HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 Procurement and distribution of medicines

Highlights

Health care services to the people of the State have been a priority item in the planning of social services by the State Government. Distribution of medicines through the health care units viz. hospitals, community health centres, primary health centres and dispensaries are an integral part of providing health care. A review of procurement and distribution of medicines in Health and Family Welfare Department revealed that procurement of medicines was not need based. During the last five years (2002-03 to 2006-07), supply of medicines to health care units was inadequate. Thus, the intended health care services were not made available to a large section of the people of the State.

Rs.38.30 crore (31 *percent*) were short released under Hospitals and Dispensaries during 2002-2007 despite budget provision. Under Medical Education also there was short release of funds of Rs.11.65 crore (34 *percent*) indicating unrealistic budgeting.

(Paragraphs 3.5.7.1 and 3.5.7.5)

The Department diverted Rs.3.27 crore to meet arrear claims.

(Paragraph 3.5.7.2)

In contravention of Assam Preferential Store Purchase Act, 1989, the Department procured medicines at higher rates, resulting in avoidable expenditure of Rs.2.87 crore.

(Paragraph 3.5.9.3)

Procurement of medicines at rates higher than the approved rates resulted in excess expenditure of Rs.45.14 lakh.

(Paragraph 3.5.9.4)

Shortfall in procurement of medicines ranged between five *percent* and 100 *percent* with reference to requirement projected by DHS. Short supply of medicines to Health care units ranged between 64 *percent* and 100 *percent* with reference to actual requirement. As a result, the health care units remained without medicines for one to eight months in a year adversely affecting health care delivery to the patients.

(Paragraph 3.5.8 and 3.5.11.3)

The practice of allopathic medicines by Ayurvedic doctors due to non-procurement of ayurvedic medicines defeated the objective of providing health care in Indian System of Medicines.

(Paragraph 3.5.9.9)

3.5.1 Introduction

Public health is one of the major thrust areas for social development of the country. With a view to providing comprehensive health care and prevention and control of major communicable diseases, the Department of Health and Family Welfare (DH&FW) implements Centrally sponsored, Central Plan and State Plan programmes through a network of one State hospital, 21 District hospitals, four Sub-divisional

hospitals, 100 community health centres, 610 Primary health centres, 358 Ayurvedic dispensaries and three Medical College Hospitals.

As per the procurement policy the DHS and Superintendents of each medical college hospital procure medicines from small scale industry (SSI) units and through open tenders.

The State Medical Stores Purchase Committee (comprising five members), constituted by the DH&FW for each of the Directorate, with the respective Director as its ex-officio chairman, approves the panel of suppliers and rates based on which medicines are procured by the Directorates from time to time as per requirement.

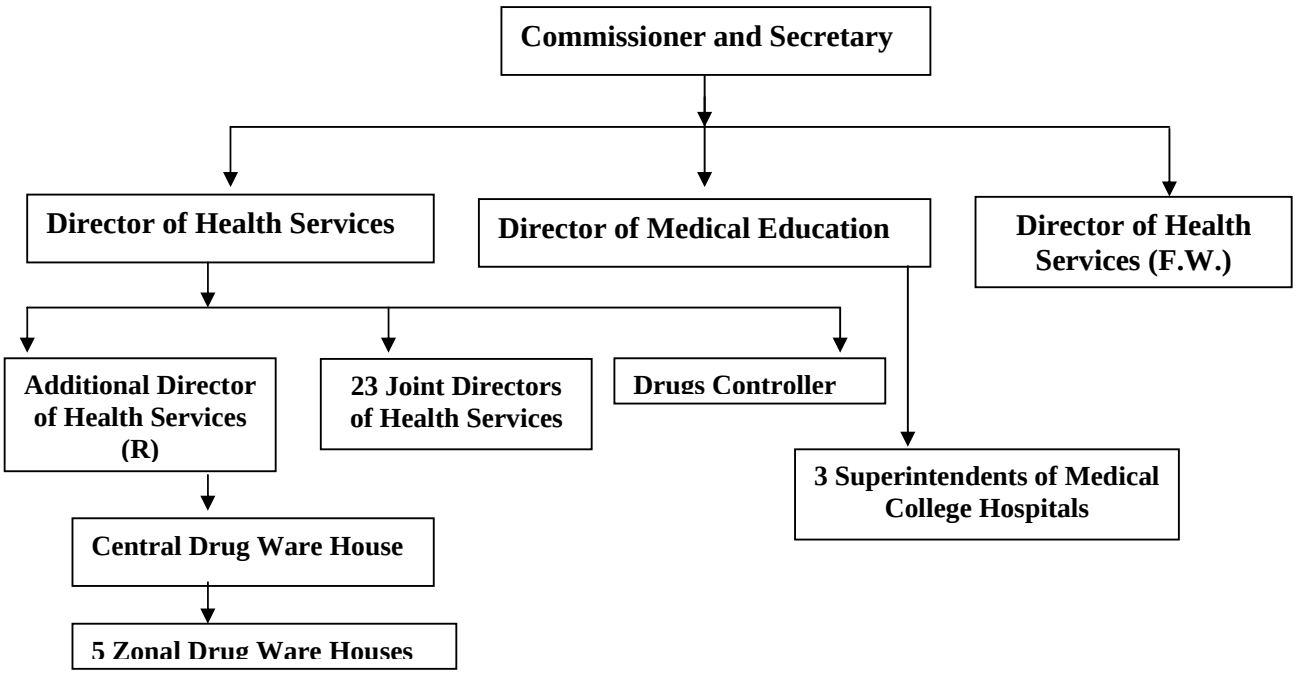
However, in emergencies i.e., in case of epidemics, floods, earthquakes etc., medicines are purchased at institutional rates (market rates) at the Directorate level.

3.5.2 Organisational set up

The DH&FW is headed by a Commissioner and Secretary. He is assisted by three Directors – viz, Director of Health Services (DHS), Director of Medical Education (DME), and Director of Health services (Family Welfare). While the DHS exercises control in procurement and distribution of medicines for hospitals and dispensaries, DME exercises control and supervision in procurement of medicines, etc. for three Medical College Hospitals (MCHs). Family welfare programmes are implemented by the Director of Family Welfare, for which medicines are procured and supplied by GOI.

The Drugs Controller of the Department assures quality control of procured drugs through the Drugs and Cosmetics Act, 1940 in the State. He is assisted by three Assistant Drugs Controllers, six Senior Inspectors and 17 Inspectors in implementation of the Act. The organizational setup of the Department is given in Chart-1: -

Chart 1



3.5.3 Scope of audit

Procurement and distribution of medicines by the DH&FW during 2002-2003 to 2006-2007 was reviewed in audit between March and May 2007 through a test check of the records of the following offices in seven [1] out of 23 districts in the State.

DHS, Guwahati; DME Guwahati; Guwahati Medical College Hospital (GMCH); Assam Medical College Hospital (AMCH), Dibrugarh; Mahendra Mohan Choudhury Hospital (State); seven Joint Directors of Health Services[2] out of a total of 23; Central Drug Warehouse, Narengi; two[3] out of five zonal warehouses; 33 Community health centres out of 100; 50 Primary health centres out of 610, and nine Ayurvedic dispensaries out of 358.

3.5.4 Audit objectives

The main objectives of audit were to examine the following:

- efficiency in assessment of requirement,
- economy and efficiency in procurement and distribution,
- efficiency of funding system,
- system of payment against supplies, and
- quality of drugs procured and system of storage of the procured medicines.

3.5.5 Audit Criteria

The criteria set out for achieving the above objectives were:

- Guidelines of the Government for procurement of medicines;
- Codal provisions and delegation of financial powers;
- Instructions of the Purchase committee;
- Standard of drugs specified by the Government;
- Quality assurance norms of drugs;
- Storage norms of medicines.

3.5.6 Audit Methodology

An entry conference was held with the officers of the Directorate of Medical Education in April 2007 wherein audit objectives and criteria were explained. The selection of samples for test check was done on random sampling basis. Seven out of 23 (30 *percent*) districts in the State were selected for test check. Besides the Capital district of Kamrup, two out of six districts covered by Central Stores, two out of 15 districts covered by Zonal Warehouses, one out of two hill districts and two Medical College Hospitals out of three were covered in audit. Exit conference was held with the Commissioner, DH&FW in August 2007 and replies of the Department have been incorporated where appropriate.

[1] Kamrup, Nalbari, Morigaon, Nagaon, Cachar, Dibrugarh and Karbi Anglong.
[2] Guwahati, Nalbari, Morigaon, Nagaon, Silchar, Dibrugarh and Diphu.
[3] Nagaon and Silchar

Audit Findings

The important points noticed during audit are discussed in the succeeding paragraphs.

3.5.7 Budget and expenditure

3.5.7.1 Directorate of Health Services (DHS)

According to the delegation of Financial Power Rules, 1960, DHS has full power to procure medicines subject to monthly limit of funds released by Finance Department and also subject to a maximum of Rs.20 crore in a year. Further, the State Government provided a fixed ceiling (FOC) of Rs.1.5 crore per month for procurement of medicines. Superintendents of Medical College Hospitals (SMCHs) are empowered to procure medicines for Rs. 25,000 in each case subject to a maximum of Rs.20 lakh per year. Further, according to DH&FW order (October 2003), prior approval of Government is to be obtained for procurement of medicines showing names of medicines, quantity, approved rates and names of the firms approved by the Purchase Board. Scrutiny of records of DHS revealed that budget estimates for procurement of medicines under hospitals and dispensaries etc. were prepared as per FOC and not on realistic and need basis. The basis of preparation of estimates under Medical Education was neither explained nor made available to audit. Budget allocation for procurement of medicines for the years 2002-03 to 2006-07 and expenditure thereagainst is shown in Table-1: -

Table-1
Hospitals and Dispensaries, etc. (DHS)

(Rs. in crore)

Year	Budget Provision				Expenditure				Short release of funds (percentage)
	Allopathy				Allopathy				
	General Area	Arrear[4] clearance	Epidemic	Total	General Area	Arrear clearance	Epidemic	Total	
2002-03	18	--	--	18.00	8.40	--	--	8.40	9.60 (53)
2003-04	18	5	--	23.00	8.40	5	--	13.40	9.60 (42)
2004-05	18	9	--	27.00	14.00	9	--	23.00	4.00 (15)
2005-06	18	9	--	27.00	18.00	4	--	22.00	5.00 (19)
2006-07	18	9	1.10	28.10	18.00	--	--	18.00	10.10 (36)
Total	**90**	**32**	**1.10**	**123.10**	**66.80**	**18**	**--**	**84.80**	**38.30**

Source: Information furnished by DHS

During 2002-07 the short release of funds ranged between 15 to 53 *percent* and totalled Rs.38.30 crore despite preparation of estimates on FOC basis. Due to short release, the people of the State were deprived of full medical facilities. Further, due to short release of funds, supplier's bills spilled over to next year and resulted in accumulation of arrears in payment.

3.5.7.2 Diversion of funds to meet arrear claims

The Budget provided separate provision for payment of pending supplier's bills. However, during 2005-06 and 2006-07, against budget provision of Rs.18 crore

[4] Due to financial constraints there was short release of funds for which suppliers bills of the previous years were not cleared. This resulted in accumulation of arrear claims. To clear the pending bills of medicines supplied, allocation of funds for arrear clearance was made in the budget

(2005-06: Rs.9 crore, 2006-07: Rs.9 crore), only Rs 4 crore was released in 2005-06. As a result, arrear claims accumulated to Rs.14 crore and remained uncleared. Due to non release of earmarked provisions under arrear claims, DHS spent a sum of Rs.3.27 crore in 2006-07 in clearance of arrear claims by diverting the funds provided for procurement of medicines in the current year, thus reducing the procurement of medicine in 2006-07 to that extent.

This indicates lack of effective financial management in the Department.

3.5.7.3 Absence of contingency plan for epidemics

The Department did not formulate any contingency plan for sudden outbreak of diseases like malaria, diarrhoea, cholera etc except provisioning funds of Rs.1.10 crore in 2006-07 which was also not released.

3.5.7.4 PMGY and TFC funds

PMGY[5] (launched in 2000-01) is a new initiative to accelerate provision of basic minimum services in rural areas to promote the objectives of sustainable human development. According to guidelines 15 *percent* of PMGY allocation must be spent under primary health to strengthen the functioning of primary health care institutions (PHCs) by procurement of drugs etc.

Records of the DHS revealed that additional Central assistance of Rs.25.15 crore was released under PMGY (Rs.12.65 crore in 2003-04 and Rs. 12.50 crore in 2004-05) for procurement of medicines to be utilised by PHCs under rural health sector. Medicines were procured and distributed centrally. But it was noticed that the Addditional DHS(R), Narengi did not maintain separate stock register of medicines for PMGY funds. As such it could not be verified whether medicines procured out of PMGY funds were actually distributed to PHCs only.

Records further revealed that out of Rs.12.50 crore released in 2004-05, Rs.10.88 crore was drawn (March 2005) on AC bill and the funds were utilised in procurement of medicines between March 2005 and May 2007. Thus, funds meant for utilisation in 2004-05 spilled over to even 2007-08 indicating that funds were drawn only to avoid their lapsing, rather than any immediate requirement.

Further, Rs.8.01 crore to DHS and Rs.4 crore to DME were released as additional funds by Government in March 2007 for procurement of medicines under the award of Twelfth Finance Commission, which was utilized in March 2007 itself. Thus, there was a rush of expenditure during March 2007. Which indicates lack of proper financial management.

3.5.7.5 Directorate of Medical Education (DME)

The budget provision for procurement of medicines for the years 2002-03 to 2006-07 and expenditure thereagainst are shown in Table-2 below: -

[5] Prime Minister's Gramodaya Yojana

Table-2

(Rs. in crore)

Year	Budget provision	Funds released	Expenditure	Saving	Percentage of saving
2002-03	5.20	3.00	3.00	2.20	42
2003-04	5.20	3.00	3.00	2.20	42
2004-05	8.00	4.75	4.75	3.25	41
2005-06	8.00	6.00	6.00	2.00	25
2006-07	8.00	6.00	6.00	2.00	25
Total	**34.40**	**22.75**	**22.75**		

Source: Information furnished by DME

The table indicates persistent short release of funds against Budget provision as well as persistent savings ranging between 25 to 42 *percent* during 2002-2007, which indicated unrealistic budgeting. Further, the savings were also not surrendered during the respective years. The reasons for savings were not stated.

3.5.8 Assessment of requirement and inadequate procurement

Proper and realistic assessment of requirement is necessary to ensure economy and efficiency in expenditure i.e. no wastage and surplus. Requirement of medicines is generally assessed on the basis of population of an area covered by healthcare unit or number of patients receiving healthcare services as well as trends of expenditure in previous year. However, the DHS failed to furnish information relating to patient data and other factors for any of the years during 2002-2007. This information was also not available in the districts[6] test checked.

Scrutiny of records revealed that peripheral health care units submitted their monthly requirements to the Joint Director of the district or to the Joint Director in-charge of zonal drug warehouse, as the case may be. Thereafter, the Joint Director prepared a consolidated requirement of medicines for the district and placed the indent with the Additional DHS (R) incharge of CDWH for supply of medicines**.** Additional DHS (R) then assessed the monthly requirement placed by the districts within the monthly ceiling released by the Department followed by proposals for procurement. However, compiled consolidated requirements year wise for all the districts during 2002-03 to 2006-07 were not made (May 2007) available to audit. As a result, the extent of reduction in requirement made centrally by the Additional DHS (R) could not be ascertained in audit. The requirement of medicines in the State as assessed by Additional DHS (R) and medicines actually procured during 2004-05 to 2006-07 in respect of some important items of medicines are illustrated in ***Appendix-3.11*****.**

The above monthly purchase procedure is an indicator that the peripheral health care units never got their medicine supplies in time and faced scarcity of medicines. Further, *Appendix 3.11* shows that shortfall in procurement of medicines in respect of some important items actually supplied during 2004-05 to 2006-07 ranged between 5 and 100 *percent* with reference to the requirement projected by the DHS. Infact some of the items were not procured at all. This adversely affected the quality of health care services in the State.

[6] Kamrup, Nalbari, Morigaon, Nagaon, Cachar, Dibrugarh and Karbi Anglong

In respect of medical education, there was no procedure for assessment of requirement of medicines. SMCH's procured medicines monthly, on the basis of funds released to them and not on actual requirements.

In the Karbi Anglong District Council, no specific provision for procurement of medicines was made in the budget. Proposals for medicines were made on the basis of funds released or likely to be released by the Council during a year and not based on requirements and past consumption and distribution.

3.5.9 Procurement of Medicines

3.5.9.1 Planning

The Department neither formulated any annual action plan for procurement of drugs for distribution to the health care units nor fixed annual rate contracts. Thus audit could not verify whether procurement was based on demand and whether there was efficiency in expenditure. The Department also did not make any plan to make available ready stock of essential drugs that are required to be maintained by all hospitals and dispensaries for emergency purposes.

3.5.9.2 Procurement policy and procedure

The procurement policy is enshrined in the Assam Preferential Stores Purchase (APSP) Act, 1989 wherein 10 *percent* price preference is allowed to Small Scale Industries (SSI) products. As per the Act, SSI products should be procured by all Departments through Assam Small Industries Development Corporation (ASIDC) at the rates fixed by the technical committees of ASIDC. In addition, commission upto five *percent* on value of the goods supplied by ASIDC was to be paid. Any items, which are not produced by SSI units, can be procured from other sources after obtaining NAC (Non availability Certificate) from ASIDC. Further, according to the Finance Department Notification (3 July 1999), procurement of medicines by Health Department would be made in the following order of preference.

- Local manufacturer under APSP Act, 1989
- Government of India undertakings
- Medical Stores Depot, Government of India
- From approved suppliers (through open tender)

Medicines which were not produced by SSI units under ASIDC were procured centrally through invitation of tenders. A State Medical Stores Purchase Committee (comprising five members) is constituted by the DH&FW for each of the Directorates. The Purchase Committee with the respective Director as its ex-officio chairman, approves the panel of suppliers and rates, based on which medicines are procured from time to time as per requirement.

3.5.9.3 Avoidable expenditure of Rs 2.87crore.

Scrutiny of records revealed that despite availability of medicines at ASIDC rates, DHS and the Superintendent, Guwahati Medical College Hospital without obtaining NAC from ASIDC, procured some medicines from other sources between May 2002 and December 2006 in contravention of the APSP Act, 1989. The medicines procured at the rates approved by the Purchase Board (March and May 2003) were much higher than the ASIDC rates leading to avoidable expenditure of Rs.2.87 crore as detailed in

Appendix-3.12 The reasons for procuring medicines from other sources were not stated.

3.5.9.4 Excess expenditure of Rs.45.14 lakh

The Purchase Committee (2002-03) approved rates of Injection Dextrose 5 *percent*, DNS, Normal Saline (NS) at Rs.12.40 per 540 ml/500 ml bottle and Injection Ringer Lectate at Rs.14.80 per bottle of same specification. Test check of the records of GMCH and AMCH revealed that the above medicines were procured at Rs.16.50 and Rs.19.40 per bottle respectively by the MCH's on various occasions resulting in excess expenditure of Rs.45.14 lakh as detailed in ***Appendix-3.13.***

The purchase of medicines at higher rates indicated lack of financial discipline and coordination in procurement.

3.5.9.5 Procurement without tendering

Records indicated that medicines were procured by Jt. DHS, Diphu without inviting any tender. It was noticed that proposals for the medicines indicating names, quantity, rates, (ASIDC/DHS) and total value of medicines were placed with the Karbi Anglong District Council for approval. The Council, while approving the proposal specifically mentioned the names of the firms (not in conformity with Government rules) which were not among the Government approved firms and value of medicines to be procured from each firm. The basis for selecting the firms by the Council was also not found on record. It was also seen that 5 *percent* extra over the value of medicines was allowed by the Council since March 1997. Thus, not only the purchases were made without tendering in disregard of Government rule but 5 *percent* extra, were also paid to the suppliers without any valid reason.

3.5.9.6 Procurement in contravention of orders

According to the DH&FW order (October 2003), prior approval of the Government is to be obtained for procurement of medicines showing name, quantity, approved rates and name of the firms approved by Purchase Committee. However purchases were made in disregard of these orders as mentioned below:

- A supply order for procurement of (Gentamycin and Salbutamol) for Rs.22.79 lakh) was issued (05 January 2006) on the basis of indents received on the same day from Additional DHS (R), Narengi without obtaining Government approval and in contravention of Finance Department Notification (July 1999) wherein SMCHs were empowered to procure medicines for Rs.25,000 in each case subject to annual limit of Rs.20 lakh.
- Scrutiny of records revealed that approval of Government as per DH&FW order (October 2003) was not obtained by the SMCH's and therefore, expenditure ranging from Rs.0.85 crore to Rs.2.53 crore per year incurred by SMCHs during 2002-03 to 2006-07 was not covered by the provisions of DFPRs,1960. The system of procurement followed was that the DME, on receipt of ceiling from the Government, reallocated the funds to the three SMCHs who purchased the medicines with the entire fund allocated to them. Rs.22.75 crore spent by the three SMCH's during 2002-03 to 2006-07 was thus in contravention of existing orders

3.5.9.7 Undue favour to the supplier

Records of the JD, HS, Diphu revealed that 5 *percent* extra on the original value of medicines was allowed by the District Council since March 1997. This 5 *percent* extra rate was considered by the Council in view of increasing cost of transportation, price of raw material and to meet the expenses of proper labeling and packing. As the rates approved by Government were inclusive of transportation, labeling and packing, further allowance of 5 *percent* was not justified and resulted in undue favour to the suppliers amounting to Rs.21.75 lakh during 2005-07. The information for other years were not made available as the Cash Books etc. were seized by police (August 2005) in connection with a case of misappropriation.

3.5.9.8 Procurement without requirement

Records of the Central Drug Warehouse (CDWH), Narengi, revealed that the DHS procured the medicines worth Rs.22.88 lakh from Guwahati based firms during 2003 without any requisition from the Additional DHS (R), CDWH and without approval of the Government as indicated in Table-3 below.

Table-3

Sl.No.	Name of medicine	Date of supply order	Period of supply	Quantity	Value (Rs in lakh)	Name of Supplier
1	Tab Domperi-done	October 2003	December 2003	10 lakh	6.75	M/S Premier Sales
2	-do-	-do-	November 2003	14 lakh	9.44	M/S Maindeor Enterprise
3	Inj. Metoclopro-mide (2 ml)	January 2003	February 2003	1 lakh	5.39	M/S Agarwal Pharmaceuticals,
4	Inj. Ciprofloxa-cin (100 mg)	January 2003	February 2003	8000 bottles	1.30	-do-
Total					**22.88**	

Source: DHS and CDWH.

Further, the Minister of H&FW expressed displeasure (12 November 2003) for procurement of unimportant items of medicines despite issuing instructions from time to time for procurement of medicines proportionately and on priority basis.

It was noticed that medicines at Sl no 3 and 4 were ordered on a request (dated nil) made by the supplier whose earlier supply order (December 2002) for other medicines was cancelled (January 2003). This clearly indicates that procurements of these medicines were not based on demand, but to assist a supplier. In the absence of demand consumption of these medicines cannot be vouchsafed.

3.5.9.9 Procurement of ayurvedic medicines

As per Government policy 5 *percent* of funds are to be allocated for other system of medicines. Despite having specific policy**,** the Department did not allocate any funds in regular budget for procurement of ayurvedic medicines. It was however, noticed that PMGY funds of Rs.41 lakh were released during 2003-04 and 2004-05 for procurement of ayurvedic medicines out of which, DHS spent Rs.9.20 lakh in procurement of five ayurvedic medicines during 2003-04 and 2005-06 and Rs.31.80 lakh in procurement of liver and cough syrup having ayurvedic properties. Records

revealed that the ayurvedic medicines so procured out of PMGY funds were distributed to the dispensaries located both in urban and rural areas disregarding PMGY guidelines of supplying the same only to rural areas.

Addl. DHS (R), Narengi stated (March 2007) that proposals for procurement of ayurvedic medicines were not sent to Government due to lack of demand from field units. It was observed that there were (November 2004) demands from the field units (JD, Dibrugarh) for supply of 65 items of ayurvedic medicines-, which were not procured.

In the absence of ayurvedic medicines, the ayurvedic dispensaries were meeting the needs for health care and treatment with allopathic medicines. This resulted in under utilization of ayurvedic doctors at Government run dispensaries and also defeated the cause of Indian System of Medicines.

3.5.10 Avoidable interest payment

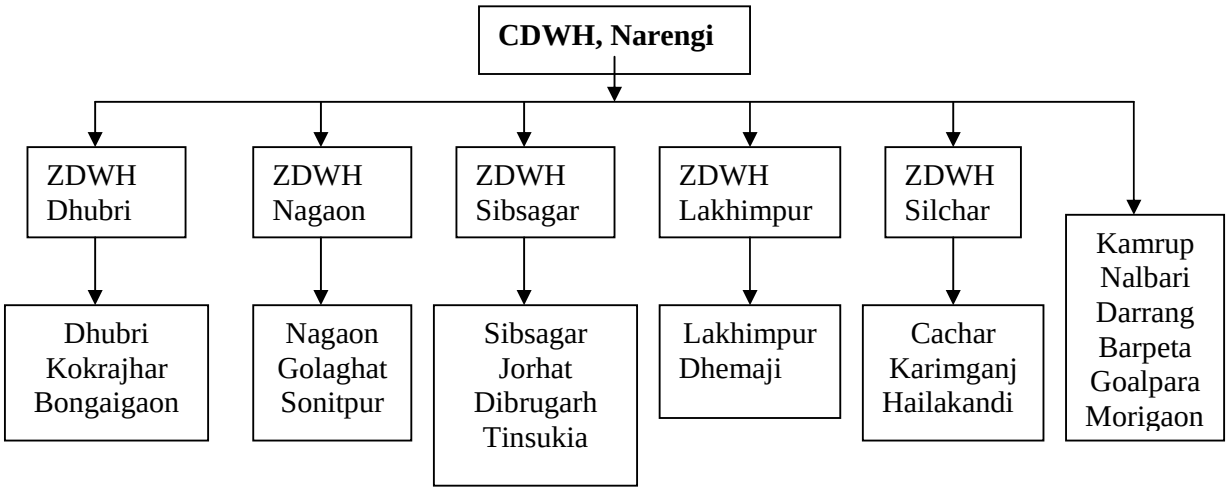
Records of the DHS revealed that M/s J.D. Pharmaceuticals, Guwahati (an SSI unit) filed (1993) a money suit against ASIDC**.** It was, further noticed that 16 other money suits were also filed (1993 to 1994) against the Department due to non-payment of bills against medicines supplied to the Department. The cases went to the higher courts and as per decree of the higher court; the Department was liable to pay interest amounting to Rs 4.33 crore in addition to payment of the outstanding bills **(*Appendix-3.14*).** It was seen that Rs.1.94 crore was paid (March 2006) to ASIDC to clear decretal amount (money suit No.187/93) including interest of Rs.1.74 crore. In respect of other cases, Rs.50.51 lakh was deposited (February 2005) in High Court. Non payment of supplier bills in time resulted in avoidable interest payment of Rs.1.74 crore apart from incurring a liability of Rs.2.59 crore towards interest payment calculated upto February 2005. Reasons for non-payment of claims in time were not furnished (August 2007).

3.5.11 Distribution of medicines

3.5.11.1 Drug delivery system

The Department established one CDWH at Narengi, and five[7] Zonal Drug Warehouse (ZDWH) which started functioning from July 2002. With the setting up of drug warehouses, the distribution of drugs was centralized. The drugs supplied by the suppliers were received centrally at CDWH, Narengi and thereafter distributed to ZDWH and six other districts according to assessment made by CDWH. The ZDWH on receipt of drugs from CDWH, re-distributes to the district stores covered by them. The distribution of drugs in different districts of the state is given in a flow-chart below:

[7] Dhubri, Nagaon, Sibsagar, Lakhimpur and Silchar



The Department did not maintain any records showing the value of medicines procured and distributed to the districts or ZDWH year-wise and district-wise. As such it could not be ascertained in audit whether medicines were distributed to the districts proportionately with reference to the population of the area and their demands.

3.5.11.2 Avoidable transportation cost due to centralized delivery of medicine

Prior to July 2002, medicines were supplied by the firms to district medical stores of each district at the approved rates and terms of contract. Receipt and distribution of medicines was centralized (July 2002) with the establishment of Central and Zonal drug warehouses. Medicines were received by CDWH, Narengi without any change in rate contract. The Department did not consider inclusion of any provision in the rate contract regarding recovery of transportation cost from the suppliers for transportation of medicines to districts after centralized receipt.

The DHS procured and delivered medicines costing Rs. 18.39[8] crore (average) per year. Information made available to audit revealed that the Department spent Rs.22.79 lakh (on an average) per year being 1.24 *percent* of value of medicines towards transportation cost up to district medical stores from July 2002 to March 2007. Had a provision been included in the contract agreement with the supplier regarding recovery of transportation cost, cost of transportation of Rs.22.79 lakh per year could have been recovered from the suppliers. During exit conference Commissioner, DH&FW stated (August 2007) that a clause to deduct @ 1.5 *percent* from the suppliers bill was incorporated in the NIT for the year 2007-08 to meet the transportation cost. Meanwhile, the Department incurred avoidable transportation cost of Rs.1.08 crore from July 2002 to March 2007.

3.5.11.3 Inadequate supply of medicines

Records of the field units test checked revealed that supply of medicines to the districts was inadequate. Important medicines like Tinidazole, Ciprofloxacin, Norfloxacin, Rantidine, Cephalaxin, Erythromycin, Ofloxacin, Ampicillin,

[8] (General: Rs. 66.80 crore + PMGY: Rs. 25.15 crore) / 5 = Rs. 18.39 crore.

Tetracycline, Doxycyclin, and Nimesulide etc., were either not supplied or supplied short with reference to requirements. Details of the medicines indented by the district medical stores during 2004-07 and the medicines actually supplied thereagainst are shown in ***Appendix-3.15*.**

Appendix-3.15 indicates that short supply of medicines to the districts ranged between 75 and 99 *percent* (2004-05), 64 and 99 *percent* (2005-06) and 66 and 100 *percent* (2006-2007). Further, test check of the health care units (PHCs and CHCs) revealed that the supplies of essential medicines to the units were so inadequate that the stock hardly lasted for 3-28 days in many cases and there was no fresh supply of these medicines for the next 1-8 months because of monthly procurements which were time consuming (Paragraph 3.5.8). As a result, the centres remained without essential medicines for periods ranging from one to eight months before receipt of next consignment as detailed in ***Appendix-3.16*.** Thus, patients (1,082-3,090 monthly) attending the health care units were deprived of essential medicines.

3.5.12 Quality control of drugs

3.5.12.1 Delay in testing and non-receipt of test reports

There was no system of pre – purchase testing of medicine in any of the Directorates. Post purchase testing of medicine was being done in an adhoc manner at the Regional Drug Testing Laboratory (RDTL), Guwahati on the basis of samples drawn by the Drugs Controller, Assam at random basis immediately after receipt of consignment of medicines in the Central Drug Warehouse. As per information furnished by the Drugs

Controller, reports for only 2,037 samples (50%) out of a total of 4,043 samples taken were received from the laboratory as per details given in Table-4 below:

Table-4

Year	No. of Samples drawn	No. of reports received	No. of reports pending	No. of samples found sub-standard(percentage)
2002-03	557	437	120	55(13)
2003-04	739	400	339	34(8.5)
2004-05	612	433	179	31(7)
2005-06	1,111	416	695	23(5.5)
2006-07	1,024	351	673	16(4.5)
Total	**4,043**	**2,037**	**2,006**	**159**(7.8)

Source**:** Drugs Controller

On an average, 8 *percent* of the medicine samples tested were found substandard. In any such quality control, testing time taken should be such that test reports should reach the medicine issuing authority before issue of medicines. It was however noticed that time taken in receipt of laboratory reports ranged between six and 33 months, after issue of medicines. Thus the very purpose of testing the medicines was defeated.

3.5.12.2 Supply of sub standard drugs due to late receipt of test reports

Records of the Drug Controller and CDWH, showed that out of 159 samples declared sub-standard by RDTL during 2002-07, the value of only 11 samples in respect of four items of medicines being declared sub-standard were assessed by CDWH after

13-33 months as per details given in Table-5 below. The reasons for not assessing value of 148 other samples were not stated.

Table-5

Name of the firm	Name of the medicines	Quantity	Batch No.	Date of samples drawn	Date of reporting	Value of medicines (Rs. in Lakh)
M/s Mann & Derek	Tab Paracetamol 500 mg	1,05,000	ALT 1137	26-8-2003	03/06/06	0.31
M/s Viva Pharma	-do-	50,000	PT-303	27-2-2004	03/06/06	0.02
M/s Hecatomb Laboratories	-do-	3,84,000	P-046 P-054 P-037 P-060 P-056	10-5-2004 17-12-2004 31-12-2004 17-12-2004 -do-	03/06/06 20-6-2006 10-7-2006 4-8-2006 -do-	0.29 0.30 0.06 0.20 0.30
M/s Mann & Derek	Cap Ampecillin 250 mg	85,600	MDA/06	23-3-2005	3-6-2006	1.49
M/s Concept Pharmaceuticals	Tab Norflox TZ	3,72,500	3033 3030	01-6-2004 31-3-2004	03-6-2006 -do-	9.79 3.59
M/s Mann & Derek	Tab Nemisulide 100 mg	3,50,000	MDN1002	23-3-2005	21-11-2006	1.22
Total						**17.57**

Source: -Central Drug Ware House.

Due to delay in releasing test reports issue and consumption of substandard medicines by patients is not ruled out. The Department had taken action against the four firms (three SSI units) mentioned above by suspending two firms and withdrawing the items from other two firms for supply of sub-standard medicines. However the Department did not work out the position of balance 148 samples found sub-standard nor did it take any action against the firms. The delay in receipt of laboratory reports frustrated the purpose of quality control of drugs and put the patients at great risk.

3.5.12.3 Inadequate manpower for drug testing

The Government Analyst, RDTL attributed the delay in testing the drugs to shortage of manpower. Further, RDTL stated that only four chemists were posted in the laboratory and as per all India norms, one chemist could analyse 10-11 samples per month. Calculating at this rate of 10 samples per month per chemist, minimum 480 samples per year can be analysed by the RDTL. It was noticed that this norm of 480 samples per year was not followed. There was shortfall in analyzing samples ranging from 43 to 129 per year during the period under review.

Information relating to testing of medicines in respect of procurement made by the Medical College Hospitals under Medical Education was not furnished.

3.5.13 Internal audit

Two internal auditors were posted in the DHS since 2003 by Finance Department. Records revealed that no inspection of any wing of the Directorate was done by the internal auditors and no inspection report was available. Thus internal audit wing remained non functional in the Department.

3.5.14 Monitoring

The Department did not put in place any monitoring system nor was any officer vested with the responsibility of monitoring the procurement. The DHS did not insist on getting monthly or quarterly reports from the additional DHS (R) regarding the quantity and value of medicines ordered, quantity and value of medicines actually supplied and the extent of delay in receipt of material. There was also no up-to-date and consolidated report indicating the total quantity and value of medicines (item-wise) declared substandard by RDTL, Guwahati during the period 2002-07. As a result, DHS remained in dark about the status of quality control of drugs maintained in the state during 2002-07.

3.5.15 Conclusion

The objective of providing comprehensive health care to the people was not fulfiled due to uneconomical procurement policy, inadequate planning and funding, lack of transparency and effectiveness in bids evaluation and short supply of medicines to health care units. Medicines were procured in some cases at higher rates indicating lack of financial discipline and weak internal control mechanism. Non receipt and delayed receipt of laboratory test reports defeated the purpose of maintaining quality control of drugs. Dispensing of allopathic medicines by ayurvedic doctors due to non-procurement of ayurvedic medicines also defeated the objective of providing health care under Indian System of Medicines.

3.5.16 Recommendation

- Budgeting should be realistic and funds should be utilised 100 *percent*.
- The Department's annual action plan for medicine procurement should be based on demand and previous years consumption. Assessment and supply of medicines should be on quarterly basis and linked to demands.
- To ensure quality of drugs, drug-testing laboratory should be made proactive and adequately manned by technically qualified people for quick and accurate results.
- Procurement of Ayurvedic medicines should be ensured so that Ayurvedic doctors are not underutilised.
- Payment of suppliers' bills should be made on time to avoid liability of interest payment.
- An effective Internal control and monitoring system should be put in place.

The foregoing paragraphs were reported to Government (June 2007); replies had not been received (September 2007). Armed with responses to the findings of this review, the Department will be in a position to develop a strategic action plan which includes incentive creating, strengthening of health care institutions in rural and urban areas and capacity building measures.

Appendix-3.11

(Reference: Paragraph-3.5.8; Page- 97)

Statement showing requirement and supply of some important items of medicines in health care units between 2004-05 and 2006-07

(Figures in lakh)
(Figures in bracket indicate percentage:26)

Name of the medicines	2004-05			2005-2006			2006-2007		
	Requirement	Procurement	Shortfall	Requirement	Procurement	Shortfall	Requirement	Procurement	Shortfall
1. Nimisalide 100mg	244.10	42.50	201.60 (83)	384.60	51.50	333.10 (87)	402.75	28.86	373.89 (93)
2. Trinidazole 300 mg	41.00	22.00	19.00 (46)	35.70	18.00	17.70 (50)	36.10	7.00	29.10 (81)
3. Tab.Ciprofloxacin 500 mg	198.20	28.37	169.83 (86)	228.55	50.65	177.90 (78)	337.60	39.05	298.55 (89)
4. Tab.Ciprofloxacin 250 mg	106.10	32.20	73.90 (70)	155.90	57.25	98.65 (63)	243.10	41.30	201.80 (83)
5. Norfloxacin 400 mg	106.00	31.00	75.00 (71)	178.70	24.10	154.60 (87)	239.75	30.43	209.32 (87)
6.Ranitidine 150 mg	255.80	44.76	211.04 (83)	361.18	35.00	326.18 (90)	364.36	NIL	364.36 (100)
7. Ciprofloxacin TZ	34.40	13.94	20.46 (59)	10.57	9.99	0.58 (5)	214.90	NIL	214.90 (100)
8. Cephalaxine 250 mg	157.10	21.74	135.36 (86)	153.50	27.40	126.10 (82)	225.30	19.60	205.70 (91)
9. Erythromycine 250 mg	125.30	4.08	121.22 (97)	61.20	NIL	61.20 (100)	63.60	NIL	63.60 (100)
10.Cap.Ampicillin 250 mg	95.00	4.67	90.33 (95)	145.70	20.38	125.32 (86)	194.95	26.25	168.70 (87)
11.Tetracycline 250 mg	--	--	--	90.60	NIL	90.60 (100)	48.50	NIL	48.50 (100)
12.Doxycyline 200 mg	--	--	--	--	--	--	14.15	NIL	14.15 (100)
13. Ampicillin 500 mg	193.40	11.50	181.90 (94)	202.15	8.50	193.65 (96)	284.00	21.50	262.50 (93)

Appendix-3.12

(Reference: Paragraph-3.5.9.3; Page- 99)

Statement showing details of avoidable expenditure

(Rupees in lakh)

Name of purchaser	Name of the medicines	Quantity procured	Rate of procurement (per 1000)	ASIDC Rate (per 1000)	Difference of rates (per 1000)	Avoidable expenditure	AGST/VAT	Total
DHS, Assam	Tab Albendazole 400	86,57,730	Rs.3850	Rs 1,459.55	Rs.2390.45	206.96	14.94[1]	221.90
	Tab Norfloxacine Tinidazole (400+ 600)	61,89,500	Rs.3300	Rs 2,200	Rs 1,100	68.08	5.99[2]	74.07
Superintendent Guwahati Medical College & Hospital	Tab Norfloxacine Tinidazole	4,06,000	Rs.3300	Rs 2,200	Rs 1,100	4.47	0.34[3]	4.81
:						**279.51**	**21.27**	**300.78**
							Less ASIDC[4] commission payable	**13.57**
							Total avoidable expenditure	**287.21**

[1] AGST @ 8.8% on Rs. 90.22 lakh= Rs.7.94 lakh.
VAT @ 6% on Rs.116.74 lakh= Rs.7.00 lakh
Total: Rs.206.96 lakh Rs.14.94 lakh.

[2] AGST @ 8.8% on Rs.68.08 lakh= Rs.5.99 lakh

[3] AGST @ 8.8% on Rs. 2.78 lakh= Rs.0.24 lakh
VAT @ 6% on Rs.1.69 lakh= Rs.0.10 lakh
Total: Rs.4.47 lakh Rs.0.34 lakh

[4] ASIDC Commission payable on Rs.271.46 lakh @ 5 percent Rs.13.57 lakh

Appendix-3.13
(Reference: Paragraph-3.5.9.4; Page- 99)

Statement showing the excess expenditure

Procured by	Name of Medicines	Quantity	Period of supply	Purchase rates (500 ml. bottles)	Approved rates	Difference of rates	Excess expenditure (Rs. in lakh)
Superintendent, GMCH& AMCH, Guwahati	Inj. Dextrose 5%	2,85,516	2004-07	Rs.16.50	Rs.12.40	Rs.4.10	11.71
	Inj DNS	2,99,696	2004-07	Rs.16.50	Rs.12.40	Rs.4.10	12.29
	Inj NS	2,84,464	2004-07	Rs.16.50	Rs.12.40	Rs.4.10	11.66
	Inj Ringer Lectate	2,06,003	2005-07	Rs.19.40	Rs.14.80	Rs.4.60	9.48
						Total excess expenditure	**45.14**

Appendix-3.14

(Reference: Paragraph-3.5.10; Page- 101)

Statement of avoidable interest payment

(Rs. in lakh)

Case reference	Period of filing cases	Original amount payable (Rs in lakh)	Total payable (Assessed as per latest court order)	Reference to court order	Avoidable payment of interest
187/93	1993	20.10	193.94 (20.10+ 173.84)	Supreme court order dt. 10.7.05	173.84 (already paid)
188/93,190/93,241-248/93,28/94, 64/94,66/94, and 188-190/94	1993 & 1994	34.41	293.44 (34.41+259.03)	Gauhati High court order dt. 28.2.05	259.03 (Payable)

Appendix-3.15

(Reference: Paragraph-3.5.11.3; Page- 103)

STATEMENT SHOWING REQUIREMENT AND SUPPLY OF MEDICINES TO THE TEST CHECKED DISTRICTS DURING THE PERIOD 2004-05 TO 2006-07

(Figures in lakh)

(Figures in bracket indicate percentage:

Name of the medicines	2004-05			2005-2006			2006-2007		
	Require-ment	Medicines supplied	Shortfall	Require-ment	Medicines supplied	Shortfall	Require-ment	Medicines supplied	Shortfall
1. Tinidazole 300 mg	77.00	14.90	62.10 (80)	51.00	18.50	32.50(64)	49.26	13.75	35.51(72)
2. Ciprofloxacin 250 mg	80.80	15.78	65.02 (80)	149.00	18.55	130.45 (88)	101.90	20.25	81.65 (80)
3.Norfloxacin 400	61.00	10.14	50.86 (83)	40.50	4.85	35.65 (88)	47.16	16.12	31.04 (66)
4. Rantidine 150 mg	81.00	13.22	67.78 (84)	95.00	6.84	88.16 (93)	64.169	NIL	64.16 (100)
5.Ciprofloxacin TZ	49.00	2.70	46.30 (94)	39.50	2.74	36.76 (93)	52.29	0.20	52.09 (99)
6.Ciphalaxin 250 mg	42.00	4.79	37.21 (89)	56.00	6.68	49.32 (88)	46.95	7.08	39.87 (85)
7. Erythromycin 250 mg	68.50	5.93	62.57 (91)	69.40	0.84	68.56 (99)	81.95	3.45	78.50 (96)
8. Ofloxacin 200 mg	84.00	9.87	74.13 (88)	128.00	15.30	112.70 (88)	109.78	19.08	90.70 (83)
9. Ampicillin 250 mg	36.00	6.87	29.13 (81)	53.00	4.60	48.40 (91)	40.29	7.22	33.07 (82)
10.Ampicillin 500 mg	54.00	0.60	53.40 (99)	57.00	0.10	56.90 (99)	45.95	4.55	41.40 (90)
11.Tetracycline 250 mg	26.60	6.45	20.15 (76)	32.20	0.90	31.30 (97)	39.95	3.40	36.55 (91)
12.Doxycyline 200 mg	18.60	4.66	13.94 (75)	20.00	0.21	19.79 (99)	32.12	0.70	31.42 (98)
13. Nimisulide 100mg	66.50	10.27	56.23 (85)	53.00	10.73	42.27 (80)	59.32	12.59	46.73 (79)

Appendix-3.16

(Reference: Paragraph-3.5.11.3; Page-103)

Statement showing the period during which the health care units remained without important medicines

Name of the district of PHC, CHC	Name of the medicines	Quantity received	Date	Quantity issued	Date on which stock found Nil	Date of subsequent receipt	The Centre running with out medicine (month/days)
1	2	3	4	5	6	7	8
Kamrup District							
(i) Chhay gaon PHC	Tab. Norflox TZ	900	9-4-05	900	12-4-05	16-7-05	3 months
(ii) Sonapur PHC	Tab. Cephalaxin 250	1000	3-6-05	1000	15-6-05	23-11-05	5 months
	Tab. Ciprofloxacin 500	2000	29-6-05	2000	18-7-05	21-9-05	2 months
Dibrugarh District							
(i) Tanghakhat PHC	Cap. Ampicillin 250	300	1-3-05	300	4-3-05	5-8-05	5 months
	Cap. Amoxycillin 250	2000	17-11-05	2000	10-12-05	5-4-06	3m 25 days
	Tab. Ciphalaxin 250	1500	17-11-05	1500	29-11-05	31-7-06	8 months
	Norflox 400	2000	2-5-05	2000	30-5-05	10-1-06	7 months
(ii) Rajgarh PHC	Tab.Ciprofloxacin 500	3000	23-11-05	3000	30-12-05	5-4-06	3 months
	Cap. Doxy Cycline 250	500	01-4-05	500	30-4-05	18-7-05	2 m.18 days
	Cap. Amoxycillin 250	500	18-7-05	500	28-8-05	30-11-05	3 months
	Tab. Ciphalaxin 250	1000	23-11-05	1000	23-12-06	7-9-06	8. months 15 days
(iii) Naharkatia CHC	Cap. Ampicillin 500	1000	25-9-06	1000	20-10-06	7-2-07	3 m.20 days
	Cap. Amoxycillin 250	1000	25-9-06	1000	20-12-06	7-2-07	1 m.10 days
(iv) Khowang PHC	Cap. Ampicillin 500	1000	28-8-06	1000	10-09-06	Not received up to 3/07	6. m. 20 days
	Tab. Ciprofloxacin 500	10,650	7-2-06 to 5-8-06	10,650	15-11-06	Not received up to 3/07	4. m.15 days
(v) Lahool PHC	Tab. Ciprofloxacin	2000	23-8-06	2000	7-10-06	Not received up to 3/07	5 m 24 days
	Tab. Ciphalaxin 250	1000	3-10-06	1000	21-12-06	28-2-07	2 m.9 days

Appendix-3.16 (Continued)

1	2	3	4	5	6	7	8
Nalbari district							
(i) Kamarkuchi PHC	Norflox TZ	1000	19-9-06	1000	29-9-06	9-2-07	4 m. 11days
	Ciprofloxacin 250	1000	19-9-06	1000	29-9-06	9-2-07	4 m. 11days
(ii) Mukalmua PHC	Norflox 400	1800	21-10-05	1800	6-11-05	28-3-06	4m 20 days
	Ciprofloxacin 250	2000	5-1-05	2000	21-1-05	4-5-05	3.m. 15 days
(iii) Tamulpur PHC	Norfolk 400	1000	10-12-05	1000	21-12-05	8-2-06	1 m.18 days
	Nimisulide 100	1000	12-3-05	1000	23-3-05	14-5-05	2 m.29 days
Cachar District							
(i) Dhalai PHC	Cap. Ampicillin 250	1000	16-9-06	1000	4-10-06	Not supplied up to 3/07	5 m. 28 days
	Tab. Ciprofloxacin 250	1000	23-11-06	1000	16-12-06	6-2-07	1 m.21 days
(ii) Kalain CHC	Tab. Ciprofloxacin 250	1000	8-11-05	1000	18-12-05	18-3-06	1 m. 21 days
	Norflox 400	3000	23-11-06	3000	28-12-06	Not supplied up to 3/07	3 m. 3 days
(iii) Borkhola PHC	Cap. Amoxcillin 250	2000	1-10-05	2000	2-11-05	22-2-07	3 m.3 days
	Tab. Ciprofloxacin 250	1000	28-11-06	1000	29-12-06	22-2-07	1 m. 24 days
(iv) Jalalpur PHC	Cap. Amoxycillin 500	1500	21-9-06	1500	30-10-06	Not supplied up to 3/07	3 m. 1 day
	Tab Ciphalaxin 125	3000	21-9-06	3000	10-11-06	Not supplied up to 3/07	4 m. 21 days