

## CHAPTER-VI: FOREST RECEIPTS

### 6.1 Results of Audit

Test check of records maintained in various forest divisions conducted during 2004-05 revealed non/short levy of interest, loss of revenue etc. of Rs.131.04 crore in 3,356 cases, which may broadly be categorised as under: -

*(Rupees in crore)*

Sl. No.	Categories	No. of cases	Amount
1.	Loss of revenue due to short delivery/shortage of forest produce	79	10.67
2.	Non/short levy of interest on belated payment of royalty	693	7.73
3.	Non realisation of royalty	14	0.84
4	Other irregularities	2,570	111.80
<b>Total</b>		<b>3,356</b>	<b>131.04</b>

During the year 2004-05, the Department accepted under assessment etc of Rs.18.55 crore in 3,231 cases including Rs.40.24 lakh in 292 cases pointed out in earlier years. The Department recovered only Rs.46.15 lakh in five cases.

A few illustrative cases highlighting important audit observations involving Rs.19.02 crore are discussed in the following paragraphs.



## **6.2 Loss of revenue due to non working of Bamboo coupes**

Under the provisions of Orissa Forest Produce (Control of Trade) Act, 1981, the Orissa Forest Development Corporation Limited (OFDC) was appointed as the agent for extraction of and trade in bamboo with effect from 1 October 1988 in the state of Orissa, on payment of purchase price as fixed by the State Government from year to year. The agent has to extract bamboo from Government forests and pay royalty to the Government on the basis of annual agreement executed as provided under Orissa Forest Produce (control of trade) Rules 1983. The bamboo coupes are operated in cycle of four years in accordance with working plan. The working plan should be ready about one year before its due date of implementation and after obtaining the approval of the Government of India. The State Government should issue final sanction to bring the working plan in force well before expiry of the current working plan.

Test check of records of Principal Chief Conservator of Forests (PCCF), Orissa in January 2005 revealed that extraction of bamboo in 15 divisions<sup>1</sup> where the operation was due in 2003-04 was not done due to expiry of working plans. PCCF did not take timely action for extension/renewal of working plan. Non working of bamboo coupes resulted in loss of Rs.8.66 crore towards royalty on bamboo production of 1,33,270.45 Sale units (SU) worked out on the basis of average two crop years production.

After this was pointed out in audit in January 2005 the PCCF stated in January 2005 that the Government of India did not grant extension to those plans. The reply was not tenable as the proposals for extension/revision of working plans for approval could not be submitted to Government of India even after lapse of one to five years of expiry of working plans. First and Second Preliminary Working Plan Reports were pending with Working Plan Officer/Conservator of Forests/ PCCF for approval. Lapses on the part of the Departmental officers in compilation and submission of revision/ extension of working plans to Government of India for approval before the expiry of current working plan caused loss to the State exchequer.

The matter was reported to Government in February 2005; reply had not been received (October 2005).

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1 Anugul, Baliguda, Bolangir, Boudh, Dhenkanal, Jeypore, Khariar, Nayagarh, Puri (Khurda), Paralakhemundi, Phulbani, Rairakhol, Rayagada, Sambalpur and Sundergarh.

### **6.3 Non realisation of Net Present Value (NPV) of forest land diverted for non forest activities**

Under the provisions of Forest Conservation Act, 1980 read with orders of Hon'ble Supreme Court issued in November 2002, forest land may be diverted for non forest activities with the approval of Government of India on payment of Net Present Value (NPV)<sup>2</sup> of forest land and other allied charges. As per guidelines issued by Government of India in September 2003, NPV would be charged in all cases where stage-I and final approval have been granted after 30 October 2002.

Test check of records of PCCF revealed in January 2005 that 137.25 hectares of forest land was diverted for non forest purposes in eight forest divisions<sup>3</sup> and handed over to two<sup>4</sup> user agencies. The approval in all these cases was granted after 30 October 2002. Neither the Department raised any demand to realise Rs.7.96 crore towards NPV of forest land nor the user agencies paid the dues. Thus non issue of demand by the Department resulted in non realisation of NPV.

After this was pointed out in audit in January 2005, the PCCF admitted the fact of non raising the demand and stated that demand of Rs.4.74 crore was raised in three cases in respect of DFO, Nawarangpur, Angul and Athamallik.

The matter was reported to Government in February 2005. Government confirmed in September 2005 the fact of raising demand. Report on realisation was awaited (October 2005).

### **6.4 Blocking of revenue due to non disposal of timber and poles**

Government of Orissa, Forest & Environment Department in their order of July 1989 issued instructions for early disposal of timber seized in undetected (UD) forest offence cases either by prompt delivery to the OFDC or by public auction in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage.

Test check of records of 37 Forest divisions<sup>5</sup> revealed that 50,997.63 cft of timber and 1,837 poles valued at Rs.1.01 crore seized in 2,224 undetected

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2 NPV : Net present value of forest land depending upon the canopy density of the land in question.

Stage I : Principle approval granted by Govt. of India.

Stage II : Final approval granted by Govt. of India.

3 Angul, Athamallik, Berhampur, Bolangir, Chilika (Wild life), Ghumsur (South), Nabarangpur and Rairakhol.

4 Chief Manager, Power Grid Corporation of India and National Highway Authority of India

5 Athagarh, Athamallik, Angul, Anandpur (WL), Baripada, Bamra (WL), Baliguda, Berhampur, Bonai, Boudh, Bolangir (W), Bolangir (E), Bargarh, Cuttack, City Division Bhubaneswar, Deogarh, Dhenkanal, Ghumsur (S), Ghumsur (N), Hirkud (WL), Jeypore, Kalahandi (N), Kalahandi (S), Karanjia, Koraput, Keonjhar, Khurda, Malkangiri, Nabarangpur, Nayagarh, Paralakhemundi, Phulbani, Rourkela, Rayagada, Rairakhol, Sambalpur (S) and Sundergarh.

(UD) forest offence cases registered between 2001-02 and 2003-04, were lying undisposed. Inaction of the Department for early disposal of timber and poles either by delivery to OFDC or by public auction resulted in blocking of Government revenue of Rs.1.01 crore.

The matter was reported to PCCF/Government in February 2005. The PCCF stated in June 2005 that demand of Rs.18.53 lakh was raised in 374 cases and Rs.0.15 lakh was realised in one case. Reply from Government had not been received (October 2005).

### **6.5 Non levy of interest on belated payment of royalty on timber**

Under Orissa Forest Contracts Rules, 1966, if a contractor fails to pay any instalment of royalty for sale of forest produce by the due date, he is liable to pay interest at the rate of 6.25 *per cent* per annum on the instalment of default. These provisions are also applicable to OFDC Ltd., which acts as a contractor.

Test check of records of 18 forest divisions<sup>6</sup> (between December 2003 and December 2004) revealed that DFOs did not levy interest of Rs.86.06 lakh on belated payment of royalty for the period from 1999-2000 to 2003-04 by OFDC Ltd. The delay in payment of royalty beyond the due date ranged between two and 60 months as detailed below.

<i>(Rupees in lakh)</i>		
<b>Period</b>	<b>No of lots</b>	<b>Amount of interest</b>
2 to 12 months	2	0.06
1 to 2 years	198	8.08
above 2 to 5 years	526	77.92
<b>Total</b>	<b>726</b>	<b>86.06</b>

The matter was brought to the notice of PCCF/Government in February 2005. The PCCF stated in July 2005 that all the DFOs except Rairakhol raised demand of Rs.84.79 lakh towards interest on belated payment of royalty. Government stated in July 2005 that all the concerned DFOs had raised demand towards interest on belated payment of royalty. Report on realisation was awaited (October 2005).

### **6.6 Loss of revenue due to non achievement of target**

Government of Orissa, Forest and Environment Department in their orders of May 2004 appointed OFDC and Tribal Development Co-operative Corporation (TDCC) as agents of Government for collection of sal seeds in 25 and 13 forest divisions of the State respectively for the crop year 2004. The agents were to procure sal seeds as per the target fixed for each forest division

<sup>6</sup> Angul, Athagarh, Athamallik, Baliguda, Bamara (WL), Baripada, Bonai, Dhenkanal, Ghumsura (N), Jeypur, Karanjia, Keonjhar, Khurda, Paralakhemundi, Phulbani, Rairakhol, Rayagarh and Sundergarh.

and pay royalty at the rate of Rs.250 per MT to the Government for the sal seed collected by them.

Test check of records of 38 divisions in the office of the PCCF revealed in January 2005 that Government fixed target of 24,000 MT for collection of sal seed for the crop year 2004. But the agents collected only 2,684.927 MT sal seeds which was only 11 *per cent* of target. It was observed in audit that neither targets were revised nor reasons for shortfall in collection of sal seed were called for from the agents. The Department did not investigate the factors causing such poor collection. Thus non achievement of target resulted in loss of revenue of Rs.53.29 lakh.

After this was pointed out in audit in January 2005, PCCF stated in January 2005 that the year 2004 was a very bad year, as the harvest of crop depended upon conducive weather and physiological character of the species. The reply was not tenable since the reasons were neither called for from the agents nor investigated by the Department to justify such a huge shortfall. Besides target for collection was not revised in view of any unconducive weather affecting production in the year.

The matter was reported to Government in February 2005; reply had not been received (October 2005).