

SECTION A

General, Social and Economic Sectors

CHAPTER-I

INTRODUCTION

1.1 About this Section

This section of the Report contains the results of Compliance Audit of various departments under General, Social and Economic Sectors of the Government of Jharkhand conducted during 2019-20 in compliance with the CAG's audit mandate. This section contains the following chapters:

Chapter I: General information about the auditee departments.

Chapter II: Compliance Audit of procurement of machines, equipment and accessories for Dental Institute, Rajendra Institute of Medical Sciences (RIMS), Ranchi.

1.2 Auditee Profile

Twenty-seven out of the total 32 Departments in Jharkhand fall under the General, Social and Economic Sectors (GSES). These departments are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Commissioners/ Directors and subordinate officers under them.

1.3 Audit Coverage

Principal Accountant General (Audit), Jharkhand conducted audit of 324 units out of 367 planned units under 17 Departments during 2019-20. Besides, one compliance audit of procurement of machines, equipment and accessories for Dental Institute, Rajendra Institute of Medical Sciences (RIMS), Ranchi (Health, Medical Education and Family Welfare Department) was also conducted.

1.4 Response of the Government to Audit

Inspection Reports (IRs)

A detailed review of IRs issued up to March 2020 pertaining to 27 Departments revealed that 33,429 paragraphs contained in 4,858 IRs were outstanding for want of suitable compliance as on 31 March 2021. Of these, even initial replies were not furnished in respect of 25,933 paragraphs contained in 3,576 IRs.

Table 1.1: Outstanding IRs and paragraphs (issued up to 31 March 2020) as on 31 March 2021

SL. No.	Period	No. of outstanding IRs	No. of outstanding paras
1	2019-20	357	2,750
2	1 year to 3 years	1,058	7,024
3	3 years to 5 years	1,014	6,070
4	More than 5 Years	2,429	17,585
Total		4,858	33,429

Recoveries at the instance of Audit

At the instance of Audit, four units recovered (between September 2019 and March 2021) ₹ 2.85 crore out of ₹ 2.85 crore pointed out as detailed below:

1. Audit noticed (October 2019) that the intended date of completion of widening and strengthening of Deo to Diyajori road was extended up to February 2018 from November 2017. The positive price adjustment (PA) was not admissible for the extended period. The Executive Engineer (EE), Road Division (RD), Godda, however, had paid (March 2019) PA of ₹ 84.88 lakh for the extended period in anticipation of grant of extension. On being pointed out (March 2021) by Audit, the EE recovered (March 2021) ₹ 84.88 lakh from the contractor.
2. Audit noticed (March 2021) that EE, RD, Khunti paid (February 2019) ₹ 41.65 crore to a contractor without adjusting PA in reconstruction of the Kandra-Bero road. The recoverable PA of ₹ 1.75 crore was worked out and recorded (August 2019) in the measurement book but recovery was not affected. On being pointed out (March 2021) by Audit, the EE recovered/ adjusted (March 2021) ₹ 1.86 crore from the contractor.
3. Audit noticed (January 2018) that EE, RD, Ranchi did not recover ₹ 15.09 lakh being difference in cost of bitumen in a road work as required under the contract. On being pointed out, the EE adjusted (February 2021) ₹ 15.51 lakh from the security deposit of the contractor.
4. Audit noticed (July 2019) that ₹ 10.45 lakh had been collected as admission fee, exam fee, tuition fee etc., by the officials of the Nilamber-Pitamber University, Medininagar during 2013-14 to 2016-17. The amount was reflected in receipt-books but were neither accounted for in the daily collection register nor remitted into bank account. On this suspected embezzlement being pointed out (July 2019) by Audit, the amount was remitted (September 2019) in the bank account of the University. However, the Department should initiate a detailed enquiry and take action against the erring officials.

1.5 Compliance Audits

The draft Compliance Audit Report on procurement of machines, equipment and accessories for Dental Institute, Rajendra Institute of Medical Sciences (RIMS), Ranchi was forwarded (September 2021) to the Additional Chief Secretary, Health, Medical Education and Family Welfare Department. However, replies have not been received (October 2021).

1.6 Action taken on earlier Audit Reports

According to the rules of procedure for the internal working of the Committee on Public Accounts, the Administrative departments were to initiate *suo moto* action on all Audit paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs), regardless of whether these are taken up for examination by the Public Accounts Committee (PAC) or not. The Departments were to furnish detailed Action Taken Notes (ATNs), duly vetted

by Audit, indicating the remedial action taken or proposed to be taken by them. Further, as per instructions issued (August 1993) by the Chairperson, Bihar Legislative Assembly, Patna, Government departments are required to submit explanatory notes within three months and action taken notes (ATNs) on recommendations made by the Committee should be submitted within six months.

The Audit Reports on GSES for the years 2008-09 to 2018-19 have 214 outstanding paragraphs. Of these, PAC has taken up 70 paragraphs for discussion and made one recommendation in respect of **paragraph 1.3.6.1** of the Audit Report 2008-09. However, no ATN on this sub-paragraph has been received.

Further, the Audit Reports of 2000-01 to 2007-08 which were left to the Departments for follow-up, had 201 outstanding paragraphs of which 94 paragraphs were taken up for discussion by PAC. Against this, PAC had made recommendations in respect of seven paragraphs and eight sub-paragraphs of which, ATNs were received in respect of two paragraphs and six sub-paragraphs as detailed in **Table 1.2** below:

Table 1.2: Status of PAC discussion

Status	Audit Report (Civil) for the year 2000-01 to 2007-08	Audit Report (Civil) for the year 2008-09 to 2018-19
No. of outstanding Audit paras	201	214
Taken up by PAC for discussion	94	70
Not taken up for PAC discussion	107	139
Recommendation made by PAC	07 Para and 08 Sub Para	01 Sub para
ATN received	02 Para and 06 sub para	Nil
Action taken by the department	02 Para and 06 sub para	Nil

CHAPTER-II

COMPLIANCE AUDIT

DEPARTMENT OF HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE

2.1 Audit of procurement of machines, equipment and accessories for Dental Institute, Rajendra Institute of Medical Sciences (RIMS), Ranchi

2.1.1 Introduction

The Rajendra Institute of Medical Sciences (RIMS), Ranchi¹ is an autonomous medical institute of the Government of Jharkhand (GoJ) under the administrative control of the Health, Medical Education & Family Welfare Department (the Department). A Dental Institute, with a capacity of 50 annual intakes in Bachelor of Dental Surgery (BDS) course, was started from the Academic year 2017-18 in RIMS for which 176 types of dental equipment worth ₹ 37.17 crore were procured (between March 2016 and June 2018). Against these procurements, there were complaints of irregular award of tender based on fake documents and supply of medical equipment at higher rates by two agencies². To enquire into the complaints, the Department constituted (August 2018) a committee which found the complaints true (*Appendix 2.1.1*) and recommended further detailed examination by a competent agency.

Prior to that, the Minister of Health, GoJ had directed (September 2016) the Director, RIMS to examine complaints of mutual collusion between the above mentioned two agencies in getting supply orders for equipment. He also issued directions to verify their addresses, quoted and approved price with the cost of similar equipment in other hospitals/medical colleges/dental colleges and suggested not to issue further purchase order to these agencies till detailed examination is concluded. However, the order of the Health Minister was not complied with and the Director, RIMS awarded tenders and issued purchase orders to the said agencies as discussed in **paragraph 2.1.3.2**.

Further, the Secretary of the Department requested (June 2019) the Accountant General to conduct audit of tenders floated by RIMS from 2014-15 to 2018-19 for procurement of machines, equipment and accessories (hereinafter called equipment). Accordingly, audit of procurement of equipment for Dental Institute, RIMS was undertaken (between July 2019 and May 2020) to assess whether tendering process was regular and equipment were procured economically. For this, audit scrutinised tender and related documents, inventory of equipment and conducted (September-October 2019 and May

¹ RIMS was established in the year 2002 through an Act by merging the erstwhile Rajendra Medical College and Hospital (established in 1959), the College of Nursing and the Nursing School.

² M/s Sreenath Engineering Sales and Services Pvt. Ltd., Kolkata (M/s Sreenath) and M/s D K Medicals, Kolkata (M/s DK).

2020) joint physical verification to ascertain the latest status of the procured equipment.

An exit conference was held (October 2021) with the Additional Secretary of the Department to discuss the audit findings and recommendations. The Additional Secretary stated that the Director, RIMS had already been instructed (February 2021) to initiate suitable action on the Special Audit Report and to implement corrective measures. In response, Director, RIMS issued (September 2021) show-cause to concerned officers in the light of decision taken (February 2021) in the meeting of the Finance and Accounts Committee of RIMS. Further action is awaited.

Audit noticed instances of deviation from the approved budget, issue of purchase orders defying the order of the higher authority, irregular approval of tenders, absence of transparency in tender evaluation, purchase of equipment at much higher rates, issue of wrong installation certificates, supply of below specification items and lower number of items. All these indicated absence of an effective internal control mechanism in RIMS apart from extending undue favour to some suppliers. As a result 125 Basic and Advanced Dental Chairs, one Mobile Dental Van (MDV) and 10 Radiovisiography (RVG) systems worth ₹ 26.34 crore were procured at higher rates. Besides, RIMS failed to impose penalty of ₹ 2.37 crore on defaulting suppliers for delayed supply of medical equipment as discussed in the succeeding paragraphs.

2.1.2 Fund Management

As per section 7 and 12 of RIMS Act, 2002, the Governing Council (GC) is responsible for approval of the annual budget for RIMS.

The GC, in its 34th meeting (August 2013) approved an outlay of ₹ 5.80 crore for purchase of dental equipment viz., Dental Chairs, Mobile Dental Van, RVG systems etc., as per Dental Council of India (DCI) norms for the Dental Institute, RIMS. The Director, RIMS, however, submitted (October 2013) detailed budget of ₹ 9.29 crore to the GoJ which included cost of major items viz., 200 Basic Dental Chairs (BDCs) at the rate of ₹ 2 lakh each, 50 Advanced dental chairs (ADCs) at the rate of ₹ 4 lakh each, one MDV at the rate of ₹ 50 lakh and three RVG systems at the rate of ₹ 2 lakh each.

Audit noticed that RIMS procured dental equipment worth ₹ 37.17 crore which included 110 BDCs at ₹ 14.29 lakh each, 15 ADCs at ₹ 42.86 lakh each, one MDV at ₹ 1.48 crore and 10 RVG systems at ₹ 9.50 lakh each (excluding taxes).

Thus, RIMS did not adhere to its own budget in procuring dental equipment. The deviation of ₹ 27.88 crore (400 *per cent*) was possible because the Department released consolidated funds for development works of RIMS as a whole without earmarking stream/department-wise funds. GC also did not discuss the reasons for the deviation in its meetings, despite allegations of irregularities in the procurement process.

The Director, RIMS stated (July 2020) that during the initial planning of the Dental Institute, an estimate was prepared based on requirements of instruments as per DCI norms but later on, after inspection of the Dental College building, it was found that there were several major flaws in the construction and hence the need was felt to purchase instruments on turnkey basis with extended warranty of five years which resulted in increased estimated budget.

The reply is not acceptable as any document showing flaws in construction of building of Dental Institute was neither available in the concerned files nor attached with the reply. Further, Audit noticed that only civil work for compressor room and plumbing and electrical work were done by the supplier for installation of dental chairs which was as per terms of NIT. Further, subsequent budgets or minutes of meetings of GC did not record any justification for such deviation.

2.1.3 Bid evaluation

2.1.3.1 Arbitrary evaluation of tender

Rule 131 R(x) of Jharkhand Financial Rules (JFR) states that bids received should be evaluated in terms of the conditions already incorporated in the bidding documents and no new condition which was not incorporated in the bidding documents, should be brought in for evaluation of the bids. Besides, *Rule 126(v), ibid*, states that at each stage of procurement, the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision. Further, as per CVC guidelines issued (July 2003 and April 2014), pre-qualification criteria should be made explicit at the time of inviting tender and the acceptance/rejection of any bid should not be arbitrary but on justified grounds as per the laid down criteria.

RIMS invited (January 2016) a tender for procurement of dental equipment where technical and financial evaluation was to be linked with score giving weightage of 60 *per cent* to technical qualification and 40 *per cent* to financial offers. Technical scoring was to be done on the basis of specifications and performance of the quoted equipment and price scoring was to be done on the basis of quoted rates compared to the rate of the lowest bidder. Final decision was to be taken on the basis of the combined score.

Audit noticed that the technical committee did not adopt score based technical evaluation and instead declared bidders as technically qualified/ disqualified on the basis of comparative examination of specifications, documents and practical demonstration. The purchase committee also did not award any combined technical and financial score for approval of rates and approved the lowest rate amongst the technically qualified bidders. Reason for not adopting score based evaluation was not recorded in the evaluation reports.

Thus, the tender was not decided as per the terms of the NIT and 20 items worth ₹ 18.52 crore were procured against this tender. Purchase committee members and the Director, RIMS, who accepted the committee's recommendations and approved the purchase are responsible for arbitrary evaluation of tender in violation of financial rules.

The Director, RIMS stated that qualification of the bidders were decided on the basis of technical and specification evaluation and that the technical evaluation of high-end equipment *inter-alia* included practical demonstration.

The reply is not acceptable as score based bid evaluation was not done as required in NIT and reasons for the deviation were not recorded.

2.1.3.2 Irregular award of work

In response to the instructions of the Health Minister, the Director, RIMS sought (September 2016) clarification from both agencies against which only one agency³ responded (September 2016) denying all charges. The Director, however, without cross-verifying the contention of the agency and price of similar equipment procured by other institutions or market price as suggested by the Health Minister, paid (November 2016) outstanding bill of ₹ 5.40 crore to the agency against supply of 36 BDCs. Further, purchase orders for 50 more BDCs, five ADCs and ten RVG Systems were issued between January 2017 and December 2017 to the same agency and ₹ 11.40 crore were paid between July 2017 and August 2018. The Director, RIMS neither submitted the report of enquiry nor obtained the approval of the Health Minister before issuing further purchase orders to the agency.

Audit analysed eight types⁴ of documents submitted with bids (June 2015 and January 2016) by these two bidders, tender evaluation process for items where only these two bidders were technically qualified, mechanism adopted by RIMS for furnishing installation certificate to these agencies for making payments and compliance to NIT conditions by these agencies and noticed the following irregularities:

- (a) In the service tax registration certificates, land line number recorded by both suppliers was the same.
- (b) The address of the proprietor of M/s DK in Income Tax (IT) return for 2014-15 and 2015-16 was the same as the address of M/s Sreenath shown in all his documents.
- (c) The local address of M/s DK as mentioned in the Jharkhand commercial tax registration certificate was not traceable as it did not contain plot number or

³ M/s Sreenath Engineering Sales and Services Pvt. Ltd. Kolkata

⁴ Bid form, affidavits regarding vigilance clearance and assurance of non-supply of items elsewhere at lower rates than quoted for, registration certificate of commercial tax department, certificate of import and export, professional tax registration certificate, income tax return, audited annual accounts, service tax registration certificate.

building/house number. The local address of M/s Sreenath was, however, traceable.

- (d) M/s DK and M/s Sreenath submitted authorisation certificate of the same manufacturer or authorised dealer for bid of MDV.
- (e) M/s DK did not supply BDCs though his rate was approved (December 2015) and ultimately the item was procured (between September 2016 and February 2018) from M/s Sreenath through second tender.
- (f) In both the tenders (June 2015 and January 2016), against 22 out of 275 items, which covered the bulk of the cost, only M/s Sreenath and M/s DK were technically qualified and ultimately tender was awarded to M/s Sreenath.
- (g) Further, irregularities in technical evaluation of bids (**paragraph 2.1.4**), approval of higher rates (**paragraph 2.1.5**) and issue of installation certificate in favour of M/s Sreenath despite shortcomings (**paragraph 2.1.6**) were noticed by audit.

Thus, collusion between these two suppliers and undue favour to a particular supplier by RIMS could not be ruled out.

In reply (July 2020), the Director, RIMS *inter-alia* stated that simply address being same, telephone number being same and floor being same etc., cannot be a reason to stop participation of a bidder who has got legal entity in open tender if the bidder follows all the due procedure. It was also stated that a company having all valid papers and who complies with all NIT terms is eligible. In one premises, multiple companies may be present and one telephone number can be used by multiple companies; it doesn't mean collusion. It was also stated that the bidder had provided Tax Registration Certificate which is issued only after completing all formalities including verification. Further, CVC has never barred a manufacturer to authorise multiple dealers across India.

The reply is not acceptable as bidders having the same telephone number and the same address as well as making identical bids, absence of uniformity, non-transparency and arbitrariness in technical evaluation of bids beyond the terms of NIT resulting in undue favour to the both bidders as detailed in **para 2.1.4** raises doubt about collusion and bid rigging. Collusion in the bidding process was also highlighted by the departmental committee. Further, despite the Hon'ble Minister flagging the issues, no steps were taken by the RIMS to ascertain prices of similar items procured by other institutions or market prices.

2.1.3.3 Tender evaluation in violation of RIMS regulations

As per Clause 6 of RIMS Regulations, 2014, the Finance and Accounts Committee⁵ headed by the Secretary of the Department is responsible for disposal of a tender.

Audit noticed that the Governing Council of RIMS decided (August 2004) that in case of specialised instruments or machines, medicines and chemicals, the concerned Head of the Department (HoD) will be the member of the tender committee for the technical approval of the tender. However, RIMS formed a separate technical committee in the year 2006 for technical evaluation of bids. The committee was re-structured (June 2014) by the Director, RIMS with the Medical Superintendent as its chairman and HoDs of seven⁶ departments as its members. The technical committee carried out technical evaluation of bids and declared bidders as technically qualified or disqualified. After that the purchase committee⁷ decided the rates after opening financial bids of technically qualified bidders. Thus, committees with no defined role or limited role in the tender process were entrusted with tender decisions. The Finance and Accounts Committee was not at all involved in the tendering process though it was responsible for tender decisions as per the Regulations. Thus, RIMS did not ensure that tender decisions were taken by the body designated for the same.

The Director, RIMS stated (July 2020) that the fixation of technical specifications and evaluation of tenders by the technical committee has been a routine practice since 2006. He further stated that the purchase committee approved the bid in a joint meeting with the technical committee.

The reply confirms that the practice being embedded into the procurement system and followed by RIMS was not as per the provisions of the Regulations. The reply was silent about not involving the Finance and Accounts Committee in the tender process as required under the Regulations.

2.1.4 Irregular technical evaluation

Audit noticed absence of uniformity, non-transparency and arbitrariness in technical evaluation of bids beyond the terms of NIT. Instances are given in the succeeding paragraphs.

⁵ (i) Secretary of the Department (Chairman); (ii) Director, RIMS (Member Secretary); (iii) Internal Financial Advisor of RIMS; (iv) Secretary, Finance Department or his representative; (v) Director, Medical Education, Directorate of Health; (vi) one SC/ST representative of Governing Council (vii) one medical expert of Governing Council and (viii) Technical Officer (Executive Engineer), Technical Cell of the Department as its members.

⁶ Ophthalmology, Medicine, Surgery, Gynaecology, Pathology, Concerned Department and Radiology.

⁷ Clause 6 (vi) of the RIMS Regulations, 2014 provides for a stores and purchase committee without defining its roles and responsibilities.

Basic Dental Chair (1st tender)

Two out of six bidders were declared (October 2015) technically qualified in the tender invited in June 2015. Audit noticed that:

- Three bidders⁸ were disqualified with comments that the submitted catalogue did not show features of chairs as required in the NIT. However, another bidder (M/s D K Medical Systems, Kolkata) was technically qualified though he had neither specified the model of the chair in his bid nor submitted any catalogue.
- One bidder⁹ was disqualified for the reason “incomplete information”. However, Audit could not examine the veracity of this comment as the evaluation report did not specify what information could not be verified by the technical committee.

The Director, RIMS replied that the selection and rejection of bidders was not due to a single reason, rather several key factors contributed to this process. The factors enumerated inter alia included the technical information provided, compliance to US FDA norms, onsite visit, number of similar installations done by the bidder previously at different sites, ability to provide practical demonstration, post installation support etc.

The reply is not acceptable as the reasons for selection and rejection given by the Director, RIMS were not in the ambit of the NIT. Regarding other reasons mentioned in the reply, Audit did not find any refusal from disqualified bidders showing unwillingness for onsite visit or practical demonstration. The findings of the technical committee on onsite visit and practical demonstration with respect to successful bidders were also not on record. The reason of disqualified bidders not having US FDA certification was also not acceptable as either FDA, CE, UL or BIS certification of the product was acceptable as per the NIT. Further, one of the successful bidders (M/s DK) had neither specified the model of chair in his bid nor submitted any FDA certification of the product whereas another successful bidder (M/s Vishal Surgical Equipment Company Pvt. Ltd, Kolkata) had offered CE-certified and not FDA-certified chair.

Basic dental chair (2nd tender)

Tender was invited in January 2016 in which two out of three bidders were declared technically qualified in March 2016. Audit found that:

- As discussed in **paragraph 2.1.3.1**, the tender was to be decided on scoring pattern. Onsite practical demonstration of major items was also to be done by the technical committee as per NIT.

Audit noticed that the Director, RIMS directed (17 March 2016) the technical committee to consult all three bidders for carrying out onsite

⁸ M/s Confident Dental Equipment Ltd., Kolkata, M/s Kailash Surgical Private Ltd., Ranchi and M/s Ocean Enterprises, Jamshedpur.

⁹ M/s Sreenath.

practical demonstration and to conclude technical evaluation. However, the technical committee evaluated (28 March 2016) the technical capabilities of the bidders only on the basis of practical demonstration and did not adopt score based technical evaluation and thus ignored an objective evaluation. Further scrutiny revealed that one bidder¹⁰ was disqualified with the comments that the bidder failed to do the demonstration and had informed that they have not undertaken any installation in India. However, no documents in support of this claim of the technical committee were on record. Moreover, no response of the two successful bidders showing details of their installation and arrangements for onsite practical demonstration were found on record. Findings of the technical committee, if any, with respect to practical demonstration of existing installation of successful bidders were also not found on record.

- The two technically qualified bidders¹¹ had not submitted the required authorisation letters of the original equipment manufacturer (OEM) of the product, literature leaflet and catalogues of the offered chairs though these were mandatory documents for evaluating technical capabilities as per the NIT. Instead, they had submitted authorisation letters obtained from the distributor which were considered valid by the technical committee.
- One of the successful bidders (M/s DK) had also participated in the earlier bid (June 2015) where he was declared (December 2015) the lowest bidder by the purchase committee with bid of ₹ 4.25 lakh per chair. Later on, the bidder expressed (11 January 2016) his inability to supply chairs due to flooding in the manufacturing company (in Finland) and suspension of manufacturing of the chair for an indefinite period. RIMS, however, issued purchase order (15 January 2016) to this bidder for supply of 25 chairs. The supplier failed to comply with the purchase order and should have been debarred. Instead, the supplier participated in the second tender and was declared technically qualified (March 2016) though he was liable to be blacklisted and debarred from participation in any further tender for the breach of contract as per the condition of NIT against which purchase order was issued.

The Director, RIMS stated (July 2020) that both the successful bidders had expressed their consent for practical demonstration. The technical committee submitted its report following which the bidders were selected. Regarding authorisation, it was stated that authorisation was provided by India Channel Partner of the manufacturing company along with letter of arrangement from the Principal manufacturing company ensuring post sales service.

Reply is not acceptable as the said report of the technical committee on practical demonstration was neither found on record nor furnished with the reply. The

¹⁰ M/s Kailash Surgical Pvt. Ltd., Ranchi.

¹¹ M/s Sreenath and M/s DK

reply was also silent about not carrying out score based evaluation and non-submission of literature, leaflet and catalogues of the offered chairs by the successful bidders. Further, authorisation from India Channel Partner and arrangement letter from the OEM (Olsen) was neither found enclosed with the bid nor furnished with the reply. Moreover, authorisation of the OEM was required as per NIT and any other mechanism adopted were deviations from the terms of the NIT.

Advance dental chair

Two out of six bidders were declared (October 2015) technically qualified in the tender invited in June 2015. Audit found that:

- Four bidders were technically disqualified citing absence of details of functional description and operational requirement though these were found by audit in Table 4A of the bid as required under NIT.
- Further scrutiny disclosed that, a successful bidder (M/s Sreenath) had not submitted information in Table 4A which was required for comparative analysis of specifications asked for in NIT. Rather, it had submitted varied specifications in its offer letter which was not in the prescribed format and more than 90 *per cent* of specifications were not comparable.
- One bidder (M/s Vishal Surgical Equipment Company Pvt. Ltd, Kolkata) was disqualified on the grounds that the compressor in his bid did not meet the requirement. It was seen that the bidder had participated in bids of both types (Basic and Advance) of chairs and had mentioned in Table 4A of both the bids that the required specification as per NIT (1200 to 1500 rpm) was not a feature of a compressor. He was declared technically qualified in the bid of BDCs and disqualified in the bid of ADCs by the same technical committee on the same day.

The Director, RIMS replied (July 2020) that there were multiple reasons for selection or rejection of the bidders, as stated in the case of BDCs. It was also stated that M/s Kailash Surgical Private Ltd., Ranchi did not provide US FDA certification details and as such the specification was not matching with conditions of NIT.

Reply is not convincing as the NIT mentions that the complete system should be either FDA, CE, UL or BIS approved. The Technical Committee had also not specified non-submission of FDA certification as a reason of disqualification in its evaluation report. Grounds for qualifying/ disqualifying bidders should be within the ambit of NIT and not at the discretion of the evaluation committee and should be recorded in detail in the evaluation report. Details of specifications which did not match requirement should have also been recorded by the committee in the technical evaluation report. Further, justification for deviation from the terms of NIT should have been documented in the evaluation report to ensure transparency in the tender process.

Mobile Dental Van

Two out of three bidders were declared (October 2015) technically qualified in the tender invited in June 2015. Audit found that:

- As per the Bachelor in Dental Surgery (BDS) Course Regulation, 2007 issued by the Dental Council of India (DCI), the MDV should have capacity for seating 15 to 20 people and should be equipped with two dental chair units¹² and 11 other dental equipment¹³. However, the Director, RIMS, without specifying the capacity of the van and other requirements as per DCI norms, invited (June 2015) tender where bidders were free to submit their own specifications and details regarding body fabrication, electrical fittings, water system and equipment.

Audit noticed that the MDV offered by two successful bidders (M/s DK and M/s Sreenath) were identical and did not have facilities of two dental chairs and seating capacity of 15 to 20 persons as required under DCI norms. Further, the successful bidders did not offer four¹⁴ out of 11 dental equipment and water tank of 150 litres was offered instead of 400 litres which were also pointed out by DCI during its inspection in December 2018. Additionally, some other items viz., RVG system, computer and colour printer, UV cleaner and a complete set of hand instruments, which were costly and not required as per DCI norms, were offered with the MDV. Make and model of the offered equipment was also not specified in the bid document. As such, RIMS did not adhere to DCI norms in procuring MDV.

- The successful bidders offered MDV having chassis of make 'Force Motors' model 'Traveler TD BS 3' with authorisation of a distributor/dealer of Force Motor instead of the OEM viz., Force Motor as required under NIT.
- One successful bidder (M/s Sreenath) had offered installation of a 'Suchi' make dental chair in the van. However, the same chair offered in the same tender against BDC by the same bidder was not found technically feasible by the technical committee on the same day. Thus, the bidder was extended undue favour by accepting a technically non-feasible item.

The Director, RIMS inter alia stated that DCI criteria of MDV were not practical as it required a large vehicle which would have caused difficulty in navigating in remote areas and that the technical committee decided to purchase a smaller van with single chair keeping other relevant specifications of the DCI intact. On

¹² Hydraulically operated with spittoon attachment, halogen light with 2 intensity, air-venturi suction, air-rotor, micro-motor, 3 way-scalar and light cure, X-ray viewer, instrument tray, operating stool.

¹³ One Autoclave, one Intra-oral portable X-ray machine, one glass bead steriliser, one compressor, one metal cabinet with wash basin, two portable dental chair (having suitcase unit with air-rotor, micro-motor, scalar and compressor), one stabilizer of 4 KV, one generator of 4KV, one water tank of 400 ltrs and one oxygen cylinder. Tender for two other items viz., one public address system and one demonstration model required under DCI norms was invited separately.

¹⁴ One glass bead steriliser, two portable dental chairs (having suitcase unit with air-rotor, micro-motor, scalar and Compressor), one stabiliser of 4 KV and one oxygen cylinder.

a later date, on request from the Ex. Principal, Dental Institute and with efforts of the supplier, a practical solution to meet DCI norms had been made by incorporating one additional chair, a portable bio-toilet and portable doctors' consultation chamber without any extra cost. Moreover, the supplier provided two units of upper version high quality chairs. The remaining deficiencies (pointed out by the DCI) were said to have been corrected, for which fresh tender were invited. It was further stated that the authorisation was provided by Force Motor which is a reputed company in manufacturing and fabricating.

The reply indicated that significant modifications and additions which were not considered at the time of purchase were done or were underway as per DCI norms. DCI approval of the modifications was also not furnished to Audit. Further, standardisation of features in the product was not possible through invitation of NIT without specifications and the technical committee was free to choose the model. The supplied chairs also were of lower version as discussed in **paragraph 2.1.6**. The reply was also silent as to why offer with insufficient dental equipment and with additional and costly items was accepted by the Technical Committee. Regarding authorisation, the reply is not acceptable as both the qualified bidders had submitted authorisation of the distributor of Force Motors and not of the manufacturer (Force Motors) itself.

Other equipment

- Tender invited in January 2016 included supply of 15 items¹⁵. The bidders were to quote make and model of items, submit literature leaflet along with catalogues, manufacturing certificate or authorisation certificate issued by the manufacturer and detailed specification in Table 4A of the bid. Specifications of eight¹⁶ out of 15 items were given in the NIT. Audit noticed that two bidders (M/s Sreenath and M/s DK) quoted for these items but did not mention make and model of the items in their bid nor did they submit leaflet, catalogues, manufacturing or authorisation certificates as required. They also did not furnish details in Table 4A with the bids. However, the technical committee declared these two bidders as qualified and procured equipment worth ₹ 36.05 lakh in June 2017.

In reply, the Director, RIMS stated that the equipment purchased were not highly specialised but were rather market items. The authorisation as well as AMC for the equipment has been provided by the distributor.

The reply is not acceptable as the terms of NIT once fixed cannot be overlooked even if equipment does not fall under highly specialised category. Further, quality of an equipment cannot be ensured if equipment are offered without

¹⁵ Glass bead sterilizer, welder, hydro solder, pressure molding machine, welder with soldering attachment, pneumatic chisel, micro surveyor, curing presser pot, pulp tester, mechanical press, sand blasting machine, flask press, wax heater, wax carver and needle burner.

¹⁶ Glass bead sterilizer, pressure molding machine, welder with soldering attachment, pneumatic chisel, micro surveyor, pulp tester, sand blasting machine and needle burner.

specifying a particular make and model and the bidder was given the opportunity to supply inferior equipment. Further, the authorisation quoted by Director, RIMS was neither found on record nor furnished with the reply.

2.1.5 Purchase at higher rates and in excess of requirement

Rule 126 (iv) of JFR provides that the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required.

Audit noticed procurement of dental equipment at higher rates beyond the budget estimates and without reference to rates offered in earlier bids or surveying market rates as discussed in the succeeding paragraphs:

Basic Dental Chairs

RIMS estimated the rate of BDC at ₹ two lakh each in its budget submitted (October 2013) to the Department. On tendering (June 2015), the purchase committee approved (December 2015) the basic rate (excluding tax) of ₹ 4.25 lakh each. However, RIMS again invited (09 January 2016) tender for BDCs with the same specification in anticipation of non-supply of chair by the bidder in the first tender. Based on second tender, RIMS procured (between September 2016 and February 2018) 110 BDCs at the basic price of ₹ 14.28 lakh each excluding taxes indicating intentional purchase of similar chair by RIMS at higher rates.

Audit analysed different rates to ascertain whether the procurement was done economically. It was noticed that the rate offered by the second lowest (L2) bidder in the first tender (June 2015) was ₹ 6.25 lakh per chair. Audit also collected purchase/contract rates of dental chairs from three Government institutes¹⁷ which ranged between ₹ 2.35 lakh and ₹ 3.35 lakh per chair. Further, prices available (March 2020) on the internet/ GeM for the dental chair meeting the DCI norms ranged between ₹ two to ₹ 4.35 lakh. Thus, the chair was available at much lower rates than the rate of ₹ 14.28 lakh each paid by RIMS.

Compared with the second lowest quoted price of ₹ 6.25 lakh per chair in the previous tender, ₹ 8.83 crore plus taxes were spent (September 2016 and February 2018) in excess on purchase of 110 basic chairs.

The Director, RIMS stated that price was based on various factors like loading, configuration, accessories, attachments, turnkey works, warranty, quality certification and durability. In the first tender, the quoted L2 price of ₹ 6.25 lakh was without accessories and the price of accessories were quoted separately. Putting together, the final price would have been much more than the quoted price in the bid. It was also stated that the supplier has undertaken major turnkey

¹⁷ Bihar Medical Services and Infrastructure Corporation Ltd., Patna: ₹ 3.35 lakh; Director of Dental Health Services, Himachal Pradesh: ₹ 2.35 lakh; and Rajasthan Medical Services Corporation Ltd., Jaipur: ₹ 2.88 lakh.

job¹⁸ for the entire Dental College building. It was asserted that the above should be viewed as a total turnkey job of a newly constructed hospital and not a simple basic chair purchase.

The reply is not acceptable as the specifications and other related works were similar in both tenders including turnkey jobs for successful installation of chairs. Bidders were required to quote the rate as a turnkey job for complete system with all accessories.

Advance Dental Chairs (ADCs)

The rate of ADC was estimated at ₹ four lakh per chair in the budget estimate. Price of such type of chairs meeting the DCI norms available (March 2020) on the internet ranged between ₹ 6.5 lakh and ₹ 15 lakh. The purchase committee ignored its own estimate of ₹ four lakh per chair and did not survey market price at that time and approved (December 2015) the price of ₹ 42.86 lakh for each chair.

Further, as per NIT, there were six additional features¹⁹ in ADC compared to the BDC. These additional features were analysed by audit to find justification for the huge difference in approved rate of the ADC (₹ 42.86 lakh each) and BDC (₹ 14.29 lakh each). During physical verification (September and October 2019), audit noticed that four out of six additional features²⁰ were not available with the supplied ADCs whereas two additional features²¹ were partially available. Thus, ADCs procured at three times the price of BDCs were almost identical to the BDCs.

Thus, on procurement (April 2016 and June 2018) of 15 ADCs, RIMS incurred extra expenditure of ₹ 4.29 crore²² (excluding taxes) in comparison to the approved price (₹ 14.29 lakh) of BDCs.

The Director, RIMS stated that the reason shown for the purchase of BDCs equally applies to the ADCs. Besides, RIMS had asked for fully loaded Advanced Dental units with total turnkey project. Regarding absence of

¹⁸ Involving (1) separate electrical lines for each department and chair with high range of servo stabiliser and bus bar (2) Total water pipelines and drainage system (3) Air suction gas pipelines (4) electrical fittings (5) False ceilings with false ceiling lights (6) Construction of special clinics in all departments (7) Construction of enclosed granite-finish sterilisation areas with modular furniture for storage (8) Civil construction of compressor room. (9) Two numbers high end centralised imported compressors. (10) Permanent stationing of dedicated staff for round the clock servicing and demonstration.

¹⁹ (1) Modular furniture with sink and tap as per the site requirement (12x2 sq.ft) (2) In-built Peizon LED (fibre optic) ultrasonic scalar (frequency 28-36 kHz) with 4 scalar tips and one set of periocutette tips (3) Warm Water Syringe (4) LED based x-ray viewer (5) LED OPG viewer and (6) 17 inch monitor (Original from the company) for RVG.

²⁰ LED based x-ray viewer, LED OPG viewer, 17 inch monitor for RVG and Warm Water Syringe.

²¹ Peizon LED fibre optic ultrasonic scalar (but with two tips instead of four scalar tips and without periocutette tips) and Modular furniture with sink and tap (12x2 sq.ft) (only five provided for 15 chairs).

²² (₹ 42.86 lakh - ₹ 14.29 lakh) x 15

additional features, it was stated that the suppliers delivered as per offer letter which was approved by the technical and purchase committees.

The reply is not acceptable as similar in the case of BDCs, all stated additional works were within the scope of the NIT. Further, absence of additional features, found during joint physical verification, were certified by the concerned HoD. The claim that delivery by supplier was as per offer letter is also unacceptable as the supplier himself accepted (July 2019) non-supply of advanced features with the chairs in a clarification submitted to the Director, RIMS.

Mobile Dental Van

RIMS in its own budget estimate (June 2013) had projected ₹ 50 lakh as the price of the MDV. It was, however, noticed from information collected from other dental institutes²³ that the cost of MDV having higher wheel base than that offered by the successful bidder ranged between ₹ 29 lakh and ₹ 41 lakh.

Audit noticed that RIMS procured (February 2018) the MDV with accessories and equipment for ₹ 1.48 crore. Thus, the purchase committee did not consider its own estimate of ₹ 50 lakh or surveyed market price before approval of the rate in December 2015.

In reply, it was stated (July 2020) that the purchase committee had procured a fully loaded MDV with maintenance of five years. The various parts of the vehicle such as body, tyres, electrical parts, batteries, lubricants etc., are not covered under company warranty but the same has to be borne by the vendor.

The reply is not acceptable as the entire range of MDVs procured by other dental institutes were also fully loaded. Further, maintenance cost of five years would not inflate the price of a MDV by more than 300 to 400 *per cent*.

Radiovisiography System (RVG)

The rate of RVG system was estimated at ₹ two lakh each in the budget estimate. Audit found (March 2020) that the price of RVG system of same make with almost similar specifications on the internet ranged between ₹ 1.80 lakh and ₹ 1.90 lakh. Audit also found that the Director of Dental Health Services, Himachal Pradesh had approved (October 2016) the rate contract for RVG (Sirona XIOS-XG Select) of the same manufacturer at ₹ 1.75 lakh including a computer and a UPS with five years warranty.

It was noticed that the procurement of RVG system was approved (December 2015) at a basic price of ₹ 7.95 lakh each but the purchase order was never issued despite the request (11 January 2016) of the supplier. In the same bid (June 2015), the second lowest rate was ₹ 8.10 lakh for Sirona (XIOS-XG Supreme) make RVG system. However, another tender for RVG system with the same specifications was invited (9 January 2016) by RIMS on the basis of

²³ Post Graduate Institute of Dental Science, Rohtak, Haryana (a State Government institution): ₹ 29 lakh and Bafna Healthcare Private Ltd (BHPL), Faridabad: ₹ 40.41 lakh.

which the basic price of ₹ 9.50 lakh each was approved (August 2016) and 10 RVG systems (Sirona XIOS-XG Supreme) were procured. Thus, the same RVG systems were procured at higher price ignoring the budget or the market price. Even considering the rate quoted in the earlier bid, the same RVG systems were procured at a higher price of ₹ 1.40 lakh each which led to excess expenditure of ₹ 14.40 lakh.

Director, RIMS stated that initially, tender of RVG was cancelled along with the tender of dental chairs as the bidder expressed his inability to execute the order of supplying chairs and re-tender was done. Further, it was stated that in the earlier bid, the price was quoted for RVG only. In the later tender, price was quoted and approved with accessories which included High End Computer Monitor and UPS and furniture like Computer Table.

The reply is not acceptable as the bidder had never expressed his inability to provide the RVG systems. Further, specifications of RVG systems with allied accessories in both the tenders were the same.

2.1.6 Supply of items of lower specification

During physical verification (September-October 2019), it was noticed that required attachments and accessories of BDCs/ADCs and MDVs as approved for supply were either missing or of lower specifications (*Appendix 2.1.2*). Against the supplied 110 ultrasonic scalars, 56 scalars worth ₹ 3.36 lakh were missing and RIMS had procured (April 2016) 20 ultrasonic scalars with accessories at the rate ₹ 2.29 lakh per unit. Out of ten RVGs supplied, two RVGs were different (XIOS-XG Select) than the approved model (XIOS-XG Supreme). Despite these shortcomings, satisfactory supply and installation certificate were issued by the HoD/Principal, Dental Institute, RIMS based on which payments were released to the suppliers.

The Director, RIMS accepted the observations regarding RVG system but was silent about shortcomings pointed out with respect to chairs. It was also stated that the excess purchase was to cater to the needs of the patients.

Reply regarding purchase of scalars is not acceptable as 41 scalars were lying idle in the stores for 30 to 48 months (August 2020) after supply and could be issued only after being pointed out by Audit.

2.1.7 Other points of interest

➤ RIMS paid (February 2016) the approved basic price of ₹ 5.02 crore to a supplier in advance for 10 ADCs, one Panoramic X-ray and two instruments for bone plating and other major surgeries on proforma invoice (February 2016). After supply (April and August 2016), the supplier submitted tax invoices of ₹ 5.27 crore including VAT of ₹ 25.09 lakh. The VAT was unpaid as of July 2020.

The Director, RIMS stated (July 2020) that payment would be made as per the tax invoice.

The reply is not convincing as non-claim of tax by the supplier for more than four years raises doubt about the genuineness of the tax invoice.

➤ The Director, RIMS issued (10 October 2017) purchase order to M/s Sreenath for supply of five ADCs at the approved basic price of ₹ 42.86 lakh each. These chairs were installed in June 2018 and ₹ 2.40 crore was paid (August 2018). Audit noticed that these five chairs were of INTEGO model of the company 'Dentsply Sirona' (Sirona merged with Dentsply) whereas the technical and purchase committees had approved the purchase of Sirona C8+ model. Purchase orders for these chairs were issued on the request (January 2018) of the supplier stating that he was unable to supply the approved chairs due to discontinuation of that particular model. The bidder offered to supply another model of higher version of the same company. However, the Director, RIMS did not ensure approval of the tender committee on specifications and rates for this purchase.

In reply, it was stated that the five ADCs were purchased for use by the remaining Departmental Heads. The procured chairs are of higher version and have been delivered on the same terms and conditions as the approved version of chairs.

The reply is not acceptable as audit did not find any record to assess that the supplied chairs were of higher version. Further, one out of five chairs was found (May 2020) lying idle on the ground floor of the institute.

➤ Audit found that equipment were supplied with delays from the stipulated timeframe. However, RIMS authorities failed to impose penalty of ₹ 2.37 crore (*Appendix 2.1.3*) on the defaulting suppliers.

The Director, RIMS accepted the observation and stated that the particular clause was not strictly adhered to as RIMS had also failed in providing necessary infrastructure for installation of equipment.

The reply is not acceptable as there was no need for providing additional infrastructure for equipment other than the installation of chairs. Even 50 out of 110 BDCs were supplied and installed within time. Further, suppliers did not seek extension of time at all in any case to justify the delay on the part of RIMS in providing necessary infrastructural support.

2.1.8 Inventory Management

Audit noticed that equipment worth ₹ 12.02 crore supplied (between May 2016 and June 2018) to the Dental Institute was not entered in stock and was thus fraught with the risk of misuse (*Appendix 2.1.4*). During physical verification, Audit found equipment worth ₹ 9.00 lakh (*Appendix 2.1.5*) and six pieces of

miniature contra angle hand-piece supplied with pedo chairs²⁴ missing. Further, specifications and numbers of hand instrument sets worth ₹ 2.87 crore (*Appendix 2.1.6*) purchased in April 2016, could not be verified as full particulars of these sets were not recorded in work orders, delivery *challans*, invoices or stock registers. Packets of these instruments were found in the store room in open carton boxes during joint physical verification.

➤ Equipment²⁵ worth ₹ 71.91 lakh were purchased (August 2016) for the Operation Theatre (OT) in the Dental institute. Though, HoD of Dentistry had issued (10 August 2016) 'Installation and satisfactory functioning certificate', it was found during joint physical verification (May 2020) that the OT was not established. In the proposed OT, frame of LED OT light was found hanging and the hall was occupied by security personnel, as shown in the photograph below:



Photograph taken on 04 October 2019 showing proposed Operation Theatre of the Dental Institute and incomplete installation of OT Light.

Disinfectants worth ₹ 17.85 lakh purchased in August 2016 for use in the OT had expired. The remaining OT equipment was found lying unopened in the stores.

➤ Further, in three departments²⁶, 115 laboratory equipment worth ₹ 1.22 crore, procured between April 2016 and June 2017, were found (May 2020) lying idle in departmental stores as the laboratories were not established.

²⁴ Purchased through work order no. 223 dated 15/01/2016, challan dated 20/04/2016, separate price of miniature contra angle hand piece not indicated in invoice/ bid offer.

²⁵ A High-end electro-hydraulic OT table (₹ 16.48 lakh), two Multi-para-Monitor-Beneview T8 with accessories (₹ 29.74 lakh) and one LED OT light (₹ 25.69 lakh).

²⁶ Prosthodontics, Conservative and Orthodontics



Photograph taken on 24/09/2019 showing equipment lying idle in Prosthodontics department.



Photograph taken on 26/09/2019 showing equipment lying idle in Orthodontics department.



Photograph taken on 11/05/2020 showing equipment lying idle in store at Ground floor.



Photograph taken on 04/10/2019 showing equipment lying idle in store at 2nd floor near Prosthodontics Department.

2.1.9 Conclusion and Recommendation

Audit noticed deviation of around 400 *per cent* from the proposed budget for procurement of dental equipment. Purchase orders were issued without examining suspected collusion between bidders. Bids were not decided by the designated body as per provisions of RIMS Regulation and arbitrariness was noticed in technical evaluation of bids. Procurement of 125 BDCs and ADCs, one MDV and 10 RVGs worth ₹ 26.34 crore were done at higher prices ignoring budget estimates and without surveying market rates. RIMS failed to impose penalty of ₹ 2.37 crore for delayed supplies. Short-supply of equipment along with supply of equipment of lower specification were noticed. OT and Lab-equipment were lying idle as OT and Labs were yet to be set up.

Recommendations:

- The Department should fix responsibility on erring officials for irregularities in tendering, procurement and inventory management;
- RIMS should ensure that bids are evaluated only by the designated Finance and Accounts Committee and all decisions taken during bid evaluation along with justification are recorded;

- Purchase prices should be finalised after market survey, internet survey and by referencing similar purchases done by other recognised institutions to ensure that good quality equipment are purchased at reasonable rates; and
- Inventory management should be strengthened to ensure that all purchased equipment are entered in the Stock registers and full specification of such equipment are recorded for future tracking and physical verification.

