

# Chapter II

---

## **Performance Audit**

---



## Health, Medical and Family Welfare Department

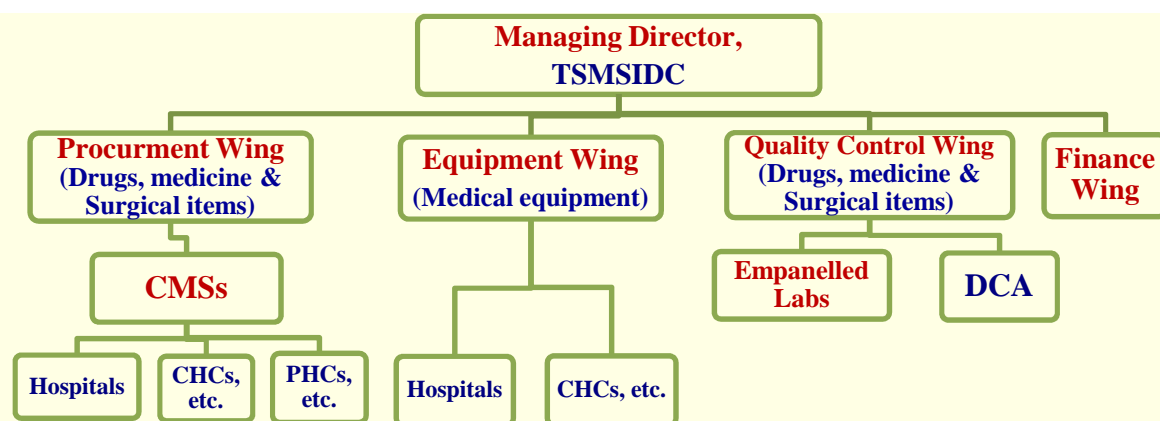
### 2 Procurement and Distribution of Drugs and Equipment

#### 2.1 Introduction

Health, Medical and Family Welfare Department (Department) provides health and medical services to the public through various health facilities including hospitals and health care centres under the control of Director of Health (DoH), Director of Medical Education (DME), Vaidya Vidhana Parishad (VVP) and Institute of Preventive Medicine (IPM). The procurement and distribution of drugs, medicines, surgical items, medical equipment, etc., to the health facilities in the State is entrusted to State Medical Services and Infrastructure Development Corporation (Corporation). In the Combined State of Andhra Pradesh, the Andhra Pradesh Medical Services and Infrastructure Development Corporation (APMSIDC) had performed the assigned task. After formation of Telangana State, the Telangana State Medical Services and Infrastructure Development Corporation (TSMSIDC - Corporation) has been procuring the drugs, medicines, surgical items, consumables, etc., and distributing them to various health facilities functioning under the control of the Department through Central Medicine Stores (CMS) located in each district of the State. The Corporation has also been meeting the requirement of medical equipment by procuring and arranging to install them directly at health facilities.

#### 2.1.1 Organisational Setup

The Managing Director (MD) being functional head of the Corporation performs his duties directly under the supervision of the Principal Secretary of the Department.



**PHCs:** Primary Health Centres; **CHCs:** Community Health Centres; **DCA:** Drugs Control Administration

Procurement wing, headed by Executive Director, processes/finalises Rate Contracts (RC) for supply of drugs, medicines, surgical items, etc., and their distribution to CMSs; Equipment wing, headed by Executive Director, deals with procurement and installation process of medical equipment at health facilities; Quality Control wing, headed by General Manager, supervises the quality of the drugs, medicines and surgical items; and Finance wing, headed by Finance Officer, supervises financial management of the Corporation. At the district level, CMSs headed by Executive Engineers (assisted by Pharmacist) receives medicines and surgical items from supplier firms and distributes them to health facilities, on the basis of indents.

## **2.2 Audit Frame work**

### **2.2.1 Audit Objectives**

A Performance Audit was carried out with the objective of evaluating the effectiveness of the procurement and distribution system and its impact on timely availability of drugs, medicines and medical equipment at various health facilities on the basis of:

- Evaluation of the system of assessment and procurement including tender evaluation and finalisation of contracts of drugs, medicines, surgical items and medical equipment
- Assessment of efficiency and effectiveness of storage, distribution, availability, usage of drugs, medicines and surgical items; and supply and installation of medical equipment; and
- Adequacy of quality control measures

### **2.2.2 Audit Criteria**

Audit findings were benchmarked against criteria sourced from the following:

- Procurement Policy guidelines issued (October 2009 and July 2012) by the Government and approved list of Essential Medicines and Surgical items (December 2013, February and May 2014)
- Relevant orders, notifications, circulars, instructions issued by the State Government
- Tender conditions, quality evaluation reports, etc.
- AP Financial Code

### **2.2.3 Scope, Audit sample and Methodology of Audit**

The Performance Audit was carried out during June - September 2016 covering five year period 2011-16. Audit methodology involved scrutiny of records relating to procurement and distribution at State Secretariat and TSMSIDC (Corporation) for the period 2014-16 and at Central Medicine Stores and 28 sampled hospitals/health centres in three selected districts<sup>1</sup> for the period 2011-16.

Three districts and ten major hospitals were selected, based on quantum of expenditure on medicines for the period 2011-16. In each district, three Primary Health Centres (PHCs) and three Community Health Centres (CHCs) were selected, based on Simple Random sample without Replacement method. Details of sampled units are given in *Appendix-2.1*.

An Entry Conference was held with the Managing Director, TSMSIDC in June 2016 wherein audit objectives, methodology, scope, criteria and audit sample were explained. Audit Enquiries were issued, discussions were held with the Corporation authorities at various levels and photographic evidence was taken to substantiate audit findings where necessary. Responses of the Corporation and hospital authorities have been incorporated at appropriate places in the report. An Exit conference was held with Government

---

<sup>1</sup>Adilabad, Hyderabad and Warangal districts

representatives in December 2016 to discuss audit findings and the responses of Government during the Exit Conference have been incorporated at appropriate places in the report.

## 2.2.4 Acknowledgement

We acknowledge the cooperation and assistance rendered by the officials of the Health, Medical and Family Welfare Department during the conduct of the Performance Audit.

### Audit Findings

## 2.3 Provision and utilisation of funds

For procurement and distribution of drugs, surgical items and equipment, Government released funds to Director of Health (in respect of drugs/surgical items) and to Director of Medical Education (in respect of both surgical items and equipment) who in turn adjusted it to Personal Deposit (PD) account of the Corporation. As and when the amount was credited/adjusted to the PD Account, the amount was booked as expenditure in the Government accounts.

The amounts released were apportioned<sup>2</sup> as per the provisions contained in Government orders<sup>3</sup> and were utilised by Corporation towards provision of drugs, surgical items and equipment through centralised purchases. Further, under the decentralised procurement system to facilitate emergency and/or local purchases by health facilities, out of the total budget allotted to each health facility, 10 *per cent* was to be earmarked to health facilities under the control of Director of Health, Commissioner of Telangana Vaidya Vidhana Parishad and 20 *per cent* in respect of the health facilities under the control of Director of Medical Education.

During the period 2011-14, against ₹1,451.56 crore released (Budget provision: ₹1,770.82 crore) by the erstwhile Government of Andhra Pradesh to APMSIDC (Corporation), an amount of ₹1,306.49 crore had been utilised by the Corporation, leaving ₹145.07 crore unutilised. Post-bifurcation, during the period 2014-16, against ₹304.64 crore released (Budget provision: ₹400.80 crore) to TSMSIDC (Corporation), an amount of ₹342.38 crore had been utilised by Corporation.

While the expenditure of the Department as a whole ranged from ₹4,980 crore to ₹5,737 crore during the years 2011-12 to 2013-14, i.e., prior to bifurcation of the erstwhile State of Andhra Pradesh, the expenditure<sup>4</sup> on drugs, surgical items and equipment constituted 7 to 8 *per cent*. Post-bifurcation, the funds released for drugs, surgical items and equipment amounted to ₹166.94 crore (10 *per cent*) in 2014-15 and ₹137.70 crore (5 *per cent*) in 2015-16. The actual expenditure incurred by APMSIDC/ TSMSIDC during the period was still less (Table-2.1 refers).

The year-wise details of Budget provision and the releases made to APMSIDC/ TSMSIDC *vis-à-vis* the expenditure incurred towards procurement and distribution of drugs, surgical items and equipment during the period 2011-12 to 2015-16 were as given in the Table-2.1.

<sup>2</sup> DME: 40 *per cent*; DoH: 40 *per cent*; TVVP: 18 *per cent*; and IPM: 2 *per cent*

<sup>3</sup> GO Rt. No.1357, Health, Medical & Family Welfare (M1) Department, dated 19 October 2009

<sup>4</sup> as booked in Government accounts after crediting/adjusting to PD Account

**Table-2.1**

(₹ in crore)

Year	Budget provision			Releases to APMSIDC/TSMSIDC			Expenditure by APMSIDC/TSMSIDC		
	Drugs & Surgical	Equipment	Total	Drugs & Surgical	Equipment	Total	Drugs & Surgical	Equipment	Total
2011-12	355.50	69.63	425.13	355.25	26.60	381.85	246.31	4.42	250.73
2012-13	389.20	93.72	482.92	388.83	60.36	449.19	443.79	41.57	485.36
2013-14	392.30	105.05	497.35	368.65	51.53	420.18	479.07	27.58	506.65
2014-15 <sup>^</sup>	277.53	87.89	365.42	196.05	4.29	200.34	60.99	2.76	63.75
2014-15 <sup>#</sup>	134.56	122.43	256.99	83.29	83.65	166.94	82.47	17.80	100.27
2015-16	141.89	1.92	143.81	136.13	1.57	137.70*	172.59	69.52	242.11*

Source: Appropriation Accounts of respective years and data provided by the Corporation

<sup>^</sup>up to 1 June 2014; <sup>#</sup>from 2 June 2014 to 31 March 2015; \*Excess expenditure in the year 2015-16 was met from the opening balance of the previous years and additional funding of ₹41.03 crore provided to TSMSIDC consequent upon bifurcation of the State

It may be seen from the above details that while the budgeted funds were not being released in full (shortage: 4 per cent in 2015-16 to as high as 35 per cent in 2014-15) the amount released were not fully utilised, especially in the case of procurement of drugs, medicines and equipment in the year 2014-15 (non-utilisation was up to 40 per cent).

Audit scrutiny of the relevant records in the sampled institutions/health facilities also showed the following:

- (i) For meeting emergency local requirements, funds are released by the Corporation to the health facilities after approval of the Government.

Audit observed that for the year 2015-16, decentralized budget funds for 3<sup>rd</sup> and 4<sup>th</sup> quarter, intended for emergency/local purchases of materials and supplies, were not released (by the Corporation) to any of the hospitals in the State, forcing the hospitals to procure emergency drugs/surgical items on credit basis.

The Corporation, while accepting the audit observation, stated (November 2016) that although a proposal was submitted to the Government for release of ₹1.31 crore intended for local purchases, approval was not received.

Non-release of funds intended for emergency purchases of materials and supplies raises serious concern.

- (ii) District Medical & Health Officer (DM&HO), Hyderabad had not released any funds intended for procurement of emergency drugs (decentralised purchases) to Urban Public Health Centres (UPHCs of Hyderabad district) during 2011-15. Audit observed that an amount ₹48.32 lakh available in the bank accounts of DM&HO was seized by the Provident Fund Commissioner due to default in payment of mandatory dues by the DM&HO. However, DM&HO had not initiated action to retrieve the seized amount and took up the matter with the Commissioner, Health & Family Welfare in this regard only in January 2015 i.e., two years after the seizure.

Due to non-release of funds, the PHCs had been deprived of the provision made for emergency drugs during the period 2011-15.

- (iii) Institute of Preventive Medicine (IPM) had not been able to utilise<sup>5</sup> its budget provision during the years 2013-14 to 2015-16 (utilisation: 6 to 16 *per cent* only) as the vaccines indented<sup>6</sup> by it, were not supplied by CMS. Audit observed that despite the item (Yellow Fever) indented by IPM figuring in the list of Additional Medicine List (AML), CMS was restricting the supply of vaccine only to anti-rabies. The other indented items were not included in either the Essential Medicine List (EML) or AML. As a result, the Institute was forced to buy the vaccines from its own departmental budget burdening the Institute to that extent.
- (iv) Four test-checked hospitals<sup>7</sup> had diverted the decentralised budget of ₹1.08 crore intended for drugs and surgical items during 2014-16 for purposes such as purchase of electrical items, repairs and purchase of lab kits and towards payment of Aarogyasri arrears bills (on recoupment basis). Hospitals attributed the diversion of funds to non-allocation of sufficient budget from Government under those heads.
- (v) Central Medicine Stores (CMS), Hyderabad and CMS, Warangal had supplied drugs to Nizam's Institute of Medical Sciences (NIMS) (value: ₹27 lakh) and Prisons Department, Warangal (value: ₹5 lakh). Although the amounts were remitted by both the authorities, the Corporation, instead of remitting the same into PD account, held back the same.

## 2.4 Drugs, medicines and surgical items

Government had introduced (October 2009) a new Procurement Policy to improve the existing system of procurement and supply of medicines in the health institutions/facilities with the objective of making available essential medicines of good quality, at all health facilities in the State at all times, procuring the same at competitive prices in a transparent manner and promoting rational use of medicines.

Essential medicines<sup>8</sup> are the medicines that address the priority health care requirements of a given population. A Standing Expert Committee<sup>9</sup> is to prepare an Essential Medicines List (EML) which must be available at all the health facilities as per need, besides an Additional Medicines List (AML) to take care of specific requirements of hospitals. The Corporation and all health institutions under the control of the Department were to procure and supply only those medicines listed in the EML/AML, based on their requirements.

<sup>5</sup> 2013-14: Budget released - ₹6.20 crore/utilized - ₹0.36lakh (6 *per cent*); 2014-15: Budget released - ₹2.18 crore/utilised - ₹0.34lakh (16 *per cent*); 2015-16: Budget released - ₹2.18 crore/utilised - ₹0.26lakh (12 *per cent*) (figures based on original allocation at 2 *per cent* to IPM)

<sup>6</sup> Vaccine - Yellow Fever and Sera (Anti A, Anti B, Anti AB), etc.

<sup>7</sup> Osmania General hospital, Hyderabad: ₹0.02 crore; Gandhi hospital: ₹0.91 crore (Payment of Aarogyasri arrears bills); SRRIT&CD hospital: ₹0.06 crore (Repairs & purchase of lab kits); and GMH, Petlaburj: ₹0.09 crore (Purchase of stationery items)

<sup>8</sup> The medicines are selected through an evidence based process with due regard to public health relevance, quality, safety, efficacy and comparative cost effectiveness

<sup>9</sup> DME (Chairperson), DoH, Commissioner, TVVP, Director of IPM, MD, TSMSIDC (Member Convener), Director General, Drugs Control Administration, etc., as members and three Professors of Surgery, Professor of Pharmacology, three Professors of Medicine, Medical Officers/Superintendents of hospitals, etc., as nominated members

Government had approved (December 2013) a new EML and AML consisting of 509 items and subsequently accepted (May 2014) to include 126 additional new items in the existing EML and AML. Besides, a new Essential Surgical list (ESL) and Additional Surgical list (ASL), including 360 items, were approved by the Government in February 2014.

### 2.4.1 Estimation and indenting

As per the Procurement Policy (2009) guidelines, the Medical Officer or the Superintendent in-charge of health facility should estimate the annual requirement of various medicines from the Essential Medicines List (EML) and Additional Medicines List (AML) as per the prescribed methodology<sup>10</sup> and submit it to HoD by 31<sup>st</sup> March of each year, in respect of the next procurement year (i.e. 1<sup>st</sup> July to 30<sup>th</sup> June of the next year). The individual indents of the PHCs and hospitals should be scrutinised and consolidated by the HoD in the month of April every year to enable the Corporation to initiate procurement process of the ensuing procurement year. The HoD should take steps to maintain the required proportion between the essential categories of medicines, based on the degree of essentiality, criticality for health care and disease burden. The HoD should also indicate quarterly delivery schedule to enable effective inventory management at the Corporation level.

Audit observed that during the post bifurcation period i.e. 2014-16 there was no evidence to show that the HoDs had either obtained requirements from various health facilities functioning under their control or submitted consolidated requirement to the Corporation. In 19<sup>11</sup> out of the 28 test-checked PHCs/CHCs and hospitals, annual requirement of drugs and medicines were not submitted to the concerned HoDs during 2011-16. Consequently, the Corporation has been procuring drugs, medicines and surgical items based on the consumption during the previous quarter by the health facilities, instead of considering the requirement on the basis of degree of essentiality, criticality for health care and disease burden.

Audit scrutiny of records at test-checked Central Medicines Stores (CMSs) and hospitals/health centres further showed that there were several instances of the required drugs and medicines not being supplied or short supplied (in some cases) or excess supplied without any requirement. Due to non-supply of essential drugs/medicines and surgical items by CMSs, the hospital authorities were forced to procure medicines and surgical items (value: ₹40.57 lakh) locally, at comparatively higher rates<sup>12</sup>, incurring excess expenditure of ₹18.32 lakh<sup>13</sup> during 2014-16 in the sampled hospitals alone. On the other hand, in CMSs, Adilabad, Hyderabad and Warangal, 81 items of drugs and surgical items (cost: ₹2.54 crore<sup>14</sup>) were lying idle without utilisation for more than one year.

<sup>10</sup> as contained in Annexure-III of Procurement Policy (2009)

<sup>11</sup> Adilabad (7): RIMS, Adilabad; CHCs, Jainoor, Khanapur and Mudhole; PHCs, Dahegaon, Kunthala and Thanoor; Hyderabad (5): Niloufer hospital; UPHCs, Bagh Amberpet, Karwan-II and Panjasha-II; Civil Dispensary, Old MLA quarters; Warangal (7): GMH, Hanamkonda; CHCs Cherial, Mulugu and Wardhannapet; PHCs, Inavole, Raghunadhapalli and Tadvai

<sup>12</sup> more than 140 *per cent* (maximum permissible limit for local purchases) of rates adopted by the Corporation

<sup>13</sup> Gandhi hospital: ₹7.96 lakh (drugs); Osmania General hospital: ₹2.25 lakh (drugs) and ₹1.32 lakh (surgical); GMH, Petlaburj: ₹3.76 lakh (drugs) and ₹2.92 lakh (surgical); CHC, Jangammet: ₹0.11 lakh (drugs)

<sup>14</sup> Adilabad: ₹0.27 crore, Hyderabad: ₹2.18 crore and Warangal: ₹0.09 crore



Thus, due to absence of an effective need-assessment system and indenting procedure, the patients were deprived of accessibility to required drugs or medicines, apart from certain drugs lying idle in CMSs/hospitals without utilisation.

The Corporation confirmed (June 2016) that due to non-receipt of indents from various HoDs, procurement was made, based on the previous consumption of CMSs, to ensure timely procurements and to retain buffer stocks at CMSs to avoid any inconvenience to the hospitals/patients. While the DoH and DME did not respond, the Commissioner, TVVP replied (September 2016) that none of the hospitals under its control had submitted indents during 2014-15, whereas certain hospitals had furnished the indents which were forwarded to the TSMSIDC for procurement during 2015-16.

During Exit Conference, it was stated (December 2016) that Government was proposing to implement 'e-aushadhi' from Corporation to CMS level which would resolve the problem of consolidation of indents in future.

## **2.4.2 Procurement process**

As per the Procurement Policy (2009), procurement should be effected according to a prescribed calendar for ensuring timely availability. The Corporation should formulate a bid document for procurement (through e-procurement platform) of medicines to cover both centralised and decentralised procurement with a view to enhancing the efficiency and transparency of procurement, to ensure an effective contract management and above all to guarantee quality of medicines procured.

In this connection, Audit observed the following.

### **2.4.2.1 Procurement of all essential medicines**

The Procurement Policy (2009) had emphasised that all essential medicines should be available at all the health facilities as per need. During 2014-16, the Corporation had procured drugs and medicines worth ₹186.18 crore and surgical items & consumables worth ₹51.27 crore from various firms under centralised procurement.

It was however, observed that although 635 items of drugs and medicines were included in EML/AML, tenders were invited (February 2015) for 513 items only and, of these, Rate Contract (RC) for 2015-16 was approved for 207 items with 97 firms. Further, arrangements for procurement of 191 items were made by extending validity of old rate contracts (2013-14 and 2014-15) up to July 2016, leaving 237 items without any arrangement for supply to health facilities.

Thus, the fundamental objective of the Procurement Policy, to make available all the essential medicines at all the health facilities as per need, was not fulfilled by the Corporation. As a consequence, the hospitals had to tap the meagre budget intended for decentralised local purchases of emergency drugs and medicines at higher prices.

During Exit Conference, Government stated (December 2016) that the non-procurement of 237 items was due to non-response of suppliers to Rate Contract. Government further stated that the Corporation was directed to address the issue of non-procurement of items for supply to health facilities.

### 2.4.2.2 Delay in extension of RC agreements

Although validity of old rate contracts for 2013-14 and 2014-15 for supply of 191 items of drugs and medicines had expired by January (86 items), April (45 items) and November (60 items) 2015, permission for extension of the validity periods (up to July 2016) was not accorded till January 2016. In the meantime, though the validity of tenders did not exist, the Corporation had issued purchase orders to suppliers.

Consequently, 197 purchase orders placed during 2014-16 for supply of drugs and surgical items (cost: ₹12.17 crore) had not been executed by 85 supplier firms on the plea that costs, prices and rates have increased which would result in loss to them. The year-wise details are given in the Table below.

**Table-2.2**

Year	No. of Purchase Orders not acted upon by the supplier firms during 2014-16							
	Drugs and medicines				Surgical items			
	No. of POs	No. of items	No. of firms	Value (₹ in crore)	No. of POs	No. of items	No. of firms	Value (₹ in crore)
2014-15	69	58	28	5.10	18	18	12	0.34
2015-16	82	70	35	6.26	28	27	10	0.47
<b>Total</b>	<b>151</b>	<b>128</b>	<b>63</b>	<b>11.36</b>	<b>46</b>	<b>45</b>	<b>22</b>	<b>0.81</b>

Source: Records of Corporation PO: Purchase Order

The Corporation responded (November 2016) that since the validity of rate contract had lapsed it was unable to initiate the action against the defaulters.

Thus, ineffective contract management resulted in a number of essential drugs not being supplied (refer paragraph 2.4.3.1 *infra*)/belatedly supplied to health facilities, thereby depriving the patients of timely availability of essential medicines.

During Exit Conference, Government attributed (December 2016) the delay in extending the old contracts to bifurcation of the State in June 2014.

### 2.4.2.3 Communication of rate contract details

As per the Procurement Policy (2009) guidelines, the details of award of contract/rate contract should be communicated to all the HoDs, Superintendents of all hospitals, Director General, Drugs Control Administration, etc., besides publishing the same on the website of the Corporation.

It was however, seen in Audit that details of rate contract were neither communicated to hospitals nor published on the Corporation website during 2014-16. Specific reply was not forthcoming from the Corporation in this regard.

### 2.4.2.4 Shelf-life of drugs and medicines

As per the Procurement Policy (2009) guidelines, for the products with a shelf-life of three years or more, shelf-life of two years upon arrival was to be stipulated in bid document whereas for products with a shelf-life of less than three years, the remaining shelf-life upon arrival must be at least 80 per cent.

Audit scrutiny of records at CMSs, Adilabad, Hyderabad and Warangal, however, showed that nine items of drugs and medicines (cost: ₹1.27 crore), having less than 80 per cent of shelf-life, had been received.

Table-2.3

CMS	Period	No. of items of drugs	Cost (₹lakh)	Shelf-life (range)
Adilabad	2012-16	5	5.32	75% - 46%
Hyderabad	2014-15	3	107.18	73% - 51%
Warangal	2015-16	1	14.94	72%
<b>Total</b>		<b>9</b>	<b>127.44</b>	

Source: Records of CMSs

The EEs, CMSs, Hyderabad and Warangal replied (August/October 2016) that shorter shelf-life drugs were accepted after receipt of permission from the Corporation and issued to hospitals. It was further stated that since the drugs were life saving and of emergency nature, the shorter shelf-life drugs were accepted.

The fact remained that, the intent of guidelines to ensure potency of drugs (at the time of issue) had been flouted.

#### 2.4.2.5 Acceptance of drugs without maximum permissible level of active ingredients

As per the tender condition (Inspection and Quality test certificate) of bid document (February 2015) for rate contract for 2015-16, the drugs procured should be composed of the active ingredients at a prescribed optimal level, so as to ensure that the required level of the active ingredient is retained throughout the shelf-life.

From the in-house Quality Control (QC) reports furnished by 14 firms, it was observed that 16 items of drugs and medicines (costing ₹1.28 crore) were accepted by the CMSs Adilabad and Hyderabad even though the level of active ingredients was below the stipulated level.

In reply (September 2016) the Corporation stated that the medicines were within a specific range of percentage and were permissible. The reply was not acceptable as the drugs should have active ingredients at the prescribed optimal levels, as per the tender conditions, so as to maintain the required potency throughout the shelf-life.

During Exit Conference, Government accepted the audit observation and stated that the Corporation had been directed to address the issue by modifying the tender conditions as per Drugs and Cosmetics Act, 1940.

#### 2.4.2.6 Decentralized Procurement of drugs/medicines and surgical items

As per the Procurement Policy (2009 and 2012) guidelines, out of the total budget allotted to each health facility, 10 per cent (drugs) and 5 per cent (surgical) were to be earmarked for the various health facilities under the control of Director of Health; 10 per cent (drugs) and 20 per cent (surgical) in respect of Vaidya Vidhana Parishad and 20 per cent (both for drugs and surgical items) in respect of Director of Medical Education, for meeting emergency local requirements in a decentralised procurement system to overcome deficient supply of essential medicines and surgical items under centralised procurement (by the Corporation). The procurement procedure should be transparent to ensure effective contract management and to guarantee the quality of medicines procured.

Audit scrutiny of records of test-checked hospitals showed the following findings:

- (i) In three test-checked hospitals, although significant volume of drugs and surgical items (cost ₹1.58 crore<sup>15</sup>) had been procured through decentralised procurement system during 2011-16, the hospital authorities did not adopt the rate contract. Thus, transparency of procurement and guarantee of quality of medicines procured was not ensured.

Hospital authorities accepted the audit observation and assured (July – August 2016) that, in future, the rate contract system would be followed for all the drugs and surgical items included in the EML/AML.

- (ii) Government stipulated (September 2013) that before purchasing the essential drugs under decentralised procurement, non-availability certificate should be obtained by the hospital authorities from the CMS concerned.

In three test-checked hospitals, although significant expenditure was incurred towards purchase of drugs/medicine (₹5.25 crore<sup>16</sup>) and surgical items (₹1.47 crore<sup>17</sup>) through the decentralised procurement system during 2011-16, there was no proper system of confirming/acknowledging the non-availability of items of drugs/surgical items with the CMS concerned before procurement of such essential items locally.

Hospital authorities accepted that specific non-availability certificates were not issued and stated (July/September 2016) that in the event of any item of drug not being available with CMS, the CMS would indicate the same by impressing a cross mark/stamp on the indents.

In the absence of proper system of ascertaining non-availability of drugs from CMSs, the contention of the hospitals/other health facilities that procurement (made at rate comparatively higher than the rates adopted by the Corporation) was made to overcome supply deficiencies of essential medicines under centralised procurement, was not tenable.

- (iii) As per the Commissioner's instructions (May 2011), Civil Dispensaries<sup>18</sup> functioning under Vaidya Vidhana Parishad were to obtain medicines in generic form from Jeevandhara/CMSs and in case of non-availability with the source, medicines were to be procured from the approved local pharmacy.

Contrary to the stipulation, Civil Dispensary at Old MLA quarters, Hyderabad had procured (2011-16) branded medicines (cost: ₹4.61 crore) from the various notified firms for distribution to VIPs. In the absence of original invoices/receipts, the loss on this account could not be assessed and quantified in Audit.

<sup>15</sup>RIMS, Adilabad: ₹1.09 crore; AH, Manchiryal: ₹0.16 crore; and GMH, Petlaburj: ₹0.33 crore

<sup>16</sup>Osmania General hospital: ₹4.90 crore and Niloufer hospital: ₹0.35 crore

<sup>17</sup>Osmania General hospital: ₹1.14 crore and GMH, Petlaburj: ₹0.33 crore

<sup>18</sup> Civil Dispensaries with clinical speciality of Medical Officer in General Medicine are located in Old & New MLA Quarters, High Court and Secretariat to cater the medical needs of the Ministers, MLA's and MLC's (including ex-MLA's and ex-MLC's), High Court Staff and All India Service Officers including Secretariat Staff. The said dispensaries provides medicines to all the eligible beneficiaries through supplying agencies selected by the DCHS Hyderabad through tender system

Medical Officer (MO) of the Dispensary replied (September 2016) that the VIPs were not accepting generic drugs and were insisting only on branded medicines. The contention of the MO was, however, not in consonance with the extant Government instructions.

- (iv) Contrary to the Procurement Policy (2009), TVVP had entered into an agreement with firms/suppliers who offered discount on the Maximum Retail Price (MRP). As per the terms and conditions, the contractor/supplier was to bear all taxes, VAT, etc., as required under law, on aforesaid supplies.

Contrary to these conditions, the Civil Dispensary authorities at Secretariat and Old MLA quarters had paid the amounts as per the invoice (basing on the consolidated monthly invoice) after deducting the prescribed discount. The invoice amount paid included the taxes to be borne by the supplier. Thus, an amount of ₹45.45 lakh pertaining to taxes was also paid to suppliers.

Further, the medicines received were immediately issued to the patients and there was no noting of MRP in the stock registers. It was further observed that there was no attestation or certification of the entries in the stock register by the Medical Officer and the MRP stated by the supplier in the invoices was taken as final.

In the absence of original invoices/receipts the element of payment of tax by the supplier to the respective authorities could not be ascertained, even though the same was paid by Government.

#### **2.4.2.7 Procurement of reserve items from Small Scale Industries**

Government had stipulated (July 2012) that reserve items such as I.V. sets, absorbent cotton, bandage cloth, glaze cloth, roller bandages should be procured from Small Scale Industries (SSI), based on the Government instructions issued from time to time.

Audit, however, observed that in Osmania General hospital, contrary to Government instructions, I.V. sets, absorbent cotton, roller bandage, etc., were procured (2011-16/ cost: ₹13.18 lakh) by the hospital from supplier firms instead of from SSI units.

Superintendent of the hospital accepted the Audit observation and stated (August 2016) that in future the hospital would place the purchase orders on SSI units which were ready to supply as per the Government norms.

#### **2.4.3 Distribution of drugs, medicines and surgical items**

The principal objective of the Procurement Policy (2009) was to ensure timely availability of required medicines at all health facilities. The Corporation was responsible for ensuring that adequate quantities of medicines were available at all the hospitals and health centres in the State at all times. On the basis of purchase orders placed by the Corporation, the supplier firms directly supplied the requisitioned drugs and surgical items to CMSs in each district. The drugs and surgical items were stored in the warehouses and were issued to the health facilities as per the indents placed by them.

Audit scrutiny of records showed the following.

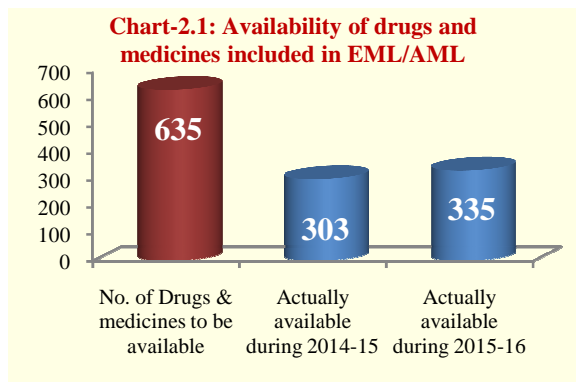
### 2.4.3.1 Availability of drugs, medicines and surgical items

All items of drugs and medicines included in the EML were to be available at all the health facilities as per need and those included in AML were to take care of specific requirements of certain specialities and super-specialities.

#### (i) Drugs and medicines

In all the 10 CMSs in the State, against 635 items of essential drugs included (December 2013 and May 2014) in the EML and AML only 303 (48 per cent/2014-15) and 335 (53 per cent/2015-16) items of drugs and medicines were available.

Audit further observed that during 2015-16, out of 635 listed items of essential drugs, no arrangements were made for procuring 237 items. For the remaining 398 items of drugs, even though the rate contract (RC) existed (new RCs: 207 and extension of old RCs: 191), only 335 items were available in the State. The short availability of drugs was attributed by the Corporation to non-execution of purchase orders by the supplier firms, especially whose rate contracts were extended for supply of drugs (refer para 2.4.2.2 also).



Source: Records of Corporation

**Table-2.4**

CMS	No. of items of drugs actually available at the end of the year		No. of items of drugs showed 'Nil' stocks at the end of the year	
	2014-15	2015-16	2014-15	2015-16
Adilabad	177	198	126	137
Hyderabad	221	255	82	80
Karimnagar	146	157	157	178
Khammam	126	164	177	171
Mahabubnagar	144	169	159	166
Medak	131	160	172	175
Nalgonda	160	158	143	177
Nizamabad	155	179	148	156
Ranga Reddy	161	163	142	172
Warangal	209	209	94	126

Source: Records of Corporation

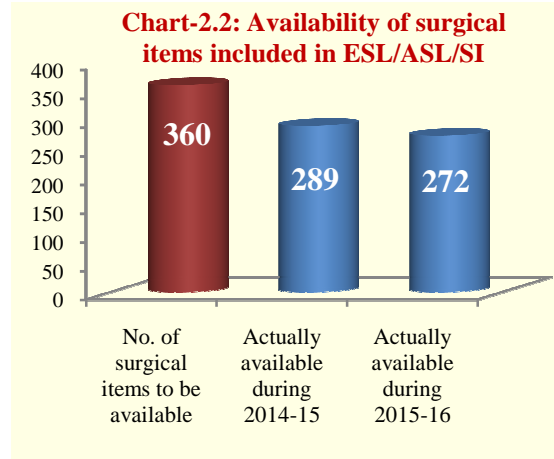
In the CMSs, even out of the 303 (2014-15) and 335 (2015-16) items of drugs available in the State, a number of essential items of drugs were not actually available with them as shown in Table-2.4.

It can be seen from the Table that although three months' buffer stock was to be maintained at CMS level, they reported 'Nil' stocks in respect of as many as 80 to 178 items of drugs at the end of the years 2014-15 and 2015-16.

#### (ii) Surgical and Consumable items

Audit analysis of data furnished by the Corporation showed that all the 360 essential surgical items included in the ESL and ASL were not available with all the CMSs in the State as detailed in the Chart-2.2.

It could be seen from the Chart alongside that in all the 10 CMSs in the State, 289 (80 per cent/ 2014-15) and 272 (76 per cent/2015-16) of surgical items were available out of 360 items included (February 2014) in the ESL and ASL. Among the districts, the availability ranged from 148 items (Warangal) to 202 items (Hyderabad) during 2014-16. Nil stocks were reported at CMS level in respect of 75 items (Hyderabad) to 140 items (Medak) at the end of the years 2014-15 and 2015-16. District-wise details are shown in *Appendix-2.2*.



Source: Records of Corporation

The Corporation attributed (October 2016) the non-availability/non-maintenance of buffer stock of essential medicines to the suppliers not providing certain items of drugs, besides over consumption of drugs due to seasonal outbreaks and unforeseen diseases in the State. The Corporation had not, however, indicated the steps taken by it to ensure supply of all the medicines.

**(iii) Availability of drugs and surgical items at hospital/health centres**

Government had stipulated (December 2013) that as per the accessibility criteria of the medicines by the health facilities specified in the EML/AML all essential drugs should be available at all health facilities in the State at all times of the year.

Audit scrutiny of stock records at 11<sup>19</sup> test-checked CHCs and PHCs in Adilabad and Hyderabad districts showed that a significant number of essential drugs were not available during 2011-16 as shown in Table below:

**Table-2.5**

CHCs	Against 283 items of drugs to be available, actual no. of items of drugs available (Range)	PHCs	Against 157 items of drugs to be available, actual no. of items of drugs available (Range)
Khanapur	81 – 104	Thanoor	29 – 42
Mudhole	29 – 132	Kunthala	55 – 65
Jainoor	39 – 94	Dahegaon	36 – 62
Jangammet	32 – 87	Panjasha-II	79 – 88
CD, Secretariat	44 – 56	Bagh Amberpet	73 – 77
CD, Old MLA quarters	29 – 40		

Source: Records of test-checked PHCs/CHCs

CD: Civil Dispensary

Thus, the objective of the Procurement Policy to make available all the essential drugs at the right time in the hospital remained unachieved, thereby forcing the patients to purchase medicines on their own.

<sup>19</sup> Details were not available for UPHC, Karwan-II, Hyderabad (where services of Medical Officer were absent since February 2014) and six test-checked CHCs and PHCs in Warangal district

During Exit Conference, Government, while accepting the audit observation with regard to the gap between availability of drugs and surgical items, assured that the availability would be suitably increased as per requirement of hospitals and that the problem would be resolved in future.

### 2.4.3.2 Maintenance of minimum stock levels

Procurement Policy stipulated that stocks required for at least three months (at CMSs level), one month (at Hospital level) and one week (Pharmacy level) should be maintained at all times. Whenever the stocks went below the aforesaid levels, it was the responsibility of the Corporation to replenish the same either by cross movement or by fresh procurement. The Corporation was to design and establish an appropriate system of forecasting demand for each medicine in each health facility in advance to enable timely replenishment.

In this connection, Audit observed the following:

- (i) In three test-checked CMSs, although three months' buffer stock was to be maintained, several items of drugs and medicines went out of stock repeatedly and there were delays in replenishing of the exhausted stock/cases of stock remaining unrefilled during the period 2011-16 in CMSs Adilabad (21 items), Hyderabad (40 items) and Warangal (13 items). The status of replenishment of exhausted items of drugs and medicines was as shown in Table below.

**Table-2.6**

CMS	Period	No. of items went out of stock	No. of instances where the items of drugs went out of stock	No. of instances where there was delay in supply of exhausted items		No. of instances where exhausted items had not been replenished
				< 3 months	> 3 months	
Adilabad	2011-15	21	57	33	18	6
Hyderabad	2011-15	40	102	67	19	16
Warangal	2014-16	13	25	4	15	6

Source: Records of CMSs

Executive Engineer (EE), CMS, Hyderabad replied (July 2016) that due to demand of the drugs and medicines by the hospitals, the buffer stock of those items could not be maintained.

In the absence of requisite buffer stock at CMSs, either the hospitals had to procure them locally at higher prices or critical medicines went out of stock at hospitals, forcing patients to source them from the market at higher price.

- (ii) In 27 (i.e., except UPHC<sup>20</sup>, Karwan-II) out of 28 test-checked hospitals and health centres, although one month's buffer stock was to be maintained, several items of drugs were exhausted during the period 2011-16.

Hospital authorities replied (July – September 2016) that due to non-supply of all the essential items of drugs and medicine included in EML and AML by CMSs, the hospitals could not maintain buffer/minimum stock of all essential drugs as stipulated.

<sup>20</sup>Where no medical officer was available since February 2014



- (iii) In CMSs, Adilabad and Hyderabad, stocks of 12 items<sup>21</sup> of drugs (Cost: ₹3.76 crore) were maintained at higher than required levels (i.e. three months' buffer stock) during 2014-16.

CMS, Adilabad replied (August 2016) that the Corporation had placed purchase orders and supplied nine items of drugs without any indent and action would be taken to maintain the required stocks in future.

### 2.4.3.3 Supply of drugs without/over and above indents

Table-2.7

(₹ in lakh)

- (i) The Corporation had specifically instructed (September 2014) all the CMSs to submit the requirement of 39 items of surgical and consumable items for 2014-15, duly obtaining clear indents from concerned hospitals under the control of DoH, DME and TVVP. In the three test-checked CMSs,

CMS	Indented value	Supplied by Corporation	Excess supply
Adilabad	4.88	9.79	4.91
Hyderabad	188.15	325.85	137.70
Warangal	39.39	65.09	25.70
<b>Total</b>	<b>232.42</b>	<b>400.73</b>	<b>168.31</b>

Source: Records of CMSs

Audit observed that although the CMSs had submitted the indents for the same, the Corporation had supplied more surgical items (cost: ₹4.01 crore) than the indenting quantity (cost: ₹2.32 crore) i.e., even without considering the indents of the CMSs. As a result, various surgical items (cost: ₹1.69 crore) were lying with CMSs as of August 2016 without being supplied to health facilities.

EEs, CMSs confirmed (August 2016) that the excess surgical items had been supplied by the Corporation over and above the requirement projected by them.

- (ii) The Corporation procured (October 2015) 110 injections (Rituximab – 'r-DNA origin' which was included in AML) intended for Cancer treatment (cost: ₹20.56 lakh) without any need assessment and without requisition from super-speciality and advanced speciality institutions and the same was supplied to CMS, Hyderabad.

The Corporation, while accepting the audit observation, stated (October 2016) that due to non-receipt of indents by CMS, Hyderabad from the hospitals the injections could not be used during 2015-16. It was further stated that out of the above, injections worth ₹12 lakh had been transferred to CMS, Khammam in May 2016 and the Corporation had been apprised about the remaining stock.

### 2.4.3.4 Improper supply of essential medicines and surgical items

As per the Government stipulation (December 2013), supply of medicines to PHCs and UPHCs should be limited to those listed as 'Universal' (U) and CHCs and Area Hospitals, Urban Dispensaries (UCHCs) should utilise those medicines listed in the EML as 'Universal' (U) and 'Secondary' (S). The tertiary hospitals such as teaching, district and super-speciality hospitals would, however, have access to all medicines included in the EML while the medicines included in AML would be for the exclusive use of super-speciality and advanced speciality institutions.

<sup>21</sup>Hyderabad: three items of drugs (Cost: ₹3.50 crore) and Adilabad: nine items of drugs (Cost: ₹0.26 crore)

Audit observed improper supply of medicines and surgical items at three test-checked CMSs as discussed below.

- (i) CMS, Adilabad, contrary to the Procurement Policy (2009), had issued medicines and surgical items (cost: ₹20.84 lakh) included in the AML, ASL, T (Tertiary) and S (Secondary) category in EML to PHCs; to CHCs (AML, ASL, T); Area hospital, Manchiryal (AML); and RIMS, Adilabad (AML/ASL) during 2014-16.
- (ii) In CMS, Warangal, 34 items of medicines included in S category of EML were issued to PHCs and 14 items included in T category of EML were issued to PHCs, CHCs and Area hospitals during 2014-16 (cost: ₹48.97 lakh). Further, medicines (cost: ₹41.43 lakh) included in AML were issued to various health facilities without any requirement for super-speciality or advanced speciality health care services.

EEs, CMSs replied (July/August 2016) that, based on the indent and prescription of the Medical Officers/doctors of the PHCs/CHCs/hospitals, the medicines beyond the eligible categories were issued. It was further stated that the Corporation had procured and supplied medicines (cost: ₹41.43 lakh) included in AML without any indent. The reply of the EEs was not acceptable as drugs and medicines could only be issued to the health facilities by taking into consideration the health services being provided by them as specified in the approved medicines list.

The above points were indicative of the fact that the Corporation had failed to monitor availability of stocks on real-time basis and to ensure cross movement of stocks in response to the requirement of other CMSs/health facilities.

#### **2.4.3.5 Real-time Inventory Management System**

Procurement Policy guidelines had envisaged that a Real-time Inventory Management System would be established by the Corporation, to indicate the availability of stocks of medicines at all the hospitals and PHCs on a real-time basis for use by both the officials of the Corporation as well as the health facilities. Besides, the system should also enable a two-way communication and/or work flow system to assess and communicate the requirement in the event of medicines getting exhausted earlier than the estimated time due to heavy demand, over stocked medicines due to slow movement/demand, etc.

Audit, however, observed that Real-time Inventory Management System, as envisaged, had not been established by the Corporation as of October 2016. In the 27 test-checked hospitals, Audit observed instances of non-availability of essential medicines and surgical items (as discussed in para 2.4.3.2 *supra*) and in three test-checked CMSs, there were 81 items of drugs and medicines lying idle without utilisation/movement to other required CMSs for over a year (as discussed in para 2.4.1 *supra*).

The Corporation replied (October 2016) that a Real-time Inventory Management System linking the Corporation, CMSs and peripheral health facilities for online consolidation of indents and inter-store/inter-hospital transfer of drugs was under implementation stage.

Thus, even after the lapse of over seven years since the implementation of revised Procurement Policy, the Corporation was unable to assess the availability and requirement of stocks of drugs/medicines and surgical items at various health facilities on real-time basis.

### 2.4.3.6 Transportation of medicines and surgical items to health facilities

Procurement Policy (2009) had stipulated that the Corporation should arrange to supply medicines systematically to all the health facilities through a specified route on pre-specified dates for each hospital/PHC. Further, the Corporation should establish appropriate transportation and logistics arrangements to deliver the medicines indented by each health facility at its door step.

Audit scrutiny of records at three test-checked CMSs showed that there was no system of delivery of medicines indented by each health facility at its door step until 2015<sup>22</sup>. The hospitals were making their own arrangements to transport medicines and surgical items from CMSs. Even after covering all the hospitals under the system of distribution of drugs and surgical items through Postal vehicles during 2015, in 15<sup>23</sup> out of 28 hospitals, the hospital authorities had to make their own arrangements for obtaining required medicines and surgical items from the CMS concerned by incurring expenditure.

During Exit Conference, Government, while accepting (December 2016) non-availability of sufficient arrangements to transport medicines and surgical items from CMSs to health facilities, stated that the Corporation had been advised to increase the number of vehicles for CMSs.

### 2.4.4 Usage and supply of drugs and medicines in health facilities

Procurement Policy (2009) stipulated that all the doctors should adopt rational prescription method while treating patients and conducting procedures and surgeries. They should also adhere to the EML and AML to the extent consistent (except in specific cases for valid reasons) with the requirement of patient care. The drugs and medicines would be issued for Out Patient Departments (OPD) and hospital wards by the sub-store of the hospital, based on the doctors' prescription.

#### 2.4.4.1 Doctor's prescription slips

- (i) Audit scrutiny of records at OPD of 21<sup>24</sup> test-checked hospitals, however, showed that the doctor's prescription/issue slips tendered by the patients at sub-store of the hospital did not contain OPD number, details of patient and quantity of medicines to be issued and even doctor's signature in many instances. The prescription/issue slip (being a small piece of paper) did not have uniform format, size and hospital logo/details.

Due to absence of detailed doctor's prescription/issue slip, the issue register maintained at OPD did not contain any details of patients to whom medicines were issued and the details/quantity of medicines issued to patients, etc. After issue of

<sup>22</sup>Hyderabad: Up to June 2015, Warangal: August 2015 and Adilabad: December 2015

<sup>23</sup>Adilabad: AH, Manchiryal; CHCs, Jainoor, Khanapur and Mudhole; PHCs, Dahegaon, Kunthala and Thanoor; Hyderabad: Osmania General hospital; CHC, Jangammet; UPHCs, Bagh Amberpet, Karwan-II and Panjasha-II; Warangal: CHCs Cherial and Wardhannapet; PHC, Raghunadhapalli

<sup>24</sup>Adilabad: RIMS, Adilabad; AH, Manchiryal; CHCs, Khanapur, Jainoor and Mudhole; PHCs, Kunthala and Dahegaon; Hyderabad: Osmania General hospital; Gandhi hospital; GMH, Petlaburj; Niloufer hospital; SRRIT&CD hospital; CHC, Jangammet; Civil Dispensary, Old MLA quarters; UPHC, Bagh Amberpet; Warangal: MGM hospital, Warangal; GMH, Hanamkonda; CKM Maternity hospital, Warangal; CHCs, Cherial, Mulugu and Wardhannapet

medicines the prescription/issue slips were being returned to patients without any noting on it indicating 'drugs were issued'. Evidently, in the absence of details and proper system of distribution, issue of medicines only to the intended patients with prescribed quantity was not ensured by the hospitals.

Hospital authorities attributed (July – September 2016) the non-maintenance of proper details of issues/register of drugs and medicines to shortage of Pharmacists/ other staff and heavy rush of patients. It was further stated that action would be taken for maintenance of the proper format of doctor's prescription and issue register, duly noting thereon the details of patients and drugs issued to them.

- (ii) As per the instructions (October 2015) of Commissioner, TVVP no medical indent was to be entertained without proper legible prescription from the Medical expert. Further, indent for medicines depending on prescriptions duly attested by the Medical Officer-in-charge should be recorded and the same should be projected in the order copy prepared by the pharmacist for indent.

A test-check of indents sent by staff for supply of medicines for the month of December 2015 in the Civil Dispensary, Secretariat showed that the Dispensary was supplying medicines without medical prescription of beneficiary and based on the indent given by sub-ordinate officials on behalf of the patient. On the issue being pointed out in Audit, Medical Officer assured (September 2016) that, henceforth, the dispensary would insist on prescriptions from doctors.

- (iii) Commissioner, TVVP had instructed (October 2015) that Medical Officers (MOs) of the Civil Dispensaries should maintain the names of the beneficiaries with their ID and display the same in the dispensaries.

Contrary to the instructions, the Civil Dispensaries (at Secretariat, Old & New MLA quarters, Hyderabad) were not maintaining the database of beneficiaries and their dependents i.e., the particulars of employees (including All India Service Officers).

The MOs and Civil Surgeon at Old MLA quarters replied (September 2016) that the relevant data was not made available by the Commissioner/Government. It was further stated that, they were honouring the indents based on the identity card and covering letters.

There was also no recorded evidence of the Medical Officer having addressed the Commissioner/Government in this regard. In the absence of the database, the genuineness of issue of medicines to genuine beneficiaries could not be assessed.

#### **2.4.4.2 Irrational prescription of medicines**

Coagulation testing is intended for diagnosis of haemostasis system to measure blood's ability to clot, as well as the extent of time it takes. Laboratory testing helps doctors to assess blood coagulation factor I to XIII and the risk of excessive bleeding or developing clots. Based on such test reports, required doses of medicines are administered to patients.

Audit scrutiny of records at the Osmania General hospital and Gandhi hospital (both in Hyderabad) showed that neither any coagulation laboratory facility was available at the

hospitals nor was there any evidence to the claim (August 2016) of hospital authorities that requisite doses were being administered based on the reports (on coagulation factor levels) obtained by the patients from outside labs. However, the doses of factor VII to IX (cost: ₹9.31 crore) were stated to have been utilised for patient care in the two hospitals during the period 2013-16.

Further, it was observed that in Gandhi hospital, nine doses of factor VII (cost: ₹3.91 lakh) were administered within two succeeding days (29<sup>th</sup> and 30<sup>th</sup> October 2015) to a lone patient who left the hospital against medical advice (LAMA) on the same day and was admitted the next day on different registration number and had again left (LAMA) the hospital on the same day.

In the absence of proper mechanism to insist on test reports based on which requisite doses of factor were to be administered, there was no assurance that the medicines were utilised for intended patients.

During Exit Conference, Government stated that the Corporation had been asked to address the issue to the concerned Heads of Department in this regard.

#### **2.4.5 Storage of drugs, medicines and surgical items**

The Procurement Policy (2009) had stipulated that the Corporation should take steps to establish a scientific storage system by constructing professionally designed warehouses in all the districts. It should also develop and adopt good warehouse management practices and internal supervising system.

Audit conducted joint physical verification (along with Pharmacist concerned) of warehouses maintained at three test-checked CMSs, Adilabad, Hyderabad and Warangal and observed the following:

##### **2.4.5.1 Insufficient storage space**

- (i) In all the three test-checked CMSs, Audit noticed that the provision of space and storage arrangements for large quantities of various drugs/medicines and surgical items were inadequate. Due to insufficient space, cartons/boxes containing drugs which were supposed to be accommodated in properly arranged racks in the concerned units, however, were being dumped in corridors (even in toilets at CMS, Warangal as shown in the photograph alongside).



**Stock of drugs and medicines being accommodated in toilet at CMS, Warangal**

There were no proper arrangements of racks for storage in warehouses and, as a result, eight to ten cartons/boxes were kept in a vertical row (sometimes up to roof level) thereby causing damage to the drugs kept in the bottom row. Further, since drugs and medicines supplied in previous batches were being mixed with fresh stocks, there was no assurance that FEFO (First Expiry First Out) system as stipulated in the Procurement Policy, was being followed. In CMS, Warangal, expired drugs were accommodated along with regular supply drugs in freezing.



**Inadequate storage arrangements at CMS, Warangal**



**Drugs damaged due to insufficient storage facilities at CMS, Warangal**

The EEs, CMSs accepted the audit observation and stated (July/August 2016) that TSMSIDC was apprised of the fact and action would be taken for proper storage of drugs and surgical items.

- (ii) In 16<sup>25</sup> out of 28 test-checked hospitals, the space provided for storage of drugs and surgical items was insufficient, due to which many cartons of drugs received from CMS had been lying in the corridors. Hospital wards were also being utilised for storage purpose (Manchiryal). In eight<sup>26</sup> test-checked hospitals, it was observed that stocks of medicines which were not to be issued/temporarily prohibited as per the instructions of the Quality Control Wing and not of standard (NS) quality medicines were not kept away separately and such stocks were being stored along with other regular injections/medicines, leading to the risk of mixing up the same with regular medicines being utilised for patient care.

Hospital authorities replied (July – September 2016) that action would be taken to arrange the drugs and surgical items in a systematic/controlled environment and keep the temporarily prohibited injections away.

#### **2.4.5.2 Cold storage facilities**

Cold storage facilities are critical for maintaining the reliability of medicines as improper storage temperature and humidity levels may cause degradation of medicines.

- (i) In CMS, Warangal, due to non-functioning of all the four ACs in cold storage, drugs including life saving drugs, which were required to be kept in controlled temperature, were being stored at normal temperature. In CMS, Adilabad, there was no system of recording hourly temperatures maintained in walk-in cooler to ensure preservation of medicines at the right temperature. There was no power backup system for uninterrupted power supply to cold storage facilities and walk-in cooler.

The EE, CMS, Warangal replied (August 2016) that action would be taken for restoring the AC systems in the cold storage.

<sup>25</sup>Adilabad: RIMS, Adilabad; AH, Manchiryal; CHCs, Khanapur, Mudhole and Jainoor; PHCs Kunthala and Dahegaon; Hyderabad: Gandhi hospital; GMH, Petlaburj; Niloufer hospital; SRRIT&CD hospital; Warangal: MGM hospital, Warangal; GMH, Hanamkonda; CKM Maternity hospital, Warangal; CHCs Wardhannapet and Cherial

<sup>26</sup>Adilabad: RIMS, Adilabad; AH, Manchiryal; CHCs, Khanapur and Mudhole; PHC, Dahegaon; Warangal: GMH, Hanamkonda; CKM Maternity hospital, Warangal; and CHC, Cherial

- (ii) In 13<sup>27</sup> out of 28 test-checked hospitals, although certain medicines were required to be stored in controlled environment, there were no adequate arrangements for cold storage, exposing medicines to the risk of degradation.

Hospital authorities replied (July – September 2016) that action would be taken to maintain adequate controlled environment for storage of medicines.

### 2.4.5.3 Arrangement of Fire fighting equipment

In three test-checked CMSs, although huge stocks of drugs and surgical items were being maintained at warehouse by CMS for supplying to various health facilities, there was no arrangement for smoke/fire alarms and fire extinguishers for detecting and initiating immediate action in case of fire accidents. As a result, essential and valuable drugs and surgical items intended for patient care were exposed to risk.

### 2.4.5.4 Physical verification of stock

As per Government instructions (November 1992), physical verification was to be done for each item of stores and stock at least once in a year before close of the financial year and 100 *per cent* verification should be done as precisely and as correctly as possible.

Audit observed the following:

- (i) In the three test-checked CMSs, a committee consisting of District Medical & Health Officer, District Coordinator of Hospital Services and Superintendent of DME hospital/EE, TSMSIDC had conducted (2011-16) random physical verification of stocks instead of 100 *per cent* verification. It was observed in CMS, Adilabad, that the inspecting committee had verified (December 2015 and February 2016) only five out of 185 items of drugs and medicines available at CMS.
- (ii) In 11<sup>28</sup> out of 28 test-checked hospitals and health centres, annual physical verification of stock of drugs/medicines and surgical items had not been conducted during the entire period (2011-16) covered in Audit.

In Osmania General hospital and Gandhi hospital the verification of stock was done up to 2013-14 only and it could not be conducted further due to shortage of staff.

- (iii) Although the Financial Code prescribed obtaining of security/fidelity bonds from the Government servants handling office cash/stores, in three test-checked CMSs and 15<sup>29</sup> out of 17<sup>30</sup> test-checked hospitals, such security bonds had not been obtained.

<sup>27</sup>Adilabad: RIMS, Adilabad; CHCs, Khanapur, Mudhole and Jainoor; PHC, Kunthala; Hyderabad: Gandhi hospital; GMH, Petlaburj; Niloufer hospital; SRRIT&CD hospital; Warangal: MGM hospital, Warangal; CKM Maternity hospital, Warangal; CHCs Wardhannapet and Cherial

<sup>28</sup>Adilabad: CHCs, Khanapur, Mudhole and Jainoor; PHCs Thanoor, Kunthala and Dahegaon; Hyderabad: Niloufer hospital; GMH, Petlaburj; UPHC, Bagh Amberpet; Osmania General hospital (2014-16); and Gandhi hospital (2014-16)

<sup>29</sup>Adilabad: RIMS, Adilabad; CHCs, Jainoor, Khanapur and Mudhole; PHCs, Dahegaon, Kunthala and Thanoor; Hyderabad: Gandhi hospital; Niloufer hospital; GMH, Petlaburj; Warangal: GMH, Hanamkonda; CKM Maternity hospital, Warangal; CHCs Cherial, Wardhannapet and Mulugu

<sup>30</sup>Details were not made available to Audit in respect of 11 test-checked hospitals and health centres

## 2.4.6 Quality of drugs and medicines

The Procurement Policy (2009) had emphasised that ensuring quality of medicines was one of its prime objectives. The samples of drugs from each batch should be sent for quality control (QC) checks through the QC wing of the Corporation. The analytical laboratory should furnish the test reports within 15 days (Tablets, Capsules, Ointments, etc., – non-sterile products), 28 days (I.V. fluids and injection, etc., – requiring test for sterility and surgical items) from the receipt of the sample. Only after it was cleared in the quality testing, the batch should be released for distribution.

The Corporation had deployed (July 2014) six quality testing laboratories for undertaking QC tests of drugs and surgical items for an initial period of one year, which was subsequently extended for another year i.e., up to July 2016. The following are the audit observations.

### 2.4.6.1 Non-acquisition of QC test reports

Audit scrutiny of records at QC wing of the Corporation showed that there was no recorded evidence to show that samples from all the batches of all drugs procured had undergone QC testing before they were distributed to health facilities. Details of items of drugs and surgical items procured during 2015-16 *vis-à-vis* the samples sent for QC testing are given in the Table below.

**Table-2.8**

	Drugs	Surgical items
Total number of items of drugs and surgical procured during 2015-16	259	85
Total number of items of drugs and surgical for which samples sent to the empanelled laboratories for QC test	193 (75%)	76 (89 %)
Total number of items of drugs and surgical for which samples sent to Drugs Control Administration for QC test	14 (5%)	NIL
Total number of items of drugs and surgical not sent for QC test	52 (20%)	9 (11%)

Source: Details furnished by TSMSIDC

Note: The records relating to QC testing of drugs/medicines and surgical items for the period 2014-15 were not made available to Audit

It could be seen from the above table that samples of all the items of drugs, medicines and surgical were not being sent for QC testing (shortfall: 20 per cent/drugs; 11 per cent/ surgical items) for quality assurance.

Audit further observed that in the three test-checked CMSs, Adilabad, Hyderabad and Warangal, all the batches of drugs and medicines were distributed (2015-16) as received from suppliers to health facilities i.e., even before acquiring QC reports from empanelled laboratories and solely relying on the in-house reports. The details of QC reports pertaining to drugs and medicines procured and distributed during 2011-15 were, however, not made available though called for by Audit.

The EEs, CMSs, replied (August 2016) that since drugs were essential for patient care, they were distributed to various health facilities without waiting for QC reports as per the instructions of the Corporation.



Audit, however, observed that even certain life saving drugs and vital medicines could not be tested for quality assurance before they were distributed to various health facilities, as illustrated below.

The Corporation had procured (March 2016) 24,456 bottles (in three batches<sup>31</sup>) of Compound Sodium Lactate Injection IP 500ml (Ringer Lactate solution/cost: ₹2.83 lakh) from a firm and the same were issued by CMS, Hyderabad to various hospitals (including Sarojini Devi Eye Hospital, Hyderabad), based on the in-house QC report of the supplier firm, without ensuring QC report from empanelled laboratories. It was seen in Sarojini Devi Eye Hospital that the medicine was utilised during the surgeries performed on 13 patients on 30 June 2016 and the patients were suspected to have been infected on the next day. Although hospital authorities had provided immediate treatment for all the 13 patients, only six of them had recovered reasonable good vision and the rest of the patients were still under treatment for restoring vision (August 2016). The final analysis report showed that the infection was due to usage of contaminated Ringer Lactate solution during the operations.

The above case is only illustrative. During the two-year period, the Corporation had procured drugs, medicines and surgical items worth ₹237.45 crore and these were distributed (2014-16) by CMSs to various health facilities in the State. Although these are findings emanating from a test-check, it can be concluded that there was no assurance that all the drugs and surgical items were distributed only after acquiring QC reports from the empanelled laboratories as stipulated in the Procurement Policy and that there was no potential risk to patients. Government need to initiate urgent action in order to ensure distribution of medicines to health facilities only after acquiring QC reports.

#### 2.4.6.2 Delay in acquiring QC test reports

As discussed in para 2.4.6, time limit (15/28 days) has been prescribed for acquiring QC test reports from empanelled laboratories. Audit scrutiny of records (2015-16) of QC wing of Corporation showed that there were delays in acquiring QC test reports from the empanelled laboratories as detailed in Table 2.9.

**Table-2.9**

	Tablets, Capsules, Ointments, etc.		I.V. fluids & Injections		Surgical items	
Stipulated period for receipt of QC report	15 days		28 days		28 days	
No. of samples sent for QC test	1955		678		304	
QC reports received within stipulated period	570	29%	321	47%	170	56%
QC reports received beyond stipulated period	1281	66%	261	39%	51	17%
No. of samples yet to be analysed by laboratories	104	5%	96	14%	83	27%

Source: Records (August 2015 to March 2016) of Corporation

It could be seen from the above Table that less than 50 per cent of samples of medicines (Tablets, capsules, ointments, I.V. fluids, injections) and 56 per cent of samples of surgical items could only get QC test reports within the stipulated period.

<sup>31</sup> Batch no (s). 16385, 16386 and 16387

Audit scrutiny of records at CMS, Hyderabad showed that only 515 (87 per cent) samples out of 594 batches of drugs and surgical items received during 2015-16 were sent for QC test by empanelled laboratories; of which QC report for 358 (60 per cent) batches only were received by the CMS, leaving QC reports of 157 (27 per cent) samples yet to be received as of July 2016. The EE, CMS, Hyderabad replied (August 2016) that due to non-receipt of QC reports in time the drugs were distributed to various health facilities as per the instructions of the Corporation.

The Corporation replied (October 2016) that keeping in view the delays in acquiring QC reports from empanelled laboratories and timely availability/essential usage of drugs and medicines in various hospitals, the drugs and medicines were issued before acquiring QC reports, solely relying on the in-house reports of the supplier firms. It was further stated that if any deviation in QC report was observed after issue of drugs, the batch of the relevant drugs would be immediately stopped from usage and penalty/action would be imposed/initiated on the supplier firm.

The contention of the Corporation could not be accepted as Audit observed in certain cases that the drugs were issued and consumed by the hospitals for patient care before communicating the adverse QC report of drugs to the CMSs/hospitals and, at times, the drugs and medicines were accepted by CMSs even without in-house QC test reports, as illustrated below.

<p><b>Ondonsetron 4mg tablets</b></p>	<p>Corporation procured (January 2015) 1,12,500 Ondonsetron 4mg tablets (₹0.11 lakh) from a firm and the same had been distributed to various health facilities during January – March 2015 before acquiring QC report. However, the drug was declared (October 2015) as Not of Standard Quality (NSQ) as per the QC report issued by Government Drug Control Laboratory.</p> <p>Although the Corporation instructed (December 2015) all the health facilities (to whom the drug was supplied) not to use the drug and return to CMS, Audit observed that the drug had already been utilised/issued by most of the hospitals.</p>
<p><b>Enalapril Maleate 5mg tablets</b></p>	<p>In Gandhi hospital, Hyderabad, 51000 Enalapril Maleate 5mg tablets were supplied by CMS, Hyderabad during April – November 2015 before acquiring QC test report. However, the communication with regard to declaration of tablets as NSQ medicine was received (from the Corporation) in the hospital during April 2016. By that time the hospital had already utilised 44,400 tablets for patient care and only 6,600 tablets could be returned to CMS.</p>
<p><b>Acceptance of medicines without in-house QC test reports</b></p>	<p>Although as per clause 15 (Quality Analysis) of purchase order, the supplier should get each medicine tested by its in-house quality control wing and provide a certificate of analysis, in CMS, Adilabad, the medicines (cost: ₹5.43 lakh) were accepted without in-house report from the supplier during the period 2014-16.</p>

Thus, supply of quality medicines for patient care, being one of the prime objectives of the Procurement Policy, was not always ensured by the Corporation.

### 2.4.7 Disposal of expired drugs

As per Rule 4 & 5 of 'The Bio-Medical Waste (Management and Handling) Rules, 1998', it was the duty of every occupier of an institution generating bio-medical waste to take all steps to ensure that such waste was handled without any adverse effect on human health and the environment. Bio-medical waste such as outdated, contaminated and discarded medicines should be disposed off through incineration/destruction/disposal of drugs in secured landfills.

Audit, however, observed that expired drugs (cost: ₹1.21 crore) during the period 2012-16 were lying at all the 10 CMSs in the State without disposal as of March 2016 causing space constraints in the warehouses at CMSs.

In CMS, Warangal, it was observed that due to non-disposal of expired drugs and the existing space constraint the expired drugs were kept along with other regular drugs and medicines and hence the possibility of mixing up the expired drugs and medicines with the regular medicines (intended for distribution to various health facilities), impacting adversely on patient healthcare, could not be ruled out.

## 2.5 Medical Equipment

### 2.5.1 Procurement of Medical Equipment

Indents for purchase of equipment were placed by the respective HoDs as per requirements made by the field units. Orders for supply were to be finalised and placed by Corporation and payments made by it. Specifications of the equipment were prepared by HoDs and submitted to the Corporation along with the necessary administrative approvals. Corporation invited tenders for procurement of the equipment and, after scrutiny by the technical committee<sup>32</sup>, the purchase was finalised and acceptance of tenders issued to successful tenderers. Supply of equipment was made directly to the indenting units and payments made by the Corporation on receipt of supply and installation reports from indenting Hospitals. After formation of the State of Telangana, TSMSIDC had procured equipment worth of ₹87.32 crore during the two year period 2014-16.

Audit scrutinised 37 purchase orders<sup>33</sup> (Purchase Order value: ₹17.53 crore) placed (selected on the basis of the highest purchase values in respect of sampled hospitals) on the supplying firms during the years 2014-16 and observed the following:

#### 2.5.1.1 Lack of Procurement Policy for procurement of equipment

Before embarking on procurement process involving huge expenditure, Government should have a Procurement Policy. Government had, however, not formulated any Procurement Policy in respect of equipment as of October 2016.

<sup>32</sup> Consisting of Principal Secretary of HM&FW Department, Commissioner of Health & Family Welfare, Director of Medical Education, Commissioner, Telangana Vaidya Vidhana Parishad and a nominee from Finance Department

<sup>33</sup> 2014-15: 18 (Value: ₹9.14 crore); 2015-16: 19 (Value: ₹8.39 crore)

Audit observed deficiencies/shortcomings relating to need-assessment, indent mechanism, technology options, specification of equipment, delays in installation and maintenance of equipment, etc., as enumerated in the subsequent paragraphs.

During Exit Conference, Government assured (December 2016) of examining the issue of formulation of Procurement Policy for equipment.

### **2.5.1.2 Non-inclusion of assessed market rate in tender documents**

Superintendent, Gandhi hospital, Secunderabad had indented 50 ventilators (Bellavista 1000) for use in Swine Flu and other cases in September 2015. The Corporation had finalised this indent (approved by Bid Finalization Committee in November 2015) by accepting the unit rate quoted by M/s Seasons Healthcare Ltd. i.e., ₹11.01 lakh and procured 50 ventilators in all from M/s Seasons Health care in February 2016.

Scrutiny of tender documents relating to the purchase of this equipment showed that the Department had assessed the market rate of the equipment as ₹6.50 lakh on the basis of earlier tenders. This rate was, however, not reflected by the Department in the tender document. It was further observed that M/s. Schiller had supplied the same Bellavista 1000 make ventilator to M/s. Astra Ortho and Spine Hospital, Chennai, at a cost of ₹8.50 lakh in May 2015.

When the issue of payment of higher rate was pointed out in Audit, the Corporation stated (June 2016) that the Bellavista 1000 quoted by the bidder was a configurable product and that the pricing of the product would differ depending on the features offered. The Department had not, however, furnished the details of the additional features provided by the supplying firm to justify the payment of ₹11.01 lakh per unit. Incidentally, the rate of the equipment (in question), imported (by the supplier firm<sup>34</sup>) from Switzerland on 22 December 2015 and supplied to the Gandhi hospital, was \$9625.44 (equivalent to ₹6.38 lakh). Hence payment of ₹11.01 lakh for the same equipment was questionable as no specific grounds were quoted in terms of additional features, etc., to justify the cost difference.

Thus, due to not taking into account the market rate in the tender document, Corporation incurred an avoidable expenditure of ₹1.26 crore. Taking into account the total procurement of equipment worth ₹87.32 crore by the Corporation during the period 2014-16, the risk of leakage of a considerable quantum of Government money is flagged by Audit.

During Exit Conference, Government stated that the system followed in other States in this regard would be reviewed and action taken accordingly.

### **2.5.1.3 Renewal of Performance Guarantee**

Clause 4.1 of Special Conditions of the Contract stipulated that Performance Security of 5 per cent of the Contract Value was to be collected by TSMSIDC and it would be valid up to 60 days after the date of completion of performance obligations including warranty

---

<sup>34</sup> M/s Seasons Health Care Limited

obligations and maintenance obligations, as applicable. Further, as per clause 7.4, 50 per cent of Performance Security was to be retained towards maintenance services to be provided for four years after the three years warranty period and this 50 per cent was to be discharged after completion of performance obligations under maintenance services after seven years.

Of the Performance Security worth ₹1.39 crore (being 5 per cent of cost of POs), obtained in the form of Bank Guarantee (BG) for purchase orders placed for the years 2012-13 and 2013-14, Performance Security worth ₹69.96 lakh should be valid up to seven years of completion of performance obligation (i.e., up to 2018-19/2019-20, respectively) as per the aforementioned clauses.

However, the Bank Guarantees<sup>35</sup> which were under the custody of the Corporation, were allowed to lapse during the year 2015 and 2016, respectively, and the same were not revalidated so far and equipment have had no security during the maintenance period.

In its reply, the Corporation stated (November 2016) that the revalidation and renewal of expired Bank Guarantees (BGs) of the old tenders were postponed from time to time and were not revalidated in anticipation of floating of new tenders. It was also stated that, in view of fluctuation of market prices of medicines, firms were reluctant to enter into agreements with old rates or provide BG. In the absence of renewal of BG, there was no safeguard regarding satisfactory performance of the equipment procured at a cost of ₹27.99 crore during 2012-14.

#### **2.5.1.4 Non-supply of equipment by suppliers in respect of repeat orders**

Tender conditions stipulate that the Purchase Order (PO) has to be cancelled and EMD forfeited if the delay in supply is more than 90 days. During the years 2012-13 and 2015-16, Corporation had issued nine POs for supply of equipment worth ₹92 lakh. The same were however, cancelled due to non-supply of the equipment by the suppliers.

Audit scrutiny of the records pertaining to cancelled purchase orders showed that the Corporation had delayed cancelling the POs (delays ranging from five months to as high as three years) and, as a result, the Hospitals could not get the indented equipment. Further, performance guarantees to ensure supply of the equipment taken in the form of security deposit (@ 5 per cent) on the cost of equipment was not also forfeited.

On the issue being pointed out in Audit, the Corporation replied (November 2016) that the purchase orders in question were repeat purchase orders placed on the basis of previously approved rates including those under Director General of Supplies & Disposal (DGS&D) and that the Corporation did not retain/obtain either any EMD or any performance security and hence the question of forfeiture of EMD did not arise.

Issue of repeat purchase orders to firms without having the requisite controls such as extension of EMD beyond the supply of agreement quantity to ensure performance of the purchase order is fraught with the risk of non-supply of equipment by the firms as observed in the aforementioned cases.

<sup>35</sup> 137 BGs pertaining to the year 2012 and 90 BGs pertaining to the year 2013

## 2.5.2 Supply and installation of Medical Equipment

As per the tender conditions, the equipment requisitioned in Supply Order has to be delivered within a period of 60 days from the date of receipt of Purchase Order. Further, installation/commissioning of the equipment should be completed within 30 days after delivery of the equipment.

Audit scrutiny of data provided by the Corporation in respect of 7,310 equipment valued at ₹25.12 crore, showed that there were delays in supply of equipment (ranging from 74 to 153 days) and delays (ranging from 30 to 224 days) in installation of 383 equipment (value: ₹10.67 crore).

A few cases of delay in installation/commissioning of the equipment are illustrated below.

- (i) Anaesthesia Work Station (cost: ₹2.91 crore) purchased in April 2014 was installed in Gandhi hospital, Secunderabad in March 2015 after a delay of 11 months.

The Corporation attributed (November 2016) the delay in installation of the equipment by the supplier to non-provision of site by the concerned hospital authorities.

- (ii) Digital Mammography Unit (cost: ₹1.24 crore), purchased in May 2014 was installed in Osmania Medical College, Hyderabad in February 2015 after a delay of eight months.

The Corporation stated that the hospital had given the work order in respect of civil and electrical works and due to delay in completion of these works, the installation of the equipment had been delayed. The firm could actually complete the installation/test process and hand over the equipment only in February 2015.

- (iii) Ultra-sound Color Doppler System (cost: ₹15.49 lakh), purchased in May 2014 was installed in GMH, Petlaburj, Hyderabad in December 2014 after a delay of six months.

- (iv) Defibrillator (cost: ₹13.50 lakh), purchased in May 2014 was installed in Niloufer hospital, Hyderabad in December 2014 after a delay of five months.

While the Corporation attributed (November 2016) the delay in installation of the equipment to unavailability of site in the concerned hospital, the hospital authorities attributed (November 2016) it to non-supply of trolley along with defibrillator (as provided in the purchase order) and subsequent delay on the part of the supplier.

- (v) Nebulizer Ultrasonic (cost: ₹7.60 lakh), purchased in May 2014 was installed in MGM hospital, Warangal in April 2015 after a delay of 10 months.

Scrutiny showed that the equipment supplied was kept in observation and during that period, the equipment underwent repairs. As a result, there was delay in issue of the necessary certificate regarding satisfactory performance of the installed equipment.

Audit scrutiny of the records of the sampled hospitals relating to installation of the procured machinery showed the following.

- (i) X-ray machine 500MA (cost: ₹18.14 lakh), supplied during March 2013, was not commissioned in Niloufer hospital, Hyderabad for more than three years, though testing was completed. Scrutiny showed that the X-ray machine could not be commissioned due to lack of required power supply, as the transformer had reached the maximum capacity.



**Non-commissioned X-ray machine in Niloufer hospital, Hyderabad**

Superintendent of the Hospital stated that the equipment was not indented by the Hospital and that the Corporation had not informed the hospital before actual supply of the machine and, hence, power supply arrangements could not be made.

He further stated that the process for enhancement of the transformer capacity was underway. The Hospital had not, however, explained as to why the process for enhancement of transformer capacity could not be initiated for over three years.

Incidentally, one of the two X-ray machines available with the Hospital had already been condemned. It was therefore not clear as to how the patients were being provided X-ray facilities in the absence of installation of the procured X-ray machine.

- (ii) Government had accorded administrative sanction (October 2014) of ₹7.50 crore for procurement of 12 blood component separators to be installed at important hospitals<sup>36</sup> across the State.

Scrutiny of records in Niloufer hospital showed that a Blood Component Separation Unit, worth ₹32.30 lakh supplied in March 2016, was not installed as of August 2016 due to space constraints.



**Non-commissioned Blood Component Separation Unit machine in Niloufer hospital, Hyderabad**

Scrutiny further showed that the equipment, which was originally ordered (April 2015) for District Hospital, Tandur, based on the requisition sent by Commissioner, TVVP, was rejected (May 2015) by the Hospital since blood bank was not functioning in District Hospital, Tandur. The same equipment was later transferred to Niloufer hospital in February 2016.

The hospital authorities replied that the equipment would be utilised after commissioning of the upgraded Blood Bank.

- (iii) The equipments relating to Blood Component Separation Unit viz., Platelet Agigator with incubator, Haematology Analyser, Deep freezer, Blood bank Refrigerator etc., supplied during April 2015 and November 2015 to Area Hospitals at Jagityal, Kamareddy, Janagaon; District Hospital, Nalgonda and Tandur (Total cost: ₹28.06 lakh) were not installed till September 2016. Due to non-installation of these equipment, blood separators and other equipment essential in treatment of dengue fever, etc., could not be put to use, thereby depriving the patients of vital healthcare.

<sup>36</sup> Three district hospitals and nine Area hospitals

The Corporation stated (September 2016) that the HoDs<sup>37</sup> placed indents after assessing the need for the equipment, accommodation for installation and staff required for operation of the equipment and that the HoDs were being informed by the Corporation to keep the sites ready for installation before placing the purchase orders.

### 2.5.3 Idle Equipment

Audit observed that the following equipment remained idle.

- (i) Scrutiny of records of Area Hospital, Manchiryal, showed that the 300 MA X-ray machine with Mamo compatibility (cost: ₹11.93 lakh), which was received and installed during March 2016, remained unutilised as of August 2016 due to non-supply of digital X-ray film by the Corporation.

On this being pointed out in Audit, the Corporation stated (November 2016) that the systems were procured, based on the indent given by the Commissioner, TVVP. As for supply of Digital X-ray films, it was stated that although the Corporation had communicated the rates (as finalised in July 2016) to the Commissioner, no indents had been furnished either by the Commissioner or by the Hospital.

- (ii) An Endoscopic Video Recording system (cost: ₹13.15 lakh) was supplied (December 2009) to GMH, Petlaburj. Scrutiny showed that, even after the lapse of nearly seven years (including the warranty period), the equipment was lying idle (August 2016).

Superintendent of the Hospital stated (July 2016) that, although the item was not indented and was not required by the hospital, the erstwhile APMSIDC had supplied the equipment. It was further stated that facilities to install/utilise the equipment were not also available in the hospital. However, the hospital authorities had failed to transfer the same to other hospital in need of such equipment or to address the Corporation in this regard rendering the whole expenditure wasteful, besides depriving the public of the intended diagnostic services.

During Exit Conference Government, while accepting (December 2016) the idling of certain equipment, assured of utilisation of the equipment in future.

## 2.6 Conclusion

Although the Procurement Policy existed for drugs, medicines and surgical items, the principal objective of making available all the essential drugs at the right time to the hospitals and other health facilities in the State largely remained unachieved due to deficiencies in the system of assessment, procurement, storage and distribution of drugs and medicines in terms of degree of essentiality, criticality for health care and disease burden. The budgeted funds had not been released in full for procurement and distribution of medicines and equipment. Ineffective contract management of TSMSIDC (Corporation)

---

<sup>37</sup> include Director of Health (DoH), Director of Medical Education (DME), Commissioner, Telangana Vaidya Vidhana Parishad and Director, Institute of Preventive Medicine



had resulted in many essential drugs not being supplied/belatedly supplied to health facilities. As a consequence, the hospitals had to tap the meagre budgets allocated to them for decentralized local purchases of emergency drugs and medicines, thereby depriving the patients of accessibility to essential medicines. Further, non-supply of adequate quantities of medicines to field units resulted in the need for local procurement, which was invariably at higher prices. Shorter shelf-life drugs were also accepted by the Corporation. There was no Real-time Inventory Management System to assess the availability and requirement of stocks of drugs, medicines and surgical items at various health facilities and to ensure cross movement of stocks to other needy health facilities. Equipment procured to provide better healthcare facilities to patients remained unutilised due to non-procurement of consumables/accessories. Due to inadequate pre-despatch quality testing through empanelled laboratories and shortfalls in sampling of medicines, the standard and quality of medicines issued to patients could not be ensured in many instances.

## **2.7 Recommendations**

- (i) Government should ensure need-based procurement of drugs, medicines and surgical items based on actual requirements projected by HoDs/health facilities.
- (ii) Comprehensive Real-time Inventory Management System should be established to assess the availability and requirement of stocks of drugs/medicines and surgical items at various health facilities and to ensure cross movement of stocks to other needy CMSs/health facilities.
- (iii) A system of pre-despatch sampling and prompt receipt of results of samples analysed should be evolved to ensure that the patients are administered standard and quality medicines.

During Exit Conference, Government assured of remedial action on the points raised by Audit. The recommendations made by Audit were also discussed and accepted by Government.

