This draft Audit Inspection Report on the accounts of Managing Director, Uttarakhand Forest Development Corporation, Dehradun for the period April 2018 to March 2020 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 compliance audit was conducted by Shri Ghanshyam Das Pal, Asst. Audit Officer, Shri Rituraj Mohan Singh, Asst. Audit Officer, and Sh. Saurabh, Sr. Auditor under the supervision of Sh. Roshan Lal Sharma, Sr. Audit Officer during the period from 08 February 2021 to 03 March 2021.

The inspection report has been prepared on the basis of information provided by Managing Director, Uttarakhand Forest Development Corporation, 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 Shri Ajay Bahuguna, Asst. Audit Officer, Shri Ghanshyam Das Pal, Asst. Audit Officer, under the supervision of Ashutosh Shukla, Audit Officer in which accounting records of the period from April 2015 to March 2018 were generally examined. In current audit, accounting records of the period from April 2018 to March 2020 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 and, stones, boulder and RBM (natural resources) etc. in the various rivers. 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 Kumaon.

   (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. September, 2018 and October 2019 months were selected for detailed examination.

(iii)

(Rs. in crore)

Year	Revenue	Expenditure	Profit
2018-19	974.70	959.53	15.17
2019-20	1072.27	1018.68	53.59

(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.

Governing Body

↓

Managing Director

↓

General Manager (H.Q)

↓

Regional Manager (H.Q)

General Manager (Garhwal)

↓

Regional Manager (Tehri)

Regional Manager (Kotdwar)

General Manager (Kumaon)

↓

Regional Manager (Ramnagar)

Regional Manager (Haldwani)

Part-II A

Para 1: Loss of Rs. 88.32 lakh due to poor planning.

Uttarakhand Forest Development Corporation Ltd. (UFDC) invited (22 February 2013) a proposal for construction of Office cum Residential Complex at Haldwani from seven parties. The last date of submission of the proposal was 15 March 2013 against which only two proposals were received *viz.* Uttarakhand Pey Jal Nirman Nigam Ltd. (Rs. 755.64 lakh) and Bharat Sanchar Nigam Ltd. (BSNL) (Rs. 708.00 lakh).

The proposal of BSNL was accepted as it was lowest. The Corporation released (8 July 2013) Rs. 28.32 lakh to BSNL for the initial work of utility shifting and soil testing, drawing and design and DPR. BSNL submitted (September 2013) DPR containing the total cost of project as Rs. 891.38 lakh on the basis of Schedule of Rates (SOR) issued by the GoU, in 2013-14. The Corporation forwarded (September 2013) the same to the Govt. of Uttarakhand for approval. On this DPR, Government raised some queries (May 2014) which was responded by the Corporation after consultation with BSNL.

While the approval of Government of Uttarakhand was awaited, meanwhile, Corporation in its 51st Board Meeting (May 2015), terminated the contract with BSNL and the work was awarded to Uttar Pradesh Rajkiya Nirman Nigam Ltd (UPRNN) at a cost of Rs. 3179.81 lakh after in decision of some additional construction work without inviting tender which was in contravention of Uttarakhand Procurement Rules 2008. Significant modification of scope of work within two years also indicated poor planning and improper assessment of requirements by UFDC. UPRNN demanded (June 2015) Rs. 82.02 lakh for the initial work in the same manner as was given to the BSNL *viz,* utility shifting and soil testing, drawing and design and DPR. However, Corporation released (July 2015) Rs. 60.00 lakh to UPRNN. UPRNN prepared DPR as per index DSR-2014 amounting to Rs. 3179.81 lakh and submitted (06 August 2015) it to Principal Secretary (Forest), GoU but Government directed (11 December 2015) UFDC to update DPR as per latest index. Resultantly, UPRNN submitted (10 December 2015) updated DPR at a cost of Rs. 3388.90 lakh after adding 4.76 *per cent* cost index to the old DPR and the same was submitted to TAC (Finance Department), GoU for examination. Further, GoU has banned UPRNN for allotment of new construction work. Till date more than six years have been elapsed, neither the DPR was approved nor the work has been started by the Nigam. Further, Nigam had not resolved the issue of land till date on which building was to be constructed.

Thus, besides award of work to UPRNN without invitation of tenders in contravention of Uttarakhand Procurement Rules, the Corporation also incurred an avoidable expenditure of Rs.

88.32 lakh (Rs. 28.32 lakh + Rs. 60.00 lakh) on utility shifting and soil testing, drawing and design and DPR paid to BSNL and UPRNN without proper planning the scope of work.

The management did not furnish any reply of audit observation.

Hence, the matter is brought to the notice of the Government.

Part-II A

Para 2: Unfruitful expenditure of Rs. 1.16 crore resulting in loss of interest amounting to Rs. 32.00 lakh.

Uttarakhand Forest Development Corporation (Nigam) leased out 0.92 hectares' forest land for 30 years from Forest Department to construct office and residential building in Haldwani. The principal approval of the forest land for non-forest purpose has been accorded (29 March 2010/05 May 2010) by the Forest Department/GoU.

As per terms of the lease, the assessment of leased land rate shall be carried out by the District Magistrate as per prevailing market rate. After assessment, the premium equivalent to assessed market value of land amounting to Rs. 1,05,48,904.00 plus 10 *per cent* premium value (market value) of the land which shall be equivalent to annual lease rent amounting to Rs. 10,54,890.00 shall be deposited to the lessee.

Nigam has deposited the land premium amounting to Rs. 1,05,48,904.00 as market value of 0.92 hectares' land and annual lease rent amounting to Rs. 10,54,890.00 per annum to Forest Department on 14.12.2015 but Nigam failed to pay annual lease rent regularly, i.e., after submission of first lease rent.

It was observed that the lease deed was not executed till date and Nigam has paid Rs. 1.16 crore (Rs. 1.05 core + Rs. 0.11 crore) without executing the lease deed resulting in blockage of Rs. 1.16 crore since December 2015. Out of 30 years of lease, 11 years have been elapsed but the land was not utilized by the Nigam and the land was lying idle till date. Had the Nigam invested the said amount in other source such as FDR in bank, it could have earned an interest of Rs. 32.00 lakh for last five years (as per 5 *per cent* per annum bank interest rate).

However, Nigam after submission of Rs. 1.16 crore to Forest Department requested (13 April 2015) State Government to release the forest land for non-forest purpose at free of cost. However, the reply from the Forest Department is awaited.

Initial reply of audit observation is awaited.

Hence, the matter is brought to the notice of the Government.

Part II B

Para 1: Violation of Uttarakhand Procurement Rules, 2008 resulted in loss of Rs. 54.80 lakh.
This para is an elaborated version of the para "Details of the recruitment work outsourced/awarded to private company specifically regarding the payment of Rs. 54.00 lakh which was made without ensuring the execution of work was issued in earlier AIR for the period from 2015-16 to 2017-18, as para no. 13 of part II B." The para was further scrutinized and summarized/updated as under:-

Uttarakhand Forest Development Corporation (Nigam) invited (10 October 2016) tender for recruitment of various post lying vacant in Nigam. The last date of submission of their offer was 18 October 2016. The five bidders have submitted their bids and M/s ACE Integrated Solutions Limited, B-13, DSIDC, Patparganj, Industrial Area, New Delhi was the lowest. The Nigam had made an agreement (28 October 2016) with M/s ACE Integrated Solutions Limited (contractor) at a cost of Rs. 1.37 crore (approx.). The terms and condition of the agreements was as under:

1. The completion period of agreement was four months w.e.f. issuing of award of work.
2. The contractor had to submit a performance bond/ security deposit for an amount of Rs. 1.48 lakh within 10 days from date of this notification of award in the form of bank draft or an irrecoverable bank guarantee in favour of UKFDC.

During scrutiny of records, it was observed that the contractor had requested (02 November 2016) to release an advance of 40 *per cent* (Rs. 54.80 lakh) of the total contract value amounting to Rs. 1.37 crore (approx.) as per work order no. 4623/सीधी भर्ती/2016 dated 22 October 2016. Nigam released (04 November 2016) the same which was against the Uttarakhand Procurement Rules, 2008 (Rule no 48) which states that an advance payment to contractor is prohibited and the same should be made after completion of service. If advance is required, it should be given after taking Bank Guarantee from the contractor and should be interest bearing. However, Nigam has provided the interest free advance to the contractor without taking any bank guarantee against the advance from the contractor.

Further, some anomalies arose in recruitment process and Hon’ble high court had stayed (26 November 2016) the recruitment process. As per the court case/anomalies arose in recruitment process, Nigam terminated agreement and requested contractor for refunding the advance given by the Nigam. However, the contractor has not refunded the same till date.

Further, the matter was also discussed in 69th Governing Body meeting held on and decided to recover the amount from the contractor. However, the fact remains that the Chances of recovery of Rs. 54.80 lakh from to the contractor are very bleak and Nigam violated rule no 48 of Uttarakhand Procurement Rules, 2008.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 2: - Blockage of fund of Rs. 72.41 crore and consequently loss of interest

The Uttarakhand Forest Development Corporation (UFDC) is involved in the felling of trees and production of timber, firewood and roots from the lots allotted by the Forest Department. The Corporation pays royalty to the Forest Department on the allotted lots every year in the month of March, June and September as per volume mentioned in the sale list received from Forest Department.

During test check of the records of logging in MD office, UKFDC, Dehradun it was observed that the works on the 33 lots in different regions (6 Tehri + 1 Kotdwar + 26 Haldwani) which were allotted to Corporation during 2014-15 to 2018-19 did not commence till December, 2020.

Raw Material as on 31 March 2019 (In Cum)	Royalty paid to Forest Department (In Rs.)
92734.6513	72,40,56,185

It is evident from the above that due to non-felling of the allotted lots in reasonable time the royalty of Rs. 72.41 crore which was already paid in respective years to the forest department could not be recovered till date resulting in blocking of funds of Rs. 72.41 crore and consequential loss of interest on the said amount.

Initial reply of audit observation is awaited.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 3: - Non realization of Rs. 5.19 lakh.

Uttarakhand Forest Development Corporation (UKFDC) has provided necessary fund to Forest Department as per Uttarakhand Govt. order No. 1578(1)X-3-14 dated 23.12.2014, to the concerned Forest Officers as advance for the printing work (Chapaan) of trees. The funds so received shall be deposited by each forest division in forest deposit and the same shall be drawn through the Documentary Letter of Credit (DCL) to process printing work. After receipt of departmental budget by the Forest Department, the advance given to them shall be returned to the UKFDC in lump sum.

During the audit, it was observed that the UKFDC had provided Rs. 18.19 lakh (during October 2016 to March 2019) as advance payment to various divisions of Forest Department for chapaan work. During the audit, it was noticed that Rs. 13.00 lakh against Rs. 18.19 lakh were refunded by the Forest Department till date.

The following amount was lying outstanding from the different divisions of the Forest Department who have not returned it till date.

Sl.No.	Head	Name of the divisions of Forest Department	Date of payment	Payment amount (in ₹)	Balance amount (in ₹)
1.	Chappan	Uttarkashi	20.10.2016	1,69,000.00	1,69,000.00
2	Chappan	Narendranagar	12.09.2017	1,00,000.00	1,00,000.00
3	Chappan	Chakrata	16.03.2019	2,50,000.00	2,50,000.00
				Total	**5,19,000.00**

It is clear from the above table that more than 2 to 4 years have been elapsed but Forest Department has neither refunded the advance nor adjusted the same in royalty.

Management has accepted the audit observation and in compliance issued a letter to Additional Principal Chief Conservator of Forest, Planning and Financial Management, Dehradun, Uttarakhand to refund the balance outstanding amount to Rs. 5.19 lakh at the earliest. However, a formal reply of the audit observation is awaited.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 4: Not written off material loss amounting to Rs. 8.34 crore.

Uttarakhand Forest Development Corporation (UFDC) is involved in the felling of tress and production of timber, firewood and roots from the lots allotted by the Forest Department. Every year in logging, there was some loss to Nigam due to theft, fire, loss, etc. There was huge accumulation of material loss booked by the Nigam in logging amounting to Rs. 8.34 crore for the period from 1981-82 to 2018-19. Nigam had already been made provision for loss in their books of accounts against the material loss detailed as below:

Year	Opening Balance Provision	Provision for the year	Total	Write off during the year	Remaining
2015-16	10,30,21,209.38	29,18,364.49	10,59,39,573.87	51,46,493.74	10,07,93,080.13
2016-17	10,07,93,080.13	9,98,342.76	10,17,91,422.89	1,13,71,414.02	9,04,20,008.87
2017-18	9,04,20,008.87	10,63,814.94	9,14,83,823.81	78,28,289.32	8,36,55,534.49
2018-19	8,36,55,534.49	6,90,033.52	8,43,45,568.01	8,60,742.40	8,34,84,825.61
2019-20	8,34,84,825.61	21,98,581.33	8,56,83,406.94	25,68,240.80	8,31,15,166.24

During scrutiny of records, it was noticed that some cases were pertaining before bifurcation of the State. However, the records of the same were not available with the Nigam. In this connection, it is difficult to ascertain that whether the loss incurred by the Nigam was due to natural calamity or human error. The regional offices of UFDC have booked material losses amounting to Rs. 2.83 crore, Rs. 0.92 crore, Rs. 1.23 crore and Rs. 3.37 crore respectively in their regions. For example, in Haldwani Region, Divisional Sales Manager (DSM), Haldwani booked material loss due to Fire, theft, Wood Drying and shortage in Physical Verification were Rs. 103.00 lakh, Rs. 2.24 lakh, Rs. 78.62 lakh and Rs. 0.91 Lakh respectively. Similarly, in Tehri Region, Divisional Logging Manager, Tons Purola booked the material loss due to Fire, Flood and Hailstorm were Rs. 10.36 lakh, Rs. 155.65 lakh and Rs. 83.78 lakh respectively. In DSM Tons Purola, during the year 1992-93, 3000 logs were washed away due to heavy rain. Similarly, many of the logs were damaged due to fire in Tons Division.

There is no reasonability in carrying those material losses in the Books of accounts as the management has already accepted the loss and made provision of loss against the same. However, the management did not make efforts to write off these losses.

Further, it was noticed that material loss amounting to Rs. 6.60 crore was pertaining to the period before the bifurcation of State and Rs. 1.74 crore is pertaining to the period from the year 2000-01 to 2018-19.

Management in its reply stated that the maximum amount of material loss pertains before bifurcation of the State. The main reason of not written off the material loss was non-availability of complete records of the cases. However, efforts have been made to write-off the material loss at the earliest and instructions have been issued to General Manager Kumaon and Garhwal regions to write-off the material loss cases as per their financial power.

The reply of the Management is not acceptable as the fact remains that even after formation of Uttarakhand State, Nigam suffered material loss amounting to Rs. 1.74 crore which was not written off till date and no sincere effort have been made by the Nigam for early submission of the records to the Governing Bodies to write off the same.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 5: Short excavation of River Bed Material resulted in loss of royalty amounting to Rs 24.30 crore.

The main work of Uttarakhand Forest Development Corporation (UFDC) is cutting of timber and mining from the different rivers allotted by Forest Department. The mining activity is done after the survey carried out by the Central Soil & Water Conservation Research &Training Institute (CSWRTI) a government agency. CSWRTI do the survey of the river and fix the area for mining in cubic meter every year. The mining season of the river starts from 1 October to 31 May every year. During scrutiny of the records, it was noticed that in the mining year 2017-18 to 2019-20 the Forest Department of Uttarakhand allotted following river to the Nigam for mining but the Nigam did short mining from the rivers as mentioned below:

Sl. No	Name of River	Year	Target fixed by CSWRTI (LM3)	Mining done by Nigam (LM3)	Difference (LM3)	Difference in Lakh Quintal (1 LM3 = 220000 Quintal)	Short achievement of targets (in percentage)	Royalty payable to GoU (per quintal)	Loss of Government in form of Royalty (in Rs.)
1	Nandhore	2018-19	11.01	9.72	1.29	2838000	11.72	7.00	19866000
2	Kosi	2017-18	5.36	5.01	0.35	770000	6.53	9.44	7268800
		2018-19	6.27	4.74	1.53	3366000	24.40	8.00	26928000
		2019-20	4.57	2.99	1.58	3476000	34.57	8.00	27808000
3	Sharda	2017-18	6.3	5.68	0.62	1364000	9.84	8.26	11266640
		2018-19	4.5	3.99	0.51	1122000	11.33	7.00	7854000
		2019-20	4.43	2.93	1.5	3300000	33.86	7.00	23100000
4	Gaula	2019-20	30.66	25.54	5.12	11264000	16.70	8.50	95744000
5	Daabka	2019-20	1.07	0.76	0.31	682000	28.97	8.00	5456000
								Total	**22,52,91,440/-** **Say, ~ Rs. 22.53 crore**

From the table above, it can be noticed that the Nigam failed to achieve the targets of mining fixed by the CSWRTI significantly ranging from 6.53 to 34.57 *per cent*, thereby, resulting in loss of Rs. 22.53 crore in the form of royalty to the Government and also the share of UFDC amounting to Rs. 16.20 crore.

Further, it was also observed that in the mining year 2017-18, CSWRTI fixed the target for mining in river Nandhore was 5.80 Lakh Cubic Meter (LM3) but the Nigam had excavated only 2.3020 Lakh Cubic Meter against the target which was less than 50 *per cent* of the allotted area. As per prior practice, if the Nigam carried out the mining less than 50 *per cent* of allotted area, the Forest

Department imposes dead rent against the short excavation. The Nigam has excavated only 39.68 per cent of allotted area so the dead rent cannot be ruled out. Further, due to short excavation, the Nigam had also deprived the loss of revenue of Rs. 0.68 crore.
The calculation of dead rent (Royalty) and revenue not earned by the Nigam is as follows:

Sl. No.	Item	Quantity/Amount
1.	Total survey area done by CSWRTI for mining	5.80 LM3 or 127.60 Lakh Quintal
2.	1 Lakh Meter Cube	22 Lakh Quintal
3.	For avoiding dead rent Nigam have to excavate 50 per cent of allotted area	50% of sl.no-1 i.e 2.90 LM3 or 63.80 Lakh Quintal
4.	Total Excavation done by Nigam	2.3020 Lakh Cube Meter or 50.64 Lakh Quintal
5.	Rate of royalty in Nandhore river for the year 2017-18	Rs. 8.26 per quintal
6.	Total royalty payable for avoiding dead rent	63.80 Lakh Quintal X 8.26 = Rs. 52698800/-
7.	Nigam carried out 39.68 per cent of mining and paid royalty to Government exchequer	Rs. 41798000/-
8.	Short royalty payable	(Rs. 52698800 – Rs. 41798000) = Rs. 10900800/-
9.	Rate of revenue earned by the Nigam	Rs. 5.15 per quintal
10.	Loss of revenue to Nigam	13.16 Lakh Quintal (63.80–50.64) X Rs. 5.15 i.e Rs. 6777400/-

Resultantly due to short excavation the short payment of Royalty to the government exchequer and Nigam suffered a loss of Rs. 1.77 crore (Rs. 1.09 crore as royalty and Rs. 0.68 crore as revenue)

Initial reply of audit observation is awaited.

Hence, the matter is brought to the notice of higher authorities.

Part II B

Para 6: Non realization of interest amounting to Rs. 7.02 lakh.

Dehradun Zoo Management Society (Society) requested (02 December 2016) UFDC to provide Rs. 5.00 crore for the expansion/development of Malsi Deer Park. In 59th Board meeting held on 7 December 2016, Board decided to provide Rs. 5.00 crore assistance to Society in form of debt at FDR Interest Rate (7 *per cent*) per annum.

In this connection, an agreement was made (January 2017) between UFDC and Dehradun Zoo Management Society for providing Rs. 2.50 crore financial assistance to Society by UFDC. As per the terms and condition of the agreement, the Dehradun Zoo Management shall pay annual interest at the rate of prevailing bank fixed deposit rate to UFDC till the repayment of the entire financial assistance. The UFDC provided Rs. 2.50 crore in part payment to Society for expansion. The Society was paying the interest on quarterly basis to the UFDC against the amount with him. The Dehradun Zoo Management Society had refunded Rs. 1.50 crore to UFDC (Rs.25.00 lakh dated 09.05.2019, Rs. 25.00 lakh dated 28.06.2019 and Rs. 1.00 crore dated 31.10.2019) and also paid the interest timely.

During scrutiny of records, it was noticed that the Dehradun Zoo Management Society has not been paying the interest on the remaining balance amount of Rs. 1.00 crore from January 2020 onwards. The total accumulated amount which was not realized by the UFDC up to December 2020 was Rs. 7.02 lakh. The calculation of the same is as under:

Quarter	**Interest payable by Society (in Rs.) (7 % on Rs. 1.00 crore) i.e., Interest =Rs. 1917.81 per day**
January 2020 to March 2020 (91 days)	1,74,520
April 2020 to June 2020 (91 days)	1,74,520
July 2020 to September 2020 (92 days)	1,76,438
October 2020 to December 2020 (92 days)	1,76,438
Total	**701916** **~say Rs. 7.02 lakh**

Management accepted the audit observation and in compliance issued a letter to Divisional Forest Officer (DFO), Dehradun for payment of interest amount. However, a formal reply of audit observation is awaited.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 7: Violation of Government order.

Uttarakhand Forest Development Corporation (UFDC) had outsourced the employees from various outsourcing agencies due to shortage of staff, namely, M/s Sun Outsourcing Consultancy, M/s B J Security Services, M/s Uttarakhand Purv Sainik Kalyan Nigam, M/s Sybex Support Services and M/sTDS Placement Services. It was observed that at present, out of 72 outsourced employees, only 10 employees were outsourced from Uttarakhand Purvsanik Kalyan Nigam Limited (UPNL) which is a Government agency and the remaining 62 employees were outsourced from other outsourcing agencies (private contractors) from the period May 2016 to till date and paying service charge at a rate of 2.5 to 4.5 per cent in private outsourced agency and 2.5 *per cent* in UPNL.

During scrutiny of records, it was noticed that as per Government of Uttarakhand (GoU) order dated 6th June 2018 in view of the employment, it was decided to outsource the services firstly through the Uttarakhand Purvsanik Kalyan Nigam Limited (UPNL) which is a GoU undertaking. Only those services, which UPNL is unable to outsource, can be outsourced through any other sources/agency. Further, Chief Secretary, GoU letter dated 14.01.2021, reiterated that Nigam is violating the order dated 06 June 2018 as the Nigam has outsourced employees from private agencies instead of UPNL.

Further, it was also observed that M/s Sun Outsourcing Consultancy, Dehradun charged 4.5 *per cent* service charges in comparison with 2.5 *per cent* charged by UPNL for the period from May 2016 to November 2019, which resulted in extra expenditure of Rs. 2.88 lakh. If Nigam had outsourced employees from UPNL, the Nigam could have avoided an extra expenditure of Rs. 2.88 lakh.

Management accepted audit observation and stated that at present M/s Sun Outsourcing Consultancy has reduced its service charge from 4.5 per cent to 2.5 percent. However, the process to outsource employees from UPNL is under progress.

Reply of the management is not acceptable as the fact remains that Nigam has not outsourced employees from UPNL till date, which is in violation of Government order.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 8: - Irregular payment of Public Welfare Works/Corporate Social Activities.

Every year Uttarakhand Forest Development Corporation (UKFDC) has been paying some amount for public welfare works/corporate social activities. During the period 2015-16, 2016-17, 2017-18 and 2019-20, UKFDC paid Rs. 512.25 lakh, Rs. 68.50 lakh, Rs. 51.20 lakh and Rs. 23.50 lakh respectively to various institutions/individual persons as per corporate social responsibility/public welfare works.

It was observed that UKFDC released (April 2018) Rs.20.00 lakh in public welfare works/ corporate social responsibility as per the order (dated 13.04.2018) of Forest Minister, to the following institution without taking approval of Governing Body.

Sl. No.	Name of Institution	Payment related cheque number and name of bank	Amount (in lakh)
1.	Namaskar duniya, New Delhi	825492 dated 17.04.2018 PNB	5.00
2.	Ester Media	825493 dated 17.04.2018 PNB	6.00
3.	Baba Bhuman Shah, Sarswati Shishu Mandir, Dehradun	825494 dated 17.04.2018 PNB	4.00
4.	Sarswati Shishu Mandir Dak Patthar Dehradun	825495 dated 17.04.2018 PNB	2.00
5.	WTIT Solution Pvt. Ltd.	825496 dated 17.04.2018 PNB	3.00
		Total	**20.00**

The Governing Body in its board meeting approved (25.04.2018) the payment of Rs. 20.00 lakh after releasing (17.04.2018) the amount by the Nigam to the institutions and expressed displeasure for payment of the said amount. As per Governing Body, the financial position of the Nigam is not good and also issued instructions for releasing the amount after approval of State Government and stated that the expenditure statement, Utilization Certificate (UC) and audit report shall be collected from the recipient agency. The recipient agency had not submitted the relevant records against above amount of Rs. 20.00 lakh.

Further, in its 68th Board meeting held on 30-07-2019, board decided that in addition to above amount, Rs. 46.80 lakh pertaining for the period January to March 2018 given to the institutions/personals which had not provided utilization certificate should be directed to submit the same at the earliest. If utilization certificated is not submitted by the concerned institutions, the recovery process shall be initiated against them. However, more than 3 years have been elapsed but Nigam neither received UC amounting to Rs. 66.80 Lakh from the institutions nor initiated recovery process against them.

Management has accepted the audit observation and in compliance issued a letter to Institutions to submit utilization certificate against the financial assistance. However, a formal reply of the audit observation is awaited.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 9: - Not Obtaining the Utilisation Certificate of Forest Development Expenses/Financial Assistance.

Forest Department carries out Forest Development activities like plantation of trees, construction of offices building and guest houses, construction, repair & maintenance of roads, encouraging eco-tourisms activities, etc. To undertake these activities, Forest Department raises demand to Uttarakhand Forest Development Corporation (UKFDC) for financial assistance. As per directions of GoU, a State Level Committee is formed by UKFDC comprising of six members, namely, Head of Forestry Force (HoFF), Uttarakhand as Chairman, Managing Director, UFDC as Vice Chairman, Principal Chief Conservator of Forest, Projects, Uttarakhand as Member Secretary, Additional Principal Chief Conservator of Forests, Planning and Finance Management (Member), Regional Chief Conservator of Forests, Uttarakhand (Member) and Chief Account Officer, UFDC (Member). The said committee is responsible to decide and approve the financial demand raised by the Forest Department. The Committee approves and directs UKFDC to release the financial assistance to Forest Department to undertake various development activities. Upon completion/utilization of funds, the Forest Department should mandatorily submit Utilization Certificate (UC) to UKFDC to ensure that funds so released have been utilized only on the intended purpose.

During the scrutiny of records, it was noticed that during the year 2018-19 and 2019-20 UKFDC released Rs. 9.91 crore and Rs. 5.28 crore respectively to Forest Department against which UC of Rs. 1.54 crore (2018-19) and Rs. 0.45 crore were pending from Forest Department. Further, it was also noticed that Forest Department had not submitted UC against an amount of Rs. 0.46 crore pertaining for the period from 2002-03 to 2017-18. In this respect, non-furnishing of UC by the Forest Department makes it difficult to ensure that the released funds had been utilized on the intended purpose or on other activities.

Management accepted the audit observation and stated that regular correspondence is being made with the concerned Divisional Forest Officers (DFO) for obtaining utilization certificate against the financial assistance provided by UFDC and once the required information is received from DFOs, the same shall be forwarded to audit.

Reply of the Management is not acceptable as the fact remains that utilization certificate has not been obtained from the Forest Department till date; Further due to non-furnishing of UC by the Forest Department if cannot be ensured whether ensure that the released funds had been utilized for the intended purpose or on other activities.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 10: Irregular expenditure on Vehicle Repair.

As per the Uttar Pradesh Government order dated 04 October 1997 adopted by UFDC envisage that if the expenditure on repair and maintenance on the vehicle exceeds by 65 per cent of the present cost price of the new vehicle available in the market of similar model, then it should be written off.

It was seen that Uttarakhand Forest Development Corporation (UFDC) has maintained 14 vehicles which are used for official purposes of MD office. During test checks of some vehicle records, it was noticed that the repair and maintenance cost was very high than the purchase price of the vehicle:

1. Vehicle No. UK07 BW 8600 (Innova Crysta) was purchased (₹15.18 lakh) by the Nigam in 2017 and expenditure incurred on its repair and maintenance was Rs. 7.15 lakh till January 2021.
2. Vehicle No. UK07 U 4710 (Bolero) was purchased (Rs. 4.24 lakh) by the Nigam in 2007 and the expenditure incurred on its repair and maintenance was Rs. 9.48 lakh till January 2021 which is 223 *per cent* more than the purchase price.
3. Vehicle No. UK07 AP 5058 (Tata Safari) was purchased (Rs. 9.34 lakh) by the Nigam in 2014 and the expenditure incurred on its repair and maintenance was Rs. 11.46 lakh till January 2021 which is 123 *per cent* more than the purchase price.

In view of above, Nigam had incurred irregular expenditure which is more than the 65 per cent of the purchase price of new model/vehicle.

Management accepted the audit observation and stated that Rs. 35594.00 was reimbursed from the insurance company against Rs. 7.15 lakh expenditure incurred on vehicle no. UK07BW8600. Further, Nigam replied that the vehicle was used in remote places and tough terrains frequently which resulted in high expenditure on repair and maintenance against other vehicles.

Reply of the Management is not acceptable as total expenditure incurred on vehicle No. UK07 U 4710 (Bolero) is on higher side and as per above stated order, if repair and maintenance cost exceeds 65 per cent of the present purchase price of the vehicle, then the same should be written off. The said vehicle has not been written off by the Nigam till date.

Hence the Matter is brought to the notice of higher Authorities.

Para 11: Loss of Rs. 52.34 lakh.

As per Employees Provident Funds and Miscellaneous Provisions (EPF & MP) Act, 1952 under Section 8A which states that in respect of employees employed by or through a contractor, the contractor shall recover the contribution payable by such employees and shall pay the principal employer the amount of employee’s contributions so deducted together with an equal amount of contribution and also administrative charges. Further, it shall be the responsibility of the principal employer to deposit the recovered amount to EPFO, also, the principal employer should ensure PF payments in respect of all their contractual employees also in their own PF Code or separate, sub code No. meant for employees employed though contractors. In case the principal employer does not wish to use this code number, dues can be deposited by the principal employer himself in PF Code No. allotted to the contractor after getting copy of separate Electronic Challan cum Return (ECR) and e-challan from the contractor and by depositing PF dues by the principal employer himself. ECR is employee wise monthly return showing PF wages and contribution etc. Negligence of principal employer don't absolve them from aforesaid statutory liabilities.

During scrutiny, it was noticed that the Nigam has not deducted/deposited EPF of the labour engaged by it or though contractor in logging, loading, unloading and other work during the period from 04/2001 to 03/2012. For the compliance under EPF & MP Act, 1952 in respect of the employees engaged by or through contractors, Regional Provident Fund Commissioner-I, Uttarakhand has issued a letter dated 25.10.2013 and desired some information of contractors/labours outsourced by the UFDC for the said period. But the Nigam failed to submit desired information to EPFO and finally EPFO initiated the proceeding under Section 7A of the Act on 26.02.2012 in respect of UFDC. After many hearings, UFDC had not submitted the Vouchers, Muster rolls and other records of the labours. On the basis of wages entries amounting to Rs. 4.36 crore found in the accounts of Nigam’s Balance Sheet, the EPFO imposed Rs. 1.12 crore as employee’s/employer’s contribution on 15.02.2018 and directed to deposit above PF and allied dues within 15 days of receipt of this order. The Nigam had deposited Rs. 1.12 crore on 23 March 2018.

It is observed that if the Nigam had deducted the amount from the contractor/labour Rs. 52.34 lakh could have been avoided. Due to non-recovery of employee’s contribution, Nigam has suffered a loss of Rs. 52.34 lakh.

Further, the Nigam has not provided the original records of the correspondence with EPFO and only the duplicate copies (photocopies) were provided to audit in which some copies were not legible.

Management accepted the audit observation and stated that due to non-deduction of EPF from the contractual employees, EPFO had recovered both the employee’s contribution and employer’s contribution towards EPF from UFDC.

Due to non-deduction of employee’s contribution from the contractual employees, Nigam suffered a loss of Rs. 52.34 lakh.

Hence the Matter is brought to the notice of higher Authorities.

Part II B

Para 12: Loss of Rs. 4.71 crore.

As per section 234 B of Income Tax Act, 1961, income tax return is required to be filed in time and advance tax required to be paid correctly within time prescribed. In case the assesse fails to comply with the provisions of the Act, interest shall be chargeable.

It was observed that the UFDC filed (30.10.2017) the Tax Return for the financial year 2016-17 (Assessment year 2017-18) and had disclosed Nil Income. The Nigam was granted registration u/s 254/12AA of IT Act, 1961 on 24.06.2016 by Ld. CIT (Exemption) Lucknow. This registration for exemption has been granted to Nigam w.e.f. 29.08.2001. During 2018-19, Income Tax Department had issued a letter (10.08.2018) to UFDC for scrutiny of their Income tax return and to submit any supporting documents towards return filed by UFDC by 17.08.2018.

During scrutiny done by Income Tax Department, it was revealed that during the year 2016-17 (assessment year 2017-18), UFDC has not disclosed its FDR interest income amounting to Rs.43.97 crore in the return earned by the Uttar Pradesh Forest Development Corporation (UPFDC) on behalf of UFDC during the year 2016-17, as per Hon'ble High Court bench of Lucknow in its order dated 30.09.2013 stated that the interest income of FDR should be divided between UFDC and UPFDC in the ratio of 54:46 and a share of 54 *per cent* should be treated as an income which is taxable in hands of UFDC. However, no records were made available to audit to verify that the Nigam had ever enquired for regarding actual amount of interest income on FDR, which Pertains to UFDC as per Hon'ble High court order dated 30.09.2013.

Accordingly, Income Tax Department imposed (26.12.2019) additional tax of Rs. 18.96 crore (including default in payment of advance tax u/s 234 B of Rs. 4.71 crore) on additional interest income Rs. 43.97 crore after adjusting prior periods advance tax of Rs. 2.13 crore and issued a notice under section 156 of the Income Tax Act, 1961 to UFDC on 26.12.2019 and ordered to deposit Rs. 18.96 crore. If the Nigam had enquired UPFDC before filing of income tax return, the extra burden of Rs. 4.71 crore could have been avoided.

Thus, non-disclosure of interest income by the Nigam resulted in additional payment of Rs. 4.71 crore to Income Tax Department on account of default in payment of advance tax u/s 234 B.

Management in its reply stated that there is no loss at this stage as Nigam has appealed before Appellate Court (Commissioner of Income Tax Dehradun) against the decision of Hon'ble assessment order of the Income Tax Department. The same could not be treated as a loss as the case is under trail.

Hence the Matter is brought to the notice of higher Authorities.

Part III

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	11
2.	04/2015 to 03/2018	1,2,3	5,,13,14	06

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. 022 book number 1159 was issued to the Corporation. In turn, Management provided the replies of old outstanding paras pertaining to period 04/2012 to 03/2015 (sl.no.-1 in table above).

Part IV

Best practices of the unit

No good practices or innovation noticed during the course of audit

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	Period
1.	Sh. T C S Leptcha	Managing Director	Last audit to 30.04.2018
2.	Sh. Ghambhir Singh	Managing Director	01.05.2018 to 31.03.2019
3.	Sh. Monnish Malik	Managing Director	01.04.2019 to 31.03.2020
4.	Sh. Vinod Kumar	Managing Director	01.04.2020 to till date
5.	Sh. Arvind Krishna Gupta	Accounts Manager	Last audit to 30.06.2018
6.	Sh. K. K Singh Dewari	Sr. Accounts Manager	01.07.2018 to till date

The Compliance Report on the AIR may be sent to Deputy Accountant General/AMG-IV Office of the Principal Accountant General (Audit), Uttarakhand, Mahalekhakaar Bhawan, Kaulagarh, Dehradun within one month of receipt of the letter.

Sr. Audit Officer/AMG-IV

Year	Opening Balance Provision	Provision for the year	Total	Write off during the year	Remaining
2015-16	10,30,21,209.38	29,18,364.49	10,59,39,573.87	51,46,493.74	10,07,93,080.13
2016-17	10,07,93,080.13	9,98,342.76	10,17,91,422.89	1,13,71,414.02	9,04,20,008.87
2017-18	9,04,20,008.87	10,63,814.94	9,14,83,823.81	78,28,289.32	8,36,55,534.49
2018-19	8,36,55,534.49	6,90,033.52	8,43,45,568.01	8,60,742.40	8,34,84,825.61
2019-20	8,34,84,825.61	21,98,581.33	8,56,83,406.94	25,68,240.80	8,31,15,166.24