

TITLE SHEET (TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)		
PART- A		
Summary of audit results		
1	Name of the organization audited	Managing Director, UFDC, Dehradun
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	23.04.18 to 19.04.18
4	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	19.04.2018
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 need 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)	
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 30.05.2018
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 justification are provided.			Certificate as per Annexure D enclosed.
6	Briefly indicate the potential focus areas for next audit.			
7	Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed?			Daily diary as per Annexure E 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			Certificate as per Annexure F enclosed.

	and Code Of Ethics has been provided?	
Dated:		Sr. Audit Officer/Audit Officer

Audit Inspection Report on the accounts of Uttarakhand Forest Development Corporation, Managing Director Office, Dehradun for the period April 2015 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 Ashutosh Shukla, Audit Officer during the period from 23.04.2018 to 19.05.2018.

The inspection report has been prepared on the basis of information provided by Managing Director Office, Dehradun. The Office of the Pr. 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 and Shri Khub Chand, AAO under the supervision of Shri B.C. Suyal Sr. AO, in which accounting records of the period from April 2012 to March 2015 were generally examined. In current audit, accounting records of the period from April 2015 to March 2018 were generally examined.

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

The functions of the Uttarakhand Forest Corporation Ltd. are engaged in the business of logging, 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 Garhwal and Kuman.

(ii) **Auditing methodology and scope of audit:**

Office of the Managing Director, UFDC Dehradun 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 November, 2016 and January 2018 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 UFDC Dehradun, which is officiated by the Managing Director.

Part-II A

Para 1: Loss to the Corporation due to injudicious decision during construction of boundary wall.

The work of construction of boundary wall at timber storage depot nos. 1, 4 and 5 at Lalkuan was approved in Board of Director (BOD) meeting dated 24.09.2014 of the Nigam and M/s BSNL was nominated executing agency. The MOUs with the executing agency have been enforced on 17th march 2015 at the agreed project costs ₹ 2.97 crore, ₹ 2.46 crore and ₹ 1.73 crore respectively with condition to complete the project within six months.

During scrutiny of the records following were noticed by audit:

1. The Nigam has provided advance of ₹ 214.77 lakh i.e. 30 percent of the project cost to Executing Agency on 19th March 2015 for execution these works with deduction of income tax ₹ 4.30 lakh.
2. The Nigam cancelled (April 2015) the above MOUs due to slow pace of work and decided to get the works executed from another agency. The Nigam has also directed BSNL to return the advance of ₹ 214.77 lakh.
3. BSNL has intimated vide its letter dated 01.05.2015 that tender for execution of the work has been invited and work shall be started shortly and shall be completed within proposed time.
4. But Nigam did not take any cognizance of BSNL request and nominated another agency UP Rjkiya Nirma Nigam Ltd for execution of the works.
5. BSNL has returned the advance amount of ₹ 200.85 lakh to the Nigam after deducting the ₹ 13.92 lakh (₹ 9.62 lakh as cost of preparation of detailed working drawing, design and estimate + ₹ 4.30 lakh as Income tax) on account of expenditure incurred on the works.
6. MOUs with UPRNN was also executed on 26.06.2016 at the project costs of ₹ 4.37 crore for depot no-1, ₹ 3.40 crore for depot no-4 and ₹ 2.86 crore for depot no-5 to execute the work within six months.
7. The works were not yet completed within scheduled time despite lapses of three years.

Thus the decision to cancel the MOU of BSNL and execution of the work from UPRNN was injudicious, which resulted in loss of ₹ 13.92 lakh to the Nigam.

It is also worthwhile to mention here that the cost work executed by the UPRNN was in excess by ₹ 3.47 crore (UPRNN cost ₹ 10.63 crore – BSNL cost ₹ 7.16 crore) as compared with the project cost of BSNL. Hence the decision to get the work executed from the UPRNN was not in Nigam's own interest and the main objective of timely completion was also not fulfilled. Thus, the corporation has to bear the loss of the ₹ 13.92 lakh along with higher cost of project to the tune of ₹ 3.47 crore.

Nothing was available on the records to show that how it was decided to get work executed from UPRNN despite the facts that the BSNL has invited tender for the work and work was to be executed shortly.

Nigam stated in its reply that the cancellation of MoU with BSNL was due to delay in execution of work and award of work to UPRNN was decided by the BOD of the Nigam. The reply is not convincing as the tendering process has been started by BSNL, so the cancellation of BSNL's MOU was not justified because the UPRNN was still executing the work and the cost of work has also been increased.

The matter was brought to the notice of higher authorities of UFDC.

Para-2: Irregularities in fixation of Pay of Scalars.

During early 1980s, when the logging activities were at peak, the Uttar Pradesh Van Vikas Nigam had employed around 1745 extra Scalars, Anusevak, Assistant Gr-III and Drivers etc on Master Roll Daily Labours (D.L), who had worked for more than 240 days in a year.

During the fag end of 1980s, as production started declining, the Nigam started to get rid of this excess staff. However, the excess staff went to the Allahabad High court and court gave the decision in employees' favour.

The High court of Allahabad in its order dated 19-09-1991 and then Supreme Court of India in its order dated 01-08-1992 asked the Uttar Pradesh Van Vikas Nigam to regularize the excess staff in a phase manner.

The Honorable Supreme Court of India in its order stated that from the date of this order the excess staff be fixed at the lowest stage of the pay scale, which was admissible to the other employees in that cadre including D.A. and increments etc, and to consider their regularization in phased manner against regular post and whenever the posts are not available the opposite party, i.e. the Nigam would make a request to the state Government for sanction of post.

After separation of Uttarakhand Van Vikas Nigam from Uttar Pradesh Van Nigam, in 01-04-2001, the excess staff of 1737¹ were declared Supernumerary with the consent of Government of Uttarakhand vide govt. order No. 1468 / 1(1) / 2002-8(25)/2001 T. C. on 23-12-2002 and were regularized.

After regularization of 724 nos. of Supernumerary Scalars, the following irregularities were observed during the test check of records related to service book and fixation of pay:

1. Allowance of benefit of 2 years service for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme:-

Managing Director, Uttarakhand Van Vikas Nigam, vide his letter nos.842/ TS-PS/, dated 26-05-2011 and letter no.5483/ TS-PS/, dated 08-02-2012 to Govt. of Uttarakhand, wherein, he had sought for the clarification for adding up of two years of service of Daily

¹ Anusevak-948, Scalars-724, Assistant Gr-III--46 and Drivers-19

Labour (DL) of scalars for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme.

Additional Secretary, Govt. Of Uttarakhand vide letter no-391/X-3-12-08(07)/2011 dated 27-08-2012 in his reply stated that it can be added for the purpose of fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme.

Thus, the benefit of 2 years of service for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme was awarded to the scalars appointed prior to 2002 vides office 5609/TS-PS dated 14-02-2016.

Consequent upon this order, the other Group-IV employees also demanded the benefit of 2 years of service for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme and the same was awarded to other scalars, Anusevaks, Assistant Gr-III, and Drivers vide order no. 2317/Gr-IV Employees union dated 27-07-2017.

The order of the Managing Director as well as that of Additional Secretary was defective as no sanction of the Government was sought. Further, neither Service Rules nor Pay Rules of the Nigam allowed such relaxation. As per Pay Rules, 02 (Two) years of service of D.L can be counted for promotion of Scalar to Logging Assistant, but not for fixation of pay.

Further, it is pertinent to state here that Managing Director in his order no.5609/TS-PS dated 14-02-2016 has specifically mentioned that this order can be revoked by the order of the Government or by the order of the Court.

2. Up-gradation of Pay band of Scalars without upgrading the cadre/Post:-

Again, it was seen that that the Nigam upgraded the pay scale/pay band of Scalars from ₹ 1800/- to ₹ 1900/- with the Sanction of Government vide letter no 1159/X-3-10-8(7)/2002 dated 22nd December'2011.

The order of the government to upgrade the pay of the scalars is defective as a scalar is Group D employee in the organizational setup of the nigam and the pay band awarded belongs to PB-I, i.e. Group "C" cadre which is contradictory in itself.

It is not clear to audit how grade pay/pay band was upgraded without upgrading the cadre.

In the opinion of the audit, either the post of the scalar is to be upgraded to Group III or else the upgraded pay scale/pay band may be withdrawn.

3. Allowance of Grade Pay of ₹ 5400/- to Scalars and other Group-IV employees under Time- Scale and Pay-Scale (TS-PS) and MACP Scheme. :-

Further, scrutiny of the fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme revealed that all the scalars and other Group-IV employees have been fixed in the grade pay of ₹ 5400 in the pay band PB-2.

In depth study of the case revealed that due to merger of the post and pay scale of Assistant Logging Officers (ALO), Pay Band 5200-20200 with grade pay-₹ 2800) and Deputy Logging Officer (DLO), Pay Band 9300-34800 (grade pay-₹ 4200), the nizam fixed the pay of all the scalars in the pay band of ₹ 15600-39100 with Grade Pay of ₹ 5400 by awarding 2nd promotional scale under Time- Scale and Pay-Scale (TS-PS) Scheme and 3rd promotional scale under MACP.

Thus, the fixation of scalars in the pay band of ₹ 5400 is irregular. As per organizational setup a Scalar can reach to the level of Grade Pay of ₹ 4200/- under Time-Scale and Pay-Scale (TS-PS) Scheme and MACP. Only those Scalars, who completed 24/26 years of service during the period Feb'2001 to Feb'2005, were eligible for the grade pay of ₹ 5400, as there was no post of ALO during this period due to merger, otherwise no other employee was eligible for the grade pay of ₹ 5400.

However, it has been observed that all the scalars and other Group D employees are receiving a grade pay of ₹ 5400.

Even after 18 years of bifurcation from U.P, the Uttarakhand Van Vikas Nizam has not been able to make its own service rules and financial rules and still is dependent on Uttar Pradesh service rules.

In the light of this, it would be prudent that the nizam should have followed the rules that are prevalent in Uttar Pradesh.

Further reliance is placed on the letter no. 770/ XXVII(7)/40(LX)/2011 dated 06thNov'2013 where in Additional Chief Secretary, Government of Uttarakhand, had directed all the departments to follow the guidelines for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP as per "Annexure-1" of G.O No.- 395/XXVII(7)/2008 dated 17th October'2008 .

Vide letter No.161/XXVII(7)/40(LX)/2011 dated 28 Nov'2017 of the Chief Secretary, Government of Uttarakhand, directed all the departmental Heads to follow the orders passed from time to time for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP and review their own orders and initiate the recovery, if any, excess amount paid.

Vide Letter no-132/ XXVII(7)40/2018 dated 04-05-2018, Sh. Amit Singh Negi, the Secretary (Finance), Government of Uttarakhand, has categorically directed all the departments of the state that the employees, who were directly recruited in the initial pay band of ₹ 4800/- or below shall not be entitled for All India Service Pay Band for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP.

Thus, the extra burden due to these faulty orders/decisions should be calculated at the earliest with intimation to audit. Further, the loss which cannot be recovered back from the retired/deceased employees may also be calculated separately.

The matter was brought to the notice of higher authorities of UFDC.

Para-3: Irregularities in fixation of Pay of Assistant Logging Officer and Deputy Logging Officer.

In pursuance of Govt order No.4160/14-3-2001-466(661)/67 dated February 23rd of 2001, Forest Section-3. Government of Uttar Pradesh The Managing Director, Uttar Pradesh Van Nigam, Lucknow declared the merger of all the posts of Assistant logging Officer (ALO) (Pay Scale ₹ 4500-5000) and Deputy Logging Officer (DLO) (Pay Scale ₹ 5000-8000).

After the bifurcation of Uttarakhand Van Vikas Nigam from Uttar Pradesh Van Nigam, on 01-04-2001, and due to the merger of ALOs and DLOs, Uttarakhand Van Vikas Nigam was allotted 80 DLOs. Out of which 51 were in excess of Sectioned Strength of 29. The excess strength of 51 DLOs were declared Supernumerary with the consent of Government of Uttarakhand vide govt. order No. 1468 / 1(1) / 2002-8(25)/2001 T. C. on 23-12-2002 and regularized.

After regularization of ibid DLOs, the following irregularities were observed during the course of scrutiny of records related to service books and fixation of pay, which are detailed as under- -

Scrutiny of pay fixation records of DLOs revealed that the Managing Director, Uttarakhand Van Vikas Nigam vide his letter no.3107/7-2(4)/ T.S.-P.S. dated 16-09-2010 had sought the advice of Secretary, Forest and Environment, Government of Uttarakhand and Managing Director, Uttar Pradesh Van Nigam for fixation of pay of DLOs under Time-Scale and Pay-Scale (TS-PS) and MACP Scheme, who had completed 14 years of service in the same cadre.

Managing Director, Uttar Pradesh Van Nigam, vide his office order no. E-3999/7-1(4)/ Pay fixation dated 12-07-2010 informed that a LAOs, whose basic pay was ₹6125/- before merger would be fixed at ₹ 6200/- after merger in the pay scale of ₹ 5000-150-8000.

Vide order no.12609/12-7 dated 24th march'2001, Managing Director, Uttar Pradesh Van Nigam informed that the pay would be fixed according to para-4 of Audit Instructions of Rule-22 Financial Rules, Vol-II, Part-2.

Sh. Ahmad Ali, Deputy Secretary, vide letter no.402/X-3-11-8(97)/2001, clarified that the pay may be fixed as per G.O. No.1738/1- /2001-8(25)/2001 dated 01-04-2001 along with provisions of para-2 of Finance department order no-368/XXVII(3) /2005 dated 23th August 2005.

1. Deputy Secretary, in his order further clarifies that the DLOs who have completed 14 yrs of service before the date of merger, and have been allowed first promotional pay scale of (₹ 5000-8000) before the date of merger, would get the scale of 2nd promotional post or else the admissible pay scale in the post as per service rules on completion of 24 years of service.

2. Deputy Logging officer, who would complete 14 years after the date of merger would get 1st promotional pay scale (₹ 8000-13500), if the pay scale of this post exists in service rules or else the next admissible pay scale of the said post.

Then, Audit officer, Local Fund Office, gave his opinion that in pursuance of Para-2 of G.O-368/XXVII(3)/ /2005 dated 23-08-2005, a DLO would be entitled to pay scale of ₹ 8000-275-13500 on the date of merger and pay scale of ₹ 10000-325-15200 on completion of 24 years of service from the date of entry/appointment, but those appointed in the year 1985, Time-Scale & Pay-Scale scheme would be admissible till 30-08-2008 and on completion of 24 years of service in 2009 benefits of 2nd promotional pay scale would not be admissible to them.

However, test check of service books and fixation of pay records of ALOs and DLOs revealed that the Nigam had granted pay scale of ₹ 8000-275-13500/ Grade Pay-5400 to all the ALOs and DLOs on the date of merger in contrivance of above orders, which led to the payment of higher salary to ALOs and DLOs. Which was highly irregular and excess payment made to the ALOs and DLOs as salary and arrear should be recovered back.

Audit is of the opinion that the Nigam should have followed the directions of Managing Director, Uttar Pradesh Van Nigam in connection with fixation pay

Allowance of Grade Pay of ₹ 8700/- to ALOs & DLOs under Time- Scale and Pay-Scale (TS-PS) and MACP Scheme. :-

Further, scrutiny of the fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme revealed that all the Assistant and Deputy Logging Officers have been fixed in the grade pay of ₹ 8700 in the pay band (PB-4) ₹ 37400-67000.

Further study of the case revealed that due to merger of the post and pay scale of Assistant Logging Officers (ALO), (grade pay-₹ 4500) and Deputy Logging Officer (DLO), (grade pay-₹ 5000), the Nigam fixed the pay of all the ALOs and DLOs in the Grade Pay of ₹ 5400 on the day of merger of the ibid posts. Then after completing 14 years of service, 1st promotional Scale was granted in pay band(PB-3) of ₹ 15600-

39100.with Grade pay of ₹ 6600/-. On completion of 24/26 years of service, 2nd promotional scale in the pay band (PB-4) of ₹ 37400-67000 with Grade Pay of ₹ 8700 was granted under Time- Scale and Pay-Scale (TS-PS) Scheme/MACP.

Which was highly irregular as Vide Letter no-132/ XXVII(7)40/2018 dated 04-05-2018, Sh. Amit Singh Negi, the Secretary (Finance), Government of Uttarakhand, has categorically directed all the departments of the state that the employees, who were directly recruited in the initial pay band of ₹4800/- or below shall not be entitled for All India Service Pay Band for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP.

Audit is of the opinion that the Nigam should have followed the directions of Managing Director, Uttar Pradesh Van Nigam in connection with fixation pay under time-scale and pay scale scheme.

Further reliance is placed on the letter no. 770/ XXVII(7)/40(LX)/2011 dated 06thNov'2013 where in Additional Chief Secretary, Government of Uttarakhand, had directed all the departments to follow the guidelines for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP as per "Annexure-1" of G.O No.- 395/XXVII(7)/2008 dated 17th October'2008 .

Letter No.161/XXVII(7)/40(LX)/2011 dated 28 Nov'2017 of the Chief Secretary, Government of Uttarakhand, directs all the departmental Heads to follow the orders passed from time to time for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP and review their own orders and initiate the recovery, if any, excess amount paid.

Vide Letter no-132/ XXVII(7)40/2018 dated 04-05-2018, Sh. Amit Singh Negi, the Secretary (Finance), Government of Uttarakhand, has categorically directed all the departments of the state that the employees, who were directly recruited in the initial pay band of ₹4800/- or below shall not be entitled for All India Service Pay Band for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP and ACP.

Thus, the extra burden due to these faulty orders/decisions should be calculated at the earliest with intimation to audit. Further, the loss which cannot be recovered back from the retired/deceased employees may also be calculated separately.

The matter was brought to the notice of higher authorities of UFDC.

Part II B

Para 1: Injudicious expenditure on account of Employees Deposit Linked Scheme ₹ 1.18 crore.

The Central Board of Trustees had approved the proposal for allowing Insurance Companies in Private Sector coming under the regulatory control of IRDA to offer the Group Insurance scheme conferring similar or better benefits than the Employees Deposit Linked –Insurance Scheme, 1976.

Section 6C of the Employees Provident Fund and Miscellaneous Provision Act, 1952 provides that the Central Government may, by Notification in the official Gazette, frame a scheme to be called the Employees Deposit Linked –Insurance Scheme, 1976 (EDLIS) for the purpose of providing life insurance benefit to the employees of any establishment or class of establishment to which this Act applies.

During the scrutiny of records it was noticed that the above mentioned scheme (EDLIS), was taken from the LIC of India during the year 2015-16 to 2017-18. The Nigam paid ₹ 4,68,46,805.00 to the LIC of India as premium during the aforesaid year for providing life insurance benefits to their working employees. The detail of the premium amount paid, and insurance amount paid by the LIC to employees are detailed below.

Year	No of employees	Premium paid	No. of Claimed disbursed	Claimed amount disbursed
2015-16	3126	10678946	22	7964000
2016-17	3084	17707308	24	11088000
2017-18	2884	18460250	27	16014000
Total		46846504	73	35066000

It can be seen from above table that the premium amount paid to LIC of India during the aforesaid year was in excess of ₹ 1.18 crore from the claimed amount. It shows that Nigam had not assessed the requirement of the group insurance policy properly such as expected amount of employee's insurance claims in future and premium amount of the scheme. If it was assessed/done properly, the premium of ₹ 1.18 crore insurance policy could have been saved.

It was stated in reply that the calculation of the premium amount is not possible manually. This work has been done by the LIC through their software and premium amount has been paid on that basis. The reply of the management is not acceptable as Nigam was required to assess the requirement of the claim amount and premium amount and on the basis of the policy was required to be taken, which was not done.

The matter was brought to the notice of higher authorities of UFDC.

Para-2: 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 by ` 70.05 lakh.

The Finance Act 2012 vide its notification no 30/2012-ST dated 20.06.2012 w.e.f. 01.07.2012 provides that as per reverse charge law, 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% taxable value of the work in cases where loading unloading was included in the rates. In above cases the 100% 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 transportation of timber and other forest produce by 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 ₹ 52.28 crore to transporters after execution of the works. The awarded rates (including all taxes, duties and levies) were fixed by the Corporation for transportation of timbers. Therefore, the unit was required to deduct the required amount of service tax from their bills while making payment to the transporters, but Nigam failed to deduct ` 70,05,519/- (as detailed below) as service tax Details of non deduction of service tax from the transporter's bill during the years 2015-16 to 2017-18 (up to July 2017) is given in table below:

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	Pauri	23358764	-	1007975	1007975
2	Haridwar	5212929	-	756422	756422
3	Uttarkashi	6020316	-	268316	268316
4	Dehradun	422017115	-	1798125	1798125
5	Purola	17164431	-	776772	776772
6	Karnprayag	22597012	-	996906	996906
7	New Tehri	5211003	-	222713	222713
8	Chakrata	21192460	-	1178290	1178290

Total	522774030		7005519	7005519
--------------	------------------	--	----------------	----------------

It was also noticed that division has made the payment of the said amount of service tax to the service tax department from its own fund though the above amount was required to be deducted from the bills of the transporters. Thus resulted in extending undue favour to the transporter and loss to the corporation of ₹ 70.05 lakh.

In reply the Nigam stated that it has paid service tax from own fund on transportation of timber which was as per rules. The reply is not convincing as the norms/ rates decided by the Nigam were inclusive of all of taxes and duties and also awarded rates to transporters were inclusive of the same. Therefore, service tax was required to deducted from the contractor's bill instead of paying the same from Nigam's own fund.

The matter was brought to the notice of higher authorities of UFDC.

Para-3: Excess payment of LIC premium contribution on account of Employees Deposit Linked Scheme ₹ 21.01 lakh.

The Central Board of Trustees had approved the proposal for allowing Insurance Companies in Private Sector coming under the regulatory control of IRDA to offer the Group Insurance scheme conferring similar or better benefits than the Employees Deposit Linked –Insurance Scheme, 1976.

Section 6C of the Employees Provident Fund and Miscellaneous Provision Act, 1952 provides that the Central Government may, by Notification in the official Gazette, Frame a scheme to be called the Employees Deposit Linked –Insurance Scheme, 1976 (EDLIS) for the purpose of providing life insurance benefit to the employees of any establishment or class of establishment to which this Act applies.

During the scrutiny of records, it was noticed that the above scheme provide benefits i.e. payment of sum assured in the event of death of employees. As the benefits of scheme were similar, the Corporation should have opted the scheme which minimized its insurance cost. For this, the Corporation was required to obtain the offers from the different life insurance companies for the policies. However, the corporation did not obtain any proposal/offer from other insurance companies except LIC of India.

Audit compared offers of UP Forest corporation and UFDC and found that the premium cost of Group Insurance Policy of LIC of India in Uttarakhand was much higher than the SBI Life Insurance which was providing services to UP Forest Corporation from 2015-16. The Corporation opted for the LIC of India instead of any other Group Insurance Policy (EDLIS) without analysis of the rates of these insurance companies. The analysis of the rates of the different insurance companies regarding group insurance policy should have been made before engaging them. Due to non taking the rate from other insurance corporation, the corporation made excess payment of premium of ₹ 2101453.00 during the period 2015-16 as detail below:

Sl No	SBI Life Insurance in UP Forest Corporation				LIC of India		Loss after comparison with SBI	
	Year	No of Employees	Total premium	Cost per employee	No of Employees	Total premium	Cost per employee	Excess Payment
1	2015-16	2138	5866501	2743.92	3126	10678946	3416.17	2101453
							Total	2101453

In reply, the corporation stated that the comparison, of LIC and other companies is worthless and services of the LIC was quick, and responsive and higher safety reasons. The reply of the management is not acceptable as the basis of the above instalment was not made available to audit and the Nigam was required to compare and assess the premium amount of the other companies which was financially beneficial and on the basis of the same policy was required to be taken, which was not done.

The matter was brought to the notice of higher authorities of UFDC.

Para 4: Irregular payment of ₹ 28.52 crore on Forest Development Activities.

As per GO No 1684/14-4-91 dated 26.4.91 the works related to forest development shall also be executed by the Nigam under section 14 (B, C and D) of the Uttarkhan Forest Development Corporation Act and also provided that the forest corporation expend the funds on the works related to Forest Development from own fund and these the works shall be executed by the Nigam.

During checking of the records it was noticed that during the year 2015-16 to 2017-18 the corporation paid an amount of ₹ 28,52,95,499.00 to the different divisions of the forest department for mandatory Forest Development Activities as mentioned below:

Sl.No	Year	Amount paid to Forest Department for Forest Development activities (in ₹)
1	2015-16	161355748
2	2016-17	45887473
3	2017-18	78052278
	Total	285295499

Thus the Corporation did not comply with the Govt order which resulted in irregular payment of ₹ 28.52 crore to the forest department.

It was stated in reply that the fund was given to forest deptt for execution of forestry work in Uttarakhand as per their demand. The reply is not acceptable as the works related to forest development activities should have been done in accordance with above mentioned Government Order.

The matter was brought to the notice of higher authorities of UFDC.

Para-5: Excess arrear paid to Planning and Evaluation Officer to the tune of ₹ 2,42,542/-

Scrutiny of service book along with fixation of pay records of Sh. Trilok chand, Planning and Evaluation Officer, revealed the following irregularities, which are detailed below:

Sh. Trilok chand was appointed as a complier in the pay scale of ₹490-15-580-50-15-610-18-682-18-700-20-760 on 30-04-1990 in the Nigam. He was promoted to Statistical Assistant on 03-11-2007 on regular basis. He was promoted again as Statistical superintendent on 26-02-2016 in the pay scale of ₹ 9300-34800, Grade Pay –₹ 4200/-. The post of Statistical superintendent was revised as Statistical Officer vide G.O. no.698/X-3-16-08(25)/2001 dated 29-12-2016 carrying pay scale of ₹ 15600-39100 with Grade Pay of ₹ 5400/-.Next promotion was granted to him on 20-10-2016 as Planning and Evaluation Officer in the pay scale of ₹ 15600-39100 with Grade Pay of ₹ 6600/-.

It is not clear to audit how Sh. Trilok Chand was promoted twice in a year from the post of Statistical Assistant to Statistical superintendent / Statistical Officer on 26-02-2016 and subsequently as Planning and Evaluation Officer on 20-10-2016. No reason were available on records produced to audit in justification of the double promotions with in a gap of 07 (seven) months.

Futher, scrutiny of records revealed that Sh. Trilok Chand was fixed at ₹ 5400/- grade pay from 01-09-2008 on his promotion to Statistical superintendent / Statistical Officer 26-02-2016. However, the fixation of pay vide office order no2199 dtd 19-07-2017 revealed that the officer was granted grade pay of ₹ 5400/- since 01-09-2008.

It is not clear to audit, how the pay of the officer in the grade pay of ₹ 5400/- was fixed on 01-09-2008, whereas the date of promotion is 26-02-2016. The pay scales and revised Organizational setup came into force on 29-12-2016. Therefore, the pay and Grade pay should be granted only after 29-12-2016. Hence, the excess pay and allowances of ₹ 2,42,542/- paid to the officer from 01-09-2008 to 31-10-2016 be recovered with immediate effect with intimation to audit.

Further, study of fixation of pay as per 7th Pay Commission report revealed that on 31-12-2015, The basic pay was ₹ 18580 and grade pay was ₹ 5400/- , where the actual basic pay of the officer on the said date was ₹ 18,390/- and grade pay was ₹ 4600/-.

The pay of the officer in accordance with 7th Pay Commission may be recalculated and the excess amount paid to the officer be recovered.

The matter was brought to the notice of higher authorities of UFDC.

Para-6: Loss to the Corporation due to non charging of service tax ₹ 5.95 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 corporation were engaged in the selling of timber woods through auctions and as per terms and condition of the auction the auctioned lot was required to lift 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 by the business entities for operating business activities shall be comes under the provisions of the above Act. The divisions were continuously collecting the amount of plot rent, so desired/fixed by the divisions, 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, as applicable, during collection of plot rent after applicability of the above mentioned Finance Act. The amount of ₹ 595496.00 as applicable service tax was required to be charged by the divisions from the firms during collection of plot rent during the years 2015-16 to 2016-17 are detailed as under:

Sl. No.	Year	Amount of plot rent charged (in ₹)	Service tax was required to be charged (in ₹)
1	2015-16	1356753	203513
2	2016-17	2613223	391983
	Total	3969976	595496

As the renting of property is a material covered under service tax under Finance Act, therefore, the due amount of service tax was required to collect from the firms and shall be deposited in the Service Tax Department. The non collection of the service tax from the concerned firms may also attract the liability of service tax towards the department's

end and shall be borne by the department in future from own fund, which may lead to loss to the Forest Corporation to the extent of ₹ 5.95 lakh. The non deposit of the service may also attract the liability of penalty.

It was stated that the rent was received from the buyer due to non lifting of timber within specified time, due to which recovery of service tax does not prevailed. The reply of the management is not acceptable as the renting of property comes under applicability of service tax and was required to collect from the buyers.

The matter was brought to the notice of higher authorities of UFDC.

Para-7: 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.

Audit 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 ₹ 8.55 lakh as mentioned in below table.

Particular	Under the head other overheads in the Balance sheet (in ₹)	Under the head selling and Distribution in the Balance sheet (in ₹)	Total of advertisement expenditure (in ₹)
2015-16 (Corporation)	1302575	1854301	3156876
2016-17 (Corporation)	1356224	1135251	2491475
2017-18 (Corporation)	52118	-	52118
	Total	-	5700469
Excess payment of advertisement expenditure due to non deduction of agency discount at the rate of 15 percent			8.55 lakh

It was stated in reply that the necessary instructions have been issued to all the field offices for availment of the same expenditure on advertisement was including the advertisement in magazines. The DAVP rates were not applicable on the advertisement in different magazines. Reply is not convincing as agency discount was required to be availed on advertisement.

The matter was brought to the notice of higher authorities of UFDC.

Para-8: Loss of interest due to non-availing of flexi facility: ₹ 3.47 lakh.

All Nationalised Banks provides flexi facility on current account on which interest is provided up to 7 *per cent* on the balances on day to day basis leaving ₹ 50,000/- without any transaction limit. The unit should avail this facility in case of availability of fund for a short time as a prudential fund management tactics. The corporation takes different types of loan from Central/State Government and other bodies to meet out the day to day expenditures on the Capital and other works of the corporation and pays the interest on the same.

During the scrutiny of records related to bank accounts of the Corporation, it was noticed that Hqrs office had operating two current bank accounts; one in Punjab National Bank at Dehradun and another one in Union Bank of India, Dehradun, for revenue expenditure, other expenditure and payment to the third party etc. There was a substantial balance lying idle in this bank account, but no interest was credited by the Bank on the balances being in current account. On the other hand corporation regularly takes short term and long term loans and pays interest on the same. The unit did not avail the above facility which cannot be viewed as financially prudent act and the availment of this facility may help in to improve the financial health of the company.

Due to non availing flexi facility the unit lost the opportunity to earn interest to the tune of ₹ 346982.00 (₹ 299641 in UBI and ₹ 47341 in PNB) as per enclosed annexure on current bank account during the period from April 2015 to March 2018.

It was stated in reply that flexi facility has not been taken due to emergent requirement of fund at Hqrs. Management has accepted audit observation and noted for future compliance.

The matter was brought to the notice of higher authorities of UFDC.

Para-9: Irregular purchase of material.

In compliance of the Govt. order of GoUK no 2324 dated 03 August 2010, the Directorate of Industries, Govt of Uttarakhand had issued instructions to all of Department/Corporation vide letter no. 847/U.Ni.(Paanch)-Cr.Vari. Neeti/2015-16 dated 27.05.2015 that the file covers should be purchased from the Sanchar Waste Bio Utilization Centre Vill- Kalet, District-Almora to promote the manufacturing of the file covers from the pine leafs.

During test check of the records of the corporation has purchased the file cover and cadec amounting to ₹ 151340.00 from local firms instead of to purchase from the above mentioned firms. The corporation did not comply with the orders of the Uttarakhand Department. Thus, the purchase of the file cover from the local firms is irregular.

Management did not furnish any reply in this regard. However, the matter was brought to the notice of higher authorities of UFDC.

Para-10: Irregularities in payment of FTA (Forest Travelling Allowance) to field officer/Official.

During the course of test check of pay rolls of DFDM Haridwar, DFDM New Tehri, DFDM Chakrta, DFDM Dehradun, it was observed that field officers/officials were being paid FTA (Forest Travelling Allowance)/Conveyance allowance at the rate of ₹ 1200/- per month.

Reference is invited to Chief Secretary letter no 161/XXVII(7)/40(IX)/ 2011, dated 28th November'2017. According to which, Revised Conveyance Allowance, which were revised as per government order no 700/XXVII(7) 27(20)2013 dated16-09-2013 and 745/XXVII(7) 27(20)2013 dated10-10-2013, was being paid to the employees, who are not mentioned in the Rule-38(1) read along with para-12 and Rule-82 read along with para -8 of the Financial Hand Book, Vol-III. This is a financial irregularity. The Chief Secretary, Government of Uttarakhand directed all the departmental Heads to follow the orders passed from time to time for fixation of pay under Time- Scale and Pay-Scale (TS-PS) Scheme, MACP/ ACP /Allowances and review their own orders and initiate the recovery, if any, excess amount paid.

Scrutiny of records revealed that Uttarakhand Van Vikas Nigam does not fall in the category of departments mentioned in Rule-38(1) read along with para-12 and Rule-82 read along with para-8 of the Financial Hand Book, Vol-III. Hence, the amount of FTA (Forest Travelling Allowance) /Conveyance allowance paid to the employees of the nigam is unjustified and may be recovered from 01-04-2001 and the results of excess payment may be intimated to audit. In spite of government order, the nigam didn't take any action till the date of audit.

Reply of the management is still awaited. However,the matter was brought to the notice of higher authorities of UFDC.

Para-11: 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 2016-17 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
2016-17	497	319	95	20	63	158
2017-18	1713	849	297	9	548	845
Total	2210	1168	392	29	611	1003

It may be seen from table that the Corporation failed to start the lots within the logging years during 2016-17 to 2017-18. Consequently, 29 lots were returned to Department.

It was stated in reply that the necessary directions in this regard have been issued.

However, the matter was brought to the notice of higher authorities of UFDC.

Para-12: Weak internal control mechanism in the corporation.

Internal Control is a process designed to provide reasonable assurance for efficiency of operations, reliability of financial reporting and compliance of applicable rules and regulations for achieving the objectives in an efficient and effective manner. Monitoring is the regular observation and recording of activities taking place in an organisation for effective management of its activities.

We observed that the internal control system was not effective as it failed to:

1. Establish effective quality control mechanism in the corporation.
2. Ensure the requirement and authenticity of the expenditure vouchers.
3. Ensure maintenance of the prescribed records of production viz. lot ledgers which contains the detailed information in respect of each lot;
4. Ensure adherence to the stipulated time in handover of the sites to the Department after completion of felling;

The Corporation also failed to monitor the performance of production effectively as the actual production of the round timber were not compared with the estimated production of the respective lots and actual progressive production up to the respective months were compared with the targeted production of the whole year. The internal audit wing which plays important role in the internal control mechanism is also not effective in the corporation.

The management has accepted the audit observation and issuing directions for suitable corrective measures.

Para-13: Details of auction of material, payment for outsourced work and expenditure made by UFDC on refreshment.

The audit had noticed the complaints received and information appeared in news paper in respect of UFDC Dehradun. In this context, audit had called for the details/ files/ information in respect of the following:

1. Disposal of unusable material of ₹ 50.00 lakh (approx), which was auctioned at ₹ 15,000/. Besides, details of all other material which were auctioned during the last three years.
2. Details of the recruitment work outsourced/awarded to private company specifically regarding the payment of ₹ 54.00 lakh which was made without ensuring the execution of work.
3. Press clippings appeared in different news papers regarding irregular and huge expenditure made by UFDC on tea and refreshment during the period from 2009-10 to 2017-18. It was also reported that an expenditure of ₹ 2.32 lakh has been incurred on meetings on account of tea and refreshment, while the meetings were not held. In order to verify the same, details regarding the meeting held during the mentioned period as well as the expenses incurred on the same.

In respect of the above, Management stated (May 2018) that the instructions have been issued to the concerned section/divisions for furnishing of the records/replies. However, no records were produced to audit despite several verbal requests during the course of audit and hence, in the absence of the records/information/details, the audit was not able to draw any conclusion regarding the same.

The matter was brought to the notice of higher authorities of UFDC.

Para-14: Disciplinary action against the defaulting Officers/ employees, who misappropriated of ₹ 81.91 Crores.

During the course of test check of records it was observed that disciplinary action was being initiated against the 36 defaulting Officers/employees, (List Enclosed) who were engaged in misappropriation of ₹ 81,90,97,443/- although the disciplinary proceedings were going, but with no end result till the audit.

Out of the above 36 Officers/employees, who misappropriated ₹ 81,90,97,443/- the two employees, who misappropriated around ₹ 3,26,951/- are already dead and the 07 other Officers/employees, who misappropriated around ₹ 63,63,007/- have already retired.

Nigam 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.

The department accepted the audit observation and stated that the matter would be examined and appropriate reply would be submitted in near future.

Annexure to Para no.

Loss of interest due to non availing flexi facility (UBI)				
Month	Minimum amount in the account	Minimum balance required for flexi	Amount available for flexi	Loss of interest @7%
Apr-15	1389077	50000	1339077	7811
May-15	2216184	50000	2166184	12636
Jun-15	1942679	50000	1892679	11041
Jul-15	293832	50000	243832	1422
Aug-15	1090053	50000	1040053	6067
Sep-15	682145	50000	632145	3688
Oct-15	317344	50000	267344	1560
Nov-15	728986	50000	678986	3961
Dec-15	2991238	50000	2941238	17157
Jan-16	1073136	50000	1023136	5968
Feb-16	1400544	50000	1350544	7878
Mar-16	910476	50000	860476	5019
Apr-16	8266857	50000	8216857	47932
May-16	2353370	50000	2303370	13436
Jun-16	1667525	50000	1617525	9436
Jul-16	2313080	50000	2263080	13201
Aug-16	475414	50000	425414	2482
Sep-16	373017	50000	323017	1884
Oct-16	896544	50000	846544	4938
Nov-16	630413	50000	580413	3386
Dec-16	1665842	50000	1615842	9426
Jan-17	1622752	50000	1572752	9174
Feb-17	1514433	50000	1464433	8543
Mar-17	2657253	50000	2607253	15209
Apr-17	432357	50000	382357	2230
May-17	801004	50000	751004	4381

Jun-17	1005603	50000	955603	5574
Jul-17	439219	50000	389219	2270
Aug-17	576911	50000	526911	3074
Sep-17	1798832	50000	1748832	10202
Oct-17	1303674	50000	1253674	7313
Nov-17	3299945	50000	3249945	18958
Dec-17	2630428	50000	2580428	15052
Jan-18	811603	50000	761603	4443
Feb-18	315332	50000	265332	1548
Mar-18	279952	50000	229952	1341
			Total	299641

Annexure to para No.

Loss of interest due to non availing flexi facility(PNB)				
Month	Minimum amount in the account	Minimum balance required for flexi	Amount available for flexi	Loss of interest @7%
Aug-16	140354	50000	90354	527
Sep-16	682145	50000	632145	3688
Jan-17	193825	50000	143825	839
Feb-17	538189	50000	488189	2848
Mar-17	138586	50000	88586	517
Apr-17	122086	50000	72086	421
May-17	610174	50000	560174	3268
Jun-17	302976	50000	252976	1476
Jul-17	84076	50000	34076	199
Aug-17	1368122	50000	1318122	7689
Sep-17	657517	50000	607517	3544
Oct-17	1139418	50000	1089418	6355
Nov-17	397904	50000	347904	2029
Dec-17	220400	50000	170400	994
Jan-18	929906	50000	879906	5133
Feb-18	1389940	50000	1339940	7816
Mar-18	2729178	50000	2679178	15629
			Total	47341

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 03/2015	1, 2(a)(b),3,4,5 &6	1 to 5	10

pliance report of unsettled paras of previous inspection report-

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo No. 79 was issued to the Company. In turn division stated that replies of these outstanding paras of old Inspection had already been sent to AG Audit Dehradun.

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards MD office UFDC Dehradun 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:**

Sr. no.	Name	Post
(i)	Shri S.T.S. Leptcha	Managing Director.
(ii)	Sh. G.C. Joshi ,	FC
(iii)	Sh. D.C. Uniyal	Accountant Officer
(iv)	Sh. A. K. Gupta	Account Officer

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.

Camp-

Sr. AO/ES-1