Chapter 4

Audit of transactions

Audit of transactions of Government departments under Social Sector, their field formations as well as that of autonomous bodies brought out several instances of lapses in management of resources and failure in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Audit against propriety/expenditure without justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected the following instances of impropriety and extra expenditure.

Department of Health and Family Welfare

4.1.1 Avoidable expenditure of ₹ 65.84 lakh

Purchase of 1100 pallets of higher specifications than actual requirement, at higher rate of ₹ 8500 resulted in avoidable expenditure of ₹ 65.84 lakh.

Rule 137 of General Financial Rules stipulates that every authority delegated with the financial powers of procuring goods in public interest should have the responsibility and accountability to ensure efficiency, economy, and transparency in matters relating to public procurement and fair, equitable treatment of suppliers and promotion of competition in public procurement. The specifications in terms of quality, type and quantity of goods to be procured should be clearly spelt out keeping in view the specific needs of the procuring organisation. The specifications so worked out should meet the basic needs of the organisation without including superfluous and non essential features which may result in unwarranted expenditure.

Audit scrutiny for the year 2009-10 revealed that the Lok Nayak Hospital (the Hospital) floated an open tender in September 2009 for the rate contract for various store items including plastic pallets (specifications-1200x800x140mm, fungus, termite and chemical resistant with rotomoulding PU foam inside, light weight, 1000 kg static load capacity) with date of opening as 30 September 2009. Comparative statement of rates was approved by purchase committee on 30 August 2010 and M/s Grabner International Ltd.

was L-1 for plastic pallets at the rate of ₹ 2800 per pallet. The rate contract was valid upto August 2011.

Further scrutiny of records revealed that as the process of finalisation of hospital's own tender was in its final stage, the Procurement Officer of the Hospital requested 22 other government hospitals on 10 August 2010 to provide their approved contracted rates for plastic pallets of specifications-1000x1000 mm. No other specification relating to material, density, load capacity etc. was mentioned in the letter. In response, only one hospital - Shri Dada Dev Matri Avum Shishu Chiktsalaya, Dabri, sent (13 August 2010) its contracted rate of M/s Searocks Enterprises for the item at ₹ 8500 per unit, without giving any specification. After receiving the rate from only Hospital, the Procurement Officer moved (16 August 2010) a proposal for procurement of 500 pallets (1000x850mm) from M/s Searocks on the plea that the rates of pallets were not available in the Hospital Open Tender (HOT) and the finalization of fresh tender might take 2-3 months. The supply order was placed with M/s Searock Enterprises Ltd. on 31 August 2010 who supplied 500 pallets in October 2010. The Purchase Officer moved another proposal (30 November 2010) for the procurement of 600 (1000x850mm) pallets from the same firm on similar ground. The supply order was issued on 08 December 2010 and items were supplied by the firm on 20 December 2010. The Hospital paid ₹ 98.18 lakh (October and December 2010) to M/s Searock Enterprises Ltd for 1100 pallets. On third occasion, the Hospital purchased 800 pallets (June 2011) from M/s Grabner International Ltd, the successful bidder of its own HOT, at the rate of ₹ 2800 per pallet.

This indicated that purchase of 1100 pallets on first two occasions from M/s Searocks at the rate of ₹ 8500 per pallet was unwarranted and procedurally wrong. Instead of going for the rate contract of other Hospitals, the Hospital should have speeded up the finalization of its own HOT and placed the order with M/s Grabner at the rate of ₹ 2800 as the comparative statement of rates for the pallets had already been approved on 30 August 2010 and the rates were valid upto August 2011. Not only this, the Hospital also violated the financial norms on specifications of the items to be procured. The specifications of pallets in the Hospital's own HOT were - 1200x800x140mm, fungus, termite and chemical resistant with rotomoulding PU foam inside, light weight, 1000 kg static load capacity. While requesting other hospitals to provide their contract rates, the specifications were mentioned as 1000x1000 mm, whereas the supply orders were placed with M/s Searocks with specifications of 1000x850mm. Thus, there was no symmetry in the specifications of pallets ordered with the supplier and the one required by the Hospital. The laid down procedure was not followed and the hospital, purchased whatever was offered by the supplier (M/s Searocks). The very purpose of pallets would have been well served by the pallets of M/s Grabner as these were as per the approved specifications.

Thus, purchase of 1100 pallets at higher rate of ₹ 8500 resulted in avoidable expenditure of ₹ 65.84 lakh*.

The Hospital in its reply stated (September 2011) that intention was to have a long lasting storage system and that the requirement of the item was duly calculated and collected after a survey was done. It further added that there was a vast difference in the specifications of two types of pallets in respect of density and weight leading to difference in the prices. The plastic pallet of M/s Searock was of high density full plastic body whereas the other one was a moulded plastic frame.

The reply of the Hospital is not acceptable as the pallets of M/s Grabner were finalised by the Hospital itself keeping in view its requirements and after technical assessment. Pallets of M/s Grabner met the requirement of the Hospital fully and the fact that these were not of any sub-standard quality is also established by the fact that the Hospital had purchased 800 pallets from M/s Grabner International at the rate of ₹ 2800 in June 2011.

4.1.2 Idle investment of ₹ 45.10 lakh on procurement of equipment

The Directorate of Prevention of Food Adulteration procured equipment without having a proper plan in place for ensuring the availability of required technical staff for its operation. As a result, equipment worth ₹ 45.10 lakh was rendered idle for 48 months

The Directorate of Prevention of Food Adulteration (PFA) sent a proposal (November 2006) to the Equipment Procurement Cell (EPC), Department of Health & Family Welfare, GNCT of Delhi, for procurement of a 'Gas Chromatograph with Mass Spectrometer (GCMS)'. PFA justified its purchase proposal that it needed an in-house facility for specialised analysis of pesticide residue in all food stuff, specially in mineral water and cold drinks and that the limits of pesticide in mineral water being very low, it could only be confirmed by GCMS†. The equipment is used for analysis of pesticide residue in food stuff by molecular mass determination in Food Laboratory. EPC issued Acceptence of Tender (A/T) in March 2007 in favour of M/s Varian India Pvt. Ltd. (firm) for supply, installation and commissioning for a value of USD 90425. The firm supplied the GCMS in August 2008 at a total cost of ₹ 45 .06 lakh. The terms and conditions of A/T provided for a

* (₹ 8500 - ₹ 2800 = ₹ 5700), (₹ 5700 + ₹ 5700 x 5%) x1100 = ₹ 6583500)

† **Gas chromatograph–mass spectrometer (GC-MS)** is an equipment that combines the features of gas-liquid chromatograph and mass spectrometer to identify different substances within a test sample. It can identify trace elements in materials that were previously thought to have disintegrated beyond identification.

warranty of 60 months from the date of installation/ commissioning and free AMC (labour only) for 60 months after expiry of warranty.

We observed that the Directorate did not conduct any feasibilty study before going for the procurement of the equipment and had no plan to arrange for the required manpower to operate the equipment after its purchase. Consequently, the equipment was not put to use since its installation (August 2008) and the Directorate continued to get its samples tested for pesticide residue from another Delhi Government laboratory, i.e. State Grading Laboratory. Since the procurement of the GCMS, the Directorate had sent 57 samples to the State Grading Lab for testing.

The Directorate in accepting the facts stated (October 2011 and June 2012) that the equipment could not be utilised for want of trained technial staff. It added that the matter of non-availability of technical staff had been taken up with the higher authorities but to no avail as the recruitment rules for chemists were under consideration of the Government.

Thus, the Directorate procured the equipment without having a proper plan in place for ensuring the availability of required technical staff for its operation. As a result, the investment of ₹ 45.10 lakh on the equipment was rendered idle for 48 months (upto August 2012). Apart from this, the available warranty of 60 months is also getting lapsed.

The matter was referred to the Department in December 2011, their reply was awaited (July 2012).

4.1.3 Blockade of fund of ₹ 42.87 lakh

Injudicious procurement by Hospital of consumables/ non-consumables without assessing its actual requirements resulted in blockade of funds to the extent of ₹ 42.87 lakh for more than three years.

Rao Tula Ram Hospital, Jaffarpur, Delhi (Hospital) forwarded a proposal for the procurement of an Arthroscope[‡] Set (June 2006) to Equipment Procurement Cell (EPC), Department of Health & Family Welfare, Government of NCT of Delhi.

Audit scrutiny of records (November 2011) revealed that, as EPC did not finalise the procurement of the equipment, Head of the Department (Orthopedics) again submitted (January 2009) a proposal for procurement of

[‡] *Arthroscope: A thin flexible fiberoptic scope which is introduced into a joint space through a small incision in order to carry out diagnostic and treatment procedures within the joint. An arthroscope is about the diameter of a drinking straw. It is fitted with a miniature camera, a light source and precision tools at the end of flexible tubes. An arthroscope can be used not only for diagnostic procedures but a wide range of surgical repairs.*

Arthroscope alongwith all instruments and ACL[§]/ PCL[**] reconstruction kit to the Medical Superintendent (MS) who accorded the administrative approval.

Having received the Administrative Approval, a proposal was submitted (28 March 2009) for purchase of consumables and non-consumables items only without any proposal for purchase of the main equipment- Arthroscope. The procurement proposal indicated that these items were available on rate contract of Deen Dayal Upadhyay Hospital (DDU Hospital), which was valid upto 31 March 2009. MS referred the proposal to a Technical Committee, constituted to evaluate the proposal. Head of Department (Orthopedics), who was a member of Technical Committee too, justified the purchase of consumables and non-consumables[††], without Hospital having an Arthroscope, on the ground that the supplier of these items in DDU Hospital had given an undertaking to arrange Arthroscope, as and when surgery was to be done. Other two members of the Committee also agreed with the proposal. Expenditure sanction was obtained on 30 March 2009 and supply order for non-consumable and consumable items amounting to ₹ 47.23 lakh was placed with M/s Universal Ortho on 31 March 2009. The firm supplied the items on 29 June 2009 and a payment of ₹ 44.58 lakh was made.

Our scrutiny further revealed that the Hospital conducted first surgery only in December 2010 after 18 months of purchase of these items. The Hospital conducted only five more surgeries from January to June 2012. These are indicative of the fact that the items were purchased in excess of actual requirement, which is also established by the fact that consumables amounting to ₹ 1.71 lakh out of stock of ₹ 24.77 lakh only could be utilized in these six surgeries carried out by the Hospital. This also confirms the fact that non-consumable items were also under utilized to that extent.

Thus, Hospital purchased items (consumables/ non-consumables) without assessing its actual requirements in violation of Rule 137(i) of General Financial Rules which stipulates that the quantity of goods to be procured should be clearly spelt out keeping in view the specific needs of the procuring organisations.

This injudicious procurement resulted in blockade of funds to the extent of ₹ 42.87 lakh for more than three years (upto June 2012).

In accepting the facts and figures, the Hospital stated (February 2012) that these implants would not go waste, as they could be re-used after sterilization. It further added that measures had been taken not to repeat such instances in future. However, fact remains that the Hospital purchased stores more than necessary, leading to blockade of public funds.

[§] *Anterior Cruciate Ligament*
[**] *Posterior Cruciate Ligament*
[††] *Small instruments such as Adapter drill guide C-Ring, Graft Prep Station Base, Drill Guide Assembly for Transfix II, Graft Prep Station Sterilization case etc.*

The matter was referred to the Department in July 2012, their reply is awaited.

4.2 Failure of Oversight/Governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfillment of certain goals in the area of health, education, development and up gradation of infrastructure and public service. However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilized/ blocked and/or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed as follows.

Department of Urban Development

4.2.1 Blockade of funds of ₹ 6.28 crore due to non – monitoring of implementation of works

The Urban Development Department had been releasing funds for works of street lights and high mast lights under the MLALAD Scheme to private electricity distribution companies. However, it did not have a monitoring mechanism in place to monitor the implementation of projects by these companies. As a result, an amount of ₹ 6.28 crore was blocked with these companies, resulting in loss of interest.

The Urban Development Department (the Department) is the implementing agency for the Scheme "Member of Legislative Assembly Local Area Development Scheme (MLALADS)". Under the scheme, each MLA can suggest to the UD Department, petty works of capital nature, to be done in their constituencies. The works under the scheme should conform to the general pattern of the programme and projects being implemented by the local bodies/ departments of Government of NCT of Delhi. An amount up to ₹ 2 crore is released in a year for each constituency for works recommended by concerned MLA, with individual project not exceeding ₹ 70 lakh. However, this limit can be relaxed in special cases but not more than ₹ 70 lakh per year for one project, can be released during a year and remaining liability could be spilled over to next year as per the financial requirement of the project.

As per guidelines of this scheme, it is mandatory to get the work done through Government departments/agencies identified by Government of NCT of Delhi. However, there is an exception regarding the work of electrification of roads. In this case, the requisition for undertaking work relating to street lights and high mast lights are required to be placed before the road owning agency. In case no comments are received within 10 days of the receipt of the requisition, a Distribution Company (DISCOM) would be asked to get the work initiated. The payment would be made directly to the DISCOM under intimation to the road owning agency.

Under the scheme, the senior officers of the implementing department/ agencies should regularly inspect the works being undertaken and submit quarterly reports to the Department. A report on the physical and financial progress in respect of each work is also required to be submitted to the Department at the time of request for release of funds.

Audit noticed that the Department had been releasing funds for works of street lights and high mast lights under the scheme to DISCOMs. It was further noticed that the Department did not follow-up the release of funds by monitoring, as it did not maintain any record regarding proper utilisation of funds on the projects. DISCOMs also did not submit to the Department, physical or financial progress reports and final accounts in respect of works being implemented by them. At the same time, the Department also did not ask DISCOMs to submit such reports and accounts of the works. In the absence of any monitoring mechanism, the Department was not in a position to supply information on total number of works assigned to the DISCOMs, total funds released and utilised, status of works whether completed or not and unspent funds lying with DISCOMs, etc.

In the absence of these vital information, audit could not quantify the unspent amount lying with DISCOMs. However, with reference to a complaint forwarded by the Central Information Commission to the Department under the Right to Information Act, DISCOMs supplied (July and August 2011) to the Department, details of works assigned and funds released to them during 2008-11.

Audit scrutiny of the statements supplied by DISCOMs, revealed that the funds to the tune of ₹ 15.04 crore were released to DISCOMs for 104 works of electrification of roads during 2008-11. Out of ₹ 15.04 crore released, ₹ 6.28 crore were lying unspent with DISCOMs as of August 2011. However, the correctness of the unspent amount of ₹ 6.28 crore could not be verified in audit as the Department did not provide any records relating to the release and utilisation of funds. The reasons for funds lying unutilised were non-execution of some works due to non-finalisation of location, and in some cases, the expenditure was less than the amount released.

Thus, due to absence of a monitoring mechanism in the Department, an amount of ₹ 6.28 crore was not only lying blocked with the private firms, but also there was a loss of interest on these funds.

In its reply, the Department accepted (July 2012) that there was no monitoring cell for monitoring of such funds under MLALAD Scheme and added that all electrical companies involved in execution of electrical works were being pursued for refund of unspent amount. It further intimated that as suggested by Audit, a proposal for setting up of the monitoring cell was under consideration.

Department of Health & Family Welfare

4.2.2 Idle Investment of ₹ 1.29 crore in acquisition of land

The investment of ₹ 1.29 crore on acquisition of land remained blocked for a period of over 96 months (upto August 2012) apart from non-achieving of objective of up gradation of the Hospital, which continues to operate at 250 *per cent* of its actual capacity.

In a meeting held on 30 July 2002 under the chairmanship of the Minister of Health and Family Welfare, it was decided to upgrade Lal Bahadur Shastri Hospital (Hospital) from 100 bedded to 250 bedded hospital as it was not able to cope up with the patient load. In pursuance thereof, Directorate of Health Services requested (September 2002) Vice Chairman, Delhi Development Authority (DDA) for allotment of additional land measuring around two acres, which was adjacent to the Hospital. DDA allotted (April 2004) the land measuring 7703 square meters to the Hospital, on payment of ₹ 1.09 crore in August 2004 and the Hospital took physical possession of land in June 2005. The Hospital further incurred an expenditure of ₹ 20.00 lakh on landfilling and raising a boundary wall on the plot in September 2006.

Audit scrutiny revealed that a multistoried building was not possible on the plot as a High Tension transmission line (HT line) belonging to UP Electricity Board was passing diagonally over the plot. As such, the Hospital proposed (August 2007) that the HT line be placed underground and a 500 bedded hospital be built on the site to increase the bed strength of all specialties including Trauma cases. The Hospital again changed this proposal (December 2008) and proposed to relocate the residential complex situated in the campus in the new plot in an L shaped manner, develop a green belt under the HT line and utilize the area that would be available after shifting the present residential complex for the expansion of the Hospital. Even this proposal was changed (January 2010) and it was decided to build an MCH[1] & Trauma blocks. However, the Hospital could not finalise any of the proposals upto June 2012 and construction could not be started on the additional land. This indicates that the Hospital or the Department did not have a concrete plan for utilization of land which was acquired for up gradation of the Hospital and enhanced medical facilities to the general public of the area, predominantly populated by JJ clusters and resettlement colonies.

[1] Maternity and children Hospital

In its reply, the Hospital stated (December 2011) that the Minister of Health and Family Welfare, GNCT of Delhi visited the site in May 2011 and directed to work out the possibility of underground cables or shifting of HT lines so that high rise buildings could be constructed on the allotted land. Accordingly, hospital sanctioned an amount of ₹ 50000 to Building Project Division (E), PWD for feasibility study of shifting of HT line from the additional land.

Thus, inspite of an investment of ₹ 1.29 crore, the Hospital could not be upgraded due to indecision of the Government. While the Hospital continues to operate at 250 *per cent* of its actual capacity, the investment remained blocked for 96 months (upto August 2012).

The matter was referred to the Department in September 2011; their reply was awaited.