⁵ hectare had not been charged or charged less from the user agencies during the period falling between December 2002 and August 2007. This resulted in non/short realisation of revenue of Rs. 3.20 crore including VAT.

After the cases were pointed out between January and December 2007, the DFO Rampur stated in December 2007 that bill had been raised against the user agency to pay the differential amount. A report on recovery and reply from the remaining DFOs has not been received (September 2008).

The matter was reported to the department and the Government between February 2007 and January 2008; their reply has not been received (September 2008).

5.4 Blocking of revenue due to non-disposal of seized timber

Section 52 of the Indian Forest Act provides for seizure of property liable to confiscation. As per the departmental instructions of April 1951, the seized timber/forest produce should either be kept in the *sapurdagi* (safe custody) of a *sapurdar* (*lambardar* or any other reliable person of the place) or with the concerned field staff after it is accounted for in Form 17⁶. The timber/forest produce so accounted for is required to be disposed off after the offence has either been compounded or decided by the court. The Principal Chief Conservator of Forests (PCCF) instructed (April 1999) all the Conservators of Forest (CFs) that where the *sapurdagi* of forest produce was taken for unduly long period, the concerned investigating officers should be asked to procure orders of the competent court for auctioning the seized property within 15 days, to reduce expenditure on watch and ward and deterioration/pilferage of such produce. No periodical return at apex level has been prescribed to monitor the quantity of timber seized/disposed off.

5.4.1 During test check of the records of 17⁷ DFOs, it was noticed between June 2007 and March 2008 that 1,136.39 cu.m of timber of different species seized between 2002-03 and 2006-07, had not been disposed off as mentioned below:

Year	Species (Volume in cu.m)						Amount
	Deo	Kail	Rai	Chil	Others	Total	
2002-03	61.75	102.32	4.48	0.91	--	169.46	31.67
2003-04	59.31	39.11	4.14	18.70	0.29	121.55	23.11
2004-05	102.12	72.94	31.17	3.57	--	209.80	44.93
2005-06	277.08	68.31	13.98	2.59	6.63	368.59	94.36
2006-07	204.95	59.29	--	0.70	2.05	266.99	77.60
Total	705.21	341.97	53.77	26.47	8.97	1,136.39	271.67

⁵ CA: Area: 115.5848 hectare and CAT plan: Area: 2,810 hectare.

⁶ Register of forest produce seized.

⁷ Chopal, Churah, Dalhousie, Kotgarh, Karsog, Kullu, Kunihar, Mandi, Nachan, Parbati, Pangi, Rohru, Rajgarh, Rampur, Renukaji, Seraj and Theog.

There was nothing on record to indicate that the investigating officers were directed by the concerned DFOs to procure orders of the competent court for auctioning the seized timber. The value of seized timber at market⁸ rate worked out to Rs. 2.72 crore. Non-disposal of seized timber not only resulted in blocking of revenue but also incurring of expenditure on watch and ward and further deterioration of timber/forest produce.

After the cases were pointed out between June 2007 and March 2008, the PCCF intimated in December 2007 that the field DFOs were taking action and the issue was also monitored from his office from time to time. He further informed that the issue had been discussed in November 2007 and periodical information in this regard to be called for from CFs was under consideration of the department.

5.4.2 In Theog and Churah forest divisions, *deodar* and *kail* trees having 61.101 cu.m of timber, illicitly felled by the offenders, were seized between 2003-04 and 2006-07. The seized timber valued as Rs. 18.66 lakh was not accounted for in the register of forest produce seized, as required. There was nothing on record to verify whether the seized timber was auctioned by the department or sent to sale depot of HPSFC for auction. This resulted in non-realisation of revenue of Rs. 18.66 lakh.

The cases were reported to the department and the Government between June 2007 and April 2008; their reply has not been received (September 2008).

5.5 Under assessment of damages and compensation

In accordance with section 68 of the Indian Forest Act, the DFOs fixed the rates of compensation for compounding of various forest offences in the divisions. The value of forest produce was to be charged at the market rate. For the first offence, the market rate plus compensation was to be charged and for the second and subsequent offence, double the rate⁹ was chargeable. The State Government had fixed the market rates of green standing trees of various species for the year 1992-93 on 15 May 1993. Thereafter, the rates were charged after taking 10 *per cent* increase each year over the market rates of 1992-93 as per the prevailing practice in the department until the Government revised the market rates in December 2006.

Test check of the records of three¹⁰ DFOs between September 2007 and March 2008 revealed that during 2002-03 and 2006-07, the compensation, value of forest produce and penalty amounting to Rs. 1.19 crore was short claimed from the projects and HPPWD¹¹ authorities as mentioned below:

⁸ Prescribed in Department of Forest, Government of Himachal Pradesh letter dated 1 December 2006.

⁹ Market value of forest produce plus compensation.

¹⁰ Jogindernagar, Parbati and Seraj.

¹¹ Himachal Pradesh Public Works Department.

(Rupees in lakh)

Sr. No.	Name of the division/ year	No. of trees/ saplings	Species	Amount chargeable	Amount claimed	Amount claimed short	Name of the agency
1.	Parbati/ 2006-07	217/--	Deo, Kail, Fir, B/L	28.11	26.58	1.53	Everest Power Pvt. Ltd.
2.	Seraj/ 2003-04 to 2006-07	16/465	-do-	45.95	32.65	13.30	National Hydroelectric Power Corporation (NHPC)
		--/215	-do-	5.31	0.98	4.33	HPPWD
		26/1,910	-do-	80.95	15.30	65.65	NHPC
		27/200	-do-	2.63	1.19	1.44	HPPWD
3.	Joginder nagar/ 2006-07	144/--	Chil, Ban & B/L	36.62	3.64	32.98	HPPWD
Total				199.57	80.34	119.23	

After the cases were pointed out between September 2007 and March 2008, the DFO Jogindernagar intimated in March 2008 that during checking of forest on 27 December 2006, six km long road was found constructed and the staff issued a single damage report on 26 December 2006. The reply is not tenable as three damage reports for illegal uprooting of 144 trees were issued by the concerned beat guard between 26 and 29 December 2006 as noticed from the damage report file/register. Further report and reply in the remaining cases has not been received (September 2008).

The cases were reported to the department and the Government between October 2007 and April 2008; their reply has not been received (September 2008).

5.6 Short recovery of the value of illicitly felled trees

As per the guidelines issued (December 1986) by the State Government and departmental instructions of July 2005, the DFOs are empowered to compound cases of illicit felling upto the value of Rs. 2 lakh depending upon the merits of the case. The State Government had fixed the market rates of green standing trees of various species for the year 1992-93 on 15 May 1993. Thereafter, the rates were charged after taking 10 *per cent* increase each year over the market rates of 1992-93 as per the prevailing practice in the department until the Government revised the market rates in December 2006.

During test check of the records of 15¹² DFOs, it was noticed between January 2007 and March 2008 that in 1,376 compounding cases of illicit felling of trees, committed between April 2002 and March 2007, the value of illicitly felled trees at market rates worked out to Rs. 110.27 lakh. The divisions, however, recovered

¹² Ani, Chopal, Chamba, Churah, Karsog, Kotgarh, Nachan, Pangi, Rajgarh, Rohru, Renukaji, Shimla, Solan, Suket and Theog.

(between April 2002 and March 2007) Rs. 28.55 lakh as value of the trees, by applying lower rates instead of the market rates. This resulted in short realisation of revenue amounting to Rs. 81.72 lakh.

The cases were reported to the department and the Government between February 2007 and April 2008; their reply has not been received (September 2008).

5.7 Loss due to non-acceptance/issue of damage bills

As per clause 7 of the standard agreement deed, as applicable to the HPSFC, the forest officer will provide to the lessee a copy of the detailed marking list under proper receipt in token of authorisation to start the work in the leased forest and thereafter the lessee shall be responsible for any damage to the forest crop in the process of forest working by negligence. The deed further stipulates that if a lessee accidentally, negligently, deliberately fells a tree which he is not entitled to fell, he shall be liable to pay the price at lease or the prevailing market rates, whichever is higher alongwith a penalty of 100 *per cent* thereof. The damages/illicit felling etc. are required to be got acknowledged/signed by the regular staff viz. forest guard/block officer (BO)/assistant manager (AM) of the HPSFC immediately.

During test check of the records of two DFOs, between June and December 2007 revealed that 86 coniferous trees having standing volume of 75.032 cu.m were illicitly felled between 2005-06 and 2006-07 during exploitation by the HPSFC. The department did not take timely cognizance of the illicit felling and failed to get the damages accepted by the HPSFC. As a result, revenue of Rs. 39.08 lakh (price of trees at the market rate alongwith penalty) including VAT was not realised as mentioned below:

(Rupees in lakh)				
Sr. No.	Name of the forest division/ Lot No./ year	Nature of irregularities	Volume of timber illicitly felled (In cu.m)	Amount of damages not realised
1.	Chopal/ 6/2005-07	The lot comprising 1,900 trees having standing volume of 3,795.453 cu.m with lease period upto 31 March 2007 was handed over to the HPSFC in December 2004. Checking by the DFO, Flying Squad, Shimla in May 2006 and subsequent enquiry by DFO Chopal (August 2006) revealed that 78 trees of <i>deodar</i> , <i>kail</i> and <i>rai</i> having standing volume of 61.643 cu.m were found illicitly felled. A damage bill was issued in February 2007 which was not accepted by the HPSFC stating that these trees had been felled 5-6 years back. The presumption of the HPSFC that the trees were felled 5-6 years back was not supported by any field investigation or technical data. Scrutiny revealed that the DFO instead of taking recourse to clause 7 of the agreement deed insisted upon HPSFC for payment, which was not paid. This resulted in non-acceptance of damage bill and consequential loss of revenue of Rs. 32.20 lakh.	61.643	32.20
2.	Rampur/ 2/2005-06	Eight <i>Kail</i> trees having standing volume of 13.389 cu.m were illicitly felled in September 2005 in Punan c-113 forest, where exploitation work of the lot was in progress. Scrutiny revealed that the department instead of taking recourse to clause 7 of the agreement deed issued damage reports against unknown offenders and registered the case with the police. As a result, the department could not recover Rs. 6.88 lakh from the HPSFC.	13.389	6.88
Total			75.032	39.08

The cases were reported to the Government between July 2007 and January 2008; their reply has not been received (September 2008).

5.8 Loss of revenue due to cases becoming time barred

As per the Criminal Procedure Code, no court shall take cognizance of forest offence cases after the expiry of the period of limitation. The period of limitation ranges from six months to three years and is determined with reference to the offence committed. As per the departmental instructions of February 1985, the DFOs were required to ensure that no case became time barred for issuing challan and were required to take prompt action for disposal of the forest offence cases, as delay in taking action would result not only in acquittals of offenders in courts but compounding of offence cases also would become difficult.

5.8.1 Test check of the records of nine¹³ DFOs between June 2007 and March 2008 revealed that 22 damage reports involving 163 trees of *deodar*, *kail* and *ban* species, were issued between 2002-03 and 2004-05, against offenders for illicit felling of trees and other offences. Scrutiny revealed that against the standing volume of 146.23 cu.m of timber valuing Rs. 39.27 lakh, the department could seize 27.215 cu.m of timber valuing Rs. 6.84 lakh. The department, however, failed to compound these cases or take them to the court of law within the prescribed period. No action could later be taken against the offenders due to the cases becoming time barred. This resulted in loss of revenue of Rs. 32.43 lakh.

5.8.2 In Theog forest division, it was noticed in June 2007 that 47 trees of *deodar* having standing volume of 45.254 cu.m of timber valued as Rs. 13.24 lakh, had been illicitly felled during 2003-04. Scrutiny revealed that neither the department had issued damage reports against the offenders nor were the cases taken to the court of law. As a result, the cases became time barred. Inaction on the part of department resulted in loss of revenue of Rs. 13.24 lakh.

After the cases were pointed out between June 2007 and March 2008, the DFO Theog and Kotgarh intimated between June 2007 and October 2007 that time barred cases were being investigated. Further development and reply from remaining DFOs has not been received (September 2008).

The cases were reported to the department and the Government between July 2007 and April 2008; their reply has not been received (September 2008).

5.9 Short realisation of royalty due to application of incorrect volume factor

Royalty is payable on the standing volume of trees determined on the volume factor fixed by the Forest Department in the approved working plan. As per the working plan for the year 2002-03 to 2016-17 (applicable from 2004-05 to 2018-19) of Bharmour forest division, volume factor prescribed for IA to ID¹⁴ class of trees of *deodar* specie was to be applied for *kail* specie.

¹³ Ani, Churah, Dalhousie, Karsog, Kotgarh, Pangi, Rohru, Rampur and Renukaji.

¹⁴ It is classification of a tree according to the diameter.

During audit of the records of DFO Bharmour, it was noticed in May 2007 that standing volume of 1,115.29 cu.m in respect of *kail* trees was claimed short from HPSFC. Scrutiny revealed that the volume factor for IA to ID class of 1,408 trees of *kail* trees was taken as 3.89 cu.m per tree against the volume factor of *deodar* prescribed¹⁵ in the working plan. Thus, against standing volume of 6,592.41 cu.m, the division claimed 5,477.12 cu.m of volume while handing over 30¹⁶ lots for the years 2005-06 and 2006-07 to the HPSFC. Application of incorrect volume factor resulted in short realisation of Rs. 34.18 lakh on account of royalty at the rate of Rs. 2,673 and Rs. 2,817 per cu.m for the years 2005-06 and 2006-07 respectively, including VAT.

The matter was reported to the department and the Government in May 2007; their reply has not been received (September 2008).

5.10 Non-levy of extension fee

As per the decision of the Pricing Committee, terms and conditions as applicable to the contractors prior to the formation of HPSFC, were applicable to it for exploitation of forests. For all the extensions granted, extension fee at the rate of 1.5 *per cent* per month on the balance amount of royalty payable was leviable. However, where royalty had been paid, extension fee at the rate of 0.2 *per cent* per month was leviable on the amount of royalty of the lot concerned. For second and subsequent extensions, the above rates were two and 0.3 *per cent* per month respectively. The pricing committee in its meeting held on 11 September 2007 approved that in future, extension fee should be charged at the rate of 0.2 *per cent* per month of the total royalty (whether paid or unpaid) and would apply to all lots pending as on 1 April 2007 onwards.

During audit of the records of 10¹⁷ DFOs, it was noticed between June 2007 and March 2008 that 71 lots were handed over to HPSFC for exploitation during lease period ending between 31 March 2005 and 30 September 2007. Scrutiny revealed that though exploitation work of these lots could not be completed within the lease period, extension fee of Rs. 29.86 lakh was neither demanded nor was it paid by the HPSFC. This resulted in non-realisation of revenue of Rs. 29.86 lakh.

After the cases were pointed out between June 2007 and March 2008, the DFO Chopal and Theog intimated in June and July 2007 that bills for extension fee had been raised whereas DFO Seraj stated in September 2007 that bill was being raised. A report on recovery and reply from the remaining divisions has not been received (September 2008).

The cases were reported to the department and the Government between July 2007 and April 2008; their reply has not been received (September 2008).

¹⁵ 1A: 4.11 cu.m; 1B: 5.38 cu.m; 1C: 6.80 cu.m and 1D: 8.50 cu.m.

¹⁶ 2005-06: 20 lots: 30 November 2004 and 2006-07: 10 lots: 15 December 2005.

¹⁷ Chamba, Chopal, Churah, Dalhousie, Kotgarh, Nachan, Nahan, Rohru, Seraj and Theog.

5.11 Non-levy of interest

The HPSFC which is entrusted with the responsibility of exploitation of all forest lots, is required to deposit instalments of royalty in respect of forest lots by due dates as fixed by the State Government. In case royalty is not paid within 90 days after the due date, interest at the rate of 11.5 and nine *per cent* per annum is chargeable with effect from 1 April 2001 and 1 April 2004 respectively.

During audit of the records of six¹⁸ DFOs, it was noticed between May 2006 and July 2007 that 89 forest lots were handed over to HPSFC for exploitation during the years 2002-03, 2004-05 and 2005-06. Royalty of Rs. 2.67 crore which was payable between March 2003 and November 2006 was, however, paid between June 2005 and June 2007. The delay in payment of royalty ranged between 169 to 820 days. Interest of Rs. 15.71 lakh though leviable was not levied by the department for belated deposit of royalty.

After the cases were pointed out between May 2006 and July 2007, the department stated in June 2007 that in the case of Hamirpur division, bill of Rs. 1.20 lakh had been raised in February 2007. A report on recovery and reply from the remaining divisions has not been received (September 2008).

The cases were reported to the department and the Government between June 2006 and August 2007; their reply has not been received (September 2008).

5.12 Loss of revenue due to non-tapping of resin blazes

As per the instructions dated 24 September 2001, the PCCF increased the minimum diameter for resin tapping as 35 cm dia breast height (dbh) from 30 cm dbh, applicable from 2002 resin tapping season, in respect of trees to be tapped for the first time. However, for the old lots which were already under tapping or trees which had been tapped earlier but left out for enumeration and could be tapped now, the tappable diameter would continue to be 30 cm dbh. Further, according to the instructions issued in May 2000, prior approval of the CF was required to be obtained well before the commencement of the tapping season for deletion of blazes.

During audit of the records of three¹⁹ DFOs, it was noticed between July 2007 and March 2008, that 29,292 *chil* trees having diameter of 35 cm and above were not handed over to the HPSFC for resin tapping for the tapping season between 2005 and 2007. In Una division, 13,576 resin blazes were not enumerated during 2005 even when they were having more than 40 cm dbh. In the remaining two divisions, prior approval of CF was not obtained before deletion of 15,716 resin blazes from the marking lists. Thus, non-enumeration/deletion of blazes without approval resulted in depriving the Government of revenue of Rs. 9.33 lakh on account of royalty.

The cases were reported to the department and the Government between August 2007 and April 2008; their reply has not been received (September 2008).

¹⁸ Chamba, Chopal, Churah, Hamirpur, Nurpur and Nahan.

¹⁹ Churah, Dalhousie and Una.

5.13 Short realisation of royalty of resin blazes

As per the decision dated September 2007 of the Pricing Committee, royalty of resin blazes for the resin tapping season 2006 was fixed at Rs. 35 per blaze by the Government.

Test check of the records of DFO Palampur revealed in March 2008 that for the tapping season 2006, the division claimed (July 2006) royalty in respect of 60,611 resin blazes at the rate of Rs. 24 per blaze. Scrutiny revealed that neither did the division demand the differential amount of royalty nor was it paid by the HPSFC. This resulted in short realisation of royalty of Rs. 6.67 lakh.

The matter was reported to the department and the Government in June 2008; their reply has not been received (September 2008).