

ཐུལ་གཞུང་ཚེས་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources

REVIEW REPORT
ON
REVIEW OF SURFACE
COLLECTION & DREDGING OF
RIVERBED MATERIALS

November 2020

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder".
- His Majesty the King Jigme Khesar Namgyel Wangchuck*



རྒྱལ་གཞུང་ཕྱི་ས་ཞིབ་དབང་འཛིན།
ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/FuCD (K3)/MoAF/2020/2064

Date: 18 November 2020

The Director
Department of Agriculture and Forest
MoAF, Thimphu

Subject: Review Report on Review of Surface Collection and Dredging of Riverbed Materials

Sir,

The Royal Audit Authority reviewed the responses furnished by the Department of Forest and Park Services, MoAF vide letter no. DoFPS/RAA/19-20/874 dated 11 December 2019 for the audit report No. RAA/AG-SP/07/2019-2020/077 dated 20 September 2019 covering the period from January 2015 to October 2018.

Based on the actions taken and relevant documents made available and review conducted, the status of the report now stands as below:

SL. No.	AIN	Total Recommendations	Implemented	Partially Implemented	Not Implemented	No. of Review
1	16196	11	1	9	1	1 st

While the concerted effort made by DoFPS in resolving the issues is appreciated, the RAA provides further comments in the attached report against the partially and not implemented recommendations for taking further appropriate actions.

Yours sincerely,

(Chimi Dorji)
Dy. Auditor General
Dept. of Follow-up & Regions

Copy to:

1. The Director General, Department of Geology & Mines, MoEA for necessary action
2. The Chief Executive Officer, NRDCL for necessary action
3. The Director General, Department of Revenue & Customs for necessary action
4. The Director General, Department of Trade, MoEA for necessary action
5. The Director General, Department of Roads for necessary action



ཀྲུལ་གཞུང་ཕྱི་ས་ཞིབ་དབང་འཛིན།
ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



6. The Regional Directors, RRCO, P/ling & Samtse for necessary action
7. The Regional Director, RTIO, P/ling for necessary action
8. The Chief Engineer, Regional Office, DoR, P/ling for necessary action
9. The Chief Forest Officers, Gedu and Samtse Division for necessary action
10. Office copy
11. Guard file

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)				
Date of Issue : 20 September 2020				
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing				
No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
4.1.1	<p>Government need to harmonize the legal framework and existing regulations governing surface collection & dredging and export of RBM</p> <p>While the existing regulations mandates both the DoFPS and the DGM to issue approval for surface collection of RBM such as stone and boulders, the Water Act 2011 also gives specific mandate for surface collection of boulders to a “State Agency”. Section 436(63) of the FNCR 2017 includes dredging of boulder from river bed using excavator which is not within the ambit of FNCA 1995 and the definition of surface collection specified in the Joint Guidelines issued in 2010 by then Cabinet. Existence of such overlapping mandates created difficulties in implementation and monitoring by the relevant agencies. It has also contributed to unrestrained surface collections and dredging of RBM by private parties and non-compliance to applicable Laws and Regulations governing the surface collections. Therefore, the Government should review and harmonize the legal</p>	<p>The Department of Forest and Park Services (DoFPS) submitted the revised FNC Bill to Office of Attorney General (OAG).</p> <p>The chapter on surface collection is included in both the Bills of DoFPS and DGM. It is therefore left for the Parliament to decide where the chapter will be included. After the Bills are enacted and when the authority is vested with one of the Departments, Rules and implementation arrangements will be streamlined as per Act’s provisions.</p>	No timeline provided	<p>Partially Implemented</p> <p>The response has been noted. However, until the Bills are enacted by the Parliament and implemented, the recommendation shall be considered partially implemented.</p> <p>Meanwhile, DoFPS should provide an expected timeline for full implementation of the recommendation.</p>

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
framework and existing regulations governing surface collection & dredging and export of RBM, keeping in mind the environmental impacts and sustainability of such resources.			
<p>4.1.2 Legality of “dredging” in FNCRR 2017 needs to be reviewed</p> <p>The FNCA 1995 does not contain specific provision on ‘Surface collection of stones, boulders and dredging activities’ but includes boulders, stone, sand, gravel, rocks, peat, surface soil under ‘Forest Produce’. The inclusion of surface collection of stones, boulders and dredging of RBM in FNCRR 2017 using excavators is not in accord with FNCA 1995. RAA’s review noted that such inconsistencies have led to use of excavators and excavation of depth of more than 3 meters and massive dredging of river beds, which is further exacerbated by lack of proper monitoring mechanisms. The Government should conduct the review of legality of inclusion</p>	<p>The Department of Forest and Park Services (DoFPS) submitted the revised FNC Bill to Office of Attorney General (OAG).</p> <p>The chapter on surface collection is included in both the Bills of DoFPS and DGM. It is therefore left for the Parliament to decided where the chapter will be included. After the Bills are enacted and when the authority is vested with one of the Departments, Rules and implementation arrangements will be streamlined as per Act provisions.</p>	No timeline provided	<p>Partially Implemented</p> <p>The response has been noted. However, until the Bills are enacted by the Parliament and implemented, the recommendation shall be considered partially implemented.</p> <p>Meanwhile, DoFPS should provide an expected timeline for full implementation of the recommendation.</p>

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue	: 20 September 2020			
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	of Surface collection of stone, boulders and dredging in the FNCRR 2017 and bring more clarity to ease enforcement by relevant authorities.			
4.1.3	<p>Government need to consider revision of royalty rate for RBM</p> <p>Currently, the DoFPS collects royalty @ Nu 40 per Truck Load for riverbed materials irrespective of domestic consumption or for the purpose of export to neighboring countries. On the other hand, the exporters earn in hard currency ranging from USD 14 to USD 27 per Metric Ton while exporting to country like Bangladesh. As the system of realizing royalty on Truck Load basis does not commensurate with the earnings made by the Exporters, the Government should review the royalty rates which has not been revised for a long period of time as well as consider to rationalize charging of royalty on the basis</p>	<p>The revision of Royalty rates has to be endorsed through the Parliament. Therefore, for immediate effect, the Department and MoF revised services charges and permit fees.</p> <p>The Notification on revised service charges and permit fees from the Ministry of Finance (DRC/RAA-Gen(23) /2019-2596 dated 5 June 2019) is attached in Annex I.</p>	No timeline provided	<p>Not Implemented</p> <p>While RAA appreciates the revision of service charges and permit fees, DoFPS should propose for revision of royalty rates as well to the Parliament taking into consideration the rationale of charging royalty on the basis of Metric Ton (MT) instead of Truckload (T/L).</p> <p>Until such time, the recommendation shall remain not implemented.</p> <p>Meanwhile, DoFPS should provide an expected timeline for implementation of the recommendation.</p>

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue	: 20 September 2020			
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	of Metric Ton (MT) instead of Truckload (T/L).			
4.1.4	<p>Issuance and approval of Environmental Clearances should be strictly implemented in line with the existing rules and procedures</p> <p>Environmental Clearance are issued, to let a project proceed, which includes terms and conditions to ensure that the project is managed in an environmentally sound and sustainable way. RAA’s review noticed that while almost all the parties were involved in dredging activities, Environmental Clearance was not obtained from the NEC except by M/S BMML Enterprise. In few cases, the Environmental Clearance was obtained from DoFPS which is not the competent authority for issuance for Environmental Clearance for dredging activities. Further, to operate the crushing plants, the EC should be obtained from the Dzongkhag Environment Committee</p>	<p>The authority to issue clearance for surface collection and dredging has been vested with the DoFPS, till the MMM Bill is enacted. The following order have been issued to prevent confusion in issuance of clearances and approvals:</p> <ol style="list-style-type: none"> 1. As per the order from Cabinet Secretary, No. C-3/30/208 dated 26 July 2019 (Annex II), “Ongoing surface collection and dredging activities on allotted sites will be allowed to continue and the DoFPS will issue renewal of clearances. A separate environment clearance (EC) is not required from NECS in continuation of past practices as DoFPS is the competent authority. (Letter attached). 2. Notification from Hon’ble Sanam Lyonpo, MoAF/Circular/2019/260 dated 25 October 2019 (Annex III) –“Surface collection of sand and stones for both commercial and non-commercial purpose and exports, shall be under the control of the DoFPS, MoAF. 	No timeline provided	<p>Partially Implemented</p> <p>It has been noted that DoFPS has the authority to issue clearance for surface collection and dredging works until the MMM Bill is enacted. To that effect, an office order from Cabinet Secretary and notification from Hon’ble Agriculture Minister were issued in July 2019 and October 2019 respectively.</p> <p>In view of the above, the recommendation is considered partially implemented.</p> <p>However, the full implementation of the recommendation shall be reviewed upon enactment of the MMM Bill and subsequently implemented.</p>

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
(DEC) or Thromde. However, some of crusher plants operators have not obtained the Clearance. Due to non-enforcement of the rules and regulations, there are huge social and environmental impacts like non-restoration and mitigation plans as per the Detailed Project Report (DPR) at sites. The Government and Competent Authorities should strictly implement Environment Assessment Act 2000 and the procedures outlined in Chapter IV, Environmental Clearance of Project 2016 for issuance and approval of Environment Clearances.	Henceforth, all other authorities are requested not to issue permits/approval/clearances for surface collection and /or dredging of sand and boulders, either from the river beds or elsewhere without consultation with DoFPS.”		Meanwhile, DoFPS should provide an expected timeline for full implementation of the recommendation.
4.1.5 Relevant authorities should strengthen monitoring, coordination and enforcement mechanisms The monitoring and coordination among the multiple agencies involved in the governance and management of surface collections and dredging of RBM were lacking in the current system. Due to lack of proper monitoring systems, coordination	Following RAA observations, numerous efforts have been taken to improve stakeholder coordination 1. A Multi-Sectoral Task Force was formed among NECS, MoF, MoAF, MoEA, NRDCL and other stakeholders to formulate interim guidelines on surface collection and dredging of river bed material for export, 2019 and revision of applicable charges and fees.	No timeline provided	Partially Implemented DoFPS reported that a Multi-Sectoral Task Force has been formed with the relevant stakeholders to formulate interim guidelines on surface collection and dredging of river bed material.

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)		
Date of Issue	: 20 September 2020		
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing		
No. of Review	: 1 st Review		
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>and enforcement during the execution of such activities it had led to breach of applicable Laws and Regulations, collections of RBM at the discretions of parties, no appropriate recording of exports by DoFPS, execution without completing formalities, forestry clearances issued without requirements, no uniformity in obtaining sectoral clearances, illegal mining, commercialization of construction materials from road widening activities and huge social & environmental impacts. There are also shortfalls in the issuances of CoOs (Certificate of Origin) by RTIO, Phuentsholing for exports of RBM which are not properly monitored as stock reconciliation are not carried out to show its appropriate utilization. Issuances of CoOs (Certificate of Origin) by RTIO, Phuentsholing for exports of RBM in bulk to private parties and exporters posing risk of CoOs being misused by parties other than the one to whom it was issued. Therefore, the Government and relevant</p>	<p>2. Issue of Forestry Clearance and Environmental Clearance for surface collection of Dolomite dust is being done in co-ordination with Department of Geology and Mines (DGM). A meeting was convened between DoFPS and DGM whereby it was decided that clearance will be issued to DGM on all mining and quarry related activities and DGM in turn will then allot areas to applicants.</p> <p>3. To strengthen the monitoring system, a Standard Operation Procedure (SOP) has been formulated and is now being implemented uniformly by all field offices (Annex IV). Further monthly monitoring report and monthly revenue collections form the field offices are compiled.</p>		<p>The decision was also made that clearance on all mining and quarry related activities is being vested on the DGM.</p> <p>Further, SOP for new and renewal of applications on surface collection and dredging has been formulated and implemented as well besides monthly monitoring report and revenue collections of field offices are being compiled.</p> <p>In view of the above, the recommendation is considered partially implemented.</p> <p>However, the effective implementing of applicable Laws and Regulations will be reviewed and verified at site at the later date.</p> <p>DoFPS should also provide an expected timeline for formulation of interim guidelines on surface collection and dredging of river bed material.</p>

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>Authorities should strengthen the monitoring, coordination and enforcement of execution of such activities to ensure minimal social and environmental impact.</p>			
<p>4.1.6 Methods of award of surface collection and dredging works need to review to ensure uniformity and equity</p> <p>Currently, there are two methods of awarding the surface collection and dredging works such as direct award to parties by DoFPS and Thromde while the NRDCL invites competitive bids from the interested parties and award to parties offering the best price in accordance with the Procurement Rules and Regulations. The private parties engaged by DoFPS have paid royalty @ Nu.40 per T/L (8 metric ton) and permit fee of @Nu.10 per page. On the other hand, private parties engaged by NRDCL pays service charges and other overhead cost @ Nu 2.14 per cft, in addition to royalty and permit fees. The</p>	<ol style="list-style-type: none"> 1. Public notification for allotment of new surface collection and dredging sites based on first come first serve was notified in Kuensel to ensure transparency and equity (Annex V). 2. Notification on revised royalty (DRC/RAAD-Gen(23)2019-2596 dated June 5, 2019) attached. 		<p>Partially Implemented</p> <p>While the response has been noted, RAA is skeptical how the transparency and equity in the allotment of sites on that basis would be ensured.</p> <p>RAA is of the view that inviting competitive bids and awarding to the parties offering the best price is found to be more rational and transparent. The current practice of direct award has not only deprived the revenue to the government but also deprived competitive and equal opportunity of the interested parties.</p> <p>Therefore, RAA reiterates DoFPS to conduct thorough review to ensure</p>

Exhibit-A

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
existing practices is viewed irrational, lack transparency, uniformity and equity for extraction of same materials in same locations by different parties. Such practices have high risk of encouraging favoritism, nepotism and unethical business operations. It is desirable that government conduct thorough review and consider options that best protect interest of the Government and citizens who are trustees of the Nation’s resources.			uniformity and equity in the award of surface collection and dredging works. Until such time, the recommendation shall be considered partially implemented. Meanwhile, DoFPS should provide a timeline for full implementation of the recommendation.
4.2.1 Issuance of Forestry Clearances should be strictly enforced as per the existing rules and procedures It is mandatory for every Institution and Individual to obtain the forestry clearance for the purpose of allotment of State Reserved Forest Land for Kidu land, Rehabilitation land, Substitute land, Exchange, Government institutions, Gerab Dratshang and Lease. RAA’s review observed instances of surface collections carried out without obtaining Forestry Clearances from the relevant authorities.	Standing Operation Procedure (SOP) was developed in-line with FNCR 2017 for new and renewal of application on surface collection and dredging, checklist for issuance of environmental clearance for strict enforcement.	No timeline provided	Partially Implemented RAA appreciates DoFPS for coming up with SOP for new and renewal of application on surface collection and dredging. However, the effective implementation of the same will be reviewed and verified upon submission of relevant documents to RAA.

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>There were also cases where forestry clearances were issued without conducting actual site inspection and obtaining sectoral clearances and consultation with the local communities which is mandatory as per the prevailing rules.</p> <p>The DoFPS should review the existing practice of issuing forestry clearance and ensure strict enforcement of existing rules and procedures and subject to mandatory requirements.</p>			<p>Regarding the royalty and permit fees of Nu.361,331.69 and non-obtaining of forestry clearance by M/s Tshering Crusher at Budhuney river, the DoFPS should furnish documents in support of RBM not exported within 50 feet radius as justified in the audit report besides furnishing the forestry clearance.</p> <p>Until such time, the recommendation shall be considered partially implemented.</p> <p>Meanwhile, DoFPS should provide an expected timeline for full implementation of the recommendation.</p>
<p>4.2.2 DoFPS should carry out inspection to curb illegal activities in the name of surface collection in the country and take necessary action</p> <p>The surface collection site approved by DoFPS to Mr. Jamyang Loden, Gumpudara, Pasakha was reported as in the</p>	<ul style="list-style-type: none"> ➤ Only 46 truckloads of stones were collected from the private registered land of Jamyang Loden at Gumpadara. ➤ The permits (GFPMO) were issued from 09 October 2018 to 06 November 2018 for 46 truckloads and the applicable fees (royalty + permit fee) of Nu.2,300 was collected from the land owner and 		<p>Partially Implemented</p> <p>The recommendation is considered partially implemented since it has been reported that Nu.2,300.00 for 46 truckloads was realized on account of royal and permit fees and Nu.440.00 for</p>

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>nature of mining and not necessarily of surface collection. The RAA’s site visit unearthed extractions of boulders from the hill lock and boulders were exported by the owner of the registered land in contravention to his appeal that it would be using for his own site development and not export. Such incidences of illegal mining in the name of surface collection could be prevalent in other parts of the country as well.</p> <p>Therefore, DoFPS should carry out inspections throughout the country to curb existence of such practices to ensure that surface collections are being carried out in conformity to existing procedures, rules and regulations. The relevant agencies should also place proper measures and mechanisms to enforce the implementation in line with the existing policies. With regard to the above case of Mr. Jamyang Loden, the applicable royalty, permit fees and export permit fees for the collection of</p>	<p>deposited to RGR account. (Refer Annexure VI)</p> <p>➤ Out of 46 truckloads, 44 T/L were exported, for which applicable export permit fee of Nu.440 (Nu.10 per permit) was collected and deposited to RGR account. (Refer Annexure-VI). The remaining 2 truckloads was used for domestic consumption.</p>		<p>44 T/L on account of export fees from Mr. Jamyang Loden.</p> <p>However, DoFPS should furnish the authenticated documents in support of the above collections along with the revenue receipts for validation.</p> <p>Further, DoFPS should carry out regular inspections throughout the country to curb existence of such practices to ensure that surface collections are being carried out in conformity to existing procedures, rules and regulations as recommended in the audit report.</p> <p>Meanwhile, DoFPS should provide an expected timeline for full implementation of the recommendation.</p>

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue	: 20 September 2020			
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	boulders should be validated, levied and status intimated to RAA.			
4.2.3	<p>DoFPS should carry out inspection to see whether construction materials from road widening activities are being commercialized</p> <p>Section 162 of the Road Act of Bhutan 2013 restricts the Department of Forests and the Department of Geology and Mines to issue any permit to any person or organization for the collection of resources from the road right of way or from any adjoining government land near a road except for purposes of construction, repair, maintenance and improvement of roads. On the contrary, the DoFPS had granted an export approval to M/s Gyeldron Venture involved in the road widening at 35 Km road chain age along Manitar – Raidak National High Way based on approval of the Department of Roads which is flagrant violation of existing Acts, Rules and</p>	<ul style="list-style-type: none"> On verification of the export approvals, the DoFPS had issued export approval for 500 T/L of value-added stone aggregates (sand/gravel/boulders) vide letter no.DoFPS/FPED/FLCS/6-2/2018/2050 dated 28 June 2018 and another export approval for 1000 T/L of stone aggregates vide letter no.DoFPS/FPED/FLCS/6-/2018-19/302 dated 20 February 2019. There is no separate export approval issued by DoFPS to M/s Gyeldron Venture for 32,385 T/L of stones and boulders (letter no. DoFPS/FPED/FLCS/6-2/2018/2030 dated 22 June 2018) as stated in the report. Instead, note sheet vide no. DoFPS/FPED/FLCS/62/2018/2038 dated 22 June 2018 was approved (copy attached) and based on the approved note sheet, the export approval for 500 T/L was issued. Therefore, request RAA to kindly revisit the export approval for 32,385 T/L, because the export approvals are accorded in a phased quantity with a ceiling of 1000 T/L at a time. 	No timeline provided	<p>Partially Implemented</p> <p>While the response has been noted, the fact is that M/s Gyeldron Venture had obtained approval for export of 259,080 cum (32,385 T/Ls) stones and boulders vide letter No.DoFPS/FPED/FLCS/6-2/2018/2030 dated 22 June 2018. The company had also established stone crushing plant and obtained an approval for export of 500 T/Ls value added stone aggregates vide letter No.DOFPS/FPED/FLCS/6-2/2018/2050 dated 28 June 2018. The approvals for exports were obtained for 32,885 T/Ls as highlighted in Table-10 of the audit report.</p> <p>As such, the applicable royalty and permit fees amounting to Nu. 1.988 million for the extraction and export of boulders should be levied accordingly.</p>

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)
Date of Issue	: 20 September 2020
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing
No. of Review	: 1 st Review

Recommendation	Action Taken/ To be Taken	Timeline	Status on 1 st Review
<p>Regulation. In order to control such activities, the DoFPS should carry out prior inspections to see whether construction materials from road widening activities are being commercialized by contractors before issuance of forestry clearance and granting an export approval. Further, the applicable royalty and permit fees amounting to Nu. 1.988 million for the extraction and export of boulders should be levied and status intimated to RAA.</p>	<ul style="list-style-type: none"> • With regard to realization of royalty and permit fee, M/s Gyeldron Ventures lifted 2,082 truckload of stones from road widening site (refer Annexure VII) and the applicable royalty and permit fees amounting to Nu.104,100 was levied and deposited to RGR account. (Nu.40 and permit fee Nu.10 per truckload). • Out of 2,082 TL of stones lifted from the road widening site, 1,106 TL of value added aggregates were exported from the approved export quantity of 1,500 TL. The applicable export fee amounting to Nu.11,060 @Nu.10 as export permit fee was collected and deposited to RGR account (refer Annexure VII A & B). 		<p>Regarding the realization and deposit of royalty and permit fees of Nu.104,100.00 for 2,082 TLs and export fees of Nu.11,060.00 for 1,106 T/L into RGR account, DoFPS should furnish authenticated documents along with the revenue receipts for validation.</p> <p>Further, the DoFPS should carry out regular inspections to see whether construction materials from road widening activities are being commercialized by contractors before issuance of forestry clearance and granting an export approval as recommend in the audit report.</p> <p>Until such time, the recommendation shall be considered partially implemented.</p> <p>Meanwhile, DoFPS should provide an expected timeline for full implementation of the recommendation.</p>

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue	: 20 September 2020			
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
4.2.4	<p>DoFPS should confirm the non-accountal of royalty and permit fees for the remaining stock balances at the yards of private parties - Nu. 25.764 million</p> <p>During the period from January 2017 to October 2018, the parties had exported 3,031,915 MT of riverbed materials against which royalty realized amounted to Nu. 9.430 million. As on 30 October 2018, there were remaining stock balances with various parties of staggering 2,976,893 MT which is almost equivalent to quantity already exported to neighboring countries. The payment of royalty and permit fees on the remaining stocks balances at yards of private parties aggregating to Nu 25.764 million for 328,010T/Ls (DFO Samtse) and 187,284T/Ls (DFO Gedu) should be validated, levy and status intimated to RAA.</p>	<p>DFO, Gedu</p> <ul style="list-style-type: none"> • The physical stock balance of 187,287 TL reflected in the RAA report was that of 30 October 2018. • From 31 October 2018 to 22 October 2019, GFPMOs were issued for lifting 168,606 TL of RBM from the stockyards after realization of Nu.8,437,550 (Nu.40 royalty+Nu.10 permit fee per TL) and the realized amount was deposited to RGR account. The above specified TL is from FIRMS database maintained with Phuentsholing Range Office and the TL includes all the private parties for the period mentioned above. • The realization of royalty and permit fee for balance RBMs at the site/ stockyard cannot be levied from private parties, unless the RBM is traded/transported beyond 50 feet radius, because as per section 371(2) of FNCRR 2017, “The payment of royalty and permit is not required for collection of sand and stone within 50 feet radius of the construction site, provided that it is not traded or transported beyond the construction site.” <p>DFO, Samtse</p>		<p>Partially Implemented</p> <p>It has been reported that DFO, Gedu had realized and deposited Nu.8,437,550 (Nu.40 royalty+Nu.10 permit fee per TL) for 168,606 TLs into RGR account.</p> <p>However, DFO, Gedu should furnish the authenticated documents along with the revenue receipts for validation.</p> <p>With regard to balance stock of 18,681 TLs (187,287 TL -168,606 TL) not traded/transported beyond 50 feet radius, DFO, Gedu should provide approvals and related documents on the usage of RBMs.</p> <p>In case of DFO, Samtse, the RAA appreciates the initiatives being taken to maintain proper check and balance on the quantity of RBM exported against the approved quantity by the Ministry and making mandatory to produce General Forest Produce Movement Order</p>

Exhibit-A

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)		
Date of Issue	: 20 September 2020		
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing		
No. of Review	: 1 st Review		
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
	<p>The export of RBM is viewed seriously and initiated various mechanisms to maintain proper check and balance on the quantity of RBM exported against approved quantity by Ministry. We have developed formats in MS excel and instructed all check post personnel to keep consignment wise records of exports on top of mandatory record keeping in FIRMS. While the veracity of the physical quantities at site is doubtful given the difficulty in making accurate approximation for such stocks considering their uneven side and shapes, it has been confirmed and intimated earlier that the quantity exported as per RRCO is not correct as it includes export from DGM approved sites. It was found that a few exporters with the permit approval from DGM were also included in the calculations of RAA. The RRCO used the same code for all export materials (stones, boulders, aggregates) irrespective of whether the export materials originate from DGM or DoFPS. For instance, M/s Zuri Impex alone had exported 84,605.81 TLs of the total</p>		<p>(GFPMO) while availing export approvals and permits from the check posts besides development of formats in MS excel as backup information on top of mandatory records updated in Forestry Information Resource Monitoring System (FIRMS).</p> <p>Nevertheless, RAA reiterates that the issues were deliberated at length during the audit exit meeting held on 30 April 2019 at the DoFPS conference hall. It was made clear that except the export of M/s Zuri Impex requires further validations, the question of inclusion of export data from DGM approved sites in RRCO export data would not arise with rest of the exporters. Therefore, the respective Divisional Forest Office must strictly monitor on the subsequent exports made from the stock balances which would also automatically quantify the actual physical stock balances and reveal the collections of levies appropriately. The subsequent exports made from the stock balances quantified earlier by joint physical</p>

Exhibit-A

Audit Report	: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)
Date of Issue	: 20 September 2020
Name of Agency (s)	: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing
No. of Review	: 1 st Review

Recommendation	Action Taken/ To be Taken	Timeline	Status on 1 st Review
	<p>169,211.62 TLs of RBM accounted under exports from Samtse which actually has come from the Thumkay mining under Norbugang gewog. This has distorted the whole export quantity figures and other calculations based on it. Our own records maintained till 01/01/2019 by the check post in-charge portray a different scenario where the actual quantity exported is below the approved. Quantity. (Annex-VIII). Meanwhile, all export consignments must be accompanied by GFPMO's. All exporters are required to produce GFPMO for availing export approvals and permits from the check post. Even for movement within the country, a copy of GFPMO is a must and anyone found transporting without these documents will be liable for penalties. While realization of royalty based on visual estimates of stocks may not realistic and possible at once, all materials shall eventually be accounted for and appropriate royalty realized and deposited.</p>		<p>verification team must be endorsed by forming the appropriate committee members for validation and deriving the correct quantities.</p> <p>Further, the requests of DFO, Samtse on either to drop the observation or proposal for a revisit of the findings is not accepted since the collections of levies were mainly based on the stock balances of RBM lying at various exporters' yards extracted under DoFPS' approvals and not from DGM which were physically verified by the joint team.</p> <p>As such, DFO, Samtse should take immediate actions to collect the applicable levies and physical stock positions validated to audit.</p> <p>Until such time, the recommendation shall be considered partially implemented.</p>

Audit Report : Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)			
Date of Issue : 20 September 2020			
Name of Agency (s) : Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
	The management requests RAA to either drop the observation or to kindly propose a revisit of the findings along with RRCO and DGM and segregate materials originating from DGM and DoFPS approved sites to establish the actual total quantity for which royalty must be realized for which the management here shall render all possible support.		
4.2.5 DoFPS should strictly accord approvals and quantification for export of RBM While exporting RBM, the exporters are required to obtain export approvals from the DoFPS based on recommendation issued by the inspection teams of the respective DFOs. The inspection teams quantify the exports approval on Truckload basis. However, there were many instances where exports were being carried out without export approvals and also without quantification of the exports on the basis of Truckload. The private parties and exporters have also replenished the export approvals prior to completing the export	DoFPS is strictly implementing the rules and regulation, Ministry’s export approval is sought prior to issue of export approval. Now the export fees, charges are levied in addition to the royalty.	No timeline provided	Implemented DoFPS reported that the rules and regulations are being strictly implemented and export approval is sought from the Ministry prior to issue of export approval. The export fees and charges are levied in addition to the royalty. In view of the above, the recommendation is considered implemented. However, the effective implementation of same will be reviewed and verified in the next review.

Audit Report		: Review of Surface Collection and Dredging of Riverbed Materials (AIN: 16196)		
Date of Issue		: 20 September 2020		
Name of Agency (s)		: Divisional Forest Office- Samtse, Gedu and Regional Trade & Industry Office, Phuentsholing		
No. of Review		: 1 st Review		
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	approval granted earlier. The DoFPS should strictly accord exports approvals in line with the existing laws and policies and quantify such approvals to ensure that exports are not carried out without approvals.			

