

COMPLIANCE AUDIT

CHAPTER V COMPLIANCE AUDIT

AUDIT OF SELECTED TOPICS

HEALTH AND FAMILY WELFARE DEPARTMENT

5.1 Kerala Emergency Medical Services Project (108 Ambulance)

5.1.1 Introduction

Government of Kerala (GOK), Health and Family Welfare Department, launched (December 2008) the Kerala Emergency Medical Services Project (KEMP) in Thiruvananthapuram district in May 2010 and in Alappuzha district in April 2012 through Public Private Partnership mode (PPP) for the effective management of emergencies arising due to increasing road accidents, health related problems, outbreak of diseases and unexpected natural disasters. Expansion of the project to other districts had not materialised as of date (October 2014). While GOK provided 50 fully equipped ambulances and space for setting up the Emergency Response Centre (ERC), the private partner, selected through a bidding process was to operate the ambulances equipped with trained paramedical staff. The public were to be provided 24x7 access to the ambulance services free of cost, by using a common toll free telephone number '108'. As per the project, an ERC was set up (May 2010) at Thiruvananthapuram to receive the distress calls from the public and to send the ambulances to the pickup spot. The services of the ambulances were to be provided round the clock through an integrated solution including Voice Logger System, Geographic Information System maps, Global Positioning System (GPS), Automatic Vehicle Tracking and mobile communication system, etc. The designed system was to ensure that on receipt of a distress call, the control room could mobilise the nearest available ambulance to pick up the distressed persons and transport them to the nearest hospitals.

Management of the project, which was initially vested with the State Health and Family Welfare Society (SHFWS), was entrusted to the Kerala Medical Services Corporation Ltd. (KMSCL) with effect from January 2012. M/s. Ziqitza Health care Limited (ZHL) was the agency operating the scheme in the State during the period 19 May 2010 to 15 October 2013⁷⁶. The current operator of the scheme is M/s. GVK-EMRI, Hyderabad (GVK-EMRI) since 16 October 2013⁷⁷.

⁷⁶ The contract envisaged payment of operational expenses of ₹2.97 crore per year for 25 ambulances for Thiruvananthapuram district and for Alappuzha district, operational expenses of ₹2.30 crore per year for 18 ambulances. In addition, additional operational cost payable for each ambulance was calculated at the average price of ZHL in running the ambulances for 2000 km for any additional km covered beyond 2000 km per ambulance per month

⁷⁷ Operational expenses of ₹1.17 lakh per month per ambulance for 43 ambulances. In addition, additional operational cost of ₹15 for any additional km travelled beyond 3000 km in a month

The Audit of the implementation of KEMP in the State with reference to the terms and conditions stipulated in the PPP agreement with ZHL/GVK-EMRI and provisions of the Kerala Financial Code (KFC) was conducted during April to July 2014 covering the period 2009-14.

5.1.2 Funding

Government of India (GOI) stipulated that while it would fully support the capital cost⁷⁸ for emergency response transport, the operational cost would be supported on a diminishing scale of 60 per cent in the first year, 40 per cent in the second year and 20 per cent from the third year onwards. The funds were released by GOI through the National Rural Health Mission (NRHM) on the basis of requirement projected by the State Government. Details of funds received and expenditure during 2008-2014 are given in **Table 5.1**:

Table 5.1: Details of funds received and expenditure

(₹ in crore)

Year	Amount sanctioned		Total	Expenditure
	GOI	GOK		
1	2	3	4 (2+3)	5
2008-09	11.48	-	11.48	5.00
2009-10	10.94	-	10.94	13.34
2010-11	7.40	0.90	8.30	4.68
2011-12	3.00	-	3.00	4.36
2012-13	6.64	40.00	46.64	6.85
2013-14	2.36	10.00	12.36	7.68
Total	41.82	50.90	92.72	41.91

(Source: Data furnished by NRHM/KMSCL)

Audit Findings

5.1.3 Service Delivery

The primary objective of KEMP was to provide 24x7 pre-hospital emergency medical response (ambulance) services all over the State, free of charge to the distressed persons. Details of audit observations on service delivery are given below:

5.1.3.1 Denial of calls i.e. not providing required ambulance services

The KEMP was aimed at providing 24x7 pre-hospital emergency medical response (ambulance) service all over the State free of any charge to the distressed persons. **Table 5.2** gives the details of calls made by the distressed persons and the required ambulance services provided or not.

⁷⁸ Capital cost viz. cost of ambulances and setting up of ERC

Table 5.2: Details of calls received and attended

Period	Total calls received at ERC	No. of calls attended (including inter-facility transfers at Col. 6)	No. of cancelled ⁷⁹ calls	No. of denied ⁸⁰ calls	No of Inter-facility transfers ⁸¹	No. of unattended calls (including denied calls) Col. 2- (3+4)
1	2	3	4	5	6	7
Details of calls recorded by ZHL						
May 2010 to 15 October 2013	1675353	100027	15010	27370	45417	1560316
Details of calls recorded by GVK-EMRI						
16 October 2013 to March 2014	192155	16318	2617	732	4738	173220
Grand Total	1867508	116345	17627	28102	50155	1733536

(Source: Data furnished by KMSCL)

It can be seen from the above table that ambulance service was not provided in respect of 28102 calls during the period May 2010 to March 2014 due to non-availability of ambulances. GOK stated (October 2014) that the percentage of such calls was only 1.5 *per cent* of the total calls received. It was further stated that patients taken by the 108 ambulance to secondary or district health institutions were mostly referred to medical colleges which were far away from the parking locations of the ambulances. During such period, the services of such ambulances would not be available in that location for attending to emergency cases. It was also stated that in Alappuzha district, cases of denial of ambulance service occurred due to the fact that some of the cases were referred to hospitals and medical colleges situated in the neighbouring district e.g. Medical College, Kottayam.

The reply is not tenable as ambulances available at nearby places could have been deployed using the GPS and Automatic Vehicle Tracking and Mobile Communication System as provided under clause 3 of the agreements with ZHL and GVK-EMRI. It was further observed that no efforts were made to address the deficiency of ambulances, despite four ambulances remaining unutilised during April 2012 to October 2014 as stated in paragraph 5.1.3.2. GOK's contention that the number of denied calls was only 1.5 *per cent* of the total calls received cannot also be accepted since even a single call denied could put the life of patients at risk.

5.1.3.2 *Idling of ALS ambulances*

GOK ordered SHFWS (December 2008 and September 2009) to implement the KEMP in Thiruvananthapuram and Kannur districts. Director of Health Services (DHS) purchased 50 delivery vans which were converted to Advance Life Support (ALS) ambulances through M/s. Aeon Medicals (Aeon) at a cost of ₹16.90 crore. The ALS ambulances were received by DHS in March and April 2010. The project started functioning (May 2010) in Thiruvananthapuram district with 25 ambulances. Considering the density of population and the increase in accidents,

⁷⁹ Cancelled calls: Calls responded to by ambulances but persons not taken to hospitals due to fake calls, not critical cases, cases already taken by other vehicles to hospitals, Dead on Arrival (DOA) cases, etc.

⁸⁰ Denied calls: Calls not attended to because of non-availability of vehicles

⁸¹ Inter-facility transfers: Transfer from one hospital to another due to inadequate facilities in the first hospital

GOK decided (May 2010) to allot the second set of 25 ambulances received in April 2010 to Alappuzha district in order to implement the scheme in Alappuzha instead of in Kannur district. However, these ambulances could be deployed in Alappuzha only from April 2012 due to delay in finalizing the tendering process. In the meantime, the 25 ambulances were deployed to various hospitals in the State in March 2011. Thus, these 25 ambulances were idling for one year from April 2010 when these were received to date of deployment to various hospitals viz. March 2011. As of October 2014, two ambulances were idling for 31 months (since April 2012) and two were idling for 13 months since October 2013 as detailed in **Table 5.3:**

Table 5.3: Details of idling ambulances

Details of idling ambulances	Idling period
Out of 50 ambulances purchased in March/April 2010, 25 were deployed only in March 2011	25 ambulances x 12 months from April 2010 to March 2011
Four out of 25 ambulances deployed in March 2011 were idling from April 2012. Two out of these four issued as back up ambulances in April 2014, remaining two ambulance idling till date (October 2014)	2 ambulances x 24 months from April 2012 to March 2014 2 ambulances x 31 months from April 2012 to October 2014
2 ambulances received in October 2013 in lieu of two out of the 50 purchased in March 2010 which got destroyed in a fire accident were idling from October 2013 till date (October 2014)	2 ambulances x 13 months from October 2013 to October 2014

Thus, non-deployment of ambulances in a timely manner lead to the idling of four ambulances for 13 to 31 months as of October 2014 and denial of services to the public. GOK replied (October 2014) that a proposal to operate the four ambulances on the highway in Kollam district is under consideration.

5.1.3.3 Response time of ambulances

As per project guidelines of GOK (January 2009) ambulance service (108) under KEMP should respond to calls and reach at the required spot within 10 minutes of alert. Audit test checked the response time of ambulances for five months⁸². It was noticed that on an average, 45.52 per cent calls were attended to within 10 minutes. However, the response time was beyond 10 minutes in 54.48 per cent of the cases. This included 23.08 per cent of calls which were attended to after 15 minutes. Failure to respond within stipulated time posed risks to the needy and is a cause for concern.

GOK stated (October 2014) that shortage of ambulances contributed to increase in response time. It was also stated that as per the experience from the pilot project, the average response time had been kept as 15 minutes for urban areas, 25 minutes for rural areas and 30 minutes for hilly and difficult terrains in the latest tender. The

⁸² June 2013, October 2013 to January 2014

reply fails to explain why GOK did not utilise the four ambulances which were idling during the period as mentioned in paragraph 5.1.3.2 above which could have improved the response time.

5.1.3.4 Implementation of KEMP in other districts in the State

The DHS submitted (June 2012) a proposal to GOK for extending the project to all districts at a total cost of ₹45.15 crore by purchasing 287 ambulances. GOK accorded (October 2012⁸³) administrative sanction to the proposal for ₹40 crore and the amount was released to NRHM in October 2012. As DHS again submitted a proposal (July 2013) for release of ₹10 crore for extending the project to Pathanamthitta and Wayanad districts, GOK released ₹10 crore to DHS in September 2013. These amounts were transferred to KMSCL (₹40 crore in March 2013 and ₹10 crore in January 2014) and are still remaining unspent (October 2014).

The sanction for procurement of 287 ambulances was granted by GOK only in February 2014. GOK decided (February 2014) to invite tenders for supply of vehicles, fabrication and installation of equipment and also for the selection of operating agency for the project. KMSCL invited (February 2014) tenders for selecting operators for implementing the project in all districts of the State. The tender was later cancelled (June 2014) by GOK citing non-finalization of pre-qualification criteria and ordered retender with specific pre-qualification criteria after obtaining the views of Tender Finalization Committee.

Thus, even after two years of envisaging the expansion plans and despite availability of funds since March 2013, the project was not extended to the other districts in the State. This resulted in blocking of ₹40 crore for over a year and ₹10 crore since January 2014 with KMSCL besides depriving the general public of the intended benefits.

5.1.4 Contract Management

5.1.4.1 Procurement and equipping of ambulances into Advanced Life Support ambulances

Article 51(v) of KFC stipulated that the terms of a contract once entered into should not be materially varied without the previous consent of the Government or the authority competent to enter into the contract as so varied. Article 51 (ix) also stipulated that the Government servant who enters into a contract on behalf of Government and also his subordinates are responsible for strictly enforcing the terms of the contract and for ensuring that no act is done that would tend to nullify or vitiate the contract.

GOK conveyed sanction (September 2009) to the DHS for procurement of 25 ambulances each, for Thiruvananthapuram and Kannur districts at Directorate General of Supplies and Disposals (DGS&D) rates. These ambulances were to be equipped by KMSCL for conversion to ALS ambulances following due tender

⁸³ ₹40 crore vide GO (Rt) 3291/12/H&FWD dated 05.10.12

process. Supply orders were placed with M/s. Force Motors Ltd. for supply of 50 Force Traveller ambulances costing ₹6.55 lakh each at DGS&D rate. For fabricating and equipping these ambulances as ALS ambulances, Aeon was selected (September 2009) after following a competitive tender process.

After entering into the contract for equipping Force Traveller ambulances at a cost of ₹13.15 crore, Aeon informed KMSCL (October 2009) that these ambulances could not be equipped and converted into ALS ambulances. It recommended procurement of Force delivery vans instead of Force ambulances for conversion into ALS ambulances citing various reasons⁸⁴. Aeon also informed that there should be no change in their prices and that the same prices payable to it for conversion of ambulances should be paid for converting delivery vans into ALS ambulances. In a Purchase Committee meeting (October 2009), chaired by the State Mission Director (SMD), NRHM, the proposal to procure Force delivery vans was accepted. The meeting also authorised the State Health Transport Officer, Directorate of Health Services (SHTO, DHS) to negotiate with M/s. Force Motors Ltd., and finalise the rate for procurement of 50 delivery vans. Based on the letter received from Managing Director, KMSCL and SMD, NRHM, GOK approved (October 2009) cancellation of the earlier purchase order for supply of Force ambulances issued by the DHS and accorded sanction (November 2009) for purchase of 50 Force delivery vans for ₹2.81 crore at special Government rate without tendering. These delivery vans were converted and equipped as ALS ambulances by Aeon at a cost of ₹13.15 crore. DHS received these ALS ambulances in March-April 2010.

The procedure followed for procurement of 50 Force delivery vans without following due tender process and entrusting the SHTO, DHS to negotiate and finalise the rate lacked transparency and financial probity. Post bid revision of the scope of work on the advice of the private firm and awarding the work to them without calling for fresh competitive tender for the new work resulted in extending undue favour to Aeon. GOK should have reverted to retendering for giving equal opportunity to all potential bidders.

GOK stated (October 2014) that during the period when the tender was called (2009), M/s. Force Motors had not introduced base ambulance vehicles which could be converted into ALS ambulance. Hence, the only available option was converting delivery vans into ALS ambulances. This reply is not borne out by facts since M/s. Force Motors had submitted (July 2009) a proforma invoice for supply of Force Traveller ambulance at DGS&D rate, which was accepted by the DHS and supply order placed for 50 ambulances.

Action of the GOK was not in conformity with the provisions of the KFC, which calls for investigation followed by fixing of responsibility of persons at fault for violation of provisions of rules.

⁸⁴ Inability to mount life saving medical devices on the side wall of ambulances due to the presence of three windows on each side, ability to ensure sterility and hygiene only in a closed delivery van rather than in an ambulance which has six windows in all, easy patient trolley loading in delivery vans manufactured by Force Motors due to a 270° rear door opening and the electrical system in these delivery vans being superior to normal ambulances

5.1.4.2 *Operational safety of ambulances*

Section 52 of the Motor Vehicles (MV) Act 1988 prohibited structural alteration of vehicles for registration purposes. As the State was operating ambulance services by converting delivery vans used for transporting purposes into ALS ambulances, the Transport Commissioner (TC) granted only provisional registration instead of permanent registration to these vehicles on the ground that alteration of a goods vehicle to a passenger vehicle was in violation of Section 52 of MV Act 1988 and Rule 126 of Central Motor Vehicles Rules 1989. GOI instructed (August 2010) the State to get the altered vehicles examined for safety, with reference to the homologation⁸⁵ certificate issued by M/s. Automotive Research Association of India⁸⁶, Pune (ARAI) for ambulances, for granting exemption from the provisions of Section 52 of the MV Act 1988. The agreement executed with Aeon for conversion of vehicle also did not have a Clause on obtaining safety certificate from the authorities. TC stated (July 2014) that despite repeated instructions, DHS failed to produce these ambulances for inspection. Exemption from Section 52 of the MV Act 1988 was also not obtained and these ALS ambulances continue to run without being certified for safety (July 2014).

The fabricating and equipping of Force delivery vans at a cost of ₹13.15 crore foregoing the safety aspects resulted in one ALS ambulance destroyed in a fire accident (October 2011) reportedly due to an electrical short circuit resulting in the death of two people (grandparents accompanying a child patient) who were trapped in the burning ambulance.

The GOK needs to fix responsibility of officials at fault for violations as indicated above.

5.1.4.3 *Undue favour to the operating agency*

The Request for Proposal (RFP) notification issued by the SHFWS (January 2009) to implement the project in Thiruvananthapuram district indicated the duration of the project as three years. Four agencies expressed interest in the project and the lowest bid submitted by ZHL was accepted. The SMD executed (October 2009) an agreement with ZHL for operating 25 ambulances in Thiruvananthapuram district for three years (16.10.2009 to 15.10.2012) at an operational cost⁸⁷ of ₹2.97 crore per year. Even though the agreement was entered into on 16.10.2009, the project was launched in the district only on 19th May 2010. The agreement was later extended up to 15.10.2013.

⁸⁵ Type Approval/Homologation certification is granted to a product that meets minimum set of regulatory technical & safety requirements as notified by the respective Government. The certification is a must, before a new/modified product is launched commercially. Type approval/Homologation is a customised service and the terms and conditions vary from country to country

⁸⁶ A co-operative industrial research association established by the automotive industry with the Ministry of Industries, Government of India

⁸⁷ Operation cost as per the agreement includes salary of call centre staff and ambulance staff for 24 hours, maintenance cost of ambulance, ambulance operation cost including fuel, recruitment, training and administration, cost of consumables up to 10 persons/ambulance/day, maintenance and operation of call centre including telephone power and water charges

Audit examined the price bids furnished by all the three shortlisted firms. It was noticed that unlike the other two firms which had quoted annual increase in operational expenses, the rate quoted by ZHL was for only one year and did not contain any condition for yearly increase in operational expense for the subsequent two years. As ZHL had not quoted any condition for yearly increase of operational cost in their price bid, the single rate quoted by the firm for the first year of operation (19 May 2010 to 18 May 2011) was applicable for the subsequent years also, without allowing any yearly increase, as per the terms of the tender. However, the SHFWS, represented by the State Mission Director, NRHM incorporated a condition⁸⁸ in the agreement indicating that yearly operational expenses (after one year of operation) would be increased on the basis of Consumer Price Index (CPI) and prevailing average increase in similar contracts in other States, which was contrary to the tender conditions. Thus the insertion of the said condition relating to yearly increase was unjustified.

Audit further observed that the GOK appointed (October 2011) the same agency ZHL, as the operating agency for KEMP in Alappuzha district also, on the same payment terms as applicable for Thiruvananthapuram and the agency performed its activities in Alappuzha district from 21 April 2012 to 15 October 2013.

Audit observed that incorporating the clause permitting yearly increase in rate which was not justified resulted in undue benefit to the firm and corresponding loss to state exchequer of ₹78.03 lakh.

GOK stated (October 2014) that modified draft agreement was not submitted to it for approval. Thus, incorporating a condition in the agreement favourable to the agency to increase the rate yearly, which had not been quoted by the firm in their financial bid, not only vitiated the tender process but also amounted to undue favour of payment to the tune of ₹78.03 lakh which calls for investigation followed by fixing of responsibility for such an irregular action.

5.1.4.4 Payments made for additional kilometres run

As per the price bid furnished by ZHL in response to RFP issued in January 2009, recurring expenses (including fuel and maintenance charges for 2000 kilometres per ambulance per month) for all 25 ambulances for one year was ₹2.97 crore. The financial bid submitted by the firm did not stipulate rate for additional kilometres over 2000 kilometres. However, agreement entered into between ZHL and SHFWS (October 2009) incorporated a provision for payment of additional operational costs for any additional kilometre covered above 2000 kilometres per ambulance per month. It provided for payment of additional operational costs for additional kilometres covered above 2000 kilometres to be calculated at the average price of ZHL in running the ambulances for 2000 kilometres. Implementation of the project in Alappuzha district (April 2012 up to 15 October 2013) was also awarded to the same agency reckoning an annual recurring expenditure of ₹2.30 crore with 18 ambulances on the same payment terms and conditions. Payment of ₹7.50 crore was made to ZHL by SHFWS as on 15 October 2013 towards additional costs for

⁸⁸ Clause 9 of agreement

operating the ambulances in Thiruvananthapuram and Alappuzha during August 2010 to 15 October 2013, when the contract with ZHL concluded.

Scrutiny of records relating to payments made to ZHL revealed that the agency was paid additional operational costs for each kilometre at the rate of ₹49⁸⁹ for the period 2010-11⁹⁰ and at the rate of ₹53⁹¹ for the period 2011-2013⁹². Audit noticed that instead of reckoning the additional operational costs payable to ZHL on the basis of average cost in running the ambulances, the additional rate was arrived at by taking into account the average monthly operational cost which included the salary to call centre and ambulance staff, maintenance and operational costs of call centre including power, telephone and water charges, etc.

As the average cost of ZHL in running the ambulances was not available on record, Audit made a comparison of the additional operational cost paid to ZHL during 2010-13 (₹49 and ₹53 per additional kilometre) and payment allowed to GVK-EMRI, the operators of the project from October 2013 (₹15 per additional kilometre for distance covered above 3000 kilometre). It was seen that while the base rate per kilometre per ambulance for ZHL was ₹49 from August 2010 to 18 May 2011 and ₹53 from 19 May 2011 to October 2013, it was ₹39 in the case of GVK-EMRI from October 2013. GVK-EMRI had claimed only ₹15 per additional kilometre. Allowing a much higher rate (₹49 and ₹53) for an additional kilometre resulted in undue payment of ₹5.35crore⁹³ till 15 October 2013 to the ZHL.

While giving reply, GOK admitted (October 2014) that the salary of staff remains the same for a month, but other expenses like consumables (Medicines and Oxygen), maintenance of the vehicle, etc. had to be borne by the firm. It also stated that there were no previous records to refer and based on experience gained in running the scheme, the rate for extra kilometre was later kept at ₹15 per kilometre.

Thus, as the agreement condition provided for payments of running expenses of ambulances only for beyond 2000 kilometres, the payment of additional operational cost for beyond 2000 kilometres at ₹49 and ₹53, which included elements of salary and other administrative expenses also resulted in avoidable payment of ₹5.35 crore which calls for fixing of responsibility for failure to apply the right method of calculation leading to undue favour to the agency.

5.1.4.5 Non-imposition of penalty

Implementation of KEMP in the State with effect from 16 October 2013 was awarded to GVK-EMRI, Hyderabad at an agreed operational cost of ₹1.17 lakh per

⁸⁹ For Thiruvananthapuram upto 18/5/2011. $\frac{\text{1st year's operational cost (₹296.70 lakh)}}{12 \text{ months} \times 25 \text{ ambulances} \times 2000 \text{ km}} = ₹49.45$

⁹⁰ August 2010 to 18 May 2011

⁹¹ For Thiruvananthapuram from 1/6/2011 to 15/10/2013 & Alappuzha from 1/4/2012 to 15/10/2013
 $\frac{\text{2nd year's operational cost for Thiruvananthapuram (₹319.12 lakh)}}{12 \text{ months} \times 25 \text{ ambulances} \times 2000 \text{ km}} = ₹53.18$

$\frac{\text{1st year's operational cost for Alappuzha (₹229.77 lakh)}}{12 \text{ months} \times 18 \text{ ambulances} \times 2000 \text{ km}} = ₹53.18$

⁹² 19 May 2011 to 15 October 2013

⁹³ Calculated at the current rate of additional cost agreed upon by M/s. GVK-EMRI for implementing the project from 16 October 2013 onwards

ambulance per month. The KMSCL paid (in April/May 2014) ₹3.02 crore⁹⁴ to the agency towards the operating cost pertaining to the period 16 October 2013 to 15 April 2014.

As per the terms of agreement executed between KMSCL and GVK-EMRI, only five *per cent* of the fleet could be off road⁹⁵, failing which KMSCL was to deduct penalty of an amount equal to double the operating expense applicable at the time of the contract for the non-performing ambulances for that period⁹⁶. Test check of the Management Information System (MIS) data for the month of December 2013 revealed that 21 *per cent* (nine numbers) of the 43 ambulances (25 in Thiruvananthapuram and 18 in Alappuzha districts) were off road as against the permissible five *per cent* (two numbers). Cases of ambulances being off road for a few days during other months were not reckoned. Thus, KMSCL failed to recover at least ₹16.38 lakh as penalty from the agency resulting in undue benefit to the agency.

GOK stated (October 2014) that the initial contract with GVK-EMRI was for a period of six months from 16 October 2013. Since the extension of agreement beyond six months was delayed, GOK decided to extend the period of operation of GVK-EMRI for a further period of three months. GOK stated that all pending payments were released to GVK-EMRI since the agency insisted on clearance of their dues before commencement of services. The reply is unacceptable as GOK needed to only pay what was due as per the terms of the agreement. Payment for ambulances that were off-road beyond permissible limits was irregular.

5.1.4.6 Non-adherence to other contractual provisions

Contractual provisions regarding setting up of voice logger system, setting up and maintenance of emergency response system and manpower required, were complied with by ZHL. Records produced to audit indicated that ZHL provided stipulated training programme to doctors, paramedical staff, etc. However, conditions requiring ZHL to maintain separate financial records of its operation in Kerala to be audited by a Chartered Accountant as approved by SHFWS and furnished to SHFWS by the end of the 1st quarter of succeeding year was not complied with.

GOK replied (October 2014) that in the tender model, there is no relevance for auditing the funds of the agency.

The reply is not acceptable as this resulted not only in non-compliance with the terms of agreement but also led to many such other implications as stated in preceding paragraphs.

⁹⁴ ₹117000 x 43 Nos x 6 Months

⁹⁵ Clause XXIV

⁹⁶ Clause XIV (ii)

5.1.5 Monitoring

5.1.5.1 IT based monitoring

The SMD, NRHM decided to implement an IT based solution for monitoring the extra kilometre run by the ambulances. However, as of March 2014, the IT based solution was not developed. As such, there was no effective mechanism in place in the Department to ensure accuracy in the agency's claim on distance covered while making payments.

GOK replied (October 2014) that for implementing this, new software and hardware have to be incorporated in the present system for which no funds were allotted. It was also stated that this has been included as a clause in the new tender to have an Automated IT based solution to find out the distance covered and penalty calculation by the system.

5.1.5.2 State level/District level committee meetings

Agreements executed between ZHL and SHFWS/KMSCL stipulated that the SHFWS was responsible for convening and holding meetings of the state level committee once in three months under the patronage of Health Minister, to monitor the operations of the KEMP. It was the responsibility of the District Health and Family Welfare Society to convene district level meetings with the District Collector as Chairman.

Audit noticed that the state level committee, though constituted in September 2009 had not met even once. While the district level committee in Thiruvananthapuram district met only once during October 2009 - March 2014, the district level committee in Alappuzha met only four times during April 2012 - March 2014.

GOK stated (October 2014) that since the project was not extended to the entire State, meeting of the state level committee was not conducted. It was also stated that reasonable number of district level meetings were conducted at Alappuzha and interaction on regular basis on the problems associated with the operation of KEMP in Thiruvananthapuram district were conducted among District Medical Officer (Health), District Programme Manager, KMSCL and NRHM. This contention is not correct in view of the fact that the primary objective behind holding meetings of the state level committee was to monitor the commissioning and operations of KEMP in the State. Delay in expanding the project to the other districts in the State could be attributed to failure to convene the state level committee meetings. The intention about constitution of district level committee was to ensure periodical collective evaluation of the implementation of the project in the district and not individual interaction in solving day to day affairs.

5.1.6 Conclusion

The project was launched with the commendable objective of providing emergency ambulance services to the needy, free of cost. Agencies, entrusted with delivering 24x7 services however failed to attend to 28102 calls due to non-availability of

vehicles. In 54.48 per cent of cases test checked, response time of ambulances was much beyond the stipulated 10 minutes.

The project was implemented only in Thiruvananthapuram and Alappuzha districts. Laxity of the department resulted in the project not being extended to other districts, despite availability of funds. KMSCL allowed much higher rate for additional kilometres run beyond 2000 kilometres. Instances of flouting tender procedures in the procurement of delivery vans and fabrication of the same into ambulances were noticed. Violation of contractual provisions resulting in undue benefits to the agencies was also noticed. The delivery vehicles were converted as ambulances without reckoning the safety aspects of ambulances *vis-a-vis* delivery vans. The State level committee to monitor implementation of the project in the State did not meet even once.

HOUSING DEPARTMENT

5.2 Role of Kerala State Nirmithi Kendra in Civil Construction Works

The Kerala State Nirmithi Kendra (KESNIK) was set up in 1989 under the Travancore Cochin Literary, Scientific and Charitable Societies Act 1955 as an Apex body to co-ordinate, monitor and regulate the activities of the various Nirmithi Kendras⁹⁷ in the State. The Memorandum of Association of KESNIK (MoA) as approved (April 1989) by Government of Kerala (GOK)/Detailed Project Report (DPR) inter alia envisaged the following objectives stating that KESNIK would:

- act as a seminal agency, to generate innovative ideas in the building construction sector,
- undertake Research and Development (R&D) activities and interact with agencies to ensure field level application of research in housing sector,
- set up production centres, to prefabricate standardised building materials, propagate Cost Effective Environment Friendly and Energy Efficient (CEEF)⁹⁸ technologies in building construction,
- set up fair price shops (Kalavaras) to address the spiralling cost of building materials and
- conduct R&D, orientation training programmes and finishing schools through the training centre 'Laurie Baker International School of Habitat Studies' (LaBISHaS).

An audit was conducted during December 2013 to March 2014 covering the period 2009-14 through test check of records to assess whether the activities of KESNIK

⁹⁷ Nirmithi Kendras were intended to provide an institutional framework to meet the challenges in the housing sector. India's first 'Nirmithi Kendra' was set up in Kollam district of Kerala in 1985 to provide cost effective and environment friendly (CEEF) building technology and affordable solutions to housing

⁹⁸ CEEF technology involves use of locally available and innovative material, cutting down consumption of energy intensive materials (cement, steel), ensuring local participation in construction activities, blending new styles with traditional ones and designing according to the lay of the land

complied with the terms and conditions of the MoA and the guidelines/ instructions issued by GOK. The records of the corporate office of KESNIK at Thiruvananthapuram and the Regional Nirmithi Kendras (RNKs) in four⁹⁹ districts were examined. These units were selected on the basis of judgement sampling.

Audit findings are discussed in the following paragraphs:

5.2.1 Receipt of Grants-in-aid and their utilization

GOK annually released grants-in-aid to KESNIK for various schemes/activities. Analysis of the utilisation of grants-in-aid received during 2009-14¹⁰⁰ revealed that against the release of grants of ₹17.10 crore, expenditure incurred was ₹14.28 crore (83.5 *per cent*). There was an accumulated unspent balance of ₹5.93 crore with KESNIK (May 2014) including ₹1.51 crore for Kalavara scheme as explained in paragraph 5.2.5, ₹2.26 crore for R&D activities as stated in paragraph 5.2.6, ₹0.21 crore received from GOI/GOK/HUDCO¹⁰¹, etc. prior to March 2006.

While admitting (November 2014) the facts, GOK stated that the unspent balance as of 2014 is being utilised, and presently the balance has come down significantly.

5.2.2 Works undertaken using CEEF technology

As per MoA, KESNIK would undertake all civil and related works in addition to construction of buildings especially public buildings utilizing Cost Effective Environment Friendly and Energy Efficient (CEEF) technology involving District and Regional level Kendras. The estimated project cost of each work to be undertaken under CEEF technology was to be based on a separate Schedule of Rates (SoR) to be published periodically by KESNIK. Preparation and publication of a separate SoR for construction using CEEF technology was essential due to substantial cost advantage (about 30 *per cent*) as compared to that used in conventional building techniques which was based on Public Works Department (PWD) SoR. Government had, therefore, confirmed (September 2007) that Nirmithi Kendras should not follow PWD SoR for their works.

KESNIK had not prepared separate SoR for constructions using CEEF technology. During 2009-14, KESNIK had undertaken 1155 construction works through 14 RNKs in the State. Audit noticed that out of the 598 works undertaken in the four test checked districts during 2009-14, 146 works could have been executed incorporating CEEF technology. However, it was noticed that only 3 works were executed incorporating CEEF technology. It was further noticed that out of 77 works undertaken by RNK, Thrissur during 2012-13, 62 were road works (80 *per cent*) where no application of CEEF technology was involved.

The overall savings in the use of CEEF technology, over conventional building technology estimated at 30 *per cent* was thus foregone due to non-adoption of CEEF technology by KESNIK. KESNIK did not work out the savings in any of the cases, despite being requested by Audit. Since, in a construction work, all items of

⁹⁹ Idukki, Palakkad, Thiruvananthapuram and Thrissur districts

¹⁰⁰ The finalization of annual accounts has been completed only up to the financial year 2011-12

¹⁰¹ Housing and Urban Development Corporation Ltd.

works are not executed using CEEF technology, the items of work that can be done using CEEF technology need to be segregated and savings worked out. As KESNIK does not have any such details, Audit could not calculate the savings.

GOK stated (November 2014) that, the works undertaken by KESNIK were mostly public/departmental works. The consent of administrative authority awarding the work is required for construction with CEEF Technology. However, most of the authorities are reluctant to accept the CEEF technology because the Annual Maintenance Contract (AMC) of the building constructed using CEEF technology will also come under PWD and PWD does not entertain alternative technologies.

The Government reply is misleading in view of the fact that the KESNIK could have undertaken maintenance of buildings constructed by it using CEEF technology, as KESNIK has been established by the Government of Kerala with the basic objective of using CEEF technology in building construction.

5.2.3 Co-ordination of activities of KESNIK and District Nirmithi Kendras (DNKs) set up at district level

The MoA and directions of GOK required KESNIK to co-ordinate, monitor and regulate the activities of the District Nirmithi Kendras (DNKs) which function independently, with different bye laws. However, it was noticed that KESNIK did not exercise any control over the activities of the DNKs, resulting in different DNKs functioning independently without a common set of standards and specification.

KESNIK admitted its inability to exercise any control/coordination over the functioning of the DNKs and stated that no corresponding provision was incorporated in the bye laws of DNKs which were independent entities under the respective District Collectors.

Thus, the objective of KESNIK to function as a controlling body of the various DNKs in order to achieve synergy in the functioning of various Nirmithi Kendras, was not achieved. Thus, all such DNKs need to be brought under the umbrella of KESNIK for proper co-ordination, spread and use of CEEF technology throughout the State.

5.2.4 Introduction of innovative/new building products

As per MoA, KESNIK was to set up production centres to prefabricate standardised housing materials, to formulate strategies and to implement schemes for the supply of good quality, cost effective, energy efficient, eco-friendly, environment friendly and disaster resistant building materials. It was envisaged that the consumption of costly materials like, cement, steel, etc. could be minimised, by adopting innovative building practices.

KESNIK had set up 10 production centres with financial assistance received through Plan grant for 'Setting up Production Centres'. However, verification of records of three selected production centres revealed that the centres at Muttom (Idukki district) and Chittoor (Palakkad district) produced only hollow/solid cement blocks during the period 2009-14. The production centre at Kodumbu

(Palakkad district) also focused on producing hollow/solid concrete blocks besides producing negligible quantities of other items like paving blocks, window/door frames, fencing posts, pit covers, jally, etc. during 2009-14. Thus, production of CEEF building materials was mainly confined to Hollow and Solid concrete Blocks alone.

KESNIK acknowledged (December 2013) that it was not focusing on developing new cost effective building materials due to lack of research activities. GOK stated (November 2014) that production centres were generally meant for manufacturing a commodity in large quantity and that niche products were not viable to be produced in mass production. It stated that products like Hollow concrete blocks, compressed stabilised earth blocks, solid concrete blocks, pavement tiles, etc. which were in great demand, were being produced at these centres and that other items which had less demand, were cast in-situ in small construction projects.

Thus, KESNIK failed in attaining its objective of supplying cost effective, energy efficient, eco-friendly, environment friendly and disaster resistant building materials through these production centres.

5.2.5 Functioning of Fair Price Shops - Kalavaras

KESNIK was to set up Fair Price Shops (Kalavaras) with the help of grants received from GOK for sale of building materials, to contain their escalating cost. Guidelines for the sale of building materials (except sand) to APL/BPL households through Kalavaras were issued by GOK in September 2009. The year-wise release of grants by GOK under the Kalavara scheme and their utilization during 2009-14 is given in **Table 5.4:**

Table 5.4: Year-wise release of grants under the Kalavara scheme and its utilization

(₹ in lakh)

Sl. No.	Year	Opening Balance	Grant obtained	Total funds available	Expenditure	Percentage spent	Unutilised grant
1	2009-10	NIL	150.00	150.00	70.21	46.81	79.79
2	2010-11	79.79	61.87	141.66	69.48	49.04	72.18
3	2011-12	72.18	57.19	129.37	57.44	44.39	71.93
4	2012-13	71.93	320.00	391.93	133.34	34.02	258.59
5	2013-14	258.59	NIL	258.59	107.44	41.55	151.15

(Source: Details provided by KESNIK)

It was envisaged to supply steel and cement at discounted¹⁰² prices to BPL households constructing houses with plinth area up to 600 sq.ft. Other beneficiaries constructing houses with plinth area upto 2000 sq.ft. were to be supplied these materials at procurement cost along with 10 per cent service charge or market price whichever was lower. With effect from February 2011 onwards, Government restricted the scheme only to BPL families for construction of houses up to 600

¹⁰² Steel per kg. – Procurement cost less discount of two per cent (Minimum of Rupee One); Cement per bag – Procurement cost less ₹5

sq.ft. by offering subsidy up to 15 per cent of procurement cost (limited to 50 bags of cement and 500 kg of steel).

Though KESNIK had set up nine Kalavaras¹⁰³ (March 2014) to supply quality building materials at reasonable rates, it could not spend even 50 per cent of the available funds in any of the years.

During the period 2009-14, the number of beneficiaries who purchased building materials from Kalavaras was only 2,624. It was noticed that targets in terms of number of beneficiaries procuring steel and cement was fixed only from 2012-13 onwards. However, against the target of 3000 and 4800 BPL families during 2012-13 and 2013-14 for the State, achievement was only 761 (25.36 per cent) and 1141 (23.77 per cent). In the four test checked districts, only 37 and 578 BPL beneficiaries procured building materials from three Kalavaras during 2012-13 and 2013-14 respectively. Analysis of unutilised grant received from GOK during 2012-13 revealed that KESNIK had obtained ₹224 lakh for the subsidised sale of building materials and ₹36 lakh for meeting administrative expenses through 14 Kalavaras, including 7 Kalavaras operated by DNKs. However, KESNIK did not release ₹130 lakh due to the DNKs which resulted in under-utilization of the amount. The expenditure incurred towards subsidy assistance was only ₹64.86 lakh resulting in ₹159.14 lakh (71 per cent) remaining unspent during the year.

While admitting the underutilization of grants towards subsidy assistance, KESNIK stated that supply of building materials through Kalavaras was only to the specified beneficiaries and most of the Government housing schemes were executed through outside agencies. It was also stated that houses under housing schemes like the ST Housing scheme were located in remote areas and the transportation charges of materials from Kalavaras to these localities might not be economical to these beneficiaries. Government stated (November 2014) that if the issue of transportation cost is addressed, more beneficiaries would come forward to take benefit of the scheme. The reply fails to state as to why KESNIK despite obtaining grants from GOK did not release the same to DNKs resulting in lesser beneficiaries obtaining benefits of the scheme besides funds remaining unutilised.

5.2.6 Research and Development activities under LaBISHaS

GOK converted (June 2007) the then existing training centre of KESNIK as Laurie Baker Nirmithi Training and Research Institute (LBNTRI). Subsequently, LBNTRI was renamed (September 2009) as Laurie Baker International School of Habitat Studies (LaBISHaS). The activities earmarked under LaBISHaS were: (1) Finishing School¹⁰⁴ (2) Orientation training¹⁰⁵ and (3) Research and

¹⁰³ District-wise location of Kalavaras – Adoor, Chittoor, Ernakulam, Kalluvathukal, Karode, Kozhikode, Palai, Palakkad and Thiruvananthapuram

¹⁰⁴ A finishing school programme focuses on teaching skills and technical norms as a preparation for entry into a particular scheme of work. In the context of KESNIK, it is a programme that is intended to equip the students and trainees who have just completed an academic course to familiarise with various practical aspects of construction field

¹⁰⁵ Training programme intended to provide detailed knowledge regarding a particular area to workers who are already skilled in the construction sector, either to update their knowledge or to make their job easier in that area is called orientation programme

Development. It was noticed that LaBishaS could utilise only ₹2.11 crore of the ₹4.37 crore received from the State Government for its activities during 2009-14. Expenditure over the years has been showing a declining trend with only ₹ two lakh being spent during 2013-14.

It was noticed that despite availability of funds, five activities involving ₹1.08 crore were not undertaken at all during 2012-14 as given in **Table 5.5** below:

Table 5.5: Activities not undertaken

Sl. No.	Name of the Scheme	Amount (₹ in lakhs)
1.	Campus development of LaBISHaS	45
2.	Research programme	10
3.	Skill improvement training	10
4.	Training for Engineers for sustainable construction	3
5.	Skill upgradation training	40
Total		108

Even though, one of the main objectives of KESNIK was to undertake Research and Development activities in housing and allied fields, it admitted (October 2014) that no R&D activities were being undertaken by LaBISHaS primarily due to the non-availability of the minimum number of faculty with prescribed qualifications. The fact was also confirmed by GOK (November 2014). Thus, there is need of initiating research activities by appointment of adequate number of staff with prescribed qualification.

5.2.7 Activities to promote self-employment schemes

One of the objectives set forth in the MoA required KESNIK to dovetail the self-employment schemes of Government, Public Sector Undertakings and Commercial Banks with the housing needs of the State, in order to encourage youth to undertake income generating activities related to housing. It was noticed that KESNIK had not taken any action in that regard. KESNIK admitted that no steps were taken to achieve the objective of formulating projects which needed specialised knowledge and expertise to be implemented by the Kendra directly or through the DNKs. Thus, the aim for formulating projects to encourage youth to undertake income generating activities was not achieved.

5.2.8 Conclusion

KESNIK had not prepared separate SoR for construction works using CEEF technology. The works undertaken by KESNIK involving CEEF technology was negligible. It did not exercise control over the activities of the DNKs. It did not focus on developing new cost effective, environment friendly and disaster resistant building materials due to lack of research activities. The scheme to provide building materials at discounted rates to the BPL families failed to attract sufficient number of beneficiaries. LaBISHaS, the R&D wing of the KESNIK did not undertake

Research and Development activities due to failure to have the minimum number of faculty with prescribed qualifications.

5.2.9 Recommendations

- KESNIK should prepare separate SoR for CEEF technology and keep it updated;
- Necessary steps may be taken to ensure that DNKs operate under the umbrella of KESNIK; and
- Adequate faculty with prescribed qualification should be appointed in LaBISHaS to increase its effectiveness and for undertaking R&D activities.

LABOUR AND SKILLS DEPARTMENT

5.3 Health Insurance schemes implemented through Labour and Skills Department

5.3.1 Introduction

The Rashtriya Swasthya Bima Yojana (RSBY) and Comprehensive Health Insurance Scheme (CHIS) are two insurance schemes implemented in the State through the Labour and Skills Department. The RSBY was launched in 2008 by Ministry of Labour and Employment, Government of India to provide health insurance coverage for Below Poverty Line (BPL) families¹⁰⁶ and to protect them from financial liabilities that involve hospitalization. Households (Beneficiaries) under RSBY were entitled to hospitalization coverage up to ₹30,000 in select empanelled government and private hospitals, for most of the diseases that require hospitalization. The Scheme extends coverage to five members of the family which includes the head of household, spouse and up to three dependents. A Memorandum of Understanding (MoU) signed (September 2008) between Government of India (GOI) and Government of Kerala (GOK) identified 12,66,407 BPL families¹⁰⁷ in the state as eligible for obtaining medical insurance coverage under RSBY. The GOK formulated CHIS (2008) to provide similar health insurance coverage to additional 10 lakh families identified by the State as BPL (Poor)¹⁰⁸ and Above Poverty Line (APL) families.

Though CHIS was formulated in 2008, it became operational only from 2010-11 onwards. GOK extended (November 2010) the coverage of beneficiaries under CHIS by including all families with monthly income below ₹600 and all SC/ST/Fishing communities, members of welfare fund boards, families with disabled children, street vendors, etc., irrespective of their income.

¹⁰⁶ BPL list was prepared on the basis of score based ranking of rural households for which 13 socio economic parameters representing various deprivations faced by the poor were used

¹⁰⁷ Estimated as 11.79 lakh in GO (P) 95/2008/LBR dated 04.07.2008

¹⁰⁸ BPL (Poor) – List prepared by the State Government which excludes those in the list prepared by the Planning Commission

Both schemes were implemented jointly by the Labour and Skills Department (Labour), Health & Family Welfare Department (Health), Rural Development Department (RDD) and Local Self Government Department (LSGD). The Labour Department was designated (July 2008) as the nodal department for the administration of RSBY and CHIS in the State. A Society, 'Comprehensive Health Insurance Agency of Kerala (CHIAK)', registered (September 2008) under the Travancore Cochin, Literary, Scientific and Charitable Societies Act 1955 to perform as the State Nodal Agency was entrusted with the responsibility of implementing both the schemes.

The audit of RSBY and CHIS was conducted during March to May 2014 covering the period 2008-09 to 2013-14 to assess whether the two schemes as implemented in the State, complied with the guidelines of GOI/GOK. Audit examined the records of the Labour Department, CHIAK and 21¹⁰⁹ empanelled government hospitals (**Appendix 5.1**) in four districts *viz.* Thiruvananthapuram, Idukki, Kozhikode and Wayanad.

5.3.2 Scheme Funding

Under RSBY, the annual insurance premium payable to insurers was estimated as ₹750 per family per year with the contribution of GOI limited to 75 per cent of the premium (not exceeding ₹565) and cost of smart card for each family (₹60). As per scheme guidelines, the State Government was to meet the remaining 25 per cent of the premium as well as any additional premium in cases where the total premium exceeded ₹750. The beneficiaries were required to pay registration fee of ₹30 per annum as their contribution.

Under CHIS, the insurance premium and cost of smart cards of those belonging to BPL (Poor) list of the State Government was to be met in full by the State Government. These expenses in respect of APL families were to be borne by the beneficiaries themselves. Treatment charges incurred by empanelled hospitals were to be reimbursed to the hospitals by the insurance companies on the basis of claims submitted by them.

Details of assistance received by CHIAK from GOI/GOK towards their share of contribution to RSBY and contribution of GOK for providing insurance coverage to additional beneficiaries under CHIS along with expenditure on premium during 2008-14 are given in **Table 5.6**.

¹⁰⁹ Of the 21 empanelled Government hospitals, insurance facilities were discontinued in two hospitals (CHC Vellarada and PHC Kattappana)

Table 5.6: Year-wise details of receipts for RSBY and CHIS and premium paid

(₹ in crore)

Year	Scheme funding received from		Registration fee	Amount received from APL beneficiaries	Total fund received	Total premium paid	Claim Settled by the insurers	
	GOI	GOK						
		RSBY						CHIS
2008-10	41.94	9.42	NIL	3.30	-	54.66	54.66	45.00
2010-11	42.80	8.60	24.23	4.86	6.50	86.99	86.99	113.00
2011-12	65.92	16.98	114.62	7.35	2.65	207.52	207.52	212.00
2012-13	128.80 ¹¹⁰	92.73 ¹¹¹	80.00	7.92	1.16	310.61	310.61	181.00
2013-14	105.25	27.51	71.54	8.39	0.03	212.72	212.72	168.27
TOTAL	384.71	155.24	290.39	31.82	10.34	872.50	872.50	719.27

(Source: Data supplied by CHIAK)

The audit observations are discussed below:

5.3.3 Receipt of assistance from GOI

As per the MoU (September 2008), total number of household beneficiaries eligible for enrolment under RSBY was 12,66,407. The State was, thus, entitled to obtain from GOI 75 per cent of premium paid to insurers in respect of 12,66,407 households. Audit noticed that GOK did not claim reimbursement in respect of 87,407 household beneficiaries each year, during the period 2010-14. Understating the number of RSBY beneficiaries by 87,407 households in each year during 2010-14 resulted in non-receipt of assistance of ₹18.64 crore¹¹² from GOI. On being asked by Audit about the reasons for reporting less number of beneficiaries to GOI and resultant loss of GOI assistance of ₹18.64 crore, GOK replied (December 2014) that central share was claimed on the basis of State Government order dated 4 July 2008 wherein BPL families as per Planning Commission was estimated to be 11.79 lakh. The reply is not acceptable in view of the fact that both GOI and GOK had agreed in the MoU signed between them (September 2008) that the State had 12,66,407 eligible BPL families. As the number of beneficiaries enrolled under the scheme during 2010-11 onwards was more than 12.66 lakh, failure on the part of GOK to claim reimbursement of GOI's assistance in respect of 87,407 household beneficiaries resulted in the State losing GOI assistance of ₹18.64 crore.

¹¹⁰ Increase in GOI assistance for RSBY due to inclusion of additional categories of beneficiaries like MGNREGA workers, Building & Other Construction Workers, Railway Porters, Auto/Taxi drivers, Beedi workers, Domestic Workers, Street Vendors, Mine Workers, Rickshaw Drivers/Pullers, Rag pickers, Sanitation Workers and Weavers & Textile workers

¹¹¹ Premium payable to insurer during 2012-13 rose to ₹1100 from ₹748 in the previous year. Since GOI guidelines required any additional premium above ₹750 to be paid by State Government, the contribution of GOK to RSBY increased during the year

¹¹² Method of calculation – {75 per cent of (Premium – 60) + 60} x 87407. In case where the premium exceeds ₹750, the amount receivable is ₹565 + 60
 2010-11: {75% (464-60) + 60} x 87407 = ₹3.17 cr, 2011-12: {75% (748-60) + 60} x 87407 = ₹5.04 cr, 2012-13: {565+60} x 87407 = ₹5.46 cr, 2013-14: {75% (738-60) + 60} x 87407 = ₹4.97 cr

5.3.4 Observations on Contract Management

5.3.4.1 Payments made to insurance companies prior to execution of agreement

As per agreements entered into between the insurers and CHIAK, the payments were to be made to insurers in three instalments. It was however noticed that 100 per cent of the premium payable during the years 2012-14 were paid prior to execution of agreements with the insurers. Details of the payment of ₹654.91 crore made prior to execution of agreement with insurance companies, are given in **Table 5.7**.

Table 5.7: Payments made without executing agreement

Year	Name of the Insurer	Date of execution of agreement	Total payment made to the insurance company (₹ in crore)	Amount paid before executing the agreement (₹ in crore)	Dates of Payment
2011-12	M/s United India Insurance Co. Ltd.	06.12.2011	207.52	131.58	31.03.2011 to 15.11.2011
2012-13	- do -	27.08.2013	310.61	310.61	01.08.2012 to 01.08.2013
2013-14	M/s Reliance General Insurance Co. Ltd.	05.06.2014	212.72	212.72	15.06.2013 to 28.03.2014
TOTAL			730.85	654.91	

(Source: Data furnished by CHIAK)

GOK stated (October 2014) that the observance of procedural formalities resulted in delay in executing agreement. It also stated that while releasing the premium, it was ensured that the terms as per the actual agreement were honoured by the Insurance Company very meticulously by an interim agreement. The reply is not tenable in view of the fact that there were no interim agreements in place during 2011-12 and 2012-13. It is also interesting to note that the scheme was functioning in the state during 2013-14 on the basis of an interim agreement with the final agreement executed only after close of the year (June 2014). Payment of premium of ₹654.91 crore prior to execution of agreements with the insurers during 2011-14 is a dangerous proposition for which responsibility of the persons concerned may be fixed.

5.3.4.2 Undue favour to M/s Reliance General Insurance Company Ltd., in giving extension of contract for the year 2014-15

M/s Reliance General Insurance Company Ltd. (RGIL) was the insurer under both RSBY and CHIS in the State for the year 2013-14. As per tender conditions, the period of contract would be for three years from the effective date subject to renewal of contract on yearly basis, based on parameters fixed by the State Government/CHIAK for such renewal. CHIAK was required to assess the performance of RGIL on the basis of eight parameters before extending the contract

for 2014-15. As per the performance indicators, RGIL had to obtain not less than 50 marks out of 80 to become eligible for getting extension in tenure of contract. The contract with RGIL was extended to 2014-15 as they obtained 56 marks on the basis of an analysis of performance of RGIL done by CHIAK.

Audit, however noticed that two of the parameters on the basis of which marks were to be awarded related to 'Empanelling at least 50 *per cent* of the eligible private health care providers (as per RSBY criteria) in each district' and 'At least 75 *per cent* of the claims to be settled by the insurer within 21 days of the receipt of the claim'. As per the evaluation parameters, the insurer was to be awarded 5 marks for empanelment of at least 50 *per cent* of eligible private health care providers (numbers to be given by respective district administration). Regarding settlement of at least 75 *per cent* of claims within 21 days of their receipt, the evaluation parameters provided for awarding five marks for settlement of claims '> 70 *per cent*' and six marks for settlement of claims between '70 and 75 *per cent*'. Analysis of data furnished by CHIAK revealed that during the year 2013-14, RGIL had empanelled only 16 *per cent* of private hospitals and could settle only 55 *per cent* of the claims within 21 days of receipt of the claim. As their performance was not as per the prescribed standards, they were not eligible to get any marks on this account. However, CHIAK had wrongly awarded them 7 marks for empanelment of hospitals and 5 marks for claim settlement. Thus, defective evaluation by CHIAK enabled RGIL to obtain 56 marks against the actual 44 marks.

CHIAK stated (July 2014) that visits to private hospitals during 2008-10 revealed that the hospitals were unwilling to join the scheme due to low package rates offered under the schemes. It also stated (July 2014) that marks were therefore given to the insurance company based on the number of interested hospitals and not the hospitals having minimum infrastructure facility as required in the evaluation format. GOK stated (October 2014) that major private hospitals stayed away from the scheme and that marks for empanelment were awarded on the basis of the number of hospitals recommended by CHIAK and not by the total number of hospitals in the State. Reply is not tenable as Notice Inviting Tender (NIT) conditions required that marks should be awarded on the basis of number of hospitals furnished by the district administration. CHIAK had not obtained any such list from district administration. Regarding the marks awarded in the case of claim settlement, GOK stated that the symbol '>' should be construed as '<' and five marks were awarded accordingly. The Government's contention is not correct as it would imply that even if no claim is settled within the stipulated period, the insurer would be eligible for five marks which obviously is not the intention behind fixing the criteria. Moreover, the criteria required the insurer to settle at least 75 *per cent* of the claims within 21 days of their receipt. The dilution of evaluation criteria by CHIAK and State Level Monitoring Committee in an arbitrary manner by flouting basic parameters facilitated RGIL to obtain extension of contract for the year 2014-15 without competitive bidding besides denying opportunity to other insurers to participate in the bid in a transparent manner on equal footings.

5.3.5 Enrolment of beneficiaries and empanelment of hospitals

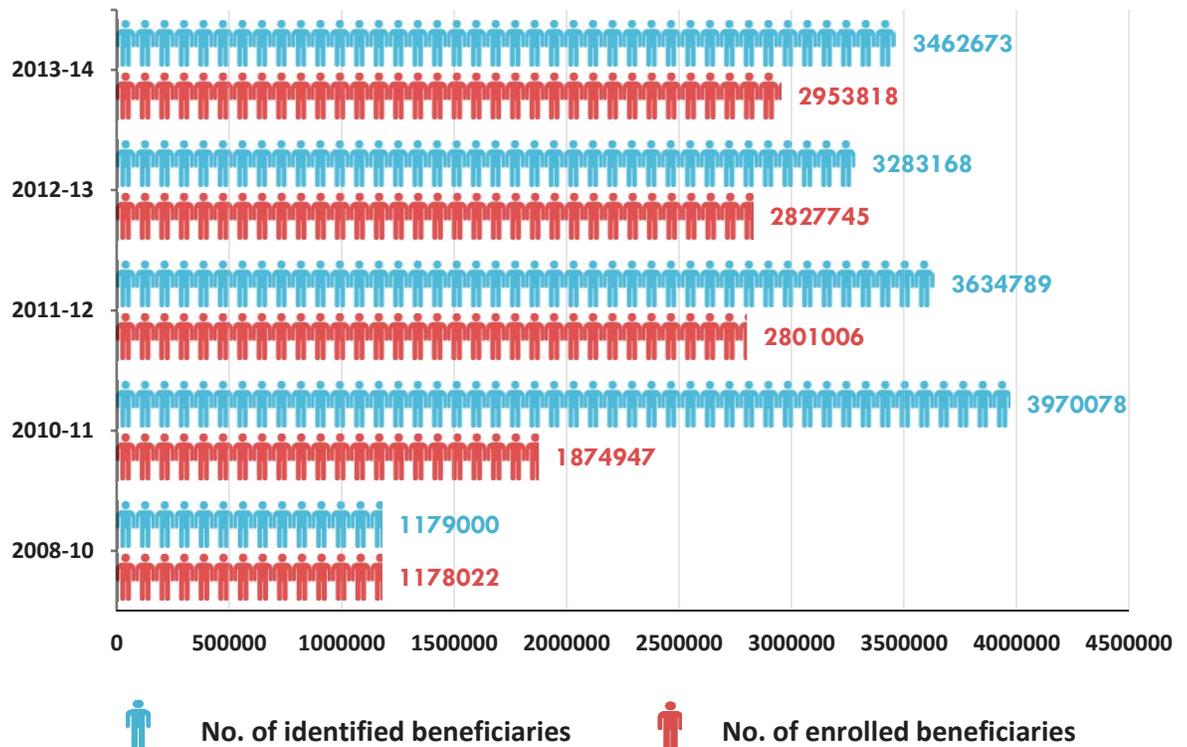
5.3.5.1 Beneficiary identification and enrolment

As per GOI guidelines, it was the responsibility of the State Government to verify the eligibility of the BPL beneficiaries and their family members and furnish the details to the insurance providers. CHIAK stated in its Administration Report for 2010-11 that the BPL survey conducted during May 2009 was erroneous, incomplete and invited a lot of complaints. It, therefore, obtained the services of AKSHAYA e-Centres¹¹³ in the State to register eligible beneficiaries who reported at these centres with documentary proof of their status. Receipts generated after successful registration were handed over to beneficiaries to be produced subsequently at the time of enrolment. The enrolment of the identified¹¹⁴ beneficiaries was to be undertaken by the insurers based on the soft data provided by GOK/Nodal Agency who would issue smart cards to the beneficiaries at enrolment station level/village level itself during the enrolment period.

Audit noticed that there was shortfall in enrolling the identified beneficiaries in the State during the period 2008-14, as depicted in **Chart 5.1**:

Chart 5.1

Shortfall in enrolment of identified beneficiaries



¹¹³ AKSHAYA e-Centres are a broadband enabled information hub set up by Government of Kerala to ensure that benefit of information communication technology is available to the common man

¹¹⁴ Identified beneficiaries - Eligible beneficiaries, reporting at AKSHAYA centres on the basis of advertisements issued through the media are registered and designated as Identified beneficiaries

The shortfall in enrolment during 2010-14 ranged from 14 *per cent* to 52.77 *per cent*. The maximum shortfall in enrolment was noticed during 2010-11. In test checked districts, maximum shortfall in enrolment against identified beneficiaries ranged from 1,50,045 in Kozhikode district to 2,32,255 in Wayanad district during 2010-11. The situation improved by 2013-14 when shortfall in enrolment ranged between 36,239 in Kozhikode to 81,736 in Thiruvananthapuram district.

CHIAK attributed (August 2014) the reasons for low enrolment to their initial dependence on BPL data of 2002. CHIAK stated that since enrolment happened six years after data preparation, enrolment teams of insurance company could not identify families as per the list. GOK also concurred (October 2014) with the view. The reply was not correct in view of the fact that the identification process (registration through AKSHAYA e-Centres) was done every year since 2010-11. Since the AKSHAYA e-Centres identified the beneficiaries every year, lower rate of enrolment indicate failure of the insurance company to enroll all identified beneficiaries.

5.3.5.2 Enrolment of Scheduled Tribe (ST) beneficiaries

During 2013-14, about 85 *per cent* of the identified beneficiaries in the State were enrolled under the schemes. However, enrolment among the Scheduled Tribe (ST) population in the State during the year was only 42 *per cent*. The district of Wayanad recorded an enrolment of only 29 *per cent* during 2013-14 which has the largest ST population (37,302 families) in the State.

The Project Officer, Integrated Tribal Development Programme, Wayanad reported that the rate of enrolment in Wayanad district was low due to inadequate enrolment centres near the ST settlements (*Kudi*), poor awareness about the schemes, ST people getting free medical treatment and unwillingness to pay registration charges. GOK admitted (October 2014) the lapses and stated that corrective steps had been initiated, including awareness about the schemes with the help of tribal promoters, more enrolment centres in tribal settlements and waiver of registration fees for ST families in the on-going enrolment (2014-15).

GOK also stated that there was reluctance on the part of ST families to obtain treatment under RSBY which offers free treatment up to ₹30,000 per annum as the ST department was rendering treatment assistance without any financial limit including payment of daily allowance of ₹100 and ₹200 to the patients and bystanders respectively. Government's reply must be viewed in the context of the fact that while beneficiaries under RSBY could avail treatment in both empanelled government and private hospitals, treatment assistance offered by the ST department could be availed only from government hospitals. Thus, the ST population were deprived of the treatment in a wider range of hospitals (including private hospitals) empanelled under RSBY scheme.

5.3.5.3 Empanelment of Hospitals

Effectiveness of implementation of the schemes depends on the availability of sufficient number of empanelled hospitals. As per guidelines/tender stipulations,

insurers were required to empanel hospitals having adequate facilities and offering requisite services after inspection by a qualified technical team of the insurers or their representatives in consultation with CHIAK/GOK.

GOK authorised (October 2008) the Director of Health Services (DHS) to enter into agreement with the insurance companies for empanelment of all government hospitals to ensure benefits to the patients. GOK also ordered (January 2009) that all 12 Employees' State Insurance (ESI) hospitals in the State may be empanelled for providing treatment. The list of empanelled hospitals for the period up to 2012-13 was not available with the CHIAK resulting in its inability to monitor and ensure easy accessibility of medical services to the beneficiaries.

Every year DHS enters into an agreement with the insurance companies on behalf of all government hospitals. However, it was seen that only 27 per cent (147 out of 544) of the government hospitals and none of the 12 ESI hospitals were empanelled so far (March 2014). In the test checked districts, only 50 out of 131 eligible government hospitals were empanelled.

GOK replied (December 2014) that private hospitals willing to be empanelled and government hospitals with IP facility were empanelled by insurance companies. However, some empanelled government hospitals were not providing the scheme benefits due to inadequate staff. It further stated that all ESI hospitals declined to implement the scheme as they were not prepared to setup separate drug banks for RSBY and ESI patients.

The reply is not acceptable as only 147 out of 544 government hospitals with IP facilities were empanelled by insurance companies. Moreover, Government's failure to enforce its own orders with respect to empanelling ESI hospitals resulted in failure to ensure easy accessibility of medical services and thereby denying the facility to beneficiaries though they were covered by insurance.

5.3.6 Fund management by hospitals

5.3.6.1 Settlement of Claims and development of hospitals

GOK envisaged (July 2008) that the bulk of the insurance premium paid to the insurers should flow back to the public health care system itself. The hospitals had to follow stipulated procedures and submit claims to the insurance companies for obtaining reimbursement. Audit noticed that test checked empanelled government hospitals, failed to recover ₹12.65 crore from insurance companies as elaborated below:

Claims submitted by hospitals but not processed by insurers

Biometric and entitlement data of RSBY/CHIS beneficiaries were stored in smart cards issued to them. All transactions in the hospitals were processed in offline mode and recorded in the smart card at the time of discharge of patient. The details of such transactions recorded in the hospital database were then uploaded in the computer system of the insurance company for claim processing on a daily basis in order to obtain reimbursement of treatment charges.

Audit noticed that 22,330 claims preferred by 14¹¹⁵ test checked government hospitals during 2008-13 were not processed by the insurers as the same were not received by the servers of the insurance company. But it was seen that the claim amount was deducted from the entitled hospitalisation coverage (₹30,000) of the beneficiary during the recording process at hospitals and in smart card. Thus, failure to process the claims already deducted from smart cards resulted in loss of ₹10.64 crore to hospitals and resultant undue benefit of the same amount to the insurers.

CHIAK replied (October 2014) that in hospitals, mostly government hospitals, transaction data were lost due to virus attacks, formatting of hard disks and damage of computer hardware because of power fluctuations and non-availability of UPS, etc. It also stated that the insurance company was willing to settle the claims on production of medical documents/transaction slips¹¹⁶ by the empanelled hospitals. While five of the 14 test checked hospitals reported that data prior to 1 April 2013 was lost due to formatting of computer, four hospitals cited the same reason for loss of data prior to 1 April 2014. Twelve of the 14 hospitals admitted that they have not furnished any claim in this regard for want of documents to support the claim.

The reply is an acceptance of failure to observe the due procedure by the Government/ESI hospitals. No action was also taken against officials responsible for formatting of hard disks without taking backups which had resulted in data/financial loss.

GOK also stated that for all claims from 2013-14 onwards, submission of original case sheets, discharge and receipt for ₹100 paid as TA could be submitted by the empanelled hospitals to the insurers in the event of data loss and that the documentary records would be considered on merits. Government has, through this reply, also confirmed the audit observation that the loss incurred by hospitals during 2008-13 of ₹10.64 crore is irrecoverable.

Claims admitted but payments withheld by the insurer

Contracts between CHIAK and insurers required the insurers to complete the claim process and make payments/reject claims within one month of receipt of the claim. Audit noticed that United India Insurance Company Ltd., had withheld admitted claims of ₹5.21 crore in the fourth round of payment for 2012-13 on account of an unsettled dispute for 2009-10, details of which are enumerated in the succeeding paragraphs.

Scrutiny revealed that during 2009-10, policy end date for rural beneficiaries was March 2010. Urban beneficiaries (1,03,240) were enrolled for the first time in July 2009 and the premium comprising both GOI and GOK shares for the full year (up to June 2010) was paid to the insurance agency. Subsequently, in order to have a uniform policy, end date for both rural and urban beneficiaries, GOI directed that the end date for urban beneficiaries during 2009-10 be curtailed to March 2010.

¹¹⁵ Five test checked hospitals viz., 1. CHC Meenangadi, 2. CHC Kallara 3. General Hospital, Kozhikode 4. THQ Chirayinkeezh and 5. W&C Thiruvananthapuram excluded from the samples as the data provided by them are not reliable

¹¹⁶ Electronic slip generated from the transaction management software at the time of each transaction

Since a fresh contract was entered into with the same insurer for the period April 2010 to March 2011 for both rural and urban beneficiaries, GOI contended that the premium for urban beneficiaries for the three months from April 2010 to June 2010 was already covered under the contract for 2010-11. GOI therefore, effected a pro-rata deduction of ₹1.99 crore in respect of 1,03,240 urban cards for the three months (April 2010 to June 2010) from the central share payable in subsequent years. Consequently, CHIAK recovered from the insurer ₹2.42 crore (GOI share ₹1.99 crore + GOK share ₹0.43 crore) by adjustment from the premium payable to them for 2011-13.

The insurer protested the deduction made by CHIAK and approached the National Grievance Redressal Committee which rejected its plea (September 2012) for release of the withheld premium. The insurer, in retaliation, irregularly retained admitted claims of ₹5.21 crore without releasing to the hospitals.

At the instance of audit, the matter was taken up with the insurance company by CHIAK and ₹5.21 crore was released (September - October 2014) by them to the hospitals.

Partial admission of claims by M/s Reliance General Insurance Company Ltd.

As per Appendix 3 of NIT for the year 2013-14, the package rate should cover the entire cost of treatment of the patient from date of reporting (one day pre hospitalisation) to his discharge and five days after discharge, transport expenses and any complication while in hospital, making the transaction truly cashless to the patient. RGIL was the insurer for the year 2013-14. Audit noticed that insurer irregularly reduced the claim amount of ₹2.01 crore in 6841 cases of 16 test checked hospitals on the ground of prolonged stay, wrong disease description, discharge not recorded in Transaction Management Software, etc. State-wide data furnished by CHIAK revealed that an amount of ₹8.75 crore was irregularly reduced in 36,665 cases by the insurer during 2013-14, resulting in undue benefit to the insurer at the cost of empanelled hospitals. On CHIAK raising the issue with the State Grievance Redressal Committee, the insurer agreed (June 2014) to accept and make payment of all partially settled claims for the year 2013-14 and assured that they would not resort to similar partial payment in future. However, the withheld amount was yet to be recovered from the insurer (November 2014)

Utilisation of funds by hospitals

GOK envisaged (October 2008) that money received by government hospitals from insurers against claims shall be utilised in the hospital with the approval of Hospital Management Committee (HMC)/Hospital Development Society (HDS). It stipulated payment of 15 per cent of claim amount as incentives to Doctors, Nurses, Lab technicians, etc. The remaining 85 per cent was to be retained by the HMC/HDS for filling critical gaps in providing quality patient care, drugs and consumables, hiring manpower like Speciality Doctors, etc. Test check of records of 18 hospitals¹¹⁷ revealed that ₹16.49 crore (24 per cent) of the ₹67.82 crore

¹¹⁷ Details not furnished by one hospital

including interest¹¹⁸, received by them during 2008-14 from insurance companies remained unutilised. Expenditure incurred by these hospitals on development of infrastructure was only ₹4.27 crore (six per cent). Almost 31 per cent of these funds were spent on purchase of medicines despite GOK insisting (October 2008) that doctors in government hospitals prescribe generic drugs supplied freely by the State Government. The remaining 39 per cent was expended on transport allowance to patients, incentives to staff, laboratory investigation charges, etc. Periodical review by Government on utilization of these funds could have ensured better utilization of funds.

While admitting the facts, seven hospitals reported that there was no specific instruction to utilise the funds fully. GOK stated that guidelines for utilization of reimbursed amount of RSBY/CHIS in Government hospitals were issued by the Health and Family Welfare Department. It also stated that since CHIAK had very limited control over Government hospitals especially on internal finance, the matter would be taken up with the Health and Family Welfare department.

Payment of Transport Allowance to patients

GOI guidelines required empanelled hospitals to pay Transport Allowance (TA) of ₹100 to each patient upon discharge. Pamphlets given to beneficiaries at the time of enrolment also indicated that TA would be paid to patients at the time of discharge. Audit noticed that 15 test checked hospitals did not provide TA to patients amounting to ₹1.44 crore in 1,43,705 cases up to March 2014. The actual amount in respect of all the hospitals in the State will be much more.

DHS admitted (November 2014), the non-payment of TA to patients and cited lack of awareness among Superintendents/Lay Secretaries¹¹⁹ of Government hospitals as reason for the same. GOK stated that instructions had since been issued to all hospitals to ensure proper distribution and documentation of TA to all RSBY/CHIS beneficiaries.

5.3.7 Monitoring and Grievance Redressal mechanism

GOI guidelines required State Governments to establish grievance redressal mechanisms. However, norms for constituting Monitoring and Grievance Redressal Forums at the State and District level were framed by GOK only in November 2010. While the first meeting of the State Grievance Redressal Committee (SGRC) was held in November 2010, Audit noticed that the first meetings of the District Grievance Redressal Committees (DGRC) were held only during June to October 2012. Delay in constituting the grievance redressal forums deprived the intended benefits to stakeholders. As per the instructions issued by GOI in April 2012, there would be a fixed date once a month for addressing the grievances of stakeholders in the respective committees (National/State/District Grievance Redressal Committees). Shortfall in convening the meetings of DGRCs in the selected districts ranged from 83 per cent to 100 per cent during 2012-13. The DGRCs in Idukki and Wayanad did not meet even once during the year 2012-13. Shortfall in

¹¹⁸ 'Interest' is the interest received on flow back funds deposited in banks

¹¹⁹ Lay Secretary is the administrative head and also the drawing and disbursing officer of the hospital

convening DGRC meetings ranged between 50 *per cent* (Thiruvananthapuram) to 66 *per cent* (Idukki) in 2013-14. SGRC met only thrice during 2012-13 and twice during 2013-14.

GOK replied that as no complaints were received by the Grievance Nodal Officer, the committee meetings were not convened during the early period. Reply is not tenable since 11 of the test checked hospitals informed that they were unaware of the existence of the grievance redressal mechanism and were forwarding complaints to the insurance companies.

5.3.8 Functioning of CHIAK, the State Nodal Agency

GOI instructions (May 2010) required the State Nodal Agency to set up a server at the state level to store the enrolment and hospitalisation data from all the districts. It required the State Nodal Agency to work with the insurance companies to study and analyse the data for improving the implementation of the scheme. CHIAK was the State Nodal Agency for both the schemes. Tender documents from 2012-13¹²⁰ required the insurers to provide CHIAK with real time access to the enrolment and hospitalization data whereby reports regarding enrolment, claim data and such other information would be obtained by the nodal agency through a web based system. Additionally, insurers were also required to provide Management Information System reports on enrolment, claim data, customer grievances and such other details as required by Government. Audit noticed that agreements with the insurers did not have a clause requiring insurers to provide real time access to data and the same was not provided to CHIAK up to March 2013. CHIAK stated that they were provided raw data in different formats which could not be processed by them. Contrary to the provisions contained in the agreements entered into between CHIAK and the insurers, details of rejected and partially rejected claims were also not furnished to CHIAK by the insurers. This reduced the effectiveness of CHIAK as Nodal Agency. GOK replied that with introduction of Transaction Management Software (TMS) developed by GOI, the data fields were standardised and direct flow of data from hospital to SNA was possible. But the TMS introduced from 1 April 2013 could not be implemented successfully during 2013-14.

5.3.9 Conclusion

Despite rise in number of registered beneficiaries year after year, all eligible government/ESI hospitals were not empanelled. There was shortfall in enrolment of identified beneficiaries under RSBY/CHIS. Enrolment of Scheduled Tribe beneficiaries in the State was only 42 *per cent* while enrolment of ST beneficiaries in Wayanad district was only 29 *per cent* during 2013-14. Government's intention to utilise the flow back of insurance premium to improve the health care system did not materialise fully as about 24 *per cent* of the funds remained unutilised with the hospitals. Test checked empanelled hospitals also failed to recover ₹12.65 crore from insurance companies due to partial settlement/loss of data on claims. The patients were also deprived of the benefit of TA.

¹²⁰ During 2008-12, neither tender documents nor agreements specified real time access to data. These only required submission of reports on a regular basis

AUDIT OF TRANSACTIONS

Failure of Oversight/Administrative Controls

HEALTH & FAMILY WELFARE DEPARTMENT

5.4 Misappropriation of Government Money in District Ayurveda Hospital, Palakkad

Non-adherence to codal provisions and lack of supervision resulted in misappropriation of ₹9.30 lakh.

As per Rule 131 (a) of the Kerala Treasury Code (KTC), the contents of the cash chest or the cash on hand shall be counted by the head of the office or, under his orders, by a gazetted subordinate at the close of the business on each working day and verified with the book balance in the Cash Book and other registers after they have been closed for the day. Moreover, Rule 7 (2) of the Kerala Financial Code (KFC) - Vol. I stipulates that money received on account of Government dues should be remitted into Treasury the next working day. When this is not possible owing to distance from the Treasury, or any other cause, the money should be remitted periodically, i.e. at least once in a week on the last working day.

Section 12 of the Kerala Indigenous Medicine Departmental Manual stipulates that the District Indigenous Medical Officers (DMO, ISM) shall make intensive annual inspection of hospitals and dispensaries under their jurisdictions.

The Chief Medical Officer (CMO), District Ayurveda Hospital, Palakkad (DAH) was maintaining four separate cash books for General, Hospital Management Committee (HMC¹²¹), Kerala Health Research and Welfare Society (KHRWS)¹²² and NRHM (Ayush funds¹²³) transactions. He was also the custodian of cash. As per the entries in the four cash books, the closing balance of cash as on 25 November 2013 was ₹9.30 lakh¹²⁴. However, a physical verification of cash conducted by the CMO at the instance of Audit revealed that the total opening cash balance as on 26 November 2013 was 'Nil', indicating misappropriation of funds. The CMO admitted (November 2013) the shortage of money and certified that there were no unaccounted advances, expenses or receipt as on 26 November 2013.

¹²¹ Hospital Management Committees are constituted vide GO dated 14.3.2007 to make effective, the working of the concerned health institution, by discharging the entrusted responsibilities. Source of funds includes RSBY revenue as well as receipts from other hospital services (GO dated 22.02.2010)

¹²² A Government owned society established in 1973 to make better infrastructure facilities in Medical Colleges and other Government hospitals and to strengthen public health care system

¹²³ National Rural Health Mission (funds received from Department of AYUSH, Government of India)

¹²⁴ General Cash Book (₹1.31 lakh); HMC (₹6.11 lakh); KHRWS (₹1.88 lakh); NRHM Ayush (₹ NIL)

On detecting the shortage of money, Audit undertook a detailed scrutiny of various cash books maintained in the DAH. It was seen during audit that from July 2012 to November 2013, the CMO disregarding the provisions of Rule 7 (2) of KFC had neither remitted all general cash into the Treasury nor remitted the relevant cash to the KHRWS/HMC accounts except in a few cases. The CMO did not pay the electricity and water charges despite receiving funds from the District Panchayath for the purpose. He had also withdrawn advances from HMC accounts using self cheques in excess of actual requirement.

It was further observed that the DMO (ISM) was informed by the Regional Manager of KHRWS (October 2013) about the non-remittance of receipts under KHRWS accounts in the bank by the CMO. However, other than directing the CMO to remit the receipts into bank, no action was taken by the DMO to investigate the issue further. Had the DMO conducted regular inspections at the DAH as stipulated under Section 12 of the Kerala Indigenous Medicine Departmental Manual, the accumulation of large cash balances, its non-remittance and eventual misappropriation could have been avoided.

It was also noticed that though the CMO was responsible for maintaining the Cash Book and authorising payment, the cash book was not regularly updated and physical cash balance not checked which is in violation of Rule 131 (a) of KTC. Thus there was a failure in internal control system.

Thus, non-adherence to codal provisions by the CMO and laxity on the part of the DMO facilitated misappropriation of ₹9.30 lakh at the DAH. On pointing out this misappropriation by Audit, Government placed the CMO under suspension (December 2013) and directed him (September 2014) to repay ₹9.30 lakh with interest at the rate of 18 *per cent* from 25 November 2013 till date of repayment.

5.5 Misappropriation of Rashtriya Swasthya Bima Yojana fund

Failure to adhere to the codal provisions led to misappropriation of ₹7.36 lakh.

Rule 92 (a) (i) of Kerala Treasury Code stipulates that every officer receiving money on behalf of Government should maintain a Cash Book. Further, as per Rule 253, a drawing officer should invariably keep cheque books in his personal custody under lock and key.

According to the guidelines issued by the Government of Kerala for implementation of Rashtriya Swasthya Bima Yojana (RSBY)¹²⁵, insurance claim amounts when received from the Insurance Company should be deposited in a separate bank account and all the payments except transportation allowance of ₹100 to be payable to patients shall be made

¹²⁵ Refer to paragraph no. 5.3

through cheques only. The Superintendent, Medical College Hospital, Thiruvananthapuram (MCH) operated a Savings Bank (SB) Account in a Public Sector Bank in Thiruvananthapuram to account for the receipts and expenditures under RSBY. The Superintendent, MCH was also the Secretary cum Treasurer of the Medical College Hospital Development Society (HDS), Thiruvananthapuram and was authorised to operate the bank account on behalf of HDS. Audit noticed that the Superintendent, MCH did not maintain a cash book for accounting transactions relating to RSBY. Audit verified the Cheque Issue Register, bank statement of RSBY and HDS and Cash Book of HDS for the period 2010-11, and noticed that four cheques¹²⁶ amounting to ₹7.36 lakh issued from the RSBY account in favour of the Secretary, HDS, though encashed from RSBY account was not remitted into the HDS account. Even though the cheques were issued from RSBY account, they were neither recorded in the Cheque Issue Register of RSBY nor in the Cash Book of HDS.

On this being pointed out, Superintendent MCH, after verification of the records, confirmed (June 2014) the audit observation and stated that instead of transferring the amount to the account of the Secretary, HDS, the Office Superintendent had received the amount in cash in respect of all transactions. Further, he expressed doubt about the genuineness of the signature on the cheques and stated that the matter had been referred to police for investigation (June 2014).

The failure of Superintendent, MCH to maintain Cash Book to account for the receipts and expenditure of RSBY and failure to ensure the safe custody of cheque books, as prescribed in Rule 92 (a) (i) and Rule 253 of Kerala Treasury Code facilitated the misappropriation of money.

Government while admitting the misappropriation (December 2014) stated that it has been decided to refer the case to the Vigilance and Anti-Corruption Bureau for further investigation.

¹²⁶ Cheque No. 182451 dated 25.10.2010 - ₹1,95,600
Cheque No. 182453 dated 08.11.2010 - ₹1,98,730
Cheque No. 182455 dated 23.10.2010 - ₹1,45,850
Cheque No. 182456 dated 22.12.2010 - ₹1,96,570

CULTURAL AFFAIRS DEPARTMENT

5.6 Idle investment of ₹59.50 lakh in construction of open enclosure for crocodiles

- **Inordinate delay in construction of open enclosures for crocodiles resulted in unfruitful expenditure of ₹59.50 lakh;**
- **Irregular receipt of ₹62.90 lakh from GOI for the same purpose and its diversion.**

As part of modernization of Thiruvananthapuram zoo, the Director, Museums and Zoos, Thiruvananthapuram (Director) submitted a proposal to the State Government (February 2005) for construction of four open enclosures to house and display four different species of crocodiles. The proposal envisaged the creation of a dry moat (trench) as a physical barrier on the visitors side, an artificially created water body, sand banks, islands, suitable landscaping, etc., including two glass viewing galleries to view the crocodiles through the water. Based on the proposal, the State Government accorded (March 2005) administrative sanction for the construction of four enclosures at an estimated cost of ₹85.30 lakh. Sanction was also accorded to entrust the work to the Public Works Department (PWD). Consequently, the entire amount of ₹85.30 lakh was deposited with the PWD in March 2005.

PWD entrusted the work ‘Construction of new open enclosures for crocodiles (four numbers) in Thiruvananthapuram zoo as part of modernization of zoo’ to a contractor (July 2005). The work consisted of 116 items to be completed at a cost of ₹61.78 lakh. Time of completion of work was fixed as March 2007. The PWD incorrectly declared the work as completed (February 2010) and paid ₹59.50 lakh to the contractor, though 32 items of work including work on the viewing gallery had not been completed (July 2014). The Director stated (July 2014) that the issue of non-completion of work had been taken up with the PWD on many occasions. Thus, even after nine years and availability of adequate funds, the project had not been completed and the crocodiles were still housed in unsuitable cages with no viewing facilities for the visitors visiting the zoo. This has resulted in an idle investment of ₹59.50 lakh.

It was further observed that the Director wrongly submitted a similar proposal (May 2005), to the Central Zoo Authority (CZA), Government of India for 100 *per cent* financial assistance for construction of four enclosures by concealing the fact that the State Government had already accorded administrative approval and sanctioned ₹85.30 lakh for the same project (March 2005). GOI had also released funds to the tune of ₹62.90 lakh¹²⁷ for construction of three enclosures. Contrary to the provisions of the Memorandum of Understanding (MOU) entered into between the CZA and the State Government which required that money released by the CZA

¹²⁷ First instalment of ₹30 lakh received in October 2005 and Second instalment of ₹32.90 lakh received in December 2006

should not be taken into revenue account and should be used only for the purpose for which it was sanctioned, the first instalment of ₹30 lakh was credited to the Revenue Account of the State Government and the final instalment of ₹32.90 lakh was retained by the Directorate. The Director also submitted (July 2012) Utilisation Certificate to the GOI falsely certifying that ₹59.50 lakh of GOI assistance had been spent on the said work while the expenditure was actually incurred from State Government funds and the GOI funds were retained in treasury/with the Director.

The submission of false proposal to GOI by the Director resulted in receiving ₹62.90 lakh deceitfully. This further led to consequent misrepresentation of facts and diversion of GOIs funds for which the State Government needs to fix accountability.

Government admitted the lapse (September 2014) on the part of the Director in submitting proposal for the same work to both the CZA and GOK and attributed it to procedural lapses. Government also stated that the same was done in good faith and intention for the development and modernisation of Zoological Garden. Moreover, the work of crocodile enclosures was still remaining incomplete even after nine years which is indicative of lack of seriousness on the part of the Government in taking care of public affairs.

The Government's reply is not acceptable as it has failed to fix responsibility for serious lapses on the part of the departmental authorities in obtaining and retaining GOI funds deceitfully.

DEPARTMENT OF HEALTH AND FAMILY WELFARE, HIGHER EDUCATION AND LABOUR AND SKILLS

5.7 Avoidable payment of penalty to Kerala State Electricity Board

Failure of three departments to comply with the provisions of High Tension Tariff Revision Order of Kerala State Electricity Board led to avoidable payment of penalty charges amounting to ₹2.85 crore.

Kerala State Electricity Board (KSEB) is a transmission utility and a distribution licensee in Kerala. As per the Kerala State Electricity Board High Tension Tariff Revision Order, 2001(August 2001), KSEB introduced differential pricing system for High Tension¹²⁸ (HT)/Deemed¹²⁹ HT consumers with the help of Time of Day¹³⁰ (TOD) meters. The system was introduced based on policy decisions taken in 1997 and envisaged reduction in peak time demand of the HT/Deemed HT consumers. In this system, the demand/energy requirement of the HT/Deemed HT

¹²⁸ A High tension Consumer (HT) means a consumer who is supplied with electrical energy at a voltage of either 22000 volts or 11000 volts under normal conditions

¹²⁹ Consumers who were having a connected load between 151 and 250 Kilovolt-ampere (KVA) as on 01 July 1999 and not converted to HT connection were classified by KSEB as deemed HT consumers

¹³⁰ It is a meter that records demand, time and energy usage and when installed provides customers with the benefit of reducing utility bill by providing reduced usage rates during off-peak time

consumer is categorised under three time slots *viz.* Normal time (0600hrs to 1800hrs), Peak time (1800hrs to 2200hrs) and Off time (2200hrs to 0600hrs) which is measurable with the help of TOD meter. The tariff for energy charges varied according to the time slots, the highest of 150 *per cent* of ruling energy rates during peak time and lowest of 75 *per cent* of ruling energy rates during Off time. This was intended to encourage the consumers to consume more during off peak hours and less in peak hours. Under the system, all HT/Deemed HT consumers had to purchase and install TOD meters and CT (Current Transformer)/PT (Potential Transformer) at their cost failing which they were to be charged 25 *per cent* extra over the tariff.

Ten deemed HT consumers (17 connections) under three Departments of Government of Kerala *viz.* Health & Family Welfare, Higher Education and Labour and Skills Departments failed to comply with the above directives of KSEB resulting in an avoidable payment of ₹2.85 crore as penalty to KSEB (**Appendix 5.2**) during the period from April 2010 to March 2014.

The Secretary, Printing and Stationery under the Higher Education Department stated (November 2014) that in respect of Government Press, Shornur, the conversion from Low Tension connection to HT connection required installation of transformers and construction of a transformer yard involving an amount of ₹ one crore and that discussions were on with KSEB for exemption from penalty. The Secretary, Labour and Skills stated (November 2014) that in respect of the four ITIs, steps were being taken to execute the works required for complying with the KSEB directives.

The replies are not tenable, as even after passage of more than 12 years after the implementation of High Tension Tariff Revision Order, the Departments did not comply with its provisions resulting in avoidable payment of penalty to KSEB.

Replies from Government in respect of Health and Family Welfare Department and two institutions under the Higher Education Department are awaited (December 2014). Thus, failure of the departments to comply with the provisions of High Tension Tariff Revision Order of KSEB resulted in avoidable payment of penalty charges of ₹2.85 crore.

SCHEDULED CASTES DEVELOPMENT DEPARTMENT

5.8 Non-implementation of a scheme for providing livelihood to the unemployed Scheduled Castes due to non-identification of beneficiaries owing to fixing faulty criteria

Despite availability of ₹2.80 crore in March 2011, a scheme to engage unemployed Scheduled Castes in poultry production failed to take off due to failure in identifying eligible beneficiaries.

The Director of Scheduled Castes Development Department (Department) submitted a proposal to the Government for poultry production in seven districts¹³¹, through 90 units of Self Help Groups (SHG) belonging to scheduled castes community at an estimated cost of ₹2.80 crore. The primary objective of the scheme was to provide livelihood to the unemployed scheduled castes by engaging them in poultry production and thereby empowering the community economically. Government accorded administrative sanction to the scheme in March 2011. The Kerala State Poultry Development Corporation (KEPCO) was designated as the implementing agency for the scheme for which a Memorandum of Understanding (MoU) was signed by Director, Scheduled Castes Development Department with Managing Director, KEPCO in November 2011. However, on receipt of administrative sanction and before signing the MoU, the Department released (May 2011) the entire amount of ₹2.80 crore to KEPCO. The MoU *inter alia* envisaged the following:

- The beneficiaries under the scheme were to be selected by the Department and the list to be communicated to KEPCO.
- KEPCO was to ensure the construction of sheds having an area of 3000 sq. ft. for the project.
- KEPCO was to supply the entire inputs namely chick birds, feed, medicines and broiler chick birds to each SHG.
- The birds, to be reared by the SHGs, were to be taken back by KEPCO after paying a cost for marketing.

As per the MoU, about 63000 birds would be reared by the SHGs and taken back by KEPCO during the project period of one year and would generate revenue of ₹1.90 lakh per year per SHG.

The Department issued (January 2012) instructions to the District Development Officers for Scheduled Castes (District Level Officers) to select beneficiary groups based on the criteria fixed (August 2011) by KEPCO that beneficiaries should possess at least 10 cents of land or more with lorry access and facilities for water and electricity. However, three¹³² District Level Officers intimated (March 2012)

¹³¹ Alappuzha, Kollam, Kottayam, Palakkad, Pathanamthitta, Thiruvananthapuram and Thrissur districts

¹³² Kollam, Kottayam and Palakkad

their inability to identify the SHGs as the number of SHGs fulfilling the criteria laid down by the Department was very less. Hence, they requested for modification in the selection criteria. It was noticed during audit that the beneficiaries of the scheme had not been identified till date (November 2014) and the selection criteria have also not been modified till date. This shows that the selection criteria fixed by KEPCO was faulty as it was done without making a detailed analysis and considering the ground realities.

In the meanwhile, KEPCO requested the Government (March 2012) for additional funds amounting to ₹2.14 crore or to curtail the number of units to 51 due to cost escalation. Government, therefore, instructed (August 2012) the Department to submit a fresh proposal before the State Level Working Committee. Due to non-implementation of project and non-submission of revised proposal, Government instructed (July 2013) the Department to obtain refund of ₹2.80 crore from KEPCO. On being asked by the Department (September 2013) to refund the money, KEPCO, citing lack of directions from the Department as reason for failure to implement the scheme, submitted (November 2013) a fresh proposal to the Director for consideration and approval. Government accorded (February 2014) administrative sanction to the revised proposal subject to the condition that KEPCO should rework the proposal by including the interest amount accrued on ₹2.80 crore earlier deposited with them and resubmit the proposal to Government for approval. A revised proposal again submitted to the Director by KEPCO in February 2014 and forwarded to Government in May 2014 was still awaiting approval (November 2014).

Thus, due to inability of the Department to identify beneficiaries due to faulty criteria, the scheme initiated (March 2011) with the sole objective of empowering the scheduled castes community socially and economically failed to take off till date (November 2014) besides blocking up of ₹2.80 crore for a period of over three years.

WATER RESOURCES DEPARTMENT

5.9 Unfruitful expenditure on a Water Supply Scheme

Improper planning resulted in unfruitful expenditure of ₹4.67 crore in implementation of a water supply scheme.

Kerala Water Authority (KWA) on behalf of Government of Kerala (GOK) is entrusted with the task of providing quality drinking water and sewage services to the people of the State. The villages of Cheruthuruthy and Nedumpura in Thrissur district were identified (1980) by the State Government as problem villages related to drinking water needs. The existing small water supply schemes of these villages were inadequate and hence, a comprehensive scheme to supply safe drinking water to these villages was planned with the loan assistance of Life Insurance Corporation of India (LIC) in March 2000 at a project cost of ₹8.95 crore. The water for the

scheme was to be drawn from the Bharathapuzha river with intake site at Macherykadavu, about 500 metres upstream to a railway bridge at Cheruthuruthy. After completion of certain components¹³³ of the work (approximately 40 per cent of work) at a cost of ₹2.37 crore, KWA stopped availing loans from LIC due to higher interest rates and difficulty in arranging Government Guarantee for each loan, etc.

The major unfinished components of work like four Million Litres per Day (MLD) Water Treatment Plant, Ground level reservoir, compound wall and part of the distribution system were subsequently proposed to be completed with financial assistance from National Bank for Agriculture and Rural Development (NABARD). GOK accorded administrative sanction in July 2008 for the NABARD assisted Rural Drinking Water Supply Scheme (RDWSS) at a total project cost of ₹8.14 crore¹³⁴ on the basis of a Detailed Engineering Report (DER) submitted (May 2008) by KWA.

The work was divided into two packages. Package I included construction and commissioning of four MLD Water Treatment Plant, 10.42 lakh Litre Sump and compound wall at Athiraparambu and Package II included items of work like supplying, laying, testing and commissioning of distribution network of various sizes including 50 m Railway line crossing through overbridge. It was noticed during audit that the Railways had, as early as in August 2008, informed KWA that as per Railway rules, no crossing could be permitted on or within 15 m of any structure. However, KWA awarded (May 2010) the work on Package I for ₹3.74 crore and package II (March 2009) for ₹3.59 crore.

Against the original targeted dates of September 2011 and March 2010 for completion of Packages I and II respectively, about 10 per cent of works¹³⁵ under Package I and portion of distribution lines which has to cross the railway over bridge at Cheruthuruthy under Package II remains to be completed (October 2014). While the target date for Package I had been revised to December 2014, the work on Package II has come to a standstill from September 2011 onwards for want of Railway's permission. Requests of KWA (January 2010 and 2012) seeking permission to lay pipes through the overbridge at Cheruthuruthy were rejected (January 2012) by the Railways. Attempts by KWA to lay distribution lines across the railway track by "push jack method¹³⁶" or to lay the pipe line through the footpath portion of over-bridge also did not materialise.

The Superintending Engineer, KWA admitted (August 2014) that the objective of the scheme was not achieved as the work of laying pipes across railway tracks was not executed for want of approval from railways. GOK stated (October 2014) that since there was no restrictions on laying pipelines through railway overbridges prior to 2008, the objection from Railways was unexpected.

¹³³ Intake well cum pump house, 250 mm diameter pumping main, pump set and part of distribution network

¹³⁴ Fund provided by LIC : ₹237 lakh, NABARD : ₹577 lakh

¹³⁵ The pending work relates to completion of water treatment plant

¹³⁶ Push jack method is a method by which horizontal pipe is laid below existing services like Railways, Highways, etc. where general method of pipe laying like trenching is not viable

The reply fails to explain why KWA went ahead with the awarding of Packages I and II in May 2010 and March 2009 respectively when it was already known in August 2008 that the Railways had refused permission to lay distribution lines across railway structures.

The inadequate planning in implementation of RDWSS has resulted in unfruitful expenditure of ₹4.67 crore¹³⁷ and resultant non-achievement of objective of providing adequate and safe drinking water to two villages.

**Thiruvananthapuram,
The**

**(N. NAGARAJAN)
Principal Accountant General
(General and Social Sector Audit), Kerala**

Countersigned

**New Delhi,
The**

**(SHASHI KANT SHARMA)
Comptroller and Auditor General of India**

¹³⁷ Package I: ₹1.68 crore
Package II: ₹2.99 crore