

**CHAPTER V
STORES AND STOCK**

**WORKS AND HOUSING/PUBLIC HEALTH
ENGINEERING/POWER DEPARTMENTS**

GENERAL

5.1 Closing of stock registers

According to the provisions of Nagaland Public Works Department Code, accounts are required to be closed each year on 30 September and valuation of stores done with reasonable accuracy. The valuation should be periodically reviewed and revised, where necessary, to enable the authorities to know the profit and loss in respect of different classes of materials and re-adjust the issue prices, where required. In case the valuation is not so reviewed from time to time, accounts of stores would not reflect the true picture of the value of stores held.

Information received from the Public Works Department (PWD)-Roads and Bridges (R&B), Housing, Civil and Mechanical divisions, Public Health Engineering (PHE) and Power revealed the following position:

Table 5.1

Name of Department	No. of Division	Stock maintained (no. of divisions)	Period upto which stock accounts closed	
PWD (R&B)	24	20	2 divisions	Upto September 1995
			1 division	Upto September 1996
			3 divisions	Upto September 1997
			1 division	Upto September 2000
			4 divisions	Upto September 2001
			9 divisions	Upto September 2002
PWD (Housing, Civil and Mechanical divisions)	20	8	Information regarding period of closing of accounts in respect of eight divisions was not available	
PHE	10	10	All 10 divisions had closed accounts upto September 2002.	
Power	16	12	All 12 divisions had closed their accounts upto September 2002	
Total	70	50		

Source: Departmental letter and Sr. DAG (A&E) records

Four divisions under PWD (Roads & Bridges), 12 divisions under PWD (Housing, Civil and Mechanical) and four divisions under Power department did not maintain stores accounts. In the absence of the information on stock accounts actual value of the stock held by the divisions could not be ascertained in audit. As such the accounts of stores held by these divisions could not reflect the true picture of the value of stores held.

5.2 Physical verification of stores

The Nagaland Public Works Department Code prescribes that the Sub-divisional Officers should carry out *cent per cent* physical verification of the stores under their charge once a year. The Divisional Officers are required to verify annually 10 *per cent* of all stores before submission of stock returns to the higher authorities and the Accountant General. Such verification is meant to enable the authorities to detect shortage and discrepancies in the stores and are applicable to all other departments, where stores accounts are maintained. It was, however, noticed in audit that:

Out of 70 divisions, 10 Public Health Engineering divisions, nine Electrical divisions and 12 Public Works divisions (Roads and Bridges, Housing, Civil and Mechanical) had conducted physical verification of stores upto September 2002. Four Public Works divisions (Roads and Bridges) had conducted physical verification of stores upto September 2001, one upto September 2000, three upto September 1997, one upto September 1996 and two upto September 1995. Information relating to physical verification of stores in respect of remaining 28¹ divisions was awaited (January 2004).

In the absence of physical verification of stock, the extent of loss caused due to pilferage, deterioration, damage, etc., of stock items could not be verified in audit.

5.3 Reserve stock limit

Reserve Stock Limit (RSL) had not been prescribed for three out of 10 Public Health Engineering divisions. Of these, the sanctioned RSL was exceeded in three divisions by a total amount of Rs.17.30 crore. The excess was due to the mismatch between the reserve stock limit and the prevailing market rate as the existing reserve stock limit was sanctioned in February 1982. Seven divisions exhibited minus balance of stores aggregating Rs.23.70 crore as on 31 March 2003. The minus balance was attributed by the department to centralised procurement through indents and the value of stock materials left unadjusted against the indenting divisions.

RSL had not been prescribed for 21 out of 44 Public Works divisions (Roads and Bridges, Mechanical, Housing and Civil). Of these, five divisions unauthorisedly held stores worth Rs.5.47 crore at the end of March 2003. The sanctioned RSL was exceeded in 13 divisions by a total amount of Rs.5.31 crore.

RSL had not been prescribed for four out of 16 Electrical divisions. Seven divisions had exhibited minus balance of stores aggregating Rs.6.42 crore as on 31 March 2003. No reasons were furnished by the divisions for the minus balance.

¹ Electrical division (7), Public Works divisions (Roads & Bridges, Housing, Civil and Mechanical) (21)

5.4 Tools and Plant

According to Nagaland Public Works Department Code, the divisions should close the Tools and Plant accounts on 30 September every year and arrive at the balance of stock held. Physical verification of Tools and Plant articles should also be conducted once a year.

It was noticed that all 10 Public Health Engineering divisions had closed the Tools and Plant accounts and physically verified them upto September 2002. Nine Electrical divisions and 12 Public Works divisions (Roads & Bridges, Housing, Civil and Mechanical) had closed the Tools and Plant accounts and physically verified them upto September 2002. Four Public Works divisions (Roads and Bridges) upto September 2001, one division upto September 2000, three divisions upto September 1997, one division upto September 1996 and two divisions upto September 1995. Information relating to closing of Tools and Plant accounts and physical verification thereof in respect of seven Electrical divisions and 21 Public Works divisions (Roads and Bridges, Housing, Civil and Mechanical) was not made available.

Due to delay in closing of accounts and non-conducting of physical verification, shortage/surplus of Tools and Plant, if any, could not be ascertained and adjusted in accounts in time.

SECTION – B – AUDIT PARAGRAPHS

HOME (POLICE) DEPARTMENT

5.5 Locking up of Government funds due to injudicious procurement of materials

Injudicious procurement of spare parts led to locking up of Government funds of Rs.32.45 lakh

Test check (August 2002) of records (May 2001 to July 2002) of the Project Engineer, Police Engineering Project, Chumukedima revealed that vehicle parts (75 items) valued Rs.40.22 lakh were procured prior to 1993-94. Of these, parts worth Rs.7.77 lakh only were utilised by Phesama section till July 2002. The purchase of spare parts in excess of actual requirement led to the blocking of funds to the tune of Rs.32.45 lakh for nine years.

Relevant records relating to the requirement of parts and their procurement were not made available due to which the actual period in which these parts were procured could not be verified in audit.

The reasons for procurement of such huge quantity of spare parts without assessing the actual requirement were also not stated.

The matter was reported to the Government and the department in July 2003; in reply (October 2003), Government while admitting the fact stated that the

vehicle parts were purchased in anticipation of their requirement. The reply is not tenable as non-utilisation of the vehicle parts for 10 years since their procurement prior to 1993-94 led to the locking up of Government money.

PLANNING AND CO-ORDINATION DEPARTMENT

5.6 Non-accountal of stores

Non-observance of codal provisions resulted in non-accountal of stores to the tune of Rs.19.76 lakh

As per rule, all stores, whether purchased or otherwise obtained should be counted and measured as the case may be and entered in the stock registers under the signature of a responsible officer.

Test check (September – October 2002) of records of the Development Commissioner (DC), Planning and Coordination Department, Nagaland, Kohima (April 1998 to September 2002) revealed that the DC had procured furniture worth Rs.19.76 lakh (inclusive of Nagaland Sales Tax) during the period December 1999 to March 2002. The stock book/register showing accountal of stocks was not shown to audit for verification. Also, no stock certificate was given by the responsible officer on the body of the bill while making payment. No report on physical verification of stock as required under the rules was made available to audit. In the absence of any stock certificate recorded on the body of bills passed and paid, correctness of receipt/issue could not, therefore, be verified.

The matter was reported to the Government and the department in July 2003; in reply the Department stated (September 2003) that no stock certificate was recorded and no physical verification was conducted due to ignorance of the codal formalities. Department's reply was not tenable as proper procedure laid down in rules for purchase/accountal of stocks had not been followed.