

CHAPTER-VI: FOREST RECEIPTS

6.1 Results of audit

Test check of records maintained in various forest divisions as well as Principal Chief Conservator of Forests, Orissa conducted during the year 2005-06 revealed non/short levy of interest, loss of revenue etc. of Rs. 22.52 crore in 2,806 cases which may broadly be categorised as under: -

(Rupees in crore)			
Sl. No.	Category	No of cases	Amount
1	Loss of revenue due to short delivery/shortage of forest produce	86	8.40
2	Non/short levy of interest on belated payment of royalty.	1,235	1.05
3	Non realisation of royalty	38	2.21
4	Other irregularities	1,447	10.86
Total		2,806	22.52

During the year 2005-06, the department accepted under assessment etc. of Rs.22.47 crore in 2,563 cases pointed out in 2005-06 and earlier years and recovered Rs. 6.21 crore in 10 cases of earlier years.

A few illustrative cases highlighting important audit observations involving Rs. 10.07 crore are discussed in the following paragraphs.

6.2 Non levy of interest on belated payment of royalty on timber

Under Orissa Forest Contract 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. As per provisions contained in Government of Orissa letter of February 1977,¹ the Orissa Forest Development Corporation Ltd. (OFDC) is also liable to pay interest for default in payment.

Test check of records of 21² forest divisions between April 2005 and March 2006 revealed that divisional forest officers (DFOs) did not levy interest of Rs.82 lakh on belated payment of royalty of Rs.5.97 crore during the period from 2000-01 to 2004-05 by OFDC Ltd. The delay ranged between six and 60 months as follows.

(Rupees in lakh)

Period	No. of lots	Royalty involved	Amount
Up to 12 months	151	69.94	2.77
Above 1 year to 2 years	345	157.36	13.31
Above 2 years to 5 years	706	369.86	65.92
Total	1,202	597.16	82.00

After this was pointed out between April 2005 and March 2006, Government stated in June 2006 that all the DFOs have raised demand on belated payment of interest; report on realisation was awaited (November 2006).

6.3 Non disposal of timber and poles

Government of Orissa, Forest and Environment Department in their order of July 1989 issued instructions for early disposal of timber and poles seized in undetected (UD) forest offence cases by prompt delivery to the OFDC Ltd. In case, corporation does not respond to the offer within 30 days, the DFO may proceed to dispose of the material 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 26 forest divisions³ conducted between May 2005 and February 2006 revealed that 21,637.89 cft. of timber and 568 poles valued at Rs.48.31 lakh seized in 1,034 UD forest offence cases registered between 2003-04 and 2004-05 were lying undisposed. Inaction of DFOs for early

1 No.18/77-4437/FF&AH

2 Anugul, Athamallik, Athagarh, Baliguda, Baripada, Bonai, Bolangir (West), Chilika Wild Life, Deogarh, Ghumsur (North), Jeypore, Kalahandi (North), Kalahandi (South), Karanjia, Keonjhar, Khariar, Khurda, Nayagarh, Rairakhol, Satkosia (WL) and Sundergarh

3 Angul, Athamallik, Athagarh, Baliguda, Baragarh, Baripada, Berhampur, Bolangir (West), Bonai, Cuttack, Dhenkhal, Deogarh, Ghumsur (South), Ghumsur (North), Kalahandi (South) Kalahandi (North), Karanjia, Keonjhar, Khariar, Koraput, Nayagarh, Phulbani, Rairakhol, Satkosia (WL) Sambalpur and Sundergarh.

disposal of timber and poles either by delivery to OFDC or by public auction resulted in non disposal of timber involving Government revenue of Rs.48.31 lakh.

The matter was brought to the notice of Government/PCCF in April 2006. PCCF stated in August 2006 that 13,801.3 cft of timber and 91 poles valued at Rs.30.75 lakh were disposed of in 643 cases. Final reply in other cases had not been received (November 2006).

6.4 Loss of revenue due to non achievement of target

Government of Orissa, Forest and Environment Department in their order of May 2005 appointed OFDC Ltd. and Tribal Development Co-operative Corporation (TDCC) as agents for collection of sal seeds for the crop year 2005 in 26 and 12 forest divisions respectively with a total target fixed for each forest division. The agents shall be responsible to procure sal seeds as per the target fixed by Government and pay royalty at the rate of Rs.250 per MT.

Test check of records in the office of the PCCF in January 2006 revealed that out of 38 forest divisions, in 33 divisions⁴ the agents failed to collect sal seeds as per the target. The agents collected 9,944.489 MT of sal seeds (32.33 *per cent* of target) only against the target of 30,760 MT resulting in overall shortfall of 20,815.511 MT, despite the fact that there was bumper production of sal seeds during the year. Thus, non achievement of target resulted in loss of revenue of Rs.52.04 lakh. Further no demand was raised for the royalty on 9,944.489 MT amounting to Rs.24.86 lakh.

After this was pointed out, the PCCF confirmed the facts in January 2006.

The matter was referred to Government in April 2006. Government stated in May 2006 that the two corporations (agents) tried their best for collection of sal seeds in spite of constraints like maoist activities, unsecured rain, poor seed year, poor performance of primary collectors and overstated projection.

6.5 Non realisation of net present value

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 (GOI) on

4 Angul, Athgarh, Athmallik, Bamra W.L., Cuttack, Dhenkanal, Boudh, Ghumsur (North), Khurda, Nayagarh, Bolangir (East), Bolangir (West), Khariar, Baripada, Balasore, Karanja, Rairangpur, Deogah, Keonjhar, Keonjhar (W.L.), Baragarh, Rairakhol, Sambalpur (South), Jeypore, Malkangiri, Koraput, Nawarangpur, Kalahandi (North), Ghursur (South), Parlakhemundi, Bonai, Rourkela and Sundergarh.

payment of net present value (NPV)⁵ of forest land and other allied charges. As per guidelines (revised) issued by GOI in December 2004, temporary working permission (TWP) may be accorded for already broken up area with the stipulation of payment of NPV by the user agency within six months of TWP.

Test check of records of DFO, Bonai revealed in August 2005 that GOI accorded TWP in favour of two mines over already broken up forest land of 137.855 ha with the stipulation of payment of NPV for the period between 16 February and 13 September 2005. Neither the DFO had taken any steps for realisation of NPV nor the user agencies paid the amount of Rs.8 crore calculated at the minimum rate of Rs.5.80 lakh per hectare as detailed below:

Name of the Mine	Sanction No. of TWP by GOI	Broken up area (in hectare)	NPV due to be realised with minimum crop density/period	Due date for deposit for NPV
Mahulsukha Manganese Mines M/s.AMTC (Pvt) Ltd.	No.8-93/04 FC dtd. 16.2.2005	78.119	Rs.453.09 lakh 16.2.2005 to 15.8.2005	15.8.2005
Narayanposhi Iron and Manganese Ore Mines M/s. AMTC (Pvt.) Ltd	No.8-34/2000 FC dtd. 14.3.2005	59.736	Rs.346.47 lakh 14.3.2005 to 13.9.2005	13.9.2005
		137.855 ha	Rs.799.56 lakh	

After this was pointed out in August 2005, the DFO, Bonai stated that due to non receipt of revised guidelines NPV was not realised.

The matter was referred to Government in April 2006; their reply had not been received (November 2006).

5 NPV- Net Present Value is payable at the rate of Rs.5.80 lakh to Rs.9.20 lakh per hectare of forest land depending on quantity and density of land in question converted for non forest land.