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PROCUREMENT OF MEDICINES AND MEDICAL EQUIPMENT

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fourth Report (15th Lok Sabha)]

MINISTRY OF HEALTH AND FAMILY WELFARE

PUBLIC ACCOUNTS COMMITTEE 2012-2013

EIGHTY-FOURTH REPORT

FIFTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

EIGHTY-FOURTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2012-2013)

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Presented to Lok Sabha on 30.04.2013
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LOK SABHA SECRETARIAT
NEW DELHI
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(2012-2013)

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* Elected *w.e.f.* 6th December, 2012 *vice* Shri Sarvey Sathyanarayana appointed as Minister on 28th October, 2012.

† Elected *w.e.f.* 6th December, 2012 *vice* Dr. Shashi Tharoor appointed as Minister on 28th October, 2012.

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1.	Shri Devender Singh	—	*Joint Secretary*
2.	Shri D.R. Mohanty	—	*Deputy Secretary*
3.	Ms. Miranda Ingudam	—	*Under Secretary*

INTRODUCTION

I, the Chairman, Public Accounts Committee (2012-13), having been authorised by the Committee, do present this Eighty-fourth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fourth Report (Fifteenth Lok Sabha) on **'Procurement of Medicines and Medical Equipment'.**

2. The Twenty-fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 24th February, 2011. Replies of the Government to the Observations/Recommendations contained in the Report were received from the Ministry of Health and Family Welfare (Department of Health and Family Welfare) on 30th January, 2013. The Public Accounts Committee considered and adopted the Eighty-fourth Report at their sitting held on 29.4.2013. Minutes of the sitting are given at *Appendix-I*.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in *Appendix-II* of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Twenty-fourth Report (Fifteenth Lok Sabha) is given at *Appendix-III.*

NEW DELHI;
29 *April*, 2013
9 *Vaisakha*, 1935 (*Saka*)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee

CHAPTER I

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fourth Report (Fifteenth Lok Sabha) on **'Procurement of Medicines and Medical Equipment'** based on the C&AG Report No. 20 of 2007 (Performance Audit) Union Government (Civil) for the year ended March, 2007 relating to the Ministry of Health and Family Welfare.

2. The Twenty-fourth Report (Fifteenth Lok Sabha) was presented to Lok Sabha/ laid in Rajya Sabha on 24.02.2011. It contained 25 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Health and Family Welfare and categorized as under:—

(i) Observations/Recommendations of the Committee which have been accepted by the Government:

Paragraph Nos. 1-4, 7, 9-10, 12-22 and 24-25

Total: 20

Chapter-II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

-NIL-

Total: NIL

Chapter-III

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Paragraph Nos. 5, 6, 8, 11 and 23

Total: 5

Chapter-IV

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

-NIL-

Total: NIL

Chapter-V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of the Ministry of Health and Family Welfare which *inter-alia* included absence of uniform and comprehensive Procurement Policy Guidelines and Purchase Manuals for procurement of medicines and medical equipment; deficiency in the information management system of AIIMS; utter dependence on local purchases which constituted 80 percent of the total purchase of medicines for CGHS dispensaries in Delhi during the period 2002—06; no effective monitoring mechanism and no data base regarding procurement, distribution and inventory management of drugs; tendency of doctors to often prescribe expensive medicines leading to large scale purchase of medicines outside the formulary; failure of the Medical Store Organization (MSO) to meet its main objective of supply and manufacture of drugs/medicines; evidence of adultered/spurious drugs being sold; absence of any long term and well documented plan of procurement and utilization of medical equipments etc. The Committee had accordingly given their Observations/ Recommendations in their Twenty-fourth Report.

4. The Action Taken Notes furnished by the Ministry of Health and Family Welfare have been reproduced in the relevant Chapters of this Report. The Committee will now deal with action taken by the Government on some of their Observations/ Recommendations which either need reiteration or merit comments.

I. Inadequacy in the Computer based Information System in AIIMS

Recommendation (Para No. 3)

5. In their Twenty-fourth Report, the Committee were concerned to note that the Manual on Financial Management of All India Institute of Medical Sciences was stuck up as the computer based information system was woefully inadequate in AIIMS. The Committee further observed that as an interim measure, the Institute Authorities had been asked to hire an expert to review the draft manual and make such minimum amendments so as to enable the Institute to carry out its financial business on line that might later facilitate a shift to an IT enabled system of financial management. The Committee opined that it was really a sorry state of affairs that at this age of advanced information technology evolution, that had penetrated almost every walk of life; a computer aided information management system was inexplicably deficient in a super speciality hospital like the AIIMS. Observing that it would be indeed, for all practical purposes, a redundant Manual if it only codified the conventional drugs and did not take into account the IT based solutions, the Committee had recommended that urgent measures be taken by the Ministry to develop a computer aided and computer based system in AIIMS so that the premier Institute was able to take into account the IT based solutions besides codifying the conventional drugs, thus appropriately shifting to an IT enabled system of effective financial management.

6. The Ministry in their Action Taken Notes have responded as under:—

> "In compliance with the directions for Ministry regarding manual on Financial Management of All India Institute of Medical Sciences, the Director has constituted a Committee under the Chairmanship of Deputy Director (Admn.) to revise the draft Financial Manual with a view to implement it at AIIMS and

making it compatible with IT-enable Accounting System. The finalization/review of the draft Manual is in progress and likely to be completed by end of the current year.

It is also added that with the prior approval of SFC the work for preparation of Annual Accounts as per new format of Accounts on Accrual Basis (Double Entry System) has been awarded to Institute of Chartered Accountants of India—ARF which *inter-alia* includes the following:—

(a) Drafting of Accounts Manual including codification structure and chart of accounts;

(b) Audit Manual; and

(c) Training Manual.

As regards developing a computer aided and computer based system to enable the institute to take into account the IT based solutions besides codifying the conventional drugs and shifting to an IT-enabled system of effective financial management it is mentioned that the following e-governance projects are under active implementation through NIC/NICSI during the financial year 2011-12:—

1. e-Hospital Project.
2. Comprehensive DDO Package.
3. FTS/e-Office.
4. EHS computerization.

It is also not out of place to mention that all necessary informations with respect to treatment of patients/user charges etc. are available on the website of AIIMS, almost all the work of Exam. Section is also computerized and e-tendering system has already been adopted in Engineering Service Department.

Thus, the Institute had already taken suitable measures to comply with the recommendations of Public Accounts Committee. The completion of the above-mentioned projects by ICAI and NIC/NICSI, shall pave the way for institute to shift the existing accounting system to IT-enabled system of accounting for effective Financial Management."

7. In response to the Audit comments on the above reply, the Ministry have further stated as under:—

"Present status of various projects in AIIMS are as under:—

(i) File Tracking System Software implementation had been completed on 26.6.2011 and is being used by AIIMS.

(ii) E-office started *w.e.f.* 13.3.2012 and expected to be completed by September, 2012.

(iii) Employees Health Scheme implemented *w.e.f.* Jan., 2012.

(iv) E-hospital is being implemented and likely to be completed by Dec., 2012.

(v) Comp-DDO software could not be taken up any further because of introduction of new accounting procedures."

8. The Committee are pleased to note that in pursuance of their Recommendations, AIIMS has taken measures for finalization of the Manual on Financial Management of the Institute for moving towards in IT-enabled system. The work for preparation of Annual Accounts as per the new format of Accounts on Accrual Basis has been awarded to the Institute of Chartered Accountants of India (ICAI). Further, the e-governance projects like e-Hospital and EHS computerization are reported to be under active implementation through NIC/NICSI. The Committee desire the Ministry to impress upon AIIMS to expedite the projects and submit a complete report on implementation of all the 'E' projects.

II. Prescription of Proprietary Drugs outside the Formulary

Recommendation (Para No. 5)

9. In their earlier Report, the Committee were concerned to note that the prescription pattern by doctors and reportedly led to excessive local purchases of medicines. The Committee also found that there were two types of drugs *viz.* proprietary drugs and generic drugs. Proprietary drugs were patented and manufactured either by the patent holder or the licensees of the patent holder whereas generic drugs, both branded and non-branded, were off patented drugs and much cheaper than the proprietary drugs. Although the Ministry reportedly made efforts to see that maximum purchases were made from generic and non-branded medicines, the Committee observed that doctors quite often prescribed expensive medicines which led to large scale purchase of medicines outside the formulary. In this context, the Committee were informed that two of the CGHS doctors were produced before the Director General of Health Services (DGHS) after it was observed that their prescription pattern was regularly at variance with what was normally expected. Further, meetings were conducted by the DGHS with the doctors/ specialists advising them to confine their prescription of medicines to the formulary. Moreover, circulars were issued in this regard by the Director, CGHS and also by the Ministry. The Committee felt that these measures were in right direction to keep tab on the unusual variances in the prescription pattern of the doctors concerned which led to unnecessary local purchase of medicines. The Committee desired that the Ministry should earnestly continue with the measures already initiated besides exploring introduction of other innovative measures to check the prescription pattern of doctors. The Committee also recommended that the monitoring mechanism be strengthened and exemplary action taken against errant doctors, who took advantage of the helplessness of the patients and frequently prescribed expensive medicines outside the formulary, so that superfluous local purchase of medicines was avoided.

10. The Ministry in their Action Taken Note have stated as under:—

"Chief Medical Officers in charge of dispensaries are authorised to issue medicines of any available brand with same configuration and salt instead of indenting the same brand purchased by Government Specialists.

Instructions have been issued to specialists in Safdarjung Hospital and Dr. Ram Manohar Lohia Hospital to prescribe generic drugs as far as possible and also to affix a stamp/note stating that 'equivalent generic medicines can also be issued'.

CGHS is in the process of generating reports through a software of prescription pattern by Govt. specialists/doctors for monitoring further and taking appropriate action.

Given the need to make medicines available to beneficiaries without delay and taking note of existing prescription practices and newer medicines being introduced from time to time, it is not possible to entirely do away with local purchase, though effort is being made to further reduce local purchase."

11. In response to the Audit comments on the above reply, the Ministry have further stated that no cases/complaint of the errant doctors frequently prescribing expensive medicines outside the formulary has come to notice.

12. The Committee find the statement of the Ministry that no case of Doctors frequently prescribing expensive medicines outside the formulary has come to their notice far from tenable given their own admission that two CGHS Doctors were observed to have made prescriptions regularly at variance with what was normally expected. The Committee are informed that the CGHS is in the process of generating reports through a software for monitoring the prescription pattern by the Government Doctors/Specialists and taking appropriate action. The Committee desire that the project be implemented expeditiously so as to detect unusual prescription pattern by the Government Doctors as also to prevent possible malpractices. The Committee also desire the Ministry to evolve a transparent and effective mechanism enabling the aggrieved patients to lodge their complaints against the errant Doctors without fear or pressure so that more instances of malpractices are detected and large scale purchase of medicines outside the formulary is avoided. Further, explanation may be obtained from these CGHS doctors who make prescriptions which are regularly at variance.

III. Absence of a defined process and time-frame for revision of Formulary and updating of Medicine selection

Recommendation (Para No. 6)

13. In their Twenty-fourth Report the Committee were dissatisfied to observe that no defined process had been adopted by the Ministry to update the medicine selections which could reflect the new therapeutic options and needs. The Ministry's statement, that the process of identification of slow and fast moving medicines had become simplified with the computerization of CGHS Delhi and maintenance of computer data, did not anyway convince the Committee as the formularies of drugs and medicines

had failed to include pharmaceuticals that were routinely required by the medical practitioners. What further concerned the Committee was the fact that the formulary for essential and life saving drugs was last revised in August, 2007 and no fixed periodicity had been prescribed in the matter. The Committee wondered what restrained that Ministry of prescribing a defined process and a definite time-frame for revision of the formulary and updating of the medicine selection. In view of the imperatives involved, the Committee urged upon the Ministry of codify and adopt a defined process for annual updating of the medicine selection and periodical revision of the CGHS formularies so as to ensure that the intended purpose of economical and efficient procurement of medicines was well served and the emerging therapeutic options and needs were appropriately catered to.

14. The Ministry in their Action Taken Note have stated as follows:—

> "There are two types of formularies: one for Generic Drugs and other for Proprietary Drugs. It has not been possible to update the formularies every year. Both formularies are however revised periodically by the Ministry. Revision of the formularies is undertaken on the bases of change in prescription pattern, introduction of newer drugs and banning/obsolescence of drugs.
>
> The Generic formulary is a common formulary for MSO, CGHS and four Hospitals *i.e.* Safdarjung Hospital, Dr. Ram Manohar Lohia Hospital, Lady Hardinge Medical College and Hospital and Kalawati Sharan Children Hospital operating in Delhi under administrative control of DGHS, MoH&FW.
>
> The Generic formulary containing 664 Drugs having different formulations was revised recently in May, 2011.
>
> Other formulary is for Proprietary/Branded Drugs, meant for MSO and CGHS only. This formulary contains 622 drugs.
>
> A list of 382 life saving essential medicines is in place and these medicines are being procured on a case-to-case basis. In addition to these medicines, items like CAPD fluid bags are also being procured on a case-to-case basis."

15. In response to the vetting comments by Audit on the above reply, the Ministry have further stated as under:—

> "The Ministry is reviewing/updating the formularies periodically. Current formulary for Proprietary drugs is approved for one year. To revise the proprietary drug formulary a committee has been constituted on 19.12.2011. The validity of the current proprietary formulary is extended upto 23.12.2012. The Generic formulary was revised on 23.05.2011 and is valid for three years. All efforts were taken to complete the exercise of updating the formulary in time. However, in case some time gap was there in updating the current formulary, it was extended with the approval of the competent authority at existing rate contracts. Hence, the procurement made by the Ministry was always economical and efficient."

16. The Committee are pleased to note that in pursuance of their recommendation, the Ministry are making all efforts to complete the exercise of updating the formulary

in time. In view of the need and imperatives of such periodic updation which would leverage the scope for inclusion of ever emerging therapeutic options and requirements, the Committee desire that a defined process and definite time-frame be prescribed for mandatory annual updation of the medicines.

IV. Failure of Medical Stores Organisation (MSO) to meet its Main Objective

Recommendation (Para No. 8)

17. In their earlier Report, the Committee were deeply concerned to note that the MSO had failed to meet the objectives of its establishment as its role over the years had been limited to procurement of small quantities of drugs/medicines indented by CGHS dispensaries outside Delhi, Central Government Hospitals and for Para-military forces *viz.* CRPF, BSF, ITBP etc. The underutilization of the manpower and resources provided to MSO was quite visible from the fact that against the total expenditure of Rs. 6148.85 crore by the Ministry on the supply of materials/medicines during the years 2002 to 2007, the contribution of MSO in these purchases was only Rs. 171.05 crore which constituted a meager three per cent of the total expenditure. The Committee were informed that the lead role of MSO in catering to the needs of various indenters showed signs of dwindling from the late 1970s onwards due to a number of factors which *inter-alia* included the development of capabilities of the States to locally meet the bulk of the requirements of the Centrally-sponsored schemes; a more widespread market of pharmaceuticals obviating the need for much centralized procurement; increasing outreach of CGHS beyond Delhi; emergence of tertiary health care system with its specialized needs best met at the hospital level; and wider acceptability of the rate contract system. More than anything else, what contribute towards the rapid decline of the MSO was both system and human failure, as candidly admitted by the Secretary, Ministry of Health and Family Welfare. The Committee were perturbed to note that at one point of time all the senior officers of MSO were under suspension or in jail or on court cases for which the MSO lost the leadership and the valuable years when it was required to change its entire working strategy. Moreover, the organization was manned largely by Group III and IV employees there were hardly 13 to 17 officers of Group A and B grade working in MSO out of a total workforce of 1100 people. Opining that the state of affairs in MSO was in a complete mess and the organization needed an urgent revamp in view of the apparent relegation of MSO to the background so far as procurement aspect was concerned, the Committee recommended that the Ministry should take effective measures to make the MSO corruption free as well as adequately staffed so that the organization was able to gradually shift its focus from procurement to management aspect of medicines and medical equipment, ensuring in the process its own gainful utilization.

18. The Ministry in their Action Taken Note have submitted as under:—

> "The activities of Medical Stores Organisation have been gradually accelerated with transition from manual mode to 'e' governance mode of operation. With Web based application (msotransparent.nic.in) in position for the last two years, the entire system of Procurement and Inventory Management is being undertaken online. Rigorous inspection, drawal of samples and quality testing of each batch of drugs in two randomly selected laboratories have yielded rich

dividends. The procurement activities have increased although it has been entrusted with the responsibility only to procure and supply for CGHS dispensaries located outside Delhi, Central Government Hospitals and for Para-military forces. The value of medicines procured, stored and distributed during last three years is as under:—

(Figures in crores)

2008-09	2009-10	2010-11
54.00	82.99	93.43
	In addition, Rs. 175 crore worth vaccines and drugs were procured for H1N1	

The procurement of medicines is not the only activity of Medical Stores Organisation. The major activity is storage and distribution of medicines, vaccines and cold chain equipment meant for implementation of National Health Programmes. This includes both dry storage and cold storage items. The inventory management of these programme stores has also been changed to 'e' storage mode. The value of programme stores handled during last three years is as under:—

(Figures in crores)

Year	Programme stores handled
2008-09	506.07
2009-10	556.69
2010-11	650.28

Besides the above activities, MSO also undertakes the emergency procurement to meet the demands of State Governments in case of natural calamities like Flood, Earthquake etc. Recently it also procured and supplied the medicines and other surgical consumables to Maldives through Ministry of External Affairs.

As the Central Procurement Agency is going to be set up in the Ministry, MSO will render necessary support for storage and distribution to the beneficiaries in the States/UTs.

Various new steps are being contemplated to revamp MSO:

1. All seven GMSDs will be named as Regional Warehouses.
2. All seven GMSDs will have one quality control Laboratory each.
3. One training centre for cold chain equipment maintenance including workshop is proposed to be created at Regional Warehouse at GMSD, New Delhi to impart training to cold chain technicians of both State and Central Government.

4. A Health logistic management training institute is also proposed at Regional Warehouse, Chennai which shall generate human resources for proper management of health logistics. This institute is proposed to run regular courses, refresher courses as well as tailor made courses for State and Central Government employees."

19. Subsequent to Audit observation on the above reply, the Ministry have further stated as under:—

"The following steps have been taken in respect of procurement distribution, storage of medicines, vaccines etc.

(a) Introduction of web-based application for moving towards e-procurement mode since April, 2009.

(b) Publication of all tender notice on website of the Ministry.

(c) Online acceptance of indents besides online complication of indent, dispatch of purchase, proposal, sanction and placement of supply orders.

(d) Use of Bar codes on tertiary, secondary and primary packages denoting the unique identity number of the drugs, name of the manufacturer, name of the drugs etc.

(e) Procurement manual of MSO has been comprehensively revised and made operational in 2011. The updated manual provides Standard Operating Procedures (SOPs) which *inter-alia,* include web based e-procurement, e-governance and incorporation of various novel technologies as components of Goods storages Practices and quality assurance. In the Manual, the responsibilities of Public Procurement Authorities under Paras 3.5.3 *inter-alia* include the following:—

(i) Implement a code of conduct that commits the contracting authority and its employees to a strict anti-corruption policy. The policy should take into account possible conflicts of interest; provide mechanisms for reporting corruptions and protecting whistle-blowers.

(ii) Ensures that all contracts between the authority and its contractors, suppliers and service providers require the parties to comply with strict anti-corruption policies. This may best be achieved by requiring the use of a project integrity pact during both the tendering and project execution phase, committing the authority and bidding companies to refrain from bribery.

Para 5.4.3 of the Manual of Qualification and Eligibility Criteria for Bidders provides *inter-alia* following conditions for potential suppliers who can be barred from participating in the bidding process under various circumstances which includes:—

(i) The proprietor or employee or representative of the firm has been guilty of malpractice such as bribery, corruption, fraud, substitution of bids, interpolation, misrepresentation, evasion or habitual default in payment of any tax levied by law.

(ii) If the firm employs a government servant, who has been dismissed or removed on account of corruption or employs a non-official convicted for an offence involving corruption or abetment of such an offence, in a position where he cold corrupt government servants.

Keeping in view the shortage of staff at various levels in MSO as well as seven (7) GMSDs, Dte. GHS has been making efforts to fill up the senior and middle management level posts so that the organization is able to gradually shift its focus from procurement to management aspect of medicines and medical equipments.

The sanctioned strength/filled/vacant posts in respect of MSO (Main Office and Subordinate office) are indicated as under:—

Sl. No.	Name of the Organization	Sanctioned Staff Strength	Existing Staff Strength	Vacant Posts	Surplus
1.	Medical Store Orgn. (HQ)	56	16	40	
2.	GMSD, Chennai	234	206	28	
3.	GMSD, Mumbai	220	210	10	
4.	GMSD, New Delhi	62	52	10	
5.	GMSD, Hyderabad	148	56	92	
6.	GMSD, Guwahati	132	86	46	
7.	GMSD, Karnal	171	123	48	
8.	GMSD, Kolkata	312	252	60	
	Total	1335	1001	334	

The Incumbency position and action taken by the GMSDs, to fill up these posts as on 01.09.2012 is as under:—

Sl. No.	Name of the post	Strength	In position	Vacant	Name of the Officers	Since When Vacant
1	2	3	4	5	6	7
1.	DDG (St.)	1		1		Dr. R.C. Sharma retired on 31.10.1996
2.	ADG (St.)	2	-	2	-	Dr. G.K. Biswas retired on 30.09.2003*

1	2	3	4	5	6	7
3.	DADG (St.)	2	-	2	1. Shri Moti Lal Meena 2. Shri N.C. Dhawan	1. Retired on 31.05.2011 (They got *in-situ* promotion) 2. Retire on 31.07.2011 (They got *in-situ* promotion)
4.	Dy. Director (Admn.)	1	1	-	Shri Laxmi Narayan	
5.	DDA (A/C)	1	-	1	-	Vacant from 01.04.1991
6.	Asstt. Director		1	-	1	- Vacant from 01.02.2005
7.	Private Secretary	1	1	-	Ms. M. Ganeshwari	Grant G.P. 5400 after completion of 4 years regular services
8.	Section Officer	1	1	-	Shri R.K. Bhartia	Do
9.	IEO	1	1	-	Shri A.C. Saxena	-
10.	Adm.	1	1	-	Shri P.K. Karan	-
11.	Tech. Officer	1	-	1	-	Vacant since 10 years
12.	Sr. Tech. Asstt. (St.)	1	-	1	-	Vacant since 10 years
13.	Asstt.	7	6	1	1. Shri G.C. Meena 2. Shri Pani Ram 3. Smt. Kiran Pannu 4. Shri G.L. Meena 5. Smt. Chandra Rani 6. Smt. Rani Palta	
14.	Gr. 'C' Steno	3	-	3	-	1. Post vacant since 1.12.2010 2. Post vacant since 10 years
15.	Gr. 'D' Steno	3	-	3	-	Post vacant since 10 years

Most of the posts are lying vacant for more than one year which have come under deemed abolition, which require revival. All these live posts are being filled up by out sourcing the services. The sanctioned strength is based on the job requirement and on the basis of the report of the screening committee and

report of the IWSU (Internal Work Study Unit). The posts which are under deemed abolition, proposals are being received from various GMSDs to revive the posts. After revival of the posts, the same will be filled up.

The promotional posts are being filled up from the feeder grade by the GMSDs. As regards MSO office the proposal for filling up the post of the DDG(St.) and ADG (St.) are under consideration. The proposal for filling up-revival of the posts of DADG is under process. For other posts of the MSO, DGHS has been requested to fill up all the live posts and take necessary action to revive the lapsed posts.

The post could not be filled up for want of the clearance from screening committee for Group B, C and D."

20. The Committee take due note of the various initiatives taken up to accelerate the transition of the activities of the Medical Stores Organisation (MSO) from the manual mode to e-governance mode of operation and also the various steps contemplated to revamp the MSO by way of augmentation of its storage and distribution capacity as well as filling up the vacancies in the existing staffing requirements. The Committee are also happy to note that the Procurement Manual of MSO has been comprehensively revised and made operational in 2011 incorporating Standard Operating Procedures (SOPs) and novel technologies. In view of the immense potential role that the MSO can play *vis-à-vis* its original mandate of management of supply of medicines and medical equipment which has so far been apparently relegated to more of procurement, the Committee would like to reemphasize that initiatives for restructuring of MSO should be accelerated towards fostering professionalized regime aiming at more transparency and strict compliance to the Procurement Manual.

V. Definite Time Frame for the Government Laboratories to furnish the Test Reports

Recommendation (Para No. 11)

21. In their earlier Report, the Committee had observed that no time limit has been prescribed for the Government Laboratories to furnish the drug test reports on the plea of large number of samples received by these Laboratories and the variations in the time taken in testing of different categories of drugs. Not inclined to buy the reason advanced by the Ministry for not prescribing any time limit of these reports and inordinate delay in furnishing such reports which might invariably result in the administering of the contentious drugs to the patients before establishing their quality, the Committee exhorted the Ministry to prescribe a definite time frame for the Government Laboratories to furnish the test reports so that slightest possibility of administering sub-standard drugs to the beneficiaries was altogether eliminated.

22. In their Action Taken Note, the Ministry have submitted as under:—

> "The Ministry acknowledges the fact that sufficient attention was not given in the past on the functioning of the central drug testing laboratories, the 4 existing labs are not functioning optimally and they are hardly able to take care of a maximum of around 15000 samples per year as against the required facility to test more than one lakh samples per year. In combination with the States labs, they cover around 35000 samples only, further, the central drug laboratories are also required to rest legal samples which require more than one level of testing and hence, more time is required for the purpose. As such, the central labs hardly able to adhere to any time line. Unless the inputs of manpower and equipments and also the number of labs are increased manifold, the present situation is not likely to change. As mentioned in reply to para 10, the Ministry is, however, continuously engaged in improving the situation. It would suggest required interventions in the 12th Plan Proposals."

23. Responding to the Audit observation on the above reply, the Ministry have further submitted as follows:—

> "In this regard it is pertinent to mention here that during the 43rd Drug Consultative Committee (DCC), the matter related to prescribe definite time-frame for the Government laboratories to furnish the test report was discussed. The DCC recommended that it may be difficult to prescribe time limits for testing of drug samples under the Drugs and Cosmetics Rules. However, the broad guidelines followed by CDL, Kolkata (HPLC test-60 days, Normal Chemical testing-45 days and Biological products-90 Days) may be followed as model timelines by the Government Drug Testing Laboratories for testing drug samples. Copy of the recommendation is enclosed (Annexure 'E')."

24. The Committee are deeply concerned to note the observation of the Drug Consultative Committee (DCC) that under the Drugs and Cosmetics Rules, it may be difficult to prescribe a definite time-frame for the Government Laboratories to furnish the test report. They are equally concerned to find that the timelines followed by CDL, Kolkata *i.e.* 60 days for HPCL testing, 45 days for Normal Chemical Testing and 90 days for Biological Products are being prescribed as model timelines, in a very casual manner, for other Government Laboratories to follow. In view of the fact that several cases of submission of test reports after a lapse of one year and administering of drugs to the patients before obtaining the test results have been detected by the Audit, the Committee impress upon the Ministry to have a serious relook at the matter and again take up the issue with the DCC, if required by incorporating suitable Amendments in the Drugs and Cosmetic Rules, so that a definite, uniform by speedy timeline for submitting the test reports is laid down and scrupulously adhered to by all the Government Laboratories, eliminating thereby the remotest possibility of administering sub-standard/contentious/spurious drugs to the beneficiaries.

VI. Supply of Sub-standard and Spurious Drugs

Recommendation (Para No. 17)

25. In their Twenty-fourth Report the Committee had noted that during the years 2005-06 to 2007-08, out of 1,16,993 drug samples tested, 7,387 samples were declared not of standard quality and 256 samples were found to be spurious/

adulterated. As regards action taken against the firms/individuals found involved in the manufacture and supply of sub-standard and spurious drugs, the Committee were informed that 8 adulterated products of different firms and specific identified sub-standard products of 3firms had been debarred for supply to MSO. Similarly, products of 15 firms which were repeatedly found to be sub-standard had been permanently debarred to supply their products to MSO. Further, prosecution had been launched against 546 firms for manufacturing, sale and distribution of spurious/adulterated drugs and 132 persons had been arrested. In view of the above facts and figures, the Secretary, Ministry of Health and Family Welfares' deposition, that the menace of spurious/adulterated drugs was not as prevalent and as rampant as it was being made out to be, was not accepted by the Committee. Similarly, his statement on an international movement to condemn all the Indian generic drugs as spurious and counterfeit did not convince the Committee as evidence of adulterated/spurious drugs being sold in the sales outlets of metro cities, towns, district headquarters and villages had been established in a survey conducted by the Central Drugs Standard Control Organization (CDSCO). Opening that the element of adulteration in drugs should be absolutely non-existent and there should be zero tolerance on the part of the Government towards spurious drugs, the Committee urged upon the Ministry to intensify the Measures' initiated which *inter-alia* included recruitment of 400 inspectors, amendment of the Drugs and Cosmetics Act and introduction of the Whistle Blower Policy and ensure their effective implementation so that stringent penalties were imposed for manufacture and supply of spurious and adulterated drugs.

26. The Ministry in their Action Taken Note have stated as follows:—

"The Government of India has taken a number of initiatives to strengthen the Central Drugs Standard Control Organization (CDSCO) with a view to improving the regulation mechanism for quality of drugs imported or manufactured in the country. For example: —

(a) The strength of CDSCO in 2008-09 was 111. The Government of India has sanctioned 216 new posts in 2008-09 in the CDSCO for strengthening the office at the head quarters, port/zonal offices, taking the total number of posts to 327. These posts are also expeditiously being filled. We have now, besides a regular Drug Controller General (India), a total of 67 Drug Inspectors, 13 Assistant Drugs Controllers and 11 Deputy Controllers. 100 more drugs Inspectors will very soon be joining. Further, process for recruiting 18 more Assistant Drugs Controllers, 9 more Deputy Drugs Controllers and two Joint Drugs Controllers have already been started.

(b) In order to meet the inadequacy of the staff, till such time the regular posts are filled up, the Government of India have also sanctioned 234 Contractual posts for headquarters, zonal, sub-zonal, port offices and laboratories to carry out the day-to-day work.

(c) CDSCO is also being expanded to meet the requirements of the Pharma industry of the country. Two sub-zonal offices at Hyderabad and Ahmedabad have been converted into full zonal offices. Three new sub-zonal at Bangalore, Jammu and Chandigarh have been set up to cater to the need of the pharma industry. Three new sub-zones Goa, Indore and Guwahati are in the offing.

(d) In order to take care of quality of drugs stored at the Air Ports for Import or Export, pharmaceutical zones at Delhi, Hyderabad and Mumbai Air Ports are being set up for storage of drugs.

(e) The Ministry is considering a proposal for creation of more than 1000 additional posts in CDSCO for further expansion.

(f) The National Pharmacovigilance Programme has been launched to capture Adverse Drugs Reaction (ADRs) and safe-guarding Public Health. 22 ADR Monitoing Centres have already been established besides the National Coordination Centre at Indian pharmacopeia Commission, Ghaziabad and a Pharmacovigilance Cell at CDSCO (HQ).

(g) As per the Recommendations of the Mashelkar Committee, the Drugs and Cosmetics Act, 1940 was amended by the Drugs & Cosmetics (Amendment) Act, 2008 for enhancing the penalties in the Drugs & Cosmetics Act, 1940 so as to help tackle the problem of spurious and adulterated drugs.

(1) The salient features of the amended provisions of the Drugs and Cosmetics Act,1940 are as follows:—

(i) Maximum penalty life imprisonment and fine of Rs. 10 lakhs or 3 times the value of the Confiscated goods, whichever is more;

(ii) The offences relating to spurious and adulterated drugs made cognizable and non-bailable;

(iii) Besides officers from the Drug Controller's Office, other gazetted officers also authorised to launch prosecution under the Act;

(iv) Specially designated courts for trial of offences covered under the Act; and

(v) Provision for compounding of minor offences.

The amended provisions of the Drugs and Cosmetics Act, 1940 have come into force *w.e.f.* 10.8.2009.

(2) Detailed guidelines have been finalised by the Central Government with the approval of the Drugs Consultative Committee, a statutory Committee of States' and Central Drugs Regulators, for effective enforcement of these amended provisions of the Act.

(3) Statutory directions have been issued by the Central Government to the State/Union Territory Governments under the provisions of Section 33P of the Drugs & Cosmetics Act, 1940 to ensure effective enforcement of these amended provisions of the Act as per these guidelines.

(4) In pursuance of the provisions of this enactment, special designated courts have already been established in a number of States/UTs, (h) A Whistle Blower Policy has been introduced by the Ministry of Health to encourage vigilant public participation in the detection of movement of spurious drugs in the country. Under this policy the informers would be suitably rewarded for providing concrete information in respect of movement of spurious drugs to the regulatory authorities."

27. The Committee are pleased to note that in pursuance of their Recommendations, various initiatives like creating of additional posts for Central Drugs Standard Control Organisation (CDSCO), launching of the National Pharmaco Vigilance Programme, issuance of detailed Guidelines and Statutory Directions etc. have been/ are being undertaken by the Ministry to counter the menace of spurious drugs and to improve the rgulatory mechanism for verifying the quality of drugs imported or manufactured in the Country. Appreciating the measures initiated by the Ministry, the Committee hope that the efforts for zero tolerance towards spurious drugs/ adulteration of drugs, having serious remifications on the very life and health of the beneficiaries, would fructify to achieve the desired objectives. In view of the imperatives involved, the Committee urge the Ministry to intensify the monitoring mechanism so as to establish a strict enforcement regime for stringent prosecution/penalties in cases of manufacture, supply and sale of spurious and adulterated drugs as well as non-adherence to the quality norms prescribed.

VII. Improvement in Overall Healthcare System

Recommendation (Para No. 23)

28. In their earlier Report, the Committee had noted with serious concern the statement of the Secretary, Ministry of Health and Family Welfare that the healthcare system in the country had several inadequacies and many of the Government Hospitals were still in an appalling condition, although some improvements had taken place in recent years due to reported sincere efforts of the Ministry. In this context, the Committee found that some of the main reasons for the unsatisfactory healthcare system were over-crowding and consequent pressure on the infrastructure and most importantly huge shortage of doctors. The Committee were informed that in the Western Countries, the doctor-patient ratio was 1:280 whereas in India it was something like 1:2000. The position in the rural and remote areas was more pathetic due to the unwillingness of the doctors/specialists to be posted there. In order to overcome the problem of huge shortage of doctors, the Ministry were reportedly taking a number of measures which *inter-alia* included creation of additional posts in the Lady Hardinge Medical College and RML and Safdarjung Hospitals; sanctioning Rs. 1300 crore to the Government Medical Colleges in various States for creation of about 5,000 additional Post-Graduate seats; developing an exclusive three year short-term course,

with the initiatives of the erstwhile Medical Council of India, for doctors to be appointed only in sub-centres and Primary Health Care Centres to cater to the needs of the people living in the rural and remote areas; typing up with other organization like National Board of Examination (NBE) and Indira Gandhi National Open University (IGNOU) to get experts like Diabetologists, Radiologists and Radio Therapists and train the in-service MBBS doctors to work in Community Health Centres; and working in partnership with the State Government to improve the overall health care system in the country. Expressing opinion that the above said measures initiated by the Ministry were well directed towards meeting the huge shortage of doctors and specialists/ experts throughout the Country, especially in rural and remote areas, the Committee reposed trust and hoped that the efforts of the Ministry would continue unabated and bear fruit soon in noticeably improving the much maligned health care system in the country.

29. On the above Observations/Recommendations of the Committee, the Ministry have preferred to give ''No Comments".

30. The Committee in their earlier Report had stressed that the measures initiated by the Ministry in various areas of health care across the country should continue unabated till the objectives are attained. They deplore that, instead of assuring the Committee of the commitment of the Government to provide efficient and satisfactory health care, the Ministry responded by replying 'No Comments'. The Committee demand a firm commitment from the Ministry to intensify the measures, in union with the State Government, to bridge the gap between the abysmal doctor-patient ratio so as to provide efficient, affordable and satisfactory health care system in the country.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

Procurement of medicines and medical equipment is carried out by the Ministry of Health and Family Welfare for the implementation of various Disease Control Programmes, Central Government Health Scheme (CGHS) and for providing essential health care facilities to the people in Central Government Hospitals, Research Bodies and Institutes. There is a network of 331 dispensaries (246 Allopathic; 32 Ayurvedic and 53 others), 19 Polyclinics, 65 Laboratories and 17 Dental Units through which the Directorate General of Health Services (DGHS), an attached office of the Department of Health and Family Welfare, is responsible for implementing the Central Government Health Scheme that provides comprehensive medical care to the Central Government employees, pensioners and members of their families and other beneficiaries. A Procurement Cell under the DGHS is responsible for procuring machinery and equipment values at Rs. 50 lakh and above. The machinery and equipment costing less than Rs. 50 lakh is procured by the respective hospitals and other subordinate offices after necessary financial assistance is accorded by the competent authority. The Ministry have also constituted a number of Purchase Committees/Purchase Advisory Committee(s) and Review Committee. Among these the Purchase Committees are responsible for purchasing drugs and medicines, equipment and stores, insecticides and larvicide's and vaccines and contraceptives. The cases of purchase up to the value of Rs. 10 crore are decided by the respective Purchase Committees and cases where the value of purchase exceeds Rs. 10 crore, the recommendations of the Purchase Committee are considered by the Secretary (Department of Health and Family Welfare) up to Rs. 20 crore and by the Minister of State (MoS)/Minister in cases above Rs. 20 crore. Apart from this, there is an attached office of the Department of Health and Family Welfare called the Medical Stores Organisation (MSO) which is entrusted with the task of procurement of drugs and medicines required for healthcare and research in various Central Government Hospitals and Dispensaries and implementation of various Disease Control Programme whereas the autonomous bodies functioning under the Ministry *viz*. AIIMS, PGI, NIMHANS etc. make purchase of medicines, drugs and medical equipment under a decentralized system. The responsibility for procurement of drugs/medicines for CGHS dispensaries in Delhi and under various Disease Control Programme has also been outsourced to various PSUs. The Committee's examination of the subject has revealed certain disquieting aspects including deficient procurement procedure and inadequate inventory control management as highlighted in the succeeding paragraphs.

[Sl. No. 1 of the 24th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

No comments. However, it is stated that the Procurement Cell of DGHS is responsible for procuring machinery and equipment valued at Rs. 1.00 crore and above.

Sd/-
Additional Secretary & DG(CGHS)

Observation/Recommendation

The Committee are surprised to note that prior to the Audit review of the system adopted by the Ministry of Health and Family Welfare for procurement of medicines and medical equipment, there were no uniform and comprehensive Procurement Policy Guidelines and Purchase Manuals. It is quite unbelievable that the Ministry responsible and accountable for efficiency, economy and transparency in the procurement of medicines and medical equipment including life saving drugs and high end machinery, did not follow any standardized purchase procedure for years together. It was not even through prudent to timely revise the MSO Manual of 1979 which has become outdated. The Ministry's submission that a Committee has been constituted for the revision of the MSO Manual does not satisfy the Commitee in view of the fact that such a move by the Ministry should have been initiated much earlier and certainly not after almost three decades of the existence of the MSO Manual. What is a matter of more concern is the callous attitude of the Ministry in finalizing the codification of the Revised Purchase Manual. Despite an assurance given to the Committee that the codification process of the Revised Manual would be completed by December, 2009, the Ministry have not yet been able to do so on the plea that although the Revised Draft of the codified Purchase Manual has been completed, it has not yet been bound and circulated as some computerized input has to be added in it. This is something totally unacceptable to the Committee as it depicts and indifferent attitude on the part of the Ministry towards such in important issue. Although the Ministry are reportedly taking a number of measures like publication of Tender Notices on the website, online acceptance of indents and gradual introduction of e-procurement, yet there still exists ample scope for further improvement in the procurement system, as admitted by the Secretary, Ministry of Health and Family Welfare. The Committee feels that the first and foremost step towards improving the procurement process is to follow a standardized purchase procedure. And that can be done only when there is a codified Purchase Manual. They, therefore, impress upon the Ministry to urgently bring in the codified Purchase Manual so as to ensure that the entire procurement process becomes more reliable, accountable and transparent.

[Sl.No. 2 of the 24th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

The following steps are already in vogue in respect of procurement, distribution, storage etc. of medicines, vaccines etc.

Medical Stores Organization under Department of Health and Family Welfare, Ministry of Health and Family Welfare had a procurement Manual since 1979. Most of the components of this manual were outdated due to introduction of various novel

technologies in inventory management and changed policy of the Government. This manual has been comprehensively revised and made operational in 2011. In keeping with the move towards transparency and better governance practices in procurements the following has been adopted:—

(a) Introduction of web-based application (msotransparent.nic.in) for moving towards e-procurement mode since April 2009.

(b) Publication of all tender notices on the website of the Ministry.

(c) Online acceptance of indents from indenters by the Medical Stores Organizations (MSO). For this purpose, each indenter has been given user id and password for his access to the web-based application *www.msotransparent.nic.in.*

Further, compilation of indent, dispatch of Purchase Proposal, sanction by MSO and placement of supply orders are undertaken online.

(d) All the medicines received by MSO are mandatorily printed with Bar codes on tertiary, secondary and primary packages denoting the unique identity number of the drug, name of the manufacturer, name of the drugs etc. represented through various bars. The advantages of the bar code lie in quick uploading onto the web-based application "msotransparent.nic.in" through bar code scanner/portable Data Terminal, checking of quantity and genuineness of the medicines, quick supply to the indentors including tracking of supplies and proper inventory management.

This updated manual provides Standard Operating Procedures (SOP) which, *inter-alia*, include web-based e-procurement, e-governance and incorporation of various novel technologies as components of Good Storages Practices and quality assurance. Above concepts were absent in previous manual.

Sd/-
Additional Secretary & DG (CGHS)

Observation/Recommendation

The Committee are concerned to note that the Manual on Financial Management of All India Institute of Medical Sciences is stuck up as the computer-based information system is woefully inadequate in AIIMS. As an interim measure, the Institute Authorities have been asked to hire an expert to review the draft manual and make such minimum amendments so as to enable the Institute to carry out its financial business online that might later facilitate a shift to an IT enabled system of financial management. It is really a sorry state of affairs that at this age of advanced information technology evolution, that has penetrated almost every walk of life; a computer aided information management system is inexplicably deficient in a super speciality hospital like the AIIMS. It will be indeed, for all practical purposes, a redundant Manual if it only codifies the conventional drugs and does not take into account the IT based solutions as submitted by a representative of the Ministry during evidence. The Committee, therefore recommended the urgent measures be taken by the Ministry

to develop a computer aided and computer based system in AIIMS so that the premiere institute is able to take into account the IT based solutions besides codifying the conventional drugs, thus appropriately shifting to an IT enabled system of effective financial management.

[Sl.No. 3 of the 24th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

In compliance with the directions for Ministry regarding manual on Financial Management of All India Institute of Medical Sciences the Director has constituted a Committee under the Chairmanship of Deputy Director (Admn.) to revise the draft Financial Manual with a view to implement it an AIIMS and making it compatible with IT-enable Accounting System. The finalization/review of the draft Manual is in progress and likely to be completed by end of the current year.

It is also added that with the prior approval of SFC the work for preparation of Annual Accounts as per new format of Accounts on Accrual Basis (Double Entry System) has been awarded to Institute of Chartered Accountants of India—ARF which *inter alia* includes the following:—

(a) Drafting of Accounts Manual including codification structure and chart of accounts;

(b) Audit Manual; and

(c) Training Manual.

As regards developing a computer aided and computer-based system to enable the institute to take into account the IT based solutions besides codifying the conventional drugs and shifting to an IT-enabled system of effetive financial management it is mentioned that the following e-governance projects are under active implementation through NIC/NICSI during the financial year 2011-12:—

1. e-Hospital project.
2. Comprehensive DDO Package.
3. FTS/e-Office.
4. EHS computerization.

It is also not out of place to mention that all necessary informations with respect to treatment of patients/user charges etc. are available on the website of AIIMS, almost all the work of Exam. Section is also computerized and e-tendering system has already been adopted in Engineering Service Department.

Thus, the institute has already taken suitable measures to comply with the recommendations of Public Accounts Committee. The completion of the above mentioned projects by ICAI and NIC/NICSI, shall pave the way for institute to shift the existing accounting system to IT-enabled system of accounting for effective Financial Management.

Audit Comments

Ministry may mention about the expected dates for completion of four governance projects by ICAI/NICSI and their operation in AIIMS.

Further Reply

Present status of various projects in AIIMS are as under:—

(i) File Tracking System Software implementation had been completed on 26.6.2011 and is being used by AIIMS.

(ii) e-Office is started *w.e.f.* 13.3.2012 and expected to be completed by September, 2012.

(iii) Employees Health Scheme implemented *w.e.f.* Jan., 2012.

(iv) e-Hospital is being implemented and likely to be completed by Dec., 2012.

(v) Comp.-DDO software could not be taken up any further because of introduction of new accounting procedures.

Sd/-
Joint Secretary

Comments of the Committee

Please *see* para No. 8 of Chapter-I.

Observation/Recommendation

The Committee find that during the period 2002—06, out of the total expenditure of Rs. 459.21 crore on purchase of medicines for CGHS dispensaries at Delhi, the value of medicines purchased through local chemists was Rs. 366.33 crore which constituted 80 per cent of the total purchases. Similarly, the percentage of local purchase of medicines to total purchase in CGHS Hyderabad, Bangalore, Allahabad, Patna, Kolkata, Mumbai, Pune and Guwahati ranged between 74 to 91 per cent during the years 2002—07. Further, during the same period local purchases in Smt. Sucheta Kriplani and Dr. Ram Manohar Lohia Hospitals constituted as large as 77 to 97 per cent of the overall purchase of medicines. The Committee are given to understand that the local purchase system was introduced to enable the CGHS dispensaries to supply to the beneficiaries those medicines which were not in stock. But over a period of time the system degenerated as would be gauged from the fact that CGHS was actually procuring on an average at least 70 to 80 per cent of its medicines through local purchase and only 20 to 30 per cent through centralized procurement. The Committee's examination of the subject has revealed that such degeneration crept in as there was no data base regarding procurement, distribution and inventory management of drugs, for which no effective monitoring could be put in place to ascertain the reasons of large scale procurement through local purchases. Another shortcoming was that most of the medicines that were on the formulary did not have a rate contract. All these factors led to inefficiency in the procurement system, as also candidly admitted by the senior officers of the Ministry during evidence. However, post audit review and after this Committee took up the subject for detailed examination, the Ministry sprung to action

and resorted to a number of measures to cut down the local purchases as well as to bring in efficiency in the procurement system. Such measures, *inter-alia,* include computerization of all the dispensaries in Delhi; culling out a list of about 262 medicines that were not in the formulary of the Medical Stores Organisation (MSO) but were frequently prescribed by the doctors and procured locally; entering into a rate contract for all these medicines with the companies that manufacture them; and authorizing the dispensaries to place the indent directly with the companies after estimating the requirement every month through computerized projection. The Committee are informed that as a result of the above cited measures initiated by the Ministry, the local purchase of medicines has come down to 21 per cent. But the moot point is that such measures should have been initiated much earlier. However, now that the Ministry have been able to identify the grey areas and are taking corrective measures, the Committee stress that the measures initiated should continue unabated and be extended to the CGHS dispensaries in other cities also to check large scale procurement of medicines through local purchase. An effective monitoring mechanism should be firmly put in place for regular oversight of the appropriate implementation of the measures initiated. Further, as there is scope for making all the purchases by a centralized way if the demand is forecast and the frequently prescribed medicines is kept track of, as admitted by the Secretary, Ministry of Health and Family Welfare, the Committee recommend that steps be taken by the Ministry accordingly to explore the feasibility of doing away with the local purchases altogether so that exploitation of the system by certain vested interests is prevented and higher payment towards locally procured medicines is checked. Results of the measures taken in this regard be intimated to the Committee from time to time.

[Sl.No. 4 of the 24th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

Streamlining of the functioning of the CGHS is a continuous process. In order to make available medicines not available in stock, procurement is due by placing indents on the local authorised chemist appointed for each dispensary after following the open tender process. Local indenting of medicines was necessitated in view of the development of newer medicines by pharmaceutical companies and also changes in the prescription pattern of Government specialists. In the period prior to the computerisation of the functioning of the CGHS there was no data base regarding procurement of medicines by the CGHS through local purchase. After the computerisation of the functioning CGHS, it was possible for the CGHS to monitor the prescriptions made by Government specialists, as a result of which 272 drugs which were not in the formulary of CGHS, but were being commonly prescribed by specialists were identified. CGHS has been able to procure such medicines directly from manufacturers/suppliers at more competitive rates. All Chief Medical Officers in charge of the dispensaries have been authorised to place indents directly on the manufacturers/suppliers on a periodic basis based on the need. This arrangement has resulted in beneficiaries getting upto 90% of their requirement of medicines on the same day. The project, which was attempted as a pilot project in 10 dispensaries, in Delhi, as a result of positive response received, was extended initially to all dispensaries

in Delhi and then subsequently to other CGHS cities. With the expanded coverage of scheme, the proportion of local purchase is expected to come down further.

Given the need to make medicines available to beneficiaries without delay and taking note of existing prescription practices and newer medicines being introduced from time to time, it is not possible to entirely do away with local purchase, though further effort is being made to further reduce local purchases.

Instructions have been issued to specialists in Safdarjung Hospital and Dr. Ram Manohar Lohia Hospital to prescribe generic drugs as far as possible and also to affix a stamp/note stating that "equivalent generic medicines can also be issued".

Audit Comments

A copy of the instructions issued to specialists in Safdarjung Hospital and Dr. RML Hospital to prescribe generic drugs as far as possible and also to affix a stamp/note stating that equivalent generic medicines can also be issued be appended to final ATN. It may also be mentioned whether these instructions are being complied with the specialists.

Further Reply

The generic medicines are being prescribed by the Central Government Hospitals. The compliance report has also been received from various Central Government institutions. These instructions are being complied and also being monitored. The Copy of instructions is enclosed herewith (Annexure-F).

Sd/-
Additional Secretary & DG (CGHS)

ANNEXURE F

No. S-11025/45/10-MH-1
Government of India
Ministry of Health & Family Welfare
Directorate General of Health Services
(Medical Hospital-I Section)

Nirman Bhawan, New Delhi
Dated the 26th May, 2010

ORDER

It has been observed that Doctors in the Central Government hospitals and autonomous institutions under the Ministry of Health and Family Welfare prescribe specific brands of medicines quite often with a rider that no substitute should be supplied. Instances have also come to notice where the prescribed drug was very expensive and cheaper substitutes were available. However, the patient did not have any choice but to procure the prescribed drug.

The matter has been considered by the Competent Authority. It is observed that generic drugs are usually much cheaper then branded drugs. Therefore, Central Government hospitals must provide only good quality generic medicines. It has therefore, been decided that whenever any branded drug is prescribed in the above mentioned institutions. It shall invariably also be mentioned that any other equivalent generic drug could also be provided. For instance, if the prescription is for Tablet Crocin, then the prescription should read as 'Tab. Crocin' or any other equivalent generic drug. The hospital would then give the flexibility of providing generic equivalents of the prescribed medicine.

It has also been decided that henceforth the prescription will be regularly monitiored in Dte. G.H.S. to verify compliance with these Instruction.

Sd/-
Additional Deputy Director General (M)
Telefax: 23062290

To
All Central Government Health Institutions in Delhi & Outside Delhi (As per list)

Observation/Recommendation

Absence of formularies entailing the essential list of drugs in Hospitals of repute like Dr. Ram Manohar Lohia and Safdarjung Hospitals is another grey area that came to the notice of the Committee in the process of the examination of the subject. Audit scrutiny revealed that these two Hospitals did not have any essential list of drugs and they indented for or purchased medicines directly on the basis of drug lists compiled every year on the basis of requisition made by the Departmental Heads. The Secretary, Ministry of Health and Family Welfare apprised the Committee in evidence that both the Hospitals have started maintaining/updating the formularies which they follow to procure their drugs. It is surprising that such major Hospitals used to procure drugs without adhering to any formulary for years together and only after Audit pointed out the shortcomings and the PAC took notice of the matter, that the Ministry impressed upon the Hospitals to stem the rot. It implies lack of self discipline on the part of the Ministry as well as the Hospitals, to say the least. However, now that Dr. Ram Manohar Lohia and Safdarjung Hospitals have started following formularies for procurement of medicines, the Committee desire that there should not be any further aberrations in this regard. The Committee also impress upon the Ministry to carry out periodical inspections to ensure that all the CGHS hospitals/ dispensaries maintain their respective formularies and update them at regular intervals for purchasing/indenting essential drugs.

[Sl.No. 7 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The Common Formulary for Generic Drugs for MSO, CGHS and four Government Hospitals *i.e*., Dr. Ram Manohar Lohia Hospital, Safdarjung Hospital, Lady Hardinge Medical College attached Hospital and Kalawati Saran Children Hospital, has been approved in May 2011. This formulary has been harmonized with the National List of Essential Medicines.

The recommendation of the Committee has been noted. Formularies of proprietary/ branded drugs and for generic drugs are being updated from time to time.

Audit Comments

The Ministry has stated that the formularies of proprietary/branded drugs and for generic drugs are being updated from time to time. The Ministry may mention the dates on which these formularies have been updated during the last five years.

Further Reply

The Medical Stores Organization (MSO) an attached office of Ministry of Health and Family Welfare traditionally had a Vocabulary of Medical Store (VMS) Book which consisted of three Sections *i.e.,* Generic Section, Proprietary Section and Non-Drug Section and included following two lists:—

(a) Generic List—It includes single ingredient and multi-ingredient drugs for which a monograph existed in the India Pharmacopoeia.

(b) Proprietary List—It includes the branded medicines manufactured by their sole manufacturer.

At present MSO is operating the following two combined formularies of CGHS & MSO.

Generic Formulary

A Common Formulary of 1128 Generic Medicines for MSO, CGHS and three Central Government Hospitals namely Safdarjung Hospital, Dr. RML Hospital and LHMC and KSC Hospital has been approved and implemented from 23.05.2011, which is valid for three years. The Common Formulary of Generic Medicines consist of 1128 formulations/ doses forms and 664 generic medicines/drug molecules. This list has been harmonized with National List of Essential Medicines (NLEM)-2011 (348 Molecules—527 Formulations). Out of 1128 generic medicines listed in the formulary the rate contract of 124 items (the rates valid upto 23.6.2014) is available with MSO at present. The action for finalizing the rate contract of balance 1004 generic items is being initiated by MSO. The dates on which this formulary has been updated during the last five years are as under:—

Dec., 2007—818 No. of drugs included May, 2011—A Common formulary of 1128 drugs.

Proprietary Formulary

The Combined Formulary of CGHS/MSO in respect of Proprietary Drugs containing 622 formulations at present was notified by the Ministry on 17.9.2010. The validity of the formulary has been extended upto 23.12.2012. A Committee has been constituted on 19.12.2011 for revision of formulary and rate contract.

Sd/-
Additional Secretary and DG(CGHS)

Observation/Recommendation

The Committee observe that during the years 2001-02 to 2006-07, 35 items of medicines in CGHS—Delhi, Pune and Kolkata and Government Medical Store Depot (GMSD) (Kolkata) were sent for laboratory testing on the basis of complaints received from the Chief Medical Officers and individuals. The laboratory testing reports had confirmed the sub-standard quality of the drugs. In this context, the Committee are given to understand that the problems lies with the drugs that are procured locally where pre-procurement inspection is not possible. In other words, in respect of medicines procured in bulk in a centralized way, there is prior inspection of the supplier whereas local purchases do not allow the scope of drawing of samples of drugs for testing and their subsequent follow up. In such cases, only the *bona fides* of the suppliers are checked with reference to their past records available with the State Drug Controller. It is really shocking that such a stopgap arrangement has been made to confirm the quality of dugs procured locally. The seriousness of the problem could be well gauged from those years local purchases of medicines constituted about 70 to 80 per cent of the total purchases and the large number of CGHS patients

who might have been administered sub-standard drugs during that period. However, when better sense prevailed upon the Ministry and they introduced the rate contract system in Delhi to cut down the local purchases, they have tested more than 1650 samples of drugs procured centrally on a very planned and random sampling methodology and none of them has reportedly failed the quality test so far. This precisely why the Committee are keen to see that local purchases of medicines are altogether done away with or confined to the barest minimum as life saving drugs without quality assurance, emergency of the situation notwithstanding may prove to be counter productive. The Committee also desire that after restricting local purchases to absolute emergencies, till such time they are completely stopped, the Ministry should innovate some alternate effective measures, instead of just checking the *bona fides* of the suppliers from the past records, to test the quality of the medicines procured locally so that any possibility of administering substandard drugs to the patients in distress is eliminated.

[Sl. No. 9 of the 24th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

For purchases made by MSO, each batch is sent for testing to two Government approved/authorized drug testing Laboratories. After receiving satisfactory test reports from both Laboratories, the drugs are accepted. All the Drugs are inspected physically by a team consisting of two doctors from the indenter's side and one officer from the depot side.

For purchases done locally, at the time of receiving of medicines supplied from local authorised chemists, physical inspection is done with reference to date of manufacture, date of expiry as well as any visible deterioration. Instructions are there to ensure the drugs supplied by local authorised chemists have residual life of at least 50% of its total shelf life.

CDSCO authorities have been requested to collect and test the drug samples from CGHS authorised local chemists more frequently. This will minimise chances of supply of substandard drugs to CGHS.

Audit Comments

Ministry may furnish a copy of the letter requesting to CDSCO authorities to collect and test the drug samples from CGHS authorized local chemists more frequently. The Ministry may also mention the details of mechanism devised to collect and test the drug from CGHS authorized local chemists by CDSCO.

Further Reply

The office of DCG(1) has instructed *vide* circular No.26/Zonal & Sub-Zonal/DDC (1)/2010 dated 20.07.2010 **(Annexure 'A')** to the Drugs Inspectors of all Zonal, Sub-Zonal offices of CDSCO to collect at least 5 samples per month under Drugs and Cosmetics Act for testing and the sample shall be preferably collected from Government dispensaries, hospitals, rural outlets and from manufacturing premises during inspection. Atleast 9 to 10 samples shall be collected per quarter, and 50% sample

shall be from Government dispensaries. In addition to above, a circular [No. 26/Zonal & Sub-Zonal/DDC(1)/2010 dated 25.06.2012] has been issued by this office to all the Drug Inspector of Zonal & Sub-Zonal offices of CDSCO to collect drugs sample from CGHS Authorized Medical Shop. **(Annexure 'B')**

Further, Section 23 of the Drugs and Cosmetics Act prescribe the procedure of inspectors to collect the drug sample **(Annexure 'C').** The Government Analyst shall cause to be analysed or tested such samples or drugs and cosmetics as may be sent to him by inspectors or other persons under the provisions of Chapter-IV of the Act and shall furnish reports of the results of test or analysis in accordance with these rules.

Sd/-
Additional Secretary & DG(CGHS)

ANNEXURE A

MINISTRY OF HEALTH AND FAMILY WELFARE

Directorate General of Health Services
Central Drugs Standard Control Organisation (HQ)
FDA Bhawan, Kotla Road,
New Delhi
Tel: 23236965
Fax: 23236973

No. 26/Zonal & Subzone/DDC (i)/2010 Date: 20.07.2010

CIRCULAR

To keep a check on the manufacture and sale of not of standard quality drugs the following guidelines for sampling of drugs and Cosmetics by drug inspectors shall be followed with immediate effects:—

1. Each drugs inspector shall collect at least 5 samples per month under the Drug and Cosmetics Act for testing. The sample shall be preferably collected from Government dispensaries, hospitals, rural outlets and from manufacturing premises during inspection. As least 9 to 10 samples shall be collected per quarter and 50% sample shall be from Government dispensaries.
2. At least 2 samples of Cosmetics shall be collected per month from retail outlets.
3. At least 5 survey samples of drugs per month shall be collected from manufacturing premises as part of the inspection procedure. This may also include raw material samples from the stores of the manufacturers.

Whenever required, States help can be taken during collection of samples.

Every quarter, information regarding investigation being carried out and prosecution launched in the courts of law shall be intimated to CDSCO head quarter.

Please acknowledge this circular.

Sd/-

DCG (I)

Copy to:

1. To all CDSCO Zonal and Sub-zonal Offices
2. PPS to DGHS, Ministry of Health & Family Welfare, Nirman Bhawan, New Delhi
3. Joint Secretary (R), Ministry of Health & Family Welfare, Nirman Bhawan, New Delhi

ANNEXURE B

GOVERNMENT OF INDIA
Directorate General of Health Services
Central Drugs Standard Control Organisation (HQ)

FDA Bhawan, Kotla Road,
New Delhi-110 002
Tel: -011-23212074
Fax: -011- 23236973

File No. 26/Zonal & Sub-zonal/DDC (i)/2010 Date: 25.06.2012

CIRCULAR

In continuation of the circular No. 26/Zonal & subzonal/DDC(I)/2010 Dated 20.07.2010 of this office, it is hereby instructed that in addition to the sample collected from Government dispensaries, Hospitals, Rural Outlets and from manufacturer premises during inspection, the Drugs Inspectors are also directed to draw samples from the CGHS Authorized medical shops.

Sd/-

Drugs Controller General (India)

To,

1. All CDSCO Zonal & Sub-zonal offices.
2. PPS to DGHS, Ministry of Health & Family Welfare, Nirman Bhawan.
3. Joint Secretary, Ministry of Health & Family Welfare, Nirman Bhawan.

23. Procedure of Inspectors— *(1)* Where an Inspector takes any sample of a drug [1][or cosmetic] under this Chapter, he shall tender the fair price thereof and may require a written acknowledgement therefor.

(*2*) Where the price tendered under sub-section (1) is refused, or where the Inspector seizes the stock of any drug [1][or cosmetic] under clause (*c*) of section 22, he shall tender a receipt therefor in the prescribed form.

(*3*) Where an Inspector takes a sample of a drug [1][or cosmetic] for the purpose of test or analysis, he shall intimate such purpose in writing in the prescribed form to the person from whom he takes it and, in the presence of such person unless he wilfully absents himself, shall divide the sample into four portions and effectively seal and suitable mark the same and permit such person to add his own seal and mark to all or any of the portions so sealed and marked:

Provided that where the sample is taken from premises whereon the drug [1][or cosmetic] is being manufactured, it shall be necessary to divide the sample into three portions only:

Provided further that where the drug [1][or cosmetic] is made up in containers of small volume, instead of dividing a sample as aforesaid, the Inspector may, and if the drug [1][or cosmetic] be such that it is likely to deteriorate or be otherwise damaged by exposure shall, take three or four, as the case may be, of the said containers after suitably marking the same and, where necessary, sealing them.

(*4*) The Inspector shall restore one portion of a sample so divided or one container, as the case may be, to the person from whom he takes it, and shall retain the remainder and dispose of the same as follows:—

(*i*) one portion or container he shall forthwith send to the Government Analyst for test or analysis;

(*ii*) the second he shall produce to the Court before which proceedings, if any, are instituted in respect of the drug [1][or cosmetic];

[2][(*iii*) the third, where taken, he shall send to the person, if any, whose name, address and other particulars have been disclosed under section 18A.]

(*5*) Where an Inspector takes any action under clause (*c*) of section 22,—

(*a*) he shall use all despatch in ascertaining whether or not the drug [1][or cosmtic] contravenes any of the provisions of the section 18 and, if it is ascertained that the drug [1][or cosmetic] does not so contravene, forthwith

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1. Ins. by Act 21 of 1962, *s*. 15 (*w.e.f.* 27-7-1964).

2. Subs. by Act 13 of 1964, *s*. 16, for cl. (*iii*) (*w.e.f.* 15-09-1964).

revoke the order passed under the said clause or, as the case may be, take such action as may be necessary for the return of the stock seized;

(*b*) if he seizes the stock of the drug [1][or cosmetic], he shall as soon as may be inform [4][a Judicial Magistrate] and take his orders as to the custody thereof;

(*c*) without prejudice to the institution of any prosecution, if the alleged contravention be such that the defect may be remedied by the possessor of the drug [1][or cosmetic], he shall, on being satisfied that the defect has been so remedied, forthwith revoke his order under the said clause.

[5][(*6*) Where an Inspector seizes any record, register, document or any other material object under clause (*cc*) of sub-section (*I*) of section 22, he shall, as soon as may be, inform [6][a Judicial Magistrate] and take his orders as to the custody thereof.]

Observation/Recommendation

The Committee are informed that the Central Government Drug Testing Laboratories at Kolkata, Mumbai, Chennai, Guwahati and Kasauli are adequately equipped to test the drug samples sent to them. Two new similar kinds of laboratories are reportedly being established at Chandigarh and Hyderabad. The Committee, however, finds that the position in this regard in various States is deplorable. For example, only 17 States have Drug Testing Laboratories and even among them, only seven laboratories have the capacity to test all types of drugs. Not only that, every State Government has grossly inadequate inspectors and the functioning of the Drug Controllers in various States is not as optimal as it should be. The Ministry on their part is providing assistance, under a Capacity Building Project through World Bank, to the States to upgrade the testing facilities and establish new Drug Testing Laboratories in 23 States and Union Territories. But the Ministry's move to centralize the monitoring mechanism to ensure the quality of drugs and their supply throughout the country has not found favour with the State Governments and almost all of them have opposed the centralization of powers with the Drug Controller General of India. The Committee are well aware that Health is a State subject. But when the State Governments have not been able to establish adequately equipped Drug Testing Laboratories and ensure optimal functioning of their respective Drug Controllers, despite getting financial assistance, they should not have any reservations over the centralization of drug testing mechanism, as contemplated by the Government of India. After all, it involves larger public interest. The Committee, therefore, recommend that the Ministry, besides providing assistance to the State Governments through the World Bank, should persuade them to establish adequately equipped Drug Testing Laboratories and concur on an effective centralized mechanism to monitor the drug quality so that both the Centre and States are able to perform in unison towards a common cause of providing quality drugs throughout the Country.

[Sl. No. 10 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

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1. Ins. by Act 21 of 1962, *s*. 15 (*w.e.f.* 27-7-1964).

4. Subs. by Act 68 of 1982, *s*. 20, for "a Magistrate" (*w.e.f.* 1-2-1983).

5. Subs. by Act 68 of 1982, *s*. 19, for "the code of Criminal Procedure, 1898" (*w.e.f.* 1-02-1983).

6. Ins. by s. 19, *ibid*. (*w.e.f.* 27-7-1964).

Action Taken

(a) (i) The Regional Drugs Testing Laboratory at Chandigarh is a new laboratory. It has become operational with the appointment of a regular Director. He has been declared as Government Analyst to test statutory samples. It is, however, functioning at a minimum operational level due to shortage of regular technical staff. The posts required for the purpose are being created. For the time being, the Ministry has arranged some minimum staff on contract basis. The matter has been taken up with the Ministry of Finance, Department of Expenditure for providing regular technical and administrative staff to this lab in the required number.

(ii) The Central Drugs Testing Laboratory at Hyderabad was inaugurated in January, 2011. It has started functioning with minimal manpower. The matter has been taken up with the Ministry of Finance, Department of Expenditure for providing regular staff to this lab in the required number.

(iii) The Ministry has sent a proposal for creation of 397 posts in various central drug testing laboratories to the Ministry of Finance, Department of Expenditure.

(iv) The Ministry is also continuously engaged in upgrading the equipments infrastructure of all the central drug testing laboratories. In 2009-2010, high-end sophisticated equipments worth Rs. 3.59 crores were provided to these labs. Another lot of purchase of equipments worth of Rs. 3.20 crores is currently under process. The Ministry has also planned to further purchase equipments worth Rs. 25 crores for upgrading the testing facilities.

(b) The Ministry has been aware of the condition of the drug testing laboratories of the State/Union Territories. During 2003-2007 the Ministry, however, provided financial assistance under a previously implemented capacity Building Project for Food & Drugs assisted by the World Bank to upgrade their testing facilities and to establish new drug testing laboratories so as to enhance the capacity of the laboratories to test large number of samples. Under this project 23 States and 6 Central Drugs Laboratories were strengthened through renovations, extensions and equipments.

The Ministry has now worked out a proposal for financial assistance to the States/Union territories in augmenting their drug control infrastructure including setting up of more drug testing laboratories in its 12th Five Year plan proposals. However, this is subject to approval by the Planning Commission, Ministry of Finance and NDC.

(c) Similarly, the Ministry is aware of the inadequate manpower resources of the Drugs Control Departments of the States/Union Territories. The Ministry has been writing to them to strengthen their manpower adequately.

(d) The issue of strengthening of the drugs regulatory system at the State level was also discussed in detail in the Conference of the State Health Ministers and health Secretaries held on January 12-13, 2011 at Hyderabad.

Audit Comments

The Ministry may mention:

1. Whether adequately equipped Drug Testing Laboratories have been established in all the States. If not, the target dates are mentioned.

2. Whether a centralized mechanism to monitor the drug quality has been established as recommended by the PAC.

Further Reply

In this regard it is mentioned that the Central Government has 8 Drug testing laboratories and 24 States/UTs Government have 31 Drug testing laboratories. The details are enclosed **(Annexure 'D').** The Drugs and Cosmetics Act mandates both the Central Drug Regulatory Authority (Drug Controller) and State Drug Controllers to monitor the quality of various drugs.

Further Audit Comments

It may be mentioned whether Drug Testing Laboratories of Centre (8) and States (24) state to have been established are adequately equipped for their optimal functioning. The Ministry may also mention the details of centralized mechanism to monitor the drug quality so that both the Centre and States are able to perform towards a common cause of providing quality drugs throughout the country as desired by the PAC.

Reply of the Ministry on Further Audit Comments

1. Regulation of the Quality of Drugs in the Country

- The Drugs and Cosmetics Act, 1940 is a Central Act with the mandate of ensuring quality, safety and efficacy of drugs manufactured and imported into the country. The provisions of the Act and the Drugs and Cosmetics Rules, 1945 made thereunder are implemented mainly through the States/UTs.

- Under Drugs and Cosmetics Act, 1940 and Rules made thereunder, the Central Government has the mandate of regulating imports, approving introduction of new drugs, clinical trials, blood banks and medical devices through the Central Drugs Standard Control Organization (CDSCO).

- The State/UT Governments have the major responsibilities of regulating the manufacture, sale and distribution of drugs through a system of grant/renewal of the drugs manufacturing licenses and sale licenses by their Licensing Authorities and enforcement of various provisions of the Act and the Rules through their Drugs Control Authorities.

- The Drug Inspectors appointed under the Act, both of the Central and State/ UT Governments, have powers to inspect any premises wherein any drug is being manufacured or sold, or stocked or exhibited or offered for sale or distributed. He/she is authorized to take samples of any drug for testing. He/she is empowered to search any person, enter and search any place or stop and search any vehicle or conveyance where he has a reason to believe that offence is being committed. He/she can examine records; register and documents etc. and seize the same if so required under the Act. He/she is authorized to institute prosecution in respect of breaches of the Act and Rules thereunder. He/she is required to inspect not less than once a year all establishment licensed for manufacture or sale within the area assigned to him/her.
- Schedule-M to the Drugs and Cosmetics Rules provides requirements for Good Manufacturing Practices and requirements of plant and equipment for manufacture of drugs. It specifies in detail the requirements of premises, surroundings, personnel, sanitation, storage of raw materials, documentation and records, self inspections and quality control systems and site master files etc. The manufacturer is required to comply with the requirements of Schedule-M under the conditions of the licence so as to ensure that the drugs manufacturers in the country conform to the standards prescribed for them.
- The States have grossly inadequate infrastructure and manpower for efficiently discharging their responsibilities.
- The Central Drugs Standard Control Organisation (CDSCO), including the Central drug testing laboratories has also been facing infrastructure constraints.
- There are at present only 8 Central drug testing labs and 29 labs in the States, most of which are lacking in the required infrastructure, both manpower and physical. Given the increasing size of the domestic pharma sector, there is need for testing of adequate samples of drugs per year.
- At present, the Central Drug Testing Laboratories are testing around 9,000 samples in a year. The State laboratories test over 53,600 samples in a year. For testing of complex samples of drugs, the States Licensing Authorities avail the testing facilities of Central Drugs Testing Laboratories. Every batch of vaccine is tested in the Central Drugs Laboratory, Kasauli before use. The National Institute of Biologicals, NOIDA is responsible for the testing of biological products.
- A list of drug testing labs in the country is given below:—

A. Central Drugs Testing Laboratories

Sl. No.	Name
1.	Central Drugs Testing Laboratory, Mumbai, Maharashtra
2.	Central Drugs Laboratory, Kolkata, West Bengal
3.	Central Drugs Testing Laboratory, Chennai, Tamil Nadu

Sl. No.	Name
4.	Central Drugs Laboratory, Kasauli, Himachal Pradesh
5.	Regional Drugs Testing Laboratory, Guwahati, Assam
6.	Regional Drugs Testing Laboratory, Chandigarh
7.	Central Drugs Testing Laboratory, Hyderabad, Andhra Pradesh
8.	National Institute of Biologicals NOIDA. (U.P.)

B. Government Drug Testing Laboratories set up by States/UTs

Sl. No.	Name of State	No. of Drug Testing laboratories
1.	Andhra Pradesh	2
2.	Bihar	1
3.	Chhattisgarh	1
4.	Delhi	1
5.	Goa	1
6.	Gujarat	1
7.	Haryana	1
8.	Himachal Pradesh	1
9.	Jammu & Kashmir	2
10.	Jharkhand	1
11.	Karnataka	3
12.	Kerala	1
13.	Madhya Pradesh	1
14.	Maharashtra	2
15.	Meghalaya	1
16.	Odisha	1
17.	Puducherry	1
18.	Punjab	1
19.	Rajasthan	1
20.	Tamil Nadu	2
21.	Tripura	1
22.	Uttar Pradesh	1
23.	West Bengal	1
	Total	29

- The Ministry has devoted special attention to strengthening its drug regulatory system. The Ministry has been continuously engaged in enhancing and upgrading the infrastructure facilities at the headquarters as well as other offices of CDSCO. In April 2008, CDSCO had a total of 111 regular posts. The Government sanctioned additional posts in 2008 & 2009 for strengthening headquarters, port/zonal offices.

- Presently, there are total sanctioned posts of 310. Presently, there are 121 regular officers in-position in CDSCO. UPSC has completed selection of 90 Drug Inspectors who are likely to join within a few months. The remaining posts are at various stages of filling. Details of staff position of CDSCO as on November 2012 *vis-a-vis* that on April 2008 are given below:—

Sl. No.	Name of the post	No. of Sanctioned Posts as in April 2008	In Position as in April 2008	No. of Sanctioned Posts as in November 2012	In Position as in November 2012	Vacant Posts as in November 2012
1	2	3	4	5	6	7
1.	Drugs Controller General (India) [DCG(I)]	1	1	1	1*	-*
2.	Joint Drugs Controller (India) [JDC(I)]	1	0	2	-	2
3.	Deputy Drugs Controller (India) [DDC(I)]	9	1	19	14	5
4.	Assistant Drugs Controller (India) [ADC(I)]	16	16	41	14	27
5.	Drugs Inspector [DI]	32	12	169	65	104
6.	Asstt. Drug Inspector [ADI]	-	-	31	-	31
7.	Sr. Biomedical Engineer	-	-	1	-	1
8.	Biomedical Engineer	-	-	1	-	1
9.	Technical Officer [TO]	14	5	24	13	11

1	2	3	4	5	6	7
10.	Senior Technical Assistant [STA]	17	13	15	9	6
11.	Technical Assistant [TA]	21	16	6	6	-
	Total	111	64	310	121	189

*The post is filled up on additional charge basis with the person also selected for regular appointment, which has been stayed by Madras High Court.

- The Central Drug Testing labs are also continuously being provided newer sophisticated testing instruments. During the financial year 2012-13 also, it is proposed to procure equipments worth Rs. 19.45 crores. This will further enhance the testing capacities of these laboratories.

- Considering the lack of resources available with State Governments, the Central Government has similarly felt an urgent need to strengthen their infrastructure, both physical and human resources. It has accordingly envisaged a Centrally Sponsored Scheme for the purpose during the 12th Five Year Plan. The Scheme would be funded by the Central and the States. The required interventions in the direction of strengthening the infrastructure of State drug control departments will include:—

  (i) Strengthening of manpower.
  (ii) Strengthening of physical infrastructure.
  (iii) Reviving non-operational/party operational drug testing facilities to enhance their capacity.
  (iv) Sharing information about drugs and sub-standard drugs with the drugs controllers of other States/UTs.
  (v) Providing training to enforcement officials.
  (vi) Creating data base on Drug Regulation and introducing IT enabled services.

Further Vetting Audit Comments

Ministry may inform PAC after revival and filling up of the lapsed posts in all cadres of Medical Stores Organization (MSO), Central Drugs Testing Laboratories set up by States/UTs and Central Drugs Standard Control Organization (CDSCO).

Reply of the Ministry on further Vetting Audit Comments

1. Only one lapsed post in the Central Drugs Testing Laboratories and the Central Drugs Standard Control Organisation (CDSCO), *i.e.* the post of Pharmaceutical Chemist in Central Drug Laboratory, Kolkata, has been revived by the Department of Expenditure during the last 5 years *vide* I.D. No. 240/R&I/ECI/09 dated 17.12.2009. The post has since been filled up.

2. The Department of Expenditure did not agree to revival of several other technical posts.

3. Instead of making further efforts at revival of other lapsed posts in Central Drugs Testing Laboratories and the Central Drugs Standard Control Organisation (CDSCO), the Ministry has reviewed the organisational structure of these organisations in view of the changing needs of the regulatory control of drugs, cosmetics and medical devices. It has accordingly proposed creation of new/additional posts in these organisations, including some of the lapsed posts.

4. The Ministry is making all out efforts to fill up all the vacant/new posts in the Central Drugs Testing Laboratories and the Central Drugs Standard Control Organisation (CDSCO).

5. The Government Drug Testing Laboratories set up by States/UTs do not fall within the administrative purview of the Central Government. Hence, no information is available about them in this regard. However, Central Government has been strengthening its laboratories continuously. The States have been regularly advised to strengthen their laboratories and upgrade the capacity of their personnel.

Aware of the deficient status of the State drug control departments and their Drugs Testing Laboratories, the Central Government has envisaged a Centrally Sponsored Scheme during the 12th Five Year Plan to help them in upgrading their infrastructure, both physical and human resources. The Scheme would be funded by the Centre and the States. A new budget head has already been created in this regard. The required interventions in the direction of strengthening the infrastructure of State drug control departments will include:—

(i) Strengthening of manpower.

(ii) Strengthening of physical infrastructure.

(iii) Reviving non-operational/partly operational drug testing facilities to enhance their capacity.

(iv) Sharing information about drugs and sub-standard drugs with the drugs controllers of other States/UTs.

(v) Providing training to enforcement officials.

(vi) Creating data base on Drug Regulation and introducing IT enabled services.

Rs. 1200 crore has been approved for this new scheme for the 12th Plan Period and Rs. 100 crore for the financial year 2013-14.

Sd/-
Joint Secretary

ANNEXURE D

No. of Central Government Drug Testing Laboratories

Sl. No.	Name
1.	Central Drugs Testing Laboratory, Mumbai.
2.	Central Drugs Laboratory, Kolkata.
3.	Central Drugs Testing Laboratory, Chennai.
4.	Central Drugs Testing Laboratory, Hyderabad.
5.	Central Drugs Laboratory, Central Research Institute, Kasauli.
6.	Regional Drugs Testing Laboratory, Guwahati, Assam.
7.	Regional Drugs Testing Laboratory Chandigarh.
8.	National Institute of Biologicals, Noida.

No. of State/UT-wise Government Drug Testing Laboratories

Sl. No.	Name of States	No. of Drug Testing Laboratories
1.	Andhra Pradesh	2
2.	Bihar	1
3.	Chhattisgarh#	1
4.	Delhi	1
5.	Goa	1
6.	Gujarat	1
7.	Haryana	1
8.	Himachal Pradesh	1
9.	Jammu & Kashmir	2
10.	Jharkhand#	1
11.	Karnataka	3
12.	Kerala	1
13.	Madhya Pradesh	1
14.	Maharashtra	2
15.	Meghalaya	1
16.	Orissa	2
17.	Pondicherry	1

Sl. No.	Name of States	No. of Drug Testing Laboratories
18.	Punjab	1
19.	Rajasthan	1
20.	Tamil Nadu	2
21.	Tripura	1
22.	Uttar Pradesh	1
23.	Uttarakhand	1
24.	West Bengal	1
	Total	31

In the State of Jharkhand and Chhattisgarh the drug testing laboratories are not functional at present because of manpower shortage. However the concerned State Governments are in the process of recruiting Government Analyst and other supporting staff to make the laboratories functional.

Observation/Recommendation

The Committee note that in seven Medical Store Depots and two CGHS stores, failure on the part of the Ministries/Department concerned to periodically and realistically assess the procurement requirements resulted in unwanted medicines worth Rs. 5.87 crore becoming time expired. The Committee further note that indents for procurement of some specific medicines was placed by CGHS, Delhi far in excess of actual requirements which resulted in huge stockpiling of medicines worth Rs. 51.69 lakh with short shelf life. In this context, the Committee finds that earlier procurement was done annually whereas supplies were made on the basis of quarterly indents generated by each dispensary. In such a situation, there was sometimes a total mismatch between what was annually indented and what was actually asked for every quarter. However, now that the indenting has been made online for both CGHS and the MSO, the Committee desire that infructuous indenting/procurement of medicines is avoided and the gap between the projection and the actual utilization is bridged. The Committee also desire that the conditions imposed on the companies *viz.* to supply medicines which should have a valid shelf life on three-fourth of the valid shelf life and to replace the medicines on expiry with a fresh batch, should be continued unabated along with judicious projections for procurement with a view to preventing stockpiling of medicines and the consequent loss there from.

[Sl. No. 12 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

It is a fact that there was accumulated stores worth of Rs. 5.72 crores which expired subsequently. These stores pertain to the procurement made during various periods between 1976 and 2001. There are number of factors which resulted in such accumulation and consequential expiry of these drugs. Some of these are as under:—

(i) In the past, a number of indenters including State Governments, Union Territories and various Government/Semi-Government Organizations were

depending on Medical Stores Organisation for indenting the medicines. Hence, there was an in-built provision in the GMSD Manual to have advancing provision of procurement of medicines on the basis of the past years' experience of consumption. Hence, procurement and supply though advance provisioning were in vogue during late 70's and 80's. However, certain medicines which were procured on the basis of advanced provisioning could not be utilized due to sudden withdrawal of certain indenters from MSO, return of excess stocks by some indenters and more so the change of prescription pattern by the Doctors due to introduction of newer drugs and gradual un-popularity of certain older drugs.

(ii) Certain items because of their obsolete use were deleted from the formulary of the Medical Stores Organisation.

(iii) There were two manufacturing units attached to GMSD, Mumbai and Chennai each and responsible for manufacture of many items. The sudden closure of these factories led to accumulation of not only certain finished products but also various raw materials procured for the purpose of manufacture.

(iv) Under the Drugs & Cosmetics Act, certain drugs also were banned and could not be utilized by MSO.

(v) Certain stores also accumulated due to the accidental breakage during storage/transport.

However, expired drugs worth of Rs. 5.72 crores have already been written off by Department of Expenditure, Ministry of Finance on 2nd August, 2010 its value amounts to less than 0.5% of the total value of the procurement. It would be pertinent to mention that no medicine has expired in any of the GMSDs under the control of MSO during the last ten years.

It has to be appreciated that the likely demand of medicines for the next 12-18 months can be worked out only on the basis of past consumption pattern of medicines.

Dispensaries place indents on Medical Stores Depot based on the past consumption pattern. Requirement of medicines changes from region to region.

Keeping this background in view, CGHS has taken the following steps to reduce over procurement of drugs:—

1. Now procurement of medicines is done bi-annually;

2. CGHS places orders on HSCC/companies/suppliers for procurement of drugs with the condition that the spent shelf life of the drugs should not exceed one-sixth (approx. 16%) of the total shelf life at the time of inspection of the drugs;

3. CGHS is now strictly enforcing the policy of replacement of expired drugs with fresh batch of drugs as per "replacement clause" agreed to with manufacturers/suppliers; and Strict compliance of "First in First Out" is

being enforced by Medical Stores Depot, with assistance from the software installed in the computers. This will enable dispensing of drugs of older batches first before dispensing of drugs of newer batches to the beneficiaries.

Sd/-
Additional Secretary & DG (CGHS)

Observation/Recommendation

The Committee takes note of the assurance given by the Ministry that the sale of medicines whose life has expired would be a thing of the past and if there would be such cases, then it would not be on account of system failure, but due to deliberate human failure. In such an eventuality, the Committee urge upon the Ministry to fix responsibility and take stringent action against the errant/delinquent officials so that it acts as a deterrent for deliberate callous or *malafide* attitude towards the assigned responsibility.

[Sl. No. 13 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The present introduction of system of e-procurement on the basis of confirmed demand has not resulted in any expiry of medicines. The expired medicines relates to 1976-2001 which is less than 0.5% of the total procurement.

The disciplinary proceeding were initiated against the officers responsible for such procurement during the said period.

However, due to the minor quantum of expiry *vis-a-vis* the total quantum of procurement and the prevailing circumstances during which the medicines were procured, the vigilance division of the Ministry turned down such proceedings. Moreover, it has been noted that the commission of these offences is more than 20 years old.

Sd/-
Additional Secretary & DG (CGHS)

Observation/Recommendation

The Committee note that as the MSO could not live up to the expectation in discharging its allocated function of procuring, stocking and supplying pharmaceuticals and with the funding support coming from external bodies like the World Bank, the Ministry has been engaging consultants, mainly from Public Sector Undertakings, from time to time for procurement of drugs/medicines required for CGHS dispensaries in Delhi and for other National Disease Control Programmes including externally aided projects. Even though these agencies are termed 'consultants', they are in fact contracted to carry out the procurements. In this context, the Committee finds that the task of procurement of medicines for CGHS units in Delhi has been assigned to Hospital Services Consultancy Corporation (HSCC) with effect from November, 2002 for a period of six years on a consultancy fee of 4.5 per cent of the value of drugs procured. The Committee are informed that the reasonableness of

the consultancy fee paid to HSCC appeared doubtful in view of the Purchase Advisory Committee's observation in its meeting held in July, 2005 that the commission paid to the company was on a higher side and it should have been 1 to 2 per cent, taking into consideration the job done by them. The Joint Secretary, Vigilance Commission had also instructed the Director, CGHS in November, 2005 to take up the matter for reducing the fee to 2 per cent at the time of renewal of the contract during December, 2005. The Committee are surprised to find that despite the Purchase Advisory Committee's observation and the Joint Secretary, VC's instruction in 2005 to downwardly revise the consultancy fee of HSCC, no action was taken till 2007. Only after Audit pointed out the shortcomings and the Committee took up the subject for examination that the Ministry informed that the consultation fee shall be capped at 2.5 per cent plus Service Tax and the same has been conveyed to HSCC. In this context, the Committee would like to be apprised of the specific reasons for allowing higher consultancy fee to the extent of at least 5 per cent than what was suggested by the Purchase Advisory Committee and the Joint Secretary, VC. The Committee would further like the Ministry to inform them whether the consultancy fee was reduced at the time of renewal of the contract from December, 2005 as instructed by the JS (VC) and in case of deviation, if any, the action taken by the Ministry to fix responsibility. In view of the fact that the Ministry are making efforts to develop and professionalise their procurement system within the Ministry itself, to oversee and coordinate the entire procurement process under the externally aided projects and purchases of vaccines under the Universal Immunisation Programme, the Committee would like to impress upon the Ministry to revisit their decision to appoint consultants/contractors on commission basis for the purpose.

[Sl. No. 14 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

It has been decided in consultation with IFD in the Ministry of Health and Family Welfare that HSCC would be given 2.5% of the value of drugs as consultancy fee. HSCC is now given this rate since June 2009.

Audit Comments

As desired by the PAC, Ministry may mention the specific reason for allowing high consultancy fee to the extent of at least 5 per cent than what was suggested by the Purchase Advisory Committee and Joint Secretary (VC).

Further Reply

The Hospital Services Consultancy Corporation (HSCC), a fully owned Government of India undertaking under the administrative control of the Department of Health and Family Welfare of this Ministry was contracted by the Central Government Health Scheme (CGHS) in the year 2002 as a service provider for procurement of medicines for CGHS dispensaries located in Delhi and NCR. It was considered necessary as CGHS was facing problems in providing the prescribed medicines at the dispensary level and the supplies were erratic and the MSO was also finding it difficult to manage the supplies to CGHS at Delhi. The services of HSCC were hired at a consultancy fee

of 4.5% of the value of goods procured as against 10% being charged by MSO as Departmental charges. It was found to be a financially prudent and cost effective solution to improve the supplies of medicines to the CGHS beneficiaries. The initial contract was for a period of 3 years. The rate of commission was determined by a Committee headed by the Additional Secretary and Financial Adviser of the Ministry of Health and Family Welfare after taking all relevant factors into consideration in its meeting dated 14.10.2004. Accordingly, an agreement was entered into and HSCC were paid the service charges in the form of consultancy fee accordingly.

The Ministry has taken note of the PAC's observations in the matter and has taken appropriate steps to strengthen its procurement system. Accordingly, an autonomous Central Procurement Agency is being set up to address all such issues related to centralized procurement of drugs, medicines and other items related to the field of medical services, on behalf of the Govt. of India.

Further Audit Comments

(i) The Ministry may mention specific reasons for not taking any action on the suggestion of Purchase Committee and Joint Secretary (VC) made in 2005 to reduce the consultancy fee to two percent.

Reply of the Ministry on further Audit Comments

The Hospital Services Consultancy Corporation (HSCC), a fully owned Government of India undertaking under the administrative control of the Department of Health and Family Welfare of this Ministry was contracted by the Central Government Health Scheme (CGHS) in the year 2002 as a service provider for procurement of medicines for the CGHS dispensaries located in Delhi and NCR. It was considered necessary as CGHS was facing problems in providing the prescribed medicines at the dispensary level and the supplies were erratic and the MSO was also finding it difficult to manage the supplies to CGHS at Delhi. The services of HSCC were hired at a consultancy fee of 4.5 % of the value of goods procured as against 10% being charged by MSO as Departmental charges. It was found to be a financially prudent and cost effective solution to improve the supplies of medicines to the CGHS beneficiaries. The initial contract was for a period of 3 years. The rate of Commission was determined by a Committee headed by the Additional Secretary and Financial Adviser of the Ministry of Health and Family Welfare after taking all relevant factors into consideration in its meeting dated 14.10.2004. Accordingly, an agreement was entered into and HSCC were paid the service charges in the form of consultancy fee accordingly.

Meanwhile, in the year 2005, the Purchase Advisory Committee and the then Joint Secretary opined that the consultancy fee was on a higher side and therefore recommended a reduction in the fee to make it 2 %. However, M/s. HSCC did not agree to it and instead demanded a higher fee for their services. The Contract was renewed

in the year 2006 for a further period of three years at the same terms and conditions with the approval of the competent authority. However, The Ministry kept up the pressure on HSCC to reduce it to 2%. After several rounds of discussions and negotiations, HSCC finally agreed to a consultancy fee of 2.5 %. This could become possible only because the HSCC and CGHS, both the organisations are under the administrative control of the same Department and Ministry, *i.e.* Ministry of Health and Family Welfare.

Further Audit Comments

(ii) The Ministry may also mention whether any responsibility has been fixed for reducing the consultancy fee to 2.5 percent of the value of the drugs since 2009 instead of the date of renewal of contract from December, 2005 as instructed by the Joint Secretary (VC).

Reply of the Ministry on further Audit Comments

The question of fixing responsibility arises only when there is a lapse or loss to National exchequer. In this case, there was no loss caused to CGHS as it had procured services of HSCC with due approval of competent authority. The observations made by the Purchase Advisory Committee and JS (VC) was recommendatory in nature and it could have been enforced only with the mutual consent of both the parties which had signed a formal and legally enforceable agreement. Any unilateral decision in this regard was unwarranted as it could have led to serious disruption in the services and great inconvenience to the CGHS beneficiaries. It could have legal implications and financial implications as well. The decision to renew the contract was taken in the year 2006 with due consideration of all above factors. CGHS kept on pursuing the matter with HSCC and it was finally in the year 2009, at the time of renewal of the contract, that the matter could be clinched with mutual consent of both the parties of the contract.

Further Audit Comments

(iii) Ministry may also mention action taken on PAC's recommendation that Ministry to revisit their decision to appoint consultants/contractors on commission basis for the purpose of procurement of medicines in view of the fact that the Ministry itself making efforts to develop and professionalize their procurement system.

Reply of the Ministry on further Audit Comments

The Ministry has taken note of the PAC's observations in the matter and has taken appropriate steps to strengthen its procurement system. Accordingly, an autonomus Central Procurement Agency has been set up to address all such issues related to centralized procurement of drugs. Medicines and other items related to the field of medical services, on behalf of the Govt. of India. The Agency is likely to become functional in 2012-13 itself.

Further Vetting Audit Comments

Ministry has stated that Central Procurement Agency (CPA) is likely to become functional in 2012-13 itself. Ministry may inform PAC after the functional/set up of Agencies in Centre and States.

Reply of the Ministry on further Vetting Audit Comments

CPA is now termed as Central Medical Service Society (CMSS). The premises for its functioning has been taken on lease and recruitment process for staffing is under way. It is expected that initial functioning will be in place by October, 2013 at Delhi.

Sd/-
Joint Secretary

Observation/Recommendation

The Committee are happy to note that some States like Tamil Nadu have made rapid strides in capacity building and procurement of medicines through IT enable state-of-the-art methodology and made a distinct name for themselves in the field. The Ministry, on their part, besides considering the creation of an agency on the line of Tamil Nadu Medical Supplies Corporation (TNMSC) at the Central Level, are also encouraging the States to set up similar procurement agencies. The Committee are informed that under the National Rural Health Mission, the Ministry's mandate is to provide financial assistance to the States and let the States do their own procurement. In such a scenario, encouraging the States to create IT enabled and professionalized procurement agencies by emulating TNMSC is a move in the right direction. But the responsibility of the Ministry does not just end there. The Committee desire that the Ministry should undertake periodical comparative studies of the progress made by different States in the establishment of state-of-the-art procurement agencies and based on the findings of the studies, the laggard States should be constantly cajoled to do the needful for their own benefit.

[Sl. No. 15 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

MOHFW has prepared Procurement Management Information System (ProMIS) for five Centrally sponsored schemes namely RCH, RNTCP, NVBDCP, SSM and UIP.

Procurement MIS was started by MOHFW in the month of April, 2009. This was piloted in three States namely Orissa, Madhya Pradesh and Maharashtra. In 2010-11 the data entry was done by eleven States. In 2011-12 till May, 2011 seventeen States have started entering data. MOHFW is planning regional level training for better implementation of ProMIS. Central Procurement Agency (CPA) will take

over the procurement MIS and will implement in all 35 States/UTs. Once CPA is established, it will take steps to assist States/UTs to operationalise State level procurement agencies.

Audit Comments

The Committee is happy to note that some States like Tamil Nadu have made rapid strides in capacity building and procurement of medicines through IT enabled state of-the-art methodology and made a distinct name for themselves in the field. The Ministry, on their part, besides considering the creation of an agency on the line of Tamil Nadu Medical Supplies Corporation (TNMSC) at the Central Level, is also encouraging the States to set up similar procurement agencies. The Committee is informed that under the National Rural Health Mission, the Ministry's mandate is to provide financial assistance to the States and let the States do their own procurement. In such a scenario, encouraging the States to create IT enabled and Professionalized procurement agencies by emulating TNMSC is a move in the right direction. But the responsibility of the Ministry does not just end there. The Committee desire that the Ministry should undertake periodical comparative studies of the progress made by different States in the establishment of state-of-the-art procurement agencies and based on the findings of the studies, the laggard States should be constantly cajoled to do the need for their own benefit.

Further Reply

In spite of the constraints of non-availability of IT Consultants, it is submitted that further to the information sent earlier it is informed that States of Orissa, Jharkhand, Uttarakhand, Meghalaya and Tripura are actively using PMIS (Procurement Information System). A training programme was organized in EPW Division to train the trainers of Uttarakhand. It is observed that Uttarakhand has subsequently organized workshops for the training of data entry operators.

The situation will improve drastically once the Central Procurement Agency becomes fully operational as an institutionalized system would be available to provide assistance to the States/UTs.

Further Audit Comments

The Ministry may mention the details of action taken for undertaking the periodical comparative studies of the progress made by different states in establishment of procurement agencies as specifically recommended by the PAC.

Reply of the Ministry on further Audit Comments

Ministry has been taking steps to reform the procurement of health sector goods supplied under the Centrally Sponsored Schemes by setting up a Central Procurement Agency (CPA) on the lines of Tamil Nadu Medical Services Corporation (TNMSC). The Principal Secretary (H&FW) of all the State Governments have been requested through D.O. letter from Secretary (HFW) on 24th May, 2012 to take steps to set up procurement agency in line with the TNMSC.

Ministry has also assured all necessary assistance to State Governments in this effort. States of Kerala, Rajasthan, Bihar, Karnataka, Chhattisgarh and Gujarat have

already set up procurement agencies in line with TNMSC and States of West Bengal and Punjab are in the process of setting up similar organisations. Mission Directors (NRHM) of State Governments have been reminded to intimate the progress of setting up of an organisation like TNMSC.

Further Vetting Audit Comments

Ministry has stated that Central Procurement Agency (CPA) is likely to become functional in 2012-13 itself. Ministry may inform PAC after the functional/set up of Agencies in Centre and States.

Reply of the Ministry on further Vetting Audit Comments

CPA is now termed as Central Medical Service Society (CMSS). The premises for its functioning has been taken on lease and recruitment process for staffing is under way. It is expected that initial functioning will be in place by October, 2013 at Delhi.

Sd/-
Joint Secretary

Observation/Recommendation

The Committee also recommends that the Ministry should expedite setting up of an IT enabled state-of-the-art procurement agency at the Central Level, taking the cue from the TNMSC, so that the procurement procedure is streamlined and the whole system of inventory management and control strengthened.

[Sl. No. 16 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The proposal for establishment of Central Procurement Agency (CPA) has been approved by the competent authority and necessary action has been initiated to operationalise the same. Main objective of the CPA is to streamline the procurement system in the Ministry, by introducing effective and transparent procurement system of the health sector goods in MOHFW.

Audit Comments

The Committee also recommends that the Ministry should expedite setting up of an IT enabled state-of-the-art procurement agency at the Central Level, taking the cue from the TNMSC, so that the procurement procedure is streamlined and the whole system of inventory management and control strengthened.

Further Reply

The Central Procurement Agency has been registered under the Societies Registration Act, 1860 in the name of Central Medical Services Society (CMSS) and efforts are on to appoint CEO. It is likely to become operational within financial year, 2012-13.

Further Audit Comments

The target date by which central procurement agencies would be operational would be mentioned.

Reply of the Ministry on further Audit Comments

Central Medical Services Society (CMSS), a Central Procurement Agency under Department of Health and Family Welfare is likely to become operational within financial year 2012-13.

Further Vetting Audit Comments

Ministry has stated that Central Procurement Agency (CPA) is likely to become functional in 2012-13 itself. Ministry may inform PAC after the functional/set up of Agencies in Centre and States.

Reply of the Ministry on further Vetting Audit Comments

CPA is now termed as Central Medical Services Society (CMSS). The premises for its functioning has been taken on lease and recruitment process for staffing is under way. It is expected that initial functioning will be in place by October, 2013 at Delhi.

Sd/-
Joint Secretary

Observation/Recommendation

The Committee note that during the years 2005-06 to 2007-08, out of 1,16,993 drug samples tested 7,387 samples were declared not of standard quality and 256 samples were found to be spurious/adulterated. As regards action taken against the firms/ individuals found involved in the maunfacture and supply of sub-standard and spurious drugs, the Committee are informed that 8 adulterated products of different firms and specific identified sub standard products of 3 firms have been debarred for supply to MSO. Similarly, products of 15 firms which were repeatedly found to be sub-standard have been permanently debarred to supply their products to MSO. Further, prosecution has been launched against 546 firms for manufacturing, sale and distribution of spurious/adulterated drugs and 132 persons have been arrested. In view of the above facts and figures, the Secretary, Ministry of Health and Family Welfare's deposition, that the menace of spurious/adulterated drugs is not as prevalent and as rampant as it is being made out to be does not hold good. Similarly, his statement on an international movement to condemn all the Indian generic drugs as spurious and counterfeit does not convince the Committee as evidence of adulterated/spurious drugs being sold in the sale outlets of metro cities, towns, district headquarters and villages have been established in a survey conducted by the Central Drugs Standard Control Organisation (CDSCO). That the extent of spurious drugs has been found to be 0.46 per cent only on the basis of the aforesaid survey as reported by the Ministry, is a matter of little consolation. The Committee are of the firm opinion that the element of adulteration in drugs should be absolutely non-existent and there should be zero tolerance on the part of the Government towards spurious drugs. In other words, it is only after the firms/persons involved in the manufacture, supply and distribution of spurious/adulterated drugs, are dealt with iron hand to wipe out the menance of such drugs, can the Government defend themselves on the international fora. The Committee, therefore, urge upon the

Ministry to intensify the measures initiated which *inter alia* include recruitment of 400 inspectors, amendment of the Drugs and Cosmetics Act and introduction of the Whistle Blower Policy and ensure their effective implementation so that stringent penalties are imposed for manufacture and supply of spurious and adulterated drugs.

[Sl. No. 17 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The Government of India has taken a number of initiatives to strengthen the Central Drugs Standard Control Organization (CDSCO) with a view to improving the regulating mechanism for quality of drugs imported or manufactured in the country. For example:—

(a) The strength of CDSCO in 2008-09 was 111. The Government of India has sanctioned 216 new posts in 2008-09 in the CDSCO for strengthening the office at the headquarters, port/zonal offices, taking the total number of posts to 327. These posts are also expeditiously being filled. We have now, besides a regular Drug Controller General (India), a total of 67 Drug Inspectors, 13 Assistant Drugs Controllers and 11 Deputy Drugs Controllers. 100 more Drugs Inspectors will very soon be joining. Further, process for recruiting 18 more Assistant Drugs Controllers, 9 more Deputy Drugs Controllers and two Joint Drugs Controllers have already been started.

(b) In order to meet the inadequacy of the staff, till such time the regular posts are filled up, the Government of India have also sanctioned 234 contractual posts for headquarters, zonal, sub-zonal, port offices and laboratories to carry out the day-to-work.

(c) CDSCO is also being expanded to meet the requirements of the Pharma Industry of the country. Two sub-zonal offices at Hyderabad and Ahmedabad have been converted into full zonal offices. Three new sub-zonal offices at Bangalore, Jammu and Chandigarh have been set up to cater to the need of the pharma industry. Three new sub-zones at Goa, Indore and Guwahati are in the offing.

(d) In order to take care of quality of drugs stored at the Air Ports for import or export, pharmaceutical zones at Delhi, Hyderabad and Mumbai Air Ports are being set up for storage of drugs.

(e) The Ministry is considering a proposal for creation of more than 1000 additional posts in CDSCO for further expansion.

(f) The National Pharmacovigilance Programme has been launched to capture Adverse Drugs Reaction (ADRs) and safe guarding Public Health. 22 ADR Monitoring Centres have already been established besides the National Coordination Centre at Indian Pharmacopoeia Commission, Ghaziabad and a Pharmacovigilance Cell at CDSCO (HQ).

(g) As per the recommendations of the Mashelkar Committee, the Drugs & Cosmetics Act, 1940 was amended by the Drugs & Cosmetics (Amendment) Act, 2008 for enhancing the penalties in the Drugs & Cosmetics Act, 1940 so as to help tackle the problem of spurious and adulterated drugs.

(1) The salient features of the amended provisions of the Drugs & Cosmetics Act, 1940 are as follows:—

(i) Maximum penalty life imprisonment and fine of Rs. 10 lakh or 3 times the value of the confiscated goods, whichever is more;

(ii) The offences relating to spurious and adulterated drugs made cognizable and non-bailable;

(iii) Besides officers from the Drug Controller's Office, other gazetted officers also authorised to launch prosecution under the Act;

(iv) Specially designated courts for trial of offences covered under the Act; and

(v) Provision for compounding of minor offences.

The amended provisions of the Drugs & Cosmetics Act, 1940 have come into force *w.e.f.* 10.8.2009.

(2) Detailed guidelines have been finalised by the Central Government with the approval of the Drugs Consultative Committee, a statutory Committee of States' and Central Drugs Regulators, for effective enforcement of these amended provisions of the Act.

(3) Statutory directions have been issued by the Central Government to the State/Union Territory Governments under the provisions of Section 33P of the Drugs & Cosmetics Act, 1940 to ensure effective enforcement of these amended provisions of the Act as per these guidelines.

(4) In pursuance of the provisions of this enactment, special designated courts have already been established in a number of States/UTs.

(h) A Whistle Blower Policy has been introduced by the Ministry of Health to encourage vigilant public participation in the detection of movement of spurious drugs in the country. Under this policy the informers would be suitably rewarded for providing concrete information in respect of movement of spurious drugs to the regulatory authorities.

Sd/-
Additional Secretary & DG (CGHS)

Comments of the Committee

Please *see* Para No. 27 of Chapter I.

Observation/Recommendation

As regards the pilferage and misuse of CGHS medicines, the Committee are concerned to find that there have been cases where some employees of CGHS in connivance with the suppliers tampered with the stamps on CGHS medicines for their sale in the open market and misuse. In order to counter that, the Ministry are reportedly contemplating introduction of a two dimensional bar code sticker on the medicines. Besides a Standing Committee has been entrusted with the responsibility of making periodical visits to the CGHS Dispensaries to examine the pattern and reasonableness of issue of indents to the beneficiaries' in order to ensure early detection of pilferage and misuse of CGHS medicines. As pilferage of CGHS medicines is a serious issue which deprives the genuine beneficiaries of the much needed drugs, the Committee impress upon the Ministry to resort to all possible foolproof measures to prevent the misuse of CGHS medicines besides taking stringent positive action against the CGHS employees and the suppliers who indulge themselves in such clandestine activities.

[Sl. No. 18 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

Computerisation of dispensaries and bar-coding of medicines has minimized the possibilities of pilferage of medicines in CGHS. Stringent action is taken against the employees and suppliers indulging in clandestine activities.

Periodic 100% physical verification of stocks and surprise inspection is also carried out by senior officers of CGHS.

Stocks and expenditure of dispensaries are being centrally monitored by the Additional Directors of the respective zones.

Sd/-
Additional Secretary & DG (CGHS)

Observation/Recommendation

The Committee note that in the process of purchasing medicines locally through Authorised Local Chemists (ALCs), there was delay in processing the bills and settlement of claims as a result of which there were three instances of strikes by the ALCs in the year 2005, 2006 & 2007. The Committee is informed that the reasons for delay in the settlement of claims of the ALCs were non-availability of adequate funds in the earlier years. However, the position has reportedly been improved considerably in the recent years as the Ministry, with the intervention of the Committee of Secretaries, was able to ensure timely allocation of adequate funds to the CGHS.

With the result, there has been no major strike by the ALCs in the recent years. As the delay in settlement in bills/claims leads to strikes and holding back of supplies by the ALCs greatly inconveniencing the bonafide CGHS beneficiaries, the Committee desires that there should not be any further let up in the provision of adequate funds to the CGHS so that bills/claims of the ALCs are timely processed and settled.

[Sl. No. 19 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The recommendation has been noted for compliance. Adequate funds are not being made available at BE stage and then supplemented at RE and Supplementary Demands for Grants stages.

It is brought to the notice of the Hon'ble Committee that there has been no incidence of strikes by authorised local chemists during the last three years in any CGHS city due to non-receipt of payments.

Introduction of direct indenting of medicines by Chief Medical Officers in charge of dispensaries on manufacturers/suppliers has also reduced substantially the dependency of the CGHS on local chemists for supply of medicines to the beneficiaries.

Sd/-
Additional Secretary & DG (CGHS)

Observation/Recommendation

The Committee note that the MSO and CGHS, Delhi made irregular and unauthorized purchases of inadmissible tonics, vitamins, minerals and cosmetics and toiletry items such as creams, lotions and mouthwashes amounting to Rs. 14.48 crore during 2003-2004 to 2005-06 in violation of the provision of Civil Services (Medical Attendance) Rules, 1944. The Ministry have contended that the Medical Attendance Rules are not applicable to the CGHS beneficiaries and any item and figures in the formulary, approved by the Competent Authority, whether it is tonic, lotion or cream, is to be procured, if prescribed for the patients. The Ministry's contention proved untenable as later on taking care of the concerns expressed by the C&AG and PAC, they have deleted the above-mentioned inadmissible items from the formulary and issued instruction to provide such items only after the specialists prescribe them with proper reasons and the Head of the Department countersigns it. Thus, it is apparent that just because the said items have earlier been included in the formulary, these were issued indiscriminately for years together without sufficient reasons, resulting in unauthorized expenditure of crores of rupees. However, now that the toiletary and cosmetic items have been removed from the formulary, the Committee desire that these items be issued with proper justification based on the specialist's prescription and the competent Authority's approval so that there is proper adherence to the prescribed rules and procedures and regularization of expenditure.

[Sl. No. 20 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

MSO purchased and supplied the tonics, vitamins, minerals and cosmetics and toiletry items as per confirmed demand of the indenters. The items were in the approved formulary also.

The recommendation of the Committee has been noted for compliance. Strict vigilance is being kept on dispensaries by monitoring through computer network and by physical inspection to ensure that inadmissible and same salt items are not being procured from local chemists.

Sd/-
Additional Secretary & DG (CGHS)

Observation/Recommendation

The Committee regret to note that the procedure adopted for acquisition of medical equipment suffers from improper planning, non-evaluation of full lifetime costs before the acquisition of equipments, non-standardisation of medical equipment and excessive provision or under provision of equipment across hospitals. In short, no long term and well documented plan for procurement and utilization of medical equipment has been prepared either by the Ministry or by the individual hospitals. Consequent upon the above audit findings, the Committee are informed that the issue of identifying common items in Government Hospitals, under a system of Joint Purchase Committee, has been initiated and would be in place soon. The Ministry have further submitted and it has been decided to undertake common procurement of machinery and equipment having value above Rs. 10 lakh and below Rs. 1 crore by RML and Safdarjung Hospitals and Lady Hardinge Medical College from the financial year 2010-11 so as to have economy in bulk buying and to avoid duplication of work. Moreover, for the six new AIIMS type institutions, which are under establishment, a common list of major equipment has already been drawn up. As regards shortage of medical equipment and non-availability of expertise, the Secretary, Ministry of Health and Family Welfare has admitted before the Committee that there is indeed a major shortage both in terms of equipment and experts and the Ministry are strengthening the system to ensure that all the Medical Colleges have the required equipment and the expertise. The Committee are of the opinion that all the above cited lacunae that have been persisting for years together are a pointer towards the apathetic attitude of the Government and the individual Hospitals towards prudent procurement and effective utilization of medical equipment. In view of the vital role played by the medical equipment and machinery in the provision of an adequate healthcare system, the Committee urge the Ministry to intensify the measures and strengthen their monitoring system so as the ensure that at least from now on a long term procurement plan to consolidate and coordinate the needs of medical equipment of various Hospitals and Autonomous Bodies is put in place. The optimal utilization of the equipment procured after assessing the needs of the patients and ensuring economy and availability of the experts assume greater importance in the provision of a sound health care system.

[Sl. No. 21 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

It is mentioned that the Hospitals procure a wide variety of medical equipment with due diligence and proper planning after assessing the demands projected by different departments/specialities. These demands are scrutinized by screening committee in the individual hospitals and after detailed deliberations and considering the utility, cost justification, service life of equipment and wider public interest; the Action Plan for procurement of various equipment over the year is planned. Healthcare scenario in the country is extremely dynamic and the needs of the community and the technology change are rapid. Hence it is difficult to make long term plan for procurerment of equipment by the Hospital. The Hospitals are optimally using the allocated budget with financial prudence.

To achieve uniformity among all the Central Government hospitals for making procurement of medical equipment, the Hospitals have been asked to use standardized and broad based specifications. For this purpose, a Compendium of Technical Specification containing generic specifications of around 700 equipment covering 44 faculties was prepared in 2006 by involving technical experts from different faculties. The same has recently been reviewed/updated in March 2011 after having considered the technological upgradations and the available products in the market suiting to the Hospital requirements. The same has been uploaded on the website of Ministry of Health and Family Welfare.

As per the extant delegation of powers, the procurement of equipments up to value of Rs. 1 crore is carried out directly by the Hospitals and for above Rs. 1 crore, the hospitals raise their indents to Procurement Cell, DGHS for procurement action. Further, the tenders are normally invited under two-bid system. The Bids are evaluated by committee of experts and these procurements are being made in compliance with GFR and CVC guidelines.

It is also submitted that in the procurement of medical equipment, the evaluation of bids and selection of successful bidder is based on the total equipment price as well as the comprehensive annual maintenance cost over useful life. In case of high end equipment, the evaluations are made considering the equipment price with 5 years warranty and 5 years comprehensive annual maintenance cost. In case of low end equipment, the evaluations are made considering the equipment price with 2 years warranty and 5 years comprehensive annual maintenance cost. This helps in not only buying the equipment after considering its life cycle cost, but this also helps in keeping the cost of comprehensive annual maintenance reasonable, in the later years of service life of equipment. There is always scope for further improvement in the existing system for which advisory has been issued to all concerned on the basis of the observations of the Hon'ble Committee.

Sd/-
Joint Secretary

Observation/Recommendation

Abnormal delay in the installation of equipment procured by spending crores of rupees is another major issue that seriously engaged the attention of the Committee in the process of examination of the subject. Much to their consternation, the Committee find that there were delays even upto 54 months in installing the equipment. In one case, even after the equipment was installed, it could not be operationalised due to some procedural lapses as a result of which it remained idle for as long as two years. In another cases, one Hospital of repute had to incur extra avoidable expenditure to procure equipment due to delay in initiating the procurement process, uncoordinated approach and indecisiveness. The Committee is not satisfied with the Ministry's submission that the contracts placed with the suppliers stipulate a fixed time limit, which varies depending upon the type of equipment, for supply and satisfactory installation of equipment. Similarly, the Ministry's instructions to the hospitals/ institutes to complete the process of obtaining administrative approval, financial sanction and technical evaluation within a definite time frame have failed to yield the desired result, as is corroborated from the above cited facts. In other words, had the contractual stipulations been properly honoured and the instructions appropriately adhered to, there would not have been delays of more than four years in the installation of the equipment. The Committee, therefore, impress upon the Ministry to make the contractual obligations more stringent of the equipment. Simultaneously, responsibility be fixed upon those Hospitals/Institutes/Autonomous Bodies, which is violation of the instructions of the Ministry, do not complete the procedural formalities within the prescribed time limit. The Committee also desires that the Ministry should strengthen their monitoring mechanism so as to ensure that the purpose of procurement and installation of medical equipment is well served.

[Sl. No. 22 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

It is submitted that the Hospitals procure a wide range of medical equipments. These may be available off-the shelf basis or supplied after being manufactured against the firm order. Further some of these may require installation, commissioning, extensive training, turn-key work and also certain regulatory clearances (such as from AERB, for Radiology equipment) for equipment as well as for installation site. Considering the above, it is not possible to stipulate a standard delivery period for different equipment ordered by the Hospitals.

It is further submitted that instances of abnormal delays in supply and installation of equipment ordered by the Hospitals are very rare. In such cases, due deliberations are made by Hospital to ascertain the reasons and if it is found that these reasons are due to non-performance or due to delays on the part of the Supplier, the necessary penalties are imposed. It is submitted that all the contracts placed by the Hospitals have provision of imposing Liquidate damages, forfeiture of performance security and/or debarring such firms from future business. For this purpose the individual Hospitals are following the laid down provisions of GFR and of Ministry of Finance manual.

Earlier, there used to be delay between the Hospital's demand and issuance of new/revised Administrative approval and Financial Sanction, for procurement of medical equipment. For rectifying the problem and to prune down delay in procurement cycle, the system has already been streamlined and detailed instructions have been issued *vide* Office Memorandum No. S. 12011/8/Policy/2009/PC dated 06-10-2009, a copy of which is enclosed.

As regards the time consumed in technical evaluation of the bids, it is submitted that these are done by committee of internal as well as outside experts. Normally these are done in a time-bound manner. However, in case of any complaint/ representation made by the bidders against their competitors, the same also need to be examined by the same Committee. Many a times, it consumes additional time/ effort and consequently this result in overall delay in the process. This is unavoidable as the procedure demands fairness and transparency. However, there is always scope for further improvement in the existing system for which advisory has been issued to all concerned on the basis of the observations of the Hon'ble Committee.

Sd/-
Joint Secretary

Observation/Recommendation

It is pertinent to note that the population of the country has increased manifold during the last two/three decades whereas on the other hand, the Government Hospitals are already overburdened as opening up of new Hospitals has not kept pace with the surge in the population. The Committee would, therefore, like the Ministry to make a comparative study of this situation and based on its findings, urgent suitable measures should be initiated to establish new Government Hospitals especially in those areas where the existing Hospitals are overburdened or facilities of such Hospitals are non-existent. The Committee desires that by taking up the matter at the appropriate level sufficient funds should be made available for the purpose. As mere opening up of new Hospitals will not serve the purpose, the Committee also desire that adequate availability of medicines, state-of-the-art equipment and most importantly doctors/ nurses be ensured with a view to catering to the needs of a large number of patients and coming up to their expectation. The Committee be periodically apprised of the specific initiatives taken by the Ministry in this regard.

[Sl. No. 24 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The Committee has rightly observed that opening up of new hospitals has not kept pace with the population increase. Based on the available statistics of population and bed availability ratio, Government initiated a scheme called Pradhan Mantri

Swasthya Suraksha Yojna (PMSSY) under which 8 new AIIMS like institutions with an intake capacity of 100 MBBS students and 960 bedded Speciality/Super Speciality Tertiary Health Care Hospital have been proposed, out of which six are under various stages of construction.

Apart from this, 19 existing medical colleges have been taken up for upgradation to provide tertiary health care facilities. To address the shortage of manpower (*i.e.,* Doctors and Specialists) 25 new medical colleges have been established during the 11th Plan period. In addition by relaxing norms regarding teacher-student ratio and by upgrading facilities in the existing medical colleges, 3625 additional MBBS seats and 7470 PG seats have been added to the existing capacity.

To overcome the shortage of nurses and ANMs in States with poor health indicators, that have no ANM or GNM school, the focus is on districts to provide training assistance to open 269 GNM and ANM colleges which will increase capacity by an additional 20,000 persons each year.

The recommendation of the Committee has been taken note of and proposals for addressing the issue relating to availability of medicines, providing state-of-art equipment, establishing new Hospitals as well as upgrading the existing district hospitals have been included in the 12th Five Year Plan which is under consideration.

Sd/-
Joint Secretary

Observation/Recommendation

To sum up, the Committee find that there has been no uniform and standardized purchase procedure for procurement of medicines and medical equipment; the objective of the introduction of the local purchase system has been largely abused; no defined process has been adopted to update the medicines selections; major hospitals have not been able to prepare essential list of drugs; the primary role of MSO to cater to the needs of various indentors for procurement of medicines and medical equipment has diminished over the years; no fixed time limit has been prescribed for obtaining the Test reports on contentious drugs; all the States do not have the Drug Testing Laboratories and many of the Laboratories do not have the capacity to test all types of drugs; there has been huge gap between the projection and actual utilization of medicines leading to unnecessary stockpiling of medicines and wastage of money; several samples of drugs have been found to be sub-standard and adulterated/ spurious; there have been instances of pilferage and misuse of CGHS medicines and purchase of inadmissible tonics, vitamins, minerals cosmetics and toiletry items, the procedure adopted for acquisition of medical equipment suffers from improper planning and disjointed approach; abnormal delay has been noticed in the installation of medical equipment; there is huge shortage of doctors and specialists throughout the country; and the overall health care system is far from satisfactory. The Committee urge the Ministry to plug the loopholes and take timely corrective measures as suggested by

the Committee in the preceding paragraphs and constantly endeavour, in unison with the State Governments, to provide an adequate and sound health care system throughout the country, paying special attention towards the rural, remote and backward areas.

[Sl. No. 25 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The recommendations of Committee have been noted for compliance.

Sd/-
Additional Secretary & DG (CGHS)

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

-NIL-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation

The Committee are concerned to note that the prescription pattern by doctors has reportedly led to excessive local purchases of medicines. In this context, the Committee finds that there are two types of drugs *viz*. proprietary drugs and generic durgs. Proprietary drugs are patented and are manufactured either by the patent holder or the licensees of the patent holder whereas generic drugs, both branded and non-branded, are off patented drugs and much cheaper than the proprietary drugs. Although the Ministry reportedly makes efforts to see that maximum purchases are made from generic and non-branded medicines, doctors quite often prescribe expensive medicines which lead to large scale purchase of medicines outside the formulary. In this context, the Committee are informed that two of the CGHS doctors were procured before the Director General of Health Services (DGHS) after it was observed that their prescription pattern was regularly at variance with what is normally expected. Further, meetings have been taken by the DGHS with the doctors/specialists advising them to confine their prescription of medicines to the formulary. Moreover, circulars have been issued in this regard by the Director, CGHS and also by the Ministry. The Committee feels that these measures are in right direction to keep tabs on the unusual variances in the prescription pattern of the doctors concerned which lead to unnecessary local purchase of medicines. The Committee desire that the Ministry should earnestly continue with the measures already initiated besides exploring introduction of other innovative measures to check the prescription pattern of the doctors. The Committee also recommended that the monitoring mechanism be strengthened and exemplary action taken against the errant doctors, who take advantage of the helplessness of the patients and frequently prescribe expensive medicines outside the formulary, so that superfluous local purchase of medicines is avoided.

[Sl. No. 5 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

Chief Medical Officers in charge of dispensaries are authorised to issue medicines of any available brand with same configuration and salt instead of indenting the same brand purchased by Government Specialists.

Instructions have been issued to specialists in Safdarjung Hospital and Dr. Ram Manohar Lohia Hospital to prescribe generic drugs as far as possible and also to affix a stamp/note stating that "equivalent generic medicines can also be issued".

CGHS is in the process of generating reports through a software of prescription pattern by Govt. specialists/doctors for monitoring further and taking appropriate action.

Given the need to make medicines available to beneficiaries without delay and taking note of existing prescription practices and newer medicines being introduced from time to time, it is not possible to entirely do away with local purchase, though effort is being made to further reduce local purchase.

Audit Comments

Ministry may mention action taken, if any, against the errant doctors, who take advantage of the helplessness of the patients and frequently prescribe expensive medicines outside the formulary.

Further Reply

No such case/complaint has come to the notice.

Sd/-

Additional Secretary & DG (CGHS)

Comments of the Committee

Please *see* para No. 12 of Chapter I.

Observation/Recommendation

The Committee are dissatisfied that no defined process that has been adopted by the Ministry to update the medicine selections which could reflect the new thereapeutic options and needs. The Ministry's statement, that the process of identification of slow and fast moving medicines has become simplified with the computerization of CGHS Delhi and maintenance of computer data, does not anyway convince the Committee as the formularies of drugs and medicines have failed to include pharmaceuticals that are routinely required by the medical practitioners. What further concerns the Committee is the fact that the formulary for essential and life saving drugs was last revised in August, 2007 and the Ministry's callous response that while revision of formulary is regularly undertaken, no fixed periodicity has been prescribed in the matter. The Committee wonders what restrains the Ministry in prescribing a defined process and a definite time-frame for revision of the formulary are updating of the medicine selection. In view of the imperatives involved the Committee urge upon the Ministry to codify and adopt a defined process for annual updation of the medicine selection and periodical revision of the CGHS formularies so as to ensure that the indented purpose of economical and efficient procurement of medicines is well served and the emerging therapeutic options and needs are appropriately catered to.

[Sl. No. 6 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

There are two types of formularies: one for Generic Drugs and other for Proprietary Drugs. It has not been possible to update the formularies every year. Both formularies are however revised periodically by the Ministry. Revision of the formularies is undertaken on the bases of change in prescription pattern, introduction of newer drugs and banning/obsolescence of drugs.

The generic formulary is a common formulary for MSO, CGHS and four Hospitals *i.e.* Safdarjung Hospital, Dr. Ram Manohar Lohia Hospital, Lady Hardinge Medical College and Hospital and Kalawati Saran Children Hospital operating in Delhi under administrative control of DGHS, MoH&FW.

The Generic Formulary containing 664 Drugs having different formulations was revised recently in May, 2011.

Other formulary is for Proprietary/Branded Drugs, meant for MSO and CGHS only. This formulary contains 622 drugs.

A list of 382 life saving essential medicines is in place and these medicines are being procured on a case to case basis. In addition to these medicines, items like CAPD fluid bags are also being procured on a case to case basis.

Audit Comments

(i) The Ministry may explain the reasons for not able to fix periodicity for updating the formularies as recommended by the PAC.

(ii) The Ministry may also mention as to how it ensures that intended purpose of economical and efficient procurement of medicines is served without updating the formularies annually.

Further Reply

(i) Ministry is reviewing/updating the formularies periodically. Current formulary for Proprietary drugs is approved for one year. To revise the proprietary drugs formulary a Committee has been constituted on 19.12.2011. The validity of the current proprietary formulary is extended upto 23.12.2012. The Generic formulary was revised on 23.05.2011 and is valid for three years.

(ii) All efforts are taken to complete the exercise of updating the formulary in time. However, in case some time gap is there in updating the current formulary, it is extended with the approval of the competent authority at existing rate contracts. Hence, the procurement made by the Ministry is always economical and efficient.

Sd/-

Additional Secretary & DG (CGHS)

Comments of the Committee

Please *see* Para No. 16 of Chapter I.

Observation/Recommendation

The Medical Stores Organisation (MSO) whose origin dates back to the 1940s was established with the main objective of meeting the needs of various indenters including other Ministries of the Government of India, in respect of medicines, surgical equipments and other medical supplies and manufacture drugs/medicines, as far as possible, in the manufacturing units under MSO. But the Committee are deeply concerned to note that MSO has failed to meet the above said objectives as its role over the years have been limited to procurement of small quantities of drugs/medicines intended by CGHS dispensaries outside Delhi, Central Government Hospital and for Para-military forces *viz.* CRPF, BSF, ITBP etc. The under utilization of the manpower and resources provided to MSO is quite visible from the fact that against the total expenditure of Rs. 6148.85 crore by the Ministry on the supply of materials/medicines during the years 2002 to 2007, the contribution of MSO in these purchases was only Rs. 171.05 crore which constituted a meagre three per cent of the total expenditure. The Committee are informed that the lead role of MSO in catering to the needs of various indenters showed signs of dwindling from the late 1970s onwards due to a number of factors which *inter-alia* included the development of capabilities of the States to locally meet the bulk of the requirements of the Centrally sponsored schemes; a more widespread market of pharmaceuticals obviating the need for much centralized procurement; increasing outreach of CGHS beyond Delhi; emergence of tertiary healthcare system with its specialized needs best met at the hospital level; and wider acceptability of the rate contract system. More than anything else, what contributed towards the rapid decline of the MSO was both system and human failure, as candidly admitted by the Secretary, Ministry of Health and Family Welfare. The Committee are perturbed to note that at one point of time all the senior officers of MSO were under suspension or in jail or on court cases for which MSO lost the leadership and the valuable years when it was required to change its entire working strategy. Moreover, the organization is manned largely by Group III and IV employees as there are hardly 13 to 17 officers of Group A and B grade working in MSO out of a total work force of 1100 people. It would be an understatement to say that the state of affairs in MSO is in a complete mess and the organization needs an urgent revamp. Such restructuring of MSO seems more imperative in view of the imminent establishment of a professionalized comprehensive Central Procurement Agency by the Ministry which would further diminish the primary role of MSO *i.e.* of cater to the needs of various indenters for procurement of medicines and medical equipment. In view of the apparent relegation of MSO to the background so far as procurement aspect is concerned, the Ministry is reportedly planning to train the organization to take on the responsibility of the entire inventory control management. The Committee are of the opinion that the onus lies squarely with the Ministry to take effective measures in order to make the MSO corruption free as well as adequately staffed so that the organization is able to gradually shift

its focus from procurement to management aspect of medicines and medical equipment, ensuring in the process its own gainful utilization.

[Sl. No. 8 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The activities of Medical Stores Organisation have been gradually accelerated with transition from manual mode to 'e' governance mode of operation. With Web based application (msotransparent.nic.in) in position for the last two years, the entire system of Procurement and Inventory Management is being undertaken online. Rigorous inspection, drawal of samples and quality testing of each batch of drugs in two randomly selected laboratories have yielded rich dividends. The procurement activities have increased although it has been entrusted with the responsibility only to procure and supply for CGHS dispensaries located outside Delhi, Central Government Hospitals and for Paramilitary forces. The value of medicines procured, stored and distributed during last three years is as under:—

(*Figures in crores*)

2008-09	2009-10	2010-11
54.00	82.99	93.43
	In addition, Rs. 175 crore worth vaccines and drugs were procured for H1N1	

The procurement of medicines is not the only activity of Medical Stores Organisation. The major activity is storage and distribution of medicines, vaccines and cold chain equipment meant for implementation of National Health Programmes. This includes both dry storage and cold storage items. The inventory management of these programme stores has also been changed to 'e' storage mode. The value of programme stores handled during last three years are as under:—

(*Figures in crores*)

Year	Programme stores handled
2008-09	506.07
2009-10	556.69
2010-11	650.28

Besides the above activities, MSO also undertakes the emergency procurement to meet the demands of State Governments in case of natural calamities like Flood, Earthquake etc. Recently it also procured and supplied the medicines and other surgical consumables to Maldives through Ministry of External Affairs.

As the Central Procurement Agency is going to be set up in the Ministry, MSO will render necessary support for storage and distribution to the beneficiaries in the States/UTs.

Various new steps are being contemplated to revamp MSO:—

1. All seven GMSDs will be named as Regional Ware Houses.

2. All seven GMSDs will have one quality control Laboratory each.

3. One training centre for cold chain equipment maintenance including workshop is proposed to be created at Regional Ware House at GMSD, New Delhi to impart training to cold chain technicians of both State and Central Govt.

4. A Health logistic management training institute is also proposed at Regional Ware House, Chennai which shall generate human resources for proper management of health logistics. This institute is proposed to run regular course, refresher courses as well as tailor made courses for State and Central Government employees.

Audit Comments

As desired by PAC, the Ministry may mention the measures taken by it to make MSO corruption free as well as adequately staffed so that the organization is able to gradually shift its focus from procurement to management aspect of medicines and medical equipment.

Further Reply

The following steps have been taken in respect of procurement distribution, storage of medicines, vaccines etc:—

(a) Introduction of web-based application for moving towards e-procurement mode since April, 2009.

(b) Publication of all tender notice on website of the Ministry.

(c) Online acceptance of indents besides online complication of indent, dispatch of purchase, proposal, sanction and placement of supply orders.

(d) Use of Bar codes on tertiary, secondary and primary packages denoting the unique identity number of the drugs, name of the manufacturer, name of the drugs etc.

(e) Procurement manual of MSO has been comprehensively revised and made operational in 2011. The updated manual provides Standard Operating Procedures (SOPs) which *inter-alia*, include web based e-procurement, e-governance and incorporation of various novel technologies as components of Good storages Practices and quality assurance. In the Manual, the responsibilities of Public Procurement Authorities under Paras 3.5.3 *inter-alia* include the following:—

(i) Implement a code of conduct that commits the contracting authority and its employees to a strict anti-corruption policy. The policy should take into account possible conflicts of interest; provide mechanisms for reporting corruptions and protecting whistle-blowers.

(ii) Ensures that all contracts between the authority and its contractors, suppliers and service providers require the parties to comply with strict anti-corruption policies. This may best be achieved by requiring the use of a project integrity pact during both the tendering and project execution phase, committing the authority and bidding companies to refrain from bribery.

Para 5.4.3 of the Manual on Qualification & Eligibility Criteria for Bidders provides *inter-alia* following conditions for potential suppliers who can be barred from participating in the bidding process under various circumstances which includes:—

(i) The proprietor or employee or representative of the firm has been guilty of malpractice such as bribery, corruption, fraud, substitution of bids, interpolation, misrepresentation, evasion or habitual default in payment of any tax levied by law.

(ii) If the firm employs a government servant, who has been dismised or removed on account of corruption or employs a non-official convicted for an offence involving corruption or abetment of such an offence, in a position where he could corrupt government servants.

Keeping in view the shortage of staff at various levels in MSO as well as seven (7) GMSDs, Dte. GHS has been making efforts to fill up the senior and middle management level posts so that the organization is able to gradually shift its focus from procurement to management aspect of medicines and medical equipments.

Further Comments

The Ministry may mention the details of the shortage of staff at various levels of MSO and efforts made to fill up all the vacancies. The schedule date of filling up all the vacancies may also be mentioned.

Reply of the Ministry on the further Audit Comments

The sanctioned strength/filled/vacant posts in respect of MSO (Main office and Subordinate office) are indicated as under:—

Sl. No.	Name of the Organization	Sanctioned Staff Strength	Existing Staff Strength	Vacant Posts	Surplus
1	2	3	4	5	6
1.	Medical Store Orgn. (HQ)	56	16	40	
2.	GMSD, Chennai	234	206	28	
3.	GMSD, Mumbai	220	210	10	
4.	GMSD, New Delhi	62	52	10	
5.	GMSD, Hyderabad	148	56	92	

1	2	3	4	5	6
6.	GMSD, Guwahati	132	86	46	
7.	GMSD, Karnal	171	123	48	
8.	GMSD, Kolkata	312	252	60	
	Total	1335	1001	334	

The Incumbency position and action taken by the GMSDs to fill up these posts as on 01.09.2012 is as under:—

Sl. No.	Name of the post	Strength	In position	Vacant	Name of the Officers	Since When Vacant
1	2	3	4	5	6	7
1.	DDG (St.)	1	-	1	-	Dr. R.C. Sharma retired on 31.10.1996*
2.	ADG (St.)	2	-	2	-	Dr. GK Biswas retired on 30.09.2003*
3.	DADG (St.)	2	-	2	1. Shri Moti Lal Meena	1. Retired on 31.05.2011 (They got *in situ* promotion)
					2. Shri N.C. Dhawan	2. Retire on 31.07.2011 (They got *in situ* promotion)
4.	Dy. Director (Admn.)	1	1	-	Shri Laxmi Narayan	
5.	DDA (A/C)	1	-	1	-	Vacant from 01.04.1991
6.	Asstt. Director	1	-	1	-	Vacant from 01.02.2005
7.	Private Secretary	1	1	-	Ms. M. Ganeshwari	Grant G.P. 5400 after completion of 4 years regular services
8.	Section Officer	1	1	-	Shri R.K. Bhatia	-do-
9.	IEO	1	1	-	Shri A.C. Saxena	-
10.	ADM	1	1	-	Shri P.K. Karan	-
11.	Tech. Officer	1	-	1	-	Vacant since 10 years
12.	Sr. Tech. Asstt. (St.)	1	-	1	-	Vacant since 10 years

1	2	3	4	5	6	7
13.	Asstt.	7	6	1	1. Shri G.C. Meena 2. Shri Pani Ram 3. Smt. Kiran Pannu 4. Shri G.I. Meena 5. Smt. Chandra Rani 6. Smt. Rani Palta	
14.	Gr. 'C' Steno	3	-	3	-	1. Post Vacant since 1-12-2010 2. Post Vacant since 10 years
15.	Gr. 'D' Steno	3	-	3	-	Post Vacant since 10 years

Most of the posts are lying vacant for more than one year which have come under deemed abolition, which require revival. All these live posts are being filled up by out sourcing the services. The sanctioned strength is based on the job requirement and on the basis of the report of the screening committee and report of the IWSU (Internal Work Study Unit). The posts which are under deemed abolition, proposals are being received from various GMSDs to revive the posts. After revival of the posts, the same will be filled up.

The promotional posts are being filled up from the feeder grade by the GMSDs. As regards MSO office the proposal for filling up the post of the DDG (St.) and ADG (St.) are under consideration. The proposal for filling up-revival of the posts in respect of DADG is under process. For other posts of the MSO, DGHS has been requested to fill up all the live posts and take necessary action to revive the lapsed posts.

The posts could not be filled up for want of the clearance from screening committee for Group B, C and D.

Further Vetting Audit Comments

Ministry may inform PAC after revival and filling up of the lapsed posts in all cadres of Medical Stores Organization (MSO), Central Drugs Testing Laboratories set up by States/UTs and Central Drugs Standard Control Organization (CDSCO).

Reply of the Ministry on further Vetting Audit Comments

As on date, there is no change in the position. Any updation in the position will be communicated to PAC in due course.

Sd/-

Joint Secretary

Comments of the Committee

Please *See* Para No. 20 of Chapter I.

Observation/Recommendation

The Committee are surprised to note that no time-limit has been prescribed for the Government Laboratories to furnish the drug test reports on the plea of large number of samples received by these Laboratories and the variations in the time taken in testing of different categories of drugs. The Committee are not inclined to believe the reason advanced by the Ministry for not prescribing any time limit of test reports as inordinate delay in furnishing such reports may invariably result in the administering of the contentious drugs to the patients before establishing their quality. The Committee's apprehension are well founded in the Audit observation that in two cases the test reports were submitted after a lapse of one year by which time the drugs had already been prescribed and administered to the patients. Further, in 20 other cases, more than 70 per cent of the medicines had been administered to the beneficiaries before obtaining the test results. As administering contentious drugs to the patients before assuring their quality defies the very purpose of test checks, the Committee exhorts the Ministry to prescribe a definite time frame for the Government Laboratories to furnish the test reports so that slightest possibility of administering sub-standard drugs to the beneficiaries is altogether eliminated.

[Sl. No. 11 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

The Ministry acknowledges the fact that sufficient attention was not given in the past on the functioning of the central drug testing laboratories. The 4 existing labs are not functioning optimally and they are hardly able to take care of a maximum of around 15000 samples per year as against the required facility to test more than one lakh samples per year. In combination with the States' labs, they cover around 35000 samples only. Further, the central drug laboratories are also required to test legal samples which require more than one level of testing and hence, more time is required for the purpose. As such, the central labs are hardly able to adhere to any time line. Unless the labs, both Central and States, are comprehensively overhauled with required inputs of manpower and equipments and also the number of labs are increased manifold, the present situation is not likely to change. As mentioned in reply to para 10, the Ministry is, however, continuously engaged in improving the situation. It would suggest required interventions in the 12th Plan Proposal.

Audit Comments

Ministry may mention any action taken on recommendation of the PAC that the Ministry to prescribe a definite time-frame for the Government Laboratories to furnishing the test Report.

Further Reply

In this regard it is pertinent to mention here that during the 43rd Drug Consultative Committee (DCC), the matter related to prescribe definite time-frame for the Government laboratories to furnish the test report was discussed. The DCC recommended that it may be difficult to prescribe time limits for testing of drug samples under the Drugs and Cosmetics Rules. However, the broad guidelines followed by CDL, Kolkata (HPLC testing — 60 days, Normal Chemical testing — 45 days and Biological Products — 90 days) may be followed as model time lines by the Government Drug Testing Laboratories for testing drug samples. Copy of the recommendation is enclosed **(Annexure 'E')**.

Sd/-
Additional Secretary & DG(CGHS)

Comments of the Committee

Please *see* Para No. 24 of Chapter I.

ANNEXURE E

AGENDA No. 6

Mandatory provision be incorporated in Drugs & Cosmetics Rules to test drug samples by Government Analysts in time frame:—

Testing of drug samples often takes very long time and in some cases the test reports are received even after expiry date. If such sample is declared adulterated/ spurious, the manufactures gets the benefit as he is debarred of his right to challenge the test reports. Therefore maximum time limit be prescribed for testing/ analysis of drug samples by the Government Analysis as in case of Prevention of Food Adulteration Act, where 40 days are prescribed under Rule 7 to the Public Analyst for analysis of Food samples.

Recommendations

Drugs Controller, Rajasthan desired that a time limit may be prescribed for testing of drug samples by the Government analysts under the Drugs and Cosmetics Rules.

Dr. G.N. Singh, Secretary IPC informed the House that the matter was earlier discussed in the Government analysts conference also but the final decision is still pending.

The Director CDL, stated that the normal guidelines followed by his laboratory are as under.

HPLC testing	60 days
Normal chemical testing	45 days
Biological products	90 days

The DCC recommended that it may be difficult to prescribed time limit for testing of drugs samples under the Drugs and Cosmetics Rules. However, the broad guidelines followed by CDL, Kolkata may be followed as model time lines by the Government Drug Testing Laboratories for testing drug samples.

Observation/Recommendation

It is a matter of serious concern for the Committee to take note of the Secretary, Ministry of Health & Family Welfare that the health care system in the country has several inadequacies and many of the Government Hospitals are still in an appalling condition, although some improvements have taken place in recent years due to reported sincere efforts of the Ministry. In this context, the Committee find that some of the main reasons for the unsatisfactory health care system are over-crowding and consequent pressure on the infrastructure and most importantly huge shortage of doctors. The Committee are informed that in the Western countries, the doctor-patient ratio is 1: 280 whereas in India it is something like 1:2000. The position in the rural and remote areas is more pathetic due to the unwillingness of the doctors/specialists to be posted there. In order to overcome the problem of huge shortage of doctors, the Ministry are reportedly taking a number of measures which *inter alia* include creation of additional posts in the Lady Harding Medical College and RML and Safdarjung Hospitals; sanctioning Rs. 1300 crore to the Government Medical Colleges in various States for creation of about 5,000 additional Post-Graduate seats; developing an exclusive three year short-term course, with the initiatives of the erstwhile Medical Council of India, for doctors to be appointed only in sub-centres and Primary Health Care Centres to cater to the needs of the people living in the rural and remote ares; tieing up with other organizations like National Board of Examination (NBE) and Indira Gandhi National Open University (IGNOU) to get experts like Diabetologists, Radiologists and Radio Therapists and train the in-service MBBS doctors to work in Community Health Centres; and working in partnership with the State Government to improve the overall health care system in the country. The Committee feels that the above said measures initiated by the Ministry are well directed towards meeting the huge shortage of doctors and specialists/experts throughout the country, especially in rural and remote areas. In this context the Committee appreciates the confidence exuded by the Secretary, Ministry of Health & Family Welfare that in a few years the Ministry would be able to show the improvements by dint of the measures undertaken by them. The Committee trust and hope that the efforts of the Ministry will continue unabated and bear fruit soon in noticeable improving the much maligned health care system in the country.

[Sl. No. 23 of the 24th Report of Public Accounts Committee (15th Lok Sabha)]

Action Taken

No Comments.

Sd/-

Joint Secretary

Comments of the Committee

Please *see* Para No. 30 of Chapter I.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
29 April, 2013
9 Vaisakha, 1935 (Saka)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE TWENTY-NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 29TH APRIL, 2013

The Committee sat on Monday, the 29th April, 2013 from 1500 hrs. to 1600 hrs. in Room No. '51' (Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. M. Thambidurai
4. Shri Bhartruhari Mahtab
5. Shri Abhijit Mukherjee

Rajya Sabha

6. Shri Prasanta Chatterjee
7. Shri Prakash Javadekar
8. Shri Sukhendu Sekhar Roy
9. Shri J.D. Seelam
10. Shri N.K. Singh

SECRETARIAT

1.	Shri Devender Singh	—	*Joint Secretary*
2.	Shri Abhijit Kumar	—	*Director*
3.	Shri D.R. Mohanty	—	*Deputy Secretary*
4.	Smt. A. Jyothirmayi	—	*Deputy Secretary*
5.	Ms. Miranda Ingudam	—	*Under Secretary*
6.	Shri A.K. Yadav	—	*Under Secretary*
7.	Smt. Anju Kukreja	—	*Under Secretary*

Representatives of the office of the Comptroller and Auditor General of India

1.	Ms. Divya Malhotra	—	Director General
2.	Shri Jayant Sinha	—	Principal Director
3.	Ms. Athoorva Sinha	—	Director
4.	Shri Likhariya	—	Director

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG of India to the last sitting of the Committee (2012-13). Giving an overview of the performance of the Committee in the year 2012-13 as well as in the 15th Lok Sabha, the Chairman observed that the years have been very productive due to the hard work of the C&AG and his team, the PAC Secretariat led by the Joint Secretary and above all the cooperation and active participation of the Members in the deliberations. The Committee unanimously endorsed the views of the Chairman.

3. The Chairman, then apprised that the meeting had been convened to consider the following Draft Reports of the Committee:

(i) *** *** ***

(ii) *** *** ***

(iii) *** *** ***

(iv) *** *** ***

(v) Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fourth Report (15th Lok Sabha) on **'Procurement of Medicines and Medical Equipment';**

(vi) *** *** ***

(vii) *** *** ***

4. Giving an overview of the issues contained in the Draft Report and the comments of the Committee thereupon, the Chairman solicited the views/suggestions of the Members.

5. After some discussions, the Committee adopted the above-mentioned Draft Reports. The Committee, then, authorized the Chairman to finalize the Reports in the light of the factual verifications, if any, made by the Audit and present them to Parliament on a convenient date.

6. The Chairman thanked the Members for their active participation in the consideration and adoption of the Draft Reports. The Members also conveyed their thanks to the Chair for his able leadership in conducting the meeting of the Committee in a probing and educative manner.

The Committee, then, adjourned.

APPENDIX II

(*Vide* Para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR TWENTY-FOURTH REPORT (FIFTEENTH LOK SABHA)

(i)	Total No. of Observations/Recommendations.	25
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government:	Total: 18
	Para Nos. 1, 2, 5, 7-10, 12, 13, 15-20 and 23-25	Percentage-72%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:	Total: 6
	Para Nos. 4, 6, 11, 14, 21 and 22	Percentage-24%
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:	Total: 00
	—NIL—	Percentage-0%
(v)	Observations/Recommendations in respect of which Government have furnished interim replies: Para No. 3	Total: 1
		Percentage-4%

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