

CHAPTER - V

INTERNAL CONTROL MECHANISM IN GOVERNMENT DEPARTMENT

Forest Department

5.1 Internal control mechanism in Forest Department

Highlights

Internal control is an integral component of an organisation's management processes, which are established in order to provide reasonable assurance that the operations are being carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are being complied with so as to achieve organisational objectives. A review of internal controls in Forest Department showed control weaknesses such as delayed surrender of funds, non-compliance of financial codes, non-adherence to instructions on cash management and purchases, shortfalls in inspections at various levels, and shortfall in internal audit.

Large savings ranging between 12 and 31 per cent under plan expenditure indicated deficiencies in budgeting, planning and execution of the plan.

(Paragraph 5.1.5.1)

Funds drawn from the treasury/sub treasury offices were not entered in the cash book exposing the organisation to the risk of misappropriation and fraud.

(Paragraph 5.1.5.2)

In violation of Bombay Contingency Fund Rules, non-plan expenditure of Rs 44 crore was incurred out of contingency fund though the same was included and demanded in regular estimates.

(Paragraph 5.1.5.4)

Departmental Manual prepared in the year 1959 had not been updated.

(Paragraph 5.1.6.1)

Development works in the National Park valued at Rs 1.74 crore were executed without the approval of concerned committee and PCCF (WL).

(Paragraphs 5.1.6.4)

No mechanism existed to ensure prescribed checks in plantation work by the CCFs and the CFs. The CCFs and DCFs did not conduct mandatory inspections of Saw mills despite shortfall in inspections by RFOs

(Paragraphs 5.1.6.5 and 5.1.7.2)

Internal audit was in arrears and initiative taken to rectify the mistakes and deficiencies pointed out in internal audit was inadequate.

(Paragraph 5.1.8.2)

5.1.1 Introduction

Internal Control is a management tool used to provide reasonable assurance that management's objectives of reliability in financial reporting, effectiveness and efficiency of operations and compliance with the applicable rules and regulations are achieved. It also ensures that financial interest and resources of the Department are safeguarded and reliable information is available to the administration. There are three Public Forestry Institutions, viz., Forest Department, Directorate of Social Forestry and Forest Development Corporation of Maharashtra. Of these, a review on internal control mechanism in Forest Department was conducted. The main activities of the Forest Department are conservation and protection of the State's forests spread over about 20 *per cent* of its geographical area, through plantation, afforestation, protection of wild life, etc.

5.1.2 Organisation set-up

The Principal Chief Conservator of Forests (PCCF)¹ heads the Maharashtra State Forest Department with headquarters at Nagpur. He advises the Government on all forestry related matters except wildlife and also oversees the overall functioning of the Department. There are three Additional Principal Chief Conservators of Forests (APCCF), six Chief Conservators of Forests (CCF), eight Conservators of Forests (CF), four Deputy Conservators of Forests (DCF) and one Divisional Forest Officer (DFO) to assist him in the headquarters. The forests area has been divided into 11 territorial circles, which are headed by eight CCFs and three CFs. The circles are subdivided into 43 territorial forest divisions and five independent sub-divisions, headed by 43 DCFs and five DFOs, who are assisted by 276 Assistant Conservator of Forests (ACF) and 1029 Range Forest Officers (RFO). In addition, there are four CCFs, 15 CFs, six DCFs/DFOs in various functional wings, such as Evaluation, Working Plan, Education, Research and Training.

The PCCF (Wildlife), Nagpur heads the wildlife wing of the Department. He is assisted by one CCF and one DCF at headquarters and three CCFs and one CF at four Circles, six CFs and eight DCFs at 14 divisions. The CFs and the DCFs are assisted by 39 ACFs and 90 RFOs.

¹ Designated as PCCF (MS)

5.1.3 Audit objectives

Audit objectives were to assess whether the existing internal control frame work provides reasonable assurance to the executive with regard to achievement of the Department's objectives through:

- Financial controls,
- Operational controls,
- Organizational controls and
- Internal Audit System.

5.1.4 Audit coverage and methodology

Test check of records of the PCCF (MS) and the PCCF (WL), Nagpur, 10 Circles² and 20³ Divisions for the period from 2003-04 to 2007-08 was conducted between March and June 2008. Selection of units was made by adopting random sampling method to cover 30 units. An entry conference was held (February 2008) with the Additional Chief Secretary to Government of Maharashtra, Revenue and Forest Department wherein audit objectives, scope and criteria were discussed.

An exit conference was also held (August 2008) with the Additional Chief Secretary to Government of Maharashtra, Revenue and Forest Department, wherein audit observations were discussed. The replies of the Government/ Department have been incorporated at appropriate places.

Audit findings

5.1.5 Financial controls

5.1.5.1 Preparation of budget estimates

As per Rule 37 of Maharashtra Budget Manual (MBM), the preparation of the budget requires that estimation should be accurate and the provision to be included in respect of each item should be based upon what is expected to be actually paid or spent under proper sanction during the year including arrears of past years and not confined to the liabilities pertaining to the year. Rule 181 stipulates the target dates for submission of the estimates to the higher

Large savings under plan expenditure indicated deficiencies in budgeting, planning and execution of the plan

² CCF(T), Amravati, CF & Field Director, Tiger Project Melghat, Amravati, CF(T), Kolhapur, CCF(WL), Mumbai, CCF(T), Nagpur, CCF(WP), Nagpur, CCF (Evaluation), Nagpur, CCF (Research, , Trg &Edn), Pune, CCF(T), Pune, CCF (T), Thane

³ DCF, Amravati, DCF(Eval) Aurangabad, DCF(T), Bhandara, CF & Director, Sanjay Gandhi National Park (SGNP) , Borivali, CF(WP-I), Chandrapur, CF & Silviculturist, Chandrapur, DCF(T), Gondia, DCF (T), Jawhar, DCF (T), Junnar, DCF(T), Kolhapur, DCF(Eval) Nashik , Director, Trg College, Pal, DCF, Melghat I, Parathwada, DCF, Melghat II, Parathwada, CF (Edn & Trg), Pune, DCF(T), Pune, DCF(T), Roha DCF(T), Thane, DCF (WL), Thane and CF(WP), Yavatmal

authorities and to the Finance Departments. In 30 units covered, the budget estimates were prepared and submitted to the higher authorities on time. The budget provisions vis-à-vis expenditure of the Department were as follows:

(Rupees in crore)

Year	Non Plan			Plan		
	Final Grant	Actual expenditure	Excess (+) / Savings (-) with per cent	Final Grant	Actual expenditure	Savings (-) with per cent
2003-04	254.66	265.92	(+)11.26 (4%)	47.38	39.65	(-)7.73 (16 %)
2004-05	256.75	283.69	(+)26.94 (10%)	28.87	22.26	(-)6.61 (23%)
2005-06	334.36	323.48	(-)10.88 (3%)	38.69	27.65	(-)11.04 (29%)
2006-07	329.83	315.44	(-)14.39 (4%)	82.93	56.94	(-)25.99 (31%)
2007-08	377.88	381.69	(+)3.81 (1%)	100.28	88.40	(-)11.88 (12%)

It would be seen that there were large savings (12 to 31 per cent) under the plan expenditure indicating deficiencies in budgeting, planning and execution of the plans by the Department.

5.1.5.2 Cash management

➤ Deficient/non-maintenance of cash book

Rule 98 of the Maharashtra Treasury Rules (MTR) 1968, provides that all monetary transactions should be entered in the cash book as soon as they occur and attested by the head of office in token of check. In 25⁴ out of 30 units covered, the entries made in the cash books were not attested during the period from 2003-08 by any of the heads of respective offices.

Conservator of Forests (Working Plan-I), Chandrapur did not maintain the cash book for the period from July 2007 to March 2008. The figures of cash balance indicated in the monthly compiled accounts of this division for the above period could not be verified in audit. The Department stated (August 2008) that instructions had been issued to all circles and divisions to follow the rules.

➤ Surprise verification of cash section

As per Rule 55 of the Bombay Financial Rules (BFR), 1959, to minimise the risk of misappropriation, the head of office was required to make a surprise verification of cash section once a month and certify that cash balance with the cashier was in order. Of 30 units covered, it was noticed that in 25⁵ units the heads of offices did not make surprise verification of cash section on any occasion during the period 2003-08. The Department stated (August 2008) that directions would be given to conduct surprise verification of cash section every month.

⁴ 13 from Territorial, 8 from functional and 4 from Wildlife wing

⁵ 13 from Territorial, 8 from Functional and 4 from Wild life wing

Drawals made from the treasury were not entered in the cash book exposing to the risk of misappropriation and fraud

➤ **Drawals made from the treasury not entered in the cash book**

As per Article 304 of the Bombay Forest Manual (BFM), 1959, every officer who is authorised to receive or disburse Government money should maintain a cash book in which all monetary transactions should be entered. No irregular or separate accounts are permitted. Government of Maharashtra introduced (January 2006) the system of drawal of bills of salary, travelling allowances etc., of the officials of Forest Department through the treasury/sub-treasury concerned which was effective from May 2006. Disbursement of such personal claims was made by direct credit in their respective bank account by issuing departmental cheques or advice to the bank. In 20⁶ units test checked, it was noticed that the drawals made from the treasury/sub-treasury offices were not entered in the cash books of CCF/CF/DCF concerned. Out of 20 units, 14 recorded the drawals in a separate register and six units did not maintain any accounts for such drawals. This was fraught with the risk of misappropriation and fraud. The Department stated (August 2008) that correct procedure would be followed in future.

➤ **Security bonds for handling cash**

In 12 out of 30 units covered, security bonds required to be furnished by the cashier as per Rule 51 of BFR, were not obtained by the heads of offices. The Department stated (August 2008) that action to obtain security bonds from cashier would be taken immediately.

5.1.5.3 Payment of house building advance without execution of mortgage deeds

As per Rule 5 under Appendix 26 of BFR, in all cases of house building advance (HBA), when advance is granted for the purchase of land or land together with the house thereon, as the case may be, the property shall be mortgaged to Government in favour of Governor of Maharashtra as security for repayment of the loan. The head of office/department shall ensure that the prescribed mortgage deed is executed immediately on completion/purchase of the house, and the document kept in safe custody after registration. Scrutiny of records in 10 units⁷ revealed that HBA amounting to Rs 4.93 crore was disbursed during 2003-08 to 249 officials. The recovery of advance was regularly made from their monthly salary. However, the mortgage deeds were not executed and registered in favour of Governor. Thus, the heads of the offices have not ensured security of the advances paid. Government assured (August 2008) that all cases would be reviewed and disciplinary proceedings would be initiated against the erring officials.

⁶ 9 from Territorial, 5 from Functional and 6 from Wild life wing

⁷ CF& FD, TPM, Amravati, CCF(T), Amravati, DCF(T), Amravati, CF(WP-I), Chandrapur, CF(T), Kolhapur, DCF(T), Kolhapur, DCF, Melghat I, Parathwada, DCF, Melghat II, Parathwada, CCF(T), Pune, CCF(T), Thane

Rs 44 crore was drawn from Contingency Fund in violation of the Bombay Contingency Fund Rules, 1957

5.1.5.4 Advance from Contingency Fund

As per Rule 2 the Bombay Contingency Fund Rules, 1957, advances from the contingency fund should be granted only for unforeseen expenditure.

Scrutiny of records of PCCF (MS), Nagpur revealed that the Department, in violation of these provisions, had drawn Rs 23.33 crore during 2004-05 and Rs 21.63 crore during 2005-06 out of the Contingency Fund for meeting non-plan expenditure, on the basis of proposal from APCCF (B P& D)⁸ and approved by Government though the expenditure was included and demanded in the budget estimates of the respective years. Government assured (August 2008) that drawals from Contingency Fund for expenditure foreseen would be avoided in future.

5.1.5.5 Release of grants to Zilla Parishads without receipt of UCs.

As per Section 181-A of Maharashtra Zilla Parishad and Panchayat Samiti Act, 1961, a grant of seven *per cent* of the average of the amounts of gross revenue realised from forest during the three financial years immediately preceding is to be paid to the Zilla Parishads (ZPs) every year. As per Government order no grant should be paid to the ZPs unless utilisation certificates (UCs) for the grant paid in the previous year are submitted.

In five⁹ out of nine units covered (territorial), it was noticed that during the period 2003-08, grants amounting to Rs 7.13 crore were released to five¹⁰ ZPs. As of March 2008, the UCs for Rs 2.83 crore for the years from 2003-04 to 2006-07¹¹ were not received from four ZPs. Records were not made available to Audit by the DCF, Bhandara. The DCFs, however, continued to release grants to the ZPs concerned every year. Thus, the departmental officers failed to monitor utilisation of the grants given to the ZPs and continuous release of grants without ascertaining utilisation of grants already given was irregular. Government stated (August 2008) that the matter would be taken up with Rural Development Department and receipt of utilisation certificates from ZPs would be ensured before release of grants.

5.1.5.6 Rush of expenditure during March

The expenditure should be evenly phased out throughout the year and rush of expenditure particularly in the closing month of the financial year should be avoided. The position of total plan expenditure vis-à-vis expenditure during last month of financial years 2003-08 was as follows:

⁸ Additional Principal Conservator of Forests (Budget, Planning and Development)

⁹ DCF (T), Amravati, DCF(T), Gondia, DCF(T), Kolhapur, DCF(T), Thane, DCF(T), Pune

¹⁰ ZP, Amravati, ZP, Gondia, ZP, Kolhapur, ZP, Thane, ZP, Pune

¹¹ 2003-04 (Rs.1.22 crore), 2004-05 (89 lakh) 2005-06 (4 lakh) and 2006-07 (68 lakh)

(Rupees in crore)

Year	Total Expenditure	Expenditure during March	Percentage
2003-04	39.65	19.95	50
2004-05	22.26	9.67	43
2005-06	27.61	16.56	60
2006-07	56.97	26.10	46
2007-08	88.27	36.03	41

It would be seen that the plan expenditure incurred during last month of the financial years ranged from 41 to 60 *per cent*. Rush of expenditure during March indicated lack of monitoring of expenditure. The flouting of cash flow norms by the forest department during the year 2007-08 has been discussed in paragraph 1.2.1.3 of Chapter I of this Audit report.

The Maharashtra Budget Manual (MBM) provides for surrender of all anticipated savings to the Government as soon as they are foreseen. The administrative departments are required to surrender all savings not later than 15 March. However, the Department surrendered the savings amounting to Rs 154.13 crore¹² (100 *per cent*) on last two working days of the financial year during 2003-04 to 2007-08. This indicated inadequate budgetary controls. The Government agreed (August 2008) to adhere to the norms prescribed in the codes and manuals.

5.1.5.7 Reconciliation of remittances into treasury

Under the provisions of MBM, the heads of offices were required to reconcile the receipts accounts with the treasuries every month and forward a copy of the reconciled statement to the controlling officer. It was observed that in three¹³ units, reconciliation of remittances was not done during the period 2003-08. The DCFs, Kolhapur and Pune did not reconcile the remittances from November 2006 and October 2007 respectively. In the absence of reconciliation, correct classification of remittances into the treasury and correctness of the accounts can not be ensured. Department assured (August 2008) that reconciliation of remittances into treasury would be done regularly in future.

5.1.5.8 Procurement beyond financial powers

As per the Finance Department orders (July 2001), the CCFs and CFs could make purchase of computers, xerox machines etc., up to Rs 1 lakh per year, while the DCFs did not have any financial powers to purchase the same.

¹² 31 March 2004-Rs.26.29 crore, 31 March 2005-Rs. 28.63 crore, 31 March 2006-Rs. 16.08 crore, 30 March 2007-56.75 crore and 31 March 2008- Rs 26.38 crore

¹³ DCF(T), Gondia, DCF(T), Junnar, DCF(WL), Thane

It was noticed that in three units¹⁴, CCF/CF/DCF concerned purchased computers, printers and Xerox machine worth Rs 4.77 lakh during 2005-08, beyond their financial powers. The DCF (T), Pune purchased franking machine (January 2007) and xerox machine (October 2005) worth Rs 2.27 lakh violating the delegation of financial powers, that too from the funds available under Forest Development Agency Fund, which was irregular.

In another case, the CF and Director, SGNP, Borivali had entered (April 2007) into an agreement with M/s Anthony Peter Mangzes, Uncle Cold Storage, Andheri for supply of beef worth Rs 56 lakh for the year 2007-08, though his financial power was upto Rs 5 lakh. Department accepted (August 2008) the audit observations and stated that review of existing financial power delegated to departmental officials would be conducted soon.

5.1.6 Operational control

5.1.6.1 Up-keep of Departmental Manual

Departmental manual introduced in the year 1959, had not been updated

Documentation of procedure for various functions of the Department and its updation are essential. The Bombay Forest Manual was prepared in 1959 and no updation had been undertaken since then. Since there had been major changes in working system in Forest Department, there was a need for revision and updating of the manual. Though a proposal for revision of the manual was submitted to the Government by the PCCF in 1990, the manual had not been revised yet (July 2008). Department stated (August 2008) that updation of manual was in progress and would be completed soon.

5.1.6.2 Preparation of Working Plan

The Working plans¹⁵ are to be prepared by the Working Plan divisions under the supervision of CCF (WP). As per para 33 of the Working Plan Code, the DCF of the Working Plan divisions are required to take up the work of revision of working plan two and half years in advance of the expiry of the existing plan so as to allow sufficient time for obtaining the sanction of Government of India through the PCCF(MS), Nagpur.

Of 13 divisions in four circles test checked, working plan was in continuous operation only in two¹⁶ divisions Working plan for nine divisions was not revised for the last one to 28 years, and in four¹⁷, divisions though the current working plans were in operation, these divisions did not have working plan for two to four years during 2002-03 to 2005-06 as shown in the **Appendix 5.1**.

¹⁴ DCF(T), Kolhapur, CCF (T), Nagpur, CF & Field Director, SGNP, Borivali

¹⁵ Working Plan: Details of activities prescribed to be carried in the Forest Division for 10 years (20 years prior to 2004-05)

¹⁶ Roha and Shahapur of Thane circle

¹⁷ Bhor, Junnar, Nagpur and Wardha

Thus, non-preparation of working plans in time had affected the forest management with consequential effect on harvesting as well as regeneration. Department stated (August 2008) that further efforts would be made to revise working plans to bring down the arrears.

5.1.6.3 Pending proposals for diversion of forest land

Under the provisions of Forest (Conservation) Rules, 2003, proposals for seeking approval for diversion of forest land to other departments/ organisations were to be submitted to the State and Central Governments through the PCCF. To ensure speedy disposal of such proposals, a time limit was to be laid down for disposal of the references made at various levels. Efforts should be made to dispose of each reference at the State Government level within the maximum period of 60 to 90 days. While details of time limit fixed for disposal of cases at various levels was not furnished, 887 proposals were pending (February 2008) at the levels of CF (817), DCF (64) and PCCF (6). Of which, as of May 2008, 56 cases were more than 15 years old, 117 were 10 to 15 years old, and 231 were five to 10 years old. Government stated (August 2008) that many of the proposals were pending with other departments/ organizations.

5.1.6.4 Execution of development work in the National Park

Government permitted (November 2003) CF & Director, Sanjay Gandhi National Park (SGNP), Borivali, Mumbai, to operate personal ledger account for crediting entrance and entertainment fees and utilise such receipts for incurring expenditure on development works in SGNP. With a view to having a proper utilisation of revenue and control over expenditure, a committee under the Chairmanship of CCF (WL), Mumbai was constituted. The committee was required to meet once in three months. The development works were to be carried out after obtaining prior approval of the committee. In addition, as per the orders of PCCF (WL) (June 2007), prior approval of the PCCF (WL) also was required for execution of such development works.

Scrutiny revealed that 159 development works were executed between April 2005 and December 2007 at a cost of Rs 1.74 crore without the prior approval of the committee and the PCCF (WL) on the ground of urgency. The works were later accorded *ex-post facto* sanction (June 2005, October 2005 and January 2008) by the committee, violating the condition prescribed by the Government. The committee met once in 2003-04, twice in 2005-06 and once in 2007-08. It did not meet during 2004-05 and 2006-07. The reasons for not holding the quarterly meetings were not furnished. This indicated that the Committee failed to meet regularly and as a result the executing agencies undertook the work taking the approval of the committee for granted. Department accepted (August 2008) audit observation and stated that the committee would meet regularly in future.

Development works valued at Rs 1.74 crore were executed in the National Park without the approval of the concerned Committee and the PCCF (WL)

5.1.6.5 Supervision of plantation operation

To ensure proper implementation of the plantation schemes by the field officers at all levels, the PCCF (MS), Nagpur issued guidelines (October 1995) for field supervision when works are in progress. The officers exercising the supervision were required to record the inspection note in the plantation books.

The intensity of annual supervision to be exercised by CCF and DCF level for Pre Planting Operation (PPO) to Fifth Year Operation (VYO) was as below:

No mechanism existed to ensure prescribed checks in plantation work by the CCFs and CFs

Name of the work	Supervision in a year	
	By CCF	By DCF
PPO	5 sites in each division	At least once in each site
First Year Operation	5 sites in each division	At least once in each site
Second Year Operation	5 sites in each division	At least 10 <i>per cent</i> of the sites
Third Year Operation	5 sites in each division	Weeding at least 10 <i>per cent</i> of the sites
Fourth Year Operation to Fifth Year Operation	5 sites in each division	At least once in each site

Test-check of records of five circles and seven divisions revealed that information relating to supervision actually conducted by the officers was not on record. Three CCFs stated that the information would be obtained from the DCFs, while one CCF and one CF did not furnish information. Three DCFs stated that the same would be obtained from RFOs and furnished, while four DCFs did not furnish information. The PCCF did not have any mechanism to ensure that the regular supervision by the CCF and DCF had been conducted. Department assured (August 2008) that efforts would be made to achieve the target set for supervision of plantation activities.

5.1.6.6 Deficient maintenance of stock register

As per Rule 95 of Maharashtra Contingent Rules, 1965, a Dead Stock Register should be maintained with details of inventory of articles and materials obtained / purchased. Rule 98 *ibid* also provides that physical verification of stock was required to be carried out by the Head of office in June every year and certificate to that effect was to be recorded in the Register.

The CCF (WL), Mumbai did not enter items purchased during the period from 2003-08 while, the CF, (Working Plan-I), Chandrapur did not enter items purchased during January 2006 to March 2008 in the stock registers. Some items like cooler stand, UPS, desktop, bitumen sheets, wall unit etc purchased

during the period 2003-04 to 2005-06 (up to December 2005) were not entered in the stock registers. CF & Silviculturist, Chandrapur did not enter the details of items such as inverter, printer, carpet, desktop etc., worth Rs 1.09 lakh purchased between June 2004 and December 2007 in the stock registers. CCF (T), Nagpur did not maintain the stock registers during the period 2002-05.

In ten¹⁸ out of 30 units covered, physical verification of stock for the period 2003-08 was not carried out. Therefore, it could not be verified in audit whether the assets and stores shown in the registers were actually available. Department stated (August 2008) that instructions had already been issued to the circles and divisions to update the stock registers and endorse the mandatory certificate after physical verification.

5.1.6.7 Timber account

As per Article 246 to 253 of BFM, a timber account showing receipts and disposal of the forest produce and the seized material from each sale depot was required to be compiled and submitted monthly by the RFO. He was to submit accounts to the DCF for monitoring the harvesting and disposal of the forest produce. A consolidated report of the stock of forest produce was to be submitted by the DCF to the Government through the CCF.

Test-check revealed that delays in preparation of timber account by RFOs in eight divisions led to delays in preparation of consolidated account of timber by the DCF for submission to the CCF concerned. As of March 2008 arrears in submission of timber account by DCF were 3 to 107 months¹⁹.

Scrutiny revealed that though the accounts were pending with RFOs, the DCFs failed to ensure the timely preparation and submission of the timber accounts by RFOs to them. The Department stated (August 2008) that such delay would not recur in future.

5.1.7 Organisational controls

The organisational controls of the Department were deficient due to lack of information relating to checks exercised by field officers, system of verification of assets created and insufficient inspection of subordinate offices, as discussed below.

5.1.7.1 Inspection of the subordinate offices

As per Article 589 of BFM, in order to step up standard of efficiency of subordinate offices, all divisional and sub divisional forest offices were to be inspected by the Conservator and all ranges, rounds and other disbursers

¹⁸ 06 from Territorial, 03 from Functional and 01 from Wild life wing

¹⁹ Amravati (40), Buldhana (75), Bhandara (39), Gondia (12), Nagpur (03), East Melghat, Parathwada (60), West Melghat, Parathwada (107) and Wardha (07)

offices by the DCF and Divisional Forest Officers (DFO) at least once a year. The reports of inspections carried out by each officer should be submitted to his immediate superior for perusal. Out of 19²⁰ units test checked, one CCF, one CF and six DCFs did not carry out inspections of their respective subordinate offices during last five years i.e. during 2003-08. In 10 units, as of March 2008, the arrears of inspection ranged between one and four years. DCF (T), Pune inspected all RFOs under him in 4 to 10 days (May 2007) covering the period 2003-04 to 2006-07. The reports were, however, not submitted to the superiors. Department stated (August 2008) that norms would be followed in future.

5.1.7.2 Inspection of saw mills

CCFs and DCFs did not conduct mandatory inspections of saw mills despite shortfall in inspections by RFOs

As per Government orders (May 2003), CCF was to inspect two saw mills, while the DCF was required to inspect four saw mills every month. The number of saw mills required to be inspected by the ACF and RFO was 6 and 12 respectively. Of 12 units test checked, records revealed that CCF, Thane did not conduct any inspection of saw mills during the period 2003-08 which was a serious dereliction of duties. There was a shortfall of inspection ranging from 63 to 100 *per cent* in respect of two²¹ CCFs and 8 to 100 *per cent* in respect of six²² DCFs. Six units did not state reasons for shortfall. Two²³ units attributed the shortfall to regular work, meetings and field work. Three²⁴ units did not furnish details of inspection conducted stating that it would take considerable amount of time to compile the same. Though there was shortfall in inspection done by RFOs as per the reports received, the DCF and CCF neither directed RFOs to conduct mandatory inspections nor conducted the inspection of saw mills themselves. Government stated (August 2008) that performance assessment of individual would be made on the basis of entries made in their annual confidential reports.

5.1.7.3 Inspection to control forest offences

To curb forest offences, Government of Maharashtra prescribed (May 2003) the number of days in a year for inspection of general and sensitive forest areas to be carried out by CCF/CF, DCF, ACF and RFO.

In nine units, the officers stated that the information relating to the inspection actually carried out by the officers was not available. Shortfall, if any, as against the norms prescribed, remained unnoticed. Department stated (August 2008) that the norms would be followed in future.

²⁰ 12 from Territorial, 1 from Functional and 6 from Wild life wing

²¹ CCF, Amravati, CCF, Pune

²² DCF, Amravati, DCF, Junnar, DCF, Kolhapur, DCF, Pune, DCF, Roha, DCF, Thane

²³ CCF, Pune and CCF, Thane

²⁴ DCF (T), Bhandara, DCF (T), Jawhar, DCF (T), Gondia

5.1.7.4 Delay in settling forest offence cases

For speedy disposal and effective measures to curb heavy illicit felling of trees, a vigilance cell comprising one DFO and a small contingent of office staff along with existing mobile squad was created to function directly under the control of the territorial conservators who are required to coordinate and supervise the activities and follow up.

In six out of 10 units test checked, out of 1016 cases detected during 2003-08, only 573 cases were settled and 443 cases were pending as of March 2008. Out of the pending cases, 173 cases were more than three years old, 171 cases were one year to three years old and 99 cases were less than one year old. Four units did not furnish information. This indicates poor monitoring by Conservators in settling the forest offence cases. Department stated that process to settle the forest offence cases would be expedited.

5.1.8 Internal audit system

Internal Audit was to be conducted by the Department to examine and evaluate the level of compliance with departmental rules and procedures. A separate internal audit wing under the PCCF (MS), Nagpur was set up in 1969. The internal audit wing had a staff strength of 16. It was noticed that the internal audit mechanism in the department was inadequate and ineffective as discussed below.

5.1.8.1 Internal audit manual

There was no manual of Internal Audit or Auditing standards prescribing the principles and practices which the internal auditor was required to follow. The PCCF (MS) stated that internal audit was conducted with reference to prescribed Treasury Rules, Financial Rules and Bombay Forest Manual and checklist prepared for the purpose.

5.1.8.2 Shortfall in internal audit

There were huge arrears in conducting internal audit (IA) as shown below:

Year	Nos. of units to be audited as per audit plan	Nos. of units audited	Nos. of units pending	Shortfall (in percentage)
2003-04	42	42	-	Nil
2004-05	46	28	18	39
2005-06	42	6	36	86
2006-07	38	18	20	52
2007-08	36	21	15	42

The PCCF attributed the reasons for shortfall to elections, winter assembly session, vacant post of officers and staff and other administrative problems. Government stated (August 2008) that there was a proposal to increase the manpower in internal audit to achieve the target set.

5.1.8.3 Pending inspection reports

Internal audit loses its effectiveness unless the deficiencies pointed out are promptly attended to. As of March 2007, 7465 paragraphs in 161 internal audit reports were outstanding. The age-wise pendency of paragraphs and IA reports though asked for had not been furnished by the PCCF. Department stated (August 2008) that efforts would be made to settle the internal audit paras.

5.1.8.4 Lack of response to CAG's audit

As of March 2008, 1722 paragraphs in 1035 inspection reports issued by the PAG/AG (Audit) were pending settlement of which 970 paragraphs were more than three years old. First compliance report to 250 inspection reports were not received, of which 126 were more than three years old.

This indicated that sufficient initiatives were not taken by the Department to rectify the mistakes and deficiencies pointed out in audit. Government agreed (August 2008) to hold audit committee meetings to discuss outstanding inspection reports.

5.1.9 Conclusions

Large savings under the plan expenditure indicated deficiencies in budgeting. The rules and mandatory procedures prescribed to prevent fraud and misappropriation of cash were flouted by heads of offices. The heads of offices did not ensure security for the house building advances sanctioned to officials. Money was drawn out of contingency fund in violation of rules. Surrender of savings was made on last two working days, contrary to the provisions. The Department failed to exercise close watch over timely receipt of UCs, before releasing grants to the ZPs. No evidence of exercising prescribed checks to ensure the implementation of the plantation schemes was found at CCF and DCF level. There were shortfalls in inspections of subordinate offices and saw mills at CCF and DCF levels. The heads of offices did not conduct the mandatory physical verification of stores. Initiatives taken to settle observations made in internal audit and CAG's audit were inadequate.

5.1.10 Recommendations

- Financial controls – realistic budget estimates should be prepared with reference to effective planning and execution of plan expenditure to avoid large savings.

- Provisions contained in Maharashtra Treasury Rules and Bombay Financial Rules must be followed by Heads of offices to prevent instances of misappropriation and fraud.
- Heads of offices should ensure execution and registration of mortgage deeds to secure government money in house building advance cases.
- Chief Conservators of Forests and Deputy Conservators of Forests must achieve the target checks prescribed in plantation activities so as to ensure the conservation of forests.
- Target set for inspections of saw mills must be achieved at all levels for effective monitoring.
- Effective measures should be taken to respond to the inspection reports and paragraphs of Internal and CAG's audit.

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