

CHAPTER V

OTHER TAX AND NON TAX RECEIPTS

5.1 Results of audit

Test check of the records of the departmental offices during the period from April 2007 to March 2008 revealed non/short levy of royalty, dead rent and seigniorage fee and other observations, amounting to Rs. 170.67 crore in 118 cases as mentioned below.

(Rupees in crore)			
Sl.No.	Categories	No. of cases	Amount
A	Urban Land Tax		
1.	Non/short levy of urban land tax	6	0.22
B	Land Revenue		
1.	Short recovery of rent in respect of lands assigned, alienated or evicted	5	10.75
2.	Other irregularities	61	83.32
C	Mines and Minerals		
1.	Non/short levy of royalty, dead rent and seigniorage fee	30	2.55
2.	Other irregularities	15	0.41
D	Environment and Forest Department		
	Forest Receipts – (A review)	1	73.42
	Total	118	170.67

During the course of the year 2007-08, the department concerned accepted non/short levy amounting to Rs. 2.79 crore in 142 cases, out of which, Rs. 1.36 crore involved in four cases was pointed out during the year and the rest in the earlier years. Of this, the department recovered Rs. 1.44 crore.

After issue of the draft paragraphs, the department recovered Rs. 16.13 lakh pertaining to a single observation pointed out during 2007-08.

A few illustrative cases and review of the “**Forest Receipts**” involving Rs. 75.07 crore are discussed in the following paragraphs.

A - URBAN LAND TAX

5.2 Non-levy of urban land tax

Under the Tamil Nadu Urban Land Tax Act, 1966, as amended from time to time, urban lands are assessable to urban land tax from 1 July 1991 on the basis of the market value of the land.

Test check of the enumeration register and book of assessments in four¹ offices of the Assistant Commissioner (Urban Land Tax) during October 2002 and October 2005 revealed that due to failure of the departmental officers to initiate the assessment procedures like spot verification etc. of the urban lands in each survey numbers and the owners, urban lands measuring 46.30 lakh square feet belonging to 111 assesseees were omitted to be assessed to tax from 1 July 1991 onwards. This resulted in non-levy of urban land tax of Rs. 36.38 lakh between 1 July 1991 and 30 June 2006.

After the cases were pointed out between October 2003 and May 2006, the department stated between September 2003 and February 2008 that all the assessments were completed. Report on collection of the amount has not been received (November 2008).

The matter was reported to the Government between January and April 2008; their reply has not been received (November 2008).

5.3 Failure to serve demand notice for urban land tax

According to Section 14(1) of the Tamil Nadu Urban Land Tax Act, 1966 read with Rule 5 of the Tamil Nadu Urban Land Tax Rules, a notice of demand is to be served on the assessee by the Urban Land Tax Officer in Form 6. Section 15 of the Act provides for serving of separate demand notice for every fasli year.

Test check of the records in three² offices of the Tahsildar (Urban land tax) between July and September 2004, revealed that the assessments in respect of 26 assesseees were passed by the Assistant Commissioners concerned between February 1994 and May 2003 and received by the Urban Land Tax Officers (Tahsildar, Urban Land Tax), but demand notices were not issued by the Urban Land Tax officers. This resulted in non-collection of urban land tax of Rs. 12.42 lakh from 1 July 1991 onwards.

¹ Alandur, Poonamallee, Tambaram and T.Nagar.

² Egmore-Nungambakkam Taluk, Kumbakonam and Ponneri.

After the cases were pointed out in September/October 2004, the Tahsildar, Egmore-Nungambakkam Taluk replied (June 2007) that an amount of Rs. 2.84 lakh out of a demand of Rs. 2.93 lakh had been collected. Report on recovery of the balance amount and reply in respect of the other two taluk offices have not been received (November 2008).

The matter was reported to the Government in February 2008; their reply has not been received (November 2008).

B – LAND REVENUE

5.4 Non-realisation of cost of land

According to the Board of Revenue Standing Orders 24(1), Government lands can be granted for public purpose on collection of the land cost.

Test check of the records in two offices³ between December 2001 and July 2007 revealed that there was a delay in fixing the cost of lands alienated by the Government. This had resulted in non-realisation of land cost of Rs. 3.09 crore as detailed below:

5.4.1 The Government vide orders dated March, 1997 alienated lands measuring 9.735 hectares in favour of two Corporations subject to collection of the cost of land at the prevailing market rates by the department. The Tahsildar, Salem worked out the cost of the land as Rs. 2.49 crore and sent it to the District Revenue Officer in May 2000. The proposal was sent to the Commissioner of Land Administration in December 2004, who returned the proposal stating that it was the responsibility of the District Revenue Officer/District Collector to fix the land cost and collect it. Thus, there was no need to send the proposal to the Commissioner for approval. The undue delay of 11 years (1997 to 2008) in finalising the cost of the alienated land by the department has resulted in non-raising of demand of Rs. 2.49 crore.

After this was pointed out, the Tahsildar, Salem replied (February 2003) that action would be taken to finalise the proposal to the best advantage of the Government. However, no reply regarding collection of the land cost has been received so far (November 2008).

5.4.2 The Government vide orders dated May 1998 alienated 2.18 lakh square feet of land in Veerapandi Village of Theni Taluk to the Tamil Nadu Civil Supplies Corporation Ltd. subject to collection of cost of the land at the prevailing market rates by the department. The tahsildar fixed the cost of the land as Rs. 59.54 lakh and forwarded the proposal to the District Revenue Officer in September 2000 which has still not been approved. Thus, demand

³ Salem and Theni

has not been raised even after a lapse of 10 years. This resulted in non-realisation of revenue of Rs. 59.54 lakh.

After the case was pointed out in July 2007, the Tahsildar, Theni replied that alienation of Government land was a time consuming process and proposals for alienation had to be cleared at each and every level before reaching the final authority and so the delay. The reply is not tenable as the Government had issued orders for alienation of the land in May 1998. But the cost of land has not been collected till date (November 2008) due to undue delay in submitting the proposal and fixation of the land cost.

The matter was reported to the Government between October 2007 and February 2008; their reply has not been received (November 2008).

C - MINES AND MINERALS

5.5 Adoption of incorrect rate of royalty

According to Section 9 of the Mines and Mineral Development and Regulation Act, 1957, the lessee shall pay royalty for the minerals consumed or removed from the leased area, at the rate specified in the second schedule to the Act. By a notification issued in October 2004, Government of India fixed the rate of royalty for bauxite (aluminium ore) at 0.40 *per cent* of London Metal Exchange Aluminium price⁴ (LME).

Test check of the records in the offices of the Assistant Director of Geology and Mining, Salem and Namakkal in August and September 2007 disclosed that a company removed 5.41 lakh MT of bauxite during the period August 2005 to March 2007. The royalty leviable on the bauxite removed during the said period ranged between Rs. 48.46 and Rs. 74.28 per MT as against Rs. 46.86 per MT collected. The department collected the royalty without determining the amount based on the LME rate. The adoption of incorrect rate resulted in short collection of royalty of Rs. 1.04 crore.

After the case was pointed out in August/ September 2007, the Assistant Director of Geology and Mining, Salem replied that the royalty based on LME would be fixed for the year 2004-05 to 2006-07 and the difference, if any found, would be collected. The Assistant Director of Geology and Mining, Namakkal stated that action would be taken. Further reports have not been received (November 2008).

The matter was reported to the Government (February 2008); their reply has not been received (November 2008).

⁴ The average metal price in the London Metal Exchange for aluminium during the period of computation of royalty is referred as LME aluminium price for the purpose of computation of royalty.

**D - ENVIRONMENT AND FOREST
DEPARTMENT**

5.6 Forest Receipts

Highlights

- Out of the 29 territorial forest divisions in the State, 16 divisions did not have working plans for management of the forests. This resulted in non-realisation of the revenue from timber extraction and stalling of the regeneration activities in the forest.

(Paragraph 5.6.7)

- There was short demand of lease rent amounting to Rs. 2.03 crore in five cases due to non-revision of the lease rent.

(Paragraph 5.6.8.1)

- Land cost of Rs. 1.60 crore was not collected from M/s.Neyveli Lignite Corporation, even though the land was handed over to the corporation as early as in July 1990.

(Paragraph 5.6.13)

- There was short realisation of lease rent amounting to Rs. 69.94 crore from two clubs due to adoption of the incorrect rates.

(Paragraph 5.6.14)

- There was loss of revenue of Rs. 6.67 crore due to inconsistency in determining the sale price of sandalwood.

(Paragraph 5.6.15.1)

5.6.1 Introduction

The subject 'Forests' is included in the 'Concurrent List' in the seventh Schedule to Article 246 of the Constitution of India. The Indian Forest Act, 1927 and Forest Conservation Act, 1980, which are the Central Acts and the Tamil Nadu Forest Act 1882 govern the protection and management of forests in the State. Under the Acts, it is necessary to get prior approval of the Government of India (GOI) for use of the forest land for non-forestry purposes. Forests in Tamil Nadu constitute 21.25 *per cent* of the geographical area of the State. The Forest Department formed in 1856 generates revenue through sale of timber, teakwood, sandalwood, firewood, bamboo, other minor forest produce and lease of the forest land. In addition, the receipts consist of sale from confiscated goods and vehicles involved in forest offences. The exploitation of forest produce is done either departmentally or through agencies under the overall supervision of the Forest Department.

The system of collection of the forest receipts was reviewed in audit. It revealed a number of system and compliance deficiencies which are discussed in the subsequent paragraphs.

5.6.2 Organisational set up

The Forest Department is headed by the Principal Chief Conservator of Forests (PCCF) under the administrative control of Secretary (Environment and Forests). The entire State is divided into 12 territorial circles each headed by a Conservator of Forests (CF). The circles are subdivided into 99 divisions headed by District/Divisional Forest Officers (DFO)/Wildlife Wardens. The divisions are further divided into ranges headed by range officers.

5.6.3 Audit objectives

The review was conducted to ascertain

- whether the working plans for management of the forests were prepared and got approved in time to facilitate timely extraction of the trees;
- the efficiency and effectiveness of the existing system of leasing of the forest lands for non-forestry purposes and realisation of revenue therefrom;
- the extent of compliance with the provisions of the relevant Acts and Rules governing the collection of revenue; and
- whether the internal control system as applicable to revenue administration in the department was adequate and effective.

5.6.4 Scope of audit

Records pertaining to the period 2002-03 to 2006-07 in the Secretariat of the Government of Tamil Nadu (Environment and Forest Department), PCCF office, five circle offices and 27 out of 99 District/Divisional and Wildlife offices were test checked by audit during July 2007 to March 2008.

The units for audit check were selected based on their revenue generation and their activities such as leasing of the forest land for non-forestry purposes; sale of sandalwood, teakwood and other social forestry produce such as babul and supply of raw materials to the wood based industries etc. The revenue of the 27 district/divisional offices selected for audit constituted 86 *per cent* of the total revenue in 2006-07.

5.6.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Forest Department in providing necessary information and records for audit. At the outset an entry conference was held in July 2007 with the PCCF, and other departmental officers. He was apprised of the objectives of the

review taken up by audit. The draft review was forwarded to the Government and to the department in May 2008 and was discussed in the meeting of the audit review committee held in July 2008. The Government was represented by the Secretary to the Government and the department was represented by the PCCF. The view point of the Government and that of the department have been incorporated in the respective paragraphs of the report.

Audit findings

5.6.6 Trend of revenue collection

5.6.6.1 The annual budget estimates were prepared by each District/ Divisional Forest Officer and Wildlife Warden in respect of his division and submitted to the Conservator of Forests who in turn sent these to the PCCF for consolidation and submission to the Government.

A comparison of the budget estimates (BE) and the actual receipts is given below:

(Rupees in crore)				
Year	Budget Estimates	Actuals	Excess (+) Shortfall (-)	Percentage of variation
2002-03	110.18	157.44	(+) 47.26	(+) 43
2003-04	146.18	90.21	(-) 55.97	(-) 38
2004-05	100.07	155.07	(+) 55.00	(+) 55
2005-06	126.22	138.59	(+) 12.37	(+) 10
2006-07	171.38	82.31	(-) 89.07	(-) 52

It would be seen from the above that the variation between the BE and the actuals ranged between (-) 52 to (+) 55 *per cent* indicating that the BEs were not realistic. There was practically no matching of estimates and actuals in any of the year which indicated poor budgeting. Besides, there were no instances of monitoring/review of the revenue by the higher authorities of the department to ensure realisation of the budgeted receipts.

After this was pointed out, the PCCF stated in July 2008 that the Government had fixed the BE more than those proposed by the department.

5.6.6.2 Arrears of revenue

The DCB register for watching the arrear position was not maintained in the PCCF office. As per the information furnished to audit, the total revenue pending for collection as on 31 March 2007 was Rs. 145 crore. Of this, the arrears pertaining to lease rent alongwith interest and penal interest amounted to Rs. 142 crore. The major defaulters of the lease rent are given below:

Arasu Rubber Corporation	- Rs. 73.20 crore since 1984-85
Tamil Nadu Electricity Board	- Rs. 26.30 crore since 1961-62
Tamil Nadu Tea Plantation Corporation	- Rs. 21.71 crore since 1975-76

System Deficiencies

5.6.7 Delay in preparation of the working plans

A working plan is a document prepared for a period of 10 years which contains detailed schemes for management of the silvicultural operations. The forest produce resulting from these operations generates revenue for the Forest Department. Non-existence of a working plan has a major impact on the growth and regeneration of the forests. It also leads to stoppage of all the activities relating to extraction of the forest produce which affect the receipts of the department. Hence, it is in the interest of the environment as well as the department that the working plans are prepared and approved well in advance.

There are 29 territorial divisions in the State for which separate working plans are required to be prepared. Out of these, 13 working plans for various periods have been approved and in the remaining 16 divisions, the working plans had expired between March 1999 and March 2007. Of these, working plans of two divisions (Tirunelveli and Thoothukudi) were sent to the GOI for approval in July 2007 and the remaining 14 working plans were pending at various stages in the department, though the National Working Plan Code provides for finalisation of a working plan of a division two years in advance of expiry of the existing plan so as to allow sufficient time for obtaining the sanction of the GOI.

Delay in preparation of the working plans indicated that the monitoring mechanism was weak and ineffective. Non-preparation of the new working plans before expiry of the existing working plans resulted in deferring of timber extraction and revenue from the divisions.

After the cases were pointed out, the department while accepting the facts, stated that the existing four working plan officers were not sufficient and the backlog was being cleared by involving the territorial Conservators of Forests.

5.6.8 Leasing of the forest land

The forest lands are leased out to various Government departments and public sector undertakings for non-forestry purposes. The lease rent payable by the user agencies is fixed/revised by the Government from time to time. As per the information furnished by the PCCF in March 2008, there were 276 cases of use of the forest land for non-forestry purposes. Of the above, 133 cases were scrutinised by audit in 19 divisions and the findings are mentioned below:

5.6.8.1 Short demand of lease rent

The Government order (GO) dated July 1986 prescribed the rate of lease rent for various categories of lease of the forest lands. These rates were enhanced and were required to be revised after every three years as per the GO dated April 1991. No return was, however, prescribed by the PCCF to watch the timely revision of the lease rent.

Test check of records in five District Forest/Wildlife Warden Offices⁵, revealed that there was short demand of lease rent of Rs. 2.03 crore from five⁶ user agencies due to failure of the department to refix the market value of the forest land once in three years as mentioned below:

(Rupees in crore)						
Sl. No.	Name of the office	Name of the user agency	Nature of observation	Demand to be raised	Demand actually raised	Short demand
1.	Wildlife Warden IGWS, Pollachi	TNEB for Parambikulam Aliyar Project	The land was allotted at a nominal price of Re.1/acre per annum in 1961-62. This has not been revised subsequently as per the GO mentioned above.	1.03	0.10	0.93
After this was pointed out, the PCCF stated in July 2008 that demand for the entire amount had been raised and sent to TNEB for the period upto 2007-08. Action was being taken for collection which includes interest and penal interest.						
2.	DFO, Salem	Tamil Nadu Magnesite Ltd. (TANMAG)	The lease for an extent of 177.96 hectares was renewed vide GO dated August 1998 for a period of 10 years from 1998 to 2008. However, the lease rent was not revised after every three years.	2.28	1.75	0.53
After this was pointed out, the PCCF stated in July 2008 that demand notice had been issued to TANMAG by the DFO Salem on 25 June 2008 for the entire amount.						
3.	DFO, Nagercoil	TNEB for the Kodayar Hydro Electric Project	An extent of 133.24 acres was leased out from 1966-67 at Rs. 6,885 per annum. The lease rent was not revised subsequently.	0.23	0.09	0.14
		Tamil Nadu Agricultural University	An extent of 28.25 acre was leased out from 1976. Though the lease was fixed initially at a nominal rate of Rs. 1,071 per year, the same had not been revised subsequently.	0.17	0.06	0.11
After this was pointed out, the PCCF stated in July 2008, that revised demand had been raised in June 2008.						

⁵ Kancheepuram, Nagercoil, Nilgiris (North), Pollachi and Salem

⁶ Hindustan Photo Films Manufacturing Company Ltd., National Highway Authority of India, Tamil Nadu Magnesite Limited, Tamil Nadu Electricity Board and Tamil Nadu Agricultural University.

4.	DFO, Nilgiris (North)	Hindustan Photo Films Manufacturing Company Ltd.	An extent of 90 acres was leased out from 1988-89. The lease rent was fixed as per the instructions contained in the GO issued in 1986. However, the rent was not revised subsequently.	1.60	1.31	0.29
After this was pointed out, the PCCF stated in July 2008 that revised demand had been raised in April 2008.						
5	DFO, Kancheepuram	National Highway Authority of India	An extent of 2.025 hectares of forest land was leased out on 2 May 2001 vide GO dated 20 June 2000. The lease rent was fixed at Rs.one lakh per annum. However, the lease rent has not been revised resulting in non-realisation of lease rent of Rs. 3.22 lakh upto March 2007.	0.03	Nil	0.03
After this was pointed out, the PCCF stated in July 2008 that demand had been raised by the DFO Kancheepuram in January/April 2008.						
Total						2.03

The department had not evolved any mechanism for monitoring periodical revision and collection of the lease rent.

5.6.8.2 Non-execution of lease agreement

Test check of the records in the office of the DFO, Hosur revealed that an extent of 20.980 hectares of the forest land in Kothur Reserve Forest was handed over to the Railway Department in the year 1975 for the project "Doubling of track between Jolarpettai and Mulanur". The CF, Vellore recommended the grant of the land on lease to the Railways in June 1993 to the PCCF. However, orders for grant of lease of the land to the Railways have not been issued by the PCCF resulting in non-realisation of lease rent of Rs. 38 lakh.

After this was pointed out, the PCCF stated in July 2008 that demand had been raised by the DFO, Hosur in June 2008. However, the reply of the department was silent about the grant of lease of the land to the Railways.

5.6.9 Internal audit

Internal audit is meant to ensure compliance with laws, rules and departmental instructions. It helps in carrying out correct assessment, speedy collection of revenue and prevention and detection of fraud and other irregularities.

The department has an Internal Audit Wing headed by an Assistant Director (Internal Audit). Three parties have been sanctioned for the wing each consisting of one Superintendent and two Assistants. However, the actual strength of the wing was only one Superintendent and one Assistant. It was stated that two audit parties were in operation and two draughting officers were posted to the wing. Even then, there was a shortage of one Superintendent and one Assistant in the parties in operation at present.

There were 113 units of audit. As per the information furnished to audit, the number and age of the units not taken up for audit are mentioned below:

<u>Period of Pendency</u>	<u>No.of units</u>
Units not taken up for audit for one year	: 23
Units not taken up for audit for two years	: 02
Units not taken up for audit for three years	: 53
Units not taken up for audit for four years	: 35

The department stated that the units could not be audited due to non-availability of audit staff. The control registers relating to audit planning, issue and disposal of the inspection reports and observations raised by internal audit wing were not maintained. As such, audit could not ascertain the efficiency and effectiveness of working of the internal audit wing.

The Government may strengthen the internal audit wing to ensure timely conduct of audit and prescribe the necessary registers to enhance the overall control and performance of the wing.

5.6.10 Failure to follow the provisions of the MMDR Act resulted in loss of revenue

Under the provisions of the Mines and Minerals (Development and Regulation) Act, the State Government may allot land for extraction of the mineral subject to the payment of royalty at the rates prescribed by the GOI from time to time. The rate of royalty payable for magnesite was three *per cent* on ad valorem basis and it ranged between Rs. 52 and Rs. 60 per MT.

Test check of the records in the office of the DFO Salem, revealed that the Government in August 1998 entered into an agreement with a lessee, leasing forest land of 177.96 hectares for extraction of magnesite and dunite. Scrutiny of the agreement deed revealed that the royalty for the minerals was fixed at the rate of Rs. 25 per MT which was less than that payable under the MMDR Act. The department had at no time reviewed the agreement, though the MMDR Act stipulated that revision of the rates might be done once in three years. Thus, faulty agreement and failure of the department to review the agreement resulted in a minimum loss of Rs. 1 crore to the Government for the years from 2004-05 to 2006-07 as mentioned below:

(Rupees in lakh)				
Year	Quantity transported in MT	Royalty paid @ Rs. 25 per MT	Royalty to be paid @ Rs. 52 per MT	Short levy
2004-05	1,17,234.600	29.31	60.96	31.65
2005-06	1,30,671.390	32.67	67.95	35.28
2006-07	1,23,012.960	30.75	63.97	33.22
Total				100.15

After this was pointed out, the DFO, Salem stated in August 2007 that royalty at the enhanced rate would be demanded and collected.

Compliance Deficiencies

5.6.11 Blockage/loss of revenue due to non-felling of matured trees

5.6.11.1 Eucalyptus

As per the DFO Chengalpattu's letter dated February 2006, the rotation for felling of eucalyptus trees is eight years from the date of its planting. As per Section 3(1) of the Tamil Nadu Hill Areas (Preservation of Trees) Act, 1955, the District Committee headed by the Collector has been empowered to grant permission for harvesting the trees in the social forest and toda lands. The revenue earned by this exploitation is to be shared between the panchayats and the Government in the ratio of 60:40.

- Test check of the records in the office of the DFO, Nilgiris North and South revealed that 26,725.958 MTs of eucalyptus trees valued at Rs. 5.16 crore available for exploitation in the social forest and toda lands was allotted to a company. However, the trees could not be exploited as permission of the District Committee being a pre-requisite was not obtained. This resulted in blockage of revenue to the extent of Rs. 2.03 crore since 2006.
- Test check of the records in the offices of the DFO, Chengalpattu and Salem revealed that 8,526.343 MTs of eucalyptus hybrid trees valued at Rs. 1.54 crore could not be felled due to subsequent raising of younger plants under the eucalyptus hybrid trees. The trees were planted more than 15 years ago and are overdue for felling. This resulted in non-realisation of revenue of Rs. 1.54 crore since 2005-06.

After this was pointed out, the DFO, Salem stated (August 2007) that gap planting would be carried out in future after ascertaining the ground position.

- Test check of the records in the office of the DFO, Tiruvallur revealed that the estimated yield of eucalyptus hybrid trees was 3,714.429 MTs and the actual removal of eucalyptus hybrid trees was 2,870.320 MTs. Thus, there was less yield by 843.699 MTs. This resulted in loss of revenue of Rs. 16 lakh.

After this was pointed out, the DFO, Tiruvallur stated in February 2008 that the contractors engaged for felling the trees had not followed the felling rules and left large stumps in the field. Further, the PCCF stated in July 2008 that

explanation for shortfall from the Range Officers, Ponneri and Red Hills had been called for. Further reply has not been received (November 2008).

5.6.11.2 Bamboos

As per the working plans, bamboos more than seven years old are required to be harvested. In cases, where the felling of bamboos is not covered by working plan, the DFO concerned are empowered to issue orders for felling of the matured bamboos after obtaining special permission from the PCCF.

Test check of the records in the offices of DFO, Thanjavur and Salem, revealed that 1,795 MTs of matured bamboos available in the river banks were allowed to die and decay. Timely action was not taken by obtaining special permission for their harvest. This resulted in loss of revenue of Rs. 31 lakh.

5.6.11.3 Teak

Test check of records in the office of the DFO Thanjavur revealed that 477.507 cubic metres of wind fallen teakwood were not collected during 2006-07 due to non-allocation of funds. This resulted in non-realisation of revenue of Rs. 56 lakh.

5.6.12 Non-levy of lease rent

Test check of the records in the offices of DFO, Attur and Dharmapuri revealed that an extent of 14.430 hectares was leased out to M/s. Tamil Nadu Minerals Limited (TAMIN) for two mining quarries. However, lease rent was not demanded by the department. This resulted in non-realisation of lease rent of Rs. 14.33 lakh as mentioned below:

(Rupees in lakh)			
Sl. No.	Name of the DFO	Nature of irregularity	Amount of lease rent due
1.	Attur	An extent of 11.840 hectares was leased from 1989. Lease rent was not demanded for the period from 17 February 1989 to 31 March 2007.	12.83
After this was pointed out, the DFO Attur stated in March 2008 that the lease rent as pointed out by audit would be demanded from TAMIN.			
2.	Dharma-puri	An extent of 2.590 hectares was leased from 1983. Lease rent for the period from 1 July 1983 to 31 March 2007 has not been demanded. As the guideline value for the land for the period 1 July 1983 to 30 June 2003 was not known, audit could not work out the exact amount of lease rent due. Lease rent for the period from 1 July 2003 to 31 March 2007 has been worked out based on the available guideline value.	1.50
After this was pointed out, the DFO Dharmapuri stated in March 2008 that the lease rent as pointed out by audit would be demanded from TAMIN.			
Total			14.33

5.6.13 Non-collection of the land cost

An extent of 604.93 hectare of land of the defunct Tamil Nadu State Farm Corporation was purchased by the Forest Department. Out of which, 240.39 hectares of land was handed over to M/s. Neyveli Lignite Corporation (NLC) on 13 July 1990 on outright sale basis. However, the cost of the land has not been fixed and collected by the department even after a lapse of 17 years. Based on the guideline value communicated by the District Revenue Officer, the land cost to be collected from NLC worked out to Rs. 1.60 crore (at 1990 price).

After this was pointed out, the PCCF stated in July 2008 that on receipt of orders from the Government for land value, necessary demand would be raised on NLC.

5.6.14 Short realisation of lease rent

5.6.14.1 As per the Government order dated 21 July 1986, the rate of lease rent for tourism was three *per cent* of the market value and for industrial and commercial purposes the rate was 10 *per cent* of the market value of the land. The rates were enhanced to five and 12.5 *per cent* respectively by a GO issued in April 1991.

5.6.14.2 The Government vide orders dated 26 March 1990 leased out 193.56 acres of the forest land to the Gymkhana Club, Udhagamandalam which is a commercial organisation. The lease rent of Rs. 1.37 crore was demanded from time to time by the department at three *per cent* of the market value of land from 21 July 1986 and at five *per cent* from 15 April 1991 upto 31 March 2007 instead of Rs. 5.18 crore at the rate of 10 *per cent* and 12.5 *per cent* respectively. This resulted in short raising of demand of Rs. 3.81 crore.

After this was pointed out, the PCCF stated in July 2008 that demand for Rs. 6.52 crore (including interest) had been raised in January 2008. However, the reply was silent about the rate adopted for the levy of lease rent.

5.6.14.3 The Government vide orders dated 16 November 1972 leased out 98.05 acres of the forest land to Kodaikanal Golf Club. Though there was no need to send the proposal in view of the GO specifying the rate of lease rent, the PCCF had recommended to the Government in May 1998 a lease rent of five *per cent* which was applicable to the lands allotted to tourism. Again in January 2007, the DFO, Kodaikanal had issued notice to the Club demanding the lease rent of Rs. 2.56 crore at one *per cent* as applicable to "other welfare purposes". The rates fixed by the department were not correct as the Golf Club was running on commercial lines collecting membership fees from its members and as such it was liable to pay lease rent at the rates of 10 *per cent* upto April 1991 and at 12.5 *per cent* thereafter. At these rates, the club was liable to pay lease rent of Rs. 68.69 crore for the period from 1986-87 to 2006-07. This resulted in short raising of demand of Rs. 66.13 crore. However, the club did not even pay the amount of Rs. 2.56 crore demanded by the DFO. In the absence of payment of any rent by the Golf Club, the

PCCF should have taken action to cancel the lease and resume the land for forestry purpose which was not done.

After this was pointed out, the PCCF stated in July 2008 that demand had been raised in January 2008. However, the reply was silent about the amount and the rate adopted for the levy of lease rent.

Sale of forest products

5.6.15 Inconsistency in determining the price of sandalwood

5.6.15.1 In accordance with the GO issued from time to time, the department fixed the fair price for open sale of sandalwood as average price fetched in the previous auctions conducted in three⁷ depots. However, with effect from April 2002 in respect of Tamil Nadu Forest Plantation Corporation Limited (TAFORN), the fair price was fixed based on the average price fetched in the three previous auctions conducted in a godown from which the sandalwood was sold.

Test check of the records revealed that the department sold 261.500 MTs of sandalwood to TAFORN. The value of the sales as per the pre-revised procedure was Rs. 34.77 crore but the department received Rs. 28.10 crore. This resulted in loss of revenue of Rs. 6.67 crore to the Government for the period from 2002-03 to 2006-07.

5.6.15.2 Delay in determining the price

In Tirunelveli division, 106 lots of timber were kept for sale at Shencottai and Courtallam Timber Depots since 2004-05. The DFO had recommended a fair price of Rs. 21.91 lakh in August 2007. Though there was protracted correspondence between the CF and DFO, the fair price has not been fixed till date and as such the timber could not be disposed of. As the stacked timber were being attacked by white ants and the softwood is prone to getting decayed by the vagaries of nature, the delay in fixing the fair price may result in a loss of revenue of Rs. 21.91 lakh.

5.6.16 Forest offences

As per sub-section 3 of Section 49 A of the Tamil Nadu Forest (Amendment) Act 1992, the confiscated property should be sold by public auction and if the order of confiscation is set aside or annulled subsequently, the proceed thereof after deduction of the expenses can be paid to the owner thereof.

Test check revealed that 169 vehicles confiscated prior to 1992 and 458 vehicles confiscated after 1992 were pending for disposal in 11 Circles⁸, though the vehicles confiscated after 1992 could be sold pending disposal of the cases by the courts. The PCCF attributed (November 2007) the pendency to non-fixing of fair price by the Motor Vehicles Maintenance Organisation and appeals made in the court by the owners of the confiscated vehicles, etc.

⁷ Salem, Satyamangalam and Tirupattur

⁸ Chennai, Coimbatore, Dharmapuri, Dindigul, Erode, Madurai, Salem, Trichy, Tirunelveli, Vellore and Villupuram

As the seized items were kept exposed to the vagaries of weather, delay in disposal would further deteriorate their condition and fetch less revenue. Hence, effective action to dispose off the confiscated properties under the above mentioned Act is required to be taken to avoid loss/blockage of revenue.

5.6.17 Non-collection of the departmental share from the Panchayats

The Social Forestry plantations are harvested through the agency of contractors/village panchayats. The revenue realised from the sale of these plantations is shared between the panchayat and the department in the ratio of 60:40.

It was noticed that in two Social Forestry divisions (Madurai and Sivagangai), the departmental share of 40 *per cent* amounting to Rs. 7.36 lakh due in 1990-91 and 1991-92 was not collected from 11 panchayats. Further, sales details of the plantations in respect of 20 panchayats (Madurai-3 ; Sivagangai-17) were not furnished to audit.

After this was pointed out, the DFOs (Social Forestry) Madurai and Sivagangai stated in February and March 2008 that action was being taken to collect the amount from the panchayats concerned.

5.6.18 Delay in disposal of not road worthy vehicles

In 14 divisions, 63 'not road worthy vehicles' were kept idle for the past one to 15 years without disposal. To this the PCCF stated (July 2008) that orders confirming the sale had been issued in three cases in March 2008 and orders for condemnation of the vehicles had been received in seven cases from the Motor Vehicles Maintenance Organisation, which has also been addressed for disposal of the vehicles through auction. Proposals for condemnation of 29 vehicles had been sent to the Government and orders were awaited. As regards the balance 24 vehicles, follow up action was being taken for their speedy disposal. As the vehicles are kept exposed to the vagaries of weather, delay in disposal would further deteriorate the condition of vehicles and fetch only lower revenue on sale. Hence, effective action/follow-up action is needed to be taken to dispose of the vehicles to realise better value.

5.6.19 Conclusion

The review disclosed delay in preparation of the working plans leading to blockage of revenue due to non-felling of the matured trees at the appropriate time. The department had not developed a strong mechanism to demand the lease rent correct and timely. There was delay and incorrect fixation of the fair price for disposal of woods. Budgeting of the revenues and monitoring of collection of the revenue including arrears were deficient. The department had no conscious plans and efforts to augment the receipts from forest.

5.6.20 Summary of recommendations

The Government may consider to:

- closely monitor preparation of the working plans so that approval of the same can be obtained from the Government of India well before expiry of the working plans in operation;
- prescribe a return to ensure the periodical revisions and collection of the lease rent and ensure that the lease rent is correctly and promptly demanded and collected by the field units; and.
- install a system of reviewing the agreements entered with the contractors from time to time to safeguard the Government revenue and also consider strengthening the internal audit wing in the department so that deficient agreements and procedures are brought to the notice of the higher authorities from time to time.

E - PUBLIC WORKS DEPARTMENT

5.7 Non-issue of licenses to the public buildings resulting in non-realisation of licence fees

The Tamil Nadu Public Buildings (Licensing) Act, 1965 provides for inspection and licensing of the public buildings. Public building means any building used as school, college, university, hostel, library, hospital, club, lodging/boarding house, marriage hall, community hall, etc. According to Section 3 of the Act, all public buildings shall be used only under a valid licence obtained from the competent authority on payment of the prescribed fees. The Tahsildar is the competent authority to issue licenses on application by the owners of the buildings. The licence granted is valid for a period of three years. The rate of fee varies from Rs. 10 to Rs. 5,000 depending on the nature and value of the buildings.

Test check of the records in five⁹ taluk offices during the period between November 2005 and December 2007 revealed that owners of 227 public buildings did not apply for licenses and hence licenses were not granted. In Perundurai taluk in respect of 26 marriage halls and four schools, even though licence fee of Rs. 1.34 lakh was to be collected, only a sum of Rs. 8,425 was collected. These deficiencies led to non/short levy of licence fees of Rs. 12.61 lakh.

After the cases were pointed out between February 2006 and January 2008, the department replied between July 2006 and December 2007 that action would be taken to collect the amount. Further reports have not been received (November 2008).

⁹ Aranthangi, Madurai (South), Mettupalayam, Perundurai and Wallajah.

The matter was reported to the Government in January/February 2008; their reply has not been received (November 2008).

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