

# CHAPTER V

## STORE AND STOCK

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## CHAPTER V STORE AND STOCK

### AGRICULTURE DEPARTMENT

#### 5.1 Blockage of Government Fund due to unnecessary purchase of fertilisers

##### Procurement of fertilisers without properly assessing stock position led to blockage of Government fund

The procurement and distribution of fertilisers to farmers were taken over from the Department by Sikkim State Co-operative Supply and Marketing Federation (SIMFED), a Government of Sikkim Enterprise, from April 1997. Accordingly, fertiliser stock lying in departmental stores at Jorethang and Tadong only were handed over to SIMFED during April - May 1997.

Scrutiny of records (July 1999) maintained in the office of the Secretary, Agriculture Department revealed that huge stock of fertilisers (Urea 809.433 tonnes valuing Rs 34.60 lakh and DAP 444.866 tonnes valuing Rs 39.46 lakh) lying in the Village Level Worker (VLW) Centres as on 31 March 1997 was not handed over to the SIMFED. Despite such huge stock, the Department continued to procure fertilisers as detailed below:

Year	Opening Balance (Tonnes)	Purchases (Tonnes)	Total (Tonnes)	Utilisation* (Tonnes)	Closing Balance (Tonnes)	Value (Rs lakh)
1997-98	Urea- 809.433	-	809.433	333.591 (41)	475.842	20.34
	DAP - 444.866	-	444.866	103.275 (23)	341.591	30.30
1998-99	Urea - 475.824	264.000	739.842	343.122 (46)	396.720	16.96
	DAP- 341.591	236.700	578.291	284.284 (49)	294.007	26.08
1999-00	Urea -396.720	550.000	946.720	494.700(52)	452.020	19.32
	DAP-294.007	600.000	894.007	383.400 (43)	510.607	45.29

- *Figure in brackets indicated percentage of utilisation with reference to the availability of stock during the years. The utilisation included consumption in farms, demonstration programs, shortage during handling and cash sales.*

It would be seen from the above table that the utilisation with reference to the availability of stock during the years varied from 23 to 52 per cent. However, despite such low consumption/utilisation, the fertilisers valuing Rs 30.67 lakh during 1998-99 and Rs.76.73 lakh during 1999-2000 were procured without considering the availability of stock during the respective years.

In this context, Audit observes that the entire purchase for Rs 30.67 lakh during 1998-99 could have been avoided as the requirement during this period could have been met from the stock of 31 March 1998 and the purchase during 1999-2000 could have been reduced to the extent of 452.00 tonnes of urea valuing Rs 19.32 lakh and 510 tonnes of DAP valuing Rs 45.29 lakh. Further, the huge unutilised stock of fertilisers has resulted in blockage of Government

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Fund to the tune of Rs 50.64 lakh during 1997-98, Rs 43.04 lakh during 1998-99 and Rs 64.61 lakh during 1999-2000.

It may be mentioned that these fertilisers being highly corrosive and hygroscopic, storage of the same results in spoilage and unsuitability for crop production.

In reply (May 2000), the Department stated that the fertilisers procurement and distribution programme received a set back consequent upon the responsibility being entrusted to SIMFED and the Department has been advised by the Government to maintain a status-quo in this respect.

Fact remained that the Department procured huge quantities of fertilisers without assessing the requirement and feasibility of distribution resulting in blockage of fund besides reducing the efficacy of fertilisers due to prolonged storage.

## **RURAL DEVELOPMENT DEPARTMENT**

### **5.2 Loss on purchase of GI pipes at higher rates**

**Despite Public Accounts Committee's observation to purchase G. I. Pipe at DGSD rate, the Department purchased G. I. Pipes at higher rate resulting in extra expenditure of Rs. 591.80 lakh**

To meet the requirements of GI pipes the Department, between June 1998 and January 1999, placed three indents for 673165 meters of medium class GI pipes of different dia (15 mm to 80 mm) on the State Trading Corporation of Sikkim (STCS). Against the above indents, the STCS supplied 704836 metres of pipes of medium class (15 mm to 80 mm) for which the Department paid an amount of Rs 556.27 lakh.

In order to make the above purchases, the STCS, invited quotations during June 1998, from the manufacturers and the DGSD rate contract holders. The quotations were opened in July 1998 and the lowest rates recommended by the tender opening / selection Committee were forwarded by the STCS to the Department during August 1998. These rates were accepted by the Department for the two financial years i.e. 1998-99 and 1999-2000. It was noticed that these rates were much higher as compared to the rates approved by the DGSD for the period from 18 February 1998 to 17 February 1999. The cost of 704836 metres of medium class GI pipes dia (15 mm to 80 mm) at the DGSD rate contract worked out to Rs 322.71 lakh against the payment of Rs 556.27 lakh. This resulted in loss of Rs 233.56 lakh to Government.

Another indent for 771351 metres of GI pipes of medium class (15 mm to 80 mm) was placed on STCS on 18 February 1999, a day after the expiry of the validity of the earlier rate contract of DGSD, against which the STCS supplied 783071 metres of medium class pipes at a total cost of Rs 838.09 lakh. It may be mentioned here that approval of the Government for the purchase was

obtained during November 1998 but the indent was placed on the STCS only on 18 February 1999. Thus due to belated indent, the Department had to incur an expenditure of Rs 838.09 lakh on materials which could have been purchased at a cost of Rs 479.85 lakh at DGSD rate entailing an extra cost of Rs 358.24 lakh.

Thus by accepting the higher rates, compared to the rates approved by the DGSD, the Department had to sustain a loss of Rs 591.80 lakh ( Rs 233.56 lakh + Rs 358.24 lakh).

In reply the Department stated (August 2000) that the purchases were made from other than the DGSD rate contract holders due to (i) non-entertainment of supply of the smaller diameter pipes (15 mm, 20 mm and 25 mm) for which the State's requirement had always been in bulk, (ii) 100 per cent payment with allied charges in advance with the indent, (iii) delivery of goods by rail upto nearest railhead destination, (iv) non-acceptance of hot punch marking of word "RDD SIKKIM" on every metre of each pipe and (iv) supply of ordinary welded socket against seamless socket with every pipe. Reply of the Department is not acceptable since the Public Accounts Committee in its Report (No 40) observed that as the difference in the cost of procurement was considerable, there was urgent need for procurement on DGSD rates. It further noted that the procedure for procurement through DGSD has since been simplified and requirement of advance payment also been eliminated for which the procurement through DGSD should be examined in the interest of economic utilisation of available financial resources.

## **SIKKIM PUBLIC WORKS DEPARTMENT (ROADS & BRIDGES)**

### **5.3 Procurement, Issue and Recovery of stock material**

As per SPWD code, stock materials issued from stores for works to contractors or for use in the departmental works should be recovered from the contractors or adjusted through Transfer Entries, as the case may be, by the Assistant Engineer in charge of the work. However, it was seen that the Department had not taken any steps to ascertain the quantity/value of store materials issued either to contractors or for use in the departmental works since inception and operation of store in August 1990. Audit analysis of the position of quantity/value of stores issued vis-à-vis their adjustment for the last four years from the information elicited from the Department, cross checked from other supporting records like Monthly Returns, Monthly Accounts, Store Ledger, Bin Cards, etc. followed by confirmation from the departmental authorities revealed the following irregularities:

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**a) Non-recovery of the cost of materials from contractors - Rs 201.82 lakh**

**Lackadaisical approach of the Department to ascertain the position of stores since inception resulted in non-recovery of the cost of materials issued to contractors to the tune of Rs. 201.82 lakh**

The year wise details of the cost of issue, recovery and outstanding recovery of the store materials issued from the three stores of the Department to various works executed by the contractors were as under:

Year	Gangtok	Singtam	Jorethang	Total	Recovery as per monthly accounts	Out-standing	Non-recovery (percentage)
<b>(in Rupees)</b>							
1995-96	12074078	2836977	4490775	19401830	9370799	10031031	51.70
1996-97	11338973	3003604	7761970	22104547	12934740	9169807	41.48
1997-98	8436497	4821333	6171410	19429240	14675858	4753382	24.47
1998-99	1022858	481987	1646681	3151526	6923639	(-) 3772113	-
<b>TOTAL</b>	<b>32872406</b>	<b>11143901</b>	<b>20070836</b>	<b>64087143</b>	<b>43905036</b>	<b>20182107</b>	<b>31.49</b>

It will be seen that the percentage of non-recovery with reference to the issues during the respective years ranged from 24.47 to 51.70 except during 1998-99 when the recovery was more than the issue.

In disregard of the provisions contained in SPWD Manual requiring the Divisional Engineers (DEs), Assistant Engineers (AEs) and Drawing and Disbursing Officers (Accounts Officers) to effect recoveries against issue of stock materials, the recoveries were not being made. This established lack of co-ordination between the Store Wing, Works Executing Authorities (DEs and AEs) and the Accounts Wing of the Department towards effective recovery of cost of materials issued. Further, the lackadaisical approach of the Department as a whole to ascertain the position of store since inception resulted in non-recovery of the cost of material and stores issued to the contractors to the tune of Rs 201.82 lakh just in the last four years only.

**(b) Doubtful utilisation of Store materials in the departmental works – Rs 132.08 lakh**

**In the absence of detailed measurement of departmental works, utilisation of stores valuing Rs. 132.08 lakh could not be vouched for**

The value of materials issued from the store for execution of the departmental works during 1995-96 to 1998-99 was as under:

Year	Gangtok	Singtam	Jorethang	Total	Recovery as per monthly accounts	Out-standing
<b>(In rupees)</b>						
1995-96	1784805	1393889	2108903	5287597	Nil	5287597
1996-97	917367	1047400	2579385	4544152	1225743	3318409
1997-98	676800	169759	1537802	2384361	Nil	2384361
1998-99	74791	382856	534534	992181	Nil	992181
<b>TOTAL</b>	<b>3453763</b>	<b>2993904</b>	<b>6760624</b>	<b>13208291</b>	<b>1225743</b>	<b>11982548</b>

The cross check of above statement with the Store records revealed that except during 1996-97, not a single adjustment was carried out in other years.

Further, audit could not find a single departmental work where the measurement was taken showing consumption/adjustment of the value of the above stores, value of the stone procured separately through contingent vouchers and expenditure towards MR payments (made by concerned AEs). In the absence of detailed measurements of the departmental works where the stores, stones and MR were utilised and adjusted, the utilization of stores valuing Rs 132.08 lakh in departmental works could not be vouchsafed in audit. Further, non-adjustment/recovery of Rs 119.83 lakh over a period ranging from 1 year to 5 years was highly irregular.

***(c) Doubtful local purchase of store worth Rs 96.03 lakh***

<b>Expenditure of Rs. 96.03 lakh towards purchase of stores in gross violation of Codal procedure for purchase could not be vouched for due to absence of measurement of works, where the materials were utilised</b>
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According to the codal provision, the purchase of store materials should be in bulk and through open competitive tenders. The charge relating to a single item should not be split up to avoid obtaining sanction from higher authorities. The receipt and issue of stock materials should be routed through Store Records. The execution of works should be measured and recorded in the Measurement Books.

However, scrutiny of records (November 1999) revealed that the Divisional Engineers of the Department purchased 1880.25 MTs of cement valuing Rs.61.09 lakh and 147.30 MTs of GI wire valuing Rs.34.94 lakh from different local suppliers during July 1997 to March 1999 for use in various departmental works. The total purchase was without the invitation of any tender and through 270 vouchers against the equal number of sanctions accorded by the Divisional Engineers. The materials purchased were not accounted for in the Stores Record and the works against which these were utilised were not measured. In the absence of measurement of the works where the materials were utilised and gross violation of the codal procedures for purchase of stores, the entire expenditure could not be vouchsafed and accepted in Audit.

The matter was reported to the Department (February 2000); reply had not been received (December 2000).

**SIKKIM PUBLIC WORKS DEPARTMENT  
(ROADS AND BRIDGES)  
AND  
BUILDING AND HOUSING DEPARTMENT**

**5.4 Avoidable expenditure of Rs 45.47 lakh**

**Non purchase of cement at DGSD rate led to avoidable expenditure of Rs 45.47 lakh**

As per codal provisions, items, which are borne on rate contract approved by the DGSD, should be purchased from the firm or the manufacturers holding DGSD rate contract.

Scrutiny of records (November 1999) revealed that the Sikkim Public Works Department (SPWD) procured cement at rates ranging from Rs 2800 to Rs 3460 per MT during the year 1997-98 from State Trading Corporation of Sikkim (STCS) and other private/local suppliers. However, the FOR rail head rate of the 10 reputed manufacturers (inclusive of taxes and duties) registered under DGSD rate contract for the period 1997-98 (rate contract valid up to 31 march 1998) varied from Rs 1540 to Rs 2667 per MT (including transportation cost of Rs 150 per MT from FOR rail head to the destinations at Gangtok, Singtam and Jorethang). During 1998-99 also, similar rate contract was available and the Central Public Works Department (CPWD) at Gangtok purchased cement at Rs 1508 per MT (excluding transportation from FOR railhead to destination) from DGSD rate contract holding firms. Notwithstanding the availability of such lower rates, SPWD procured 4791.75 MT of cement at higher rates during 1997-98 and 1998-99 and incurred a total expenditure of Rs 145.64 lakh.

Similarly, during April 1998 to September 1999, the Building and Housing Department (BHD) procured 45976 bags (2298.8 MT) of cement from the STCS and local/private suppliers at rates varying from Rs 3142 to Rs 4752 per MT at a total expenditure of Rs 88.93 lakh. During the same period, CPWD was procuring Raymond cement at DGSD rate of Rs 2500 per MT (excluding transportation cost from FOR rail head to destination).

Had the Departments even made the procurement at the maximum rate of Rs 2667 per MT for the best quality cement (Raymond) at the DGSD rate, the SPWD and BHD respectively would have saved Rs 17.85 lakh during 1997-99 and Rs 27.62 lakh during 1998-2000.

In reply the SPWD stated (April 2000) that it was relying on STCS for purchase of stores and STCS was to decide the matter. The BHD stated (March/September 2000) that the STCS was the sole agency of the Government for supply of stock materials and it was bound to procure from STCS. The replies are not acceptable in view of the codal provisions and facilities relating to purchase at DGSD rate. Further, the Departments were to ensure economy in the purchases and besides, departmental representatives were members of the purchasing committee of STCS which finalises the purchasing procedure/ accepts the rates.