

CHAPTER V

STORES AND STOCK

MINOR IRRIGATION DEPARTMENT

5.1 Unnecessary purchase of MS gates

Divisional Officers made unnecessary purchase of MS fabricated gates costing Rs.4.80 crore and misused public funds of Rs.3.93 crore by purchase at exorbitant rates

KPWD code stipulates that materials required for work should not be purchased in advance or in excess of actual requirement. The Stores Purchase Manual prohibits direct purchase of materials without reference to the Stores Purchase Department (SPD) regarding rate contracts for items to be procured. Only in case no rate contract exists, material can be procured through open tendering. Further, officers making purchases should not split up the purchase orders for evading sanction of the higher authority as per the delegation of financial powers.

Records of Minor Irrigation Division, Bidar revealed that 4429 MS fabricated gates (350 mm x 350 mm and 450 mm x 600 mm) valued at Rs.4.83 crore were purchased by the Divisional Officer by-passing the SPD, between April 1998 and October 2000, for fixing the outlets of Field Irrigation Channels (FICs) of 34 minor irrigation tanks in total disregard to existing codal provisions and numerous instructions of Government and Chief Engineer.

Following irregularities were noticed in the purchase of MS fabricated gates:

(a) By-passing tender procedure

No designs were prepared before placing the orders for these gates. Instead of inviting tenders, the Divisional Officers obtained quotations locally and placed purchase orders by splitting the purchase at less than Rs. 15000 per order thereby depriving the Government of the benefit of competitive rates.

(b) Unnecessary purchases of huge quantity of MS outlet gates

As per the standard prescribed in Manual of Canal Norms of 1991 (Chapter 7 – Micro Network), the water to be allowed through an outlet should be between 0.010 cumec and 0.028 cumec. Accordingly, the minimum area that can be irrigated through an outlet at the Micro Network system works out to 17.5 hectares¹. Considering the total command area of 9050 hectares (covered

¹ 1-cusec of water can irrigate 125 acres of standing crop. 1 cumec = 35 cusecs. 0.01 cumec=0.35 cusecs. 125 acres= 50 Ha. Hence 0.35 cusec can irrigate 17.5.Ha.

by 34 minor irrigation tanks) the requirement of outlet gates worked out to 520 against which 4429 were purchased. This resulted in unnecessary purchase of 3909 outlet gates costing Rs.4.69 crore as detailed below:

	Specification of gates	
	350 x 350 mm	450 x 600 mm
Number of gates required	520	Not required
Number of gates procured	1215	3214
Excess procurement	695	3214
SPD Rates	Rs.500	Rs.2600
Rates at which procured	Rs.2600	Rs.14,040
Excess expenditure	Rs.1807000	Rs.45124560
Total excess expenditure – Rs.46931560		

(c) Exorbitant rates

SPD finalises the rate contract for fabricated items like MS sluice gates on weight basis. The prevailing rate was Rs.36.53 per kg in 1999-2000. But the division procured these materials on quantity basis. Each MS gate (350x350 mm) weighing 12 kg and bigger size MS gate (450 x 600mm) weighing 47 kg were purchased at Rs.2600 and Rs.14040 each, respectively. The rate payable as per the rates fixed by SPD during 1999-2000 worked out to Rs.500 and Rs.2600² each on weight basis. Had the Department procured the gates at SPD rate, the cost of 4429 gates would be Rs.0.90 crore as against Rs.4.83 crore paid which resulted in avoidable extra expenditure of Rs.3.93 crore.

The EE while approving the lowest rates for MS gates did not ascertain the availability of rate contract of SPD nor approved the rates based on weight basis for these gates. The works of fixing of gates were not included in the Programme of works for the years 1996-97 to 2000-01 approved by SE. Further, fixing of gates was not provided for in the estimates. Though EE periodically sought release of LOC from CE through SE duly furnishing details of pending bills etc., they neither objected to such huge purchases nor investigated the matter of splitting the orders and charging the amounts to the works. They thus abetted the flouting of the codal provisions and disregard of the instructions of higher authorities by the EE, in purchase of materials, thereby causing loss of Government funds to the extent of Rs. 3.93 crore.

In this case, officers at various levels flouted the codal provisions while making huge purchases. The Government should investigate the role of the officers involved in the purchase and fix responsibility for misuse of public funds.

The matter was referred to the Secretary to the Government in July and August 2001. However, no reply was received from him (September 2001).

² Rate includes sales tax, transportation charges, cost of rubber seal and handle.

5.2 Avoidable expenditure

Three Divisional Officers unnecessarily purchased materials at exorbitant rates for Rs.68.28 lakh violating the prescribed procedure

Para 47 and 48 of the Stores Manual of Public Works Department prohibits direct purchase of stores without reference to the Stores Purchase Department (SPD). The officers making purchases should not split up purchases for evading sanction of higher authorities. Scrutiny revealed subversion of these provisions by Divisional Officers in three Minor Irrigation (MI) Divisions who made huge purchases at exorbitant rates in violation of financial powers by splitting the requirements.

A review of records (August 2000 – December 2000) of stores and stock in three MI Divisions¹ revealed that materials like sponge rubber, perforated PVC pipes, pressure relief valves *etc.*, were procured by Divisional Officers at a cost of Rs. 86.40 lakh during 1998-2000 for use in minor irrigation tank works. The following irregularities were noticed in the purchase transactions.

- (i) The Executive Engineer (EE), Superintending Engineer (SE) resorted to large-scale purchase of materials in excess of the quantity provided in the estimates.
- (ii) The value of each purchase sanction accorded by EE and SE was less than Rs.15,000 and Rs.25,000 respectively with a view to keep the purchase value within the financial powers of the officer placing such orders.
- (iii) Purchases were irregularly made by obtaining quotations from local suppliers without calling for tenders or procuring them through SPD as required.

Review of the invoices of supplies revealed that these invoices did not contain the details such as supply order no., date, mode of transport of the materials, delivery challan no. and date. The purchase of sponge rubber, PVC perforated pipes and pressure relief valves were made through 15 firms of which 5 firms were not even registered with Commercial Taxes Department.

A comparison of procurement rates with those finalised by the same circle or by neighboring circles for similar materials revealed that purchases were made at exorbitant rates, which resulted in avoidable expenditure of Rs.68.28 lakh as given below:

¹ MI Division, Bidar (Rs.35.92 lakh), Kushtagi (Rs.31.80 lakh) and Bijapur (Rs.18.68 lakh)

Name of the Division	Materials procured and year of procurement	No. of purchase orders Quantity purchased <u>Quantity unutilised</u>	Name of firms through which the purchases were made	Purchase rates per unit (In Rupees)	Rate fixed by the same circle or neighbouring circle for similar materials (In Rupees)	Price difference per unit (In Rupees)	Excess payment (Rupees in lakh)	Documents with which the purchase rates were compared
MI, Bidar	Sponge Rubber (1998-99)	155 3948 Rmtrs <u>2268 Rmtrs</u>	Kamal Enterprises, Chaitanya Enterprises, Adarsh Enterprises, Sri Ganesh Enterprises, Kaveri Enterprises (NR), Sri Balaji & Co., National Enterprises, Sri Manikanta Traders (NR), Archana Enterprises (NR)	535	60	475	18.75	Rate approved by SE, MI, Belgaum in 1998-99.
	Perforated PVC pipes 60 mm dia (1998-2000)	103 2471 R ft <u>NA</u>	Padma Enterprises and Sai Traders	599	29	570	14.08	Data rate approved by SE, MI, Gulbarga based on SR of 1996-97 valid up to 1999-2000.
MI, Kushtagi	Pressure Relief valves (1999-2000)	NA 10633 Nos <u>5633 Nos</u>	Kamadenu Enterprises, Karnataka Engineering Works (NR), Patil Electrical and Engineering works (NR), Prasad Enterprises (NR)	299	89	210	22.33	Rate approved by CE, Munirabad during June 1999 and rate offered to CE by two firms.
MI, Bijapur	Pressure Relief valves (July 2000)	NA 6250 Nos <u>NA</u>	Kamadenu Enterprises and Karnataka Traders	299	89	210	13.12	
TOTAL							68.28	

NR – Not registered with Commercial Taxes Department.

NA – Not available

As the purchases were made in excess of the quantities indicated in the estimates, procured at exorbitant rates and charged off directly to the works, the genuineness of purchase of these materials is doubtful and possibility of fraudulent payment against fictitious purchase cannot be ruled out.

The matter was referred to the Secretary to the Government in March and July 2001. However, no response was received from him (September 2001).

WATER RESOURCES DEPARTMENT

KARANJA PROJECT

5.3 Huge unnecessary purchase of MS gates in violation of rules

**Misuse of public funds of Rs.10.44 crore in purchases relating to MS
Diversion and MS Outlet gates and unnecessary purchase costing
Rs.5.39 crore**

Para 365 of KPWD code stipulates that materials required for work should not be purchased in advance and also in excess of requirement. Para 47 and 48 of the Stores Purchase Manual prohibits direct purchase of materials without reference to the Stores Purchase Department (SPD). Officers making purchases should not split up the purchases for evading the rules relating to large purchases. According to para 97 of KPWA code the Divisional officers entrusted with care, use or consumption of stores are responsible for accounting and maintaining the records in respect of the stores entrusted to them. The materials brought to site should be immediately taken on stock by Section Officers as required in para 248 of KPWA code. All these provisions were extensively flouted by three Divisional Officers in the purchase and accountal of MS outlet gates and MS diversion gates valuing Rs.12.33 crore as noticed in audit (between October 2000 and December 2000).

The Chief Engineer, Irrigation Projects Zone, Gulbarga issued instructions (March 1997 and June 1999) that all the Executive Engineers of Karanja project should purchase the materials required for three months only and should invariably route them through the stock account. No materials should be directly charged to Material-at-Site (MAS) account.

Records in three divisions of Karanja Project¹ revealed that 20080 MS outlet gates and 4232 MS diversion gates valued Rs.12.33 crore were purchased by Divisional Officers by-passing the SPD between April 1998 and October 2000.

Following irregularities were noticed in the purchase of these gates:

(a) By-passing tender procedure

No designs were got prepared by Divisional Officers before placing the orders for these MS outlet and MS diversion gates. Though the value of purchase was Rs.12.33 crore, no tenders were invited and instead quotations were obtained locally and purchase orders for 20080 MS outlet gates and 4232 MS diversion gates were placed on 92 traders by splitting the purchases at a value of less than Rs. 15000 per order to bypass the restrictions of delegation of

¹ Karanja Project Construction Divisions – Bathambara (Rs.5.66 crore), Bhalki (Rs.4.89 crore) and Bidar (Rs.1.78 crore).

powers. In the process, the Government was deprived of the benefit of competitive rates, as the quotations were not obtained simultaneously by the EE from the suppliers. This facilitated indiscriminate purchase at whatever rates offered by the suppliers.

(b) Unnecessary purchases of huge quantity of MS outlet gates

As per the standard prescribed in Manual of Canal Norms of 1991 (Chapter 7 – Micro Network), the water to be allowed through an outlet should be between 0.010 cumec and 0.028 cumec. Accordingly, the minimum area that can be irrigated through an outlet at the Micro Network system works out to 17.5 hectares². Considering the total planned irrigation potential of 35614 hectares of land under Karanja Project, the requirement of outlet gates worked out to 2036 against which 20080 were purchased. This resulted in unnecessary purchase of 18044 outlet gates costing Rs.5.39 crore.

(c) Exorbitant rates

SPD finalises the rate contract for the fabricated items like MS sluice gates on weight basis. The prevailing rate was Rs.36.53 per kg in 1999-2000. But the divisions procured these materials on quantity basis. Each MS outlet gate weighing 12 kg and MS diversion gate weighing 41 kg were purchased at Rs.2985 and Rs.14990, respectively. The rate payable as per the rates fixed by SPD during 1999-2000 worked out to Rs.485 and Rs.2190³ each on weight basis. Thus, purchase of material at higher rates resulted in extra cost of Rs.10.44 crore as detailed below:

Division	No. of MS gates purchased and rate (In Rupees.)		Value (Rupees in crore)		SPD rate per gate (Rupees)		Value (Rupees in crore)		Difference (Rupees in crore)	
	DG	OG	DG	OG	DG	OG	DG	OG	DG	OG
KPC Division 1, Bidar	961 (14990)	1133 (2985)	1.44	0.34	2190	485	0.21	0.05	1.23	0.29
KPC Division 2, Bhalki	1394 (14990)	9376 (2985)	2.09	2.80	2190	485	0.31	0.45	1.78	2.35
KPC Division 3, Bathambara	1877 (14990)	9571 (2985)	2.81	2.85	2190	485	0.41	0.46	2.40	2.39
Total			6.34	5.99	-	-	0.93	0.96	5.41	5.03
Total extra cost – Rs.10.44 crore										

Note: DG – Diversion gates, OG – Outlet gates

The SPD confirmed on a request (May 2000) by audit that the divisions of Karanja Projects did not approach them for finalisation of rate contract in respect of purchase of MS Gates.

² 1 cusecs of water can irrigate 125 acres of standing crop. 1 cumec = 35 cusecs, 0.01 cumec=0.35 cusecs, 125acres = 50 Ha. Hence, 0.35 cusecs can irrigate 17.5 Ha.

³ Rate includes sales tax, transportation cost, etc.

Scrutiny further revealed that the Commercial Taxes Department confirmed (September 1999) that out of 5 manufacturing firms (who made their supplies) two firms shared the same Registration Numbers. Purchase made through these two firms amounted to Rs.95.57 lakh and the registration of remaining three firms who supplied materials valued Rs.80.67 lakh, were cancelled during the years 1998-2000. Thus, genuineness of purchases made from these sources was doubtful.

(d) Non-account of materials issued to works

Discrepancies of short and non-accountal of MS outlet gates and MS diversion gates valued Rs.1.75 crore in the MAS account were noticed in 2 Divisions (Bathambara and Bhalki). The non-accountal of materials in respect of these Divisions was pointed out to Controlling Officers and Divisional Officers by Audit in the Inspection Reports for the period ended June 1999 and July 1999, issued in September 1999 and October 1999. The discrepancies are yet to be reconciled (March 2001). The accounting of materials in MAS accounts of these Divisions for the period 1998-99 to August 2000 could not be verified in Audit due to the seizure of the records by Lokayuktha (September 2000).

The SE while approving the lowest rates for MS diversion and MS outlet gates did not instruct the EE to ascertain the availability of rate contract of SPD. The SE accorded approval to the proposal of Divisional Officers in June/July 1998 for purchase of gates even though Programme of Works for the years 1998-2000 did not contemplate fixing of gates in any of the canal works. He did not object to the EE placing so many orders by splitting the value of orders to avoid the sanction of higher authorities. Further, SE did not examine why orders had been placed on 92 firms although he had approved only one firm. CE released the LOC for these purchases routinely without seeking any information with regard to the purchases made on large scale, when funds were sought by Divisional Officers.

From this it is evident that SE/CE directly abetted the unnecessary purchases of MS outlet gates and MS diversion gates for Rs.10.44 crore through the Divisional Officers by flouting the codal provisions.

From the manner in which the purchases were made, it is evident that the materials were procured in violation of rules and public funds were misutilised.

The matter was referred to the Secretary to the Government in July and August 2001. However, no response was received from him (September 2001).

GENERAL

5.4 Non-receipt of accounts

Annual consolidated accounts of stores and stock are required to be furnished by various Departments to the Accountant General by 15th of June of the following year. Delays in receipt of stores and stock accounts have been commented upon in successive Reports of the Comptroller and Auditor General of India. The Public Accounts Committee (1978-80) in their First Report (Sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the Departments. Nevertheless, the delays persist. The Departments from which the stores and stock accounts had not been received by Audit as of August 2001 are mentioned below :

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture (Director of Agriculture)	1999-2000 and 2000-2001
2.	Commerce and Industries (Director of Industries)	1995-96 to 2000-2001
3.	Education (Director of Printing and Stationery)	1999-2000 and 2000-2001
4.	Health and Family Welfare (i) Director , Health and Family Welfare Services	1999-2000 and 2000-2001
	(ii) Director of Medical Education	1999-2000 and 2000-2001
	(iii) Joint Director of Government Medical Stores	1999-2000 and 2000-2001
	(iv) Indian System of Medicine and Homeopathy	1995-96 to 2000-2001
5.	Home (i) Director General of Police and Inspector General of Police	2000-2001
	(ii) Inspector General of Prisons	2000-2001
6.	Information, Tourism and Youth Services (Director of Information and Publicity)	2000-2001
7.	Revenue (Registration) (Inspector General of Registration and Commissioner of Stamps)	1996-97 to 2000-2001
8.	Public Works, Command Area Development	*1995-96 to 2000-2001

* Accounts due from :

- (a) 1 Division -for 12 half yearly periods (1995-96 to 2000-2001)
- (b) 1 Division -for 6 half yearly periods (1998-99 to 2000- 2001)
- (c) 6 Divisions -for 4 half yearly periods (1999-2000, and 2000-2001)
- (d) 29 Divisions -for 3 half yearly periods (October 1999 to March 2000, 2000-2001)
- (e) 37 Divisions -for 2 half yearly periods (2000-2001)
- (f) 40 Divisions -for 1 half yearly period (October 2000 to March 2001)