PAC - 86

COMMITTEE ON PUBLIC ACCOUNTS
EIGHTY SIXTH REPORT
(ELEVENTH ASSEMBLY)
(2001 - 03)

Report of the Committee on Public Accounts on the Report of the Comptroller and Auditor General of India for the years 1987-88, 1988-89, 1989-90 & 1990-91 (Revenue Receipts)relating to the Transport (Taxes on Vehicle), Excise, Food & Civil Supplies, Mines & Minerals, Power (Electricity) and Forest Departments, Government of Assam.

Presented to the House on 3 October, 2002

ASSAM LEGISLATIVE ASSEMBLY SECRETARIAT
DISPUR : GUWAHATI-6.

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COMPOSITION OF THE COMMITTEE
(2001-2003)

Chairman :
1. Shri Premodhar Bora

Members :
2. Shri Mission Ranjan Das
3. Shri Biswajit Daimary
4. Shri Dilip Kumar Saikia
5. Shri Brindaban Goswami
6. Smti Pramila Rani Brahma
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9. Shri Gopinath Das
10. Dr. Haren Das
11. Shri Bidyasing Engleng
*12.
13.

Secretariat
1. Shri M.K. Sarma, Secretary
2. Dr. K. N. Baisya, Additional Secretary
3. Shri S. K.Das, Under Secretary
4. Shri B. Basumatari, Under Secretary
5. Shri K. Rahman, Committee Officer

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* Having been appointed the Minister, Assam two members Viz. Sarbasree Nurjamal Sarkar and Sukur Ali Ahmed ceased to be member of the Committee w.e.f. 7.6.2002.

PREFATORY REMARKS

1. I, Sri Premodhar Bora, Chairman, Committee on Public Accounts having been authorised to submit the Report on its behalf, present this Eighty-sixth Report of the Committee on Public Accounts on the Audit paras contained in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the years 1987-88, 1988-89, 1989-90 and 1990-91 pertaining to Transport (Taxes on Vehicle), Excise, Food & Civil Supplies, Mines & Minirals, Power (Electricity) and Forest Departments.

2. The Reports of the Comptroller and Auditor General of India (Revenue Receipts) for the years 1987-88, 1988-89, 1989-90 and 1990-91 were presented to the House on 8 October 1990, 30 July 1991, 21 December 1992 and 11 October 1993.

3. The Reports as mentioned above relating to the Transport (Taxes on Vehicle), Excise, Food & Civil Supplies, Mines and Minerals, Power (Electricity) and Forest Departments were considered by the Committee in its sitting held on 28 and 29 November 2001.

4. The Committee has considered the Draft Report and finalised the same in its sitting held on 7-8-2002

5. The Committee has appreciated the valuable assistance rendered by the Accountant General (Audit), Assam and his Junior Officers and staff during the examination of the Departments.

6. The Committee thanks to the Departmental witnesses for their kind co-operation and offers thanks to the officers and staff dealing with the Committee on Public Accounts, Assam Legislative Assembly Secretariat for their strenuous and sincere services rendered to the Committee.

7. The Committee earnestly hope that Government would promptly implement the recommendations made in this report.

Dispur :

The 7th August, 2002

PREMODHAR BORA,
Chairman,
Committee on Public Accounts.

THE REPORT

CHAPTER -- I

Transport (Taxes on Vehicle) Department
Taxes on Vehicles regarding Non-registration of vehicles.
(Audit para 3.2/CAG/1987-88 R/R)

1.1. Audit had pointed out that in Golaghat, Bongaigaon, Kokrajhar, Dhubri and Tezpur, a cross check by Audit with the records of District Transport Officer concerned revealed that the owners of 34 vehicles, who were issued permits under the Motor Vehicles Act, 1939, were not brought on the records of the Superintendent of Taxes of the respective areas for assessment of Tax under the Assam Passengers and Goods Taxation Act, 1962. The omission, which had remained undetacted due to lack of coordination between the District Transport Authority and the concrened Superintendent of Taxes had resulted to non-levy of passengers and goods tax amounting to Rs. 1,74,244.00 for various spells falling between April 1981 and December 1987 (calculated at the lump sum rate prescribed by the Government). This being pointed out by audit (February 1988), the Department stated (August 1988) that in respect of cases relating to Dhubri, Bongaigaon and Kokrajhar unit offices passengers and goods tax amounting to Rs. 45,683.00 had been realised and for the balance amount demand notices were issued. No report on the realisation of taxes in respect of cases relating to Golaghat and Tezpur unit offices has been received (March 1989).

1.2. The Department by written replies as well as deposition has submitted to the Committee that the Administration of Assam Passengers and Goods Taxation Act, 1962 was transferred to the Transport Department vide notification No.FTX--96/87/64,dated 22.7. 1989, which was published in the Assam Gazatte Extraordinary dt. 01.8. 1989. Assessment of Assam Passengers and Goods Tax and its realisation prior to 01.8.89 was not fallen within the purview of the Transport Department. Thereafter the demand notices reported to have been issued to the defaulting owners. However, most of the demand notices stated to have been returned undelivered as the owners were untraceable and vehicles in question could not be identified as to whether plying in the State. Regarding past liabilities this matter stated to have become cumbersone.

OBSERVATIONS / RECOMMENDATION

1.3. The Committee has observed that the audit has pointed out the lack of necessary coordination between the Transport and the Finance Departments. However, responsibilities for assessment and realisation of taxes falling between April 1981 to December 1987, prior to issuing notification dated 22.7.1989 transfering the assessment was obviously belonged to the Finance Department, therefore,the officers concerned therewith of Finance Department were responsible for their lapses. So, the Committee recommends to the Government that the guilty officials be brought into book immediately and the amount Rs. 1,74,244.00 should be realised instantaneously. Action taken thereon by the Government be intimated to the Committee within 60 days of this Report presented to the Assembly.

Assessment of Tax below lump-sum rates.
(Audit para 3.3 / CAG / 1987-88 R/R)

2.1. Audit had pointed out that at Nalbari in December 1987 instructions of September 1983, issued by the Commissioner of Taxes, were not followed and in two cases taxes were collected by the assessing officer at a lower rate than that of the lump-sum rate fixed by the State Government. Facts revealed that neither reason for fixing tax below the prescribed lump- sum rate was recorded nor the order of the Assistant Commissioner of Taxes to that affect was obtained in those two cases. The irregular determination of tax thus resulted in to short fall by Rs.23,870.00 calculated for the assessment periods falling between March 1979 and September 1986 at lump-sum rate (Rs.2,960.00 per annum) prescribed by the Government.

2.2. The Department by written reply as well as deposing orally has submitted that the assessment of Assam Passengers and Goods Taxation Act, 1962 was transferred to the Transport Department vide notification No. FTX-96/87/64, dated 22.7.1989, which was published in the Assam Gazatte Extraordinary Dt. 01.8.1989 assessment of Assam passengers and Goods tax and its realisation prior to 1.8.89 was not within the purviews of the Transport Department. Thereafter, the demand notices issued to the defaulting owners however, most of the which were stated to have returned undelivered as the owners were untraceable and vehicles in question were not known whether plying in the State.

OBSERVATIONS / RECOMMENDATIONS

2.3. The Committee holds fully responsible the Assessing Officers of Nalbari who collected Taxes at the lower rates below the lump-sum rate as fixed by the Government by which violated the orders of the Commissioner of Taxes resulting to huge losses of State exchequer. The Committee, therefore strongly recommends that the fraudulent officials of Finance Department should be brought into book in no time and rsponsibility should be fixed on them and the amount in default should be recovered expeditiously from them. The Action taken thereon by the Government should be intimated to the Committee within 60 days of this report presented to the House.

Realisation of current Taxes without realising Arrears.
(Audit para 3.4/CAG/1987-88 R/R)

3.1. Audit had brought out cases of realisation of current taxes without realising arrears which were first reported in para 3.5 in the Audit Report of the CAG for the year 1975-76 on Revenue Receipts of the Govt. of Assam and subsequently in paras 3.3.5.3.3.4 and 3.5 in the Audit Reports for the years 1976-77, 1979-80, 1982-83 and 1985-86, respectively. It was further indicated that in Nagaon, in respect of 32 vehicles payment of motor vehicles tax for the different periods falling between January 1987 and January 1988 was accepted by the District Transport Officer without realising the arrear taxes in 31 cases for various quarter falling between April 1982 and March 1987 and in one case for the period from October 1967 to March 1971. It was further pointed out in Audit during those periods the vehicles were also not off the road as per records maintained by the Depeartment. Such non-realisation of arrears of tax amounted to Rs.22,395.

3.2. The Department by written reply as well as oral deposition stated that the District Transport Officers were not authorised to accept current taxes, if there were any arrears. The standing practice is to verify the Registration Certificate of the vehicle and Tax receipt issued therefore before acceptance of Taxes.

OBSERVATIONS / RECOMMENDATIONS

3.3. The Committee observes that while the current taxes were being realised by the concerned Officials did not look after the interest of realising

the arrears and for which the Government had incurred huge losses. The Committee, therefore, recommends that the responsibility should be fixed on erring officers who violated the existing guidelines and the amount in default should be realised forthwith from them. The Action taken thereon by the Government should be intimated to the Committee within 60 days of this report presented to the House.

Non-realisation of inspection fees
(Audit para 3.5./CAG/1987-88 R/R)

4.1. Audit had pointed out that 50 cases of Silchar where neither the vehicles inspected at any stage nor after inspection, certificates of inspection had been issued without charging due fee, for various spells falling between October, 1972 and June 1986. Failure on part of the Motor Vehicles Inspector to conduct inspections of vehicles or to recover necessary fee before issuing the certificates of fitness and failure on the part of the District Transport Officer to insist on renewal of certificates of fitness at the time of recovery of motor vehicles tax resulted into non-realisation of inspection and renewal fees amounting to Rs.31,935.00.

4.2 Besides written reply, the official representatives have deposed before the Committee that as a matter of fact, such fitness certificate can be issued by any Motor Vehicle Inspector in the country. This is not mandatory in case of issuing fitness certificate from any particular place.

OBSERVATIONS / RECOMMENDATIONS

4.3. Having heard the submission of the official representatives the Committee has been pleased to drop the para.

Short levy of Passengers and Goods Tax
(Audit para 3.6/CAG/1987-88 R/R)

5.1. Audit had pointed out that at Jorhat, six 'MATADOR' vehicles, each having a seating capacity of 11 passengers were, registered under the Assam Passengers and Goods Taxation Act, 1962 as 'Tourist Taxi' on the basis of permits issued for those vehicles by the District Transport Authority under the Motor Vehicles Act, 1939 although the vehicles were to be registered classifying that as 'Stage Carriage' according to their carrying

capacity. The owners of the vehicles were assessed summarily for non-submission of returns / non-production of accounts and tax was charged for these vehicles at the lump-sum rate as applicable to a 'motor cab'. The incorrect classification of the vehicles resulted in passengers and goods tax being levied short by Rs. 14, 612.00 for the various periods falling between September 1981 and September 1986.

5.2. The Department by written memorandum as well as oral evidence stated that the Government has created a new category of vehicle 'MATADOR' which as introduced to ply as Tourist Taxis and not as Stage Carriage. Therefore, the loss of Assam Passengers and Goods Tax,as pointed out by Audit, appeared due to wrong classification.

OBSERVATIONS / RECOMMENDATIONS

5.3. The Committee observes that 'MATADOR' Vehicles is a very unsuitable vehicle, lot of accidents occurred and therefore went out of road in Assam. The Government of Assam have rightly certified this not as stage carriage. The decision of the Government were just and fair taking over all interest of the public into consideration. However, after due consideration, the Committee has decided to drop the para.

Non-realisation of Motor Vehicles taxes (Audit para 4.6/CAG/1989-90 R/R)

6.1. Audit had pointed out that in Guwahati owners of 14 vehicles defaulted in payment of Tax amounting to Rs.1.27 lakhs relating to the period from July 1985 to March 1989. Neither was any demand notice issued to the owners of the vehicles for payment of taxes nor was any action taken under the provisions of the Act, against the defaulters for realisation of Government dues. On this being pointed out in audit (May 1989) the assessing officer stated (August 1990) that demand notices had been issued to the defaulting owners of the vehicles. The assessing officer further intimated (July 1991) that the certificates of Registration in respect of 13 vehicles were suspended and the cases were referred (June 1991) to the Bakijai Officer for effecting recovery of outstanding dues. Taxes in respect of remaining one vehicle were paid at Nalbari were the vehicle was transferred. Since intimated by audit no progress on realisation of taxes in respect of the defaulting vehicles had been intimated.

6.2. The Department by written replies as well as oral evidence has stated that the matter is lying with the Bakijai, Officers for effecting recovery of outstanding arrear dues. The Departmental witness in course of oral deposition has stated that the power regarding Bakijai lies with the D.C. concerned. Accordingly, action has been initiated by the assessing officers against the defaulters for realisation of dues.

RECOMMENDATIONS

6.3. The Committee recommends that due care should be taken to realise immediately the amount without showing favour to defaulters against Government dues. Action taken thereon by the Goverment should be intimated to the Committee within 60 days of this report presented to the House.

Non-levy of passengers and goods taxes due to Non-registration of vehicles.
(Audit para 4.7/CAG/1989-90 R/R)

7.1. Audit had pointed out that in Tezpur, a cross check by audit with the records of the Regional Transport Authority, Tezpur revealed that owners of 3 vehicles, who were issued permits under the Motor Vehicles Act, 1939, were not brought on the records of the Superintendent of Taxes, Tezpur, for assessment under the Assam Passengers and Goods Taxation Act, 1962. The omission, which had remained undetected due to lack of co-ordination between the Regional Transport Authority and the Superintendent of Taxes resulted in non-levy of Passengers and Goods Tax amounting to Rs.29,910.00 for three different spells falling between June 1983 and November 1988 (calculated at the lump-sum rate prescribed by the Government).

7.2.The Department by written replies as well as oral deposition has been stated that the Administration of Assam Passengers and Goods Taxation Act., 1962 was transferred to the Transport Department vide notification No.FTX-96/87/64, dated 22.7.1989, which was published in the Assam Gazatte Extraordinary Dt. 01.8.1989. Assessment of Assam Passengers and Goods Tax and its realisation prior to 01.8.89 was with the Finance Department and not within the purview of the Transport Department. Thereafter the demand notices were issued to the defaulting owners.

However, most of the demand notices were returned undelivered as the owners were untraceable and vehicles in question could not be identified whether plying in the State.

OBSERVATIONS / RECOMMENDATIONS

7.3. The Committee observes that Audit has pointed out that non-levy of Passengers and Goods Tax resulted due to non-registration of 3 vehicles under the Assam Passengers and Goods Taxation Act, 1962 as there appeared a total lack of co-ordination within the Transport Department itself. In the state of affairs the Committee recommends that the irregularities committed by the Transport Officer of Transport Department of Tezpur should be brought into book and recover the defaulting amount from him. Finance Department should also extend co-operation as joint responsibility on this case. Action taken thereon by the Government should be intimated to the Committee within 60 days of this report presented to the House.

Realisation of current taxes without realising arrears taxes. (Audit para 5.7/CAG/1990-91 R/R)

8.1. Audit had pointed out that during the Audit of District Transport Office of Guwahati it was noticed (May 1990) that in 130 cases (Buses) belonging to the Assam State Transport Corporation (Assam Government Undertaking), payment of motor vehicles tax for the different periods falling between March 1984 and March 1987 was accepted by the District Transport Officer without realising the arrears of tax for various quarterly periods falling between March 1983 and December 1986. The records maintained by the department did not indicate any reason for non-realisation of arrear taxes amounting to Rs.1.27 lakhs in respect of those vehicles. On this being pointed out in audit (July 1990) the District Transport Officer,Guwahati stated (December 1990) that arrear taxes had been worked out. However, realisation thereof had not been intimated to audit.

8.2. The Department by written replies as well as oral deposition has stated that normally, current taxes were not accepted unless arrears had been cleared first. No officer had been authorised to accept the current taxes when past arrear remained to be cleared. A large sum of Assam State Transport Corporation as arrear Tax were under appeal before the Government. The

ASTC had been facing very pressing situation besides outstanding taxes. The ASTC therefore deserves sympathy as it is unable to pay tax.

OBSERVATIONS / RECOMMENDATIONS

8.3. The Public Accounts Committee has deeply noticed the uncomfortable position of the ASTC. Therefore the Committee after threadbare discussion recommends to write off the arrear taxes standing against the ASTC.

CHAPTER--II
Excise Department
Non-realisation of Excise Duty
(Audit para 4.4 / CAG/1987-88 R/R)

9.1. The Audit has pointed out (October 1986) that in Tezpur, in the stock accounts of a bonded warehouse, 14,336 bottles of IMFL were shown as transit loss during the year 1985-86. The excise duty and gallonage fee amounting to Rs. 98,996.00 payable thereon were not charged. On this being pointed out in audit (October 1986), the Department stated (June 1988) that the licencee (Bonded Warehouse) had been granted remission of the entire excise duty and gallonage fee attributing loss of IMFL to breakage of packed bottles in transit. As the two sets of Rules mentioned above do not contemplate any allowance for loss of IMFL due to breakage of packed bottles, the action of the department in granting remission of duty and fee was not in order and resulted in loss of revenue of Rs.98,996.00.

9.2. The Department by written replies as well as oral deposition has stated that the Commissioner of Excise was empowered to give remission in fit cases and as such remission of Excise duty and gallonage fee on Transit wastage was allowed.

OBSERVATIONS

9.3. The Committee observes that the Commissioner of Excise has been empowered to give remission of excise duty as provided in the DSP Rules as well as under Rule 229 relating to the Assam Excise Duty. Having considered the circumstances and statutory provision, the Committee has, however decided to drop the para.

Non-realisation of Excise duty
(Audit para 4.1/CAG/1988-89 R/R)

10.1. The Audit has pointed out that in Kamrup, three firms which imported 2,96,097.20 London Proof Litres (LPL) of India-Made Foreign Liquor, had claimed 2392.148 L.P.L. as transit loss during the period 1987-88, which was allowed (1987-88) by the assessing officer, resulting in loss of Excise Duty amounting to Rs.97,169.00. This being pointed out in audit (September 1988) the Government stated in May and July 1989,

respectively that the Rule 19 of the Assam Bonded Warehouse Rules, 1965 had been amended with effect from 15th April, 1989 providing for transit wastage allowance in the case of IMFL and as such Excise Duty on transit wastage of IMFL in cases relating to earlier periods was not recoverable.

10.2. The Department by written reply as well as oral evidence stated that under Rule 19 of Assam Bonded Warehouse Rules 1965 (Amended on 15.4.89) transit wastage on IMFL is admissible as observed by Audit. Hence realisation of Excise duty etc. on transit loss did not arise. Steps are however being taken to realise arrears for periods prior to 15.4..89.

RECOMMENDATIONS

10.3. The Committee observes that though department had issued notices to 3 (three) parties to pay their dues but the defaulting parties had not paid the same. So the Committee recommends to the Government to realise arrear amount from the defaulting parties and intimate the action taken by the Government to the Committee within 60 days of this report presented to the House.

Non-submission of prescribed returns.
(Audit para 5.2/CAG/1990-91 R/R)
(Audit Sub-para 5.2.5)

11.1. (a) Audit has pointed out that the Molasses Control Order, 1961, stipulates the maintenance of accounts relating to production, allotment and disposal of molasses by Khandsari Units. The Molasses Controller, Assam has prescribed that the factories and mills should submit daily and monthly returns of production of molasses in the prescribed forms. On the closing of the crushing season, the total quantity of molasses produced during the season, is required to be communicated to him. This is intended to regulate effectively, the use of molasses produced by different units in a particular year. It was, however, noticed in audit (March 1991) that the prescribed returns were not submitted regularly by the two units (Assam Co-operative Suger Mills Limited and Nowgong Co-operative Sugar Mills Limited), and no action was taken to ensure the submission of the returns. Consequently, the basic objective of the order to regulate strictly the utilisation of molasses could not be achieved.

OBSERVATION

11.2. At the time of examination of the audit objection, the Committee was convinced that there was no revenue loss. Hence the Committee has decided to drop the para.

Production and Distribution of Molasses
(Audit Sub-para 5.2.6.)

11.3. (b) Adult has pointed out that Molasses, a by-product in the manufacture of sugar, is the main raw material used in the production of alcohol and rectified spirit by process of distillation. Arrack and Indian Made Foreign Liquor (I.M.F.L.) are manufactured out of rectified spirit. The Commissioner of Excise, Assam allots the required quantity of molasses from factory 'A' to its distillery for the manufacture of rectified spirit etc., and from Factory 'B' for cattle feeds and for tobacco curing. The production of molasses by the two sugar mills and their distribution amongst the distilleries and other consumers during the three molasses year ending March 1990 are shown in the table below :-

Name of the Sugar Mills	Molasses Years	Carrieds from previous years	Production during the years	Total Quantities available for distribution.	Distribution Distillery	Cattle/ poultry feed and tobacco curing	Balance
1	2	3	4	5	6	7	8
	(In Metric tons)						
A. Assam Co-operative	1987-88	Nill	4186.40	4186.40	4186.40	Nil	Nil
Sugar Mills Ltd.	1988-89	Nil	3729.32	3729.32	3729.32	Nil	Nil
(Fectory 'A')	1989-90	Nil	3587.84	3587.84	3587.84	Nil	Nil
	Total		11503.56		11503.56		
b) Nowgong Co-operative Sugar Mills Ltd.	1987-88	Nil	2318.70	2318.70	Nil.	614.96	1703.74
	1988-89	1703.74	1423.62	3127.36	Nil	1596.53	1530.83
(Factory 'B')	1989-90	1530.83	2749.86	4280.69	Nil	1456.27	2824.42
	Total		6492.18		Nil	3667.76	

11.3.1. It has been observed that Factory 'B' produced a total quantity of 6492. 18 MT and distributed 3667.76 MT of Molasses for cattle/poultry feed and tobacco curing to individual permit holders during the three years 1987-88 to 1989-90 resulting in accumulation of 2824.42 MT of old stock as on 30.11.1990. The management stated to Excise Department of the Government of Assam (March 1991) that the old stock accumulated due to non-lifting of molasses by individual permit holders. In November 1988, the management of this mill reported to the Controller of Molasses that most of the individual permit holders were not the bonafide consumers of molasses. No action in this regard was taken by the department/Government till (March 1991). The molasses produced by Factory 'A' was distributed for distillation and manufacture of spirit and alcohol in its distillery. No system had been introduced to ensure that molasses distributed for tobacco curing and used in production of cattle feed, were actually utilised only for these purposes. On the other hand, the maintenance and submission of books of accounts and records relating to use of molasses by the individual persons receiving molasses for the purpose of cattle / poultry food etc., was not enforced. In the absence of record, it could not be ascertained the molasses distributed were actually utilised for the purposes which were issued and not for illicit distillation.

OBSERVATIONS

11.3.2. The Committee observes that there was no systematic arrangements of keeping records of the permit holders. Had there been maintained actual records of the products and actual permit holders there would not have arisen anomalous position. The Committee, after careful consideration of the actual position has decided to drop the paragraph.

Improper storage of molasses
(Audit sub-para 5.2.7.)

11.4. (c) The molasses Control Order, 1961 stipulates provision for covered storage tanks, safeguards against leakage, adequate arrangement to prevent mixing of old and deteriorated molasses including taking out of samples and pumping and loading of molasses into tank wagons, tank lorries or other containers. (i) During the course of audit, it was noticed (March 1991) that Factory 'B' constructed only one storage tank in 1985-86 with a storage capacity of 3500 MT of molasses. The Factory produced a

total quantity of 6492 MT of molasses and distributed 3668 MT during the three years 1987-88 to 1989-90 leaving a stock of 2824 MT as on 30.11.1990. Both the old and new stocks of molasses were kept in one storage tank in contravention of the provision of the Act. It was further observed that the stock of molasses was 4454 MT as on 13.03.1991 against the storage capacity of 3500 MT. The management stated that the excess quantity of 954 MT was kept in small containers. From the reports of the management (November 1988 and December 1988) submitted to the Commissioner of Excise, it was seen that 15 individual allottees lifted only 615 MT of molasses upto October 1988 against allotment order (August 1988) for 2350 MT and barring one or two allottees, the others lifted the molasses in Kerosene tins causing wastage of molasses in the process. The matter was neither investigated nor was any action taken by the department to allot the remaining 1735 MT of molasses before the expiry of molasses year on 30.11.1988. Molasses thus left over deteriorated in quality. Further, 1423.62 MT of new molasses produced in the next molasses year 1988-89 was stored along with the deteriorated stock of 1735.08 MT of the previous year in the same tank which contravened Molasses Control Order.

OBSERVATIONS

11.5 Considering the submission of the official witnesses the Committee has been satisfied that there incurred no loss of revenues to the Government on the above stipulation on covered storage tanks. Hence, the Committee has decided to drop the paragraph.

Non-establishment of Molasses fund for creation of adequate storage facilities. (Audit sub-para 5.2.8.)

11.6. (a) Audit has pointed out that according to the Molasses control order, 1961, as amended in October 1975, one third of the price fixed for different grades of Molasses shall be accounted for and funded seperately by the producers and shall be used for creating storage facilities in accordance with orders that might be issued by the Government of India for regulation of such funds. The object of this is to utilise the available amount for construction of steel storage tanks. The accounts is to be opened jointly by the Sugar factory and the Excise Superintendent concerned,under the provisions of the order creation of the fund for meeting the cost of storage

facilities is obligatory even if storage facilities are not required immediately.

(b) However, it was noticed in the course of audit (March 1991) that none of the units had created any fund for the purpose. Factory 'A' stated that two storage tanks with a capacity of 3000 MT were installed at a cost of Rs. 5 lakhs in 1975-76. The Factory 'B'stated (March 1991) that molasses fund could not be created due to paucity of funds. However, one steel tank with a storage capacity of 3500 MT was constructed at a cost of Rs.5.00 lakhs in 1985-86. It was noticed in audit that Firm 'B' maintained stock ranging between 3351 MT and 4473 MT of molasses during different dates falling between April 1990 and March 1991 against the storage capacity of 3500 MT. Besides Factory 'B' stored molasses in small containers owing to dearth of storage facilities. The Assistant Collector of Customs and Central Excise, Jorhat had imposed a penalty of Rs.1500 under Rule 47(3) of Central Excise Rule 1944, on Factory 'A' in May 1990, for storing of molasses in a brick walled pit. The management stated that due to foaming in steel storage tanks during the crushing season molasses had to be received for some days in a brick-walled pit.

11.7. The Department by written replies as well as oral deposition has stated that Molasses has since been decontrolled from June, 1993. The irregularities pointed out regarding submission of returns, lifting by permit holders, utilisation, improper storage and non-establishment of molasses fund did not relate to any loss of Government revenue. But all these were procedural defects. All the molasses producing units in Assam were sick units as shown by their closure subsequently. So these irregularities ought to be condoned.

OBSERVATIONS

11.8. The Committee observes that there was no Government revenue loss. Hence the Committee has dropped the paragraph.

Non-realisation of excise duty.
(Audit para 5.3./ CAG/ 1990-91 R/R)

12.1. Audit has pointed out that 'Mritasanjibani Sura', an Ayurvedic product, containing alcohol is subjected to excise duty under the provisions of the Medicinal and Toilet preparations (Excise Duties) Act, 1955. A mention was made in para 5.4 of the Audit Report for the year 1981-82 on

Revenue Receipts, Government of Assam about non-levy / short levy of excise duty amounting to Rs. 1.94 lakhs relating to the period from April 1970 to November 1981 in respect of Guwahati based manufacturer. The entire amount of duty remained unpaid till April 1991. It was again noticed (January 1987) in audit that excise duty amounting to Rs. 1.98 lakhs was also payable by the same manufacturer under the Medicinal and Toilet preparations (Excise Duties) Act, 1955 on 3745.5 LPL of Mritasanjibani Sura at the rate of Rs.52.80 per LPL manufactured during the period from September 1984 to December 1985 but the entire excise duty in this case also remained unpaid till April 1991. On this being pointed out in audit (May 1987), the Department intimated (July 1987) that both the cases were referred to the Bakijai Officer (May 1985 and December 1986) for realisation of arrear excise duty amounting to Rs. 3.92 lakhs (Rs. 1.94 lakhs plus Rs.1.98 lakhs). On further enquiry made (January 1988, May 1988, and June 1988) by audit, the department stated (August 1988) that the above mentioned munfacturer had taken up the matter with the Excise Department of the Government of Assam for writing off the entire amount of excise duty payable by him. The Government, however, intimated (May 1991) that the said manufacturer was allowed to deposit Rs. 50,000 /- during the year 1990-91 and the balance amount was to be paid in quarterly instalment basis within the financial year 1991-92. It was further intimated (May 1991) by the department that out of the total amount of Rs.3.92 lakhs, the first instalment amounting to Rs.50,000 /- was deposited by the manufacturer on 20.5.1991.

12.2. During examination the official witnesses in their oral deposition stated that outstandings were from Assam Ayurvedic product which was a Government of Assam undertaking under Small Scale Development Corporation and that had been fully closed. There is no scope for realisation of those amounts. In reply to a query of the Committee the department further deposed that Mritasanjibani appeared to be a medicated product containing some per centage of alcohol. It was totally Ayurvedic Product and that was the reason for which excise duty was not charged.

OBSERVATIONS

12.3. The Committee asked the Commissioner & Secretary to the Government of Assam, Excise Department to examine the whole matter and submit a detailed report thereon within one month. But the Committee has

noticed that the Department had failed to furnish the report. In the state of affairs, the Committee has, however reluctantly decided not to pursue further and dropped the paragrap.

Loss of revenue due to non-realisation of fees.
(Audit para 5.4/CAG/1990-91 R/R)

13.1. Audit has pointed out that in Guwahati, two manufactures of "Mritasanjibani Sura" (M/S Assam Ayurvedic product and M/S Nataraj Ayurvedic product) sold their product to 597 chemists and druggists and 494 other dealers having no licence for dealing in medicated wine, during the years 1981-82 to 1987-88 without realisation of the prescribed fees aggregating Rs. 64,165.00. On this being pointed out in audit (January 1989), the Department stated (June 1991) that under the provisions of the Assam State Excise Act, 1910, all intoxicants upon which the full tariff or excise duty has been paid and which are contained in medicinal preparations intended bonafide for medicinal purposes are exempted form the provisions of the Act ibid relating to possession and sale. The contention of the department is not tenable as 'Mritasanjibani' is to be treated as medicated wine for the purpose of possession and sale and the said product does not fall within the meaning of the term 'Intoxicant' and licence fee has to be recovered from the dealers, chemists and druggists.

13.2. The Department in their written memorandum has stated that under Assam Excise Act, 1910 all intoxicants upon which the full tariff or Excise duty has been paid and which are contained in medicinal preparations bonafide for medicinal purposes are exempted from the provisions of the Act. Besides, the official witnesses deposed that the Assam Ayurvedic products which were manufactured by the organisation that was not in a position to pay the due whatever amounts were due and appeared in the stage of closing down. At the same time,rules in existance appeared to be very confusing. In the next few days, a revised set of rules is expected to come up. Whatsoever, the Committee has directed the Government to submit a report on the matter.

OBSERVATIONS

13.3. The Committee, after complition of time allowed for submission of report has, however noticed that the Government failed to furnish the report asked for. In this circumstance the Committee has reluctantly declined not to pursue further the case but to drop the para.

CHAPTER--III

Food & Civil Supplies Department

Non-realisation of incidential charges on lifting of rice from FCI, Diphu.

(Audit para 4.6/CAG/1987-88 R/R)

14.1. Audit had pointed out that in Diphu, incidential charges amounting to Rs.87,007.00 in respect of 87,007 quintals of rice lifted from the F.C.I., Diphu as per allotment made by the Deputy Director of Food and Civil Supplies during the period 1984-85, 1985-86 and 1986-87 (upto May 1986) were realisable from the allottees but had not been realised. On this being pointed out in audit (September 1988), the department stated (November 1988) that the Deputy Commissioner, Diphu had been asked to report on realisation of incidential charges.

14.2. The Department in their written replies stated that as the audit para concentrated for realisation of incidential charges amounting to Rs.87,007.00 in respect of 87,007 quintal of rice @Re.1/- (Rupee one) only per bag lifted from F.C.I., Diphu during the period 1984-85, 1985-86 and 1986-87 (up to May 1986). The said amount had to be realised from the allotees by the Deputy Director, Food and & Civil Supplies, Diphu, being the local alloting authority. Being considered the importance of regularation through realising the said amount as per Audit Note, this Directorate has been made several correspondance to the Deputy Commissioner, Karbi-Anglong (Diphu) Vide this Directorate No.SA.43/88/AN/31 (ANNEXURE-I) and the Government was being intimated in every case.But till this date, this Directorate had not been intimated / responded by the concerning local authority i.e. Deputy Commissioner, Karbi Anglong (Diphu). Despite infructiferous protective correspondance forwards the local authority made by this Directorate,a decade had been passing across. The then Deputy Commissioner/Deputy Director, Food & Civil Supplies, Karbi-Anglong may not be in Government Services now and the bonafide allottees hailing from Hill tribe from whom the incidential charges ought to have been recovered/realised @Re.1/= per bag of rice may no more alive.

OBSERVATIONS

14.3. The Committee observes that the Audit para concentrated for realisation of incidential charges during the period from 1984 to 1987 (up to May 1986). The said charge had to be realised from the allotees by the

Deputy Director, Food & Civil Supplies, Diphu being the local authority. The Committee has noticed that the Directorate has made several correspondance to the D.C., Karbi Anglong from whom till date the Directorate had not been responded by the concern authority. During examination of the case the Committee has however directed the Government to obtain detailed report from the Director, Food & Civiel Supplies and submit the same within one month to the Committee. But no report had been received from the Government till finalisation of this report by the Committee. Thereupon the Committee feels that such inaction of the authority is accounted for against the good health of State exchequer. Therefore, the Government should be very cautious from now on wards in collecting timely due to the State exchequer. Although the apathy of the authority in this particular monetary transaction appears disheartening, the Committee has however, most reluctantly decided not to pursue further.

CHAPTER – IV

Mines and Minerals Department

Royalty not charged on loss of crude oil.

(Audit para 5.5/CAG/1990-91 R/R)

15.1. Audit has pointed out that in the State of Assam the extraction of Mineral oils is government by the Oil Fields (Regulation and Development) Act, 1948 (since amended in 1969) and the Petroleum and Natural Gas Rules, 1959 (P.N.G. Rules). According to the P.N.G. Rules, a lessee shall pay royalty, in respect of any mineral oil mined, quarried, excavated or collected by him, at the rate prescribed by the Government of India from time to time. No royalty shall, however, be payable in respect of any crude oil, causing head condensate or natural gas which is unavoidably lost or is returned to the natural/reservoir or is used for drilling or other operations relating to the production of petroleum or natural gas or both. The term 'unavoidably lost ' has not been difined in the Act or in the Rules. The lessee is required to furnish, within the first seven days of the month following operations, or within such further time as the State Government may allow, returns to the prescribed authority, and as per schedule attached to Rule 14 (2) of the P.N.G. Rules, the returns of crude oil so furnished by a lessee shall indicate the volume of net crude oil, on which royalty is payable. The net volume is obtained after deduction from the gross quantity of crude oil, the quantity of crude oil unavoidably lost / returned to natural reservoir and used for purposes of petroleum mining operations approved by the State Government. Mention was made in para 4.3 of the Audit Report for the year ended 31st March 1989 on Revenue Receipts of the Government of Assam relating to non-demand of royalty amounting to Rs.106.60 lakhs on lost of crude oil in the case of a lessee (M/S Oil and Natural Gas Commission). It was again noticed (September 1990) in audit that in the monthly royalty statemen, submitted alongwith returns of oil and gas extracted during period from December 1988 to May 1990 by the same lessee (ONGC) to the Director of Geology and Mining, Assam, 36201.886 metric tons (MT) of crude oil was shown as 'Crude lost (TPT)' (representing transit loss) on which no royalty was paid by the lessee treating it as unavoidable loss and the department also did not raise any demand treating the same as a permissible loss. Royalty not charged during the aforesaid periods amounted to Rs. 97.20 lakhs, calculated at the rate of Rs.192 per MT on 36,201.886 MT. of crude oil and at the ad-hoc rate of Rs. 100 per MT, on 27,688.586 MT. of crude oil. In reply to the earlier audit observation (para 4.3 of Report of the Comptroller and Auditor

General of India on Revenue Receipts, Government of Assam (for the year 1988-89), the Government stated (November and December 1988) that under the existing provisions in the Petroleum and Natural Gas Rules, 1959 and in the absence of a clear definition of 'unavoidable loss' they were not in a position to determine whether the loss of crude oil could be termed 'unavoidable loss' or not. The Government further added (October 1989) that the Government of India had already been approached for a clear definition of the term 'unavoidable loss' in the Act and Rules and the lessee had been asked for detailed clarification in the matter and for a detailed technical report. It was relevant that another lessee who is also engaged in extraction of mineral oil in the State, did not show any loss on this account while submitting their returns to the Director of Geology and Mining, for the same periods.

15.2. The Department in their written reply submitted that in the Audit Report for the year ended 31st March, 1989, objection was raised at para 4.3 on revenue receipt of the Government of Assam relating to the non-demand of royalty amounting to Rs.106.60 lakhs on loss of crude oil in the case of O.N.G.C. It was observed that O.N.G.C. in their monthly return statement showed 55,522.369 Metric Tons of crude oil as unavoidable loss (TPT) during the period from April 1985 to March, 1987 and no royalty was paid against that quantity of crude oil treating it as "unavoidable loss". It is again pointed out by Audit that during the period from December '1988 to May' 1990, the lessee, ONGC submitted returns to Director of Geology and Mining, Assam showing 36201.886 MT of crude oil as "unavoidable loss", on which no royalty amounting to Rs.97.20 lakhs was paid to the Government. As per provision laid down in Rule 14 (1) of the Petroleum and Natural Gas Rule, 1959, no royalty is payable in respect of any crude oil, causing head condensate or natural gas which is unavoidably loss or is returned to natural reservoir or is used for drilling or other operations relating to the production of petroleum or natural gas or both. The matter regarding non-payment of royalty on quantities of crude oil termed as 'unavoidable loss' as mentioned above was taken up with O.N.G.C. by the department. In reply O.N.G.C. vide their letter No. NZR/Prodn/Tech/R-2/88-89 dated 24th January, 1989 (ANNEXURE-II) and No.OBG/ERC/Audit/89-90, dated 27th April, 89 (ANNEXURE-III) stated that such unavoidable loss (T.P.T) occurs in the crude oil during the process of transportation through pipe lines due to shrinkage of oil volume caused by escaping of lighter fraction from liquid to vapur phase because of

agitation during transportation etc. The Department however did not agree to the clarification given by O.N.G.C. on the above and asked to submit a detail report in support of the same with reference to Oil India Limited, who did not show such loss of crude oil in their monthly returns. On this O.N.G.C. vide letter No. NPT/Roy/Loss/3/90-91, dated 7.11.90 (ANNEXURE-IV) explained further as hereunder –

15.2.1. Prior to April 1985 such losses were not shown by ONGC in their statements separately, but gross production figures were reconciled to take care of these losses. Since April 1985 these unavoidable losses have been reflected in the statements with a view to make the statements more clear to the Agencies.

15.2.2. In the PNG Rule, 1959 at clause 3 (b) crude oil is defined as the petroleum in its natural state before it has been refined or otherwise treated but from which water and foreign substances have been extracted. This indicates that the net despatchable crude oil should be free from water and foreign substances which is acceptable to the Refinery.

15.2.3. Hence stations like Central Tank Firms (CTFs) are created to improve the quality of crude oil to eliminate the associated water and foreign substances so that the crude oil is acceptable to the Refinery. The gross production figure of the crude oil is inclusive of the quantities of water and foreign subestances drained out from the setting tanks in the stations, and the quantities of water and foreign substances so drained out is termed as 'unavoidable loss' and no royalty is paid on this quantity under the existing law for time being is force.

15.2.4. Again during transportation of the crude oil through the pipeline from oil wells to CTF and CTF to the refineries, certain quantities of crude oil is lost due to shrinkage and foaming effect, which is termed as unavoidable transit loss and for this quantity of crude oil, so lost on transit no royalty is paid.

15.2.5. The occurrence of 'Unavoidable loss' of crude oil takes place due to the following reasons –

a) Evaporation ; b) Foaming ; c) Shrinkage; d) Water & foreign substances drained out from the settling tanks loss due to evaporation depends on the following factors :

i) Temperature; ii) Surface area; iii) Agitation; iv) Breathing & Filling loss; v) Vapur pressure in Tank.

15.2.6. The Government representative submitted that the ONGC refused to pay royalty on the quantities of crude oil unavoidably lost due to statutory provisions made by the Government of India in the Oil–field (Regulation & Devolopment) Act, 1948 and Petroleum & Natural Gas Rules 1959, exempting the lessees from payment of royalty on quantities of crude oil unavoidably lost.

15.2.7. Explaining the prevailing position to the Committee, the Offical representatives have deposed further reiterated that Oil India Limited is also suffer from such unavoidable loss in the collecting stationer due to draining out of the water content and foreign materials from the settling tanks and also while transporting the crude oil to the refinery. But OIL has been following the same system of furnishing statements on production of crude oil as was followed by ONGC prior to April 1985, wherein the figures of the gross prodution of crude oil are shown in the statements after eliminating components of "Unavoidable loss."

15.2.8. However the official representatives of Mines and Minerals Department, Government of Assam have deposed that whatever quantities of crude oil or Natural Gas are shown by the lessees as 'unavoidable loss' as per provision of law, should be restricted to a specific limit. Therefore, the Government of Assam with a view to narrow down the interpretation of "unavoidable loss" stated to have submitted memorandums to the Government of India to limit the 'unavoidable loss at 0.5% of the gross production, in respect of crude oil and at 5% for Natural gas through suitable amendments to the rules. But no effect thereon has been intimated to the State Governments.

OBSERVATIONS / RECOMMENDATIONS

15.3. The Committee observes that the lost on crude oil of Assam reasonable or otherwise became apparent, the Government of Assam reported to have been losing at Rs.2.00 per MT per year since 1990-91 till date in addition to an ad-hoc loss of Rs.100.00 per MT e.i. 27,688,586 MT of crude oil. In view of prevailing financial crunch, the Committee feels that

the Finance Department also should very seriously pursue the matter and take concrete step with the Central Government so that the money which was over due from the lessees of oil fields of Assam to the State Government would inflow forthwith to the State exchequer. Action taken in this regards by the Government be intimated to the Committee within 60 days of this report presented to the House.

CHAPTER – V
Power (Electricity) Department
Under–assessment of electricity duty.
(Audit para 5.6/CAG/1990-91 R/R)

16.1. Audit has pointed out that after scrutiny of records in Nalbari Sales Tax Office, revealed (April 1990) that 69.73 lakhs units of energy were supplied for industrial production (14.22 lakhs units) and to other consumers (55.51 lakhs units) by the State Electricity Board during the period from 1st October 1984 to 31st March 1986. The assessing authority levied electricity duty at pre-revised rates effective upto 30th September 1984. The mistake resulted in under-assessment of electricity duty amounting to Rs.1.47 lakhs.

16.2. In absence of written reply on the para the Departmental witnesses in their oral deposition have stated that para in question actually relates to Finance Taxation Department. The official witness of the Power Department requested to the Commissioner, Finance (Taxes) to submit a report on this matter.

OBSERVATIONS / RECOMMENDATIONS

16.3. On 29 November 2001 while a threadbare discussion of the Committee was held with the official representatives of Power (Electricity) Department in presence of officials of ASEB as well as Financial Commissioner, Government of Assam where the offers of the office of the A.G., Assam assisted the Committee in high lighting the discripencies of the Department by under assessment of electricity duty. During the course of examination, the Committee is very much constrained to note that due to not taking timely and proper action the Government as well as the ASEB had incurred huge loss of revenue hence the Committee directed to submit a detailed report on it to the Committee within a month from the date of examination of the audit para with a view to drive out the actual position and to suggest remedial measures therefor. But the Government failed to submit the report to the Committee till finalising the report by the Committee. In the state of affairs the Committee observes that in the year 2000-2001 an amount of Rs. 619.18 crores only was reported to have collected from the sale of total Rs. 3174.84 (from Assam 868.54 + 2306.3 from Meghalaya) units power as intimated by the official representatives. There might be an

approximate loss amounting to 22% maximum according to their views. Out of total circles of Assam, 14 had been incurring loss @ Rs. 10.71 crores per unit per year totalling to Rs. 150 crores. The Committee notices that out of total cost of Rs. 560 crores an amount of Rs. 150 crores could have been saved if corrective measures were being taken by the authority. The Committee thereupon wishes that the authority should take initiative to plug the loopholes in electricity supply and the responsibility should be fixed with those officials concerned relating with the supply of electricity in Assam.

16.4. Thereupon, the Committee, therefore, recommends that the Officers for whom the Government has incurred huge losses of revenue should be brought into book and dealt with properly in comensurate with the fault and amount should be accordingly realised forthwith. Action taken in this regard also be intimated to the Committee within a period of 60 days of this report presented to the House.

CHAPTER - VI

Forest Department

Loss due to renewal of lease at concessional rates.

(Audit para 5.2/CAG/1987-88 R/R)

17.1. Audit has pointed out that in Kamrup West Forest Division, a lessee, who had already worked out 22,603 and 19,840 trees from Bogaikhas proposed Reserved Forest comprising an area of 24,850 hectares for two terms of lease from 1st January 1962 to 31st March 1970 and again from 1st January 1978 to 31st December 1983, was permitted (December 1983) by Government for the third time by way of renewal of lease for a further term of six years from 1st January 1984 to 31st December 1989 to continue operation of another 21,000 fresh marked trees (both sal and non-sal), in addition to 5160 trees short operated during the immediate earlier term of lease. This was done in view of commitment in the earlier lease agreement of 78-83 to the effect that the lessee would have an option for renewal of lease for another six years term at concessional rates. The rates for different classes of timber for 21000 trees payable by the lessee were restricted to 1978 scheduled rates of royalty with 100 per cent monopoly fee on sal species only , although within a year of renewal of lease, the rates of royalty were revised upward by Government from 1st November 1984. In case of 5160 trees of earlier term remaining unworked, the rates remained the same concessional rates of royalty of 1978-83 (which were almost half the 1973 scheduled rates of royalty) with an additional extention fee of 5 per cent only. The species consideration under which Government was agreeable to such a condition detrimental to yield of revenue of the department was, however, not kept on record. The main considerations for allowance of concessional rates during all the three terms of lease covering a total period of 20 years were however that the lessee would construct roads and bridges in the operational area at his own cost and risk. A perusal of departmental records, however, indicated that the lessee was neither provided with any approved plans and specifications for such constructions nor was any record maintained by the division to ascertain the quantum of works (construction of roads and bridges) actually executed by the lessee. Moreover, the Assam Sale of Forest produce, Coups and Mahals Rules, 1977 under which disposal of all kinds of forest produce is regulated do not provide for such procedure as adopted by the Government in the instant case. Consideration all aspects, Government's commitment for renewal of lease for the third time at concessional rates to the lessee lacked adequate justification.

However, on receipt of directives from Government in pursuance of their (another) policy decision taken in Junuary 1986, (No.FRS.23/86, dated 25th January 1986), felling of trees in the leased out forest area by the lessee was stopped from February 1986 without cancelling the relevant lease and agreement. During the period from 1st January 1984 to 31st January 1986 the lessee could fell 7,900 trees (5000 trees under old lease and 2900 trees under new lease) mostly of sal and similar A (iii) class species and removed timber content aggregating to 9477.717 cubic metres on payment of a total amount of Rs. 15.96 lakhs (6099.184 cubic metres under old lease on payment of Rs. 4.33 lakhs plus extention fees of Rs. 21.649 and 3378.533 cubic metres under new lease at Rs. 11.41 lakhs). The concerned circle Conservator of Forests while submitting his reports on the proposal of renewal of lease and observed that sale of timber coupes during 1981-82 in the neighbouring areas of Bogaikhas had fetched monopoly fees upto 300 per cent above the royalty valuation of coupes. Later, offers even upto 500 per cent above the royalty value on the timber lots of sal species operated departmentally from the neighbourhood of Bogaikhas had also been receive. The normal royalty value of 9477.717 cubic metres of timber operated from 7900 trees, as mentioned above, along worked out to Rs. 41.32 lakhs (on 3025.144 cubic metres operated upto 31st October 1984 on the basis of 1978 scheduled rates of royalty and on 6452.573 cubic metres operated from 1st November 1984 on the basis of 1984 scheduled rates of royalty) as against Rs.15.96 lakhs actually realised from the lessee. Thus the State Government was deprived of the additional revenue of Rs. 108.00 lakhs in respect of 7900 trees, for the timber not being sold under competetive tenders, with minimum of 300 per cent monopoly fee over the royalty valuation.

18.2. The department in their written reply as well as deposition have submitted that the report of the CAG pointed out had there been the competetive tenders, for 7,900 Nos. of trees leased out to M/S Assam Cane Dealers, an additional amount of Rs. 108.00 lakhs could have come to Government Excheqer as revenue. This amount was calculated taking 300% monopoly fee over the royalty valuation. It is fact that in some places where there is no transport bottleneck and when trees are of good quality from commercial point of view, such a price can be derived. But sometimes, settlement of coupes/mahals has to be made at royalty only and sometimes even on less amount depanding upon adverse situation. In this particular case, the Government had the discretionery power to allow operation of the

trees as per provisions of Rules 3(3) of Settlement Rules of 1977 on payment of 1978 schedule rates of royalty + 100% monopoly fee.

OBSERVATIONS

18.3. The Committee has observed that the Government reported to have lost the additional revenue tune of Rs. 108.00 lakhs in respect of trees lease operation. The Committee has also considered the prevailing circumstances and legal provisions wherefore the Government seemed to have discresion for fixing scheduled rates of royalty. The Committee has however decided to drop the paragraph.

Non–accountal of sale proceeds.
(Audit para 5.3/CAG/1987–88 R/R)

19.1. Audit has pointed out that Forest Divisions supply simul logs (match wood) to match factories on the basis of allotments made by the Forest utilisation officer, Assam from time to time. Accordingly, from the stocks of North Kamrup Forest Division 3,701.822 cubic metres of simul logs against the allotment 1000 cubic metres were supplied to a match company at Dhubri during the supply year 1984-85 (from 1st November 1984 to 31st October 1985). Of the total value of Rs. 18.10 Lakhs of the supplies, an amount of Rs. 1.10 lakhs only was accounted for and deposited (September 1985) into Government treasury and the balance amount of Rs.17,00,000 paid by the match company as advance payments under five separate account payee demand drafts purchased on different dates between 3rd January 1985 and 20th March 1985 from the State Bank of India, Dhubri Branch and drawn on State Bank of India, Rangia Branch in favour of Divisional Forest Officer, North Kamrup Division had not been accounted for in the divisional cash book nor deposited into treasury till June 1988. On this being pointed out in audit (July 1987) the department stated (April 1988) that the Divisional Forest Officer responsible for non-deposit of Government revenue was placed (December 1985) under suspension. Further, a police case has also been instituted (January 1986) against him by the Anti-Corruption branch in this regard. Report on recovery of the amount is awaited (March 1989).

19.2. The Department in their written reply as well as deposition have

submitted that it is true that Rs.18.10 lakhs was paid by M/S WIMCO (AMCO Region), Dhubri for supply of 3701.822 cu.m. of simul logs by bank drafts out of which only Rs.1.10 lakh was accounted for and deposited in to the Government Treasury. For the balance amount of Rs. 17 lakhs, the following bank drafts were received in the Divisional office:

1. TL/AB/590790, dated 3.1.1985 – Rs.2.00 lakhs
2. TL/AB/590712, dated 16.1.1985- Rs.2.00 "
3. TL/AB/590713, dated 16.1.1985- Rs.6.00 "
4. TL/AB/590724, dated 8.2.1985 – Rs.5.00 "
5. TL/AB/590738, dated 20.3.1985– Rs.2.00 "

The details of the matter were enquired from the authority of the State Bank of India, Rangia Branch who expressed inability to disclose any information on ground that the matter is under investigation by the Vigilance and Anti-Corruption Bureau, Assam vide their Letter No.22/224, dated 22.11.1990. The authority of the Vigilance and Anti-Corruption Bureau has already been requested to furnish the details of the investigation as well as the follow up action at the earliest.

OBSERVATIONS / RECOMMENDATIONS

19.3. The Committee has seriously noted that the Department has failed to frame the charges and draw up proceedings against the allegedly guilty officers pending for 17 (seventeen) years. The failure of the Government in the Forest Department and inaction of the Anti-Corruption Department for framing charges against alleged officer anguished the Committee showing no valid ground for remaining in effective. While examined the matter, the Committee has directed the Department to recover the amounts and fix the responsibility on the erring offer for officer for not depositing the money to the State exchequer. Thereupon the Committee recommends that action taken instantaneously on the matter be intimated to the Committee not latter than 30 days of this report presented to the Assembly.

Loss due to non-incorporation of risk sale clause in sale notices.
(Audit para 5.4/CAG/1987-88 R/R)

20.1. Audit has pointed out that under the Assam sale of forest produce, Coupes and Mahals Rules, 1977, if the tenderer whose tender has been accepted fails to implement the settlement order and pay the accepted value of the timber lot within the stipulated date the settlement of the lots made with him is liable to be cancelled. The lot shall be resold at the risk of such tenderer and if the proceeds on resettlement are less than the value at which it was originally settled, the loss so sustained by Government in subsequent disposal recovered from the first tenderer.Further, the earnest money deposit of defaulting tenderer shall also be forfeited. This condition is intended to curb the tendency of refusing implementation of settlement of any timber lot by a tenderer after acceptance of his tender. This important condition of sale was, however, not incorporated in any of the sale notices issued between September 1981 and March 1986 by the Divisional Forest Officers of three forest divisions (Haltugaon, Kachugaon and Dhubri) under Western Assam circle for sale of 282 lots of timber operated by them departmentally during the years 1981-82 to 1985-86. All the lots were allotted to respective highest tenderers at their bids totalling Rs.67.26 lakhs. However, after acceptance of the tenders by the competent authority all the tenderers backed out without assigning any reasons. Ultimately the lots were resold between November 1981 and November 1986 for Rs.51.88 lakhs. Thus, due to omission to incorporate the condition regarding risk sale in notices issued upto March 1986, the recovery of differential sale value could not be enforced from the defaulting tenderers resulting in loss of revenue amounting to Rs.15.38 lakhs.

20.2. The department in their written reply as well as deposing before the Committee has submitted that it has been reported by the C.A.G. that due to non-incorporation of the condition regarding risk sale in the sale notices for selling 282 lots under Haltugaon, Kachugaon and Dhubri Divisions, the difference of sale value could not be realised from the defaulting tenderers, which resulted in loss of revenue amunting to Rs.15.38 lakhs. Lots were sold either by tender system or by auction system as per provisions of the settlement Rules of 1977. As per provision of the said rules the lots could be resold at the risk of the tenderers in case of their failure to implement the settlement orders and if the proceeds on resale are less than the value at which it was originally sold, the differences are realizable from him as

arrears of land revenue. However, the difference of sale value arising from resale of the lots cannot be realized as an arrear of land revenue since the amount of damage for breach of the term of the sale notice is not an amount due under the regulation as per Supreme Court's order on Civil Appeal No.595 of 1967 and hence the term 'risk' was not incorporated in the sale notices.

OBSERVATIONS

20.3. The Committee has observed that a tune of Rs.15.00 lakhs had been lost by the Government as revenue due to non-imposing necessary condition in the settlement order. The Committee was annoyed on the laps of the official who failed to incorporate vital conditions at the time of issuing settlement order. However, the Committee after observing all aspects of the case has decided not to pursue further the misdeed in this instant case.

Loss due to irregular diversion of illegally felled timbers into drift timber mahal. (Audit para 5.5/CAG/1987-88 R/R)

21.1. Audit has pointed out that timber (mainly windfallen trees or uprooted due to soil erosion etc.) from the forest areas brought downstream by the river current, are collected at convenient places located along the river. Such area between the points of collection of timber is called 'Drift Timber Mahal.' Since the availability of timber in case of such mahal is entirely dependent on nature, the probable out turn in any working season cannot accurately be assessed before hand. Considering this aspect the drift timber mahal is normally sold at a very moderate price. Drift timber mahal on the Dayang and the Dhansiri rivers in Golaghat Forest Division was settled (June 1983) by the Government with a person by negotiation at Rs.25,000 for a period of two years from July 1983 to June 1985. A perusal of reports of the Divisional Forest Officer, Golaghat sent to the Conservator of Forests, between July 1984 and November 1985, however, revealed that though there was poor availability of drift timber in the river, the mahaldar managed to exhibit collection of large quantity of timber measuring 2081.569 cubic metres during the working period by diverting the illegally felled timbers including section logs from the adjoining reserved forest into the river current. The value of timber so collected was departmentally assessed at Rs. 9.24 lakhs. Since such diversion of timber

was contrary to the original terms and conditions of settlement of the mahal, the entire quantity of timber was seized (between June 1984 and August 1984) by the Divisional Forest Officer and brought to the Departmental depots at Dhansirighat and Aichiga by incurring an expenditure of Rs. 49,254. Subsequently, in terms of the directive issued by the Government in September 1984 the timber so seized were released to the mahaldar without enforcing recovery of the diffenential value of Rs. 8.99 lakhs (Rs.9.24 lakhs - Rs. 25,000) and the departmental cost of Rs. 49,254 from him on the ground that the sale agreement made with the mahaldar did not provide any condition for realisation of value in excess of the settled amount. Thus, due to irregular and unchecked diversion of timber by the mahaldar and due to absence of suitable provision in the sale agreement for recovery of the value on such diverted timber, the Government had suffered loss of Rs. 9.48 lakhs (Rs. 8,98,891 + Rs. 49, 254).

21.2. The department in their written memorandum as well as deposing before the Committee has submitted that drift timber mahal in Dayang and Dhansiri Rivers under Golaghat Forest Division was settled by Government vide their Memo No.FRS.329/81/11-A; dated 22.6.1983 at Rs. 25,000.00 only for 2 (two) years with effect from July 1983 on experimental basis. Though there were reports from the Department's end, the Government of Assam had ordered releasing of all the seized timber vide No. FRS.329/81/944 dated 7.9.1984 after due consideration of the claims. The mahal was allowed only on experimental basis and accordingly an agreement was executed. In this particular case, unlike a coupe, this type of mahal did not have any limitation of numbers of trees or volume of timber. Hence, the question of incorporating any clause in the agreement for realisation of extra amount for the timber available in the mahal may not arise.

OBSERVATIONS / RECOMMENDATIONS

21.3. The Committee has observed that the Mahal was settled only on experimental basis and agreement was also executed without incorporating any clause for realisation of extra amount. The Committee has further noticed that the Mahaldar is clearly understood to have violated the terms and conditions of the settlement of the Mahal and collected the huge amount of timbers very illegally. The department even after getting the reports had not taken proper action to save the Government revenue. The Committee

wishes to know immediately details on the matter together with the action taken thereon by the Government before the paragraph is finally drop.

Loss due to non-acceptance of tenders on first sales.
(Audit para 5.6/CAG/1987-88 R/R)

22.1. Audit has pointed out that in Nagaon Forest Division, 66 lots of timber of miscellaneous species (which deteriorate fast) operated departmentally during the years 1984-85 to 1986-87 were put to sale on seven different dates between December 1985 and February 1987 by splitting these lots into further seven groups. On the basis of tenders received, the settlements of 15 lots only were finalised (between June 1986 and March 1987) by the Divisional Forest Officer with the respective single tenderers at their bids totalling Rs.1.40 lakhs which was even below the amount or Government valuation (Rs.1.77 lakhs) of these lots. The value amounting to Rs.15.16 lakhs against Government valuation of Rs.14.68 lakhs fetched in sales in respect of remaining 51 lots was, however,not accepted by the circle Conservator of Forests on the prospect of getting better offers on their resale. Accordingly, all the 51 lots were put to resale on one to two times between February 1986 and August 1986 with an interval of 3 to 7 months from the date of the first sales. On resale, 50 lots were approved (January 1987) by the Chief Conservator of Forests for settlement with the respective highest tenderers at much lesser amount of Rs.8.72 lakhs and accordingly the settlement holders lifted (February 1987 to August 1987) the timber of 50 lots by depositing the settled values. Reason for non-sale of one lot (Lot No.WD/51) of 1985-86 was not kept on record. The shortfall in value was attributed (October 1986) to deterioration of timber logs by 18 to 50 per cent due to cracks splitting, fungus attack, etc., during the intervening period of two sales. Non-acceptance of the first bid for sale in respect of the 51 lots (offers received being more than Government valuation) resulted in loss of revenue of Rs.6.44 lakhs (15.16 lakhs–8.72 lakhs) to the Government.

22.2. Besides written reply the official witness had has deposed that during 1985–86, 66 Nos. of lots of timber of miscellaneous species were put to sale on different dates, wherein 15 lots were finalised by the Divisional Forest Officer on the basis of single tender received against each lot. The audit has observed that in subsequent sales of the lot timbers, the prices fetched were less than the prices obtained in the earlier sales. Therefore, the

D.F.O.s action in setting the 15 lots in the first sale to the single tenderers seems to be justified. In respect of the balance lots, it is to be pointed out that the lots were put to sale more than once and some of them even for twice and thrice and the highest bid values received against those lots were found to be much lower in the subsequent sales. As the bid values were too low, a proposal was submitted to the Conservator of Forests, Northern Assam Circle for his views regarding settlement of the lots. As instructed by the Conservator of Forests, the lots were duly reassessed and after discussion with the Chief Conservator of Forests (G) it was decided to settle the lots at the offered prices to avoid further loss of revenue as the lots were non sale lots which were lying in the open air leading to deterioration day by day due to constant exposure to sun and rain and hence there was no way out but to settle the lots at the offered bids.

OBSERVATIONS

22.3. The Committee has expressed its anxiety that the officer in the concerned revenue earning department was not very serious about proper action about sale tender of timber on time. Lack of forsightness of those officers, loss of revenue had to be incurred to the State exchequer. Whatsoever, considering the submission of the Official witness, the Committee has decided to drop the paragraph.

Shortage in departmental operation of timber. (Audit para 5.7/CAG/1987-88 R/R)

23.1. Audit has pointed out that under the scheme Departmental operation of timber' the work of felling and logging of marked trees in the forest coupes is done through a separate logging range created under forest division having larger territorial jurisdiction. The transportation of logs from the coupe area to the forest depots under the charge of different Range Officers of territorial ranges is arrange by the Divisional Forest Officer on the basis of intimations received from the Range Officer, logging range from time to time .However, logs obtained as a result of felling of trees are measured in the coupe by the Range Officer, logging range before being transported to forest depots where they are measured again. The measurement recorded at the two places should not normally differ. As per records of the Range Officer, logging range under Darrang East Forest Division a total volume of 8,258.059 cubic metres of timber of

miscellaneous species were felled by him on behalf of Range Officer, Diplonga (territorial) range during the period from 1983-84 to 1986-87. The corresponding records of the Range Officer, Diplonga Range, however, disclosed that only 7361.799 cubic metres of timber was taken as receipts in the depot records which was less than the volume of timber actually felled.by 896.260 cubic metres. The royalty value (including departmental cost of Rs.67.220) of the shortage worked out to Rs.4.80 lakhs which would be much more if computed at prevailing competative rates obtained against tenders. Reason for the shortage of timber was neither investigated nor furnished to audit by the Divisional Forest Officer.

23.2. The Department in their written reply as well as deposition before the Committee has submitted that Departmental operations were carriedout during the period from 1983-84 to 1986-87 to operate the timber as detailed below:

1983-84	–	2,622.544 cu.m.
1984-85	–	2,602.045 cu.m.
1985-86	–	1,418.099 cu.m.
1986-87	–	1,137.463 cu.m.

But the audit pointed out the volume as below, which was not correct :

1983-84	–	2,623.069 cu.m.
1984-85	–	3,224.428 cu.m.
1985-86	–	1,418.898 cu.m.
1986-87	–	991.664 cu.m.

As such, the total volume of timber operated during the above four years was to 7,780.151 cu.m. The total volume of timber transported to the depots including supply to WIMCO as per Depot Registers and Lot Registers was 7,392.424 cu.m. As such, the timber, which could not be transported to the depots, was 387.727 cu.m. (7,780.151 cu.m.-7,392.424 cu.m.) and not 896.260 cu.m.as pointed out by the audit. It may be mentioned that the record of the Diplonga Range was based on original marking records, which did not seem to have co-related by the Logging

Range. The details of timber transported year wise was found as below :

1983-84	–	2,271.966 cu.m.
1984-85	–	2,602.045 cu.m.
1985-86	–	1,391.607 cu.m.
1986-87	–	1,126.806 cu.m.
Total	–	7,392.424 cu.m.

Hence, the transportation volume as pointed out by the audit is not correct. The reasons for inability to transport the 387.727 cu.m. of timber are attributed to continuous Assam Agitation during the said period when vehicles for transportation of the timber could not be arranged as most of the vehicles were requisitioned by the authority for maintaining law and order situation. The timbers were of non-sale soft wood species and deteriorated very fast due to constant exposure to sun and rain making the transportation uneconomic from the commercial point of view.

OBSERVATIONS

23.3. The Committee has noticed that there were difference of opinion between the audit and the Government maintained records of timber transportation. Whatsoever, the Committee has decided to drop the para after careful considerations of all aspects on it.

Loss due to non-observance of prescribed procedure.
(Audit para 5.8/CAG/1987-88 R/R)

24.1. Audit has pointed out that in Dibrugarh Forest Division, a notice inviting tenders for sale of sand mahal No.19 (with a stipulated quantity of 3,000 cu.m. of sand) for the working period from 9th May 1985 to 8th May 1987, was issued on 30th January 1985 by the Divisional Forest Officer (fixing the last date of receiving tender on 6th April 1985). The sale notice was, however, published in the official Gazette on 20th March 1985 refixing the last date of receiving tender as 16th April 1985. Of the 33 tenders received, the highest offer was for Rs.4.56 lakhs. The settlement was however, stayed (August 1985) by the Gauhati High Court on a writ petition filled by a person other than the highest tenderer on the ground that one month time from 20th March 1985 for submitting tenders admissible under rule was not allowed while refixing the last date of receiving tenders

as 16th April 1985. In June 1987, the stay order was vacated by the High Court. Meanwhile, the working period of the mahal had expired on 8th May 1987 resulting in loss of revenue amounting to Rs.4.56 lakhs (based on highest offer) as non-working of sand Mahal during the working period results in sand and stone being carried away by the river current and accordingly, loss of working period results in loss of revenue. The appeal with consequential loss could have been avoided had the last date of receiving tender been fixed giving one month's time from the date of publication.

24.2. The department in their written reply as well as deposition has submitted that the sand mahal No.19 of 1985-87 (Dihing river) under Dibrugarh Forest Division with the working period from 9.5.1985 to 8.5.1987 with stipulated quantity of 3,000 cu.m. of sand was put to sale vide sale Notice dated 30.1.1985 by calling tenders and fixing the last date of receving tenders on 6.4.1985, but the sale Notice was published in the Assam Gazette dated 20.3.1985. However, a short sale Notice was also issued on 16.3.1985 fixing the last date of reveiving tenders on 6.4.1985 for wide local publicity well ahead which was subsequently extended upto 16.4.1985 vide noticed dated 6.4.85. In response 33 tenders were received with the highest offer of Rs. 4,55,511.00. While the settlement process was on, one Shri Dambarudhar Gogoi filed a writ petition before the Hon'ble High Court challenging the notice and settlement of the mahal and the Hon'ble High Court stayed further proceeding relating to the sale of the mahal pending final disposal of the writ petition on 30.7.1985. The Hon'ble High Court disposed of the writ petition on 26.6.1987, for which the mahal could not be operated during term 1985-87 and accordingly the Government incurred the loss.As regards the sale notice, Rule 4 of the Settlement Rules of 1977 stipulated that the sale notice for sale of a mahal is required to be published in the Official Gazette not less than one month before the last date fixed for submission of tenders. In this instant case, the sale notice dated 30.1.1985 was published in the Assam Gazette on 20.3.1985 and the last date of receiveng tenders was extended upto 16.4.1985. So from 20.3.1985 to 16.4.1985, the number of days comes to 28 days, which is just 2 days short of the stipulated time. The time of one month prescribed in the rule 4 is to ensure wide circulation of the sale notice. In this case, the sale notice was widely circulated as is evident from receipt of as may as 33 Nos. of tenders. On the other hand, the short sale Notice was issued on 16.3.1985 fixing the date of receiving tender on 6.4.1985, which was subsequently extended

upto 16.4.1985 fulfilling the requirement of the provisions of rule. The loss so calculated by the audit could have been avoided had the writ petition been disposed of early by the Hon'ble High Court. But that was beyond the jurisdiction of the department and so the loss so caused was unavoidably. As regards, the loss of the materials, it may be stated that normally sand and stone is not get carried away by the river current, so there was no loss involved except getting the sale price in time.

OBSERVATIONS

24.3. The Committee is constrained to note that the loss of revenue incurred for the unjudicious indulgence of some officials. The Committee is of the view that the matter requires further examination. Action taken by the Government after making an another thorough investigation into this regard by the Government should be submitted to the Committee within 30 days of this report presented to the House before consideration of this irregularity is finally dropped.

Loss due to departmental lapses
(Audit para 5.9/CAG/1987-88 R/R)

25.1. Audit has pointed out that in Digboi Forest Division, river bed sand mahal No.DIG III was notified (May 1985) in Assam Gazette for sale for the working period from 25th May 1985 to 24th May 1987 of the three tenders received, the third highest offer of Rs.2.27 lakhs was regular in all respects. The Chief Conservator of Forests to whom the tender papers were forwarded by the Divisional Forest Officer in September 1985 communicated his approval for settlement with the third highest tenderer after lapse of about six months on 24th February 1986. Accordingly the mahal was provisionally settled with the tenderer on 11th March 1986. But immediately after issue of provisional settlement order, on receipt of an appeal petition from the first highhest tenderer who could not produce any of the required documents alongwith his tender paper, Government stayed the final settlement of mahal pending receipt of a report from the departmental Officer. Although a report on the appeal was submitted by the Divisional Forest Officer in May 1986, Government dismissed the appeal only in January 1987. Thus, due to procedural delay at every stage the mahal remained unoperated during the entire period from 25th May 1985 to 24th May 1987 resulting in loss of revenue of Rs.2.27 lakhs.

25.2. The Department in their written reply as well as deposition has submitted to the Committee that the Accountant General (Audit), Assam & Meghalaya etc., Shillong had already dropped the matter vide para 6 of their letter No.RAW (A) /6-7/86-87/3960 dated 30.3.1990.

OBSERVATIONS

25.3. The Committee is satisfied that the Accountant General, Assam had rescinded his earlier decision raising objection on the executive on the matter in question and therefore has decided to drop the paragraph.

Non-realisation of Government dues from a saw mill (Audit para 5.10/CAG/1987-88 R/R)

26.1. Audit has pointed out that Forest divisions supply timber logs to certain recognised saw mills at rates fixed by Government / department. Such rates are fixed taking into account prevalent rates of royalty along with other relevant factors. Consequent on revision (October 1984) of the rates of royalty leviable on all classes of forest produce from 1st November 1984 by the Government, the department also decided to revise the sale rates of timber to be supplied to saw mills. Pending revision of the rates, the Conservator of Forest, Eastern Assam Circle, Jorhat instructed (January 1985) the Divisional Forest Officer, Golaghat Division to continue the supply of timber to a particular saw mill (M/S. Golaghat Saw Mill), at the existing rates of Rs.625 per cubic metre for 'A' class timber and Rs.525 per cubic metre for 'B' class timber prescribed in August 1983, after obtaining an undertaking from the mill owner to the effect that the difference in price would be paid by him as and when the enhanced rates were fixed. The rates for such supply were revised by the department in June 1985 retrospectively from 1st November 1984 from Rs.625 to Rs.990, Rs.525 to Rs.770 and Rs.525 to Rs.640 per cubic metre for A III, B I and II and C class timber respectively. Meanwhile, on the basic of an undertaking given by the mill on 2nd February 1985 on the line suggested above, 999.943 cubic metres of timber of different classes (899.943cu.m. from Golaghat range and 100 cu.m. from Uriamghat range under Golahgat Division) were supplied to the mill during the period from March 1985 to July 1985 after accepting the value of Rs. 5.25 lakhs thereof at pre-revised rates. Despite the undertaking by him when a supplementary claim amounting to Rs. 1.49 lakhs (inclusive of 7 per cent sales tax) at defferential rates was prefered (December 1985)

by the Divisional Forest Officer, the mill refused to accept the claim stating that their undertaking was in respect of timber supplied from Uriamghat range only and that too lost all force since the rates, according to the mill, cannot be revised retrospectively for timber supplied earlier. The refusal of payment by the mill was reported (February 1986) by the Divisional Forest Officer to Conservator of Forests, Eastern Assam Circle. But no further action was taken by the department and consequently Government dues remained unrealised till March 1988.

26.2. Besides written reply the departmental Officer disposed that in addition to 100 cu.m. of timber allowed to M/S. Golaghat Saw Mill vide Government Memo No.FRS.72/83/65 dated 2.8.1983 from the departmentally operated timber, another 1,800 cu.m. of timber of different species was also allowed to the mill at the prevailing rate. There was a revision of rates with effect from 1.11.1984. As the mill could not remove 999.943 cu.m. of timber out of the said 1.900 cu.m. allotted to them before 1.11.1984, so as per D.F.O.'s letter NO.B/6830-34/32 dated 13.8.1983 and their undertaking dated 13.8.1983, the mill was to pay a sum of Rs. 1,49,341.33 as difference value. When they fail to pay the amount on demand, a Bakijai case was initiated against them. Subsequently, they filed a suit before the Collector, Golaghat and on the basis of the order passed by the Collector, Golaghat on 29.1.1991, fresh Bakijai case was lodged and an amount of Rs. 12,524.66 was realised along with a sale tax of Rs. 876.73.

OBSERVATIONS / RECOMMENDATIONS

26.3. The Committe has observed that the department has imposed revised royalty to the Saw Mill, Golaghat but the Mill did not agree with the same. The department had drawn up a Bakijai proceedings against the Mill for the amount had not been realised from the Mill owner. The Committee urges upon the Government to recover the arrear amounts immediately. However, the Committee has decided to drop the paragraph.

Loss due to settlement of sand mahals by negotiation. (Audit para 5.11/CAG/1987-88 R/R)

27.1. Audit has pointed out that the Assam Sale of Forest Produce, Coupes and Mahals Rules, 1977, effective from 1st August 1977, provide that the forest produced shall be sold by inviting tenders, by public auction or by

negotiation direct by Government or by any other manner as decided by Government on its own discretion.

(i) Mention was made in paragraph 6.7 (b) of the Audit report 1985-86 regarding loss of revenue of Rs. 3.06 lakhs due to non-settlement of sand mahal No. 23 under Dibrugarh Forest Division for the working period from 15th July 1982 to 31st March 1985. During next audit it was noticed that for collection and removal of same quantity of 5000 cubic metres of sand during the next term fixed from 1st April 1985 to 31st March 1987, the aforesaid sand mahal was, however, settled (May 1985) by Government on negotiation basis with a person at Rs. 1.25 lakhs without assigning any reason for negotiation at unusually lower price, compared to sale price of Rs. 2.26 lakhs for the earlier term Government in this negotiated settlement had suffered a further loss of Rs. 1.01 lakhs.

(ii) In the same division, sand mahal No. 7 with a stipulated quantity of 2833 cubic metres of sand was settled (9 October 1979) with a contractor at Rs. 93,333 for working during the period from 1st April 1979 to 31st March 1981. After expiry of the settled term, Government granted (between September 1981 and August 1984) the mahaldar six spells of extensions covering the subsequent two terms of two years each from 1st April 1981 to 31st March 1985, on realisation of extension fee amounting to 37,333 only to enable the mahaldar to remove 1665.50 cubic metres of sand stated to be short collected during the mahal period on various grounds like students agitation of 1979, scarcity of diesel, labour troubles etc. This is the single case of the 24 sand mahals in the division where Government had considered extension for a period of 4 years against the maximum permissible limit of 3 years, to a particular mahaldar, forgoing minimum revenue of Rs. 1.49 lakhs on the basis of settled price of Rs. 93,333. After expiry of the extended term on 31st March 1985 the Government in this case also, instead of making regular settlement of the mahal for the next term by inviting competitive tenders, made direct settlement (June 1984) without any recorded reasons with a person at Rs. 48,330 for extraction of 2,500 cubic metres of sand during the working period from 1st April 1985 to 30th September 1986. The settled price (Rs. 48,330) was even less by Rs. 34,032 than the proportionate value (Rs. 82,362) of 2,500 cubic metres of sand with reference to settled value (Rs. 93,333) for 2833 cubic metres of sand for the old term from 1st April 1979 to 31st March 1981. The loss, in two cases would be much more if calculated at the competitive rate prevailing in April 1985.

27.2. Besides written reply the departmental officers have deposed that (i) the negotiated settlement of sand mahal No. 23 under Dibrugarh division with Shri Anil Gogoi at Rs. 1.25.000.00 was for a period of two years only from1 4.1985 to 31.3.1987 while the competitive sale settlement order with Shri Jagannath Orang at Rs. 2.26.000.00 was for a period of two years and eight and half months (from 15.7.1982 to 31.3.1985) and not for two years. As such the proportionate value of the mahal for the two years time reckoning at the rate of accepted tender value of Rs.2.26.000.00 comes to Rs. 1.66.892.30 only against which the mahal was settled through negotiation at Rs. 1.25.000.00. As such the amount is less by Rs. 41.892.30 and not by Rs. 1.01.000.00 as pointed out by the audit. Further, though the settlement of the mahal for the period from 1982-85 was given at Rs. 2.26.000.00 the settlement was never implemented and the Government had to incure the loss and had to dispose of number of petitions filed one after another at different levels at different times. Such delay could not be avoided while observing the procedures. It may be mentioned that the provision of negotiated settlement of any mahal has since been abolished by amending the relevant rules vide Government Notification No.FRS.116/98/24 dated 14.3.2000 published in the Extra-ordinary issue of the Assam Gazette on 22.5.2000.

(ii) The final settlement of the sand Mahal No.7 under Dibrugarh Division was ordered by the D.F.O. on 26.10.1979 only though the mahal period was to start from 1.4.1979. Thus there was an initial delay 6 months 26 days. The first extension was granted on 5.9.1981 only by the Government, which was again 5 months 5 days after the expiry of the mahal period notified in the sale notice. The fourth extension was granted by the Government on 31.5.1983 after two months of expiry period on 31.3.1983 of the extension granted vide No.FRS. 625/79/25 dated 23.8.1982. Thus, the loss of working period suffered by the mahaldar is as below :

1.	From 1.4.79 to 26.10.79	- 6 months 26 days
2.	From 1.4.81 to 5.9.81	- 5 months 5 days
3.	From 31.3.83 to 31.5.83	- 2 months
	Total	- 14 months 1 day.

Thus, even though the mahal period is reckoned by the audit from 1.4.79 to 31.3.85 i.e. for 6 years, the mahaldar could actually operate the mahal only

for 4 years 9 months 29 days (6 years minus 14months 1 day) as shown above. As such, the extension comes to only 2 years 9 months 29 days, which is well within the admissible limit of maximum period of three years of extension as provided in the Settlement Rules. As regards the negotiated settlement mentioned by the audit, it may be stated that the negotiated settlement with Shri R. N. Sahu had to be accorded under extraneous situation as the mahal No. 4 of the same division settled with him and under operation half way become barren due to change of river course and therefore had to be abandoned. Shri Sahu had taken permit for 1,500 cu. m. sand (upto third kist) leaving a balance of 2,500 cu.m. to be extracted from that mahal No. 4 when abandoned. On receipt of his pray to provide him an alternative source for collection of the material, Government agreed to allow him to collect the balance 2,500 cu. m. from Mahal No.7 on payment of balance kist money of Rs. 48,330.00 of the mahal No. 4 imposing a further amount of Rs.5 per cu. m. on the balance, which came to Rs. 12,500.00. Thus this mahal No. 7 fetched Rs. 60,830.00 in total. While there is a apparent loss of Rs. 21,532.00 for the proportionate quantity of 2,500 cu. m. (Rs. 82,382.00) against 2,833 cu.m. at the competitive sale of value of Rs. 93,333.00. There is practically no loss when the realisation of the total amount of Rs. 93,333.00 + Rs. 37,333.00 = Rs. 1,30,666.00 in 4 years 9 months (including extension period) is taken into consideration. Further, it is to be mentioned that the realisation of Rs. 60,830.00 in this mahal was for operation period of 1 years 6 months only from 1.4.1985 to 30.9.1986 against the competitive sale price of this mahal at Rs. 93,333.00 for a period of two years and with a larger quantity of 2,833 cu.m. against 2,500 cu.m. in the negotiated arrangement.

OBSERVATIONS / RECOMMENDATIONS

27.3. The Committee has observed that negotiation of settlement remained banned since 2000 and the department had in the meantime amended the settlement Rule of the Government. In view of action taken from the Government the Committee had decided to drop the para.

Loss in settlement of a mahal
(Audit para 5.12/CAG/1987-88 R/R)

28.1. Audit has pointed out that the pabha Game reserve Fishery Mahal No.3. under North Lakhimpur Forest Division was settled (September

1986) with a tenderer at Rs.1.88 lakhs for the working period from 16th August 1986 to 15th May 1988. As per terms and conditions of settlement, the settled value was payable by the mahaldar in eight instalments, each with an interval of two months, during the period from 23rd October 1986 to 23rd December 1987. The mahaldar after availing of some grace periods in payment dates paid the first three kists amounting to Rs.70,669 by 18th May 1987 but thereafter defaulted in payment of 4th kist which fell due on 23rd April 1987 even by 12th August 1987. The mahal was, therefore, put to resale (on 13th August 1987) for the remaining part of the working period upto 15th May 1988, but settlement with the highest tenderer who offered Rs.98,300 could not be finalised by the Division as, in the meantime, on a representation submitted by the sitting mahaldar, the Government stayed (September 1987) the fresh settlement proceeding and subsequently (November 1987) allowed the mahaldar to continue operation of the mahal subject to payment of outstanding dues amounting to Rs. 1.18 lakhs before 31st December 1987. The mahaldar paid only a lump sum amount of Rs. 12,000 and continued fishing upto 15th January 1988. On his failure to clear the balance mahal dues of Rs. 1.06 lakhs the division made a further attempt for resale of the mahal but could not do so as no one was interested to work on the mahal for a short period. Thus, despite his repeated default, the decision to allow the mahaldar to operate the mahal instead of making resettlement at Rs. 98,300 has resulted in short realisation of revenue to the amount of Rs. 86,300. On this being pointed out in audit (December 1987) the Divisional Forest Officer stated in June 1988 that a Bakijai case had been instituted against the defaulting mahaldar. The report on recovery is awaited (August 1988).

28.2. The department in their written reply stated that the Pabha Game Reserve Fishery Mahal No.3 of 1986-88 under Lakhimpur Forest Division was settled with Shri Manik Ch. Pegu, President, Boralimora Mising and Kaiborta Min Samabai Samittee Ltd. at Rs. 1,88,444.00 for the working period from 16.8.86 to 15.5.88. The mahaldar had failed to deposit the amounts from 4th kist onward. So the mahal was put to resale, wherein the highest offer of Rs. 98,300.00 was received. However, considering the problems faced by the mahaldar, Government withdraw the mahal from sale vide Memo No. FRE.256/87/5 - A dated 7.9.87 and the Sammittee was allowed to operate the mahal subject to payment of the outstanding amounts. The Sammittee paid only Rs. 12,000.00 out of outstanding amount of Rs. 1,06,000.00 and failed to pay the balance amount for which the mahal was

put to resale again at the risk of the mahaldar but no tender was received. Accordingly, the security money and the earnest money have already been forfeited and the Bakijai case had already been lodged to release the balance amount.

OBSERVATIONS

28.3. The Committee has observed that according to the circumstances, the Government has initiated appropriated action. The Committee urges upon the Government to realise the defaulting amounts and to intimate the action taken thereon by the Government. Accordingly the Committee has decided to drop the paragraph.

Loss of revenue due to unintended benefit to a lessee.
(Audit para 5.13/CAG./1987-88 R/R)

29.1. Audit has pointed out that in North Lakhimpur Forest Division the settlement of Ghagor-Kadam Reserve Fishery Mahal for the working period from 16th August 1985 to May 1987 with the highest tenderer, who offered Rs. 1.51 lakhs was stayed (May 1985) by the Government immediately after receipt of tenders (May 1985). The reason for staying the settlement had not been indicated by the Government. In December 1985, however, the Government vacated the stay order. Taking into consideration the period lost owing to issue of the stay order and its subsequent vacation, the Chief Conservator of Forest approved (February 1986) settlement of the mahal with the highest tenderer at Rs.1.32 lakhs after allowing a deduction of Rs. 18,880 (without showing the basis of deduction) from his tendered value of Rs. 1.51 lakhs. The final work order was accordingly, issued by the Divisional Forest Officer on 14th March 1986. In August 1987, on the request of mahaldar, the Government again recouped the lost period from 16th August 1985 to 14th March 1986 by granting him extension of working period for 7 months from 16th August 1987 to 15th March 1988 without levying any extension fee. The extension of the mahal period enabled the mahaldar to operate the mahal for full term without repayment of the amount (Rs. 18,880) reduced by the Chief Conservator of Forests at the time of settlement in consideration of the loss of working period. This resulted in loss of revenue of Rs. 18,880. Further, the Government could have also avoided loss of Rs. 50,367 being the proportionate value of extended period, had their stay order been vacated before commencement of mahal period instead of taking six months time. On this being pointed out in audit (February, 1988) the department accepted (July 1988) the loss of revenue of Rs. 18,880.

29.2. Besides written reply the departmental officers have deposed that the Ghagor-Kadam Reserve Fishery Mahal of 1985-87 under Lakhimpur Division was put to sale for the period from 16.8.85 to 15.5.97 vide sale notice dated 9.5.1985 wherein the highest offer of Rs. 1,51,103.02 was received. However, Government stayed the settlement of the mahal vide FRS.447/79/115 dated 28.5.85 for which the mahal could not be settled in time. Thereafter, Government vide order No. FRS. 447/79/129 dated 2.12.85, allowed the mahal to be settled with the highest tenderer. Accordingly the Chief Conservator of Forest, Assam settled the mahal on 1.2.1986 at Rs. 1,32,223.15 after deducting proportionate value of Rs. 18,897.87 for 7 months, which was lost due to delay in settlement. The settlement order was implemented accordingly from 14.3.1986. Later on, considering various difficulties Government granted loss period of 7 months. But there was no recovery of the reduced amount of Rs. 18,879.87. As such, there was a loss Government revenue amounting to Rs. 18,897.87.

OBSERVATIONS

29.3. After threadbare discussion the Committee has been satisfied with the departmental submission and decided to drop the paragraph in view of the difficulties faced by the Government.

Recovery of price timber at incorrect Concessional rate. (Audit para 5.14/CAG/1987-88 R/R)

30.1 Audit has pointed out that in terms on policy decision taken by the Government in May 1982, permits for removal of timber for public purposes (Viz. construction of buildings for School, College, Temple and Mosque etc.) could be issued in restricted manner. Timber upto 50 per cent of actual requirement may be allowed at a concessional rate, which is equivalent to 75 per cent of price obtained in competative sale of similar timber. Government, however, permitted (between June 1986 and July 1987) an educational institution of Bongaigaon to remove 150 cubic metres of timber (other than teak species) from the departmentally operated stocks of (Aie Valley Forest division of prevalent scheduled rates of royalty which are normally far below the price obtained through competative tenders. Against the allotments, a quantity of 95.922 cubic metres of timber comprising of 81.047 cubic metres of sal logs and 14.875 cubic metres of non-sal logs were actually lifted by the institution upto September 1987 on payment of their values amounting to Rs. 70,913 and Rs. 12,156 respectively at prevalent scheduled rates of royalty. The price of sal timber to be released on permits from the stocks of Aie Valley Forest Division and its adjoining Haltugaon Forest Division was fixed, (May 1983) by the Government at Rs. 1725 per cubic metre on the basis of rates obtained by the divisions in competative sales of timber lots in 1982-83. The sale of 81.047 cubic metres of sal logs alone would have yielded, a revenue of Rs. 1,28,531 (calculated at concessional rate of Rs. 1274 for 25.000 cubic metres and at Rs. 1725 for the balance 56.047 cubic metres) as against Rs. 70,913 actually collected from the institution. Thus, the Government suffered a loss of Rs. 57,618 due to adoption of an incorrect rate. The loss would be much more if calculated on the basis of competative rate of 1985-86.

30.2. Besides written reply the official witnesses have deposed that as pointed out by audit, Government took a decision in May, 1982 to issue permits for allotment of timber for public purposes (construction of buildings for schools, colleges, temples and mosques etc.) to the extent of 50% of the actual requirement on payment of a concessional price equivalent to 75% of price obtained in competative sale of similar timber. Accordingly, Government fixed a rate of Rs. 1,725.00 per cu.m. for sal on the basis of the price obtained by the divisions in the competative sales of 1982-83. As

pointed out by audit the educational institution of Bongaigaon got an allotment of 150 cu.m. on payment of royalty only on the basis of which, the institution removed 81.047 cu.m. of sal logs on payment of Rs. 70,913.00. As per the policy decision mentioned above, this 81.047 cu.m. of sal timber should have been released to the institution on realization of the price @ 75% of Rs. 1,725.00 per i.e. Rs. 1,293.75 per cu.m., which comes to Rs. 1,04,854.55. As such, there was a loss of Government revenue of Rs. 33,941.55 (Rs. 1,04,854.55 - Rs. 70,913.00) and not Rs. 57,618.00 as mentioned by the audit. However, this concession was given to an educational institution and not to an individual.

OBSERVATIONS

30.4. After threadbare discussion, the Committee has been satisfied with the official submission and decided to drop the para.

Loss of revenue due to irregular rejection of valid offer. (Audit para 5.15/CAG./1987-88 R/R)

31.1. Audit has pointed out that for collection and removal of an estimated quantity of 3000 cubic metres of sand and 5000 cubic metres of gravel during the working period from 1st July 1987 to 30th June 1989 the Aie River Sand Gravel Mahal No. 1 was notified in the Gazette on 6th May 1987 for sale. The Divisional Forest Officer while forwarding the tender papers to the Conservator of Forests recommended acceptance of the highest offer of Rs. 1.32 lakhs of the two offers, received from the successful sitting lessee of another mahal of the division. The Chief Conservator of Forest to whom the tender papers were finally sent for acceptance, however, rejected (August 1987) both the tenders without any valid grounds for such rejection and asked the Divisional Forest Officer to put the mahal to fresh sale which was done in August 1987. On fresh sale the mahal was settled (November 1987) by the Chief Conservator of Forests with another tenderer at a lower amount of Rs. 1.06 lakhs after refixing the working period from 22nd December 1987 to 21st December 1989. Thus, due to rejection of original valid offer of Rs. 1.32 lakhs the department had suffered a total loss of Rs. 57,538 (i.e. Rs. 26,422 in the sale value and another amout of Rs. 31,116, based on offer of Rs. 1.32 lakhs being the proportionate value of the working period from 1st July 1987 to 21st December 1987 i.e. 5 months 21 days lost in the process).

31.2. In addition to written reply official witnesses have deposed that the Aie River Sand and Gravel Mahal No.1 of 1987-88 under Aie Valley Division was put to sale on 18.6.87 fixing working period from 1.7.87 to 30.6.89. Accordingly tenders were received and forwarded to the Chief

Conservator of Forests for disposal. On examination it was found that due to loss period granted to the previous lessee, the mahal could not be sold upto 5.10.87 on the other hand, only two tenders were received on this sale. The highest tender with the offer of Rs. 1,31,099.00 was found defective due to non-submission of S.T.C.C. and the other tender with the offer of Rs. 1,21,575.00 was also defective due to non-submission of up-to-date Income Tax clearance certificate. As such, the mahal was put to sale again with the expectation of getting better offer from more participants. However, this second sale fetched the highest offer of Rs. 1,25,000.00 only, which was also found defective due to non-submission of I.T.C.C., S.T.C.C. and Financial Soundness Certificate and the mahal had to be settled with the second highest tenderer at his offer of Rs. 1,05,577.00. Under the circumstances stated above, it is seen that the mahal was put to fresh sale with a hope of getting better offer. But unfortunately, the offer in the second sale was lower, which could not be avoided.

OBSERVATION

31.3. Having heard the submission of the official witnesses the Committee has, on the prevailed circumstances decided to drop the para.

Loss due to non-settlement of fishery mahal.
(Audit para 5.16/CAG./1987-88 R/R)

32.1. Audit has pointed out that in Kamrup Fishery Mahal No. 2 of 1981-82 (under Nagaon Forest Division) made with a tenderer had expired on 15th May, 1982. Thereafter period of operation was extended upto 15th May, 1983 by the Government on various grounds. But instead of putting the mahal into sale immediately after expiry of extended term on 15th May, 1983, the mahal was advertised in the Assam Gazette in its issue dated 18th March, 1987 for sale for the working period fixed from 16th August 1987 to 15th May, 1990. The highest offer received against this sale notice was Rs. 75,454. Information regarding approval of the highest tender and settlement of the mahal was not available till the date of audit (July 1987). As a result of keeping the mahal unexploited for two consecutive terms from 16th August, 1983 to 15th May, 1985 and 16th August, 1985 to 15th May, 1987 respectively without any recorded reason, there has been a minimum loss of revenue of Rs. 51,110 computed on the basis of the last accepted offer of Rs. 25,555 for earlier term from 1st June, 1980 to 15th May, 1982.

32.2. Besides written reply as well as the official deposition that Kamrup Fishery Mahal No.2 of 1980-82 under Nagaon Division was duly settled with one Shri Jairam Gogoi at Rs. 25,555.55 for the period from 16.8.80 to 15.5 82. After expiry of the working period, the mahal was extended by

Government upto 15.5.83 on payment of proportionate value and 5% extension fee including clearance of outstanding amount of Rs.12,876.00 as the mahaldar, Shri Gogoi failed to pay the above amount, the mahal was put to resale at his risk, in the meantime, Shri Gogoi filed a case against in Civil Rule No.1216 of 1982 in the Gauhati High Court and the Hon,ble Court stayed the release subject to payment of the outstading dues within 6 weeks from date of issue of the interim order dated 29.11 1982. The mahaldar Shri Gogoi paid the outstanding dues of Rs.12,876.00 as mentioned above on 10.1.1983 but did not pay the proportionate value and extension fee. In the meantime, legal opinion was sought for by D.F.O. from the Government pleader whether the mahal can be settled on the basic of tenders received in resale at the risk as stated above. The D.F.O., thereafter, submitted a proposal to the Conservator of Forests to sale the mahal for a fresh term from 1.11.84 to 15.5.87 but the Conservator of Forests, Northern Assam Circle, Tezpur advised him not to sale the mahal before receipt of Government order. On the other hand rejected the petition filed by the mahaldar in the Civil Rule stated above vide order dated 29.6.87 after which the mahal was put to sale afresh for the next term by fixing the period from 16.8.87 to 15.5 90. Under the above circumstances, it would be clear that the delay to selling the mahal for the next term was caused entirely due to non-disposal of the Civil Rules 1216 of 1982 file by the previous mahaldar,Shri Jairam Gogoi in time.

OBSERVATIONS

32.3. The Committee has, however, satisfied with the official deposition and decided to drop the para.

Loss due to irregular allotment of a timber lot and inordinate delay in disposal of appeal. (Audit para 5.17/CAG/1987-88 R/R)

33.1 Audit has pointed out that in Nagaon Forest Division, for working of a timber lot operated departmentally (timber content 54.065 cubic metres) the bid of the highest tenderer for Rs. 35,800/- was accepted against the accord offer of Rs. 33,181 from a tenderer belonging to the backward community and fulfilling all the conditions of eligibility. The second highest tenderer on denial of legitamate benefit to him filed (May 1985) an appeal petition with the Government and thereupon the settlement was stayed by the Government pending disposal of the appeal. The petition had not been disposed of by the Government till date of audit (August 1987) inspite of a written consent (November 1985) by the first highest tenderer that he has no objection for the allotment of the lot to the second highest tenderer. Meanwhile, the Divisional Forest Officer reported (April 1987) to the Conservator of Forest that the timber logs had lost their commercial value due to continuous exposure to the whether during the last two years.

Thus, non-settlement of timber lot with the eligible tenderer and inordinate dealy in disposal of an appeal has resulted in loss of revenue amounting to Rs.33,181.00.

33.2 Besides, written replies the official witnesses have submitted that the departmentally operated timber lot No.LBG/28 of 1984-85 was put to sale on 11.3.85. In response, 2 tenders were received with the highest offer of Rs.35,800.00 by one Shri S.S. Singh and the other offer of Rs.33,181.00 by Shri N.P. Bania belonging to preferential class. Both the tenders were found regular and forwarded to the Conservator of Forest recommending settlement with Shri N.P. Bania as the bid fell within 92.5% of the highest offer as per the provision of rules. However, the Conservator of Forest settle the lot with the highest tenderer at his offer of Rs.35,800.00 for which the second highest tenderer filed an appel petition on 23.5.85 before the Government on the ground that he was deprived from the benefit granted by the rules to his community. The Government called for a report on 20.7.85 on the appeal petition through the Conservator of Forests on which the D.F.O. submitted his reply to the Conservator of Forests on 8.8.85. In the meantime, the first bidder, Shri S.S. Singh also submitted a no objection on 30.11.85 to settle the lot with Shri N.P. Bania, which was communicate by the Conservator of Forests, Northern Assam Circle on 20.3.86 to the Government. However, in absence of any communication from Government for disposing the appeal, the lot could not be settled and in the process the timber lost its commercial value due to its constant exposure to sun and rain, which could not be avoided.

OBSERVATION/RECOMMENDATIONS

33.3. The Committee had enough ground to be file that the Government official entrusted with the responsibility of disposing matter with right earnest but on time. The question of loss of revenue would not arise had there been timely settled the tender for the timber. Not that settling the offer on time the Committee attract automatically fixation of responsibility on the part of the officials on whose lapse the matter had remained undisposed off thereby resulting loss of revenue to the State exchequer. Thereupon the Committee recommends to the Government to bring the guilty officer into book and resposibility be fixed accordingly upon the person(s) instantaneously. Action taken by the Government thereon be submitted to the Committee within 90 (ninety) days of this report presented to the House.

ANNEXURE -I

GOVERNMENT OF ASSAM
DIRECTORATE OF FOOD & CIVIL SUPPLIES
ASSAM : : GUWAHATI-5.

No. 43/88/AN/31 Dated Guwahati, the 8th Dec. '94

From :- Shri M. Bhattacharjee,
Director, Food & Civil Supplies,
Assam, Guwahati-5.

To :- The Under Secretary to the Govt. of Assam, Food & Civil Supplies Deptt., Dispur, Ghy-6.

Sub :- Draft para on the account of Deputy Director, Food & Civil Supplies, Diphu for the period from 3/85 to 6/86.

Ref. :- Govt. W/T Message No. FSB. 260/94/18, dt. 19/9/94 addressed to Depcom, Diphu.

Sir,

With reference to the Govt. Memo on the subject indicated above, I have the honour to say that the materials regarding incidental charges so for received from Deputy Commissioner, Diphu are furnished herewith in original for favour of your necessary action.

Further Communication from the Local officer concerned with reference to Govt. W/T Message dt. 19.9.94 is not yet received by this office.

As regards Administration/Incidental charges on rice/paddy etc. the Local officers are competent to clarify the matter whether it was central rice or rice procured on State Govt. Account. The requisite information may being obtained from Local Officers to ascertain a clear picture on the matter.

In this connection it may be pointed out here that as the matter was an earstwhile Govt. policy FCI may not be required to pay Administrative/ Incidential charges on rice procured on central pool account since 1978-79 onwards.

If the rice was issued on central pool account, FCI is not required to pay Administrative charges amounting to Rs. 90,487.00 Relevant documents are enclosed for favour of your ready reference.

In this connection further information is being obtained from the Local Officer concerned with reference to Govt. W.T. referred above which is awaited.

(No. KGS./7/Pt-1/84-85/155 dt. 15.6.94

(No. SA. 43/88/AN/23/ dt. 9.12.92

Enclosed (No. KGS.Pt-1/90/124 dt. 18.3.91

(No. KGS.Pt-1/92/145 dt. 4.8.92

(No. ACC.TTS 1(12) Food/90-91/78-80 dt. 6.3.91

Yours faithfully

Sd/-
Director,
Food & Civil Supplies,
Assam : : Guwahati-5.

Memo No. SA 43/88/31(a), dtd. Ghy, the 8th Dec./94

Copy to :-

1. The Dy. Director (F & CS), Diphu with ref. to his letter No. 7/Pt-1/84-85/155 dt. 15.6.94.
2. The Dy. Director, (F &CS) Diphu. For needful.
3. M. Cell, DT. F & CS, HQ.

Director,
Food & Civil Supplies,
Assam : : Guwahati-5.

ANNEXURE -II

OIL & NATURAL GAS COMMISSION
EASTERN REGIONAL BUSINESS CENTRE : NAZIRA

No. NZR/Prodn/Tech/R-2/88-87 Dated, January 24, 1989.

To : The Director of Geology & Mining.
Govt. of Assam,
Guwahati.

Sub : Monthly statement of production of crude oil from ONGC fields - unavoidable loss.

Ref : Your letter No. GM/AR/32-A/88/7743, dt. 30.11.88.

Sir,

The term "unavoidable loss" refers to the discrepancy in despatch and receipt volumes during transportation through pipe line. The quantity shown under this head is practically not lost anywhere but it is the difference in measurement of the same quantity at despatch and receiving ends which is basically due to escaping of lighter fraction from liquid to the vapour phase because of agitation in the system resulting in shrinkage of the volume received and measured at the receiving end. Since transport losses are because of the inherent nature of the system and unavoidable, the term unavoidable loss has been used.

The discrepancy in the measurement, reffered above goes to the credit of the customer (refinery). Thus no valueable mineral loss and loss of royalty to the State Goventment is taking place.

yours faithfully,

(S. N. Singh)
Dy. Suptdy. Engineer (P)
for GENERAL MANAGER (P)

Copy to:

1. A.O. to R.D. ONGC, ERBC, Nazira for information.
2. The Under Secretary to the Governemt of Assam, Power (Elect.), Mines & Mineral Deptt. Dispur, Guwahati for information.
3. The Resident Geologist, Directorate of Geology and Mining, Assam, Seujpur, Dibrugarh, Assam.

(S.N. Sing)
Dy. Suptdg. Engineer (P)
for GENERAL MANAGER (P).

ANNEXURE - III

OIL & NATURAL GAS COMMISSION
EASTERN REGION : NAZIRA.

OFFICE OF THE
GENERAL MANAGER (P)

No. OBG/ERBC/Audit/89-90 Dated, 27 th April, 89.

To

The Director of Geology & Mining,
Government of Assam,
Kahilipara, Guwhati-19.

Sub : Monthly statement of production of oil from ONGC fields--unavoidable loss.

Sir,

We have for acknowledgament of your letter No. CM/AR/32-A/68, dated 5.4.89 on the above subject.

We are sorry to note that our reply dated 24.1.89 has not been able to clearify the issues raised by you.The practice being folliwed by ONGC in Eastern Region is not unique. The same practice is being followed in all the Regions of ONGC.Shrinkage of oil-volume takes place during any transportation process of crude oil and would obviously create a difference in measurement between two station where the measurements are taken. The shrinkage is, therefore , responsible for the difference in the measurements at two points referred in our earlier letter. This has been termed as "Unavoidable loss."

We hope this would clarify the issue raised in your letter.

We would be too happy to explain any question which you may still have in this regard.

Thanking you.

Yours faithfully,
(S. N. Singh)
Dy. Suptdg. Engineer (P)
for GENERAL MANAGER (P)

Copy to : The Secretary to the Government of Assam, Power (Elect.) Mines & Minerals Department, Dispur, Guwahati-6

(S. N. Singh)

ANNEXURE - IV

OIL & NATURAL GAS COMMISSION
EASTERN REGION : NAZIRA

OFFICE OF THE
GENERAL MANAGER (P)
ONGC.: ERBBC : NAZIRA

No.NPT/ROY/LOSS/3/90-91 Dated 7.11.90

To

Shri K.C. Prashad,
Director of Geology & Mining, Assam,
Odulbakra Hill, Kahilipara, Guwahati-19.

Sub : Monthly statement of production of oil from ONGC. fields Unavoidable loss (TPT).

Ref.: Letter No. G.M./AR/32-A/6071 Dated 20.9.90

Sir,

We have the following clarifications to the various points raised in your above referred letter :

(1) TPT losses are techenical reality as mentioned in your earlier letter and dependant on inherent nature (chemistry) of crude oil and various other physical factors involved. Prior to April 1985 these losses were not reflected seperately but gross production figures were reconciled to take care of these losses. Since April '85, these losses have been reflected. This was done with a view to make the statements more clear to auditing agencies.

(2) In the PNG rules 1956, clause-3(b). Crude oil is defined as follow.

"crude oil" means pertoleum in its natural state before it has been refined or other wise treated but from which water & Foreign substances have been extracted.

Obviously this indicates the net despatchable oil produced which is acceptable to refinery. Hence the royalty figures are furnished based on figures available from these stations from where crude oil is pumped to refinery. Needless to mention that such stations (CTFs) are created to improve the quality of the crude oil so that it is acceptable to refinery.

(3) Had there been no loss, our organisation would have been benefitted by selling an extra quantity to refinery which otherwise is unavoidably lost, and the benefit would have gone to you as well. Further we donot

get the payment for the quantity we pay royalty to you. It is again less as the quantity again shrinks during its transportation to refinery.
The statement submitted by Oil India Limited to us for the year 89-90 (Xerox copy enclosed) clearly shows the ONGC Loss of 20.855 tons against the despatch of 2979.419 tons from Moran & Jorhat to Refinery.

(4) We cannot comment how OIL is furnishing details for royalty payment but obviously the reporting as it had been done prior to April 1985 would have raised no controversy in our case and it is felt that the same system is probably being followed by OIL. OIL is also facing such losses which is clear from the xerox copy of the enclosed statement submitted by them.

(5) Figures shown as unavoidable loss is auditable and attributed to the following reasons :-
  (i) Due to evaporation.
  (ii) Due to foaming effect.
  (iii) Due to shrinkage.
  (iv) Due to water drain from settling tanks.

Loss due to evaporation depends on following factors :-
  (i.a) Temperature.
  (i.b) Surface Area.
  (i.c) Agitation.
  (i.d) Breathing & Filling Loss.
  (i.e) Vapour pressure in tank.

Hope this clerifies about the unavoidable transportation losses of crude oil.

Enclosed : As above.

Your faithfully,
(S. N. Singh)
Dy Supdtg. Engineer (Prod)
OGB : ONGC ; NAZIRA.

Copy for inform ation to :--
1. AO to RD, ONGC, Nazira.
2. The secretary to the Govt. of Assam, Power (Elect.), Mines & Mineral Deptt. , Dispur, Guwahati (Assam).
3. The resident Geologist, Directorate of Geology & Mining, Assam, POCR Building , Milan Nagar, Dibrugharh-3 (Assam).
4. The GM (Finance), ONGC, Nazira.
5. The DD (F&A) Sales, ONGC, Sibsagar.

(S.N. SINGH.)
Deputy Supdtg. Engineer, (Prod)
OBG. : ONGC. : Nazira.

Rep :--Production of crude oil and natural gas is not increasing as desired. This is primarily due to insufficient oil exploration and development activities by the established public sector undertaking in the State. Therefore, fiscal incentives should be introduced alongwith the required infrastructual development.

8. Do you have any other views not covered in the above question but connected with the terms of reference of the committee ? If so please furnish your view.

Rep. : The following important points should be considered for the interest of the State.

(a) It is important to note that a large quantity of natural gas is being flared up in various oil fileds of Assam. This flaring up is going on despite a heavy demand for gas the power and other sectors in the State. The Government of Assam wants that the flaring up most be reduced drastically and that royalty must be paid for the gas that is being flared up at present to compensate the loss suffered by the State.

(b) The amount of unavoidable loss of crude oil and natural gas shown by the oil producing companies is too high. This causes a loss of huge amount of revenue to the State. The element of unavoidable loss should be restricted to a maximum fixed limit of 0.5% for crude oil and 5% of natural gas through suitable amendment of the existing rules.

(c) Oil & Natural Gas Corporation Ltd. has been apparently understanding gross production figure of crude oil for the purpose of computation of royalty. This is evident from the production statistics published by the Economics & Statistics Division, Ministry of Petrolium & Natrual Gas, Govt. of India. The gross production figure of ONGC Ltd. published by Ministry of P & N.G. is higher than the production figure submitted by ONGC Ltd. to the Govt. of Assam. The Govt. of Assam is of the view that there is need to examine this issue.

(d) Arrears royalty amounting to Rs. 1571.60 crores alongwith accured interst as estimated by the State Govt. for the period for 1.4.96 to 31.3.2000 (as shown at Table D.E. & F) should be paid to the State immediately.

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AGP. 549/02 L.A.-350-30-9-2002.