

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2014-2016)**

NINETY THIRD REPORT

(Presented on 30th June, 2015)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2015**

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On

**Paragraphs relating to Taxes and Forest and Wildlife Departments contained in
the Report of Comptroller and Auditor General of India for the
year ended 31st March, 2010 (Revenue Receipts)**

CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1-17
Appendices :	
I. Summary of main Conclusions/Recommendations	.. 18-19
II. Notes furnished by Government	.. 20-21

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on its behalf present the 93rd Report on paragraphs relating Taxes and Forest and Wildlife Departments contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010 (Revenue Receipts).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010 (Revenue Receipts) was laid on the Table of the House on 28th June, 2011.

The Committee considered and finalised this Report at the meeting held on 3rd June, 2015.

The Committee place on record its appreciation of the assistance rendered to them by the Accountant General in the Examination of the Audit Report.

Thiruvananthapuram,
30th June, 2015.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT

TAXES AND FOREST DEPARTMENTS

OTHER TAX RECEIPTS

STATE EXCISE

Tax administration

Excise Department is under the control of Principal Secretary (Taxes) at the Government level and the Excise Commissioner is the head of the department. The Abkari Act governs the law relating to import, export, transport, manufacture, sale and possession of intoxicating liquor and drugs in the State. The receipt is mainly derived from the duty on foreign liquor and spirits.

Trend of receipts

Actual receipts from excise during the last five years (2005-06 to 2009-10) along with the budget estimates during the same period is exhibited in the following table and graph:

<i>(Rupees in crore)</i>						
Year	Budget Estimates	Actual receipts	Variation excess (+)/ shortfall(-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax/ non-tax receipts
2005-06	825.82	841.00	(+) 15.18	(+) 1.84	9,778.62	8.61
2006-07	944.73	953.07	(+)8.34	(+) 0.88	11,941.82	7.98
2007-08	986.86	1,169.25	(+) 182.39	(+) 18.48	13,668.95	8.55
2008-09	1,299.85	1,397.64	(+) 97.79	(+) 7.52	15,990.18	8.74
2009-10	1,440.52	1,514.81	(+) 74.29	(+) 5.16	17,625.02	8.59

Thus, the percentage of variation which was 1.84 in 2005-06 went up to the level of 18 but subsequently came down and stood at five in 2009-10. We observed that State excise receipts were around eight per cent of the total tax receipts of the State during the years 2005-06 to 2009-10.

Though the budget estimates were enhanced marginally from 2005-06 to 2009-10, the actual receipts were more throughout the period and in 2007-08 the variation was as high as 18 per cent. This indicates that the budget estimates were not prepared based on proper analysis of actual receipts and future potential.

Cost of collection

The gross collection of revenue receipts under the head State excise, expenditure incurred on collection and the percentage of expenditure to gross collection during 2005-06 to 2009-10 along with the all India average percentage of expenditure on collection to gross collection for relevant years are mentioned below:

Year	Collection	Expenditure on Collection of revenue	Percentage of expenditure to gross collection	All India average percentage
2005-06	841.00	48.78	5.80	3.40
2006-07	953.07	58.07	6.09	3.30
2007-08	1,169.25	69.40	5.94	3.27
2008-09	1,397.64	72.84	5.21	3.66
2009-10	1,514.81	83.31	5.50	Not available

We noticed that the expenditure on collection in respect of State excise was higher than the all India average.

We recommend the Government to examine the reasons for such high costs of collection and take appropriate measures to bring down the cost.

IMPACT OF AUDIT

Revenue impact

During the last four years, we pointed out non-levy of import fee, non/short remittance of gallonage fee, delay in crediting rentals of toddy shops etc., with revenue implication of ₹ 209.28 crore in 190 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 69.62 crore and had since recovered ₹ 83.58 lakh. The details are shown in the following table:

(Rupees in lakh)

Year of Audit * Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2005-06	28	178.00	35	40.62	28	9.85
2006-07	31	12,657.00	23	35.81	23	9.35
2007-08	55	2,756.00	52	3,756.00	26	62.08
2008-09 Vol. I	76	5,337.00	40	3,130.00	10	2.30
Total	190	20,928.00	150	6,962.43	87	83.58

We noticed that the Government failed to recover even the amount it has accepted.

We recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases are promptly recovered.

Amendments in the Acts/Rules/Notification/Order issued by the Government at the instance of audit

On the basis of the paragraph featured in the Audit Report (RR) for the year 2009, the Government amended the Foreign Liquor Rules to permit loss in import, transit or storage of foreign liquor not exceeding 0.05 per cent in the case of foreign liquor and 0.25 per cent in the case of beer and to impose gallonage fee for liquor found short in excess of the permissible wastage.

Working of internal audit wing

Additional Excise Commissioner (Administration) monitors the functioning of the Internal Audit Wing (IAW) in the State Excise Department. The IAW has strength of one Joint Excise Commissioner, one Assistant Excise Commissioner, four Circle Inspectors and six Preventive Officers. The department has not prepared a separate internal audit manual. Norms for selection of audit have not been fixed by the department so far. Out of the total number of 307 units in the department, 45 units were audited during 2009-10. 105 paragraphs involving ₹ 71.56 crore relating to 63 IRs remained outstanding at the end of March 2010.

We recommend that the IAW may be strengthened so that they are able to achieve their planned audit target. Besides, a mechanism needs to be installed for timely settlement of the audit observations raised by the IAW.

Results of audit

During 2009-10 we test checked the records of 129 units relating to State Excise Department. We detected non/short remittance of gallonage

fee and other irregularities involving ₹ 21.47 crore in 54 cases which fall under the following categories:

			<i>(Rupees in crore)</i>
<i>Sl. No.</i>	<i>Categories</i>	<i>No. of cases</i>	<i>Amount</i>
1	Non-levy of import fee	7	20.34
2	Non/short realisation of cost of establishment	18	0.51
3	Non/short remittance of gallonage fee	7	0.33
4	Delay in crediting rentals of toddy shop & consequent loss by way of interest	1	0.11
5	Sale of liquor without renewal of brand registration	2	0.06
6	Wastage in transit involving gallonage fee	4	0.05
7	Other lapses	15	0.07
Total		54	21.47

The department accepted underassessment and other deficiencies of ₹ 39 lakh in 39 cases, of which two cases involving ₹ five lakh were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 39 lakh was realised in 39 cases during the year 2009-10. A few illustrative cases involving ₹ 68.79 lakh are mentioned in the following paragraphs:

Audit observations

Scrutiny of the records of various State Excise Offices and Commercial Tax Offices revealed several cases of non-compliance of the provisions of the Kerala Rectified Spirit Rules, 1972, Kerala Abkari Act, Kerala Tax on Luxuries Act, 1976, etc. and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Excise Officers/CTOs are pointed out in audit each year but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system.

Short realisation of gallonage fee

(Excise Office, KSBC Warehouse, Kollam; January 2010)

Under the Kerala Rectified Spirit Rules, gallonage fee shall be collected on rectified spirit issued from a distillery at the rate in force at the time of such issue. Further, the Rules do not permit wastage to be allowed on spirits after they have been once bottled. As per Section 17 and 18 of the Abkari Act, the full duty includes excise duty and gallonage fee. Gallonage fee payable was at the rate of ₹ 6.75 per bulk litre.

We noticed that the 13462623 bulk litres of Indian Made Foreign Liquor were transported from the warehouse for which gallonage fee leviable was ₹ 9.09 crore. But the gallonage fee remitted by KSBC was only ₹ 8.83 crore. The Excise Officer did not raise demand for realisation of balance fees. This resulted in short collection of gallonage fee of ₹ 26 lakh. After we pointed out the matter, the department stated (January 2010) that the case has been brought to the notice of higher authorities. We have not received information of further development (December 2010). We reported the matter to the Government in March 2010. We have not received their reply (December 2010).

(Excise Offices attached to Six FL9 Warehouses*)

We scrutinised the records of the Excise Offices attached to six FL9† Warehouses between February 2009 and January 2010. We noticed that gallonage fee was not levied on 75324.50 bulk litres of IMFL and beer. The gallonage fee leviable at the rate of ₹ 6.75 per bulk litre works out to ₹ 5.08 lakh.

We pointed out the cases between February 2009 and January 2010. The Department stated (between March 2009 and January 2010) that detailed replies would be furnished. We have not received their reply (December 2010). We reported the cases to the Government in December 2009. We have not received their reply (December 2010).

(Excise office in two distilleries‡; between December 2009 and February 2010)

We noticed that the excise offices attached to two distilleries allowed transit wastage and storage wastage on 43975.37 bulk litres of IMFL and beer resulting in non-levy of excise duty of ₹ 2.97 lakh. After we pointed out the matter to the department in December 2009 and February 2010, the department stated (February 2010) that the defect would be rectified. We have not received

* Office of Circle Inspectors of Excise: Attingal, Kollam, Nedumangad, Pathanamthitta, Thodupuzha and Thrissur.

† FL-9: Licence for possession and supply of foreign liquor in wholesale issued to Kerala State Beverages Corporation by Excise Commissioner.

‡ Offices of Circle Inspectors of Excise, FL9 Warehouses: Thiruvalla and Thrippunithura.

information of further development (December 2010). We reported the matter to the Government in April 2010. We have not received their reply (December 2010).

Delay in crediting excise duty and consequent loss by way of interest
(*Excise Division Office, Kottayam; November 2009*)

The Kerala Excise Manual insists that the officer-in-charge shall be responsible for the correct collection of duty and penalty, if any, at the prescribed rate. The Kerala Financial Code Volume I envisages that the departmental figures should be reconciled with the treasury figures and the signature of the Treasury Officer obtained.

We noticed that in 10 excise range offices, the total rental amount of ₹ 4.29 crore was not paid by way of bank draft but deposited in Treasury Public (TP) account of the licensee which was credited in Government account in October 2009 only. The excise officer who controls the TP account operation failed to get the amount credited to the Government account immediately. The delay in crediting the rental amount from TP account had resulted in loss to Government by way of interest payment of ₹ 10.73 lakh* afforded to the licensee.

After we pointed out the matter in November 2009, the department stated (November 2009) that the case would be examined. We have not received information of further development (December 2010).

We reported the matter to Government in February 2010. We have not received their reply (December 2010).

(AEC, KSBC Ltd. Thiruvananthapuram; October 2009)

We noticed that the KSBC remitted ₹ one crore in August 2005 towards excise duty for the period 2005-06. But it was credited in the head of account '0039' only on 23rd March, 2007 in the treasury account after a lapse of 18 months. The delay in crediting the excise duty into the Government account resulted in loss of revenue of ₹ 7.50 lakh by way of interest.

We reported the matter to Government in March 2010. We have not received their reply (December 2010).

We recommend that the departmental officers should reconcile the remittances with the treasury figures and the signature of the Treasury Officers obtained.

* Interest calculated at the rate of five per cent applicable to Deposits in Treasuries vide G.O.(P) No. 51/07/Fin. dated 9th February, 2007.

Sale of liquor without renewal of brand registration and consequent non-realisation of revenue

(Excise Office, Devicolam Distillery, Ernakulam; January 2010)

The Foreign Liquor (Registration of Brand) Rules, 1995 prescribes fee for registration of brand at ₹ 50,000. In the case of brands owned by distilleries outside the State and bottling unit in the State of Kerala the fee leviable is ₹ 1,00,000. The validity of registration is one year.

We noticed that the distillery did not register the brand name of five brands (Esteem XXX Rum, New Janatha Dry Gin, Colombia Brandy, Colombia XXX Rum, Officers Choice Brandy) of IMFL produced and sold on behalf of John Distillery, Bangalore. The Excise Officer attached to the distillery failed to levy the fee for registration of brands. The non-registration of brand name resulted in non-realisation of revenue of ₹ five lakh by way of registration fee.

After we pointed out the matter, the department stated (January 2010) that the case would be examined. We have not received information of further development (December 2010).

We reported the matter to the Government in March 2010. We have not received their reply (December 2010).

LUXURY TAX

Short levy of luxury tax

[CTO (LT), Thiruvananthapuram; March 2009]

As per Section 2(f) of the Kerala Taxes on Luxuries Act, luxury provided in a hotel means accommodation for residence or use and other amenities and services provided in the hotel.

An assessing officer finalised the assessments for the years 2004-05 and 2005-06 of an assessee engaged in hotel business in March 2009. We noticed that the AA did not take into account the income relating to foreign exchange gain amounting to ₹ 44.68 lakh during the year 2004-05 and other service income and accommodation charges valued at ₹ 34.72 lakh for the years 2004-05 and 2005-06 in the taxable turnover. This resulted in short levy of tax of ₹ 11.51 lakh.

After we pointed out the matter to the department in April 2009, the department stated in March 2010 that the assessment for 2004-05 and 2005-06 were revised creating an additional demand of ₹ 11.91 lakh. We have not received a report on recovery (December 2010).

We reported the case to the Government in September 2009; we have not received their reply (December 2010).

[Audit paragraphs 7.1 to 7.11 contained in the report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Revenue Receipts).]

Notes furnished by the department is included as Appendix II.

Regarding the variation of 18% increase of actual receipt during the year 2007-08 than budget estimate, the Committee was informed that the change in the excise policy of State Government, which was declared after the estimation of budget, reflected in the actual receipts. The Committee accepted the explanation furnished by the Department.

2. The Committee enquired the reasons for incurring expenditure twice than the national average by the State Excise Department, the witness Commissioner of Commercial Taxes informed that the cost of establishment of State Excise Department was always higher than the national average. He also enlisted the meagre revenue earned through auction of toddy shops across the State and the amount expended in respect of anti liquor awareness programmes conducted by the Excise Department were the reason for hike in expenditure. He submitted that the department could not either reduce the establishment cost or enhance the means of revenue.

3. The Committee noticed that the State Excise Department had failed to collect the import fee even in accepted cases. The witness, Commissioner of Commercial Taxes submitted that it was a misinterpretation as the Audit considered all the cases for which notices were issued as accepted cases. He also informed that decision had been made not to levy import fee on Extra Neutral Alcohol and necessary amendments had been brought to the Act in this regard. The Committee accepted the explanation furnished by the department.

4. With regard to the audit reference, the witness, Commissioner of Commercial Taxes Department submitted that the shortage of staff in the internal audit wing was the prime reason for lagging of audit. The Committee opined that had the internal Audit Wing in the State Excise Department acted effectively, the cases pointed out by Audit could have been avoided. It emphasized that being revenue earning department, the Internal Audit Wing of Excise Department need to be strengthened. So the Committee decided to recommend that Internal Audit wing of State Excise Department should be strengthened by creating requisite number of posts and Finance Department should not impose TA ceiling limit for the Audit Wing.

Conclusion/Recommendation

5. The Committee strongly recommends that Internal Audit Wing (IAW) of the State Excise Department should be strengthened by creating requisite number of posts. It also recommends that the Finance Department should make necessary amendments in the relevant rules to lift the ceiling on Travelling Allowance of persons engaged with audit.

FOREST DEPARTMENT

Audit Paragraph

NON-TAX RECEIPTS

Tax administration of Forest department

Forest department is under the control of the Principal Secretary (Forest) at Government level and the Principal Chief Conservator of Forest is the head of the department. The Kerala Forest Act, 1961 governs the laws relating to protection and management of forests in the State. The receipts of the department include receipt from the sale of timber and other forest produce, royalty on raw materials supplied, lease rent, licence fee etc.

Trend of receipts

Actual receipts from Forest department during the years 2005-06 to 2009-10 along with the budget estimates during the same period is exhibited in the following table and graph:

Year	Budget estimates	Actual receipts	Variation excess(+)/ shortfall(-)	Percentage of variation	Total non-tax receipts of the state	Percentage of actual receipts vis-à-vis total non-tax receipts
2005-06	249.67	189.63	(-) 60.04	(-) 24.05	863.79	21.95
2006-07	250.32	174.56	(-) 75.76	(-) 30.27	844.51	20.67
2007-08	268.44	154.45	(-)113.99	(-) 42.46	1,078.00	14.33
2008-09	191.21	223.71	(+) 32.50	(+)17.00	1,390.00	16.09
2009-10	227.80	272.80	(+) 45.00	(+)19.75	1,633.22	16.70

We noticed that the actual receipts was significantly less than the budget estimates during 2005-06 to 2007-08 and it was significantly higher than budget estimates during 2008-09 and 2009-10.

We recommend the department to streamline the budgeting process to prepare realistic budget estimates.

Working of internal audit wing

The Internal Audit Wing (IAW) in the Forest department functions under the general supervision of the Chief Conservator of Forest (Development). Two teams with strength of two Junior Superintendents, four Upper Division/Lower Division Clerks are functioning under the supervision of Senior Finance Officer.

The department has not prepared a separate internal audit manual. The selection of staff for IAW is on the basis of experience, which is fixed as five years, and they are deployed after orientation training. Against a target of 342 units, the department could conduct audit of 135 offices during 2009-10 leaving 207 offices in arrears. The department attributed the shortage of staff as the reason for the shortfall.

We recommend that the IAW may be strengthened so that they are able to achieve their planned audit target. Besides, a mechanism needs to be installed for timely settlement of the audit observations raised by the IAW.

FOREST RECEIPTS

Due to lack of co-ordination of Forest Department, non-execution/non-payment/non-revision of lease agreement/lease rent, non-collection of entry fee and non-realisation of tree value, the forest department had incurred a revenue loss of ₹ 58.53 crore.

Non-payment of lease rent to Government

(DFO, Chalakudy; November 2009)

Lease rent payable for forestland leased out to Public Sector Undertakings was ₹ 1,300 per hectare per annum with effect from 18th December, 1987.

We noticed that the department leased out an extent of 4261.04 ha of forest land in Chalakudy Division to M/s Plantation Corporation of Kerala Ltd. and lease rent due as on 31st March, 2008 was ₹ 27.95 crore. Even though the company was providing in its books of accounts lease rent at ₹ 1,300 per ha., payment was made at the rate of ₹ 475 per ha. till 1998-99 and from 1998-99 onwards no amount was paid towards lease. Besides, the company was debiting lease rent payable under the Profit and Loss Accounts and claiming deductions under the AIT Act, at the full rate. The Government declared a moratorium on payment of lease rent till repayment of a loan from Canara Bank was over. We found that the company had a net profit of ₹ 2.62 crore in 2005-06 and ₹ 11.41 crore in 2006-07, whereas the loan outstanding was only ₹ 9,653. The schedule forming part of the final accounts for 2008 showed that there was no loan outstanding in the above bank. This indicates that the company maintained

a negligible balance of secured loan account in order to retain moratorium on repayment of lease rent. Thus, the grant of moratorium to the company having net profit which was very huge compared to loan outstanding has enabled the company to avoid payment of lease rent of ₹ 27.95 crore. This resulted in non-realisation of lease rent of ₹ 27.95 crore.

After we pointed out the case to the department, the department stated (November 2009) that it took up the matter with the higher authorities. We have not received information of further developments from them (December 2010).

We reported the matter to the Government in February 2008. We have not received information on further developments from them (December 2010).

**Non-execution of lease agreement with Kerala State Electricity Board (KSEB)
(Divisional Forest Office, Malayattoor; May 2009)**

The Government allotted KSEB 3,105.65 ha. of forestland under Chalakudy and Malayattoor divisions in March 1974. An agreement between KSEB and the Government was to be executed before the land was handed over. The lease rent was ₹ 1,300 per ha. per annum from December 1987 onwards.

We scrutinised the records of Divisional Forest Office, Malayattoor and noticed that KSEB took possession of 3105.65 ha. of forestland on lease without executing the lease agreement. The Government approved in March 2006 the draft lease deed specifying the terms and conditions of lease as well as the rate of lease rent and authorising the DFO, Malayattoor division to sign the lease deed on behalf of the Government. Non-execution of lease agreement resulted in non-levy of lease rent. The lease rent leviable from the KSEB for the period from 1974 to 2009 worked out to ₹ 23.28 crore. The KSEB is also liable to pay ₹ 24.22 lakh towards stamp duty and registration fee had the document been registered as required under the Stamp Act.

After we pointed out this case in May 2009, the Divisional Forest Officer, Malayattoor stated (May 2009) that the matter was reported to the Conservator of Forest (Thrissur) and Chief Conservator of Forest (P) in July 2006. The department had, however issued countersigned challan to KSEB for ₹ 23.28 crore for the period from 1973-74 to 2009-10.

We reported the matter to the Government in March 2010; we have not received their reply (December 2010).

Loss of revenue due to non-revision of lease rent of forestland leased to private parties

(Forest Divisions, Nemmara and Chalakkudy; November 2009)

The Kerala Grants and Leases (Modification of Rights) Act, 1980 governs the rights under grants and lease of land made for cultivation. The Act empowers the Collector to revise the lease rent periodically as per Section 5 of the Act. However, the department did not frame the Rules for implementation of the Act. The rate of lease rent applicable to forestland leased out to private parties was fixed during pre-independence period and ranged from ₹ 2.47 per ha. to ₹ 12.35 per ha. The Government revised the rates of lease rent applicable for PSUs with effect from 18th December, 1987, fixing the rent at ₹ 1,300 per ha. Even when the rates levied on PSUs were enhanced to ₹ 1,300 per ha. lease rent collected from private parties continued to remain at the pre-independence rate.

We noticed that the department collected lease rent of ₹ 1.87 lakh for 4553.257 ha. of forestland leased out to private parties* by applying the pre-independence period rates. Adopting the lease rent fixed for forestland leased to the PSUs, the short realisation of lease rent worked out to ₹ 11.95 crore for the period from December 1987 to December 2008.

After we pointed out the matter in November 2009 to the department, the department stated (November 2009) that even though the Kerala Grants and Leases (Modification of Rights) Act came into force with effect from 23rd June, 1980, the Government did not approve the rules for the implementation of the Act and hence the lease rent of private holdings could not be revised. The reply tantamount to admission of laxity on the part of the Government in revising the lease rent realisable from the private parties. Further, had the rates been fixed while fixing the rates applicable to the PSUs, additional resources could have been generated.

We reported the matter to the Government in March 2010. We have not received information on further developments from them (December 2010).

Loss of revenue due to lack of co-ordination between Forest Department and PSU

(Divisional Forest Office, Palakkad; October 2008)

The Forest Department by a notification issued in August 2006 sold in auction 2 lakh cu.m. of residue sand obtained from limestone mines leased to a Government undertaking (M/s Malabar Cements Ltd.) in Walayar Range in Palakkad Division. The highest bid amount of sand was ₹ 350 per cu.m. The

* Alexandria, Beatrice, Chandramala, East Pullala, Manalaru, Meeraparas, Monkad, Oriental Valavachal and Victoria.

contractor was required to remove the sand within nine months of the contract. The contractor could use the forest road within the company premises with the prior permission of Forest Department for transportation of sand. The contractor was responsible for making new approach road, if any, needed for extraction of sand with the approval of the department.

We noticed that the sand was not lifted due to objection by the company although the terms of agreement contemplated transport of materials through the road constructed by M/s MCL Ltd., in the leased forestland. Lack of co-ordination between Forest Department and PSU and failure of the department to facilitate transportation of sand had led to loss of revenue to the tune of ₹ seven crore.

After we reported the matter to the Government in December 2009, the Government stated (January 2010) that it was decided to undertake extraction of silt from the very same deposit located in the mining area of the company. We have not received further report (December 2010).

**Non-collection of entry fee from Forest Development Agency
(Office of Wildlife Warden, Wildlife Division, Munnar; February 2010)**

By a notification dated 11th November, 2005, the Government revised the rates of entry fee for tourists, vehicles etc. to National Parks, Wildlife Sanctuaries and Tiger reserves. The rate of entry fee for light vehicle is ₹ 50 per day.

We noticed that during August 2009, 6480 vehicles have entered inside the Eravikulam national park for transporting tourists. However, the department did not collect the entry fee as prescribed. Non-collection of the entry fee works out to ₹ 3.24 lakh. After we pointed out the case in February 2010, the department stated (February 2010) that the arrangement for transportation of tourist by the Forest Development Agency (FDA) was a reciprocal commitment from the part of park management to tackle the visitor management problem. The reply was not tenable, as the Government had fixed the fees for entry of vehicles to national parks.

We reported the matter to the Government in March 2010. We have not received information of further developments from them (December 2010).

**Non-realisation of tree value
[Office of ACF (SF), Malappuram; May 2009]**

Cutting and removal of trees on public land requires permission of the Forest Department. In the case of trees planted by social forestry wing, 20 per cent of tree value and forest development tax on the total sale value had to be remitted to the Forest Department.

We noticed cutting of trees planted by the Social Forestry Wing in the premises of six institutions/departments* valued at ₹ 12.31 lakh, for the improvement of roads. However, the department did not levy and collect the tree value and forest development tax amounting to ₹ 3.08 lakh.

After we pointed out the matter in May 2009 to the department, the department stated (May 2009) that the tree value and forest development tax had been remitted in one case. We have not received information of further development in other cases (December 2010).

We reported the matter to the Government in March 2010. We have not received further developments from them (December 2010).

[Audit Paragraphs 8.1 to 8.3 and 8.7 to 8.12 contained in the report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Revenue Receipts).]

6. Regarding the case of Plantation Corporation of Kerala Ltd., an official from the Office of the Accountant General apprised that Government had declared moratorium on payment of lease rent till full repayment towards a loan taken from Canara Bank. He also added that though their net profit during the period was ₹ 2.62 crore they kept a paltry sum of ₹ 9,653 as outstanding only to escape from paying the lease rent.

7. The Additional Chief Secretary, Forest and WildLife Department informed that, on the basis of the audit query the department demanded immediate payment of lease amount due. He also disclosed that, the Plantation Corporation had remitted ₹ 7 crore towards the principal amount as against the due of ₹ 27.95 crore as lease rent, but request regarding the remittance of interest and penal interest is still pending with the Finance Department.

8. In this context, the Committee remarked that, the existing rate of lease rent for forest land leased out to Public Sector Undertakings circumscribe the enhancement of the rate of lease rent for private estates. The Committee decided to recommend for the renewal of lease agreement in tune with the market rate of land at the earliest and directed the Government to extend financial assistance to the Plantation Corporation for remitting the lease rent if they are in financial crunch. The Committee also decided to recommend that the lease rent payable for forest land leased out to Public Sector/Private Undertakings should be raised to ₹ 10,000 per hectare from the existing rate of ₹ 1,300 per hectare.

* Asst. Executive Engineer (PWD) Tirur, (Roads) Manjeri, (NH) Malappuram, (Irrigation wing) Parappanangadi at Malappuram, Calicut University Botanical Garden Park, Edavanna Government Ayurvedic Dispensary, Otheri.

9. The Committee sought explanation for non-execution of lease agreement with Kerala State Electricity Board, the witness, Additional Chief Secretary, Forest and Wildlife Department explained that the land in question was transferred to KSEB much before the draft lease deed was approved by the Government. Though Divisional Forest Officers were directed to sign the agreement on behalf of Government, the KSEB declined to sign the same due to some difference of opinion about certain conditions in the agreement. He continued that the Kerala State Electricity Board was averse to remit the due amount arguing that being a new Company a new lease agreement to be signed. In this context the Committee opined, that KSEB should necessarily remit the due amount, since they were working on profit basis. The Committee suggested that the High Level Committee should take a strong position that Government should take further action and KSEB should execute an agreement regarding the lease rent at an early time.

10. Regarding the audit paragraph 'Loss of revenue due to non-revision of lease rent of forest land leased to private parties' the Committee also ruled that the enhancement of lease rent payable for forestland leased out to private parties should be at par with that of Public Sector Undertakings.

11. With regard to the observation made by the Accountant General on 'Loss of revenue due to lack of co-ordination between Forest Department and Public Sector Undertakings' an official from the Forest and Wildlife Department detailed that a Cabinet Subcommittee was constituted to look into the matter and to settle the dispute with the contractor. He continued that the Forest and Wildlife Department by notification issued a tender for removal of sand and silt from the check dams in the mining areas of Malabar Cements Ltd. The bid amount of sand was ₹ 350 per cubic meter which was inclusive of removal of both sand and silt. Though the contractor executed an agreement, he could not commence the extraction work. Then the contractor had requested to treat the rate fixed as the cost for the removal of sand alone. But his request was rejected on the ground that the prime motive of the contract was to clean the reservoir of the check dam for which removal of both sand and silt was required. Then he approached the High Court and obtained an interim order entrusting the Cabinet Subcommittee to take decision. He also added that original petition (OP) is pending with the Hon'ble High Court. He submitted that at present the situation has been changed considerably because the Cabinet Subcommittee observed that the clearance of sand and silt from the check dam in the mining area of Malabar Cements Limited is no longer required due to certain environmental reasons. The Committee accepted the explanation and reminded that utmost care should be taken while removing such sand bars since wild animals are frequent in that area.

12. In the light of the observation made by the Accountant General regarding the non collection of entry fee from vehicles owned by Forest Development Agency (FDA), the witness, Principal Chief Conservator of Forests (D&P) deposed that the tourists were transported from the point 5th mile in Munnar-Marayur road to Eravikulam National Park in the vehicles owned by the Forest Development Agency. He continued that the KSRTC buses and vehicles of local inhabitants, M/s Tata Tea Limited and Forest Development Agency were exempted from entry fee and an average of 8000 such trips were carried out through that road every month. The witness, Principal Chief Conservator of Forests (D&P) appealed that since Forest Development Agency provides sincere and candid eco-friendly service over the years, so it deserves exemption. While endorsing the remarks put forth by the witness, the Committee lauded the conscious decision they had taken in this regard and opined that such decisions deserve much appreciation.

13. When asked the reason for non realization of twenty percentage of tree value and forest development tax on total sale value of trees planted by the Social Forestry wing, the witness, Principal Chief Conservator of Forests (D&P) apprised that auction of two out of ten cases pending with the department had not been taken place. He also supplemented that in four cases the said quantum of sale value and forest development tax had been realised and in the remaining four cases necessary instructions had been issued to the District Collectors to initiate Revenue Recovery (RR) proceedings. The Committee accepted the explanation furnished by the Department.

Conclusions/Recommendations

14. The Committee reiterates the recommendation of the Audit that the Internal Audit Wing should be strengthened so as to achieve the planned audit target. It exhorts the Forest and Wildlife Department to take steps to settle the audit observations raised by Internal Audit Wing in a time bound manner.

15. The Committee firmly recommends that the lease agreement should be raised in tune with the market rate of land at the earliest and directs the Government to extend financial assistance to Plantation Corporation for remitting the lease rent if they are in financial crunch. The Committee also recommends that the lease rent payable for forestland leased out to Public Sector Undertakings/private parties should be enhanced to ₹ 10,000 per ha. from the existing rate of ₹ 1,300 per ha urgently.

16. The Committee directs that the enhancement of lease rent payable for forestland leased out to private parties should be at par with that Public Sector Undertakings.

17. The Committee remarks that Kerala State Electricity Board should necessarily be remitted the lease rent amount, which is due to Government since they are being a profit making company. The Committee also suggests that the High Level Committee should take a strong position that Government should take further action and Kerala State Electricity Board should execute an agreement regarding the lease rent at an early time.

18. The Committee urges the Forest and Wildlife Department to furnish the latest position of the cases of non-realisation of tree value and forest development tax in which Revenue Recovery proceedings had been initiated.

Thiruvananthapuram,
30th June, 2015.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	5	Taxes (Excise)	The Committee strongly recommends that Internal Audit Wing (IAW) of the State Excise Department should be strengthened by creating requisite number of posts. It also recommends that the Finance Department should make necessary amendments in the relevant rules to lift the ceiling on Travelling Allowance of persons engaged with audit.
2		Forest & Wildlife	The Committee reiterates the recommendation of the Audit that the Internal Audit Wing should be strengthened so as to achieve the planned audit target. It exhorts the Forest and Wildlife Department to take steps to settle the audit observations raised by Internal Audit Wing in a time bound manner.
3		"	The Committee firmly recommends that the lease agreement should be raised in tune with the market rate of land at the earliest and directs the Government to extend financial assistance to Plantation Corporation for remitting the lease rent if they are in financial crunch. The Committee also recommends that the lease rent payable for forestland leased out to Public Sector Undertakings/private parties should be enhanced to ₹ 10,000 per ha. from the existing rate of ₹ 1,300 per ha. urgently.
4		"	The Committee directs that the enhancement of lease rent payable for forestland leased out to private parties should be at par with that Public Sector Undertakings.

(1)	(2)	(3)	(4)
5	Forest & Wildlife	<p>The Committee remarks*that Kerala State Electricity Board should necessarily be remitted the lease rent amount, which is due to Government since they are being a profit making company. The Committee also suggests that the High Level Committee should take a strong position that Government should take further action and Kerala State Electricity Board should execute an agreement regarding the lease rent at an early time.</p>	
6	”	<p>The Committee urges the Forest and Wildlife Department to furnish the latest position of the cases of non-realisation of tree value and forest development tax in which Revenue Recovery proceedings had been initiated.</p>	

APPENDIX II

ACTION TAKEN REPORT ON THE C & AG REPORT FOR
THE YEAR ENDED 31-3-2010

<i>Sl. No.</i>	<i>Para No.</i>	<i>Audit Objection</i>	<i>Action Taken</i>
(1)	(2)	(3)	(4)
8	7.2	Trend of receipts	The budget estimates are prepared based on proper analysis and the variation/hike in actual receipt is related to the consumption/sale of liquor in the state.
9	7.3	Cost of collection	In the State of Kerala, Revenue Recovery procedure is done by Land Revenue Department and not the Excise Department directly, which is the main reason of high cost of collection compared to all India level.
10	7.4.1	Revenue impact of audit	Even though Government have directed to levy import fee on Extra Neutral Alcohol, the same has been stayed by the Hon'ble High Court and later Government have decided not to levy import fee on Extra Neutral Alcohol. In the case of realization of gallonage fee, the Government have directed not to remit gallonage fee on the quantity of IMFL shown as excess wastage prior to 7-4-2010. Direction has been issued to all Deputy Commissioners to credit the rental of toddy shops to the concerned treasuries from the Treasury Saving Account in time.
11	7.5	Working of Internal Audit Wing	Action has already been initiated to strengthen the IAW so as to achieve the planned audit in time. Earnest efforts are being taken to evolve a mechanism for the timely settlement of the audit observation raised by the audit party.
12	7.6	Results of Audit	The Department has taken all the possible means to realise the amount.

(1)	(2)	(3)	(4)
13	7.7	Audit observations	The audit observations of the Accountant General have been rectified and necessary direction has been issued to the officers concerned in the IAW to detect similar issues in future and to rectify the same in a phased manner.
	7.8	Short realization of Gallonage fee	
14	7.8.1	Short realization of gallonage fee	Actually, it is the quantity of IMFL received in the FL9 shop and not the quantity sold from the shop during 2008-2009. The actual short remittance is only ₹ 57,323 and necessary direction has been given to realise the amount.
15	7.8.2	Short realization of	As per G.O.(P) 100/10/TD dated 7-4-2010
	&	gallonage fee/on loss/	minimum wastage was allowed w.e.f.
	7.8.3	wastage in transit	7-4-2010.
	7.9	Delay in crediting excise duty and consequent loss by way interest	
16	7.9.1	Delay in crediting excise duty and consequent loss by way of interest.	Direction has been issued to all DEC's to take necessary action to get credited the amount in TP (Treasury Public) account to the Govt. account immediately, so as to avoid revenue loss to Govt. by way of interest.
17	7.9.2	Delay in crediting excise duty and consequent loss by way of interest.	A circular has already been issued vide No. XFB2-22694/10 dated 17-9-2010.
18	7.10	Sale of liquor without renewal of brand registration and consequent non-realisation of revenue	An amount of ₹ 5 lakh has been realized from the Distillery.