

TITLE SHEET
(TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)

	PART- A Summary of audit results	
1	Name of the organization audited	Regional Manager , UFDC, Ramnagar
2	Name of party personnel	
	(i) Sr. Audit Officer/Audit Officer	Sh. Ashutosh Shukla, AO
	(ii) Asst. Audit Officer/Supervisor	Sh. Ghanshyam Pal, AAO Sh. Ajay Bahuguna, AAO
	(iii)Senior Auditor/Auditor	
3	Period of audit	07.06.18 to 25.06.18
4	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	07.06.2018
5	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes/Record of discussions. If No, provide reasons	Yes
6	Number of potential paras (drawing reference to para nos) included in Part-IIA of the Inspection Report	
7	Number of paras (drawing reference to para Nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc	
8	Paras relating to persistent irregularities etc that needs to be brought to the notice of HOD through Management Letter.	
9	Briefly mention the challenges faced during audit (non-production of records, manpower or resource constraints, scope limitation etc) and how they were addressed during the course of audit	No
10	Suggestions for overcoming such challenges in future audits	NA

11	Whether Exit Conference was held and draft Inspection Report discussed with the Head/Nodal Officer of the Audited Entity. In no reasons may be indicated.	Minutes as per Annexure-A enclosed.
12	Date of submission of Draft Inspection Report and all working papers to Hqrs. (may be submitted with in a period of 7 working days from the date of conclusion of audit)	29.06.2018
13	Reasons for delay in submission of draft IR etc. to Hqrs. with reference to the allotted time period, if any.	Management's replies of the audit memos have been received on
14	General remarks, if any	

PART- B							
Details of Audit Process followed							
1	Whether the allocation of duties amongst each member of the Audit team (SAO/AO/AAO/Sr. Auditor/Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members? If no reasons and justification may be provided.					Allocation of duties as per Annexure B enclosed.	
2	Sampling methodology adopted (Use as many rows as needed)					List of files/voucher/other documents reviewed enclosed	
	SI No	Section/Wing Being audited	Nature of Document	No selected for review	Percentage of selection	Sample method adopted	
		Purchase/ Works/ Establishment etc	Files/ Vouchers etc	(Indicate actual number selected)	(Indicate percentage of each category)	Random/stratified/ Judgmental etc	
3	Whether focus areas identified as procedures applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit)? If no, reasons and justification may be provided.					Yes	
4	Whether all issues marked for examination by Group Officer on supervision/Hqrs section have been addressed?					Compliance to Group Officer comments on supervision enclosed as per Annexure C .	
5	Whether all work assigned as per allocation of duties were completed? If no, provide whether the reasons and					Certificate as per Annexure D enclosed.	

	justification are provided.			
6	Briefly indicate the potential focus areas for next audit.			
7	Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed?			Daily diary as per Annexure E enclosed for each member.
8	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided?			Yes
9	Whether the key documents have been referenced in the Para and the source of evidence has been provided as footnotes?			Yes
10	Please indicate the position of outstanding paras of previous inspection reports as under.			
	Period of Inspection Reports	No. of paras of outstanding (Opening)	No. of paras of outstanding (closed)	Reasons for the paras remaining outstanding
	1	2	3	4
	04/2012 to 03/2015	10	10	Non furnishing of replies
11	Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has been provided?			Certificate as per Annexure F enclosed.
12	Whether a certificate that the audit party has complied with the Audit Quality Framework and Code Of Ethics has been provided?			Certificate as per Annexure F enclosed.
Dated:				Sr. Audit Officer/Audit Officer

Audit Inspection Report on the accounts of Regional Manager, Uttarakhand Forest Development Corporation, (UFDC) Ramnagar for the period April 2016 to March 2018 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act, 1971 read with section 143 (7) of the Companies Act, 2013. The transaction audit was conducted by Shri Ajay Bahuguna, Asst. Audit Officer, Shri Ghanshyam Das Pal, Asst. Audit Officer, under the supervision of Shri Ashutosh Shukla, Audit Officer during the period from 07.06.2018 to 25.06.2018.

The inspection report has been prepared on the basis of information provided by Regional Manager Office, UFDC Ramnagar. The Office of the Principal Accountant General (Audit), Uttarakhand, Dehradun will not be responsible for any wrong information or information not received.

Part-I

1. Introduction:- The last audit of this unit was carried out by Shri Amit Kumar, AAO, Shri Khub Chand, AAO and Shri Roshan Lal Sharma, AAO under the supervision of Shri B.C. Soyal Sr. AO, in which accounting records of the period from April 2012 to March 2016 were generally examined. In current audit, accounting records of the period from April 2016 to March 2018 were generally examined.

2. (i) Functions and geographical jurisdiction of the unit:

The function of the Uttarakhand Forest Development Corporation is engaged in the business of logging of timber, sale of timber, mining of Sand, stones, boulder and RBM (natural resources) etc. in the various river. Mining of the same has been allotted to the Corporation by the Government of Uttarakhand after the acceptance of Government of India. The geographical jurisdiction of the division is Western Region Ramnagar.

(ii) Auditing methodology and scope of audit:

RM office UFDC Ramnagar was covered in the audit. Inspection reports of all independent Drawing and Disbursing officers are being issued separately. This inspection report is based on findings of audit and March 2017 month was selected for detailed examination.

(iii)

Year	Revenue	Expenditure	Profit

(To the extent this information is available & applicable)

(iv) Organisation structure of the unit and reporting lines.

The O/o the Regional Manager (Western Region) Ramnagar is officiated by the Regional Manager.

Part – II A

Para 1:- In fructuous expenditure incurred on Mountain Trail Biking without ensuring their benefit on local forest resources: - ₹ 90.27 lakh.

The Government of Uttaranchal vide Gazette notification dated 17 May, 2001 amended Uttar Pradesh Forest Corporation Act, 1974 to form Uttaranchal Forest Development Corporation (UFDC). The corporation was to be regarded as a local body for the purpose of undertaking primarily activities restricted to Forest areas and with long term objective to facilitate increase in livelihood to communities who are directly dependent on local forest resources.

The Corporation was also entrusted with the responsibility for promoting awareness and teaching the people about the long term benefits of forest and its produce. This activity of the Corporation is undertaken through Eco-Tourism programme. This programme is to be undertaken on planned manner for promoting tourism. Specific direction/ activities are provided in the Forest Manual, as to what activity shall be covered under Eco-Tourism program. As per the Forest Manual, eight activity are well-defined under the Eco-Tourism program.

During the scrutiny of the records of the RM Ramnagar and Eco-Tourism/Haldwani, it was noticed in Audit that Corporation organised Mountain Trail Biking (MTB) during the year 2015-16 & 2016-17 (19.09.2015 to 02.10.2015 & 23.11.2016 to 25.11.2016) under the aegis of Cycling Federation of India (CFI) under the pretext of promoting Forest Activities. Under this activity, 24 cycle riders with foreign specialist /technical specialist in both accusation were called. The UFDC worked out following deliverables for the MTB.

1. CFI logo was to be placed on all publication & the event was to be under the agies of CFI.
2. Cycle Development fees of ₹ 5.00 lakh was paid to CFI.
3. During the MTB of 2015-16, 06 MTB bike valuing ₹ 8.78 lakh were also procured and incurred the ₹ 16.59 lakh on renting of the above MTB bikes.

In this respect, audit contention is that MTB was organised for promotion of cycling rather than for promoting the activities relating to forest. The corporation carried out the activity of MTB and promoted the event of CFI though the manual did not cover such event and incurring the complete expenditure of ₹ 90 lakh on their behalf. Thus the expenditure incurred on MTB was in fructuous and did not cover under the forest development activities. It was also noticed that the above mentioned bikes were also not available in the records as the assets of the Nigam.

It was stated in reply that the work has been executed in accordance with the responsibilities given to the UFDC and UFDC is a local body and undertakes the activities primarily in forest area with long term benefits. The reply of the management is not convincing as the activities executed under MTB competition do not fall under the forest activities. Therefore expenditure incurred on the above was become infructuous.

Para 2: Undue favour to contractor on charging of penalty from the contractor for delay execution of work. ₹ 54.25 lakh

An agreement was executed on 03.10.2015 by the Nigam with M/s Sangam Dharmkanta Welfare Society, Haldwani for establishment, operation and maintenance of computerised weighing bridges and CCTV cameras to control the collection of minor minerals from five gates in mining area of the Kosi and Dabka River, Ramnagar during the years 2017-18 onwards. As per clause 36 of the agreement the contractor was to start the above work within 25 days and in case of any delay, the Nigam shall charge the penalty at the rate ₹ 25000 per day per gate for delay execution of work.

Name of gate	Date of start of work	Actual date of start of work	Delay in days	Rate of penalty per day (₹)	Amount of penalty (₹ in lakh)
Dabka	28.10.15	02.12.15	34	25000	8.50
Kalusiddh	28.10.15	04.12.15	36	25000	9.00
Kharanja	28.10.15	19.12.15	51	25000	12.75
Banjari first	28.10.15	16.12.15	48	25000	12.00
Banjari second	28.10.15	16.12.15	48	25000	12.00
	Total				54.25

Above revealed that there was a delay of days ranging between 34 to 51 to start the work. Hence the penalty of Rs. 54.25 lakh was to be imposed. Instead of imposing the penalty, RM, Ramnagar requested vide letter 31.03.2016 to GM (Kumaon Region) for exemption from charging of penalty from the contractor for delay execution of work and the same has been extended to them.

In this reference, as per clause 36 of the agreement, Nigam was required to forfeit the security money and charged the penalty amount to the contractors. However, the same was not done. Thus, the contractor was unduly benefitted by the Nigam to the extent of ₹ 54.25 lakh on account of non charging of penalty for delay execution of work and also by non forfeiture of security money deposit.

It was stated in reply that the matter has already been issued in previous AIR for the period 04/2012 to 03/2016 further replies furnished to audit were not relevant to the para. ‘

Reply of the management was not accordance with the clause 36 of the agreement as clause 36 clearly stated that if the contractor failed to start all the formality in the prescribed schedule, the penalty will be imposed, which was not done by corporation and the request of RM, Ramnagar for exemption of penalty was also violation of above clause.

Para 3: Avoidable expenditure on super vision of jungle lore colony and Bijrani jungle camp

Nigam has executed two agreements (30.12.2006) & (01.01.2017) with M/s Skylark Travels Nainital for operation of two eco tourism colonies (Jungle Lore Tent Colony and Bijrani Jungle camp) at Ramnagar on PPP basis for ten year and five years respectively. Thus, the Nigam extended the agreements with the same contractor upto 31.12.2021.

During checking of the records, it was noticed that Nigam has formed a Logging Division (Eco Tourism) to supervise the above mentioned Eco Tourism Colonies and made an expenditure of ₹ 2.17 crore on establishment and other operative expenditure of the unit during the year 2014-15 to 2016-17 while the income from tent colony was only ₹ 7,89,000.00 during aforesaid period as detailed below.

(In ₹)

Sl. No.	Year	Expenditure on operation of unit	Income from the eco-tourism
1	2014-15	6762857	282250
2	2015-16	7918202	251750
3	2016-17	7041661	255000
Total		21722720	789000

It is also to mentioned here that the eco tourism office was operating from the Haldwani (60 km away from these eco tourism colonies) to supervise the above mentioned units. The supervision of the units from the Haldwani is not feasible and also not in Nigam's interest because of extra expenditure was also incurred due to supervision from far place.

In this respect, audit contention is that the supervision work of these units should be done through any local unit situated in Ramnagar, which may be beneficial to the Nigam and heavy expenditure on establishment of separate DLM office can be avoided. Thus, the expenditure ₹ 2.17 crore incurred on establishment of unit was avoidable if the work was to be done locally.

It was stated in reply that the creation of the DLM office was done by the MD of the Nigam to control the eco tourism activities in the Kumoan Region. The reply is not acceptable as the work could be supervised from any local unit which may reduce the expenditure on establishment of separate unit.

Para 4: Short earning of revenue due to auction of khair below floor price.

As per procedure adopted by the Nigam regarding auction of the timber, the Nigam auctions the timber through tendering and in case of auction rates comes below floor price, the required approval/sanction shall be taken from the appropriate authority as per their powers delegated by the Nigam.

During scrutiny of the records related to auction of timber, it was noticed that DSM, Ramnagar has auctioned the 6273.986 cum khair timber during 2015-16 to 2017-18 at ₹ 7.90 crore. The base floor price of the same was ₹ 12.34 crore (as detailed in enclosed annexure). The auctioned prices were up to 91.41 *per cent* below the base/floor price during the aforesaid period. The auction of the khair below base price can be avoided by executing fresh auction because of the khair timber is costly item and generally in most of the cases it sold above the base price regularly. Thus, due to auction of khair below base price, the Nigam was deprived to earn the revenue amounting to ₹ 4.43 crores

Management relied that the main reason of receipt of the lower auction rates were because of auctioned material was roots and firewood. The rates were also lower even after re-auction of the same. It was also stated that the supply against demands in other state were also in excess which resulted in receipt of lower rates of khair. Reply of the management is not convincing as at the same time the rates received in other lots were higher as compared with base rates.

Para 5: Double benefit of Selection Grade pay and Time Scale & Pay Scale Scheme to the Grade-IV employees.

Since 1995, under the Government of Uttar Pradesh, the employees were receiving the benefit of Selection Grade pay. After bifurcation of the state, the employees were granted Selection grade pay as well as Time Scale and Pay Scale benefit and every time fixation was being done from the date of joining of service. Test check of service records revealed that a few employees, who got the benefit of both the schemes at the same time. An employee can get the benefit of the scheme till the date it is in force. If a new Scheme is introduced, the benefit of old scheme has to be ruled out or ignored, if the new scheme has to be introduced from the date of joining. But test check of service books under Regional Manager, Ram Nagar revealed that some of the employees of the Nigam were given undue benefit of both the schemes, while fixation of Pay. A Few such examples are illustrated in Annexure "A", which is highly irregular.

These examples are explicit and not exhaustive; hence efforts may be made to identify all those employees in the Nigam, who were granted double benefit of Selection Grade pay and Time Scale & Pay Scale Scheme

Recoveries from these employees may kindly be made at the earliest with intimation to audit.

The department in its reply stated that the fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP were granted to employees/Officers under the orders of the Managing Director. Hence the audit memo has been referred to the Managing Director for his direction and orders.

Para 6: Incorrect fixation of Pay.

Audit scrutiny of service books of the employees revealed that the pay fixation of the following employees was not done correctly.

Sh. C. S. Pant, Accountant of DLM, Central Haldwani was awarded Grade Pay of ₹ 5400/- vide letter no. 2238/ACP Pay Fixation dated 30-08-2017, which was not admissible to him.

Sh. Vinod Kr. Sati , Sr. administrative officer of DSLM, Ram Nagar, was awarded grade pay of ₹ 4800/- vide G.O. No. 492/X-3-16-08 (25) /2001/ 2001 T.C. dated 24-08-2016 read with MD's letter no.E-3139/M.G. dated 05-09-2017, which was not admissible to him.

Sh. Dinesh Ch. Pandey , Sr. administrative officer of DLM, Kashipur, was awarded grade pay of ₹ 4800/- vide G.O. No. 492/X-3-16-08(25) /2001/ 2001 T.C. dated 24-08-2016 read with MD's letter no.E-3139/M.G. dated 05-09-2017, which was not admissible to him.

Pay fixation of Sh. Kishan Ch. Pant Driver of RM western Region, Ram Nagar, was incorrect since 2009, which may be corrected. He was awarded Selection grade as well as Time scale and Pay Scale benefit at the same time.

Pay fixation of Sh. Roop Chand, Driver of DLM, west Haldwani, was incorrect since 2014, which may be corrected. He was awarded Selection grade as well as Time scale and Pay Scale benefit at the same time.

Pay fixation of Sh. Anand Prasad, Driver of RM Kumoun , was in correct since 2002, which may corrected. He was awarded Selection grade as well as Time scale and Pay Scale benefit at the same time.

Pay fixation of Smti. Rekha Arya, administrative officer of DLM East Haldwani, who is drawing grade pay of ₹ 4600/- is drawing equal pay along with Smti Bhubneshwari Rakhwal, Sr. administrative officer of DLM, west Haldwani, who is in grade pay of ₹ 4800/- , Which is in correct and pay fixation of both may be examined.

This is highly irregular. Pay of the above employees should be recalculated and recoveries from these employees may kindly be made at the earliest with intimation to audit.

These examples are explicit and not exhaustive, hence pay fixation of all the employees be referred to Pay anomaly Committee, which may be constituted at the earliest.

The department in its reply stated that the fixation of pay granted to the above employees/Officers under the orders of the Managing Director. Hence the audit memo has been referred to the Managing Director for his direction and orders.

Para7: Disciplinary action against the defaulting Officers / employees, who misappropriated of ₹ 10.99 lakhs.

During the course of test check of records it was observed that disciplinary action was being initiated against the 12 defaulting Officers / employees, working in different divisions under Regional Manager, Ram Nagar, (List Enclosed) who were engaged in misappropriation of ₹ 10,99,337/-, although the disciplinary proceedings were going, but with no end result till the audit.

Out of the above 12 Officers/employees, who misappropriated ₹ 10,99,337/-, one employees, who misappropriated around ₹ 1,43,581/- is already dead and the 07 other Officers/employees, who misappropriated around ₹ 6,67,481/- have already retired, while the final decision to be taken against the four remaining employees is still pending.

Further, it was also observed that the defaulting employees were also being given the benefit of Time-Scale and Pay-Scale scheme, where as it is clearly mentioned in the scheme that the benefit would be allowed to those employees having satisfactory service during the period of grant of Time-Scale and Pay-Scale scheme.

Regional Manager, Ram Nagar may kindly clarify to audit the progress of disciplinary proceedings. Further, what measures the Nigam has ensured to recover the amount from the Officers/employees, who have already retired/dead.

The department in its reply stated that audit memo has been referred to the Managing Director for his direction and orders.

Para – II B

Para 1: Undue favour to contractor by way of payment of electricity bills of Eco Tourism Colonies from Nigam's fund ₹ 3.50 lakh.

The clause 24 of the agreement executed on 14.02.2012 with Ms Sagir Khan M/s Skylark Travels, Nainital for operation of Eco Tourism colonies at Ramnagar on Public Private Partnership basis provides that Nigam was to arrange the electricity and water, in case of non arrangement of the same, the contractor was to arrange the same from own expenses.

During checking of the records it was noticed that DLM, Eco Tourism made arrangement of electricity from their sales depot and made payment of ₹ 3.50 lakh from Nigam's fund on account of the electricity used by the above mentioned colonies during the year 2014-15 to 2016-17. While the above clause of the agreement provides that only arrangement for the same will be done by the Nigam. However, the DLM Eco was continuously making payment of electricity dues of Eco tourism colonies from Nigam's fund. The payment of ₹ 3.50 lakh as electricity dues from the Nigam's fund is highly irregular and needs justification that on what accounts the contractor was unduly benefitted.

It was also noticed that the electricity dues of the colonies were calculated by the Nigam after apportionment of the total consumption of the electricity by the Sales depots. This is not justified way to calculate the electricity dues. An electric meter should be installed towards colonies end and calculation should be made on actual consumption basis.

It was stated in reply that the action for taking separate connection for tent colony has been started by the Nigam. The reply is self explanatory that Nigam has bear the loss on account of payment of electricity bills from own fund.

Para 2: Undue favour to contractor by award of work at higher rates.

The work to supply, establishment and operation of RFID (Radio Frequency Identification Device) was awarded to M/s Anchal Dharmkanta Owners Society, Haldwani to control the minor minerals collection work from five gates in mining area of the Kosi and Dabka River Ramnagar during the years 2017-18 onwards. An agreement was executed on 28.09.2017 by the Nigam at the contracted price ₹ 11.00 per vehicle.

Audit further noticed that an agreement was still running in Haldwani Region for the same work at the rate of ₹ 9.00 per vehicle as RFID charges during excavation minor minerals form Gola river and Nandhaur river Haldwani.

During scrutiny of the tender file and other related records audit observed that in light of above facts the regional office was required to negotiate the quoted rates of the work because the same work was running in the other region. As per the record provided to audit, no record relating to negotiation with the contractor was available in the record. In spite of knowing the facts about the running rates of RFID work, the regional office did not make negotiation with the contractor before award of work and awarded the work at higher rate of ₹ 2.00 per vehicle which resulted in undue favour to the contractor to the extent of ₹ 4.00 lakh per year because the average ₹ 2.00 lakh rounds of vehicles per year are used in the mining work.

It was stated in reply that the work was awarded to the contractor in accordance with Uttarakhand Procurement rules and was duly sanctioned by the Hqrs. Reply is not convincing as the negotiation was required to be done because the RM office was well aware about the rates of RFID in Haldwani.

Para 3: Excess expenditure on advertisement due to non availment of agency discount.

The Corporation made advertisement at the prevailing DAVP (Directorate of Advertising and Visual Publicity) rate. The above rates *inter alia* provides agency discount of 15 percent if the advertisement is made directly to the newspaper/mass media.

We notice that the Corporation is placing advertisements in the media directly and paying advertisement fee at the rates approved by DAVP without availing agency discount. This resulted in excess expenditure of ₹ 1.91 lakh as mentioned in below table.

(In ₹)

Particular	Under the head other overheads in the Balance sheet	Under the head selling and Distribution in the Balance sheet	Total of advertisement expenditure
2015-16	284041	560483	844524
2016-17	168541	264953	433494
Total			1278018
Excess payment of advertisement expenditure due to non deduction of agency discount at the rate of 15 per cent of ₹ 1278018			₹ 1.91 lakh

The corporation was required to avail the agency discounts on the rates approved by the DAVP. Due to non-availing of the above mentioned facility, the corporation could not saved the money to above mentioned extent.

Management in reply stated that region has taken action in this regard and few advertisers were ready to provide discount up to 10 per cent. Management has accepted the fact.

The matter will be watched in next audit.

Para 4: Loss to the Corporation due to non charging of service tax ₹ 2.32 lakh on plot rent.

The Finance Act 2007 provides that the service tax is leviable on the renting of immovable property. The immovable property includes any land, buildings, hereditary allowances, right to ways, light ferries, fisheries or any other benefits arising out of land and things attached to earth or permanently fastened to anything which attached to earth, but does not include standing timber growing crops or gross.

During checking of the records it was noticed that Sales Divisions of the Ramnagar region were engaged in the selling of timber woods through auctions. As per terms and condition of the auction, the auctioned lot was required to be lifted from the depot within 45 days of sales. After the above period a specified amount on the cost of unlifted timber wood shall be charged by the Corporation as plot rent from the auctioneer. As charging of the rent from auctioneer on land for operating business activities shall come under the provisions of the above Act. The divisions were continuously collecting the amount of plot rent from auctioneer from time to time. In compliance of the above mentioned Finance Act, the divisions were required to charge the amount of service tax, plot rent. The amount of ₹ 2.32 lakh of service tax was required to be charged by the divisions from the firms during the years 2015-16 to 2016-17 as detailed below:

Sl. No.	Year	Amount of plot rent charged (In ₹)	Service tax was required to be charged @ 15 per cent (In ₹)
1	2015-16	414032	62104
2	2016-17	1133485	170022
Total		1547517	232126

As the renting of property is covered under Finance Act therefore the due amount of service tax was required to be collected from the firms. The non collection of the service tax from the concerned firms may also attract the liability of service tax as well as penalty towards the department and shall be borne by the department in future from own fund. Thus, non collecting the service tax resulted loss of ₹ 2.32 lakh.

It was stated in rely that plot rent was not as plot rent it is a penalty which has to recover from the purchaser for delay lifting. Reply is not convincing as the Nigam charged it as plot rent on unlifted timber.

Para 5: Delay/non completion of felling work.

The directives of the corporation provided that the logging of trees was to be done within logging year (October to September). The details of allotment, completion, under progress and un-worked lots during the period 2015-16 to 2017-18 are shown as detailed below.

Year	No. of Lots allotted by the forest deptt	No. of Lot completed	No. of Lot under progress	No. of lot returned to Forest Department	Un-worked Lot	Remaining lots
2017-18	350	129	65	3	153	153
Total	356	132	68	3	153	153

It may be seen from table that the Corporation failed to start the logging work of 156 lots within the logging years since 2015-16. Consequently, 153 lots remained un-worked at the end of year 2017-18 and 03 lots were returned to Department for allotment in subsequent years. The corporation field to work on 153 lots which deprived the corporation form the revenue which could have been by selling of timber extracted from these lots.

It was stated in reply that the lots for the year 2015-16 and 2016-17 has completed and lots for the year 2017-18 are under progress and pertains to danger trees and these lots shall be completed upto June 2016. The matter shall be watched in next audit.

Para 6: Loss to the corporation due to undue favour to the transporter by non deduction of service tax from the bills and payment thereof from own funds ₹ 50.62 lakh

The Finance Act 2012 vide its notification no 30/2012-ST dated 20.06.2012 w.e.f. 01.07.2012 provides that the service receiver is liable to pay service tax to Central Excise and Service Tax Department in respect of services provided or agreed to be provided in services related to the transportation goods by road on 30 *per cent* taxable value of the work in cases where loading unloading was included in the rates. In above cases the 100 *per cent* deduction of service tax shall be made during their payments.

During the scrutiny of the records, it was noticed that DLM Offices (loggings) of the Corporation awarded the works related to the transportation of timber and other forest produce to the different transporters during the year 2015-16 to 2017-18 (up to July 2017) at the rates fixed by the corporation and made payment amounting to ₹ 11.52 crore to the transporters. The awarded rates (including all taxes, duties and levies) were fixed by the corporation for transportation of timbers. Therefore, the unit was to deduct the required amount of service tax from their bills during the payment. However, the unit failed to deduct the service tax of ₹ 0.51 crore (as detailed below) in compliance of above notification on the work executed.

(In ₹)

Details of non deduction of service tax from the transporter's bill during the years 2015-16 to 2017-18 (up to July 2017)					
Sl. No.	Name of the Division	Amount paid to transporters	Service tax deducted	Service tax was to be deducted	Service tax deposited from own fund
1	East Ramnagar	13844703	-	634625	634625
2	West Kaladhungi	11345300	-	487629	487629
3	Central Haldwani	32017431	-	1351727	1351727
4	West Haldwani	31653772	-	1347391	1347391
5	Kashipur	4144994	-	170105	170105
6	East Kaladhungi	22195618	-	1070919	1070919
Total		115201818		5062396	5062396

It was also noticed that the division made payment of above amount of ₹ 0.51 crore service tax from own fund during aforesaid period. However, the above amount was required to be deducted from the bills of the transporters. Thus, the payment of service tax to the Service

Tax Department from corporation's fund was not in order and resulted in to undue favour to the transporter and loss to the corporation to the tune of ₹ 0.51 crore.

Management replied that the payment of the service tax was done in accordance with the orders of Govt of India. Reply is not acceptable as service tax was included in the rates of the transporters so the same was required to be deducted from the bills of the contractor and deposit in the Govt account accordingly.

Para 7: Loss to the Nigam due to payment of PD for unauthorised mining ₹ 10.66 lakh.

The Forest Department charges the Petty Demand (PD) for unauthorised mining done by the authorised entity i.e. charge the penalty for the mining from those areas other than specified for mining. The Western Region, Ramnagar was assigned the work to mining the minor mineral from the Kosi and Dabka rivers within the specified area.

During scrutiny of the records, it was noticed that Nigam made payment of PD ₹ 1065701/- to the Forest Department for unauthorised mining during the year 2015-16 and 2016-17. It is worthwhile to mention here that Nigam appointed several sections in-charge, logging assistants and scalers supervision of the mining works of these rivers. However, in spite of these arrangements, the corporation had to pay the penalty of ₹ 10.66 lakh and had to suffer the loss to that extent.

It was stated in reply that any power to take action against forest crime was not vested with the employees of the corporation. The Nigam has also collected penalty and registration charges of ₹ 50.12 lakh from the vehicle owners and from unauthorized vehicles. Reply of the Nigam is not convincing as the fact remains that PD of ₹ 10.66 lakh had to be paid because of unauthorized extraction of PBM.

Para 8: Non charging of penalty from the contractor for non execution of work ₹ 48.30 lakh

An agreement was executed on 28.09.2017 by the Nigam with M/s Anchal Dharmkanta Owners Society, Haldwani to supply, establishment and operation of RFID (Radio Frequency Identification Device) to control the minor minerals collection work from five gates in mining area of the Kosi and Dabka River Ramnagar during the years 2017-18 onwards. As per clause 9 of the agreement, the contractor will start the above work within 15 days and in case of any delay, the Nigam shall charge the penalty at the rate ₹ 5000 per day per gate for delay execution of work.

During scrutiny of the records, it was noticed that above contractor has executed the above mentioned work in the mining areas of Kosi and Dabka River Ramnagar after lapse of five months. As per terms and condition of the agreement, the Nigam was required to charge the penalty amounting to ₹ 48.30 lakh from the contractor for non execution of the above works as detailed below.

Year	Mining Period for delay	Delay in days	Rate of penalty per day for five gates (₹)	Amount of penalty (₹)
2017-18	13.10.17 to 20.03.18	161	30000	4830000
Total				4830000

Thus, as per the T&C of the contract, the Nigam was required to forfeit the security money and charged the penalty amount to the contractors. However, the Nigam failed to do so. Thus the contractor was unduly benefitted by the Nigam to ₹ 48.30 lakh on account of non execution of work.

The management in reply stated that RFID has been installed in some vehicles and work could be completed within time due to non renewal of the vehicles. Reply of the management is not convincing because as per terms and condition of the agreement the work was required to execute within 15 days of agreement.

Para 9: Undue favour to contractor by execution of transportation work ₹ 79.92 lakh.

The General Financial Rules 2005 provides that department may take certain services in the interest of economy, efficiency and transparency of the entity and it may prescribe detailed instructions and procedures for this purpose. The Govt. entity should be invited bids for estimated value of the work or services upto Rupees ten lakhs or less.

The Nigam did not prepare any policy and procedure for engagement of contractor for the transportation of goods by road.

However, during checking of the records of DLM, East Ramnagar, it was noticed that the division engaged transporters for transporting of timber without inviting tenders. Audit noticed the following shortcomings.

1. Agreements with the contractors were not executed for these works.
2. No procedure for selection of the transporters has been adopted by the division.
3. If in case of occurrence of any incident the transporter shall not be legally responsible because no agreement was executed with them.
4. Without any policy and compliance of the provisions of the GFR, the division has engaged the several transporters for transportation of timber by road to their timber depots and paid ₹ 79.92 lakh to these contractors during the year 2015-16 to 2017-18.

Thus, the execution of the work without compliance the provision of GFR without inviting bids and without execution of agreements is irregular.

Management in reply stated that the transportation work were executed by registered transporters in Nigam's interest at rates as determined by corporation. Reply is not convincing as the work was to be done in accordance with the provisions of the GFR.

Para 10: Loss of ₹ 14.78 lakh to the Nigam due to short production of timber.

The Primary work of the Nigam was to fell the trees allotted by the forest department. On the basis of the quantity allotted, the Nigam paid the royalty to the corporation on account of timber so produced.

During scrutiny of the records of DLM, East Ramnagar, it was noticed that the division was engaged in cutting of lots of eucalyptus tree which were allotted by the forest department during the year 2017-18. The division produced the 1883.4702 cum timbers against the target production of 2689.927 cum of royalty volume as detailed below.

Sl. No.	Lots no	Royalty volume in cum	Royalty rate per cum	Actual production in cum	Short production in cum	Loss of revenue
1	11/17-18	1214.9480	1833	550.4161	664.5319	1218087
2	15/17-18	1404.8270	1833	1267.3261	137.5009	252039
3	16/17-18	70.1520	1833	65.7280	4.424	8109
Total		2689.927		1883.4702	806.4568	14,78,235

Thus, the division short produced the eucalyptus by 806.4568 cum during the aforesaid year which resulted in loss of the revenue of ₹ 14.78 lakh.

Management in reply stated that production for the lots pertaining to the year 2017-18 are provisional and actual production shall be reflect after completion of work.

The matter shall be watched in next audit.

Annexure-I

Details of auction of khair by the DSM, Ramnagar below floor price during the year 2015-16 to 2017-18						
Date of auction	Auctioned quantity	Based price of sales quantity	Sale price of sales quantity	Loss due to sale of khair below floor price	Percentage below floor price	
4-Apr-2015	92.2786	119963	83100	36863	30.73	
4-Jul-2015	70.8249	92072	81500	10572	11.48	
4-Jul-2015	163.5483	1455580	441700	1013880	69.65	
4-Aug-2015	23.9340	705700	677400	28300	4.01	
4-Aug-2015	349.1825	3107725	960050	2147675	69.11	
4-Sep-2015	1,081.9281	9629161	4151450	5477711	56.89	
4-Oct-2015	109.5317	974832	766850	207982	21.34	
4-Mar-2016	4.2142	104991	100000	4991	4.75	
4-Jun-2016	774.6595	6894470	5856500	1037970	15.06	
4-Jul-2016	305.9242	27227225	2337880	24889345	91.41	
4-Aug-2016	325.0899	2893500	2445000	448500	15.50	
4-Sep-2016	,458.4615	12980360	11886490	1093870	8.43	
4-Oct-2016	64.4400	1463516	1107300	356216	24.34	
4-Jan-2017	94.0979	3507471	2758700	748771	21.35	
4-Feb-2017		166617	135800	30817	18.50	

	61.7100				
4-Mar-2017	32.5640	7110353	2312950	4797403	67.47
4-Feb-2018	861.6003	44943693	42886500	2057193	4.58
Total	6,273.9896	123,377,229	78,989,170	44,388,059	

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Detail of unsettled paras of previous inspection reports:-

Sl. No.	AIR for the period	Part-II-A	Part-II-B	Total
1.	04/2012 to 03/2016	1 to 7	1 to 3	10

Compliance report of unsettled paras of previous inspection report-

For furnishing of reply of the outstanding paras of old Inspection Report an audit Memo No. 42 was issued to the Corporation . No reply has been furnished by Corporation.

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards RM office UFDC Ramnagar and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

Though following documents were not produced during audit:

Nil

2. **Persistent irregularities.**

NIL

3. The following officers held the charge of head of the office during the audit period:

Sl. No.	Name	Post
(i)	Sh. G.C. Pant,	Regional Manager
(ii)	Sh. Mahendra Pal,	Account Manager

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG (concerned sector) within one month of receipt of the letter.

Sr. Audit Officer/ES-1