

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

<b>PART- A</b> <b>Summary of audit results</b>		
1	Name of the organization audited	Regional Manager , UFDC, Haldwani
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	21.05.18 to 05.06.18
4	Dates of commencement and completion of audit (Extension of time, if any, granted may be separately indicated)	21.05.2018
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	02
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)	12.06.2018

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 11.06.2018
14	General remarks, if any	

<b>PART- B</b>					
<b>Details of Audit Process followed</b>					
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 <b>Annexure B</b> enclosed.	
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
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	
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 <b>Annexure C</b> .	
Whether all work assigned as per allocation of duties were completed? If no, provide whether the reasons and justification are provided.				Certificate as per <b>Annexure D</b> enclosed.	
Briefly indicate the potential focus areas for next audit.					
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 <b>Annexure E</b> enclosed for each member.	
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	
Whether the key documents have been referenced in the Para and the source of evidence has been provided as footnotes?				Yes	
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	11	11	Non furnishing of replies
Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has been provided?			Certificate as per <b>Annexure F</b> enclosed.
Whether a certificate that the audit party has complied with the Audit Quality Framework and Code Of Ethics has been provided?			Certificate as per <b>Annexure F</b> enclosed.
ed:			Audit Officer/Audit Officer

Audit Inspection Report on accounts of the office of the Regional Manager, Uttarakhand Forest Development Corporation, Haldwani 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 Shri Ashutosh Shukla, Audit Officer during the period from 21.05.2018 to 05.06.2018.

The inspection report has been prepared on the basis of information provided by Regional Manager Office, UFDC Haldwani. 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 and Shri Khub Chand, AAO and Shri Roshan Lal Sharma, 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:**

Uttarakhand Forest Development Corporation Ltd. is 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 Kumaon region of Uttarakhand.

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

RM office, UFDC, Haldwani 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 May 2016 and December 2017 month was selected for detailed examination.

(iii)

Year	Revenue	Expenditure	Profit
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(To the extent this information is available & applicable)

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

The O/o the Regional Manager (Kumaun Region) Haldwani, is officiated by the Regional Manager.

## Part – II A

### **Para 1: Loss of interest of ₹ 38.57 lakh due to injudicious payment to the contractors and forest department.**

The Nigam decided (2010) to construct the office/residential building on 0.92 hectare land of forest department in Haldwani, Nainital. The said land was to be transferred to the Nigam for 30 years by the forest department after execution of lease deed between both parties.

During checking of the records following shortcomings were noticed:

1. For execution of lease, the DSM, Haldwani of the Nigam had made payments of ₹ 1.26 crore to the Forest Department against different requirement of the Department (₹ 10,10,942 paid on 02.03.2010 against NPV & CAMPA + ₹ 10548904 paid on 14.12.2015 against premium of land + ₹ 1,05,4890 paid on 14.12.2015 against annual lease rent). But the lease deed could not be executed till date even after lapse of several years, which resulted in blockade of fund along with loss of interest to the tune of ₹ 25.97 lakh (₹ 566127 on ₹ 10.11 lakh for 8 years and ₹ 2030663 on ₹ 1.16 crore for 2.5 years) till date calculated at 7 *per cent* rate of interest.
2. The division has made advance payment of ₹ 60.00 lakh on 09.07.2015 to M/s UP Rajkiya Nirman Nigam Ltd for construction of the above mentioned work. No work has been done by the UPRNN till date and above amount is still lying with the contractor. This has also resulted in blockade of fund along with loss of interest to the tune of ₹ 12.60 lakh during last three years (approx.). The above needs justification.

It is clear from above facts that division had not taken judicious decision of releasing advance payments to the UPRNN without having possession of land/execution of lease deed. This resulted in blockade of fund of ₹ 2.11 crore along with loss of interest of ₹ 38.57 lakh.

It was stated in reply that efforts are being made to transfer of land from forest department to the Nigam and payment was made to forest department as per rules. Amount paid to BSNL has been returned to the Hqrs and the work was awarded to UPRNN as per orders of Hqrs and payment was made for different initial works. The reply is not acceptable as the advance to UPRNN was given without entering any MoU and work has not been started till date.

The matter is brought to the notice of higher authority of UFDC.

**Para 2: Undue favour extended to the transporter by non deduction of service tax from the bills and payment thereof from own funds.**

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 *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 scrutiny of records it was noticed that DLM Offices (loggings) of the Corporation awarded the works related to 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 ₹ 25.58 crore to transporters for the same 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 amount of service tax from their bills during the payment to the transporters. But while making payment to the contractor, the unit failed to deduct the amount of ₹ 1.12 crore (as detailed below) as service tax which was to be deducted in compliance of above said notification. 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 the table shown below.

Sl . No.	Name of the Division	Amount paid to transporters	Service tax deducted	Service tax was to be deducted	Service tax deposited by UFDC from own fund
1	Pithoragarh	11459568	-	494466	494466
2	Tanakpur	72921565	-	3213750	3213750
3	Nainital	11520119	-	499778	499778
4	East Haldwani	89528063	-	3923199	3923199
5	Almora	22814976	-	986084	986084
6	Bageshwar	47599614	-	2083674	2083674
<b>Total</b>		<b>255843905</b>		<b>11200951</b>	<b>11200951</b>

It was also noticed that division had made the payment of above amount to the service tax department from own fund during aforesaid period though the above amount was required to deduct from the bills of the transporters. Thus, the deposition of Service Tax from corporation's own fund was irregular and resulted in undue favour to the transporter and loss to the corporation to the tune of ₹ 1.12 crore.

Management in its reply stated that service tax is indirect tax and practically was not possible to include in the norms rate and payment of service tax was made as per rules. The reply of the management is not convincing as the norms rates decided by the Nigam were including all taxes and duties. So the deduction of service tax was to be made from their bills.

The matter is brought to the notice of higher authority of UFDC.

**Para 3: Non charging of penalty from the contractor for non execution of work ₹ 66.50 lakh**

An agreement was executed on 18 November 2015 by the Nigam with M/s Om Guru Traders, Gaulajali Bichali Bareilly Road, Haldwani for supply, establishment and operation of RFID (Radio Frequency Identification Device) to control the work of minor minerals collection in mining area of the Sharda River, Tanakpur during the years 2015-16 to 2017-18. As per clause 5 of the agreement the contractor was to start the above work within 15 days of signing of agreement and in case of any delay, the Nigam shall charge the penalty at the rate of ₹ 10,000 per day for delay execution of work.

During checking of the records, it was noticed that contractor did not execute the above mentioned work in the mining areas of Sharda River, Tanakpur even after a lapse of three years. As per terms and condition of the agreement, the Nigam was required to charge and recover the penalty amounting to ₹ 66.50 lakh from the contractor for non execution of the as detailed below.

<b>Year</b>	<b>Mining Period for delay</b>	<b>Delay in days</b>	<b>Rate of penalty per day (₹)</b>	<b>Amount of penalty (₹)</b>
2015-16	03.12.15 to 31.05.16	179	10000	1790000
2016-17	01.10.16 to 31.05.17	243	10000	2430000
2017-18	01.10.17 to 31.05.18	243	10000	2430000
<b>Total</b>				<b>6650000</b>

It is also worthwhile to mention here that the contractor was continuously executing the above work in the Gola River, Haldwani, Lal Kuan and Nandhore/Kailash River areas of the Nigam since 2015-16 but did not execute the work which pertained to Sharda river even after execution of the agreement.

The Nigam was required to deduct the penalty amount from the bills of the contractors pertaining to the works related to Gola and Nandhore rivers but the Nigam did not do so. Thus the contractor was unduly benefitted by the Nigam to the extent of ₹ 66.50 lakh on account of non execution of work.

It was stated in reply that khaman samiti of sharda rivers has not made compulsion to installed the RFID chips in sharda rivers and no cooperation was provided by the transporters for installation of the same. The reply of the management is not convincing as work has been awarded by the Nigam for installation of the RFID chips and the same was to done as per terms and condition of the agreements. However, the same was not done.

The matter is brought to the notice of higher authority of UFDC.

**Para 4: (A) Short achievement of targets of mining of minor minerals from reserved forest area.**

The Forest Department, Govt of Uttarakhand has given permission to the Nigam for collection of minor minerals (Reta, Bajri, Boulders etc) from the Gaula River pertaining to areas falling under reserve forests. The targeted quantity of extraction fixed by the Forest Department was 54.25 lakh cubic meter during the year 2015-16 to 2016-17.

During the scrutiny of records it was noticed that Nigam had excavated short quantity of minor mineral by 20.66 lakh cubic meter during the year 2015-16 to 2016-17 as compared to the targeted quantity, due to which the Nigam could not earn revenue of ₹ 343.63 lakh. Details of short excavation of minor minerals (in lakh cubic meter) as given in the table below:

Sl. No.	Year of lease	Quantity Excavated	Quantity to be excavated	Short quantity excavated	Rate of profit per Cum	Loss of revenue (₹ in lakh)
1	2015-16	45.42	54.25	8.83	13.73	121.34
2	2016-17	42.42	54.25	11.83	18.79	222.29
<b>Total</b>		<b>87.84</b>	<b>108.5</b>	<b>20.66</b>		<b>343.63</b>

The division was required to make efforts to maximize the mining of minor minerals which was not done. Thus, due to short mining of the minor minerals as compared to mining target, the Nigam was deprived of revenue of ₹ 3.44 crore during 2015-17.

Management stated in its reply that less mining was due to calculation of cubic meter from quintals and it also depends on rainy season. The reply is not convincing as the efforts to maximize the mining was to be done.

**(B): Short achievement of targets of mining of minor minerals from reserved forest area.**

The ICAR has given permission to the Nigam for collection of minor minerals (Reta, Bajri, Boulders etc) from the Sharda River pertaining to areas falling under reserve forests. The targeted quantity of extraction fixed by the Forest Department was 6.81 lakh cubic meter during the year 2016-17 and onwards.

During the scrutiny of the records it was noticed that Nigam had excavated short minor mineral by 3.67 lakh cubic meter during the year 2016-17 as compared to the targeted quantity, due to which the Nigam could not earn ₹ 56.52 lakh. Details of short excavation of minor minerals (in lakh cubic meter) as given in the table below:

Sl. No.	Year of lease	Quantity Excavated	Quantity to be excavated	Short quantity excavated	Rate of profit per Cum	Loss of revenue (₹ in lakh)
1	2016-17	3.14	6.81	3.67	15.40	56.52
<b>Total</b>		<b>3.14</b>	<b>6.81</b>	<b>3.67</b>		<b>56.52</b>

The division was required to make effective efforts to maximize the mining of minor minerals. Thus, due to short mining of the minor minerals as compared to mining target, the Nigam was deprived to earn the revenue of ₹ 56.52 lakh during aforesaid period.

Management stated in its reply that less mining was due to short demand of minor minerals and small stone crushers in the area. The work was also effected due to stay of High court Uttarakhand. The reply is not convincing as the efforts to maximize the mining was to be done.

The matter is brought to the notice of higher authority of UFDC.

**Para 5: Loss of revenue ₹ 5.04 crore due to short mining of minor minerals from reserved forest area.**

The Ministry of Environment and Forests, Govt of India gave environmental clearances in September 2017 to the Nigam for collection of minor minerals (Reta, Bajri, Boulders etc) from the rivers Nandhaur and Kailash Rivers pertaining to 468.00 hectare areas falling under reserve forests. As per Government of Uttarakhand notification dated 26<sup>th</sup> February 2016, the dead rent/compulsory rent/royalty @ ₹ 80000.00 per acre per year was to be paid to the State Government on excavation/mining of the minor mineral like sand, morrum, bajri, boulders or any other produce from the rivers.

During the scrutiny of the records it was noticed that DLM, Nandhaur, Haldwani excavated minor mineral less than planned during the year 2017-18. Due to less excavation, the dead rent amounting to ₹ 5.04 crore was paid to the State Government from the Nigam's own fund as against royalty earned of ₹ 4.18 crore. Royalty paid to State Government was ₹ 9.22 crore.

The division had required to make efforts to maximize the mining of minor minerals to avoid the loss. Thus, due to short mining of the minor minerals as compared to compulsory rent for mining the division has to suffered the loss of ₹ 5.04 crore during aforesaid period.

It was stated in reply that mining work was started late due to non completion of necessary processes i.e. registration/renewal of vehicles and contact to mineral buyers and late receiving of sanction/orders. The reply was not acceptable as the sanctions have been given by the Govt way back in September 2017.

The matter is brought to the notice of higher authority of UFDC.

**Para 6: Short earning of revenue due to auction of khair timber below floor price.**

As per procedure adopted by the Nigam regarding auction of the timber, the Nigam auction the timber by resorting to open tendering and in case of auction rates are below the base/floor price, the required approval/sanction was to be taken from the appropriate authority as per their powers delegated by the Nigam.

During checking of the records regarding auction of timber, it was noticed that two sales division (DSM, Tanakpur and DSM, Haldwani) had auctioned 19454.3934 cubic meter khair timber at ₹ 13.44 crore having base floor price ₹ 22.48 crore (as detailed in enclosed annexure) during the year 2015-16 to 2017-18. The auctioned prices were up to 76.77 *per cent* below the base/floor price during the aforesaid period. The auction of the khair below base price could have been avoided and Nigam should have cancelled the auction and started fresh auction because the khair timber is costly item and generally /regularly in most of the cases it was sold above the base price. Thus, due to auction of khair below base price, the Nigam was deprived of revenue of ₹ 9.04 crore.

Management stated in its reply that auction below the base price was due to enhancement of base price in February 2017 and auction rates depends on the supply and demands and also on the market rates of Khair. Further, the auctions was to be done in presence of the higher officials. Reply of the management is not convincing as the auction rates in several lots were above the base price even after hike in base price. Therefore the auction was required to be canceled in case of receipt of price below base price and therefore and fresh auction should have been done.

The matter is brought to the notice of higher authority of UFDC.

**Para 7: Disciplinary action against Sh. Harish Chand Arya, Logging Assistant, who misappropriated of ₹ 35.84 lakhs.**

During the course of audit it was observed that disciplinary action was in progress against Sh. Harish Chand Arya, Logging Assistant, who misappropriated ₹ 35.84 lakh, for last ten years, but with no end result till the date of audit. Further, it was observed that Sh. Hrish Ch. Arya, Logging Assistant, against whom the disciplinary proceedings is going on suspension for more than six years, yet has received all the benefits of Time scale and Pay Scale Scheme, contrary to the rules of the scheme.

The department in its reply stated that the irregularity has been conveyed to Managing Director, UFDC, Dehradun for his further orders. Necessary action would be taken as per the orders of Managing Director.

The reply of the department is not acceptable to audit. Recovery of ₹ 35.84 lakh is still pending till date even after an elapse of six years.

The matter is brought to the notice of higher authority of UFDC.

## **Part – II B**

### **Para 1: Non deduction of Labour cess from the contractor's bills by ₹ 12.55 lakh.**

(A) The Building & Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 have come on the Statute Book w.e.f. 20.8.96. The Act provides for the levy and collection of a cess on the cost of construction incurred by employers with a view to augmenting the resources of the Building & Other Construction Workers' Welfare Boards constituted under the Building & Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

Under the Act, 1 *per cent* cess was to be collected from every employer. The proceeds of the cess so collected was to be paid by the local authority or the State Government collecting the cess to the Board after deducting the cost of collection of such cess not exceeding 1% of the amount collected. Further, responsibility for enforcement of the Act primarily rested with the State Governments/UTs. For the purpose of enforcing the above act the government deputed all Districts Magistrate Cess Assessee Officer and Cess Collector also. The act also required to register construction agency with labour office within 60 days of work start. In case of building construction works undertaken by Public Sector Undertaking, it is their responsibility to deduct cess at source and deposit it with concerned authority. Even in the cases where PSUs failed to deduct the cess at source, they would be liable to pay it.

The works of construction of Residential and non residential buildings at Maa Purnagiri Van Vikas Nigam Parisar Tanakpur was awarded to M/s Uttarakhand Payjal Sansadhan Vikas Evam Nirman Nigam Ltd at the estimated cost of ₹ 554.72 lakh.

During scrutiny of records we noticed that the Nigam has made payment of ₹ 554.72 crore to the above mentioned contractor for execution of the above mentioned work during the period 2015-16 to date inclusive of all taxes. During payment to the contractors, the division was required to deduct the applicable amount labour cess and was required to pay to the concerned Department in compliance of above said Act and notification. The unit made payment to these contractors without deduction of labour cess amounting to ₹ 5.55 lakh/-.

Thus the unit has made above mentioned payment to the contractors and failed to deduct the required amount of labour cess amounting to ₹ 5.55 lakh from their bills.

Management stated in its reply that a letter has been sent to the contractor for deposit of cess. Matter shall be watched in next audit.

(B) The works of construction of Boundary walls in the timber storage depot no. 1, 4 and 5 at Lalkuan was awarded to M/s UP Rajkiya Nirman Nigam Ltd, Gomtinagar Lucknow..

During scrutiny of records we noticed that the DSM, Haldwani has made payment of ₹ 7.00 crore to the above mentioned contractor for execution of the above mentioned work during the period 2015-16 to date inclusive of all taxes. During payment to the contractors, the division was required to deduct the applicable amount labour cess and was required to paid to the concerned Department in compliance of above said Act and notification. The unit made payment to these contractors without deduction of labour cess amounting to ₹ 7.00 lakh/-.

Thus the unit has made above mentioned payment to the contractors and failed to deduct the required amount of labour cess amounting to ₹ 7.00 lakh from their bills.

Management stated that deduction shall be made from the final bill of the contractor. Matter shall be watched in next audit.

The matter is brought to the notice of higher authority of UFDC.

**Para 2: Undue favour to contractor ₹ 5.61 lakh.**

The clause 16 of the agreement with M/s Sangam Dharamkanta Owners Welfare Society, Ramnagar, executed on 01.01.2018 for operation and maintenance work of weigh bridges installed in Nandhore/Kailash River for weighing of excavated minor minerals provides that all equipment at weigh bridges i.e. Load cell, Indicator, Computer, Printer etc shall be installed by the contractor.

During checking of the records of the division it was noticed that division has provided the above mentioned equipment amounting to ₹ 560588.00 to the contractor for operation of weigh bridges at the gates of Nandhore rivers from own fund. Besides, these equipment was required to be installed by contractor before operation of the weigh bridges. Thus the provisions of the agreement were not complied with by the division and the Nigam was extended undue benefit by ₹ 5.61 lakh to the contractor.

Management stated in its reply that payment was made by the Nigam due to software update and change of printing system as the same are the property of Nigam. The reply is not convincing as the installation of computer system was to done by the executing agency as per terms and condition of the agreement, which was not done.

The matter is brought to the notice of higher authority of UFDC.

**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.

Audit noticed 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 ₹ 3.99 lakh as mentioned in below table.

<b>Particular</b>	<b>Under the head other overheads in the Balance sheet</b>	<b>Under the head selling and Distribution in the Balance sheet</b>	<b>Total of advertisement expenditure</b>
2015-16	601933	743002	1344935
2016-17	771278	394014	1165292
2017-18	150124 (as per ledger)	-	150124
	<b>Total</b>		2660351
<b>Excess payment of advertisement expenditure due to non deduction of agency discount at the rate of 15 percent</b>			<b>3.99 lakh</b>

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

Management stated in its reply that instructions to all divisions have been issued to avail the DAVP discount.

The matter is brought to the notice of higher authority of UFDC.

**Para 4: Loss to the Corporation due to non charging of service tax ₹ 2.62 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 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 ₹ 262469.00 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:

<b>Sl. No.</b>	<b>Year</b>	<b>Amount of plot rent charged</b>	<b>Service tax was required to be charged @ 15%</b>
1	2015-16	1115764	167365
2	2016-17	634026	95104
<b>Total</b>		<b>1749790</b>	<b>262469</b>

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 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 ₹ 2.62 lakh. The non deposit of the service may also attract the liability of penalty.

Management stated in reply that plot rent is not rent it is a penalty which charged from the buyers for delay lifting of sold timber. The reply of the unit is not acceptable as the Nigam was charging its from the buyers as rent.

The matter is brought to the notice of higher authority of UFDC.

**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. 2016-17 to 2017-18 are shown as detailed below.

<b>Year</b>	<b>No. of Lots allotted by the forest department</b>	<b>No. of Lot completed</b>	<b>No. of Lot under progress</b>	<b>No. of lot returned to Forest Department</b>	<b>Un-worked Lot</b>	<b>Remaining lots</b>
2016-17	159	70	46	5	38	159
2017-18	458	134	84	6	234	234
<b>Total</b>	<b>617</b>	<b>204</b>	<b>130</b>	<b>11</b>	<b>272</b>	<b>393</b>

It may be seen from the above table that the Corporation failed to start the logging work within the logging years. Consequently, 281 lots remained un-worked at the end of year 2017-18 and 11 lots were returned to Department for allotment in subsequent years. Management stated in its reply that felling work is under progress and shall be done shortly. The reply is not acceptable as the felling work was to be done within logging year.

The matter is brought to the notice of higher authority of UFDC.

**Para 6: Non deduction of Service Tax under Reverse Charge Mechanism ₹ 1.40 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 construction services. The value of taxable portion in work contract service is the amount of service portion in execution of work contract. The sections 75 and 76 of Finance Act 1994 also provides that in case of failure to pay service tax the simple interest @18% p.a. is applicable along with penalty of ₹ 100/- per day or 1% of service tax for every month or part thereon whichever is higher subject to maximum of 50% of Service tax amount.

During the scrutiny of the records it was noticed that DSM Tanakpur made payment of ₹ 965398/- to the man power providing agency during the year 2015-16 to 2017-18 (up to June 2018) for supply of manpower and also providing services to the Nigam but did not deducted as service tax under Reverse Charge Mechanism, while the service tax amounting to ₹ 1,39,799.00 (calculated as ₹ 9,65,398X15%). Thus, during payment of the works to the contractors the unit had not deducted the amount ₹ 1.40 lakh as service tax which was to be deducted and paid to the concerned Department in compliance of above said notification. It was also noticed that division has made above payment to the concerned department from own funds.

The non deduction of service tax and deposition of the same to the Service Tax Department from own fund resulted in loss to Nigam to the tune of ₹ 1.40 lakh.

Management stated in reply that required amount of service tax has been deposited with the service tax department. The reply is not acceptable as the amount of service tax was required to deduct from the contractor's bill, which was not done.

**Para 7: Irregularities in execution of transportation work.**

The General Financial Rules 2005 provides that department may take certain services in the interest of economy and efficiency of the entity and it may prescribe detailed instructions and procedures for this purpose. The bids should be invited 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.

Audit noticed the following shortcomings.

1. No agreements with the contractors have been executed for these works.
2. Several blank stamp papers were found in records.
3. No procedure for selection of the transporters has been adopted by the division.
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 ₹ 8.95 crore to these contractors during the year 2015-16 to 2017-18.

Thus, the execution of the work without compliance of GFR provisions and without execution of agreements is irregular.

Management stated in its reply that instructions have been issued to the employees for non repetition in future and work was done after completion of tender process. Reply is not convincing as the provisions of the GFR was to be complied with and work were not executed without tendering.

The matter is brought to the notice of higher authority of UFDC.

**Annexure to Para No 6 Part II A**

<b>Details of auction of khair by the DSM, Tanakpur below floor price during the year 2015-16 to 2017-18</b>					
<b>Date of auction</b>	<b>Auctioned quantity in Cum</b>	<b>Base price of auctioned quantity</b>	<b>Sale price of auctioned quantity</b>	<b>Loss due to sale of khair below floor price</b>	<b>Percentage below floor price</b>
4-Jul-2016	152.0000	1352800	928000	424800	31.40
4-Sep-2016	774.0000	6888600	4267400	2621200	38.05
4-Oct-2016	106.0000	943400	636000	307400	32.58
4-Nov-2017	74.4000	662160	483600	178560	26.97
4-Dec-2016	48.0000	427200	237600	189600	44.38
4-Jan-2017	80.4000	715560	402000	313560	43.82
4-Jan-2017	138.0000	1228200	690000	538200	43.82
4-Jan-2017	353.0000	3141700	1765000	1376700	43.82
4-Feb-2017	1,367.0000	12166300	10504000	1662300	13.66
4-Feb-2017	732.0000	6514800	5397800	1117000	17.15
4-May-2015	181.9397	1619263	454900	1164363	71.91
4-Jun-2015	298.7737	2659088	717200	1941888	73.03
4-Jul-2015	546.3492	4698211	1279900	3418311	72.76
20-Jul-2015	87.3837	451853	265950	185903	41.14
4-Aug-2015	1,441.8371	12041127	2796700	9244427	76.77
4-Sep-2015	99.1120	1179976	656100	523876	44.40
4-Sep-2015	184.8336	1645064	425200	1219864	74.15
4-Sep-2015	159.5058	1419602	367000	1052602	74.15
4-Oct-2015	464.2841	4983638	2488300	2495338	50.07
4-Oct-2015	1,351.3846	14464337	9410800	5053537	34.94
4-Oct-2015	635.3020	5654188	2358000	3296188	58.30
4-Dec-2015	3,013.0437	27371183	9982550	17388633	63.53
4-Dec-2015	402.8340	3585224	1189400	2395824	66.82
4-Jan-2016	46.4481	935771	794400	141371	15.11
4-Jan-2016	397.8671	3541018	1817300	1723718	48.68
4-Jan-2016	66.5017	591865	272700	319165	53.93
5-Apr-2017	236.0000	2100400	1835600	264800	12.61
5-Apr-2017	58.0000	516200	411800	104400	20.22
4-Jan-2018	31.1723	1866443	1555800	310643	16.64
4-Jan-2018	113.1872	6631558	5301100	1330458	20.06
4-Feb-2018	0.6092	33557	29000	4557	13.58
4-Feb-2018	249.7722	13859420	13475500	383920	2.77
4-Feb-2018	287.4524	8810858	7486900	1323958	15.03
<b>Total</b>	<b>14,178.3934</b>	<b>154700564</b>	<b>90683500</b>	<b>64017064</b>	

**Annexure to Para No. 6 Part II A**

<b>Details of auction of khair by the DSM,Haldwani below floor price during the year 2015-16 to 2017-18</b>					
<b>Date of auction</b>	<b>Auctioned quantity in Cum</b>	<b>base price of auctioned quantity</b>	<b>sale price of auctioned quantity</b>	<b>Loss due to sale of khair below floor price</b>	<b>Percentage below floor price</b>
4-Jan-2018	30.6299	1744172	1422350	321822	18.45
4-Feb-2018	34.2106	2275888	1874100	401788	17.65
4-Jan-2018	16.6043	879479	727200	152279	17.31
4-Feb-2018	370.9441	22365293	20469700	1895593	8.48
4-Jul-2015	528.2669	4701575	1320780	3380795	71.91
4-Sep-2015	223.6540	1990521	581620	1408901	70.78
4-Jan-2016	711.5052	6332754	1862350	4470404	70.59
4-Apr-2016	88.5340	787952	553500	234452	29.75
4-Aug-2016	279.5542	2488032	1817130	670902	26.97
4-Feb-2016	5.8800	52332	35800	16532	31.59
4-Oct-2017	158.6820	1428138	1373750	54388	3.81
4-Feb-2017	79.2620	713358	356900	356458	49.97
4-Apr-2015	91.4250	813682	283450	530232	65.16
7-May-2015	313.6702	2719664	909690	1809974	66.55
4-Jul-2015	481.6004	4286243	1396900	2889343	67.41
4-Aug-2015	214.5979	1909921	643900	1266021	66.29
4-Sep-2015	513.6897	4581838	1450100	3131738	68.35
4-Jan-2016	22.932	204094	94100	109994	53.89
4-Mar-2016	125.9725	1121182	655090	466092	41.57
3-Jul-2016	126.4565	1125463	948600	176863	15.71
4-Aug-2016	48.15	428535	313000	115535	26.96
4-Sep-2016	196.8046	1751560	1526360	225200	12.86
4-Oct-2016	40.758	362746	305700	57046	15.73
4-Nov-2016	209.8994	1868104	1582700	285404	15.28
4-Feb-2017	19.9665	177702	121796	55906	31.46
4-Oct-2015	114.1391	1015837	342450	673387	66.29
4-Jan-2016	114.1391	1015837	325310	690527	67.98
4-Apr-2016	114.1391	1015837	467970	547867	53.93
<b>Total</b>	<b>5276</b>	<b>70157739</b>	<b>43762296</b>	<b>26395443</b>	

### **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:-

<b>Sl. No.</b>	<b>AIR for the period</b>	<b>Part-II-A</b>	<b>Part-II-B</b>	<b>Total</b>
1.	04/2012 to 03/2015	1, 2,3 (a)(b)4,5 & 6	1 to 5	11

### **Compliance report of unsettled paras of previous inspection report-**

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo No. 08 was issued to the Company. No reply has been furnished by unit.

### **Part IV**

#### **Best practices of the unit**

NIL

### **Part V**

#### **Acknowledgement**

1. Office of The Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards RM office UFDC Haldwani 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 MPS Rawat	Regional Manager
(ii)	Sh. D.S. Negi ,	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-I**