

CHAPTER V

STORES AND STOCK

HOME DEPARTMENT

5.1 Stores and Stock accounts of Police Department

5.1.1 Introduction

The stores in Police Department consist mainly of uniform cloth, kit articles, equipment, arms and ammunitions. While Additional Director General of Police (Transport, Telecommunications and Modernisation) is responsible for procurement of stores relating to Modernisation of Police Forces Scheme, Deputy Inspector General of Police (Headquarters), Commissioners of Police and District Superintendents of Police purchase stores like stationery, spare parts of vehicles, tyres and tubes etc. according to the financial powers delegated to them.

Records of Director General and Inspector General of Police (DG&IGP), Additional Director General of Police (Technical Services), Superintendent of Police (Wireless), Commissioners of Police, Deputy Commissioners of Police (DCP), City Armed Reserve, Bangalore, Commandants, KSRP Battalions No.3 and 4, Bangalore and six^φ Superintendents of Police were test-checked in audit during January to April 2002. The results of test-check are discussed below:

5.1.2 Finance and Expenditure

Year-wise details of budget and expenditure on purchase of stores including those relating to Modernisation of Police Forces Scheme were as under:

(Rupees in crore)

Year	Budget allotment	Expenditure as per accounts	Savings(-)/ Excess(+) expenditure	Percentage of Savings(-)/ Excess(+)
1997-98	13.65	11.95	(-)1.70	12
1998-99	14.33	16.48	(+)2.15	15
1999-00	15.49	5.52	(-)9.97	64
2000-01	32.81	24.74	(-)8.07	25
2001-02	44.28	37.19	(-)7.09	16

DG&IGP did not furnish either the details of expenditure booked by the department during this period nor the reasons for savings and excess.

5.1.3 Avoidable extra expenditure of Rs.2.12 crore on procurement of Polycarbonate shields

Against an indent placed by the various field units for 10160 number of polycarbonate shields for use by police personnel during elections and riots,

^φ Belgaum, Bijapur, Chitradurga, Mangalore, Raichur and Udupi

the DG&IGP procured 29690 shields (6000 in January 1998, 8160 in April 1998 & 15530 in August 1999) with the approval of the Direct Purchase Committee (DPC). Scrutiny of purchase files revealed as follows:

**DG&IGP
purchased more
than the required
quantity of
shields at higher
rates**

Against the Notice Inviting Tenders (NIT) issued in July 1997 for supply of shields, the DG&IGP received seven samples which were referred (November 1997) after a delay of 4 months to Central Power Research Institute (CPRI), Bangalore for conducting various tests. However, without waiting for test results from CPRI, DG&IGP obtained (December 1997) local quotations from selected firms as against requirement of inviting open tenders and thus violated tender procedure. Even while selecting firms DG&IGP eliminated firm A (M/s. Shaw Polymers) despite knowing that it had quoted lowest rate of Rs.1010 per shield in response to NIT issued in July 1997. DG&IGP also did not approach Defence Material Stores Research and Development Establishment who were approved (August 1997) by Government of India, as suppliers of shields at the rate of Rs.950 each.

Procurement of 29690 shields valuing Rs.4.06 crore at the rate of Rs.1365 paid per shield on the basis of local quotations was highly irregular and violated norms of procurement of obtaining offers through open tenders and in sealed covers.

29690 shields were procured against the indents for 10160 shields and Government sanction of 14160 shields which resulted in excess procurement of shields costing Rs.2.12 crore. Shields were distributed during February 1998 to 9th September 1999 (14548) and 23rd September 1999 to April 2000 (15142).

DG&IGP stated (August 2002) that DPC which examined sample shields did not accept offer of firm A on grounds of inferior quality and orders were placed on firm B which had offered shields of superior quality. He also stated that additional quantity of shields (15530) were purchased in view of election to Lok Sabha and Vidhana Sabha. However, as seen from the meeting proceedings (October 1997) DPC had not made any comments on the quality of sample shields but recommended testing by CPRI. CPRI stated (20th January 1998) that tests could be conducted subject to providing certain facilities and invited Departmental officers for discussion. Department did not follow the suggestion. The method followed by DPC for testing the sample was dropping a stone on sample shield which was crude, unscientific and contrary to various test parameters mentioned (November 1997) in the letter to CPRI for testing. Also, additional quantity of shields were distributed after completion of elections (5th September and 11th September 1999). The replies were, therefore, not tenable.

5.1.4 Avoidable extra expenditure on purchase of stores

As per the procedure, for all the requirements of arms and ammunitions, the DG&IGP was to place indents with the Ministry of Home Affairs, Government of India for supplies through the Director General of Ordnance Factories (DGOF). The supply was to be made against advance payment to DGOF by drawing funds on Abstract Contingent (AC) bills after obtaining the

Government sanction. The price payable was the price prevailing on the date of despatch of goods.

In spite of budget provision, State Government delayed release of funds for purchase of stores and spent Rs.69.75 lakh

In respect of 10 proforma invoices received during 1995-96 to 1999-2000 against indents placed, while DG&IGP delayed submission of proposals to State Government for periods ranging from 1 to 2 months, State Government accorded sanction after a delay of 3 to 48 months, DG&IGP further delayed payments by 2 to 13 months (Appendix 5.1) and the suppliers charged higher rates prevailing at the time of despatch of supplies.

DG&IGP stated (April 2002) that the delay in making advance payments to the suppliers was due to delay in receipt of Government sanctions. It was, however, noticed that in seven cases, DG&IGP had also delayed advance payment to the suppliers by 2 to 13 months even after Government accorded sanction. As a result of these delays, Department incurred an extra expenditure of Rs.69.75 lakh.

5.1.5 Ammunition procured ahead of purchase of arms had no utility due to expiry of shelf life

Non-synchronisation of purchase of ammunition with that of the weapons resulted in the shelf life of the ammunition expiring even before the weapons became fully operational

DG&IGP procured (August 1999), 14630 Tear Smoke Ammunition Shells (Electrical)(TSMS) at a cost of Rs.69.07 lakh from Central Work Shop and Stores (CWS) Border Security Force, Tekampur which were manufactured between October 1998 and February 1999 and had a shelf life of 3 years. As TSMS cannot be fired without Multi Barrel Launcher (MBL) fitted with firing switch board, DG&IGP purchased thirty MBLs without firing switch board during May 2000 and another 25 MBLs and 55 firing switch boards during June 2001 at a total cost of Rs.28.16 lakh. These MBLs along with TSMS were distributed during July to November 2001 when shelf life of 2510 TSMS had expired and 12120 TSMS were left with shelf life of 1 to 3 months only (November 2001). Not even a single TSMS was used within the shelf life/expiry period. Thus, purchase of TSMS much before purchase of MBLs was injudicious and rendered the expenditure of Rs.69.07 lakh wasteful.

5.1.6 Weapons not used for want of ammunition

Ammunition for weapons not procured for three years

State Government approved (September 1999) purchase of 440 Anti Riot Guns (ARG) and 1000 Grenade Fire (GF) rifles from CWS at a cost of Rs.13.75 lakh. CWS supplied (July 2000) these ARG and GF rifles to DCP, Bangalore who distributed (January 2001) them to various unit offices. However, these had no utility without corresponding ammunitions (plastic pellets, grenades and ballistic ammunitions). DG&IGP stated (February 2002) that while sanction of State Government for procuring ballistic ammunitions was pending since January 2001, Ministry of Home Affairs, Government of India had not allotted plastic pellets and grenades in spite of placing the indent in February 2001. DG&IGP had not furnished any reasons for delay in seeking sanction from State Government/placing of indents. Thus, procurement of ARG and GF rifles without necessary ammunition was unjustified.

Responsibility for misappropriation of stores not fixed for over four years

5.1.7 Inaction on misappropriation of stores

Following discrepancies noticed in issue of kit articles, DCP, Bangalore seized (August 1997) the stock registers and kept (October 1997) the concerned First Division Assistant (FDA) under suspension and constituted a Committee to investigate the discrepancies. The Committee reported (November 1997) that the FDA had misappropriated kit articles costing Rs.6.13 lakh by excess charging of kit articles in the issue register, issuing kit articles without indents and not accounting for the kit articles received. DCP, however, reinstated (August 1998) the FDA pending enquiry. DCP stated (February 2002) that no enquiry had been conducted against the official as DG&IGP did not act upon his request made from time to time since November 1997 for deputing an audit party for conducting a detailed audit. The reply was not tenable as no action had been initiated against the FDA despite findings of the Committee and even four years after the misappropriation came to light. Audit scrutiny further revealed that a new stock register was opened by adopting the actual ground balance as of August 1997. There was a difference of Rs.1.93 lakh between the book balance and the ground balance at the time of opening the new register and DCP failed to investigate the difference, which evidently was in addition to Rs.6.13 lakh shortages pointed out by the Committee.

Thus, inaction on the part of DCP and DG&IGP in fixing responsibility even four years after the shortages were noticed was fraught with the risk of non-recovery of the cost of the shortages with efflux of time.

5.1.8 Non-recovery of sales tax at source

Non-recovery of sales tax at source

According to Section 19AA of Karnataka Sales Tax Act 1957 (Act), Sales Tax at 4 per cent of the value of supply was to be deducted at source by Government departments and was to be remitted directly to Sales Tax authorities. DG&IGP purchased supplies aggregating Rs.17.18 crore and paid Sales Tax of Rs.63.88 lakh to the firms during 1998-01. The payment of sales tax directly to the firms was irregular. DG&IGP stated (April 2002) that the correct procedure was being followed from August 2001. Failure to comply with the provisions of the Act, during 1998-01 facilitated undue favour to the suppliers and denied the Government the revenue of Rs.63.88 lakh.

5.1.9 The matter was referred to Government in May 2002; reply had not been received (November 2002).

MINOR IRRIGATION DEPARTMENT

5.2 Avoidable excess expenditure on purchases

Loss of Rs.65.43 lakh due to purchase of MS gates, Sponge Rubber and Transformer Oil by Divisional Officer at exorbitant rates

The Stores Manual of Public Works Department prohibits direct purchase of materials without reference to the Stores Purchase Department (SPD). Scrutiny of records of Executive Engineer, Minor Irrigation Division, Gulbarga (EE) revealed irregularities in purchase of Mild Steel (MS) gates.

(i) Purchases were irregularly made by obtaining quotations from the local suppliers without calling for tenders or procuring through SPD, as contemplated in the Stores Manual.

(ii) The rates for MS gates were fixed on quantity basis (rate per gate) instead of on weight basis as adopted by SPD in respect of MS fabricated items. This resulted in extra expenditure of Rs.60.42 lakh as detailed below:

(Amount in Rupees)

Sl.No	Dimension of MS gates	Weight of gates (kg)	No. of gates purchased		Cost paid by Department	Cost of gates as per rate contract of SPD per kg	Difference in cost per gate (6 – 7)	Total Difference (8 x 5)
			Year	No.				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	350 x 350 mm	25	1997-98	126	Rs.2450 at Rs.98 per kg	Rs.910 ¹ at Rs.36.40 per kg	1540	194040
			1998-99	12			1540	18480
			1999-2000	41	Rs.2450 at Rs.98 per kg	Rs.950 ² at Rs.38 per kg	1500	61500
			2000-01	75	Rs.2450 at Rs.98 per kg	Rs.962 ³ at Rs.38.48 per kg	1488	111600
2	450 x 600 mm	48	1997-98	90	Rs.15600 at Rs.325 per kg	Rs.1747.20 ⁴ at Rs.36.40 per kg	13853	1246770
			1998-99	30			13853	415590
			1998-99	30	Rs.16900 at Rs.352 per kg		15153	454590
			1999-2000	241	Rs.15600 at Rs.325 per kg	Rs.1824 ⁵ at Rs.38 per kg	13776	3320016
				10	Rs.16900 at Rs.352 per kg		15076	150760
			2000-01	5	Rs.15600 at Rs.325 per kg	Rs.1847 ⁶ at Rs.38.48 per kg	13753	68765
TOTAL								6042111

Similarly, comparison of purchase rates for Sponge Rubber and Transformer Oil with rates finalised for similar materials by another Minor Irrigation (MI) circle/Schedule of Rates of Karnataka Power Transmission Corporation Limited revealed that purchases of these items were also made at higher rates, which resulted in extra burden of Rs.5.01 lakh to the exchequer, as detailed below:

(Amount in Rupees)

Name of the materials	Quantity purchased	Purchase rate per unit	Rate finalised by another circle/KPTCL for similar materials	Price difference per unit	Excess payment	Document with which the purchase rates were compared
Sponge Rubber	800 Rmtr	535	60	475	380000	Rates approved by Superintending Engineer, MI Circle, Belgaum in 1998-99
Transformer Oil	1265 litres (1997-98)	90	25.70 (1997-98)	64.30	120640	SR of KPTCL
	600 litres (1998-99)		24.50 (1998-99)	65.50		
TOTAL					500640	

¹ Rate at Rs.35.00 per kg for 25 kgs + 4 per cent Sales tax

² Rate at Rs.36.53 per kg for 25 kgs + 4 per cent Sales tax

³ Rate at Rs.37.00 per kg for 25 kgs + 4 per cent Sales tax

⁴ Rate at Rs.35.00 per kg for 48 kgs + 4 per cent Sales tax

⁵ Rate at Rs.36.53 per kg for 48 kgs + 4 per cent Sales tax

⁶ Rate at Rs.37.00 per kg for 48 kgs + 4 per cent Sales tax

Thus, flouting of the codal provisions resulted in extra liability of Rs.65.43 lakh to Government.

The matter was referred to Government in May 2002 and their reply is awaited (November 2002).

WATER RESOURCES DEPARTMENT

KARANJA PROJECT

5.3 Indiscriminate and unnecessary purchase of materials led to blocking of funds

Materials worth Rs.99.83 lakh purchased were kept outside Stock Accounts in violation of Codal Provisions. In the process, materials worth Rs.73.09 lakh was declared surplus and material worth of Rs.21.58 lakh became unusable

Codal provisions stipulate that all transactions should be brought to account as soon as it takes place. Karnataka Public Works Accounts Code prescribes that materials procured for which payments were not made during the month of their receipt should be accounted under stock by contra credit to Material Purchase Settlement Suspense Account (MPSSA). Para 249 (a) of Code ibid prescribes that the accounts of the materials issued direct to work should be maintained in Material at Site Account (MAS Accounts) and Officer in charge of the work should render work-wise details of transactions (receipt, issue and balance of various materials) that took place during the month to Sub-divisional Officer who in turn furnishes a consolidated return to the Divisional Officer for verification. The Sub-divisional Officer should verify unused balances of materials charged directly to works at least once a year.

Storekeeper of No.2, Karanja Project Construction Division, Bhalki, retired in May 1999, but did not hand over the records relating to materials directly charged to works till December 1999. Division noticed that the details of receipts, issue and utilisation of materials worth Rs.99.83 lakh purchased between December 1993 and May 1999 was not available in the stores records. Executive Engineer issued notices (September 1999 and August 2000) to the retired Storekeeper directing him either to reconcile the differences or to return the materials. The retired Storekeeper handed over materials to the extent of Rs.73.09 lakh in February 2001 and June 2001 and balance materials valued Rs.26.74 lakh were yet to be reconciled/returned. Out of the materials returned by retired Storekeeper, Sponge Rubber costing Rs.21.58 lakh had become unusable. The materials so returned were also not accounted for in the stock account so far, implying that these were not required for immediate use (September 2002).

The following irregularities were also noticed in respect of accountal and custody of the materials:

(i) Value of the materials purchased between December 1993 and May 1999 had not been routed through MPSSA by retired Store Keeper although the payment for the purchases were not made during the month of the purchase itself. Thus, initial transactions were kept outside the stock accounts.

(ii) The Sub-divisional Officers had not conducted physical verification of unused materials, as required under the codal provisions, with the result that materials remained unused in the Sub-divisional stores.

(iii) Half yearly Physical Verification of Stores of the Division had been conducted up to the half year ending September 1999. Although the materials so procured for specific works were stored in Divisional Store/Sub-divisional Stores, the same were not noticed by any of the officers who conducted physical verification, nor were they taken to stock account as surplus i.e., difference between book balance and ground balance. This indicates that the officer who conducted physical verification restricted himself only to the stores accounted in the books of accounts.

(iv) Half yearly physical verification of stores articles for the half year ending March 2000 and onwards had not been conducted. This omission assumes significance as materials worth Rs.73.09 lakh returned in February 2001 and June 2001 by the retired Storekeeper had not been verified by the Divisional Officer and incorporated in Divisional Accounts so far. Shortage of materials to the extent of Rs.26.74 lakh also had not been taken under Miscellaneous Public Works Advance as required under para 135 of code *ibid*.

As a result, transactions relating to materials purchased at a cost of Rs.99.83 lakh during 1993-99 were still kept outside the stock accounts. Materials to the tune of Rs.73.09 lakh reported to have been handed over were yet to be physically verified and incorporated in the Divisional Accounts. Further, of the returned materials, articles valuing Rs.21.58 lakh became unusable. The materials purchased remained unutilised for a period of over 3-9 years, resulting in blocking of Government money amounting to Rs.78.25 lakh and rendered materials worth Rs.21.58 lakh unusable. Investigation in the matter by the Lokayuktha was stated to be under progress.

The matter was referred to Government in July 2002 and reply is awaited (September 2002).

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 September 2002 are mentioned below :

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture (Director of Agriculture)	2000-2001 and 2001-2002
2.	Commerce and Industries (Director of Industries)	1995-96 to 2001-2002
3.	Education (Director of Printing and Stationery)	2001-2002
4.	Health and Family Welfare (i) Director, Health and Family Welfare Services (ii) Director of Medical Education (iii) Joint Director of Government Medical Stores (iv) Indian System of Medicine and Homeopathy	1999-2000 to 2001-2002 2001-2002 1999-2000 to 2001-2002 1995-96 to 2001-2002
5.	Home (Director General of Police and Inspector General of Police)	2000-2001 and 2001-2002
6.	Information, Tourism and Youth Services (Director of Information and Publicity)	2000-2001 and 2001-2002
7.	Revenue (Registration) (Inspector General of Registration and Commissioner of Stamps)	1996-97 to 2001-2002
8.	Public Works, Command Area Development	*1995-96 to 2001-2002

* Accounts due from :

- (a) 1 Division -for 14 half yearly periods (1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002)
- (b) 2 Divisions -for 8 half yearly periods (1998-99, 1999-2000, 2000-2001, 2001-2002)
- (c) 3 Divisions -for 7 half yearly periods (October 1998 to March 1999, 1999-2000, 2000-2001, 2001-2002)
- (d) 2 Divisions -for 6 half yearly periods (1999-2000, 2000-2001, 2001-2002)
- (e) 11 Divisions -for 5 half yearly periods (October 1999 to March 2000, 2000-2001, 2001-2002)
- (f) 8 Divisions - for 4 half yearly periods (2000-2001, 2001-2002)
- (g) 15 Divisions - for 3 half yearly periods (October 2000 to March 2001, 2001-2002)
- (h) 21 Divisions - for 2 half yearly periods (2001-2002)
- (i) 39 Divisions - for 1 half yearly period (October 2001 to March 2002)

