

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2.3 Irregular purchase of medicines leading to avoidable expenditure

Irregular purchase of two Ayurvedic medicines by Employees' State Insurance (ESI) hospitals and Director of Medical and Rural Health Services (ESI) resulted in an avoidable expenditure of ₹ 2.67 crore.

Government of Tamil Nadu administers eight hospitals and 216 dispensaries exclusively for the beneficiaries of Employees' State Insurance (ESI) scheme. The Director of Medical and Rural Health Services (ESI) (DMRHS (ESI)) heads the network of ESI medical institutions¹⁵. According to established procedures, ESI medical institutions procure medicines from the firms having Running Rate Contract (RRC) with ESI Corporation, New Delhi. Medicines are also procured from Tamil Nadu Medical Services Corporation (TNMSC), a Public Sector Undertaking (PSU) of GoTN, wherever the prices are cheaper than the RRC prices. A Purchase Committee headed by the Managing Director (MD), TNMSC reviews the medicine indents and coordinates the medicine procurement. In respect of Ayurvedic medicines, GoTN nominated (December 2013) Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL) as the agency for procurement. In case of non-availability of required medicine in RRC/TNMSC/TAMPCOL, the 'Manual on Purchase Procedure of ESI Corporation' envisages local purchase, costing up to a maximum of ₹ 1 lakh, with the approval of a Local Purchase Committee constituted at every institution.

During 2013-17, DMRHS (ESI) procured Ayurvedic medicines costing ₹ 4.55 crore through local purchase. Test check (April 2018) of records for the period from 2013-17 conducted at DMRHS (ESI) disclosed that in violation of the established procedures, DMRHS (ESI) and three hospitals resorted to local purchases of two Ayurvedic medicines in large quantities as given in **Table 3.5**.

Table 3.5: Local purchase of Ayurvedic medicines

Name of medicines	Period of purchase	Number of units purchased	Cost (₹ in crore)	Remarks
(1)	(2)	(3)	(4)	(5)
<i>Rub N Run oil</i>	2013-14	60,000	1.21	Purchased and payment made by DMRHS (ESI)
	2014-15	9,500	0.18	
	2015-16	50,600	1.07	Purchased by ESI Hospitals, Madurai, Coimbatore and Trichy. Payment by DMRHS (ESI)
	2016-17	7,500	0.15	
<i>Liver Tonic</i>	2013-14	55,000	0.98	Purchased and payment made by DMRHS (ESI)
	2015-16	22,000	0.40	Purchased by ESI Hospitals Madurai and Trichy. Payment by DMRHS (ESI)
	2016-17	7,500	0.14	
Total			4.13	

(Source: Data obtained from DMRHS (ESI))

¹⁵ Except ESI Medical College Hospital, Coimbatore, which comes under Director of Medical Education.

Audit observed that:

- The Drug Purchase Committee, while reviewing (December 2010) the issue of the purchase of *Rub N Run Oil*, decided to obtain the efficacy and utilisation of this medicine. After getting a positive utilisation report from four institutions, the Committee again discussed (February 2011) the issue and decided against the procurement of the medicines as it was not included in the RRC. The DMRHS (ESI), however, procured *Rub N Run oil* in limited quantities in 2011-12 and 2012-13 for various hospitals.
- During 2013-14 and 2014-15, in violation of the established procurement framework involving RRC, TNMSC and TAMPCOL, DMRHS (ESI) procured 69,500 bottles of *Rub N Run oil* at a total cost of ₹ 1.39 crore. On being pointed out by Audit (June 2015), DMRHS (ESI) stated (July 2016) that the purchase was authorised by the Principal Secretary to Government, H&FW Department. The fact, however, was that the Principal Secretary had only sent a letter allowing procurement of *Rub N Run oil*, with a caution to procure on need basis by following the rules in force. He had also instructed to take steps to include *Rub N Run oil* in the RRC list, but no such action was taken.
- During 2015-16 and 2016-17, *Rub N Run oil* was procured by Medical Superintendents of three ESI hospitals and the bills were sanctioned by DMRHS (ESI). The bill values in 12 out of 36 procurements were in the range of ₹ 3.89 lakh to ₹ 19.43 lakh as against the ceiling of ₹ 1 lakh prescribed for local purchase as per ESI Corporation's Manual on Purchase Procedure. In terms of value, procurements costing more than ₹ 1 lakh constituted ₹ 1.20 crore. The Local Purchase Committee contemplated in the Manual had not been constituted in any of these cases.
- Further, DMRHS (ESI) procured (2013-14 and 2015-17) 84,500 bottles of *Liver Tonic*, another Ayurvedic medicine for liver protection, from the same supplier at a cost of ₹ 1.52 crore, by deviating from the established procedure of sourcing from RRC firms/TNMSC/TAMPCOL.
- The circumstances leading to large scale centralised procurement of *Rub N Run oil* and *Liver Tonic* during 2013-15 were not studied in depth as DMRHS (ESI) reported (June 2018) to Audit missing of procurement files. GoTN constituted (June 2017) a special team to verify the records and procurement procedure and submit the report within two months. The team conducted enquiries in August 2017 but no action was taken based on that enquiry.

Rub N Run oil and *Liver Tonic* were proprietary preparations. According to written replies furnished to Audit (July 2016 and April 2018) by Medical Officers and DMRHS (ESI), medicines equivalent to *Rub N Run oil* and *Liver Tonic* were available in RRC list and with TAMPCOL and the same¹⁶ were frequently prescribed in place of these two medicines. Audit found that *Rub N Run oil* and *Liver Tonic*, which were procured in violation of purchase procedures, were exorbitantly priced in comparison with the equivalent medicines in RRC list/TAMPCOL. The avoidable extra expenditure on account of purchase of *Rub N Run oil* and *Liver Tonic* worked out to ₹ 2.67 crore (Appendix 3.6).

On being pointed out by Audit, Government, in their reply (December 2019), admitted to ‘procedural lapses’ in the procurements and informed that disciplinary cases were initiated against the officers including former DMRHS (ESI). Further, GoTN contended that the medicines taken up for comparison were having different ingredients and it would not be possible to conclude which one was a better medicine. The reply on comparison of the medicines procurement with the medicines available in RRC was untenable as these medicines were prescribed interchangeably, which proved that they were comparable. Further, they were considered equivalent by the Department itself.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

3.2.4 Avoidable expenditure on laying of pipes without prior permission from National Highways Authority of India

TWAD Board laid pipes without obtaining the mandatory permission from National Highways Authorities of India, leading to avoidable expenditure of ₹ 2.42 crore.

Tamil Nadu Water Supply and Drainage (TWAD) Board is entrusted with the development of Water Supply and Sewerage facilities in the State except Chennai Metropolitan Areas. TWAD Board executes and maintains water supply schemes for urban and rural areas, including combined water supply schemes (CWSS), which are meant for more than one local body. During 2017-18, 26 Divisions of TWAD Board were audited. Scrutiny (November and December 2017) of records in office of the Executive Engineer, TWAD Board, Coimbatore revealed the following:

¹⁶ RRC had Rhuvamin Oil, which was an equivalent medicine of *Rub N Run oil* and Livejon syrup, which was an equivalent of *Liver Tonic*. TAMPCOL had Pinda Thailam which was equivalent medicine of *Rub N Run oil* and Liv 2000 syrup, which was an equivalent medicine of *Liver Tonic*.

Appendix 3.6

(Reference: Paragraph 3.2.3; Page 159)

Avoidable extra expenditure on purchase of *Rub N Run oil* and *Liver Tonic*

Year	No. of bottles purchased	Purchase price per bottle (100 ml)	Cost of equivalent medicine per bottle (100 ml) (50 ml x2)*	Difference	Amount
(In ₹)					
<i>Rub N Run oil</i>					
2013-14	60,000	195	64	131	78,60,000
2014-15	9,500	185	64	121	11,49,500
2015-16	50,600	185	64	121	61,22,600
2016-17	7,500	185	64	121	9,07,500
Total					1,60,39,600

* cost of 50 ml is ₹ 32

Year	No. of bottles purchased	Purchase price per bottle (300 ml)	Cost of equivalent medicine per bottle (300 ml) (100 ml x 3)**	Difference	Amount
(In ₹)					
<i>Liver Tonic</i>					
2013-14	55,000	175	48.33	126.67	69,66,850
2015-16	22,000	175	48.33	126.67	27,86,740
2016-17	7,500	175	48.33	126.67	9,50,025
Total					1,07,03,615
Grand Total					2,67,43,215

** Cost of 100 ml is ₹ 16.11