

Chapter-6
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Internal control is designed to provide reasonable assurance that the entity's general objectives are being achieved. Internal control consists of inter-related components such as control activities (state of documentation, reconciliation and physical verification, segregation of duties), information and communication and monitoring. The Audit observations on control activities and monitoring are given in the following paragraphs.

6.1 Documentation

Financial Rules¹ stipulate that the Secretary of a Ministry/Department shall ensure that his Department maintains full and proper records of financial transactions. According to Experts², without reliable, verifiable and authentic records, decisions and official actions and transactions cannot be traced; rules would not be known and cannot be enforced; and transparency would not exist.

On review, insufficient documentation was found in following cases:

-  Chief Executive Officer, CAMPA and his subordinate did not put dated signature while releasing funds during July 2020 - November 2021 (refer **Paragraph 4.1.5**).
-  As per Rule-37 of Compensatory Afforestation Fund Rules, monthly accounts, monthly statement on physical and financial achievements, annual statement on physical and financial achievements in prescribed forms (VII, VIII and IX) and register for annual share of national fund from the state fund were to be maintained. However, the State Authority failed to maintain them during Audit coverage period.
-  The monthly classified accounts for all expenditures incurred out of funds distributed under the State Compensatory Afforestation Fund (SCAF) were not submitted to the State Authority every month.
-  During joint physical inspection of 68 plantation sites, no sign board was found in 36 sites for which Audit could not authenticate whether the inspected plantation was executed on the land which was selected for plantation (refer **Paragraph 5.5**).
-  The funds were not transferred through the direct benefit transfer scheme to beneficiaries like fire watcher, *van prahari* (refer **Paragraph 3.1.3 Case-VI**).

The State Government, while accepting the facts (July 2023), stated that preparation of forms and monthly classified are under process.

¹ Rule 64 of General Financial Rules, 2005.

² International Records Management Trust, London and the International Council on Archives, Paris.

6.2 Segregation of duties


The segregation of duties is an important internal control activity to reduce risk of error, waste, or wrongful acts. This implies that key duties and responsibilities in authorizing, processing, recording, and reviewing transactions and events should be separated among individuals as well as sections of the organization. Rotation of employees may help to ensure that no single person deals with key aspects of transactions or events for an undue long time.


The principle of segregation of duties is enforced in Central and State Governments by having separate authorities for sanctioning of expenditure, for drawing of funds (Drawing and Disbursement officer-DDO), for custody of stores/cash and finally for payment (Pay and Accounts Officer-PAO/ Treasury Officer-TO). Also, each DDO and TO is in turn assisted by a team of 2-3 officials. Further, the office of TO is independent³ of sanctioning authority and DDO.

On review of the financial system in CAMPA and Implementing Units, it was observed that the Divisional Authorities were performing the duties of DDO as well as TO. They also exercised delegated powers to sanction expenditure and to sign contracts/issue supply orders, etc. Thus, the basic financial control in having separate DDO and 'independent' TO was not available in the divisions for the use of SCAF. This was quite in contrast to the system being followed for state sector schemes in State Forest Department (SFD) itself as detailed in **Table-6.1** below:

Table-6.1: Segregation of duties at implementing unit/division level

Stage	Responsibility in implementing CAMPA	Responsibility in Government of Uttarakhand (GoU) for State Sector Expenditure	Responsibility in Government of India (GoI)
Maintenance of accounts	Divisional Forest Officer (DFO)	Accountant General (Accounts & Entitlement)	PAO
Bill preparation	Dealing hand(s)/DFO	Dealing clerk	Dealing clerk
Passing of bills	DFO	DDO	DDO
Pay order	DFO	TO	PAO
Handling of cash/cheque	Accountant /Cashier	Cashier	Cashier

 Authorizing, processing, recording, and review were not segregated in the State Authority as CEO, CAMPA also acted as Chief Wildlife Warden during the period July 2020 to November 2021.

 The CEO, CAMPA did not submit the budget approval note to the Chairman of the EC before releasing the State Compensatory Afforestation Fund (SCAF). Out of 29 approvals, only eight times the approval note was submitted to the Chairman. This vitiated the segregation of duties (*refer Paragraph 4.1.5*).

³ PAO in Civil Ministries is a subordinate office of the Ministry of Finance (Controller General of Accounts). The PAO reports to the Chief Controller of Accounts of the Ministry who in turn reports to the Controller General of Accounts and Integrated Financial Advisor (IFA) of the Ministry. The IFA in turn reports to the Secretary (Expenditure) in the Ministry of Finance and the Secretary of the concerned Ministry.

Due to the non-filling up of the post of Joint CEO, Deputy CEO and Finance Manager, the CEO CAMPA performed all roles single-handedly which vitiated the principle of segregation of duties.

In its July 2023 response, the State Government asserted that officers/officials are assigned to different positions in accordance with established rules and available manpower. However, this explanation is unacceptable, given that the same officers/officials occupied different pivotal roles in administrative and financial decision-making, resulting in their making arbitrary decisions.

6.3 Reconciliation

Reconciliation and verification of figures is an important tool of financial management. On review, we noticed the following instances of lack of reconciliation:

State Authority did not carry out the reconciliation of the difference in the figures of expenditure that appeared in Management Information System and Accounts (*Appendix-6.1*). Failure to adhere to the reconciliation of the figures defeats the very objective of the budgetary process.

The State Government (July 2023), stated that the divisions inputted the expenditure figures into the Management Information System (MIS); however, the system rejected the figures in the absence of photographs and Global Positioning System (GPS) locations in portal. It was emphasized that directions had been issued to the divisions to rectify the disparity in expenditure figures through reconciliation. The reply is self-explanatory and confirms the Audit observation.

State Authority/Divisions had not reconciled 3,767 out of 12,305 polygons⁴ (30.61 per cent) which were in the unascertainable category with the e-Green watch portal⁵.

The State Government replied (July 2023) that unascertainable categories covered those polygons for which physical monitoring was not required as the Google imaginary was not possible for work like purchasing of equipment, maintenance of buildings, and bridal path. The reply is not acceptable, as the unascertainable category covered two types of polygons i.e. (i) polygons that cannot be monitored using Google imaginary and (ii) those polygons for which Google Earth images are not available which showed that due to non-reconciliation it was not ensured that how many polygons of later category are complete or deficient.

6.4 Inspections and Evaluation System

Inspection by superiors

Inspection is an important control tool to detect instances of non-compliance of rules and regulations and also to ascertain the state of documentation in any office. The Forest Department Manual mandatorily mandates touring /outstation night halts and

⁴ CA land, Diverted land, Plantation Works, Other Plantation Work and Assets.

⁵ E-Green Watch is an integrated e-governance portal for automation, streamlining & effective management of processes related to utilization of CAMPA funds and all other funds earmarked by States under various centrally or state sponsored schemes for plantation and other forestry related works.



submission of inspection notes to the controlling officers. Audit, however, found that the inspection system was weak on the following grounds:

- a. There is no structured checklist or guidelines for inspecting officials, senior officials in the Principal Chief Conservator of Forest office and in the Government to guide their inspections.
- b. There was no prescribed frequency of inspections of Implementing Units with particular reference to CAMPA works.
- c. There was no evidence of inspections conducted or directions/instructions issued, though senior officers of the Forest Department and the Government who visited the field multiple times.
- d. Net Present Value (NPV) activities were excluded from the Monitoring & Evaluation (M&E) wing's mandate. It was noticed that significant CA funds were incurred on work like the removal of lantana, bridle path and soil & water conservation. However, these works were not being inspected by M&E wing.
- e. After enactment of the CAF Act and Rules, the State Authority did not review the operations, processes and activities, which resulted in non-adoption of accounting procedures, frequent preparation of deficient proposals, partial discharge of roles and responsibility by Executive Committee (EC) and Steering Committee (SC) regarding reviewing the proposals, financial management and executions.

The State Government did not provide explicit responses (July 2023) in this regard. However, during the exit conference (April 2023), the Secretary accepted the facts and acknowledged these matters as noteworthy for CAMPA Authority as well as the Forest Department for future compliance.


6.5 Poor monitoring mechanism

Monitoring is an important activity for the State Authority as it provides feedback on quantity and quality of the implemented activities and also suggests remedial measures. Audit observed that:

-  Chief Conservator of Forest, Monitoring & Evaluation (CCF-M&E) wing of SFD selects 30 *per cent* of activities of CAMPA for monitoring and submits the monitoring reports to HoFF and the State Authority for necessary action and compliance. M&E wing inspected 395 plantation sites during 2019-22 and reported the low survival rate of plantation ranging from 01 to 49 *per cent* in 247 sites. The State Authority neither took cognizance of the report nor took any effective disciplinary actions⁶ as per the standing order of May 1998.
-  For real time monitoring, the SFD had to upload the polygon of executed works on e-Green Watch. Thereafter, the polygons of executed works were to be

⁶ (i) Suspended the officer/employee related to plantation areas with less than 20 *per cent* success, (ii) disciplinary action to fix responsibility and the character register of the guilty employee must be a factual entry upto 20-33 *per cent* plantation areas and (iii) necessary disciplinary action should be taken for plantation areas up to 33-50 *per cent*.



monitored by the Forest Survey of India (FSI). Audit scrutiny of e-Green Watch portal in test checked divisions, showed that out of total 639 number of CA plantations done, polygons of only 163 (26 per cent) were uploaded by the divisions on the portal. Four divisions⁷ had not uploaded even a single polygon on e-Green Watch portal. Further, out of 163 polygons uploaded, three polygons were incorrectly uploaded falling in constructed areas and 32 polygons (as detailed in **Appendix-6.2**), were uploaded with errors such as overlapping of polygons, less area shown in polygons in same plantation sites *etc.* Despite FSI regularly pointing out deficiencies in the uploaded polygons, the State Authority failed to take corrective measures of the issue. On this being pointed out by Audit, the DFOs stated (June-September 2022) that in the absence of technical staff and lack of knowledge, the polygons were not uploaded or uploaded incorrectly. The same would be uploaded in future.

-  CAF Act/Rules/National Authority (NA) instructions require third party monitoring of various works undertaken from SCAF. Audit noticed that State Authority had undertaken third party monitoring for the period 2012-17. However, no effective follow up/remedial measures were visible on the findings and recommendations of the third party's evaluation report. Further, the task of third-party monitoring and evaluation work had not been entrusted to any agency from the period 2017-18 onwards.


While accepting the facts (July 2023), the State Government outlined directives concerning the initiation of action against the responsible officer for the low survival rate of plantations. The specified course of action will be initiated after implementing remedial measures and obtaining justification to enhance the survival percentage in forest activities.

6.6 Ineffective Oversight


CAMPA guidelines require EC to prepare the APO of the State for various activities, submit it to the SC before end of December for each financial year and supervise the works being implemented out of funds released from the State CAMPA. It was also responsible for ensuring proper auditing of both receipt and expenditure of funds. Audit observed that regular meetings of the EC were held during the period 2019-22. However, EC failed to discharge their roles in an effective manner as elaborated below:

-  EC did not formulate and submit the APO to the SC timely as per target dates prescribed in CAF Act (**Paragraph 3.1.1**).
-  EC did not take cognizance of the unrealistic proposals included in the Annual Plan of Operations (APOs), although this issue was raised in the 3rd meeting of EC. Divisional proposals/demands were frequently disregarded and excess funds released (**Paragraph 3.1.3 Case-V**).


⁷ DFO, Almora, Nainital, Narendra Nagar and Civil & Soyam, Pauri.


 In the meeting of EC (08 January 2019), it was decided that the State Authority will write an evaluation report of the works of APOs executed by the divisions and send them to their controlling officers so that controlling officers could take notice of this evaluation report while reviewing the working capacity of the divisions. However, neither evaluation report was prepared by the State Authority nor cognizance was taken by the EC for the next meetings.


The State Government while accepting the facts (July 2023), stated that the directions had been issued to the controlling officers in this regard.

 Conditions stipulated by the EC of NA in approved APOs were neither placed in EC meetings by the State Authority nor discussed or asked for by the EC for their compliance.

The State Government (July 2023) stated that the conditions stipulated by the EC of NA are placed and discussed during the EC meetings. The reply is not acceptable, as it was not documented in the meeting minutes, serving as tangible evidence.

 The State Authority submitted the third-party monitoring report for the period 2012-17 in the fifth EC meeting (23 February 2021), but the EC failed to appreciate and act on the findings of the report submitted by Forest Research Institute (FRI). The committee just noted that FRI has submitted a report. No keenness was observed to understand and take follow-up action on the report.

 In EC meeting (18 June 2021), it was directed to the State Authority that a summary of the FRI report and internal monitoring report of the M&E wing be placed before the committee in the future. However, neither the State Authority placed these reports to EC nor the committee asked for the same thereafter.

 Secretary, Forest Department directed (January 2020) all the Indian Forest Services (IFS) officers that the Annual Performance Appraisal Reports of IFS officers will be written on the basis of the prepared work plan including the annual work rhythm and budgetary cycle of every year and approved by the reporting officer. However, no work plan for DFOs was prepared and got approved by the concerned reporting officer (Conservator of Forest). This vital issue was not placed and discussed in the EC meetings.


In July 2023, the State Government did not provide explicit responses regarding the follow-up actions on the FRI report, the summary of the FRI report, the internal monitoring report, and the Annual Performance Appraisal Reports. However, during the exit conference in April 2023, the Secretary acknowledged the facts and affirmed that these issues served as valuable guidance for both CAMPA Authority and the Forest Department. The Secretary further acknowledged these matters as noteworthy for future compliance.

6.7 Conclusion

Due to the existence of weak internal control, the State Authority failed to ensure reasonable assurance for the effective implementation of compensatory afforestation activities. There was a lackadaisical approach of the State Authority in the

maintenance of documents, segregation of duties, and reconciliation of management information system data with its accounts. Due to poor monitoring and evaluation mechanisms instances of low survival of planation, not uploading/correction of polygons on the e-green watch portal for executed works, and not adopting of corrective measures suggested by a third party were also noticed.

6.8 Recommendation

 *Effective steps should be taken to establish and maintain a strong internal control system.*

Dehradun
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