

Chapter-7: Non Tax Receipts

A: Forest Department

7.1. Results of Audit

Test check of records of Forest department, conducted in audit during the year 2001-2002, disclosed irregularities involving Rs.60.85 crore in 48 cases which broadly fall under the following categories:

(In crore of rupees)			
Sr. No.	Category	Number of cases	Amount
1	Loss due to non selling of wood in auction	1	1.23
2	Less recovery of royalty due to non raising of demand of royalty	3	6.94
3	Non recovery of dues from contractors/officials	11	2.28
4	Other irregularities	32	15.99
5	Review on Receipts of Forest department	1	34.41
	Total	48	60.85

During the course of the year 2001-2002, the department accepted audit observations involving Rs.10.33 crore in 33 cases. The results of review on 'Receipts of Forest department' involving financial effect of Rs.34.41 crore and a few illustrative cases highlighting irregularities involving Rs.0.7 crore are given in the following paragraphs.

7.2. Receipts of Forest Department

7.2.1. Introduction

Forest receipts consists mainly of sale of standing trees, timber and other forests produce, viz firewood, bhabber, fodder grass etc. In addition, compensation including fines and forfeitures are charged for un-authorized and illicit felling of trees belonging to the department.

Out of a total geographical area of 50362 square kilometres, the area under forests in the State of Punjab was 3045 square kilometres as on 31 March 1999 which constituted 6.05 percent of the total area of the State.

Distribution of Forest areas in the State as on 31 March 1999*

	Legal status of forest areas	Sq. Kms	Hectares	Percentage of total Forest area
A State Forests				
1.	Reserved Forests	43.36	4336.39	1.42
2.	Protected Forests			
i	Demarcated Forests	299.89	29988.38	9.85
ii	Un-demarcated Forests	79.70	7970.05	2.62
iii	Road Strips	165.24	16524.17	5.43
iv	Rail Strips	87.23	8723.19	2.86
v	Canal/Drain Strips	450.34	45034.24	14.79
	Total protected forests	1082.40	108240.03	35.55
3.	Un-classed Forests	213.77	21377.34	7.02
	Total State Forests	1339.53	133953.76	43.99
B Private Forests				
1	Under Section 4 & 5 of Punjab Land Preservation Act, 1900 (LPA)	1699.00	169899.60	55.79
2	Under Section 38 of Indian Forest Act, 1927	6.75	675.33	0.22
	Total Private Forests	1705.75	170574.93	56.01
	Total Forest Area	3045.28	304528.69	100.00

* The above figures are based on the Annual Administrative Report of the department for the year 1998-99 approved by the Punjab Government. The above said report for the years 1999-2000 and 2000-2001 are under preparation.

7.2.2. Organisational set-up and Administrative arrangements

The Forest department is headed by the Principal Chief Conservator of Forests (PCCF) assisted by the Chief Conservator and the Conservator of Forests at the headquarters. There are 6 forest circles, five circles, each headed by Conservator of forests and one by Chief Conservator of forests. In addition, there are 16 forest divisions in the state each headed by a Divisional Forest Officer, supported by other field staff. Wild Life Wing of the department is headed by the Chief Wild Life Warden, assisted by Conservator of Forest Wild Life, Chief warden zoo and two wild life Divisional Forest Officers (Chhatbir and Patiala).

7.2.3. Formation of Punjab State Forest Development Corporation

To eliminate middlemen and to make quality timber available at reasonable rates to actual consumers and Government departments, the Punjab State Forest Development Corporation (hereinafter referred to as Corporation) was incorporated in May 1983 under the Companies Act, 1956. The corporation commenced operations from August 1983. The Corporation was entrusted (August 1983) with the responsibility of working of forest coupes by obtaining standing tree from the State Forest department after paying the royalty fixed by the State Government from time to time. The standing trees are transferred to the Corporation as per approved plan of the forest department and demands for volume of wood transferred are raised quarterly. Dead and dry trees which are not lifted by the Corporation are sold by the department through public auction. However, the practice of selling trees through public auction had been discontinued from November 1999 and it was made mandatory for the Corporation to take possession of all the trees offered by the department.

7.2.4. Scope of audit

Mention was made in paragraph 7.1 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 1997, highlighting the shortcomings during the years from 1992-93 to 1995-96 regarding the demand and collection of the royalty for sale of forest produce. With a view to further evaluate the effectiveness of the department in collecting royalty in accordance with the prescribed procedure, a test-check of records of demand, collection and deposit of royalty and other forest receipts for the period from 1996-97 to 2000-2001 of 7* out of 16 divisions was conducted between July and November 2001. In addition, test-check of records of Principal Chief Conservator of forests, Punjab and Director, Mohindra Chaudhary (MC) Zoological Park, Chhatbir at Chandigarh was also conducted.

* Dasuya, Gurdaspur, Hoshiarpur, Jalandhar, Ludhiana, Patiala and Sangrur.

7.2.5. Highlights:

(i) Arrears of royalty increased from 3.81 crore as on March 1996 to Rs.9.90 crore as on March 2001.

(Paragraph 7.2.7)

(ii) The department did not raise royalty of Rs.55.33 lakh on account of timber transferred to Corporation during the years 1996-97 to 2000-2001. The loss of interest on unpaid royalty worked out to Rs.11.08 lakh.

(Paragraph 7.2.8)

(iii) The rates of royalty on timber supplied during 1996-97 to 2000-2001 were revised (March 1999) on adhoc basis without considering the prevailing market rates, which resulted in short realization of revenue of Rs.20.59 crore.

(Paragraph 7.2.9)

(iv) 4.58 lakh bamboos/poplar trees were not felled at the prescribed age which resulted in non realisation of revenue of Rs.2.04 crore and further loss of Rs.4.13 crore.

(Paragraph 7.2.10(a)&(b))

(v) Inaction by the corporation and the department to dispose dead and dry trees resulted in non-realisation of revenue of Rs.1.66 crore.

(Paragraph 7.2.11(a))

(vi) Harvesting the bamboos departmentally instead of handing over the bamboos to the corporation resulted in loss of Rs.1.17crore.

(Paragraph 7.2.11(b))

(vii) Forest revenue of Rs.19.66 lakh was transferred to a society without introducing “Money Bill” in the Legislative Assembly

(Paragraph 7.2.12)

(viii) 4.36 lakh kikar trees were short accounted for in the Enumeration report for 1997-98 resulting in loss of revenue of Rs.2.91 crore.

(Paragraph 7.2.13)

7.2.6. Trend of revenue.

The table below shows the figures of budget estimates & actuals from forests for the years 1996-97 to 2000-2001.

Year	Budget estimates	Actual Receipts	Excess + Shortfall	- Percentage of increase/shortfall to estimated receipts
(in crore of rupees)				
1996-97	6.25	5.31	(-) 0.94	(-) 15
1997-98	8.30	7.59	(-) 0.71	(-) 9
1998-99	6.40	6.52	(+) 0.12	(+) 2
1999-2000	8.93	10.79	(+) 1.86	(+) 21
2000-2001	7.90	14.37	(+) 6.47	(+) 82

The department attributed the reasons for variations between the budget estimates & actuals during the years 1999-2000 and 2000-2001 to realisation of more royalty from the Corporation, which included arrears of earlier years also. Further, the actual receipts was overstated as matching grant of Rs.41.75 lakh received from Central Zoo Authority under Centrally sponsored scheme for maintenance and improvement of Zoo during the years 1997-98 & 1998-99 was incorrectly deposited into Government account. Hence, it does not constitute Government receipts.

7.2.7. Arrears of royalty

The year-wise demand of royalty raised by 15 divisions, amount realised and percentage of arrears as at the end of the year was as under:

Year	Opening balance	Demand raised	Total	Amount realised	Balance recoverable	Percentage of recoveries Col.5 to Col.4
(In crore of Rupees)						
1.	2.	3.	4.	5.	6.	7.
1996-97	3.81	2.26	6.07	1.70	4.37	25
1997-98	4.37	4.08	8.45	4.17	4.28	49
1998-99	4.28	4.60	8.88	4.13	4.75	47
1999-2000	4.75	7.39	12.14	5.47	6.67	45
2000-2001	6.67	9.53	16.20	6.30	9.90	39

For realising dues from the Corporation, lot-wise quarterly demands of royalty are raised by the forest divisions. The forest department has not devised any system for collection of royalty for each lot of trees taken possession by the Corporation and also for watching recovery against the demand raised. As on 31 March 2001 royalty of Rs.9.90 crore were outstanding in 15 divisions as against Rs.3.81 crore which stood as on 1 April 1996.

7.2.8. Non raising of demand of sale proceeds

The Government while approving the rates of different species directed that timber in block forests of Shivalik Hills, may be worked out by the Corporation on 5 per cent commission basis.

Test-check of records of two forest divisions (Dasuya and Hoshiarpur) revealed that 4619.40 cum of timber had been transferred to the Corporation from the block forest of Shivalik Hills during the years 1996-97 to 2000-2001. The Corporation neither intimated the sale proceeds for the timber supplied nor was it demanded by the department. Based on the royalty rates, Rs.55.33 lakh remained un-realised. Besides interest of Rs.11.08 lakh was also leviable as on 31 March 2001.

7.2.9. Short realisation due to revision of royalty rates on adhoc basis

As per the project report of the Corporation, the price for the volume of standing trees transferred to the Corporation was to be fixed from year to year keeping in view the general prevailing market rates. The Government revised (March 1999), the rates of royalty on adhoc basis by adding 5 per cent of rates in the previous year for the years 1996-97 to 1998-99 (rates not revised from 1999-2000 onwards).

Test-check of records of four forest divisions revealed that the rates received by the forest divisions from the open auction 1996-97 to 2000-2001 in the open market for dead and dry trees, which were not lifted by the Corporation, were higher to the extent of 112 to 831 per cent than the royalty rates fixed and charged from the Corporation during the years 1996-97 to 2000-2001 as details below:

Sr. No.	Divisions	Year	Species	Auction rates per cum Rs	Royalty rates per cum Rs.	Difference Rs.	variations in percentage column 4 to 5
	1	2	3	4	5	6	7
1	Gurdaspur	1996-97	Shisham	1989.15	827.00	1162.15	241
	-do-	-do-	Eucalyptus	795.66	710.00	85.66	112
2	Ludhiana	1998-99	Shisham	2615.00	910.00	1705.00	287
	-do-	-do-	Kikar	1569.00	445.00	1124.00	353
3	Sangrur	1997-98	Kikar	2642.00	318.00	2324.00	831
	-do-	-do-	Shisham	2656.00	620.00	2036.00	428
	-do-	2000-2001	Eucalyptus	1133.00	783.00	350.00	145
4	Jalandhar	1999-2000	Shisham	2410.00	910.00	1500.00	265
	-do-	-do-	Eucalyptus	1928.00	783.00	1145.00	246

From the above, it would be seen that there is a need for revision of the royalty rates on realistic basis i.e. instead of the adhoc basis which has deprived the Government of potential revenue of Rs.20.59 crore during the period from 1996-97 to 2000-2001 (based on the timber transferred to the Corporation).

7.2.10. Loss of revenue due to non-adherence to the prescribed cycle

As per working plans based on the Research and Training Circles of the department the poplar trees mature for felling/ harvesting between the age of 8 to 10 years. The delay in cutting of poplar trees causes deterioration in quality of the timber as it becomes hard and hollow and creates difficulty in veneering. Similarly, the average age of bamboo clumps is six years after which it becomes clumpy and congestive, shows signs of deterioration and causes unwieldy growth of shoots. One bamboo plant offshoots 25 bamboos in six years. Test check of record of five forests divisions revealed as under:-

(a) 64650* poplar saplings raised between 1983-84 to 1987-88 had not been harvested even though the age of saplings was between 12 to 18 years (March 2001). This resulted in non-realisation of revenue of Rs.5.82 crore (calculated at the royalty rate of Rs.900 per tree fixed by the Government for the year 1998-99).

The PCCF replied (May 2002) that value of poplar tree does not diminish if the trees are not cut at the prescribed age. Rather the tree gain more growth and fetches higher revenue. The reply was not tenable and was contradictory the royalty rates fixed by the Government (March 1999) according to which the overgrowth trees with girth more than 3 feet fetched less price (Rs.638 per tree) as compared to the tree with girth up to 3 feet (Rs.900/- per tree). Thus, delay in harvesting of poplar trees resulting in minimum loss of Rs.1.69 crore. Continued non-disposal of these trees may cause further loss of Rs.4.13 crore due to deterioration of these trees.

(b) It was noticed that 15751 bamboo plants raised during 1993-94 and 1994-95 in 31 hectares by Forest Division in Hoshiarpur district had not been felled/harvested till the year 2000-2001. Non-adherence to the prescribed cycle of bamboo felling, resulted in loss of revenue of Rs.35.44 lakh calculated at the royalty rates fixed by the Government for the year 1998-99. The Divisional Forest Officer replied that bamboos were not harvested to prevent soil erosion and that work is now being taken up in the year 2001-2002. The reply was not tenable as the cycle of six years has been prescribed by the Research and Training Circle of the department after considering all relevant factors.

* (38250: 1983-84 to 1984-85 (Gurdaspur), 2500: 1986-87 (Ludhiana), 22150: 1983-84 to 1987-88 (Patiala) and 1750: 1986-87 to 1988-89 (Sangrur)

7.2.11.(a) Non disposal of dead and dry trees

The Forest and Wild life department Government of Punjab ordered (November 1993) that if the trees offered to the Corporation for exploitation are not lifted within 30 days, the trees are to be disposed of departmentally by open auction. However, from November 1999, the Government discontinued the exploitation departmentally and made it mandatory for the Corporation to undertake forest working and also made the Corporation responsible for any damage caused to forests.

Test-check of records of Forest Division Patiala revealed that 10078.24 cum of timber/wood of dead and dry trees of various species were not lifted by the Corporation during the period 1996-97 to 2000-2001. Neither the Corporation exploited the dead and dry trees nor the department disposed of the same through open auction resulted in non-realisation of revenue of Rs.1.66 crore, as shown under:

Species	1996-97	1997-98	1998-99	1999-2000	2000-2001	Total	Average rate per cum of auction held in 1996-97	Total
	(volume in cum)						Rupees	Rupees in lakh
Eucalyptus	90.95	218.49	33.85	30.65	707.37	1081.31	1600	17.30
Kikar	95.85	1631.25	963.10	1939.45	1731.70	6361.35	1300	82.70
Shisham	72.75	42.45	--	302.93	1517.00	1935.13	3150	60.96
Misc	55.15	301.40	114.75	167.75	61.40	700.45	700	4.90
Total	314.70	2193.59	1111.70	2440.78	4017.47	10078.24		165.86

The continued non disposal of dead and dry trees is likely to deteriorate the quality of timber with the passage of time and would fetch less price, resulting in loss to Government.

7.2.11.(b) Loss due to non-adherence to instructions regarding disposal of forest produce

Test-check of records revealed that instead of handing over the standing bamboos to the Corporation as per policy of the Government, the Divisional Forest Officer, Dasuya harvested the bamboos departmentally (October 2000 to March 2001) and collected revenue of Rs.1.17 crore on account of sale proceeds of bamboos. Expenditure of Rs.1.26 crore was incurred for cleaning, cutting grading and stacking of bamboos. This resulted in a net loss of Rs.0.09 crore.

Had the department, as per the instructions of the Government, handed over the bamboos to the Corporation for working and claimed royalty at the prescribed rate of Rs.9 per bamboo, it would have received Rs.1.08 crore on account of royalty. Expenditure on bamboo working could have also been avoided.

On being pointed out (November 2001), the PCCF replied (May 2002) that Corporation being commercial organisation did not cut and clean the more severely congested clumps as these were not profitable. The reply was not

tenable as forests working by the Corporation was made mandatory by the Government from November 1999 onwards. Thus, non-adherence to the instructions for disposal of forest produce departmentally had put the Government to a net loss of revenue of Rs.1.17 crore.

7.2.12. Irregular diversion of Government receipts to a private organisation

As per provisions of the Constitution of India, all revenue received by Government, shall form part of the Consolidated Fund of the State. Constitution further provides that matters dealing with payment of money or receipt of money on account of Consolidated Fund of State comes within the purview of 'Money Bill' which shall only be introduced in the State Legislative Assembly.

Test-check of records revealed that receipt realised from sale of tickets in Chhattbir Zoo were credited to the Government account upto November 2000. However, the department on the basis of Government order dated August 2000 handed over the receipts on this account amounting to Rs.19.66 lakh to a private organisation (Wild Life Welfare Society Punjab) from December 2000 to March 2001 which was irregular as no 'Money Bill' in this regard was introduced in the State Legislature.

7.2.13. Shortage of trees in the enumeration report

As per growth data pertaining to different species calculated on the basis of actual measurement in the field used in the Working Plans, 'Kikar' gained girth of 60 cms at the age of 14-15 years. Enumeration report for 1987-88 of forest division, Gurdaspur at Pathankot showed 41303 trees of kikar having girth ranging from 60 cms to 210 cms, raised upto the years 1972-73. The division has further raised 11,37,930 sapling of kikar trees during the years 1973-74 to 1982-83. The division felled/cut 12439 trees of Kikar between 1988-89 to 1997-98. Considering the opening stock of trees, the trees planted and felled, 484036 kikar trees should have been counted in the enumeration report for 1997-98 whereas only 47907 kikar trees were taken in report, resulting in short account of 436129 trees (65419.35 cum) and loss of revenue of Rs.2.91 crore (calculated at Rs.445 per cum rates of royalty of 1998-99).

On being pointed out (January 2002), the PCCF in reply (May 2002) stated that kikar tree attained a girth of 60 cms at an age of 15-20 years and further stated that 5,74,234 saplings of kikar were planted during the period 1973-74 to 1982-83 in Gurdaspur division. The reply was not tenable as kikar tree gained girth of 60 cms at an age of 14-15 years as per working plan of the division. The claim that only 5,74,234 trees were raised was incorrect because, as per the records of the Forest Department 1137930 plants had been raised.

(ii) Enumeration of forest trees is done after every five years by the staff of the forest division. But no system of reporting shortage of marked trees has

been devised in the department with the result that the shortage of trees went un-noticed by the departmental authorities.

In three forest divisions shortage of 8366 trees (Jalandhar, Patiala and Sangrur) valued at Rs.58.51 lakh was noticed either during physical verification conducted by Divisional Forest Officer or at the time of handing over/taking over charges during 1996-1997 to 2000-2001. These shortages were never reported after enumeration as the department has not devised any system by which shortage may be detected in enumeration itself.

7.2.14. Late deposit of bank drafts

Punjab Financial Rules provide that the Government receipts realised is deposited into Government account on the same day or on the following day.

In seven forest divisions*, bank drafts of Rs.4.05 crore received in 63 cases towards royalty was deposited in Government account with delays ranging from 7 to 55 days. This resulted in loss of revenue of Rs.2.03 lakh by way of interest paid by Government on the borrowings at the rate of interest of 11 per cent.

7.2.15. Delay in compounding forest offences

Damage to forest caused during felling or dragging any tree or timber or during lopping and tapping or grazing of cattle or cutting of grass, whether caused deliberately or through negligence, is an offence. The offence can be compounded by the Divisional Forest Officer by recovering the value of forest produce damaged/removed and compensation (penalty) for the damage. Alternatively, under the Indian Forest Act, 1927 within one year of occurrence of the offence, the offender can be prosecuted in a Court of law and the punishment may extend to imprisonment for six months or fine of Rs.500 or both. But as per the provisions of Criminal Procedure Code, no Court shall take cognizance of an offence after the expiry of one year.

In seven forest divisions 3576 cases of offence for damage to forests were pending finalisation at the end of March 2001. Year-wise details were as under:

Year	Number of cases pending	Amount of offence (In lakh of rupees)
Upto 1996-97	1665	9.03
1997-98	447	7.27
1998-99	465	6.25
1999-2000	479	4.27
2000-2001	520	5.44
	3576	32.26

* **Dasuya, Gurdaspur, Hoshiarpur, Jalandhar, Ludhiana, Patiala and Sangrur.**

Out of the total number of pending cases, 3056 cases of damage involving Rs.26.82 lakh were more than one year old and legal action was time barred.

7.2.16. Non recovery of losses

As per State Financial Rules, all losses having monetary value exceeding Rs.5000 are to be investigated departmentally or through police. Besides, the incident should be reported to Audit.

In five forest divisions (Gurdaspur, Hoshiarpur, Jalandhar, Patiala and Sangrur) 221 cases of illicit cuttings of 5879 trees valued at Rs.32.06 lakh were noticed during 1996-97 to 2000-2001 for which the foresters and forest guards of the department were held responsible and recovery orders of Rs.26.81 lakh in 216 cases were issued out of which recoveries in 139 cases were in progress. No action for the recovery in 77 cases amounting to Rs.18.06 lakh was initiated. In the remaining 5 cases, no action was taken (February 2002). These cases were not reported to audit.

Besides, the Divisional Forest Officer, Sangrur neither assessed the loss of revenue in respect of illicit cutting of 3050 trees during the years 1996-97 to 2000-2001 nor any action initiated against the officers at fault. The department did not furnish any reasons for inaction.

7.2.17. Internal audit

The internal audit control is intended to provide reasonable assurance for prompt and efficient service. It is meant to promote enforcement and compliance with laws, rules and departmental instructions. It helps in correct assessments and speedy collection of revenue and in prevention and detection of frauds and other irregularities. However, there was no internal audit system in the Forest department.

The matter was referred to the Government in January 2002. This was followed up with reminder to the Principal Secretary to Government, Punjab department of forests and wild life in April 2002. However, in spite of such efforts, no reply was received (October 2002).

B: Hospitality Department

7.3. Utilisation of departmental receipts towards expenditure

Under the Punjab Financial Rules, utilisation of departmental receipts towards expenditure is strictly prohibited. Further, under State Treasury Rules all moneys received by or tendered to Government servants on account of revenue of the Government, shall without undue delay be paid in full into the treasury.

During the course of audit of records of Hospitality Department Punjab, Chandigarh, it was noticed that receipts, on account of boarding and lodging provided to the visitors staying in the Punjab Bhavan and Circuit House at Chandigarh, collected during the period between May and December 2001 aggregating to Rs.5.22 lakh were not deposited into treasury/bank, but utilised to meet the departmental expenditure in contravention of the aforesaid Rules.

On being pointed out (January 2002), it was stated that the receipts were utilised towards expenditure in the absence of budget allotment. The reply was not tenable as retention of money out of Government accounts was strictly prohibited under the Rules and circumvented the Legislative control over budget allocation and expenditure.

The matter was brought to the notice of the department and referred to the Government (March 2002). The matter was followed up with a reminder to the Chief Secretary to Government, Punjab, Hospitality department in June 2002. However, inspite of such efforts, no reply was received (October 2002)

C: Education Department

7.4. Utilisation of departmental receipts towards expenditure

Under the Punjab Financial Rules, utilisation of departmental receipts towards expenditure is strictly prohibited. Further under State Treasury Rules all moneys received by or tendered to Government servants on account of revenue of the Government, shall without undue delay be paid in full into the treasury.

During the course of audit of records of Government College of Education, Patiala, it was noticed (between December 2001 and March 2002) that receipts on account of booking of Auditorium and Hall of the College for holding seminars, educational and cultural activities during the period from March 1999 to February 2002 aggregating to Rs.1.47 lakh were not deposited into treasury/bank, but utilised it to meet the departmental expenditure in contravention of the aforesaid Rules.

On this being point out (December 2001) it was stated by the Principal that the remedial action would be taken.

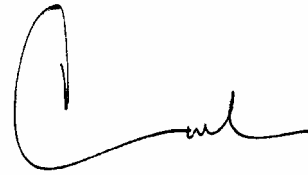
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Principal Secretary to Government, Punjab, Education department in June 2002. Despite such efforts no reply was received (October 2002)

Chandigarh:
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