

AUDIT OBSERVATIONS of Director General of Audit Central Revenues
On NACO expenditure (2007-08).

Para 1

Premature release of funds:

Observations:- The Ministry entered into an agreement with UNOPS, an intergovernmental entity of the United Nations System in May, 2007 for procurement of various kinds of equipment under NACP-III for control of HIV/ AIDS. As per the agreement, the UN agency was to make a provision for annual maintenance after the expiry of the warranty period at a pre-agreed rate with the suppliers, for the lifetime of the equipment. The agreement of December, 2007/ January, 2008 between UNOPS and suppliers of CD4-Enumeration Machines and Blood Component Separation Units, delineated that the CMC were to be paid after warranty in equal quarterly instalments at the end of each quarter within 30 days of receipt of items after completion of CMC obligations of the previous quarter at the rates indicated in the price schedule.

Audit noticed that the Ministry however, made an advance payment of the entire CMC of Rs. 1.34 Crore for Blood Component Separation Units and Rs. 2 Crore for CD4-Enumeration Machines in December, 2007 and January, 2008 to UNOPS even though the first quarterly instalment was due for payment to suppliers by UNOPS only after two years and three years respectively.

The payments were not only in violation of Rule 159 (1) of GFR which provides that advance payment should not exceed thirty percent of the contract value for private firms but it was also in contravention of the terms of agreement between UNOPS and the suppliers of equipment. Thus, the injudicious decision to release the entire amount of Rs. 3.34 Crore in advance resulted in idling of funds with consequent loss of interest of Rs. 13.35 Lakh during the period January, 2008 to June, 2008. The interest loss would consequently increase manifold by the time payments become actually due. On the matter being pointed out, the Ministry accepted the observation in July, 2008 stating that UNOPS had been advised that the amount of Rs. 3.34 Crore paid towards CMC would be adjusted from supplies during 2008-09.

Reply

The payment was inadvertantly made. However, the amount of Rs.3,34,30,890/- has since been refunded by UNOPS on 26.09.2008.

Hence, this audit observation may be dropped.

Para 2

Premature release of funds:

Observations:- Examination of documents in the Ministry revealed that payment of a hundred percent advance to M/s HSCC for procurement of drugs on behalf of the Ministry in contravention of the provisions of GFR led to idling of funds of Rs.12.29 crore and non-recovery of interest of Rs.1.36 crore.

The Ministry entered into an agreement with M/s HSCC, a Government of India undertaking, for procurement of ARV drugs for World Bank aided HIV/AIDS control programme. As per the terms of the agreement, the Ministry was to release hundred per cent estimated cost of drugs on finalisation of orders with the suppliers and the cost of drugs was to be adjusted in the final bill/rendering of accounts after completion of indented supplies. The agreement with HSCC did not provide for payment of interest by the agency on amounts placed with them.

However, terms of payment agreed by HSCC with suppliers showed that HSCC was to make payment to suppliers in instalments whereby 10 per cent payment was to be made within 30 days of signing of agreement, 70 per cent on receipt of goods and balance 20 per cent on acceptance of goods.

The Ministry sanctioned Rs.49.55 crore in March 2006 even before all the formalities for acquisition of the drugs had been completed by HSCC. Rs.21.45 crore was released in March 2006 and the balance Rs.28.10 crore in May 2006.

The statement of settlement of advance of Rs.49.55 crore submitted by M/S HSCC to the Ministry in February 2008 disclosed that it had made payments of Rs.37.41 crore to various suppliers for procurement of drugs during the period from April 2006 to December 2007 in instalments, thereby retaining an unutilized amount of Rs.12.29 crore.

The decision of the Ministry to release hundred percent estimated cost of the drugs in advance was in contravention of Rule 159(1) of GFRs which provides that the payment of services rendered or supplies made should be released only after the services have been rendered or supplies made. The decision was also injudicious, as the funds were required for release by HSCC in subsequent years as per terms and conditions of the contract with the suppliers.

Thus, premature release of funds and the failure to incorporate a clause for charging of interest in the terms and conditions of the contract led to idling of unutilised funds of Rs.12.29 crore for more than one and a half year with consequential loss of interest of Rs.1.36 crore earned by M/S HSCC on the unutilised balance.

The Ministry may take immediate steps to recover the unutilised balance along with interest.

Reply

The funds were released in advance as per the Contract agreement. Even though there is no clause to earn interest on the advances transferred to the said PSA, this has since been rectified in all PSA contracts entered into subsequently. However, M/s HSCC has acknowledged that they have earned an interest of Rs. 1,35,53,918/- for the period up to December, 2007. They have since been requested to refund the interest amount. It is expected that the refund would be received very soon. CAG would be informed immediately on receipt of refund of interest from HSCC.

Hence, this audit observation may be dropped.

Para 3.

Lackadaisical scrutiny of claims leading to excess payment .

Observations:- Examination of documents relating to reimbursement of claims by VHS, a non-government organization, Chennai, disclosed lackadaisical scrutiny of claims by the Ministry leading to excess payment of Rs. 1.13 crore.

The GOI and USAID entered into an agreement in September 1992 (extended from time to time) for the AIDS Prevention and Control Project. It was agreed that USAID would assist the GOI in its efforts for the prevention and control of the spread of the AIDS disease in the State Tamil Nadu. As per the agreement, NACO would disburse the project component of the funds to VHS through a revolving fund and VHS would submit a monthly expenditure statement to NACO for reimbursement on a monthly basis. The agreement further provided that the grant would be free from any taxation or fees imposed under laws in effect in the territory of the grantee. Thus, payments of duties and taxes made by the project implementation agencies were not eligible for reimbursement by the USAID. However, the GOI agreed to reimburse these expenses to the project-implementing agency.

Audit of the reimbursement claims of VHS disclosed that NACO had reimbursed the entire expenses incurred by the project-implementing agency on the project of Rs. 16.28 crore, Rs. 13.59 crore and Rs. 13.13 crore for the years 2004-05, 2005-06 and 2006-07 respectively.

However, the Ministry had also made further payments of Rs. 47.32 lakh and Rs. 30.02 lakh for the years 2004-05 and 2005-06 respectively on the basis of claims submitted by VHS for reimbursement of duties and taxes incurred by it although these amounts had already been included in the total expenses for the relevant years as claimed by VHS. As such the claims of Rs. 77.34 lakh were doubly reimbursement by the Ministry.

It was further noticed that expenses of Rs. 5.83 lakhs, Rs. 11.46 lakh and Rs. 8.45 lakh for the years 2004-05, 2005-06 and 2006-07 respectively had been recovered by VHS from sub-recipients.

As such these were not eligible for reimbursement. Moreover, these amounts had also been claimed by VHS from the Ministry by including these in the total reimbursement claimed for the relevant years. Thus, deficient internal control and negligent scrutiny of reimbursement claims by the Ministry led to excess payments of Rs. 1.13 crore to VHS.

Reply

The DGACR has sent a statement of facts about lackadaisical scrutiny of claims relating to Voluntary Health Services (VHS), Chennai in r/o AIDS Prevention & Control Project in Tamil Nadu. This programme is being implemented as per tripartite agreement between the Govt. of India (GOI), USAID & VHS, Chennai. As per the statement of facts, it has been mentioned that the GOI has made double payment to VHS, Chennai on account of taxes & duties being paid to them, details for which are as follows:-

Year	Rs. In Lakhs
2004-05	47.32
2005-06	30.02

Total	77.34

As per Tripartite Agreement signed for APAC Project there are two types of assistance. One is Local cost component under which grant to VHS, Chennai is provided by Government of India through the revolving funds replenished time to time by the USAID. The second is Technical component which is directly funded by the USAID to the VHS, Chennai. As per agreement any taxes and duties against Technical Component expenditure are reimbursed to VHS, Chennai by NACO.

Under Local Component the expenditure replenished by NACO includes taxes and duties paid by VHS Chennai during the month. However, the reimbursement for Taxes and duties against Technical Component expenditure are paid to VHS Chennai on submission of Audit Report for the year. VHS Chennai while submitting claim for Technical Component also included the taxes and duties paid month wise again. This oversight resulted in double payment of taxes and duties for the Local Component expenditure.

As regards, second part of the observation following amount has been reimbursed to VHS, Chennai during the under mentioned period though it has been recovered by the VHS from sub recipient:-

Year	Amount Recovered	Unsupported expenses	Total (Rs. In lakhs)
2004-06	5.83	7.01	12.84
2005-06	11.46	0.60	12.06
2006-07	8.45	2.51	<u>10.96</u>
Total			35.86

It may be mentioned that any reimbursement under the project is made on the basis of monthly statement of expenditure submitted by the VHS, Chennai for the project. The expenditure is duly authenticated by the Chartered Accountant of the project. Thereafter, as per the Tripartite Agreement, this expenditure is also approved by the Project Management Committee of the Project held every quarter. This is done as per schedule IV to the attachment – I of the agreement to project. The recovery of the amount from sub recipients, as has been stated in the statement of facts, has been done by VHS at a later stage.

The recovery of the amount, as well as the double payment of the taxes and duties, happened at two different intervals. Since USAID, or Controller of Aid Accounts and Audit do not submit attachment indicating the amount to be disallowed to NACO, this matter was not noticed. USAID has been requested to send NACO a copy of the attachment of claim ACCEPTED and sent to CAAA in future, so as to know the actual amounts accepted by them.

The remedial measures in this regard will be taken and the excess payments will be recovered from VHS, Chennai from the claims submitted by them during the year 2008-09.

The observations may, therefore, be dropped.

Para 4

Excess payment of Rs. 146.99 lakh

Observations:- As part of the initiatives under National AIDS Control Programme, which address HIV/AIDS epidemic, which is a serious Public Health problem entailing adverse implication for the social economic development of the country, a comprehensive programme for “Expansion of effective Public and Private Sector intervention in HIV and TB Prevention and treatment in India” is implemented with the financial assistance of GFATM (Global Fund to Fight AIDS, Tuberculosis and Malaria) in six states including Maharashtra. Before 2007 – 08, separate action plans were prepared for both Maharashtra SACS (State AIDS Control Society) and MDACS (Mumbai District AIDS Control Society) for GFATM Round III but from 2007 – 08, NACO had approved action plan combinedly Rs. 469.59 lakh which was revised to Rs. 590.79 lakh.

As per Rule 209 (5) (iii) of GFR, when recurring grants-in-aid are sanctioned to the same institution or organization for the same purpose, the unspent balance of the previous grant should be taken into account in sanctioning the subsequent grant. During the scrutiny of file, it was revealed that NACO had released first installment of Rs. 85.20 lakh in July 2007 and second installment of Rs. 37.00 lakh in September 2007 but while releasing the last installment, opening balance of Rs. 146.99 lakh as on 01.04.2007 was not taken into account and Rs. 468.59 lakh was released in December 2007 as detailed below:

(Rs. In lakh)

Revised Action Plan	Opening Balance	1st Installment	2nd Installment	Last Installment	Excess Release
590.79	146.99 (Maharashtra 125.11, Mumbai 21.88)	85.20	37.00	468.59	146.99

Thus, non-adjustment of unspent balance of previous year resulted in excess release of Rs. 146.99 lakh.

Reply

While releasing the 3rd and the final installment of Rs. 468.59 lakh, it was observed that Maharashtra SACS had committed expenditure for the fourth quarter, much more than the bank balance available with them at the close of 3rd quarter. The financial status of Maharashtra immediately before the release is given below:

(Rs in Lakh)

Annual Action Plan 2007-08 (revised) including Mumbai DACS	Opening Cash Balance as on 01.04.2007	Amount released 2007-08	Total fund available (2+3)	Expenditure Apr 07 - Nov 07	Balance to be release to support programme activities (1-3)
1	2	3	4	5	6
590.79	125.11	122.20	247.31	264.20	468.59

Out of Rs 247.31 lakh (Opening balance Rs 125.11 lakh + amount released till date Rs 122.20 lakh) they had spent an amount of Rs 264.20 lakh. The quarter wise expenditure of Maharashtra SACS (incl Mumbai DACS) is as follow:

April 07 – June 07	- Rs. 18.68 lakh
July 07 - Sep 07	- Rs. 166.57 lakh
Oct 07 – Nov 07	- <u>Rs. 78.95 lakh</u>
	Rs 264.20 lakh

SACS had spent more than the available balances (Rs 247.31 lakh balances against the expenditure of Rs 264.20 lakh). Moreover, NACO received a letter from Maharashtra SACS about their requirement of further funds. The committed expenditure of SACS for which they required funds were as under:-

- (i) **Human Resources** - Under this head the salary of 65 ICTC centre had been disbursed till September 2007, SACS needed to disburse salary for the remaining period of six months for the staff. Appox cost Rs 2.50 Crore,
- (ii) **Monitoring & Evaluation** – The payment for procurement of Motorcycle for supervisors in Maharashtra SACS had to be released to DGS & D amounted to Rs 13.80 lakh and expenditure to be incurred for review for supervisors and also for supervisory visit of supervisors,
- (iii) **Commodities** – The payment for Procurement of drugs was in process, be cost of which could be Rs 10.00 lakh(appox),
- (iv) **Training & NGO's** – Refresher training of Medical officer was being planned and would be conducted in this month September 2007.

The SACS urgently required the funds to continue these ongoing activities as NACO was implementing performance based budgeting. We may propose for the balance amount of approved action plan i .e. Rs 468.59 lakh. Moreover, GFATM programme expenditure mainly consists of recurring fixed costs like salaries, operational expenses etc. for which grants to sub-recipients at District level are required to be disbursed in advance for six months. The absence of minimum financial liquidity with SACS sometimes leads to severe cash crunch which ultimately affects the implementation of the

programme. Considering these compelling factors, it was proposed to release funds to the extent of the Annual Action Plan in full.

In view of the explanation given above, the para may be dropped.

PARA 5

Unfruitful expenditure of Rs.97.48 lakh.

Observations:- The Ministry of Health and Family Welfare, Government of India receives credit from International Development association for procurement of various goods, equipments, instruments, drugs and pharmaceuticals for various HIV/AIDS control programmes. National AIDS control Organisation (NACO) being the nodal agency for AIDS control under the Ministry of Health and Family Welfare procure these equipments/drugs through Procurement Support Agents by entering into agreement with them separately.

M/s HLL was appointed procurement agent for procuring goods/equipments/drugs on 30th September 2005 through separate contract. As per the terms of the contracts, the NACO would advance necessary funds to M/s HLL for payment to the supplier for supply of goods/ equipments/drug conveying approval/finalizing of award.

During the year 2006-07, NACO decided to procure several equipments for blood banks on the recommendations of the BEC (Bid Evaluation Committee) and the same were approved by the IPC (Integrated Purchase Committee). The following equipments were required:

Sl.No.	Name if items	Qty.
1.	Refrigerated Centrifuge	82
2.	Refrigerated water Bath	41
3.	Blood Bank Refrigerator	79
4.	Platelet Incubator with Agitator	40
5.	Deep Freezer – 80o C	42
6.	Deep Freezer - 40 o C	42

As per minutes of the meeting of the IPC, Sl. No. 1, 5 and 6 would have to be retendered and remaining 2,3 and 4 were to be purchased through M/s HLL.

Although Joint Director (Blood Safety) mentioned that in the absence of remaining equipments (Sl. No. 1, 5 and 6), it would not be possible to make these units functional, NACO paid an advance of Rs.97.48 lakh in March 2007 to M/s HLL for procurement of 79 Blood Bank Refrigerators through M/s REMI Instruments Ltd. An agreement was signed between M/s HLL and M/s Remi Instrument Ltd. on 14th May 2007, as per agreement delivery period of these equipment was 90 days. Scrutiny of records further revealed that M/s HLL inspected 40 units on 30 July 2007 and remaining 39 units were inspected by M/s HLL on 12 April 2008. M/s Remi Instruments Ltd. dispatched only 33 units till 4th June 2008. Scrutiny further revealed that the procurement order of Sl. No. 1,4, 5 and 6 was placed to M/s UNOPS on 31st January 2008, which were to be delivered within 90 days.

Thus, expenditure of Rs.97.48 lakh was unfruitful, as in the absence of remaining equipments; it would not be possible to make blood banks functional.

Reply

It is a fact that during the year 2006 – 07, NACO decided to procure several equipments for Blood Banks for component separation facilities and storage of blood units. These equipments are as follows:

Sl. No.	Name of items	Qty.
1	Refrigerated Centrifuge	82
2	Refrigerated Water Bath	41
3	Blood Bank Refrigerator	79
4	Platelet Incubator with Agitator	40
5	Deep Freezer -800C	42
6	Deep Freezer -400C	42

As per the minutes of the meeting of the IPC, Sl. No. 1,4 and 5 have to be retendered and the remaining were to be purchased.

The facts of the case are as follows:

1. In view of the decision of IPC, it was decided not to procure some of the equipments for blood component separation as these facilities can not be operational without whole set of equipments, excluding Blood Bank Refrigerator. Thus the entire procurement for Blood Component Separation Units was postponed to 2007 – 08 and as M/s UNOPS was the Procurement agent, the procurement order was given to them.

2. In regard to procurement of 79 blood bank refrigerators, it is true that an agreement was signed between M/s HLL and M/s Remi Instruments Ltd. on 14th May 2007. The procurement schedule was made in two phases; Phase – I for 40 blood banks and Phase – II for the remaining 39 blood banks. Accordingly, the inspection for the 40 units was done on 13th July 2007 and the equipments were installed subsequently. For the remaining 39 units, since civil work at the proposed centres was incomplete, the procurement was deferred till March 2008. Consequently in April 2008, the equipments were offered for inspection and were supplied. All the equipments were installed in June 2008 and are presently functioning.

Thus, there was no question of funds being mis-utilised and hence, the para may be dropped.

Para 6:

Irregular payment of Rs.27.11 lakh on account of consultancy fees on annual maintenance charges.

Observations:- Scrutiny of records relating to consultancy fees paid by NACO to M/s HLL revealed that a sum of Rs. 2,25,635/- including service tax (on IInd year AMC charges) was paid to M/s HLL as consultation fee for executing Annual Maintenance Contracts of Elisa Reader and Auto Washer on behalf of NACO and Rs. 11,50,286/-, including service tax (on 1st and IIrd year AMC charges) in March 2008. As per the agreement executed on 30th September, 2005 between NACO and M/s Hindustan Latex Limited (HLL) NACO was to pay procurement fees to HLL @ 3.5% of the value of orders placed in case of medical equipments etc. and it was no nowhere mentioned in the contract that consultation fees will be paid on Annual Maintenance Contracts.

Further, Rs. 13,34,581 were also paid to M/s. UNOPS in December 2007/January 2008 as UNOPS fees @ 4% on Rs. 3.34 crore paid as advance for AMC of CD4 Enumeration machines and Blood Component Units. As per the agreement executed on 30th May, 2007 between NACO and M/s. UNOPS, NACO was to pay procurement fees to UNOPS @ 4% of the actual cost of procurement and it was no nowhere mentioned in the contract that UNOPS fee will be paid on Annual Maintenance Contracts.

As the agreement did not provide for payment of consultation fees/UNOPS fee on AMCs to M/s HLL and M/s UNOPS, the payment of Rs. 27,10,502/- was, therefore, irregular and should be recovered from the concerned firm under intimation to audit.

REPLY

It was decided by the competent authority and concurred by the IFD for making payment @ 3.5% of the equipment value on account of consultancy fee on AMCs to M/s HLL. Payment to UNOPS was made as per the Contract Agreement.

As such it cannot be considered as irregular payment. The para may be dropped.

Para 7 :

Unauthorized expenditure – Rs. 56.05 lakh

Observations:- NACO had initiated a campaign for HIV/AIDS to reach out to the people who are not aware of the magnitude of problem through internet. As per World Bank guidelines, if estimated cost for the purpose of Mass Media service is more than US\$ 1,00,000 then it would be carried out by a qualified procurement agent or through a UN agency hired to do so and it would be essential to take prior permission of World Bank for that expenditure.

During scrutiny of campaign file it was revealed that NACO initially selected three websites i.e. Rediff, Yahoo and Indiatimes on the basis of number visitors on these websites for aforesaid purpose for one month (23rd August 2007 to 22nd September 2007) and thereafter for 40 days (11th Feb,2008 to 20th Mar,2008). NACO had made the payment of Rs. 56, 05, 080/- (Rs. 16,12,368 for one month and Rs. 39,92,712 for 40 days) without obtaining prior permission of World Bank. As average price of US dollar during this period was Rs. 40/-, NACO should have obtained prior permission of World Bank. This payment of Rs. 56.05 lakhs without obtaining prior permission of World Bank is an unauthorized expenditure.

Further, NACO has its own website, then this campaign is not justified keeping in view of the fact that greater risk populations zone transmitting HIV infection due to more frequent exposure to HIV, higher levels of risky behaviors and insufficient capacity or power to decide to protect themselves as such population groups include – commercial sex worker, injecting drug users, trucker and migrant workers etc., who has not access to internet.

Reply

NACO had used different properties on three top internet portals (rediffmail.com, indiatimes.com and yahoo.com) for two different campaigns, the first campaign started on these portals for one month as a pilot from 23rd August, 2007 to 22nd September, 2007 at a cost of Rs. 16,26,411/- for promotion of Integrated Counselling and Testing (ICTC). From the lessons learned from the pilot campaign, and keeping in view the encouraging demand, the second campaign was launched for 40 days from 11th Feb, 2008 to 20th March, 2008 at a cost of Rs. 39,92,712/- on different themes including Voluntary Blood Donation, Condom Promotion and stigma & discrimination. During the period of two campaigns, 52 million impressions were received on these portals and 3.17 lakh people visited NACO's website through these portals. The two campaigns were separate and the amount per campaign was well below the prescribed threshold limit of the World Bank for mass media and IEC services on CQS/SS basis which is US\$ 1,00,000/- and no prior approval is needed from the World Bank in such cases. Further, comparing NACO's website with the top three portals is out of place as rediffmail.com, indiatimes.com and yahoo.com are the web portals accessed by masses. The purpose of the internet campaign was also to popularize NACO's website through these portals for disseminating correct information on HIV/ AIDS.

The para may, therefore ,be dropped.

PARA 8

BLOCKING of funds of Rs. 76.54 lakhs

Observations:- NACO proposed to start a project from 1st April 2008 for implementing public private partnership model for strengthening STI (sexually transmitted infections) and ICTC (Integrated Counseling and testing centre), NACO has assigned an overall budget of Rs. 2.55 crore and appointed a NGO "JANANI" for aforesaid project as the same was having a very rich experience of operating in Bihar since 1996. After that an agreement was entered into between JANANI and NACO on 24th March 2008 to start the activities from 1st April 2008 in 15 district of Bihar which are most effected areas.

As per contract terms and conditions of agreement full budget amount of Rs. 2.55 crore would be released in 3 months insallmant of 30 percent of the contract value on the client's receipt of a copy of this contract signed by the JANANI and on submission of a Bank GUARANTEE OF EQUIVALENT AMOUNT.

During the scrutiny of records it was observed that NACO issued sanction on 29/3/08 and prepared a cheque of Rs. 76.55 lakh as first installment without obtaining the Bank guarantee of equivalent amount to avoid lapses of funds. JANANI informed vide letter dated 10th may 2008 that bank would not be able to issue a bank guarantee to them and proposed to deposit under lien the fixed deposit for the said amount.

Director (Finance) proposed on 22/5/08 that as this a bank financed project and they have prescribed only a bank guarantee and did not agreed to the proposal of JANANI.

Thus, drawal of funds without obtaining bank guarantee is irregular because bank guarantee was the only condition to release the first installment.

Reply

Janani is a reputed NGO with a huge network of health delivery system in the state of Bihar which is one of the vulnerable state for HIV infection. This agency was identified to implement Public Private Partnership module for ICTC and STI services as a single source agency with the approval of World Bank. As per the agreement singed on 24th March 2008, the contract terms and condition clearly mentioned about bank guarantee and Janani assured NACO that bank guarantee will be provided before receiving funds. Due to some internal administrative reasons in Janani, there was delay in procuring the bank guarantee. However, demand draft was kept in the custody of NACO till bank guarantee was received. As Janani scheme has been launched following the receipt of bank guarantee, there has been no financial loss to the government.

The para may, therefore,be dropped.

Para 9

Excess release of grants amounting to Rs. 29.08 crore

Observations:- As per Rule 209 (6) (1) of General Financial Rules, the release of the last installment of the annual grant must be conditional upon the grantee institutions providing reasonable evidence of proper utilization of installments released earlier.

Scrutiny of records relating to Grants-in-aid sanctioned to SACS (State AIDS Control Societies) revealed that NACO released grants without proper assessment during the last 3 years in the following cases:

Name of Society	Year	Opening Balance	Misc. Income	Grant released	Utilized	Unspent Balance
Maharashtra	2007-08	194.41	Nil	865.50	684.11	375.80
Uttarakhand	2007-08	176.87	Nil	538.36	501.83	213.40
Jharkhand	2007-08	461.36	140.63	778.91	961.19	419.71
Andhra Pradesh	2007-08	155.32	Nil	711.43	410.45	456.30
Delhi	2007-08	21.56	Nil	212.45	66.29	167.72
Manipur	2007-08	738.77	11.34	2323.15	1560.84	1512.42
					Total ...	3145.35

The Department should establish a mechanism to ensure that the funds earlier released have been utilized before release of last installment of grant.

Reply

Last installments are released to SACS after considering the closing balance with them immediately before such release and the projected expenditure up to 31st March 2008 as calculated by the SACS. In a few cases, the SACS could not mobilize funds as per their projections due to various administrative reasons thereby leaving unspent balances with them at the close of the year. In all such cases, unfinished activities at the close of the year were immediately taken up at the start of the next year thus utilizing the funds without delay. Moreover, there is constant monitoring of expenditure exercised by NACO for all the 35 States and other NGOs. Regular visits by NACO officials in the States do enhance the pace of implementation of the programs, which ultimately ensures proper utilization of funds. It is however, felt that release of installments cannot be withheld till the time earlier funds are fully exhausted as the continuing programs need constant flow of funds at the implementation level and, therefore, closing balance of program funds cannot be brought down to zero level at any point of time. Particularly in the last quarter of the year, more funds are required to be released to SACS to support programme activities for that quarter and the 1st quarter of the next year as it generally takes considerable time to get the funds released in the first quarter due to delay in the finalization of budget/annual action plan.

In view of the explanation given above, the para may be dropped.

Para 10:

Irregular drawl of funds to avoid lapse

Observations:- (A) NACP III clearly articulates the need for developing institutional structures within NACO, SACS and at district-levels, including all agencies, for planning, implementation and monitoring of GIPA. Advocate with and build capacities of implementing agencies (government, private sector and civil society) to facilitate GIPA, and review, adapt and develop advocacy, social mobilization and communication strategies and tools to promote GIPA and create an enabling environment for People living with HIV/AIDS(PLHA) and vulnerable communities. NACO had assigned an overall budget of Rs. 50.28 lakh and appointed a NGO "PATH" for aforesaid project.

The project would be carried out over a period of 12 months in Manipur, Nagaland, Bihar, Uttar Pradesh and Rajasthan. The objective of the project are:

1. Strengthened understanding of government, NGOs and HIV positive networks in 5 states of what GIPA is and why it is important.
2. Strengthened understating of government, NGOs and HIV positive networks in 5 states of how best to involve HIV positive people making and service provision.

During the scrutiny of records it was observed that NACO issued sanction on 29/3/2008 and prepared a cheque of Rs. 50.28 lakh without entering into contract and obtaining the Bank guarantee of equivalent amount to avoid lapses of funds. PATH furnished bank guarantee dated 16th May 2008 and requested NACO to send contract documents on 19th May 2008.

Thus, drawl of funds without entering into contract and obtaining bank guarantee was irregular.

Reply (A) : As per Rule 209(1) of GFR, the grant to the NGO PATH was sanctioned vide sanction dated 29.3.08 for developing a toolkit on GIPA in 3 UNDP State. Bond and Undertaking as required under GFR were also obtained before sanctioning the amount of Rs. 50.00 lakhs. Further to safeguard the interest of Govt. in public good, the bank guarantee dated 16.5.08 was also obtained from the NGO. As the Contract could not be signed between NACO and PATH well in time, the funds could not be released to the NGO PATH and the said cheque was not delivered, Thus, there is no question of making irregular payment to PATH. In view of the above, the para may kindly be dropped.

Observations:- (B) In NACP III, migrants are special significance to the epidemic because of their frequent movement between source and destination areas. There is growing consensus among policy makers that migration could be a major contributor to the spread of the epidemic. Some recent studies conducted by population council, TAHA, NLI etc give strong evidence to support this conjecture. It was noticed that "Care India", registered as a trust only in September 2007, was appointed for implementing

he project "Reducing vulnerability of AIDS among migrants population". NACO has assigned an overall budget of Rs. 1.53 crore.

During the scrutiny of records it was observed that NACO issued sanction for Rs. 46.04 lakh (30% of approved budget) on 29/3/2008 and prepared a cheque without entering into contract and obtaining the Bank guarantee of equivalent amount to avoid lapses of funds. Contract for consultancy services dated 31st March, 2008 was executed on behalf of NACO on 7/4/2008. Care India furnished bank guarantee dated 15th May, 2008.

Thus, drawl of funds without entering into contract and obtaining bank guarantee was irregular.

Reply(B) : NACO issued sanction for payment of Rs. 46.04 lakhs (30% of approved budget) on 28.3.08 in favour of care India for a pilot intervention with migrants in Uttar Pradesh and Delhi on single source basis with the prior approval of World Bank and approval from IFD and prepared a cheque for the said amount. As the Contract could not be signed between NACO and Care India well in time, the cheque could not be released to Care India in the month of March/08. However, it may be appreciated that due to emerging hotspots in the migrant pockets of UP, delay in execution of the project would have adversely impacted HIV/AIDS initiatives in these areas. Therefore, keeping public good as highest priority in mind are at the same time to safe Govt. interest, it was decided to deliver the cheque to Care India only after receipt of contract and the Bank Guarantee.

The Contract was signed between NACO and Care only on 7th April,2008 and the Bank Guarantee was received on 15.5. 2008. NACO could issue the cheque to Care India on 19th May 08 only after receipt-t of contract and Bank Guarantee from Care.

In view of what has been stated above, the paras may be dropped.

Para 11:

Irregular drawl of funds

Observations:- Scrutiny of file relating to procurement of Female Condoms-2, revealed that NACO decided to procure 1.5 million pieces of Female Condoms from M/s Hindustan Latex Ltd(HLL) at a cost of Rs. 3.60 crore, and sanctioned Rs. 91 lakh and Rs. 2.69 crore as advance (vide sanction dated 26-3-2008 and 29-3-2008) and prepare cheque No. 289720 and 289489 dated 31-3-2008 respectively.

Further scrutiny of records revealed that the competent authority executed the contract agreement on 8-5-2008 with M/s HLL for supply of 1.5 million pieces of Female Condoms-2. However, it was noticed that date of supply contract mentioned on contract was 18-3-2008 and Corporate Guarantee was accepted by NACO on 07-05-2008 and cheque were forwarded to M/s HLL on 7th May, 2008.

Further, it was also noticed that Rs. 91 lakh were debited to Professional Services under the Head 33.01.28, however, this should have been debited to Supplies and Material.

Thus, drawl of funds without entering into contract and obtaining corporate guarantee and misclassification of expenditure was irregular.

Reply

The scheme for female condom was launched as a pilot project in 2006-07 by NACO through HLPPT while the condoms were procured by UNFPA for NACO from Female Health Company of U.K. Based on the encouraging results from the pilot project, it was decided to procure more female condoms for targeted population of female sex workers in the states of Tamil Nadu, Andhra Pradesh, Maharashtra and West Bengal. As the female condoms manufacturing in India was started in the meantime, by Hindustan Latex Ltd, a Govt. of India enterprise it was decided to procure these condoms from HLL. The Cheque could not be forwarded to HLL by 31-3-2008 as the HLL could not submit the corporate guarantee within stipulated time. However, keeping in view of the high vulnerability of FSW to HIV/AIDS, the procurement could not be delayed as it would have had adverse impact on HIV/AIDS situation in high prevalence states of Tamil Nadu, Andhra Pradesh, Maharashtra and West Bengal. At the same time it was also necessary to safeguard the interest of the Govt. Therefore, the cheque was delivered to HLL only after receiving the corporate guarantee.

As the necessary funds were not available under the head "supplies & material", the part payment was made from the head **Professional Services**. However, there was no loss to the Govt.

Hence, the para may be dropped.

Para12: Short deduction of TDS of Rs.6,06,007

Scrutiny of records relating to AIR media campaign revealed that as against the actual broadcast of Prasar Bharti, BCI raised a bill of Rs. 4,96,91,394 to NACO. The department released first installment of Rs 20273592 in January 2008 after deduction of TDS at @ 2.06 percent and payment of Rs 1,98,55,958 was made to Prasar Bharti, BCI but the department paid Rs 2,94,17,802 as final payment of the campaign without deducting TDs vide cheque no 289253 dated 29.3.08. Thus , tax of Rs 6,06,007 was short deducted by NACO.

Reply

The matter has been taken up with Accounts Officer , Ministry of Health & Family Welfare and Prasar Bharti for further necessary action.

PART – II B

Para.1

Avoidable payment of interest of Rs 16.91 lakhs due to delayed payment of licence fee

Observations:- NACO took possession of 9th floor of Chandralok building for one year i.e. 15/10/99 to 14/10/00 initially at the rate of Rs. 1075936/- per month after that for a period of ten completed financial year up to the period of 31/03/2010 and fixed the licence at Rs. 1475021/- p.m. from 15/10/06 to 31/03/07 and it would be increased every financial year @ 5% per year.

As per Licence Deed with NDMC for the 9th floor of Chandralok Building, non payment of licence fee within the prescribed date will constitute breach of the term of the licence and shall render the licence liable to revoked. Besides, the licence shall pay interest @ 12% per annum on the amount of licence fee payable remaining outstanding beyond the due date and failing in arrears and the same term and condition are applying by the NDMC for 6th floor which is also under possession of NACO w.e.f. October 2006.

During the scrutiny of licence fee files of 9th and 6th floor revealed NACO had defaulted in paying licence fee in time and as a result it paid penal interest of Rs. 16,91,258/- (NACO had not clearly mentioned details of every delayed payment) as per demand raised by NDMC as detailed below:

Sl.no.	Month in which payment had made	Place	Amount of the Interest
1.	March 2006	9 th floor of the Chandralok Building	5,00,000
2.	March 2007	-----do-----	1,46,903
3.	September 2007	-----do-----	1,33,350
4.	November 2007	6 th floor of the Chandralok Building	7,760,33
5.	December 2007	-----do-----	1,34,972
6.		Total	16,91,258

Thus, non payment of licence fee in time resulted in avoidable expenditure of penal interest of Rs. 16.91 lakh.

Reply

As per this para, DGACR has pointed out that an arrear of Rs. 16,91,258/- towards licence fee of the premises of NACO at 6th and 9th Floor at Chandralok Building has been paid to NDMC. In fact, as per records, an amount of Rs. 18,42,192/- towards the interest liability for delayed payment of licence fee has been paid to NDMC by NACO. This includes payment of Interest liabilities carried forward from June, 2001. The records reveal that this has happened due to certain administrative constraints viz. non-availability of regular staff etc. in administrative unit of NACO during the total currency of the Project. However, this matter was taken up with IFD and dues were agreed for payment with their concurrence only. Certain steps were taken to avoid the reoccurrence of such administrative delays in future and to stand with pressure of time limiting feature, it was decided to pay licence fee to NDMC one month in advance. This resulted in a rebate of 20% and around Rs. 30,000/- is being saved every month.

The para may therefore be dropped.

Para 2:

Irregular appointment and excess payment to consultants

Observations:- (A) As per Ministry of Personnel, Public Grievance and Pensions, Department of Personnel and Training's order no. 16012/12/2005-Estt. (Allowance) dated 16/03/06, no retired government servant should be engaged as a consultant beyond the age of 62 years. No relaxation of age-limit shall henceforth be allowed by the Department of Personnel and Training and no relaxation of the period of the consultancy of retired government servants beyond a total period of one year and the age limit of 62 years in their case shall henceforth be considered/ allowed in any case.

A test check of records relating to appointment of contractual staff revealed that NACO appoints contractual staff through open advertisement and short lists the candidates. The short listed candidates are interviewed by a Committee constituted under the Chairmanship of Additional Project Director NACO. But in the case of Sh. M.K.J. Nair Administrative Officer and Sh. Gurdial Singh Administrative Officer, they were appointed on the basis of skills and not through open advertisement.

Further scrutiny of personal file of Mr. M.K.J Nair Administrative Officer, revealed that NACO appointed him at the age of 65 year in May 2007, which is beyond the age limit prescribed by DOPT. Similarly, Mr. Gurdial Singh Administrative Officer crossed the age limit of 62 years of 14.03.2008. Hence, the appointment of Mr. Nair and further extension of Sh. Gurdial Singh beyond the period 16.03.2008 was irregular and violation of Government's order. Thus, the total amount paid to them Rs. 3,15,750/- (Rs. 2,92,500 + 59,290) was irregular as detailed below:

SI No.	Name of the consultant	Period	Emoluments paid to consultants per month (Rs.)	Total Emoluments paid (Rs)
1.	Sh. M.K.J. Nair Administrative Officer	01.05.07 to 31.05.08	22500	2,92,500
2.	Sh. Gurdial Singh Administrative Officer	16.03.08 to 31.05.08	22500	56,613
	Total			3,49,113

(B) According to Government instructions for appointment of consultants in the Government Departments, there is a ceiling of Rs. 26,000/- per month for remuneration of full time consultant and for retired government servant Rs. 20,000/- per month who retired on or after 30.04.04 as full time consultants and Rs. 13,000/- per month who retired on or before 31.03.04 as full time consultant.

A test check of records revealed that NACO has paid consultant fees in excess of the ceiling prescribed as per details given below:

SI No.	Name of the consultant	Period	Emoluments paid to consultants per month (Rs.)	Emoluments payable per month	Excess payment to consultants
1.	Dr. Sunil S. Raj, Epidemiologist	30.03.06 to 20.07.07	50,000	26,000	377032
2.	Dr. Amit Chatterjee, Consultant	01.06.07 to 30.09.07	50,000	26,000	96,000
3.	Dr. Sugat Mukhopadhyaya, Technical Officer	01.05.06 to 31.07.06	30,000	26,000	12,000
4.	Sh. S.K. Dey, Finance Controller	02.04.07 to 31.05.08	45,000	26,000	2,65,367
5	Sh. Gurdial Singh Administrative Officer	16.03.07 to 15.03.08	22,500	20,000	30,000
6	Dr. Vimlesh Purohit, Programme Officer	12.06.07 to 31.05.08	50,000	26,000	2,79,200
7	Ms. Shivi Negi, Technical Officer	16.04.07 to 31.05.08	35,000	26,000	1,21,500
	Total				11,81,099

Thus, appointment of two consultants resulted irregular payment of Rs. 3.49 lakhs and excess payment of consultancy charges of Rs. 11.81 lakhs may be recovered from concerned officials under intimation to audit.

Reply: (A&B)

Vide these paras, the audit team have made a reference to instructions of DOPT issued vide no. 16012/12/2005 – Estt. (Allowances) dated 16/3/06 regarding appointment of retired government servants as consultants in Government Departments and has pointed out that excess payments have been made to Contractual Staff appointed under different Rounds of GFATM.

In this connection, it is submitted that the posts under different extra-budgetary projects viz UNAIDS, USAIDS have been filled up in NACO through open advertisement issued from time to time. However, due to low range of remuneration prescribed by DoPT, it was difficult to retain the incumbents, most of whom were recruited by the donor organizations at much higher remuneration. This resulted in rapid turnover of staff and vacancies occurring in almost all the divisions at regular

intervals resulting in disrupting work at NACO. Accordingly, the provisions, for payment of higher remuneration to contractual staffs to be appointed under different Rounds of GFATM Project were made in the respective project documents to attract and retain the talent. The Projects have been approved by Cabinet Committee on Economic Affairs(CCEA).

Also before releasing payment to Administrative Officers under Global Fund R-II, Epidemiologist and Technical Officer under Global Fund R-III and Finance Controller and Consultants under Global Fund R-IV, necessary concurrence of Integrated Financial Division (IFD) of the Ministry of Health & Family Welfare was also obtained.

As regard, release of monthly remuneration to Programme Officer and Technical Officer appointed on contract basis under Global Fund R-VI, it is submitted that the higher range of remunerations for these posts have been approved by the National AIDS Control Board in its 27th Meeting held on 1.8.2007. The Board has all administrative and financial powers vested with the Department of Expenditure.

The Round VI Project has also approved by CCEA and the payments made to staff appointed under this Round only after obtaining the concurrence of IFD, Ministry of Health & FW. Thus there is no excess payment made to contractual staffs appointed under GFATM Rounds.

The para may, therefore, be dropped.

PARA -3

Non-utilization of funds as per approved plan

Observations:- As per Rule 209(3) of General Financial Rules, award of grants should be considered only on the basis of viable and specific schemes drawn up by the Institution or Organization. The budget for such scheme should disclose, inter alia, the specific quantified and qualitative targets likely to be attained against the outlay.

NACO had been running a programme titled "GFATM" (Global Fund Antiretroviral Tuberculosis and Malaria Rd-IV) in several states including Delhi for the antiretroviral Treatment to HIV/AIDS infected persons. The Department has assigned a sum of Rs. 35.90 lakh for Delhi for the year 2006-07 and Rs. 190.00 lakh for Andhra Pradesh SACS (State AIDS Control Society) for the year 2007-08 for procurement of drugs.

During the scrutiny of records, it was revealed that Delhi SACS utilized only Rs. 1.49 lakh out of Rs. 35.90 lakh on procurement of the drugs for the HIV/AIDS infected person and utilized Rs. 41.86 lakh on Human Resources against the approved budget of Rs. 19.60 lakh.

Similarly, Andhra Pradesh SACS utilized only Rs. 35.00 lakh on procurement of the drugs out of the approved budget of Rs. 190.00 lakh.

This shows that these SACS has not utilized Rs. 1.89 crore meant for procurement of drugs. Hence, the main object of the programme was not fulfilled.

Reply

GFATM Round 4 started from September 2005 and an amount of Rs. 3478.49 lakh was allocated for year-1 i.e. September' 05 to September' 06. This included Rs 99.98 lakh towards allocation for Delhi SACS. Out of this allocation for Delhi, an amount of Rs. 35.90 lakh was budgeted for procurement of Drugs. However, Delhi SACS submitted SoE on financial year basis and during the financial year 2006 – 07, it spent Rs. 1.49 lakh during the Quarter Apr – Jun 06. Since there is a mismatch between the programme year and the financial year, the actual expenditure incurred in a financial year cannot be compared with the budget for the programme year.

Secondly, during period Sep' 05 to Sep' 06, Delhi SACS spent the following amounts towards procurement of drugs:

Jan – Mar 2006	Rs. 2,37,139
Apr – Jun 2006	<u>Rs. 1,49,298</u>
	<u>Rs. 3,86,437</u>

The reasons for low level of expenditure are due to the fact that pace of program implementation was slow in the initial years.

To improve the situation, the procurement of drugs for all the states has now been centralized at 5 Regional levels through specialized agencies. This will also improve the situation prevailed in Andhra Pradesh as mentioned in the audit observations.

Regarding excess expenditure on human resources in respect of Delhi, it has been realized that budget provision for remuneration was made unrealistically low and, therefore, actual expenditure exceeded the budget under this particular component.

In view of the above, the para may be dropped.

Para 4 :

Excess Expenditure of Rs. 10.89 lakhs

Observations:- NACO had approved a programme in May 2007 for organizing 2200 special interactive programmes on various issues related to HIV/AIDS through Song & Drama Division (S & D.D). S&D.D is engaged in interpersonal communication through live media utilizing wide range of performing arts such as drama, dance-drama, puppetry, ballets, folk and traditional recitals, magic etc. These programmes would be organized in all the A&B category of districts and in the selected "C" category of districts (selected on the basis of feedback from the SACS).

The programmes were to cover all the major themes of HIV/AIDS, such as PPTCT, ART, condom Promotion, ICTC, Blood Donation and Stigma & Discrimination. As the awareness levels of STIs is very low (BSS2006-less than 20%) especially in the rural areas, the interpersonal communication medium was the best for generating greater awareness about STIs.

Song and Drama Division would be conducting Special Interactive Programmes through the field offices located across the country. A budget of Rs. 1.50 crore was approved (Rs 16.15 lakh for training for troupers in field and Rs 1.34 crore for expenditure on conducting 2200 programmes on AIDS/HIV).Against the said funds of Rs. 1.34 crores ,

NACO had placed Rs 60 lakh (40% of approved budget) at the disposal of M/o Information and Broadcasting in August 2007. Scrutiny of records revealed that out of total 2200 programmes for 30 State/UTs, S&D.D in first phase planned 740 programmes in 22 states/UTs. It was noticed that S&D.D. deviated from original plan and conducted 139 programmes in excess of approved plan as detailed below.

S.N	Name of State	Total programmes planned	Programmes planned in first phase	Actual programmes conducted	Excess programmes conducted w.r.t. total programmes
1	West Bengal	70	30	72	2
2	Orissa	60	30	70	10
3	Delhi	50	50	125	75
4	Haryana	10	10	20	20
5	Kerala	40	40	92	52
6	Pondicherry	10	20	30	20

Thus, 179 programmes were conducted by S&D.D. in excess of approved plan till first phase involving expenditure of Rs. 10.89 lakhs.

Reply

The Song and Drama Division was assigned the work of conducting 2200 special interactive programmes during the year 2007-08 in two phases in different states across the country involving an expenditure of Rs. 1.5 crores. A programme implementation schedule was developed in consultation with the Song & Drama Division for different states. However, as conducting these programmes in the field depends on local conditions including weather and accessibility to remote areas by roads etc., they were given the flexibility to make changes in consultation with the State AIDS Control Societies to re-schedule the programmes if necessary. Against an amount of Rs. 1.5 crores, only Rs. 1.05 crores could be transferred to the Song & drama Division in two installments of 40% and 30% respectively. The said amount was fully utilized by Song & Drama Division. The total no. of programmes conducted by SDD was 2377 against the revised target of 1490. The increase in the programme was due to changes in the composition of teams at some places. Instead of 11 people team, small team of 5-7 members were deployed for performances as per the requirement of area such as smaller size of the villages etc. This was done in consultation with State AIDS Control Societies.

In view of the above, the para may be dropped.

Para -5

Non-recovery of unadjusted advance of Rs.10.74 lakh

Observations:- During the scrutiny of procurement file relating to condom vending machines through M/s HLL it was revealed that NACO had released the payment of Rs. 5 crore in advance in dated 31/3/05 to M/s HLL for setting up condom vending machines.

M/s HLL had made payment of Rs. 4.88 crore to suppliers and send the adjustment bills to NACO in March, 2006 but an amount of Rs. 10.74 lakh is unadjusted till the date of audit and NACO had not demanded the same from M/s HLL. Besides, statement of outstanding advances as of 29.02.08 has shown the whole amount i.e. Rs. 5 crore as an unadjusted advances.

Reply

HLL has already been requested to refund the unutilised amount of advance of Rs. 5.00 crore given for Condom Vending Machines and the same is still awaited

Para 7: Non adjustment of advance – Rs.100.95 crores.

Observations:- As per provisions in the General Financial Rules, departmental advances should be adjusted immediately on completion of work/supplies for which these are granted. During the course of audit, it was observed that Departmental advances amounting to Rs. 100.95 crore sanctioned (paid) up to 29th March, 2008 were pending for adjustment at the close of audit (June, 2008). Age wise break-up of these advances is given below. A perusal of these outstanding advances would reveal that these were lying pending for periods as far back as 1999-2000. So, non-adjustment of these advances shows lack of effective monitoring on the part of NACO. All these outstanding advances pertain to NTPC, HLL and HSCC for procurement of goods. The reasons for non-settlement of advances outstanding for such a long period were not furnished to audit. Effective and speedy steps should, therefore, be taken to settle or at least reduce or minimize these under intimation to audit.

S. No.	Year	Amount (in rupees)
1.	1999-2000	57,27,808
2.	2000-2001	5,60,54,656
3.	2001-02	2,18,88,007
4.	2002-03	5,24,60,491
5.	2003-04	2,83,41,384
6.	2004-05	8,92,07,792
7.	2005-06	18,87,43,748
8	2006-07	56,11,38,509
9	2007-08	59,47,069
	Total	100,95,09,464

REPLY

Constant efforts are being made to settle the advances given to the PSAs. They are being reminded regularly to submit the Statement of Expenditure duly audited by the Financial Management Resource Society (FMRRS) an agency hired by the Ministry of Health and Family Welfare for facilitating speedy adjustment of the advances given to PSAs. It is stated that up to the financial year 2005-06 advances worth Rs. 76.42 crore have already been adjusted.

Para 8: Excess payment of UNOPS fee and consultancy charges.

Observations:- Scrutiny of files relating to procurement of 51,91,607 tests of HIV(Rapid) against Sch. II, IV, V & VI and CD 4 machine through M/s UNOPS revealed that NACO had made excess payment of UNOPS fee in the these cases as detailed below:

(Amount in lakh)

S.N	Name of the item procured	Total amount of sanction	UNOPS fee claimed/paid	Actual amount due	Excess payment
1	HIV(Rapid) Schedule II,IV,V & VI	455.09	17.50	16.05	1.45
2.	CD4 Machine	709.80	27.30	25.25	2.05
				Total	3.50

Besides this contingency charges of Rs. 32.51 lakh were paid instead of Rs. 31.56 lakh. Thus, Rs. 94689/- were also paid in excess as contingency charges.

Thus, Rs.4.45 lakh were excess paid to M/s UNOPS as UNOPS fee and consultancy charges.

Reply

On 24.09.2008 we have already requested UNOPS to refund the amount along with accrued interest. Audit will be informed on receipt of refund from UNOPS.

Para 9:

Mis-classification of expenditure

Observations:- During the scrutiny of procurement files relating to procurement of HIV (Rapid) test kits against Schedule I and III through UNOPS, it was noticed that NACO had debited Rs. 81.53 lakh to Professional Service under the Head 33.17.28 instead of Rs. 43.90 lakh as Rs. 37.63 lakh were to be debited to Supply & Material under the head 33.17.21 being amount of taxes and duties. Thus, Rs. 37.63 lakh were excess debited under the head 33.17.28.

Reply:

There was fund constraint Head 33.17.21 because of procurement of ARV drugs and therefore, the budget available under the Head 33.17.28 was utilized. The observation of audit has been noted for future compliance.

The observations, may ,therefore be dropped

Para 10:

Irregular payment of Rs.98,100/-.

Observations:- Scrutiny of records relating to supply and maintenance of natural plant for the chambers of the officers in NACO revealed that the department called quotations in June, 2005 from three Nurseries. The Glorious Nursery quoted lowest rate for the supply and maintenance of 25 plants @ Rs. 90 per plant. The Glorious Nursery started supply from June, 2005. Department increased the supply to 30 plant in August, 2005 and additional 41 plants were hired from January, 2006 keeping in view of the visit of Minister of Health and Family Welfare. Thereafter, NACO increased numbers of plants from time to time without calling fresh quotations and approval of competent authority as detailed below:

(Amount in rupees)

S. No.	Period	Sanctioned	Plants hired	Excess plants hired per month	Number of month for which excess plants hired	Rate per plant per month	Amount
1	2	3	4	5	6	7	8
1	February 2006 to November, 2006	71	75	4	10	90	3600
2	December, 2006 to March 2007	71	110	39	4	90	14,040
3	April, 2007 to August 2007	71	210	139	5	90	62,550
4	September, 2007	71	270	199	1	90	17910
						Total	98100

Thus, an amount of Rs. 98,100/- paid between February, 2006 to September, 2007 to the contractor was irregular. The payment details from October, 2007 to March, 2008 are not available in the concerned file.

REPLY

The observation is regarding enhanced payment made to Glorious Nursery for the increased number of plants to the extent of 270 against the sanctioned 71. This approval has been obtained vide approval contained in F. No. A-11014/9/2005-NACO (Admn.) and the observation as above may be treated as settled. The file will be shown to Audit team in their visit.

In view of this, the para may therefore be dropped.

Para 11:

Excess payment of UNOPS fee and consultancy charges.

Observations:- Scrutiny of files relating to procurement of 51,91,607 tests of HIV(Rapid) against Sch. II, IV, V & VI and CD 4 machine through M/s UNOPS revealed that NACO had made excess payment of UNOPS fee in the these cases as detailed below:

(Amount in lakh)

S.N	Name of the item procured	Total amount of sanction	UNOPS fee claimed/paid	Actual amount due	Excess payment
1	HIV(Rapid) Schedule II,IV,V & VI	455.09	17.50	16.05	1.45
2.	CD4 Machine	709.80	27.30	25.25	2.05
				Total	3.50

Besides this contingency charges of Rs. 32.51 lakh were paid instead of Rs. 31.56 lakh. Thus, R. 94689/- were also paid in excess as contingency charges.

Thus, Rs.4.45 lakh were excess paid to M/s UNOPS as UNOPS fee and consultancy charges.

REPLY

This observation is a repeat of Para 8.

Para 12:

Short deduction of TDS of Rs. 6, 06,007

Observations:- Scrutiny of records relating to AIR media campaign revealed that as against the actual broadcast of Prasar Bharti, BCI raised a bill of Rs. 4, 96, 91,394 to NACO. The department released first installment of Rs. 20273592 in January 2008 after deduction of TDS at @ 2.06 percent and payment of Rs. 1, 98,55,958 was made to Prasar Bharti, BCI, but the department paid Rs. 2,94,17,802 as final payment of the campaign without deducting TDS vide cheque No. 289253 dated 29.3.08. Thus, tax of Rs. 6, 06,007 was short deducted by NACO.

Reply

The matter has been taken up with Accounts Officer Ministry of Health & Family Welfare and Prasar Bharti for further necessary action

Para 13: Lack of Internal Control

Improper maintenance of consumable stock register

During the scrutiny of consumable stock register it was revealed that department has not been maintain their stock register properly. It was noticed in some cases the old stock has not been carried forward while receiving the new items. Further, store keeper did not initial the entries of issue of stock. So, due to lack of proper care several items amounting to Rs. 45063/- were not accounted for as closing stock as detailed in Annexure I.

Competent authority should take necessary step in this regards and instruct the concerned official to do the needful.

Reply

The stock register is being properly maintained in NACO and the same will be submitted to Audit team during their next visit.

The para may therefore be dropped.

Para 13 (b): Non conducting of physical verification

In contravention of Rule 192 (2) of General Financial Rules physical verification of stores had not been conducted since inception of the National AIDS Control Organization. This was also pointed out in the previous inspection reports but no action has been taken so far. The same may be conducted now and result thereof be intimated to audit.

Reply

In terms of rule 192 (2) of GFR, physical verification of Store is now being done and will be submitted to Audit team during their next visit.

The para may therefore be dropped.

(c) Issue of utilisation certificate without proper checking:

A test check of records relating to grant released to Tamil Nadu State AIDS Control Society revealed that NACO issued Utilization Certificate (UC) for the year 2006-07 on 14th September, 2007 for the grants amount to Rs. 2290.60. But the sanction details i.e. sanction no., date and amount were same as the of previous year i.e. 2005-06. This shows a complete lack of internal control on the part of NACO.

Reply:

This is a typographical error. The para may therefore be dropped.

Para 14:

Non production of record

Observation: The records relating to AMC of computers had not been furnished by the NACO. The same may be shown at the time of next.

The general condition of the accounts/records in the office of the National AIDS Control Organization for the year 2007-08 is found to be satisfactory subject to the observations made in the inspection report. The inspection report has been prepared on the basis of the information made available by the NACO. The office of the Director General of Audit, Central Revenue, New Delhi disclaims any responsibility for any mis-information/non-information on the part of auditee.

Reply

This AMC was finalized with a note that the payment would be made from the extra-budgetary resources available with NACO. It was stated to Audit team that inspection of this particular file does not fall within the purview of the DGACR as the expenditure has not been incurred from budgetary resources. However, in future records will be submitted to Audit Team as per Rule.

The para may therefore be dropped.