

from accredited laboratories, before distribution of the same. On an audit enquiry, the CMHOs/CSs stated that the samples were taken by the Drug Inspectors of FDA for testing, but testing reports were not received before distribution of the medicines. While examining (November 2013) the records of Controller, Food and Drug Administration (CFDA) Bhopal, we noticed that 222 samples of medicines supplied to CMHOs/CSs/HSs during the period 2010-13 were found 'not-of-standard quality' when tested by them. Of these, we cross verified (January-February 2014) drug testing reports of 45 samples/batches with the records of medicines procured by CMHOs/CSs/HSs². It was noticed that during the period 2010-13, medicines worth ₹ 55.49 lakh supplied by TNMSC firms in 28 batches (**Appendix 3.2 (a)³ and (b)⁴**) were found to be 'not-of-standard quality' by CFDA. We further noticed that medicines worth ₹ 10.46 lakh purchased from local drug distributors in 17 batches were also found to be 'not-of-standard quality' by CFDA. Details are in **Appendix 3.3**.

Thus, the prescribed procedure for ensuring quality of medicines before distribution was not followed. As a result, medicines 'not-of-standard quality' worth ₹ 65.95 lakh were accepted/distributed by the CMHOs/CSs/HSs without confirming the quality mainly due to lack of co-ordination between CFDA and DHS and follow-up by CMHOs/CSs/HSs for obtaining the test reports.

On this being pointed out, DHS admitted (November 2014) that samples were required to be sent but were not sent to the accredited laboratories by the CMHOs/CSs/HSs and also intimated that an amount of ₹ 42.65 lakh had been recovered from the concerned TNMSC firms and ₹ 32,542 from CMHOs, Guna, Sheopur and CS Ashoknagar for medicines purchased locally. Instructions had been issued to the concerned districts for recovery of the balance amount. Further, DHS issued (November 2014) show cause notices to the CMHOs and CSs for non-compliance of provisions of drug policy regarding testing of medicines and directed to take disciplinary action against the erring store keepers/pharmacists.

The matter was reported to the Government (May and November 2014); their reply has not been received (December 2014).

3.1.2 Non-levy of penalty towards non-supply of medicines

Penalty amounting to ₹ 2.37 crore was not levied on the suppliers towards non-supply of medicines/material, in violation of contract clause.

The New Drug Policy-2009 (Policy) of the State envisaged decentralised system of procurement, which was implemented in August 2010. Accordingly, the Chief Medical & Health Officers (CMHO) and the Civil Surgeon-cum-Hospital Superintendents (CS) of the concerned districts were to issue supply

² CMHO-Anuppur, Balaghat, Barwani, Chhindwara, Datia, Sheopur, Guna, Gwalior, Hoshangabad, Jabalpur, Mandla and Rewa; CS-Ashoknagar, Balaghat, Bhopal, Chhindwara, Dhar, Hoshangabad, Indore, Jabalpur, Mandla and Umaria; HS, Bairagarh, Bhopal, T.B. Hospital, Bhopal.

³ Based on scrutiny of records of concerned CMHOs/CSs/HSs.

⁴ Based on information obtained from DHS.

orders to the drug companies empanelled with Tamil Nadu Medical Services Corporation, Chennai (TNMSC), according to their requirement and payment is made by them. Para 18.1.2 of the Policy stated that, “if supply of the goods were delayed beyond 60 days, then on the remaining goods/drugs, 20 *per cent* would be deducted as penalty and automatically the order would be considered as cancelled; the firm would be sent a notice from State level and its Earnest Money Deposit would be forfeited”.

Accordingly, the conditions of purchase order included a clause (16.3), which stated that “penalty at 20 *per cent* on the value of unexecuted order was to be levied, which was recoverable from any amount payable to the supplier”.

Scrutiny of supply orders, goods received, bills raised by the suppliers and payments made in the offices of 17 CMHOs/CSs⁵ during the period July to November 2013 and further information collected (June 2014) revealed that during the period 2011-12 to 2013-14, the companies empanelled with TNMSC supplied medicines/material of ₹ 2.60 crore against 310 supply orders and no supply was made against 1718 supply orders valued ₹ 11.87 crore (**Appendix 3.4**). There was nothing on record to ascertain the reasons for non-supply of medicines. We observed that the CMHOs/CSs did not levy penalty on non-supply of medicines/material amounting to ₹ 2.37 crore (20 *per cent* of ₹ 11.87 crore) from the pending bills/subsequent bills in contravention of provisions of para 18.1.2 of purchase Policy-2009 and clause 16.3 of the purchase orders. Details are shown in **Appendix 3.4**. In case no bills were pending, the CMHOs/CSs should have reported the matter to the Directorate, Health Services (DHS) for taking further necessary action, which was also not done.

The matter was reported to the Government in July 2014 and was discussed (November 2014) in the exit conference with the Principal Secretary, PH&FW Department. The Department accepted the facts and stated that instructions have been issued to concerned officials to issue notices for recovery immediately. He also stated that stringent action would be taken against officials who do not comply with the instructions.

3.1.3 Short levy of stamp duty and non-registration of lease deeds

Government was deprived of revenue of ₹ 1.02 crore due to short levy of stamp duty and non-registration of lease deeds by Rogi Kalyan Samities.

Indian Stamp Act (IS Act), 1899, provides for levy of stamp duty⁶ at eight *per cent*⁷ on conveyance on a lease deed where the lease is granted for a premium in addition to rent fixed. Further, Registration Act, 1908⁸, prescribes leviable

⁵ CMHO- Bhopal (September-2013), Damoh (October-2013), Dewas (September-2013), Dindori (September-2013), Hoshangabad (September-2013), Khandwa (July-2013), Narsinghpur (October-2013), Ratlam (September 2013), Satna (October-2013), Shivpuri (September-2013), CS- Damoh (November-2013), Dindori (September-2013), Harda (August-2013), Jabalpur (October-2013), Shajapur (October-2013), Mandla (November-2013) and Mandsaur (August-2013).

⁶ Section 33 (c) of Schedule 1-A.

⁷ Revised to 7.5 *per cent* w.e.f. 1 April, 2008 and 5.0 *per cent* w.e.f. 1 April, 2011.

⁸ Article II of Table of Registration fees.

Appendix 3.4
(Reference: Paragraph 3.1.2, page 95)
Statement showing details of penalty not imposed on non-supply of medicines/materials by the suppliers
(Amount in ₹)

Sl. No.	Name of unit	Year	No. of order against which partial supply/no supply was made	Amount of supply order issued	No. of supply orders against which no supply was made	No. of supply orders against which partial supply was made	Amount of medicines/materials received	Amount of non-supplied medicine/material (Col. 5-8)	Amount of penalty to be levied by CMHO/CS (20 per cent on amount of non-supply)
1	2	3	4	5	6	7	8	9	10
1	CMHO Khandwa	2011-12	54	3143970	54	0	0	3143970	628794
		2012-13	58	2711429	58	0	0	2711429	542286
		2013-14	43	5208343	31	12	1122462	4085881	817176
2	Civil Surgeon Dindori	2012-13	44	2220448	32	12	644645	1575803	315161
		2013-14	40	1697474	22	18	415760	1281714	256343
3	CMHO Dindori	2012-13	32	4198347	22	10	714677	3483670	696734
		2013-14	27	2563903	16	11	1107995	1455908	291182
4	CMHO Narsinghpur	12/12 to 03/13	8	1486555	5	3	525334	961221	192244
		2013-14	19	2276323	15	4	138563	2137760	427552
5	CMHO Dewas	2011-12	45	7054711	29	16	2484660	4570051	914010
		2012-13	36	4865366	26	10	1087947	3777419	755484
		2013-14	12	2020134	12	0	0	2020134	404027
6	CMHO Ratlam	2012-13	36	2415450	36	0	0	2415450	483090
		2013-14	24	958240	24	0	0	958240	191648
7	CS Harda	2011-12	90	1122379	90	0	0	1122379	224476
		2012-13	145	759746	145	0	0	759746	151949
		2013-14	64	935691	64	0	0	935691	187138
8	CS Shajapur	2012-13	56	3669723	56	0	0	3669723	733945
		2013-14	77	4441412	71	6	766766	3674646	734929
9	CMHO Bhopal	2012-13	29	1262039	15	14	408367	853672	170734
		2013-14	16	3274767	8	8	1137165	2137602	427520
10	CS Damoh	2011-12	13	464657	13	0	0	464657	92931
		2012-13	46	1805783	46	0	0	1805783	361157
		2013-14	70	6637026	45	25	1675834	4961192	992238

1	2	3	4	5	6	7	8	9	10
11	CS Jabalpur	2012-13	46	4433390	46	0	0	4433390	886678
		2013-14	74	8487608	49	25	1723193	6764415	1352883
12	CMHO Satna	2012-13	47	12834318	22	25	3898343	8935975	1787195
		2013-14	35	7426837	26	9	990513	6436324	1287265
13	CMHO Damoh	2011-12	6	910563	6	0	0	910563	182113
		2012-13	11	2506743	11	0	0	2506743	501349
		2013-14	31	3195922	22	9	736594	2459328	491866
14	CMHO Shivpuri	2012-13	287	3176277	287	0	0	3176277	635255
		2013-14	70	4078543	61	9	601479	3477064	695413
15	CMHO Hoshangabad	2012-13	36	6220622	19	17	1894863	4325759	865152
		2013-14	46	5264730	32	14	1711374	3553356	710671
16	CS Mandla	2012-13	71	5001334	49	22	1138297	3863037	772607
		2013-14	58	3763004	41	17	687314	3075690	615138
17	CS Mandsaur	2012-13	57	6674572	50	7	155458	6519114	1303823
		2013-14	69	3552283	62	7	204505	3347778	669556
		Total	2028	144720662	1718	310	25972108	118748554	23749712