

CHAPTER - V
STORE AND STOCK
SECTION - A
(AUDIT REVIEWS)

RURAL DEVELOPMENT DEPARTMENT

5.1 Review on Material Management

Highlights

Material management in the Rural Development department was distinguished by deficiencies in procurement planning, procurement of stock despite availability of huge balances, rush of expenditure at the end of the year, purchase at higher rates, non-adjustment of advances paid to the STCS and non-adherence to accounting procedure.

Funds ranging from Rs.5.23 crore in 2000-01 to Rs.9.49 crore in 1999-2000 remained in inventory at the year end.

(Paragraph 5.1.10)

As much as 38 per cent of the total expenditure on purchases during 1997-98 to 2001-02 was incurred on the last working day of respective financial years.

(Paragraph 5.1.15)

Due to purchase of GCI sheets from TISCO, the department had to incur avoidable expenditure of Rs.10.82 lakh on transportation during 1997-99.

(Paragraph 5.1.20)

Advances amounting to Rs.2.59 crore remained un-adjusted with the STCS as at the end of 2000-01.

(Paragraph 5.1.22)

Introduction

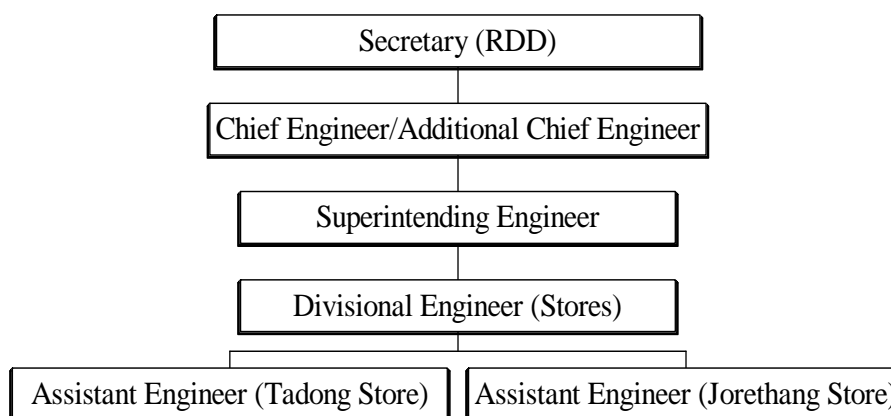
5.1.1 The Rural Development department (RDD) is engaged in implementing various State and Central Government schemes for the development of rural areas. The stores division of RDD is under the overall control of the Secretary, RDD and its direct administration is vested with Chief Engineer (CE)/Additional

CE who is responsible for arranging purchase, custody and issue of materials as well as maintenance of its accounts.

Organisational set up

5.1.2 There are two stores depots under the stores division of RDD. The organisational hierarchy in relation to Store administration was as under:

Chart- 5.1



Audit Coverage

5.1.3 A review of the material management of the RDD spanning the period 1997-98 to 2001-02 was conducted during February-March 2002 through test check of records in the office of the Secretary, RDD, stores division and its two depots at Tadong and Jorethang. The results of the review are brought out in the succeeding paragraphs.

Procurement planning and financial arrangement

5.1.4 The procurement of materials by RDD is being made in two ways, by debiting the works directly or by routing the purchases through 'stock suspense'. However, no separate records were maintained in the depots to depict the transactions under these two categories separately. The bulk of the purchases were made by direct debit to the works as shown below:

Table-5.1

(Rupees in lakh)

Year	Total expenditure on purchases by RDD	Purchases made by debiting works directly	Stock Suspense purchases	Works purchase (3) as a percentage of total purchases (2)
(1)	(2)	(3)	(4)	(5)
1997-98	1552.63	1483.73	68.90	95.56
1998-99	1510.84	1444.64	66.20	95.62
1999-00	1506.43	1442.30	64.14	95.74
2000-01	617.93	568.10	49.83	91.94
2001-02	1631.05	1585.79	49.54	96.96
Total	6818.88	6524.56	298.61	95.62

Source: departmental records & Detailed Appropriation Accounts

Persistent savings under stock suspense

5.1.5 The year wise budget provision and expenditure under 'stock suspense' being operated by the department during 1997-98 to 2001-02 were as under:

Table -5.2*(Rupees in lakh)*

Year	Budget provision	Expenditure	Savings(-) / Excess(+)
1997-98	80.00	68.90	(-) 11.10 (14)
1998-99	80.00	66.20	(-) 13.80 (17)
1999-00	80.00	64.13	(-) 15.87 (20)
2000-01	50.00	49.83	(-) 00.17 (1)
2001-02	50.00	49.54	(-) 0.46 (1)
Total	340.00	298.60	(-) 41.40 (12)

Figures in parenthesis indicate percentages.

Source: departmental records & Detailed Appropriation Account

5.1.6 From the above it would be seen that there were persistent savings during the period 1997-98 to 2001-02 aggregating Rs.41.40 lakh.

5.1.7 The department stated in their reply (July 2002) that there is no basis for allocation of budget under stock suspense and it is being done on a lump sum basis by Finance department from year to year.

5.1.8 In the absence of any objective assessment of materials requirements under the stock suspense head it is not clear as to how purchases of different items are being made by the RDD. Therefore, the justification for purchases worth Rs.2.99 crore and reasons for savings of Rs.41.40 lakh under 'stock suspense' during the period 1997-98 to 2001-02 remained unexplained.

5.1.9 Para 105 of the Sikkim Public Works (SPWD) Code provides that purchases should be made in the most economical manner in accordance with assessed requirements and that materials should be purchased for works in progress and works sanctioned.

5.1.10 Scrutiny of the records revealed that there was no proper system for assessment of the annual purchase requirement of store materials, taking into account total requirements of the materials for the sanctioned and on going schemes, consumption thereagainst during preceding year and stocks already in hand. In the light of these deficiencies in procurement planning, the macro picture of the value of receipts and issues of all types of material in stores is shown below:

Table-5.3*(Rupees in lakh)*

Year	Opening Balance	Receipt	Total Inventory	Issue	Closing Balance
1997-98	652.87	1345.13	1998.00	1280.24	717.76
1998-99	717.76	1615.68	2333.44	1678.94	654.50
1999-00	654.51	2341.20	2995.71	2046.89	948.82
2000-01	948.82	409.21	1358.03	834.73	523.30
2001-02	523.30	1349.24	1872.54	1180.96	691.58

Note: Since no priced ledgers are maintained in RDD stores, monetary value of store items has been arrived at by Audit on the basis of issue price

5.1.11 It would be seen from the above table that funds ranging from Rs.9.49 crore in 1999-00 to Rs.5.23 crore in 2000-01 remained in inventory at the year-end.

5.1.12 An analysis of stock position of GI fittings revealed that stock worth Rs.2.07 crore was available in stores as on first 01 April 1997. Despite this, additional purchases of GI fittings for Rs.1.27 crore were made during April 1997 to March 2002 against consumption worth Rs.1.34 crore during the same period, resulting in accumulation of stock worth Rs.2.00 crore. Thus Rs.1.27 crore of purchases were unwarranted and made without considering the existing stock position of GI fittings.

5.1.13 In case of GI pipes also, there were continued stock accumulations ranging in value from Rs.1.45 crore to Rs.5.20 crore during 1997-98 to 2001-02, which supported the audit finding that procurement planning was non-existent.

Rush of expenditure at the end of the year

5.1.14 The Sikkim Financial Rules stipulate that it is against the financial principles that money should be spent hastily merely because it is available. Rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. In contravention of these directions, the major chunk of expenditure incurred by the RDD on purchase of materials was during the last quarter and last month of the financial year as under:

Table -5.4

(Rupees in lakh)

Year	Total Expenditure	Expenditure in			Percentage of expenditure over total expenditure		
		Last Quarter	Closing Month	Last working day	Last Quarter	Closing Month	Last working day
1997-98	1552.63	1173.54	724.54	722.52	75.58	46.66	46.54
1998-99	1510.84	1341.34	1041.34	841.34	88.78	68.92	55.69
1999-00	1506.43	535.26	450.49	450.49	35.53	29.90	29.90
2000-01	617.93	481.29	431.29	46.40	77.88	69.80	7.51
2001-02	1631.05	668.18	576.51	530.03	40.96	35.34	32.50
Total	6818.88	4199.61	3224.17	2590.78	61.59	47.28	38.00

Source: departmental records.

5.1.15 As much as 38 per cent of the total expenditure on materials purchased during 1997-98 to 2001-02 was incurred on the last working day of the respective financial years except in 2000-2001 which further confirmed the audit conclusion in the preceding paragraphs that there was no system of procurement planning followed in the department.

Purchase of Stores

Extra expenditure due to acceptance of higher purchase rate

5.1.16 The department invited (May 2001) proforma invoice for procurement of 3400 MT of GCI sheets (24 gauge and 8 feet long) from the State Trading Corporation of Sikkim (STCS) and the Sikkim State Co-operative Supply and Marketing Federation Limited (SIMFED) for implementation of Rural Housing Scheme. Despite the fact that the rates quoted by SIMFED (Rs.27,900/MT FOR

Gangtok and Rs.27,771/MT FOR Jorethang) were lower as compared to the rates quoted by STCS (Rs.28,166/MT FOR Gangtok and Rs.28,028.85/MT FOR Jorethang), the department purchased (June 2001) 1706 MT and 1694 MT of SAIL GCI sheets on FOR Gangtok and FOR Jorethang basis respectively from the STCS. Had these purchases been made through SIMFED, the department could have saved Rs 8.92 lakh.

5.1.17 The department stated (February 2002) that SAIL does not have any agency/authorised agent of their own to negotiate/quote the rate on their behalf in the State except STCS. As such, the rate offered by SIMFED for supply of SAIL GCI sheets required verification to confirm authenticity. The reply of the department was not credible as after decontrol of steel items, anybody could approach SAIL to procure steel items at its prevailing market price irrespective of its final usage. Since SIMFED was also working as a procurement agency on behalf of Government of Sikkim, the department should have explored the possibility of purchasing the materials through SIMFED being aware that the prices quoted by it were cheaper. Failure to do so resulted in an extra expenditure of Rs.8.92 lakh.

Avoidable expenditure on carriage of GCI sheets

5.1.18 The department placed an order (March 1998) for supply of 2200 MT of GCI sheets under Rural Housing Scheme (RHS) for the year 1997-98 with the STCS. The STCS called for quotations and the rate quoted by SAIL at Rs.24,800/- per MT (FOR Gangtok and Jorethang store) was found the lowest which the department did not accept on the plea that the quality of GCI sheets of SAIL was found unacceptable in the past. It instead negotiated and placed order with TISCO at Rs.24, 800/- per MT (FOR Siliguri). Similarly, the department procured 1802 MT GCI sheets under RHS during 1998-99 through STCS from TISCO at the negotiated rate of Rs.24,800 per MT.

5.1.19 STCS supplied 2200 and 850 MT of TISCO GCI sheets for 1997-98 and 1998-99 respectively while the balance 952 MT of GCI sheets for 1998-99 was ultimately procured from SAIL, despite the department's earlier rejection of SAIL steel on the grounds of quality.

5.1.20 Due to the FOR Siliguri rate quoted by TISCO, the department had to incur additional transportation cost of Rs.10.82 lakh as detailed below:

Table-5.5

Year of implementation of the Scheme	Quantity delivered (In MT)		Transportation Charge paid from Siliguri to (Rupees per MT)		TOTAL (In rupees)
	Tadong store	Jorethang Store	Tadong Store	Jorethang Store	
1997-98	1100	1100	410.40	298.80	7,80,120
1998-99	425	425	410.40	298.80	3,01,410
	Total				10,81,530

5.1.21 Further, the apprehensions of the department in respect of quality parameters of GCI sheets of SAIL are not based on concrete facts as GCI sheets of both TISCO and SAIL have matching ISI and BIS specifications.

Non-adjustment with STCS

5.1.22 During the period 1995-96 to 2000-01 the department made advances aggregating Rs.72.78 crore to STCS and the advances were adjusted to the tune of Rs.70.19 crore leaving an unadjusted advance of Rs.2.59 crore. The department took no further initiative for reconciliation of its accounts with STCS.

Non-adjustment of profit and loss on Stock

5.1.23 According to para 142 of the SPWD Code the difference between issue rates and cost of acquisition representing the profit/loss on stores should be assessed each year and adjustment of profit (to be credited to revenue) and loss (to be borne as storage loss) should be carried out to keep the store account on no-profit no-loss basis.

5.1.24 It was seen that no adjustment of profit and loss was carried out in any year under review since priced ledgers were not maintained in stores in violation of paras 137 to 141 of the SPWD Code. In the absence of such accounts, the financial results of the stores account remained unascertained. Further, the expenditure under stock head during 1997-98 to 2001-02 (upto February 2002) to the tune of Rs.25.38 lakh remained unadjusted.

Idle stores

5.1.25 Test check of records revealed that store materials valuing Rs.62.11 lakh procured during the period 1991-92 to 1997-98 were lying idle as on 31 March 2002 at Tadong and Jorethang Stores. It was not clear as to whether these materials were purchased for specific schemes and if so, whether these schemes were still in operation. It was also likely that their storage in open air and exposure to the vagaries of nature would deteriorate their condition and render them useless over a period of time.

5.1.26 While no reply was received against other materials, in respect of tanks the department stated (February 2002) that beneficiaries refused to accept the same stating that the tanks had developed rust and were unfit for preserving water. The manufacturers were notified to either replace or repair the same and payments to the suppliers have been withheld till that time. Reply is not tenable in view of the fact that these should not have been procured without assessing the demand for them.

Non / short recovery of storage / supervision charges

5.1.27 According to Para 137 of SPWD Code read with analysis of rates, storage charge at 5 *per cent* is to be recovered in case of sale of materials from stores in addition to issue rate fixed. Further, as per para 138 of SPWD Code, 10 *per cent* supervision charges should be recovered in respect of sale of stock materials to public.

5.1.28 It was seen that part of the assistance under Indira Awaas Yojana (IAY), in the form of 24 pieces of GCI sheets per beneficiary, is distributed by Jawahar Gram Samridhi Yojana (SGSY) Cell of Sikkim Rural Development Agency.

Scrutiny of records revealed that 94608 pieces of GCI sheets were distributed to 3942 beneficiaries having total issue price of Rs.3.19 crore during the period 1997-98 to 2001-2002. Against this, recoveries on account of storage charges and supervision charges to the tune of Rs.15.96 lakh and Rs.31.92 lakh respectively were to be effected from JGSY Cell. However, till August 2002, no charges have been recovered from JGSY Cell.

Other points of interest

5.1.29 Sikkim Financial Rules and SPWD Code stipulate that physical verification of all stores must be made at least once in a year. During the period 1997-98 to 2001-02, physical verification was conducted only once during November and December 2000 in Tadong Store. No physical verification was conducted in Jorethang Store during the period 1997-98 to 2001-02. Non-verification of stock on annual basis apart from violating the codal provisions also makes the depots vulnerable to serious defalcations/losses as there would be no control over the materials lying in the stores.

5.1.30 It was noticed that purchase orders and payment register and stock account were not maintained in the head office and divisions though stipulated in Appendix IV of SPWD Manual. In view of this, it was not possible for Audit to ascertain whether the materials indented and paid for had actually been received.

5.1.31 There is no provision in the SPWD Code for providing any material to public on loan basis. However it was noticed that material worth Rs.23.37 lakh was issued to various persons during the period 1997-98 to 2001-02 on loan basis, free of charge. Records related to the above issues revealed that there were shortages and damages of store materials valuing Rs.2.66 lakh. The department did not take any step either to ascertain the reason for shortage or to take action against the officials, if any, responsible for the loss and to effect recovery.

5.1.32 The department stated (February 2002) that the above case would be examined and responsibilities fixed accordingly.