

CHAPTER-V

STORES AND STOCK

AUDIT PARAGRAPH

PUBLIC WORKS DEPARTMENT (BUILDINGS & ROADS BRANCH)

5.1 Stores and stock accounts

5.1.1 Introduction

Stores and stock in Public Works Department (PWD) comprise mainly items like Bitumen, Cement, Steel and other material used for construction/ repair of roads, bridges and buildings. The Chief Engineer, PWD, Buildings & Roads (B&R) Branch, Patiala arranges central purchase of cement and steel through open tender after assessing demands from the field offices. The bitumen is procured directly by divisions on cash and carry basis. Test check of records for the period from 1997 to 2002 in 19 out of 74 stores maintaining divisions was conducted during November 2001 to April 2002.

5.1.2 Budgetary arrangement

No specific allocation of funds for procurement of stores is made in the annual budget of the PWD (B&R). To enforce strict financial control and discipline, the Finance Department introduced Letter of Credit (LOC) system in March 1986. No separate LOC for the purchase of stores is issued. Payments for purchase of stores are made from funds released through LOC for works. The total expenditure incurred on works during 1997-2002 in divisions test checked was Rs. 672 crore against which Rs. 162.19 crore (24 *per cent*) was incurred for procurement of stores.

Important points noticed are incorporated in the succeeding paragraphs:

5.1.3 Store management

The Divisional Officer is mainly responsible for assessment, acquisition, custody and disposal of stores at Divisional level. The material received for stock is entered in the Goods Received Sheet (GRS). A chronological record of the receipt, issue and running balance of each article of stock is kept in a Bin card. These cards are posted from the GRS and the store indents.

5.1.4 Inventory control

5.1.4.1 Fictitious stock adjustment

3 XENs made fictitious stock adjustments of bitumen valuing Rs.48.54 lakh

Financial rules prohibit stock adjustments such as debiting a work of the cost of material not required or in excess of the actual requirement. In three¹ Divisions, bitumen valuing Rs. 48.54 lakh issued to various works between April 1996 and March 1997 was written back during January 1997 to February 1998.

Thus, progress of expenditure was shown by fictitious adjustment of stock.

5.1.4.2 (i) Non-disposal of un-serviceable stores

Unserviceable material and empty bitumen drums valuing Rs.1.09 crore, remained undisposed

Rules provide that un-serviceable articles should be condemned/ disposed of by auction under the orders of competent authority as soon as these become un-serviceable to avoid further deterioration thereof. It was, however, noticed that in 7 divisions, articles valuing Rs.14.25 lakh which had become un-serviceable between June 1985 and March 2002 were awaiting disposal as of March 2002. On being pointed out, all the Divisional Officers stated that efforts were being made for their disposal.

5.1.4.2(ii) Non-disposal of empty bitumen drums

Scrutiny of case files in the office of Chief Engineer, PWD, (B&R) (CE), revealed that CE had intimated various Superintending Engineers (SEs) in April 2002 that 95,029 empty bitumen drums valuing Rs.95.03 lakh were available in the State. The period since when these were lying was not available in the records. Disposal action was yet (May 2002) to be taken. Non-disposal had led to blockade of Government money.

5.1.4.3 Non-fixation of reserve stock limit

For proper inventory control, it is necessary to fix the Reserve Stock Limit (RSL) for each division before the commencement of each financial year.

3 divisions maintained excess stores of Rs.10.55 crore

Of the 19 Divisions test checked, RSL had not been fixed in one Division during the years 1997-2002, in 6 Divisions between 2000-2002 and in 3 Divisions for 2001-2002. Further, in 3 Divisions for which RSL had been fixed, stores valued at Rs. 10.55 crore were held in excess as detailed under:

(Rupees in crore)

Year	No. of Divisions	RSL fixed	RS held	Excess
1997-98	3	2.08	3.17	1.10
1998-99	1	1.21	2.27	1.06
1999-2000	1	0.83	1.65	0.82
2000-2001	2	1.80	6.29	4.49
2001-2002	1	0.90	3.98	3.08
Total		6.82	17.36	10.55

¹ XEN, Rural Works Division Jalandhar (Rs.17.17 lakh), Central Works Division Hoshiarpur (Rs.17.75 lakh), RW Division-I Ludhiana (Rs.13.62 lakh).

Reasons for excess holdings were attributed to increased workload and non-adjustment of debits etc. The reply was not tenable as excess stock over the sanctioned RSL had not been got regularized from the competent authority.

5.1.4.4 *Priced store ledger*

Improper maintenance of Priced Stores Ledger

For proper monitoring of quantities and value of stores, a Priced Store Ledger (ledger) is to be maintained. The ledger is to be closed at the end of each month and balances reconciled half yearly with the balances in the bin cards. Eight divisions had not done this from 1997-98 onwards. Though Superintending Engineers were required to conduct annual inspection of the divisions, non-maintenance of ledgers was never pointed out by them.

5.1.4.5 *Minus-balances in stock*

A minus balance in the stock accounts indicate error in the accounts and may lead to concealment of frauds and mis-appropriation. Such minus balances should be properly reconciled, investigated and adjusted. In 7 Divisions, there were minus balances aggregating Rs. 15.22 crore as of March 2002. Four Divisions² attributed (April 2002) the minus balances to delay in recording the receipt of supplies. No replies were furnished by the remaining divisions. Such failures can lead to mis-appropriation of stores and fraud.

5.1.4.6 *Non-adjustment of storage charges*

Storage charges are levied on all issues of stock to cover actual expenditure incurred on maintenance. These charges are required to be adjusted at the end of each year as profit or loss on stock and no balance is to be carried forward to the following year.

Thirteen divisions had not adjusted the balances. At the end of March 2002, credit balance (profit) of Rs. 98.10 lakh and debit balance (loss) aggregating Rs. 34 lakh had accumulated in 10 and 3 divisions respectively.

5.1.5. **Poor planning in procurement of bitumen resulted in extra expenditure**

In violation of Government decision, packed bitumen was procured in excess of norms resulting in extra expenditure of Rs.2.72 crore

The State Government decided (May 1995) that 80 *per cent* of the total demand of bitumen should be procured in bulk and remaining 20 *per cent* in packed form. Contrary to this, 15,995 MT of packed bitumen was procured in excess, without recording reasons, resulting in extra expenditure of Rs. 2.72 crore as detailed below:

² (i) Rural Works Division, Amritsar; (ii) Rural Works Division, Ropar; (iii) Roads & Bridges Division No. I, Mohali; and (iv) Roads & Bridges Division No. II, Mohali.

(Quantity in Metric Tonne)

Year	Total quantity of bitumen procured	Quantity of packed bitumen required as per norms	Packed bitumen actually procured	Excess procured	Difference in rate between packed and bulk bitumen (Rupees)	Extra cost (Rupees in lakh)
1997-98	44540	8908	12449	3541	1554.80 ³	55.06
1998-99	56235	11247	18784	7537	1734.20 ⁴	130.71
1999-2000	69987	13997	18914	4917	1749.28 ⁵	86.01
Total	170762	34152	50147	15995		271.78

5.1.6 Other points of interest

5.1.6.1 Non-recovery of discount from IOC

The Indian Oil Corporation (IOC) offered (March 2000) a discount of Rs. 200 per MT and additional incentive of Rs. 100 per MT for purchase of bitumen for the period from 7 March 2000 to 31 May 2000. These instructions were also circulated by the Chief Engineer, PWD (B&R) Branch, Patiala.

5 XENs failed to avail discount of Rs.15.41 lakh on purchase of bitumen from IOC

During test check of the records in 5 divisions, it was noticed that 5136.870 MT bitumen was procured by these Divisions between 7 March 2000 and 31 May 2000 but the discount amounting to Rs.15.41 lakh was not availed of. Reasons for not availing discount were not furnished (July 2002).

5.1.6.2 Non-receipt of the material against advance payment

Test check of the records in 5 divisions revealed that against material valuing Rs.5.92 crore for which advance payments were made during March 1992 and April 2002, material valuing Rs. 60 lakh was not supplied by the firms as of March 2002 and adjustment of material valuing Rs. 5.32 crore though received in store was not made in the accounts (March 2002). On being pointed out (April 2002), the XENs stated that efforts were being made to collect the supply of remaining material and adjustments in accounts would be carried out after necessary verification/ reconciliation. The long delay in ensuing procurement is fraught with the risk of corruption.

5.1.6.3 Delay in recovery of cost of material supplied to contractors

It was noticed that XEN, Rural Works Division, PWD (B&R), Ropar issued bitumen valuing Rs. 51.66 lakh to six contractors between July 1992 and December 2000 for the execution of various works. The final bills of the contractors were not prepared. Thus, the amount has not been recovered from the contractors for upto 8 years and malpractices cannot be ruled out.

5.1.6.4 Non-realization of cost of material

All the transactions relating to services rendered or supplies made by one division to another and accounted for under the suspense head "Cash Settlement Suspense Accounts" are required to be settled by the corresponding

Difference of rates worked out on the basis of:

³ Rate of bitumen effective from 1st March 1998. (Rs. 8252.40 (-) Rs. 6697.60).

⁴ Rate of bitumen effective from 1st April 1998. (Rs. 8073.00 (-) Rs. 6338.80).

⁵ Rate of bitumen effective from 27th May 1999. (Rs. 8625.76 (-) Rs. 6876.48).

division within 10 days, so that at the close of the year there are no outstanding balances. It was, however, observed that in 12 divisions test checked, Rs. 1.91 crore pertaining to the period January 1989 to February 2002 had accumulated under the above sub-head. Reasons for non-realization of cost of material supplied were not intimated to audit.

5.1.6.5 *Idle machinery and equipment*

In 7 divisions test checked, machinery and equipment such as Road Rollers, Mix-hauls, tractors etc., valuing Rs. 29.95 lakh were lying idle since 1992 and upto March 2002. When pointed out, the XENs stated that machinery was lying idle (i) for want of work (ii) had outlived its life and (iii) awaiting disposal etc. The reply was not tenable because machinery valuing Rs.20.98 lakh was in working condition and effective steps should have been taken for its utilisation.

5.1.6.6 *Non-maintenance of Tool & Plant registers and returns*

To safeguard against shortages, pilferages, mis-appropriation and frauds, an yearly Tools and Plant (T&P) return ending September is required to be prepared and got audited during local audit. It was, however, noticed that T&P registers and returns were not maintained in 11 divisions. Reasons for non-maintenance of the T&P registers and returns were not intimated.

5.1.6.7 *Physical verification of stores*

In 14 divisions, verification of stores during 1997-2002 was not properly conducted

Physical verification of stores at least once in a year was to be conducted by an independent agency other than the custodian of stores and results thereof communicated to the Divisional Officer immediately. However, in 14 divisions, it was seen that neither proper physical verification of stores was conducted during 1997-2002 nor results of physical verification submitted to the Divisional Officers. No reasons were attributed.

The long draft paragraph was forwarded to the Secretary in May 2002 for reply within six weeks and reminded in June 2002. In spite of such efforts, no reply was received (July 2002).