



लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest



# FOREST RECEIPT AUDIT MANUAL

OFFICE OF THE  
PRINCIPAL ACCOUNTANT GENERAL,  
(Economic & Revenue Sector Audit),  
ODISHA, BHUBANESWAR

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## **PREFACE**

This manual has been prepared in accordance with the directions contained in Para 54 of the Comptroller and Auditor General's Manual of Standing Orders (Admn) Vol. 1 for the guidance of those entrusted with the audit of receipts and refunds under Forest Receipts. In this manual the basic principles of Forest Management, Exploitation and disposal of Forest produce and procedure of Audit thereof have been set out.

The instructions in this manual are supplementary to the general rules and orders issued by the Comptroller and Auditor General of India. This manual should be treated as a guide and the audit checks mentioned therein should not be deemed exhaustive. In the course of Audit, where references have to be made to the provisions of Rules covering Forest Receipts such references should be made only to the relevant rules of Odisha Forest Contract Rules 1972 or the Odisha Forest Department Code and other relevant Acts, Rules, Notifications etc.

The instructions in this manual should not be quoted as authority in any correspondence with outside offices. Though every due care has been taken to incorporate latest provisions, RSA (Forest) Headquarters Section should make all efforts to keep the manual up-to-date, by issue of correction slips. Errors noticed or suggestions, if any, may be intimated to the Deputy Accountant General (RSA) Odisha. This manual is for the use in IA&AD only.

**BHUBANESWAR,  
DATED:**

**[YASHODHARA RAY CHAUDHURI]  
PRINCIPAL ACCOUNTANT GENERAL**

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## CHAPTER – I

### GENERAL AUDIT PROVISIONS

#### **1.1. Introduction:**

The Government resources include all revenues received by the Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans. Revenue resources of the Government consist of revenue tax (GST, Taxes on Motor Vehicle, State Excise etc) and non-tax revenue receipts from (Mining, Forestry and Wildlie, Interest etc.) along with fees and fines.

#### **1.2. Responsibility of Department:**

It is the primary responsibility of departmental authorities to see that all revenue and other debts due to Government which have to be brought to account are correctly and properly assessed, realised and credited to Government account. The most important function of audit is to see that:

- Adequate regulations and procedures have been framed by the Department to secure an effective check on assessment, collection and deposit to Government Account and
- Satisfy itself by adequate test check that such regulation and procedure are actually being implemented in working.

It should also be borne in mind that the basic purpose of audit is not only to see that all demands are raised properly, collected and credited to Government Account but also they satisfy the requirements of law and that the executive does not grant unjustified or unauthorised remissions to tax-payers or to other persons.

#### **1.3. Audit Mandate:**

Article 149 of the Constitution provides that the Comptroller and Auditor General of India (C&AG) shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other Authority or Body as may be prescribed by or under any law made by Parliament. Further, Article 151 of Constitution of India lays down that the reports of the C&AG relating to the accounts of the Union and the State shall be submitted to the President or the Governor of the State, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature.

The C&AG (Duties, Powers and Conditions of Service) Act, 1971 prescribes his duties and powers in relation to the accounts of the Union, the States and the Union Territories and other

authorities and bodies. The duties entrusted under the provisions of the Act fall broadly under two categories, namely those relating to (i) compilation and keeping of accounts, and (ii) audit.

Regarding receipt audit, section 16 of the the C&AG's (DPC) Act provides for audit of all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly. It also requires him to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

(Para 1.1.9 of MSO Audit)

#### **1.4. Audit of receipt vs expenditure:**

Audit of receipt differs from audit of expenditure in that:

- Attention must be given not only to examining the records of accounts actually received but to ascertaining that adequate precautions are taken to ensure that all amounts received or due to be received during the period of account are properly and promptly brought to account and;
- Since the laws under which the revenue is collected provide for judicial remedy or judicial interpretation, the activity of audit should be limited to those matters which are not subjected to judicial processes.

#### **1.5. Assessment and Refunds:**

In relation to the assessment and refunds of Receipts, Audit has to satisfy by such test check as it may consider necessary that the internal procedure adequately provides for and secures:

- The collection and utilisation of data necessary for the computation of demands or refunds under the law.
- Regular accounting of demands, collection and refunds.
- The correct accounting and allocation of collection and their credit to consolidated fund.
- Proper safeguards exist to ensure that there is no wilful omission to levy or collect duties or to issue refunds.
- That claims are pursued with due diligence and are not abandoned or reduced except with adequate justification and proper authority, and
- Double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistake are promptly brought to light and investigated.

To discharge these functions effectively, it is essential that the auditor must be thoroughly conversant with the processes and procedures relating to levy and collection of forest receipts and laws, rules and executive instructions governing such processes and procedures.

### **1.6. Scope of Audit:**

Under Section 23 of the C&AG's (DPC) Act, the scope and extent of audit shall be determined by the Comptroller and Auditor General of India. The local audit includes test check and general examination of accounts records relating to Receipt and Refund Accounts for the period covered under audit u/s 16 of the Act.

### **1.7. Audit Objectives:**

The primary objectives of receipt audit are to check and assess, whether;

- The assessment and refunds are as per prescribed Acts, Rules, Orders and Notifications issued by the Central as well as State Governments.
- The rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenues and are being duly observed;
- The requirements of legality and regularity are observed in individual assessments;
- The internal control mechanism, i.e. departmental machinery is sufficiently safeguarded against error and fraud;
- The due procedures are adopted to give effect to the requirements of law;
- There are any obvious errors in assessment, computation, etc. to be set right by administrative authorities by adopting such action as they may consider appropriate and
- The system and efficiency of tax collection are in place for the achievement of revenue targets, and if appropriate, propose improvements. (Para 2.3.3 of MSO Audit)

### **1.8. Audit Criteria:**

The audit criteria adopted for assessing the achievement of the audit objectives in forest receipt audit are:

- Provision of Odisha Forest Department (OFD) Code 1979;
- Indian Forest Act 1927, Forest Conservation Act 1980 and relevant Rules;
- Odisha Forest Contracts Rules 1966,
- Odisha Forest Produce (Control of Trade) Act 1983;
- Schedule of Rates for Forest Produce in Odisha Rules 1977;

- Odisha Forest Development tax Act 2003;
- Odisha Minor Mineral Concession Rules 2004;
- Odisha Kendu Leaf (Control of Trade) Act 1961;
- Delegation of Financial Power Rules (As amended in 2013), Odisha;
- Approved Working Plans or Working Schemes for exploitation of forest resources □  
Physical/financial targets/ norms fixed by the Government.
- Rate of royalty on bamboo and timber fixed by the Empowered Committee

### **1.9. Audit Methodology:**

The audit methodologies adopted for achieving the audit objective were:

- Review of physical and financial achievements in disposal of forest resources with respect to revenue targets;
- Check of Demand, Collection and Balance (DCB) position for the period under audit;
- Scrutiny of individual records for assessment, levy and collection of revenue;
- Examination of records relating to working of bamboo and timber coupes etc;
- Scrutiny of records relating to execution of working plans/ schemes;
- Review of Annual Activity Reports, Work Plan Reports etc;
- Media reports, vigilance reports, internal audit reports, allegation petitions etc.
- Issue of POMs and discussion with officials and Head of the Office.

### **1.10. Audit Set Up in Headquarters:**

RSA Headquarters Forest vetting section functions with one/two Assistant Audit Officer(s) who is assisted by Sr. Auditors/Auditors. The Section is supervised by one Sr. Audit Officer/Audit Officer for vetting, approval and issue of inspection reports, processing of Draft Notes, examination of compliances through Triangular Committee Meetings (TCM) apart from other day today work. Field parties carry out Receipt & Refund audit along with expenditure through composite inspection reports as programmed quarterly by RSA (HQs) section with the approval of Group Officer.

The detail provision relating to audit procedure is given in Chapter-XIV of this Manual.

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## **CHAPTER – II**

### **ORGANISATION OF FOREST DEPARTMENT**

## **2.1. Introduction:**

The Forest Department in Odisha came into existence during pre-independence period since 1883-84, when Odisha was a part of Bengal. After independence, with merger of states on first January 1948, reorganization of the Forest Department was made with 22 territorial divisions and two non-territorial divisions namely Working Plan Divisions. Presently there are 37 territorial, 13 wildlife and 19 kenduleaf divisions apart from one Forest Resources Survey Division functioning under Forest Department.

Under the Constitution of India “Forest is a state subject and its management and exploitation rest with the State Government”. This is managed by Forest and Environment Department under overall control of the Principal Secretary to the Govt. of Odisha. However, Ministry of Environment, Forest and Climate Change (MoEF&CC) in Government of India is the nodal and controlling authority for whole of India in administration of Forest laws and rules.

## **2.2. Aims and Objective of the Department:**

National Forest Policy 1988, Odisha Forest Development Code, 1979 and Joint Forest Management Resolution 2008 provide guiding principles for forest management in the State. Apart from sustainable development of forest resources as per UN agenda 2016, the primary objectives as far as receipts are concerned are as follows:

- Maintenance of environmental stability through preservation and restoration of the ecological balances where serious depletion of the forests happen.
- Increasing sustainability & forest/tree cover in the State through massive afforestation and social forestry programme.
- Meeting the requirement of fuel wood, fodder, minor forest produce and small timber of the rural and tribal populations.
- Encouraging efficient utilization of forest produces and maximizing substitution of wood.
- Though not primary objective, still augmentation of State’s revenue through disposal of forest resources as per Working Plan/Scheme.

(Source: [odishaforest.in/about.us](http://odishaforest.in/about.us))

## **2.3. Departmental Formations:**

The State Forest Department operates through a number of departmental formations and autonomous bodies and comprises following organizations:

- Territorial Organization
- Kenduleaf Organization
- Wildlife Organization
- Project Organization
- OFDC Organization (Source:www.odishaforest.in/about\_description\_structure.jsp)

As far as forest receipts are concerned, only Forest and Kenduleaf wing are the major contributors, as other two wings except Odisha Forest Development Corporation (OFDC) are mostly expenditure based. OFDC is the commercial wing of the Department. Further, each Forest wings (except Projects and OFDC) are divided into the following formations depending upon the nature of work:

- Territorial Circles.
- Working Plan Circles.
- Training and Development Circle.

#### **2.4. Territorial Organization:**

Territorial Organization of the Forest Department is headed by an officer in the rank of Principal Chief Conservator of Forests (PCCF), who is the Head of Forest Force (HoFF). He is also the Principal Adviser to Government in forestry matters. He is assisted by Circle heads termed as Regional Chief Conservator of Forests (RCCF), Conservator of Forests (CF) and divisional heads designated as Divisional Forest Officers (DFO).

For administrative convenience different wings of the forest are divided into circles, circles being divided into divisions, divisions into ranges, ranges into sections and sections into beats.

(Para 4 & 5 of O.F.D. Code Vol.I)

#### **2.5. Other Formations:**

There are eight Working Plan Divisions entrusted with the responsibility of preparation of forest management plans of various Divisions. Besides, one Forest Resources Survey Division (Cuttack) and two Silviculture Divisions (Bhubaneswar and Rayagada) look after resource inventory and forest research respectively.

#### **2.6. Kendu Leaf Wing:**

Kenduleaf (KL) Wing headed by the PCCF is mandated to provide livelihoods to a million of rural people after nationalization of kendu leaves trade. This trade includes procurement and sale

of leaves plucked from a tree species "*Diospyrous melanoxylon*" systematically maintained at bushy stage for ease of plucking of leaves. The Wing consists of 19 Divisions in three Circles with 165 Ranges for collection and processing of Kendu leaves.

### **2.7. Wild Life Wing:**

The PCCF (Wild Life) and Chief Wild Life Warden, Odisha, Bhubaneswar looks after this wing for scientific management and development of sanctuaries, national parks and other areas important from wildlife point of view in addition to such other functions as are envisaged under the provisions of the Wildlife (protection) Act 1972 and the Wildlife protection (Odisha) Rule 1974. At present there are 13 wild life divisions.

### **2.8. Environment Wing:**

The Environment Wing of the erstwhile Science, Technology and Environment Department became part of the Forest and Environment Department in October, 1990. The Directorate of Environment and the State Pollution Control Board constitute the main agency of the Government. Chilika Development Authority (CDA) has been set up for the eco-restoration and management of Chilika Lake.

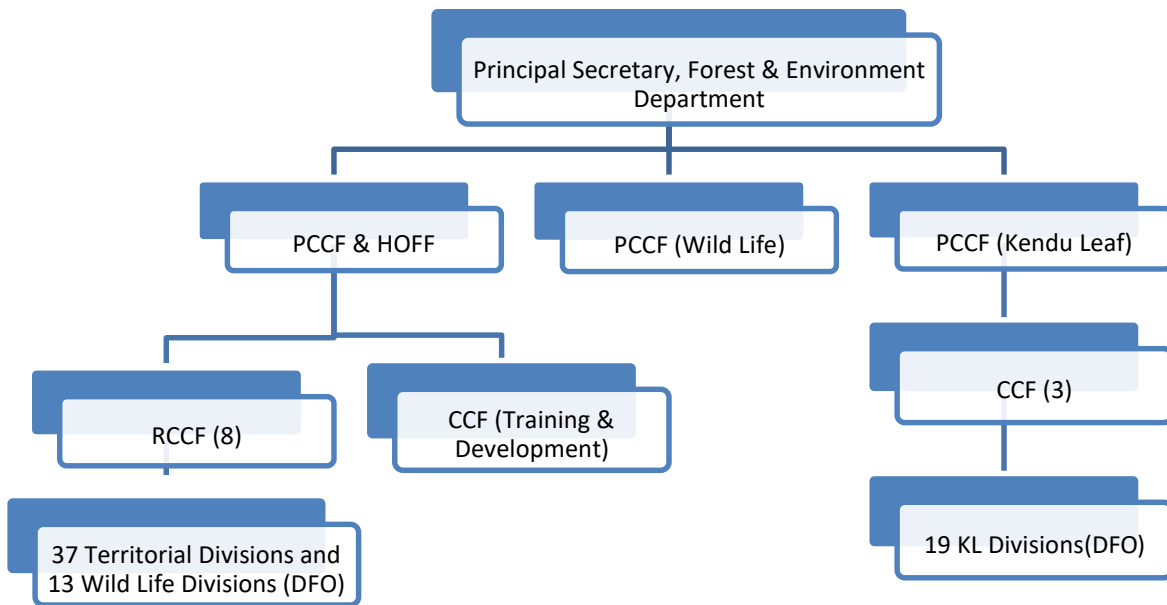
The Regional Plant Resources Centre (RPRC) is a unique institution devoted to ex situ preservation and development of plant genetic resources and application of micro propagation technologies. Also, a Centre for Environment Studies has been created during 2000-2001 by the State Government with the objective of disseminating environment-linked information and creation of environmental awareness.

### **2.9. Odisha Forest Development Corporation Ltd:**

The Odisha Forest Development Corporation (OFDC) Ltd. acts as the commercial wing of the Department and discharges the function of disposing of various forest produce of the State. The present function of corporation revolves around working of Timber and Bamboo Coupes and marketing of salvaged timber, kendu leaves, Sal seed, bamboo and other non-timber products collected/produced directly or by raw material procurers. It regulates the distribution of timber, firewood, commercial bamboo and other small timbers as per availability to the local people through 150 numbers of depots of the corporation.

### **2.10. Organizational Chart:**

The organizational structure of the Forest Department is depicted below:



## 2.11. Duties, Power and functions:

The duties and power of different functionaries of the Forest Department related to forest receipt are discussed hereunder.

### 2.11.1. The Principal Chief Conservator of Forests (PCCF):

All three wings of the Forest Department are headed by one PCCF each. The PCCF is the head of the respective Forest Wing and the technical advisor to the State Government in related forestry matters.

- He is empowered to supervise in framing of new working plans. He deals finally with all preliminary working plan reports and submits completed plans with his remarks to the Government for sanction.
- He submits the consolidated budget, appropriation proposals and annual Forest Administrative Reports of the State to the Government for consideration.
- He inspects office of each Regional Chief Conservator under his charge at least once a year and send the Inspection Report to the Government. He also inspects 6 Divisional Officers once a year (preferable one each circle).

(Rule 12(6) and 443 of O.F.D. Code)

### 2.11.2. Chief Conservator of Forests (CCF):



For administration purposes the territorial wing of Forest Department is divided into 8 circles (Berhampur, Angul, Sambalpur and Koraput, Bhubaneswar, Baripada, Bhawanipatna & Rourkela), each in charge of a Regional Chief Conservator (RCCF). The RCCF works as controlling and Administrative Officer in respect of divisions under his control. The functions of RCCF with respect to forest revenue are as given below:

- The activities of the divisions are reviewed periodically through various report returns from Divisional Forest Officers.
- The actual exploitation of forests are to be done in accordance with the prescriptions in approved working plan and working schemes.
- No sale of timber & forest produce, working done by OFDC Ltd.
- The RCCF exercises control through periodical inspections, he inspects all Divisional Offices and at least 7 Range Offices every year as per Rule 445 of O.F.D. Code.
- Any loss due to fire, accident or otherwise is examined by him on the spot.
- Any deficiency in the working of coupes is investigated by him.

#### **2.11.3. Inspection of Divisions:**

During the inspection of divisions by the RCCF the following points should receive particular attention and if necessary, be specially reported to the Government.

- The condition of the forests, the method or treatment employed for natural reproduction.
- Method of working and management in force, advantages of these methods, expenditure incurred on them, outturn of the forests and financial results.
- Timber depots, their situation and adequacy, condition in which kept; state of the records kept up in connection with them.

#### **2.11.4 Divisional Forest Officer (DFO):**

The responsibility for the proper management of the Forest business and the finance of the divisions rests on the DFO. He is primarily an executive officer and is empowered to take active part in all technical work subject to the prescriptions of the working plan and any directions he may receive from his superior officers; he controls the silviculture of his divisions and will be held responsible for the correctness of all the technical operations.

### **2.11.5. Range Officer (RO):**

Each territorial division is divided into Ranges, which are further divided into sections and beats. The charge of a Range is held by the Range Officer/Dy. Ranger. The charge of Sections and Beats are held by Foresters and Forest Guards respectively. Duties and functions of RO include:

- RO is absolutely responsible for all Cash transactions within his Range. He is to see that all Forest Revenues due from his Range are properly assessed, collected and promptly credited to Government Account.
- He is to collect, check and consolidate all returns and registers, to prepare the monthly range accounts and submit various returns in Form 2,3,4 to the DFO.
- He is responsible for the protection of forests in his charge and to ensure that the works are carried out as per the prescriptions of the Working Plan/Scheme or as directed by his superior officers.
- He is to prevent to the best of his ability any misuse of authority by subordinates. In the case of compounding forest offences, he should see that the rules are strictly followed.

(Para 28 of O.F.D. Code)

### **Functional Divisions:**

#### **2.12. Forest Resources Survey Division:**

Survey of forest resources aims at investigating the physical and economic availability of raw materials within selected industrial catchments to quantify various forest resources, data, related socio-economic information, potential supply and demand of raw materials for a particular area and make technical interpretation of these data with a sound basis for making programme decision.

At the close of the survey in each industrial catchment area, reports are prepared indicating the highlights and findings of the survey on:

- Forest Resources

- Annual cut and wood balance
- Markets and demands
- Cost analysis and
- Summary of recommendations.

The survey is conducted in consultation with the pre-investment survey of forest resources of Government of India and of Forest Research Institute, Dehra Dun. Annual survey of Forest Resources report shall be submitted to the CCF, Training & Development Circle by 15<sup>th</sup> June each year by the Divisional Forest Officer for incorporation in the Annual Administrative Report.

(Based on Paras 227 to 233 of O.F.D. Code)

### **2.13 Working Plan Divisions:**

All forests are managed under the prescriptions of a *working plan*/scheme prepared on the basis of principles of sustainable forest management and recognized and innovative silvicultural practices. The authority as designated by the Ministry of Environment & Forests, Government of India, approves the *working plan* for this purpose. Generally no timber harvesting is done in any forest area without an approved *working plan*/scheme. Working plan divisions headed by CF & WPO are entrusted with the work of preparation of working plans.

(Working plan code-moef.nic.in)

### **2.14 Research Organization:**

There are two Research organisations (Bhubaneswar and Rayagada) silviculturists headed by in the rank of CF to conduct research and experiments on germination of seeds, regeneration of species and silvicultural systems management.

A quinquennial programme of research and experiments are drawn up by the silviculturist in consultation with the DFOs and RCCFs and approved by the PCCF for execution. Research and experiments sponsored by the Forest Research Institute, Dehra Dun and other organisations are also included in his annual programme.

The occurrence of gregarious flowering of bamboos and good seed year of bamboos should be reported to the Silviculturist who will prepare a consolidated report of the state and report the same to RCCF/PCCF/Head Division Forestry/Honorary editor Indian Forestry.

There are at present 26 research gardens in the state and different climatic zones and attitude to study the different silvicultural practice and management of forestry species. It includes the study

of growths, yield, process of natural regeneration, introduction of exotics effect of organic fertiliser species suitability etc.

(Based on Chapter XII of O.F.D. Code Vo.I)

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## CHAPTER – III

### FOREST RESOURCES OF STATE

#### 3.1. Introduction:

Orissa's forests are well stocked, diverse, multi-storied and dense. The forests are managed for sustained use providing a range of goods and services to a variety of stakeholders at local and broader levels. Forests are home to flora and fauna, build soil, regulate water flows, provide quality water as well as small wood, timber and NTFPs. They provide inputs to the agricultural economy, income to the impoverished and subsistence livelihood to all. (Odisha Forest Vision 2020)

#### 3.2. Forest cover in Odisha:

The recorded forest area of the Odisha is 61204.17 sq km, which constitutes 39.31% of the State's Geographic area. The Reserved Forests including proposed Reserves, Protected and Unclassed including Private Forests are 58.90%, 40.75% and 0.35 % respectively of the recorded forest area. However, as the digitized boundary of recorded forest area covers only 44,603 sq km, the analysis of forest cover within and outside this area is depicted below:

<b>Forest Cover within Recorded Forest area (Area in sq km.)</b>	
Very Dense Forest (VDF)	6,082
Moderately Dense Forest (MDF)	15,603
Open Forest (OF)	12,431
<b>Total</b>	<b>34,116</b>
<b>Forests Cover outside Recorded Forest Area</b>	
Very Dense Forest (VDF)	885
Moderately Dense Forest (MDF)	5,767
Open Forest (OF)	10,577
<b>Total</b>	<b>17,229</b>
<b>Total Forest Cover</b>	<b>51,345</b>
<b>Tree Cover</b>	<b>3,993</b>
<b>Total Forest and Tree Cover</b>	<b>55,338</b>
Of State's Geographical area	35.54%
Of India's Forest & Tree Cover	6.90%
Per Capita Forest & Tree Cover	0.13 ha

<b>Growing Stock</b>	<b>Volume</b>	<b>% Contribution to Country</b>
Growing Stock in Recorded Forest Area	258.013 m cum	6.12
Growing Stock in TOF	81.503 m cum	5.08
Potential Production of Industrial wood from TOF	3.38 m cum	4.54
Bamboo bearing area within forest area of the State	12,109 sq km	7.72
Total No. of culms	1.585 millions	5.64
Total Green weight equivalent of culms	9, 864 (000 tonnes)	5.23

(Source: Odisha\_ISFR\_2017)

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### **3.3. Reasons for change in 2017 assessment:**

The main reasons for a net increase of 885 sq km in forest cover in the State can be attributed to plantation and conservation activities both within and outside the Recorded Forest Areas as well as improvement in interpretation due to better radiometric resolution of the recent satellite data from Resourcesat-2. The reasons for decrease in forest cover observed in some districts can be attributed to developmental activities.

(ISFR- Odisha 2017)

### **3.4. Carbon stock in Forest:**

The total Carbon Stock of forests in the State is 452.903 million tonnes (1660.644 million tonnes of CO<sub>2</sub> equivalent) which is 6.40% of total forest carbon of the Country.

### **3.5. Forest Produce :**

Forest produce includes the following whether found in or brought from a forest:

- Timber, Charcoal, Caoutchouc, Catachu, Wood-oil, Resin, natural varnish, bark, Tassar Cocoons, Iac, gums, roots of petal garuda, Mohua flower, Mohua seeds, Myrabonans, Kendu leaves, Sandalwood, Tamarind, hill brooms, Siali leaves, Siali fibres and Sal seeds.
- Wild animals and wild birds, skins, tusks, horns, bones and all other parts or produce of wild life and such other produce as may be notified by the State Government.

It also includes the following when found in or brought from forest.

- Trees and leaves, flowers and fruits and all other produces of trees not therein before mentioned.
- Plants not being trees (including grass, creepers, reeds and moss) and all parts of produce of such plants.
- Honey, wax and arrowroot.
- Peat, surface soil, rock, sand and minerals (including limestone, laterite, mineral oils and all products of mines or quarries).

[Section 2(g) of Odisha Forest Act, 1972]

### **3.6. Major and Minor Forest Produce:**

Major Forest Produce means timber, small wood and firewood, whereas minor forest produce means all forest produces other than major forest produce as per Rule 2(d) and (e) of Odisha Timber and other Forest Produce Transit Rules, 1967.

### **3.7. Sources of Forest Revenue:**

The sources of forest revenue are as follows:

- Allotment of timber coupes and other Minor Forest Produce (sal seed, bamboo and kendu leaves) to the OFDC on payment of royalty.
- Lease of forest produce to the contractors in auction/tender on payment of consideration money.
- Royalty from the lease of Minor forest Produce to the Tribal Development Co-operative Corporation Ltd. and other Co-operative Societies.
- Lease of Minor Forest Produce for setting up of forest based industries in the State on payment of royalty.
- Supply of forest materials to other Government Departments on payment of royalty.
- Sale of forest produces to the tenants having right to such produce at concessional rates.
- Sale of Minor Forest Produce collected departmentally.
- Sale of drift and waif wood.
- Rent of residential buildings and Forest Rest Houses.
- Miscellaneous revenue such as compounding fees in forest offence cases, interest on belated payment of consideration money and royalty, extension fees, renewal fees, grazing fees, depot rent, compensation on the coupe irregularities, fines and forfeitures, registration fees of property mark of the contractors, sale of coupe permit book etc.

### **3.8. System of collection and remittance of revenue:**

Government dues or money recoverable on Government account may be realised online, through treasury challan, pay orders, call deposits and demand drafts duly confirmed on the State Bank of India or on any other Nationalised Commercial Banks drawn in favour of the Divisional Forest Officer concerned provided payments due to Government up to Rs.500/- or less may be accepted in cash and remitted immediately.

Government servants receiving money on behalf of government give the payer a receipt as laid down in rule-41 of O.T.C. Vol. I. Generally direct payment into the treasury or Bank by the person who tenders such money shall be insisted upon and direct payments arranged whenever

practicable (Rule 309(5) of O.F.D. Code Vol.I). In all such cases, the challan is countersigned by a Forest Officer and tendered at the treasury in triplicate. A copy of the challan is forwarded by the Treasury Officer to the DFO in order that the revenue may be brought into account in the books of the latter. (Rule 408 of O.T.C. Vol.I)

A consolidated receipt in form O.T.C. 44 for the forest remittances received and credited during the month shall be furnished by the Treasury Officer on the 1<sup>st</sup> day of the ensuing month to the DFO vide Rule 410 of O.T.C. Vol.I for the purpose of reconciliation of the forest remittances made by the latter as reflected in the 'Schedule of Remittances to the Treasuries' maintained in Form No. 75 and a memo of reconciliation is sent by him to the Accountant General along with cash accounts. (Rule 350 of O.F.D. Code Vol.I and Article 288 of Account Code Vol.III)

### **3.9. DCB and write off:**

- An abstract of realisation and outstandings in demand, collection and balance (DCB) will be submitted quarterly to the Conservator by the D.F.O. with a note of changes and additions. The RCCF sends the same to the PCCF who in turn sends the same to the Government.
- If any outstanding revenue becomes irrecoverable the sanction of the proper authority should be obtained for writeoff and when the sanction is received, the amount should be entered in red ink in the column "Paid" in form No. 43 (DCB register).

(Rule 300 of O.F.D. Code)

### **3.10. Range Revenue Records:**

- **Register in form 2:** The forest produce collected and disposed by sale by the government agency (timber illicitly felled, drift and waif wood, undetected offence cases, produce obtained by departmental working and by thinning and cleaning operations) is accounted for in this Register.
- **Register in Form 3:** The quantity of produce sold, the rate at which sold, the sale value realised thereon are entered in the Register. This form may be cross checked with form 2 regarding the quantity of the produce sold every month.
- **Register in Form 4:** The forest produce granted at concession rates to right holders, the rate at which sold and the revenue realised from them are entered in the register.

(Based on Para 304 of O.F.D. Code Vol. I)



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## **CHAPTER – IV**

### **FOREST MANAGEMENT**

#### **4.1. Introduction:**

Forest Management Planning must provide for sustainable management of forests and its biodiversity as enshrined in the National Forest Policy, encompassing the ecological (environmental), economic (production) and social (including cultural) dimensions. The objectives for attaining this goal apart from others include enhancement of forest productivity together with establishment of regeneration to improve forest health and vitality as per ecological and silvicultural requirements of the species, progressively increasing the growing stock and carbon sequestration potential, sustainable yield of forest produce.

(National Working Plan Code 2014)

Forest management basically deals with forest property, mainly trees yielding timber and fuel towards its better conservation, protection and improvement and regulated utilization. While forests are managed also for prevention of soil erosion, conservation of water supply, maintenance of stream flow termed as protective purposes, the main problem of forest management lies in their organisation for productive and commercial purposes. Thus, the basic objective of forest management is to regulate the activities so that the Government as owner gets the maximum revenue in perpetuity.

Thus, the ordering of forest materials is to be regulated on the principle of sustained yield under which the growing stock is retained at an acceptable level and only the annual increment equal to the annual accretion to the total volume is extracted. In fact, the attempt of management has to be directed towards progressive yields whereby better scientific methods would increase the yield. Extraction below the normal annual increment would result in gradual increase in the proportion of older aged trees which do not put on any appreciable growth on the other hand are exposed to destruction by fire hazards, where as extraction above the annual increment would result in wearing out the forest growth.

Regulation of yield is thus a matter of great importance for the Forests. Thus, the determination of allowable exploitation in any given Forest is one of the main functions of the forest management. This presupposes a fairly reliable estimate of the growing stock, its age, classes of standard and the annual growth rate etc.

#### **4.2. Working Plan/Scheme:**

The first pre-requisite of the sustainable forest management is to ensure continuity of policy over the years so as to obtain maximum possible yield on sustained basis and thereby to ensure continuous increase in the revenue to the State Exchequer.

It is with this end in view, the working plan/working scheme is prepared for each division setting forth the objects of management and prescriptions generally for a period of ten years and got approved by Government of India. Working scheme is prepared for the same purpose where preparation of working plan is not possible or time taking. The forest divisions are to work the forest under their jurisdictions as per the prescription of the approved working plan/working scheme only.

The working plan/scheme prescribes the rotation of clear felling in coppice coupes and the minimum exploitable girth as also the sequence of working in selection coupes (where selected trees are cut) so that at the prescribed period of rotation, a fresh crop is ready for felling. They also prescribe thinning and cleaning operations at specified interval after the completion of main felling to foster the young growth and to ensure better future yield. Thus, the main purpose of the plan is to determine the yield, its regulation and the silvicultural operations needed in the inter-cut period.

#### **4.3. Regular Coupes:**

In the management map of the working plan, the area of annual cut is indicated as annual coupes for sale are termed as regular coupes. Thus the number of regular coupes to be put to sale in a division is constant and is determined by the prescriptions of the working plan. Since the resources of the state are linked with the annual sale of coupes as prescribed in the plan/scheme, any deviation in the operation will have adverse impact on the revenue of the state and also on the regeneration programme. Any deviation from the working plans with regard to the working of the coupe on annual sale should be sent to Government for prior approval with sufficient reasons.

#### **4.4. Irregular Coupes:**

Exceptions by way of irregular fellings are done in cyclone and flood affected areas and also in irrigation projects (e.g. Rengali dam), Rehabilitations Projects (e.g. Dandakaranya Development Authority) etc. as ordered by the Government. These are called irregular coupes as they are

outside the prescriptions of the working plan/scheme. They are also disposed of in the same way as those of regular coupes after demarcation and marking of trees.

#### **4.5. Preparation of working plan/scheme:**

The detail procedure for preparation and implementation of working plan/Scheme are prescribed in National Working Plan Code 2014 and Code of Working plan procedure, Odisha.

As per Rules 183 and 184 of the O.F.D. Code, the working plan is prepared by the Working Plan Officer, whereas the working scheme is prepared by the Asst. Working Plan Officer (Assistant Conservator of Forests) under the control of Conservator of Forests, Working Plan Circle, who is responsible for the important prescriptions, for corrections and alterations in the Draft plan/Scheme. The guidelines prescribed in the National Working Plan Code 2014 shall be followed in preparation of Working Plans. The working plan/working scheme is sanctioned by the Government of India as per the Forest (Conservation) Act 1980 before its implementation.

There is one Working Plan Officer (WPO) for each Circle who prepares/revises the Working Plans and oversees the implementation of prescriptions outlined in Working Plans. In consideration of timely revision of expired/expiring Working plans, the Government of Odisha in F&E Department in 2014 and 2015 had entrusted thirty Divisional Forest Officers for revision of expired/expiring Working Plans of their respective Divisions in addition to their normal duty in order to ensure scientific management of forest/wildlife resources in the State.

(Rule 192 & 193 of the OFD Code Vol.I)

#### **4.6. Inputs for Working Plan:**

In the present technological age, WPO should be provided digital maps of the division based on latest, cloud free, good quality satellite imagery along with the several copies of print outs of the map on 1:25,000 scale from the GIS Cell of the Forest Department or any such designated source in the state. Relevant and latest satellite data with spatial resolution of 5.8m or higher can be used for generating maps up to the scale 1:12,500.

The satellite imagery based information can be used for various steps in preparation of working plan including following inputs:

- Maps, Thematic Layers and Remote Sensing Satellite Imagery
- Spatial Database in GIS
- Compartment History, Control Forms and Deviation Statements

- Preliminary Working Plan Report (PWPR) □ Consultations with Local Stakeholders

#### **4.7. Survey and Assessment for Working Plan:**

States should digitize the forest boundary and generate geo-referenced version of map of scale 1:50000 or higher after complete verification. There should be regular updating of data on the basis of continuous inputs. WPO will also inspect and examine the forest area (including range, beat, sub beat), village, block, compartment and ascertain that the extent of forest cover is properly maintained. The survey and assessment for preparation of working plan includes:

- Examination of Territorial Units
- Forest Resource Assessment
- Growing Stock Estimation
- Assessment of Non Timber Forest Products (Including Maps)
- Biodiversity Assessment
- Assessment of Regeneration Status
- Plantation Survey and Assessment
- Assessment of Bamboo/Rattan
- Soil Survey and Assessment
- Socio-Economic Survey and Assessment
- Assessment of Wildlife Habitats and Species
- Assessment of Trees Outside Forest (TOF)

(Chapter 4 & 6 of National Working Plan Code 2014)

#### **4.8. Revision/Alteration of the Working Plan/Scheme:**

The working plan can be revised if necessary after an interval of ten years where as the working scheme can be revised at any time at the discretion of the PCCF (Rule 185 of the O.F.D. Code). Any alteration affecting the fundamental silvicultural management, the rotation or the calculation of the yield must receive the sanction of the Government vide Rule 186 *ibid*.

#### **4.9. Status Report on Working Plans in Odisha:**

The recorded forest area of the State is 58136 Sq. Kms. out of which 36640 Sq. Kms. of forests is covered under Working Plans. The protection and management of forests are organised in 50 divisions, out of which 6 are Wildlife Divisions comprising exclusively of protected areas. The remaining 44 divisions comprising 7 Wildlife Divisions having forests beyond protected areas and 37 forest divisions are covered under 36 Working Plans. Out of 36 Working Plans, 03 Working Plans (Ghumsur (N), Bamra, Deogarh, Nabarangpur) expired prior to 2015-16, 05

covering 9 divisions (Baripada, Karanjia, Rairangpur, Baleswar (WL), Bhadrak (WL), Parlakhemundi, Athmallik, Koraput, Rayagada) expired during 2015-16, 19 covering 24 divisions expired in March 2017, one of Kharia expires in March 2018 and 7 WPs expire beyond 2022. The details of Status Report on Working plans in Odisha as on 1.05.2017 is appended to this manual as **Appendix-I**.

(Source: PCCF L. No.10804 dt.01.5.2016)

#### **4.10. Audit Checks:**

The following checks may be exercised in local audit to ascertain, whether:

- There exists approved working plan for each Division and coupes are worked accordingly.
- Any special working outside the working plan is done through an approved scheme;
- The process of making new plan or revised plan initiated well in advance before the expiry of running plan/scheme and completed before such expiry;
- The Coupes are handed over in time to OFDC Ltd for working;
- Joint Inspection of the unworked coupes has been carried out and reasons for non-working recorded;
- Due procedure of survey, demarcation, preparation etc. of Working Plan is followed;
- The forest boundaries are digitized and geo-referenced version of map generated; □ The deviations to working plan/scheme are duly approved by the PCCF.
- The yield is approximately as per the assessed outturn, or the reasons recorded for shortfall.
- There is overall increase in forest cover as well as revenue due to implementation of these working plans or any adverse impact otherwise.

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## **CHAPTER – V** **FOREST REVENUE**

### **5.1. Introduction:**

Governments often apply taxes, fees, or royalties (referred as “forest charges”) to generate revenues and regulate forest use. Forest charge administration assesses the quality of the laws that guide government actions to design, calculate, collect, and enforce forest charges. Forest

charges can apply to a broad range of activities including hunting, timber extraction, collection of non-timber forest products, timber transport, wood processing facilities and export of forest products.

([www.wri.org/forest\\_revenue](http://www.wri.org/forest_revenue))

## **5.2. Royalty:**

The Government may levy a duty in such manner, at such places and at such rates as it may declare by notification in the Official Gazette on all timber or other forest-produce:

- Which is produced in the territories to which this Act extends and in respect of which the Government has any right;
- Which is brought from any place outside.
- In every case in which such duty is directed to be levied ad valorem the Government may fix by notification the value on which such duty shall be assessed.
- Nothing shall be deemed to limit the amount, if any, chargeable as purchase-money or royalty on any timber or other forest-produce, although the same is levied on such timber or produce while in transit, in the same manner as duty is levied.

(Section 39 & 40 of the Indian Forest Act, 1927)

## **5.3. Depot Rent:**

As per Rule 41 of the OFC Rules 1966, the contractor shall pay rent for any Government forest land used by him outside the contract area at such rates as may be decided by the DFO.

## **5.4. Interest on belated payment:**

Interest at 6¼ per cent per annum shall be paid by the contractor on all instalments in arrear of forest dues. The DFO at his discretion may allow a grace period of 10 days from the date it falls due in which case interest need not be paid, if the instalment money is paid within the grace period. In calculating interest, any overdue period up to 15 days or below (including the grace period of 10 days) will be treated as ½ a month and any period in excess of 15 days but below 30 days as one month. Month used in this rules means calendar month.

(Rule 42 of the OFC Rules 1966)

## **5.5. Extension Fees:**

According to the terms of the forest contract, the contractor has to extract the forest produce purchased under the contract during the contract period as specified in the sale notice, notification order and also in the agreement. After completion of the contract period, the contractor's right under the contract shall cease and the forest produce not removed across the boundaries of the contract area shall become the absolute property of Government.

However, the Conservator of Forests or the DFO for special reason may grant extension of the period of contract on advance payment of a monthly extension fee of one per cent of the consideration money. (Rule 7 of the Odisha Forest Contract Rules)

#### **5.6. Compensation:**

According to the OFC Rules as given under, the forest contractor is liable to pay compensation as may be assessed by the DFO for the following irregularities:

- For any damage done in forest by the contractor or his authorised agents (Rule 17).
- For illicit fallings within the contract area or within 20 chains thereof (Rule 25).
- For forest offences or loss caused to the Government (Rule 18).
- For breach of the conditions of the contract or other irregularities (Rule 38).

In case of failure to pay the compensation, the contract is liable to be terminated unless otherwise decided. The dues are recoverable from the security deposit and the balance, if any, as arrears of land revenue as per Odisha Public Demand Recovery Act. Information in this regard is to be obtained from the auditee in proforma as given in **Appendix-II**.

(Rules 35 and 38 of OFC Rules)

#### **5.7. Renewal Fees:**

For the default in payment of instalments of consideration money or of the compensation, the contract may be terminated by the competent authority under intimation to the contractor to discontinuing the work. However, the orders terminating the contract may be treated as revoked if the contractor pays within one month from the date of receipt of the said notice, renewal fee at the rate of one per cent of the arrear dues (besides arrear dues) with interest calculated according to the Rule 42 of the OFC Rules vide Rule 34 *ibid*.

#### **5.8. Forfeiture/Adjustment of Security Deposit:**

The forest contractors shall make security deposits to be fixed at 10 to 20 percent of the purchase price at the discretion of the DFO, subject to a minimum of Rupees 100. There is a stipulation in the conditions of sale notices as well as in the Odisha Forest Contract Rules that the security deposit of the contractor will be forfeited for the following omissions of the contractor resulting in quashing of the sale or termination of the contract.

- Failure to produce GST clearance or non-assessment certificate within 30 days of auction if the bid amount is more than Rs 15,000/-. (Clause 13 of the conditions of Sale Notice Part III)
- Failure to execute the agreement or to pay the required amount of security deposit vide clause 10 of the conditions of the Sale Notice Part III.

- Non-submission of coupe declaration certificate or intimation of commencement or work in case of MFP within 1½ months from the issue of ratification order. (Rule 12)
- After termination or determination of the contract for default in payment of instalments of consideration money or compensation. (Rule 34)
- After termination of the contract for breach of the conditions of the contract. (Rule 35)
- Failure to submit statement of property owned by the contractor duly attested by the Revenue Officer or an affidavit thereof within a month of the date of auction.

(Clause 2(a) of the conditions of Sale Notice Part III)

According to Rule 8 of the OFC Rules, the security is obtained for the due performance of the contract and the clause relating to forfeiture is substantially by way of penalty as contemplated by Section 74 of the Indian Contract Act as observed by the Odisha High Court. As such, the Government is entitled to get, on the quashing/termination of the contract, the amount of reasonable compensation, which can be adjusted from the security deposit and not the entire amount independent of the consideration whether the Government has been put to any damage or not.

(Notes below Rule 34 of the OFC Rules)

### **5.9. Compounding Fees:**

Under section 56 of the Odisha Forest Act, when there is reason to believe that a forest offence has been committed in respect of any forest produce, such produce, together with all tools, ropes, chains, boats, vehicles or cattle used in committing any such offence may be seized by any forest officer or police officer. U/s 72 ibid, where the offender agrees in writing to get the offence compounded, any forest officer empowered may accept as compensation from such person:

- A sum not exceeding Rs50.00 for offences of trivial nature and
- Sum equal to market value of the produce up to four times such value as estimated by the competent forest officer.

### **5.10. Defaulting contractors participating in the auctions:**

According to the standing instructions of the Government, forest contract may not be given to any person who has failed to fulfil a previous contract or who is in debt to the Government or who has been blacklisted by the Government and such persons are debarred for bidding in the auction. For this purpose, a list of defaulting contractors is sent every year by one Division to other Divisions for the information of the DFOs conducting the auction sales.



However, the defaulting contractors may be allowed to take forest leases subject to the condition that in respect of a particular coupe/lot if the same contractor happens to be the highest bidder in the original sale and in the subsequent sale, he may be allowed to take lease, provided he should pay security deposit again as a resale bidder as a fresh contract and also to pay shortfall in price on resale under Section 88 of the Odisha Forest Act, 1972.

The relaxation of the normal rule is mainly intended to give an opportunity to the defaulting contractor of the same coupe/lot to clear up the arrears.

(Based on G.O. 22393-5-F.R.-4/77/FFAH dated 03.08.1977)

### **5.11. Realisation of Arrear Forest Dues:**

All forest dues other than fine payable to the State Government if not paid when due, is to be recovered as if it were an arrear of public demand. Thus, these are realised as arrears of land revenue by certificate procedure. The DFO is primarily responsible for systematic application for certificates and prompt disposal of objections, if any, referred to him by the Certificate Officer. While filing a certificate requisition, the DFO will furnish to the certificate officer the correct address of the defaulting contractor, amount due (together with interest at 6¼ per cent per annum calculated upto the date of termination of the Contract) and the statement of property held by him for being attached in execution of a certificate. (Rule 87 of Odisha Forest Act)

### **5.12. Irrecoverable Revenue:**

Power to write off of irrecoverable revenue has been vested with the officers of the Forest Department as detailed below:-

Sl. No.	Officers of the Forest Department	Write off Limit(Rs)
1.	Principal Chief Conservator of Forest	2000.00
2.	Conservator of Forest	1000.00
3.	Divisional Forest Officer	200.00

(Rule 370 of O.F.D. Code Volume-I)

### **5.13. Audit Checks:**

The following audit checks may be exercised to assess, whether:

- There exist a sound system for proper assessment, levy and collection of forest dues;
- All the forest revenues collected are promptly credited to Government account;

- There exists a proper accounting system for periodic reconciliation of demand, collection and credit to proper head account;
- The computation of royalty, fees and other forest revenue dues are as per approved rates;
- The depot rents were duly claimed from the contractor for use of any forest land outside his contract area;
- Interest at 6.25 percent was demanded for belated payment of royalty from the contractor;
- Extension fees, compensation and renewal fees as prescribed were levied where ever applicable;
- Security deposits forfeited or adjusted or attached for any violation of terms and conditions of contract or any Rules/Departmental instructions;
- Adequate steps were undertaken to recover pending forest dues through certificate cases;
- Write off of irrecoverable dues are as per delegation of financial powers of competent authority and
- There is a fullproof internal control system to check any fraud, misappropriation and loss.

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## **CHAPTER-VI**

### **WORKING BY THE ODISHA FOREST DEVELOPMENT CORPORATION LTD**

#### **6.1. Introduction:**

Odisha Forest Corporation was created in 1962 with the objective of exploiting the state's vast forest resources scientifically without sacrificing the apparent forest values, ensuring a fair wage to forest labour force and to provide sufficient non-tax revenue to the State exchequer, as well as to promote feasible forest based industries in the state.

Odisha Forest Development Corporation Ltd (OFDC) came into being with effect from 14.11.1990 by merge of all three forest corporations of the state, namely Odisha Forest Corporation (1962), Odisha Composite Board (1983), Simlipal Forest Development Corporation (1979) and Odisha Plantation Development Corporation (1983). The OFDC is fully owned by Government of Odisha. It's authorized capital and paid up capital are Rs.500 lakhs and Rs.128 lakhs respectively.

#### **6.2. Objectives of OFDC:**

- To exploit the state forest resources scientifically
- To ensure fair wages to forest labourers
- To promote forest based industries in the state □ To provide sufficient revenue to Govt.

### **6.3. Activities of OFDC:**

- Trade of salvage timber/firewood
- Trade of processed and phal Kendu leaves
- Collection and trade of Sal seed directly or through Raw Material Procurer (RMP)
- Regulate the distribution of firewood, long Bamboo and other small timbers to local people
- Monitor Bamboo operation directly or through RMP
- Trade of cashew nuts and rubber harvested through plantation
- Collection, processing and trade of honey and Non Timber Forest Product (NTFP) items
- Undertaking various plantation activities entrusted by the Department □ Management of forestry eco-tourism activities in the State.

(Source: www.odishafdc.com)

### **6.4. Government Policy:**

The policy of the Government has been to replace the intermediary contractors progressively by the Departmental working for scientific exploitation of major forest produce. Hence, the OFDC a Government of Odisha Undertaking, has been allowed every year to take the lease of Forest produce particularly the timber coupes in the divisions where it is interested on preferential basis on payment of royalty at negotiated rate. At present the Corporation is working in all Territorial Divisions.

[Rule 240 of O.F.D. Code]

### **6.5. Allotment of areas to be worked by the OFDC:**

The terms and conditions of the leases of coupes to the Corporation are as follows:

- The Corporation will contract the Forest Department one year in advance for allotment of coupes and fixation of royalty;
- The royalty in respect of timber and bamboo should be decided in a meeting especially called by the PCCF in August and the date line for such fixation would be 31<sup>st</sup> October each year. This is however subject to approval by the Government;
- No lease should be granted to the Corporation without prior fixation of royalty;

- The Corporation shall pay royalty in two installments i.e. 50 percent during the financial year and balance before the expiry of lease period;
- The Corporation shall execute agreement with the Government as in case of private parties and the provisions of the OFC Rules shall apply subject to such modifications allowed by the Government;
- No security deposit shall be payable by the Corporation and  Intrest will be charged as usual for default in payment.

[Rule 240 of O.F.D. Code]

#### **6.6. Calculation of tentative price:**

Tentative price of all the coupes should be calculated by the D.F.O. in accordance with the procedure laid down in Rule 245(1) of the O.F.D. Code for upset price calculation. The probable price of a lot should be based on the last year's unit price or the last three year's average unit price which ever is higher subject to such increase or decrease as necessary after taking into consideration the current market trend and other factors such as, quality of the crop and accessibility of the coupe area etc. The tentative price of the coupes so arrived at should be reported by the D.F.O. to the concerned Conservator of Forests on or before 15<sup>th</sup> July.

Simultaneously, the concerned Divisional Manager of the Corporation, after getting the marking list, should workout the estimated outturn from each coupe and the estimated expenditure together with the probable market value of the outturn expected from each coupe and indication against individual coupes the price which the Corporation can pay after allowing reasonable margin of profit as a percentage of the operating cost. The probable price of all the coupes worked out in the above manner by the Divisional Manager shall be communicated to the concerned Chief Executive Marketing (C.E.M.) on or before the 15<sup>th</sup> July.

#### **6.7. Working of Timber Coupes & Fixation of the royalty:**

##### **6.7.1. Pre-2005 Procedure:**

Prior to 2005-06, the D.F.O. used to convene a meeting before 3<sup>rd</sup> week of July for mutual discussion of the probable royalty of all the coupes with Divisional Manager, OFDC. The D.F.O. endorses copy of this proceeding to the Conservator of Forests and the concerned Chief Executive Marketing so as to reach them by the end of July. Along with the proceedings, the

D.F.O. shall send a Certificate to the C.F. indicating that all the coupes due for working by the O.F.D.C. Ltd. have been included in the proceedings. If any coupe has not been included in the statement, reasons for the same should be recorded in the proceedings referred to above.

On receipt of the proceedings, the concerned RCCF shall consider the same and communicate his approval in respect of all cases in which he is in agreement with the agreed recommendation made by the concerned D.F.O. and D.M. In all cases of disagreement the concerned C.E.M. and the D.M. of the Corporation and the D.F.O. are invited to a meeting by the RCCF and outcome reported to Government by the 31<sup>st</sup> August for its approval.

### **6.7.2. New modalities for fixation of Royalty:**

The modalities of fixation of royalty by different level of field level functionaries of Forest Department and OFDC are dispensed with from the year 2005-06 onwards vide letter No.7420/E&E dt.8.5.2006 and subsequent modification No.3419/F&E dt.28.2.2008 and 6841/F&E dt. 09.4.2008. As per F&E Department Circular dt. 08.5.2006, a uniform unit value of Rs880.00 was fixed for the year 2005-06.

As per F&E Department Circular No.3419/F&E dt.28.2.2008, the number of units was modified to be assessed on the basis of standing trees delivered to OFDC for working. Royalty on trees not felled and trees not converted for firewood/poles shall be on unit basis only.

As per the revised guidelines, the PCCF and CMD, OFDC in a joint meeting shall fix the unit value every year prior to delivery of coupes before 30<sup>th</sup> September based on number of variables such as total out turn, market trend, average sale price, operational cost etc. the sale results of the previous year and market conditions. Accordingly, the fixation of royalty for the years from 2007-08 onwards was decided basing on the above mentioned variables.

(Proceedings of meeting between PCCF and OFDC dated 26.10.2016)

### **6.7.3. Factors for fixation of royalty:**

As stated above, the total out turn, market trend, average sale price, operational cost, the sale results and market conditions of the previous years are discussed in the joint meeting to fix the royalty for a particular year. The example for 2016-17 is as follows:

Sl. No.	Items	2012-13	2013-14	2014-15	2015-16
1	Number of trees marked	34029	37374	31432	29486
2	Number of trees felled	33393	36876	31432	29211
3	Number of Units	70404.6	73253.95	68965.65	68840.345
4	Quantity of In Cum	21607.36	19878.48	17788.26	17647.1238

5	timber produced	In Cft	763063.9	701988.64	628192.52	623208.18
6	Conversion of one unit into cft		10.8	9.6	9.08	9.05

#### 6.7.4. Royalty rate fixed by the PCCF and CMD, OFDC:

The royalty fixed in joint meeting for regular lots and irregular lots of timber along with Cubic content for the year 2005-06 onwards are given below for obtaining a comparative view;

Year	Cubic content of one unit (CFT)	(In Rupees)	
		Royalty per unit of regular lots	Royalty per CFT of irregular lots
2005-06	8.00	880	150
2006-07	8.00	930	150
2007-08	9.00	1040	150
2008-09	9.00	1040	150
2009-10	9.00	1080	157
2010-11	9.00	1135	167
2011-12	9.90	1200	180
2012-13	10.80	1296	198
2013-14	9.60	1387	212
2014-15	9.11	1456	220
2015-16	9.05	1514	230
2016-17	9.05	1605	244

(Rates fixed by PCCF vide No.22515, Dt.30.11.2016)

#### 6.7.5. Mode of payment of royalty:

In order to ensure the prompt credit of Forest royalty into Government accounts, Finance Department in their letter No.-10229/F dated 09/3/1987 have decided that the O.F.D.C. would make the deposits on account of all their divisions directly at Bhubaneswar Special Treasury No.- I. The Director of Treasuries and Inspection is instructed to receive the same from O.F.D.C. without counter signature of the DFO and transmit the challans and CTRs timely to the concerned DFOs so as to enable them to reflect the deposits in their divisional accounts.

#### 6.8. Audit Checks:

The following checks may be exercised in audit to assess, whether:

- The broad objectives of OFDC to exploit the state forest resources scientifically with a view to achieve sufficient revenue to Government fulfilled;
- The OFDC takes up all the activities in time as entrusted by the Government in F & E Department as per given objectives;
- Any lease granted to the Corporation without prior fixation of royalty;

- The Corporation pays royalty as prescribed in two installments i.e. 50 percent during the financial year and balance before the expiry of lease period;
- Various related provisions of the OFD Code and OFC Rules adhered to excepting to such modifications as allowed by the Government;
- The joint meeting PCCF and CMD, OFDC held in time to fix the royalty every year prior to delivery of coupes before 30<sup>th</sup> September;
- The royalty was fixed taking into account variables of market trend, total out turn, average sale price, operational cost of OFDC, the sale results of the previous year etc.
- Intrest as stipulated under OFC Rules are levied for beleted payment of royalty.

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## CHAPTER-VII

### **BAMBOO WORKING IN THE STATE**

#### **7.1. Introduction:**

Odisha have nine percent of the Country's total bamboo forest cover and 7% of total growing stock of Bamboo. The bamboo in forest areas of Odisha grows as mixed crop associated with Sal & other species. The mixed bamboo forest area is spread over about 17,795 Sq. Km. and pure bamboo forest (occurring mostly as bamboo brakes) is about 375 Sq.Km.

There are about 13 species of bamboo available in Odisha of which most commonly found are *Dendrocalamus strictus* (80%) and *Bambusa bambos* (10%), locally known as *Salia* and *Daba* bamboos respectively. Cultivated species are *Bambusa vulgaris* & *Bambusa nutans*. The production of bamboo is approximately 2 lakh MT annually of which about 50,000 MT is produced from the private land. The cultivated species (*Bambusa vulgaris* & *Bambusa nutans*) though occur throughout the state but density is significant in Mayurbhanj, Balasore & Bhadrak district.

#### **7.2. The Future Prospective:**

Bamboo is one of the most abundant and renewable resources available in Odisha covering nearly 30% of the total forest area of the state. Presently the use of bamboo form forests for its major

industrial use i.e. paper manufacturing, is decreasing. The lack of demand for bamboo by paper mills has resulted in non-disposal of harvested bamboo by the Odisha Forest Development Corporation Ltd (OFDC).

This has adversely affected the livelihood opportunities of rural communities and forest fringe dwellers, who were previously engaged in extraction of forest bamboo. However bamboo has the potential for generation of gainful employment through various bamboo-based industries which can be developed on the technological advancements made in India and other countries. It offers tremendous employment and income generation opportunities to the community for the invaluable role they can play covering harvesting and regeneration, treatment and other value addition options linked to various industrial products.

([www.odishabamboo.org/oscenario.php](http://www.odishabamboo.org/oscenario.php))

### **7.3. Bamboo - Growth and Management:**

#### **7.3.1. Basic Principles:**

The basic principles of bamboo management centres round the growth behaviours of the culm. New bamboo culms are produced every year from the buds of the rhizome of previous year culm. The rhizomes of more than two-year-old culms, therefore, have very little role to play in production of new culms. However, bamboo culms require about three years to be fully matured after which those are to be harvested.

Retention of old culms will result in congestion of the clump. After 4-5 years the old culms will dry up, split and invite pests and disease, which affect the younger culms. Congestion of clumps is one of the most serious problems in management of bamboo forests. Therefore, in India, for most of the bamboo forests, the prescribed cutting cycle is kept at 3 or 4 years.

#### **7.3.2. Cutting Rules:**

Culms upto one year (Karadies) of age, and culms over one year old but less than 2 years of age will not be cut, under any circumstances. More than one year old culms and the culms which are older than two years but less than three years of age are also to be retained in the clump and their number shall not be less than the number of karadies. The minimum culms per clump to be retained after cutting shall not be less than 15 culms per clump.



- The minimum number of culms to be retained in a clump is fixed on the basis of quality of clump. Quality I-20 culms, Quality II-15 culms, Quality-III-10 culms.
- Clumps having the minimum or less than minimum prescribed number of culms shall not be commercially exploited. Only broken, dead, dry, badly damaged and deformed bamboos will be felled. Rhizoms will not be dug.
- The height above which culms are cut shall not be less than 15cm or more than 45cm from ground level.
- Bamboo cutting will not be done from 1<sup>st</sup> July to 30<sup>th</sup> September and completed by May.
- Bamboo forest should be protected from fire. Forest fire should not occur during the year of working and the year following it.
- In case of sporadic flowering, the flowered clumps will be clear-felled, one the seeds from such clumps have fallen.

### **7.3.3. Treatment Map:**

After demarcation of Bamboo Coupes a treatment map is prepared by the agency indicating Salia and Daba bamboo separately. The treatment type of salia bamboo is:

- Type A- areas with healthy and well stocked bamboo clumps, where commercial felling is to be done:
  - Quality-I-Culm height from 9m and above, ○
  - Quality II- culm height between 6m and 9m, ○
  - Quality III-culm height between 6m.
- Type B-Areas with well stocked but degraded, damaged, congested or fire burnt bamboo clumps, where commercial felling is not to be done.
- TypeC-areas where bamboo clumps are sparse or scattered, where only silvicultural operation and bamboo plantations shall be carried out.

### **7.3.4. Felling Cycle:**

A felling Cycle of 4 years is adopted both for Saila as well as Daba Bambos. For the purpose of working, the areas are divided into four annual coupes, i. e. A, B, C and D. Thus the coupes are worked on a four year cutting cycle on rotation basis. The culms attain maturity after three years

acquiring full strength and density. After five years, the culms start to die and become susceptible to attack by insects, diseases and wind/ fire damage.

(Page 422/453 of Revised WP Phulbani)

### 7.3.5. Cutting Operation:

Coupes are opened up for working from 1<sup>st</sup> October to 30<sup>th</sup> June every year to provide favourable growth of bamboo crops during rainy season. If cutting operation could not be taken up in a particular year due to any reason, then those area or coupes will be taken for cutting in subsequent years in addition to the area earmarked for current year. The working of bamboo coupes shall be in the areas excluding forest areas allotted to JFM committee and areas over which either community right have been granted or applied under Forest Right Act, 2006.

### 7.3.6. Managing Bamboo Flowering:

Flowering of bamboo is not annual. In general flowering and fruiting in bamboo crop occurs once in its life time at a certain age of clump, which varies from 7 years to 60 years depending on species, after which it dies.

- If **sporadic flowering** of Bamboo clumps is observed, such clumps will be clear felled once the seeds from such clumps have fallen.
- In case of **gregarious flowering**, the clumps will be clear felled and extracted early just after the shedding of ripe seeds, so that the bamboo do not dry or deteriorate or become prone to fire damage. In case of gregarious flowering in Sanctuary areas, working period will be extended up to end of June.

Disposal of such bamboos should be expeditiously arranged to prevent deterioration in quality and avoid potential fire occurrences. Characteristics of flowering in Salia bamboo is given in table below:

<b>Sporadic Flowering</b>	<b>Gregarious Flowering</b>
Scattered nature of flowering only Few clumps are involved in flowering.	Flowering occurs almost in the entire areas.
Only few culms flower in a clump.	It involves almost all or some proportion Flowering takes place in all the culms in clump.
The culm may or may not die after flowering.	All the culms of a clump die after flowering.
The clump does not die.	Flowering is followed by the death of the clump.
It takes place usually irregularly almost every alternate year.	If follows a cycle of long interval 20 to 65 years.
	It progress in a definite direction like an epidemic wave.
	It takes 2 to 4 years to complete the flowering in the area.

### **7.3.7. Measurement Unit:**

The measurement unit for industrial bamboo is Sale Unit (SU), notionally equivalent to one MT in weight. Salia bamboo of 2400 meter running length constitutes one Sale Unit.

Notionally, 350 numbers of long (Commercial) Salia bamboos is taken as one Sale Unit.

### **7.3.8. Silvicultural Operation:**

In order to improve the growth and productivity of bamboo crop, regular cultural operations are to be carried out. The management principles recommend the following silvicultural operations in bamboo forests immediately after harvesting of bamboo at an interval of four years.

- Removal of all dead, dried, burnt and malformed culms from the clump.
- Soil mounding up to first internode in and around the periphery of the clump by cutting soil from u-hill side in half-moon shaped trench, which helps in moisture conservation.
- Stone packing on down hill slope encircling the mound to act as a protective barrier against soil erosion and fire protection measures.

### **7.3.9. Main Threats:**

The main threats in the management of bamboo forests are:

- Indiscriminate cutting of bamboos by tenants and artisans;
- Forest fire, particularly man made
- Excessive grazing by animals
- Clear felling of Dabba bamboos
- Over felling and improper working of coupes by agents

(Page 451 of Revised WP Phulbani)

## **7.4. Bamboo Management in Odisha:**

Bamboo in Odisha is managed under Culm Selection-cum-Clump Improvement Silvicultural System. Working of bamboo forests is regulated as per provisions of Odisha Forest Produce (Control of Trade) Act, 1981 and its Rules 1983. Revised prescription for forest bamboo working in Odisha was last approved in 1990 by the CCF, Eastern Regional Office; MoEF, Government of India, Bhubaneswar and communicated by the PCCF, Odisha vide Memo No. 26951(4) dated

28.12.1990. The commercial exploitation of bamboo from forests within the Wildlife Sanctuaries has been stopped by the State Government from 1997.

#### **7.4.1. Nationalisation of Bamboo Trade:**

National Forest Policy discourages the practice of engagement of contractors as it finds one of the major cause for degradation of forest is illegal cutting and removal by contractors and their labour and suggested for replacement by institutions such as tribal cooperatives, labour cooperative and Government Corporations, etc. With effect from 01/10/1988 the State Government in Public interest appointed the OFDC as the agent for extraction of and trade in bamboos of all species from Government Forest.

(Notification No.-6F-10/88-21691/FFAH, 21693, 21695 dated 21/9/1988)

The OFDC extracts bamboo from forests in form of industrial bamboo bundles for paper mills and long bamboos (Commercial bamboo) for house hold uses. The paper mills of Odisha are the main users of bamboo extracted from forests. Only about five percent of the total harvest is extracted as long bamboos for household and artisan activities.

#### **7.4.2. Sale Price and Royalty Fixation:**

The State Government constitutes one high power committee designated as the Empowered Committee (EC) under the chairmanship of the Chief Secretary, Odisha to decide the model of disposal of both industrial and commercial bamboo harvested from forest. The EC annually decides the target of production, allotment of industrial bamboo to different paper mills of the state, expenditure norm, royalty to be paid to Govt. and also the sale price for both industrial and commercial bamboo. Presently the royalty for industrial bamboo is Rs130/per SU and commercial bamboo - Salia-Rs.1/per piece and Daba-Rs.2.50/per piece as per Government Letter No. 5F-54/24756/F&E Dated 29.11.2017.

([www.odishabamboo.org/oscenario.php](http://www.odishabamboo.org/oscenario.php))

#### **7.4.3. Regulation of yield:**

Yeild is regulated by area and coupes in each felling series and worked out by rotation. For calculating the yield, bamboo cutting rules issued by MoEF, Govt. of India No.13/FC/WP/OSGen dt. 24.12.90 is referred to which quotes that culms upto one year (Karadies) of age, and clums

over one year old but less than 2 years of age will not be cut, under any circumstances. More than one year old culms and the culms which are older than two years but less than three years of age are also to be retained in the clump and their number shall not be less than the number of karadies. The minimum culms per clump to be retained after cutting shall not be less than 15 culms per clump.

#### **7.4.4. Lease of bamboo coupes to the Paper Mills:**

While bamboos have other uses as house building material, agricultural implements etc. its use as raw material for paper is predominant. Thus, excepting for a few acres given on annual auction sales, most of the bamboo areas of the State were leased out to the Paper Mills to ensure sustained supply of bamboos to the mills for the manufacture of paper and at the same time to ensure systematic and scientific working of the bamboo forests by the paper Mills which call for heavy investments in the shape of construction of roads, employment of trained personnel and use of modern tools and equipments. In pursuance to notification No.5F-5/14pt/23173/F&E Dated 18.12.2014, working of bamboo coupes was allowed to be undertaken by OFDC through engagement of Raw Material Procurer (RMP).

As the domestic and agricultural needs of the local people are required to be met from the lease hold areas, the agreements with the Paper Mills made it obligatory to meet the local demands by maintaining forest depots and stocking green long bamboos which are mostly required by the local people, who will obtain permits from the Divisional Forest Officer or any officer authorised by him on payment of royalty as fixed by him and bamboos from the company on payment of cutting charges. The bamboos so supplied are excluded from the royalty payable by the company which should maintain accounts records for this purpose.

(Rule 243 of the O.F.D. Code Volume-I and Clause 19 of the Agreement)

#### **7.4.5. Terms and conditions of Lease:**

Long term agreement were executed by the Government with the companies against each division specifying the terms and conditions of the lease such as period of lease, name and area of the felling series of bamboos to be extracted yearly according to cyclical rotation (four years) and cutting rules to be followed. The agreements provide for payment of security deposit for due performance and observance of the terms of the lease, (the amount varies from division to

division), and also payment of royalty and fuel cess on the bamboos extracted as fixed in Clause 13 of the agreement to ensure that the company would exploit bamboo resources to the maximum capacity.

There is a stipulation in the agreement (Clause 6) that the OFC Rules form part of the agreement. Thus the same rules which are applicable to the private contractors are also applicable to the Paper Mills. In other words, for the realisation and in case of non-payment, the lease can be terminated vide Clause 3 of the Agreement.

#### **7.4.6. Payment of Royalty and Minimum Royalty:**

The royalty is to be paid by the company by advance deposit so that the royalty paid should always be in excess of the royalty due on bamboos cut in the contract area. For this purpose, the company has to send to the DFO a return of bamboos cut and removed every month.

Minimum royalty as fixed by the Government in clause 13 of the Agreement is payable by the company in two instalments (1<sup>st</sup> instalment on or before 1<sup>st</sup> October and the second instalment on or before 1<sup>st</sup> March) to ensure that the company will extract the bamboos of required minimum in the lease hold areas. Failure to pay royalty or minimum royalty on the due dates will make the company liable to pay interest according to Rule 42 of the OFC Rules.

#### **7.4.7. Target and Achievement:**

Working of bamboo forest areas are entrusted to OFDC by the Empowered Committee in selected Divisions with or without involvement of RMP excluding the land for which Forest Rights claims are granted/pending under Forest Rights Act 2006. This selection is as per the report of DFOs as per the prescription of working plan and schemes. For instance, during 201516 there were 281 bamboo coupes due for working as per WP prescription. Out of this 62 were worked achieving outturn of 32595 S.U from estimated target of 75000 S.U.

(Source-Highlights of Odisha Forestry Sector 2017)

#### **7.5. Audit Checks:**

The following checks may be exercised in audit to assess, whether:

- The broad objectives of OFDC to exploit the state forest resources scientifically with a view to augment Government revenue was fulfilled;
- The DFOs submitted all the details of workable bamboo coupes to the PCCF in time to be discussed by the Empowered Committee;

- The Empowered Committee meeting held in time to fix the royalty and hand over the coupes every year in time;
- The royalty was fixed taking into account variables of market trend, total out turn, average sale price, operational cost of OFDC, the sale results of the previous year etc.
- The OFDC worked most of the assigned bamboo coupes during the stipulated time frame without unreasonable surrender;
- The surrender of unworked coupes were with sufficient justification and verifiable documents, such as police report for naxalism and local dispute, field data for nonavailability of bamboos leading to uneconomic production etc.
- Extent of loss to Government in Bamboo coupes may be calculated in terms of royaltly only as the other major components of selling price includes working expenses/commission of OFDC, SSO work, establishment expenditures etc;
- The loss of States natural resources may be incorporated in the observation as the bamboo becomes unusable for industrial use due to dead/dried pulp and left in the forest for natural decay with an increased chance of fire;
- Various related provisions of the OFD Code and OFC Rules adhered to excepting to such modifications as allowed by the Government.

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## **CHAPTER-VIII WORKING**

### **OF KENDU LEAF**

#### **8.1. Introduction:**

Kendu leaf is a nationalized forest product like Bamboo and Sal seed. It is called green gold of Odisha. Botanical name of Tendu (Kendu) leaf is *Diospyros Melanoxylon*. Tendu leaf is one of the most important Non-Timber Forest Produces (NTFP). The valuable leaves are used for wrapping Bidis, popular smoke especially among poor natives. The states producing bidi leaf in India comprises mainly MP, Chhatisgarh, Odisha, AP, Jharkhand, Gujarat and Maharastra.

Odisha is the third largest producer of kendu leaf next to M.P. and Chatisgarh. The annual production of Bidi Leaf in Odisha is around 4.5 to 5 lakhs quintal, which is about 20% of the countries annual production. Kendu leaf is available in 50 Sub Division of all the 30 districts. But the following Districts cover maximum Kendu leaf growing areas. The districts are Sundergarh,

Anugul, Deogarh, Kalahandi, keonjhar, Kalahandi, Kandhamal, Malkanagri, Nabarangpur, Koraput, Dhenkanal, Jharsuguda, Sambalpur, Baragarh, Bolangir, Sonapur, Boudh and Nuapada. The kendu leaf of the Balangir District is traded as the best kendu leaf through out India. The Uniqueness of Odisha's Tendu (kendu) leaf is in processed form where as the rest of the states in India produces in Phal Form. ([www.odishafdc.com/products\\_kendu\\_ofdc.php](http://www.odishafdc.com/products_kendu_ofdc.php))

## **8.2. Organisation of KL Wing:**

There shall be a separate Head of Department designated as the Principal Chief Conservator of Forests (Kendu Leaves), who will remain at the head of the entire Kendu Leaf Organisation. The Chief Conservator of Forests shall be associated in all important policy matters and kept informed of progress of implementation of the Scheme from time to time.

The Kendu Leaf producing areas in the State have been divided into 3 Circles and 18 Divisions. Each KL Circle shall be in charge of a Conservator of Forests (CF) and each Division shall be in charge of a Deputy Conservator of Forests (DCF). Each Division shall be provided with the required number of Assistant Conservator of Forests, Range Officers or Deputy Rangers, Foresters and Forest Guards for successful implementation of the Scheme. Besides the regular staff as above, each Division shall have seasonal staff like Munshis Checkers, Head Checkers, Binding Moharirs, etc., to be appointed for specific periods.

(Chapter-I of the Orissa Kendu Leaves Manual, 1973)

## **8.3. Field Formations:**

A Kendu Leaf Division shall on the average comprise of an area capable of producing 20,000 quintals of processed leaves approximately and may have 8 to 10 Kendu Leaf Ranges. Each Kendu Leaf Range shall ordinarily be in charge of a Forest Ranger or a Deputy Ranger. More than one K.L. Unit as notified by Government in Notification No.3457-C.F., dated the 20th February 1969 may be kept in charge of Range Officer or Deputy Ranger depending on the size of the Units.

Each Range shall have such number of phadies (Collection centres) as may be decided by the DCF (KL) having regard to the number of phadies existing previously. The area to be commanded by each Phadi and Checker's beat will be decided by the DCF.

## **8.4. Government Policy:**



The State Government have decided to take up the Kendu Leaf Trade departmentally with effect from January, 1973. According to the decisions of the State Government, the Forest Department will attend to collection, processing, bagging and storage of Kendu leaves and the OFDC will market the processed leaves on behalf of the State Government.

This Scheme will operate within the general frame work of Orissa Kendu Leaves (Control of Trade) Act, 1961 and Rules made thereunder. The Scheme will also be subject to the terms and conditions of the Agreement to be signed between the State Government and OFDC.

It is a seasonal operation involving huge number of labourers (both skilled and non skilled) during season of operation. Seasonal trained workers process the KL and after processing of the kendu leaf, the lots are formed and delivered to OFDC for marketing.

(Chapter-I of the Orissa Kendu Leaves Manual, 1973)

#### **8.5. Grading and Qualities of KL:**

In processed form, the Kendu leafs are graded into different qualities that are Grade I to Grade IV as per the specification of color, texture, size and body condition of the leaf and packets will be done by taking Five Kilograms as a Bundle.

Twelve Bundles of Five Kilogram of each are packed in a gunny bag and 100 such bag equivalent to sixty quintals make one truckload. Where as no gradation is done in respect of Phal Leaf and only loose leafs are packed tightly inside the gunny bag.

#### **8.6. Tendering Process of KL:**

After grading and packing, OFDC calls open tender in prescribed formats mentioning the list of lots and the intended tenderers offer their prices against the interested lots subject to specified terms & conditions. On fixed date the tenders are opened and announced the prices quoted by each tenderer before all the tenderers.

A chance is given for negotiating the offer where the tenderers may enhance the rate against the quoted rate after words the successful bidder are declared and rectification order is issued in favor of them. After execution of an agreement the purchaser lift the kendu leaf on a valid permit issued by forest department.

One who is interested to participate in the kendu leaf tenders must have to register with the OFDC limited after paying a fixed amount of Rs 10,000 in the form of the bank draft or NSC drawn in favor of OFDC.

#### **8.7. Selling of KL in Odisha:**

Kendu leaf in Odisha is sold by a standard weight which constitute one lot is equal to 100 bags and each bag contains 12 bundle each of 5 kg. This means one lot of processed kenduleaf generally constitutes 60 quintals of kendu leaf. Average selling price of Kenduleaf varies between Rs 30 to Rs 80 per kg depending on grades.

([www.odishafdc.com/products\\_kendu\\_ofdc.php](http://www.odishafdc.com/products_kendu_ofdc.php))

#### **8.8. GST on KL in Odisha:**

From 1<sup>st</sup> July 2017 as India entered a new system of taxation, the Goods and Services Tax (GST), a centralised tax was imposed on tendu leaf for the first time. The GST on the leaf is set at 18 per cent. This 18 per cent GST is made up of 9 per cent central GST (CGST) and 9 per cent state GST (SGST). Central tax on the leaf was earlier zero.

Earlier, only sales tax (VAT) was levied on MFP like kendu leaves. But VAT wasn't applied everywhere and it varied from state to state. In Odisha, the state levied a 5 per cent VAT and 2 per cent forest tax on tendu. This amounts to 7 per cent state tax in toto.

Now, as the tax is high, the traders who get the tender from State Corporations to collect tendu leaves may pay less to the tribals collecting the leaves, affecting their livelihood.

([www.downtoearth.org.in/news/gst-of-18-on-tendu-leaves](http://www.downtoearth.org.in/news/gst-of-18-on-tendu-leaves))

**.9. Working Procedure and Reporting:****8.9.1. Collection of KL:**

Coppicing is done in accordance with the work schedule, which starts and finishes in accordance with the approved programme. Wages are paid to labourers engaged in coppicing by the muster roll. Where ever necessary coppicing may be done on job basis.

Progress of coppicing will be reported in the fortnightly progress report in Kendu Leave Form No.14 by the DCF concerned.

**8.9.2. Purchase of KL:**

Green leaves offered at phadies will be purchased by the Munshi and purchased during the day will be entered in the daily purchase sheet in Kendu Leaf Form No.1. For each padhi a daily purchase register will be maintained in this form. This form will be serially numbered and will be supplied in bound books with 100 pages in duplicate. The duplicate copy will be submitted by the Munshi to the Forester daily through the Checker. The original copy which will contain the acquittance will be retained in the register for reference and record.

**8.9.3. Muster Roll for KL:**

The Munshi will maintain muster rolls in the prescribed form of the Forest Department for casual labourers entertained at the phadies in connection with collection, drying and storage of leaves. The Forester will make weekly disbursements to the casual labourers engaged on muster roll.

**8.9.4. Progress Reports:**

The Munshi will enter the abstract of daily purchase of Kendu Leaves with progressive total in the "Daily Report" in Kendu Leaves Form No.2 to be supplied in books of 100 pages in duplicate. It shall be closed daily duly signed by the Munshi and countersigned by the Checker and will be forwarded to the Forester who in turn will send it to the Range Officer.

The Range Officer on receipt of the Kendu Leaves Form No.2 for different phadies shall consolidate the same in Kendu Leaves Form No.3 to exhibit progress made in purchase of green keris in respect of different units in his Range from day to day and shall submit daily a copy of the same to the Deputy Conservator of Forests (K.L.). The number of leaves to be kept in each keris shall be as may be decided by the Additional Chief Conservator of Forests.

(Chapter-III of the Orissa Kendu Leaves Manual, 1973)

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**.9.5. Disposal of KL:**

The Range Officer will maintain a register showing the receipt and disposal of processed bags of different grades at the Central Godown in Kendu Leaves Form No.9 and a weekly return in Kendu Leaves Form No. 10 shall be submitted by him to the DCF. On receipt of intimation from the OFDC through their Divisional Manager (DM), the DCF will order release of Kendu Leaves bags from the Central Godown.

**8.9.6. Price of Kendu leaves:**

Kendu leaves fit for manufacture of bidis offered for sale shall be purchased at the purchasing centres at the rates fixed by Government for the year under Section 4 of the Orissa Kendu Leaves (Control of Trade) Act, 1961.

The Range Officer shall notify the prices fixed by Government to the Munshis, Checkers and Supervisors in his charge. The Forester shall cause to be exhibited at each purchasing centre in his charge the prices at which kendu leaves will be purchased.

**8.9.7. Loss or damage of keris:**

Where phadi adjoins a bustee, the Forester with the previous approval of the Range Officer will engage a labourer to ward of cattles from trampling over the keris spread out to dry. The Choukidar at the phadi who is contingent employee may if convenient be employed for this purpose on wage basis. Displacement of keris by storm or terrential rainfall shall be promptly reported by the Munshi who shall take immediate steps to retrieve the keris so displaced. Any damage to the keris from hailstorm shall be promptly reported. On receipt of such intimation the Range Officer shall make inspection to asses the loss and report to DCF within 24 hours.

**8.9.8. Insurance of KL stock:**

All Kendu leave stock in phadis and Central Godowns shall be insured against damage by fire so long as the stock is in Government custody. Insurance of the stock after it is handed over to the OFDC will be the responsibility of the Corporation.

**8.9.9. Selling Agent:**

The OFDC Ltd., has been appointed as the selling Agents of the State Government under Section 10 of the Orissa Kendu Leaves (Control of Trade) Act, 1961 in respect of Kendu leaves purchased by the Government. As such all facilities should be afforded to all authorised officer, agents and purchasers of the Corporation.

**.10. Audit Checks:**

The following checks may be exercised in audit to assess, whether:

- Inspection of phadies/godowns and their repair and construction were taken up and completed before 15<sup>th</sup> March every year;
- Seasonal staff were engaged in time for KL operations;
- Coppicing was done in accordance with the work schedule;
- Muster rolls were maintained for casual labourers engaged in connection with collection, drying and storage of leaves;
- Processed bags were handed over to OFDC Ltd., as per delivery schedule;
- Collection, processing, binding, bagging, storage, transport and disposal of Kendu Leaves were done in economic and efficient manner;
- Cash and stock accounts of phadies were properly maintained;
- All Kendu leave stock in phadis and Central Godowns were insured against damage by fire and reported to DCF within 24 hours of such occurrence;
- Proforma accounts were prepared and submitted to AG/Government.

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## CHAPTER-IX

### MINOR FOREST PRODUCE

#### **9.1. Introduction:**

Section 2(4) of the Indian Forest Act 1927 defines only "forest-produce" and this term connotes to those products whether found in, or brought from a forest. Minor Forest Produce (MFP) is a subset of forest produce and got a definition only in 2006 when the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006, was enacted. Section 2(i) of the said Act defines a Minor Forest Produce (MFP) as all non-timber forest produce of plant origin and includes bamboo, various seeds, brushwood, stumps, canes, tusser, cocoon, honey, waxes, lac, tendu/kendu leaves, medicinal plants and herbs, roots, tuber and the like.

As per the above Act, right of ownership, access to collect, use and dispose of MFPs was assigned to the forest dwelling scheduled tribes and other traditional forest dwellers living in forest areas.

As per the Report of the National Committee on Forest Rights Act, submitted in 2010, in all, about 100 million people living in and around forests derive at least part of their livelihood from collection and marketing of non-timber forest products or MFPs. This includes, in addition to tribals, dalits, other forest dwellers who have not been officially declared as tribals, women, and other marginalised groups. (Source: MFP-Arthapedia)

#### **9.2. Policy of Government in Exploitation and Disposal of MFP:**

The policy of Government for disposal of MFP is as follows:

- Lease to Co-operative Societies (Forest Marketing Co-operative Societies, State Tassar Co-operative Societies etc.)
- Lease to the forest based industries where a particular produce is the raw material for the industry (Sal seeds and stone quarries to entrepreneurs sponsored by the Industries Department for setting up Small Scale Industries in the State).
- Lease to the Government Undertaking (M/s. Odisha Forest Development Corporation Ltd. and Tribal Development Cooperative Corporation Ltd.)
- Sale by auction/tender (Rule 241 of OFD Code)

#### **9.3. Transfer of Minor Forest Produce (NTFP) to Gram Panchayat:**

With a view to improving the livelihood of tribal and rural poor who primarily depend on Minor Forest Produce (Non Timber Forest Produce) and ensuring a fair price for the NTFP/MFP items gathered by them, Government transferred a majority of M.F.P. item (68 items) to the control of Gram Panchayat with effect from 31/3/2000.

This was except few restricted items such as sal seeds, sal leaves, kendu leaves, gum and resins of different trees, kharira and catechu, the bark of different trees, climbers and roots of various species having medicinal values. Gram Panchayat will continue to exercise power to regulate procurement and trading of Minor Forest Produce from the year 2000-2001 within their respective jurisdiction except the restricted items mentioned above.

(Government Resolution No. F & E - 5503/F & E dated 31/3/2000) **9.4.**

#### **Lease of Tassar Cocoons:**

Lease for the collection of Tassar cocoons is given every year to the Tassar Bearer's Cooperative Societies and Tassar Apex Cooperative Society subject to the following terms and conditions:

- The Society should apply well in advance which should be recommended by the Director of Textiles before 31<sup>st</sup> July. Lease may be given to the Society after the agreement (specifying the terms and conditions) is executed.
- The royalty is fixed with an increase of 5 percent every year, 1972-1973 being the base year. In case of non-payment of royalty, the lease may be determined for disposal in auction sale.
- In case of non-payment of arrear dues, lease should not be renewed in favour of the Society and the produce should be disposed of by auction sale.
- If the Society does not apply and the recommendation of the Director of Textiles is not received by 31<sup>st</sup> July, it will be presumed that the society is not interested and steps should be taken by the DFO to put the lot to auction sale.

(G.O. No. 1718-45-F-C-47/77 FFAH dated 16.6.77 and 1852-F5-C-82/76 FFAH dated 28.6.77)

- Royalty on Tassar Cocoons from 2001-02 onwards collected by Odisha, Co-operative Silk Federation (SERIFED) has been exempted by Government vide G.O. No.-F&E-5487/F & E dated 29<sup>th</sup> March 2003.

#### **9.5.1. Lease of Sal Seeds:**

Sal trees (*Shorea Robusta*) occur extensively in the forest of Odisha. It acquired commercial importance because of their use for various purposes. 'Salfat' extracted from Sal seeds is used as raw material in the manufacture of soap, confectionery and as a substitute for Vanaspati. It is not declared as edible oil in India. After thorough refining, a small portion of Sal oil is used as an ingredient for producing a substitute for Cocoa, butter and is exported for that purpose.

Sal seeds falling on the ground are decorticated normally by the tribals who sell the 'Kernels' to the collecting agents of the lessees. The collection season is April to June i.e. before monsoon.

#### **9.5.2. Nationalisation of Sal Seed Collection:**

For the greater interest of Tribal and in exercise of the power conferred by Section 4 (i) of the Odisha Forest Produce (Control of Trade) Act 1981 read with Rule 3(7) of the Odisha Forest Produce (Control of Trade) of Rules 1983, the State Government appointed OFDC as the sole agent for the purchase of and trade in Sal seeds in respect of all the units notified vide G.O.

No.-34680/FFAH dated 14/12/1982.

#### **9.6. Disposal of MFPs:**

As per Government Resolution No. 5503/F&E dated 31 March 2000, dealers are to register themselves with the concerned DFOs for trading in sal seeds along with seeds of Mahula, Kusuma, Karanja, Neem, Char, Chakunda and Babul.

The Govt. of Odisha in its resolution No.3965 dated 2.3.2006 denationalised the Sal Seed with effect from the date of issue of the order. In the new system the traders are required to have a registration with the Panchayat on payment of Rs.100.00 for procurement of sal seed. There is no royalty and permit required to lift the stock for both internal and external transport.

#### **9.7. Fixation of royalty for sal leaves.**

Government in F & E Department No. 21771/F & E dated 8.12.15 have fixed the royalty at the rate of Rs.86 per quintal for the year 2015-16 to 2017-18 for areas excluding those where Community Forest Rights(CFR) have been conferred or where such CFR claims are pending. In respect of areas for which CFR have been conferred or pending, no royalty is imposed for Sal leaves sold by the Forest Right holders.

[Based on G.O. No. 21771/F&E dated 8.12.2015]



### **9.8. Audit Checks:**

The following checks may be exercised in audit to assess, whether:

- The policy of Government for disposal of MFP is carried out efficiently and economically;
- The broad objectives of exploitation the State forest resources to augument Government revenue was fulfilled;
- People living in and around forests areas derive at least a part of their livelihood from collection and marketing of MFPs as per the Forest Rights Act 2006;
- The Panchayats are duly managing the collection and disposals of MFPs;
- All MFPs were duly transported with valid and genuine permits;
- The petitions, allegations, applications related to MFP are duly disposed off and □ There is over exploitation of MFPs damaging any forest and its plantations.

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## **CHAPTER-X MISCELLANEOUS**

### **10.1. Introduction:**

Forests are managed under a range of participatory options (Joint Forest Management (JFM)), for local use, sale of surplus and commercial use. All categories, however, respect local rights and provide strong incentives for local participation in protection, management and use. However, the forest offence cases need special attention in detection and disposal aspects for better management of forest resources. Rewards also play vital role in this regard.

### **10.2. Supply of forest materials on payment of royalty:**

Forest materials are supplied to the tenants residing in the vicinity of the protected forests, flood or fire affected persons and other departments of Government as detailed below:

- The tenants or inhabitants in the protected forests can be granted trees, timber or other forest produce for their bonafide domestic use at concessional rate on payment of royalty or at schedule of rates as may be fixed by the Government from time to time. The rates may vary from division to division. The schedule of rates was revised by the Government in February 1978 vide Notification No.-3794-10-F-M-125/77 FF & AH dated 09<sup>th</sup> February 1979.

(Section 36 of the Odisha Forest Act)

- Forest materials may be supplied to the persons affected by fire, flood etc. on requisition from the concerned Tahasildar who will send a list of families eligible for relief. The produce so supplied by the D.F.O. shall be paid for by the Tahasildar at the schedule of rates out of grants placed at his disposal.
- In case of supplies made to other departments of Government, local bodies or public institutions, market rate equivalent to four times of the prevailing schedule of rate will be charged unless orders are issued by the Government otherwise.

(Rule 250,251 and 252 of O.F.D. Code Volume-I).

### **10.3. Drift and Waif Wood:**

According to Section 49 of the Odisha Forest Act, all timber found adrift, breached stranded or sunk shall be deemed to be the property of the Government unless and until the ownership of the produce is established to the satisfaction of the D.F.O. As soon as such timber is collected by the forest official it is brought to the forest depot and a report thereof is sent to the D.F.O. who will issue a public notice with the description of the timber.

If the claimant presents a written statement of the claim within two months of the date of issue of public notice, the timber may be released to him on realisation of compensation assessed by the D.F.O.

In other cases, (unclaimed timber, claimant preferring the claim after the time limit, or the claim rejected by the D.F.O. etc.) the timber will be deemed to be the Government property which will be disposed of by the D.F.O. by auction sale or otherwise.

(Section 49 to 55 of the Odisha Forest Act, 1972)

#### **10.4. Forest Offence:**

##### **10.4.1. Types of offence cases:**

Forest offence means illicit felling and removal of trees or other forest produce. The offence cases may be classified under two categories:

- Undetected offence cases which means the produce was detected but not the offender commonly called as UD cases and
- Offence cases detected which means the produce as well as the offender was detected by the forest official known as Offence Registered (OR) cases.

##### **10.4.2. Offence Records:**

The following Registers are maintained for booking the offence cases and their disposal.

i) Offence Report Book by the Beat Forest Guard and the Section Forester.	
ii) Register of offence cases.	(ii) to (iv) by the Range Officer and (iii) and (iv) by the D.F.O.
iii) Register of cases compounded	
iv) Register of cases prosecuted	

##### **10.4.3. Procedure for disposal:**

Under Section 56 of the Odisha Forest Act, 1972 any forest officer in rank of Forester and above (or Police Officer) may seize the forest produce together with tools, vehicles, ropes, chains, cattle etc. where there is reason to believe that a Forest Offence has been committed and report the seizure to the concerned Magistrate except where the offender agrees in writing to get the offence compounded. The produce together with tools seized will be kept under his custody or with any third party until the compounding fee is paid by the offender or till the disposal of the property is decided by the Magistrate.

The offence case when detected is entered in the offence report book, the property seized and the First Information Report (F.I.R.) is sent by the Section Forster to the Range Officer who will enter the case in the Register of offence cases and conduct enquiry within ten days from the date of receipt of F.I.R.

#### **10.4.4. Compounding of Offences:**

If the offender is willing to get the case compounded, compensation may be assessed for an amount equivalent to the market value of the produce or four times of the value of the produce calculated according to the schedule of rate in case the produce is released to the offender.

In case the produce is retained by the Government, the amount of compensation will be the market value of the produce or four times of the value of the produce calculated according to the schedule of rate which ever is more.

After collecting the provisional compounding fee, the case record with seizure list etc. will be sent to the D.F.O. for final assessment where after it will be entered in the Register of cases compounded in the Divisional Office and the case sent back to the Range Office for record with instruction to release the property. In case the produce is retained, the same may be disposed of by auction or otherwise. **10.4.5. Trivial Offence Cases:**

If the offence is of trivial nature and the market value of the produce does not exceed Rs 25/- compensation up to Rs 50/- be assessed by the D.F.O. Only such forest offence (other than an offence under Section 66 or 67 of Odisha Forest Act 1972 or an offence in which a vehicle has been seized) can be compounded if the Market value of the Forest produce involved does not exceed Rs 100/-. The compounding fees in such cases shall not be less than five times the market value of forest produce involved.

(Section 72 of the Odisha Forest Act)

#### **10.4.6. Prosecution:**

In case where the offender is not willing to compound the case or if the nature of offence is such that he must be prosecuted and in respect of undetected offence cases where the offender is not known the enquiring officer shall send the seizure list with his report to the concerned Magistrate. Such cases are watched through the Register of cases Prosecuted till decided by the Court. Depending upon the judgment of the Magistrate the same property may be confiscated and disposed off by auction sale or otherwise by the D.F.O.

(Chapter XVI of the OFD Code Volume I and Chapter VIII of the Odisha Forest Act 1972)

## 10.5. Rewards in Forest Department:

### 10.5.1. Rewards to Non-gazetted Officer:

The D.F.O.s are empowered to sanction rewards to a non-gazetted Government employee for his exceptional performance in any particular forest offence case or cases, upto five per cent of the sale price of the seized forest produce or compensation recovered or Rs 1000/- which ever is less, provided that the same person shall not be granted more than one such reward within a financial year.

The PCCF or RCCF shall have powers to sanction rewards upto an amount given below to nongazetted Government employees in any special forest offence case or cases involving personal risk or recovery of heavy compensation, provided that the same person shall not be granted more than one such special reward within a financial year.

The PCCF/Additional C.C.F.	RCCF
Rs 5,000/- or 5 per cent the Sale proceeds of the seized forest produce or compensation recovered, whichever is less	Rs 2,500/- or five per cent of the Sale proceeds of the seized forest produce or compensation recovered which ever is less.

Government can sanction rewards to Gazetted Officers in exceptional cases where individual performance of very high sandard is displayed in apprehension of conviction of offenders, provided that such reward can not be claimed as of right.

(Rule 268 and 269 of OFD Code Volume-I)

### 10.5.2. Special rewards for others:

Any person or persons (other than forest employee) or community furnishing specific information leading to or otherwise contributing to booking of forest offence and /or successful penal action against offenders may be granted rewards by the forest Officers up to an amount given below provided the same individual or community should not get reward more than once in the same financial years.

The P.C.C.F. Odisha	RCCF	D.F.O.
Rs.20,000/-or 15% or the sale proceeds of the seized forest produce or compensation recovered which ever is less.	Rs.10,000/- or 15% of the sale proceeds of the seized forest produce or compensation recovered whichever is less.	Rs.5000/- or 15% of the sale proceeds of the seized Forest produces or compensation recovered whichever is less.

(Rule 270of OFD code Vol-I Amendment vide No.4555/FFAH DT.19.04.91)

Government may grant reward exceeding Rs.20,000/- to any individual or community contributing to the booking and /or disposal of any forest offence. The amount of such reward will depend on the merit of each case and is discretionary and can not be claimed as of right.

### **10.5.3. Reward for Fire Protection:**

The PCCF and RCCF are empowered to grant a reward not exceeding Rs.500/- to fire patrols and other low paid sub-ordinates who render exceptionally good services in keeping a Forest free from fire and extinguishing fire or giving information leading to the conviction of a forest offender as provided under Rule 37 of OFD Code Volume-1 amendment dated 19<sup>th</sup> Feb 1991.

### **10.6. Disposal of seized Timber:**

#### **10.6.1. Disposal of timber seized in UD Cases:**

Elaborate instructions have been issued by Government for prompt disposal of forest produce seized by Forest Officers in forest offence cases (UD) to avoid loss of revenue due to deterioration in quality and value of the seized produce. With a view to ensure scrupulous implementations of the said instructions regular reviews of the pending cases at various level is suggested as detailed below.

- The seized timber and other produce after due investigation remaining as UD case is to be ordered to be confiscated to Government and disposed off by way of public auction or delivery to OFDC within **two months** from the date of seizure.
- The receipt is to be deposited as forest revenue in Government account in case of seized Kendu leaf, Salia/Daba bamboo and Sal Seed being nationalized forest produce in both UD/OR cases.
- They are to be confiscated to Government and delivered to trading agent (OFDC/TDCC) for sale and deposit of proceeds with DFO after deducting their commission. There is no option for DFO and OFDC in this regard for any quantity.

(F&E Dept. letter No.15398 dated 31.8.2005)

#### **10.6.2. Disposal of Seized materials exceeding one truck load:**

Within 48 hours of seizure, materials exceeding one truck load shall be offered to the concerned Divisional Manager, OFDC for disposal.

- The concerned D.M., OFDC has to communicate acceptance/refusal to take over the materials within 30 days from the date of issue of the offer.
- In case OFDC is willing to take over the materials, lifting of the same should be completed within a month of acceptance of the offer. In case OFDC does not respond to the offer within

30 days from the date of issued of the offer, the DFO may proceed to dispose of the material through public auction.

- Where the seized material is less than a truck load disposal shall be made within 30 days from the date of seizure.
- In the monthly coordination meeting of the DM and DFO, disposal of timber seized in U.D. cases shall be reviewed and disputes/disagreements, if any, in any case should be resolved/reconciled.

### **10.6.3. Disposal of seized timber where prosecution have bee filed (OR Cases)**

Disposal of seized materials where prosecution have been filed cannot be disposed of without the orders from the concerned magistrate. However, interim disposal of seized timber even in such cases is feasible under Section 62 of the Odisha Forest Act, 1972. Seized timber, if stored for an unduly long period is subject to natural decay.

Therefore wherever interim disposal of seized timber is deemed necessary, on account of progressive deterioration in the utility and value of the stock, the Court could be moved to permit interim disposal, provided of course the materials are not required to be retained as evidence till disposal of the offence cases. Thus, wherever seized timber is not required to be retained as material evidence till disposal of connected offence cases, the Court must be approached immediately upon filing of prosecution to permit interim disposal. In that event the seized property may be disposed of and the proceeds can be deposited as would be cited by the Court.

The seized produce in OR cases are necessarily to be submitted before Authorised Officer of the Division for Confiscation Proceeding which are to be disposed off expeditiously. In case of timber and other forest produce if final orders of the Authorised Officer is not taking place within 2 months of seizure, the interim orders of Authorised Officer is to be obtained for disposal of such item by public auction and to deposit the same in treasury. With disposal and deposit of sale value in treasury as interim measure or on conclusion, prosecution authority may be intimated accordingly.

(F&E Letter No.15398 dated 31.8.2005)

### **10.6.4. Review of disposal of timber seized in offence cases:**

Regular reviews at various levels at frequent intervals are suggested to ensure prompt disposal of timbers seized in connection with forest offence cases.

- The Territorial RCCFs shall conduct monthly review of disposal of seized timbers in respect of every division under their control under intimation to the P.C.C.F. Odisha.
- The P.C.C.F. Odisha shall conduct quarterly review regarding seizure and disposal in respect of all the Divisions and furnish a copy of the review report to the Government for information.
- The D.F.O. is personally responsible for the prompt disposal of timber seized. The concerned RCCF may verify, from time to time, compliance to these instructions.

(G.O.-10 F(From)83/89-18032/FFAH dated 28/7/1989)

### **10.7. Grazing fees:**

The DFO or any officer duly authorized by him in this behalf may issue permits for grazing of cattle for specified period on payment of grazing fees. Grazing fees as prescribed vide the Odisha Forest (Grazing of Cattle) Rules, 1980 as amended from time to time. Grazing fees shall be levied on all village cattle that are permitted to graze in open areas of reserve forests except in cases of persons who have the right to graze the cattle free in such forest upto the limit as recorded in Forest settlement records.

Professional graziers shall be charged one and half times the said rate for grazing their cattle owners who migrate from place to place for grazing cattle for a part of the year and depend on such cattle as a means of their livelihood.

### **10.8. Ban on removal of dead, diseased, dying or wind fallen trees from National Parks/Sanctuaries:**

With a view to protecting the flora and fauna of any National park or Sanctuary, Government in pursuance of the orders of Hon'ble Supreme Court of India dt. 14.2.2002, in Writ Petition (Civil) No. 202 of 1995-T.N Godavarman Thirunulped Vrs Union of India and others have banned the removal of dead, diseased, dying or wind fallen trees, drift wood and grasses etc. from any National Park or Sanctuary.

### **10.9. Audit Checks:**

The following audit checks may be exercised to assess, whether:



- The entries made in the “Register of cases compounded” and “Register of cases prosecuted” are correct with reference to the entries made in the “Register of offence cases” and “Offence Report Book”;
- There was any undue delay in settling the cases and recovering of compounding fees;
- Compounding fees were correctly assessed and realised. Trace the receipts in the Range Cash Sheet/Cash Book from the receipt books;
- Prompt action was taken to dispose off the forest produce by sale or such produce was entered in the Register of un-disposed forest produce (Form-2);
- Whether the cases prosecuted were pursued promptly and the produce disposed off by sale after the decision of the Court. This aspect may be seen with reference to the “Register of prosecution cases”;
- All timber found adrift, breached stranded or sunk are brought to account as property of the Government for further disposal;
- Rewards were granted by the competent authorities with sufficient justification on record;
- Grazing fees were collected as prescribed vide the Odisha Forest (Grazing of Cattle) Rules, 1980 as amended from time to time;
- There were no removal of dead, diseased, dying or wind fallen trees, drift wood and grasses etc. in National Park or Sanctuary as per orders of Hon’ble Supreme Court of India dt. 14.2.2002.
- There were regular reviews at various levels of RCCF, DFO etc. at frequent intervals to ensure prompt disposal of seized forest produces.

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## CHAPTER-XI

### INTERNAL CONTROL MECHANISM

#### **11.1. Introduction:**

Internal control is a management tool used to provide reasonable assurance that organisation’s objectives are being achieved as follows:

- Promoting orderly, economical, efficient and effective operations,
- Safeguarding resources against loss due to waste, abuse, mismanagement, errors and fraud and other irregularities,

- Adhering to laws, regulations, and departmental rules and procedures,
- Developing and maintaining reliable financial and management data and disclosing that data in timely reports.

While the responsibility for the adequacy and effectiveness of the internal control structure rests with the Management, the Audit Institution has a responsibility to assure that the various internal controls are working as intended and are adequate to achieve the desired results.

### **11.2. Audit of internal controls:**

The CAG's Regulations on Audit and Accounts, 2007 explain that the auditor should examine and evaluate the reliability of internal controls. In compliance audit, this includes understanding and evaluating controls that assist the executive in complying with laws and regulations applicable to the auditable entity. The type of controls that need to be evaluated depends on the subject matter, nature and scope of the particular compliance audit.

### **11.3. Risk assessment:**

In the light of the audit criteria, audit scope and characteristics of the auditable entity, auditor should perform a risk assessment to determine the nature, timing and extent of the audit procedures to be performed. The identification of risks of non-compliance and their potential impact on the audit procedures should be considered throughout the audit process. As part of risk assessment, the auditor should evaluate any known instances of non-compliance in order to determine their materiality.

(Para 2.13&14 of C&AG Compliance Auditing Guidelines)

### **11.4. Internal Controls:**

While the internal control is an integral part of an organisation's operation, it is the principal focus of Audit's attention. The objective is to ascertain the adequacy of various controls under:

- Financial Control;
- Administrative Control;
- Operational Control;
- Supervisory Control and Monitoring Control.

### **11.5. Financial Control:**

#### **11.5.1. Budgetary Control:**

Odisha Budget Manual (OBM) envisage effective adherence to budgetary controls, which among other things require the administrative departments to prepare budget estimate based on inputs from lower formations, spend within the budgeted amounts, avoid rush of expenditure towards the close of the financial year and surrender the anticipated savings in time and to ask for supplementary provision for fund only in case the original allotment would prove insufficient.

In Forest Department the budgetary control is exercised by Budget Section in Department headed by F.A.-cum-Deputy Secretary and in PCCF office by the Chief Accounts Officer.

#### **11.5.2. Expenditure Controls:**

The responsibility for control over expenditure primarily rests with the Chief Accounts Officer who is in charge of Accounts and Budget Section in PCCF office. He is to watch and review the progress of expenditure against sanctioned grants through maintenance of necessary register and to issue timely warning to the subordinate D.D.Os not to incur expenditure in excess of the allotment under different units of appropriations.

Finally, such control rest with the F.A.-cum-Additional Secretary of the Department who is also responsible for maintaining the accounts of expenditure against the grant.

#### **11.6. Administrative Controls:**

For evaluation of administrative control the organisational structure of Forest Department and delegation of administrative and financial power to different forest officer as per Rule-3 to 33 in O.F.D. Code are to be studied thoroughly. PCCF is the technical head of Forest Administration and is accountable to Government in respect of all wings (Territorial, Working Plan) except Wild Life and Kendu Leaf.

#### **11.7. Operational Control:**

Proper maintenance of the prescribed records/registers timely submission of monthly accounts to Accountant General (A&E) monthly/quarterly/six monthly/annual M.P.R., raising of demand for sale of forest produce etc. by the DFO and RCCF are the areas where operational control system is to be examined in Audit.

Audit should scrutinise the report/returns of Conservator of Forest at P.C.C.F. office to evaluate the adequacy of operational control over different operations of the Divisional Forest Officers having significant impact on revenue and of State.

#### **11.8. Supervisory Control:**

It is not enough that duties and responsibilities in management of forest business are assigned to different functionaries at different levels. Competent supervision is to be provided to ensure that internal control objectives are achieved. A constant supervision and review of work of different forest officers and staff coupled with imparting necessary guidance and training help in minimising errors, waste, and wrongful acts. The activities include:

- Following approved procedures and requirements;
- Detecting and eliminating errors, misunderstandings and improper practices;
- Discouraging wrongful acts from occurring or from recurring and □ Reviewing for efficient and effective operations.

#### **11.9. Monitoring Mechanism and Reporting Systems:**

Mere issuing guidelines, instructions etc. to field level officers who are in charge of real execution of scheme/programme etc is not sufficient to achieve the objective of the scheme. Proper monitoring the operations entrusted to the field level officers is highly essential.

Monitoring of operations should be built into the methods and procedures which administration selects to control operations and ensure that the activities meet the objective of the organisation. Hence Head of the office is required to continually monitor their operations and take prompt and responsive action on all findings of irregular, uneconomical, insufficient and ineffective operations.

#### **11.10. Internal Audit:**

Internal Audit constitutes an important element of internal control by providing a continuous means for improving an organisation's operations. A strong internal audit unit not only minimise the risk to a management but also reduce the audit work necessary by the Comptroller and Auditor General of India.

In Forest and Environment Department there is an Internal Audit unit functioning since 1969, under the direct supervision of Principal Secretary to Government. But no receipts audit is conducted separately. These internal audit findings are largely based on cash and contingency.

#### **11.11. Audit checks:**

The audit checks given below are only illustrative and not exhaustive. In evaluating the adequacy of internal control system the following aspects are to be seen in audit:

- That target fixed for production of any forest produce and revenue is achieved. If not, it may be examined to ascertain if reasons for shortfall are attributable to individual negligence or erroneous fixation of target;
- That bamboo and timber coupes are put to sale sufficiently in advance before the commencement of the harvesting season. Any delay in finalisation of lease, to be investigated to ascertain if it is due to weakness in internal control system,
- That forest produce seized are promptly disposed off. If not, reasons for delay may be investigated to ascertain the reasons thereof.
- That demand for forest produce sold to OFDC and other agencies are promptly raised. Any delay in finalisation of demand is to be investigated to find out if delay is occurring on the ground of failure of internal control.
- That no forest produce has remained unworked in a crop year on the ground that working plan has expired. Action taken for revision of working plan by concerned officers may be examined.
- That various reports and returns as envisaged in OFD Code, Manual and guidelines issued by Government and PCCF are regularly submitted by DFOs, WPOs, RCCFs to the PCCF and Government and that those are properly examined by the authorities concerned. Any non-compliance thereof may be reviewed.
- That system of reconciliation of revenue remitted to Treasury along with challans/C.T.Rs as required under S.R.-110 of O.T.C. Vol-I is regularly done by each D.D.O. every month. Any shortfall on this score is fraught with the risk of misappropriation of revenue;
- Whether the internal control system has been designed to minimize the possibility of errors, frauds and misappropriations?
- Whether the internal audit reports are utilized for effective internal control.

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## **CHAPTER-XII**

### **AUDIT PROEDURE**

#### **12.1. Introduction:**

The Audit of receipts is governed by the general principles laid down in Chapter 3 of Section II of the Manual of Standing Orders (Audit). The Audit Department should not in any way substitute itself for the revenue authorities in the performance of statutory duties. However, Audit

should satisfy itself that the requirements of legality and regularity are observed in individual assessments and in general that the departmental machinery is sufficiently safeguarded against error and fraud and that so far as can be judged, the procedures are calculated to give effect to the requirements of law.

Audit should not consider it the main part of its duties to review the judgement exercised or the decision taken in individual cases by officers entrusted with those duties, but it must be recognised that an examination of such cases may be an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual case is insufficient to enable Audit to see how the requirement of law has been complied with, audit may consider it its duty to ask for further information to enable it to form the judgement required of it as to the effectiveness of the system.

(Para 2.3.3 of MSO Audit)

## **12.2. Audit planning:**

Audit planning is the highly essential before undertaking any type of audit assignment. As prescribed vide C&AG's Guidance letter No. PPG-226 dated 23<sup>rd</sup> August 2017, in planning an audit, it is important to consider:

- The background knowledge and information required for an understanding of the audited entities so as to allow an assessment of the problem and risk, possible sources of evidence, auditability and the significance of the area considered for audit, consultation with stakeholders, if necessary, including experts in the field to build up proper knowledge;
- The audit objectives, questions, criteria, subject matter and methodology (including techniques to be used for gathering evidence and conducting the audit analysis);
- The necessary activities, staffing and skills requirements (including the independence of the audit team, human resources and possible external expertise), the key project timeframes and milestones and the main points for control.

## **12.3. Desk Review:**

The planning phase shall involve research work aimed at building knowledge, testing various audit designs and checking whether the necessary data are available. This may involve combining and comparing data from different sources, drawing preliminary conclusions and compiling findings in order to build hypotheses that can be tested against additional data. Technology and data analytics may be optimally utilised to facilitate this process.

The audit party should carry out a **Desk Review** at Headquarters before embarking on field audit. After the desk review, the audit party should prepare a **Plan of Audit Procedure** for the specific entity detailing audit objective, scope of audit, focus areas and assignment plan for the team members as given in **Appendix-III**. This should be approved by the Group Officer before such field audit.

#### **12.4. Data Analytics:**

Data Analytics should be carried out by the Data Analytics Group or Reports Section, which involve the following step:

- Map (Identify) the relevant audited entity databases and third party databases (as per Big Data Management Policy) and collect the Databases;
- Analyse it as per data analytic guidelines and audit design matrix as envisaged in the compliance Auditing Guidelines.

#### **12.5. Nature and Scope of Forest Receipt Audit:**

The aim of audit is to see that adequate procedure has been framed to ensure that the revenues due to Government are correctly assessed, promptly realised and credited to Government. Audit is to satisfy by test check that the procedure laid down is being implemented and any disregard of rules or defects of procedure are not such as to lead to leakage of revenue. The instructions contained in Chapter-4 of the C & A.G's MSO (Audit) should be kept in view in this regard.

#### **12.6. Audit Procedures:**

During audit, the auditor shall design the audit procedures for gathering sufficient and appropriate audit evidence in an efficient and effective manner. This can be approached in several stages:

- Deciding on the overall audit design (which questions to ask, e.g. explanatory/descriptive/evaluative);
- Determining the level of observation (e.g. looking at a process or individual files) and methodology (e.g. full analysis or sample);
- Specific data-collection techniques (e.g. analysis of records, questionnaire, interview or focus group). Data-collection methods and sampling techniques shall be carefully chosen.

#### **12.7. Certification of field audit process:**

The Sr. Audit Officer/Audit Officer of the field audit party should certify that the audit process was conducted as planned in accordance with the Auditing Standards and Code of Ethics and

that documentation requirement have been adhered to. The certification may be part of the Title Sheet that he filed audit party submits along with the Draft Inspection Report.

### **12.8. Result of Audit:**

The result of audit is to be submitted as **Draft Inspection Report** as per the format given in **Appendix-IV** within seven days of completion of audit for necessary vetting and approval by the Group Officer. All paragraphs having money value of Rupees Ten lakh or above and serious system lapses are to be included under Part II (A) for necessary processing of Draft Para (DP). The prescribed **Title Sheet** and **RSA Circular No-3** as provided in **Appendix- V & VI** respectively are to be invariably enclosed with the DIR. All the Preliminary Objection Memos (POMs) are to be filed in DIR with replies after due authentication from the Head of the Office under his seal and signature.

#### **12.8.1. Presentation of Draft Inspection Report:**

- Each para should clearly bring out whether the deficiency/best practice is an isolated case or it has a systemic connotation.
- The paras should be drafted in an orderly manner by identifying the criteria (both for regularity and propriety subject matters) against which the subject matter is being evaluated, describing the condition (deviation from criteria an observed in audit), correlating the cause of deviation and determines the effect of deviation. The reply of the audited entity should be incorporated and audit rebuttal/contention thereon should be clearly presented.
- While reviewing paras outstanding form previous Inspection Reports, in case of a continuing deficiency or a persistent irregularity the audit team should identify systemic issues/control deficiencies rather than routinely updating the paras with latest information/revised monetary value.

#### **12.8.2. Vetting of Inspection Reports:**

- The vetting process should ensure that every finding is supported by sufficient and appropriate evidence (Key documents) and conclusion reached should appropriate in the circumstances;
- It has to be ensured whether the IR paras have been categorised appropriately as Part-IIA and Part-IIB paras respectively;



- While seeking approval of the Group Officer for issuing the Inspection Report, a judgement of the persistent irregularities that need to be brought to the notice of the Executive through a ‘Department Appreciation Note’ needs to be taken.
- Nil IRs: In order to maintain the deterrent value of audit, some low risk entities may have to be audited and in such cases ‘Nil’ reports may have to be issued. However, it has to be ensured that the requisite process rigour has been adhered to. This should be issued only after prior approval of the PAG/AG.
- The Inspection Report should be issued within a month of completion of audit. A copy of the inspection report may be sent to the PCCF, RCCF and Government for their comments and to ensure early compliance by the concerned Divisional Forest Officer. The attention of the PCCF/RCCF/Government should be specifically drawn in respect of the important objection under the relevant paragraphs of the Report.

### **12.8.3. Grading of Inspection Reports and Paragraphs:**

The Inspection Reports should be graded so that their quality can be benchmarked. A scoring methodology has been defined to measure the efficiency and effectiveness of critical audit processes against a maximum score of 100, which would consequently be translated into a grade to evaluate the quality of Inspection Report on a scale of 10. The classification principles for categorization of Inspection Report Paras are given in **Appendix- VII** and the scoring methodology of grading matrix of Inspection Reports is provided as **Appendix- VIII**.

The vetting section in State AG Audit Offices and Reports/Headquarters sections (as appropriate) in other Field Offices should be vested with the responsibility of scoring and grading each Inspection Report.

(C&AG’s Guidance letter No. PPG-226 dated 23<sup>rd</sup> August 2017)

### **12.9. Important functions at HQs:**

The Headquarters section entrusted with the Forest Receipt audit is responsible for the following important works:

- Watching the receipts of DIRs within seven days from field and vetting and issue of the same within one month from completion of audit.

- Checking the appropriateness of inclusion of paras under Part-II (A)/PDPR as per money value or system issues supported by KDs having relevance, sufficiency and effectiveness.
- Instructing field parties in formating all paragraphs and its Annexures as appeared in previous Audit Report, especially in case of consolidated Draft Paragraphs for maintaining uniformity in reporting. Some illustrative cases are given in Chapter XV of this Manual;
- Maintenance of progress register, objection book and adjustment register which are to be closed every month and put up to Branch Officer/Group Officer for review.
- Maintenance of Potential Draft Paras Register (PDPR) and timely preparation and issue of draft audit paras with brief for the C&AG Audit Report.
- Timely submission of all periodical report returns with accurate data with the approval of the Branch Officer or Grup Officer, as the case may be;
- Pursuance of objections raised in the inspection reports till they are finally settled by independent review, compliances through DIRs or Triangular Committee Meetings.
- Study of amendments to the Act/Rules, Notifications, Circulars, Judgments of Apex Court and instructions from C&AG of India and its communication to field party members;
- Above latest orders to be maintained in guard file along with updatation in this Manual.

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## **CHAPTER-XIII**

### **COMMON OBJECTIONS IN FOREST RECEIPT AUDIT**

#### **13.1. Introduction:**

In order to give instant updated guidance to Forest Audit field parties and vetting officials at HQs, some important common objections with Act/Rule position is given in the following paragraphs. The standard paragraphs and appendix as appeared in previous C&AG Reports may also be taken as guidance to maintain uniformity in reporting by all field party members. The rates of royalty, interest, fees, rents, security deposits etc. quoted herein are applicable as on date. The same may be confirmed for any revision as per latest orders for future inclusions.

#### **13.2. Non-levy of interest on belated payment of royalty against M/s OFDC:**

In terms of Rule-42 of Orissa Forest Contract Rules, 1966, if a forest contractor fails to pay any installment 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 amount of default for the period of delay. As per provisions of para 240(e) of the Odisha Forest Department Code, the contractor is required to pay 100% royalty during the currency of the lease period. The Government of Odisha had instructed (February 1977) that the Provisions of OFC Rules should be followed in respect of lease of forest coupes to OFDC Ltd. as in case of private parties and interest will be charged for default in payment.

Test check of records of ..... Forest Division revealed that the OFDC Ltd. paid royalty of Rs..... for timber/poles etc involving .....regular/irregular lots relating to the period from ..... to ..... belatedly with delay ranging from .....to..... months. However, interest of Rs..... leviable from M/s OFDC Ltd. towards delay in payment of the dues, were not levied by the Divisional Forest Officer till the date of audit as per **Appendix-IX**.

### **13.3. Non-disposal of timber, poles etc. seized in undetected forest offence cases:**

The Government of Odisha, Forest and Environment Department in their order (August 2005) had issued instructions for early disposal of timber and poles seized in undetected (UD) forest offence cases either by public auction or by delivery to the OFDC Limited within **two months** from the date of seizure in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage.

The rates of royalty on timber regular and irregular lots for the year ..... was fixed by the Government in Forest and Environment Department in the joint meeting of PCCF, Odisha and the Managing Director, OFDC Ltd held during October .....

Scrutiny of records of ..... forest division revealed that .....cft. of timber (logs & size), ..... no. of poles, ..... qtl. of firewood seized in ..... UD cases during years ..... were lying undisposed as on 31. March ..... (Year). The prolonged storage of timber and other forest produces is also fraught with the risk of deterioration in quality. Thus due to lack of effective and timely action by the Divisions for disposal either by public auction or by delivery to the OFDC resulted in blockage of revenue amounting to Rs..... lakh as per **Appendix-X**.

### **13.4. Loss of revenue due not working of timber/bamboo coupes:**

The Conservator of Forests (Forest Utilisation), Office of the PCCF, Odisha vide his memo No..... dated ..... have directed to deliver the coupes to OFDC Ltd. during October which

will be worked during ..... as per Working Plan. Government of India, Ministry of Environment & Forests in letter No..... dated ..... has approved the Working Plan of .....Division for the period ..... to .....

The list of .....(timber/bamboo) coupes (..... nos.) to be worked out during the year ..... alongwith expected coupe wise yield in Sale Unit (SU/CFT) as per the working plan of the Division. Out of these, ..... coupes due for working have been demarcated alongwith estimated yield and were delivered to OFDC on ..... As per the estimate the expected yield in those ..... coupes worked out to ..... Sale Units (SU/CFT). Accordingly ..... agreements were executed between DFO ..... and OFDC on ..... The agreements remained in force till .....

From the files/records/correspondences/Progress Report (3F/Lease), it was observed that .....nos of coupes were not worked by OFDC during the stipulated period. The Division Office has neither taken any initiative to correspond with OFDC nor joint physical verification done to ascertain the reasons for non working of those coupes.

Thus non-working of those Bamboo coupes resulted in loss of Government revenue to the extent of Rs..... as royalty. (Estimated yield ..... SU/CFT x Rs...../-)

### **13.5. Rule Position for Procedural Irregularities:**

#### **13.5.1. Non-production of Records:**

As stipulated under Rule 185 of C&AG's Regulations on Audit and Accounts 2007, the officer in charge of the audit unit shall comply with requests for information and records in as complete a form as possible and within the specified time.

In case of non-production of required records, the reasons thereof may be recorded and brought to the notice of higher authorities through a non-money value para. If no records could be produced within suitable time limit during the audit programme, the audit may be cancelled/preclosed under this provision after giving due intimation to the auditee as well as RSA/HQs with the approval of Group Officer.

#### **13.5.2. Test Audit Note (TAN):**

This Test Audit Note containing minor and procedural irregularities (irregular maintenance of records, non-reconciliation of accounts, non-compliances to executive instructions not having monetary impact etc.) noticed during the course of audit is handed over to the DFO....., the compliances to which may be submitted to next audit for settlement.

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### APPENDIX-I

(Please refer Para 4.9)

#### **Status Report on Working Plans in Odisha as on 01.05.2017**

Sl. No	Name of the Working Plan	Territorial/WL Division covered	Status	Valid up to	Status of Revised Plan Preparation
1	Athamalik	1.Athamalik	Approved	2006-07 to 2015-16	PWPR approved and plan under preparation
2	Karanjia and Baripada	2.Baripada	Approved	1996-97 to 2015-16	-do-
		3.Karanjia	Approved	1996-97 to 2015-16	-do-
		4.Balasore(WL)	Approved	1996-97 to 2015-16	-do-
		5.Rairangpur	Approved	1996-97 to 2015-16	-do-
		6.Bhadrak(WL)	Approved	1996-97 to 2015-16	-do-
3	Parlakhemundi	7.Parlakhemundi	Approved	2006-07 to 2015-16	-do-
4	Rayagada	8.Rayagada	Approved	2006-07 to 2015-16	-do-
5	<u>Koraput</u>	9.Koraput	Approved	2006-07 to 2015-16	-do-
6	Bonai	10.Bonai	Approved	1997-98 to 2016-17	-do-
7	<u>Jeypore</u>	11.Jeypore	Working permission is granted up to 2016-17	2007-08 to 2016-17	-do-
8	Malkangiri	12.Malkangiri	Working permission is granted up to 2016-17	2007-08 to 2016-17	-do-
9	Keonjhar T & WL	13.Keonjhar T	Working permission is granted up to 2016-17	2007-08 to 2016-17	-do-
		14.Keonjhar WL	Working permission is granted up to 2016-17	2007-08 to 2016-17	-do-
10	Angul	15.Angul	Approved	2007-08 to 2016-17	-do-
11	Athagarh	16.Athagarh	Approved	2007-08 to 2016-17	-do-
12	Cuttack and Rajnagar WL	17.Cuttack	Approved	2007-08 to 2016-17	-do-
		18.Rajnagar	Approved	2007-08 to 2016-17	PWPR to be submitted
13	Phulbani	19.Phulbani	Approved	2007-08 to 2016-17	PWPR approved and Plan under preparation
14	Balliguda	20.Balliguda	Approved	2007-08 to 2016-17	-do-
15	Bolangir East	21.Subarnpur	Approved	2007-08 to 2016-17	-do-
16	Bolangir West	22.Bolangir	Approved	2007-08 to 2016-17	-do-
17	Kalahandi (N)	23.Kalahandi (N)	Approved	2007-08 to 2016-17	-do-
18	Kalahandi (S)	24.Kalahandi (S)	Approved	2007-08 to 2016-17	-do-

19	Sambalpur (N)	25.Jharsuguda	Approved	2007-08 to 2016-17	-do-
20	Sambalpur (S)	26.Samalpur	Approved	2007-08 to 2016-17	-do-
21	Bargarh	27.Bargarh	Approved	2007-08 to 2016-17	-do-
22	Rairakhol	28.Rairakhol	Approved	2007-08 to 2016-17	-do-
23	Nayagarh	29.Nayagarh	Approved	2007-08 to 2016-17	-do-
24	Puri	30.Khurda	Approved	2007-08 to 2016-17	-do-
		31.Puri (WL)	Approved	2007-08 to 2016-17	-do-
		32.City Division	Approved	2007-08 to 2016-17	-do-
		33.Chilika (WL)	Approved	2007-08 to 2016-17	-do-
25	Khariar	34.Khariar	Approved	2008-09 to 2017-18	-do-
26	Ghumsur (S)	35.Ghumsur (S)	Approved	2014-15 to 2023-24	-do-
27	Dhenkanal	36.Dhenkanal	Approved	2016-17 to 2025-26	-do-
28	Deogarh	37.Deogarh	Approved	2015-16 to 2024-25	-do-
29	Bamra Deogarh	38.Bamra (WL)	Working Scheme approved upto 2017-18	2016-17 to 2025-26	Plan submitted to GOI for approval
30	Bamra (WL) Part		Approved	2007-08 to 2016-17	
31	Sundargarh	39.Sundargarh	Approved	2014-15 to 2023-24	
32	Rourkela	40.Rourkela	Approved	2014-15 to 2023-24	
33	Boudh	41.Boudh	Approved	2013-14 to 2022-23	
34	Ghumsur (N)	42.Ghumsur (N)	Working Scheme approved upto 2016-17	2015-16 to 2024-25	Plan prepared and under scrutiny.
35	Nabarangpur	43.Nabarangpur	Expire on 31.3.2009	2017-18 to 2026-27	Plan submitted to GOI for approval.
36	Berhampur	44.Berhampur	Approved	2015-16 to 2024-25	

**APPENDIX-II**  
**(Please refer Para-7.6)**

**Statement of Certificate cases**

	No. of cases	Amount
Opening balance as on 1.4.		
Addition during		
Total		
Realisation during		
Closing balance as on 31.3		

**Year wise break up of the Closing Balance**

Year	No. of Cases	Amount

**APPENDIX-III**  
(Please refer Para 14.3)

**Format for Planning Audit Procedures**

Sl.No	Description	Details
1	Name of the Entity	
2	Period of audit	
3	Duration of audit	
4	Have the documents of the Entity(such as the Financial budgets/outcome budgets/ Results Framework Documents/Annual Report/New Policies and changes in policy, previous Inspection Reports/Performance Audits Reports conducted earlier etc	
5	Have the documents and data from secondary sources(such as Reports of the State and Union Governments and of various Commissions/Census data/Statistics put out by Government/NSSO data/digitized data available in data.govt.in, VLC data, Beneficiary data (if applicable) etc. and other sources like media reports, research reports, academic reports etc) been desk reviewed.	
6	Potential risk/focus areas that emerge of the review conducted as at (4) and (5) above	
7	List the audit objective that are intended to be pursued both on regularity and propriety aspects	
8	Summarise the planned scope of audit	
9	Audit procedures that are intended to be applied (review of records physical verification, joint inspections, external evidence collection etc)	
10	Broad Assignment Plan for each party member	
11	Other remarks	

**APPENDIX-IV** (Please refer Para 14.8)



**Audit Party of the  
PRINCIPAL ACCOUNTANT GENERAL,  
(ECONOMIC & REVENUE SECTOR AUDIT), ODISHA,  
BHUBANESWAR.**

Ph: 0674-2392367 FAX: 0674-2390880

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**DRAFT COMPOSITE INSPECTION REPORT No. /20**

Name of the Accounts audited	
Address in detail	
Period of Account audited	
Time taken for Audit	
Name of the officer in charge of the Accounts/ Office	
Designation of next higher authority	
Name of the officers conducted Audit	
Name of the Reviewing Officer	

**PART-I**

**1.1 Introductory:**

(About the audit organization, it's formation, jurisdiction, function and objectives in brief)

**1.2 Scope of audit:**

A test check and general examination of accounts records relating to Receipt and Refund Accounts for the period covered under audit u/s 16 of C&AG's DPC Act-1971.

**1.3 Audit Objective:**

**1.4 Audit Criteria:**

**1.5 Audit Methodology:**

**1.6 Demand, collection and balance of forest revenue of the Division:**

(Rupees in lakh)

Opening Balance as on 01 April....	Demand during the year	Total	Collection during the year	Balance as on 31 March ....
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**Section-A (Expenditure Account)**

(As under Section B)

**Section-B (Receipts and Refunds)**

**PART-II-A**

(For objections having money value of more that Rupees Ten lakh or serious system lapses)

**PART-II-B**

(For major procedural irregularities and money value less that Rupees Ten lakh)

**PART-**

**III** (A) Budget and expenditure (B) Settlement of

Paras:

(C) Outstanding Paras:

(D) Persistent Irregularities:

(E) Non-production of records:

**Part IV**

**Best Practices:**

Upkeep/maintenance of records like Scheme files, Cash books, Service books etc. of the Division is satisfactory. During the course of audit it was seen that the DFO ..... is very much proactive in initiation of necessary steps on audit observations. **Part V**

**Acknowledgement:**

The co-operation extended by this office in all matters including production of records, submission of information for smooth conduct of audit is duly acknowledged.

**Part VI**

**Disclaimer:**

Certified that the audit observations contained in the inspection report are based on facts and figures obtained by examination of records/information provided by the audited entity. The Audited entity may examine the observation independently and satisfy themselves and take action accordingly without referring to such audit observations.

**Sr. Audit Officer**

The (Head of the Office)..... may kindly peruse and discuss the draft Inspection Report and assent to the enclosed minutes.

**Signature of Head of Office with seal.**

**APPENDIX- V**

(Please refer Para 14.8)

**TITLE SHEET**

(AUDIT OF FOREST DEPARTMENT)

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (E&RSA),

ODISHA: BHUBANESWAR

Title sheet of Inspection Report No..... of ..... on accounts of Receipts and Refunds in the O/o The .....(Name of place)\_\_\_\_\_ for the period \_\_\_\_\_ from \_\_\_\_\_ to \_\_\_\_\_.

**PART-I**

(To be filled in by the Section Officer/Assistant Audit Officer of the field party)

**TITLE SHEET**

(TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)

<b>PART A Summary of audit results</b>		
1.	Name of the organisation audited	
2.	Name of party personnel	
	(i) Sr. Audit Officer/Audit Officer (ii) Assistant Audit Officer-I (iii) Assistant Audit Officer-II/Supervisor (iv) Sr. Auditor/Auditor	
3.	Period of Audit	
4.	Date of commencement and completion of audit (Extension of time, if any, granted may be separately included)	
5.	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes/Record of discussions. If no, provide reasons.	
6.	Number of potential paras (drawing reference to Para Nos) included in Part-II A of the Inspection Report	
7.	Number of paras (drawing reference to para nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc.	
8.	Paras relating to persistent irregularities etc. that need to be brought to the notice of HOD through Management Letter	
9.	Briefly mention the challenges faced during audit ( Nonproduction of records, Manpower or resources constraints, scope limitation etc.) and how they were addressed during the course of audit.	
10.	Suggestions for overcoming such challenges in future audits	
11.	Whether Exit Conference was held and draft Inspection Report discussed with the Head/Nodal Officer of the Audited Entity. If no, reasons may be indicated	Minutes as per annexure to be enclosed

12.	Date of submission of Draft inspection Report and all working papers to Hqrs. ( May be submitted within a period of 7 working days from the date of conclusion of audit)				
13.	Reasons for delay in submission of Draft IR etc. to Hqrs. with reference to the allotted time period, if any.				
14.	General remarks, if any.				
	<b>Part B</b> (Details of audit process followed)				
1	Whether the allocation of duties amongst each member of the Audit Team (SAO/AO/AAO/Sr.Auditor/Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members ? If no, reasons for justification may be provided.			Allocation of duties as per Annexure B to be enclosed	
2.	Sampling method adopted (Use as many rows as needed)			List of Files/vouchers/other documents reviewed may be enclosed)	
	Section/Wing being audited	Nature of document	Not selected for review	Percentage of selection	Sample method adopted
	Purchase/works/ Establishment etc.	File vouchers	Indicate actual number selected	(Indicate percentage of each category)	Random/Stratified/Judgmental
3.	Whether focussed areas identified and procedure applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit). If no, reasons and justification may be provided.				
4.	Whether all issued marked for examination by Group Officer on supervision/Hqrs section have been addressed			Compliance to Group Officer comments on supervision to be enclosed as per Annexure C	
5.	Whether all works assigned as per allocation of duties were completed. If so, provide whether the reasons and justifications are provided.			Certificate as per Annexure D to be enclosed	
6.	Briefly indicate the potential focus areas for next audit				
7.	Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed ?			Daily diary as per Annexure E to be enclosed for each member	
8.	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided ?			Certificate as per Annexure F to be enclosed	
9.	Whether key documents have been referred in the para and the source of evidence been provided as footnotes ?				
10.	Please indicate the position of outstanding paras of previous Inspection Reports.				
	Period of Inspection Reports	No. of paras outstanding (Opening)	No. of paras outstanding (Closing)	Reasons for the paras	

			remaining outstanding
11.	Whether a certificate that the audit was conducted in accordance with the CAG;s Auditing Standard 2017 has been provided	Certificate to be enclosed	
12.	Whether a certificate that the audit party has compiled with the Audit Quality Framework and Code of Ethics has been provided ?	Certificate to be included	

**Sr. Audit Officer/Audit Officer**

**ANNEXURE-A**

**Minutes/Record of Discussions at the conclusion of Audit**

Minutes of the Minutes held on \_\_\_\_\_ to discuss audit observations to be included in the draft inspection Report for the period \_\_\_\_\_ relating to the Ministry of \_\_\_\_\_/Audited Entity\_\_\_\_\_.

Members Present (Sh/Shri):

From Ministry's Side	From Audit side

(Note:- The minor and procedural irregularities which were noticed during the course of audit have either been settled on spot after taking assurance from the auditee or have been issued to the Ministry in the shape of Test Audit Note).

The audit observations were discussed in detail and necessary clarifications, wherever sought, were given from the Audit side.

It was pointed out by Audit that initial replies from the Ministry in respect of \_\_\_\_\_ audit observations were still awaited and the same may be furnished on priority. In response, the Ministry assured to send the replies at the earliest possible.

The meeting ended with vote of thanks.

Signature	Signature
(Name & Designation) From Ministry's Side	(Name & Designation) From Audit Side

**Annexure-B**

**Duty list of each member of the Audit Team**

Duties assigned	Noted and signed (Acknowledgement)
SAO/AO: Name	

AAO/Supervisor : Name 1. 2.	
Sr. Auditor/Auditor: Name 1.	

**Annexure-C**

**Follow up of supervision by the Group Officer**

Name of the Audited Entity	Date of Supervision	Comments/Queries of the Group Officer	Action taken by the Audit Team on Comments/Queries

**Annexure-D**

**Certificate at the conclusion of Audit**

We have examined all the issues as per the duty list (except the following) and necessary audit observations based on audit scrutiny, have been issued.

Sl. No.	Brief particulars of the issues which could not be seen in audit	Reasons therefore [non availability of records, time constraints, shortage of manpower, other constraints/reasons] etc.
1		
2		

**Sr. Audit Officer/Audit Officer**

**Annexure-E**

**Daily Diary of each member of the Audit Team**

Date	Brief details such as file number, item of work done, records seen and examined etc.

(Signature)

(Name of the Officer & Designation)

**Annexure-F**

**Certificate**

It is certified that:

- (a) Sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report
- (b) That the audit was conducted in accordance with the CAG's Auditing Standards 2017
- (c) The audit party has complied with the Audit Quality Framework and Code of Ethics

**Sr.Audit Officer/Audit Officer**

**APPENDIX-VI**

(Refer para 14.8)

**RSA Circular No. 3**

**Statement showing results of audit of the unit covered under audit**

Sl. No	Name of the Auditee units	Revenue collected during the year (Rs in Lakh)	Total no. of cases assessed/ executed/ finalised etc with money value	Total no. of cases scrutinized out of Col. No.4 (cases/ value)	Objection raised		No. of audit observations accepted out of Col. No. 6 &7		Amount recovered/ realized		Remarks
					No. of cases	Amount (Rs in Lakh)	No. of cases	Amount (Rs in Lakh)	No. of cases	Amount (Rs in Lakh)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

**APPENDIX-VII**

(Refer para 14.8.3)

**Classification principles for categorization of Inspection Report Paras**

<b>Classification Principle</b>	<b>Category</b>	<b>Part-II A</b>	<b>Part-II B</b>
<b>a) Nature of Objection</b>	<p><b>1) Systemic issues</b></p> <p><b>2) Isolated cases</b></p>	<p><b>Systemic Issues:</b> Systemic deficiencies/weakness/deviations (other than issues that are only procedural) subject to materiality as per (b) below.</p> <p><b>Isolated cases:</b> Individual cases of deviation/violation and aberrations that relate to operational, functional and financial matters subject to materiality as per (b) below.</p>	<p><b>Systemic Issues:</b> Procedural deviations that do not significantly impair process (es). outputs and outcomes</p> <p><b>Isolated cases:</b> Individual cases of deviation/violation and aberrations that relate to establishment, personnel, administrative and other miscellaneous matters.</p>
<b>(b) Materiality</b>	<p><b>1) Quantitative</b></p> <p><b>2) Qualitative</b></p>	<p>Issues that are quantifiable (quantitative)-Materiality value has to be determined for each audited entity.</p> <p>Issues where materiality is determined by context (Qualitative)-Materiality has to be determined based on professional Judgment after considering various factors that are enumerated in Compliance Auditing Guidelines (para 5.11).</p>	<p>Cases of (a) above and those that ordinarily pertain to Part-II-A but are not material.</p> <p>However, cases that can be classified as trivial need not be reported.</p>
<b>(c) Fraud and misappropriation, presumptive fraud, Leakage of revenue</b>	NA	All cases to be taken as Part-II-A	NA

**APPENDIX-VIII**

(Please refer para 14.8.3)

**Matrix for grading the Inspection Reports**

Sl. No	Process Parameter	Allocated score	Scoring methodology	References to Compliance Auditing Guidelines
<b>1</b>	<b>Planning:</b>	<b>30</b>		<b>Chapter 4</b>
<b>1(a)</b>	<b>Desk review- Understanding the auditable entity:</b>			
	Review of guard file, data analysis and understanding internal controls. This should comprise review of both internal documents and external applicable data bases/data.	10	<p><b>This has two dimensions:</b></p> <p><b>Review of Internal documents (Max score-5):</b> A comprehensive review of the entire range of available documents would yield the maximum score of 5 and a limited/restricted review would have to be correspondingly scored lower than 5. Review of internal documents include budgets-financial and outcome, rules/regulations, past audit findings etc.</p> <p><b>Review of relevant external databases (Max score-5):</b> A comprehensive review of the entire range of available data/data sets/reports would yield the maximum score of 5 and a limited/restrictive review would have to be correspondingly scored lower than 5. Review of external data includes data analysis of relevant databases, reports/statistics of Govt. etc.</p>	Para 4.3, 4.10 to 4.15, 4.20 and Hqrs. guidelines on Data analytics and compliance audit
	Identification of potential risk/focus areas	10	<p>This has two dimensions:</p> <p><b>Focus areas from past audits (Max score-5):</b> Identification of persistent irregularities, systematic issues emerging from past audit findings would be scored based on the range of areas identified upto a maximum of 5.</p> <p><b>New focus areas (Max score-5):</b> Identification of any new focus area(s) would yield a score of 5.</p>	
<b>1(b)</b>	<b>Audit Plan- Planning audit procedures:</b>			
	Determination of scope of audit and Audit Objectives	05	Determination the scope and audit objectives duly approved by the Group Officer (as per the prescribed template) prior to commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	<b>Para 4.6 to 4.8</b>
	Deciding the assignment plan for team members, audit procedures and preparation of audit design matrix if applicable.	05	Deciding the assignment plan and broad audit procedure duly approved by the Group Officer (as per the envisaged template) prior to commencement of audit would fetch a score of 5. Not doing so would yield a score of zero.	<b>Para 4.16 and 4.17</b>
<b>2</b>	<b>Conducting the audit:</b>	<b>45</b>		<b>Chapter 5</b>
<b>2(a)</b>	<b>Findings and evidence:</b>			



	Extent of findings from identified risk/focus areas	25	<p><b>The score against this parameter would have to be determined on the basis of the percentage/rate of conversion of risk/focus areas identified (as at 1 (a) above) into findings in the Inspection Report. The specific findings from other than focus areas included in the Inspection Report would also be considered.</b></p> <p>(A) Clear cases of over payments/wasteful or infructuous expenditure/leakage of revenue/revenue foregone or short collected/frauds or presumptive</p>	Paras 5.10 to 5.14
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			<p>frauds/losses/non-compliance with laws or rules/violation of contractual obligations/undue favour to contractors/service providers (scoring to be based on proportion of such paras to total paras in IR e.g if all paras in the IR fall in this category it would fetch full score of 25. If 60% of the paras fall in this category it would fetch a score of 15 i.e 60% of 25)- Max score-25).</p> <p>(B)Clear cases of idle investments/blocking of funds/delays in procurements, commissioning of equipment, project execution and diversion or misutilisation of funds (scoring to be based on proportion of such paras to total paras in IR e.g if all paras in the IR fall in this category it would fetch full score of 15. If 20% of the paras fall in this category it would fetch a score of 3 i.e 20% of 15) Max Score-15).</p> <p>(C)Procedural issues either not involving financial implications or having financial implications lower than materiality (scoring based on proportion of such paras in IR e.g if all paras in the IR fall in this category it would fetch full score of 5. If 20% of the paras fall in this category it would fetch a score of i.e 20% of 5)- (Max score-5).</p> <p>In case of 'NIL', Inspection Reports, the conduct of audit has to be evaluated against the nature of the audited entity (high risk/medium risk/low risk) focus areas that have been pursued against applicable audit criteria. The scoring would be based on proportion of focus areas that were pursued vis-à-vis that were identified during planning stage and compliance to the envisaged audit process (if all areas were satisfactorily pursued against applicable audit criteria and the audit process was followed it would yield a full score of 25 else the score would have to be proportionately reduced).</p>	
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	Extent of sufficient and appropriate Evidence (Key documents) obtained and evaluated.	10	<p><b>Part-II-A-(Max Score-8):</b> The score against this parameter would have to be determined on the basis of the percentage of paras in the Inspection Report for which sufficient and appropriate evidence have been obtained and evaluated. (e.g. If the IR has 20 Part-II-A paras and full set of KDs (evidence) have been obtained for only 14 pars (70% of paras), this parameter would fetch a score of 5.6 (70% of the maximum allocated score of 8).</p> <p><b>Part-II-B-(Max Score 2):</b> The score against this parameter would be on similar basis as envisaged for Part-II-A paras above.</p>	<b>Paras 5.5, 5.6, 5.10 to 5.14</b>
<b>2(b)</b>	<b>Documentation:</b>			<b>Para 5.10 to 5.15</b>
	Preparation of Audit file and documentation of working papers Extent of field work done-	10	Preparation of Audit file comprehensively as envisaged in Compliance Auditing Guidelines and containing the audit strategy, scope and methodology, sample selection, audit procedures applied. Audit Design and Audit Findings matrices (where applicable) etc and documenting the working papers	
			comprehensively as envisaged in Compliance Auditing Guidelines and detailing the extent of work done, contracts/agreements examined etc would yield the full score of 10. The score against this parameter would have to be proportionately reduced based on the extent of gaps in documentation observed during the process of vetting the IR. This is applicable for NIL IRs also.	
<b>3</b>	<b>Reporting:</b>	<b>25</b>		<b>Chapter-6</b>
<b>3(a)</b>	<b>Drafting and presentation:</b>			
	Drafting quality	05	The score against this parameter would have to be <b>Para 6.5 and</b> determined on the basis of extent of revision that was <b>Hqrs.</b> necessary while vetting the IR. This is not applicable <b>Guidelines</b> for NIL I	
	Appropriate classification of paras	05	The score against this parameter would have to be <b>Guidelines</b> into Part-II-A and Part-II-B determined on the basis of the proportion of paras that <b>issued by</b> were incorrectly classified to the total paras (e.g if two <b>Hqrs.</b> out of six paras in the IR were incorrectly classified (which had to be rectified during vetting process) i.e 30% incorrectly classified and 70% correctly classified, the score to be awarded would be 3.5 (70% of the total score). This is not applicable for NIL I	
	Mortality of paras	05	The score against this parameter would be determined on the basis of percentage of paras retained (number of paras retained with reference to total paras in Draft IR) during the vetting process, i.e if 80% of the paras have been retained, the score to be awarded would be 4 (80% of the total score). This is not applicable for NIL I	
<b>3(b)</b>	<b>Timeliness:</b>			<b>Para 6.4</b>
	Submission of Draft IR	05	Despatch of Draft IR/emailing the Draft IR promptly (7days) would yield the full score of 5, which would be proportionately reduced for delays as under: Delay upto five days: 4 Delay upto seven days : 3 Delay upto Nine days: 2	
			90	

Delay upto 12 days : 1  
 Delay > 12 days : 0

Issue of IR

05 This would apply to NIL IR also.  
 Issue of IR promptly within in the specified time (30 days) would yield the full score of 5, which would be proportionately reduced for delays as under:  
 Delay upto five days: 4  
 Delay upto one week : 3  
 Delay upto 10 days : 2  
 Delay upto two weeks: 1  
 Delay > two weeks : 0

This would apply to NIL IR also.

**Total 100**

**IR Grading:**

Score of IR	Less than 25	26-30	31-35	36-40	41-45	46-50	51-60	61-70	71-80	81-90	91-100
<b>IR Grade</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>



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## REVENUE SECTOR AUDIT



# FOREST RECEIPT AUDIT MANUAL

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(UPDATED IN 2018)

ISSUED BY  
THE PRINCIPAL ACCOUNTANT GENERAL,  
(ECONOMIC AND REVENUE SECTOR AUDIT),  
ODISHA, BHUBANESWAR.