

Serial Circular No. 213

Phone : 23710311
Gram : 'CONSEARCH', New Delhi
Telex : 31-65202 CSIR IN
Fax : (91-11)23710311, 23710618

वैज्ञानिक तथा औद्योगिक अनुसंधान परिषद्
अनुसंधान भवन, 2, रफी मार्ग, नई दिल्ली-110 001

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH

Anusandhan Bhawan, 2, Rafi Marg, New Delhi-110 001

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मुख्य सतर्कता अधिकारी
Chief Vigilance Officer

Directors of all National Labs/Instts.

Sub: Procedure for "Physical verification of stores etc."

Sir

The procedure to be followed for Physical verification of stores, stores accounting, noble metals, codification of the stores items etc. is attached as an annexure to this letter. The procedure has the approval of DG, CSIR and it shall come into force with immediate effect.

2. Under the procedure for "Disposal of Stores", the following amendments have also been approved.

- The sentence "by Gift to educational Institutions within the State" be read as "by Gift to educational institutions."
- The Lab may decide the quantum of EMD for disposal of stores in place of 10% of the quoted price.

3. Formats to be used in stores have been devised and are enclosed for adoption in all the Labs.

This can also be viewed on the website <http://csiradmin.res.in>.

Hindi version will follow.

Yours faithfully

U.S. Das
(U.S. Das) 29/4/04

Stores & Purchase Officer

Copy to:

1. All the Heads of Divns. At CSIR HQ/Head HRDG, CSIR Complex, New Delhi
2. Sr. DS/Sr. Dy. FA/DSSs/Dy. FAs/USs/Sr. FAOs/ FAOs/SPOs at CSIR HQ.

Physical verification of stores

1 - Introduction

Physical verification of stores is the process of actual counting, weighing and measuring all items of stock, recording the results and to ensure that the materials are according to the nomenclature, description, specification shown in the stock ledgers and the actual balances of such stocks agree with balances appearing in the books and are confirmed and authenticated. The excess or shortage if any brought to notice on such verification is properly investigated, accounted for and reconciled.

2 - Purpose

- i) It is an audit requirement that physical verification of all stores shall be carried out at least once in a year.
- ii) It is essential as it checks the accuracy of stores records and brings about an overhaul of the stores section specially its physical condition.
- iii) It is useful as it discloses any weakness or defects in the system for the custody and control of stock besides bringing the stock accounts up-to-date.
- iv) It reveals the possibility of frauds, theft or loss and suggests adoption of additional preventive measures to stop them.
- v) It reveals losses due to wrong issues, negligence, misappropriations, misuse, leakage, pilferage and theft etc. and suggests measures to stimulate better control.
- vi) It helps in clearing up surplus and obsolete items thus avoiding locking up of resources.
- vii) It ensures that the stores are well preserved against any damage or deterioration due to wrong storage or other hazards.
- viii) It is valuable as it greatly assists in training the staff and making them more conversant with stores keeping methods and techniques.

3 - Pre-requisites of verification.

- i) The verification shall be conducted in the presence of the official responsible for the custody of stores or any other responsible person deputed by him who should make himself available to the stock verifier till the verification is over.

- ii) Stores must be arranged properly with locations marked on the ledger folios and identification labels be tagged thereon for quick and easy verification.
- iii) Items which are not the inventory of the Lab/ Instt. ought to be marked or labeled in advance as such. Procurement under externally funded projects will form part of the inventory of the Lab for this purpose.
- iv) List separately any goods that are under inspection.
- v) List out items sent for repairs or processing or stocks lying at project sites and obtain their confirmation.
- vi) Stores issued on loan must be accounted for before the stock verification takes place.
- vii) Staff connected with verification should not be permitted to proceed on leave during the period of verification.

4 - Types of verification

There shall be four types of verification:

- i) 100% internal verification of stores.
 - a) Verification of stock
 - b) Verification of assets in PIR/DIR
- ii) Periodical verification by the Asst (S&P)/ Dy. SPO (Stores).
- iii) Surprise/ spot verification by the Director or his nominee
- iv) Test physical verification by CSIR.

4.1 100% internal verification of stores.

Procedure of verification

A) Verification of Stock

- a) The Director shall assume responsibility for ensuring proper maintenance and annual physical verification of stores by an officer not connected with the stores as required under the rules with the help of his own staff.
- b) The verification of the stores shall not be entrusted to a person who is :-
 - i. the custodian, the ledger keeper of the stores to be verified or is employed under the custodian or,

- ii. not conversant with the classification, nomenclature and techniques of the particular class of stores to be verified.
- c) The verification shall not be left to the low paid subordinates and shall be as far as possible entrusted to a responsible officer who is independent of subordinate authority in charge of store.
- d) In order to successfully carry out and complete the verification, a programme shall be planned well in advance at the beginning of each year by the Sr. SPO/SPO with the approval of the Director. The verification shall be carried out under the general supervision of the Sr. SPO/SPO. He shall be responsible for the proper conduct of all business relating to the verification of stores and in this behalf:-
- Specify the names of the stock verifiers for each group of stores and prescribe a definite time limit for completion of 100% physical verification and submission of report.
 - Distribute the work according to the quantum of work in such a way that the prescribed time limit is strictly adhered to.
 - Issue an office order indicating the names or the teams of the stock verifiers, the dates of commencement and completion of work and calling upon all concerned to ensure that postings of receipts and issues of respective stock ledgers/ Personal inventory registers are completed and to cooperate with the stock verifiers to enable them to complete the work within the prescribed time limit.
 - Occasionally visit the groups to see that the work is in progress and if considered necessary, test check the work done by the verifiers.
 - Send a copy of the program to CSIR
- e) The closing stock at the end of the financial year shall be taken up for verification by physical counting, weighing or measuring, as the case may be, in the presence of the custodian.
- f) The result of the verification shall be recorded in the stock ledgers by the stock verifier. He shall encircle the items tallying with the balance and append initials thereon after verification.
- g) At the close of the verification, the following certificate shall be given by the stores assistant and countersigned by the Dy. SPO (Store).
- " It is certified that all stores under my charge have truly been produced and correctly been verified by the stock verifier in my

presence and the postings had been brought up-to-date prior to the commencement of verification. No store has been kept back by me from verification."

2- Verification of assets in the PIR/DIR

- a. The assets lying in divisions are issued to the scientists on personal inventory basis or on divisional inventory basis as per the procedure for issue of stores.
- b. Many Labs have already computerized the Personal Inventory register. In such labs a list of all assets issued to an individual will be sent to him by 15th March every year with a copy to the divisional heads. The divisional heads will ensure that the stocks held by these scientists are verified by another scientist/ officer within the group. The report duly authenticated by the HoD should be immediately submitted to the SPO/Dy. SPO (s) before 15th April.
- c. Where ever divisional inventory system is followed, the divisional head who is already having the list of items in his division will get the stock verified by one member of his group and send the report to the SPO/Dy. SPO(s) latest by 15th April. Once the records of the stores are computerized, the stores can forward the list of assets issued to that division which will facilitate the physical verification.

4.1.2 Preparation of the verification report.

The report may generally consist of the following three parts:

- a. List of discrepancies.

The list of discrepancies will show the balance available in the ledgers either stock ledger or PIR or DIR as the case may be and the balance found physically.

- b. Narrative report.

The narrative report shall include a critical observation on the system of stock control, custody of stores giving suggestions/ recommendations etc. for improving the working of stores and measure for avoiding such lapses/ discrepancies in future.

- c. Matters which the verifier may like to bring to the notice of the authorities confidentially.

The report will be submitted to the SPO/Director for further action with a copy to CSIR not later than 30th April every year.

4.1.3 Follow up of the report

- On receipt of the report from each verifier the same shall be thoroughly examined by the Sr. SPO/ SPO who will initiate action to reconcile each discrepancy.
- He will take action to reconcile the discrepancies by tracing out any left out entry of receipt or issue including mix-up of items or items lying in a different location that could not be verified due to unforeseen circumstances.
- In case of major and irreconcilable discrepancies, he will cause the investigation to be conducted to find out the lapses/ negligence as per procedure circulated for writing off of losses.
- He will also take suitable action to avoid recurrence of such discrepancies in future and take punitive action where necessary.
- He will ensure that the action on the report of the stock verifier is completed and finalized within a period of three months from the date of submission of report.

4.1.4 Duties of the stock verifiers

The duties and functions of the stock verifiers are as under:-

- a. Demand a certified list of all stock ledgers both main and subsidiary.
- b. Demand a certificate that the posting of all issue slips, return slips etc have been made up to date.
- c. Examine whether the system of stores conform to the prescribed system.
- d. Examine whether the forms used are in conformity with the prescribed ones.
- e. Whether the classification of stores as assets and consumables

- ledgers and the actual balances tally with the book balance and record discrepancies if any under dated signatures.
- i. In case of doubt about the identification, seek the assistance of technical expert in the line or relevant catalogue.
 - j. Take one stock ledger at a time out of the list at serial no (a) above and verify physically the quantities held in stock covered by each ledger. It should be ensured that each item is physically verified and then tallied with the book balance there of i.e. from bin to ledger so that chances of over looking any portion of the stock could be eliminated.
 - k. Encircle the items tallying with the balance and append initials there on after verification.
 - l. See that FIFO method is followed in issue of stores to avoid deterioration.
 - m. Ensure that any unaccounted for items are listed and brought to charge.
 - n. That item of domestic use has been kept under lock and key and there is no unusual or excessive consumption of these articles.
 - o. That inflammable stores are not stacked near combustible items i.e. timber, paper, straw etc. is not stacked near petrol, alcohol, spirit etc.
 - p. See that proper security arrangement exists particularly where the materials have been stored outside.
 - q. If it is not possible to finish counting or weighing of an item within a day the day, the stock of such counted item shall be kept separate from the unchecked balance.
 - r. Keep a record of items not tallying. Record the discrepancies in the stock ledgers with initials.
 - s. Intimate major discrepancies immediately in writing to the Sr. SPO/SPO.
 - t. See that the ledgers are maintained properly, any items of unnecessary purchases, any item where the stock levels need revision, etc.
 - u. See that the surplus materials are not kept with sub stores after the work is completed.
 - v. That valuable store has been safely kept and possibility of pilferage is not there.

Periodic verification by the Stores assistant/Dy. SPO.

- i) Each stores assistant shall check at least 10 items of stores per week and should ensure that all the items under the charge are verified during the year and the result are recorded in a register maintained for this purpose.
- ii) The Dy. SPO (Stores) should also exercise a periodic check to examine the accuracy of stock held by the custodian. He should further ensure that verification is actually carried out by the stores assistant and the discrepancies have been brought to account.
- iii) Besides the above, he should independently verify at least 5 items per week to ensure that the stock accounts represent a true and correct state of stores.

3 Surprise verification by Director or his nominee

Director or his nominee shall make a surprise/ spot check at least twice a year to see:-

- a) That stock accounts of important and costly items are maintained correctly and properly.
- b) That posting of vouchers are up to date.
- c) That stores are well preserved and protected against risk of damage or deterioration.
- d) That the general security, fire precautions, cleanliness and up keep is satisfactory.
- e) Record the findings on the stock ledger.

4 Test verification by CSIR

To ensure that the process of verification is ongoing as per schedule, CSIR may depute a team of officials to have a test check on the stores activities. The duties of the test verification teams shall be as per the stock verifiers outlined above.

NOBLE METALS

Platinum ware and noble metals are classified into-

(i) Consumable

Generally the consumables are Platinum wire, rods, gauze or foil etc. and their salts, Gold wire, tablet or lump etc., Silver wire, rod or lump etc. and Salts of all the above.

(ii) Assets

The assets are usually Platinum boat, basin, crucible, dish, electrode and tipped tong, Thermocouples, Stirrers etc.

2. Custody:

(i) All noble metals e.g. platinum, gold and silver and their salts shall be kept in the custody of Dy. SPO (S) or the senior most Asst (S&P) in a safe with double locking arrangement. One key shall be kept by Dy. SPO (S) and the second by any other officer capable of identifying noble metals duly authorised by Director for this purpose.

(ii) The duplicate keys of the safe shall be sealed in a box and deposited with the cashier in his custody.

(iii) (iv) In zonal Labs/Field Stations, platinum ware and other noble metals shall be stored and treated on the same lines.

3. Issue of platinum ware and noble metals of assets/non-consumable nature:

(i) The noble metals of assets nature shall be issued for a stipulated period to an official in his individual name on white slip and simultaneously reflected in his Personal Inventory. At the end of the stipulated period he shall return the same to the store. It shall be the responsibility of the official concerned to return it to the Dy. SPO (S) after the stipulated period.

(ii) Article(s) of consumable nature as given in the above Para shall be issued only on the specific approval of the Director and the official will be personally held responsible for the maintenance of proper account of their consumption item-wise/size-wise which can be produced on demand by audit.

(iii) The noble metals can be issued to an official above the grades of Technical officer A only. He/ She shall take every care and precaution to keep the same in safe custody. He will be held personally responsible in case of misuse or loss by him.

4. Write-off of loss:

a) All losses in weight of noble metals of assets nature due to fair wear and tear shall be written off under order of the competent authority in case the same are found after annual verification. ?

b) In case of consumable noble metals their consumption shall be certified by Head of Division/ Project. Wherever wires as scrap are available the same shall be returned to stores.

No write off sanction shall be necessary except in case of loss by theft or misappropriation.

c) These scraps and other items when not in use for long time can be sent to the manufacturing firms for re-conversion or exchange with a new item and the losses be written off.

5. Verification of platinum and noble metals:

a. 100% verification of the noble metals in a Laboratory/Instt. must be regularly carried out internally every year. Any discrepancy coming to notice is brought to account after full investigation.

b. Surprise checks by higher officers are also carried out from time to time.