

Chapter 7

Procurement - District Level

7.1 Procurement out of funds transferred irregularly by DGNPME

SPMU released (2009-10 and 2010-11) funds to DGNPME for centralised procurement. An amount of ₹ 36.49 crore was not utilised by DGNPME and was transferred to district CMOs during 2009-10 and 2010-11. Test check of records revealed the following:

7.1.1 Purchase of drugs

7.1.1.1 Purchase of IFA tablets

DGNPME released (December 2010) ₹ 10.33 crore to CMOs, FW for purchase of IFA tablets under school health programme. Test check of purchase of IFA tablets in sampled districts revealed procurements at higher rates through quotations and poor documentation of purchase process. In violation of extant financial rules, the purchases were not made on competitive basis by adopting open tender system.

Test check of records in 16 districts¹ (test checked) revealed that M/s C.I. Laboratories, Kolkata and M/s Charisma Health Care, Lucknow supplied IFA tablets in five² and three³ districts respectively. Further, unit rate varied from ₹ 2.40 to ₹ 18.00 per 10 tablets against a competitive rate⁴ of ₹ 1.40. This resulted in excess expenditure of ₹ 1.66 crore (*Appendix-7.1*). Audit observed in five districts⁵:

- a) Though wide publicity was not done, M/s C. I. Laboratories, a Kolkata based firm got supply orders from CMOs of widely dispersed districts like Etah and Kushi Nagar on quotation basis. Further, the same set of five firms gave identical rates in four districts⁶ for supply of IFA tablets;
- b) In all the five districts where M/s C.I. Laboratories had given quotation for supply of drugs, M/s Seva Enterprises, Lucknow had also supplied hospital and miscellaneous items during the same period. It had also replaced 19.78 lakh poor quality IFA tablets, supplied by M/s C.I. Laboratories in Kushi Nagar, in September 2011; and
- c) Thirteen invoices amounting to ₹ 10.09 lakh of M/s C.I. Laboratories, Kolkata made available by CMO, Etah were cross verified through the tax authorities at Kolkata. The firm denied having issued these invoices. Thus, the possibility of fraudulent purchases of IFA tablets in four other sampled districts from M/s C.I. Laboratories cannot be ruled out.

¹ Six out of 22 test checked districts viz, Ballia, Barilly, Jaunpur, Kanpur Nagar, Mirzapur and Unnao did not purchase IFA tablets.

² Budaun, Deoria, Etah, Gorakhpur and Kushi Nagar.

³ Bahraich, Jalaun and Jhansi.

⁴ DGNPME purchased IFA tablets through UNOPS, an UN agency, at ₹ 1.40 per ten tablets in March 2010. (Additional agenda item No. 7 of 22nd meeting of State Executive Committee held on 22 March 2010).

⁵ Budaun, Deoria, Etah, Gorakhpur and Kushi Nagar.

⁶ Budaun, Deoria, Etah and Kushi Nagar.

Most of the CMOs, while admitting the facts, stated that due to lack of time and non-availability of RC rates the purchases were made on quotation basis. The Government endorsed the replies. The replies were not acceptable as the tablets were procured at much higher rates than the comparable market rates.

7.1.1.2 Purchase of de-worming tablets

DGNPME released (December 2010) ₹ 2.95 crore to CMOs, FW to purchase de-worming tablets for distribution to school going children. Audit observed that M/s C.I. Laboratories, Kolkata had supplied de-worming tablets in five districts⁷ whereas M/s Charisma Health Care, Lucknow and M/s S.K.P. Pharma, Lucknow had supplied de-worming tablets in three and two districts⁸ respectively. Further, unit rate varied from ₹ 1.70 to ₹ 4.60 per tablet against the Rate Contract (RC) rate⁹ of ₹ 1.40 per tablet resulting in excess payment of ₹ 20.29 lakh (*Appendix-7.2*). Audit also observed that:

- a) Eight invoices amounting to ₹ 2.88 lakh of M/s C.I. Laboratories, Kolkata made available by CMO, Etah were cross verified through the tax authorities at Kolkata. The firm denied having issued these invoices. Thus, the possibility of fraudulent purchases of de-worming tablets in four other sampled districts, from M/s C.I. Laboratories cannot be ruled out;
- b) Though wide publicity was not done, M/s C. I. Laboratories, a Kolkata based firm got supply orders from CMOs of widely dispersed districts like Etah and Kushi Nagar on quotation basis. Further, the same set of five firms gave identical rates in five districts for supply of de-worming tablets; and
- c) In all five districts where M/s C.I. Laboratories had given quotation for supply of drugs, M/s Seva Enterprises, Lucknow had also supplied hospital and miscellaneous items during the same period as elucidated in para 7.3.

Most of the CMOs, while admitting the facts, stated that due to lack of time and non-availability of RC of CMSD the purchases were made on quotation basis. The Government endorsed the replies. The replies were not acceptable as the RC of DGS&D was available.

7.1.2 Purchase of spectacles

DGNPME released (February 2011) ₹ two crore to CMOs, FW to purchase spectacles for distribution to school going children. Test check of records in 11 districts (test checked), which purchased this item, revealed that cost of spectacles purchased on limited quotation basis varied from ₹ 183 to ₹ 200 per spectacle against the estimated cost of ₹ 100 per spectacle as proposed in PIP 2010-11. The higher prices resulted in excess payment of ₹ 15.69 lakh (*Appendix-7.3*). Further, test check revealed that M/s Seva Enterprises, Lucknow and M/s S.S. Trading Co., Kanshiram Nagar were paid ₹ 4.16 lakh and ₹ 3.50 lakh for supply of spectacles in Budaun and Agra respectively. On inquiry CMO, Budaun stated that payment was made to the supplier but no spectacles were supplied. On a similar inquiry, CMO, Agra stated that no spectacles were received in two test checked blocks through central store of CMO, Agra which claimed to have supplied the same.

⁷ Budaun, Deoria, Etah, Gorakhpur and Kushi Nagar.

⁸ Charisma Health Care in Bahraich, Jalaun and Jhansi and S.K.P. Pharma in Bulandshahar and Moradabad.

⁹ DGS&D, New Delhi Rate Contract no. DM-CPSE/OC-5/RC-81010000/H5/OA407/08 Med. valid up to 06 August 2011.

7.1.3 Training for VHSC members

As per decision of EC (December 2009), training for VHSC members was to be organised at State level through CHART/SIHFV and ₹ 10.56 crore was released (March 2010) to CHART. However, reversing the earlier decision, EC decided (October 2010) to give funds to the districts despite the fact that the CMOs could utilise only ₹ 2.02 crore up to June 2008 out of ₹ 8.40 crore released to them for training VHSC members under Awareness Generation Training (AGT) Programme during 2007-08. Further, DGNPME and not SPMU, got funds back from CHART and released ₹ 10.56 crore to CMOs, FW during 2010-11.

Audit observed in twelve test checked districts¹⁰, which provided information, that CMOs, FW and MOICs spent this fund without financial sanction and reporting to DHS. In Agra, CMO, FW in violation of orders of the DM, transferred these funds to MOICs on 22 March 2011 who kept them in unauthorised bank accounts. Further, District Programme Manager (DPM), District Account Manager (DAM) and District Community Mobiliser (DCM) did not confirm holding of this training in sampled BPHCs through monthly monitoring reports or special reports. The training in BPHC, Fatehabad, started on 11 March 2011, before receipt of funds (23 March 2011) and despite DM's order of 8 March 2011 to hold a meeting on modalities of conducting this training. CMO, Agra offered no comments on the audit observation.

7.2 Expenditure under Untied funds

Untied funds and AMG are given to CHCs, BPHCs, APHCs, sub centres and VHSCs in specified amounts every year. ECs of RKSs at CHCs/PHCs accord financial sanctions, after ascertaining needs through Advisory Committees. Similarly, at sub centre and VHSC levels, Gram Pradhan and ANM undertake financial transactions after need/requirements are ascertained through VHSC.

The Government ordered (October 2010) that CMO, FW would be joint signatory for transactions at the block level, citing large number of transactions and limited accounting knowledge at that level. Test check of records revealed that this decision was taken on the proposal of DGNPME. The proposal was not examined by SPMU or EC of SHS, who were responsible for financial management of NRHM funds. The Government did not consider strengthening the Block Programme Management Units (BPMU) as an option to strengthen financial management at the block level, despite GoI's repeated suggestions to this effect. Following reporting of financial irregularities in NRHM in April 2011, the Government had created (June 2011) a post of Finance and Accounts officer, to be drawn from UP Finance and Accounts Services, in DHS. The Government also abolished (April 2011) the post of CMO, FW and the system of joint signatory referred to above.

Test check of records revealed that introduction of system of joint operation of block level accounts in October 2010 was followed by occurrence of financial irregularities.

7.2.1 Withholding of Untied funds at block level

In order to decentralise decision making and ensure community participation, RKSs were created as a separate legal entity to exercise administrative and financial powers. Similarly,

¹⁰ Agra, Bahraich, Bareilly, Bulandshahar, Jalaun, Jaunpur, Jhansi, Kushi Nagar, Moradabad, Raebareli, Shahjahanpur and Unnao.

VHSCs were also independent, with their own administrative and financial role. It was also noticed that funds meant for sub centres and VHSCs were withheld at block level as pointed out in paragraph 2.3.4.1 and 7.5 of this report so that more funds would be available at block level for purchases jointly by CMO, FW and MOIC during 2010-11.

7.3 Preference for suppliers

In five¹¹ out of 22 test checked districts, M/s Seva Enterprises, Lucknow was the major supplier.

Case study: Supplies made by M/s Seva Enterprises, Lucknow

Background of firm

M/s Seva Enterprises was a proprietary firm registered with TIN 09550014227 with Commercial Taxes Department on 10 February 2010. The firm's activities co-existed with the post of CMO, FW. Further, the firm's sale-purchase ratio was high considering its nature of business activity and the ratio of peer firm. The details are given below:

Table 7.1: Transactions of M/s Seva Enterprises

Period of transaction	Purchase (₹ in lakh)	Sale (₹ in lakh)	Sale-purchase ratio	Sale-purchase ratio of Hindustan Trading Co.	Remarks
Feb-Mar 2010	Nil	Nil	Nil	-	
Apr-Jun 2010	0.34	Nil	0	-	Post of DPO, FW created
Jul-Sep 2010	23.33	52.85	2.26	1.50	
Oct-Dec 2010	59.75	86.73	1.45	1.10	Post renamed as CMO, FW
Jan 2011	4.06	23.00	5.66	-	
Feb 2011	41.72	59.20	1.42	-	
Mar 2011	120.72	399.87	3.31	-	
Jan to Mar 2011	166.50	482.07	2.89	1.32	
Total	249.92	621.65	2.49 (Average)	1.33 (Average)	
April 2011	7.57	Nil	0	-	Post of CMO, FW abolished on 7 April 2011
May 2011	0.75	Nil	0	-	
Jun 2011	Nil	Nil	0	-	
July 2011	Nil	Nil	0	-	
Aug 2011	0.21	Nil	0	-	
Total	8.53	Nil	0	-	

(Source: VAT returns of the firms)

M/s Seva Enterprises bought stores from M/s Hindustan Trading Company (TIN 09850014221 registered on 10 February 2010) which was located adjacent to it and was owned by the spouse of purchasing firm M/s Seva Enterprises' proprietor.

¹¹ Budaun, Deoria, Etah, Gorakhpur and Kushi Nagar.

Modus operandi of transactions

This firm supplied stores in five districts viz, Budaun, Deoria, Etah, Gorakhpur and Kushi Nagar. These purchases were generally made out of Untied funds and after October 2010 when CMO, FW became joint signatory with MOIC of Block PHCs in operating bank account. Further, these purchases were made without open tender, demand from RKS and reasonability of rates as pointed out in Table below:

Table 7.2: Equipment/articles purchased at exorbitant rates (Amount in ₹)

Sl. No.	Equipment/Articles	M.R.P.	Supply rate
1	B.P. Instrument (Deoria)	550	2500
2	Needle destroyer (Deoria)	540	3800
3	Stethoscope	495	680
4	Colour LCD 21" Samsung (Gorakhpur)	15000	25000
5	DVD Player Samsung (Gorakhpur)	2900	5500
6	Wall Clock (Ajanta)	145	700
7	Regent Strip for glucose albumin test (100 strips)	362	780
8	Mucous Extractor	38	125
9	Emergency Light (Bajaj)	1195	2900
10	BP Instrument dial (Gorakhpur)	550	900
11	Syringe Destroyer (Etah)	1650	3800

(Source: Supplier's invoices and MRP printed on cartons containing supplied goods)

In 16 test checked blocks of five districts, the purchases of above equipment and articles (2010-11) on the basis of quotations, at exorbitant rates as compared to Maximum Retail Price (MRP), resulted in excess payment of ₹ 15.63 lakh.

The above case brings out uneconomical and ineffective procurement system under NRHM with inadequate controls leading to suspected frauds. CMOs of three districts¹² accepted the facts whereas CMO, Gorakhpur stated that the firm had replaced the items which were not up to the desired specifications. The reply of CMO was not acceptable as no justification for procurement at high rates were provided. CMO, Budaun furnished no reply.

In view of such suspected frauds in five out of 22 test checked districts, the possibility of more such suspected frauds in remaining districts cannot be ruled out. The Government may actively consider independent inquiries in all the districts.

7.4 Maintenance of stock register

Audit conducted a test check of stock registers in 22 districts (test checked) through a questionnaire. Out of 22 test checked districts, Agra did not produce records. Audit observed that:

¹² Deoria, Etah and Kushi Nagar.

- a) A control (index) register mentioning all files and registers was not maintained in any of the districts. In the absence of such control register, Audit could not ascertain the completeness of records produced.
- b) As per financial rules, periodical closing and physical verification of stores should be conducted. Audit observed that periodical closing of stock books and physical verification was not done in any of the districts during 2005-11.
- c) CMOs of five districts did not produce stock books as detailed below:

Table 7.3 : Non-production of stock registers

Sl. No.	District	Stock Register	Period
1.	Ballia	No stock register available with the unit. Stated to have been put up to CBI.	2005-06 to 2010-11
2.	Etah	Medicine and Equipment	2005-06 to 2007-08
		Property and Vehicle register	2005-06 to 2010-11
		Stationary and Dead Stock	2005-06 to 2007-08
		Contingent Register	2005-06 to 2007-08
3.	Gorakhpur	Flexi Board of CMSD	2007-08
		All stock registers	2005-06
4.	Jalaun	Medicine and Equipment	2005-06 to 2007-08
5.	Kanpur Nagar	Stock Book of Equipment	2005-06 to 2008-09

Given the fact that either the stock registers were not being maintained or maintained improperly without periodical closing and physical verifications, the receipts and issues of stock, particularly to beneficiaries, were suspect.

7.5 Other observations in sampled districts

7.5.1 Procurement ignoring rate contract

In order to effect economy, material should be purchased from the lowest bidder. However, test check of records revealed that in the following cases material were purchased at rates higher than those of Rate Contract (RC) of DGS&D and GoUP or without following due procedure:

- CMO, Allahabad purchased (2010-11) Ciprofloxacin tablets valuing ₹ 3.91 lakh at ₹ 18.60 per ten tablets, as per price given in RC of Employees State Insurance Corporation (ESIC) although it was available at cheaper rate in the departmental RC at ₹ 9.05 per ten tablets, thus, incurring an extra expenditure of ₹ 2.01 lakh. The Government replied that to avoid any hindrance in family welfare camps, the medicines were procured on ESIC RC. The reply was not convincing as drugs were purchased at higher rate despite the option of cheaper rate in the departmental RC.
- CMO, Allahabad purchased (2010-11) medicines for ₹ 1.90 lakh at higher rate on local purchase despite option of cheaper rate in departmental RC. This resulted in extra expenditure of ₹ 1.37 lakh. Government replied that to avoid any hindrance in

implementation of programmes, preference was given to local firms. The reply was not convincing as cheaper option was not exercised.

- CMO, Bareilly procured (2009-10) 35,000 IUD Kits by splitting the purchase. The kits were purchased from M/s Charisma Health Care, Lucknow at the rate of ₹ 20.06 per kit including taxes against DGS&D rate of ₹ 10.53. This resulted in extra expenditure of ₹ 3.34 lakh. In September 2010, various kits (RCH Follow-up Kit, RCH Camp Kit, RCH Camp Surgical Kit and IUD Kit) worth ₹ 12.36 lakh, were procured on quotation basis. These kits contained general medicines/drugs which were available on DGS&D RC list/CMSD RC list/RC approved by GoUP. The procurement of these kits at higher rate, flouting procurement procedure, resulted in undue favour to the firm (M/s Medicare, Lucknow) and loss of ₹ 7.57 lakh to the Government. The Government stated that complete kit was not available in RC of DGS&D, medicines given in the kits were of better quality than the medicines available on RC; kits were also inclusive of cost of packing and printing charges of pamphlets describing method of medicine usage. The reply of the Government was not acceptable as the rates at which procurements were made were higher by 90 *per cent* for purchases of 2009-10 and 158 *per cent* for purchases of September 2010, as compared to RC rates.
- MOIC of PHC Bhatani, Deoria procured items like BP Machine, Emergency light, needle destroyer and stethoscope from Untied fund, AMG and RKS funds. No quotation/tender was invited. M/s Seva Enterprises supplied the items at rates higher than printed MRP. Fictitious stock entries were made and funds were drawn but kept undelivered as bank drafts. The Government stated that the quality of material was not good, so the firm was not paid. The reply was contrary to the reply of MOIC during audit when the facts were admitted. Further, no record of correspondence with the vendor regarding quality of goods received was observed by audit.
- MOICs of PHC Bhathat, Gagaha and Brahmpur (Gorakhpur) paid ₹ 28.76 lakh to M/s Seva Enterprises (October 2010, February 2011 and March 2011) for purchase of various items. In case of eight test checked items (procured for ₹ 5.04 lakh), the rates of supply were higher than their MRP which resulted in excess expenditure of ₹ 2.61 lakh as compared to the MRP.
- During 2008-11, CMO, Moradabad purchased RCH Kits, Copper T Follow-up kits and Nasbandi operation kits for ₹ 45.26 lakh at rates higher than RC rates resulting in extra expenditure of ₹ 27.62 lakh. Moreover, 630 RTI/ STI kits containing general medicines were purchased (2010-11) from M/s S.K.P. Pharma, Lucknow at ₹ 55 per kit, although one kit could have been assembled at a cost of ₹ 23.92, inclusive five *per cent* VAT, in case medicines were purchased at rate contract. The Government replied that in view of shortage of time and importance of the programme, purchases were made on quotation basis as no RC rates were available for the kits. However, Audit observed that procured cost was more than two times higher than the cost of the medicines in the Rate Contract.
- CMO, FW, Shahjahanpur purchased (December 2010) IUD Kits (₹ 6.37 lakh), on quotation basis. The medicines in the kit were available on DGS&D rates. On the basis of comparative analysis of rates, it was observed that the kits were procured at rates

higher than those of DGS&D which resulted in extra expenditure of ₹ 3.37 lakh. The facts were admitted by the Government.

7.5.2 Splitting of procurement

Every indenting officer can approve purchases within his delegated financial powers. Approval of appropriate authority was necessary in case of purchases beyond that limit. However, test check of records revealed that, in the following districts, purchase orders were split to avoid obtaining sanctions of higher authorities. Moreover, the requirement for open tender was also circumvented by splitting the purchases.

Table 7.4: Details of splitting of purchase order

(₹ in lakh)

Authority	Year	Amount (₹ in lakh)	Vendors	Amount (₹ in lakh)	No. of bills	Items purchased
CMO & CMO, FW, Agra	2008-11	70.50	M/s V.S. Pharma, Lucknow	25.72	27	Medicines
			M/s S. Kumar and Associates, Allahabad	5.32	23	Generator set
			M/s Sri Balaji Sales, Allahabad	3.19	25	Batteries
			M/s S.S. Trading Co., Kanshiram Nagar	2.58	3	Hire charges (Gen. set.)
			M/s Shree Ganesh Pharmaceuticals, Allahabad	12.20	16	Medicines
			M/s Manglam Sumanglam Asso., Agra	18.03	62	Furniture, Electronic items and stationery
			M/s S Tech and Surgicals, Allahabad.	3.46	5	Equipments
CMO, FW Bahraich	2010-11	8.00	M/s Quality Product, Kanpur	8.00	7	Furniture and fixtures
CMO, FW Jaunpur	2010-11	47.74	M/s Adarsh Enterprises, Jaunpur	3.48	2	DVD player and Consumables
			M/s Krishna & Co, Jhansi/Lucknow	9.17	6	Stationery
			M/s Maya Enterprises, Kanpur	9.94	4	Stationery
			M/s Neo Surgicals & Pharmaceuticals, Lucknow	10.32	5	Stationery
			M/s Printing & Book Binding Industrial Co. Society, Jaunpur	2.21	6	Stationery
			M/s Shanti Enterprises, Allahabad	9.30	18	Stationery
			M/s Shivans Offset Industries, Jaunpur	0.31	2	Stationery

			M/s Shree Ganesh Pharmaceuticals, Allahabad	3.01	2	Stationery & Medical equipments
CMO & CMO, FW Jhansi	2008-11	24.21	M/s Somya Enterprises, Jhansi	5.61	24	Stationery/cards
				8.21	36	Battery, Stationery, Electricals, Cards <i>etc.</i>
				1.07	5	
				1.16	3	
			M/s Hariom Enterprises, Jhansi	6.48	42	Lunch/Breakfast, Equipment repairs, Hoarding <i>etc.</i>
				1.68	8	
CMO & CMO, FW Moradabad	2010-11	43.95	M/s S.K.P. Pharma, Lucknow	12.70	62	IUD kits and medicines
			M/s Micron Pharmaceuticals, Vapi	4.73	5	Medicines
	2009-10		M/s Gupta Brothers, Lucknow	19.39	19	Medicines
			M/s Saraswati Surgicals, Lalbag Lucknow	2.04	2	Operation kits
			2008-09	M/s Saraswati Surgicals, Lalbag Lucknow	5.09	5
CMO, FW Raebareli	2010-11	27.20	M/s Gunjan Enterprises, Lucknow	10.48	11	IUD/Nasbandi kit
			M/s Rohit Industries, Lucknow	9.80	15	Furniture
			M/s Maya Enterprises, Kanpur	6.92	9	Stationery
CMO & CMO, FW, Bareilly	2010-11	19.38	M/s Medicare Pharma, Lucknow	12.36	13	Medicine kits
	2009-10		M/s Charisma Health Care, Lucknow	7.02	7	Medicine kits

7.5.3 Non-adoption of open tender procedure

As per extant rules, in order to avail benefit of competitive prices, open tenders should be invited for purchases exceeding ₹ one lakh. However, during test check, following irregularities were observed:

- CMO, Agra procured (2008-11) various items and services (₹ 40.31 lakh) like generators, computer accessories, stationery, printing of forms, lunch packets, curtains, brooms, phenyl, chairs (ordinary and executive), PVC flooring, hoarding, banners, ceiling fans, coolers, inverters, batteries, air conditioners, television, LCD-TV, DVD player, electrical goods, videography, wall painting, advertisement through rickshaw, tents and shamiyanas, cosmetics *etc.* from M/s Manglam Sumanglam Associates, Agra on quotation basis. Audit observed that value of purchases was more than ₹ one lakh in ten instances. The Government accepted the facts.

- During 2008-11, CMO, Allahabad purchased (₹ 31.51 lakh) various items on quotation basis, although value of each supply was for more than ₹ one lakh. Further, supply orders were sent by hand and opening date of the quotations were not entered on the envelopes. The Government did not reply.
- MOIC, PHC, Pathardeva Deoria issued purchase orders (January 2011), without Purchase Order number, for consumables/non consumables and various equipments worth ₹ 14.32 lakh to M/s Seva Enterprises, Lucknow. The firm raised bills worth ₹ 14.32 lakh during 08-10 February 2011. Items mentioned in the firm's bills were taken in stock register without mentioning the references of supply invoices and price of material/equipment. Bank drafts in favour of the firm were prepared (30 March 2011) but not delivered (3 May 2011), when these were cancelled. These purchases were made from Untied grant provided to RKSs and sub centres. Requirements of these equipments/materials were not ascertained before procurement. Approvals of RKS were also not obtained, open tenders were not invited, evidence/certification of quality and quantity of supplied material were not available on record, reference of page number of stock book was not recorded on bills and no evidence of date of actual receipt of material at PHC's/CHC's store was available. A similar case of ₹ 9.68 lakh was noticed at CHC, Bhatani where cheques were drawn on 31 March 2011 against purchase of goods from M/s Seva Enterprises, Lucknow. The cheques were kept undelivered, but the expenditure was charged to Untied fund, AMG and RKS. No quotation/tender was invited for the procurement. No supply orders were available in the records and requirements were not assessed from sub centres/PHCs. The Government replied that material supplied was broken and to avoid loss, the Bank DDs were not released. The reply was not acceptable as the broken material could have been got replaced by the firm. Further, the correspondence, if any, made with the vendor on the issue was not produced to audit.
- CMO, Gorakhpur purchased (February 2011) drugs and consumables for use at Urban Health Posts for ₹ 6.20 lakh from M/s Seva Enterprises, Lucknow without calling for open tenders. De-worming tablets valuing ₹ 6.84 lakh were also purchased from M/s C.I. Laboratories, Kolkata on quotations (December 2010). IFA tablets (large) at the rate of ₹ 0.44 per tablet for ₹ 3.16 lakh were also purchased (March 2011) on quotation basis. The Government in reply stated that in view of shortage of medicines at Urban Post, it was not possible to float open tenders. However, no records in support of the claim were furnished to Audit though called for.
- During 2009-11, CMO, Mirzapur procured medicines from three firms viz. M/s Bhagwati Enterprises, Varanasi (₹ 17.95 lakh), M/s Care Chemists and Druggists, Mirzapur (₹ 9.10 lakh) and M/s Sleek Pharma, Lucknow (₹ 12.14 lakh) by splitting the purchases and on quotation basis. The Government replied that purchases were made at old rates of 2008-09, on requirement basis and on quotations due to shortage of time. The reply was not correct as due procedure was not followed for the procurements.

7.5.4 Deficiencies in receipt of procured items and release of payment

Procured items should be duly received and payments released promptly. This was not followed in following cases:

- CMO Budaun, under National Blindness Control Programme (NBCP), received (May-June 2010) 1152 spectacles (₹ 1.88 lakh) from M/s Surgicoin Mediquip Private Limited, Ghaziabad (on behalf of UPSIC) for distribution to students. The records relating to receipt and distribution of the same were not made available. Genuineness of the transaction could, therefore, not be ascertained in Audit. The Government did not reply.
- CMO, Deoria procured IFA tablets during 2010-11 without calling open tenders. No evidence regarding delivery and actual date of receipt of stock was available on record. There was also no evidence of quality control tests. IFA tablets were taken in stock on 28 January 2011 but were recorded as issued to PHCs/CHCs during July 2011 from central store of CMO. However, in test checked PHCs no tablets were distributed. Government replied that funds were obtained in December 2010 and due to shortage of time and urgency of requirements, procurement was made on quotations. The reply was not acceptable as no records relating to demands from PHC/CHCs were made available. Further, the medicines were recorded to be distributed to blocks after six months.
- Equipment worth ₹ 2.20 lakh were purchased by MOIC, Bhaluani, Deoria out of RKS funds without indent and approval of RKS. The Government replied that procurement was made on the basis of requirements of sub centres. The reply was not supported by any document on the assessment of requirements. The Government also did not provide any reply on not following the due process for the procurement.
- PHC, Bhathat, Gorakhpur paid ₹ 6.24 lakh for medical instruments, equipment, furniture, colour LCD TV along with DVD player in February-March 2011 to M/s Seva Enterprises, Lucknow. However, material worth ₹ 0.77 lakh were not received from the supplier as of August 2011. Similarly, several items amounting to ₹ 0.61 lakh, out of ₹ 9.42 lakh paid, were not received at PHC, Brahmipur, though the firm had raised the invoices and payment was made (March 2011). The Government stated that the items have now been supplied. The delivery challans (30 September 2011) shown to audit on 12 December 2011, however, did not contain any challan number and TIN number. Thus, the authenticity of the challans could not be verified. Moreover, the Government did not furnish any reason for release of payments without ensuring delivery of the items.
- MOIC, CHC, Ramkola, Kushi Nagar issued 22 purchase orders (without purchase order numbers and dates) for consumables/ non-consumables and equipment (₹ 13.78 lakh) to M/s Seva Enterprises, Lucknow. Stock entry was made on the basis of the firm's bills, without mentioning the references of supply invoices and price of material/ equipment. Further, bank drafts (11) were prepared (29 and 31 March 2011) but not delivered to the firm. Similar position was noticed in CHCs, Hata and Tamkuhiraj for purchases worth ₹ 22.84 lakh. The Government stated that due to incomplete supply of materials the drafts were not released. However, the reply did not furnish reasons for drawal of funds without proper purchase order and due stock entries.
- CMO, Kushi Nagar purchased (2008-09) 650 Intraocular Lenses (IOLs) (₹ 98.00 each), for ₹ 63,700 under NBCP, from M/s Intra Ocular Care Private Limited, Vadodara, but these were not entered in the stock register. Thus, in the absence of appropriate evidencing, genuineness of the transaction was not ascertainable. The

Government replied that IOLs had since been entered in stock book. It was not mentioned as to how the materials were verified and entered in the stock book after they had been issued. The Government also did not furnish the details and proof of distribution of IOLs.

- CMO, FW, Kushi Nagar placed order (under RNTCP during 2010-11 at ₹ 4.14 lakh) for laboratory materials from M/s Seva Enterprises, Lucknow. However, no evidence for the receipt of material was available on records. The Government replied that materials had not been supplied (December 2011) and the drafts were not released. However, the amount was booked as expenditure in FMR/Ledger.
- At CHC, Bhitergaon, Kanpur Nagar 1,16,000 IFA tablets were shown distributed to ANMs on 15 November 2008, though records revealed distribution of only 37,000 tablets on that date. Further, 79,000 tablets (₹ 9,480)¹³ were distributed to different ANMs without any acknowledgement in support of receipt. The Government replied that signature of the ANMs was not taken at the time of distribution of IFA tablets but the IFA tablets were distributed to the beneficiaries. Acknowledgement of the beneficiaries in support of receipt was not available. In the absence of due documentation, genuineness of the transaction could not be vouchsafed.
- CMO, Mirzapur procured medicine and drugs from four firms. Payment (₹ 8.13 lakh) was released through self cheque No. 245254 drawn on 15 June 2007. However, no entries were observed in the stock register. The Government replied that medicines were entered in RCH Stock book, the reply was not acceptable as RCH-2 was closed on 31 March 2007 while purchases were made in June 2007. Moreover, stock books were not furnished during audit. In Dec. 2011 photocopies of stock book, instead of originals were furnished at Allahabad, which was, therefore, not verifiable.
- CMO, FW, Azamgarh purchased (December 2010) Fefovit tablets worth ₹ 27.67 lakh and De-worming tablets worth ₹ 7.70 lakh. During physical verification, it was found that the supplied Fefovit tablets were of batch RT 233, while the supply invoices recorded batch numbers RT 325, 272, 368, 329 and 379. The payment was stopped. Audit observed that without complete investigation, the medicines were distributed. Further, the medicines purchased were at higher rates as compared to the rates approved in favour of M/s UNOPS, for IFA which also resulted in extra expenditure of ₹ 24.30 lakh. The Government did not furnish any reply.
- PHC, Bilariaganj and CHC, Mehnagar, Azamgarh (₹ 2.00 lakh and ₹ 2.35 lakh respectively) procured various items from M/s Sun Surgical, Lucknow (rate and firm decided by SHS). Audit observed that the firm did not make complete supplies at Bilariaganj. At CHC, Mehnagar payment was made without any entry in the stock register, thus, rendering the transaction suspicious. The Government in reply stated that the items not supplied earlier, had now been received from the concerned firm. In respect of Mehnagar, it was stated that the material was procured and sent to APHCs and SCs but vouchers were passed inadvertently without reference to stock entry which was rectified at a later date. It was not clear as to how payment was made without verification of the procured items.

¹³ Cost on the basis of PIP Kanpur Nagar for 2008-09

7.5.5 Deficiencies in procurement process

For ensuring quality of material purchased and obtaining competitive rates, it is necessary for indenting authority to give wide publicity to the notice inviting tenders. It is also necessary that the details of supplier/ vendor are registered with relevant tax authorities. Test check of records revealed that this was not ensured as below:

- CMO, Jhansi made purchases (2008-11) from vendors not registered with different tax authorities. The Government accepted the facts.
- CMO, Raebareli, purchased (March 2011) IFA tablets through short term tender, from M/s R.T.G. Pharmaceuticals, Lucknow, a firm technically ineligible as its Drug license had expired on 31 December 2001 and the registration of Sales Tax/VAT expired on 31 March, 2006. Government replied that Drug licence was renewed till 31 December, 2011. The reply was not acceptable as, on the date of procurement, the firm had no valid drug licence. Further, the Government stated that the firm had obtained permanent registration with the Sales Tax department. No documentary evidence was produced with the reply.
- CMO, Varanasi purchased medicines worth ₹ 23.78 lakh (RCH kits) during 2007-08 from UP Consumers Cooperative Federation Limited. According to the Government, the renewal of Drug licence was applied for the period till 31 December 2011. The reply was not correct as on the date of purchase, the Federation did not have authorisation to sell medicines.

7.5.6 Procurement without requirements

At the time of purchase, the indenting authority should assess the actual requirement on the basis of indents received from sources for whom the purchases were being made. Test check revealed that equipment costing more than ₹ 5.82 crore¹⁴ were lying unutilised.

- CMO Allahabad received (October–December 2010) 55 items from CSMD, Lucknow neither against demand from the district nor as per provisions in District PIPs. Many of the items Deep Freezer: 06 (₹ 3.16 lakh), Ice Lined Refrigerator (ILR), small: 07 and large: 02 were lying unused (November 2011). Reply was not furnished by the Government.
- Three out of seven FRU Kits (₹ 17.82 lakh) received (October to December 2010) from Lucknow for FRUs were not utilised as there are only four FRUs (Handia, Phoolpur, Soraon and Karchhana) in Allahabad. The Government replied that all seven kits were distributed to CHCs/PHCs. Reply was in contravention of the provisions of PIP which did not provide for FRU kits to non-FRU units.
- CMO, Ballia received (June 2010) four solar refrigerators from GoI to maintain cold chain services round the clock. As per insurance amount, cost of these refrigerators was ₹ 5.25 crore. These were sent to four PHCs (Bahuri, Maniyar, Murli Chhapra and Ratsar) in July 2010. Out of these, it was installed only at Bahuri but was not functioning due to some defects. The Government accepted the facts.
- CMO, Ballia received deep freezers (Six MF 114 and two 286 - ₹ 3.16 lakh), 20 stabilizers and eight ILRs, for CHCs/PHCs and other hospitals. These were lying

¹⁴ Figures provided are approximate cost of equipment.

idle since their receipt (February 2011). The Government replied that five deep freezers and five ILRs were issued to CHCs/PHCs, but were not yet installed.

- At CMO, Bulandshahar 200 ASHA Kits, one ECG Machine, 14,900 Nischay Pregnancy kits, two FRU kits (₹ 11.88 lakh) 24 IUD kits (₹ 1.12 lakh), 13 BP instruments, 4550 Fallopian rings, 26 stethoscopes and 11,440 med. kits supplied during August 2009 to March 2011 were lying idle (November 2011). The Government replied that the items have been distributed.
- FRU kit (₹ 5.94 lakh) received by CHC, Gulawati, Bulandshahar were not used since February 2010 due to non-availability of anaesthetist and blood bank facility. No reply was furnished by the Government.
- At CHC Dataganj, Budaun, Operation table, Boyles' apparatus, Electric sterilizer, Radiant warmer, Baby phototherapy unit, General Orthopaedic kit, Caesarean operation kit, Anaesthesia kit and Accredited Delivery kit costing ₹ 3.79 lakh were lying idle since their receipt (February to November 2009). The Government did not furnish any reply.
- DHS, Gorakhpur projected requirement of 55 Deep Freezers (DF) and 64 ILRs for 19 PHCs/CHCs, against which 44 DF and 31 ILRs were available. Out of the shortage of 11 DF (20 per cent) and 33 ILRs (50 per cent), there were shortages of seven DF (33 per cent) and 4 ILR (20 per cent) in Health posts and four DF and 29 ILRs at PHCs/CHCs. However, six DF (₹ 3.16 lakh) and four ILRs were surplus at district level indicating mismanagement in maintaining the cold chain. The reply of the Government did not address the issue of surplus at district level and shortages at sub-district level.
- At Jalaun, equipment like Radiant warmer, Phototherapy incubator, Boyles' apparatus etc., supplied by Central Procuring Agency in Lucknow, were lying in stores of District Women Hospital/CHC/ PHC due to non-availability of trained staff. The Government accepted the facts.
- Articles like hospital beds, baby weighing machines, examination table, bed side lockers etc., received for PHC, Bhitargaon from CMO store, Kanpur Nagar on 24 December 2008 and 13 March 2009 were lying dumped within CHC campus since their receipt due to non-completion of civil works. The Government stated that on completion of the new building, items will be utilised.
- CMO, Mirzapur issued (April 2010) blood transfusion instruments and two FRU kits (₹ 11.88 lakh) to CHC, Lalganj without ascertaining their requirements. Instruments and FRU kits remained idle (November 2011) due to non-functioning of O.T. and non-establishment of blood bank. The Government accepted the facts.
- CHC, Khutar, Shahjahanpur supplied materials (₹ 6.63 lakh) to 15 sub centres and 47 VHSCs, purchased from Untied fund of sub centres and VHSCs, without ascertaining the demand. Similarly, at CHC Tilhar, 17 ANM kits and 17 solar lanterns (₹ 1.48 lakh) were distributed to ANMs posted at sub centres using Untied fund without considering the requirement. Most of the items were lying idle in the store at CHC. The Government stated that as patients sometimes come in the evening, the items procured were important. Directions to CHC, Tilhar were issued to distribute the items.

7.5.7 Other observations

- Additional Director/Officer in Charge, Regional Drug House, Varanasi received drugs and medicines from GoI and CMSD, Lucknow for 19 districts. Medicines worth ₹ 27.79 lakh expired in Varanasi during 2008-09 and 2009-10. The Government stated that expired medicines were returned from districts and kept separately in Drug Warehouse which will be disposed off after issue of sanction for write off by State Tuberculosis Officer.
- At Baragaon BPHC, Varanasi 10.10 lakh IFA (large) tablets expired (2009-10) as the quantity supplied was more than required. The Government stated that medicines were received from GoI without demand and were distributed to 40 ANMs. The reply was contrary to the facts admitted by the concerned MOIC during Audit (September 2011).
- At District TB Clinic, Allahabad 33,393 vials of injections of Streptomycin (0.75 gram) consumable in seven months were received from Additional Director, Varanasi during 2007-09. Of those, 17,620 vials (12,000 vials on 18 October 2008 and 5,620 vials on 04 February 2009) were returned because they had expired. Facts were admitted by the Government.
- CMO, FW, Jaunpur withdrew ₹ 24.94 lakh out of ₹ 50.90 lakh, allocated to sub centres under Untied grants during 2010-11 by DHS and purchased (February 2011) certain medical stores viz Heamoglobinometer book, Urostick and HIV test kits without any demand from sub-district level. The items were not to be purchased from Untied grants as per NRHM frame work and the order dated 26 September 2005 of DGNPME. The items were purchased through short term tender notice published in local newspaper and without the approval of the purchase committee. HIV kits remained unutilised at the sub centres. They were taken back (May 2011) by CHCs/PHCs and were still lying unutilised (November 2011). The reply furnished by the Government was not relevant as the procurement was against NRHM framework.
- Audit observed that separate stock registers were maintained for 2010-11 by CMO FW Agra, Etah and Jalaun instead of this being maintained by store keeper, under the supervision of Senior Medical Officer.

7.6 Recommendations:

- *Procurements may be made only after assessing the requirements and the capacity to utilise;*
- *Procurements may be made on rate contract rates, wherever such rates are available. In cases such rates are not available, due procedure in calling for quotations/tenders and obtaining of sanctions from the competent authority may be strictly adhered to;*
- *Procurements may be made against clearly defined specifications. Procured items may be duly checked by competent authority against the prescribed specifications and due entries be made in the stock register; and*
- *Issue/utilisation of procured items may be duly entered in the stock/issue register which should be periodically closed and reconciled to ensure effective logistic management.*