

CHAPTER V

Internal Control Mechanism in Government Department

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.1 INTERNAL CONTROL MECHANISM IN PUBLIC HEALTH ENGINEERING DEPARTMENT

Highlights

A review of internal control system in Public Health Engineering Department (PHED) disclosed weaknesses in budgetary, expenditure, operational and inventory controls leading to both saving and excesses, rush of expenditure, un-reconciled stock accounts, excessive purchases, avoidable accumulation of stock, faulty tender practices and instances of non recovery from contractors. Departmental inspection was inadequate and there was no internal audit setup.

- Excess expenditure over allotment of Rs. 31.11 crore and huge expenditure of Rs. 3.74 crore on Deposit Works without sanction of competent authority.

(Paragraph 5.1.5.5 and 5.1.5.7)

- Seven divisions irregularly awarded additional works of drilling 2329 tube wells at a cost of Rs.9.11 crore through supplementary schedules

(Paragraph 5.1.6.1)

- Unauthorised financial aid of Rs.54.47 lakh was given to contractor through overpayment of secured advance

(Paragraph 5.1.6.2)

- Due to stoppage of operation of stock suspense head excess purchases of Rs.87.51 lakh were made by the E-in-C as information on existing stock balances was not available. Further, actual stock balances were less than the book balances by Rs.3.78 crore due to discontinuation of stock suspense head.

(Paragraph 5.1.7.1)

- Material amounting to Rs.38.73 lakh was issued to others divisions without receiving advance payment

(Paragraph 5.1.7.6)

➤ **No internal audit wing set up in the Department and 88 inspections reports were pending dating back to 2001-02 as of March 2006.**

(Paragraph 5.1.8.1)

5.1.1 Introduction

Internal Control Mechanism (ICM) in an organization is a process, meant to ensure that its operations are carried out according to laid down rules and regulations and in an economical, efficient and effective manner. Public Health Engineering Department is responsible for drilling tube wells, laying of pipelines and maintenance thereof for providing drinking water to 1.66 crore rural and 42 lakh urban population of the state. As the activities of the Department involved bulk purchases of pipes and hand pump sets, internal controls of store and stock was an important area.

5.1.2 Organisational setup

The Department is under the administrative control of Secretary to the Public Health Engineering Department, and is headed by Engineer-in-Chief (E-in-C) assisted by two Chief Engineers¹ (CEs), six Superintending Engineers² (SEs) and 25 Executive Engineers (EEs) in field divisions.

5.1.3 Audit Objectives

The broad audit objectives were to assess, whether:

- Control procedures as laid down in rules and manuals were adhered to;
- Budgetary, expenditure, operational and inventory related controls were complied; and
- Department has independent internal audit wing and its functioning

5.1.4 Audit Coverage and methodology

Internal control system in the Department for the period from 2003-04 to 2005-06 was reviewed during October 2005 and May 2006 by test check of records maintained in the Office of the E-in-C and five divisions³. Instances of internal control failures reported earlier have also been incorporated at appropriate places. Audit methodology was primarily review of documents and discussion with the field formations. An exit conference was held on 22 September 2006. The results of discussions have been incorporated in the review.

¹ Raipur and Bilaspur Zones

² SE (Civil) Raipur, SE (Civil) Bilaspur, SE (Civil) Ambikapur, SE (Civil) Jagdalpur, SE(Civil) Durg and SE(E&M) Raipur

³ 1. Executive Engineer, (Civil Division) Raipur 2. Executive Engineer (E/M) Division Raipur 3. Executive Engineer, (Civil Division) Ambikapur 4. Executive Engineer, (Civil Division) Baikunthpur 5.Executive Engineer, (Civil Division) Bilaspur

5.1.5 Audit Findings

BUDGETARY AND EXPENDITURE CONTROL

The Department is responsible for initial estimation and control over expenditure against the grant at its disposal. Following shortcomings were noticed in preparation of budget estimates.

5.1.5.1 Unrealistic budget estimates

Budget estimates for 2001-02 to 2005-06 for Grant Nos. 20, 41 and 64 were unrealistic. There was expenditure of Rs.668.88 crore against budget provisions of Rs.888.66 crore i.e. saving of Rs.219.78 crore during 2001-06.

The E-in-C stated (September 2006) that savings were due to (1) shortage of field officers (2) material could not be procured in time due to delayed rate contract by Chhattisgarh State Industrial Development Corporation (CSIDC) and (3) funds under Accelerated Rural Water Supply Programme (ARWSP) were released by GOI in the last quarter. These factors should have been taken into account while preparing the estimates every year. Moreover, the anticipated savings should have been surrendered before 15 February as provided in Para 4.155 of Works Department Manual (WDM).

Delay in administrative approval for works

Budget provision of Rs.12.95 crore, during the years 2002-03 to 2005-06 was made by the Government for 13 schemes, but work did not commence for want of administrative approval (AA) leading to savings. The main reason for delay in AA was non-receipt of local bodies' share. The E-in-C stated (September 2006) that all the AA would be accorded by 31-10-2006.

5.1.5.2 Transfer of funds to the Public Account

PHED transferred Rs.6.39 crore from Centrally Sponsored Urban Water Supply Schemes at the end of March during the years 2002-03 and 2003-04, to the Public Account (8443-Civil Deposits) to avoid lapse of budget allotments. The E-in-C stated that transfers were done with the approval of the Finance Department. The reply was not tenable as the drawl of funds to avoid lapse diluted legislative control over expenditure and resulted in overstating of expenditure.

5.1.5.3 Non-reconciliation

Timely reconciliation of departmental figures with the expenditure booked by the Accountant General as provided under rule 66 (2) (viii) of General Financial Rules was required to ensure that the departmental accounts rendered by sub-ordinate offices were correct depiction of remittances into and drawls from treasuries and was a key control against diversions and fraudulent drawls. Due to incomplete reconciliation there were differences in 60 subheads ranging from Rs.2 lakh to Rs.4.38 crore between the Departmental figures and those booked by the Accountant General during 2003-04 and 2004-05.

Budget provision of Rs.12.95 crore was made for 13 schemes without considering Administrative approval

Department kept Rs.6.39 crore under civil deposits to avoid lapse of budget allotment

Department could not reconcile the expenditure figures with those booked by the accountant general which resulted in huge differences ranging from 2 lakh to 4.38 crore

5.1.5.4 Demands and surrenders at the end of the financial year

Three divisions surrendered Rs.2.64 crore to E-in-C on 31st March 2006

Para 4.155 and 4.153 of the WDM prescribe that funds must be surrendered to the Government up to 15 February or latest by 15 March and final demand should be submitted to E-in-C by 25 January during the financial year. These controls ensure that anticipated savings are re-appropriated timely for utilisation on some other works.

While three divisions⁴ surrendered Rs.2.64 Crore to E-in-C on 31 March 2006. EE PHE Division Ambikapur asked (31 March 2006) for additional funds of Rs.50 lakh and Rs.33.50 lakh were allotted on the same day by E-in-C. Thus, the budgetary discipline and controls envisaged through timely surrenders and re-appropriation were not followed. The E-in-C assured (September 2006) that budgetary discipline and control would be followed through timely surrenders and re-appropriation.

5.1.5.5 Excess expenditure over allotment

Excess expenditure of Rs.31.11 crore in some heads

As per Para 4.144 (WDM) the E-in-C is responsible for control over expenditure. It was observed that there was excess expenditure of Rs.12.41 crore, Rs.5.90 crore, Rs.6.98 crore, Rs.2.02 crore and Rs.3.80 crore in the years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively in 25 heads. Since there were overall savings in all the grants, the excesses could have been avoided by timely re-appropriation.

Para 4.143 (WDM) provides for issue of Letter of Credit (LoC) to the Executive Engineer (EE) along with the head wise breakup. A copy is also sent to the Bank through which EE operates his account to ensure that cheques are issued within head wise limits indicated in the LoC. The sum total of amounts authorised in LoCs should be kept within total allotment issued separately to the EE. It was observed that E-in-C, PHED, issued allotment of Rs.138.32 lakh to various divisions on 31-3-2006 without any LoC. The E-in-C stated (September 2006) that additional allotment was provided to those divisions, which were having unspent amounts in LoCs already issued to them for other grants. The reply showed that the control through head wise LoCs and allotment was diluted.

5.1.5.6 Rush of expenditure

PHED spent 49 per cent in 11 schemes, 52.70 per cent in 10 schemes and 78.02 per cent in 21 schemes of the total annual expenditure during March 2004, 2005 and 2006 respectively

Rule 69 of GFR stipulates uniformity of expenditure during the year as a measure of budgetary control. It was observed that PHED spent 49.41 per cent on 11 schemes, 52.70 per cent on 10 schemes and 78.02 per cent on 21 schemes of the total annual expenditure in March 2004, 2005 and 2006. The E-in-C replied (September 2006) that most of the works were carried out during March to June and January to March; hence uniformity could not be maintained through out the year. The reply was not acceptable as the rush of expenditure amounting Rs 32.74 crore was noticed only in March.

⁴ (i)	EE, PHE Division Kanker	Rs.100.00 lakh
(ii)	EE, PHE Division Champa	Rs.65.50 lakh
(iii)	EE, Water Recharging Division Durg	Rs.98.95 lakh
	<i>Total</i>	<i>Rs.264.45 lakh</i>

5.1.5.7 Excess Expenditure on Deposit Works

Ten Divisions spent excess amount of Rs.3.74 crore against deposits

As per Para 2.167(f) WDM expenditure on deposit works should not exceed the deposits without prior approval of the State Government. It was observed that 10 Divisions⁵ incurred excess expenditure of Rs.3.74 crore over the deposits of Rs.21.72 crore during 2003-04 to 2005-06 without approval of the competent authority and excesses were booked under Misc. Public Works Advances. The main reason of excess was that urban water supply schemes were executed without deposits from local bodies. The E-in-C stated (September 2006) that necessary action would be taken in this regard.

5.1.5.8 Temporary Advances

Tour advances were irregularly drawn from works cashbook and Rs. 5.68 lakh were outstanding as of March 2006 in seven divisions

As per Para 4.069 of WD manual, temporary advances can be drawn against passed vouchers for works. Advances for any purposes other than works expenditure are to be drawn through the treasury. It was observed that tour advances were given from work heads on hand receipts even to officers of controlling/ administrative offices and in seven divisions⁶ Rs.5.68 lakh was outstanding as of March 2006. The E-in-C stated (September 2006) that instruction had been issued to adjust the outstanding temporary advances.

5.1.6 OPERATIONAL CONTROLS**5.1.6.1 Award of work through supplementary schedules**

Additional works for drilling of 3558 tube wells costing Rs.9.11 crore against agreed 2329 tube wells were awarded without invitation of tenders

As per Para 2.075(b) of the WD manual, a tender must be invited for all works costing Rs.15000 or more which are proposed to be executed through contractors. It was observed that in seven divisions, against original contract for 2329 tube wells additional works for drilling of 3558 tube wells costing Rs.9.11crore were awarded through supplementary schedules to the contractors without inviting fresh tenders as shown in **Appendix 5.1**. Government had directed (July 2006) the CE Bilaspur to stop this practice.

5.1.6.2 Undue financial aid to Contractor

Excess payment of Rs.54.47 lakh was made to contractors towards secured advances

Para 2.091(Appendix 2.13) of the WD manual provides for payment of advance on the security of material brought to site.

In Ambikapur division it was seen (May 2006) that two contractors had brought material valuing Rs.75.37 lakh to the site and secured advance (75 per cent) on cost of the material i.e. Rs.56.53 lakh was payable to the contractors as per agreement. The EE paid (March 2006) an amount of Rs.1.11 crore

5			(Rs. in Lakh)
1. Raipur 54.40	2. Raipur Project 24.66	3. Dhamtari 6.45	
4. Durg 51.98	5. Rajnandgaon 157.72	6. Karwadha 3.94	
7. Bilaspur Project 20.29	8. Korba 12.25	9. Jangir-Champa 14.97	
10. Baikunthpur 26.99	Total: Rs.373.65 Lakh		

6			(Rs. in Lakh)
1. Jagdalpur 1.47	2. Bilaspur 0.48	3. Jagdalpur (E/M) 0.45	
4. Bilaspur (E/M) 0.53	5. Ambikapur (E/M) 0.04	6. Jashpur 2.56	
7. Bilaspur Project 0.15	Total 5.68 lakh		

resulting in un-authorised financial aid of Rs.54.47 lakh to the contractors. The E-in-C stated (September 2006) that advances were paid correctly according to value of material brought to site. The reply was incorrect. The value of material was overstated by adding tender percentage on the cost of material whereas there was no provision for such higher valuation of material.

5.1.6.3 Non-adjustment of miscellaneous public works advances (MPWA)

Rupees 9.74 crore were outstanding for adjustment under miscellaneous PW advances up to March 2006 in 16 Divisions

In 16 Divisions MPWAs aggregating Rs.9.74 crore were outstanding at the end of March 2006. During audit of Ambikapur division it was seen (May 2006) that division maintained MPWA register up to 1996-97 showing the unadjusted balance of Rs.37.54 lakh, but while submitting the monthly account to the Accountant General for the month of March 2006 the balance was shown as nil. The register was not maintained from 1996-97 onwards. Thus, the position of recovery / adjustment could not be ascertained. The E-in-C assured (September 2006) that the action would be taken for regularising outstanding amounts.

5.1.7 STORE AND INVENTORY CONTROLS

A sound system of stores management involves planning of purchase requirements, efficient and economic procurement, control over issue, timely and proper accounting and safe physical custody. Acquisition, custody and disposal of stores in PHED are governed by provisions contained in the Madhya Pradesh Works Department manual as adopted by the Government of Chhattisgarh, Stores Purchase Rules and Central Public Works Accounts Code (CPWA Code). PHED procured substantial quantities of G.I. pipes and hand pump sets. E-in-C office placed purchase orders (2003-04 and 2004-05) and the material was supplied directly to the divisions who made payments on receipt of material. Every division had a designated central store, which was usually located in a sub-divisional office.

5.1.7.1 Non-operation of "Stock Suspense"

As per WDM, the cost of material purchased or received by Central Store of division was to be posted as a debit entry in the head "Stock Suspense". The Central Store issued material to various sub-divisions through Stock Register. The sub-divisions in turn issued material through their Stock Registers to Sub Engineers (S/E) who were in charge of actual execution at site. The material received was entered into material at site (MAS) account of the S/E. The S/E issued material for various works from MAS account as per requirement. The actual consumption from MAS account was reported by S/E to sub divisions and by sub divisions to divisions, which would then clear Stock Suspense by the amount of consumption with a credit entry. If material was issued to another division/ Department, stock suspense was adjusted by a minus debit entry. Therefore the accumulated debit in stock suspense in a divisional account represented the value of physical stock in hand in the division and the total balance for the State represented the stock available in the Department. This stock accounting head was therefore the cornerstone of the control system for custody of stock.

It was observed that budget provision was not made under stock suspense for

PHED since inception of the state. This implied that this head could not be operated for any new purchases and only old balances were to be cleared. Consequently, the entire system of control and monitoring of stores described above became non-functional and opened up the entire system to high risks as discussed in subsequent paragraphs.

Stock not monitored through accounts and physical verification

Stock verification was being done only for old items procured before state formation

The materials received are initially taken in central stores of the divisions. Under the prescribed system in WDM, the actual consumption in various works were reduced from stock suspense by credit/minus debit as described earlier. For monitoring the balances of stock, WDM provided for two returns, the details of numbers of items remaining in stock and the reconciliation of their value with the balance under stock suspense were entered in Form 11 and Form 73 respectively by divisions and sent to AG and E-in-C through the monthly account. This ensured that the exact balance of stock (quantity and value) available was known at every level and could be monitored. From the time the operation of suspense head was stopped, new purchases were not entered in Stock Registers. In the absence of any instructions, the divisions adopted a parallel system of opening MAS accounts at division and sub-division level for accounting of receipt and issues of stock. This procedure was quite inadequate, as key controls were not built into it. Reconciliation of stock between E-in-C and divisions, divisions and sub-divisions and sub-divisions and sub-Engineers had been discontinued in this procedure. Each unit maintained its own accounts without any information of balances in the units to which it was supplying stock and hence reconciliation was not possible. Reconciliation of stock taken in these MAS accounts was also not included in Form 11 and 73 in monthly accounts.

The stock verification was being done only for old items booked in the stock suspense before state formation. It had been discontinued for the stock maintained in MAS accounts. In the absence of reconciliation and stock verification, the system was open to grave risk of losses and leakages. It was evident that the various controls linked to operation of the stock suspense head, which were prescribed for safety and custody of stock, were suspended when divisions stopped operating the suspense head, which had led to excessive procurements, discrepancies and unregulated accumulation of stock.

The E-in-C stated (September 2006) that the instructions will be issued to ensure monitoring the stock accounts and physical verification at all levels.

Excessive procurements

Excess procurement of material worth Rs.87.51 lakh was made in two divisions of Raipur during 2004-05

In E/M and Civil Divisions of Raipur due to non-operation of suspense, the E-in-C was not in a position to ascertain/adjust the balance stock in divisions and assess the requirements correctly. This led to excess purchases during 2004-05 worth Rs.87.51 lakh as detailed in *Appendix 5.2*. This was accepted during the exit conference.

Discrepancy in Stock Accounts

Actual stock balance was less than book balance by Rs.3.78 crore in two divisions.

Audit collaterally worked out the balances of stock (pipes and hand pump sets) in the PHE (E/M) division Raipur as on 31 March 2005 in the Central store of the division, six sub divisional stores and seven MAS accounts of sub engineers. Taking into account the opening stock as on 1st April 2004 and the month wise actual consumption in various works for all sub units, and receipts (receipts only in central store) during the year, the book balance was worked out. It was seen that the actual closing stock as ascertained from all sub divisions etc. was lesser than the book balance worked out in audit by Rs.85.84 lakh, as detailed in the **Appendix 5.3**.

In PHE division Baikunthpur, form-73 "Stock account" showed (July 2005) balance of stock worth Rs.2.92 crore since last three years, whereas actual stock balance was nil. The EE stated that the relevant records showing adjustment of stock were being prepared and would be shown to next audit.

Thus after stopping the operation of suspense head, proper reconciliation between different stock accounts was not being done, thereby increasing the risk of leakages. The E-in-C assured (September 2006) that the matter will be examined and action will be taken.

Unregulated accumulation of stock

Stock worth Rs.1.28 crore was lying un-utilised

In the absence of budget provision under the head "Stock Suspense", provision for material purchases was made in the service Major Heads under which works were being executed. On receipt of material in divisions various works head were being debited equal to value of the material. The immediate fallout was that expenditure was being booked in various works without any actual utilisation of material and the share of this prior booking in each of the works was also being done on adhoc basis resulting in inflated expenditure.

In E.E., PHE, (Civil) & (E/M) Divisions, Raipur that stock had accumulated in both divisions during 2004-05. Stock costing Rs.1.28 crore was lying unutilized in Central store of the divisions⁷.

Against expenditure of Rs.3.54 crore was booked in the accounts, stock of Rs.64.14 lakh had actually not been consumed in the work but accumulated and the expenditure was inflated by this amount. Total accumulated stock lying unutilised was Rs.1.28 crore and there was no record of this in the accounts.

The E-in-C had not fixed any Reserve Stock Limit (RSL) since stock suspense was not in operation. In the absence of any RSL and non-reconciliation of balances, stock was being purchased and accumulated in an unregulated manner.

5.1.7.2 Lack of control over distribution of material

⁷ (1) 150 mm GI, (2) 125 mm GI, (3) 32 mm GI, (4) 150 mm UPVC, (5) 125 mm UPVC, (6) Normal stand Assembly, (7) Telescopic Stand Assembly.

Budget estimates were inflated during 2001-02 to 2005-06

Requirement of material for each PHE division is assessed by E-in-C and material is distributed accordingly. Contrary to this, PHE Division Raipur transferred (July 2004-August 2004) material worth Rs.13.54 lakh as shown in **Appendix 5.4** to other divisions without informing the E-in-C.

In two other cases under same division, materials were issued from MAS accounts of sub-divisions to contractors for execution of works. After completion of work, the unconsumed material was to be returned to the store and taken into in the MAS account of the sub division. It was observed that the unconsumed material was irregularly taken into MAS account of Sub-Engineer and transferred to other works of the same contractor without taking it into MAS account of the Sub-Division.

This diluted the system of cross checking of stores issued and consumed. The E-in-C replied (September 2006) that appropriate action will be taken to regularise the transactions.

5.1.7.3 Purchase without requirement

D.I. pipes worth Rs.16.70 lakh were procured for Bilaspur Division without requirement

The E-in-C, PHED placed supply order to a firm (November 2004) for supply of 2000 metre 150 mm dia ductile iron (DI) pipes for PHE division Bilaspur although there was no requisition. The PHE division Bilaspur received the pipes in March 2005 and issued them to PHE division Baikunthpur in September 2005, which managed to utilise only 17 per cent up to September 2006 and the balance was lying unused.

The E-in-C replied (September 2006) that the pipes had been purchased against a request from Municipal Corporation, Bilaspur to EE, project division Bilaspur, to lay 10, 500-metre D.I. pipes. The reply was not acceptable as the 2000 metre of pipe was actually supplied to a different division at Bilaspur, who had no requirement for the same and the department had failed to find a use for this purchase even after two years.

5.1.7.4 Idle stock

Efforts have not been taken to dispose idle stock worth Rs.50.80 lakh

It was observed from Form-11 of three PHE Divisions⁸ that there stock valuing Rs.50.80 lakh lying idle during the last five years. The valuation of stock was also not done in last five years. The E-in-C stated (September 2006) that necessary action will be taken.

5.1.7.5 Obsolete store articles

Obsolete store articles worth Rs.63.11 lakh in Civil Division Raipur could not be disposed of since 1979

Para 4.083 of WD Manual provides that the SDO should submit report to the EE on unserviceable stock articles during the next 12 months who will dispose of these articles with the orders of SE. As per Para 4.073 of manual a survey report in form 18/18A should be submitted to the CE for unserviceable articles in the month of January every year, who will take action for disposal of such articles. Notwithstanding these codal provision, obsolete stores articles worth

⁸ PHE Civil Dn. Raipur Rs.32.29 lakh, PHE Civil Dn. Bilaspur Rs.11.89 lakh, PHE Dn. Ambikapur Rs. 6.62 lakh

Rs. 63.11 lakh in three PHE Divisions⁹ could not be disposed of since 1979. This was indication of control failure at E.E., SE & CE level. The E-in-C stated (September 2006) that necessary action would be taken.

5.1.7.6 Non-recovery of cost of material issued to other divisions

PHE Division Kawardha and Bilaspur issued material worth Rs.38.73 lakh to other divisions without obtaining advance

With effect from April 1993, divisions could transfer material to other divisions only against advance payment. It was, however, observed that contrary to above provision EE PHE Civil Division Kawardha and PHE, Civil Division Bilaspur issued (January 2003 and July 2005) material to the other divisions valuing Rs.38.73 lakh without obtaining advance payments and these payments were pending as on July 2006. Thus the cash and carry system was bypassed. The E-in-C assured (September 2006) that suitable action would be taken.

5.1.7.7 Non-recovery of cost of materials from contractors

In PHE Division Rajnandgaon contractors did not return unconsumed material costing Rs.35 lakh since 2000-01. Similarly, in PHE Civil Division Raipur material worth Rs.5.28 lakh was issued to different contractors during 2004-05 but there was no evidence of their use. No action was taken to recover the cost of material. The E-in-C assured (September 2006) that suitable action would be taken.

5.1.8 Internal Audit & Monitoring System

5.1.8.1 Internal audit system

The Department did not have any internal audit wing. Inspections were carried out by the Chief Technical Examiner (CTE) Vigilance and 88 inspection reports pertaining to 2001-02 were pending (March 2006).

5.1.8.2 Departmental inspection

Para 4.113 of Works Department manual provides that departmental inspection should be conducted annually and the E-in-C will obtain in the last week of every quarter a return from CE/SE/EEs showing the inspection due and those actually conducted during the year. After consolidation of these reports, it may be sent to the Government by E-in-C. It was observed that the codal provision was not followed in the Department. Chief Engineers conducted no inspection. However, SE PHED Circle Raipur had prepared annual inspection programme of Divisions and Sub Divisions but actually it was not followed and no inspection report was issued. E-in-C stated that (September 2006) the set up of the department was quite recent and inspections provided for in the manual would be streamlined.

5.1.9 Conclusion

⁹ PHE Civil Dn. Raipur Rs.14.56 lakh, PHE Civil Dn. Bilaspur Rs.44.51 lakh, PHE Dn. Ambikapur Rs.4.04 lakh

Due to deficiencies in budgetary and expenditure controls, there were persistent overall savings/excesses in some heads and irregular booking of advances in works expenditure. Tendering process was bypassed by executing works through supplementary schedules. Due to non-operation of stock suspense head, prescribed controls for ensuring proper assessment, procurement, issue, accountal, custody and safety of stock were totally absent. Consequently there were large discrepancies in stock accounts, procurements were in excess of requirements and there was unregulated accumulation of stock and grave risk of leakages. Other controls relating to distribution of stores, recovery of cost of articles supplied and store management were also found to be non working. Internal audit was absent and prescribed departmental inspections by SEs and CEs were not done.

5.1.10 Recommendations

- ❑ Various controls in the process of budgetary estimation, re-appropriations and surrenders should be strictly followed and booking of temporary advances in works expenditure should not be allowed.
- ❑ Execution of additional works through supplementary schedules should not be allowed and such additional works should be taken up by inviting open tenders so as to get competitive rates.
- ❑ The use of "Stock Suspense" head should be reintroduced so that prescribed controls for ensuring proper assessment, procurement, issue and safe custody of stock are observed.
- ❑ Reconciliation and physical verification should be done in all divisions for all stock which had been purchased without booking in stock suspense head.
- ❑ Internal audit wing should be set up and Departmental inspections should be strengthened.

These recommendations were discussed with Government in the exit conference (September 2006) and accepted.