

CHAPTER-V STORE AND STOCK (AUDIT PARAGRAPHS)

POWER DEPARTMENT

5.1 Avoidable expenditure and committed extra liability

Instead of purchasing directly from the manufacturer, the Department allowed the procurement of steel plates by contractor at a higher rate resulting in extra expenditure of Rs.63.74 lakh

The construction of water conductor system and aqua duct of Lachung Hydel (LH) Project-Stage II (estimated cost Rs.87.20 lakh) was awarded (February 2000) to the lowest tenderer at 35 *per cent* above the estimated cost with the stipulation to complete the work by June 2003.

Scrutiny of records revealed that one of the items of the work was supply of 206.83 MT of eight mm Mild Steel (MS) Plate @ Rs.35,000 per MT, procurement of which was allowed to the contractor. A comparison with the work estimates, contract and supply particulars of another identical work, viz., 'Renovation of Water Conductor System at Bhusuk, LLHP - Phase II' awarded in March 2001 revealed that 8 mm IS 2062 Grade A Unnormalised MS Plates @ Rs.14,040 per MT and IS 2062 Grade B Unnormalised MS Plates @ Rs.16,432 per MT were procured (August 2001) by the Department directly from M/s Steel Authority of India (SAIL) and issued to the contractor for this work.

In the LH Project the Department despite having a full-fledged stores procurement wing, awarded the work of supply of MS Plates to the contractor instead of procuring the same directly from SAIL. Due to this the Government incurred an extra expenditure¹ of Rs.24.39 lakh² for 79.135 MT supplied upto March 2002 and additional committed liability of Rs.39.35 lakh³ in respect of the remaining contracted quantity of 127.695 MT.

In reply the Department stated (September 2002) that the procurement made directly from SAIL at lesser cost had no bearing and could not be compared as in the instant case the item was included in the tender documents. The reply is

¹ The extra expenditure and additional liability has been calculated by comparing the price of Rs.35,000 per MT paid to the contractor with the rate of Rs.16,432 per MT of IS 2062 Grade B Unnormalised MS Plates.

² [(Rs.35,000 + 35%) - (Rs.16,432)] x 79.135 MT = Rs.24,38,782.

³ [(Rs.35,000 + 35%) - (Rs.16,432)] x 127.695 MT = Rs.39,34,195.

untenable considering that since the Department was well aware that supply of MS Plates constituted the major part of the work, it should have gone in for direct procurement of the material at the most economical rates through its stores procurement wing. The Department's further argument that direct purchase from SAIL is against 'D' form and tax concessions availed should therefore, also be considered is farfetched since taxes alone would not account for the huge difference between the contractor's and SAIL prices. The Department went on to say that if the Government framed a policy "to deal and procure materials directly from SAIL, TISCO, etc., then directives as issued shall be followed" – an illogical stance since it is the primary responsibility of the Department to ensure that public money is spent in the most thrifty and cost-economical manner.

5.2 Excess expenditure on purchase of cable

Non-adherence to the codal provision in purchase of XLPE cable resulted in procurement at higher rate and consequent excess expenditure to the tune of Rs.14.11 lakh.

According to Sikkim Financial Rule (SFR), purchases costing more than Rs.5,000 are to be made through State Trading Corporation of Sikkim (STCS) and only in exceptional cases of urgency, direct purchases may be made directly from the open market through the system of open competitive tender.

For renovation of Diesel Power House at Gangtok, the Department placed a requisition with STCS for procurement of 11 KV Grade XLPE cable 3 core x 300 sq. mm size (October 1997). It was ascertained from the Departmental records that sealed tenders were invited and received by STCS against this requisition (November 1997) and it was decided to open the tenders by November 1997.

While no records were produced by the Department to show the fate of above tender and the cheapest rates quoted therein, it went ahead and procured against the work 840 metres of XLPE cable of 3 core x 300 sq. mm size (June 1998) directly from a local supplier at the rate of Rs.4,779 per metre (ST extra) without invitation of tenders.

Further scrutiny of records revealed that around the same time the procurement of the similar cable was done by the Department in some other work (July 1998) at the rate of Rs.3,099 per metre (ST extra).

Procurement of XLPE cable by the Department directly from a local dealer without inviting tenders resulted in excess payment of Rs.14.11 lakh ((Rupees 4,779-3,099) x 840 metres) when compared with the procurement price of the similar specification of cable in a different work.

The Department in reply (November 2003) stated that it had placed an order with the lowest tenderer, which declined to supply the materials. It stated that since the

XLPE Cable 3 X 300 sq mm was urgently required the purchase order was placed to local supplier at the lowest rate. The reply of Department is not tenable as around the such time cable was available at lower rate.

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.3 Extra expenditure on purchase of GI pipes

Failure of the Department to procure the GI pipes at the approved rates resulted in extra expenditure of Rs.12.91 lakh

Despite Government directive that all purchases above Rs.5,000/- should be through the State Trading Corporation of Sikkim (STCS), the Public Health Engineering Department (PHED) regularly procured materials directly from open market. For this, the PHED fixed procurement rates during a particular year for different items on the basis of quotations received from local suppliers. During the period August 1997 to March 2002, all the three divisions* of the Department on the plea of emergency requirements purchased 1,15,848.25 metres of GI pipes of different sizes from the open market through 615 contingent bills at a cost of Rs.3.03 crore. Scrutiny of these procurements revealed that in 50 cases the PHED purchased materials at rates higher than its own approved rates resulting in an extra avoidable expenditure of Rs.12.91 lakh as shown in the table below

Table-5.1

| Sizes (Dia-meter in mm) | Total number of cases of purchase from the open market | Total quantity of purchase (in metres) | Total value of purchases (in Rs.) | Total number of cases of purchase at prices higher than the approved rate | Total quantity of purchase at prices higher than the approved rate (in metres) | Excess amount paid with reference to the approved rate (in Rs.) |
|-------------------------|--|--|-----------------------------------|---|--|---|
| 15 | 26 | 10766.13 | 582986 | 1 | 300 | 2916 |
| 20 | 10 | 5701.5 | 419064 | 1 | 200 | 2581.20 |
| 25 | 43 | 13320.59 | 1235914 | 4 | 1599 | 42999.60 |
| 32 | 2 | 369.70 | 42867 | 0 | 0 | 0 |
| 40 | 63 | 20236.14 | 3089076 | 6 | 7793.21 | 229020.24 |
| 50 | 126 | 26344.09 | 6011368 | 7 | 9212.75 | 276136.83 |
| 65 | 64 | 9798.48 | 2963400 | 9 | 2910.34 | 198313.05 |
| 80 | 111 | 13014.64 | 4836396 | 11 | 4965.81 | 240506.08 |
| 100 | 110 | 9093.96 | 5003587 | 6 | 2111.45 | 213658.66 |
| 150 | 60 | 7203.02 | 6074280 | 5 | 1899.52 | 84906.13 |
| Total | 615 | 115848.25 | 30258938 | 50 | 30992.08 | 1291038 |

The Department's reply (October 2002) that the extra expenditure was unavoidable as the material had to be procured to restore the water pipe lines within six hours was unacceptable as all the supplies were to be procured at the approved rates only. The PHED itself had made emergent purchases in 565 cases at the approved rates during the same period.

* Gangtok (2), Ravangla (1)