

Chapter-4

State Compensatory Afforestation Fund Management

CHAPTER-4

State Compensatory Afforestation Fund Management

4.1 Financial Management Issues

Uttarakhand Compensatory Afforestation Fund Management and Planning Authority (U-CAMPA) is responsible and accountable for the Financial Management of the Compensatory Afforestation (CA) fund. For this purpose, U-CAMPA is to adopt the system and procedure as mentioned in the Compensatory Afforestation Fund (CAF) Act and Rules made thereunder. The U-CAMPA receives CA fund from the user agency in lieu of the diversion of forest land for non forest purpose and utilizes it for the execution of the different activities under CAMPA by releasing the fund to the Divisional Forest Officers (DFOs) under the control of State Forest Department (SFD). National Authority (NA) transferred an amount of ₹ 2,675.09 crore and ₹ 198.52 crore in State Compensatory Afforestation Fund (SCAF) during 2019-20 and 2021-22 respectively. As of March 2022, an amount of ₹ 2,873.61 crore was available under SCAF. The year-wise details of funds received from user agencies, funds proposed and approved in the Annual Plan of Operations (APOs) by the Government of India (GoI) and further released to the DFOs *vis-à-vis* expenditure incurred after enactment of CAF Act (2018-22) are given in **Table-4.1**

Table-4.1: Details of funds approved, released and utilized

Year	Funds received from user agencies	Funds Proposed	Funds approved	Funds released	Funds utilized
2018-19	79.83	318.30	318.30	303.00	120.54
2019-20	118.73	218.00	213.11	153.85	125.55
2020-21	143.99	487.58	362.90	275.48	252.76
2021-22	100.63	950.81	726.88	434.38	375.58
Total	443.18	1,974.69	1,621.19	1,166.71	874.43

Source: Information obtained from State CAMPA and nodal office.

Note : Funds proposed, approved and utilized from unspent balances of previous years CAMPA fund.


As can be seen from the above, ₹ 753.89 crore was utilised during Audit period (2019-22). Audit noticed instances of diversion/ inadmissible expenditure, deficiency in accounting procedure, non-discharging of interest liability, violation of guidelines on unspent balance, and diversion of funds *etc.* which are discussed in the succeeding paragraphs.

4.1.1 Diversion/Inadmissible expenditure from State Compensatory Afforestation Fund (SCAF)


Rule 154 (2) of the Budget Manual provides that the expenditure incurred should conform to the relevant provisions of the Appropriation Act, the Constitution and the laws made thereunder and should also be in accordance with the financial rules and regulations framed by competent authority. Further, as per the CAF Rules, the mixing of the monies received towards SCAF was not allowed with any other state schemes under implementation from any other budget either for capital or spillover works. Ministry of Environment, Forest & Climate Change (MoEF&CC) directed

(October 2020) that SCAF should not be used as a substitute for the normal State budget for the forestry and wildlife sector. Further, the State Authority also instructed in release orders that the SCAF should not be used for restricted items/activities.


Scrutiny of records of the State Authority revealed the following instances of material diversion of SCAF at the state level:

 An amount of ₹ 56.97 lakh was diverted to the Japan International Cooperation Agency (JICA) project for payment of value added tax, surcharge, sale tax *etc.*


The State Government replied (July 2023) that the amount of ₹ 56.97 lakh was released as ineligible component with the condition that the amount will be refunded to CAMPA on availability of funds, ₹ 20.00 lakh had been recovered and a request would be made to the forest department to recover the remaining amount.

 State Authority allotted ₹ 13.51 lakh to DFO Almora for execution of solar fencing in office premises.

The State Government replied (July 2023) that to safeguard Government employees/ officers and protect assets, approval for solar fencing to prevent human-wildlife conflict was granted. The Government's response is not justified as the funding of the work was done after DFO's initial efforts to get funding from Uttarakhand Van Vikas Nigam /other sources failed and without its inclusion in APO and approval from EC or SC.

 An amount of ₹ 6.54 lakh was allotted to the Chief Conservator of Forest (CCF), Vigilance and Legal Cell, Uttarakhand for printing/publicity/awareness. However, the released amount was used for the establishment of the office.

The State Government replied (July 2023) that the funds were used for the purpose for which it was released. The reply is not acceptable, as the funds were utilized for purchasing the items used for office purposes and not for printing/publicity/ awareness.

 The State Authority released an amount of ₹ 7.18 lakh to CCF Monitoring & Evaluation (M&E) for Information and Technology. However, the CCF, M&E utilized an amount of ₹ 4.96 lakh for routine expenses of Forest Headquarters¹.

The State Government replied (July 2023) that the funds were utilized for allotted items. The reply is not acceptable, as the funds were utilized for the salary of contractual staff and payment of an internet lease line in forest headquarters.

Further, at the divisional level, ₹ 13.86 crore were diverted/ expended on inadmissible activities like state scheme-Harella, tiger safari work, renovation of existing buildings, expenses on personage visits, court cases, purchases of i-phone, laptops, fridges, coolers, stationary *etc.* (as detailed in **Appendix-4.1**). The details of some major instances of diversion/ inadmissible work at division level were as given in **Tabel-4.2**:

¹ The payment for internet lease line operated by Bharat Sanchar Nigam Limited in the Forest Headquarters' premises and an amount of ₹ 2.22 lakh was utilized for the payment of salary of Junior System Analyst.

Table-4.2: Details of major diversion of CAMPA funds

Name of Divisions	Major works/items on which fund was diverted	Amount (₹ in lakh)
Kalagarh Tiger Reserve (KTR)	Construction of internal Path/Six meter wide tiger safari road, Modernization of Forest Rest House Morghatti and Extension of one additional room, four forest guard chowkis constructed at Gujjar Shrot, Elephant protection wall, two watch towers and other miscellaneous work such as lantana removal, bridle path	269.30
Haridwar	Renovation of existing building, harella, fencing <i>etc.</i>	277.90
Tarai East	Furniture and equipment like fridge, cooler, computer, streetlight, chairs and renovation of existing building <i>etc.</i>	100.72
Narendra Nagar	Renovation of existing building and harella <i>etc.</i>	38.00
Corbett Tiger Reserve (CTR)	Treatment of Dhela river and construction of Bio-diversity park	71.89
Lansdowne	Cleaning in forest guest house, bridle path, forest road, fire <i>etc.</i>	59.03
Nainital	Renovation of existing building, harella <i>etc.</i>	28.50
Tons (Purola)	Renovation of existing building and harella <i>etc.</i>	22.00

The State Government replied (July 2023) that all the activities were carried out according to approved APOs. The reply is not acceptable, as these activities were not permissible under rule 5(4) of CAF rules and conditions in the approved APO by National Authority. In the case of CTR, KTR, and Lansdowne, the State Government did not furnish any reply (July 2023) itself and enclosed the replies of the KTR and Lansdowne divisions. DFO KTR replied that all the works were carried out on the directions of the then DFOs and DFO Lansdowne replied that the works were carried out for precautionary measures against forest fire. The replies are not acceptable, as the CA funds were diverted to other schemes like tiger safari and the state sector works.

4.1.2 Flaws in the adoption of accounting procedure

Rule 2 (6) of the CAF (Accounting Procedure) Rules stipulate that all the monies received from User Agencies (UAs) were to be credited in State Compensatory Afforestation Deposit (SCAD)².

Audit found (May 2022) that even after a lapse of three years of notification of the said Accounting Rules, the monies received from the UAs in lieu of the diversion of forest land, were not credited in the SCAD. Further, the said Accounting Rules envisaged that budgetary provision should be made to incur expenditure for SCAF activities which will then be funded out of SCAF through accounting adjustment. However, the State Government did not follow the said procedure during 2019-20 to 2021-22. Accordingly, the state funded expenditure was overstated and SCAF expenditure under-stated by ₹ 547.82 crore in those years. However, the Government has undertaken remedial steps from October 2022 onwards.

The State Government while accepting the facts (July 2023), assured that effort is being made to operationalize the SCAD.

4.1.3 Failure to discharge interest liability towards SCAF

As per Section 4(5) & 4(6) of CAF Act, the State had to deposit the interest on balances available under SCAF at applicable rate of interest. Scrutiny of records of State Authority (May 2022) showed that the State Government did not discharge the

² Major Head 8336-Civil Deposit in Public Account of the State.

interest liability of ₹ 275.34 crore³ for the period (2019-20 to 2021-22), even though the State Authority had requested⁴ the State Government for the same from time to time. The Government accepted the facts and stated (July 2023) that the interest liability of ₹ 150.00 crore has been deposited in SCAF.

4.1.4 Arbitrary/ Inequitable distribution of funds

After approval of APO from the National Authority (NA), the State Government allocates funds to the Chief Executive Officer (CEO) CAMPA for the purpose from the State Budget⁵ and thereafter, the CEO, CAMPA releases funds to the Implementing Agencies (IAs). Since the State Government released less funds as compared to the approved APOs during 2019-20 to 2021-22, the State Authority needed to prioritize the activities and needs of the IAs to ensure equitable and need-based funding. However, on review, Audit observed as under:

- 🌳 The approved APOs contained certain activities, at an estimated cost of ₹ 76.35 crore⁶ against which no fund was released to the IAs during 2019-22. The State Government replied (July 2023) that the funds were utilized according to the requirement. The response is unacceptable, as the APOs should have been formulated and submitted to the NA based on a needs analysis.
- 🌳 Scrutiny of activity-wise release of funds at the State and Division level during 2021-22 revealed inequitable distribution as some divisions were allotted funds very close to their demand while others were not. **Table-4.3** below gives activity-wise release of funds against the demand (approved APO) at the State and Division levels.

Table-4.3: Release of funds at the State as well as Division level under Net Present Value (NPV) against approved APO

(in per cent)

Activities	Release of funds at State Level	Release of funds at Division level			
		Most favoured divisions		Least favoured divisions	
2019-20					
Fire Protection Activities in Van Panchayats	87	Civil & Soyam, Almora	100	Soil Conservation (SC), Lansdowne	28
		Bageshwar	100	Champawat	61
		Tehri Dam-1	100	SC Uttarkashi	95
Soil & Water Conservation Measures	74	Rajaji Tiger Reserve	100	Pithoragarh	42
		KTR	100	SC Kalsi	41
		Dehradun	100	Lansdowne	37
2021-22					
Construction of building upto	55	Govind Wildlife Sanctuary (WLS)	100	Tons	50

³ 2019-20: Available amount ₹ 2,675.09 crore x 5.5 per cent x 7/12 = ₹ 85.83 crore, 2020-21 : Available amount ₹2,760.92 crore x 3.4 per cent = ₹ 93.87 crore and 2021-22 : Available amount ₹ 2,854.78 crore x 3.35 per cent = ₹ 95.64 crore.

⁴ February 2020, January 2021 and January 2022.

⁵ The accounting adjustment as a deduct recovery is made from the SCAF to the State Budget time to time by the State Authority.

⁶ 2019-20 : NPV- ₹ 5.65 crore & interest component- ₹ 10.00 crore, 2020-21: Interest component- ₹ 2.75 crore and 2021-22 : Catchment Area Treatment Plan - ₹ 0.66 crore, Other specified activities- ₹ 4.79 crore & NPV-₹ 52.50 crore.

Activities	Release of funds at State Level	Release of funds at Division level			
range level		Gangotri National Park (NP)	100	Upper Yamuna Barkot	50
		Uttarkashi	100	Champawat	50
Repair of bridle path/forest road	89	Dehradun	100	Govind WLS	55
		Gangotri NP	100	Tarai Central	62
		Tarai East	100	Badrinath	77
Renovation of existing building	51	Dehradun	100	Tehri Dam-1	28
		Rajaji Tiger Reserve	100	Pithoragarh	33
		Uttarkashi	100	C&S, Pauri	30

The State Government replied (July 2023) that the funds were released to the divisions on the basis of the directions of the Chairman of the Executive Committee (EC) and immediate requirement/priority of field offices. The reply is not acceptable, as the release of funds needed to adhere to the provisions outlined in the approved APOs, rather than being based on the immediate requirements directed by the EC.

4.1.5 Financial Indiscipline in release of funds

The Principal Secretary (Forest) directed (July 2020) that prior approval would be required from the Chairman of EC cum Head of Forest Force (HoFF) before releasing the funds to IAs from the SCAF. The Chairman of EC cum HoFF reiterated the above directions in his communication to CEO CAMPA in April and June 2021.

Notwithstanding the above directions, Audit observed that CEO CAMPA released funds to the Divisions/IAs without the necessary approval of the Chairman, EC cum HoFF during July 2020 to November 2021 in an arbitrary/inequitable manner. There were other lapses as well in the release of funds as detailed in **Table-4.4** below:

Table-4.4: Results of Review of Fund Release Orders

Sl. No.	Particulars	2019-20	2020-21	2021-22
1.	Approval of Chairman, EC cum HoFF	Yes	No, during July 2020-March 2021.	No, from April to November 2021; Mostly yes during remaining period.
2.	Consultation with stakeholders (PCCF WL, PPCF VP, CCF Zone)	Occasionally yes.	No	No
3.	Examination of demand in relation to approved APO, past release, proof of proper utilization i.e. whether demand was examined on merits	No	No	No
4.	Examination of proposals for release by Finance Officer/ Finance Controller	No	No	No
5.	Independent examination of proposals at 2-3 levels	Yes, at two levels before final approval	Since July 2020, CEO CAMPA unilaterally decided on release of funds to divisions. The subordinate submitted proposals on directions of CEO CAMPA without examination	No, independent examination of proposals

Performance Audit Report on Functioning of Compensatory Afforestation Fund Management and Planning Authority for the year ended 31 March 2022



Sl. No.	Particulars	2019-20	2020-21	2021-22
6.	Documentation relating to date	Yes	Since July, 2020 both dealing hand and CEO CAMPA stopped putting dated signatures	Out of 29 times 23 times date not mentioned by CEO CAMPA/ HoFF.
7.	Whether fund released allowed sufficient time to IAs to utilize funds	No such issue was found	During 22-30 March, 2021 CEO CAMPA released ₹ 9.99 crore for soil and moisture conservation, animal wild conflict, rescue center construction, printing publicity extension, lantana removal etc.	On 30 March 2022, CEO CAMPA released ₹ 7.21 crore for strengthening VP.

The State Government replied (July 2023) that the CAF Act and Rules did not specify the requirement for approval from the Chairman of EC cum HoFF before funds were released to the IAs. Nevertheless, approval was sought from the Chairman of EC before releasing funds to the IAs. The response is unacceptable because the Audit revealed a specific period (July 2020 to November 2021) during which approval was not obtained. Additionally, CAF Act Section 19 (ix & x) clearly states that the EC is responsible for delegating financial or administrative powers and overseeing day-to-day work concerning the State Authority.

4.2 Conclusion

The release of funds was unrealistic and not commensurate with the approved Annual Plan of Operations. The State Authority failed to ensure equitable and need based funding of activities in all the Implementing Agencies. There was inefficiency/ineffectiveness in funds release, not adopting of accounting procedure as per Compensatory Afforestation Fund rules, and not discharging of interest liability. Besides, the State Authority did not control the diversion/inadmissible expenditure from State Compensatory Afforestation Fund.

4.3 Recommendations

-  ***Since CAMPA activities are funded out of SCAF in the Public Account, the State Government should ensure to keep budgetary provisions equal to APO approved by the NA;***
-  ***The State Authority must institute proper budgetary control checks for robust financial management so that misutilization/ diversion/ misappropriation/ embezzlement of the fund can be prevented.***