not maintained either at the hospital or ward stock book for want of faculty.

The reply was contradictory in itself and was not tenable.

- No Chief Accounts Officer/Finance Director was deputed in 2016-19. The assistant administrative officer of district hospital had verified and approved the files.

  The reply cannot be accepted as no such files were produced to audit.

Hence, the State Government should conduct a detailed investigation into the utilisation of the SCP/TSP funds by the Institute and take appropriate action on the basis of such investigation. The State Government should also initiate immediate action either to fill up the post of Chief Accounts Officer/Finance Director or put in place necessary in-charge arrangements to ensure compliance to fiscal regulations and transparency in procurement procedures, maintenance of records *etc*.

It is recommended that a detailed investigation be conducted, responsibility fixed and action taken for ensuring future compliance of regulations and procedures.

Department of Medical Education

3.5 Procurement of disposables at higher cost

Failure of the Karnataka Institute of Medical Sciences, Hubballi to finalise its tender for procurement of disposables within the scheduled time resulted in re-tendering and additional expenditure of ₹1.18 crore.

In accordance with Rule 22(1) of the Karnataka Transparency in Public Procurements Rules 2000, the evaluation of tenders and award of contract shall be completed, as far as possible, within the period for which the tenders are held valid. Rule 22(2) states that the Tender Accepting Authority shall seek extension of the validity of tenders for completion of evaluation, if it is not completed within the validity period of the tender and Rule 22(3) states that in case the evaluation of tenders and award of contract is not completed within the extended period, the tenders shall be deemed to have become invalid and fresh tenders may be called for.

Further, the Government of Karnataka in its guidelines (June 2003) on safeguards to be adopted during two cover tender system instructed that technical evaluation of the tenders in the first cover should be completed within a reasonable period, and the time gap between the opening of the first and second covers should not be more than 45 days. In exceptional cases, approval of the Secretary to the Government of the concerned Department was to be obtained where the period is more than 45 days but less than 60 days. If the period exceeds 60 days, the tenders were to be re-invited.

The Department of Medical Education (Department) aims to provide holistic medical education with emphasis on medical research through its Government

/ Autonomous Medical Colleges. We conducted a Compliance Audit of the Department for the year 2017-18 to 2018-19 covering 15 medical colleges. This included Karnataka Institute of Medical Sciences, Hubballi (Institute).

The Institute had invited (August 2016) tender for purchase of disposables (448 items) valued at ₹4.50 crore. The last date for submission of bids was 22 October 2016. The validity of the tender was 180 days (24 April 2017). Review of records relating to procurements revealed the following:

(i) Technical bids were opened on 30 October 2016. The technical evaluation required verification of original documents and examination of samples by the Institute. As per the tender notification all the bidders had to submit samples of their products for testing during 24-26 October 2016. We observed that though all the samples were submitted in time, the test reports of those samples were submitted by the departments concerned during the last week of January and first week of February 2017. The reasons for the delay for about three months in testing were not forthcoming from the records.

(ii) Document verification which was initially scheduled on 7 December 2016 was rescheduled to 9 January 2017. The reasons for rescheduling were not on record.

(iii) In accordance with the Government guidelines, the tender should have been cancelled on 27 December 2016 *i.e.,* after completion of 60 days from the date of opening of the technical bids.

(iv) However, the Tender Scrutiny Committee continued with the evaluation of the bids and recommended (28 January 2017) opening of financial bids[57] of 20 of the 23 firms.

(v) The financial bids were opened and comparative statement was prepared on 16 February 2017. We noticed that the draft letters of acceptance to the successful bidders were put to the Director for approval during March 2017.

(vi) Supply orders were not issued and the tender was cancelled during May 2017 *i.e.,* after three months of opening of financial bids. The Institute cited non-opening of financial bids due to unavoidable reasons as the reason for cancellation of tender. This was factually incorrect. The unavoidable reasons were also not recorded.

(vii) The Institute citing the above reasons sought (31 May 2017) permission from the Government (Medical Education) for inviting short term tenders for procurement of disposables. The Government permitted (1 June 2017) the Institute to invite short term tenders. Thereafter, the Institute re-tendered (June 2017) the procurement of disposables (450 items). The technical bids were opened on 17 July

[57] Three firms were technically disqualified.

2017 and financial bids on 8 August 2017. The letters of acceptance were issued during September 2017.

(viii) Since the financial bids were opened and comparative statement was drawn in the earlier instance, we compared the cost of procurement and noticed that cost of the disposables in respect of all the items was higher than the initial offer received.

Further analysis of both the tenders revealed the following interesting facts as detailed in **Table 3.3**.

Table 3.3: Statement showing the details of both the tenders

Sl. No.	Issue	1st tender	2nd tender	Remarks
1	Number of firms which participated in the tender	23	23	10 firms which had participated in the first tender did not participate subsequently.
2	Number of firms technically qualified	20	23	
3	Number of items for which single bids were received	59	179	M/s Deepa Jyothi Enterprises, Mangaluru was the single bidder for 28 items and 156 items in respect of cancelled tender and re-tender respectively.
4	Number of items for which a single firm was the lowest	28	162	M/s Deepa Jyothi Enterprises. The firm was the lowest only for the items for which it was the sole bidder on the first occasion. In the re-tender, the firm was lowest for 160 items. In two cases, it was considered as lowest though it was not the lowest.

Source: Information furnished by the Institute

It could be seen from the table that M/s Deepa Jyothi Enterprises, Mangaluru benefitted the maximum from the re-tendering process. Rate analysis showed that the rates quoted by the above firm for various items on the first occasion was exorbitant in comparison with the rates quoted by other firms for the same items and ranged between 102 and 5,698 *per cent* of the lowest quoted rates. The lowest quoted firms had cleared the technical evaluation which included testing their samples. In the re-tender, the rates quoted by M/s Deepa Jyothi Enterprises was higher than its earlier quoted rates. The Institute, thus, failed to ensure that the rates quoted were reasonable. Thus, cancellation of the first tender without any valid reason and finalising the supplier in the re-tender within a span of four months had resulted in the Institute procuring the items at exorbitant rates (26 *per cent* higher than the first tender).

Further, the possible intention of the Institute to benefit a particular firm and the collusion thereof cannot also be ruled out. This not only resulted in non-availing the competitive offers received initially but also led to procurement of items at exorbitant rates and incurring additional expenditure of ₹1.18 crore, which was clearly avoidable.

The State Government endorsed (April 2020) the reply of the Director. The Director of the Institute stated that though technical bids were opened in time, the technical scrutiny committee submitted its report on 31 January 2017 and this caused the delay in opening the financial bids. He further stated that these facts were brought to the notice of the Finance Committee headed by the Principal Secretary, Medical Education. The Finance Committee considering the delay ordered for inviting fresh short term tenders. He also stated that the quality of the products was appreciated by the competent technical authorities.

The reply of the Director is not tenable for the following reasons:

- The Director without citing any valid reason informed (May 2017) the Additional Chief Secretary, Medical Education that financial bids could not be opened on the first occasion due to unavoidable reasons despite having opened the financial bids on 16 February 2017.

- The subject of inviting short term tenders was placed before the Finance Committee in its meeting held on 28 July 2017 seeking *post facto* approval. Evidently, the other members of the Finance Committee such as Principal Secretary, Finance Department, Secretary, Planning Department *etc.*, were not aware of the short term tenders earlier.

- The Director along with the reply had attached a few sample testing reports. These reports pertain to the samples submitted during the first occasion. This indicates that samples were not tested on the second occasion and the firms were technically qualified based on the previous reports, which was highly irregular. This was also substantiated by the fact that the time lag between opening of technical bids and financial bids on the second occasion was only 23 days.

In view of the above, the matter calls for detailed investigation by the Government. Stringent action needs to be taken on the concerned for misinformation and non-compliance to the statutory provisions besides placing sufficient checks and balances in the functioning of such institutions.

It is recommended that the matter be investigated and suitable action taken on the basis of such investigation to prevent recurrence of such omissions.