

## CHAPTER IX : MINISTRY OF HEALTH AND FAMILY WELFARE

### Department of Health

#### 9.1 Deficient internal control resulting in wasteful expenditure

**Failure of the Ministry to monitor the procurement of mosquito nets by the Hospital Services Consultancy Corporation (India) Limited under the Malaria Eradication Programme, resulted in purchase of sub-standard nets. Consequently, expenditure of Rs. 2.54 crore incurred on this account so far has been wasteful. Additionally, Rs. 1.83 crore has remained blocked with HSCC for 5 years. Further, expenditure of Rs. 51.68 lakh has been incurred upto November 2005 and recurring monthly expenditure of Rs. 0.89 lakh continues on payment of rent of the godown where the sub-standard nets are stored.**

In order to protect an estimated population of 20 lakh persons from the high risk of severe malaria in the remote areas of north-eastern states, the Ministry placed (July-August 2000) an indent with the Directorate of National Anti Malaria Programme (NAMP) for procurement of 10 lakh nylon mosquito nets [nets] (8 lakh single size and 2 lakh double size) through Hospital Services Consultancy Corporation (India) Limited (HSCC) at a total cost of Rs. 18.16 crore. According to the contract executed (August 1999) by the Ministry with HSCC, the latter was responsible for inspection of goods by duly qualified officers. The Ministry accorded (December 2000) expenditure sanction for Rs. 18.16 crore and released advance payment of Rs. 4.31 crore to HSCC which included consultancy fee of Rs. 5.12 lakh. The latter in turn procured 7.18 lakh nets (6.43 lakh single size and 0.75 lakh double size) valuing Rs. 12.75 crore during February-April 2001 from three firms 'X', 'Y' and 'Z' for which it released part payment of Rs. 2.49 crore to firm 'Y' in March 2001. These nets were despatched to the north-eastern states for distribution among the public.

Audit noticed (November-December 2005) that the firms supplied sub-standard nets and the Ministry came to know of it only when it received (February 2001) a complaint through the Central Vigilance Commission. Following this, the Ministry got the samples of nets supplied by the firms tested at the Indian Institute of Technology (IIT) Delhi which were evaluated by an expert committee

comprising officials from various departments<sup>1</sup> who opined (June 2003) that in view of huge variation in the quality of nets particularly with regard to important parameters such as bursting strength, size and number of holes etc. with the Bureau of Indian Standards (BIS) specifications, these nets were unfit for use. Thereafter, the Ministry advised (April 2001) the State Governments/HSCC to immediately stop distribution of the nets. By that time, 1.83 lakh nets (1.23 lakh single size and 0.60 lakh double size) valuing Rs. 3.42 crore had already been distributed by the Governments of Nagaland (0.10 lakh each of single and double size), Mizoram (0.63 lakh single size and 0.50 lakh double size) and Manipur (0.50 lakh single size). HSCC issued (March 2003) notices to all the three firms for taking back the sub-standard nets lying in the godown at Guwahati. The firms refused and filed writ petitions in the High Court of Delhi. While the petition of firm 'Z' was dismissed, firms 'X' and 'Y' withdrew their petitions and invoked arbitration. The arbitration proceedings had not been finalised as of September 2006. In the meantime, 5.35 lakh nets (5.20 lakh single size and 0.15 lakh double size) valuing Rs. 9.34 crore were lying in a hired godown for which rent of Rs. 51.68 lakh had been paid during February 2001 to November 2005 at the monthly rate of Rs. 0.89 lakh which is continuing on recurring basis.

Failure of HSCC to conduct inspection of the goods and the Ministry in exercising effective oversight, led to procurement of sub-standard nets thereby defeating the objective of providing relief to a vast population from severe malaria in high risk areas. The expenditure of Rs. 2.54 crore incurred on procurement of nets and consultancy fee to HSCC has also been wasteful. Further, Rs. 1.83 crore has remained blocked with HSCC for 5 years. A loss of interest of Rs. 89.69 lakh worked out at the borrowing rate of the Union Government is also attributable to this. Additionally, Rs. 51.68 lakh has so far been spent on storage of sub-standard nets in hired godown. The procurement process leading to supply of defective nets to some areas and no supply to the others, adversely affected the objectives as well as the credibility of the Malaria Eradication Programme.

In response to the audit observation, the Ministry on the one hand stated (August 2006) that a joint pre-despatch physical inspection of the nets conducted by HSCC during January - March 2001 had revealed that the nets supplied were of

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<sup>1</sup> Textile Department (IIT), Armed Forces Medical Services, National Institute of Communicable Diseases, Regional office of the Textile Ministry (NOIDA) and National Anti-Malaria Programme.

the requisite quality, but on the other hand admitted that the government had suffered substantial loss due to procurement of sub-standard nets. It added that the case regarding supply of sub-standard nets was entrusted to the Central Bureau of Investigation (CBI) for investigation in April 2001 who advised (September 2003) the Ministry to close the case. The Ministry has not intimated the reasons for closure of the case by CBI. However, the fact that the samples of nets were initially certified to be of the requisite quality but later complaints were received about the quality and IIT, Delhi reported that the nets supplied did not conform to the specifications, raises serious concerns about quality testing of goods supplied and their acceptance. The chain of events above indicates that accountability and institutional probity which are key to procurement credibility were lacking in this case. The officials involved in conduct of procurement were not held responsible for the actions and decisions taken by them and for causing such loss and its adverse impact on the implementation of Malaria Eradication Programme.

### **Safdarjung Hospital**

#### **9.2 Short recovery of rent**

**Safdarjung Hospital, New Delhi had failed to recover licence fee at the rates prescribed by the government for the space provided to the Bank of Baroda resulting in short recovery of rent of Rs. 29.54 lakh for the period from March 1999 to November 2006 which was recovered at the instance of audit.**

Audit noticed (January 2006) that Safdarjung Hospital, New Delhi, had provided (July 1986) office space measuring 138 square metre to the Bank of Baroda within its premises at a 'provisional' licence fee of Rs. 3108 per month as assessed by CPWD. The agreement executed with the Bank in July 1986 did not contain any clause about its validity, periodical increase in the rates of licence fee or termination/extension of the lease period. The Bank which started as an Extension Counter under the Safdarjung Enclave Branch, New Delhi, for providing banking facilities to the Hospital, its employees and patients had been upgraded (October 1998) to a full fledged branch. It was also observed that despite audit's suggestion in 1995 for re-assessment of the licence fee, the Hospital did not take any action in the matter. Audit noted that the licence fee charged by the Hospital was far less than the rate of Rs. 220 and Rs. 249 per square metre per month prescribed by the government as chargeable from banks with effect from 16 March 1999 and 1 April 2002, respectively. The licence fee

recoverable at this rate worked out to Rs. 0.30 lakh and Rs. 0.34 lakh per month respectively as against Rs. 3108 charged to the bank. Consequently, against the total rent of Rs. 30.32 lakh recoverable by the Hospital it had recovered Rs. 2.87 lakh only resulting in short recovery of licence fee by Rs. 27.45 lakh during the period from 16 March 1999 to 30 November 2006.

Further, at the request of the Bank, the Hospital allotted (February 2002) additional space of 15 square metre to it for opening of Automatic Teller Machine (ATM) at a token licence fee of Rs. 100 per month. Again the Hospital failed to recover licence fee at the government prescribed rate from the date of allotment upto November 2006. The licence fee for the additional space recoverable at this rate worked out to Rs. 2.15 lakh against which the Hospital had recovered Rs. 0.06 lakh only resulting in short recovery of Rs. 2.09 lakh.

Thus, failure of the Hospital to charge rent prescribed by the government resulted in short recovery of licence fee of Rs. 29.54 lakh (Rs. 27.45 lakh and Rs. 2.09 lakh) for the period from 16 March 1999 to 30 November 2006.

On the matter being pointed out in audit, the Ministry stated (January 2007) that the Hospital had recovered total arrears of Rs. 29.54 lakh from the Bank.

### **All India Institute of Hygiene and Public health, Kolkata**

#### **9.3 Unfruitful expenditure**

**Incorrect decision of the Institute to procure an “Ion-Analyser” without any requirement and also without proper planning and infrastructure resulted in an idle and unfruitful expenditure of Rs. 20 lakh.**

In June 2000, the Sanitary Engineering Department of the All India Institute of Hygiene and Public Health (AIIHPH), Kolkata submitted a proposal to the Director of the Institute for purchase of an ‘Atomic Absorption Spectrophotometer’ to be utilised for the propose of analysis of heavy metals, required for research programme of the Institute. The Director, AIIHPH, however, favored the purchase of an ‘Ion-Analyser’, as he considered the equipment better than the ‘Atomic Absorption Spectrophotometer’ and sent back the proposal to the department with his recommendation. The ‘Ion-Analyser’ was to be used for analysis of various heavy metals and transitional elements in sample of water, waste paper, soil, biological materials and matrices, etc. required for the various activities of the Institute.

In September 2002, after a lapse of more than two years, the Sanitary Engineering Department accordingly forwarded a proposal for purchase of an Ion-Analyser. The Director approved the proposal and decided to procure two sets of Ion-Analysers. The second set was to be installed at the Biochemistry & Nutrition Department, even though the Department did not place any indent for the same. No justification for the procurement of the second analyser, in absence of any indent, was produced to audit.

After inviting open tender AIIHPH decided to purchase the two sets of 'Ion-Analysers' at a total cost of Rs. 39.94 lakh (Rs. 19.97 lakh each), and placed the supply order in March 2003. The two Ion-Analysers were delivered within March 2003 and were installed in April 2003. Total payment of Rs. 39.94 lakh was released to the supplier in March 2003. The second Ion-Analyser, however, was installed at the Occupational Health Department instead of at the Biochemistry and Nutrition as proposed initially, while neither of these two departments had placed any indent for the equipment. Audit examination disclosed that the Ion Analyser installed at the Occupational Health Department was never utilised. The equipment was thus lying idle and unutilised since its installation at the department, as of April 2006 i.e. for more than three years. The Institute had so far not entered into any contract for the maintenance of the equipment.

Thus, decision of the Institute to procure the second Analyser without any specific indent from the user resulted in unfruitful expenditure of Rs. 20 lakh.

The matter was referred to the Ministry in July 2006. The Ministry replied (October 2006) that an Inquiry Committee had been set up to look into the details and reasons as to why the machine was still lying non-functional. The Inquiry Committee was asked to submit their report within 15 days. The final reply of the Ministry was awaited as of December 2006.