

Chapter-V

Stores and Stock

Irrigation and Public Health Engineering Department

5.1 Shortage of stores

Non-observance of rules and ineffective control of stores by the Executive Engineers, Public Health Engineering Divisions, Sopore and Baramulla facilitated shortage of stores costing Rs 53.21 lakh. These shortages had not been investigated even after five years of their detection.

Financial rules provide that the head of the office should take special care in arranging safe custody of stores, keeping them in good and efficient condition and protecting them from loss, damage or deterioration. The rules further provide that he should maintain suitable accounts and inventories of stores in his charge with a view to preventing losses and should fully investigate the cause of deficiency, if any.

Audit scrutiny of the records of Public Health Engineering Divisions, Sopore (February 2002) and Baramulla (August 2002) revealed that the Executive Engineers of these divisions had not checked records maintained by the store-keepers nor reconciled balances of stores/stock with those of divisional records. Physical verification of stores was also not conducted in PHE Divisions, Sopore^β and Baramulla[♦] which resulted in shortage of stores amounting to Rs 53.21^{*} lakh noticed (June 1998/July 1998) during handing over of charge by the store keepers of the two divisions. Despite lapse of about five years, these shortages had not been investigated to make good their cost from the defaulters.

Thus, non-observance of rules and ineffective control of stores by the Executive Engineers facilitated shortage of stores amounting to Rs 53.21 lakh. These had not been investigated even after five years of their detection.

The matter was referred to the Government/Department in April 2003; reply had not been received (October 2003).

^β September 1994 to May 1998.

[♦] July 1996 to September 1997.

^{*} PHE Sopore: Rs 12.94 lakh; PHE Baramulla: Rs 40.27 lakh.

Roads and Buildings Department

5.2 Stores Procurement Department

Store Procurement Department was established for procurement and supply of construction material to various Government departments. The accounts maintained in monetary terms were flawed. Receipt of material against advance payment was not monitored and inventories in excess of the prescribed stock reserve limit were maintained. Cases of short receipt of supplies, avoidable and excess payments aggregating Rs 5.79 crore were also noticed.

Introduction

5.2.1 Stores Procurement Department (SPD) was established in June 1980 for procurement and supply of construction material (cement, steel, bitumen, etc.) for general use of various Government departments through its two stores procurement units one each at Jammu and Pampore (Kashmir). Test-check of the records of the Director, two Deputy Directors SPD one each at Jammu and Pampore (Kashmir) for the period from 1998-99 to 2002-03 revealed the following points.

Inventory management

5.2.2 The Department furnished the following information which indicates opening balance, procurement, issue and closing balance of stores for the years 1998-99 to 2002-03.

Table No: 5.1

(Rs in crore)

	Opening balance	Procurement	Total	Issue	Closing balance
1998-99	35.60	27.62	63.22	32.82	30.40
1999-2000	30.40	12.67	43.07	19.52	23.55
2000-01	23.55	37.61	61.16	24.55	36.61
2001-02	36.61	22.21	58.82	30.87	27.95
2002-03	27.95	36.85	64.80	38.30	26.50

The Department had not maintained quantitative accounts *viz.* Priced Store Ledgers (PSL) and Bin Cards of the stores and the accounts maintained in monetary terms were flawed because of the following reasons:

Procurement figures included advance payments for which Department did not receive the material during the year and sometimes even after two years. Test check revealed such quantities were up to Rs 4.50 crore during the year 2001-02 inflating the closing balance to that extent.

Sometimes, Department issues material to the user divisions on loan basis, which does not get reflected in accounts. Closing balance at the end of

March 2003 included cost of store items (Rs 1.95 crore) issued irregularly on loan basis to 10 divisions during 2001-03, overstating the balance to that extent.

The correctness of the closing balances was also suspect due to non-conducting of annual physical verification of stores for four years. Stores that were short by Rs 1.37 lakh (detected during physical verification (1997-98) of Jammu stores) had been recovered to the extent of Rs 0.52 lakh only (February 2003).

Non-moving iron/steel items costing Rs 64.34 lakh were lying in the stores (Jammu: Rs 28.24 lakh; Pampore: Rs 36.10 lakh) for over four years. In addition, mechanical, electrical and other store items (cost: Rs 27.59 lakh) pertaining to the period prior to 1973-74 were also lying in the stores.

The Department had not fixed the minimum, maximum and reorder levels of the stores in quantitative terms for efficient inventory control. It was not aware of the actual requirement of the user divisions and procurement was not related to their requirements. The Director SPD assessed the requirement of steel and bitumen on its own. The inventories in the two store units were 489 to 815 *per cent* in excess of the prescribed stock reserve limit of Rs four crore during the period from 1998-99 to 2002-03 which had not been regularised.

Non-monitoring of supplies against advance payments

5.2.3 The Director, SPD advanced (January 1993 to April 1993) Rs 2.11 crore to Steel Authority of India Limited (SAIL) Jallundhar for supply of 1655 MTs of steel of sorts. The supply was to be made by SAIL on the authority of delivery orders in favour of the Department through its conversion agent. The Department received 823.33 MTs of steel only up to January 1996. The matter regarding short supply of 831.67 MTs of steel was taken up (February 1996) by the Director with SAIL, which admitted short supply of 198.805 MTs of steel (value: Rs 31.43 lakh) only. SAIL supplied 41.30 MTs (between July to September 1996) and refunded (August 1996) Rs 8.17 lakh. The Department in all received 864.63 MTs of steel and refund of cost of 64.10 MTs of steel revealing short receipt of 726.27 MTs (value: Rs 92.55 lakh). Failure of the Director to monitor receipt of supplies resulted in short receipt of the material which had not been sorted out with SAIL authorities as of March 2003.

The Department purchased bitumen from oil companies by making advance payments for the quantities ordered. Audit scrutiny revealed that fresh advances were made without ensuring adjustment of the previous advances. As a result between Rs 13.67 lakh and Rs 1.07 crore were outstanding against HPCL* and between Rs 23.48 lakh and Rs 1.00 crore against BPCL♦ at the close of each year during the period from 1990-91 to 2001-02. Similarly, between

* Hindustan Petroleum Corporation Limited.
♦ Bharat Petroleum Corporation Limited.

Rs 44.91 lakh and Rs 5.16 crore were outstanding against IOC⁼ at the close of each year during the period from 1991-92 to 2001-02. An amount of Rs 2.84[&] crore was outstanding against these Central PSE's as of February 2003. The position of outstanding amounts against these Central PSE's, at the close of the year 1989-90 was not available due to non-maintenance of records. The interest cost of the minimum balances held by these companies during the period 1990-91 to 2001-02 worked out to Rs 1.22 crore.

Non-review of deposit accounts

5.2.4 Deposit register prior to 2002-03 had not been maintained in the Pampore unit. In Jammu unit, the register had been maintained only in respect of firms/suppliers and did not record full particulars of transactions quoting voucher numbers in support of debit/credit entries. At the end of March 2003, Rs 24.16 crore (Jammu: Rs 17.55 crore and Pampore: Rs 6.61 crore) were lying in the deposit account which included Rs 23.94 crore of the indenting divisions for supply of stores. Prescribed annual review of the balances under deposits had also not been conducted for crediting unclaimed amounts to the Government account as lapsed deposits.

Excess payments

5.2.5 Against supply orders placed in December 1997, December 1998 and August 2000, the IOC issued delivery orders for lifting bitumen from Mathura instead of the Panipat refinery and accordingly allowed discount of Rs 253 per metric tonne as transport rate differential between Mathura and Panipat. It was, however, noticed that the company charged full freight from the Department without allowing the freight discount resulting in excess payment of Rs 11.18 lakh. The company admitted (March 2001) excess charging of freight during reconciliation of its accounts with the Department. The amount was neither got refunded nor adjusted against fresh orders by the Department (February 2003).

Central Sales Tax at the rate of four *per cent* is payable on the basic cost of bitumen purchased. Test check of records revealed that the Deputy Director, SPD, Kashmir paid Central Sales Tax on the components of transportation and toll expenses included in the cost of bitumen received in the stores during April 2000 to December 2002. This resulted in excess payment of Rs 9.22 lakh to the IOC. The excess payment had neither been recovered nor adjusted against subsequent payments due to the company (March 2003).

Avoidable payments

5.2.6 The issue price of the stores includes sales tax. Sales tax of Rs 14.91 lakh pertaining to the period from 1983-84 to 1989-90, 1992-93 and

⁼ Indian Oil Corporation

[&] Includes Rs 1.42 crore outstanding against IOC as of January 2003.

1995-96 was not remitted by the Director to the Sales Tax Department. As a result, the Sales Tax Department raised (December 2000) a demand for Rs 49.89 lakh including penalty (Rs 7.50 lakh) and interest (Rs 27.48 lakh) which was remitted to the Department (February 2001: Rs 25.31 lakh; June 2001: Rs 24.58 lakh). The Sales Tax Department levied (December 2001) further interest of Rs 75.16 lakh for belated payments. The amount was paid (February 2002) irregularly by debit to stock. Failure of the Director to remit sales tax in time, resulted in incurring of extra avoidable expenditure of Rs 1.10 crore, even after waiver of interest of Rs 3.71 lakh by the Sales Tax Department.

Against the requirement of 43.55 lakh bags of cement projected by the user divisions, the SPD purchased 11.15 lakh bags during 2000-03 leaving shortfall of 32.40 lakh bags. Short procurement of cement by the SPD forced purchase of cement (5.22 lakh bags) from open market at higher rates by the 10 test-checked divisions resulting in avoidable extra expenditure of Rs 72.41 lakh.

Non-recovery of transit shortages

5.2.7 Bitumen supplied by IOC between January 1990 and September 1999 to the Deputy Director, SPD, Jammu was received short to the extent of Rs 5.36 lakh on account of transit shortages. Though these shortages were accepted, the cost thereof had not been realised from the oil company.

The Director failed to recover cost of transit shortages of bitumen (cost: Rs 21.38 lakh) supplied by the oil companies[≠] during July 1993 to October 1998 through railways to Pampore store. The claims for shortages were sent by the Department to the railways after delay of 2 to 48 months.

The matter was referred to Government/Department in July 2003, reply had not been received (October 2003).

[≠] IOC, BPCL, HPCL