

# **Chapter III**

## **Financial Management**



## Chapter III: Financial Management

### 3.1 Receipt and expenditure of funds

For the implementation of various programmes under NRHM, funds are pooled together under a “Mission Flexi Pool”. The Mission Flexi Pool is divided into four key components:

**Part A-** Reproductive and Child Health (RCH): includes funds for RCH related components such as maternal health, child health, family planning, Janani Suraksha Yojana (JSY), Janani Sishu Suraksha Karyakram (JSSK), RCH camps and compensation for sterilisation.

**Part B-** Additionalities under NRHM: Any additional activities which are essential for improvement in the health system but cannot be funded from any other programme are funded from this pool. Some such activities include Accredited Social Health Activist (ASHA), Rogi Kalyan Samiti (RKS), Untied Funds, Annual Maintenance Grants *etc.*

**Part C-** Immunisation: Includes funds for routine immunisation and pulse polio activities.

**Part D**<sup>23</sup> -: Inter-sectoral convergence and National Disease Control Programme (NDCP).

The position of receipt and expenditure of funds during the period 2011-16 in the State under RCH, Additionalities and Immunisation were as shown in **Table-2**:

**Table-2**  
**Position of Receipt and expenditure during the year 2011-16**

(₹ in crore)							
Name of Component	Opening Balance as on April 2011	Fund received from the GoI	State Share received	Other receipts and adjustments* <sup>24</sup>	Total fund available (Col. Nos. 2+3+4+5)	Expenditure incurred during the year	Closing Balance (Col. Nos. 6-7) (per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>2011-12</b>							
RCH Flexi Pool	264.07	331.90	-	-	595.97	369.23	226.74
Immunization	4.71	23.34	-	0.27	28.32	21.02	7.30
Additionalities under NRHM	119.23	391.32	238.00 <sup>25</sup>	32.72	781.27	317.91	463.36
<b>Total</b>	<b>388.01</b>	<b>746.56</b>	<b>238.00</b>	<b>32.99</b>	<b>1405.56</b>	<b>708.16</b>	<b>697.40 (50)</b>
<b>2012-13</b>							
RCH Flexi Pool	226.74	310.46	-	-	537.20	418.47	118.73
Immunization	7.30	21.84	-	-1.00	28.14	23.83	4.31
Additionalities under NRHM	463.36	382.32	144.00	7.10	996.78	404.00	592.78
<b>Total</b>	<b>697.40</b>	<b>714.62</b>	<b>144.00</b>	<b>6.10</b>	<b>1562.12</b>	<b>846.30</b>	<b>715.82 (46)</b>
<b>2013-14</b>							
RCH Flexi Pool	118.73	367.55	42.18	-	528.46	454.02	74.44
Immunization	4.31	22.28	1.42	-	28.01	32.07	- 4.06
Additionalities under NRHM	592.78	470.80	113.06	11.76	1188.40	411.12	777.28
<b>Total</b>	<b>715.82</b>	<b>860.63</b>	<b>156.66</b>	<b>11.76</b>	<b>1744.87</b>	<b>897.21</b>	<b>847.66 (49)</b>

<sup>23</sup> As the scope of the PA is RCH, expenditure under Part D has not been taken into account.

<sup>24</sup> Includes receipt and refund of loan, bank interest, fund in transit *etc.*

<sup>25</sup> Out of ₹238.00 crore, State share for 2011-12 was ₹192.00 crore only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>2014-15</b>							
RCH Flexi Pool	74.44	298.24	33.14	18.00	423.82	465.83	-42.01
Immunization	-4.06	19.92	2.21	-	18.07	25.15	-7.08
Additionalities under NRHM	777.28	297.68	20.41	-13.27	1082.10	374.36	707.74
<b>Total</b>	<b>847.66</b>	<b>615.84</b>	<b>55.76</b>	<b>4.73</b>	<b>1523.99</b>	<b>865.34</b>	<b>658.65 (43)</b>
<b>2015-16</b>							
RCH Flexi Pool	-42.01	351.05	74.89	-51.14	332.79	525.60	-192.81
Immunization	-7.08	23.95	4.78	-2.21	19.44	34.49	-15.05
Additionalities under NRHM	707.74	335.38	64.10	-13.28	1093.94	584.82	509.12
<b>Total</b>	<b>658.65</b>	<b>710.38</b>	<b>143.77</b>	<b>-66.63</b>	<b>1446.17</b>	<b>1144.91</b>	<b>301.26 (21)</b>
<b>Grand Total</b>		<b>3648.03</b>	<b>738.19</b>	<b>-11.05</b>		<b>4461.92</b>	

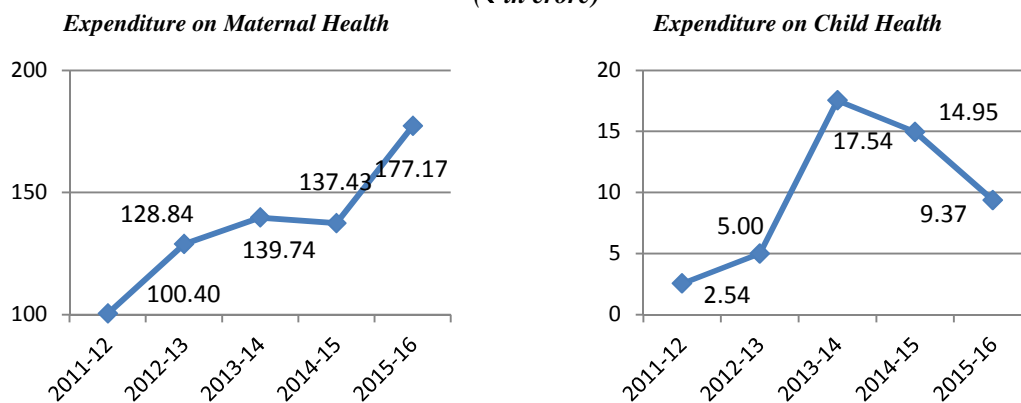
Source: Departmental records.

As can be seen from the table above, the State did not release its share of funds in 2011-12 and 2012-13 under RCH Flexi pool and Immunisation. The year-wise utilization was poor and ranged between 50 to 79 per cent only. On this being pointed out, the NRHM, Assam in reply (March 2017) stated that funds were released by Government of India (GoI) at the fag end of the financial year and hence remained unutilised. The reply was, however, not tenable as even the funds available with the NRHM, Assam could also not be utilised fully during these years under the programme.

Thus unspent balances resulted only in partial achievement of targeted goals, including fund cuts by the GoI, which have been discussed in the succeeding chapters.

It was also observed that expenditure on maternal health showed an increasing trend during 2011-16 except in the year 2014-15, while on child health, expenditure incurred depicted a decreasing trend after 2013-14, as shown in **Chart-3**:

**Chart-3**  
**Position of funds utilised under Maternal Health and Child health**  
(₹ in crore)



Source: Departmental records.

NRHM, Assam demanded ₹ 135.64 crore of which GoI approved ₹ 92.00 crore during 2011-16 under Child Health, but only ₹ 49.40 crore (36.42 per cent) of the demanded amount could be utilised. Thus, inspite of having Infant Mortality Rate

(IMR) of 48 against the target of 25 as per NRHM Framework, there was decreasing trend of expenditure under Child Health after 2013-14.

The specific reasons for less utilisation of funds were neither found on record nor stated to Audit, though called for (March 2017).

### **3.2 Delay in submission of approved annual accounts and utilisation certificates**

As per Operational Guidelines for Financial Management, utilisation certificate (UC) along with audited accounts of the funds released during the preceding year needs to be submitted for releasing second instalment of funds by GoI. As per the norms, NRHM, Assam shall appoint the statutory auditor by 31<sup>st</sup> March of the financial year. Preparation of annual accounts along with UC by the statutory auditor shall be completed by 30<sup>th</sup> June and shall be submitted to GoI by 31<sup>st</sup> July of the succeeding year. The UCs need to be signed by the Mission Director (MD), NRHM, Assam and countersigned by the statutory auditor appointed by NRHM, Assam for submission to GoI.

Scrutiny in audit revealed that NRHM, Assam had delayed the appointment of statutory auditor for periods ranging from 49 to 79 days during 2011-16. Besides, there were delays ranging between 155 to 208 days for completion of annual accounts by the statutory auditor and between 125 to 185 days for submission of UC along with the approved accounts to GoI, during 2011-16 by the NRHM, Assam.

The delays stated above, ultimately resulted in delay in release of the second installment for each of the five years (2011-16) by GoI. For instances, 2<sup>nd</sup> instalments of 2014-15 and 2015-16 were released in March 2015 and July 2016 respectively, *i.e.*, only after submission of UCs along with Audited statement for the preceding year.

Thus, NRHM, Assam could not ensure timely receipt of funds from GoI besides inability to utilise the available funds as discussed above, ultimately affected the health care service delivery in the State.

### **3.3 Unspent balances with the State led to short release of funds by GoI**

As per the Operational Guidelines for Financial Management, funds are released by GoI in two installments *i.e.*, up to 75 *per cent* of approved amount in first installment and the balance in the second installment after taking into account the unspent balance available with the State at the beginning of the financial year and subject to submission of UC for the funds released during the preceding year. It was observed that due to huge unspent balances, as shown in Table 2, GoI did not release the approved amount to the State owing to non-submission of UCs for the funds released during the preceding year. The position of short releases is shown in **Table-3**:

**Table-3**  
**Position of approved and released amount under RCH, Additionalities and Immunisation parts by GoI during 2011-12 to 2015-16**

*(₹ in crore)*

<b>Financial Year</b>	<b>Amount approved by GoI</b>	<b>Amount released by GoI</b>	<b>Short release (per cent)</b>
2011-12	846.63	746.56	100.07(11.82)
2012-13	1,361.20	714.62	646.58(47.50)
2013-14	1,107.54	860.63	246.91(22.29)
2014-15	1,225.91	615.84	610.07(49.76)
2015-16	1,273.12	710.38	562.74(44.20)
<b>Total</b>	<b>5,814.40</b>	<b>3,648.03</b>	<b>2,166.37(37.25)</b>

*Source: Information furnished by NRHM, Assam.*

Thus, the State was deprived of funds to the extent of ₹ 2166.37 crore during 2011-16 due to under utilisation of funds by the State Mission thereby depriving the people of the State from the benefits of the scheme.

### **3.4 Delay in release of funds by GoA**

GoI released funds directly to NRHM, Assam during 2011-14 and thereafter routed the funds through the State exchequer from 2014-15 onwards. The Operational Guidelines for Financial Management, 2012 stipulates that States should transfer funds to the SHS within seven days of their receipt from the GoI.

Out of ₹ 616.03 crore and ₹ 710.82 crore released<sup>26</sup> by GoI during 2014-15 and 2015-16 respectively, the State released ₹ 244.48 crore and ₹ 506.76 crore during the same year while ₹ 371.55 crore and ₹ 203.65 crore respectively were released during subsequent years and ₹ 0.41 crore pertaining to 2015-16 had not been released (February 2017).

Besides the short release stated above, it was also noticed in audit that there had been delay in release of funds by GoA to SHS ranging from 37 to 240 days during the two years.

### **3.5 Procurement of drugs and consumables, equipment**

NRHM Framework (2012-17) stipulated for strengthening services on account of policies on drugs, equipments, procurement system and logistics management to ensure the regular need assessment of drugs, consumables, functional equipments etc., their availability in all facilities and smooth supply chain including competitive and transparent bidding process.

Further, Rule 137 of General Financial Rule (GFR) 2005 provided that every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of completion in public procurement.

<sup>26</sup> Included funds (₹ 0.19 crore and ₹ 0.44 crore respectively) for National Iodine Deficiency Disorder Control Programme (NIDDCP).

Scrutiny however, revealed deficiencies in the procurement system which led to financial irregularities as discussed in the succeeding paragraphs.

### 3.5.1 Utilisation of funds for procurement of drugs/consumables

Year-wise allocation and utilisation of funds for procurement of drugs by the State was as shown in **Table-4**:

**Table-4**  
Utilisation of funds for procurement of drugs

Year	Approved amount as per APIP/Records Of Proceedings (ROP)	Purchase order issued	Payment made	Committed liabilities	Total utilisation of funds	(₹ in crore)
						Less utilisation of funds against approved amount due to short releases by GoI (in percentage)
2011-12	51.09	40.26	29.23	11.03	40.26	10.83 (21)
2012-13	148.47	132.51	132.51	0	132.51	15.96 (11)
2013-14	125.40	122.46	86.77	35.69	122.46	2.94 (02)
2014-15	155.49	143.79	134.90	8.89	143.79	11.70 (08)
2015-16	97.96	73.73	44.67	29.06	73.73	24.23 (25)

Source: Departmental records.

Thus, against approved funds for the procurement of drugs, substantial amount ranging between ₹ 2.94 crore to ₹ 24.23 crore (2 to 25 per cent) could not be utilised during the period 2011-16 due to short release of funds by GoI. This resulted in shortage of medicines at health centres (para 5.12.2) depriving needy patients from health care under NRHM.

### 3.5.2 Avoidable expenditure due to payment at higher rates

MD, NRHM procured 30.55 crore numbers of Iron Folic Acid (IFA) large tablets from two Central Public Sector Units (CPSUs)<sup>27</sup> on the basis of limited tenders, for ₹ 8.55 crore (@ ₹ 0.28 per tablet) for two interventions viz., Adolescent Reproductive and Sexual Health Programme (ARSH) and Weekly Iron-Folic Acid Supplementation (WIFS) between March 2013 and April 2014 under NRHM.

Scrutiny revealed that NRHM, Assam procured in another case, (April 2013) 20,24,000 IFA large tablets of the same composition at the rate of ₹ 0.20 only from a local supplier<sup>28</sup> at a lesser rate than the rate (₹ 0.28/tablet) of procurement made through two CPSUs above. The rate was finalised in January 2012, with validity upto January 2014 on the basis of an open tender.

Had the NRHM, Assam procured the tablets from the approved local supplier mentioned above, the extra expenditure of ₹ 2.44 crore<sup>29</sup> incurred towards the procurement of IFA tablets could have been avoided. On this being pointed out, the NRHM Assam noted the audit comment for future compliance.

<sup>27</sup> (i) M/s HLL Lifecare, Thiruvananthapuram and (ii) M/s Karnataka Antibiotics & Pharmaceuticals Ltd., Bengaluru.

<sup>28</sup> M/s ITAS G Pharma.

<sup>29</sup> [(₹ 0.28 - ₹ 0.20) x 30,55,00,000].

**3.5.3 Excess payment due to short supply**

Rule 187 (iii) of GFR 2005 stipulated that material once received should be counted, measured or weighed as the case may be and entered in the appropriate stock register. The Officer-in-charge of the store should certify that he has actually received the material and recorded it in the appropriate stock registers.

- MD, NRHM paid ₹ 1.89 crore to M/s HLL Life care for supply of entire quantity of 8.36 crore numbers of IFA small tablets during October 2013 and April 2014. During verification of records<sup>30</sup> in audit, it was revealed that 6.22 crore tablets only were actually recorded to have been received during the period. Thus, there was short receipt of 2.14 crore (8.36 – 6.22 crore tablets) numbers of tablets valued at ₹ 53.48 lakh. This resulted in overpayment to the contractor to the extent without verification of actual quantity of receipt of tablets by NRHM.
- Similarly, during March and December 2013, in respect of procurement of 30.55 crore IFA large tablets from two Central PSUs, there was also short receipt of 15.19 lakh numbers of IFA large tablets valued at ₹ 4.25 lakh for which payment had been made without ensuring the receipt of entire quantity of tablets by NRHM.

Thus, NRHM, Assam did not verify the stock entry to ensure the quantity actually supplied by suppliers before making the payment. This resulted in overpayment of ₹ 57.73 lakh towards short supply of materials indicating lack of monitoring and internal control on the part of the NRHM.

On these being pointed out, NRHM, Assam stated (March 2017) that the audit observations had been noted for necessary follow up corrective action by them.

**3.5.4 Excess Expenditure on procurement of Disposable Delivery Kits**

NRHM, Assam invited tender (2015-16) for procurement of Disposable Delivery (DD) Kits (Normal)<sup>31</sup> and DD Kits (Episiotomy)<sup>32</sup> valuing ₹ 19.17 crore. Only two out of four bidders were declared eligible in the technical bidding. The rates offered by the two eligible bidders were as under:

Name of items	Rate of Itas G Pharma for each kit (₹ )	Rate of Agam Pharmaceuticals for each kit (₹ )
DD kit (Normal)	451.92	429.1875
DD kit (Episiotomy)	685.52	765.8175

Clause 4 (ii) of General Conditions of the tender stated that “each kit consisting of drugs and surgical equipment as per indicated specifications and quantity shall be considered as an individual unit and the bidder shall quote for the complete list of items forming a kit”.

<sup>30</sup> Stock register and bin-cards maintained by NRHM store.

<sup>31</sup> Kit containing medicines and consumables used for conducting normal delivery.

<sup>32</sup> Kit containing medicines and consumables used for episiotomy i.e. a surgical cut made at the opening of the vagina during child birth, to aid difficult delivery and prevent rupture of tissues.



NRHM, Assam however, selected M/s Itas G. Pharma for both the kits on the ground that total rate for the two kits was less than the other firm and placed supply order (July 2015) for 2,10,978 DD Kits (normal) and 1,40,652 DD Kits (Episiotomy) at its offered rate.

Thus, non-purchasing of the Kits separately from both the suppliers at their lowest rate in compliance with the agreement clause resulted in excess expenditure of ₹ 36.02 lakh<sup>33</sup> on account of 1,58,466 DD kit (normal) supplied as of June 2016 .

### 3.5.5 Utilisation of funds for procurement of equipment

During 2011-16, NRHM, Assam utilised ₹ 109.12 crore (70 per cent) of the total approved allocation of ₹ 156.14 crore towards procurement of equipment. The year-wise position of utilisation of funds was as given in **Table-5**:

**Table-5**  
Utilisation of funds for procurement of equipment (2011-16)

(₹ in crore)

Year	Approved amount as per APIP/ROP	Purchase order issued	Payment made	Committed liabilities	Total utilisation of funds	Less utilisation of funds against approved amount (in percentage)
2011-12	23.51	23.39	23.39	0	23.39	0.12 (0.51)
2012-13	31.78	31.26	21.81	9.45	31.26	0.52 (1.64)
2013-14	46.37	42.30	3.38	38.92	42.30	4.07 (8.77)
2014-15	10.99	2.26	0.24	2.02	2.26	8.73 (79.44)
2015-16	43.48	9.91	3.01	6.90	9.91	33.57 (77.20)
<b>Total</b>	<b>156.13</b>	<b>109.12</b>	<b>51.83</b>	<b>57.29</b>	<b>109.12</b>	<b>47.01</b>

Source: Departmental figures.

Thus, there was short utilisation of funds amounting to ₹ 47.01 crore. Besides, the trend of utilisation of funds for the procurement of equipment decreased year after year with the percentage of non-utilisation of approved funds during 2014-15 and 2015-16 ranging between 79 and 77 per cent respectively.

### 3.5.6 Idle investment on procurement of Ultrasound Sonography machines

NRHM, Assam procured 35 Ultrasound Sonography (USG) Colour Doppler machines (used for Pre-conception and Pre-natal Diagnosis and sex determination) @ ₹ 9,42,000 each during 2012-13. The machines were delivered by the supplying firm<sup>34</sup> in February 2013 to the State Drugs Store, Guwahati. Of these, 25 machines were installed in different health centres during the period between March 2013 and July 2016. The balance 10 machines lying in the District Drug Stores since the date of supply (March 2013) could not be installed due to non-availability of Pre-conception and Pre-natal Diagnostic Techniques (PCPNDT) Certificate<sup>35</sup> which was not issued due to non-posting of trained manpower in the concerned health centres.

<sup>33</sup> 1,58,466 DD kits (Normal) x ₹ 22.73 (₹ 451.92 - ₹ 429.19).

<sup>34</sup> M/s Synchronic Medical Systems, Guwahati.

<sup>35</sup> Statutory certificate under the Pre-conception and Pre-natal Diagnostic Techniques (PCPNDT) (Prohibition of Sex Selection) Act, 1994 which provides for the prohibition of sex detection of foetus.

The supplier, in August 2015 intimated that the warranty (two years) would not be extended by the manufacturer for delays in installation.

Thus, procurement of machines without ensuring the availability of trained manpower denying registration of health centres under PCPNDT Act resulted in delay in installation leading to idle investment of ₹ 94.20 lakh (cost of 10 machines @ ₹ 9.42 lakh) besides losing the benefit of the warranty period and depriving the target population of this equipment.

### **3.5.7 Unfruitful expenditure on laparoscopic machines**

NRHM procured 30 Maxer brand Single Puncture Laparoscopic set (15 in 2011-12 and 15 in 2012-13) on the basis of open tendering, at the cost of ₹ 196.66 lakh (@ ₹ 6,55,535 per set). The procurement was made without obtaining the opinion of the experts of Laparoscopic Surgery. The machines were supplied during March 2012 to June 2013 to different health centres of 20 districts.

It was seen in audit that the doctors from concerned health centres reported difficulties in using the machine due to which the machines were lying idle. The expert committee formed in this regard opined (January 2014) that the Karl Storz brand Laparoscopic Machines were more comfortable to operate. Subsequently, during 2013-14, 11 Single Puncture Laparoscopic sets of Karl Storz brand were procured and provided to 11 DHs.



Maxer brand Laparoscopic machine lying idle in Lakhimpur (30.06.2016)

NRHM, Assam however, stated that two Maxer brand Single Puncture Laparoscopic machines were in use in two districts<sup>36</sup> and 16 machines remained unutilised. Status of other 12 machines was not given. It was also stated that training of doctors to operate those machines had not been imparted.

Thus, the 16 machines procured, were lying in packed condition in the store of district offices. This led to an unfruitful expenditure to the tune of ₹ 104.89 lakh (₹ 6,55,535 x 16), while utilisation status of usage of balance 12 machines remained un-ascertained in audit.

### **3.6 Cases of suspected misappropriation of funds**

As per Operational Guidelines for Financial Management (March 2012), monthly concurrent audit of NRHM by the Chartered Accountants are to be done both at State and district levels to depict a true and fair picture of financial position under the programme. Chartered Accountants are appointed by State NRHM for the conduct of monthly concurrent audit prior to the start of the financial year and reports should be submitted to State Health Society (SHS) by 15<sup>th</sup> of next month.

<sup>36</sup> KarbiAnglong (operated 170 patients) and Darrang (operated five patients).

However, it was observed that there had been delay in appointing Chartered Accountants ranging from 69 to 338 days for District Health Societies (DHSs) and 136 to 279 days for SHS during 2011-16. Thus, regular monthly concurrent audit of accounts was absent leaving scope for financial irregularities remaining undetected. Significantly, during Compliance Audit of DHS, Nagaon district conducted in March 2015, cases of suspected misappropriations were noticed as stated below:

- A sum of ₹ 51.76 lakh was misappropriated by transferring NRHM funds to the accounts of a third person<sup>37</sup> who was neither an employee nor a supplier. A further scrutiny in this regard revealed that the entire amount was withdrawn subsequently from the accounts of the concerned person. The DHS, Nagaon had lodged an FIR in the case and the case was under investigation by the District Administration (March 2017).
- Further, a sum of ₹ 75.45 lakh, releasable to the health institutions under salary, Janani Suraksha Yojana (JSY), NSV and Rogi Kalyan Samiti, were released to different firms/parties in the form of Demand Drafts during May 2012 to November 2013 by the DHS, Nagaon. To an audit query with regards to payments made, the Member Secretary cum DHS, Nagaon stated (March 2015) that the reason/purpose of such payments through Demand Drafts and account transfer could not be ascertained due to non-availability of any record in this regard. Thus, in the absence of records in support of payments made by the DHS, Nagaon, the possibility of misappropriation of funds amounting to ₹ 75.45 lakh could not be ruled out in audit.

Had Concurrent Audit been conducted regularly, such type of serious financial irregularities could have been avoided.

### **3.7 Other financial irregularities in implementation of the programme**

#### **3.7.1 Undue financial aid to contractors**

NRHM, Assam followed Assam Public Works Department (APWD) Code for execution of all works taken up by it. However, no provision for granting of Mobilisation Advance (MA) exists in the APWD Code. CVC<sup>38</sup> vide OM (October 1997) stated that MA, if required, should be interest-bearing so that contractors could not take undue benefit. Para 32.5 of CPWD Manual (2012) provides for release of MA to contractors for certain specialised and capital intensive works with tendered estimated cost of ₹ two crore and above, limited to 10 *per cent* of the tendered amount, at the rate of 10 *per cent* simple interest. As per provisions, the recovery should commence after 10 *per cent* of work is completed by the contractor and the entire amount together with interest shall be recovered by the time 80 *per cent* of the work is completed.

<sup>37</sup> Smti Chinu Bala Devi.

<sup>38</sup> Central Vigilance Commission.

- NRHM, Assam however, granted interest free MA of ₹ 7.43 crore to six contractors during 2013-14 for construction of nine Maternal and Child Health Wings (MCH)/CHCs/PHCs. Scrutiny revealed that though the entire amount of MA was recovered/adjusted in subsequent bills, the NRHM, Assam suffered a loss on account of interest to the tune of ₹ 0.86 crore due to grant of interest-free MA as detailed in **Appendix-2**.
- Similarly, NRHM, Assam granted interest free MA of ₹ 4.42 crore to 16 contractors during the period March 2011 to June 2011 for construction of 17 CHCs (details in **Appendix-3**). The mobilisation advance given was fully recovered (March 2017). However, the loss of interest in these cases could not be assessed in audit due to non furnishing of detailed records in this regard by NRHM, Assam.
- Besides the above instances, the NRHM granted and released excess MA beyond the admissible limit to one contractor giving undue financial aid as shown in **Table-6**:

**Table-6**  
**Excess MA released to the contractors**

<i>(₹ in crore)</i>				
Sl. No.	Name of the work	Contract Price	Admissible amount @ 10 per cent	MA released
1.	Construction of CHC at Uriamghat, Golaghat	5.06	0.51	1.00
2.	Construction of CHC (MH) including quarters at Nobera, Jorhat	5.30	0.53	1.04

*Source: Departmental records.*

Grant of interest free MA thus, not only resulted in loss on account of interest, but also led to extending undue financial benefit to the contractors in these cases at the cost of the NRHM, Assam.

### **3.7.2 Loss due to non-imposition of penalty**

As per Clause 49 of the Agreement between the contractor and NRHM, Assam, the contractor shall pay liquidated damages for each day of delay at the rate of ₹ 0.25 lakh for each day of delay, subject to a maximum of 10 per cent of the cost of whole work/contract value.

Detailed scrutiny in case of construction of two health centres (out of 54) revealed that there were delays in completion of construction works. However, no liquidated damage for the delay had been imposed by NRHM, as shown in **Table-7**:

**Table -7**  
**Liquidated damage due but not levied for delay in construction**

(₹ in crore)							
Sl. No.	Name of the work	Value of work	Due date of completion	Actual date of completion	Up to date payment made	Delay in completion	Liquidated damages due for recovery
1	Construction of CHC (MH) including residential quarters (Phase-I), Ghoramari, Sonitpur	3.97	30.06.13	07.11.14	3.97	492 days	0.38*
2	Construction of CHC (MH) including residential quarters, Bhaktardoba, Barpeta	3.28	30.01.14	14.10.14	3.16 (the work was withdrawn)	280 days	0.31*

*Source: Information furnished by NRHM, Assam*

\*Initial tendered value was ₹ 3,77,12,690 and ₹ 3,08,52,746 respectively.

On this being pointed out, NRHM Assam stated (March 2017) that the delay was on the part of contractor and penalty of ₹ 0.13 crore (₹ 0.06 crore plus ₹ 0.07 crore) was imposed on account of delay. However, due to non-imposition of liquidated damages at the prescribed rate, NRHM, Assam suffered loss of ₹ 0.56 crore (₹ 0.69 crore minus ₹ 0.13 crore) towards delay in completion of works.

### 3.7.3 Non-recovery of dues from contractors

As per financial rules, the statutory deductions such as Security Deposit (SD) money, Forest Royalty (FR), Value Added Tax (VAT), Income Tax (IT) etc., were required to be deducted at the time of passing bills. During test check of records of NRHM, Assam, it was however, observed that in case of three works<sup>39</sup> allotted between March and June 2011, an amount of ₹ 0.31 crore being the deduction on account of SD, FR, VAT, IT etc., remained unrecovered though the works had been withdrawn (November 2013 to February 2014) from the contractors after achieving 32 to 90 per cent physical progress.

On this being pointed out, NRHM, Assam stated (May 2016) that the defaulting contractors had been debarred from further contracts being awarded under NRHM.

NRHM, Assam however, failed to deduct the statutory deductions from the contractors Bill.

Delay caused due to negligence on the part of contractor, non-imposition of liquidated damage for such delay, release of interest free and excess MA, non-recovery of statutory deductions etc., discussed above, indicated laxity on the part of the State Mission in handling contracts which ultimately resulted in loss to the government and in slow progress of infrastructural development for assured health care in the State under NRHM.

<sup>39</sup> Construction of CHC including residential quarters (Phase-I) at Kachua, Construction of CHC at Fakirganj and Construction CHC (Model hospital) including residential quarters (Phase-I) at Kohora.

**3.7.4 Idle expenditure on abandoned/suspended works**



**Four storey RCC building of General Nursing Midwifery (GNM) School-cum-Hostel at Nagaon (30.06.2016)**

Scrutiny revealed that three works<sup>40</sup> for enhancing infrastructural facilities at tendered value of ₹ 6.33 crore due for completion between December 2009 and June 2012 had been abandoned after incurring an expenditure of ₹ 4.01 crore and physical progress of 40 to 76 per cent due to problems with the contractor and poor site selection.

Thus, the expenditure of ₹ 4.01 crore incurred on the abandoned/ suspended works, proved idle. This also deprived the targeted beneficiaries from facilities as planned under NRHM

It was thus revealed that, NRHM, Assam failed to utilise its resources for the effective implementation of the programme. Delays in submission of UC and unspent balances lying with the NRHM, Assam led to fund cuts by GoI. Cases of misappropriation, excess expenditure, undue benefit to contractors, unproductive expenditure etc., further highlighted the financial mismanagement in NRHM, Assam.

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<sup>40</sup> Construction of CHC at Fakirganj, Construction of four storey RCC building of GNM School cum Hostel at Nagaon and Rural Health Block Pooling Complex at Pandu FRU.