

CHAPTER-V

STORES AND STOCK AUDIT PARAGRAPHS

CHAPTER – V

STORES AND STOCK

Public Works Department (Public Health Branch)

5.1 Stores and Stock

Records relating to purchase, custody, issue and management of stores in respect of 12¹ out of 43 divisions of Public Works Department (Public Health Branch) along with the office of the Engineer-in-Chief (EIC) were test-checked for the years 1999-2002 during October 2001 to March 2002. This was supplemented by information obtained from other divisions as well as from monthly accounts. Important points noticed in audit are mentioned in the following paragraphs.

5.1.1 Store accounts and position of stock

Under Rule 15.21 (2) of Punjab Financial Rules, applicable to Haryana State also, all Heads of departments are to furnish store accounts (in duplicate) by 15 May each year in respect of purchase of stores valuing Rs 5 lakh or more in a year to the Accountant General (AG). Though the purchases exceeding Rs 5 lakh in each year were made through orders placed by EIC, no consolidated accounts of receipts, issues and balances of stock for the department as a whole, were prepared and submitted to AG due to which value of stores had to be compiled by the audit from monthly accounts of the 43 divisions. The details were as under:

	Value of stores		
	1999-2000	2000-01	2001-02
	(Rupees in crore)		
Opening balance as on 1 April	8.41	(-)1.77	(-)0.48
Receipts during the year	75.11	71.66	69.26
Total	83.52	69.89	68.78
Issues during the year	85.29	70.37	64.73
Closing balances as on 31 March	(-)1.77	(-)0.48	4.05

¹ Public Health (PH) Divisions, Ambala Cantt, No. I & II Bhiwani, P&I Charkhi Dadri, Dabwali, Hansi, No. III Hisar, No. I Karnal, Naraingarh, Narnaul, No. II Panipat and Panchkula at Chandigarh.

5.1.2 Minus balances

As required under article 184 of Accounts Code Volume-III and instructions issued by the EIC from time to time, transactions originating in another division, department or Government should, as a rule, be adjusted in divisional accounts on receipt of intimation of the debit or the credit/book transfer bills and suspense slips from the Accountant General (AG memos). Rules² further provide that issue rate of store articles fixed at the beginning of the year should be reviewed, during half yearly closing of the register of stocks so that the value accounts and stock registers agree. No efforts were made to adjust the value of stores at the close of each financial year with the result that minus balances of Rs 13.49 crore, Rs 12.74 crore and Rs 11.43 crore appeared in 19, 17 and 17 divisions at the end of March 2000, 2001 and 2002 respectively as per details in *Appendix-XV*.

Minus balances were attributable to:

- (i) non-adjustment of profit/loss on stores and non-revision of issue rate;
- (ii) fictitious issue of stores; and
- (iii) non-adjustment of A.G. memos (Rs 0.87 crore), issued by Accountant General for material received through DGS&D.

Further examination revealed that:

(a) In Planning and Investigation (P&I) P H Division, Charkhi-Dadri, stores valuing Rs 80.86 lakh were issued and shown as consumed on various works through 141 indents during September 2000 to March 2001 but their value in the store accounts was debited during May and July 2001 by contra credit to concerned works. This led to incorrect depiction of balances of stores in the accounts for the year ending March 2001.

(b) In five³ divisions, 3,03,339 bags of cement were purchased at the rates varying from Rs 101 to Rs 125 per bag. The cement so purchased was issued to various works at the rate of Rs 129, Rs 130, and Rs 135 per bag against the uniform issue rate of Rs 129 per bag notified by Government. By issuing the cement at higher rates, Rs 50.50 lakh (including 3 *per cent* stock storage charges) were excessively charged to various works. Incorrect fixation of issue rates had resulted in profit to stock and increase in minus balances.

No remedial steps were taken to avoid minus balances and recurring minus balances indicated charging of stores at incorrect rates to works which could also conceal errors and fictitious adjustments, if any, in stock accounts, etc.

² Rule 6.22 of Punjab Financial Hand Book No.3, Departmental Financial Rules (DFR) applicable to Haryana State also.

³ PH Divisions, Ambala Cantt., No. II Bhiwani, No. I Karnal and No. I & II Panipat.

5.1.3 Re-working of storage charges

Storage charges are recovered from the issue prices of stores to meet the expenditure on maintenance and upkeep of stores, watch and ward charges, rent, repairs and electricity charges of godowns or yards, etc. A test check of records revealed credit balances (Profit) of Rs 2.77 crore in 27 divisions, Rs 3.05 crore in 27 divisions and Rs 2.86 crore in 31 divisions at the end of March 2000, March 2001 and March 2002 respectively and debit (Loss) balances of Rs 0.45 crore in 7 divisions, Rs 0.40 crore in 6 divisions and Rs 0.10 crore in 4 divisions at the end of March 2000, March 2001 and March 2002 respectively. These were lying unadjusted at the end of each financial year. The accumulated unadjusted debit and credit balances were attributable to non-revision of storage charges. Besides, the department had failed to adjust the balances at the end of corresponding financial year by crediting/debiting the storage head, as required under the rules.

5.1.4 Priced store ledgers

In P&I PH Division, Charkhi Dadri, Priced Store Ledger (PSL), showing the numerical quantities of stores with their value in opening balances, receipts, issues and closing balances, was not maintained since the date of its inception (April 1996). In other four⁴ divisions, the balances of receipts and issues in the ledgers were not reconciled with those shown in the bin cards. Non-reconciliation of these balances could lead to misappropriation of stores.

5.1.5 Reserve Stock limit

To facilitate optimum limit of stores in stock, Government (July 1985), fixed a permanent Reserve Stock Limit (RSL) of Rs 20 lakh in respect of all the existing PH Divisions. In June 1990, this limit was raised to Rs 40 lakh each in respect of four⁵ divisions.

It was noticed in audit that 13 divisions in 1999-2000, 10 in 2000-2001 and 12 in 2001-2002 held stores in excess of permanent RSL by Rs 7.67 crore, Rs 7.38 crore and Rs 9.76 crore respectively as detailed in *Appendix-XVI*. Holding stock in excess of permanent RSL could mean unnecessary procurement, blockade of Government money, etc.

⁴ PH Divisions, No. I Bhiwani; No. III Hisar; Hansi and No. II Panipat.

⁵ PH Divisions, Kurukshetra, No. I Karnal, Kaithal and Yamunanagar.

5.1.6 Tools and plant returns

To guard against shortages, pilferages, misappropriations and frauds, an yearly Tools and Plant (T&P) return is required to be prepared by each sub-division and consolidated in the division. These returns were not prepared for periods ranging from 2 to 21 years in seven⁶ out of 12 test checked divisions. The divisions did not try to obtain these returns from the Sub-Divisional Officers and no action was taken against the defaulting officers. Absence of T&P returns would mean shortages/pilferages which cannot be detected by audit.

The EE, PH Division II, Panipat stated (November 2001) that the T&P returns of the PH Division I, Sonipat (defunct) which was merged with that division in April 2000 were not available since 1990. As such the returns could not be prepared.

Test-check of T&P, returns so prepared in nine⁷ divisions revealed that pump sets, motors fitted on various water works and other items issued from the stores during 1996-2002 valuing Rs 1.90 crore were not taken on T&P registers maintained by sub-divisions, which resulted in non-accountal of T&P articles to this extent. This could mean payment without supply also.

When these cases were pointed out in audit (January 2002) the EE, PH Division, Hansi accounted for the T&P articles valuing Rs 0.35 crore. For the remaining divisions, no reply was received as of April 2002.

5.1.7 Physical verification of stores

Physical verification of stores required to be conducted once in a year by an officer other than the one incharge of the stores. Such verification was never conducted in PH, P&I, Division, Charki-Dadri and PH, Division II, Panipat since their inception in 1995 and 1996 respectively and in PH Division I, Bhiwani it had not been conducted since 1997-98.

5.1.8 Other points of interest

(i) Irregular use of PVC pipes

State Sanitary (SS) Board, Haryana, in its meeting held on 9 June 1998, observed that PVC pipes have become a serious hazard in itself. There was rampant puncturing of PVC pipes in the rural areas because of excessive stand posts and these pipes crack as they cannot with-stand high pressure. In view of this, it was decided (June 1998) in the meeting that use of PVC pipes in

⁶ PH Divisions, No. I Bhiwani, P&I Charki-Dadri, Dabwali, No.III Hisar, Narnaul, No.II Panipat and Panchkula at Chandigarh.

⁷ PH Divisions, Ambala Cantt., No II Bhiwani, P&I Charkhi Dadri, Dabwali, No. III Hisar, No. I Karnal, Naraingarh, Narnaul and Panchkula at Chandigarh.

future would only be limited to repair/replacement of existing pipes. However, during test-check it was noticed that PVC pipes of various sizes valuing Rs 27.36 lakh were used on augmentation of various water supply schemes in eight⁸ divisions during April 2001 to March 2002 though AC pipes of various diameters were available in the stores. This was in contravention of the decision (June 1998) of the SS Board Haryana.

(ii) Loss due to non-extraction of old pipe lines

The estimates of augmentation water supply schemes provided for extraction of old pipe line in cases where it became non-functional due to construction of new water supply schemes.

In eight⁹ test checked divisions, 45 new schemes of augmentation of water supply were completed between 1999 and 2002. The estimates of these schemes provided for extraction of 2.32 lakh metre of pipes of various sizes valuing Rs 1.29 crore¹⁰. These pipes were not extracted (December 2001), which resulted in loss of Rs 1.06 crore after taking into account the dismantling charges of Rs 0.23 crore. Meanwhile, the department purchased 1.87 lakh metres of pipes at a cost of Rs 1.91 crore of the same dimensions required to be extracted. Had these pipes been extracted and utilised, Rs 1.91 crore spent on the newly purchased pipes could have been avoided.

(iii) Injudicious purchases of material

(a) DS&D, Haryana on receipt of indent from EIC, PH Branch, Chandigarh, placed supply orders (December 1998 and January 1999) on two suppliers for supply of 1500 Stone Ware (SW) pipes each 600 mm dia at the rate of Rs 1144 per pipe along-with other material. Pipes were to be received in PH Division I, Bhiwani. Supplier 'A' supplied (June 1999) 1500 pipes whereas the supplier 'B' supplied (July 1999) only 106 pipes. 739 pipes were already lying in the stores of the division at the time of receipt of these pipes.

Scrutiny of the records in EIC office revealed that there was no demand from field offices for this size of SW pipe during 1998-99. It was indented by the EIC on his own, on the ground that the firms also manufacture this size and this is to be purchased for urban drainage works. 887 pipes costing Rs 10.15 lakh were transferred (June 1999 to February 2002) to other divisions {PH Division No.II, Bhiwani (24) and PH Division, Tosham (863)} as these were not required in PH Division I, Bhiwani. Out of the total 2345 pipes, 1458 pipes valuing Rs 16.68 lakh were un-consumed as of February 2002.

⁸ PH Divisions, Ambala Cantt., Charkhi-Dadri, No. II Bhiwani, Naraingarh, Hansi, Narnaul, No. I Panipat and No. I Karnal.

⁹ PH Divisions, Ambala Cantt, No. I & II Bhiwani, P&I Charkhi Dardi, Hansi, No. III Hisar, No. I Karnal and Naraingarh.

¹⁰ Depreciated value taken as provided in the estimates.

(b) In four¹¹ divisions, 17 pump/diesel generating sets, etc. valuing Rs 14.22 lakh were purchased between July 1996 and June 2000, without immediate requirement. Of these, only one pump set of Rs 1.46 lakh was put to use upto February 2002. Remaining 16 pump sets valuing Rs 12.76 lakh were lying un-utilised for the last 2 to 6 years.

Thus, purchase of items without requirement had resulted in blocking of Government funds of Rs 29.44 lakh.

(iv) *Splitting up of purchases*

The EE and the Superintending Engineers (SE) are empowered to purchase upto Rs 10,000 and Rs 50,000 respectively any one item on any one occasion. Rules prohibit the split up of purchases. In eight out of 12 test checked divisions, purchases of material such as specials, sluice valves, pipe fittings, electrical fittings, pump sets, motors, etc. were made in 222 cases valuing Rs 20.54 lakh, as per details given below:

Sr. No.	Name of Division	No of purchase orders/payment vouchers	Amount paid (In rupees)
1.	PH Division, Dabwali	96	9,06,717
2.	PH Division No. II, Bhiwani	36	3,44,732
3.	PH Division, Charkhi Dadri	14	2,27,868
4.	PH Division, Hansi	24	1,96,782
5.	PH Division, Panchkula at Chandigarh	20	1,80,385
6.	PH Division, Narnaul	10	74,897
7.	PH Division, Naraingarh	11	74,817
8.	PH Division No. III, Hisar	11	48,077
	Total	222	20,54,275

(v) *Utilisation of material without detailed record entries in measurement books*

Measurement Book (MB) is an important basic record for all accounts of quantities, whether of work done by daily labour or by the contractor or of material received which have to be counted or measured. The entries in MB are made in such a way as to enable check of vouchers for payment invariably with reference to recorded entries in MB for each month.

In ten¹² test checked divisions, material such as pipes, cement, fittings, etc. valuing Rs 8.71 crore was issued to various maintenance works but no reference entries were made in the MBs. In some cases, old material such as pipe fittings, etc., which was required to be taken back, were not entered. In the absence of reference/record entries in the MBs, bonafide issue/return of material could not be established. The EE, PH Division, Panchkula at Chandigarh agreed (January 2002) to make entries of major items in future.

¹¹ PH Divisions No. II Bhiwani, No. II Hisar, No. I Karnal and No. II Panipat.

¹² PH Divisions Ambala Cantt., No. I & II Bhiwani, P&I Charkhi Dadri, Dabwali, Hansi, No. III Hisar, Narnaul, Naraingarh and Panchkula at Chandigarh.

(vi) Shortage of material

In PH Division, Hansi, shortage of material valuing Rs 22.96 lakh was noticed by audit during cross linking of records. The details are as under:

Sr. No.	Nature of shortage	Amount (Rupees in lakh)	Period	Description
1.	Physical verification (i) Material found short = 0.20 (ii) Material found surplus but not accounted for = 0.16 (iii) Shortage pointed by committee = 4.44	4.80	December 1999, May 2001 and July 2002	GI pipe, CID joints, CID/FSV, etc. 23 items of fittings etc.
2.	Non -carry over of balances in Bin Cards	5.85	May 2001	AC Pipe 8730 metre
3.	Errors in totalling in Bin Cards	1.36	January 2000 and August 2000	GI and AC pipe
4.	Non-accountal of material received through GR sheets	4.34	October 2000 to March 2001	AC pipe and PVC Bend
5.	Short handing/taking over	6.61	August 2001 to December 2001	GI/AC pipe, SV 10 inch
	Total	22.96		

The EE confirmed (July 2002) the shortage of Rs 8.01 lakh and placed the amount in 'Miscellaneous Public Works Advances' of Junior Engineer(JE) in July 2002, but JE had expired in April 2002. In respect of shortage of remaining items confirmation was awaited (July 2002).

The matter was referred to the Government in June 2002; reply had not been received (August 2002).