

## CHAPTER 6: FOREST RECEIPTS

### 6.1. Results of audit

Test check of records of forest receipts, conducted in audit during the year 2002-03, revealed non-recoveries, short recoveries and other losses of revenue amounting to Rs.25.19 crore in 151 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		No. of cases	Amount
1.	Non-recovery of royalty	10	0.62
2.	Short recovery of royalty	11	0.93
3.	Non-levy of extension fee	13	0.82
4.	Non-levy of interest	6	1.01
5.	Other irregularities	111	21.81
	<b>Total</b>	<b>151</b>	<b>25.19</b>

During 2002-03, the Department accepted under-assessments etc., of Rs.30.30 crore involved in 87 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs.9.55 crore are given in the following paragraphs.

### 6.2. Loss of revenue due to non-levy of permit fee

Khair heart wood/ chips and khair billets with bark (having medicinal values) were liable to pay export fee of Rs.250 per quintal and Rs.175 per quintal respectively in accordance with the notification of 20 August 2001 published in Rajpatra, Himachal Pradesh (Extra ordinary), on 3 September 2001 issued under the Indian Forest Act as applicable to Himachal Pradesh.

During the course of audit it was noticed that the State Government had issued instructions on 20 August 2001 that export permit<sup>s</sup> fee shall not be levied on intra state transport of khair wood, though no such amendment was made to the notification. The Divisional Forest Officers of 11 divisions issued passes for intra state export of 2,08,629.45 quintals of khair wood between September 2001 and December 2002 without levying of export permit fee. This resulted in non-realisation of export fee of Rs.4.39 crore on the export of khair wood.

On this being pointed out in audit, the Department accepted the audit observation and referred, in February 2003, the case to the Government for carrying out an amendment to the Act/ rules retrospectively for exempting khair wood from levy of permit fee on its transport within the State. In the absence of any notification or amendment to the rules, the permit fee should have been recovered. This resulted in loss of Rs.4.39 crore.

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<sup>s</sup> 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.

These cases were reported to the Government between October 2002 and April 2003; reply had not been received (August 2003).

### **6.3. Loss of revenue due to delay in handing over of lots**

The Government of Himachal Pradesh, on the recommendations of the Pricing Committee had decided in December 1999 that all the marking lists which have been taken over by the Divisional Manager of the Himachal Pradesh State Forest Corporation before 15 September in case of sub-tropical areas and 15 December for the temperate areas would be considered to have been sent for the year in question. If there is any delay, these lots would be considered for the subsequent year.

During audit of records of 6\* Divisional Forest Officers, it was noticed that 29 lots of 8,997 trees containing 23,042.783 cubic metres standing volume of timber were marked by the Department for exploitation between 1998-99 and 2000-02. However, the Divisional Forest Officer failed to hand over the lots by the scheduled dates to the Divisional Managers of the Corporation. These lots were required to be handed over by 15<sup>th</sup> September or 15<sup>th</sup> December of the year preceding the year of exploitation but were handed over after the due dates. This resulted in postponement of the working period of the lots which resulted in short recovery of royalty of Rs.1.14 crore due to reduction in royalty rates in subsequent years. Thus, delay in exploitation of lots resulted in loss of Rs.1.14 crore.

These cases were reported to Government between November 2001 and March 2003; replies had not been received (August 2003).

### **6.4. Loss of revenue due to non-tapping of resin blazes**

The Resin Tapping Instructions and Rules provide that work relating to handing over of resin blazes to the Forest Corporation for tapping in each tapping season should be completed by the end of January each year. As per decision of the Government in October 1980, the Corporation was required to work all the lots in a division and could not pick and choose them. The lots are allotted as per the enumeration list approved by the Conservator of Forests on the basis of information supplied by the Divisional Forest Officer. The Principal Chief Conservator of Forest had issued instructions in May 2000 that for deletion of blazes prior approval of the Conservator of Forests be obtained well before commencement of the tapping season.

During audit of the records it was noticed that 15<sup>&</sup> Divisional Forest Officers, had deleted 3,84,126 resin blazes from resin tapping between the tapping seasons of 1998 and 2002 without assigning any reason and prior permission of the Conservator of Forests. This resulted in depriving the Government of

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\* Ani, Dehra, Jogindernagar, Kullu, Parbati and Shimla

& Ani, Bilaspur, Chopal, Hamirpur, Kotgarh, Kunihar, Nalagarh, Palampur, Parbati, Rohroo, Shimla, Solan, Suket, Theog and Una

revenue of Rs.97.23 lakh on account of royalty. A few instances are given below:

(In lakh of rupees)

Name of division	No. of blazes not handed over/ tapped in various tapping seasons.						Amount of royalty involved
	1998	1999	2000	2001	2002	Total	
Ani at Luhri	9,187	9,187	9,187	9,187	-	36,748	9.32
Kunihar	--	--	12,589	12,589	--	25,178	6.36
Nalagarh	--	--	27,178	27,178	--	54,356	13.72
Palampur	--	--	19,974	9,780	--	29,754	7.49
Shimla	--	--	28,491	38,483	19,405	86,379	21.89
Solan	--	--	12,298	14,669	--	26,967	6.82
Suket	--	--	7,797	12,599	--	20,396	5.16

On this being pointed out, the Department stated between December 2002 and January 2003 that reasons for deletion were being investigated in Chopal division whereas the case for the approval of deletion of resin blazes had been taken up by Parbati, Suket and Theog divisions. Further progress and replies in respect of remaining divisions had not been received (August 2003).

The cases were reported to the Government between April 2002 and March 2003; replies had not been received (August 2003).

#### **6.5. Non levy of extension fee**

Clause 3 of standard agreement executed in pursuance of the Indian Forest Act, 1927 as applicable to Himachal Pradesh provided that if a lessee fails to fell, convert and carry trees outside the leased area within the contract period, he may seek extension in the working period, failing which he shall have no right on the standing/ felled trees and scattered/ stacked timber lying in the leased forest area. If extension is applied for and granted, the lessee is required to pay extension fee at the prescribed rates on the amount of royalty of the lot concerned.

During audit of the records of 6<sup>@</sup> Divisional Forest Officers, it was noticed that 47 lots with lease periods between 31 March 1999 and 31 March 2002 were handed over to the State Forest Corporation for exploitation. As the exploitation work of these lots could not be completed within the lease periods, the Corporation sought extension of the working periods of 37 lots whereas no extension was sought in 10 lots. No action was also taken to recover extension

<sup>@</sup> Chamba, Chopal, Karsog, Palampur, Rampur and Shimla

fee of Rs.60.71 lakh. A few instances are given below:

(In lakh of rupees)

Sl. No.	Name of Division	No. of forest lots	Year of working	Lease period up to	Extension sought for the period up to	Whether extension granted	Amount of extension fee not charged
1.	Chamba	4	2001-02	March 2002	Between 30 September 2002 and 31 March 2003	Yes	2.37
<p><b>Remarks:</b> The working period was extended between 30 September 2002 and 31 March 2003 in 4 lots. However, extension fee amounting to Rs.2.37 lakh was neither demanded nor paid by the Corporation.</p>							
2.	Chopal	3 6	1999-2000 2000-01	March 2000 March 2001	Between 31 May 2001 and 31 March 2002	Yes	41.13
<p><b>Remarks:</b> The working period was extended between 31 May 2001 and 31 March 2002 in 9 lots. However, extension fee amounting to Rs.41.13 lakh was neither demanded nor paid by the Corporation.</p>							
3.	Karsog	3 2	2000-01 2001-02	March 2001 March 2002	Extension not sought	--	4.71
<p><b>Remarks:</b> The Corporation continued to exploit the lots without seeking any extension. The Divisional Forest Officer also did not take any action either to stop the exploitation work nor to set the forest produce forfeited. Completion of exploitation work of 2000-01 lots was between 6 June and 31 July 2001 whereas that of 2001-02 lots between 31 July and 31 October 2002.</p>							
4.	Shimla	1 2 2	1998-99 2001-02 2001-02	March 1999 June 2002 March 2002	Extension not sought	--	7.42
<p><b>Remarks:</b> The Corporation continued to exploit the lots without seeking any extension. The Divisional Forest Officer also did not take any action either to stop the exploitation work nor to set the forest produce forfeited. Exploitation work of these lots was completed between 31 May 2002 and 31 January 2003.</p>							

On this being pointed out in audit, the Department stated that demand in respect of Karsog (2000-01 lots) and Palampur divisions had been raised in December 2001 and March 2002 respectively. Replies of remaining divisions and report of recovery had not been received (August 2003).

These cases were reported to the Government between October 2001 and March 2003; replies had not been received (August 2003).

### **6.6. Loss of revenue due to administrative failure**

Any act causing damage by negligence, or act of deliberate felling of a tree or clearing of land for cultivation or for any other purpose in any protected forest etc., is an offence under the Indian Forest Act, 1927 and is punishable with imprisonment for a term up to six months or with fine up to five hundred rupees, or with both. It is the duty of every Beat Forest Guard to immediately take cognizance of a forest offence, to issue the damage report for the offence committed and get the damage accepted by the offender, and also to seize the forest produce and the implements used in committing the offence. In case offender escapes arrest on the spot, an immediate report is required to be made and got signed by the nearest influential person (*Lambardar*). The forest offence cases can be (a) compounded by the Forest Officer himself and in cases where he is not competent to compound (b) registered with the Police and (c) taken to Court of law for decision.

During audit of the records of seven<sup>@</sup> Divisional Forest Officers, it was noticed that 399 trees containing 434.83 cubic metres of standing volume of timber were felled illicitly by offenders between May 1999 and August 2002. Out of these 309.70 cubic metres of timber valued at Rs.54.92 lakh were removed illegally by the offenders and only 125.13 cubic metres could be seized. The damage reports were issued in respect of 310 trees while no damage reports were issued by the Forest Guards in respect of 89 trees. Thus, failure of the Department to take timely cognizance of offences resulted in loss of revenue to the tune of Rs.54.92 lakh including sales tax on account of the cost of timber not seized.

The cases were reported to the Department and to the Government between December 2001 and February 2003; replies had not been received (August 2003).

### **6.7. Exploitation of bamboo crop by the Himachal Pradesh State Forest Corporation.**

Bamboo crop is grown in 8 forest divisions of Himachal Pradesh. The bamboos are felled/ exploited in a 3 to 4 years felling cycle prescribed in the relevant working plans prepared in accordance with the guidelines issued in July 1983 by the Government of India and approved by the State Government. The crop is prone to rapid deterioration/ decay if not exploited, when due, as per the prescriptions in the working plan. Non-exploitation of bamboo crop also prevents fresh growth of coppice shoots/ clumps which eventually form the future bamboo crop. Any deviation from the prescriptions of the working plan is required to be got approved from the State Government in close association with the Working Plan Cell of Government of India. Till 1983-84, its exploitation was carried out through private contractors. However, with effect from 1984-85, the exploitation of bamboo crop was entrusted to Himachal Pradesh State Forest Corporation (Corporation).

<sup>@</sup> Chamba, Chopal, Kotgarh, Nachan, Rajgarh, Rampur and Rohroo

In May 1994, the Government decided to charge royalty at 20 *per cent* of the gross sale of bamboo for the years 1993-94 and onwards.

In addition to royalty, sales tax on sales of bamboo lots and interest on belated payments of royalty are also required to be deposited by the Corporation.

During scrutiny of records of 8 forest divisions, the following irregularities were noticed:

**6.7.1. Non-handing over of bamboo forest for exploitation**

The Working Plan Officer while preparing the working plan of a division is required to include all the forest areas of the division in the working plan. Bamboo forests are required to be handed over to the Corporation for exploitation as per the felling programme prescribed in the working plans of the respective forest divisions.

- A test check of records of five<sup>\*</sup> forest divisions revealed that 1,183.720 hectares of bamboo forests were required to be exploited between 1995-96 and 1999-2000 as per the felling cycles prescribed in the approved working plans. Out of this only 389.97 hectares could be handed to the Corporation for exploitation during 1996-97. Thus, 793.75<sup>§</sup> hectares of bamboo forests were not handed over for exploitation during 1995-96 to 1999-2000. This resulted not only in loss of revenue to the tune of Rs.12.54 lakh (including sales tax) but also hampered further growth of bamboo and deviated from the prescription of the working plans. The reasons for not handing over the bamboo areas were not on record.
- Scrutiny of records of Una division revealed in October 2002 that the Himachal Pradesh State Forest Corporation had intimated in August 2001 to the Divisional Forest Officer that 376.16 hectares of Kutlehar bamboo forests had not been included in the working plan provided for exploitation of bamboo during 1996-97 and 2000-01. The forests were due for exploitation during 1996-97 and 2000-01 under four years felling cycle of bamboo crop. Reasons for non-inclusion of the area were not forthcoming from the records of the Division. This resulted in loss of revenue of Rs.8.38 lakh including sales tax. Thus, it would be seen that the working plan prepared by the Department was not based on ground realities.

**6.7.2. Non/ short levy of interest on belated payment of royalty**

The Corporation, entrusted with the responsibility of exploiting bamboo forest lots, is required to deposit the royalty instalments by 30<sup>th</sup> June of the lease year.

The Government, decided in September 1991 that from 1991-92 interest at rate of 16.5 *per cent* per annum would be chargeable if royalty was not paid within 90 days after the due dates. The Government further decided in August 2001 that the rate of interest would be 11.5 *per cent* per annum for the year 2001-02.

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\* Bilaspur, Dehra, Nahan, Nurpur and Solan

§1995-96 (85.84 hectares), 1996-97 (271.61 hectares), 1997-98 (205.60 hectares), 1998-99 (144.86 hectares) and 1999-2000 (85.84 hectares)

Test check of records of four<sup>@</sup> forest divisions revealed that instalments of royalty pertaining to the years 1996-97 to 2001-02 in respect of 44 forest lots which were handed over to the Corporation for exploitation had not been paid by the Corporation even after 90 days of the due dates. For delay in payments, interest amounting to Rs.4.86 lakh had neither been levied nor demanded by the Department.

### **6.7.3. Delayed sales of extracted bamboo**

As per report (March 1994) of the Chief Conservator of Forests (Territorial) on the exploitation of bamboo crop, the demand for bamboo in the market is at its peak during the months of November and December and afterwards its demand declines in the market. The rate of royalty on bamboo is 20 *per cent* of gross sale proceeds realised by the Corporation.

Test check of records of Dehra and Nurpur forest divisions revealed that 1,58,527 bundles of bamboo were extracted by the Corporation from 11 lots between 1996-97 and 2001-02. It was noticed from the information supplied by the Corporation that these bundles were not auctioned in the peak seasons of the respective years but 2-3 months thereafter. The auctions were delayed up to 24 months when the demand in the market was less due to downward trend in the market, coupled with deterioration of quality of bamboo due to prolonged retention by the Corporation. Consequently, there was a huge variation in prices per bundle received in the first auction and that of the subsequent/delayed auctions. Had the auctions been held in time, the Corporation would have earned an additional sale amount of Rs.16.78 lakh. Though the Department/ Government were aware that share of royalty was absolutely based on the gross sale obtained by the Corporation in the auctions/ sale of converted bamboos, they failed to take notice of delayed auctions which had direct bearing on the royalty payable. This resulted in short realisation of royalty amounting to Rs.3.36 lakh<sup>#</sup> by the Department.

### **6.7.4. Loss of revenue due to less yield of bamboos**

According to the working plan as applicable to the Rajgarh division, yield of bamboos per hectare was estimated at 12,000. Bamboo lots are handed over to the Himachal Pradesh State Forest Corporation for exploitation and royalty recovered by the Department at rates fixed by the Government.

During audit of the records of the Divisional Forest Officer, Rajgarh, it was noticed that two lots measuring 50 hectares of bamboo forests were handed over to the Corporation for exploitation during 1999-2000. However, against estimated yield of 6,00,000 bamboos as per prescription of the working plan, the Corporation had extracted 50,495 bamboos only. This resulted in shortfall in yield of 5,49,505 bamboos and consequently led to shortfall in revenue of Rs.5.81 lakh.

<sup>@</sup> Bilaspur, Nalagarh, Nurpur and Solan

<sup>#</sup> Being 20 *per cent* of sale of Rs.16.78 lakh

On this being pointed out, the Department stated in March 2002 that the yield of bamboos per hectare as fixed by the Working Plan Officer had been on the higher side and the same was being reviewed. The reply of the Department is not tenable as the working plans are based on the facts and figures supplied by each division. This is also approved by the Government and any deviation from the approved plan requires the approval of the Government. Further report had not been received (August 2003).

#### **6.7.5. Non-realisation of royalty**

Test check of records of five<sup>§</sup> forest divisions revealed that in respect of 2,805.85 hectares of bamboo forests, handed over to the Corporation for exploitation between 1998-99 and 2001-02, royalty amounting to Rs.12.47 lakh had not been recovered by the Department till August 2003.

These cases were reported to the Department between November 2001 and September 2002 and Government in April 2003; replies had not been received (August 2003).

#### **6.7.6. Conclusion/ Recommendations**

Thus, it would be seen from the above that internal controls for systematic extraction/ exploitation and disposal of bamboos have failed resulting in loss of government revenue. Strong internal control is required to regulate systematic exploitation/ disposal of the forest produce. The working plan is also required to be prepared meticulously so that no division or blaze is excluded.

### **6.8. Short recovery of price of trees marked for electric poles**

The State Government approved in March 2001 the rates chargeable from the State Electricity Board, for the years from 1990-91 to 1999-2000 in respect of deodar wooden electric poles with specifications of 15 to 25 centimetres and 25 to 35 centimetres. Pending fixation of rates after 1989-90, bills on account of electric poles supplied thereafter were to be raised provisionally, subject to recovery of differential amount following the actual fixation of rates.

During test check of records of 8<sup>@</sup> Divisional Forest Officers, it was noticed that 11,425 deodar poles were handed over to the Himachal Pradesh State Electricity Board between the years 1990-91 and 1998-99. On revision of the rates in May 2001 the total cost of the electric poles was Rs.84.12 lakh. The Department had collected Rs.58.01 lakh at pre-revised rates. Thus, an amount of Rs.26.11 lakh was liable to be recovered from the State Electricity Board by the Forest Department. However, neither any demand was raised nor any action taken to recover the amount resulting in non-realisation of Rs.26.11 lakh.

On this being pointed out, the Department stated between May 2002 and January 2003 in respect of Bharmour, Chopal, Rohroo and Theog that demands for Rs.15.67 lakh had been raised against the Electricity Board. Report of

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<sup>§</sup> Nahan, Nalagarh, Nurpur, Solan and Una

<sup>@</sup> Bharmour, Chopal, Dalhousie, Kinnaur, Kotgarh, Mandi, Rohroo and Theog



recovery and replies in respect of remaining divisions had not been received (August 2003).

The matter was reported to the Government between May 2002 and February 2003; replies had not been received (August 2003).

#### **6.9. Loss of revenue due to deterioration of timber**

The Himachal Pradesh Forest Manual provides that sale of timber can be made in the sale depot approved by the Chief Conservator of Forests. One of such depots was approved for Chamba town wherein timber was required to be sold at concessional rates. The sale of timber was done by the Corporation with effect from 1 January 1993 on behalf of the Forest Department. Neither any time period nor any system has been developed for timely disposal of the unsold stock lying in the depots.

During the course of audit of the Divisional Forest Officer, Chamba, it was noticed that 187.054 cubic metres of timber valued at Rs.16.66 lakh remained unsold between January 1993 and May 2002 for want of buyers as the timber was stated to be of odd sizes. No effort was made to sell the timber by open auction till May 2002. By then 160.591 cubic meters of timber had become completely rotten and 26.463 cubic metres was partially rotten. Consequently, the auction fetched Rs.0.28 lakh resulting in loss of Rs.21.29 lakh (including sales tax of Rs.4.91 lakh).

On this being pointed out, the Department accepted and stated that there was no alternative but to auction the timber. The Divisional Forest Officer had not furnished any reason for not disposing of the timber in a timely manner.

The matter was reported to the Department and to the Government in November 2001; replies had not been received (August 2003).

#### **6.10. Non remittance of transportation charges into Government account**

To meet bonafide domestic and agricultural requirements of people residing in tribal areas, it was decided in October 1990 by the Government that fuel wood and timber would be sold at depots managed by the Forest Department. For this purpose, timber and fuel-wood were to be supplied by the Himachal Pradesh State Forest Corporation. Transportation charges of such fuel wood from the roadside depots of the Forest Corporation to sale depots in tribal areas were to be added to the sale price if sold to Government departments/commercial organisations, and recovery so made credited to the account of the Forest Department.

During audit of the records of the Divisional Forest Officers, Lahaul at Keylong and Kaza at Spiti, it was revealed that transportation charges of Rs.16.47 lakh collected by depots during 2001-02 on account of sale of 9,666.32 quintals of fuel-wood was deposited into the accounts of the Corporation instead of

Government account. This resulted in non-remittance of transportation charges of Rs.16.47 lakh into Government account.

On this being pointed out in audit, the Divisional Forest Officer, Kaza, stated in August 2002 that amount would be deposited into the Government account after reconciliation of fuel-wood with the Corporation. Further report had not been received (August 2003).

The matter was reported to the Department and to the Government in September-December 2002; replies had not been received (August 2003).

#### **6.11. Non-recovery of royalty**

The Himachal Pradesh State Forest Corporation is responsible for exploitation of all forest lots and is required to pay royalty on trees at the rates fixed by the State Government. As per departmental instructions issued in June 1985, demand on account of royalty, dates on which instalments are due etc. is to be informed by the Department immediately after the lots are handed over to the Corporation for exploitation.

**6.11.1.** During audit of records of the Divisional Forest Officer, Rohroo, it was noticed that two salvage forest lots, containing 3,486.15 cubic metres of standing volume of timber were handed over to the Corporation for exploitation during the years 2001-2005. Although, the Department had handed over these lots to the Corporation on 17 November 2000, instalments of royalty payable on 30<sup>th</sup> November 2001 and 20<sup>th</sup> March 2002 of Rs.4.39 lakh (including sales tax) each had not been demanded from the Corporation. This had resulted in non-recovery of royalty of Rs.8.78 lakh (including sales tax).

The case was pointed out in audit to the Department and reported to the Government in June 2002; replies have not been received (August 2003).

**6.11.2.** During audit of records of Divisional Forest Officer, Mandi, it was noticed that out of 576 trees, converted timber of 354 deodar trees were to be supplied to the Khalliar sale depot without payment of royalty. Remaining 213 trees of kail and tosh were handed over as commercial lots to the State Forest Corporation during 1998-99. However, royalty of Rs.5.13 lakh (including sales tax) was neither paid by the Corporation nor was any demand raised by the Forest Department.

On this being pointed out in audit, the Department stated in January 2002 that demand on account of royalty was being raised against the Corporation. Further report has not been received (August 2003).

The case was reported to Government in July 2001; reply has not been received (August 2003).

#### **6.12. Non-recovery of sales tax and penalty**

The Himachal Pradesh State Forest Corporation Limited, which is entrusted with the lease rights for working forest lots, is required to pay sales tax on the

sale value of the lots in addition to royalty. The Divisional Forest Officers, who are registered dealers with the Excise and Taxation Department, are also required to charge sales tax under sales tax laws of Himachal Pradesh on the sale value of timber and deposit the same in to Government account as per the agreement deed for lease of forests. In case of failure to do so, the Corporation has to pay penalty at the rate of 18 *per cent* per annum for belated payment of sales tax.

**6.12.1.** During audit of the records of the Divisional Forest Officer, Seraj, it was noticed that the Corporation had paid sales tax of Rs.23.96 lakh against Rs.31.94 lakh payable by 20 March 1999 on royalty amounting to Rs.1.06 crore in respect of two salvage lots exploited by it during 1997-99. Besides, the Department had also failed to demand penalty of Rs.5.44 lakh accrued till December 2002 for non-payment of Rs.7.98 lakh. This resulted in non-recovery of revenue of Rs.13.42 lakh.

On this being pointed out, the Divisional Forest Officer, accepted in January 2003 short realisation of sales tax and stated that penalty would be levied after assessment of sales tax by the Assessing Authority. The reply is not tenable as the penalty for delay was leviable as per standard agreement deed prescribed under Indian Forest Act as applicable to Government of Himachal Pradesh by the Department itself. Further progress and report of recovery had not been received (August 2003).

The case was reported to the Department and to the Government in February 2003; reply had not been received (August 2003).

**6.12.2.** During audit of the records of 4<sup>§</sup> Divisional Forest Officers, it was noticed that in respect of 74 forest lots, handed over to the Corporation for exploitation between 1995-96 and 2001-03, the sales tax leviable on royalty instalments had not been paid by the due dates. For delays ranging between 30 days and 1395 days, in payment of sales tax penalty amounting to Rs.8.83 lakh had not been demanded by the Department.

The cases were reported to the Department and to the Government between June 2002 and September 2002; reply had not been received (August 2003).

**6.12.3.** Test check of records of six<sup>@</sup> forest divisions revealed that the Corporation sold 4,48,049 bundles of bamboos extracted out of 81 lots between 1996-97 and 2001-02 for Rs.38.24 lakh. On these sales, sales tax amounting to Rs.11.47 lakh was chargeable from the Corporation, but it actually paid Rs.9.39 lakh only. The balance tax of Rs.2.08 lakh had not been paid by the Corporation. For belated/ non-payment of sales tax, penalty amounting to Rs.2.05 lakh had also not been demanded by the Department.

These cases were reported to the Department and to the Government in April 2003; reply had not been received (August 2003).

<sup>§</sup> Bharmour: (Rs.1.12 lakh), Churah: (Rs.4.81 lakh), Kullu: (Rs.1.26 lakh) and Nachan: (Rs.1.64 lakh)

<sup>@</sup> Bilaspur, Dehra, Nalagarh, Nurpur, Solan and Una

### **6.13. Non-recovery of royalty on trees marked along the road-side**

As per decision in January 2002 of the State Government, royalty for dry trees marked along the road side and handed over to the Himachal Pradesh State Forest Corporation for exploitation prior to the year 2001-02 is chargeable at 50 *per cent* of the full royalty rates fixed for green standing trees.

During audit of the records of three<sup>#</sup> Divisional Forest Officers, it was noticed that 15 salvage lots containing 775.767 cubic metres standing volume of timber, marked along various roads, were handed over to the Corporation for exploitation during the years 1997-98 and 1999-2000. Scrutiny of the records, however, revealed that the Department had charged royalty at the rate of 30 *per cent* instead of the chargeable 50 *per cent*, which resulted in non-recovery of Rs.7.85 lakh (including sales tax).

On this being pointed out, the Department stated between April 2003 and August 2003 that revised demands for royalty and sales tax worth Rs.6.63 lakh had been raised in October 2002 and January 2003 in respect of Una and Dehra divisions respectively whereas royalty amounting to Rs.0.94 lakh had been recovered out of Rs.1.22 lakh in respect of Nalagarh division. Further report had not been received (August 2003).

### **6.14. Incorrect application of export permit fee**

According to notification of August 1993 issued under the Indian Forest Act, 1927, export permit fee at the rate of Rs.500 per quintal was leviable on the export of berberis roots (local name: *Rasaunt*), which was reduced to Rs.80 per quintal with effect from 30 May 2001.

**6.14.1.** During audit of records of the Divisional Forest Officer, Karsog, it was noticed that on 30 April 2001, the Department had issued two permits for the export of 872 quintals of berberis roots to two firms. Scrutiny of records, however, revealed that the Department had wrongly charged export permit fee at the rate of Rs.80 per quintal on 300 quintals and lump sum of Rs.10,025 on 572 quintals of berberis roots instead of Rs.500 per quintal. The incorrect application of rates resulted in short recovery of export fee of Rs.4.02 lakh.

The case was reported to the Department and to the Government in January 2003; reply had not been received (August 2003).

**6.14.2.** Test check of records of the Divisional Forest Officer, Nachan, revealed in June 2002 that an export permit was issued to a firm on 3 March 2001 (valid up to 20 March 2001) after charging only Rs.25 as fee instead of Rs.1.90 lakh for export of 380 quintals of berberis roots from Nachan forest Range to Paonta Sahib. This resulted in loss of revenue of Rs.1.90 lakh to the government.

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<sup>#</sup> Dehra, Nalagarh and Una

On this being pointed out in June 2002, the Department stated in December 2002 that the Divisional Forest Officer had been asked to intimate the detailed reasons for not charging the prescribed fee of Rs.500 per quintal. Further progress had not been received (August 2003).

The case was reported to Government in June 2002; reply had not been received (August 2003).

#### **6.15. Loss due to less extraction of timber**

The Himachal Pradesh State Forest Corporation entrusted with the responsibility of exploitation of all forest lots, is required to pay royalty on trees at rates fixed by the State Government on the recommendations of the Pricing Committee. The Corporation also exploits such lots which are marked for supply of timber to various sales depots to meet the *bona fide* requirements of the right holders at highly subsidized rates. The out-turn *percentage* (including sawn timber, hakkaries, pulp-wood etc.) have been fixed in February 1986 by the Department at 65 *per cent* of the standing volume for *deodar*, *kail* and *chil* trees and 50 *per cent* for *fir* and *spruce* trees.

During audit of the records of the Divisional Forest Officer, Mandi, it was noticed that a salvage lot of 562 trees of *deodar* and *Rai* (spruce) species, containing 1,223.095 cubic metres standing volume of timber was handed over to the Corporation for exploitation during the years 1998-2000, for supply of converted timber to Khaliar sale depot to meet the *bona fide* requirements of the right holders of Mandi town. Out of this, 475 trees containing 842.74 cubic metres standing volume were converted into timber up to March 2002, for which minimum quantity of 482.630 cubic metres of converted timber was required to be obtained. However, the Corporation had extracted only 340.978 cubic metres, resulting in less extraction of 141.652 cubic metres of timber. Thus, less extraction and consequent short supply of timber resulted in loss of Rs.5.44 lakh (including sales tax).

The case was reported to the Department and to the Government in July 2002; reply had not been received (August 2003).

#### **6.16. Loss of revenue due to cases becoming time barred**

As per the provisions of the Criminal Procedure Code, no Court shall take cognizance of forest offence cases after the expiry of one year as such the forest offence cases are required to be either compounded or challaned in the Court of law within one year.

During audit of the records of the Divisional Forest Officer, Seraj, it was noticed that 17 damage reports involving damages of Rs.3.26 lakh were issued between April 1997 and August 2000, against offenders, for illicit felling of *deodar* trees. However, the Department failed to compound these cases or to take them to the Court of law within a period of one year. Thus, no action could

be taken against the offenders. This resulted in loss of revenue of Rs.3.26 lakh to the Government.

The case was reported to the Department and to the Government in February 2003; reply had not been received (August 2003).

#### **6.17. Loss of revenue due to illicit felling of trees**

The agreement deed, prescribed under Indian Forest Act, 1927 as applicable to the Himachal Pradesh State Forest Corporation, provides that in the event of illicit felling of trees, the Corporation would be liable to pay, in addition to the price at royalty rates or the prevailing market rates, whichever is higher, penalty at the rate of 100 *per cent* of the price of such trees.

During audit of records of the Divisional Forest Officer, Kullu, it was noticed that the Range Officer had conducted inspection of a salvage forest lot, handed over to the Corporation for exploitation in September 2001. He had found 2 trees of *rai* containing 18.83 cubic metres of standing volume of timber illicitly felled by the Corporation and reported the case to divisional office in September 2001. However, despite being pointed out, the Department neither took up the matter with the Corporation nor raised any damage bill till July 2002. This resulted in non-recovery of Rs.3.12 lakh (price of trees: Rs.1.36 lakh; penalty: Rs.1.36 lakh and sales tax: Rs.0.40 lakh).

The case was reported to the Department and to the Government in September 2002; reply had not been received (August 2003).

#### **6.18. Short recovery of royalty on fit trees**

The State Government decided in December 1999 on the recommendations of the Pricing Committee that no royalty was chargeable on rotten/ hollow trees.

During audit of the records of the Divisional Forest Officer, Theog, it was noticed that 1,195 trees containing 870.287 cubic metres of standing volume of *kail* timber were marked in a salvage lot and handed over to the Corporation for exploitation during the year 1998-99. Of this, 173.014 cubic metres of 217 trees were found rotten in a joint inspection conducted in September 1999, leaving 697.273 cubic metres of standing volume fit for conversion into timber. Scrutiny of records, however, revealed that the Department had incorrectly charged in December 2001 royalty of Rs.10.13 lakh by treating 447.631 cubic metres standing volume as fit\* and 422.656 cubic metres as unfit\* instead of chargeable royalty amounting to Rs.12.30 lakh for 697.273 cubic metres as fit standing volume of timber. This resulted in short levy of royalty of Rs.2.82 lakh (including sales tax).

On this being pointed out, the Divisional Forest Officer stated in January 2003 that matter regarding wrong reconciliation of unfit volume of *kail* timber and

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\* Fit volume is chargeable at 30 *per cent* and unfit volume at 9 *per cent* of Rs.5,878/- per cubic metre i.e. full royalty rates fixed for green trees

recovery of royalty had been taken up in May 2002 with the Corporation. Further progress and report of recovery had not been received (August 2003).

The case was reported to the Government in May 2002; reply had not been received (August 2003).

#### **6.19. Non-recovery of launching fee**

According to the Himachal Pradesh River Rules, 1971, made under Indian Forest Act, 1927, no person could launch, float and/ or raft timber in any river without a written permission of the concerned Divisional Forest Officer. Persons willing to launch timber should apply to the Divisional Forest Officer thirty days before the intended date of launching to obtain a pass after paying fee in this regard.

During audit of the records of the Divisional Forest Officer, *Parbati*, it was noticed that 1,78,070 *nags*<sup>#</sup> of sawn timber were launched in Rolli khad and Toshnalla by the Corporation during the period falling between 1999-2000 and 2000-01. Scrutiny of records, however, revealed that the Corporation had not sought prior permission of the Department to launch the timber in the khad/nalla nor had the Department demanded launching fee of Rs.2.67 lakh leviable in this regard. This resulted in non-recovery of fee of Rs.2.67 lakh.

On this being pointed out, the Department stated in January 2003 that Rs.0.50 lakh were deposited by the Corporation and that the balance of Rs.2.17 lakh had not been paid though demanded in August 2002. Further report has not been received (August 2003).

The case was reported to the Government in July 2002; reply had not been received (August 2003).

#### **6.20. Non-recovery of price of drift and stranded timber**

Under the Indian Forest Act, 1973, all timber found adrift, beached, stranded or sunk, shall be deemed to be the property of Government until and unless any person establishes his right and title thereto. Such timber may be collected by the Forest Department or other person authorised to collect the same and bring to forest depot declared by the Forest Officer. The Himachal Pradesh State Forest Corporation is the sole forest exploiting agency in Himachal Pradesh and therefore, in the case of waif logs collected by the Corporation, the net proceeds of revenue are required to be deposited into Government account, after deducting the expenditure incurred on account of extraction, collection, carriage, auction etc.

During audit of the records of the Divisional Forest Officer, *Chamba*, it was noticed that price of 400 cubic metres of pulp wood and 500 cubic metres of fuel-wood collected from the reservoir of Chamera Dam, during 1998 by the Corporation and subsequently sold, was neither claimed by the Department nor

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<sup>#</sup> Unit of timber

paid by the Corporation. This resulted in non-recovery of revenue of Rs.2.24 lakh (including sales tax).

The case was pointed out in July 2002 to the Department and reported to the Government in August 2002; reply had not been received (August 2003).

#### **6.21. Non recovery of price of resin**

According to the Himachal Pradesh Financial Rules, 1971, departmental Controlling Officers should see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the treasury.

During audit of records of the Divisional Forest Officer, Dharamsala, it was noticed that 115.92 quintals of resin was handed over to the Himachal Pradesh State Forest Corporation between 1995 and 2001 for auction in its sale depots. Out of this, sale proceeds of Rs.0.82 lakh in respect of 38.90 quintals of resin supplied during 1996 and 1997 was paid by the Corporation in May 1999. However, price/ sale proceeds in respect of the remaining 77.02 quintals of resin pertaining to 1995 and 1998 to 2001 was not claimed. This resulted in non-recovery of Rs.1.36 lakh. Besides, interest accrued amounted to Rs.0.74 lakh.

On this being pointed out, the Department stated in June 2003 that against the demand of Rs.2.10 lakh raised in March 2002, an amount of Rs.0.43 lakh had been recovered. Report of recovery of balance amount had not been received (August 2003).

The case was reported to Government in February 2002; reply had not been received (August 2003).

#### **6.22. Non-levy of interest**

The Himachal Pradesh State Forest Corporation which is entrusted with the responsibility of exploitation of 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 the royalty is not paid within 90 days after the due date, interest at the rate of 16.5 *per cent* per annum is chargeable in accordance with the government notification dated 1 October 1994.

During audit of records of the Divisional Forest Officer, Chamba, it was noticed that one forest lot was handed over to the Corporation for exploitation during 1997-98 for which royalty amounting to Rs.4.56 lakh payable by 30 November 1997 was paid on 9 July 1999. Interest of Rs.1.21 lakh though leviable was not demanded by the Department for belated deposit of royalty.

The case was reported to the Department and to the Government in August 2002; reply had not been received (August 2003).



**6.23. Loss of revenue due to un-authorized marking of trees in Timber Distribution**

According to departmental instructions of December 1986, the grant of trees in Timber Distribution to the right holders is made by the Divisional Forest Officer on the basis of recommendations of the Sarpanch of the concerned Panchayat and the forest field staff in regard to the genuineness of the demand. Any deviation at the time of marking by the field staff is irregular/ unauthorized.

During audit of records of the Divisional Forest Officer, Theog, it was noticed that during 1999-2000 one *deodar* tree of class IA category containing 4.021 cubic metres standing volume of timber was sanctioned in the timber distribution to a right holder, and to another right holder sanction of two *deodar* trees of class IIA category containing standing volume: 3.576 cubic metres was accorded. Scrutiny of records revealed that permits to fell two trees of class IA instead of one tree and two trees of higher class (class IIB<sup>@</sup>) against class IIA involving total standing volume of 13.642 cubic metres were issued by the field staff. Wrong issue of permits led to excess marking of 6.045 cubic metres of standing volume of timber and consequently led to loss of revenue of Rs.1.17 lakh, including sales tax.

On this being pointed out, the Department accepted the audit observations and stated in January 2003 that the amount would be recovered from the defaulters. Further progress and report of recovery had not been received (August 2003).

The case was reported to Government in May 2002; reply had not been received (August 2003).

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<sup>@</sup> IIB is higher class than that of IIA