

CHAPTER – VIII : Other Non-Tax Receipts

8.1 Results of audit

Test check of records of the following receipts conducted in audit during the year 2002-03, revealed losses/non-recovery of revenue etc. amounting to Rs 161.23 crore in 541 cases, which broadly fall into the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
FOREST RECEIPTS			
1.	Loss of revenue due to departmental lapses	153	2.02
2.	Less raising of demand	3	2.08
3.	Loss of revenue due to delay in initiation of certificate cases	4	2.49
4.	Loss of revenue due to non registration of saw mills	16	0.50
5.	Loss of revenue due to non realisation of Sales Tax	2	0.44
6.	Review: Management of Forest Receipts	1	118.04
7.	Other cases	349	31.34
Total		528	156.91
WATER RATES			
1.	Loss of revenue due to non-achievement of target of irrigation	2	0.16
2.	Delay in assessment of water rates	2	0.12
3.	Other cases	2	0.16
Total		6	0.44
MUNICIPAL BODIES			
1	Non- remittance of education cess and health Cess by Municipal Bodies	7	3.88
Total		7	3.88
Grand Total		541	161.23

During the year 2002-03, the concerned Departments accepted loss of revenue of Rs 4.41 crore involved in 34 cases of which eight cases involving Rs 3.97 crore was pointed out in audit during 2002-03 and rest in earlier years.

A few illustrative cases and a review, **Management of Forest Receipts** involving Rs 122.01 crore are given in the following paragraphs:

FOREST RECEIPTS

8.2 Review: Management of Forest Receipts

Highlights

- Timber valued at Rs 9.17 crore seized during 1997-98 to 1999-2000 remained undisposed of due to lack of effective monitoring at the apex level.

[Paragraph 8.2.6]

- Non-disposal of 26,383 pieces of seized timber during 2000-01 and 2001-02 in eight divisions resulted in revenue loss of Rs 6.23 crore due to non-obtaining of permission from the court within six months.

[Paragraph 8.2.7]

- Non-implementation of codal provisions and lack of internal control resulted in non-eviction from 733.60 hectares of encroached forest land and non-realisation of revenue of Rs 56.51 crore in seven forest divisions between 1997-98 to 2001-02.

[Paragraph 8.2.9]

- Non-realisation of demand of Net Present Value (NPV) for Rs 24.80 crore for utilisation of 650.11 hectares of forest land raised against a user agency in July 2001 resulted in non-realisation of revenue to that extent.

[Paragraph 8.2.10]

- Lack of timely action by the Department in respect of illegal mining operation in one division resulted in non-realisation of Rs 13.77 crore by way of NPV and cost of compensatory afforestation.

[Paragraph 8.2.14]

- Department's inaction for non-extraction of bamboo during 1997-98 to 2000-01 resulted in avoidable loss of royalty of Rs 2.97 crore.

[Paragraph 8.2.15]

Introduction

8.2.1 The Department of Forest and Environment, Government of Jharkhand, came into existence after re-organisation of the state of Bihar and creation of a new state of Jharkhand on 15 November 2000 with a total geographical area of 79,714 square kilometre having 21,644 square kilometre (27.15 per cent)

covered by forest. Forest receipts are realised through (i) sale of bamboo and timber, (ii) royalty received from Forest Development Corporation and (iii) revenue realised from fine, seizure, etc., and amount received as net present value etc., for transfer of forest land under the Forest (Conservation) Act, 1980. The regulation of exploitation, sale and protection of forest produce is governed by Indian Forest Act, 1927, Forest (Conservation) Act, 1980 and Bihar Public Land Encroachment Act (BPLE), 1956. The seizures and confiscation of produce are governed by Indian Forest Act, 1927, the diversion of forest land for non forest purpose by Forest (Conservation) Act, 1980 and eviction of encroachments by BPLE Act, 1956.

Organisational set up

8.2.2 Principal Chief Conservator of Forest (PCCF) is the head of the Department. He is assisted by four Chief Conservators of Forest (CCF) and five Regional Chief Conservators of Forest (RCCF). There are 13 Conservators of Forest (CF) and 63 Divisional Forest Officers (DFO) dealing with afforestation, social forestry etc. For the purpose of forest protection, extraction and disposal of forest produce, forests have been divided into 25 Territorial Forest Divisions, each under one DFO who is responsible for implementation of instructions/orders and realisation of revenue. The divisions, divided into Ranges and sub-divided into Beats, are under the supervision of five CF and five RCCF.

Audit objectives

8.2.3 Audit of forest receipts was conducted between January and June 2003 through test check of relevant records of the Principal Chief Conservator of Forest, Chief Conservator of Forest (State Trading), and two Conservators of Forests¹ out of five and 10² out of 25 divisions for the period 1997-98 to 2001-02 with a view to ascertaining:

- adequacy and effectiveness of the system in collection and disposal of forest produce;
- Compliance with provisions of Act, Rules and Notifications by departmental authorities;
- adequacy of internal control mechanism.

¹ Conservator of Forests, Chaibasa and Hazaribagh.

² Bokaro, Chaibasa(North) Chaibasa(South), Dhalbhum, Garhwa (North), Garhwa (South), Hazaribagh (East), Hazaribagh (West), Kodarma and Saranda.

Trend of revenue

8.2.4 A comparison of budget estimates and actual receipts in respect of the undivided Bihar State during the period from 1997-98 to 2000-01 (14 November 2000) and in respect of Jharkhand thereafter revealed as under:-

(Rupees in crore)

Year	Budget estimate	Actual	Variation (+) Excess (-) Shortfall	Percentage of variation
1997-98	42.30	14.52	(-) 27.78	(-) 66
1998-99	42.30	18.48	(-) 23.82	(-)56
1999-2000	31.77	28.03	(-) 3.74	(-) 12
2000-2001 (upto 14.11.2000)	31.77	11.50	(-) 20.27	(-) 64
15.11.2000 to 31.3.2001	-	4.81	-	-
2001-02	22.00	15.70	(-) 6.30	(-) 29

It would be seen from the above that there was considerable variation between budget estimates and actual receipts, not only in the undivided Bihar State but also in 2001-02 when the budget estimates were prepared by the Department after the formation of Jharkhand State. This indicates that budget estimates were not prepared on realistic basis.

Non-disposal of seized perishable forest produce

8.2.5 Under the provisions of the Indian Forest Act, 1927 and instructions issued from time to time by the CCF, Bihar and PCCF, Bihar, seized perishable forest produce like *katha*, *kendu* leaves, gum etc. involved in prosecution cases are required to be disposed of immediately with the permission of the respective courts by auction to avoid speedy and natural decay. Cases pending for more than six months in the courts were to be reviewed quarterly by DFO in the first week of January, April, July and October. RCCFs /CFs were also instructed to review regularly in monthly/quarterly meetings to ensure compliance of instructions.

Scrutiny of records of three Forest Divisions revealed that perishable forest produce valued at Rs 1.09 crore seized during the years 2000-01 and 2001-02 though required to be disposed of under the orders of CCF/ PCCF, was lying undisposed as detailed below:-

(Rupees in lakh)

Sl No	Divisions	Katha biscuits		Katha liquid		Kendu leaves		Gum		Chiraunji/ Bahera	
		Quintal	Value	Quintal	Value	Bag	Value	Quintal	Value	Quintal	Value
1.	Garhwa (South)	6.730	1.01	9.80	1.47	-	-	-	-	-	-
2.	Daltonganj (North)	29.18	4.38	-	-	401	1.02	-	-	-	-
3.	Dhalbhum	-	-	-	-	-	-	99.95	20.40	2702.50	80.49
	Total	35.91	5.39	9.80	1.47	401	1.02	99.95	20.40	2702.50	80.49

It was seen that no periodical review was conducted by CF / RCCF for disposal of forest produce. No return was prescribed by the Department to monitor disposal of the forest produce at higher level. Thus, there was lack of internal control at the apex level to ensure that the instructions issued were being followed.

8.2.6 Information regarding illicit felling for the year 1995-96 and 1996-97 was not made available by the Department. However, perusal of records of PCCF, Jharkhand revealed that timbers valued at Rs 9.17 crore were felled illicitly during 1997-98 to 1999-2000 as detailed below:

(Rupees in crore)		
Year	Quantity in 000, Cu. M.	Value
1997-98	10.021	3.01
1998-99	12.827	3.24
1999-2000	9.032	2.92
Total	31.880	9.17

No details of forest produce after 1999-2000 were available in PCCF's office. In the absence of these details, there was no effective monitoring of disposal of perishable forest produce and compliance of departmental instructions. The above fact indicates that the controls instituted through executive instructions were not enforced effectively and evaluated at apex level. This defeated the very purpose of issue of instructions.

8.2.7 As per instructions issued by PCCF in May 1959 and reiterated in July 1996, seized timber, where court judgments are involved, is to be disposed of after obtaining permission from court within six months.

Information regarding the total quantity of timber involved in court cases for 2000-01 and 2001-02 was not available with the Department. However, information collected by audit from eight forest divisions revealed that 26,383 pieces of timber valued at Rs 6.23 crore were seized during the years 2000-01 and 2001-02 as detailed below:

(Rupees in lakh)				
Sl No.	Name of division	Year of seizure	Quantity (In pieces)	Value
1.	Chaibasa (North)	2000-02	1292	4.66
2.	Garhwa (South)	2000-02	8515	11.87
3.	Daltonganj (North)	2001-02	1211	4.72
4.	Porahat	2001-02	213	17.54
5.	Hazaribag (West)	2000-02	9747	15.45
6.	Kolhan	2000-02	-----	221.15
7.	Hazaribag (East)	2000-02	3612	8.17
8.	Saranda	2000-02	1793	338.94
Total			26383	622.50

These were required to be disposed of after obtaining permission from courts but were not disposed of till April 2003.

Non-disposal of confiscated vehicles

8.2.8 Under the provisions of section 52 of the Indian Forest Act, 1927 read with sections 52A and 52B of the Bihar Amendment Act of 1990, when a forest offence has been committed in respect of any forest produce, such produce together with vehicle used in such offence may be seized and confiscated by DFO and sold through public auction after allowing 30 days' time for appeal from the date of confiscation. Further, Government constituted a state level committee in May 1999 and a district level committee in July 2001 to determine the reserve price of confiscated vehicles and their sale through auctions.

Scrutiny of files produced to audit in PCCF office revealed that no details of confiscated vehicles and their disposal were available. No returns regarding the disposal of confiscated vehicles were prescribed. In the absence of these, there was no monitoring of seized and disposal of confiscated vehicles. Records of eight forest divisions revealed that 84 seized vehicles such as truck, jeep etc were confiscated between 1998-99 and 2001-02 but were not sold. Thus, the instructions issued by Government were not followed resulting in non- disposal of seized confiscated vehicles. Reserve price of the seized vehicles was also not fixed by the Department. Based on value of bond fixed by court in similar cases, estimated value of vehicles worked out to Rs 70.46 lakh as detailed below:

(Rs in lakh)				
Sl. No	Division	No of vehicles	Period of confiscation between	Estimated value
1.	Chaibasa (North)	6	1998-99 and 2000 -01	6.00
2.	Dhalbhum	43	1998-99 and 2001-02	36.73
3.	Garhwa (North)	8	1998-99 and 2000 -01	0.70
4.	Hazaribag (East)	7	1998-99 and 2001-02	7.00
5.	Dhanbad	8	1998-99 and 2000 -01	7.50
6.	Hazaribag (West)	7	1998-99 and 2001-02	8.50
7.	Kodarma	3	2000-01 and 2001-02	2.03
8.	Chaibasa (South)	2	1998-99 and 1999-2000	2.00
	Total	84		70.46

Non- eviction of encroached forest land

8.2.9 Under the provisions of Indian Forest Act, 1927, section 66 A (1) was inserted by a State Amendment (Bihar Act 9 of 1990) which *inter alia* provides for eviction from encroached government forest land. Encroachment of forest land shall be a cognisable and non-bailable offence. The Act provides that if any forest officer not below the rank of DFO, has reason to believe that encroachment of government forest land has occurred, he may evict the encroacher and may use all the powers conferred as Magistrate under the

BPLE Act, 1956. Section 8 of BPLE Act, 1956 provides for disposal of cases by summary trial. Further, Government of India under their instruction issued in May 2002, directed the Chief Secretary, Forest Secretary and PCCF of the state to get encroachers on forest land summarily evicted in time bound manner and in any case not later than 30 September 2002.

Details of encroached forest land and eviction thereof was not available with the Department. However, test check of seven forest divisions³ revealed that 574.94 hectares of forest land in three forest Divisions was encroached between the years 1997-98 and 2001-02. As per records, in 577 cases, forest produce of 2925.52 Cu. m. was destroyed during the encroachment. Royalty and compensation of Rs 48.13 crore was payable in these cases but not paid. Apart from this, in four other forest divisions, 158.66 hectares of forest land in 310 cases was encroached upon during the years 1997-98 to 2001-02. Royalty and compensation of Rs 8.38 crore for the damage to forest produce was realisable in these cases but was not realised by the Department.

Thus, in the absence of monitoring at apex level, 733.60 hectares of forest land involving revenue to the extent of Rs 56.51 crore could not be got vacated.

Transfer of forest land under the Forest (Conservation) Act, 1980

Non-recovery of Net Present Value (NPV)

8.2.10 When forest land is transferred for use for non- forest purposes, net present value (NPV)⁴ of this land is realised from the user agency for compensating loss of productive capacity of forest land.

In Garhwa (North) forest division, demand for NPV amounting to Rs 24.80 crore was raised by Forest Department in July 2001 against a user agency for utilisation of forest land measuring 650.11 hectares between 1977 and 1988 for non-forest purposes. The amount has not been recovered so far (October 2004).

Delay in issue of revised demand notice

8.2.11 Government of Bihar, Forest and Environment Department, determined the rate of NPV in 1991 for transfer of forest land for non-forest purposes. The rate of NPV was to be reviewed each year keeping in view the present market rate. Accordingly, when the Government of Bihar revised the

³ Bokaro, Chaibasa (North), Dhanbad, Dhalbhum, Hazaribagh (West), Hazaribagh (East) and Saranda.

⁴ NPV is the compensation for the loss of productive capacity of forest land and is calculated as prescribed by the Government in November 1991.

rate of NPV in May 1998, PCCF, Ranchi issued instructions to all DFOs in September 1998 to issue revised demand notice.

In forest division, Lohardaga (West) revised demand notices for payment of NPV for Rs 1.93 crore were issued to three user agencies after a lapse of 31 to 35 months as detailed below:

(Rupees in lakh)							
Sl No.	Name of user agency	Due date of revising demand	Amount of demand	Date of issue of revised demand notice	Amount of revised demand	Differences of amount	Delay in months
1	KD, Hesalong CCL	October 1998	214.51	31.8.2001	284.34	69.83	35
2	Rohini Project CCL	October 1998	140.65	4.5.2001	201.55	60.90	31
3	Railway siding Project CCL	October 1998	196.97	10.5.2001	258.98	62.01	31
Total						192.74	

Thus, belated raising of demands resulted in non-realisation of revenue of Rs 1.93 crore. The amount has neither been paid by the user agency nor effectively pursued by the Department.

Non-raising of demand

8.2.12 As per government order issued in November 1991, NPV for the diversion of forest land for non-forest purposes is to be realised from the user agency for compensating for loss of productive capacity of forest land.

In forest division, Koderma approval was accorded by Government of India in October 1999 for diversion of 2.38 hectares of forest land in favour of a user agency for non-forest purposes. DFO failed to raise demand of NPV for Rs 9.85 lakh.

On this being pointed out, Department stated that this would be examined and reported upon to audit. Further reply has not been received (October 2004).

Short raising of demand due to application of lower rates

8.2.13 Cost of forest produce is to be determined for forest land diverted for non-forest purposes and is realised at the market rate from the user agency.

It was noticed from the records of forest division at Chaibasa South, that the Department recovered royalty at the rate of Rs 1,98,583 per hectare while transferring 76.273 hectares of forest land to a user agency. However, while transferring 40.469 hectares of forest land of the same forest to the same user agency, the rate of royalty applied was Rs 31,157 per hectare. No reasons were furnished for application of lower rate. This resulted in short raising of demand amounting to Rs 76.65 lakh including sales tax and additional tax.

On this being pointed out, the DFO stated that the case would be examined and demand revised. Further development in this regard had not been received till October 2004.

Illegal mining operation

8.2.14 Under the provisions of the Forest (Conservation) Act, 1980, no forest land shall be diverted for non-forest purposes without the prior approval of Government of India. Further, the Act does not permit mining in any forest area. In case forest land is used for non forest purposes, the cost of compensatory afforestation at prescribed rates is to be recovered from the user agency. In case of unauthorised utilisation/broken area NPV at the prescribed rate alongwith double the rate of NPV is realisable from the user agency in accordance with Government order dated December 2002.

In Bokaro Forest Division, during the course of a joint survey conducted by CCL⁵ and Forest Department in August 1993, it was noticed that 174.48 hectares of forest land at *Khas Mahal* open cast project were being utilised by CCL without the prior approval of Government of India. Out of this, 89.80 hectares of land had been illegally utilised /broken prior to October 1980. Thereafter, no effective step was taken either to obtain approval of Government of India or to get the land vacated. Thus, lack of timely action resulted in non-realisation of Rs 13.77 crore.

On this being pointed out (May 2003), the DFO stated that proposal for approval was being sent to Government of India and demand would be raised soon. Further report in this regard had not been received till October 2004.

Non- extraction of bamboo

8.2.15 Extraction of bamboo is required to be done each year in rotation in a period of four years. Non-extraction of bamboo within the scheduled year destroys its quantity and renders it of no use thereafter.

It was seen from the records of PCCF that average extraction of bamboo during the period from 1993-94 to 1996-97 was 6,265.25 tonne per year and reserve price was Rs 1,185 per tonne during the year 1996-97. However, bamboo was not extracted either departmentally or through auction during the years 1997-98 to 2000-01. This resulted in potential loss of Rs 2.97 crore in the shape of royalty.

⁵ Central Coalfields Ltd.

Conclusion

8.2.16 Based on the above observations, Government may consider putting an internal control mechanism in place to ensure prompt raising of demand and collection of revenue. An efficient system may also be developed to check illegal mining operation in forest areas and to prevent illicit felling of timber.

The above findings were reported to the Government in July and December 2003. Their final reply is awaited (October 2004).

WATER RATES

8.3 Non-raising of demand due to non-preparation of *Khatiani*

Under the Bengal Irrigation Act, 1876 and Rules framed thereunder, as applicable to Jharkhand, preparation of demand statements (*khatiani*) is required to be completed within the stipulated period of 99 days in respect of *Kharif* and 68 days for *Rabi* crops for the purpose of recovery of water rates.

On scrutiny of assessment records of the Executive Engineer, Waterways Division, Daltonganj, it was noticed that *khatiani* in respect of 13,099.15 acres of land irrigated during the years 2000-01 to 2001-2002 was not prepared and despatched to revenue division for raising demand and collection of revenue in time. This resulted in non-raising of demand of water rates amounting to Rs 8.86 lakh.

On this being pointed out, the Executive Engineer attributed non preparation of *Khatiani* to shortage of staff. However, the fact remains that government revenue remained unrealised due to lack of action by the Department. Further reply had not been received till October 2004.

The case was reported to the Government in May 2003; their final reply is awaited (October 2004).

MUNICIPAL BODIES

8.4 Non-remittance of education cess and health cess by Municipal Bodies

By government notifications of November 1959 and August 1972 under the provisions of the Bihar and Orissa Municipal Act, 1922 (as adopted by the Jharkhand Government in 2002) and Ranchi Municipal Corporation Act, 1951, the collection of education cess and health cess was entrusted to all the

municipal bodies in December 1959 and May 1972 with direction to remit the proceeds which shall form part of the Consolidated Fund of the state to the State treasuries after deducting 10 per cent thereof as collection charges.

During 1997-98 to 2001-2002, the municipal corporation (Ranchi), six municipalities⁶ and one notified area committee (Adityapur) collected Rs 4.31 crore on account of education cess and health cess but did not remit Rs 3.88 crore into state treasuries after deducting 10 per cent as collection charges. Thus, this amount remained out of the Consolidated Fund of the State.

On this being pointed out, three municipal bodies (Daltonganj, Hazaribagh and Lohardaga) attributed the non-remittance to their poor financial position, while the other municipal bodies did not assign any reason.

The case was reported to the Government in July 2003; their final reply is awaited (October 2004).

Ranchi
The

(K. K. Srivastava)
Accountant General (Audit),
Jharkhand

Countersigned

New Delhi
The

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

⁶ Chaibasa, Daltonganj, Deoghar, Dumka, Hazaribagh and Lohardaga.