

Chapter-V

Stores and Stock

Section-A-Review

Agriculture Production Department

5.1 Management of stores in Agriculture Department

Agriculture Department procures seeds, pesticides and also fabricates agricultural implements for sale to farmers at subsidised rates. Management of agricultural inputs during 1997-98 to 2001-02 was not satisfactory as purchases in excess of the requirement had been made which resulted in accumulation of stocks. Action for timely disposal of left over stocks was also not taken due to which these became unfit for use. Cases of misappropriation of sale proceeds and short-accounting of stores were also noticed. Significant points noticed during audit are as follows:

Highlights

- The Directors of Agriculture (Jammu and Kashmir) had not prepared the trading accounts for exercising effective control over purchase/sale of inputs and consumption of raw material in the workshops.

(Paragraph: 5.1.5)

- Poor financial discipline in the department resulted in retention of sale proceeds of agricultural inputs and implements aggregating Rs 5.01 crore by various field functionaries as on 31 March 2002. Of this, sale proceeds of Rs 76.13 lakh had been mis-appropriated and Rs 79.46 lakh were diverted for expenses on carriage of inputs and purchase of POL/repairs of vehicle.

(Paragraphs: 5.1.6, 5.1.7, 5.1.9 and 5.1.11)

- Purchase of seeds in excess of requirements by the Joint Directors (Inputs) rendered stocks of 2012 MTs, costing Rs 2.06 crore, unfit due to expiry of their shelf life. Similarly, plant protection chemicals costing Rs 1.91 crore were lost due to expiry of their shelf life.

(Paragraphs: 5.1.15 and 5.1.17)

- Norms for processing and storage losses had not been fixed. Processing loss of Rs 2.49 crore in the seed processing plants and storage loss of Rs 28 lakh in potato breeder seeds stores was reported during the period 1997-98 to 2001-02.

(Paragraphs: 5.1.19 and 5.1.20)

- Seed costing Rs 58.15 lakh and plant protection chemicals costing Rs 12.91 lakh were not accounted for in the store records during the period 1997-98 to 2001-02.

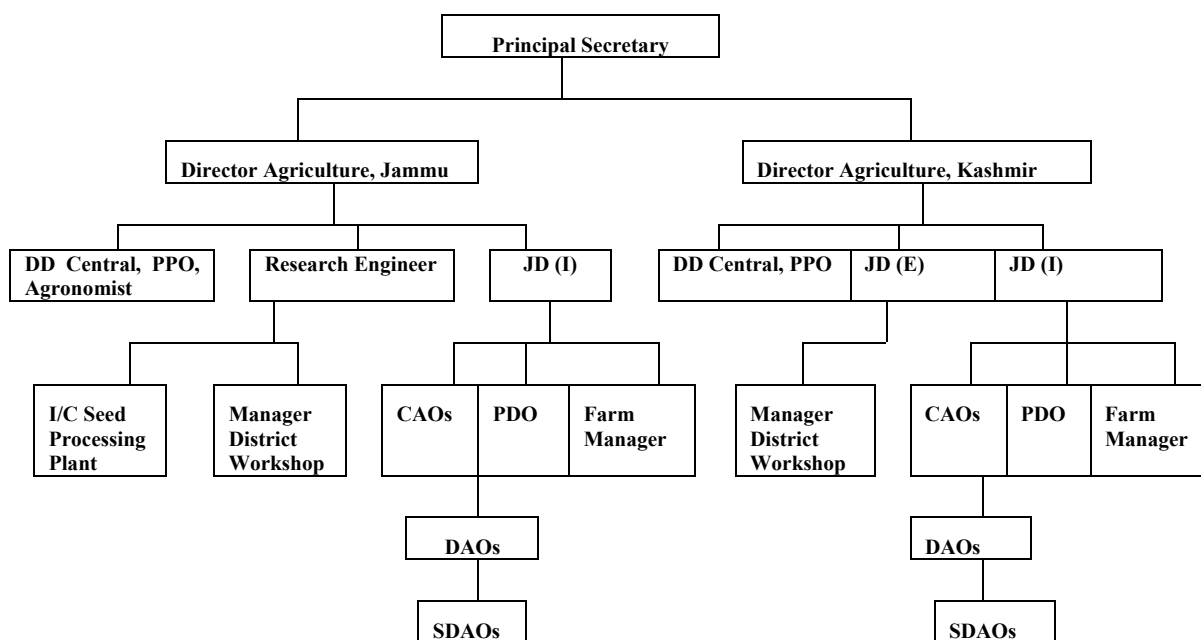
(Paragraph: 5.1.23)

Introduction

5.1.1 Agriculture Department procures quality seed, plant protection chemicals, pesticides and also fabricates agricultural implements for sale to the farmers on subsidised rates for increasing agricultural production in the State. Seeds are also produced at the departmental farms and in the seed villages and processed at the processing plants for obtaining quality seed. The department also procures machinery and equipment for farms and raw material for its workshops.

Organisational structure

5.1.2 The following chart shows the organisational structure for management of stores in the department:



(DD: Dy. Director; PPO: Plant Protection Officer; JD (I): Joint Director (Inputs); JD (E): Joint Director (Engineering); CAOs: Chief Agriculture Officers; DAOs: District Agriculture Officers; SDAOs: Sub Divisional Agriculture Officers; PDO: Potato Development Officer)

Audit coverage

5.1.3 Records relating to stores maintained in the offices of Director Agriculture Jammu, Joint Directors (Inputs), Potato Development Officers of Jammu and Kashmir Divisions, Joint Director (Engineering) Kashmir, Research Engineer, Agronomist and Plant Protection Officer Jammu, 6^ψ Chief

^ψ Jammu, Kathua, Rajouri, Udhampur, Srinagar and CAD Jammu

Agriculture Officers, Farm Managers Chinore/Chakrohi Jammu and 7[€] Sub-Divisional Agriculture Officers, covering 50 per cent of total expenditure for the period 1997-98 to 2001-02, were test-checked in audit during the period from November 2001 to May 2002. Important points noticed are brought out in the succeeding paragraphs.

Allocation and expenditure

5.1.4 The year wise position of funds allocated and expenditure incurred on purchase of seeds, plant protection chemicals and raw material during the period 1997-98 to 2001-02, as per departmental figures, was as under:

Table No 5.1

(Rupees in crore)

Year	Allocation	Expenditure	Savings
1997-1998	12.81	11.41	1.40
1998-1999	11.19	9.09	2.10
1999-2000	6.53	6.30	0.23
2000-2001	6.41	6.21	0.20
2001-2002	7.20	6.72	0.48
Total	44.14	39.73	4.41

Non-maintenance of trading accounts

5.1.5 The department for its trading activities, was to prepare annually trading accounts indicating, *inter alia*, procurement/purchase of inputs/raw material, sale proceeds realised and position of opening and closing stocks. These accounts were not prepared. Records produced to audit revealed that against purchase and production of inputs of Rs 26.63 crore, sale proceeds of Rs 24.38 crore only had been realised during the period 1997-98 to 2001-02. Non-maintenance of the trading accounts by the department precluded it from monitoring and exercising effective control over purchase/sale of inputs and consumption of raw material in its workshops.

Poor financial discipline

5.1.6 Money received on Government account is to be immediately remitted into the treasury. It was observed that the remittance of the sale proceeds was not monitored/ensured at different levels of control. As per information supplied by the department, an amount of Rs 5.01 crore realised as of March 2002 by district level functionaries^β on account of sale proceeds of agricultural inputs and implements was outstanding for periods ranging from 4 months to 6 years which indicated lack of financial discipline in the department. Test check of records revealed as follows:

[€] R.S.Pora, Dansal, Ramnagar, Marh, Udampur, Dayalachak and Srinagar
^β Chief Agriculture Officers, Sub-divisional Agriculture Officers, etc.

Retention/misappropriation of sale proceeds

5.1.7 Audit check of the records (cash book/receipts) of the Chief Agriculture Officer (CAO), Jammu revealed that out of Rs 5.40 crore received as sale proceeds during the period November 1996 to March 2001, Rs 52.55 lakh (as worked out in audit) were retained and not remitted into the treasury. Against this, the cash book depicted a balance of Rs 44.80 lakh only at the end of March 2001, which too was not carried forward on 1 April 2001, revealing misappropriation of at least Rs 44.80 lakh. Discrepancy of Rs 7.75 lakh was reported to be under investigation.

5.1.8 Similarly, sale proceeds of Rs 2.54 lakh realised in 3[≈] cases during 1997-98 to 2001-02 had not been remitted. While in one case the defaulter was placed under suspension, no action was taken in other two cases.

5.1.9 In Kashmir Division, reconciliation conducted by the Joint Director (Inputs) with the CAOs revealed that sale proceeds of Rs 1.44 crore realised ending March 2001 by the subordinate officials had been retained by them. The amount included Rs 24 lakh and Rs 7.33 lakh embezzled by the then Agriculture Assistants (Inputs), Beerwah and Sopore who were placed under suspension in March 1998 and September 1998 respectively. The JD (I) stated (June 2002) that 216 defaulters responsible for retention of Rs 39 lakh had been identified and asked to refund the amount. Progress of identification of defaulters in remaining cases and recovery of the amounts involved was awaited (June 2002).

5.1.10 Out of Rs 19.06 lakh indicated outstanding (March 2002) in the books of Joint Director (Engineering), Kashmir on account of sale proceeds of agricultural implements, Rs 18.64 lakh pertaining to the period 1997-98 to 2000-01 were actually retained by the staff in the district workshops.

Diversion of departmental receipts

5.1.11 Financial rules forbid utilisation of departmental receipts for expenditure. Rupees 79.46 lakh realised on account of sale proceeds of agricultural inputs were diverted during the period 1997-2002 for meeting expenses on carriage of inputs (Rs 76.43 lakh) and purchase of POL and repairs of vehicle (Rs 3.03 lakh).

Awaited detailed accounts

5.1.12 Detailed accounts for Rs 41.84 lakh advanced by JD (I) Kashmir to CAOs[♦] during 1997-98 to 2000-01 for procurement of paddy seed and potato tubers had not been obtained (May 2002).

[≈] SDAO, R.S.Pora: Rs 1.40 lakh; CAO, CAD, Jammu: Rs 0.91 lakh; Agriculture Workshop, Udhampur: Rs 0.23 lakh

[♦] Srinagar, Budgam, Baramulla, Kupwara, Anantnag and Pulwama

Injudicious assessment of requirements

5.1.13 For proper utilisation of agricultural inputs, it is necessary to assess their requirements judiciously and objectively, arrange their timely procurement and distribution. It was observed that requirement of inputs projected by the CAOs were higher and despite procurement of lesser quantities, huge stocks remained unlifted/unsold. Failure of the JDs (I) to assess requirement of inputs judiciously and ensure their timely utilization/disposal of left-over stocks resulted in expiry of seed stocks and plant protection chemicals costing Rs 3.97 crore during the period 1997-98 to 2001-02 as discussed in following paragraphs:

Seeds

5.1.14 The position of seeds procured and distributed during 1997-98 to 2001-2002 and left-over quantities in divisional/district stores[&] of Kashmir Division and districts stores[®] of Jammu Division, ending March 2002 as per departmental records was as under:

Table No: 5.2

Variety	(In quintals)			
	Opening balance on 1 April 1997	Procured	Distributed	Closing balance ^ψ on 31 March 2002
Wheat	129	100307	88613	11223
Paddy	-	12276	11247	710
Maize	246	17503	13636	602
Vegetables	14	1013	984	38
Others	1794	56930	54481	3760
Total	2183	185029	168961	16333

5.1.15 In addition, 3790^φ quintals of seed (cost: Rs 51.84 lakh) were left over (March 2002) in the Seed Processing Plant at Talab Tillo and Padgampora and Chakrohi farms. The left over stock totalling 2012 MTs (cost: Rs 2.06[▲] crore) had outlived its shelf life of 9 months and was not fit for use. While the Deputy Director (Central), Jammu attributed (April 2002) accumulation of stocks to unfavourable weather conditions and high sale rate, the J.D (I) Kashmir stated (June 2002) that farming community utilised their own seed and that the department would minimise the seed procurement in future.

5.1.16 A few instances of purchase of seeds in excess of requirement by JD (I), Kashmir noticed in test-check are tabulated below:

[&] Srinagar, Baramulla, Kupwara, Anantnag, Budgam and Pulwama
[®] Jammu, Kathua, Rajouri, Udhampur and CAD Jammu

^ψ Variation of 1918 quintals was indicated as shortage/under-reconciliation

^φ Talab Tillo (3041 quintals; Cost: Rs 39.51 lakh), Padgampora (436 qtls; cost: Rs 8.41 lakh)
 Chakrohi (313 qtls; cost: Rs 3.92 lakh)

[▲] Excludes cost of left over stocks (351 MTs) of Kashmir Division not intimated

Table No 5.3

Variety	Period	Quantity (Quintals)				Remarks
		Indented	Purchased (Cost:Rs in lakh)	Distributed	Left-over (Cost:Rs in lakh)	
Moong (PS-16)	Kharif 2001	420	1029 (28.83)	340	689 (19.20)	Left-over seed in Divisional stores alongwith 40 quintals (Cost: Rs 1.13 lakh) lifted by CAO, Srinagar was infested due to its storage with infested seeds resulting in the loss of Rs 20.33 lakh.
Oats (Kent)	Rabi 2001	NA	6000 (82.98)	4392	1608 (22.23)	Left-over seed in Divisional stores as also 441 quintals (Cost: Rs 6.10 lakh) unsold with CAO Srinagar, was lying in the stores.
Beans (CR)	Kharif 2001	330	450 (11.88)	148	302 (7.97)	The left-over seed had been damaged by weevil resulting in loss of Rs 7.97 lakh.
Other seeds	1997-98 to 2000-2001	NA	357 (9.54)	Nil	357 (9.54)	Left-over seed got infested/damaged resulting in loss of Rs 9.54 lakh
Total			7836	4880	2956 (58.94)	

Plant protection chemicals

5.1.17 Plant protection chemicals costing Rs 1.91 crore (Kashmir: Rs 1.22 crore; Jammu: Rs 0.69 crore) purchased during 1997-98 to 2001-02 expired due to their non-utilisation. An instance of injudicious assessment of requirement noticed in test-check is as follows:

JD (I) Kashmir purchased 15000 quintals (cost: Rs 2.68 crore) and 12488 quintals (cost: Rs 2.23 crore) of Butachlor during 1997-98 and 1998-99 respectively. This together with opening stock of 25.72 quintals (cost: Rs 46.86 lakh) in the Divisional store was issued (1997-98 and 1998-99) to CAOs of which 4454 quintals (cost: Rs 85.02 lakh) remained unsold and had expired (March 2001).

Agricultural implements

5.1.18 Director Horticulture Department placed (1998-99) Rs 1.05 crore at the disposal of JD (E) Jammu for fabrication of 9700 polygreen houses at Talab Tilloo Workshop. The workshop fabricated 2449 polygreen houses (cost: Rs 86.84 lakh) of which, 2149 were supplied (up to June 2000) to the Horticulture and other departments. Further fabrication was suspended (October 2000) following reports of breaking of brackets/structures of these polygreen houses in joints. The remaining polygreen houses (300) and unconsumed conduit pipes (69.26 MT) were lying in stores resulting in locking up of Rs 23.73 lakh.

Non-fixation of norms Processing losses

5.1.19 During the period 1997-98 to 2001-02, processing loss of 2733[∞] MTs of seed (cost: Rs 2.49 crore) had taken place in processing 13335 MTs of seed at seed processing plants at Talab-Tillo and Padgampora. The processing losses at these plants worked out to 20.5 *per cent* for which norms had not been fixed.

Dryage and wastage

5.1.20 Potato breeder seed is purchased from Potato Research Institutes at Shimla and Jullunder and multiplied into foundation /certified seed in eight departmental farms in Jammu/ Kashmir Divisions. Consolidated record showing the total seed procured, yield obtained and quantity despatched to CAOs for sale had not been maintained. As per data collected from available records in audit, out of 2364 MTs (Jammu: 1300 MTs; Kashmir 1064 MTs) of potato tubers produced at the farms and received from the seed villages, 2038 MTs were issued to CAOs for sale during the period 1997-98 to 2001-02. The balance of 326 MTs[~] (cost: Rs 28.03 lakh) was shown as dryage/wastage, which worked out to 14 *per cent* for which no norms had been fixed.

Subsidy on sale of seeds

5.1.21 Sale rate is fixed by the Government on the basis of landed[†] cost of seeds and previous year's sale rate. In the absence of any ceiling on grant of subsidy, the difference between the landed cost and the sale rate was treated as subsidy which worked out between 4 and 55 *per cent* of the landed cost during the period 1999-2001.

5.1.22 Subsidy under Integrated Cereals Development Programme (Wheat) a Centrally sponsored scheme was to be allowed for certified seed notified during last 10 years. Test-check revealed that subsidy of Rs 18.17 lakh was allowed on 3 seed varieties notified more than 10 years earlier and issued to the CAOs in Jammu Division during 1997-98 to 1999-2000.

Defective maintenance of store records**Non-accounting of seed/plant protection chemicals**

5.1.23 (a) 1841 quintals (cost: Rs 35.59 lakh) of seed of different varieties were short carried forward in the books of CAOs of Jammu (707 quintals; cost: Rs 16.31 lakh) and Kashmir (1134 quintals; cost: Rs 19.28 lakh) Divisions during the period 1997-98 to 2000-01. Test check further revealed that plant protection chemicals costing Rs 12.91 lakh were not accounted for in Kashmir (Rs 8.41 lakh) and Jammu (Rs 4.50 lakh) Divisions during the period 1997-98 to 2001-02.

[∞] Talab-Tillo 2592 MTs; Cost Rs 2.29 crore; Padgampora 141 MTs: Cost Rs 0.20 crore

[~] Jammu 242 MTs; cost: Rs 18.65 lakh, Kashmir 84 MTs; cost: Rs 9.38 lakh

[†] Includes handling and interest (6.5 *per cent* for six months) charges, etc.

(b) Out of 4525 quintals of oil seed procured at a cost of Rs 44.80 lakh by JD(I) Kashmir during 1997-98 to 2000-2001, 1557 quintals only had been accounted for (May 2002). The JD (I) Kashmir stated (June 2002) that non-accounting of 2968 quintals (Cost Rs 22.56 lakh) would be investigated.

(c) Physical verification of agricultural inputs had not been conducted in any test-checked store during the period of review. Cash security of Rs 2000 and personal security of Rs 20000 was also not obtained from any of the store keepers who handled the stores.

Auction of left over seeds

5.1.24 The Government constituted (April 1982) two Divisional Survey Committees and the District Level Auction Committees (DLACs) for survey and auction of left-over seeds. Based on the recommendations of the survey committee, auction was to be held under the supervision of DLAC.

(a) Out of 12772* quintals of left over seeds at the end of 2000-01 in the test-checked stores of Jammu Division, 2119 quintals (16 *per cent*) which included stocks with fungicides/infested with pests, only were surveyed and auctioned to rice mill owners, etc. during 1997-98 to 2000-01. The department had not ensured that the infested/fumigated seeds were not utilised by these mill owners for recycling for human consumption with inherent health hazards. The JD (I) Jammu stated (April 2002) that no such guidelines existed in the constitution of survey/auction committee.

5.1.25 The above points were referred to Government/department in July 2002; their reply had not been received (October 2002).

* Ending 1997-98: 1439 quintals; 1998-99: 1612 quintals; 1999-2000: 7957 quintals; 2000-01: 12772 quintals

Section-B-Audit Paragraphs

Public Works Department (Roads and Bridges)

5.2 Shortage of stores

Shortage of stores/stock articles costing Rs 13.78 lakh occurred because of non-observance of codal provisions relating to inventory control in Gulmarg Project Organisation and R&B Division, Udhampur.

5.2.1 Financial rules provide that proper account of stores for receipt and issue be maintained by the custodian of stores and material issued by the custodian only on the basis of approved indents. The rules also provide that physical verification of stocks should be conducted annually. Shortage of store material costing Rs 13.78 lakh was detected in the stores of Chief Executive Officer, Gulmarg Project Organisation, (GPO) Tangmarg, Kashmir and Executive Engineer, R&B Division, Udhampur. Reasons for the shortages were not investigated by the department. These cases of shortage are discussed in the succeeding paragraphs.

5.2.2 Test-check (June 2001) of records of the GPO Tangmarg revealed, that the Chief Executive Officer had never conducted the annual stock verification during the period from 1990-91 to 1997-98. It was only in August 1999 that the stock verification revealed shortage of store articles costing Rs 7.99 lakh. The shortage of stores was facilitated due to absence of gate pass system, non-maintenance of bin cards, non-use of printed machine numbered goods received sheets and retention of storekeeper for more than 8 years against the prescribed tenure of two years.

5.2.3 During physical verification of the stores of Executive Engineer, R&B Division, Udhampur for the year ending 1999-2000 conducted in May 2000, shortage of stores costing Rs 5.79 lakh was detected. Test-check (August 2001) revealed that the shortages had been facilitated by issue of stores on loan chits instead of on approved indents, absence of gate pass system for regulating issue/receipt of material and non-reconciliation of balances in the bin cards with the priced store ledgers.

5.2.4 The matter was referred to Government/department in January 2002; reply had not been received (October 2002).