component and arbitrary acceptance of increased rates without any authority resulted in excess expenditure of ₹ 51.31 lakh[71].

On being pointed out, Government accepted (November 2019) that inclusion of ₹ 28.50 towards employee contribution of EPF and ESI in the daily labour rate of ₹ 293.05 for the period December 2014 to November 2015 was incorrect and that the excess payment of ₹ 5.89 lakh would be recovered from the contractor. Further, it was stated that the contract was renewed annually by limiting the increase in rate within 10 *per cent* with the approval of the Council and that the Commissioner had sought ratification of CMA for the extensions. The reply relating to extension of contract was not tenable as the Tamil Nadu Transparency in Tender Act, 1998 and the agreement signed with the contractor did not allow such extension. Further, the Council did not have any authority to overrule the provisions of the Act.

Audit recommends that CMA and Government may review the May 1998 guidelines for privatisation of municipal basic services, and frame comprehensive guidelines covering all elements of outsourcing contracts.

3.7 Blocking of funds/Idle investments

HEALTH AND FAMILY WELFARE DEPARTMENT

3.7.1 Injudicious and excessive procurement of drugs

RAMO, Madurai and DMRHS (ESI) did not follow the prescribed medicine indenting procedure, based on the number of patients, resulting in locking up of Government funds of ₹ 16.39 crore in the form of excess procured medicines.

The Employees' State Insurance Scheme[72] (ESIS) provides various benefits to Insured Persons[73] (IPs) and their families. Medical benefits under the scheme are provided through 10 ESI hospitals[74] (ESIH) and 216 ESI dispensaries (ESID) managed by the Director of Medical and Rural Health Services (DMRHS (ESIS)) (Directorate). The seven State run ESIHs are administered

71 Total avoidable expenditure = ₹ 45.42 lakh (expenditure on increased rates) + ₹ 5.89 lakh (expenditure on inadmissible component) = ₹ 51.31 lakh.

72 An integrated Social Security Scheme for the workers and their family members employed in factories and other establishments wherein 10 or more persons are employed.

73 Registered under ESI Act, 1948. The employees drawing a monthly salary up to ₹ 21,000 are eligible for enrolment in the ESIS.

74 Two hospitals (Chennai KK Nagar and Tirunelveli) are directly run by ESIC, New Delhi; Seven (Chennai Ayanavaram, Madurai, Sivakasi, Tiruchirappalli, Salem, Vellore and Hosur) are under DMRHS (ESIS) and One hospital (Coimbatore) under the Director of Medical Education.

by the Medical Superintendents (MS) and ESIDs are administered by four[75] Regional Administrative Medical Officers (RAMO). All the four regions have Central Medical Stores (CMS) to store and supply drugs to ESIDs under their jurisdiction. The expenditure in state run ESIHs and ESIDs are met by ESI Corporation (ESIC) and the GoTN in the ratio of 7:1.

Director General, ESIC, New Delhi periodically enters into Centralised Rate Contracts (CRC) for procurement and supply of medicines under ESIS. The ESIHs and ESIDs in the State source medicines from the firms with which ESIC has entered into CRC and also from Tamil Nadu Medical Services Corporation Limited (TNMSC), a PSU of GoTN. CRC procurements are made twice a year based on requirement and stock held.

During 2017-18, ESIDs and ESIHs had incurred a total expenditure of ₹ 305.25 crore on procurement of medicines through TNMSC, CRC and through local procurements. Out of which, RAMOs and ESIHs had procured medicines worth ₹ 140.64 crore under CRC 140[76]. The value of medicines supplied under CRC 140 to the RAMOs and ESIHs during 2017-18 and lying in stock as of March 2019, were as given in **Table 3.16**.

Table 3.16: Value of medicines supplied to RAMOs / ESIHs under CRC 140

Region	IPs as on 31-03-2017	Value of CRC 140 medicines (during 2017-18)				
		Consolidated indent	Supplied	Cost of medicine per IP	Stock available as on March 2019	
					Value	Percentage of drugs lying unutilised
		(₹ in crore)		(₹)		
Chennai	22,23,710	46.30	51.15	230	5.40	*10.56*
Coimbatore	7,59,280	8.70	13.74	181	2.60	*18.93*
Madurai	6,07,590	37.72	39.35	648	16.39	*41.66*
Salem	3,58,820	14.23	18.54	517	2.36	*12.74*
Total	**39,49,400**	**106.95**	**122.78**	**310**	**26.75**	***21.79***

(Source: Details furnished by the Directorate)

As seen from **Table 3.16** above, while the cost of medicines procured by ESIDs, per IP under CRC 140 during 2017-18, was ₹ 310 at the State level, it stood at ₹ 648 in Madurai Region. It was further noticed that as of March 2019, the Madurai Region held 61 *per cent* of the state wide unutilised stock out of CRC 140 procurement. These data pointed to abnormally higher procurement of medicines under CRC 140 by RAMO, Madurai during 2017-18.

75 Chennai, Coimbatore, Madurai and Salem regions.

76 Effective from 28-03-2017 to 27-03-2019. The indents were called for one year from 01-08-2017 to 31-07-2018.

Audit (July 2018) of procurements under CRC 140 at the Directorate and RAMO, Madurai revealed the following:

- Based on their assessment of past consumption, the Medical Officers (MO) of Madurai Region furnished their medicine requirement under CRC 140 to the RAMO, Madurai. The consolidated value of the medicines intended by all the 65 MOs of the Region was ₹ 14.46 crore. The RAMO, Madurai, however, increased the item-wise requirement to a total value of ₹ 37.72 crore. The 161 *per cent* increase in the medicine requirement, as worked out by the RAMO, was justified by him by projecting a possible growth of 33 *per cent* in the IP strength, i.e., from the existing 5,32,718 to 7,08,860[77]. Audit found that the projected growth in IP strength had no basis and the actual growth was much subdued at 14 *per cent*, i.e., from 5,32,718 to 6,07,590. Thus, primarily by making abnormally high projection of IP strength, the RAMO, Madurai hiked the value of medicine requirement from ₹ 14.46 crore to ₹ 37.72 crore.

- The First Level Specialist Committee (FLSC), functioning under the DMRHS (ESI), further increased the value of medicines marginally from ₹ 37.72 crore to ₹ 40.29 crore. The FLSC's decision was approved (September 2017) by the Drug Purchase Committee (DPC) headed by the Managing Director, TNMSC.

- The supply was split into two parts[78], with first supply to commence from October 2017 and the second supply from March 2018. DPC, while approving the procurement orders, had specifically instructed the Directorate that the second supply orders should be placed only after obtaining the utilisation report for the drugs supplied in the first supply. However, the Directorate without obtaining the utilisation report placed the second procurement order in March 2018.

- The RAMOs of Coimbatore and Salem requested the Directorate to stop the second supply of several medicines under CRC 140 as the quantity received through the first supply (October 2017) was not exhausted. The RAMO, Madurai, however, accepted the second supply without assessing the need vis-à-vis the stock availability.

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77 Estimated on account of upward revision of income ceiling ordered by ESIC for benefits under ESI scheme.

78 Value of first and second supply - ₹ 20.08 crore and ₹ 19.27 crore respectively.

- As a result of steep increase in the order quantity and placing second purchase order without waiting for utilisation of the stock already procured, as of March 2019, drugs worth ₹ 16.39 crore[79], i.e., 41 *per cent* of supply under CRC 140, were held in stock at CMS Madurai and 65 ESIDs under RAMO, Madurai.
- Further, test check of supply of 39 major drugs during 2017-18 in 26 of 65 ESIDs (40 *per cent*) (**Appendix 3.9**) by Audit revealed that medicines worth ₹ 2.84 crore were supplied to the test-checked ESIDs without any indent from them/in excess of their indent (**Appendix 3.10**).

Thus, violation of prescribed procedures for indenting medicines, by projecting abnormally high requirement of medicines based on an arbitrary increase in the number of patients and without ascertaining utilisation of the first supply, resulted in locking up of Government funds of ₹ 16.39 crore in the form of excess medicines procured by RAMO, Madurai and the Directorate.

In reply to the audit observations, GoTN, *inter alia*, stated (June 2020) that the Medical Stores Officer, CMS, Madurai failed to submit a consolidated indent in time and the RAMO, Madurai also did not consult the CMS before arriving at the final indent. Further, GoTN confirmed the Audit finding that RAMO, Madurai did not stop the second supply even as the first supply was not utilised and stated that for these failure Departmental action was under progress. GoTN, however, justified the decision of the First Level Specialist Committee in accepting the quantity indented by RAMO, Madurai, on the ground that this decision was based on the possible increase in IP numbers, increase in the per capita ceiling for drugs by ESI Corporation, etc. GoTN also maintained that there was no financial loss as most of the medicines were utilised as of June 2020. Audit could not accept that there was no financial loss as the excess procurement had resulted in blocking of ₹ 16.39 crore in the form of medicines for more than a year.

Audit recommends that Government should institute a detailed investigation of the lapses on the part of RAMO, Madurai.

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79 ₹ 3.86 crore at CMS and ₹ 12.53 crore at ESIDs.

Appendix 3.9

(Reference: Paragraph 3.7.1; Page 97)

List of sampled ESIDs under RAMO, Madurai

Sl.No.	ESID	District
1	Begampur	Dindigul
2	Dindigul	
3	Kodaikanal	
4	Edaikodu	Kanyakumari
5	Kuzhithurai	
6	Manavalakurichi	
7	Paravai	Madurai
8	Silaiman	
9	Ramanathapuram	Ramanathapuram
10	Manamadurai	Sivagangai
11	Sivagangai	
12	Andipatti	Theni
13	Theni	
14	Ettayapuram	Thoothukudi
15	Kovilpatti	
16	Tiruchendur	
17	Thoothukudi	
18	Pettai (Mobile)	Tirunelveli
19	Thailayuthu	
20	Tirunelveli	
21	Vickramasingapuram	
22	Kariapatti	Virudhunagar
23	Rajapalayam	
24	Sivakasi	
25	Srivilliputtur	
26	Tiruthangal	

Appendix 3.10

(Reference: Paragraph 3.7.1; Page 97)

List of drugs supplied to sampled ESIDs despite non-indenting

Sl. No.	CRC No.	Name of the Drug	Quantity			Rate	Excess value supplied
			Actual indent	Supp-lied	Excess	(in ₹)	
1	1344	Relcer Gel 180 ml	15,500	1,16,780	1,01,280	42.77	43,31,745.60
2	1495	Alucil Plus 170 ml	3,000	51,088	48,088	22.99	11,05,543.12
3	1413	Glutazene	3,000	76,650	73,650	6.09	4,48,528.50
4	1742	BioRS	0	11,000	11,000	8.85	97,350.00
5	1838	Zinox	0	3,250	3,250	377.00	12,25,250.00
6	33	Hiphylate Elixir	1,200	24,600	23,400	34.64	8,10,576.00
7	1512	Ambronac	0	10,300	10,300	29.00	2,98,700.00
8	1664	Prospan 100 ml	16,500	1,16,080	99,580	50.60	50,38,748.00
9	1840	Airtec SF	200	4,830	4,630	297.00	13,75,110.00
10	1421	Gatosyl AM	2,000	30,660	28,660	64.50	18,48,570.00
11	2018	Coversyl AM	0	2,310	2,310	121.62	2,80,942.20
12	2019	Natrilam 2.5	4,000	22,500	18,500	71.58	13,24,230.00
13	2021	Coversyl Plus HD	0	3,000	3,000	125.46	3,76,380.00
14	1865	Tolpidol D	0	4,500	4,500	102.00	4,59,000.00
15	1690	Galvus 50 mg	0	5,304	5,304	225.00	11,93,400.00
16	1896	Trajenta 5 mg	3,500	5,544	2,044	341.60	6,98,230.40
17	1902	Syncefix	19,100	26,900	7,800	126.42	9,86,076.00
18	1551 a	Thementin LB 625	3,000	21,900	18,900	45.60	8,61,840.00
19	1551 b	Thementin LB 375	0	16,520	16,520	38.57	6,37,176.40
20	1552 c	Furomax-C 625	0	8,400	8 ,400	100.90	8,47,560.00
21	1937	Sensodent KF	5,500	14,640	9,140	35.00	3,19,900.00
22	1624	Mistdress	0	4,320	4,320	153.00	6,60,960.00
23	484	Hiodine	0	1,920	1,920	440.00	8,44,800.00
24	1315	Astymin Forte	3,000	14,160	11,160	49.00	5,46,840.00
25	1961	Nugica	0	1,692	1,692	132.42	2,24,054.64
26	1792	Hepatoglobine Mikros	0	3,000	3,000	97.10	2,91,300.00
27	1795	Triple A Cal OS	1,500	16,010	14,510	87.30	12,66,723.00
Total							**2,83,99,533.86**