Chhattisgarh Medical Services Corporation Limited

4.2 Unwarranted purchase of Multivitamin syrup at higher rates

Unwarranted purchase of Multivitamin syrup at higher rates by placing purchase orders on backdate violating Government instructions resulted in loss to the State Government

Chhattisgarh Medical Services Corporation Limited (Company) procures medicines based on indent received from the Directorate of Health Services (DHS). Audit noted that procurement process in case of multivitamin syrup for the indent year 2016-17 suffered from irregularities in procedure, procurement of excess than required quantity at higher rate in the delayed procurement/supply from a source with doubtful credentials as detailed below:

DHS indented (23 February 2016) for purchase of two crore bottles of Multivitamin (MV) syrup 100 ml as part of indent for medicines for the year 2016-17 for supply to various state government health organisations.

The Company invited (12 August 2016) an online tender[9] after six months of the indent. Since there was delay in finalisation of tender till January 2017, the Company sought (23 January 2017) the information from the Bureau of Pharma PSUs of India (BPPI) for purchase of 23 essential drugs (including MV syrup) at their finalised rates. BPPI informed (25 January 2017) the rate list of 23 drugs and stated that the supplies will be made through its local distributor i.e. M/s Nahar Medical Agencies, Raipur (Nahar). Simultaneously, the Company requested (24 January 2017) DHS to obtain the permission from Department of Commerce and Industries, Government of Chhattisgarh (DC&I) for purchase of 23 drugs (including MV syrup 100 ml) for such quantities which fulfill the requirement of three months from BPPI directly without tendering. DHS obtained (23 February 2017) permission from the DC&I for procurement of 23 essential drugs from BPPI by ensuring minimum purchase rates without inviting tenders for 2016-17 only.

It was seen that the three month's requirement of MV syrup bottles (100 ml each) was 50,58,540. BPPI offered (28 January 2017) rates of ₹ 27.64 per bottle of MV syrup 200 ml. Since the indent of DHS was for 100 ml bottles, hence the Company requested (8 March 2017) DHS for permission of procurement of 200 ml bottles of MV syrup. In response, DHS rejected (27 March 2017) the proposal of the Company and instructed to buy MV tablet in place of MV syrup (200 ml). Hence, the procurement was to be done only for 100 ml bottles/ multivitamin tablet.

Thereafter, Company got the quotation for 100 ml bottles from BPPI (73.95 lakh) apparently on 31 March 2017 and seemingly placed order on

[9] Tender no. 03 Medicines with due date of submission of 19 September 2016 which was extended upto 26 October 2016

same day for supply till June 2017. Against this the actual supply was in September and October 2017 only as detailed in Table-4.1.

Table-4.1

Date of obtaining quotations for 100 ml bottles	Date and quantity of order placed on BPPI	Schedule time for delivery	Actual delivery of 100 ml MV bottles
31.03.2017	31.3.2017 for 73.95 lakh bottles	By 29.6.2017	September and October 2017 72.59 lakh bottles

Thus the Company placed order for requirement for the year 2016-17 apparently on the last day of the year with delivery schedule in 2017-18 defeating the objective of procurement of medicine for distribution as indented by DHS.

Though the procurement for 2016-17 (for which tender was floated in August 2016), and was yet to be finalised, DHS further placed (18 October 2016) an indent for purchase of two crore bottles of MV syrup of 100 ml each for the year 2017-18. This indent was revised downward to five lakh bottles (28 April 2017). It was also instructed by DHS in its letter (28 April 2017) that against the indent for the year 2016-17 to the extent the quantity of drugs were not ordered/procured so far, no order for same should be placed in 2017-18. As such Audit examination reveals that no procurement was done as on 27 April 2017 and all process was done in backdate (detailed in point No. A). Thus DHS, in essence, shelved the indent for 2016-17 in April, 2017.

Against this second indent of DHS for five lakh Multivitamin syrup bottles for the year 2017-18 the Company after finalisation of tender placed (23 May 2017) purchase order on M/s Galpha Laboratories Ltd., Ankleshwar[10] at the rate of ₹ 16.60 per bottle (exclusive of VAT/GST). The supply against this order was completed in July 2017.

It was seen that no action for cancellation/revision of order for 2016-17 was taken by the Company despite having the knowledge of rates available before actual placement of order (backdated to 31 March 2017) with date of supply of quantities as June 2017 against which actual supply was made in September/ October 2017 only.

Audit noticed the following irregularities/incongruities committed by the Company in the process of procurement against indent of 2016-17:

A. *Irregular Placement of purchase orders on BPPI on backdate*

- As per the procedure adopted by the Company for placement of purchase orders (PO) on the suppliers, the Company sends the system generated

[10] The Company finalised the Rate contract for Multivitamin syrup with M/s Galpha Laboratories Ltd. being L1. The Company executed the agreement on 26 April 2017.

PO's to vendors through email on the same day of placing of order. However, in the instant case the Company deviated from this procedure and placed all the four POs on BPPI by hand and details/ particulars of person to whom handed over were not mentioned in the Dispatch Register being maintained by the Company. In dispatch register only details of POs, date and dispatch number had been mentioned on the last page of the Dispatch Register. Hence, there was process deviation.

- **The terms and conditions of PO/ payment were finalised only 5 July 2017 i.e. after schedule date (29 June 2017) of supply of material. Therefore, it is evident that actual PO was not on 31 March 2017 but on a later date (5 July 2017 or later) by making back date entry on 31 March 2017 in the dispatch register.**
- **The details of POs dated 31 March 2017 were not found in the backup database dated 26 April 2017 provided by the Company, which further confirms that the POs were not issued till 26 April 2017. Thus the Company had not actually placed the orders when the revised instructions were received from DHS in April 2017.**
- Records revealed that BPPI did not have any rate contract for supply of 100 ml MV syrup at the time of placement (31 March 2017) of PO by the Company, as it had invited tenders (not the rate contracts) for the same for fixed quantity of 70 lakh bottles on 22 May 2017 and opened the price bids on 21 June 2017 i.e. about 50 days after the placement of PO by the Company to BPPI. As such BPPI quoted the price for the above drug on 31 March 2017 without finalising its own rate contract. **This incongruity also strengthens the possibility of obtaining quotation of BPPI on back date to cope up with the time limit fixed by DC&I.**
- **In the printed label on MV syrup bottles supplied by BPPI's local agent M/s Nahar the name of manufacturing firm is printed as "Cian Health Care Private Limited, Baddi, District, Solan (Himachal Pradesh)". However, on verification of facts it is noticed that the Cian Health Care Private Limited is not a manufacturer of this drug and registered as trader of pharmaceutical products and raw materials with Himachal Pradesh State Health Department. Thus, the credentials of supplier firm are also in suspicion and poses questions on the entire system of procurement of MV Syrup by the Company.**

Though in October 2018 the Management maintained that the purchase orders were placed in offline mode on 31 March 2017 due to heavy traffic on online servers being the last day of the financial year and that these orders were regenerated on 2 May 2017 through online mode which was required for online receipt and distribution of drug. However Company did not produce evidence to support that.

Here it is worthwhile to mention that the Company in its reply of a complaint forwarded in this regard by GoCG accepted (May 2019) that purchase order was issued on back date to cope up with the deadline of 31 March 2017 given by the DC&I in this regard. This confirms that process followed was irregular.

B. Purchase of drug at higher rates resulted in loss of ₹ 1.02 crore

The Department of Commerce and Industries (DC&I) while according approval for purchase of drugs from BPPI for 2016-17, stipulated that while purchasing the drugs the minimum purchase price should be ensured.

Audit noted that the Company placed order on M/s Galpha Laboratories Ltd. at the rate of ₹ 16.60 per bottle received in tender[11] against indent for the year 2017-18 which was lower than the rate of ₹ 18 per bottle offered by BPPI's. From the Chronology of events it is evident that this rate was known before the supply by BPPI as terms and conditions for the supply by BPPI were also not finalised till 5 July 2017.

As such the Company should not have gone ahead with procurement process as DHS had asked to not place PO for those quantities not procured for earlier indent. However not only did the Company go ahead with the procurement but also did not take cognisance of lower rate available in April 2017 to modify/ cancel the earlier process initiated with BPPI. It is known that BPPI had invited tenders for procurement of MV syrup for supply to the Company on 22 May 2017 only and finalised the same after June 2017. Hence an opportunity was available with the Company to procure the drug at lower rates. This lack of action despite awareness of rates has resulted in loss of ₹ 1.02 crore[12] to the State Government and extending of undue financial benefit to the private supplier through BPPI.

The Management maintained in October 2018 that the orders were placed on 31 March 2017 and price bids for next tenders were opened afterwards, on 6 April 2017, hence, the Company was not aware about receipt of lower rates at the time of placement of orders. It was further stated that there was no clause in the PO regarding cancellation of PO after placement of orders. However the fact that Management has accepted in May 2019 that order was backdated to 31 March 2017 nullifies their earlier replies and contentions. The lack of due action has been accepted by the Company in its reply of a complaint forwarded in this regard by GoCG. The Company has accepted (May 2019) that had it cancelled the purchase orders of BPPI due to non supply of drug upto August 2017 in view of lower rates received in the regular tender, it could have saved ₹ 1.02 crore, as observed by Audit.

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[11] Price bid was opened on 1 April 2017 and tender was finalised in 6 April 2017.

[12] 72,59,250 x (₹ 18 - ₹ 16.60)

C. *Procurement excess of requirement and delayed supply resulted in loss of ₹ 5.82 crore due to inability to utilise 30.81 lakh bottles before expiry date*

Despite the reduction of indent in April 2017 by DHS, due to backdated procurement process the Company procured 77.59 lakh bottles by October 2017 (BPPI: 72.59 lakh and Galpha Laboratories: 5 lakh bottles at the rate of ₹ 18 per bottle and ₹ 16.60 per bottle respectively) of MV syrup. Audit noticed that out of 77.59 lakh bottles, 30.81 lakh bottles[13] stock of MV syrup had expired as on 28 February 2019. The value of these expired medicine was ₹ 5.82 crore which has resulted in direct loss to the Government exchequer.

Audit noticed that in order to reduce the stock of MV syrup, the Company issued (January 2019) 17.23 lakh bottles to the health facilities which was much more than the average monthly issue quantity of 2.26 lakh bottles considering the two years consumption (from July 2017 to December 2018). The health facilities had also issued 16.03 lakh bottles to outside/inside patient departments (OPD/IPD) in January 2019 for onward distribution to patients. The above action clearly show haste in issuing/distributing the MV syrup bottles just before they were due to expire.

Further the MIS system of the Health Department as well as the Company does not provide the details of issue of medicines to OPD/IPD patients and balance quantity of any medicines at OPD/IPD wards of the health facilities. Hence, even the distribution of 16.03 lakh bottles to OPD/IPD patients is not backed by any evidence and is doubtful because average monthly issue of medicine upto previous month was just 2.26 lakh bottle. Thus the issuance of huge quantity of MV syrup just before its expiry also seems to be to cover up the loss due to expiry of medicines.

On being requisitioned (February 2019) DHS failed to provide the details of balance quantity of Multivitamin syrup at OPD/IPD wards. As the medicine was issued to OPD/IPD wards at the fag end of its date of expiry, the chances of its utilisation by OPD/IPD seem remote. This has resulted in potential loss of ₹ 3.03 crore for 16.03 lakh bottles issued during January 2019 besides loss of ₹ 5.82 crore on expired Multivitamin syrup as discussed above.

Here it is pertinent to mention that the Company as well as DHS did not take any steps to utilise this excess stock in the health schemes of the State though Audit had pointed it out as early as in May 2018. Non-utilisation of Multivitamin syrup by the Health Department indicates that the Company had procured the medicine without any requirement and due to this the Government has suffered as indicated above.

[13] Company's warehouses : 17.43 lakh bottles, Health facilities : 11.05 lakh bottles and already expired at Company warehouses in January 2019 : 2.33 lakh bottles

Audit reported (February 2019) the matter to Government, their reply is awaited (February 2020).

The State Government should conduct an enquiry on above irregularities pointed from vigilance angle and fix responsibility.

4.3 Procurement of food baskets at exorbitantly higher rates

Procurement of food baskets under Chief Minister TB Nutrition Scheme at exorbitantly higher rates from lone ineligible bidder resulted in avoidable extra expenditure of ₹ 5.04 crore.

The Government of Chhattisgarh (GoCG) introduced (3 May 2016) the Chief Minister Tuberculosis (TB) Nutrition Scheme (Scheme). As per the Scheme Food Basket -Soyabean Oil (one litre), Groundnut (1.5 kg) and Skimmed milk powder (one kg) was to be provided on monthly basis through Primary Health Centres. The responsibility of procurement and distribution of food basket to TB patients for supplementary nutritions was entrusted (18 May 2016) to Chhattisgarh Medical Services Corporation Limited (Company) by GoCG.

The Company invited (27 September 2016) online tender for supply of 2.13 lakh food baskets but due to receipt of only one bid, the tender was cancelled (16 November 2016). The Company re-invited (18 November 2016) the tender, in three stage bids against which only two bids i.e. from M/s Mahadev Foods Corporation and M/s Shri Shyam Pulses (SSP) were received (7 December 2016). The bid of M/s Mahadev Foods Corporation was rejected (December 2016) due to non-fulfilment of required pre-qualification criteria by the tender committee. The price bid of the technically qualified bidder SSP was opened (18 January 2017). The rate quoted by SSP was ₹ 1,124.55 per food basket (including VAT) which was significantly higher than the price of ₹ 633 per food basket (including VAT) gathered (19 January 2017) by the Company through local retail market. Hence, the Company negotiated (25 January 2017) the rate and executed (31 January 2017) the supply agreement with SSP accepting the negotiated rate of ₹ 1,039.50 per food basket (including VAT).

Meanwhile, GoCG sanctioned (6 March 2017) ₹ 12.20 crore against the demand of ₹ 24.25 crore raised (10 February 2017) by the Company for the procurement of food basket. In view of this, the Company called (14 March 2017) SSP for further price negotiation where after a series of three negotiation meetings[14] the Company finalised (26 April 2017) rate of

[14] 3 April 2017 – agreed rate ₹ 900 per food basket; 21 April 2017 – agreed rate ₹ 890 per food basket and 25 April 2017 – agreed rate ₹ 850 per food basket excluding VAT