

This Draft Audit Inspection Report on the accounts of Regional Manager (Kotdwar Region), Uttarakhand Forest Development Corporation, Dehradun for the period April 2016 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 Shri Saurabh, Sr. Auditor under the supervision of Shri Roshan Lal Sharma, Sr. Audit Officer during the period from 19.03.2021 to 27.03.2021. The records of two Divisional Logging Manager (DLMs) of Pauri, Karanprayag and one in Haridwar (Mining and logging) and also one Divisional Sales Manager (DSM) of Kotdwar under jurisdiction of Regional Manager (Kotdwar), UFDC, Dehradun were also examined during compliance audit.

The inspection report has been prepared on the basis of information provided by Regional Manager (Kotdwar Region), UFDC, Dehradun. The office of the Principal Accountant General (Audit), Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non-submission or submission of incomplete records.

Part-I

Introduction: - The last audit of this unit was carried out by Shri R. L. Sharma, Asst. Audit Officer, Shri Amit Kumar, Asst. Audit Officer and Shri Khub Chand, Asst. Audit Officer, under the supervision of Shri B. C. Soyal, Sr. Audit Officer in which accounting records of the period from April 2012 to March 2016 were generally examined. In current audit, accounting records of the period from April 2016 to March 2020 were generally examined.

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

The functions of the Regional Manager (Kotdwar), Uttarakhand Forest Development Corporation are engaged in the business of logging, mining of Sand, 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.

(ii) Auditing methodology and scope of audit:

Office of the Regional Manager (Kotdwar), UFDC Dehradun was covered in the audit. This inspection report is based on findings of audit and March 2017, June 2017, March 2019 and May 2019 months were selected for detailed examination and October 2016, February 2019 and July 2019 were selected for Arithmetical accuracy.

(iii)

(Rs. in Crore)

Year	Revenue	Expenditure	Profit/Loss
2016-17	33.66	33.05	0.61
2017-18	51.13	35.34	15.79
2018-19	28.82	33.28	(-)4.46
2019-20	33.89	25.10	8.79

(To the extent this information is available & applicable)

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

O/o the Regional Manager (Kotdwar Region), UFDC, Dehradun, which is officiated by the Regional Manager and the Regional Manager, Kotdwar reported directly to General Manager, Garhwal Division.

Part-II-A**Para 1: Undue favour to contractor.**

(A) Regional Manager (Kotdwar), UFDC invited (19.08.2016) tender for setting up of Computerized Electronic Weighing Machine (Dharamkata), CCTV and RFID Plant at Malan River and also for Operation & Maintenance of the same for a period of five years (2016-17 to 2020-21). Three bidders submitted their bid. At the time of opening of technical bid, one bidder was technically disqualified due to non-submission of FDR. Finally, financial bid of two bidders was opened and M/s Anchal DharamKanta, Haldwani was lowest and the work was awarded to M/s Anchal Dharamkanta Haldwani.

During scrutiny of records, it was noticed that as per tender document, performance security was required to be submitted by the successful bidder for Rs. 5.00 lakh in the form of FDR/STDR/Bank draft but it was seen that no agreement was made with the successful bidder. After a lapse of two years, a work order was issued (09.03.2019) to the M/s Anchal Dharam Kanta, Haldwani against the same work for the mining (year 2019-20 and 2020-21). It was also seen that M/s Anchal DharamKanta, Haldwani was executing the work without any agreement/work order.

Region accepted the observation and stated that due to exigency of work, the contractor had started the work without the agreement, further, as per request of the contractor and shortage in R.B.M in river Malan, the performance security was not obtained from the contractor.

The reply of the region is not acceptable, it is a clear violation of General conditions of tender documents of the work and thus undue favour to the contractor was extended by not taking performance security of Rs. 5.00 lakh.

(B) Regional Manager (Kotdwar), UFDC, invited tender (05 December 2015) for setting up of Computerized Electronic Weighing Machine (Dharamkanta) at different gate in Ganga and its tributaries and also for Operation and Maintenance of the same for the period of five years (2015-16 to 2019-20). Three bidders submitted their bids and one bidder was rejected due to non-submission of security deposit. Further, financial bid of two bidders were opened and contract was awarded to M/s Haridwar-Haldwani Dharamkanta owner welfare society. An agreement was made on 17 May 2016.

During scrutiny of records, it was noticed that as per agreement clause 35, Performance Guarantee of Rs. 63.82 lakh was required from the contractor for the period of five year but the contractor had submitted Rs. 12.83 lakh against Rs. 63.82 lakh. Further, Regional Manager, Kotdwar reduced the performance security amounting to Rs. 44.67 lakh because mining was not carried out for the

period of two year (2015-16 & 2016-17). Further, Managing Director, UFDC wrote a letter to RM, Kotdwar (25 January 2017) seeking reasons for non-deposition of remaining performance security from the contractor. The reply of the same was not available.

The agreement with M/s Haridwar-Haldwani Dharamkanta owner welfare society was completed on May 2020. In view of this, the Contractor requested to RM, Kotdwar to extend its contract period for five years as the mining was not done for the period of two years (2015-16 & 2016-17) which was accorded by Managing Director, UFDC on 14 August 2020 and extended his contract upto the period of May 2023. Consequently, a new agreement was made on 23 October 2020 with the same contractor. As per the new agreement clause the contractor had submitted Rs. 12.83 lakh against Rs. 63.82 lakh as a Performance Security. In view of the above facts, it shows that the RM, Kotdwar made undue favour to the contractor by not taking full performance security amount from the contractor at the time of signing of agreement.

Management in its reply stated that to carry out weighing of vehicles, an agreement was made with M/s Haridwar-Haldwani Dharamkanta. Due to less excavation work from Ganga and its tributaries and also based on request received from the contractor, Nigam retained reduced performance security amount and the same was extended till May 2023.

Reply of the Management is not convincing as the facts remains that the both Nigam and contractor are bound with the agreement and the same must be followed. The performance security clause clearly stated that Rs. 63.82 lakh was required from the contractor for the period of five year and the same was not done at the time of signing of agreement. Also, Nigam made an undue favour to contractor by retaining Rs. 12.83 lakh as performance security rather than asking him to deposit full amount of security.

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

Part-II- B**Para 1: Non-recovered/adjusted of advance royalty amounting to Rs. 1.01 crore**

Ministry of Environment, Forest and Climate Change of Government of India issued mining permission to carry out extraction of RBM in river Ganga and its tributaries in Haridwar on 23.03.2016. As per State Government notification dated 30.09.2016 in respect of amendment of Uttarakhand Upkhanij (Parihar) Niyamavali, 2001, rule number 70 (9) which states that mining lease holder shall deposit royalty in advance to Forest Department before extraction of mining mineral.

During scrutiny of records, it was observed that during the period 2016-17 and 2017-18, the DLM, Haridwar under the jurisdiction of RM (Kotdwar) has deposited advance royalty amount of Rs. 1.01 crore to Forest Department which was in excess of extraction done by the division rather than depositing actual amount of royalty based on extraction.

More than three years have been elapsed but the region/division neither recovered the royalty amount nor adjusted the same with the royalty paid for the year 2018-19 and 2019-20. Due to non-adjustment of the same, Rs. 1.01 crore has been lying blocked for last three years.

Region in its reply stated that the advance royalty deposited against the year 2016-17 & 2017-18 was blocked due to banned the excavation work of R.B.M in Ganga & its tributaries in the year 2017-18 by Hon'ble National Green Tribunal and the advance royalty deposited for the year 2016-17 & 2017-18 was not adjusted by the region. The region is continuously trying for adjustment of the same but the Government has not adjusted the same till date. .

The reply of the region is not acceptable as NGT has ban an excavation work in March 2018, however, the excavation work was for the year 2016-17 and 2017-18. In addition, more than three years have been elapsed neither the DLM Haridwar, had adjusted the Advance royalty with the royalty paid for the year 2018-19 and 2019-20 nor recovered the same till date.

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

Part-II-B**Para 2: - Violation of Government orders issued against forest clearance.**

The Regional Manager (Kotdwar), UKFDC is engaged in the business of mining of sand, stones, boulders and RBM (natural resources) etc. in the river Ganga and its tributaries in Haridwar district. The mining permission in 2900 Hectare (corrected to 1380.03 Hectare) in river Ganga and its tributaries in Haridwar was available for a period of 10 years ending on March 2026.

As per condition No. 2 of Forest Clearance dated 23.03.2016, the division was to deposit ` 90.50 lakh in every six months for a period of 10 years to the State Government on account of compensatory afforestation and river training programme. Thus, the division had to deposit ` 18.10 crore ($\text{` } 90.5 \text{ lakh} \times 2 \times 10$) in 10 years towards compensatory afforestation and river training programme. Also, as per condition number-9, fifty percent of the net profit earned by the user agency from the collection of the minor minerals shall be deposited to Special Purpose Vehicle (SPV) to be used for compensatory afforestation and river training programme.

Scrutiny of records revealed that four years have been elapsed but the division neither had deposited an amount of Rs. 7.26 crore ($\text{` } 90.5 \text{ lakh} \times 2 \times 4$) to State Government up to March 2020 nor made any provision of this amount. Further, the SPV amount of Rs. 0.59 crore (Rs. 6.69 lakh in 2016-17, Rs. 38.63 lakh in 2017-18 and Rs. 14.08 lakh in 2019-20 was provided in the accounts)was also not deposited by the division. It is a clear violation of Government orders/directions dated 23.03.2016 issued against the forest clearance.

Region in its reply stated that necessary action will be taken after receiving the reply from headquarter office for depositing the amount as per clause no 2 of the Forest Clearance.

In respect of S.P.V amount, region also stated that a letter has already been issued to headquarter for depositing the same but the reply of headquarter is also awaited.

The reply of the region is not acceptable as more than five year have been elapsed but the region/DLM (Haridwar) had not deposited the same and violated the Govt. order issued against forest clearance.

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

Part-II-B**Para 3: Undue delay in finalization of Material Shortage cases amounting to Rs. 2.28 crore.**

During scrutiny of records of DSM, Kotdwar under jurisdiction of Regional Manager, Kotdwar it was observed that material shortage amounting to Rs. 29.38 lakh were found for the period from 1989-90 to 1995-96 against five employees during physical verification of the material dated 11.10.2017, 06.01.2018, 29.01.2018 and 03.06.2020. The main reason for material shortage was volume reduction and missing semi finished material. The Shortage of Material cases were pertaining to the year 1989-90 to 1995-96 before bifurcation of State. Due to material shortage Nigam had set up an inquiry (September 2005) against these employees. Further, DLM, Shivalik (September 2005) was appointed as investigation officer to investigate allegation of irregularity. As per report of FRI, Dehradun the shrinking is a natural process for reduction of volume upto 14 *per cent*. The DLM, Shivalik submitted his report to RM, Kotdwar and in view of the report RM, Kotdwar acquit the employees from the entire allegation against them and reinstate their suspension order. Also, more than 20 years have been elapsed since incorporation of the Corporation and two employees were passed away and three employee were retired from the service but the Nigam was showing material loss cases pending for investigation against these employees.

Further, it was also observed that DLM, Karanprayag showing Rs. 1.99 crore material shortage cases pending against four employees in their books of accounts.

Due to delay in finalization of the case the divisions has neither made a provision for loss nor write off the same in their books of accounts.

Management in its reply stated that based on the report of Forest Research Institute, Dehradun and the investigation done by the officials, a letter has been sent to Headquarters to write-off shortage of material amounting to Rs. 29.38 lakh in respect of Divisional Sales Manager, Kotdwar. As soon as the write-off approval of the same is received from the Headquarters, the same shall be conveyed to audit. Also, the write-off against the shortage of material amounting to Rs 1.99 crore related to the Divisional Logging Officer, Karnprayag is in progress, the audit will be intimated of the write-off proceedings done in financial year 2021-22.

Further, progress in the matter would be awaited in audit.

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

Part-II-B**Para 4: Non realization of revenue of Rs. 8.82 lakh.**

The Divisional Logging Manager, Pauri, Karnprayag, Haridwar and Divisional Sales Manager Kotdwar under the jurisdiction of Regional Manager (Kotdwar), had supplied the logs/poles to Forest Department through its logging and sales divisions against the demand raised by them. During scrutiny of records, it was observed that the Forest Department had not paid the amount to Nigam against the demand and the same pertains before bifurcation of the State. The Nigam has not recovered the same till date. The logs/poles supplied by the RM (Kotdwar) to various DFOs are as under-

S.No	Name of DFOs	Amount	Year
1.	Mussoorie	Rs. 45273/-	1993-94
2.	Haridwar	Rs. 40499/-	1999-2000
3.	Haridwar (Pole supply)	Rs. 47874/-	2013-14
4.	Kedarnath	Rs. 88434/-	Before bifurcation of the State
5.	Kalagarh	Rs. 125565/-	-do-
6.	Rudraprayag	Rs.495056/-	-do-
7.	Nandadevi	Rs.39597/-	-do-
Total		Rs. 882298/-	

The same were pending for recovery from the Forest Department from 1993-94. More than 20 years have been elapsed since incorporation of UFDC but the concerned DLM/DSM/RM failed to recover the said amount from the Forest Department. Due to passage of time, the chances of recoveries are very bleak. The Nigam neither recovered the amount nor adjusted the same against the royalty paid to Forest department. Due to non-adjustment/non-recovery of the said amount, Nigam had suffered a loss of Rs. 8.82 lakh.

Management in its reply stated that correspondence is being done with the concerned officers for early adjustment of the outstanding amount against the Forest Department. If the outstanding amount is not deposited by the respective forest divisions in the year 2020 -21, then the same shall be adjusted in the royalty of this financial year citing the audit observation. As soon as the amount is adjusted, the same shall be intimated to the audit.

Further, recovery/adjustment of Rs. 8.82 lakh would be awaited in audit.

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

Part-II-B**Para 5: Excess recovery of royalty on behalf of Government amounting to Rs. 1.87 crore from the buyers.**

Forest Department accorded mining permission to DLM, Haridwar under jurisdiction of RM (Kotdwar) to carry out extraction of RBM in river Ganga and its tributaries in Haridwar on 23.03.2016. As per State Government notification dated 19.05.2016, the rate of royalty to be paid by the Corporation to State Government was Rs. 7.00 per quintal in the business of mining in the river Ganga and its tributaries in Haridwar and other places.

During audit, it was noticed that as per sale list issued by MD, UFDC, Dehradun to DLM, Haridwar, the rate of royalty to be recovered from the buyers was Rs. 8.26 per quintal instead of Rs. 7.00 per quintal as notified by the State Government. During 2017-18, the excess amount of Rs. 1.87 crore was recovered from the buyers by the DLM, Haridwar and the same has been shown in the books of account as “other liability of mining” against the Government but in 2019-20, the DLM, Haridwar has treated the amount as income to Corporation.

The excess amount of Rs. 1.87 crore recovered from the buyers on behalf of Government should have been deposited to the Government or refunded to the buyers account.

Management in its reply stated that in the financial year 2017-18 and 2018-19, the amount recovered from buyers as royalty and other items was in accordance with the instructions/directions received from the Headquarters in respect of sale list for mining work carried out from river Ganga and its tributaries in Haridwar.

Reply of the Management is not acceptable as the fact remains that the excess amount of Rs. 1.87 crore recovered from the buyers on behalf of Government should have been deposited to the Government account or refunded to the buyers account.

Hence, the matter is brought to the notice of the 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 03/2016	1 & 2	1,2,3,4&5	7

Part IV**Best practices of the unit**

NIL

Part V

Acknowledgement

1. Office of the Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards O/o the Regional Manager (Tehri), 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:**

Regional Manager

1. Shri P.S. Shrivastav, Regional Manager, Since last audit to 20.10.2016
2. Shri. V.K Gangte, Regional Manager, 21.10.2016 to 09.11.2016
3. Shri Ram Gopal, Regional Manager, 10.11.2016 to 30.12.2016
4. Shri Dr. Divakar Sinha, Regional Manager, 31.12.2016 to 04.12.2017
5. Shri Ramesh Chandra, Regional Manager, 05.12.2017 to 16.04.2018
6. Shri M.P.S. Rawat, Regional Manager, 17.04.2018 to 31.05.2019
7. Shri Arvind Kumar, Regional Manager, 01.06.2019 to 07.08.2019
8. Shri Deep Chand Pant, Regional Manager, 08.08.2019 to 22.11.2019
9. Shri C.P Sharma, Regional Manager, 23.11.2019 to 31.03.2020

Accountants

1. Shri Vijay Swaroop, Account Officer, Last audit to 31.07.2019
2. Shri D.R Bauntiyal, Account Officer, 01.08.2019 to till date

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Test Audit Note with the request that the compliance report on the same may be sent to DAG/AMG-IV within one month of receipt of the letter.

Sr. Audit Officer /AMG-IV