

CHAPTER-VI : FOREST RECEIPTS

6.1 Results of Audit

Test check of records maintained in various Forest Divisions conducted during the year 2002-2003 revealed non/short levy of interest, loss of revenue etc. of Rs.45.46 crore in 2,879 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	393	30.06
2	Other Irregularities	1,781	7.59
3	Non-realisation of royalty	54	6.90
4	Non/short levy of interest on belated payment of royalty	651	0.91
Total		2,879	45.46

During the course of the year 2002-2003, the Department accepted under-assessment etc. of Rs.7.29 crore in 571 cases, which had been pointed out in audit in earlier years. Of these, the Department recovered only Rs.0.27 crore in 5 cases.

A few illustrative cases highlighting important audit observations involving Rs.40.00 crore are discussed in the following paragraphs.

6.2 Loss of revenue of Rs.28.06 crore due to non-working of bamboo coupes

Under the provisions of the Orissa Forest Produce (Control of Trade) Act, 1981, the Orissa Forest Development Corporation Limited (OFDC) had been appointed as the agent for extraction of and trade in bamboo in the State of Orissa on payment of purchase price as fixed by the 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 the Orissa Forest Produce (Control of Trade) Rules, 1983. The annual working (extraction) of bamboo is regulated as per prescription of working plan to ensure scientific management of forest.

Test check of records of Principal Chief Conservator of Forests (PCCF) revealed that although the responsibility of extracting and trading in bamboo was entirely entrusted to the OFDC, no agreement was made with the agent either due to the unwillingness of the agent despite having valid working plans for 12 divisions⁵⁵ or due to expiry of working plans for 11 divisions⁵⁶ during the crop years 2000-01 and 2001-02. No bamboo operation was carried out in any of these bamboo potential Forest Divisions during these two years (except for 3 months in 2000-01 in one division). This resulted in loss of bamboo production of 4,31,741 sale units (SU) (based on the average of previous 3 crop years production) valued at Rs.28.06 crore in the shape of royalty payable by the agent. The PCCF did not ensure the working of bamboo operation by the agent nor did he take any alternative steps for 'departmental working' for augmenting government revenue.

On this being pointed out in audit, the PCCF admitted in May 2003 that non-extraction of bamboo by the OFDC for the crop years 2000-01 and 2001-02 resulted in loss of revenue. However, no remedial measures were initiated by the PCCF to prevent further loss of revenue

The above matter was referred to Government in March 2003; their reply was awaited (November 2003).

6.3 Non-realisation of royalty

Under the provisions of the Orissa Forest Produce (Control of Trade) Act, 1981, the OFDC had been 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 Government from year to year. Accordingly, the agent has been extracting bamboo from Government forests and paying

55 Athagarh, Athamallik, Bamra, Bonai, Dhenkanal, Deogarh, Ghumsur (North), Ghumsur (South), Kalahandi, Nayagarh, Phulbani and Puri.

56 Angul, Baliguda, Bolangir, Boudh, Jeypore, Khariar, Parlakhemundi, Rayagada, Redhakhhol, Sambalpur and Sundergarh.

royalty on the basis of annual agreement executed as provided under the Orissa Forest Produce (Control of Trade) Rules, 1983.

Test check of records of the office of the PCCF revealed that OFDC sold 3,78,209 SU of bamboo against production of 4,39,474 SU of bamboo for the period 1997-98 to 2001-02. No demand of royalty had been raised for the differential 61,265 SU amounting to Rs.3.78 crore. Besides, the royalty of Rs.5.84 crore in respect of balance 1,20,724 SU of bamboo for the period 1988-89 to 1996-97 remained unpaid though a demand for the same had been made by PCCF in February 1998. This resulted in non-realisation of royalty from OFDC of Rs.9.62 crore.

On this being pointed out in audit, PCCF while accepting the audit observations stated in May 2003 that the OFDC had been reminded time and again to settle the amount.

The matter was referred to Government in February 2003; their reply was awaited (November 2003).

6.4 Non-levy of interest on belated payment of royalty on timber

Under Rule-42 of 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 defaulted. These provisions are also applicable to the OFDC which acts as a contractor.

Test check of records of 17 Forest Divisions⁵⁷ revealed that Divisional Forest Officers (DFOs) did not levy interest of Rs.90.91 lakh on belated payment of royalty by OFDC. The delay in payment of royalty beyond the due date ranged between 7 and 60 months as follows:

(Rupees in lakh)		
Period	No. of lots	Amount
7 to 12 months	316	6.25
1 to 2 years	578	54.39
3 to 5 years	235	30.20
5 years and above	2	0.07
Total	1131	90.91

On this being pointed out in audit, DFOs, Bamra and Bolangir raised between June 2002 and December 2002 the demand of Rs.1.28 lakh and other DFOs agreed to raise the demand.

⁵⁷ Baliguda, Bamra, Baripada, Bolangir, Dhenkanal, Deogarh, Ghumsur (North), Ghumsur (South), Jeypore, Keonjhar, Karanjia, Nabarangpur, Nayagarh, Parlakhemundi, Rairkhol, Rayagada and Sundargarh.

The above matter was referred to Department/Government in March 2003; their reply was awaited (November 2003).

6.5 Blocking of revenue due to 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 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 due to prolonged storage.

Test check of records of 23 Forest Divisions⁵⁸ revealed that 53,919.70 cfts of timber and 385 poles valued at Rs.84.48 lakh seized in 2093 undetected (UD) forest offence cases registered between 1999-2000 and 2001-02 were lying undisposed of resulting in blockage of revenue.

On this being pointed out DFOs stated between January 2002 and July 2003 that 7,990.609 cft of timber and 228 poles amounting to Rs.17.17 lakh were delivered to OFDC The action taken in respect of balance quantity of timber and poles had not been received.

The matter was referred to Department/Government in March 2003; their reply was awaited (November 2003).

6.6 Loss of revenue due to deletion of minimum royalty condition

Government of Orissa, Forest and Environment Department in their orders of April 2001 and May 2002 appointed OFDC and Tribal Development Co-operative Corporation Ltd. (TDCC) as agents of Government for collection of sal seeds in 16 and 11 Forest Divisions of the state respectively for the crop year 2001 and 2002. The agents were to procure sal seeds as per the target fixed for each forest division 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 27 Divisions in the office of the PCCF revealed that the agents failed to collect sal seeds as per the target. The overall shortfall was 24,611.855 MT against the target of 37,599 MT for the year 2001 and 2002 with the shortfall in individual division ranging from 30 to 100 *per cent*. Consequently, Government had to suffer shortfall in revenue on account of royalty of Rs.61.53 lakh. Moreover, the reasons of such huge shortfall was neither called for from the agents nor investigated by the Department. Audit scrutiny further revealed that till 2000 Crop year, there was a provision for payment of minimum royalty on 75 *per cent* of the target of the collection of

58 Athagarh, Angul, Bonai, Baliguda, Bamra, Baripada, Boudh, Bolangir, Dhenkanal, Deogarh, Ghumsur(North), Ghumsur (South), Jeypore, Keonjhar, Karanjia, Nayagarh, Nabarangpur, Paralakhemundi, Phulbani, Rairakhol, Rayagada, Sambalpur and Sundargarh Forest Division.

sal seeds, to be paid in advance in one instalment by the agent. However, non-inclusion of such clause for the Crop year 2001 and 2002 had put the Government into loss of Rs.38.43 lakh in the shape of minimum royalty.

On this being pointed out, the PCCF stated in February 2003 that the modalities of procurement of sal seed was fixed by Government and the provision for payment of 75 per cent of estimated royalty before collection of sal seeds was not incorporated in the above Government order. He further stated that the reasons for shortfall would be called for from the concerned DFOs. However, non-inclusion of the provision for payment of minimum royalty on 75 per cent of the targeted collection of sal seed without any plausible reason had caused huge loss to the Government.

The above matter was referred to Department/Government in March 2003; their reply was awaited (November 2003).

6.7 Non-disposal of *Kendu leaf* seized in forest offence cases and consequent loss of revenue

Under the provisions of the Orissa Forest Act, 1972 perishable forest produce seized in forest offence cases is required to be disposed of promptly by the order of the Magistrate, or directly by the Forest Officer if it is not possible to obtain the order of the Magistrate in time. The PCCF also issued instructions in July 1993 for prompt disposal of *kendu leaves* seized in offence cases to avoid financial loss, as it is prone to speedy decay and deterioration on prolonged storage.

During the course of audit of Forest Division, Bamra, it was noticed that 302.41 quintals of *kendu leaves* seized in 21 forest offence cases between 1998-99 and 2001-02 valued at Rs.11.27 lakh had not been disposed of, resulting in blockage of Government revenue. Abnormal delay in disposal might lead to loss of Government revenue of Rs.11.27 lakh due to prolonged storage.

On this being pointed out in audit, DFO replied that the DFO, *Kendu leaf*, Kuchinda was being reminded periodically to conduct joint verification of stock for auction. The reply was not tenable as it was well known that delay in disposal would fetch low price and immediate action would prevent/reduce loss of Government revenue.

The matter was brought to the notice of PCCF, Orissa/Government in April 2003; their reply was awaited (November 2003).

6.8 Loss due to under-assessment of royalty

According to the Orissa Forest Department Code and the executive instructions issued in November 1979, allotment of coupes and fixation of royalty thereof are to be finalised by mutual discussion and agreement between the local DFO and Divisional Manager of OFDC after taking into account the quality of trees and accessibility to a coupe area on or before 15 July. Delivery of materials was to be done only after the orders of fixation of royalty thereof had been issued and royalty paid at the rate prevailing during the period of despatch.

During the audit of Forest Division Rayagada and Nabarangpur, it was noticed that 48,411.47 cft of irregular lot of timber were delivered to OFDC between 1999-2000 and 2001-2002 but the royalty demanded and realised was at the rate applicable to preceding years instead of the rates applicable during the period of despatch. Failure to raise demand of royalty at the rates applicable for the year in which delivery of timber was made resulted in short realisation of royalty of Rs.2.66 lakh.

The DFO, Nabarangapur stated in January 2003 that matter would be brought to the notice of the concerned authority for necessary action.

The matter was referred to PCCF/Government in April 2003; their reply was awaited (November 2003).