CHAPTER V

STORES AND STOCK

AUDIT PARAGRAPHS

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

5.1 Avoidable payment of customs duty

Delayed action by Director of Animal Husbandry for claiming exemption of customs duty on import of equipment for research purposes resulted in an avoidable extra expenditure of Rs 25.27 lakh.

Under World Bank assisted Tamil Nadu Agricultural Development Project – Live stock development Component, Director of Animal Husbandry (DAH) imported (October – November 1998), through the authorised dealers of foreign suppliers, the following equipment for use in Embryo Transfer Technology and Frozen Semen Technology Centre, Chennai (ETTFST centre).

(i) Two sets of Embryo Freezer Bovine with Auto seeding facility; (ii) Two numbers of bio-freezer; and (iii) Computer assisted semen analyser.

The equipment were imported by the Indian agents and cleared after payment of customs duty amounting to Rs 25.27 lakh during October – December 1998.

According to customs notification of July 1996, scientific and technical instruments, apparatus etc. were exempt from customs duty, if the importer was a public-funded research institution registered with Government of India (GOI) in Department of Scientific and Industrial Research (DSIR) and produces certificate from the head of the institution that the said goods are required for research purposes only.

Scrutiny of records produced to Audit disclosed that though DAH was registered with DSIR, he did not give a certificate to the importer that the equipment was required for research purpose only, which was necessary to claim exemption from duty at the time of import.

DAH however, filed a claim for the refund of customs duty paid to the customs authorities only in June 2000, after a delay of 19 months, though according to Customs Act, the claim for refund in respect of import made by Government/research institute was to be made before expiry of one year from date of payment of duty. Regarding 'Embryo Freezer' the Customs Department directed DAH to request, (July 2000) the importing firm to file application for refund. Records did not indicate the claim having been lodged as of date (June 2001). The refund claim in respect of Semen Analyser was transmitted (June 2001) to Assistant Commissioner, Air Cargo, Hyderabad from whom reply is awaited. No response has been received from Customs Department in respect of claim regarding Bio Freezer.

Thus, failure of DAH to take timely action for claiming exemption of customs duty on import of equipment for research purposes, despite having a certificate of exemption from customs duty, resulted in incurring an avoidable extra expenditure of Rs 25.27 lakh.

The matter was referred to Government in April 2001; Government in reply (September 2001) generally accepted the facts.

LABOUR AND EMPLOYMENT DEPARTMENT

5.2 Poor utilisation of lathes

Two lathes purchased in January 1998 at a cost of Rs 35.29 lakh for Industrial Training Institutes at Dharmapuri and Needamangalam were not utilised or poorly utilised for want of infrastructural facilities.

With a view to modernising the facilities for the Turner trade, 2 Industrial Training Institutes (ITI) were selected. Based on the purchase orders (September 1997) of Director of Employment and Training (DET), two CNC Turning machines (Lathes) with accessories were purchased at a cost of Rs 35.29 lakh and supplied (January 1998) to the ITIs at Dharmapuri and Needamangalam. However, these 2 lathes could not be used for training due to absence of proper accommodation and other infrastructure, even as of January 2001, as shown in the table below:

Dharmapuri	Needamangalam
In Government ITI at Dharmapuri, which is situated in an isolated place at a distance of 7 Km from Dharmapuri town, the lathe could not be used due to non-availability of uninterrupted power with proper voltage. This problem was persisting in the institute since its inception in 1986 and the proposal of the Principal (April 1995) for sanction of an exclusive three phase line at a cost of Rs 18.31 lakh was not pursued by DET. The Principal made a fresh proposal in April 1999 and Government sanctioned (May 2000) Rs 5.50 lakh for the same. The amount was drawn and paid (October 2000) to Tamil Nadu Electricity Board, but as of March 2001 the three phase line had not been provided. **Also, in Dharmapuri ITI, the Junior Technical officer (JTO) who was to be trained in the operation of the lathe was not trained till January 2001 despite the frequent requests of the Principal between February 1998 and September 2000 as the proposal for the programme and number of candidates to be trained was under correspondence between the DET and the Advanced Training Institute, Chennai. The JTO was trained in Apex Hi-Tech Institute, Bangalore only in January 2001.**	**The ITI, Needamangalam was functioning in a private rented building with insufficient space to instal the lathe and therefore the lathe was shifted temporarily in March 1998 to ITI, Thanjavur which has been provided with another lathe under the World Bank Scheme in November 1998. The Principal, ITI, Thanjavur stated (July and December 2000) that the lathe transferred from Needamangalam in May 1998 went out of order frequently causing interruption in training.** **Students from Needamangalam were sent to Thanjavur for training on the lathe.**

The DET admitted (January 2001) that some of the ITIs out of the 21 selected under the scheme did not have own buildings and required space as per norms and the proposals for construction of own buildings could not be implemented for lack of funds. He further stated that had the procurement of the machines been deferred due to this, these ITIs would have been left out from the scheme of modernisation.

Government replied in June 2001 that all the overhead electrical work in the Dharmapuri, ITI had been completed and erection of transformer was in progress. Regarding the machine installed at Thanjavur ITI instead of Needamangalam ITI, Government stated that 39 trainees were given training by sending them to Thanjavur. Proposal for constructing building for Needamangalam ITI was yet to be approved by Government. The fact therefore remains that the needed infrastructure for ITI Needamangalam was not created by DET and the required three phase electric line was not provided in ITI Dharmapuri till June 2001, even after the procurement of lathes at a cost of Rs 35.29 lakh, resulting in their poor/non-utilisation in the respective ITIs for over 3 years.

SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT

5.3 Avoidable expenditure on purchase of Masoor Dal for Noon Meal Centres

Government's decision to resort to decentralised purchase of masoor dal through cooperatives during May 1999 to October 1999 was injudicious as it disregarded the logistics support and wholesale price advantage available in centralised purchase through Tamil Nadu Civil Supplies Corporation. This resulted in avoidable expenditure of Rs 5.24 crore.

Essential commodities like rice, dal, edible oil etc., required by the Noon Meal Centres (NMCs) for the Puratchi Thalaivar MGR Noon-Meal Programme were procured and distributed by the Tamil Nadu Civil Supplies Corporation (TNCSC) till May 1999. Masoor dal was procured from outside the State.

In January 1999 TNCSC sent proposals to Government for the purchase of 22000MTs (required for the period May 1999 to April 2000) of Masoor dal from 3 tenderers at an average cost of Rs 17,649 per MT. The average cost was further reduced to Rs 17,638 per MT during negotiations (February 1999) with the tenderers and TNCSC requested the Government to allot the purchase to all the three tenderers. Government however approved, on 16 March 1999, the purchase of 2000 MTs only from the lowest tenderer at Rs 17,000 per MT without giving any recorded reasons for the deviation and ordered that fresh tender be floated for the balance quantity. However, the extended validity period of the lowest tender had expired on 13 March 1999 and the tenderer did not agree to the supply. TNCSC called for tenders again and sent (April 1999) fresh proposals to Government for the purchase of Masoor dal at average cost of Rs 20,357 from 3 tenderers .Government sought clarification from TNCSC regarding possible cost reduction, transport arrangements and purchase of other varieties of dal, by which time the validity of the offers expired (30 April 1999).

Secretary, Social Welfare and Noon Meal Programme (SW & NMP) Department observed (May 1999) that decision on tenders could not be taken within the validity period due to administrative reasons and that the tenderers have refused to extend the validity period. On the ground that the Government has decided to decentralise the purchase of dal, he issued (May 1999) orders for procurement of dal by the Block

Development Officer/Municipal Commissioner concerned from the Regional Cooperative Societies. During May 1999 to November 1999 13,053 MTs of dal was purchased by the Block Development Officers, Municipal Commissioners and Executive Officers of Town Panchayats at an average cost of Rs 25,268 per MT from the cooperative societies. In October 1999, Government decided to entrust the purchase and supply of dal once again to TNCSC, as the decentralised purchase caused transportation problems and was also costlier.

Though Government was aware of the wholesale price advantage and logistic support available in purchase of dals through TNCSC and its timely supply at the door step of NMCs, yet it decided in May 1999 to decentralise the purchase of masoor dal through Regional cooperatives. Viability of the alternative arrangement, availability of the required quantity of dal, arrangements for transportation, quality control and comparison of price with that offered by TNCSC were not considered before taking the decision. This was clear from the reports of all the district Collectors sent (during September 1999 and October 1999) to the Registrar of Co-operative Societies. Audit scrutinised reports from 12 districts and found that (i) all the 12 had stated that purchase through TNCSC was more economical, (ii) 3 had stated that quality of dal supplied by cooperatives was either poor or could not be ensured (iii) 8 had reported transportation problems and higher transportation cost, (iv) 9 had reported irregular supply by the cooperatives as compared to timely supply at the NMCs by the TNCSC and (v) 8 had reported problems in cash credit arrangements with the societies.

This was also confirmed by the fact that TNCSC, after reverting to the old procedure, could purchase 37,643 MTs of dal at lower rates ranging from Rs 18,800 to Rs 21,879 per MT during December 1999 to October 2000.

Thus due to the injudicious decision of the Government to decentralise purchase of dal, there was an avoidable expenditure of Rs 5.24 crore on purchase of 13,053 MT between May 1999 and November 1999, worked out on the basis of the price that would have been paid to TNCSC (Rs 21,252 per MT including all costs of operation).

The matter was referred to Government in April 2001; reply has not been received (September 2001).

5.4 Extra expenditure on purchase of palmolein

The decision of Government to allow Tamil Nadu Oilseeds Growers Cooperative Federation Limited to purchase and supply palmolein to Tamil Nadu Civil Supplies Corporation Limited for Tamil Nadu Government Nutritious Meal Programme, instead of allowing direct purchase by Tamil Nadu Civil Supplies Corporation resulted in an extra expenditure of Rs 2.08 crore.

The entire responsibility to procure and supply rice, dal and edible oil required for the feeding centres under Tamil Nadu Government Nutritious Meal Programme was entrusted to Tamil Nadu Civil Supplies Corporation Limited (TNCSC).

Government ordered that Palmolein oil be supplied by TNCSC after payment of full cost by the respective District Collectors/Heads of Departments concerned (for Madras city) at the rates fixed by Government in Social Welfare and Nutritious Meal Programme Department from time to time. The rate of Rs 25,130 per tonne, fixed by Government for Palmolein in May 1993, had not been revised thereafter. The issue price of groundnut oil was also fixed at purchase price from Tamil Nadu Oilseeds Growers Cooperative Federation Limited (TANCOF) plus 7 *per cent* to cover overhead charges of TNCSC. Government further directed (January 1993) that purchase of groundnut oil was to be made only when adequate quantity of Palmolein was not available.

TANCOF stopped the supply of groundnut oil from October 1994. TNCSC subsequently started purchasing palmolein from TANCOF instead of groundnut oil. Audit observed that TNCSC had been claiming the cost of palmolein at the purchase price from TANCOF plus 7 *per cent* towards its overhead charges, whereas the issue price of palmolein under the programme was to be fixed by Government from time to time.

As seen from the Government order (December 1993), TNCSC was directed to purchase the entire quantity of edible oil (*viz*., ground nut oil at that time) required for the programme through TANCOF only, as TANCOF was formed with the objective of enhancing oilseed production. TNCSC addressed (April 1995) Government that TANCOF was supplying Palmolein only by purchasing it from the open market on month to month basis and stated that Government order issued in December 1993 could be made applicable only where TANCOF supplied the oil produced by it and not for the oil procured by it from the open market. As TNCSC itself could directly procure oil from the open market or National Dairy Development Board (NDDB) since it had the required expertise and infrastructure facilities, TNCSC requested Government to permit it to do so. However, Government in Co-operation, Food and Consumer Protection Department ordered (October 1995) that TANCOF will continue to supply Palmolein purchased from NDDB, till TANCOF start its own crushing at expeller units. However, even as of March 2001, TANCOF continued to supply palmolein only by purchasing it from open market.

Particulars collected from TNCSC revealed that 9788.86 tonnes of palmolein was supplied for the programme in 26 districts during October 1994 to March 2001 and Rs 31.79 crore was paid by the respective Collectors. This includes overhead charges of Rs 1.94 crore charged by TANCOF. Had TNCSC purchased the Palmolein direct from open market, this quantity could have been supplied to the 26 districts at a cost of Rs 29.71 crore to the programme. There was therefore an extra expenditure of Rs 2.08 crore.

Further, the rate of Rs 25,130 per tonne fixed in May 1993 for supply of palmolein oil to NMP was not revised thereafter. Therefore, the claims made by TNCSC with a seven *per cent* overhead charge on the price paid to TANCOF, without getting specific orders from Government on the rate to be charged for palmolein oil, were unauthorised. Calculated on the basis of the rate of Rs 25,130 per tonne fixed in May 1993 the payments made to TNCSC were in excess by Rs 7.19 crore. Incidentally, as of March 2001, Government had not taken a decision on the proposal (January 1997) of TNCSC seeking approval for the rate at which claims were made for palmolein oil supplied by it.

The matter was referred to Government in June 2001; reply had not been received (September 2001).

TRANSPORT DEPARTMENT

5.5 Motor Vehicles Maintenance Department

5.5.1 Introduction

The Tamil Nadu Motor Vehicles Maintenance Department (MVMD), an independent Service Department of the State, is looking after the maintenance and upkeep of vehicles attached to various Government Departments. The maintenance is carried out by the Central Workshop (CW) at Chennai and 19 Government Automobile Workshops (GAW) functioning as district units. The inventory control of the department is exercised by the Material Management Unit (MMU) in CW. Apart from the maintenance of vehicles, the department is also providing Petrol, Oil and Lubricants (POL) to the vehicles of various departments on cost recovery basis and for this purpose MVMD has ten consumer pumps[1] in various districts. Test check of records in MVMD including CW and MMU revealed the following.

5.5.2 Inventory control

MMU is responsible for planning requirement of stores, making bulk purchases and speedy distribution of spares and accessories to the various units of the department. The value of stock on hand with the department as on 31 March 2001 was Rs 2.65 crore.

Four Districts units had stocks exceeding the ceiling limits fixed for the purpose.

Ceiling limit of stock has been fixed at Rs 138 lakh for MMU and at Rs 6.04 lakh to Rs 34.55 lakh for various district units. However, the district units at Coimbatore, Madurai, Tirunelveli and Vellore exceeded this limit by Rs 3.61 lakh (26 *per cent*) Rs 5.96 lakh (29 *per cent*), Rs 10.21 lakh (85 *per cent*) and Rs 3.73 lakh (44 *per cent*) respectively as of 31 March 2001. Though the Director, MVMO stated (June 2001) that these limits were fixed during 1999-2000 and there was an escalation at the rate of 10 *per cent* after that, the fact remained that there was no proper monitoring and control over stock held by the units and the fixation of ceiling did not serve any purpose. Government replied (September 2001) that the stock position was on higher side due to bulk stocking of tyres and batteries in view of the General Elections held in May 2001. However audit observed that even after May 2001, district units at Coimbatore and Tirunelveli exceeded their ceiling limits by Rs 2.07 lakh (15 *per cent*) and Rs 5.52 lakh (46 *per cent*) respectively as on 31 July 2001. The existing ceiling limit which was valid upto

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[1] Two units at Chennai, ;one each at GAWs at Coimbatore, Cuddalore, Dharmapuri, Madurai, Nagercoil, Salem, Thanjavur and Tiruchirappalli.

31 March 2000 was not revised by the department for want of proposals from the district units.

5.5.3 Non-moving items

Non-moving items valued Rs 9.52 lakh available in Material Management Unit and Central Workshop at Chennai.

Stock valuing Rs 9.52 lakh at MMU and CW was identified on 31 March 2001 as non-moving, of which 489 items of stores worth Rs 5.89 lakh was non-moving since April 1998 or earlier.

5.5.4 Petrol, Oil and Lubricants

Rs 2.31 crore was pending recovery as of March 2000 from various departments towards supply of POL.

Government is providing funds to MVMD for purchase of petrol, oil and lubricant (POL) every year to supply to the Government departments. Though Government had issued (April 1984) orders that the invoices for supply of petrol by MVMD to departments should be settled within two months from the date of supply, Rs 2.31 crore[2] was outstanding from various departments from 1983-84 onwards, as of March 2001. Funds are provided in the budget of various user departments for the purpose of making payment to MVMD for the fuel supplied. However the user departments, without settling the bills relating to the POL supplied by MVMD, resort to direct purchase of fuel from outside utilising the funds provided to them. Government stated that the proposal to treat the pending dues as settled since fuel was supplied only to Government departments and to dispense with cash settlement in future was under consideration.

5.5.5 Repairs and maintenance of vehicles

Despite the existence of huge idle time in Government Automobile Workshops, MVMD is issuing no-objection certificates to user offices to get their vehicles repaired through private workshops.

If a GAW is unable to attend to repair of a vehicle, it has to issue a No-objection Certificate (NOC) to the user office to enable it to get the repairs done through private workshop. A test-check of records revealed that although the GAWs had huge idle time of 58870 man hours for want of spares and other reasons during the last three years, *viz*. 1997-98 to 2000-2001, NOCs were given and repairs to the tune of Rs 91.60 lakh were done at private workshops and necessary payment was made by Director, MVMD.

Government stated (September 2001) that the main reasons for entrustment of repairs to private workshops were huge vacancies in the posts of technical staff (173 out of 698 posts) and steady increase of vehicle population in Government departments.

[2] From 1983-84 to 1994-95 : Rs 9.93 lakh, 1995-96 : Rs 1.42 lakh, 1996-97 : Rs 2.13 lakh, 1997-98 : Rs 2.58 lakh, 1998-99 : Rs 13.73 lakh, 1999-2000 : Rs 10.12 lakh and 2000-2001 : Rs 191.61 lakh.