

CHAPTER V

STORES AND STOCK

FINANCE DEPARTMENT

5.1 Purchase, distribution and utilisation of computers and accessories in the Department of Treasuries

**Budget provision
unutilised**

Government sanctioned (April 1998) a project for computerisation of all Treasuries* and Sub Treasuries in the State in a phased manner and to link the computers through Wide Area Network (WAN) with online operation facilities between Directorate of Treasuries (DOT) and the Finance Department. According to the original project schedule, all the Treasuries were to be covered in Phase I (by September 1998). In November 1999, Government rephased the project to computerise Thiruvananthapuram and Pathanamthitta Districts in Phase I and all other Treasuries during Phase II. The system adopted was Treasury Information System version 3 (TIS Ver.3) developed by National Informatics Centre (NIC), New Delhi. As of June 2001, 3144 persons were given training in the operation of TIS Ver.3. During 1998-2001, Rs 7.67 crore only was spent as against Rs 28.55 crore provided in the State Budget. Procurement and utilisation of computers and accessories by DOT were reviewed in audit and the following points emerged.

(i) Purchase of computers and accessories without proper assessment of requirement

**Improper assessment
of requirement
led to delay in
computerisation and
idling of equipment**

High Level Committee (HLC)** recommended (January 1998) 10 computer nodes for each District Treasury and 5 nodes for each Sub Treasury in Phase I and to augment it in Phase III to 20 and 10 each respectively. However, in the District treasuries at Thiruvananthapuram and Kattakada and Pension Payment Sub Treasury (PPST) at Thiruvananthapuram 45, 15 and 14 nodes respectively were in use as of June 2001. The excess nodes were transferred from seven other Treasuries where computerisation was adversely affected.

As of June 2001, 135 items of computers and accessories including 11 server machines and 90 printers purchased between July 1999 and June 2000 at a cost of Rs 56.54 lakh for computerisation of STs were not put to use. The servers and printers were idling due to transfer of nodes.

* 178 treasuries (as of April 1998). As of August 2001, 186 treasuries

** Government constituted (February 1997) a seven member committee for computerisation of treasuries under the then Additional Director General of Police

(ii) Non-installation of computers and accessories due to non-completion of civil/electrical works

Improper lay out led to wasteful expenditure of Rs 1.02 crore on civil/electrical works

HLC recommended (January 1998) that each Sub Treasury was to be provided with 10 computers and District Treasury with 20 computers by September 1999. As per Government order (July 2000), Civil/Electrical works were taken up in all the treasuries including the 143 sub treasuries where computer rooms had already been built during October 1997 to March 1999 at a cost of Rs 1.46 crore. However, department changed its original plan of computer rooms in favour of computerised counter level transactions. As a result the computer rooms built in STs during October 1997 to March 1999 as per the original plan at a cost of Rs 1.46 crore to install stand alone systems were not utilised. Civil/electrical works were taken up afresh in all the treasuries out of which, works in 39 treasuries were completed at a cost of Rs 0.98 crore. Modifications in the remaining treasuries were reported to be in progress (August 2001). Based on the expenditure on civil/electrical works for the server rooms in the 39 Treasuries, cost of construction of 143 server rooms would work out to Rs 43.61 lakh. Thus, construction of computer rooms overlooking the proposal for counter level operations resulted in avoidable expenditure of Rs 1.02 crore. It was noticed in audit that Civil works to provide on floor modules for counter level transaction were progressing very slowly. As against the targeted completion in 185 treasuries by November 2000 the work had been completed only in respect of 39 treasuries as of June 2001. The delay was caused mainly due to civil/electrical works being done with the assistance of PWD personnel engaged on part time basis.

(iii) Non-functioning of Wide Area Net Work (WAN) System

Government approved (September 1999) setting up WAN facility to connect Treasuries by KELTRON at an estimated cost of Rs 1.23 crore including net work management service cost at Rs 33 lakh for a period of 6 years from expiry of the warranty period of one year. Government also concluded Annual maintenance contract (AMC) at Rs 17.04 lakh with KELTRON. The firm was paid Rs. 91.60 lakh between December 1999 and January 2001. As per the contract 30 *per cent* payment was to be made at the time of order, 30 *per cent* against delivery of equipment and the balance 40 *per cent* after installation.

Out of 32 centres provided with equipment WAN facility was operational only in 16 treasuries

Scrutiny revealed that as of June 2001 out of 32* centres supplied with the equipment, 16 were operational. The rest were not operational because of defective UPS, electrical problems and lack of suitable accommodation. Even in the 16 Treasuries the system was only partly operational, due to deficiency of nodes, non-completion of civil/electrical works etc. Full payment made before installation and actual commissioning of the system was unjustified and irregular. Inter Treasury link up did not commence as of June 2001, even among the Treasuries in which the WAN facility was stated to be operational.

* 30 treasuries, DoT and Finance Department.

Avoidable expenditure of Rs 34.08 lakh on AMC

Though the expert committee** (EC) recommended acceptance of the offer of KELTRON for setting up WAN facility subject to the condition that three year warranty should be obtained for the set up and life time warranty for routers, KELTRON had given a warranty for all components for one year only and guaranteed product support for six years through AMC from the date of expiry of warranty. Had three years warranty as recommended by EC been insisted upon by DOT while awarding the contract to KELTRON, expenditure of Rs 34.08 lakh incurred towards AMC for the second and third years could have been avoided.

Unnecessary payment of Rs 14.32 lakh for spare parts

It was however, noticed that Rs 14.32 lakh was paid (December 1999) to KELTRON towards spare support charges during the warranty period of one year. However, this payment was unnecessary and avoidable as the spares have to be replaced free of cost during warranty period. The payment constituted an unjustified benefit to the supplier. Equipment worth Rs 77.28 lakh received in February 2000 for WAN system from KELTRON was not taken to stock by Joint Director of Treasuries in charge of computerisation before making payment. DOT made full payment for the equipment irregularly without actual installation.

(iv) Supply of defective UPS systems

Sixty-one UPS systems were purchased (September 1999) at a cost of Rs 24 lakh from a Bangalore firm for installation in all the 30 treasuries in Thiruvananthapuram and Pathanamthitta Districts. The systems were installed without requisite test report in disregard of the conditions of the supply order. Due to frequent failures, two UPS systems costing Rs 2.64 lakh had to be purchased from KELTRON for use in District Treasury, Thiruvananthapuram. Further, WAN system could not be commissioned in eight Treasuries due to failure of the UPS supplied by the Bangalore firm.

(v) Acceptance of supplies not conforming to specifications

Equipment with lesser capacity supplied overlooking the specifications

National Informatics Centre, New Delhi (NIC) supplied 31 Windows NT Server 5 Users and 2 NT Server client 5 users during January-June 2000 for Rs 5.43 lakh as against supply order for 4 Windows NT Server 20 Users and 27 Windows NT Server 10 Users to obtain user licence for 350 nodes. Thus there was short supply of 185 user licences. Thus supplies were made for only half the capacity/facility ordered for. To make good the deficiency (i.e., to obtain 185 user licences), additional expenditure of Rs 4.43 lakh would be necessary.

(vi) Weak inventory management

Inventory control not in vogue

For computerisation of three District Treasuries (Thiruvananthapuram, Kattakada and Pathanamthitta) and 27 Sub Treasuries under them, DOT procured during 1996-2000 computer and accessories (Rs 2.78 crore), printers (Rs 38.77 lakh), software (Rs 17.31 lakh), furniture (Rs 44.19 lakh), generators (Rs 11.65 lakh), UPS (Rs 27.10 lakh) and airconditioners

** Constituted in September 1999 to process the purchase of WAN system

(Rs 6.10 lakh). However, no stock register was maintained by DOT to account for the computers and accessories, in the stock records and their distribution etc. Consequently there is serious risk of unauthorised distribution of material, non-accountal and even pilferage in absence of necessary control and check over the inventory. DOT stated (August 2001) that consolidated records would be prepared and maintained in the Directorate.

Thus, even though Rs 7.67 crore was spent on computerisation including training of personnel, computerised counter level transactions could be introduced only in 12 treasuries out of 186 treasuries as of June 2001. Though WAN facility was provided in 32 centres, no data transfer and online updation took place. Delayed implementation also carried the risk of hardware and software procured becoming obsolete.

The above points were referred to Government in July 2001; reply has not been received (October 2001).

HIGHER EDUCATION DEPARTMENT

5.2 Stores management in Printing Department

i) Introduction

Printing works of Raj Bhavan, State Legislature, Government Departments including printing of State Budget documents and publication of Government Gazettes are executed by the Printing Department. The Department headed by the Director of Printing has ten printing presses functioning under the control of the Superintendent of Government Presses and eleven District Forms Stores. It procures paper from Stationery Department for the printing works.

A review of stores and stock accounts conducted in July 2001 at the Central Press, Thiruvananthapuram and the branch presses at Mannanthala, Vazhoor, Ernakulam, Shoranur and Kannur and District Forms Stores at Thiruvananthapuram, Vazhoor, Ernakulam, Shoranur and Kannur covering the period 1996-2001 revealed the following points.

ii) Purchase of five colour off set printing machine

Director of Printing purchased a five-colour off set printing machine from Hindusthan Machine Tools, Ernakulam at a cost of Rs 1.10 crore. The machine was installed in March 2001. The machine could, however, not be operated due to technical problems like overheating, replacement of bushes, etc. The matter was taken up by the Deputy Superintendent with the Director and with the supplier firm during May-June 2001. Though the firm was requested to rectify the defects, the defects were not rectified.

Sophisticated printing machine costing Rs 1.10 crore remained idle

iii) Consolidated stores and stock account

No stock accounts prepared from 1982-83 onwards

Consolidated stores and stock accounts are to be prepared by the Director of Printing on or before 30 June of the next financial year and forwarded to Accountant General for audit. Director of Printing did not prepare stock account for the period from 1982-83 onwards on the plea of paucity of staff. In the absence of stock accounts, annual physical verification of stock was rendered meaningless as no correlation between physical stock and book balance could be established. Non-maintenance of stock accounts for nineteen years was a direct incentive for concealing of irregularities, frauds etc. Test-check revealed instances of shortage of papers (Rs 4.16 lakh) and forms (Rs 19.46 lakh), excessive purchase of printing ink (Rs 1.33 lakh), slow movement or accumulation of stock of printing materials (Rs 3.22 lakh) and paper (Rs 8.14 lakh) and retention of obsolete items (Rs 5.19 lakh). The details are given in Appendix XXVII.

Primary stock records not maintained diligently

iv) Unnecessary purchase of ballot numbering machines

Over-purchase of ballot numbering machines costing Rs 27.32 lakh

For printing of ballot paper for election to the local bodies in September 2000, Director of Printing decided (August 2000) to purchase 780 numbering machines for supply to the six presses. However, 1000 machines (500 each of 6 digits and 7 digits machines) were purchased (September 2000) at cost of Rs 41.60 lakh. Scrutiny revealed that only 767 machines were supplied to the presses, out of which 400 machines were supplied to Government Press, Mannanthala after the polling was over which were never put to any use (July 2001). Thus due to unnecessary purchase of 633 machines Rs 27.32 lakh was wasted.

v) Avoidable carry over of stock

Heavy stock of non-moving/obsolete printed forms, publications, books etc.

Printed material lying in stores without lifting by the indenting departments was to be sent to them. No such action was taken in respect of 2 crore printed forms costing Rs.53.52 lakh for use in five major departments which were lying in four presses for six years from 1995-96 onwards (July 2001). Similarly, publication items costing Rs 0.75 lakh were lying in District Form Store, Palakkad without sale for the last 15 years.

vi) Excess percentage of wastage of paper

According to the provisions of Printing Manual (1970), for over 1000 impressions, the wastage for carrying out works requiring operations either in machine room or binding only was 0.25 per cent (Category I) and for works requiring operations both in machine room and binding 1 per cent (Category 2). With the induction of modern automatic/sophisticated equipment the provision allowed under Category 2 lost its relevance as almost all works were done automatically.

The department has not, however, conducted any study on this aspect. During 1996-97 to 2000-01, in three Government presses operating with the modern sophisticated machines, for 43.45 crore impressions struck wastage was allowed at one per cent (assuming the printing was in A 4 size paper). As the

operations were carried out using automatic machines, the Department could have saved Rs 3.58 lakh (cost of excess wastage allowed being 543.17 reams of paper computed[@] with reference to the wastage allowed under Category I).

vii) Idle machinery

Machinery remained idle from 1984 onwards

In three presses, eight machineries (cost: Rs 33.25 lakh) were idling for periods ranging from 1 to 16 years as under:

Name of Press	Item of machine	No. of item	Cost (Rs in lakh)	Date from which idling	Reasons for idling
Government Central Press, Thiruvananthapuram	RA 1 HMT Offset printing machine	1	9.90	1984	Major repairs
Government Press, Shoranur	Single colour offset machine	1	10.51	September 2000	Want of major repairs
Government Press, Mannanthala	Cylinder printing machine	1	3.65	1992	-do-
	Platern printing machine	3	5.28	1993	Minor repairs
	Sheet counting machine	1	3.72	April 1997	Not suitable
	Plate graining machine	1	0.19	December 1986	Outdated and uneconomic

The above points were referred to Government in July 2001; reply has not been received (October 2001).

[@] Rs 660 per ream