

CHAPTER-VII:

COMPLIANCE AUDIT OF EXPENDITURE SECTOR

Audit of transactions of the Government Departments, their field formations as well as audit of the Autonomous Bodies brought out lapses in management of resources and non - observance of the norms of regularity, propriety and economy, which have been presented in the succeeding paragraphs.

Youth Affairs and Sports Department

7.1 Purchase of Automatic Electronic Target Scoring Systems in shooting range

The State of Rajasthan had one shooting range at Jaipur and for its upgradation to international standards, the Rajasthan State Sports Council (Council) decided to procure Automatic Electronic Target Scoring Systems in 2016. In the budget for 2018-19, the State Government had allocated ₹ 5 crore for the purchase of the Automatic Electronic Target Scoring Systems in compliance to the Chief Minister's budget announcement.

In 2016, the Council had identified M/s SIUS AG Switzerland (Firm) for single source procurement of the Automatic Electronic Target Scoring Systems as the firm was the only distributor of Automatic Electronic Target Scoring Systems approved by National Rifle Association of India (NRAI) and International Shooting Sports Federation (ISSF).

The Firm submitted its proposal in April 2016 and offered Automatic Electronic Target Scoring Systems consisting of 10M (16 sets), 25M (5 sets) and 50M (5 sets) targets, at a total price of CHF 2,59,004 (in Swiss Franc) (equivalent to ₹ 1.80 crore¹).

In May 2016, after negotiations with the firm's agent in India (M/s Gem International), price was further reduced to CHF 2,56,100 (₹ 1.72 crore²), which the Firm claimed was lower than that offered to Kerala Sports Council. However, the Council did not place order.

After negotiating three times (August 2016, February 2017 and June 2017) with the firm, in October 2017, during the meeting of the firm with the Sports Minister, the firm was asked to quote its price in INR, and to offer 2 years of free comprehensive AMC and 5 years of warranty on additional charge. The firm agreed and quoted ₹ 1.68 crore.

1 CHF 2,59,004*₹ 69.5363 (exchange rate on 06 April 2016) = ₹ 1.80 crore.

2 CHF 2,56,100*₹ 67.3428 (exchange rate on 27 May 2016) = ₹ 1.72 crore.

Supply order was placed to the Firm on 05 April 2018, for ₹ 1.88 crore (inclusive of IGST ₹ 0.20 crore) for 16 sets of 10 M, 5 sets of 25 M and 5 sets of 50 M targets. However, the Letter of Credit³ (LC) could not be opened even after more than a year because of the Council's lack of understanding of the import purchase process. The firm sent (September 2019) a draft contract agreement, but the Council did not sign it, as it was different from the draft agreement prescribed in the GF&AR (Rule 68)⁴ which was enclosed in the RFP initially sent to the firm in April 2016. Banks could not open LC without the agreement.

After three years of efforts, the whole procurement process was cancelled on 05 November 2019. Audit noted that the grounds for cancellation of the procurement process viz: draft contract agreement was different from the one sent by the firm, non-signing of contract agreement within 15 days of LoA, bid evaluation took 3 years is violation of Rule 40 of RTPP Rules and actual cost negotiated was higher than estimated cost notified in SPP portal etc, were arbitrary as the agreement was drafted by the firm as per international practice and further rules do not say that if the time-frame is not adhered to, the process should be cancelled.

Thus, the tendering process took three and a half years from April 2016 till its cancellation in November 2019. After the first round of negotiations in May 2016, when the purchase was finalised for ₹ 1.72 crore, contract was not signed with the firm. Instead, many rounds of negotiations were held for the next two years before placing order with the firm.

After cancellation of the tendering in November 2019, the Council again obtained estimate from the firm (M/s Gem International, Indian agent to M/s SIUS AG Switzerland). The firm submitted an estimate of ₹ 4.91 crore in February 2020. In August 2020, the Council decided to initiate a fresh procurement process and invited bid in March 2021, but due to Covid wave, bids could not be opened, and the tender was cancelled again in September 2021.

In September 2021, NIT was again issued with an estimated price of ₹ 4.97 crore and M/s SIUS AG Switzerland was again the sole bidder with a quote of ₹ 5.84 crore. In January 2022, negotiations were held with the firm, which gave a final offer of ₹ 5.43 crore. The evaluation committee found this price to be much higher than the estimated price of ₹ 4.97 crore and cancelled the tender again in July 2022.

Audit finds this evaluation by the Committee to be incorrect. The price of ₹ 4.91 crore was estimated by the firm in February 2020 when the value of

3 LCs are operated based on a Contract Agreement which is a legally binding document between the two parties. Supply orders are formal offers issued to a seller, expressing the consent to purchase an amount of goods for an agreed price.

4 RTPP Rules also prescribe the use of Contract Agreement form.

1 CHF was ₹74.00. The value of this estimate on the bid submission date (October 2021) was ₹ 5.50 crore as the rate of exchange at that time was 1 CHF = ₹ 82.92. At this exchange rate, the bid price of the firm was ₹ 5.43 crore, which was less than the estimated price.

In January 2023, the Council initiated re-tendering for the fourth time and issued NIT for 31 sets of 10 M, 10 sets of 25 M and 10 sets of 50 M targets. The quantities were increased in comparison to supply order issued in April 2018 on demand of Rajasthan Rifles Association. In February 2023, the supply order was issued to the firm M/s Gem International at the negotiated price of ₹ 5.34 crore. The Automatic Electronic Target Scoring Systems has been installed by the firm in July 2023. But the Joint physical verification conducted by Audit (October 2023) found that 25 meter (10 sets) and 50 meter (10 sets) shooting targets were not being used due to non-installation of safety features of equipment.

The above facts show that the procurement of the Automatic Electronic Target Scoring Systems was conducted very inefficiently, as the Council took a long time in decision making at each stage. The procurement was also grossly mismanaged due to lack of procurement capability.

These cancellations and re-tenderings were arbitrary and served no purpose except to increase the cost of purchase of the same set of items⁵ from ₹ 3.69 crore in April 2018 to ₹ 5.34 crore in February 2023 which was ₹ 1.65 crore higher.

Most importantly, the multiple rounds of negotiations held with the vendor were a violation of Rule 69(1), (2) and (5) of RTPP⁶ which prohibits negotiations except in exceptional situations, like unreasonably higher price.

The State Government in its reply (March 2023) accepted the facts and audit observations.

-
- 5 Cost of 31 sets of 10 M target, 10 sets of 25 M target and 10 sets of 50M targets is calculated based on the offer price of April 2018.
- 6 Rule 69 (1) Except in case of procurement by method of single source procurement or procurement by competitive negotiations, to the extent possible, no negotiations shall be conducted after the pre-bid stage. All clarifications needed to be sought/shall be sought in the pre-bid stage itself.
- (2) Negotiations may, however, be undertaken only with the lowest or most advantageous bidder under the following circumstances-
- (a) when ring prices have been quoted by the bidders for the subject matter of procurement; or
- (b) when the rates quoted vary considerably and considered much higher than the prevailing market rates.
- (5) Negotiations shall not make the original offer made by the bidder inoperative. The bid evaluation committee shall have option to consider the original offer in case the bidder decides to increase rates originally quoted or imposes any new terms or conditions.

It is pertinent to mention that the State Government expedited the procurement process after audit pointed out the flaws in the procurement process and recommended corrective action in February 2023.

Medical Education Department

7.2 Lack of timely action by the department resulted in non-recovery of Government dues

Medical Superintendent, Sawai Man Singh (SMS) Hospital, Jaipur entered into an agreement (July 2007) with M/s Imaging Super Consultant Private Limited (Licensee), Jaipur for installation and operation of 'Linear Accelerator Machine' meant for treating cancer patients. Patients would be referred by SMS Hospital for treatment. There are ten⁷ types of treatment to be given by the licensee using this machine. The period of agreement was ten years from the date of the commissioning/operation (April 2009) of the facility.

As per clause 7 of the agreement, 21.21 *per cent* share of the total revenue collected would have to be paid by the licensee to Rajasthan Medicare Relief Society (RMRS) every month. As per clause 8, upto 20 *per cent* of the cases referred by SMS Hospital to the licensee would be treated free⁸ under the RMRS scheme.

The percentage would be calculated for each treatment separately. If the number of free cases was more than 20 *per cent*, RMRS would pay for the excess cases and if the free cases were less than the mandatory 20 *per cent*, the licensee would pay back the amount to RMRS for the shortage every six months.

The licensee carried out tests for 9,384 cases referred by the hospital authorities between April 2013 and January 2019. Out of these, only 1,474 cases (15.70 *per cent*) were referred by the hospital authorities as free cases. Since this was less than 20 *per cent* cases, the licensee was to pay ₹ 1.47 crore⁹ for shortfall of 402 free cases to RMRS (details given in **Appendix 7.1**). However, the licensee failed to make the payment (August 2022). Also, details of tests undertaken during the period February 2019 to April 2019 were not provided by the licensee.

7 Ten modalities: Intensity Modulated Radiation Therapy (IMRT) with Computer Treatment Planning; 3D Conformal Radiotherapy (3DCRT); Complete Treatment Planning on 3DTPS (3DTPS); RECT/Stereotactic Prostate Radiation Therapy (SPRT); Cetuximab (CET); Stereotactic Radio Surgery (SRS); Image-guided radiation therapy (IGRT); Stereotactic radiotherapy (SRT); Concurrent chemoradiotherapy (CCRT) and Complex Palliative Treatment (CPRT).

8 RMRS provides free health services to BPL, Heirless, Widow, HIV positives, *Astha* card holder, *Sahariya* Jati, Prisoners, Haemophilia and Thalassemia patients, Pensioner and Senior Citizens.

9 Shortfall for 117 cases of IMRT: ₹ 1.17 crore, 65 cases of 3DCRT: ₹ 16.25 lakh, 4 cases of CET: ₹ 0.60 lakh, 9 cases of CPRT: ₹ 0.68 lakh, 217 cases of 3DTPS: ₹ 10.85 lakh, 1 case of IGRT: ₹ 1.10 lakh, 1 case of SRT: ₹ 0.75 lakh, 1 case of CCRT: ₹ 0.23 lakh; Excess for 13 cases of RECT/SPRT : ₹ 0.65 lakh. Net 402 cases: ₹ 1.47 crore.

Audit noted that the shortfall in free cases occurred since April 2013. However, RMRS issued notices of shortfall of free cases to the licensee, in June 2018 and August 2019. It is pertinent to mention that this issue had been raised earlier in CAG's Audit Report (General and Social Sector) 2013-14, Government of Rajasthan on which the PAC had directed the Department to recover the pending amount from the licensee. While the Department recovered/adjusted the pending amount highlighted in the report on the instructions of PAC, it failed to prevent the recurrence of the lapse.

Further, as per clause 7 of the agreement, the licensee was supposed to pay 21.21 *per cent* of the total revenue to RMRS on monthly basis. Scrutiny of records revealed that the licensee earned total revenue of ₹ 19.44 crore during the period April 2013 to January 2019. After deducting the TDS and refunds on account of non-conducting of certain tests, the licensee was required to pay ₹ 3.63 crore as per the agreement. However, the licensee had paid only ₹ 2.62 crore to RMRS. The licensee was required to pay remaining amount of ₹ 1.01 crore. Further, RMRS adjusted recovery of ₹ 84.80 lakh pointed out by audit in earlier CAG's Audit Report against the amount of ₹ 1.08 crore due to the firm for treatments undertaken under Bhamashah Swasthya Bima Yojana (BSBY). Thus, after adjusting the remaining revenue of ₹ 23.50 lakh payable to licensee under BSBY, the outstanding amount towards 21.21 *per cent* share was ₹ 0.77 crore (details given in *Appendix 7.2*). It was further observed that the licensee did not pay any amount to RMRS for 20 months from May 2016 to December 2017 despite regular collections from the patients. However, RMRS issued notices to the licensee in this regard only from October 2017 onwards.

These instances reflect weak monitoring of the terms of the agreement by the Department. Even after taking a much delayed cognizance of the breach of agreement conditions, the Department, instead of initiating action under clause 9 of the agreement to terminate the contract, allowed the licensee to continue collecting the revenue.

The State Government while accepting the facts stated (August 2022) that ₹ 2.24 crore¹⁰ is to be recovered from the firm and notice for recovery of outstanding amount has been issued to the firm in June 2022. Medical Superintendent, SMS Hospital stated (03 June 2024) that security deposit of ₹ 11.17 lakh of the firm has been forfeited and deposited (June 2023) in the account of RMRS, Jaipur. Efforts to recover the remaining amount of ₹ 2.13 crore are being made.

Thus, during the period April 2013 to January 2019, the department failed to collect the outstanding dues aggregating to ₹ 2.13 crore from the licensee as per the terms of the agreement. Also, details of tests undertaken during the period

10 ₹ 1.47 crore in lieu of the shortfall of free cases and ₹ 0.77 crore revenue share as per agreement.

February 2019 to April 2019 by the licensee could not be obtained by GoR. Lackadaisical approach, weak monitoring and lack of timely and necessary action resulted in non-realisation of government revenue and undue monetary benefit to the licensee.



JAIPUR,

The 21 April, 2025

(SATISH KUMAR GARG)

Principal Accountant General

(Audit-I), Rajasthan

Countersigned



NEW DELHI,

The 30 April, 2025

(K. SANJAY MURTHY)

Comptroller and Auditor General of India