TAMIL NADU LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
1980-82
(SEVENTH ASSEMBLY)

FOURTEENTH REPORT

Report of the Committee on Public Accounts on the Report of the Comptroller and Auditor General of India for the year 1976-77 (Revenue Receipts)

(PART II)

(*Presented to the Assembly on* 31-3-1982)

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TAMIL NADU LEGISLATIVE ASSEMBLY
1982

Legislative Assembly Secretariat
Fort St. George, Madras 600 009


தமிழ்நாடு சட்டமன்றப் பேரவை
TAMIL NADU LEGISLATIVE ASSEMBLY
வாய்மையே வெல்லும்
TRUTH ALONE TRIUMPHS

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TAMIL NADU LEGISLATIVE ASSEMBLY
வாய்மையே வெல்லும்
TRUTH ALONE TRIUMPHS

COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS (1980– 82).

(Constituted on 26th July 1980.)

CHAIRMAN.

Thiru N. S. V. Chithan.

MEMBERS.

Hon. Dr. V. R. Nedunchezhiyan (Ex-officio) Minister for Finance.
Dr. K. Samarasam (Ex-officio).
Thiru T. Anbazhagan (Ex-officio).
Thiru M. Arumugam.
Dr. K. P. Ramalingam.
Thiru R. Umanath.
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Thiru M. Annadasan.
Thiru N. Kulasekarapandian.
Thiru V. Sathiyamoorthy.
Thiru G. K. Subramanian.
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Thiru K. Paramalai.
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Thiru D. Purushothaman.
Thiru R. K. Perumal.
Thiru M. S. Manickam.
Thirumathi D. Yasodha.
* Thiru S. Arumugam.
* Thiru P. R. Thomas.†
* Dr. T. R. Janarthanam.
* Thiru A. R. Damodaran.
* Thiru S. Muthu.

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* Members from Legislative Council.
† From 10th February 1981.

Secretariat.

Thiru G. M. Alagarswamy .. Secretary.

Thiru S. Srinivasan .. .. Committee Officer.

Thiru C. S. Janakiraman .. Under Secretary.



REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1976-77 (REVENUE RECEIPTS).

To

THE HONOURABLE LEGISLATIVE ASSEMBLY,
TAMIL NADU.

The Committee on Public Accounts for the years 1980-82 presents its report on the paragraphs pertaining to the Prohibition and Excise, Home and Forests and Fisheries Departments in the Report of the Comptroller and Auditor General of India for the year 1976-77 (Revenue Receipts).

I. INTRODUCTION.

2. The Committe for the years 1980-82 consisting of 16 members from the Legislative Assembly and 5 members from the Legislative Council, besides the Honourable Minister for Finance, Chairman of the Committee on Public Undertakings and the Chairman of the Committee on Estimates who are members ex-officio, was constituted on 26th July 1980. Thiru N. S. V. Chithan was nominated by the Hon. Speaker as the Chairman of the Committee.

(i) PRESENTATION OF THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1976-77 (REVENUE RECEIPTS).

3. The Report of the Comptroller and Auditor General of India for the year 1976-77 Revenue Receipts was laid on the Table of the House on the 14th September 1978.

(ii) MEETINGS OF THE COMMITTEE.

4. The Committee for the years 1980-82 held one sitting in June 1981, two sittings in July 1981 and two sittings in September 1981 to consider the important points pertaining to the Departments mentioned

in paragraph 1 above. The Committee also visited the Sandalwood Depots at Tirupathur, Satyamangalam and Salem in July 1981 and made an on the spot study of the working of the Depots.

5. The Committee places on record its appreciation of the valuable assistance rendered by the Accountant General-II, the Secretary, Tamil Nadu Legislative Assembly, Deputy Secretary, Finance Department and Secretaries to Government in other Departments in its deliberations.

6. The original notes submitted by the Departments and the particulars, clarifications etc., made available during evidence and also the further notes and clarifications submitted by them have been taken into account by the Committee in finalising this Report.

7. The Committee approved this report at its meeting held on 12th March 1982.

II. REPORT.

1. Prohibition and Excise Department.

(a) *Uncollected Revenue - State Excise.*

(Paragraph 1.6 of the Audit Report)

8. The arrears as on 31st March 1979 amounted to Rs.402.64 lakhs. During evidence, the Department stated that arrears had been reduced to Rs.370 lakhs as on 31st March 1981. However, in its further note dated 10th December 1981, the Department stated that the outstanding as on 30th September 1981 amounted to Rs.406.37 lakhs(Rental Rs. 348.70 lakhs ; interest and fines etc. Rs. 57.67 lakhs) as detailed below :-

	(RUPEES IN LAKHS.)
Amount due from ex-licenses who have not paid the bid amount	35·75
Amount due from the licensees who have stopped in the middle of the excise year.	346·50
Arrears due from licensees who failed to remit the monthly rent at the tag end of the year	24·12

In its D.O.letter dated 29th January 1982 the Department clarified that the amount of Rs. 370 lakhs referred to above related to only to the rental and excluded interest and fines. The outstandings were heavy in the Districts of North Arcot, Chingleput, Trichy and Madras which accounted for Rs. 319·80 lakhs.

Out of the above amounts (Rs.406·37 lakhs) the amount due from parties, not traceable was reported to be Rs. 15·96 lakhs while the amount awaiting write off and amount covered by civil suits was Rs. 27·71 lakhs and Rs.152·92 lakhs respectively.

In its written reply, during evidence and in its further note, dated 10th December 1981 the department stated as follows :–

(i) the last year of licensing for toddy shops was 1972-73 and that for arrack was 1973-74. The heavy outstandings in 4 districts were mainly due to the licenses being issued to persons without verifying their solvency. Civil suits have been inititated in 162 cases, filed in 22 cases and have to be initiated for 241 cases.

(ii) Collectors had been instructed to file civil suits for the recovery of the excise arrears if the ex-licensees had not availed of the concession extended till 1st July 1977.

(iii) persons who are in arrears have been blacklisted and names communicated to all sale officers in 9 districts.

(iv) The amount due because of rebidding was Rs. 61.11 lakhs.

(v) Action has been initiated to recover about Rs. 119 lakhs through Revenue Recovery Act.

The Committee regrets to note that there has been no substantial reduction in the outstandings even though more than 7 years have elapsed since the liceneses were last issued. Even though Government had instructed in 1977 that civil suits may be filed, suits have been filed only in 22 cases; civil suits have been initiated in 162 cases and in 241 cases they have yet to be initiated. The Committee is also unhappy to note that licenses had been issued without ensuring the solvency of the licensees leading to heavy outstanding in 4 of the Districts. **The Committee feels that the question of the collection of arrears has not been pursued effectively and reiterate its recommendation made in its Second Report presented to the Assembly on 5th February 1981 that a separate team of officers should be constituted for instituting the legal proceedings and that effective steps should be taken for completing the cases quickly. The Committee also recommends that (i) the precise reasons for the heavy outstanding in the 4 Districts of North Arcot, Chingleput, Tiruchirappalli and Madras should be investigated and responsibility fixed agianst the concerned persons for the various lapses contributing to the heavy outstandings including grant of licenses without proper verification of solvency (ii) persons who are in arrears should be blacklited in the remaining Districts also without further delay.**

(b) Irregular exemption of gallanage fee on methanol.
(Paragraph 7.4 of Audit Report).

9. Under Section 16, read with section 55 of the Tamil Nadu Prohibition Act, 1937, the State Government may by notification published in the Official Gazettee, exempt any specific liquor or intoxicating drug or article containing such liquor or drug from the observance of all or any of the provisions of the Act. These sections do not however empower Government to issue any order of exemption with retrospective effect

During audit (January 1976) of the accounts of the Bonded Manufactury Officer of the R.C. Plant attached to a chemical factory at Salem it was seen that the company was granted exemption from payment of gallonage fees on methanol (methyl alchol) imported by them from Bombay for use in the manufacture of organic chemicals such as chloroform, methyl chlorodie etc. A gallonage fee of 25 paise per litre is leviable on methanol imported from other States under the Tamil Nadu Denatured Spirit, Methyl Alcohol and Varnish (French Polish) Rules, 1959. The rate was increased to 50 paise per litre from 3rd February 1970. Though methanol was imported from July 1967 onwards retrospective exemption was granted in three stages viz for the period (i) 13th July 1967 to 12th July 1970 in G.O. Ms. No. 656 (IL and H) dated 26th February 1969 (ii) 13th July 1970 to 12th July 1973 in G.O. Ms.No. 355 E and P III, dated 16th December 1972 and (iii) 13th July 1973 to July 1976 in G.O. Ms. No. 418 (E) and P III, dated 28th December 1973. In respect of the foresaid three exemptions necessary gazette notifications were not issued as required in the Prohibition Act To a specific query whether Government has got the power to grant exemption retrospectively, the Department stated during evidence that Government had no such powers under Section 16 of the Act. In its letter, dated 7th November 1981 the Department stated that Section 16 read with section 54 (2A) of the Prohibition Act provided for retrospective effect being given to a notification under Section 16 on and from 1st September 1974 only in respect of liquor other than toddy and that the question of amending the Act so as to enable Government to grant exemption to cover cases where exemption has been granted by means of executive orders is under the consideration of Government.

The Committe is unhappy to note that Government resorted to retrospective exemption or waiver through executive orders even though they were not empowered to do so, recommends that Finance Department should issue suitable instructions to all Departments to see that such wavivers are not resorted to in future. The Committee further recommends that where empowered to do so the power of waiver should be exercised only by notification and such tification should be placed before the Legislature. The Committee would like to have a further report on the final decision ontaken on the proposal to amend the Tamil Nadu Prohibition Act so as to enable Government to grant exemptions with restropective effect.

2. HOME DEPARTMENT

(a) Uncollected Reveune

(PARAGRAPH 1.6 OF AUDIT REPORT)

10. *Taxes on Vehicles.* A sum of Rs. 43.33 lakhs was pending collection as on 31st March 1977 under 'Taxes on Vehicles'. This amount was reduced to Rs. 11.25 lakhs as on 31st March 1981 consisting of Rs. 9.54 lakhs from private operators and Rs. 1.71 lakhs from Government operators as indicated by the Department in its further note, dated 1st October 1981. During evidence, the department stated that Rs.1.54 lakhs were covered by arbitration proceedings, Rs. 2.01 lakhs were pending with liquidators and Rs.2.06 lakhs were covered by court cases. Action has been taken to recover dues amounting to Rs. 2.57 lakhs through Revenue Recovery Act.

The Committee recommends that effective steps should be taken by the Department for expeditious collection of the arrears. A report on the progress made in the collection of the arrears may be sent within 2 months.

(b) *Waiver of Revenue*

(Paragraph 1.7 of Audit Report)

11. During 1976-77, the Department waived irrecoverable revenue under "taxes on vehicles" amounting to Rs. 25,900.10. When it was pointed out that Legislature alone is competent to waive the amount and unless the Legislature gives that power to the executive the latter has no power to waive the tax due, the **Department stated that the Law Department and the Advocate General will be consulted in the matter. The Committee would like to have a report within 3 months on the legal position as clarified by the Law Department.**

(c) *Incorrect assessment of tax.*

(Paragraph 5.2 and 5.5 of Audit Report).

12. Audit has brought out several cases of short levy of taxes on spare buses in many regions of the Department and one case of short levy of passengers and goods tax on stage carriages operating on temporary

permits. During evidence, the Department stated that there was cent per cent internal check that and the cases pointed out by audit were a result of inadvertent errors. The Department also stated that where the Accountant General points out some defects, recheck of the particular office for the particular year will be done in future. The Department further stated that there was no arrangement for giving training to the staff of the Internal Audit Parties at present.

The Comittee would like to have a further report within 3 months as to whether the system of re-check has been introduced and would like to have a copy of the instructions issued in the matter.

The Committee also recommends that training should be imparted to the staff of the Department including Internal Audit Wing with a view to bring about qualitative improvement in their work.

(d) *Incorrect regulation of standees in stage carriages plying in the Madras City.*

(Paragraph 5.7 of Audit Report)

13. Under the Tamil Nadu Motor Vehicles Taxation Act, 1931, and the Tamil Nadu Motor Vehicles (Taxation of Passengers and Goods) Act, 1952, all stage carriages permitted to ply in town and city service routes are liable to pay tax every quarter. The tax is based on the number of seated as well as standing passengers recorded in the permits. To have a uniform procedure in the matter of determining the number of standing passengers in town and city services the Transport Commissioner issued instructions in December 1972 to regulate the number of standing passengers based on the seating arrangements in the stage carriages. It was laid down that 25 standing passengers in town service buses with 3 and 2 rows and 40 standing passengers in city service buses with 2 and 2 rows were to be carried. However, in respect of buses with 2 and 2 rows belonging to the Pallavan Transport Corporation plying in the town and city service routes, the tax had been collected reckoning standing passengers as less than 40 (expect in the case of new buses or where replacemets were effected or variations of conditions of permit by change in the seating arrangements was sought for by the Corporation) resulting in short collection of tax of about Rs. 1.02 crores during the years 1973 to 1976. The Corporation had requested Government (January 1977) that till the question of payment of tax for increased number of standing passengers was decided by Government with reference to their representation, they may be allowed to pay tax at the rate for 25 standing passengers as already endorsed in the Registration Certificate and not to insist on the

payment of tax for 40 standing passengers as decided by Transport Commissioner in 1972. In June/July 1977 after taking note of the social burden (like student concession, concessions to physically handicapped, press reporters, etc.) Government decided that the number of standees in the buses of Pallavan Transport Corporation (Metropolis) could be fixed at 25 with reference to the avrage load for all types of seating arrangements with effect from the quarter commencing 1st April 1977. The collection of arrears for the period from 1972 to March 1977 was waived by Government in August 1979 after consulting Law Department.

In its written reply the Department stated that the collection of arrears was not legally enforceable as the instructions issued by the Transport Commissioner in 1972 had no statutory backing.

The Committee notes, from the further notes dated 1st October 1981 furnished by the Deaprtment that the Tamil Nadu Motor Vehicles Rules, 1940 were amended (giving statutory backing to the instructions of Transport Commissioner issued in 1972) only on 6th June 1979 and these rules were relaxed on 21st April 1980 in favour of Pallavan Transport Corporation (Metro) enabling it to carry standing passengers at the rate of 25 in each stage carriage provided with any kind of seating arrangement.

The Committee is unhappy to note the undue delay of over 6 years in giving a statutory backing to the instructions of Transport Commissioner issued in December 1972. This has resulted in an anomalous position where the revised rates standards were not enforced in the case of Pallavan Transport Corporation (Metro) but enforced in the case of other town buses including those owned by other Government Corporations. The Department did not come forward with a satisfactory explanation to the delay either during oral evidence or in its further note, dated 1st October 1981. The Committee is perplexed as to how the Department went about enforcing the instiructions of Transport Commissioner for well over six years when it had no statutory backing. **The Committee feels that this unhealthy trends should be stopped and recommends that changes in the tax structures requiring statutory backing should not sought to be achieved by executive instructions even for an interim period as this might lead to legal complications.**

In January 1973, in another connection, Government had clarified that the policy of Government was to treat private operators of stage carriages and also the Government owned Transport Corporations on par in **the light of special treatment extended to Pallavan Transport Corporation (Metro) the Committee would like to know how the parity between**

Pallavan Transport Corporatiion (Metro) and other operators (both in private and public sector) operating in other towns and cities in Tamil Nadu is proposed to be acheived. The Committee observes that the social burden on Pallavan Transport Corporation (Metro) is one of the consisderations which weighed with Government in extending the special treatment. The Committee feels that the proper course would be to subsidise the Pallavan Transpor tCorporation (Metro) to the extend of its social burden if found necessary and recommends that such extraneous factors should not be allowed to form the basis for deciding or relaxing the taxation structure where equality before law is to be ensured. The Committee would also like to know whether the social burdens of student concession, concessions to physically handicapped and concessions to press reporters are not borne by other public sector transport corporations operating in the other towns and cities of Tamil Nadu.

(e) *Penalty for belated payment of Motor Vehicles Tax.*

(Paragraph 5.8 of Audit Report)

14. Under the Tamil Nadu Motor Vehicles Taxation Act, 1974, and the rules made thereunder, tax is payable quarterly by operators of stage carriages. Such payments are to be made between the11th and 18th of the first month of the each quarter. However, if the tax is not paid within the due date, the operator is liable to pay a penalty based on the period of delay. In the case of payments of tax within 15 days after the expiry of the due date, the penalty was 25 per cent of quarterly tax with surcharge. **The Committee feels that the rate of penalty is too high and recommends that it should be reduced to about 15 per cent.**

3. Forest and Fisheries Department.

(a) Uncollected Reveue

(Paragraph 1.6 of Audit Report)

15. The arrears of revenue pending collection as at the end of March 1977 was Rs. 119.51 lakhs. Out of this amount, the arrears as on 31st March 1981 was Rs.50·87 lakhs.

The Committee observes that only 58 per cent of the arrears had been collected even though 4 years had elapsed and recommends that urgent steps should be initiated to collect the balance amount. The steps taken and the progress made should be reported to the Committee within 2 months

(b) *Sandalwood*

(Paragraph 9.1 to 9.10 of Audit Report)

(i) Revenue from Sandalwood Sales

(Paragraph 9.1. and 9.6 of Audit Report.)

16. Sandalwood constitutes one of the principal sources of revenue of the Forest Department in the State. The percentage of revenue contributed by sandalwood to the total receipts of the Department rose from 24.5 percent in 1972-73 to 46.8 percent in 1976-77. However, the receipt from sandalwood which stood at Rs. 601.39 lakhs in 1976-77, declined to Rs.434.79 lakhs in 1977-78, Rs. 375.80 lakhs in 1978-79 and Rs.350.68 lakhs in 1979-80.

The Department stated before the Committee that the revenue was affected by the fall in prices of sandalwood due to various factors such as ban on export of sandal wood th. fluctuating international demand for essence of sandal wood and demand for synthetic substitutes. further, Indonesia was now manufacturing sandalwood oil and competing in the international market. Due to the ban on export, the Department had to depend only on local sales. Besides, Karnataka which was one of the major bidders, bid a low rate. The Department further stated that only the export of sandalwood was banned and export of finished goods like sandalwood oil was allowed. Government of India was reported to be not agreeable to remove the ban at present. The State Government has sanctioned a sandalwood oil extraction actory at a cost of Rs. 49 lakhs and it was expected to commerce production in about 1½ years' time. The factory was expected to consume about 400 tonnes of sandalwood per year.

From the further note furnished by the Department on 28th December 1981, it was observed that (i) Government of India had banned the export of sandalwood during November 1978 whereas the declining trend in prices was evident even earlier (the average sale prices declined from Rs. 53,968 per tonne in July 1977 to Rs. 41,868 in December 1977 and Rs. 45,746 in July 1978) (ii) even when the international prices were high there has been declining trend in the prices fetched in the State and the prices did not necessarily bear correlation with international market trends as indicated below as has been contended by the department.

Month and year of auction.	*Sandalwood oil International price per l g.*		*Average sale price sandalwood by Forest Department in Rs. per tonne.*
(1)	(2)	(3)	(4)
	In dollars.	In Rs.	
July 1976	65.00	520	30,418
December 1976	70.00	560	48,042
July 1977	70.00	560	53,968
December 1977	100.00	800	41,868
July 1978	133.75	1,070	45,746
December 1978	133.75	1,070	34,582
July 1979	133,75	1.070	37,996
December 1979	133.75	1,070	23,103
July 1980	112.50	900	20,415
December 1980	96.25	770	16,934
July 1981	96.25	770	23,673

Though the in ernational price of oil was steady at 133.75 dollar from July 1978 to December 1979 the sale prices of Forest Department had declined from Rs. 45,746 per tonne to Rs. 23,103 in December 1979.

Apart from the ban on export, the other reasons for the decline in prices adduced by the Department in its further note were :

(i) Import of synthetic substitute ;

(ii) Competition from Indonesia, Australia and Africa in the international market ;

The Committee observes that the data furnished by the department do not lend full support to the reasons putforth by the Department for the decline in price/revenue as indicated above.

When the Committee wanted to know whether the Department is having necessary machinery to have a close watch over the market trend with a view to effect the sales when the market conditions are favourable the Department stated that the sales are effected in July and December of every year and the fair price is arrived at with reference to the international market price. Only limited quantities are released every time so as not to flood the market which may have an adverse effect on the price. While a gap of six months was stated to be maintained so as to build up stocks in the interregnum the department was not able to explain the significance of selection of the months of July and December. The Department was also unable to indicate the prices prevailing in other months of the year and comparative sale prices in other states. These particulars were required to be furnished to the Committee before 24th October 1981 but the particulars were not received.

The Committee feels that the Department has not made any systematic scientific study of the market conditions in India and abroad and has no machinery to continuously monitor the prices. The delay in furnishing the particulars only goes to strengthen this view. The statement that the decline in prices is related to ban on export and fall in international prices has also not been substantiated. The department has also not taken any steps to secure an equitable price by selling the wood direct to Karnataka and Uttar Pradesh Governments. As observed elsewhere in this Report, the Department is having substantial stocks of cleaned wood at any time and the problem is one of how to dispose of the heavy stocks. Hence, the Department need not be tied down to either bi-annual sale or a sale only in the months of July and December.

The Committee recommends that the Department should build up an effective machinery to continuously monitor the trends in the prices of sandalwood oil/sandalwood in the international market and in India and initiate steps to sell the sandalwood at the most opportune periods to the best advantage of Government. The Committee recommends that as the major producer of sandalwood in India the Department should direct its efforts to play a more dominant role in the market and should also promote the formation of a consultative body consisting of the sandalwood producing states in the country and Central Government with a view to improve sandalwood sales in a co-ordinated manner. The Committee notes that the import of synthetic substitute is stated as one of the reasons for the fall in prices/ Revenue. The Committee would like to know whether the question of banning such import into India was taken up with Government of India.

The Committee further recommends that (i) in order to reduce the stock on hand as well as to obtain a better price the size of a lot should be reduced to enable even small dealers to compete (ii) the offers received in the auctions should be confirmed without any delay and the period within which the offers should be accepted or rejected should be prescribed (iii) all efforts should be made at the highest level to get the total ban on export of sandalwood lifted so that the wood may fetch better prices and contribute to increase in Revenue (iv) efforts of the Department should be more and more directed towards production of finished goods such as sandalwood oil scents soap etc., by getting very early the proposed factory working. Necessary feasibility studies and study of market conditions should be made for the purpose and long term plans chalked out (v) Government should examine the feasibility of setting up of a factory for manufacturing soap from the sandalwood oil expected to be produced at the factory being set up for the purpose.

During evidence, the Department stated that the average sales of sandalwood per year was about 1,500 tonnes and the stock on hand was about 2,000 tonnes of uncleaned wood and 1,500 tonnes of cleaned wood. However, the Department did not furnish the detailed statement of opening and closing balance of stock of uncleaned wood and cleaned wood for the three years as required by the Committee.

The Committee is unhappy to note that the Department could not furnish the statement even though more than 3 months had elapsed since the Committee called for the information. **The Committee is surprised that the Department is not in possession of even such basic data and would like to know whether the Department does not obtain statements of stock position at regular intervals from the field officers. The Committee would also like to have the statement called for within a month with reasons for the delay. The Committee also recommends that the Chief Conservator of Forests should obtain a monthly return showing the stock position of all wood including uncleaned wood from the field offices and maintain statistics of overall stock position in the State.**

(ii) *Cleaning and Classification of sandalwood.*

(Paragraph 9.4 of the Audit Report.)

17. In the final cleaning Depot at Salem, instead of recording the weight of wood obtained from each tree, only the total weight of rough cleaned wood for the consignment as a whole was recorded in the extraction and conversion forms during the period 1974-75 to 1976-77, although Rule 26 of the Rules for selection, felling, cleaning, classification and disposal of sandalwood provides for tree-wise weighment. Even though Audit had pointed out the irregularity in July 1977 itself, it persisted even in July 1981 when the Committee visited the Salem Depot.

During evidence the Department stated that instructions have since been issued for observing Rule 26 scrupulously. The Committee recommends that action should be taken against the persons responsible for the omission to follow the rules even after being pointed out by Audit and that inspections by higher officers and internal check should be tightened to see that the various rules are observed strictly in future. The Committee also recommends that instructions should be issued by Finance to all Departments to ensure that remedical action is taken on the defects/irregularities immediately after they are pointed out in Audit without waiting for the matter to be considered by the Public Accounts Committee.

(*iii*) *Stock Register of Final Cleaned Wood.*

(Paragraph 9·5 of Audit Report.)

18. Audit had pointed out that in Satyamangalam Depot separate stock registers, one for sandalwood sold in auction but kept in store pending clearance and the other for stock not put up for sale were not maintained.

During evidence the Department stated that in Tirupathur Depot separate stock registers were maintained to suit their conveni nce. However, it maintained that a single register was enough and that it will not contribute to mixing up of sold and unsold stocks. When the Committee pointed out that in Tirupathur Depot sold and unsold stocks were stocked side by side and to prevent the possibility of bidders removing better quality wood from unsold stocks it would be better to seggregate the stocks, the Department admitted that this would be desirable but stated that there were constraints like lack of space and facilities. Pending examination of the suggestion the Department promised to enforce adequate supervision.

The Committee recommends that the Department should examine the desirability of maintaining two separate stock registers one for sandalwood sold in auction and other for stock not put up for sale and that all efforts should also be made to seggregate the sold and unsold stocks and keep them in separate godowns. The Committee also recommends that the time of 75 days allowed for lifting the stocks by the bidders should be reduced to 30 days.

(*iv*) *Concessions to certain millers.*

(Paragraph 9·7 of Audit Report.)

19. In July 1974 auctions, 162·30 tonnes of sandalwood were successfully bid by four firms from Kanauj (U.P.). They lifted 85·80 tonnes. The remaining quantity was not paid for and cleared. The uncleared

sticks were resold in the auctions held in July 1975/December 1975. According to the terms and conditions of sale the defaulting firms were liable ;

(i) to make good the loss to Government on resale.

(ii) to pay demurrage charges at Rs. 20 per tonne per day for goods not lifted before due date.

(iii) to pay interest on over due instalments at 6 per cent per annum.

(iv) to forfeit the earnest money deposit of Rs. 5,000 each deposited by them.

The firms represented to Government a few days before the reauction in July 1975, their inability to lift the stocks and requested that they might be permitted to lift the stocks at the rates that might be realised in July 1975 auctions. Government decided (September 1976) to extend the following concessions to them involving Rs. 15·14 lakhs.—

(i) Recovery of 75 per cent of difference between the July 1974 rates and the rates of July 1975/December 1975 which were lower involving a concession of Rs. 7.67 lakhs.

(ii) levy of interest (up to 30th June 1976) on the 75 per cent difference recoverable as per item (i) above instead of on the full amount of difference involving a concession of Rs. 0.94 lakh.

(iii) Spread over of recovery in suitable half yearly instalments (last instalment payable on 31st July 1979.)

(iv) waiver of demurrage due Rs. 4.33 lakhs.

(v) waiver of interest during the period of repayment of dues—Rs. 2.20 lakhs.

(vi) execution of irrecoverable bank guarantee by the firms as security for repayment on the due dates and

(vii) reservation of fixed quantities of wood in the auctions during December 1976—July 1979 to the four firms at the highest sale price.

The above decision was taken despite the fact that the Law Department had opined that the dues could be recovered under the provisions of Revenue Recovery Act or through Civil suits.

In its written reply and during evidence the Department stated that the firms had failed to lift the stocks due to crash in international prices for sandalwood oil and credit squeeze imposed by the Reserve Bank of India. As the difficulties experienced by the firms were found to be genuine and recovery by enforcing Revenue Recovery Act or through Civil suits was likely to be time consuming the concessions were extened. While extending the concessions, Government had also ordered that the firms should furnish an irrecoverable bank guarantee for the payment of the amounts due. Actually, however, the firms did not comply with the terms of the concessional offer fully. Out of Rs. 26.26 lakhs due from the four firms, two of the firms paid Rs. 5.07 lakhs and the remaining two did not pay any part of the amount. None of them furnished the bank guarantee. The Department stated that Government is taking necessary action to file a suit against the defaulters. To a specific query about the delay in filling the suit the Department stated that the instalment of dues were being paid till July 1979 and it was hoped that the balance will also be paid. The Department felt that the case was not time barred.

The Department further stated that after this incident, instructions have been issued to the effect that bidders should either give a bank guarantee to the tune of Rs. 5 lakhs or deposit 1/5th of the total value of sandalwood.

The Committee is unhappy to note that substantial concessions amounting to Rs. 15.14 lakhs were extended to the defaulting firms in violation of the terms of the contract simply because the recovery of the dues through Revenue Recovery Act or the legal process was expected to be time-consuming with uncertain results. The Committee feels that this concession was uncalled for and would result in setting up a bad precedent for the future. Actually, the spirit in which the concessions were extended was not reciprocated. Two of the firms did not pay any instalments of dues while the other two paid some instalments of the dues. The first half yearly instalment of dues was due in December 1976. The Department is yet to file a civil suit against the two defaulters who did not pay any amount for the past 5 years. Similarly, a suit is yet to be filed in respect of the other two who failed to pay the instalments after July 1979. The Committee feels that the Department should have revoked the concession and taken prompt legal action for the recovery of the entire dues when the firms failed to produce the bank guarantee and to execute a written agreement accepting the orders issued by Government in September 1976. The Committee strongly deprecates the manner in which the Department has been dragging its feet in intiating and to execute a written agreement acepting the orders issubed by legal action. **The Committee recommends that (i) no concessions relaxing terms of a contract once entered into should be extended in future; (ii) in as much as the terms and conditions of the concession extended by Government in September 1976 have not been honoured by the defaulting firms, the entire dues in terms of their original bid of July 1974 duly enforcing**

all penal clauses and including sales tax on the original bid amount should be recovered from them ; (iii) necessary civil suit should be filed against them without further delay ; and (iv) the defaulting firms should be black listed.

.... (*v*) *Dryage of Sandalwood.*

(Paragraph 9.9 of Audit Report.)

20. Government had fixed permissible limits of dryage loss for final cleaning-*cum*-sales Depots as below :—

	PER CENT.
I. Difference between the weighments after rough cleaning and the weighments at the time of receipt in Sale Depot after final cleaning.	4
II. Weighment at the time of receipt in sale Depots minus weighment at actual sales.	2

Audit had pointed out in July 1977 that in Satyamangalam Depot which was a final cleaning-*cum*-sales depot, the loss in respect of stage-I was not exhibited in the records while in the similar Depot in Tirupathur the loss in Stage I was recorded. However, the defective procedure was continued to be follwed even in July 1981 when the Committee visited the Satyamangalam Depot.

The Department stated before the Committee that no loss was recorded under stage I as final cleaning after rough cleaning was taken up as a continuous process. The Department also stated that suitable instructions have been issued to avoid its recurrence in future and action has been taken against the persons responsible for the lapse. The Committee is very unhappy to note the tendency on the part of the Department to take Audit Comments lightly as is evident **from this and a similar case mentioned earlier in this Report (*vide* para 17 above) and would like to know the result of action taken against the persons responsible for the omission to follow the correct procedure even after being pointed out by Audit. The Committee also reiterates its recommendation that Finance should issue instructions to all Departments to ensure that remedial action is taken on the defects/ irregularities immediately after they are pointed out in Audit without waiting for the matter to be considered by the Public Accounts Committee.**

(vi) *Corrections in Extraction and Conversion Forms.*
(Paragraph No. 9·9 of Audit Report).

21. Audit has pointed out that in Tirupathur Depot the weight of individual trees and pieces and the total weight of rough cleaned wood obtained from a lot as originally entered in the extraction and conversion forms were corrected in several cases with the result it could not be ascertained in audit whether the losses at the final cleaning stage were within the permissiable limit. The Committee called for and examined the Extraction and Conversion forms relating to 85 lots and noticed that :—

(i) weight of rough cleaned wood was overwritten or corrected in respect of several trees in the Extraction and Conversion Forms.

(ii) the total at the end of each page of several Extraction and conversion forms were altered several times.

(iii) the corrections were not attested.

The corrections had the effect of downward revision in the weight of rough cleaned wood in most cases and upward revision in few cases. In several cases, the corrections were not for marginal increase or decrease in original weights noted but involved substantial variations (e.g.) 175 Kg. into 105 Kg. (Tree No. 588 Lot No. 309/75-76 Chengam Range).

When the Committee desired to know the reasons for the corrections which could be deliberately made to cover pilferages, the Secretary (Forest and Fisheries) stated before the Committee that the matter will be examined and if the corrections were not genuine and had been made with malafide intentions severe action will be taken against the persons responsible for the same. He also stated that instructions have since been issued setting out the proceedure for effecting genuine corrections.

In its further note, dated 28th December 1981, the Department stated that :—

(i) the corrections show both increases and decreases and setting off the plus and minus results in overall increase in quantity.

(ii) there is no pattern in the corrections and there does not appear to be any malafide in the corrections.

(iii) the trees have been formed at the time of acknowledgement after the rough cleaning by the Range Officer.

(iv) some carelessness was noticed in making the entries of Final cleaned wood in the Extraction and Conversion Forms; the Forester in-charge was an in-experienced person.

(v) the overall deficit for the whole year in Tirupathur Depot was only 1·07 per cent as against permissible limit of 4 percent at Stage I.

(vi) in the annual depot inspection notes relating to the relevant year, the District Forest Officer has remarked abuot the corrections and overwriting and subsequently there were no overwritings.

The Committee is not convinced that the correction were inadvertent. The 85 lots referred to by Audit relate to lots in the years 1974-75, 1975-76 and even 1976-77. The total weight of rough cleaned wood at each page had been altered clearly showing that the weights were altered after the page wise total was made. The Committee fails to understand the need for corrections in the weights of trees once recorded, that too by substantial reduction in quantities. For instance, in respect of lot No. 165/74-75 (Polur range) in the abstract, the total weight seems to have been altered from 1458 Kg. to 1000 Kg. In respect of Lot No. 121/74-75 (Polur range) total weight in last page noted as 3810 Kg. has been changed to 2799 Kg. All the corrections go to show that the weights were not recorded properly at the time of original entry and were corrected and adjusted subsequently only to match the weight of final cleaned wood. The fact that the percentage of loss in stage I is lower than the limit prescribed is of no consolation as the corrections would have had the effect of bringing down the loss by reducing the weight of rough cleaned wood suitably.

As regards the few cases where there had been upward revision in the weight of rough cleaned wood, the Committee feels that this does not necessarily establish the bonafide nature of the corrections as this may be due to inspection by superior officers or the total weight of rough cleaned wood being found to be much less than the total weight of final cleaned wood and hence corrected and readjusted. At any rate, corrections are clumsy and numerous, that they leave the Committee wondering whether any sanctity was attached at all to the entries in Extraction and Conversion Forms which are records of original entry.

The Committee recommends that the reasons for tampering with the records should be investigated and disciplinary action taken against the officers responsible for the same. Action should also be taken against any failure at supervisory level. In future the Extraction and Conversion Forms should have machine numbered pages the issue of which should be properly regulated by taking acknowledgements and their use

accounted for. All entries should be made only in ink. No overwriting should be permitted. The corrections if any should be made by neatly striking out the old entry and all corrections should be attested. The supervisory officers should conduct periodical inspections and ensure the proper maintenance of the Extraction and Conversion Forms.

During evidence the Committee observed that Chief Conservator of Forests has no records that show the extent of stock of sandal wood held in various Depot.

To have a better control over this valuable wood, the Committee recommends that Chief Conservator of Forests should get monthly consolidated stock accounts of wood kept in each depot classified under different categories. This should interalia show the number of trees cut and kept at Forest Depots awaiting transportation to the nearest cleaning centre, their tree-wise weight and similar details of rough cleaned and final cleaned sandal wood. Unless there is such a Central record there will be no check against unauthorised corrections in the Depot records regarding stock of sandalwood of the type already noticed.

The Committee further desires that action taken in this regard should be reported to it within three months.

(vii) *Dryage of sandalwood after sale but before delivery is effected.* (Paragraph 9.10 (b) of Audit Report).

22. When sandalwood is sold through auction the dryage for the wood between the stipulated date of delivery and actual date of delivery is borne by Government instead of the buyer. The Department stated that it is not practicable to weigh the wood on the due date for delivery and again on the actual date of delivery and that demurrage is levied from the stipulated date of delivery to the date of actual delivery. The department however admitted before the Committee that the demurrage will be less than the cost of wood lost due to dryage and stated that the demurrage rates will be revised appropriately. **The Committee would like to know whether the demurrage rates have been revised and if so how the revised rate was arrived at. The Committee feels that long delivery periods will only encourage malpractices besides increasing loss due to dryage and recommends that the delivery period should be reduced to 30 days from the existing 75 days**

(viii) *General observations.*

23. During the visit of the Committee to the various Depots, large stocks of uncleaned wood were reported to be lying in the forest depots in Tirupathur and Vellore awaiting transport and cleaning.

The number of trees involved was about 50,000 and some of them were lying uncleaned for more than 3 to 4 yeras. In Salem Depot also more than 5 lakhs trees were awaiting rough cleaning. For want of space, they were kept in the compound of the quarters of Conservator of Forests and District Forest Officer. It was explained to the Committee that the quantity of heart wood would not be affected by long storage. However, the Committee feels that long storage, besides posing problem of safety will also facilitate manipulation of stock accounts especiaally since tree numbers were found missing in large number of cases already. The Department stated before the Committee that it will take 2 to 3 years' time to clean the old stocks alone not taking into account the fresh stocks that would be received in the mean time.

The Committee recommends that (i) the Department should draw up a time bound programme for cleaning the old stocks and clear the backlog expeditiously. (ii) additional depots should be opened if necessary in order to reduce the stocks of uncleaned wood awaiting rough cleaning.

The Department stated before the Committee that additional godowns are being constructed for storing rough cleaned wood at Salem and Tirupathur. In respect of Satyamangalam, land acquisition for additional godown is in progress. The Committee recommends that the Department should take urgent steps to construct adequate number of pucca godowns for the safe storage of sandal wood which was of prime importance for augmenting the revenues of the State.

In the context of the observations made by the Committee during its visits to the Depots and in the light of the evidence tendered thereon before the Committee, the Committee also recommends as follows :—

(i) Godowns to be constructed in future should be provided with high RCC ceiling or Zinc sheets with false roofing.

(ii) In the Depots, fire protection arrangements are quite inadequate. This should be examined and remedial steps taken.

(iii) Fire warning system should be provided.

(iv) Storing of Sandalwood in the compound of staff quarters should be discouraged.

(v) A workable limit should be fixed for the area of 'beat' adopted for each Forest guard which is now 500 to 2,000 hectares and highly inequitable.

(vi) Provision of incentives in the form of children's education allowance to staff working in remote areas should be considered to encourage better performance of duties by these officials so as to safeguard this valuable forest wealth.

(vii) In Tirupathur, the lay out of the quarters was such that one has to go through the Depot to reach the quarters. This should be changed to provide separate access to the quarters. The godowns should be located in one place to ensure efficient supervision and not dispersed.

During its visits to the Depots, the Committee also observed that the weight of rough cleaned wood and the weight of final cleaned wood were recorded by the same officer namely the Single Lock Officer and that after the final cleaned wood is classfied under different classes for being taken to the stock register, the Double Lock officers checks the weights and acknowledges. **The Committee recommends that the weight after rough cleaning and the weight after final cleaning should be recorded by two different officers independently, and there should be a system of periodical surprise checks by District Forest Officers and other higher officers.**

(ix) Supply of bamboo to a paper mill.

(Paragraph 9.11 of Audit Report.)

24. Bamboo was being supplied by the Department to Messrs. Seshasayee Paper and Boards Limited at concessional rates from 1962 onwards. The seigniorage rate fixed was Rs. 6 90 per tonne from April 1962 to March 1970, Rs. 11 per tonne for the period from April 1970 to March 1975 and Rs. 22 per tonne from April 1975 to March 1980. In view of the supply at concessional rates the company was required to supply annually to the Director of Stationery and Printing 1,500 tonnes of paper at market rate less 7½ per cent discount. The rate of Rs. 22 per tonne was being continued even after March 1980, provisionally pending fixation of the rate finally.

In the course of dicussion on the Report of Comptroller and Auditor-General of India for the year 1969–70 by the Committee on Public Accounts on 23rd March 1973, Government stated that although the market rate was Rs. 20 to 25 per tonne, the concessional rate was being extended to the company as a matter of policy on the ground that it was the only firm producing paper in the State and that it would have to close down unless raw material was supplied at a consessional rate.

Audit has pointed out that the company has been earning profits from the year 1969-70 onwards and dividends were also being declared regularly from 1970-71 after appropriations were made to general

reserve. Bonus shares were also issued in 1975-76. The company was, therefore, in a position to meet the full market cost of bamboos supplied by the Department. Acco ding to a report of the Chief Conservator of Forests (December 1973) the sale involved a subsidy of Rs. 15 per tonne (after taking into account the concessional rate of paper supply envisaged under the agreement) from 1970-71 onwards and reck ned on that basis the company had received a subsidy of Rs. 37.50 lakhs during the five years ending March 1975. In March 1974, after discussion with the company, the Chief Conservator of Forest reported to Government that the company could afford to pay up to 12 per cent of the price of paper towards raw materials delivered at side and on that basis, the company could pay seigniorage charges at Rs. 55 per tonne. However, in October 1975, Government fixed the seigniorage rate at Rs. 22 per tonne for the next 5 years with effect from April 1975.

During evidence, the Secretary, Forest and Fisheries Department stated before the Committee that the policy of Government was to help the industrial growth in Tamil Nadu by supplying raw materials at reasonable price. To a specific query whether the subsidy was to be given even after the industry has fully grown, the Secretary replied that the question of fixing a reasonable limit was being examined. He also stated that the rate for the period from April 1980 has not yet been finalised and the recommendation made by Public Acc unt Committee on a similar case (supply of blue gum to a comp ny) in its Second Report presented to the Assembly on 5th February 1981 has been taken into consideration. The Secretary further stated that he will furnish a note indicating the quantity supplied, market rate, rate at which supply was made and extent of subsidy allowed to the company from April 1975 onwards. However, the note has not been received.

The Committee regrets to note that the further note called for before 24th October 1981 had not been furnished and would like to have the particulars called for within a month along with the reasons for the delay.

The Committee strongly feels that while the consessions at the initial stages may be justified for the growth of the industry, there is no justification for continuing the concessions even after the industry is fully established and is making sizeable profit. **The Committee reiterates its observations and recommendations made in its Second Report presented to the Assembly on 5th February 1981, that before allowing any subsidised rates for supply of raw materials to industries, the capacity of the industry to pay the full price should be examined and taken into account and that Government should lay down general principles and guidelines for the supply of raw materials to industries at subsidised rates so that there may not be any scope for critisim or malpractices. The Com-**

mittee notes that the seigniorage rate had been fixed for 5 year periods The Committee recommends that where rates are fixed for such long-periods provisions should be made in the agreement for appropriate escalation in the seigniorage rate if there is escalation in the price of the finished product beyond a prescribed percentage. The Committee further recommends that the rates for the supply should be invariably fixed in advance of the period of supply so that legal complications may be avoided. The Committee would also like to know whether the rate for the period from April 1980 has been fixed and if so, the rate fixed, the market rate and the extent of subsidy involved as also reasons for the delay in fixing the rate.

The Committee would also like to know whether the difference in rates fixed has been collected from the firm.

During evidence the Department stated that the paper purchased by the Director of Stationery and Printing from the company at 7½ per cent discount over market rate was as below :

1972–73	.. .. ..	1,000 tonnes
1973–74	.. .. ..	607 ,,
1974–75	.. .. ..	Nil
1975–76	.. .. ..	47 ,,
1976–77	.. .. ..	168 ,,
1977–78	.. .. ..	1,500 ,,
1978–79	.. .. ..	Nil.
1979–80	.. .. ..	1,000 ,,

When it was pointed out to the Department that though the Director-General of Supplies and Disposal rate for paper was about Rs. 2,000 per tonne the Department had purchased paper from the company at about Rs. 5,000 per tonne and instead of deriving any benefit through the 7½ discount, the department had actually lost about Rs. 49.60 lakhs by effecting the purchases directly from the company, the department did not come forward with any valid explanation and stated that the Director of Stationery and Printing had purchased paper through Director-General of Supplies and Disposal also and when there is dearth of certain quality of paper it was purchased from others at market rate less 7½ per cent discount.

The Committee is perturbed to note that the supply of paper at market rate less 7½ percent discount though intended to result in financial benefit to the Government and to offset the concession extended to the company in fixing the rate for supply of bamboo, had actually resulted in substantial loss to Government and resulted in an unintended benefit to the company. The Committee is unable to understand as to why the 7½ percent discount was made applicable to the market price instead of to the Director-General of Supplies and Disposal rate contract price and why market rates were thought of when the items were covered by D.G.S. & D. rate contract. The Committee recommends **that the Matter should be investigated and responsibility fixed for the loss to Government by effecting the purchases at market rate less 7½ percent instead of at D.G.S. and D. rates which were lower and that the benefit derived by the Company by not supplying the full quantity of 1,500 tonnes per year at market rates less 7½ percent discount should be computed and recovered as it was a factor taken into account in fixing the concessional rates for bamboo.**

Madras,
12th March 1982.

N. S. V. CHITHAN,
Chairman.

(Masi 28, Thunmathi,
Thiruvalluvar Era 2013.)

APPENDIX.

SUMMARY OF RECOMMENDATIONS.

1. The Committee feels that the question of collection of arrears has not been pursued effectively and reiterate its recommendation made in its Second Report presented to the Assembly on 5th February 1981 that a separate team of officers should be constituted for instituting the legal proceedings and that effective steps should be taken for completing the cases quickly (Paragraph 8).

2. The Committee also recommends that (i) the precise reasons for the heavy outstanding in the 4 districts of North Arcot, Chingleput, Tiruchirapalli and Madras should be investigated and responsibility fixed against the concerned persons for the various lapses contributing to the heavy outstandings including grant of licenses without proper verification of solvency, (ii) person who are in arrears should be black listed in the remaining Districts also without further delay. (Paragraph-8).

3. (i) The Committee is unhappy to note that Government resorted to retrospective exemption or waiver through executive orders even though they were not empowered to do so, and recommends that Finance Department should issue suitable instructions to all Departments to see that such waivers are not resorted to in future. (ii) The Committee further recommends that where empowered to do so the power of waiver should be exercised only by notification and such notification should be placed before the Legislature. (iii) The Committee would like to have a further report on the final decision taken on the proposal to amend the Tamil Nadu Prohibition Act so as to enable Government to grant exemption with retrospective effect. (Paragraph 9).

4. The Committee recommends that effective steps should be taken by the Department for expeditious collection of the arrears on taxes an Motor Vehicles. A report on the progress made in the collection of the arrears may be sent within 2 months. (Paragraphs 10).

5. The Committee would like to have a report within 3 months on the legal position as clarified by the Law Department on " waiver of irrecoverable revenue under Taxes on Vehicles, ". (Paragraph 11.)

6. (i) The Committee would like to have a further report within 3 months as to whether the system of re-checking the defects pointed out by audit has been introduced and would like to have a copy of the instructions issued in the matter.

(ii) The Committee also recommends that training should be imparted to the staff of the Department including Internal Audit Wing with a view to bring about qualitative improvement in their work. (Paragraph 12).

7. The Committee recommends that changes in the tax structures requiring statutory backing should not sought to be achieved by executive instructions even for an interim period as this might lead to legal complications. (Paragraph 13).

8. (i) In the light of the special treatment extended to Pallavan Transport Corporation (Metro), the Committee would like to know how the parity between Pallavan Transport Corporation (Metro) and other operators (both in private and public sector) operating in other towns and cities in Tamil Nadu is proposed to be achieved.

(ii) The Committee feels that the proper course would be to subsidise the Pallavan Transport Corporation (Metro) to the extent of its social burden, if found necessary and recommends that such extraneous factors should not be allowed to form the basis for deciding or relaxing the taxation structure where equality before law is to be ensured.

(iii) The Committee would also like to know whether the social burdens of student concession, concessions to physically handicapped and concessions to press reportors are not borne by other public sector transport corporations operating in the other towns and cities of Tamil Nadu. (Paragraph 13).

9. The Committee feels that the rate of penalty for belated payment of Motor Vehicles Tax is too high and recommends that it should be reduced to about 15 per cent. (Paragraph 14).

10. The Committee recommends that urgent steps should be initiates to collect the balance of uncollected revenue. The steps taken and the progress made should be reported to the Committee within 2 months (Paragraph 15).

11. (i) The Committee recommends that the Department should build up an effective machinery to continuously monitor the trends in the prices of sandalwood oil-sandal-wood in the international market and in India and initiate steps to sell the sandal wood at the most opportune periods to the best advantage of Government. (ii) The Committee recom

mends that as the major producer of sandalwood in India, the Department should direct its efforts to play a more dominant role in the market and should also promote the formation of a consultative body consisting of the sandalwood producing states in the country and Central Government with a view to improve sandal wood sales in a co-ordinated manner. (iii) The Committee notes that the import of synthetic substitute is stated as one of the reasons for the fall in prices evenue. The Committee would like to know whether the question of banning such import into India was taken up with Govrnment of India (Parag aph 16).

12. The Committee further recommend that (i) in order reduce the stock on hard as well as to obtain a better price the size of the lot should be reduced to enable even small dealers to compete, (ii) the offers received in the auctions should be confirmed without any delay and the period within which the offers should be accepted or rejected should be prescribed, (iii) all efforts should be made at the highest level to get the total ban on export of sandalwood lifted so that the wood may fetch better prices and contribute to increase in revenue. (iv) efforts of the Department should be more and more directed towards production of finished goods such as sandalwood oil, scents, soaps etc, by getting very early the proposed factory working. Necessary feasibility studies and study of market conditions should be made for the purpose and a long term plans chalked out, (v)Government should examine the feasibility of setting up of a factory for manufacturing soap from the sandalwood oil expected to be produced at the factory being set up for the prupose (Paragraph 16).

13(i) The Committee would like to know whether department does not obtain statement of stock position at regular intervals from the field officers. The Committee would also like to have the statement of stock position called for within a month with reasons for the delay, (ii) The Committee also recommends that the Chief Conservator of Forests should obtain a monthly return showing the stock position of all wood including uncleaned wood from the field officers and maintain statistics of overall stock position in the State. (Paragraph 16).

14. (i) The Committee recommends that action should be taken against the persons responsible for the omission to follow the rules even after being pointed out by Audit and that inspections by higher officers and internal check should be tightened to see that the various rules are observed strictly in future, (ii) The Committee also recommends that instructions should be issued by Finance to all Departments to ensure that remedical action is taken on the defects/irregularities immediately after they are pointed out in Audit without waiting for the matter to be considered by the Public Accounts Committee. (Paragraph 17).

15. The Committee recommends that the Department should examine the desirability of maintaining two separate stock registers one for sandalwood sold in auction and other for stock not put up for sale and that all efforts should also be made to seggr gate the s d and unsold stocks and keep them in separate godowns. The Committee also recommends that the time of 75 days allowed for lifting the stocks by the bidders should be reduced to 30 days (Paragraph 18).

16. The Committee recommends that (i) no concessions relaxing terms of a contract once e tered into should be extended in future, (ii) in as much as the terms and conditions of the concessions extended by Government in September 1976 have not been honoured by the defaulting firms, the entire dues in terms of their original bid of July 1974 duly enforcing all penal clauses and including sales tax on the original bid amount should be recovered from them, (iii) necessary civil suit should be filed against them without further delay and (ix) the defaulting firms should be blacklisted. (Paragraph 19).

17. (i) The Committee is very unhappy to note the tendency on the part of the Department to take Audit comments lightly as is evident from th s and a similar case mentioned earlier in this Report (*vide* para 17 above) and would like to know the result of action taken against the persons responsible for the omission to follow the correct procedure even after being pointed out by Audit (ii) The Committee also reiterates its recommendations that Finance should issue instruction to all Departments to ensure that remedical action is taken on the defects/ irregularities immediately after they are pointed out in Audut without waiting for the matter to be considered by the Public Accounts Committee (Paragraph 20).

18. The Committee recommends that the reasons for tampering with the records should be investigated and disciplinary action taken against the officers responsible for the same. Action should also be taken against any failure at supervisory level. In future, the Extraction and Conversion Forms should have machine numbered pages the issue of which should be properly regulated by taking acknowledgements and their use accounted for. All entries should be made only in ink. No over-writing should be permitted. The corrections, if any, should be made by neatly striking out the old entry and all corrections should be attested. The supervisory officers should conduct periodical inspections and ens re the proper maint'enance of the Extraction and Conversion Forms. (Paragraph 21).

19. (i) The Committee recommends that Chief Conservator of Forest should get monthly consolidated stock accounts of wood kept in each depot classified under difference categories and this should interalia show the number of trees cut and kept at Forest Depots awaiting transportation to the nearest cleaning centre, their tree-wise-weight and similar details of rough clan and final cleaned sandalwood.

(ii) The Committee further desires that action taken in this regard should be reported to it within three months (Paragraph 21).

20. The Committee would like to know whether the demurrage rates have been revised and if so how the revised rate was arrived at. The Committee feels that long delivery periods will only encourage malpractices besides increasing loss due to drying, and recommends that the delivery period should be reduced to 30 days from the existing 75 days (Paragraph 22).

21. The Committee recommends that (i) the Department should draw up a time bound programme for cleaning the old stocks and clear the backlog expeditiously. (ii) additional depots should be opened if necessary in order to reduce the stock of uncleaned wood awaiting rough cleaning (Paragraph 23).

22. The Committee recommends that the Departments should take urgent steps to construct adequate number of pucca godowns for the safe storage of sandalwood which was of prime importance for augmenting the revenues of the State. (Paragraph 23).

23. In the context of the observations made by the Committee during its visits to the Depots and in the light of the evidence tendered thereon before the Committee, the Committee also recommends as follows :–

(i) Godowns to be constructed in future should be provided with high R.C.C. ceiling or Zinc sheets with false roofing.

(ii) In the Depots, fire protection arrangements are quite inadequate. This should be examined and remedial steps taken.

iii) Fire warning system should be provided.

(iv) Storing of sandalwood in the compound of staff quarters should be discouraged.

(v) A whorkable limit should be fixed for the area of "beat" adopted for each Forest guard which is now 500 to 2,000 hectares and highly inequitable.

(vi) Provision of incentives in the form of children's edueation allowance to staff working in remote areas should be considered to encourage better performance of duties by these officials so as to safeguard this valuable forest wealth.

(vii) In Tirupathur, the lay out of the quarters was such that one has to go through the Depot to reach the quarters. This should be changed to provide separate access to the quarters. The godowns should be located in one place to ensure efficient supervision and not dispersed. (Paragraph 23).

(24) The Committee recommends that the weight after rough cleaning and the weight after final cleaning should be recorded by two different officers independently, and there should be a system of periodical surprise checks by District Forest Officers and other higher officers. (Paragraph 23).

(25) The Committee regrets to note that the further note regarding the quantity supplied, market rate, rate at which supply was made and extent of subsidy allowed to the company from April 1975 onwards called for before 24th October 1981 had not been furnished and would like to have the particulars called for within a month along with the reasons for the delay. (Paragraph 24).

(26) (i) The Committee reiterates its observations and recommendations made in its Second Report presented to the Assembly on 5th February 1981, that before allowing any subsidised rates for supply of raw materials to industries, the capacity of the industry to pay the full price should be examined and taken into account and that Government should lay down general principles and guidelines for the supply of raw materials to industries at subsidise rates so that there may not be any scope for criticism or malpractiecs.

(ii) The Committee recommends that where rates are fixed for such long periods provision should be made in the agreement for appropriate escalation in the seigniorage rate if there is escalation in the price of the finished product beyond a prescribed percentage.

(iii) The Committee further recommends that the rates for the supply should be invariably fixed in advance of the period of supply so that legal complications may be avoided.

(iv) The Committee would also like to know whether the rate for the period from April 1980 has been fixed and if so, the rate fixed, the market rate and the extent of subsidy involved as also the reasons for the delay in fixing the rate.

(v) The Committee would also like to know whether the difference in rates fixed has been collected from the firm.

27. The Committee recommends that the mater should be investigated and responsibility fixed for the loss to Government by effecting the purchases at market rate less 7½ per cent instead of at D.G.S. and D. rates which were lower and that the benefit derived by the Company by not supplying the full quantity of 1,500 tonnes per year at market rates less 7½ per cent discount should be computed and recovered as it was a factor taken into account in fixing the concessional rates for bamboo.

(Paragraph 24).

COMMITTEE ON PUBLIC ACCOUNTS.

1980-82.

FOURTEENTH REPORT.

ERRATA

Page	Para	Line	For	Read
1.	2	3	4	5
i	-	9	gallanage	gallonage
1	2	1	Commitie	Committee
2	8	7	ex-licenses	ex-licensees
3	8	39	blacklitted	blacklisted
4	9	40	tification	notification
4	9	42	ontaken	taken

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Page 1.	Para 2	Line 3	For 4	Read 5
i	-	9	gallanage	gallonage
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4	9	42	ontaken	taken
5	11	3	pointed u	pointed out
7	13	6	aevrage	average
9	16	9	full	fall
9	16	20	commerce	commence
14	19	7	6 per cent	6¼ percent
14	19	24	du ing	during
18	21	8	abuot	about
18	21	34	are clumsy	are so clumsy
20	23	2	yxxxs yeras	years
24	-	12	(ii) person	(ii) persons
24	-	27	an Motor Vehicles	or. Vehicles
24	-	31	rrecoverable	irrecoverable
27	-	16	all ffor s	all efforts
28	-	45	rough clan	rough cleaned
29	-	27	soring	storing
29	-	29	Whorkable	Workable
30	-	18	malpractiecs	malpractices
30	-	31	The work"(Paragraph 24)" may be added.	

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