

CHAPTER –III

PERFORMANCE AUDIT

DEPARTMENT OF HEALTH & FAMILY WELFARE

3.1 Health Care Services

The objective of health care services is to provide basic health services to the people at their doorstep to improve the standard of public health. The findings of the performance audit revealed that the objective of providing improved health care services to the people could not be achieved due to non-adherence of the prescribed purchase policy for procurement of medicines, non-testing of quality of medicines purchased, purchase of equipment without commensurate infrastructure, inadequate infrastructure and absence of monitoring and evaluation. Further a large number of health care centres continued working in dilapidated buildings, without adequate accommodation and basic facilities like water supply, labour rooms and laboratories.

Highlights

Drugs (Prices control) Order 1995 provides for 16 per cent discount on retail price of medicines procured from manufacturer or authorised distributor/dealer. Failure to purchase medicines from authorised firms/suppliers, resulted in loss of discount of Rs.2.43 crore.

(Paragraph 3.1.9)

Medicines were distributed/utilised by district hospitals and other health care centres without carrying out any quality testing.

(Paragraph 3.1.11.1)

Equipment procured at a cost of Rs.1.47 crore remained idle as infrastructure for its installation was not available.

(Paragraph 3.1.17)

Payment of Rs.4.80 crore was made for purchase of equipment without receipt of equipment.

(Paragraph 3.1.18)

Expenditure of Rs.0.50 crore was infructuous as the building for up-gradation and strengthening of emergency facilities at Medziphema CHC was not handed over by the contractor to the Department.

(Paragraph 3.1.29)

Expenditure of Rs.11.17 crore was unfruitful due to non completion of Regional Diagnostic Centre (Tuensang) and up-gradation of Naga Hospital, Kohima.

(Paragraph 3.1.30)

Expenditure of Rs.1.32 crore incurred on implementation of Central Scheme for Waste Management did not benefit to two hospitals as the amount was shown as spent without resultant benefits.

(Paragraph 3.1.32)

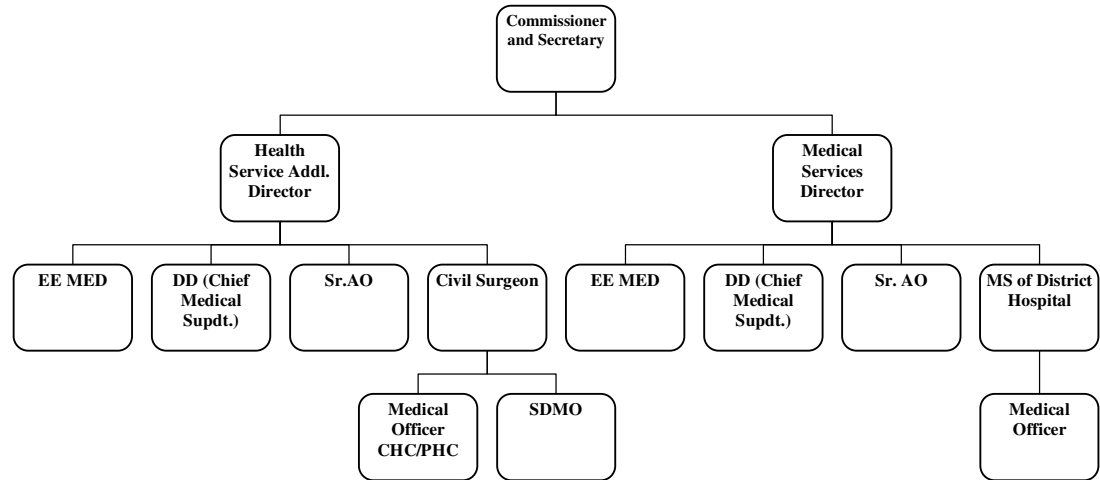
3.1.1 Introduction

Health is defined as not merely the absence of disease or infirmity but complete physical, mental and social well being. The main objective of health care services is to provide basic health services to the people at their doorstep. The State Government provides “Health Care Service” as a preventive and curative measure to the people through a network of 10 Hospitals, one Naga Hospital Authority, Kohima, 20 Community Health Centres (CHCs), 87 Primary Health Centres (PHCs), 397 Sub-Centres (SCs), 27 Subsidiary Health Centres (SHCs) and 15 Dispensaries.

3.1.2 Organisational set-up

The Health and Family Welfare Department, Government of Nagaland is headed by a Commissioner and Secretary to the Government. The implementation of the policies of the Department is entrusted to the Director, Medical Services (DMS) and the Director, Health Services (DHS). They are assisted by the Civil Surgeons, Medical Superintendent, Medical Officers and Committees of Centres which are communitised. The Medical Engineering Division (MED) at Kohima headed by an Executive Engineer oversees the construction and maintenance of buildings. The Nagaland State Drugs Control Authority is headed by a Director of Medical Services as Ex-officio Drug Controller for monitoring the quality of drugs.

The organisational structure of the Department is given below:



3.1.3 Scope of audit

The records of the two Directorates, Medical Engineering Division and three districts for the period 2001-02 to 2005-06 were test-checked in performance audit during April-August 2006. Out of the total expenditure of Rs.106.75 crore (upto March 2006), an expenditure of Rs.43.55 crore (41 *per cent*) was covered in the test check. Apart from Civil Hospitals and Health Centres, the relevant records maintained by the Civil Surgeons of three districts and Sub Divisional Medical Officer, Tseminyu were also examined.

3.1.4 Audit objective

The main objectives of the performance audit were to examine:

- The economy, efficiency and effectiveness of the procedure for procurement and distribution of medicines and equipment.
- The quality control system of the medicines procured.
- The system of installation and maintenance of equipment/machineries.
- The adequacy of infrastructure of Health Care Centres.
- The effectiveness of the monitoring and evaluation system.

3.1.5 Audit criteria

The following sources of criteria were used.

- Rules and instructions governing acquisition/purchase of medicines/equipment.
- Provisions of Drugs (Prices control) order 1995.
- Norms for repair/replacement of equipment/machineries.
- Norms laid down by Government of India (GOI) for infrastructure development.
- Norms for evaluation and monitoring.

3.1.6 Audit Methodology

The performance audit began with an ‘entry conference’ (12 April 2006) attended by the Joint Directors, Health Services and Medical Services, and other officers wherein the audit objectives, scope and audit criteria were discussed and the inputs of the Department were obtained. The information/data collected from the Department was analysed on the basis of the audit criteria and the audit observations are then incorporated in the report. At the conclusion of audit, an exit conference was held (16 October 2006) which was attended by the Secretary, and subordinate officers responsible for implementation of the policies of the Department. The performance audit was finalised incorporating the replies of the Department during the exit conference.

There are 11 districts including the three newly created (2004-05) districts¹ in the State. Except the capital district, the selection of the other two districts, viz., Dimapur and Mokokchung was done on the basis of Probability Proportional to Size With Replacement (PPSWR). While hospitals at selected district headquarter were chosen for detailed testing, the selection of Health Centres in selected districts was done on the basis of Simple Random Sampling Without Replacement (SRSWR).

The results of the analysis are brought out in the form of audit findings in the subsequent paragraphs.

¹ Kiphire, Longleng, and Peren.

3.1.7 Procurement of Medicines

3.1.7.1 System for procurement of medicines and equipment

The Government had approved 114 manufacturing firms (November 1994) for procurement of medicines and medical equipment. However, the Department set up a purchase committee only in June 2003 to decide the policies relating to purchases of medicines and medical equipment. In Nagaland, the procurement of medicines and equipment is being done centrally. The purchases were to be made through the authorized dealers/distributors of the approved manufacturers. The Finance Department issued (August 2002) an order prescribing that all supply orders shall be made only after following the codal formalities like floating of tenders, constitution of purchase boards and adopting open tender system in all cases in which the value of the order is Rs.0.50 lakh and above. Single tender system is to be adopted only in cases of articles which are specifically certified to be of proprietary nature or in cases where only a particular firm is the sole manufacturer. The receipt of the material from the suppliers is to be accounted for only after verification by the consignment board constituted for the purpose.

3.1.7.2 Budget provision and expenditure

The DMS and the DHS purchased medicines valued at Rs.15.18 crore during the period from April 2001 to March 2006 as given below:

Table 3.1.1

(Rupees in crore)

Year	Name of the Directorate	Budget Provision	Fund Released	Expenditure
2001-02	DMS	1.25	1.25	1.25
	DHS	2.17	2.17	2.17
2002-03	DMS	0.71	0.71	0.71
	DHS	3.03	3.03	3.03
2003-04	DMS	1.79	1.79	1.79
	DHS	1.77	1.77	1.77
2004-05	DMS	1.90	1.90	1.90
	DHS	1.63	1.63	1.63
2005-06	DMS	0.19	0.19	0.19
	DHS	0.74	0.74	0.74
Total	DMS	5.84	5.84	5.84
	DHS	9.34	9.34	9.34
Grand Total		15.18	15.18	15.18

(Source: Departmental figures)

The following was observed regarding procurement of medicines:

3.1.8 System of assessing the requirement

There was no system in place for assessing the quarterly/annual quantity of medicines required to be purchased. In the absence of any assessment and justification of quantity to be purchased, it is not clear on what basis the

Department incurred an expenditure of Rs.15.18 crore on procurement of medicines. It resulted in purchase of medicines without requirement as detailed in para 3.1.11.2 below.

3.1.9 Non adherence to the provision of Drugs (Prices Control) order 1995 and purchase procedures

Paragraph 19 of the Drugs (Prices Control) Order 1995 provides that a manufacturer, distributor or wholesaler shall sell formulation (medicines) to a retailer at a discount of 16 *per cent* thereof in the case of schedule drugs. The Department instead of purchasing through the authorised distributors of the approved manufacturers, procured medicines valued at Rs.15.18 crore during 2001-06 from various unauthorised local firms/suppliers without observing codal formalities resulting in non availment of discount of Rs.2.43 crore. Reasons though asked (October 2006) for were not provided by the Department except that it was done on the instructions of the Minister of Health and Family Welfare.

3.1.10 Inadmissible payment

Central Sales Tax (CST) is payable to the local supplier or authorised agent of the manufacturer if the supplier is registered under the CST Act and necessary 'C' form in support of payment of CST is produced. The Department paid CST of Rs.17.93 lakh² to the local suppliers who were neither registered under the CST Act nor authorised distributor/agent of the manufacturer. This resulted in inadmissible payment of Rs.17.93 lakh.

3.1.11 Distribution of Medicines

3.1.11.1 Quality test of Drugs

To ensure supply of quality medicines, testing is mandatory. No Drugs Testing Laboratory was established by the State by this purpose. Therefore, all categories of drug samples were to be sent to Central Drugs Laboratory (CDL), Kolkata, Regional Drugs Laboratory (RDL), Guwahati and Pharmacopeia Drugs Laboratory, Ghaziabad for quality testing. It was noticed that during the period covered by audit, no drug samples were sent for testing. It was also noticed that the stock registers maintained at Central Medical Stores, Kohima did not indicate the crucial details like batch number, manufacturing and expiry dates of medicines purchased etc. Therefore, the possibility of exposing the patients to the risk of consuming substandard/spurious drugs cannot be ruled out.

² 2002-03 :Rs.6.16 lakh (6 suppliers); 2003-04: Rs.5.29 lakh (3 suppliers); 2004-05: Rs.5.94 lakh (7 suppliers) and 2005-06: Rs.0.54 lakh (4 suppliers).

3.1.11.2 Medicines issued to field units without requirement

Medicines procured centrally were issued to different field units from the Central Medical Stores of DMS and DHS at Kohima. The DHS issued medicines worth Rs.29.88 lakh to field units (Civil Surgeons, Kohima and Mokokchung) between September 2003 and July 2005 (*Appendix-XXIV*) without receiving any demand/indent from them. The Government stated (October 2006) that the medicines were issued in a routine manner. The reply clearly indicated that, no system of assessment of requirement and distributions exists in the Department.

3.1.12 Non/Short receipts of medicines by the fields units

Cross verification of records of the field units regarding issue/receipt of medicines with the Central Medical Stores of DMS and DHS revealed that medicines issued by Central Medical Store of DMS (Rs.25.29 lakh) and DHS (Rs.20.04 lakh) between July 2001 and March 2006 were found not/short received to the extent of Rs.31.85 lakh (70.26 per cent) in the books of five field units as shown below.

Table 3.1.2

(Rupees in lakh)

Name of the field units to whom medicines issued	Value of medicines issued to each field unit by the central medical store of		Value of medicines received by each field unit from the central medical store of		Value of medicines short received by each field unit from the central medical store of	
	DMS	DHS	DMS	DHS	DMS	DHS
Civil Surgeon, Mokokchung	5.55	10.15	0.10	1.53	5.45	8.62
Medical Superintendent, Civil Hospital, Mokokchung	16.72	7.30	8.13	3.65	8.59	3.65
SDMO, Tseminyu	1.24	1.17	Nil	Nil	1.24	1.17
Civil Surgeon, Dimapur	0.96	0.99	0.04	Nil	0.92	0.99
Medical Superintendent, Civil Hospital, Dimapur	0.82	0.43	0.03	Nil	0.79	0.43
Total:	25.29	20.04	8.30	5.18	16.99	14.86

(Source: Departmental records)

The possibility of fraud and embezzlement cannot be ruled out, as uptill 5 field units had not received the stated quantity of medicines. No reply was received from the Department (November 2006). Audit observations also revealed that the Department did not have a system of reconciliation or internal control mechanism.

3.1.13 Procurement of Equipment

3.1.13.1 System of assessing the requirement

It was noticed in audit that there was no co-ordination between assessing the requirement of equipment and availability of existing infrastructure for

installation of equipment. In the absence of such co-ordination, procurement was done on ad-hoc basis, resulting in nugatory and unproductive expenditure as discussed in the succeeding paragraphs.

3.1.14 Irregular release of advance resulting in undue benefit to contractor

To provide treatment to the road accident victims, GOI sanctioned (January 2003) Rs.1.44 crore³ for upgradation and strengthening of emergency facilities at CHC, Medziphema. The Executive Engineer (EE), Medical Engineering Division, Kohima drew Rs.1.28 crore (March 2003) and transferred Rs.0.65 crore (July 2003) to DHS for procurement of equipment, furniture, ambulance etc., (utilisation of balance amount of Rs.0.63 crore is discussed in Para 3.1.29). The DHS issued supply order (September 2003) to a local supplier⁴ for procurement of equipment and furniture (Rs.0.60 crore) with a stipulation to complete the supply within 45 days. The DHS extended undue benefit to the supplier and paid (September 2003) Rs.0.20 crore as mobilisation advance though the supply order did not envisage the same. As the supplier failed to supply the material, the DHS finally cancelled (March 2006) the supply order with a direction to refund Rs.0.20 crore by 30 March 2006. However, the supplier had refunded the amount (October 2006). The balance amount of Rs.0.45 crore remained unutilised (March 2006).

Irregular release of mobilisation advance in contravention of codal provisions and eventual non supply of material for over two years resulted in avoidable and undue benefit to supplier. Meanwhile the purpose of strengthening of emergency facilities for road accident victims was defeated. The shortage of medicine also resulted in a negative impact on the health care programme of the Department. The supply order issued by the Department did not contain any clause regarding the bank guarantee provided by the suppliers. In the absence of such provision and failure to obtain bank guarantee, the Department had not safeguarded its interest in the event of non supply of equipment as per the terms of the supply order.

3.1.15 Supply of equipment

The DMS placed (March 2004 and August 2004) supply orders on local suppliers X⁵ and Y⁶ for supply of equipment valuing Rs.44.41 lakh within 45/60 days under Pradhan Mantri Gramodaya Yojana (PMGY) during the year 2003-04. The suppliers were paid an advance of Rs.26.47 lakh (Rs.18.47 lakh and Rs.8 lakh respectively) between March 2004 and February 2005. However, equipment worth Rs.17.28 lakh only was supplied between January 2005 and May 2006 and the balance equipment worth Rs.27.13 lakh was not

³ Civil works (Rs.0.60 crore), equipment and furniture (Rs.0.60 crore), ambulance (Rs.0.18 crore) and others (Rs.0.06 crore).

⁴ M/s Vililie Khamo, Kohima

⁵ M/s Global Enterprises, Kohima

⁶ M/s Anyimi, Kohima.

supplied as of June 2006. Out of the equipment received, material worth Rs.11.48 lakh was not taken into stock ledger due to non-verification by the consignment board. The entire equipment of Rs.17.28 lakh was also lying idle in the store (June 2006). Thus, failure of the DMS to exercise effective control resulted in non-utilisation of equipment of Rs.17.28 lakh already received and undue benefit of Rs.9.19 lakh to the suppliers. No efforts were also made to utilise the balance amount of Rs.17.94 lakh as of June 2006. The Department had not safeguarded its interest and had also failed to incorporate bank guarantee clause in the supply order. Since the equipment was lying unattended, the warranty period of the equipment has also expired resulting in the Department being exposed to the risk of carrying out repairs and maintenance at its own cost.

3.1.16 Purchase of equipment without requirement

To combat communicable disease “Severe Acute Respiratory Syndrome (SARS)” in the State, the Planning Commission provided Rs.1.00 crore during 2003-04 as a one time Additional Central Assistance. Accordingly, the Department framed an “Action Plan” listing out the vital medicines and equipment required for combating the disease. The Action Plan also emphasised public awareness campaigns.

Test check of records revealed that 31 items valued at Rs.44.25 lakh⁷ of equipment not included in the action plan were purchased (between April 2004 and March 2005) by DHS and DMS. 23 essential items (*Appendix-XXV*) included in the action plan were not purchased. It was also noticed that no public awareness campaign as envisaged in the action plan was carried out.

The above action resulted in unauthorised expenditure of Rs.44.25 lakh besides, denial of the intended benefits to the people.

3.1.17 Procurement of equipment without available infrastructure

Under the Prime Minister’s package for upgradation of District Hospitals, GOI (DONER) sanctioned (February 2004) Rs.5.12 crore⁸. The State Government sanctioned and released (March 2005) Rs.4.05 crore for civil works (Rs.2.15 crore) and equipment (Rs.1.90 crore). The civil works for upgradation of 10 District Hospitals were taken up for execution in 2005-06 for completion during 2006-07. The “Purchase Committee” headed by the Chief Secretary recommended (October 2004) that the procurement of equipment under Prime Minister’s package for upgradation of District Hospitals should be made after ensuring the availability of adequate rooms/building for installation of equipment. The DMS purchased and issued machinery and equipment to 10

⁷ Rs.5.94 lakh + Rs.34.56 lakh + Rs.3.75 lakh

⁸ civil works (Rs.3.22 crore) and equipment (Rs.1.90 crore)

Districts Hospitals during 2005-06 without assessing the availability of infrastructure for installation of equipment valued at Rs.1.31 crore. The machinery/equipment though received in the districts (June 2005) could not be installed for want of necessary infrastructure. The equipment valued at Rs.0.43 crore was purchased and issued (July 2005) to Naga Hospital, Kohima and equipment valued at Rs.0.16 crore was lying in the central store.

Thus, procurement of equipment without any planning/assessing the available infrastructure for installation resulted in unproductive expenditure of Rs.1.47 crore (Rs.1.31 crore + Rs.0.16 crore).

3.1.18 Payment made without receipt of equipment

For procurement of equipment, DMS issued (between May 2004 and December 2004) two supply orders to a local supplier⁹ valuing Rs.10.99 lakh and four supply orders to a Chennai based firm¹⁰ valuing Rs.18.57 lakh under the funds provided by Planning Commission for up-gradation of District Hospitals. Scrutiny of stock registers revealed that, the suppliers did not supply the equipment (June 2006) whereas full payment of Rs.29.56 lakh was made to the suppliers (July 2004 to March 2005) by the Department. The Department had not taken any bank guarantee to secure the performance from the supplier.

The State Government awarded (May 1999) the work “Up-gradation of Naga Hospital, Kohima” to a New Delhi based firm¹¹ on turnkey basis in three phases at a cost of Rs.25 crore without ascertaining the probable cost of equipment and furniture. The contract provided for supply and installation of equipment and furniture (219 items) and training at a cost of Rs.8.75 crore and upgradation of Hospital building at a cost of Rs.16.25 crore (discussed in paragraph 3.1.32.2). As per ‘Agreement’ (22 May 1999), DMS paid (between May 2000 and December 2002) Rs.5 crore to the firm for supply of equipment and furniture before completion of the hospital building. Against the payment of Rs.5 crore, the firm supplied equipment/furniture including EPBX Unit, X-Ray Viewing Boxes, Incinerator etc., worth Rs.0.50 crore (March 2004). The firm stopped the work due to non-extension of contract beyond March 2004. The Department had not taken any bank guarantee to secure the performance from the supplier.

The firm neither refunded the balance of Rs.4.50 crore nor supplied the equipment as per the contract as of June 2006. The Department had not initiated any action against the firm. Thus Rs.4.80 crore (Rs.0.30 crore + Rs.4.50 crore) has been paid to suppliers without receipt of equipment. The

⁹ M/s Pele Khiezhe, Kohima.

¹⁰ M/s Vishal Surgical Equipment Pvt. Ltd., Chennai.

¹¹ M/s Sir Edward Dunlop Hospitals (I) Ltd., New Delhi.

Government had incurred a loss of interest since it has resorted to borrowings to finance expenditure on purchase of equipment.

3.1.19 Overpayment to suppliers

The DMS issued supply order to three suppliers¹² between March 2004 and December 2004 for supply of equipment for Rs.1.10 crore under PMGY (Rs.0.45 crore) and upgradation of districts hospitals (Rs.0.65 crore). The suppliers supplied (between January 2005 and May 2006) equipment valuing Rs.63.65 lakh. Scrutiny however revealed that payment was made for Rs.79.43 lakh during March 2004 to August 2005 resulting in over payment of Rs.15.78 lakh¹³.

This indicates the failure of the DMS to exercise effective control over the receipt of materials and payments made against them.

The Department stated that it will reconcile the payments with receipts.

3.1.20 Non installation of X-Ray machines and Cobalt Therapy Machine

The supply orders for supply of two 500 MA X-Ray machines (Heliophos D) with generator were issued by DHS (March 2004) and DMS (April 2005) to a Kolkata based firm¹⁴ and a local supplier¹⁵ at a cost of Rs.8.28 lakh and Rs.8.85 lakh respectively without call of tender, with a stipulation to complete supply within 60 days. The DHS and DMS directed the concerned suppliers in February 2005 and November 2005 to supply and install the X-Ray machines in hospitals at Pfutsero and Wokha respectively. Scrutiny of records revealed that payments were made to the suppliers in April 2004 and December 2005. However, there was nothing on record regarding the receipt and installation of these machines. No reply has been received in this regard. Thus, the authenticity of supply and installation of X-Ray machines in the hospitals could not be vouched in audit (April-August 2006).

The Government of India sanctioned (March 2005) and released (April 2005) Rs.2.21.crore through draft in favour of DMS for setting up cobalt therapy unit in Civil Hospital at Mokokchung. The State Government entered (August 2005) into contract with a New Delhi based firm¹⁶ for importing the 780 E 80 cobalt 60 Tele therapy unit from Canada. The contract provided for supply, installation and commissioning of cobalt therapy unit in Civil Hospital, Mokokchung at a total cost of Rs.2.20 crore (equivalent to 628014 CDN\$, 1 CDN\$=Rs.35.00) within 150 days from the date of receipt of mobilisation

¹² M/s Global Enterprises, Kohima, M/s Anyimi, Kohima, M/s Global Enterprises, Kohima.

¹³ Rs.15.78 lakh = Rs.5.22.lakh + Rs.3.97 lakh + 6.59 lakh

¹⁴ M/s Siemens Ltd., Kolkata.

¹⁵ M/s Global Enterprises, Kohima

¹⁶ M/s Kirlosker Theratronics (P) Ltd., New Delhi.

charges and acceptable irrevocable letter of credit (LOC). The DMS issued (August 2005) the purchase order to the New Delhi based firm for the same and paid (August 2005) Rs.0.55 crore as advance. The LOC was also issued (March 2006) in favour of Canada based firm. Despite these, the cobalt therapy unit could not be supplied/installed due to non completion of construction of building and non issue of 'No Objection Certificate' by Atomic Energy Research Bureau (AERB) for importing the equipment from Canada.

Thus, the expenditure of Rs.0.55 crore was unproductive due to non-installation of equipment and resulted in denial of intended benefits to the people in addition to loss of interest due to blockage of GON funds.

3.1.21 Mobile Medical Units (MMUs)

The Planning Commission provided Rs.1 crore in August 2003 for procurement of MMUs. Accordingly, the DMS moved (October 2003) a proposal for Rs.80.00 lakh for obtaining the sanction of the Government for procuring (i) Vehicles (Rs.35.00 lakh), (ii) medicines (Rs.30.00 lakh), (iii) Nursing sundries (Rs.3.00 lakh), (iv) Hospital linens (Rs.2.00 lakh) and (v) Equipment (Rs.10.00 lakh). The State Government discarding the proposal, sanctioned (March 2004) Rs.79.55 lakh for procurement of four ambulance (Rs.71.00 lakh) and medicines (Rs.8.55 lakh). The Government also directed to award the supply order to a local supplier¹⁷ stated to be an authorised dealer of the firm for supply of four Swaraj Mazda Ambulances. Accordingly, the DMS placed (March 2004) the supply order for supply of four ambulances with accessories¹⁸ at a cost of Rs.17.75 lakh each with a stipulation to complete the supply within one month. The DMS paid (April 2004) Rs.71 lakh to the supplier on the basis of proforma bill. There was nothing on record regarding the receipt of the vehicles.

Thus, the entire expenditure of Rs.71 lakh remains doubtful besides denial of benefits to the people. Further, the Government also diverted a fund of Rs.20.45 lakh meant for MMUs (March 2004) for sewage treatment at Nagaland Hospital, Kohima without obtaining approval from the GOI.

3.1.22 Distribution of Equipment

3.1.22.1 Non/Short receipt of equipment by the field units

All equipment were centrally procured by both DHS and DMS during the period 2001-02 to 2005-06 for subsequent distributions to field units.

¹⁷ M/s V. Angami, Dimapur.

¹⁸ First Aid Box, Oxygen Cylinder, ECG Machine, Defrillator Monitor, B.P. Instrument, Medicine Cabinet, Water Filter, Fridge and Nebulizer.

Cross verification of records of six units with the records of Central Medical Store of DMS and DHS revealed that equipment issued by DMS (Rs.88.57 lakh) and DHS (Rs.22.65 lakh) between July 2001 and March 2006 were found short received to the extent of Rs.30.97 lakh as shown below in the stock accounts of the six field units.

Table 3.1.3

(Rupees in lakh)

Name of the field units to whom equipment issued	Value of equipment issued to each field unit by the central medical store		Value of equipment received by each field unit from the central medical store		Value of equipment short received by each field unit from the central medical store	
	SARS	PMGY	SARS	PMGY	SARS	PMGY
Civil Surgeon, Mokokchung	0.32	10.22	0.09	7.80	0.23	2.42
Medical Superintendent, Civil Hospital, Mokokchung	7.89	14.83	5.98	5.74	1.91	9.09
Civil Surgeon, Kohima	0.94	9.66	0.80	6.00	0.14	3.66
Naga Hospital Kohima	2.27	26.29	0.80	17.08	1.47	9.21
Civil Surgeon, Dimapur	---	6.62	---	6.52	---	0.10
Medical Superintendent, Civil Hospital, Dimapur	18.80	13.38	18.80	10.64	---	2.74
Total:	30.22	81.00	26.47	53.78	3.75	27.22

(Source: Departmental records)

The possibility of fraud and embezzlement cannot be ruled out as 6 field units had not received the stated value/number of equipment. No reply was received from the Department (November 2006). Audit observations also reveals that the Department did not have a system of reconciliation or internal control mechanism. The shortage of equipment also resulted in a negative impact on the health care programme of the Department.

3.1.23 Physical verification of stores

Under Rule 116 of General Financial Rules, annual stock taking and reconciliation is a mandatory requirement of any store management as the entire planning of procurement depends on existing stock level. The discrepancies between the actual holding and book balance are to be reconciled to make correct index of stock. However, it was noticed that the Department had not carried out any physical verification of stores during 2001-02 to 2005-06 (review period). This resulted in discrepancies as pointed out in the preceding paragraphs.

3.1.24 Infrastructure Development

3.1.24.1 Budget provision and expenditure

Budget provision and expenditure there against under Capital Section from 2001-02 to 2005-06 were as given below:

Table 3.1.4

(Rupees in crore)

Year	Budget Provision	Expenditure	Savings (-) Excess (+) (percentage in brackets)
2001-02	12.50	2.25	(-) 10.25 (82)
2002-03	12.81	8.29	(-) 4.52 (35)
2003-04	54.69	18.85	(-) 35.84 (66)
2004-05	55.16	42.43	(-) 12.73 (23)
2005-06	42.61	14.23	(-) 28.38 (67)
Total:	177.77	86.05	(-) 91.72 (52)

(Source: Appropriation Accounts)

Audit scrutiny revealed that:

- Against the provision of Rs.177.77 crore during the period of 2001-06, the Department spent Rs.86.05 crore (48 *per cent*). The reasons for savings of Rs.91.72 crore (52 *per cent*) were neither stated nor on record. This indicated that the budget provision was unrealistic.
- Rs.12.50 crore for civil works was provided in the budget under PMGY as Capital Outlay for the years 2001-2006. Against this, Rs.2.21 crore for civil works under PMGY pertaining to the year 2002-03 were kept in Civil Deposits (March 2003) at the instance of Finance Department due to financial constraints which remained unspent (June 2006). This not only resulted in blocking of Government money but also adversely affected the infrastructure development.
- Rs.1.72 crore out of PMGY fund (for civil works) was diverted during 2004-05 towards payment of salary (Rs.1.57 crore) and work charge salary (Rs.0.15 crore). The unauthorised diversion of fund hampered the development of infrastructure.

3.1.25 Inadequate infrastructure

According to the norms prescribed by the GOI for health care centres in hilly/tribal areas, there should be one SC for a population of 3,000, one PHC for a population of 20,000 and one CHC for a population of 80,000. The number of CHCs, PHCs and SCs as per National norms for the population of the State (19,90,036) as per 2001 census and the available CHCs, PHCs and SCs are shown below:

Table 3.1.5

Category of centres	Projected numbers to be set up as per norms (Target)	Numbers in position as per statement submitted by Director Health Services (DHS)	Shortfall	
			Numbers	Percentage
SCs	663	397	266	40
PHCs	100	87	13	13
CHCs	25	20	5	20

(Source: Information furnished by Department)

The position in the three test checked districts was as follows:

Table 3.1.6

District	Population	CHCs			PHCs			SCs		
		Required as per norm	Actual position	Shortfall (-)/ Excess (+)	Required as per norm	Actual position	Shortfall (-)/ Excess (+)	Required as per norm	Actual position	Shortfall (-)/ Excess (+)
Kohima	219318	3	3	--	11	12	(+) 1 (9)	73	39	(-) 34 (47)
Dimapur	309024	4	2	(-) 2 (50)*	15	6	(-) 9 (60)	103	47	(-) 56 (54)
Mokokchung	232085	3	3	--	12	11	(-) 1 (8)	77	51	(-) 26 (34)
Total	760427	10	8	(-) 2 (20)	38	29	(-) 9 (24)	253	137	(-) 116 (46)

(Source: Information furnished by Department. *Figures in bracket indicates the percentage.)

Shortfall of health care centres as revealed from the above table indicated inadequacy of health care infrastructure in these three districts resulting in poor coverage of basic health care needs of the people.

3.1.26 Discrepancy in existing Centres

The Department provides health care services in the State through 87 PHCs, 397 SCs and 20 CHCs. The Department however was not aware of the accommodation of three PHCs and 42 SCs (*Appendix-XXVI*). As all these centres were not housed either in Government buildings, rented or buildings donated either by village community/Panchayat, the possibility of non existence of centres cannot be ruled out.

3.1.27 Centres in dilapidated buildings

Test check of three districts revealed that, 70 health care centres (56 SC, 12 PHC and two CHC) (*Appendix-XXVII*) were in dilapidated buildings. Out of these, 54 centres (43 SCs, nine PHCs and two CHCs) require major repairs and 16 centres (13 SCs and three PHCs) require new constructions. The Department has not carried out any repairs/construction works, despite availability of funds. Thus, the people of the State were denied proper and adequate health care facilities.

3.1.28 Non availability of basic facilities

Test-check of centres in three districts revealed that four PHCs and five CHCs were functioning without basic facilities like water supply, labour room,

laboratory etc. The absence of these basic facilities in the PHCs and the five CHCs indicate that there was little or no impact of the health care programme. The details are given below:

Table 3.1.7

Name of the district	Name of the centre	Water supply	Toilet	Labour room	Laboratory	Store room	Beds	
							Required as per norm	Available
Kohima	Sechu, PHC	NA ¹⁹	NA	NA	NA	NA	4-6	2
	Chiephobozou, CHC	NA	---	---	---	---	30	12
	Viswema, CHC	---	---	---	---	---	30	18
	Tesophenyu, CHC	NA	NA	NA	NA	NA	30	2
	Tesminyu, CHC	---	---	---	---	---	30	12
Mokokchung	Mangsenyimti, PHCs	NA	NA	NA	NA	NA	---	---
	Mengmetong, PHC	NA	NA	NA	NA	NA	---	---
Dimapur	Medziphema CHC	NA	---	---	---	---	30	12
	Kuhoboto PHC	---	---	NA	NA	---	4-6	1

(Source: Records of centres)

3.1.29 Irregular increase in scope of work

To provide treatment to accident victims, the GOI sanctioned (January 2003) Rs.1.44 crore for up-gradation and strengthening of emergency facilities at CHC, Medziphema. Out of the amount sanctioned Rs.0.63 crore was for civil works. The EE, Medical Engineering Division, Kohima awarded (April 2003) the work “construction of double storied RCC building including site leveling, electrification etc.” to a local contractor at a cost of Rs.0.67 crore to be completed by October 2004. The contractor²⁰ completed the work (April 2005) at higher cost (Rs.0.85 crore) due to increase in plinth area without the approval of the Government. Against Rs.0.85 crore, the Department paid Rs.0.50 crore to the contractor (September 2003). The building was not handed over to the Department by the contractor as of June 2006.

The Audit observation reveals that scope of work was irregularly increased by contractor due to EEs failure to monitor and measure work in progress as well as before making payments of running accounts bills. Thus even after a year of completion of the building the matter of taking over of the building has not been settled and the purpose for which it was constructed was defeated.

3.1.30 Unfruitful expenditure

Construction of two Regional Diagnostic Centres (RDCs) at Civil Hospitals, Mokokchung and Tuensang was taken up under the award of Eleventh Finance Commission (EFC) at a cost of Rs.6 crore (Rs.3 crore for each centre). The DMS signed the deed of agreement (February 2002) and awarded

¹⁹ Not available

²⁰ M/s Vililie Khamo, Kohima

(February 2002) the work to a Kolkata based contractor²¹ on turnkey basis. As contemplated in the deed of agreement, Rs.3 crore for each centre including civil works (electrification, sanitation etc.), supply and erection, commissioning of machineries and equipment etc., was scheduled to be completed by 2002-03.

Against the allocation of Rs.3 crore (comprising Rs.0.47 crore for civil works including electrification, sanitation, etc., and Rs.2.53 crore for supply and erection, commissioning, etc., of machineries and equipment) for each RDC. The RDC at Mokochung was completed at a cost of Rs.3 crore and made functional (May2005). The contractor incurred an expenditure of Rs.1.89 crore for RDC at Tuensang on civil works and equipment. However, the contractor neither handed over the building for RDC at Tuensang nor installed machineries/equipment. There is also no possibility of making the RDC at Tuensang functional as the funds provided under the award of EFC lapsed in March 2005. Thus, failure on the part of the Department to utilise the funds provided under EFC within March 2005, rendered the RDC at Tuensang incomplete/non-functional after spending Rs.1.89 crore* (civil works and equipment) besides denying the people of the Tuensang of the benefits. This resulted in unfruitful expenditure of Rs.1.89 crore besides people were deprived of the benefits.

As part of the Prime Minister's special package to North Eastern States, the project "Upgradation of Naga Hospital, Kohima (NHK)^v" was taken up in three phases for execution under Non-lapsable Central Pool of Resources (NLCPR) with an estimated cost of Rs.25 crore for providing better health care to the people. The State Government awarded (May 1999) the work to a Delhi based firm²² on turnkey basis. Due to non completion of the work within the targeted date (May 2001), the contract was renewed (May 2002) and extended upto March 2004. The contractor could not complete the work except phase-I (office for hospital and a female ward) for Rs.9.28 crore by March 2004. The Department paid Rs.9.28 crore to the supplier in March 2004. The Technical Committee, NHK also objected (December 2003) to extending the contractual period beyond March 2004. The State Government neither rescinded the contract nor asked the contractor to complete the remaining work. Thus, non-completion of the work within the stipulated time frame resulted in unfruitful expenditure of Rs.9.28 crore and deprived the people of better health care facilities.

²¹ M/s Sarkar Diagnostic Research Centre, Kolkata.

* Rs.4.89 crore-Rs.3 crore.

^v 30 items of works viz, construction of additional hospital buildings, male wards, additions & alterations of existing buildings and equipments etc.

²² M/s Sir Edward Dunlop Hospitals (I) Ltd., New Delhi.

3.1.31 Incomplete project

The project “Construction of 500 Bedded Referral Hospital at Dimapur” funded by Government of India (DONER/NEC) was taken up (1986-87) for execution in two phases at an estimated cost of Rs.34.30 crore. The project was targeted to be completed in 1992-93 (Phase-I) and in 1993-94 (Phase II). The project cost was subsequently (1995) revised to Rs.142.58 crore with a stipulation to complete the work by June 1998. This was later (1997) rerevised to Rs.192.40 crore with the due date of completion being 2000. But the project could not be completed till (March 2006), despite spending Rs.70.54 crore, due to funds constraint. The Department finally handed over (March 2006) the incomplete project to Christian Institute of Health Services and Research (CIHSR), Chennai on lease basis. The terms and conditions specified in the lease deed could not be verified in Audit (August 2006) due to non-submission of the same. It is not clear as to why the project was handed over to a private party after spending an amount of Rs.78.54 crore for upgradation of infrastructure at Referral Hospital, Dimapur. Thus, due to delay in implementation and eventual abandonment of the project, the State was deprived of a 500 bedded hospital and the purpose for which the project was started was also defeated.

3.1.32 Implementation of central scheme for Waste Management

To provide facilities for Hospital Waste Management in Naga Hospital, Kohima (NHK) and Civil Hospital, Dimapur, GOI sanctioned (March 2002) Rs.1.34 crore (Rs.0.67 crore each) for installation of incinerator, autoclave, shredder, wheel barrows for transportation of waste and other equipment like needle shredders, trolleys, protective gear for staff etc., including civil and electrical work (Rs.2.50 lakh each) and training of staff (Rs.1.00 lakh each). The works were taken up (October 2002) through two local contractors²³ without entering into any agreement. Hence the same could not be examined in Audit. The DMS stated (July 2006) that the works were completed in July 2004 (NHK) and in November 2004 (Civil Hospital, Dimapur). As provided in GOI guidelines regarding taking stock of equipment, it was observed that no stock register was maintained. The reply of the DMS could not be verified with reference to the equipment taken in stock, since no stock register was maintained. Also no progress report was sent to GOI despite repeated reminders (April 2005 and December 2005) by the GOI. The Director, Naga Hospital Authority, Kohima while confirming the facts stated (July 2006) that the hospital authority was not aware of the status of the equipment as they were not intimated anything in this regard. Thus, it is evident that the central scheme of waste management in these two hospitals did not take off and the entire expenditure of Rs.1.32 crore remains doubtful. Besides, no training was also imparted to the staff.

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M/s Premier Enterprises, Kohima (Civil Hospital, Dimapur) and M/s Athu-o Angami, Kohima (Naga Hospital, Kohima). Rs.66.20 lakh each including civil work as well as electrification and supply/installation of equipment

3.1.33 Monitoring and evaluation

There is no system or prescribed procedure of monitoring in the Department. No monitoring cell was created in the Directorate to monitor the activities of the Department. The non submission of progress reports to GOI; absence of periodical physical verification of stores; non-reconciliation of receipts and issue of materials from the Central Stores to the field units etc., indicated non-existence of any monitoring system. During the period covered in audit, no evaluation was carried out by the Department or other agency to gauge the performance of the Department in providing health care services to the people.

3.1.34 Conclusion

The aim of providing basic health services to the people at large at their doorstep remained a distant dream due to

- No system in place to judge the requirement of medicines, equipment/machinery to be purchased.
- Procurement of medicines/equipment from unauthorized suppliers.
- No mechanism for checking the quality of medicines procured.
- No reconciliation of records of the central depots and districts for the distribution of medicines.
- Infrastructure not in place for the installation of equipment/machinery.
- Shortage of health care centre when compared to norms set up by GOI.
- Dilapidated infrastructures at health care centres.

3.1.35 Recommendations

Based on the above audit observations, the Government may consider taking the following action:

- Drug purchase policy/purchase manual may be made and followed to regulate the purchase of medicines and equipment.
- Facilities for testing the medicines should be set up.
- Adequate number of health care centres with prescribed infrastructural facilities should be set up as per National Norms.
- Effective step to be taken to make the Trauma Centre at Medziphema operational immediately.
- Monitoring cell in the Directorate needs to be constituted to monitor the activities of the Department.
- There has to be a full proof system for distribution of right quantity of medicines and hospital equipment purchased.