

CHAPTER – V

STORES AND STOCK

POWER DEPARTMENT

5.1 Review on Stores and Stock

Highlights

- Annual Reserve Stock limit was not fixed.

(Paragraph 5.1.7)
- Rs. 44.46 crore were pending recovery from various divisions of the department for supply of materials for execution of work.

(Paragraph 5.1.12)
- Cash Settlement Suspense Account was not reconciled.

(Paragraph 5.1.14)
- Physical verification of stores was not conducted annually as required under General Financial Rules.

(Paragraph 5.1.23)

Introduction

5.1.1 Goa State depends upon National Thermal Power Corporation (NTPC) for its entire demand of power supply, as it does not generate any power of its own. The power supply from NTPC is wheeled through neighbouring Maharashtra and Karnataka State Electricity Board systems. The Electricity Department is the agency for transmission and distribution of electrical energy. The procurement, custody and issue of materials required for transmission and distribution of power is vested with the Stores Division.

Organisational set up

5.1.2 The Chief Electrical Engineer, Panaji is in overall charge of Power Department assisted by two Superintending Engineers and twelve Executive

Engineers. The Executive Engineer, Stores Division is in charge of purchase, custody and issue of materials for execution of various electrical works of the Government. He is assisted by four Asst. Engineers and 11 Junior Engineers.

Audit coverage

5.1.3 A review relating to the procurement, custody and utilization of stores and stock for the period from 1996-97 to 2000-01 was conducted between April 2001 and June 2001 through test check of records of Chief Electrical Engineer, Panaji, Stores Division, Margao and four divisions at Bicholim, Mapusa, Tivim and Margao covering 50 per cent of the expenditure on procurement of stores.

Budget provision and expenditure

5.1.4 Yearwise budget provision and expenditure incurred on procurement of stores during the five years from 1996-97 to 2000-01 was as follows:

TABLE 5.1

Year	Budget Provision	Expenditure	Savings (-) Excess (+)
(Rupees in lakh)			
1996-97	1199.99	1199.99	-
1997-98	1199.99	1199.99	-
1998-99	1199.99	1199.99	-
1999-2000	999.99	1059.99	(+) 60.00
2000-2001	999.99	999.99	-

Source:- Appropriation Accounts of Government of Goa.

5.1.5 There was excess expenditure of Rs.60 lakh during the year 1999-2000 reasons for which were not furnished by the department.

Position of Stock

5.1.6 The value-wise position of procurement, issue and balance of stock for the period from 1996-97 to 2000-01 was as follows:

TABLE 5.2

Year	Opening Balance	Receipts during the year	Issues during the year	Closing Balance
Rupees in lakh				
1996-97	680.85	1199.99	948.90	931.94
1997-98	931.94	1199.99	1444.95	686.98
1998-99	686.98	1199.99	1246.66	640.31
1999-2000	640.31	1059.99	1103.65	596.65
2000-01	596.65	999.99	1166.57	430.07

Annual Reserve Stock Limit not fixed

5.1.7 As per the provisions of CPWD manual the Reserve Stock Limit (RSL) of materials is to be fixed at the beginning of the financial year in order to exercise proper control over purchase, issue and balance of stores. It was noticed that the monetary limit of Rs. 1.80 crore for the Reserve Stock Limit fixed in 1985 was revised to Rs.5.11 crore in 1992, which was further revised to Rs.11.98 crore in August 1997. No action was taken to review the limit after August 1997.

Excess Reserve Stock Limit fixed

5.1.8 The division purchases bulk of materials under Suspense Stock and later issues them to works. The procurement action is classified in 3 categories viz (i) Purchase made through DGS & D by placing indents to DGS & D, (ii) Local procurement by call of tenders and (iii) Purchases by placing supply orders directly on DGS & D Rate Contract holders.

5.1.9 Maximum, Minimum and Reserve Stock Limits are fixed considering the number of months requiring lead times for procuring stores which is as follows:

- i) Maximum stock limit was worked out at 15 months average consumption. Items were not to be purchased beyond this limit.
- ii) Minimum stock limit was worked out on 6 months average consumption. Procurement action was to be initiated when the stock of an item reaches this limit.
- iii) Reserve stock limit was worked out at 3 months average consumption along with monetary value. The average stock in Central Stores is not supposed to exceed this monetary limit.

5.1.10 The position of assessed monthly consumption as per Reserve Stock Limit fixed and average monthly consumption based on actual consumption for five years as revealed from the bin cards in respect of certain items are indicated below:

TABLE 5.3

Sr. No	Name of the item	Assessed monthly consumption as per RSL	Actual consumption for five years from 1996-97 to 2000-01	Average monthly consumption arrived at based on actual consumption	RSL fixed	RSL to be fixed based on 3 months consumption
1.	Single phase energy meters – 2.5 Amps	1010	32005	533	3030	1599
2.	Single phase energy meters – 5-10 Amps	2008	30044	508	6024	1524

3.	3 Phase 4 wire energy meter – 3 x 5 Amps	205	9045	160	615	480
4.	3 Phase 4 wire energy meter – 3 x 10 Amps	208	3783	63	624	189
5.	Flat armour aluminum pipe – Size 0.05	285	50	1	855	3
6.	Flat Armour aluminum tape size 0.03 x 0.25	285	72	2	855	6
7.	AA conductor WASP 7/4.59	75	61	1	225	3
8.	Single phase meter box	2500	44	1	7500	3

5.1.11 It would be seen from the above table that the RSL fixed was far in excess of requirement. It is therefore required to be reviewed and fixed annually.

Non-settlement of Cash Settlement Suspense Account

5.1.12 The transactions relating to services rendered or supplies made by the Stores Division to other division are classified under Cash Settlement Suspense Account. As per the departmental instructions the responding divisions are required to clear the debit in their accounts representing stores and supplies received by them within 10 days. However huge balances were outstanding under this head representing non-response by Executive Engineers of divisions receiving the services/supplies. The position of outstanding balances under Cash Settlement Suspense Account from 1996-97 to 2000-01 was as follows:

TABLE 5.4

Year	Opening balance	Debits	Credits	Closing balance
(Rupees in lakh)				
1996-97	1567.55	948.90	301.80	2214.65
1997-98	2214.65	1444.95	186.17	3473.43
1998-99	3473.43	1246.67	181.60	4538.50
1999-2000	4538.50	1103.65	1524.96	4117.19
2000-01	4117.19	1166.57	837.60	4446.16

5.1.13 Audit scrutiny revealed that the responding divisions were clearing the oldest debit notes, only if any savings were available under the particular major/minor head, at the end of the financial year. As such the balance went on increasing.

Cash settlement Suspense Account not reconciled

5.1.14 As per the Stores Division Account Rs.44.46 crore were outstanding for settlement by 13 Electricity and 8 Public Works Divisions as on 31 March 2001. A scrutiny of records of four divisions* revealed that the balances outstanding as shown by the Stores Division did not tally with divisional records as indicated below:

TABLE 5.5

Division	Debit notes outstanding as per Stores Division Records	Debit notes outstanding as per divisional records	Difference	Reason
(Rupees in lakh)				
IV	1015.29	906.05	(-)109.24	Rs. 66 lakh were accounted by Stores Division in March 2001 whereas in the divisional records the same was accounted in April 2001. As regards Rs.43.24 lakh, reconciliation has not been done
V	706.12	684.95	(-)21.17	Reconciliation not done
VI	900.71	910.04	9.33	Reconciliation not done
IX	81.04	0.13	(-)80.91	Under reconciliation

Unserviceable stores due to excessive stocking

5.1.15 There were 140 items of stores lying unserviceable for more than five years the value of which was not furnished by the department. It was however noticed that the value of 16 such items lying unutilised since 1996-97 was Rs.98.49 lakh. The stores becoming unserviceable was due to non-review of the movement of items annually.

Outstanding debits of DGS & D

5.1.16 The position of outstanding debit notes of Directorate General of Supplies and Disposal (DGS & D) towards supply of material to the Department for the period from 1996-97 to 2000-2001 was as shown below:

* Electricity O & M Divisions IV-Margao,V-Bicholim,VI-Mapusa,IX-Tivim.

TABLE 5.6

Year	Debit		
	Raised	Settled	Outstanding
(Rupees in lakh)			
1996-97	414.67	62.54	352.13
1997-98	255.90	1.46	254.44
1999-2000	0.37	-	0.37
2000-2001	0.12	-	0.12
Total	671.06	64.00	607.06

5.1.17 Debit notes worth Rs.1.01 crore were outstanding for various reasons such as quantity less received, material received in damaged condition not replaced, one bill of Rs.2.94 lakh recorded twice etc. Reasons for non-settlement of remaining debit notes were not furnished.

Irregularities in acceptance of tenders for supply of five numbers of 6.3 MVA Power Transformers

5.1.18 The Stores Division invited tenders in March 2000, for supply of five 6.3 MVA Power Transformers at an estimated cost of Rs. 94.25 lakh. As per the Notice Inviting Tender (NIT), all the routine test reports like impulse test, short circuit test reports were to be supplied by the bidders at the time of offer and the delivery of the transformers was to be given by the supplier at any destination in Goa as per departmental requirements.

5.1.19 In response four offers were received and the lowest offer was that of M/s Andrew Yule & Co. (Firm A), A Government of India Undertaking, for Rs. 81.85 lakh and the second lowest was that of M/s Alstom, Mumbai for Rs. 82.12 lakh (Firm B). Firm A had produced the required certificates at the time of submitting bid. Whereas Firm B had not furnished impulse voltage test certificate.

5.1.20 Though the Executive Engineer recommended (March 2000) acceptance of the lowest offer of Firm A, the Technical Advisory Committee rejected the offer on the grounds that they had not furnished Sales Tax clearance certificate at the time of obtaining tender form, the condition which was relaxed by Government in May 1999. Negotiations were carried out with the second lowest tenderer (Firm B) and negotiated offer of Rs.81.75 lakh was accepted and supply order was placed in July 2000 overlooking the fact that Firm B had not furnished the required impulse voltage test reports and certificates and that they had stated that unloading of transformers was not within their quoted amount.

5.1.21 It was further noticed that division invited (November 2000) quotations for unloading the transformers and the lowest quotation of M/s

Electro Engineering Enterprises (Firm C) for Rs.1.25 lakh was accepted. The supplies were completed at a total cost of Rs.82.20 lakh.

5.1.22 Thus the rejection of lowest tender on the ground that they had not furnished sales tax certificate, which was already relaxed by Government and accepting the negotiated offer of second lowest was irregular and has resulted in additional liability of Rs.1.25 lakh, which could have been avoided.

Physical verification not being conducted regularly

5.1.23 General Financial Rules of Government provides for physical verification of stores once in a year. It was noticed that no such physical verification was conducted as required under the Financial Rules during 1996-97 to 2000-01 except in November 1999.

Stores not stacked scientifically

5.1.24 As per the report on physical verification carried out in November 1999, though the materials in Central Stores have been stacked neatly, the space in store yards was not sufficient to stores the materials scientifically.

- a) The stacking yard was not safe as the barbed wire fencing was completely rusted.
- b) Several spare items were not labelled properly, no code numbers were given so that the items could be identified.
- c) Due to scarcity of space many materials such as switches, cables, conductors, nuts and bolts, chokes/ballets etc. were stored at different places in mixed condition.
- d) Some materials were lying unused in Central Stores for more than 20 years and no action was taken to declare these items as obsolete or issue write off of orders.
- e) Service connection cables of various sizes were stacked very close to each other.
- f) The transformer oil drums were found leaking heavily.
- g) Rejected materials were also dumped in the same yard. As such the possibility of getting these materials mixed up with the accepted ones could not be ruled out.
- h) Many cement bags were found in hardened condition.

Action taken on the above findings was not furnished by the department.

Monitoring and evaluation

5.1.25 Even though there were no major irregularities in maintaining price stores ledger, purchases made are not based on requirements indented by various divisions etc. The material is procured as per RSL fixed and there was no system of annual review of movement of stores resulting in excessive stocking of some items and its becoming unserviceable.