was purchased from different taluks of neighbouring districts and supplied to various Goshalas located at different places within Kollegal taluk.

➢ Few of the bills did not pertain to the purchase under objection and five vehicle numbers indicated in these bills could not be found in the National Register e-services (vahan.nic.in).

In view of the above, it is reiterated that the State Government investigate all the fodder purchases in all the taluks where such procurements were made and take appropriate action on the basis of such investigation. The State Government should ensure that the stock registers are maintained as mandated and reconciled before making payments, physical verification of stock is done at regular intervals and periodic inspections carried out by competent authorities.

It is recommended that the matter be investigated thoroughly and appropriate action taken based on such investigation.

Department of Medical Education

3.4 Fictitious purchase of implants/equipment

The Director of the Koppal Institute of Medical Sciences had issued cheques worth ₹64 lakh out of SCP/TSP funds for purchase of implants/equipment which were never indented or supplied.

The State Government had allocated ₹11.15 crore and ₹5.33 crore under Scheduled Caste sub-plan (SCP) and Tribal sub-plan (TSP) respectively during the period 2017-18 to 2018-19 for the six new medical colleges established under the Department of Medical Education. These colleges were to utilise the funds for procurement and supply of stethoscope, aprons, BP apparatus, books *etc.*, to Scheduled Caste (SC)/Scheduled Tribe (ST) students and for extending free treatment to SC/ST patients.

We conducted a Compliance Audit of the Department for the period 2017-18 to 2018-19 covering 15 medical colleges. This included Koppal Institute of Medical Sciences (Institute). Scrutiny of records showed that the Institute had incurred an expenditure of ₹80 lakh against release of ₹4.21[55] crore under SCP/TSP which included ₹64 lakh incurred towards purchase of surgical implants/equipment to SC/ST patients of District Hospital, Koppal attached to the Institute. The balance amount was incurred towards supply of books to SC/ST students (₹10 lakh) and towards purchase of medicines/blood *etc.*, to SC/ST patients (₹6 lakh). On verifying the connected records made available to audit, we observed the following:

(i) Section 4(e)(ii) of the Karnataka Transparency in Public Procurements Act, 1999, stipulates purchase of goods and services above ₹one lakh

[55] 2017-18: SCP- ₹160 lakh: TSP- ₹75 lakh
2018-19: SCP- ₹116 lakh; TSP- ₹70 lakh

through tender. Contrary to this, the Institute purchased surgical implants / equipment worth ₹60.47 lakh directly from two[56] firms (for the balance amount of ₹3.56 lakh, tendering was also not done). Bills were only produced to audit in support of these purchases.

(ii) The records furnished showed that the Institute incurred the balance amount of ₹3.56 lakh (₹94,524 on 2.3.2018 *vide* cheque number 230914 and ₹2,61,468 on 14.3.2018 *vide* cheque number 230940) for which the details such as name of the item, name of the firm *etc.*, was not recorded. The bank statement, however, showed that both the cheques were encashed.

(iii) Prudence requires a Government servant in-charge of procurement to obtain indents in order to estimate the requirement. However, the records produced did not indicate any procedure being followed to obtain indents from the district hospital. The district hospital confirmed (August 2019) that no indents were sent to the Institute for supply of implants and medicines.

(iv) Rule 164(a) of the Karnataka Financial Code states that stock registers are to be maintained in which each item of receipt and issue of stores are recorded. However, no such registers were maintained by the Institute. The records of the district hospital also indicated that during 2017-18 and 2018-19, it had not received any supplies from the Institute.

(v) The district hospital had not reimbursed any treatment costs to the SC/ST patients out of the SCP/TSP funds as it had not maintained information on SC/ST patients.

(vi) Though paid vouchers for purchase of implants/equipment were placed on record, the Institute did not have stock certificate for having received the consignment from the suppliers.

Audit conducted a joint inspection with the Director of the Institute and District Surgeon of the district hospital during August 2019. The joint inspection while confirming the above findings highlighted the existing system deficiencies such as lack of co-ordination between the Institute and hospital, absence of indents and stock registers, non-maintenance of issue register *etc*.

In addition, audit verified the payments made to the supplier through the Goods and Services Tax portal and found that the said payment details were not uploaded in the portal. Hence the authenticity of the bills could not be vouchsafed by audit.

Audit also noticed that the then Director, before his transfer on 22 September 2018, had signed (20 September 2018) 22 cheques worth ₹64.29 lakh in

[56] Neel Pharma, Koppal (₹50.18 lakh) and Sri Manjunatha Swamy Medical House, Gangavathi (₹10.29 lakh).

favour of Sri. Manjunatha Swamy Medical House, Gangavathi and 20 cheques valuing ₹38.24 lakh in favour of M/s Neel Pharma, Koppal. These cheques were not supported with any vouchers and were in the custody of an outsourced employee.

Though provision 32 of the Medical Institute's byelaw stipulates that the cheques are to be issued under joint signatures of the Dean and the Chief Accounts Officer, all the payments to the suppliers were made through cheques signed by the Dean cum Director of the Institute. This was possible because the post of Chief Accounts Officer/Finance Director was vacant during the above period and the Department of Medical Education failed to fill up the post.

Thus, all the issues flagged above, indicate that the Director of the Institute had taken advantage of the vacancy of the post of Chief Accounts Officer/Finance Director and issued cheques worth ₹64 lakh out of SCP/TSP funds for purchase of implants / equipment which were never indented or supplied. Besides, the SC/ST patients were deprived of the benefits. Misuse of SCP/TSP funds was in violation of the Karnataka Scheduled Castes Sub-plan and Tribal Sub-plan (Planning, Allocation and Utilisation of Financial Resources) Act, 2013, and as per Section 24 of the Act negligence in the duties was punishable with imprisonment.

The State Government endorsed and forwarded (April 2020) both the replies of the present Director to Audit, who stated that the Ex-Director of the Institute had not furnished the replies despite having issued four letters and also the reply of the Ex-Director, who had submitted para-wise replies as below:

- Purchases of less than one lakh was made by quotation and nothing was purchased more than a lakh at a time. Purchases have been done as per the individual requirement.

  The reply clearly highlights the fact that the stated purchases were split to less than one lakh to avoid tenders and the reply was also incorrect as there were 10 instances of bills valuing more than one lakh.

- It was found from the bank records that Cheque no. 230914 was issued to Sri. Srinivasa Agency for purchase of X-ray films, which were supplied to District Hospital and Cheque no. 230940 was issued to VIMS, Ballari to clear due pension contribution of a faculty. This was not paid from SCP/TSP fund.

  The reply cannot be accepted as the district hospital had stated that no supplies were received from the Institute and records furnished to audit indicated that both the cheques were accounted under SCP/TSP funds.

- Requisition for supply were made by treating faculty and were supplied. The concerned store faculty had maintained the register of stock. Further, the Head of Department had given statement that material have been used to the needy patients. However, the stock was 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