

Chapter - V

Investment of accumulated Compensatory Afforestation Funds

5.1. Introduction

CAMPA was to be the custodian of all Compensatory Afforestation Funds collected from user agencies while allowing diversion of forest land for non forest purposes under the Forest (Conservation) Act, 1980 and also the amounts received towards net present value of the forest land so diverted as per Supreme Courts directions. The collected money was to be held in trust by CAMPA for each State/UT and released to respective State/UT Governments based on approved Annual Plans of Operation. The accumulated funds were to be kept invested in the interim. The directions issued by the Supreme Court and MoEF in this regard from time to time are summarised below:

Date	Directions
23 April 2004	The MoEF notification constituting CAMPA, among other things, prescribed: <ul style="list-style-type: none"> • The powers and functions of Executive Body, CAMPA included 'investment of funds'. • The amount collected by CAMPA shall be invested in Reserve Bank of India, Nationalised Banks, Post office, Government Securities, Government Bonds and Deposits.
6 May 2006	The Supreme Court vide its order creating Ad-hoc CAMPA also directed the body to get audited all the monies received from the user agencies on behalf of the CAMPA and the income earned thereon by the various State Government officials. The auditors were to be appointed by the CAG. The audit was to examine whether proper financial procedure had been followed while investing the funds.

During the period 2006 and 2012, the Compensatory Afforestation Funds with Ad-hoc CAMPA grew from ₹ 1,200 crore to ₹ 23,608 crore. As on 31 March 2012, its accumulated funds comprised of principal amounting to ₹ 20,063 crore and an interest component of ₹ 3,545 crore.

5.2. Delegation of powers with regard to investment of funds

In the first meeting of Ad-hoc CAMPA held on 15 May 2006, it was decided that the Chairman Ad-hoc CAMPA would approve the general guidelines for investment to be made out of the funds to be deposited in Ad-hoc CAMPA. The Chairman and Member Secretary (Chief Executive Officer) Ad-hoc CAMPA, assisted by Officer on Special Duty were responsible for managing the investments of CAF and taking investment decisions. Occasionally, in the absence of Chairman, the investment proposals were approved by the

representative of CEC on the Ad-hoc CAMPA with the caveat that the file notings may be shown to the Chairman on his return to office.

This arrangement was reconfirmed in the 18th meeting of Ad-hoc CAMPA held on 19 April 2012 by noting that in terms of the order of the Supreme Court of India, decisions in the matter of the procedure for investment of CAMPA funds were to be taken internally in terms of the considered decisions taken in the past in the Ad-hoc CAMPA itself. There was no scope for involving member of the Ad-hoc CAMPA viz. CAG's representative on Ad-hoc CAMPA and or Member Secretary CEC (also member Ad-hoc CAMPA) in day-to-day decisions relating to management of the investment portfolio in respect of funds available with Ad-hoc CAMPA.

MoEF stated (April 2013) that investment of CAMPA funds followed the policy approved at the level of the Chairman Ad-hoc CAMPA.

5.3. The formulation of investment policy

Any entity whether in the public or private sector, dealing with large volumes of surplus cash ought to have a formally documented investment policy supplemented by detailed procedures. Such policy and procedures would lay down among other things, the following:

- The roles and responsibilities of different functionaries;
- The process for estimation of surplus cash, the periods for which such cash would continue to remain surplus to the organisation's requirements, and the frequency of estimation/re-estimation of such surplus cash.
- The instruments to which investments would be restricted – this would cover :
 - The type of instrument (e.g. Fixed Deposits, Government of India Bonds);
 - The maturity period of the instrument (which would be consistent with the period for which the cash would remain surplus to the organization's requirements);
 - The credit rating of instruments, where applicable;
 - The issuers of such instruments and their financial credibility;
 - The mix of instruments of different types, maturity periods, issuers and credit ratings required to optimize credit risk, liquidity, interest rate risk, and any other public policy objectives/constraints etc.

The detailed procedures to be complied with while making day to day investment decisions would generally include:

- The process of estimating surplus cash requirements(projected cash flow statements);
- The process for inviting of bids, indicating the approximate amount of investment, the maturity period, the validity period for bids, mode of receipt of bids (sealed covers, fax, e-mail etc.);

- The process for comparative analysis and evaluation of bids and finalization of investments (including negotiations with bidders);
- Time frame for each activity;
- Documentation to ensure that the prescribed processes have been carried out diligently, fairly, transparently, and with due professional care.

We noted that there were repeated discussions in the meetings of Ad-hoc CAMPA on framing an investment policy to guide the investment of the accumulated Compensatory Afforestation Funds. Ad-hoc CAMPA members in the meetings of the body not only urged the Executive members (i.e. the Chairman and Member Secretary) to formulate an investment policy and approve it but also provided guidelines and parameters for drafting the investment policy. The directions given at different times by the body are detailed below:

Date of meeting	Extract of the minutes of Ad-hoc CAMPA meetings
15 May 2006	<ul style="list-style-type: none"> • The funds shall be suitably kept in Fixed Deposits in Nationalised Banks/Reserve Bank of India/Post office/Government Securities/Government Bonds/Deposits. • Chairman shall approve general guidelines for investment to be made out of the funds to be deposited in Ad-hoc CAMPA.
7 July 2006	<p>An investment policy may be evolved. New Delhi Municipal Corporation guidelines for similar investments were to be considered for evolving such investment policy.</p> <p>Criteria for inclusion in the investment policy were prescribed:</p> <ul style="list-style-type: none"> • Investment by Ad-hoc CAMPA was to be done in the Scheduled Banks/Reserve Bank of India/Post Office only. • Funds to ordinarily be invested in six-monthly Fixed Deposits (FDs). • Funds to be invested with Banks covered by Delhi clearing system. • Different Scheduled Banks offering next lower interest rates may also be considered for making Fixed Deposits in addition to the Bank offering the highest interest rates in order to minimize the risk involved. • The format of quotation (to be sought from different Banks) was to be standardized by the Financial Consultant in consultation with member representing CAG. Validity-period of the quotations was to be invariably prescribed together with slabs of deposits intended. • The Chairman reserved the right to decide the distribution of investment in different Banks/Post Office according to the guidelines.

Date of meeting	Extract of the minutes of Ad-hoc CAMPA meetings
	<ul style="list-style-type: none"> As investment was not intended to be made on day-to-day basis, the broad guiding principle for making investment was to wait for receipts to become an amount of ₹ 50 crore, or for 15 days whichever is earlier. This general principle would be subject to exigencies of other responsibilities that the Chairman and other Members are discharging.
20 November 2006	The Financial Consultant of Ad-hoc CAMPA was to finalise the draft format for calling quotations and the draft guidelines for investment in consultation with the representative of CAG, which was to be placed before Ad-hoc CAMPA for approval.
15 February 2007	Quotations for one and two years were to be invited, and in the event of the interest rate for two years being more than 0.5 <i>per cent</i> than that for one year, investment was to be made for a period of two years.
20 June 2007	<ul style="list-style-type: none"> The matter of resignation submitted by the Financial Consultant, and the issues raised therein including allegation involving an investment of ₹ 250 crore against the then Chairman, came up for discussion. In view of the huge financial angle involved therein, it was felt necessary to enquire into the allegation made in the resignation letter of the Financial Consultant. The representative of the CAG was also of the view that such actions were in violation of the financial norms and were of serious concern. The Chairman directed that the Member-Secretary would inquire into the issues raised by the Financial Consultant and submit a report which would be placed in the next meeting of Ad-hoc CAMPA. It was also decided that the quotations would be called telephonically, but it would be received in sealed cover giving the bidders a fixed deadline for making the submission.
16 April 2008	<ul style="list-style-type: none"> As regards procedure to be followed for calling of quotations to ensure that the quotations are received, opened, compiled and decided properly, it was decided that the representatives of the Banks would be asked to be present at the time of opening the sealed envelopes.
9 March 2009	<p>On the alleged violation of financial norms by the then Chairman, Ad-hoc CAMPA, the views of the CAG's representative on Ad-hoc CAMPA were placed in the meeting and noted for future.</p> <p>(The views expressed by CAG's representative have been discussed in detail in the Case Study III in this Chapter).</p> <p>The CAG's representative on 24 November 2008 had also suggested objectives and parameters of defining an investment policy supplemented by detailed procedures. He concluded that :</p>

Date of meeting	Extract of the minutes of Ad-hoc CAMPA meetings
	<ul style="list-style-type: none"> • The mechanism for investment of surplus funds by the Ad-hoc CAMPA was an ad-hoc one, which was executed on a case to case basis, without systemic policy and associated procedures. • The human resources available to the Ad-hoc CAMPA were also not consistent with the requirements, given that the primary objective of the Ad-hoc CAMPA was not treasury/investment management, which was commonly associated with professional organizations specializing in this area. • The scale of surplus cash with CAMPA was, however, not appropriate for such an ad-hoc approach, and issues relating to arbitrariness, lack of transparency etc. may crop up in the future as well. • To avoid these issues and divest responsibility for investment, the ad-hoc CAMPA may also consider making a proposal to the Government of India for keeping surplus cash in the Public Account of India.
17 January 2011	CAMPA funds were to be so invested during the year 2011 in banks as to mature on pre-determined dates, say, 30 March, 2012, 29 June, 2012, 30 December, 2012 and so on depending on the anticipated pattern of fund requirements of the States so that there is no loss of interest of Ad-hoc CAMPA on this account. A transparent process for ascertaining of interest rates from the nationalized Banks was to be formalized.
14 September and 17 October 2011	<ul style="list-style-type: none"> • Of the accumulated funds in the Ad-hoc CAMPA, an amount of ₹ 20,000 crore only was to be kept separately, in a way 'frozen' in FDRs in nationalized Banks and the funds over and above this utilized for ongoing releases. • The limit of investment in a particular Bank was to be linked to the net worth of the Bank, for which figures were to be accessed from the internet. The proposals in this behalf should be placed before the next meeting of the Ad-hoc CAMPA. • Instead of asking for quotations only once in a month, the Banks were allowed to quote two working days ahead of the date of maturity of FDRs. The practice of informing the Banks only once in a month about the funds likely to be available in the course of the month, however, remained unaltered. The hard copies of e-mails sent on the 25th day of every month were to be sent officially to all CMDs of Banks, and also the nominated General Managers and Deputy General Managers.
20 January 2012	It was reiterated that there was a need for formulating an investment policy.
19 April 2012	It was felt that a formal Investment Policy should be finalised and placed on the website of CAMPA.

MoEF stated (April 2013) that the observations of the representative of CAG were considered at the time when the Compensatory Afforestation Bill 2008 was in the Parliament and the uncertainty over the future of the Ad-hoc CAMPA loomed large. Further, it also stated that Ad-hoc CAMPA had no time to take long term decisions as the future of its existence was itself very uncertain.

The reply of the Ministry is not tenable as the observations of the CAG's representative were not given due consideration. Irregularities in investment of CAMPA funds occurred as evident from the audit observations discussed in succeeding paragraphs, due to absence of well crafted investment policy and weak procedures and internal controls.

As is reflected in the chronology tabulated above, despite repeated directions from Ad-hoc CAMPA, no comprehensive investment policy with detailed procedures was approved by Chairman, Ad-hoc CAMPA between 2006 and 2012. Further, detailed procedures to ensure proper assessment of investable surpluses, competitive bidding and evaluation of bids, monitoring of maturities and safeguarding investments were not prescribed. Investment decisions were generally guided by broad criteria laid down Ad-hoc CAMPA in its meetings.

MoEF (April 2013) accepted that the investment policy was not formally notified keeping in view the very uncertain nature of these funds and their management. It, however, added that the decisions taken in Ad-hoc CAMPA were scrupulously followed. The fact remained that no investment policy was formulated for the funds received by Ad-hoc CAMPA since its inception. However, investment policy for the investment of funds with the banks by Ad-hoc CAMPA was framed and ratified in the 22nd meeting of Ad-hoc CAMPA held in February 2013, six years after the creation of Ad-hoc CAMPA.

5.4. Ad-hoc determination of funds available for investment

In the absence of any prescribed process for periodic determination of funds available for investment, we examined Ad-hoc CAMPA's records to ascertain the practice being followed for estimating of surplus cash, the periods for which such cash would continue to remain surplus, and the frequency of such estimation/re-estimation.

We observed that there was no documentary evidence available to show that a process of periodically estimating the quantum of funds available with Ad-hoc CAMPA for investment taking into account the maturity pattern of fixed deposits and the probable inflows and outflows of cash, was being followed in practice. Investment proposals were found on noting sheets that indicated a lump-sum amount available for investment which included the amounts available from maturity of the FDRs as well as the fresh deposits. There were no working papers indicating the period to which this investable surplus pertained, whether all FDRs maturing within the period had been included, whether all fresh deposits received from the States/UTs during the period had been included. Hence, from the evidence available on record, we were unable to derive an assurance that the entire funds available for investment had been accounted for while taking investment decisions at a particular point of time.

MoEF stated (April 2013) that Ad-hoc CAMPA from the date of its constitution performed in a very uncertain scenario as to its future and longevity. The best possible decisions were

taken in matter of investment of funds. The MoEF's reply does not justify the absence of clear cut internal procedures to manage investment of substantial sums of money given that the Supreme Court had entrusted Ad-hoc CAMPA with their responsibility.

5.5. Idle funds

Financial prudence dictates that no monies should lie idle. A proper estimation of cash flows should be made and all surplus funds should be immediately invested. The timing of maturity of investments should match the timing of requirement for liquidity.

In our test check of 10 bank accounts with Ad-hoc CAMPA of the States of Chhattisgarh, Uttarakhand, Odisha, Maharashtra and Jharkhand in Union Bank of India and Corporation Bank for the period 2006-12, we noted 204 instances where there was a delay ranging from three to 22 working days in investing funds which were lying in the accounts resulting in the loss of interest of ₹ 8.70 crore.

MoEF stated (April 2013) that considering the magnitude of funds managed by Ad-hoc CAMPA it was not possible or practical to conduct a daily review of the funds available for investment. The scenario in the matter of requirement of funds for disbursement to the states is also one of total uncertainty as Ad-hoc CAMPA was in no position to guide or dictate the outward flow of funds which was to be done only on the approval of APOs by State CAMPA. It further added that the investment guidelines for CAMPA funds placed on the web prescribed a fortnightly review of funds available in the banks, and a decision on investment of funds in fixed deposits in banks. Given this background, the observation by audit pointing to a delay of two days in investment of funds was absurd.

The reply is not tenable because the investment policy for the investment of funds with the banks by Ad-hoc CAMPA was framed and ratified only in the 22nd meeting of Ad-hoc CAMPA held in February 2013 and the instances pointed out in preceding paragraphs pertain to period prior to framing of investment policy. Further, a loss of ₹ 8.70 crore pointed out in audit pertains to only 10 accounts of the 140 accounts operated by Ad-hoc CAMPA and cannot be trivialised.

The fact, remained that there were no standing and prescribed system for cash flows estimation, timing of maturity of investments and requirement of funds for liquidity in Ad-hoc CAMPA, resulting in idling of funds.

5.6. Deficiencies in monitoring and safeguarding investments and funds

In our test check of records, we observed the following failures in monitoring funds and satisfactorily accounting for them:

5.6.1. Fixed Deposit Registers not maintained properly

For proper monitoring of Fixed Deposits (FD) and safeguarding the assets, a Fixed Deposit Register indicating the Fixed Deposit Receipt number, the principal, the date of opening the fixed deposit, the maturity date, the maturity amount, the bank with which FD had been kept and the account to which the amount on maturity had been credited, for each FD,

should have been maintained. The register should have been regularly reviewed and authenticated by an authorised person for completeness and correctness. We observed that though a Fixed Deposit Register was maintained it did not indicate the accounts to which the amounts has been credited on maturity and the amount credited. These registers were also not authenticated for completeness and correctness.

MoEF stated (April 2013) that the Fixed Deposit registers were maintained by hand and had all the details and they were reflected in the files maintained for investment of the funds, that itself was a proof of these records having been authenticated at a higher level in Ad-hoc CAMPA.

The reply is not tenable as the fact remains that the Fixed Deposit Registers were not maintained in the format which would capture all relevant information thus compromising its function as a control point. The consequences of the absence of this control point were reflected in instances of fixed deposit amounts not traceable in the bank accounts of Ad-hoc CAMPA, premature encashment of Fixed Deposits, delayed credit and short credit of Fixed Deposit maturity amounts which came to notice of audit and are reported in the subsequent para.

5.6.2. Inter-Account postings of funds without any proper documentation

Separate bank accounts were maintained for each State/UT. Movement within these accounts could only be to adjust a wrong credit/debit to these accounts. Such movements were required to be properly authorised. There are in total 140 bank accounts being operated by Ad-hoc CAMPA.

We noted several instances of inter-account movement of the funds as detailed in Annexure 9, for which satisfactory evidence justifying such movement was not provided to us. About ₹ 300 crore and ₹ 90.25 crore were transferred from current account of Central Empowered Committee to the account of Chhattisgarh and Andhra Pradesh respectively. There were 23 cases where funds were transferred from various states into an account of Chief Accounts Officer. These accounts do not feature in the list of 140 accounts maintained by Ad-hoc CAMPA.

Transfer of funds to accounts which were not maintained by Ad-hoc CAMPA was highly irregular and the possibility of misappropriation of funds could not be ruled out.

Ministry stated (April 2013) that the inter account postings of funds is a normal accounts function (in double entry system being followed by the Ad-hoc CAMPA), and has to be appreciated in the background of sound financial principles being followed. There was no loss of interest of any State CAMPA account in these account transactions. The final accounts books would reflect the position in a correct manner.

The reply is not tenable as it does not address the issue raised in audit. Funds of a State after maturity of FDR were to be posted in the respective accounts of the States concerned and it was highly irregular to transfer them to any other accounts without proper documentation and that also to accounts not being maintained by Ad-hoc CAMPA. There

were no guidelines for authorisation of inter-account transfers. Moreover, the figures were not being reconciled with the State/ UTs hence the risk was even more.

5.6.3. Funds retained with banks post maturity of Fixed Deposits resulting in loss of interest to Ad-hoc CAMPA

It is imperative for any fund manager to closely watch maturity of investments to ensure that funds at no point remain idle or uninvested.

We noticed that during the period December 2006 to March 2012, in 3,048 FDs there were delays in crediting the maturity amounts into bank account and Ad-hoc CAMPA did not receive any interest from the concerned banks for the period of delayed credit. This resulted in an interest loss of ₹ 4.45 crore calculated at the prevailing rate of interest and corresponding gain to the banks concerned. The details of the cases are given in Table 36.

Table 36: Cases of delayed credit of amounts on maturity of FDs

(₹ in crore)

Year	No. of FDRs	Loss of Interest
2006	178	0.23
2007	346	1.62
2008	598	1.50
2009	803	0.42
2010	932	0.67
2011	191	0.01
Total	3,048	4.45

MoEF stated (April 2013) that given the scenario where the funds to the tune of ₹25,000 crore were being managed by Ad-hoc CAMPA whose period of existence was uncertain and given the exercise required to be undertaken for renewal of deposits the loss of ₹ 4.45 crore is infinitesimal and should not be treated as a notional loss of additional interest that may have been received.

The reply is not tenable as sound financial management system was not enforced in Ad-hoc CAMPA because of which regular and timely watch over the deposit and maturity of FDR could not be taken, which resulted in loss of interest.

5.6.4. Short credit of FD maturity amounts

In five cases pertaining to the period January 2008 to January 2011, the maturity amount of Fixed Deposits received in the State Accounts was short by ₹ 1.08 crore as detailed in Table 37.

Table 37: Instances of short credit of maturity amounts

(₹ in crore)

Sl.No.	State	Maturity Date	Maturity amount as per FDR	Maturity amount received	Short credit
1.	Uttar Pradesh	23.2.2008	2.66	2.58	0.08
2.	Maharashtra	14.1.2010	185.92	185.19	0.73
3.	Odisha	14.1.2010	16.86	16.79	0.07
4.	Odisha	8.12.2010	58.56	58.45	0.11
5.	Uttar Pradesh	15.12.2010	53.07	52.98	0.09
	Total				1.08

MoEF stated (April 2013) that the instances of short credit except in two cases are incorrect. The two instances of short credit which represent the deduction of income tax at source from the maturity proceeds have been taken up with the concerned nationalised banks seeking refund of TDS.

The reply of the Ministry is not tenable as all the instances of 'short credit' were rechecked and found to be true. According to the reply given by Ad-hoc CAMPA on 22 January 2013 there is no 'short credit' in the first case and full amount had been credited into the bank which is untrue. The rest were because of TDS deducted by the bank and the matter was being taken up with the banks. The fact remains that ₹ 1.08 crore has still not been credited into the respective bank accounts.

5.6.5. Funds kept in interest free current accounts resulting in loss of interest

The funds kept in Current Accounts in any bank do not yield any interest and thus, remain idle. It is, therefore, prudent that the funds are kept in Savings accounts and/or Fixed Deposits with the banks so that additional funds are generated during the period in which these are not required for any usage.

However, we observed that CAMPA Funds were kept in Current accounts in Corporation Bank, CGO Complex, Lodhi Road and Union Bank of India, Sunder Nagar, New Delhi during the period May 2006 to April 2011. This resulted in loss of interest amounting to ₹7.80 crore (approx. calculated at the rate of 3.5 *per cent per annum*) during May 2006 to March 2011.

MoEF stated (April 2013) that State/UT CAMPA accounts that were earlier current accounts have since been converted into saving banks accounts and flexi accounts. Earlier too, flexi accounts were in operation in UBI generating more interest than Saving Bank Accounts.

The reply is not tenable as the Ministry sustained a loss of interest of ₹ 7.80 crore as worked out by audit due to amounts being kept in the current accounts instead of saving/ flexi bank accounts.

Ad-hoc CAMPA was the custodian of the funds belonging to the States/UTs. Hence it was its fiduciary responsibility to take all measures to ensure the safeguarding of the assets and

prevent any financial loss to the states/UTs in managing its funds. The lack of clearly laid down procedures and controls to regulate the investment function did result in financial loss to concerned states as reported in para 5.6.4 and 5.6.5.

5.7. Deficiencies in the process for inviting bids

Sound investment practices require that there should be a clearly laid down process for inviting of bids, indicating the approximate amount of investment, the maturity period, the validity period for bids and the mode of receipt of bids (sealed covers, fax, e-mail etc.).

The issue of process of inviting bids was discussed in the various meetings of Ad-hoc CAMPA as detailed below:

Date of meeting	Extracts of the minutes of Ad-hoc CAMPA meetings
7 July 2006	The format of quotation (to be sought from different Banks) would be standardized by the Financial Consultant in consultation with the Member representing CAG.
20 November 2006	The Financial Consultant of Ad-hoc CAMPA was to finalise the draft format for calling quotation and the draft guidelines for investment in consultation with the representative of CAG, which was to be placed before the Ad-hoc CAMPA for approval.
15 February 2007	Quotations for one and two years may be invited, and in the event of the interest rate for two years being more than 0.5 <i>per cent</i> than that for one year, investment may be made for a period of two years.
20 June 2007	The quotations would be called telephonically, and it will be received in sealed cover giving the bidders a fixed deadline for submission.

MoEF stated (April 2013) that as is evident from the Ad-hoc CAMPA meetings, it was left to the financial consultant to adopt a proforma for acceptance of bids and in a meeting held on 26 June 2007 an unequivocal decision was taken to allow bids being called for telephonically.

The reply is not tenable because there was nothing on record to show that a format for calling quotations had been devised by the financial consultant in consultation with the representative of the CAG and there was no codified procedure in Ad-hoc CAMPA for inviting bids and acceptance thereof. In this regard we further observed the following:

5.7.1. Invitation of bids telephonically prior to decision taken to this effect

It was decided in the meeting of Ad-hoc CAMPA held in 20 June 2007 that the quotations could be called telephonically but these were to be received in sealed cover. However, we observed that in nine cases prior to the decision taken by the Ad-hoc CAMPA as given in Table 38, the interest rates specified in the quotations were either received over phone or informed by AIG (Forests) and not received in a sealed cover as was laid down. Such bids were included in bidding process.

Table 38: Cases where interest rate specified in the quotations were either received on phone or informed by AIG (Forests)

Sl. No.	Details	Manner in which bids received
1	Canara Bank- 9.00 <i>per cent</i> dated: 05.2.07	Telephonically
2	Canara Bank- 9.50 <i>per cent</i> dated: 13.2.07	Telephonically
3	Union Bank of India-10.88 <i>per cent</i> dated: 02.03.07	Telephonically
4	Union Bank of India-10.00 <i>per cent</i> dated: 08.03.07	Telephonically
5	Union Bank of India-10.00 <i>per cent</i> dated: 15.03.07	Telephonically
6	Union Bank of India-10.80 <i>per cent</i> dated: 22.03.07	Telephonically
7	Vijaya Bank – 11.35 <i>per cent</i> dated: 22.3.07	Informed by AIG(F)
8	SBBJ- 10 <i>per cent</i> , Allahabad Bank- 9.75 <i>per cent</i> dated: 4.4.07	Telephonically
9	Allahabad Bank- 10.70 <i>per cent</i> dated: 14.5.07	Telephonically

Such instances highlight the adhocism, lack of transparency and objectivity in the bidding process and are also fraught with risks of favouritism.

Accepting the facts, MoEF stated (April 2013) that prior to the decision taken on 26 June 2007, where the bids would be telephonically invited, there was no prescribed procedure and as such calling for bids cannot be faulted and that, it had to be borne in mind that the Supreme Court ordered the creation of an ad-hoc body. In the scenario of uncertainty as to the tenure of this ad-hoc body the commission of any irregularity is not evident.

The reply is not tenable as it was public money and Ad-hoc CAMPA/ MoEF being custodian of these funds the provisions of Rule 171 of GFRs should have been followed which envisaged that Request for Proposal (RFP) of Standard formats for technical and financial proposals should be prepared while issuing a letter of Invitation of bids. The fact remained that in the cases reported above the investment of funds was made without invitation of quotations in a fair and transparent manner.

5.7.2. Investment of funds without inviting quotations

Investment of funds through competitive bidding is essential to get the maximum return on investment and to demonstrate fairness and equity in decision making process.

We observed that for investments of ₹ 368.27 crore made on 24 February 2009 no quotations were invited for bidding. In the notings it was stated that the prevailing rate of

interest viz. 7.50 *per cent* was same for all scheduled banks and the funds may be allocated to Corporation Bank, CGO Complex (₹191.99 crore) and Union Bank of India, Sunder Nagar (₹176.28 crore). Further, on 13 October 2009, an amount of ₹40.64 crore was invested with the Corporation Bank without giving opportunity to other banks to bid on the ground that the amount was already in an FD with the same bank and matured on 10 October 2009. The investment was made in the Corporation Bank at six *per cent* but this rate of interest was valid only till 12 October 2009. Neither was a revised quotation called for nor were other banks given the opportunity to quote for the rates.

These cases once again go to establish the arbitrariness that prevailed in making investment decisions.

Ministry (April 2013) accepted that the first incident relates to March 2009 when the CAF Bill 2008 was in Parliament and had it been passed by the Parliament, Ad-hoc CAMPA would have to be wound up. So there was no way that the procedure of calling for detailed quotations could have been gone through. The second instance is of the time when large number of FDRs had to be closed prematurely to provide for release of funds to State CAMPAs.

The reply is not tenable as the process of inviting quotations was not followed only in the above cases. The fact that the Compensatory Afforestation Fund Bill 2008 was in the Parliament at that point of time had nothing to do with the compliance of due process of inviting quotation for investment. Ad-hoc CAMPA/MoEF being custodian of these funds which was public money, the provisions of Rule 171 of GFRs should have been followed which envisaged that Request for Proposal (RFP) of Standard formats for technical and financial proposals should be prepared while issuing a letter of Invitation of bids.

5.8. Process for evaluation of bids

After inviting bids for any investment process, it is necessary to evaluate the bids with proper documentation and prepare comparative statements to ensure correct investment decision for maximum return on investment.

We observed that the process for comparative analysis of bids and finalization of investments were arbitrary and various irregularities occurred. Instances of deposits not being placed with banks that were amongst the highest bidders, absence of any internal controls, lack of review and monitoring of the investment decisions, handwritten quotation being allowed in the bidding process etc. are presented in the following paragraphs. Also Case Study III amply demonstrates the arbitrariness and subjectivity in some of the investment decisions. Poor internal controls and lack of clearly laid out procedures permitted instances of such irregularities to occur.

Case study III

Arbitrariness and irregularities in investment decision

The arbitrariness and irregularities in investment of Compensatory Afforestation Fund were evident from the resignation episode of Shri R.K.Tuli, Financial Consultant (FC), Ad-hoc CAMPA. The FC was working in Ad-hoc CAMPA since 4 July 2006. He was responsible for calling of quotations from various banks for investment of funds, supervision of accounts and other allied matters. The FC tendered his resignation vide his letter dated 22 May 2007 wherein he alleged serious irregularities and unethical work procedure compelled him to resign. He made specific allegations of impropriety with regard to a deposit of ₹ 250 crore in May 2007 with Corporation Bank which are listed below:

After collecting quotations, FC had recommended on 14 May 2007, placing the deposits of ₹ 256 crore with three Nationalized Banks, who had offered the highest interest rate of 10.76 *per cent*. Corporation Bank had offered the interest rate of 10.65 *per cent* and therefore was not recommended.

Subsequently, a fresh quotation of 10.77 *per cent* was obtained from the Corporation Bank and the entire deposit of ₹ 256 crore was placed with it on 21 May 2007 – after a gap of six days.

The other banks were not given opportunity of giving revised rates. No reasons for by passing FC, obtaining of revised quotation from one Bank only and not seeking revised quotations from the Banks giving highest offer were given.

The three banks, that had earlier offered 10.76 *per cent* interest rate, subsequently offered enhanced rate of 10.80 *per cent*. These quotations were not considered.

In the meetings of Ad-hoc CAMPA held on 20 June 2007 it was observed that:

The manner in which a particular Bank (Corporation Bank) was allowed to submit another quotation with marginal higher rate (than the highest eligible bid received) after all the bids were opened, a comparative statement was made and the highest eligible bid finalized without giving similar opportunity to other bidders to revise their bids, was prima-facie in violation of the rules/procedure in this regard. This type of arbitrary, whimsical and highly questionable way of dealing with the amount involving thousands of crore of rupees should not have taken place.

The query raised in the file to ascertain whether the State Bank of Bikaner & Jaipur (SBBJ) is a nationalized bank is quite surprising considering that a large sum of money has already been deposited by the Ad-hoc CAMPA with this Bank (i.e. SBBJ). It is also surprising that after raising the above query, on the same day revised quotation was obtained from a particular Bank, and no opportunity was given to those banks who had offered the highest rate.

It was felt necessary to enquire into the allegation made in the resignation letter of the FC. The representative of the CAG was also of the view that such actions are violation of the financial norms and are of serious concern. The Chairman directed that the Member Secretary inquire into the issues raised by the Financial Consultant and submit a report to be placed in the next meeting of Ad-hoc CAMPA.

The case was subsequently examined by the representative of CAG who opined in November 2008 that from the papers made available to him, it was clear that the decision of the DGF & SS to discard the best quotations of 10.76 *per cent* from the three banks (SBBJ, Canara Bank and OBC) and obtain a revised quotation for 10.77 *per cent* from another bank Corporation Bank, CGO Complex, which was only 6th in the list of attractiveness of bids – and that too after discussion by the DGF with the Corporation Bank, without providing any opportunity to the other three banks, was in complete violation of accepted financial norms, was arbitrary, and completely lacked transparency.

The opinion of CAG representative was supported by following reasoning:

“While it is not clear that the Government of India’s General Financial Rules, 2005 apply directly and specifically to the case, the fundamental principles of public buying specified under these rules indicate that “offers should be invited following a fair transparent and reasonable procedure”. Further, the guidelines of Central Vigilance Commission for procurement by any Government Department/PSU clearly prohibit negotiations with any bidder other than the L-1 bidder in a contracting process. The act of discussion by the then DGF & SS with a bidder who has not offered the best bid – in this case Corporation Bank, CGO Complex branch – and not offering a chance (either in writing or orally) to the banks who offered the best bids was totally irregular and improper.

The query raised by the then DGF & SS as to whether SBBJ was a nationalized bank was unwarranted and shows evidence of bias, especially when the Ad-hoc CAMPA already had substantial deposits with SBBJ. Further, it does not require a great deal of financial knowledge to be aware that State Bank of Bikaner and Jaipur is one of the associate banks of the SBI group.

A comparison of the quotations dated 16 May 2007 and 14 May 2007 from Corporation Bank, CGO complex revealed that they quote different rates of interest, different ranges of periods and different slabs of deposit amount while referring to the same circular No. 360/07 and being effective from the same date of 13 May 2007. It is not clear how the best rate of 10.77 *per cent* was not offered in the first bid itself when the circular stipulated an effective date of 13 May 2007. These discrepancies give rise to serious suspicion.

The timing of obtaining the FDRs from Corporation Bank on 21 May 2007 and rejecting the revised quotations (copies of which have not been forwarded to me) on 22 May 2007 on the grounds that the requisite investments had already been made raises further grounds for suspicion.

A case could be made that the final rate of 10.77 *per cent* quoted on 16 May 2007 was higher than the best rate of 10.76 *per cent* quoted two days earlier. However, interest rates on investments of large amounts (in this case exceeding ₹ 200 crore) are fluid and volatile and move on a day to day (and even hour to hour basis) depending on the supply and demand position for liquid cash from banks, financial institutions and other players. A comparison of the rates quoted on 16 May 2007 with those quoted on 14 May 2007 is thus inappropriate. On the other hand, the fact that the revised rate of 10.77 *per cent* is exactly 0.01 *per cent* higher than the earlier best rate of 10.76 *per cent* raises further ground for suspicion.”

On the issue of the Enquiry ordered by Ad-hoc CAMPA it was observed the no such Enquiry was conducted by the Member Secretary, Ad-hoc CAMPA. Instead an Enquiry was

conducted by Shri Sudhir Mittal, Joint Secretary in MoEF. The CEC representative on the Ad-hoc CAMPA, had objected to this. A copy of this report which was sought for in September 2012, was not made available to Audit. From related documents it was evident that the Enquiry found the allegation that one bank was allowed to increase its interest rate after the bids were opened to be true. It was also found that the FC had also been repeatedly committing irregularities in investment of the funds, accepting higher offers of interest after bid statements had been prepared and changing the bid of banks in his own hand.

MoEF/ Ad-hoc CAMPA stated (April 2013) that the allegation in the incident involving the investment of ₹ 250 crore was against the Chairman, Ad-hoc CAMPA and not against the Financial Consultant and the enquiry conducted by a serving Joint Secretary of MoEF was without competence and approval of the Ad-hoc CAMPA. Further, the Ministry/ Ad-hoc CAMPA stated that enquiry report on this case was not traceable in the Ministry/Ad-hoc CAMPA.

The reply is not tenable as the enquiry was ordered by the Chairman, Ad-hoc CAMPA but the then Secretary, MoEF got the matter inquired from the Joint Secretary and the clarification in this regard was also called for by the Prime Minister's office. The reply was silent about the issue of arbitrary, whimsical and highly questionable way of dealing with the amount involving thousands of crore of rupees.

Our findings regarding lacunae observed in bid evaluation process are discussed in the following paragraphs below:

5.8.1. Arbitrary allocation of deposits

We observed a number of instances where large sums of monies were deposited with banks that had not bid or deposits were not placed with banks that were amongst the highest bidders. These cases are listed below:

5.8.1.1. Deposit without bids

Instances of deposits placed with banks that did not bid are tabulated as under:

Date	Amount to be invested (₹ in crore)	Banks that bid	Banks that did not bid	Remarks
(i)	(ii)	(iii)	(iv)	(v)
1 January 2009	172.22	Union Bank of India, Allahabad Bank, Syndicate Bank, State Bank of Bikaner & Jaipur, Oriental Bank of Commerce, Indian Overseas Bank & Canara Bank	Corporation Bank	Investment made in Corporation Bank and Union Bank of India
17 February 2009	859.07	Oriental Bank of Commerce	Corporation Bank and Union Bank of India	Investment made in all the banks in

Date	Amount to be invested (₹ in crore)	Banks that bid	Banks that did not bid	Remarks
4 March 2009	320.32	Oriental Bank of Commerce	Corporation Bank, Union Bank of India and Allahabad Bank	column (iii) & (iv), irrespective of the fact that they had bid or not.
19 March 2009	646.86	Vijaya Bank and Canara Bank	Corporation Bank, Union Bank of India and Oriental Bank of Commerce	

5.8.1.2. Arbitrariness in selection

On 6 November 2009, three banks namely, Punjab & Sind Bank, UCO Bank and Vijaya Bank had quoted six *per cent* rate of interest. Although the amount of ₹318.16 crore was to be invested in all three banks, Vijaya bank was dropped on the pretext that the bank had been allocated a substantial amount for investment purpose over the period of about one year. However, on 24 November 2009 an amount of ₹ 113.33 crore was invested in Vijaya Bank again.

On 15 June 2010, three banks namely, Central Bank of India(CBI), Union Bank of India(UBI), East Patel Nagar and UBI, Sunder Nagar quoted the interest rate as 6.92 *per cent* and consequently the investment was made in these three banks. We observed that UBI, Sunder Nagar appeared to have been favoured as its quotation showed a hand written alteration to a printed interest rate. Similarly, CBI sent a handwritten quotation which was against the norms and the interest rate that it quoted was for ₹1,000 crore but the amount that was invested in it was only ₹ 400 crore.

5.8.1.3. Failure to follow guidelines

In the meeting of Ad-hoc CAMPA held on 7 July 2006, it was decided that different Scheduled Banks offering next lower interest rates may also be considered for making Fixed Deposits in addition to the Bank offering the highest interest rates in order to minimize the risk involved. However, we observed that on 21 May 2010, a total amount of ₹576.61 crore was invested in Central Bank of India which quoted the highest interest rate of 6.36 *per cent*. It was observed that although quotations were received from nine banks and one of the banks namely Vijaya Bank quoted a marginally lower rate of 6.35 *per cent*, the same was not included in the investment process. Similarly, on 10 November 2010, an investment of ₹ 412.07 crore was made in Punjab & Sind Bank, Karol Bagh as it quoted the highest interest rate of 8.62 *per cent*. The next highest bidder was Central Bank of India with 8.61 *per cent* as its interest rate. The amount column of Punjab & Sind Bank's quotation which read "Upto ₹ 200 crore" was crossed out with pen and the Interest column was also written with the same pen without any authentication from the bank. Moreover, there was only a marginal change in the interest offered by the two Banks.

These instances noticed in audit are indicative of arbitrariness and absence of any internal controls, review and monitoring of the investment decisions to ensure that these were taken as per directions of the Ad hoc CAMPA and as per prudent practices to ensure fairness and equity and also safeguard the funds.

Accepting the facts, the Ministry stated (April 2013) that all instances being referred to belong to the period when the CAF Bill 2008 was pending in the Parliament and the period of absolute financial uncertainty with the Supreme court having ordered the release of funds to the States throwing the fund management task into a state of flux. In this dynamic state of affairs where each day began with uncertainty as to the future setup and the need for finances for disbursement to the States, the decisions that were taken were in the best interest of Ad-hoc CAMPA.

The reply is not tenable because despite uncertainty, Ad-hoc CAMPA could not have shown laxity in discharging the functions entrusted to it as it was the custodian of these funds which was public money. Also the passage of the CAF Bill 2008 had nothing to do with the due process of inviting quotations for investment.

5.8.2. Cases where handwritten quotations were allowed in the bidding process

According to the letters issued by CAMPA inviting the bids for the investment, the quotations should be typewritten or computer print-out as per the Notice Inviting Tender dispatched to various banks for purpose of investments. However, it was observed that Ad-hoc CAMPA allowed submission of bids which were hand written, bids where certain columns were handwritten, different inks were used in bids. Since, it is difficult to ascertain whether these were done at the time of submission of quotation or subsequently, the possibility of manipulation is not ruled out. These cases are listed in the Table 39.

Table 39: Cases where entire/partial handwritten quotations were allowed in the bidding process

Nature of irregularity	No. of cases	Details
Quotations accepted were handwritten.	26	There was an instance where a hand written quotation was received from Canara Bank, R.K.Puram on 4 November 2008 and it qualified as the highest bidder.
Interest column of the quotation was written in a different ink and signed by the authorized person with a different ink.	3	<ul style="list-style-type: none"> On 29 November 2010, investment of ₹263.81 crore was made in Union Bank of India, Sunder Nagar. The interest column of the bank's quotation was found to be written in different ink. On 10 December 2010, investment of ₹122 crore was made in Oriental Bank of Commerce, Rajiv Chowk. The interest column of the bank's quotation was written in different ink.

		<ul style="list-style-type: none"> On 20 December 2010, investment of ₹ 138.03 crore was made in Union Bank of India, Sunder Nagar. The interest column of the bank's quotation was written in indifferent ink.
Whole quotation was a computer printout while the column entailing the interest rate and the period of deposits was written in hand writing.	58	The cases were noted during 2008-10 involved nine banks namely Union Bank of India, Corporation Bank, Oriental Bank of Commerce, UCO Bank, Andhra Bank, Indian Overseas Bank, Central Bank of India, Punjab & Sind Bank and Allahabad Bank.
Changes /alterations in the quotations sent by banks for investments.	14	Changes/alterations were made in the quotations sent by banks either for the interest rate, validity and minimum amount of deposit without proper authentication/approval of the bank.

MoEF in its reply (April 2013) stated that fault need not be found with the handwritten quotations as at times the authorized representatives of the bank would fill the rate of the quotations after ascertaining the same from the Central/Regional office at the last minute.

The reply is not tenable because the handwritten quotations were accepted despite instructions of Ad-hoc CAMPA. Further, MoEF kept silent over the other issues highlighted in the table.

5.8.3. Other Irregularities

Deposits on quotations can be made only during the validity period of quotations. Once the validity of period of quotation expires, fresh quotations must be called for. However, we observed that there were cases where the validity of the quotations was overlooked. As decided in the second meeting of Ad-hoc CAMPA (7 July 2006), the Chairman would reserve the right to decide the distribution of investments in different banks/Post Office according to the guidelines to be framed in this regard. We observed that no specific criteria were followed for the quantum of money to be invested in various banks. The bids normally indicated the maximum/minimum amounts banks were willing to accept at the quoted rate of interest. Accordingly, the amount of deposit with the bank should neither be below nor exceed the quoted limits. In our test check, we noted instances where amounts in excess of maximum limit were placed with banks on the basis of telephonic requests made by banks on the bidding date. Though these diversions did not entail a loss of revenue to the Ad-hoc CAMPA, but these demonstrate lack of clarity in procedures and arbitrariness of decision making.

Table 40: Cases where the validity of quotations was overlooked and cases where the amounts in excess of the maximum limit were placed with the banks

Type of Irregularity	Details
Investment placed after the expiry of the validity of quotation.	<ul style="list-style-type: none"> On 23 May 2008, investments of ₹ 297.99 crore were made in S.B.B.J after the expiry of validity of quotation. The quotation was valid till 22 May 2008. <p>MoEF in its reply (April 2013) stated that it was not unusual for the banks especially when large posse of funds are involved to extend the validity of their quotation by a day or two.</p> <p>The reply is not tenable as no revised quotation for extended validity was taken from the Bank and as per the practice followed at the time of investment, the bank should not have qualified at the first place as the validity of the quotation had expired.</p>
Investment placed with the highest bidder of amount short or in excess of the amount specified in the quotation.	<ul style="list-style-type: none"> On 13 May 2008, ₹ 424.36 crore was invested in Central Bank of India, Greater Kailash-II although the maximum amount that the bank could accept was ₹ 400 crore. On 23 May 2008, ₹ 297.99 crore was invested in State Bank of Bikaner and Jaipur, Faiz Road although the maximum amount that the bank could accept was ₹ 100 crore. On 27 April 2009, ₹ 528.08 crore was invested in Vijaya Bank although the maximum amount that the bank could accept was ₹ 200 crore. On 19 May 2009, ₹330.74 crore was invested in UBI although the maximum amount that the bank could accept was ₹ 235 crore. On 6 July 2009, ₹ 357.10 crore was invested in UBI, Sunder Nagar although this bank did not qualify for an amount less than ₹ 500 crore. On 16 September 2010, ₹ 315.87 crore was invested in Central Bank of India, Wright Gunj, Ghaziabad although this bank did not qualify for an amount less than ₹ 500 crore. <p>The Ministry (April 2013) accepted that in these cases funds were parked in excess of the limits earlier set by banks and said that it was a prudent and a laudable decision because had the banks not accepted the funds which were</p>

Type of Irregularity	Details
	<p>in excess of the limits set by them, the option would have gone to the next lower bidder which would have led to a financial loss to Ad-hoc CAMPA.</p> <p>The reply is not tenable as the option of another bidding process was available with Ad-hoc CAMPA in such cases. Parking of funds with banks in excess of their maximum limits clearly highlighted favouritism towards banks.</p>

As is amply demonstrated by the case study of an event that happened in 2007 and the series of irregularities that have been brought out in audit, there were never any clearly laid out procedures for making investment decisions. The directions issued by Ad-hoc CAMPA from time to time in this regard were blatantly disregarded. Telephonic/handwritten quotations were accepted, investments were made with banks which had not submitted bids or were not offering the best interest rates, validity period of quotations was overlooked and proportions in which money was to be invested with different banks quoting the same interest rate were arbitrarily determined.

5.9 Jammu & Kashmir state CAMPA

In pursuance to the directions (April 2004) of MoEF with regard to the constitution of State CAMPA, the Government of Jammu and Kashmir constituted two committees one State Level Management Committee (SLMC) and the other State Level Steering Committee (SLSC) in February 2005 and April 2005, respectively. SLSC decided (February 2006) that money available under CAMPA account will not be transferred to Central Ad-hoc CAMPA on the basis that J&K State has its own J&K, Forest (Conservation) Act. It was opined that it will be utilized in the State as per Annual Plan of Operation to be prepared by the SLMC and approved by the SLSC. Finally, it was resolved (February 2010) by the Central Empowered Committee that the State CAMPA of Jammu and Kashmir has to deposit only NPV of the compensation received in lieu of diversion of forest land under Forest (Conservation) Act to the Central Ad-hoc CAMPA.

A review of the management of funds by Jammu and Kashmir CAMPA revealed the following:

5.9.1. Maintaining Fixed Deposits with Jammu and Kashmir Bank only

To obtain maximum returns for investing the CAMPA money in deposits, the State CAMPA should have called quotation from the various nationalized banks. This was also directed by the Executive Committee in its only meet (December 2009). However, no quotations were called from nationalized banks and FDs were kept with Jammu & Kashmir Bank only despite lapse of considerable time period. Besides, no follow up action was taken by the EC in their subsequent meetings on this count.

5.9.2. Loss of interest due to non-investment of J&K CAMPA funds in fixed deposit

During test check of records of J&K State CAMPA it was observed that funds of NPV/CA etc. received from various user agencies were deposited by State CAMPA in current account instead of investing it in FDRs or in interest bearing accounts during the period January 2007 to March 2012 resulting in loss of interest of ₹ 8.94 crore (if funds deposited in savings account) to ₹ 14.60 crore (if invested in FDs).

Further, during test check of records of various forest divisions it was found that the divisions kept the funds in current account instead of interest bearing account resulting in loss of interest of ₹ 0.27 crore.

5.9.3. Non maintenance of records of FDRs by J&K State CAMPA

No FDRs register indicating FDs opening balance/fresh/renewals/closing balance etc. was maintained by State CAMPA. Also, bank confirmations indicating actual amount of FDs, actual date of investments, reinvestment, date of maturity, interest earned etc. was not available with State CAMPA. As per details available on loose papers, the principal amount of FDs was ₹ 545.30 crore with accruable interest of ₹ 71.91 crore and maturity value was ₹ 617.21 crore.

MoEF stated (April 2013) that J&K State CAMPA came within the ambit of the Ad-hoc CAMPA only pursuant to the order dated 30 January 2012 of the Supreme Court. As the Forest (Conservation) Act 1980 did not apply to Jammu & Kashmir, CA funds collected in J&K are outside the purview of the Ad-hoc CAMPA; only NPV/WL funds come within its purview.

The reply is not tenable as MoEF did not respond to the specific observations on non-maintenance of records of FDRs by J&K State CAMPA.

5.10. Other State CAMPAs

5.10.1. Non opening of interest bearing accounts.

As per the State CAMPA Guidelines, the monies received in the State CAMPA were to be kept in interest-bearing account(s) in nationalized bank(s) and periodically withdrawn for the works as per the Annual Plan of Operations (APOs) approved by the Steering Committee. Test check of records of some of the selected state forest divisions revealed few cases of loss of interest due to retention of funds in non-interest bearing current accounts. Three such cases are detailed below:

- In Banderdewa division of Arunachal Pradesh, funds were kept in a non-interest bearing current account (CA) of a nationalised bank. As a result, the division failed to earn any interest on the funds available in the account over the period of time.
- In Yamunanagar division of Haryana, funds of ₹ 0.34 crore (₹ 0.17 crore in October 2011 and ₹ 0.17 crore in January 2012) received on account of compensatory afforestation were deposited in current account instead of interest bearing account.

- In Awadh, Gorakhpur and Faizabad forest division of Uttar Pradesh, there was loss of interest of ₹ 0.08 crore due to delay in opening of interest bearing account.

5.10.2. Deposit of funds in non nationalized bank in Jharkhand

In five¹ test checked divisions in Jharkhand, we noted that an amount of ₹ 9.14 crore was deposited in IDBI/AXIS Bank between July 2010 and March 2012 both being private sector banks in violation of provisions of the guidelines. In reply the DFOs stated that the IDBI bank has been treated at par with public sector banks by the RBI (May 2008), whereas the DFO, Giridih Afforestation Division stated (November 2012) that the fund kept in AXIS bank will be withdrawn immediately.

5.11. Conclusions

The mechanism for investment of surplus funds by the Ad-hoc CAMPA was arbitrary and lacked in fairness and transparency. There were frequent and unjustified deviations from the instructions issued by Ad-hoc CAMPA while executing the investment decisions. Despite repeated directions from the Ad-hoc CAMPA body, a comprehensive investment policy was not formulated and approved by Chairman Ad-hoc CAMPA till 2012. It was observed in audit that the out sourced staff engaged by Ad-hoc CAMPA was also not suitably qualified or equipped to manage the large sums of money to be invested². The size of funds to be invested required a more professional approach and experience of treasury management function.

Audit observed that there were instances of deposits amounting to ₹ 1,998.47 crore being placed in banks that did not even bid. There was loss of interest of ₹ 8.70 crore, ₹ 7.80 crore and ₹ 4.45 crore on account of delay in investment of funds, retaining the funds in interest free current accounts and delay in crediting the maturity amount into bank accounts respectively, besides short credit of ₹ 1.08 crore on maturity of FDs.

There was clearly evidence that neither the present arrangement of financial management and accounting had the benefit of existing government financial discipline, nor had an alternative system of accounting and financial control, been developed by Ad-hoc CAMPA, as was contemplated by the Supreme Court. It is our view the Government should move the Supreme Court so that the amounts lying in Ad-hoc CAMPA are transferred into the Public Account of India in an interest bearing section with interest to be paid at the rates to be decided by the Union Government.

¹Giridih Afforestation, Hazaribag WL, Hazaribag East, Hazaribag Afforestation and Hazaribag Social Forestry divisions

² Ad-hoc CAMPA was requested to provide the details of names, job description, educational qualification and duration of appointment of its employees. Such information has still not been provided (July 2013).

