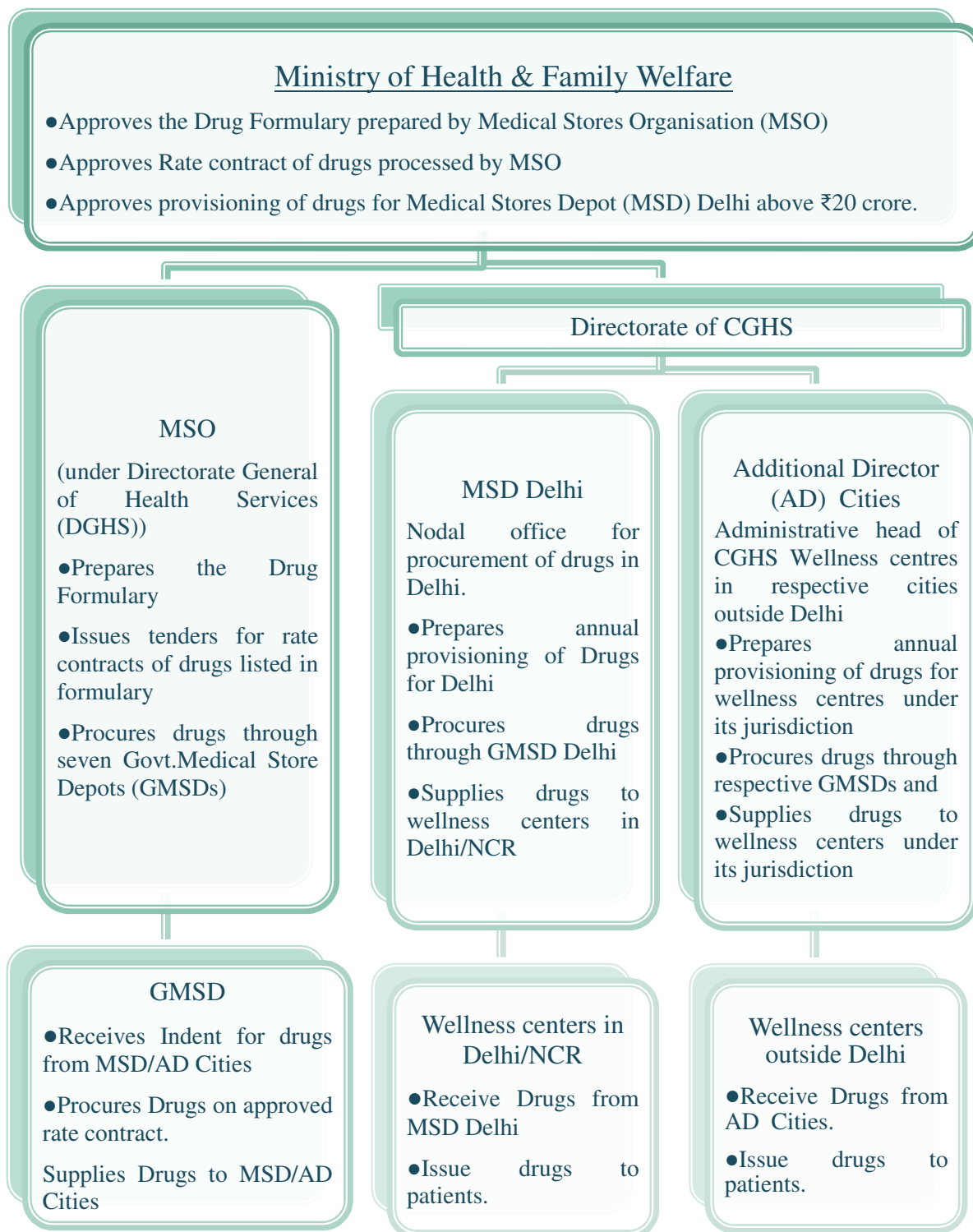


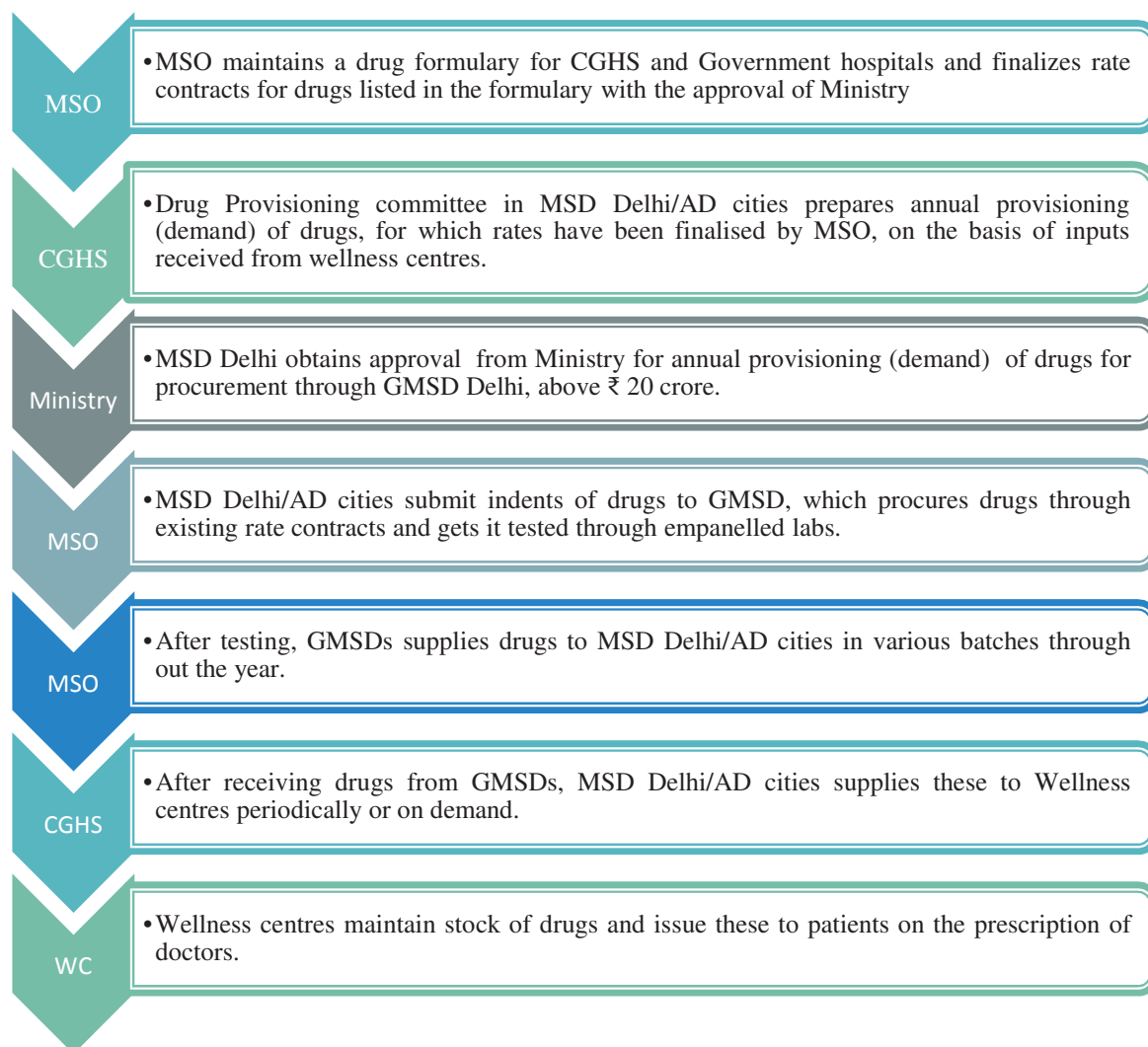
Chapter-II: Procurement and Supply of drugs

2.1 System of Procurement of drugs for CGHS

Several offices are involved in the process of procurement of drugs in CGHS under the Ministry of Health and Family Welfare. A Functional Chart of various offices involved in process of procurement of Drugs for CGHS is given below:



A graphical representation of the process of procurement and supply of drugs is given below:



The drugs procured by GMSDs, after their testing, are delivered to AD MSD Delhi and Additional Director (AD) Cities outside Delhi. These drugs are visible to wellness centres online and wellness centres send indents to respective Additional Director (AD) MSD Delhi/AD Cities as per their requirements and receive the supplies.

Drugs prescribed by doctors but not readily available in wellness centres are indented by the wellness centres for individual CGHS beneficiaries on a case to case basis through ALC appointed through E-tendering by AD MSD Delhi/AD Cities for supply of drugs at the percentage discount specified in the contract.

Anti-cancer and other restricted drugs are procured for individual CGHS beneficiaries on a case to case basis by AD MSD Delhi/AD Cities through manufacturer/ distributor and imports with due approval of the competent authority.

Generic drugs reserved for procurement under Pharmaceutical Purchase Policy 2013⁴ are procured directly through Central Public Sector Enterprises⁵ (CPSEs) identified by the Department of Pharmaceutical, Ministry of Chemical and Fertilizers.

2.2 Drug formulary and finalisation of Procurement Rate of Drugs

Medical Stores Organisation (MSO) maintains a formulary for 2030 generic⁶ drugs, common for CGHS and Government hospitals. MSO is responsible for updating the drug formulary and finalisation of rate contracts of drugs listed in the formulary. CGHS procures drugs listed in formulary in bulk through MSO. Bulk procurement ensures ready availability of drugs in wellness centres at all times. The Audit findings on Drug Formulary and finalisation of Rate Contracts are discussed below.

2.2.1 Drug formulary

The Pharmaceutical Industry produces thousands of drugs, with different strengths and composition. A drug formulary helps to focus on commonly prescribed drugs and formulation, so that maximum numbers of diseases are reasonably covered and their availability can be ensured. The formulary helps doctors to restrict the treatment regime within these drugs and reduce the incidence of local purchase of other drugs. The formulary allows recognition of newer and latest drug formulation and removal of obsolete and unsafe drugs, and also provides a drug database for procuring entities to plan procurement action.

2.2.2 Delay in revision of drug formulary

Public Accounts Committee (PAC) had recommended⁷ in November 2016 that the Ministry should revise drug formulary at regular intervals.

⁴ Pharmaceuticals Purchase Policy (PPP) is in respect of 103 drugs manufactured by pharmaceutical CPSEs and their subsidiaries. The policy is applicable to purchases by Central/State Government departments and their Public Sector Undertakings, etc. The pricing of the products is done by National Pharmaceutical Pricing Authority (NPPA). The procuring entity can purchase from pharmaceutical CPSEs and their subsidiaries.

⁵ CPSEs are those companies in which the direct holding of the Central Government or other CPSEs is 51 *per cent* or more.

⁶ Generic drugs are marketed under a non-proprietary name rather than a proprietary or brand name. Generic drugs are equally effective and inexpensive as compared to their branded counterparts. For example, Paracetamol is a generic drug and Crocin is the counterpart brand name drug.

⁷ PAC 52nd Report (22 November 2016), 16th Lok Sabha.

There was no prescribed schedule for revision of drug formulary, till October 2020, when the Ministry directed MSO to revise the formulary on half yearly basis. In compliance, a preliminary meeting⁸ of Formulary Committee⁹ was held in January 2021 and drug formulary of June 2015 was finally revised in February 2022 after a gap of seven years.

Audit observed that a static formulary defeats the very purpose of having a formulary viz. treatment with available medicines and the possibility of availing best possible rates through a contract mechanism. It also undermines the benefits of standardization of treatment and quality.

Due to delay in revision, new drugs commonly prescribed by doctors were not included in the existing drug formulary during 2016 to 2022, and CGHS could not procure and stock them. Drugs not available in wellness centres are purchased through local chemists at higher rates, A comparison of rates of top 500 drugs purchased through ALC revealed that rates of drugs purchased through ALC were one to 2599¹⁰ *per cent* costlier than the rates finalised by MSO during 2016-17 to 2020-21, as discussed in detail in Para No. 2.7.2.

2.2.3 Non-Finalisation of rate contracts of drugs listed in formulary

Timely finalisation of rate contract of drugs is an important requirement for procurement of drugs and their supply to ultimate users. MSO is responsible for finalisation of rate contracts of drugs with manufacturers through tender process. CGHS can procure only those drugs for which rate contracts have been finalised by MSO. The audit findings in respect of finalisation of rates of drugs are discussed in the succeeding paragraphs.

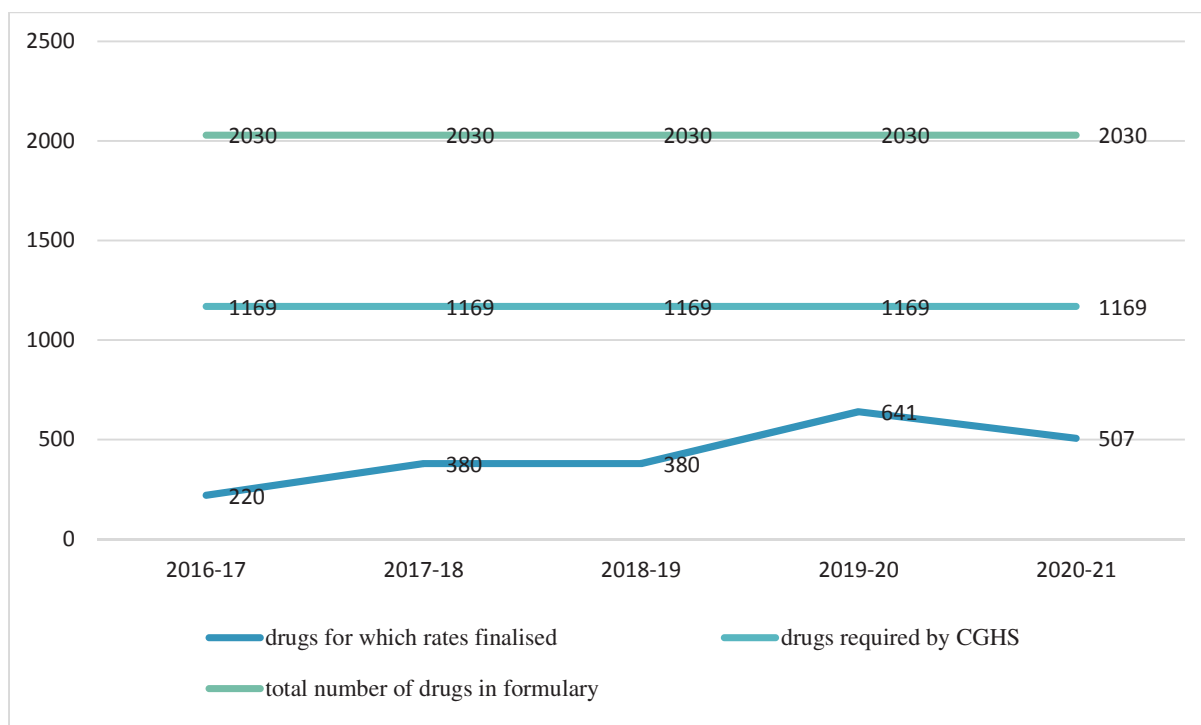
PAC recommended (November 2016) that the Ministry should make earnest efforts for finalisation of rates of all generic drugs in formulary. However, audit observed that out of 2030 drugs listed in formulary, MSO finalised rate contracts only for 220 to 641 drugs during 2016-17 to 2020-21, as against the annual requirement of approximately 1169¹¹ drugs listed in the formulary as depicted in **Chart 2.1:**

⁸ In this meeting the modalities/selection of drugs to be included or deleted from the formulary, format for receipt of proposal for inclusion of new drugs/deletion, selection of technical experts for the Formulary Committee etc. were discussed. It was also decided that the Formulary Committee shall meet by the end of six month.

⁹ Formulary committee comprised Chairman Addl. DGHS, Director, MS, Ram Manohar Lohia Hospital (RMLH), MS, Safdarjung Hospital (SJH), Assoc. Prof., SJH, Assoc. Prof, RMLH, Director (CGHS), AD MSD, DDG (St) Medical Stores Organisation.

¹⁰ For example, MRP of Tab Rosuvas 20mg procured through ALC is 24.02 per tablet, after discount, but in MSO rate contract the price of same generic drug is 0.89 per tablet. The difference 23.13 per tablet is 2599 *per cent* higher.

¹¹ These are commonly prescribed and demanded drugs in CGHS.

Chart 2.1: Non-finalisation of rate contracts of drugs

Source: MSO/MSD

Since the annual provisioning and procurement of drugs is done only for the drugs for which valid MSO rates are available, in the absence of such rates, CGHS could not procure all of the required drugs resulting in shortage of drugs in wellness centres.

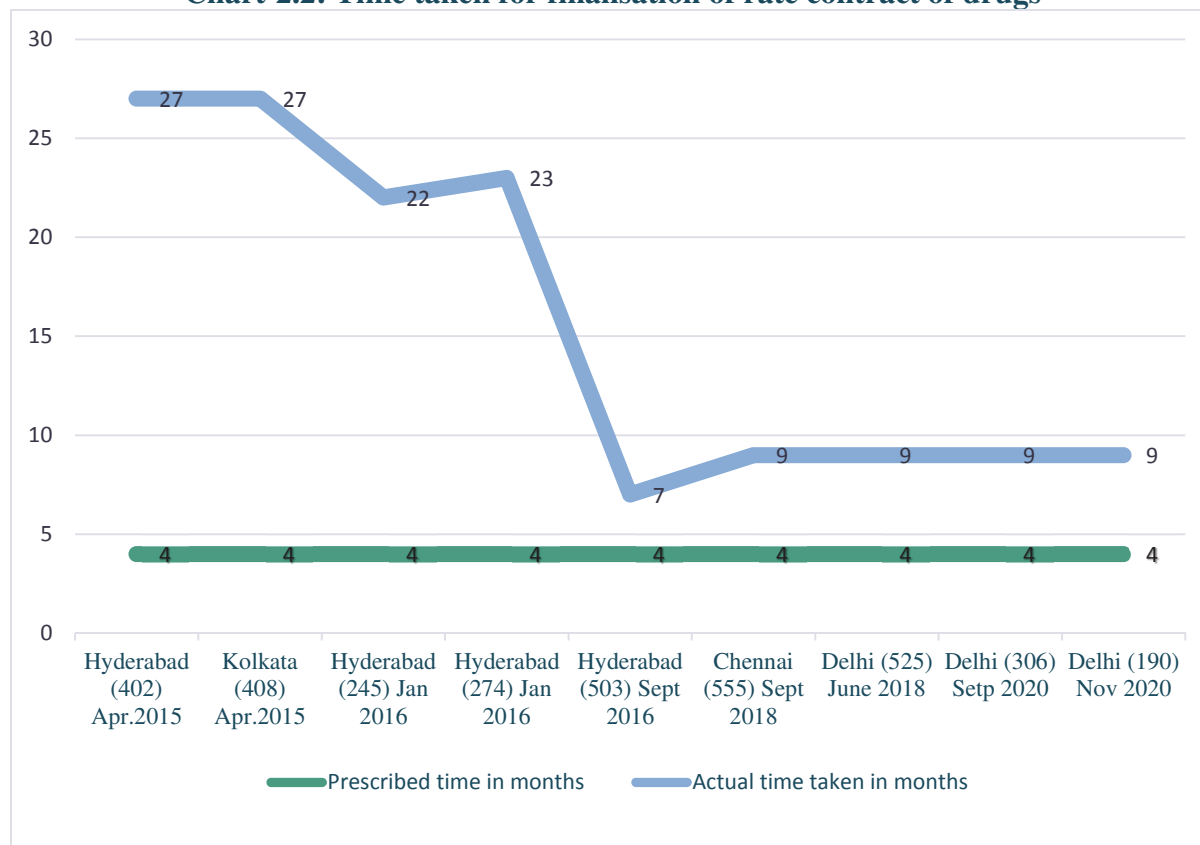
Audit further noted that there was substantial delay in finalisation of rates of all drugs listed in the tender as detailed in succeeding paragraphs.

a) Delay in finalisation of rate contract of drugs by MSO

The Procurement Manual of MSO does not prescribe any time frame for finalisation of rate contracts. The Ministry also did not prescribe any time frame till December 2020, when it directed MSO to issue tender for small batches of drugs and complete the tender process within eight weeks. In the absence of any criteria prior to December 2020, audit observed that against the original validity of bids of four months prescribed in General Financial Rules (GFR)¹² there was delay of 7 to 27 months in finalisation of rate contract through various tenders issued by GMSDs as depicted in **Chart-2.2**:

¹² GFR 2017, Rule 174.

Chart-2.2: Time taken for finalisation of rate contract of drugs



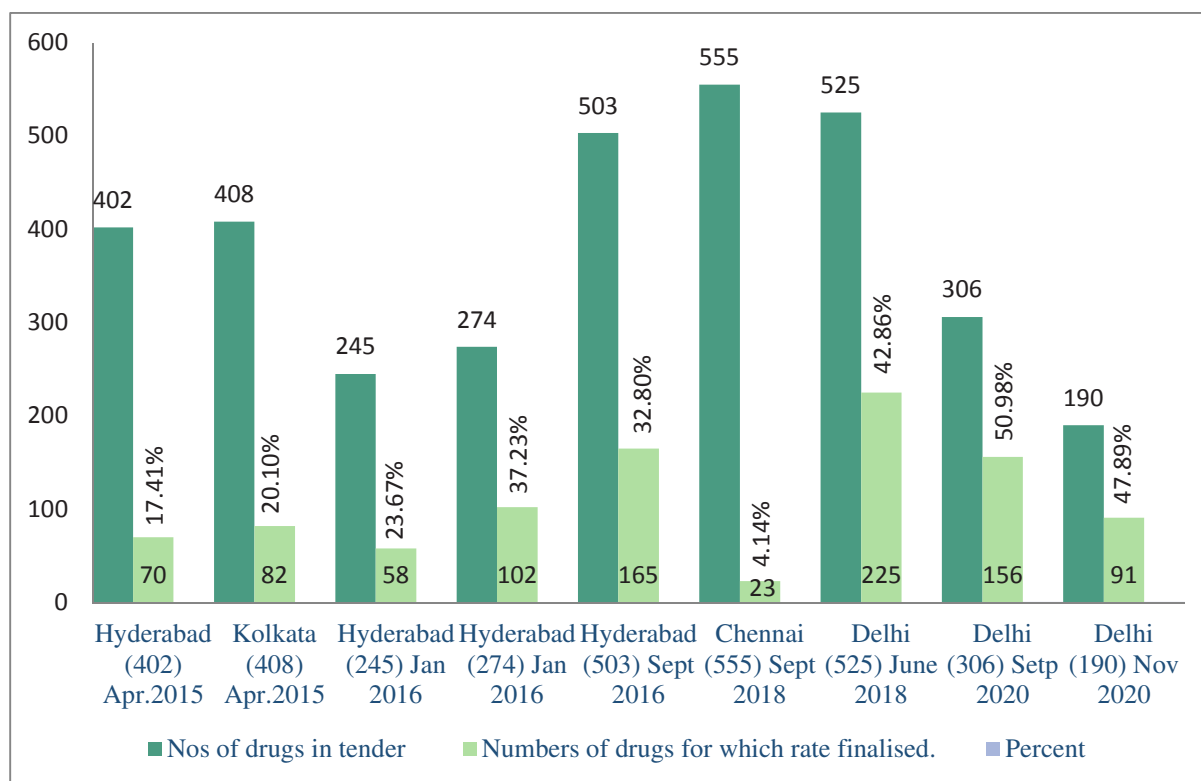
(Numbers in brackets indicate numbers of drugs in the Tender issued)

Source: MSO

Audit observed that the reasons for delay in finalisation of rate contracts were non-submission of complete documents by bidders at initial stage, repeated meetings held to complete the documents leading to delay in technical evaluation, etc. Due to delay in finalisation of rates of drugs listed in formulary CGHS could not procure the same resulting in shortage of drugs in wellness centres as detailed in para 2.6 and procurement of drugs from ALCs as detailed in para 2.7.

b) Rates for very few drugs finalised in tender

Audit noted that percentage of finalisation of rates was very low in the tender enquiries issued for rate contracts by MSO. Rates of only 23 out of 555 drugs (4.14 per cent) at the minimum and 156 out of 306 drugs (50.98 per cent) at the maximum were finalised in tenders as depicted in **Chart-2.3**:

Chart-2.3: Number of drugs for which tender was issued and rates finalised

Source: MSO

MSO replied (January 2022) that reasons for non-finalisation of rates of drugs were: Bidders did not participate as Earnest Money Deposit (EMD) of bidders remained blocked for long time due to delay in finalisation of tender process, absence of assured demand clause in tender, reduced interest of bidders due to low profit margins in generic drugs, low participation of bidders for drugs, in formulary, not commonly prescribed, and shortage of staff. It was stated that before e-tendering the delays occurred because tender process was manual, many bidders submitted incomplete documents, and negotiation for finalisation of rates was time consuming. It was claimed that after introduction of e-tendering and removal of fall clause and EMD, delays had been reduced substantially.

The reply is not acceptable since the already existing delays in completing the tendering process by MSO within the prescribed time frame¹³ had led to blockage of EMD of bidders resulting in their non-participation in subsequent tenders. Further, MSO did not initiate steps to make required modifications in tender clauses in order to ensure higher participation of bidders. Although after initiating e-tendering in 2018, delays in finalisation of tenders had reduced significantly, the MSO could not complete the tender process within the prescribed time (Chart 2.2) and did not finalise rates of all drugs in tenders as detailed in **Chart-2.3** above. Selection of drugs for formulary is made by experts and these are essentially required

¹³ Rule 174 of GFR prescribes that tender process shall be completed within period of original validity of bids, which in this case was 4 months as already discussed in para 2.2.3(a).

by CGHS and hospitals. Therefore, MSO has to finalise rates of all drugs listed in the formulary, since in the absence of rates drugs could not be procured, defeating the very purpose of preparing a drug formulary.

2.3 Annual Provisioning and submission of Indents

The annual provisioning (projection of demand) of drugs is prepared by the Provisioning Committee¹⁴ constituted in the office of AD (CGHS) in every city covered by CGHS, on the basis of past consumption pattern. After approval of the provisioning by the Ministry, indent is placed upon MSO/GMSD as the case may be. In Delhi, annual provisioning of drugs prepared by the Provisioning Committee is approved by the Ministry and thereafter AD MSD Delhi submits indent of drugs to GMSD Delhi. The Audit findings on annual provisioning and submission of indents are discussed below.

2.3.1 Delay in finalisation of annual demand of drugs and submission of Indent by AD MSD Delhi

For an efficient management of the procurement of drugs, the annual projection of demand should be planned, prepared and finalised before the commencement of the subsequent financial year. Ministry did not prescribe any timeframe for submission of proposals for annual provisioning (demand) of drugs by CGHS in order to ensure timely finalisation of provisioning. A review of the annual provisioning in Delhi revealed that CGHS did not finalise the annual demand of drugs before commencement of the next financial year, i.e. before March end. The proposal for annual demand of drugs was submitted by CGHS for approval of the Ministry after commencement of the financial year for which provisioning was being made¹⁵ as detailed in **Table-2.1**:

Table-2.1

Provisioning for the Year	Submission of annual demand of drugs by CGHS to Ministry	Approval of Ministry	Submission of indent to GMSD Delhi
2016-17	March 2016	April 2016	May 2016
2017-18	April 2017	June 2017	July 2017
2018-19	December 2017	April 2018	May 2018
2019-20	June 2019	July 2019	January 2020
2020-21	June 2020	October 2020	October 2020

Source: MSO/MSD

Thereafter, MSD Delhi placed indents on GMSD Delhi between May to October during 2016-17 to 2020-21 as detailed above.

¹⁴ In Delhi Provisioning committee comprised Additional Director AD CGHS (HQ), AD MSD, AD of all zonal offices, one Chief Medical Officer from wellness centres in each zone, and CMO Drugs in MSD. In cities outside Delhi the Provisioning committee shall comprise AD Cities, 4-5 CMO of wellness centres and CMO stores.

¹⁵ Except in FY 2016-17 when proposal of provisioning was submitted in March 2016, just before commencement of the year.

Audit observed that delay in finalisation of annual provisioning had a cascading effect on placing of indents to GMSDs and subsequent procurement of drugs leading to delay in supply of drugs by GMSDs to wellness centres.

CGHS replied (April 2022) that new rate contracts were finalised by MSO in April /May 2019. Provisioning was delayed due to Covid-19 lockdown in March 2020.

The reply is not satisfactory as the reason cited was relevant only for a limited period, whereas there was delay in submission of annual demand by CGHS in four out of five years (2016-17 to 2020-21) covered in audit.

2.3.2 Schedule for submission of indents

Government Medical Stores Depot (GMSD)¹⁶ accepts only online indents for drugs from its indentors. However, there was no prescribed date or schedule¹⁷ for opening of online window till December 2020, when the Ministry directed MSO to open online window on quarterly basis. During 2016-17 to 2020-21, GMSD opened the online window one to seven times in a year in an irregular manner. Audit observed that this irregular schedule for submission of indents jeopardized the efficient planning for preparation and submission of indents by CGHS, resulting in further delays in supply of drugs to CGHS and shortage of drugs in wellness centres.

MSO replied (January 2022) that as CGHS is their major indentor, MSO opened its online window as soon as provisioning of drugs in CGHS was approved by the Ministry. It was further informed that since April 2021, based on directions of Secretary (Health) in December 2020, the online window for indents was now being opened by the MSO on a quarterly basis.

Audit observed that till March 2021(during the period of Audit), delay in finalisation of annual provisioning had a cascading effect on placing of indent to GMSD and subsequent procurement of drugs leading to delay in supply of drugs by GMSD to wellness centres as detailed in para 2.3.1 and 2.4.1 respectively.

2.3.3 Short quantity of drugs indented by AD MSD Delhi

After approval of provisioning by the Ministry, indent is placed on GMSD by CGHS for supply of drugs. Audit observed that AD MSD Delhi did not place indent on GMSD Delhi for the entire quantity of drugs approved by the Ministry resulting in shortage of drugs in wellness centres.

During 2016-17 to 2020-21, 7.47 to 31.54 *per cent* of drugs listed in approved annual provisioning were not indented at all. Only 18.67 to 61.41 *per cent* of drugs were indented for

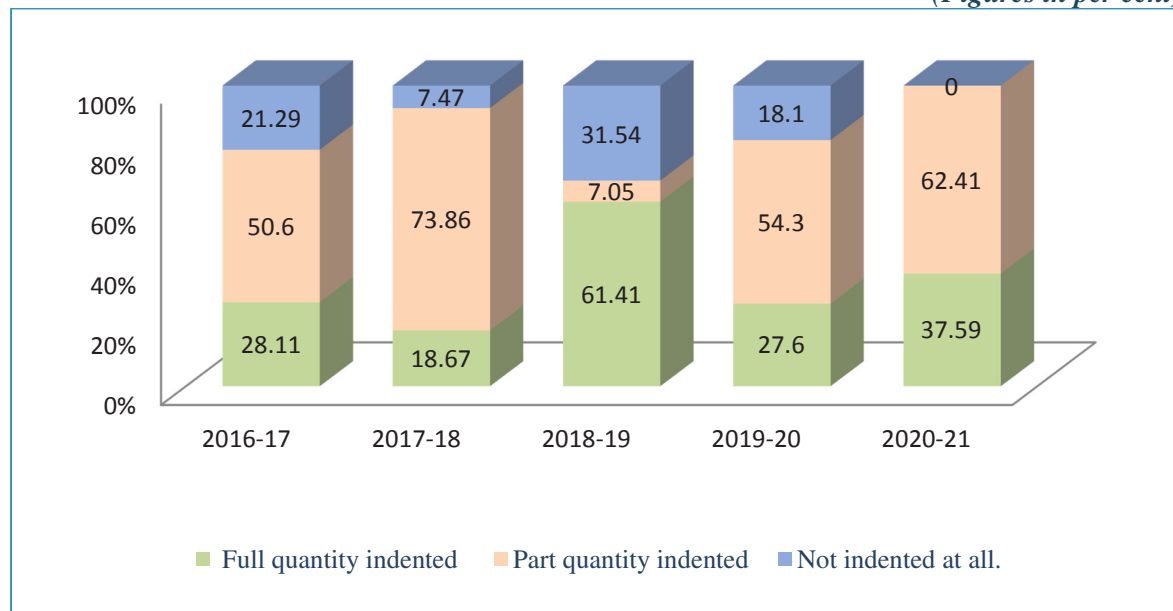
¹⁶ GMSDs are the field offices of MSO which procure and supply the drugs.

¹⁷ Since June 2021 MSO is opening online window for receipt of indents four times a year or quarterly.

approved quantity. In remaining cases, quantity of drugs was short indented in various degrees against approved quantity as depicted in **Chart-2.4**:

Chart-2.4: Short quantity of drugs Indented against Provisioning in Delhi

(Figures in per cent)



Source: MSO/MSD

CGHS replied (April 2022) that many medicines included in the formulary were not required in, wellness centres. Indent cannot be placed for medicine indented in previous cycle and not received till the time of placing the indent for next cycle and indent is not placed for items which are available in sufficient quantity from previous cycle indent.

Reply is not acceptable as the drugs in question were those which had been approved by the Ministry based on provisioning made by CGHS as per requirement. However, indent was not placed for all the drugs in approved provisioning despite persistent shortage of drugs in wellness centres.

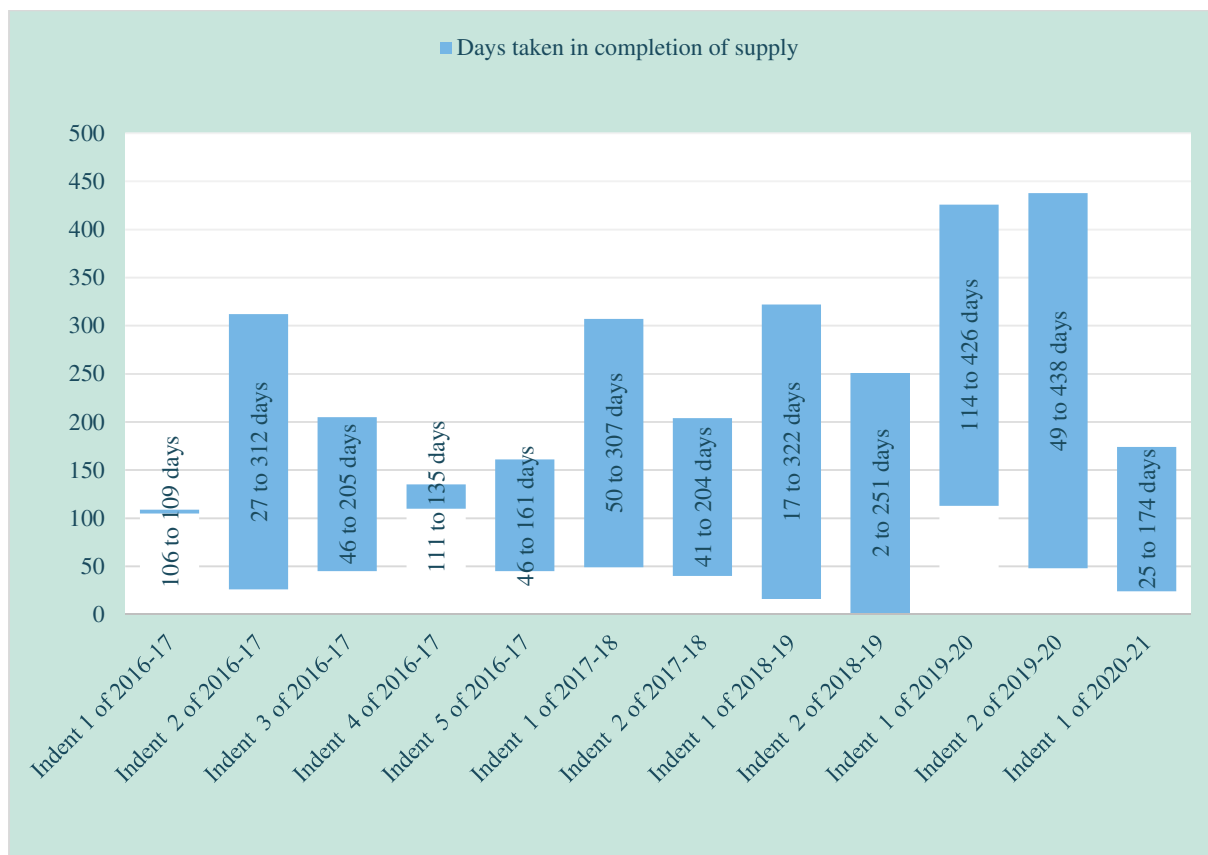
2.4 Supply of drugs by GMSDs

After receiving indent from CGHS, GMSD procures drugs from suppliers and supplies to CGHS in various lots. Audit observed that MSO did not prescribe a period within which GMSDs should supply drugs to indenters after receipt of indent. As a result, GMSDs all over the country supplied drugs to the respective units of CGHS after substantial delay resulting in shortage of drugs in CGHS wellness centres. The Audit findings on supply of drugs by GMSDs are discussed in the succeeding paragraphs.

2.4.1 Delay in supply of drugs by GMSDs

Audit noted that time taken by GMSD Delhi for supply of drugs was 2 to 438 days as detailed in **Chart-2.5**:

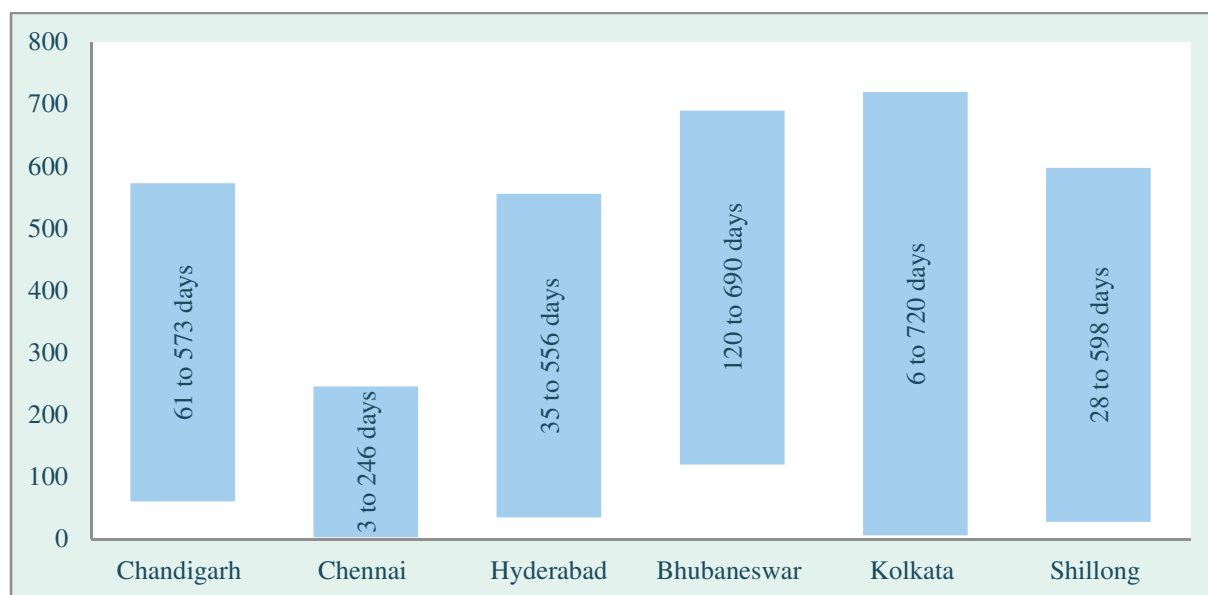
Chart-2.5: Time taken for supply of drugs by GMSDs to AD MSD Delhi



Source: GMSD

In cities outside Delhi time taken in supply of drugs was 3 to 720 days by respective GMSDs to AD Cities as detailed in **Chart-2.6**:

Chart-2.6: Time taken for supply of drugs by GMSDs to AD Cities outside Delhi

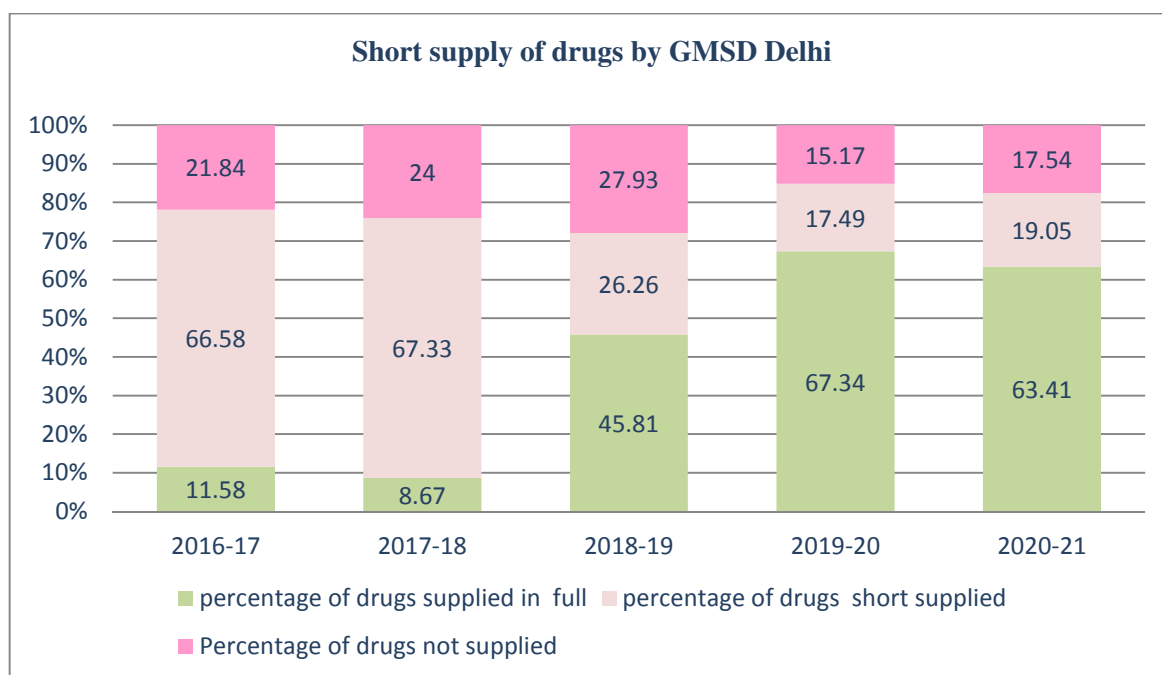


Source: Audit findings in States

2.4.2 Short supply of drugs by GMSDs

Audit noted that all the GMSDs did not supply entire quantity of drugs indented resulting in shortage of drugs in wellness centres. Data analysis revealed that in Delhi, out of total number of drugs indented by AD MSD Delhi, GMSD Delhi supplied entire quantity of drugs only in 8.67 to 67.34 per cent cases, made no supply for 15.17 to 27.93 per cent drugs and made short supply for 17.49 to 67.33 per cent of drugs indented during 2016-17 to 2020-21 as depicted in **Chart-2.7**:

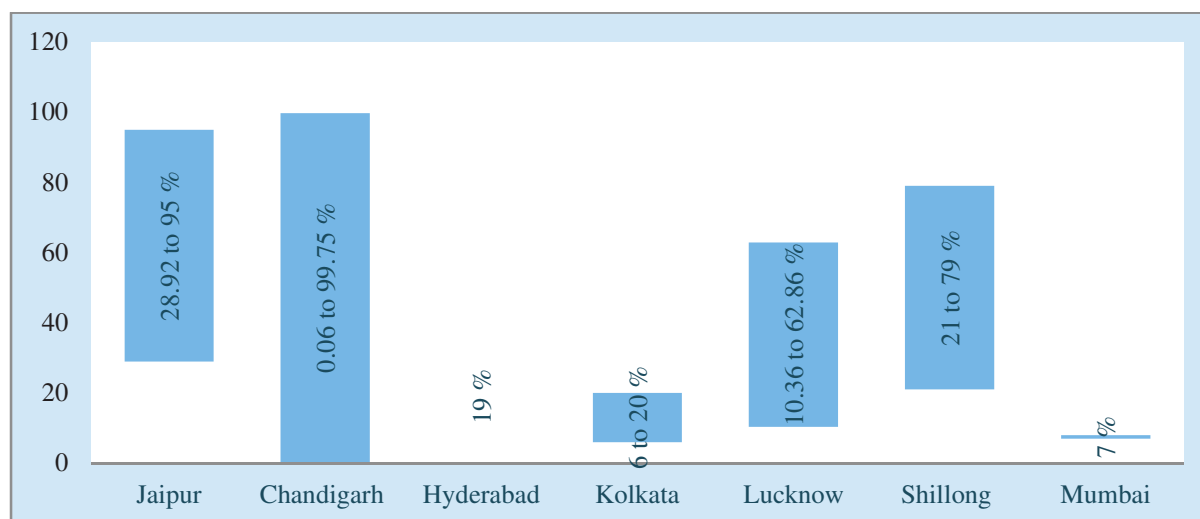
Chart-2.7



Source: GMSD

In cities outside Delhi 0.06 to 99.75 per cent of drugs were short supplied by their respective GMSDs to AD Cities during 2016-17 to 2020-21 as depicted in **Chart-2.8**:

Chart-2.8: Percentage of drugs short supplied by GMSDs outside Delhi



Source: Audit findings in States

Apart from the above 37 per cent drugs in Hyderabad and 16 to 38 per cent drugs in Kolkata were not supplied at all by the respective GMSDs.

2.5 Supply of drugs to wellness centres

After receiving drugs from GMSD, AD MSD Delhi and AD Cities supply them to wellness centres. Quarterly supply of drugs in bulk quantity by AD MSD Delhi and AD Cities ensures ready availability of adequate number and quantity of drugs in wellness centres for long time. Therefore, AD MSD Delhi has prescribed quarterly submission of indents of drugs by wellness centres on the basis of quarterly consumption.

However, Audit noted that instead of submitting quarterly indents in a year, the selected¹⁸ wellness centers have submitted on an average 9 to 89 indents in a year during 2016-17 to 2020-21. As a result, AD MSD Delhi and AD Cities were unable to supply drugs for the entire quantity demanded. Hence, the chain of demand and supply between AD MSD Delhi/AD Cities and wellness centres was not streamlined resulting in shortage of drugs in wellness centres.

Examination in audit revealed that in selected wellness centres there was short supply of drugs in 25.03 per cent cases during 2016 to 2021 as per details given in **Table-2.2**:

¹⁸ Audit has selected 30 wellness centres in Delhi and 47 wellness centres outside Delhi by sampling for this audit. Our audit observations are limited to these selected wellness centres.

Table-2.2: Short supply of drugs to wellness centres

Total number of cases of supply of drug against demand	Total Number of cases of full quantity supplied.	Total Number of cases of short quantity supplied	Qty. Short supplied up to 25%	Qty. Short supplied between 25 to 50 per cent	Qty. Short supplied above 50 per cent
2,02,125	1,51,541	50,584	20,310	15,869	14,405
In per cent	74.97%	25.03%	10.05%	7.85%	7.13%

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

Audit observed that among selected wellness centres the highest number of cases of short supply of drugs were 2768 cases with 1,23,71,789 units in Avadi in Tamil Nadu, followed by 1142 cases with 1,54,49,069 units¹⁹ in Yamuna Vihar Wellness Centre in Delhi. The lowest numbers of cases of short supply were 32 cases with quantity 12,486 in Central Secretariat wellness centre in Delhi.

Details of cases of short supply of drugs by AD MSD Delhi/AD cities with quantity in selected wellness centres are given in **Annex-2.1**.

In reply, wellness centres stated that number of drugs in their indents were restricted to availability of drugs, as visible online, and also that all indented drugs were not supplied in entire quantity. Therefore, frequent indents had to be raised.

CGHS replied (April 2022) that only quantity projected by wellness centre at the time of provisioning could be issued to it. In case they asked for more, it needed to be curtailed to ensure that all wellness centres received as per their projected requirement. CGHS also stated that GMSD did not supply full quantity in one go and AD MSD Delhi/AD cities needed to issue a certain percentage of projected requirements to ensure that it was supplied to all wellness centres to avoid ALC Purchase.

The reply is not acceptable as the key reason for huge number of indents is severe shortage of drugs in wellness centres as discussed in para 2.6. The reply also highlights the lack of co-ordination between CGHS and MSO/GMSD. Hence, the Ministry needs to ensure that there is co-ordination between CGHS and MSO/GMSD in order to establish a robust supply chain to ensure that sufficient quantities of drugs are procured from GMSDs and supplied in a timely manner to all wellness centres.

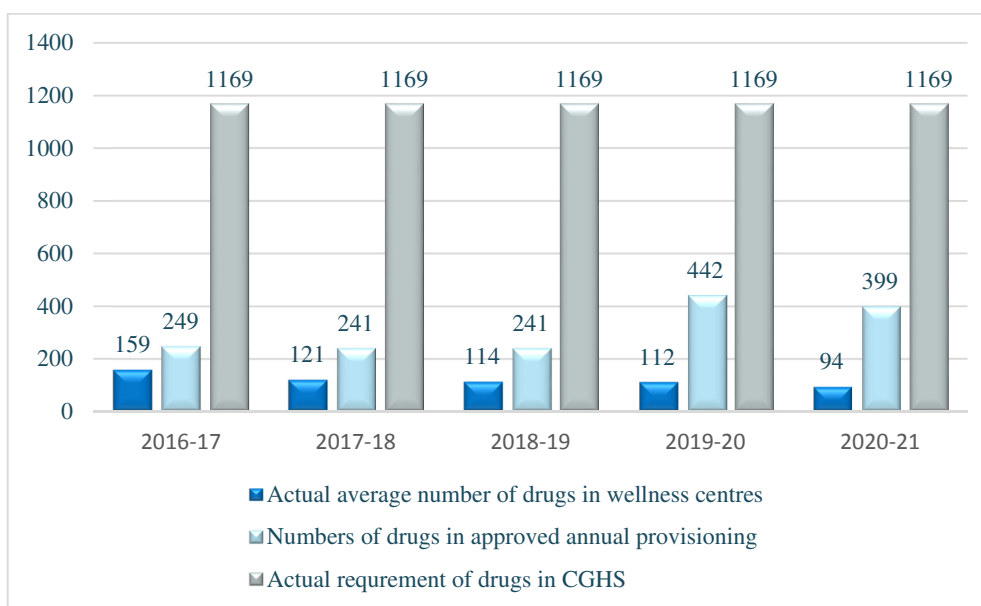
¹⁹ Units denotes number of tablets/capusles etc.

2.6 Severe shortage of number of drugs in wellness centres in Delhi and other cities

According to guidelines for procurement of drugs in CGHS, drugs listed in formulary and covered under rate contract of MSO can be procured in bulk through MSO/GMSD, and Central Public Sector Undertakings (CPSUs)²⁰. Bulk procurement ensures ready availability of formulary drugs in wellness centres all the time. Ready availability of drugs in wellness centres is important for convenience and satisfaction of beneficiary and is also economical. Drugs not available in wellness centres are procured through ALCs which is neither convenient for patients nor economical.

CGHS had intimated (September 2021) that it requires 1169 number of drugs annually which were commonly prescribed and demanded, but due to non-finalisation of procurement rate contracts by MSO as already pointed out in para 2.2.3, AD MSD Delhi prepared provisioning/demand for only 241 to 442 drugs, for wellness centres in Delhi, during 2016-17 to 2020-21. Audit observed that against this provisioning, the average yearly stock position of number of drugs in selected wellness centres in Delhi was only 94 to 159 drugs during 2016-17 to 2020-21 as shown in **Chart-2.9**:

Chart-2.9: Number of drugs available in wellness centres in Delhi



Source: MSD/CGHS Database

Details of average stock position of selected wellness centers in Delhi are given in **Annex-2.2**. Audit observed that the shortage of drugs in selected wellness centres against approved provisioning in Delhi had increased from 36.14 per cent in 2016-17 to 76.44 per cent in 2020-21 as detailed in **Table-2.3**:

²⁰ Drug manufacturing Central Public Sector Enterprises (CPSEs) in India are. Karnataka Antibiotics & Pharmaceuticals Limited (KAPL), Bangalore. Rajasthan Drugs & Pharmaceuticals Limited (RDPL), Jaipur. Hindustan Antibiotics Limited (HAL), Pimpri, Pune, Bengal Chemicals & Pharmaceuticals Limited (BCPL), Kolkata, Indian Drugs & Pharmaceuticals Limited (IDPL), Gurgaon and HLL Lifecare Limited.

Table-2.3

Year	Actual requirement of number of drugs in CGHS	Numbers of drugs in approved annual provisioning	Actual average number of drugs in wellness centres	Percentage of drugs in wellness centres against annual provisioning	Percentage of shortage of drugs against annual provisioning
2016-17	1169	249	159	63.86	36.14
2017-18	1169	241	121	50.21	49.79
2018-19	1169	241	114	47.30	52.70
2019-20	1169	442	112	25.34	74.66
2020-21	1169	399	94	23.56	76.44

Source: MSD/CGHS Database

AD Cities did not take adequate steps to procure sufficient quantity of drugs through MSO/GMSDs and CPSUs. Average numbers of drugs in selected wellness centres in cities outside Delhi were between 6 in Mahim wellness centre in Maharashtra to 290 in Shimla wellness centre in Himachal Pradesh against the annual requirement of 1169 drugs. Details of average number of drugs in selected wellness centres are as detailed in **Annex-2.3**.

CGHS replied (April 2022) that data available with CGHS showed increase in number of drugs available and supplied to wellness centres. Further, there was a gap of six to nine months between the finalisation of rate contract by MSO and supply of those medicines to AD MSD Delhi for onward distribution to wellness centres. Indent could only be placed when MSO / GMSD opened online indent window and only for items with valid rate contract at the time of opening of online indent window.

CGHS further added that ideal would be that all rate contract items were always present in MSD and in turn in all wellness centres in sufficient quantity. That could only be possible if demand placement and supply was a continuous process rather than jerky one with loading of supply at one time and empty stores at another time and this cycle goes on.

Reply is not acceptable as the data which formed the basis for the audit finding was taken from the data dump provided by CGHS. As pointed out earlier, apart from the lack of a valid rate contract for all items, CGHS did not finalise its provisioning before commencement of a financial year, did not indent for full quantity of drugs as approved by the Ministry and also did not coordinate with GMSD, to get supplies of drugs timely and in full quantity as indented resulting in shortage of drugs in wellness centres.

2.7 Procurement of Drugs through Authorised Local Chemist (ALC)

Drugs prescribed by doctors but not available in wellness centres are procured through Authorised Local Chemist (ALC). Procurement of drugs through ALC is inconvenient for

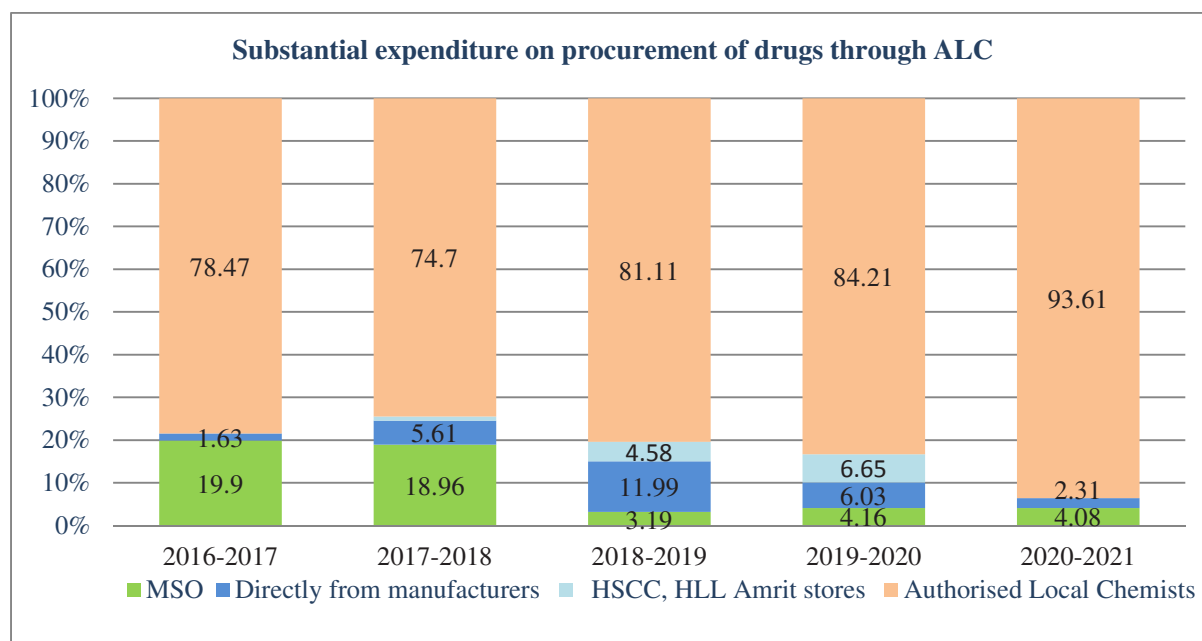
patients as they have to make second²¹ visit to wellness centres to collect the drugs and it is also expensive as compared to generic drugs procured through MSO. Since patients have to wait till the medicines are made available for collection, sometimes more than two-three days and there may be an immediate requirement, patients are invariably forced to buy medicines from the market.

2.7.1 Substantial procurement of branded drugs through ALC in Delhi

Audit noted that due to shortage of drugs in wellness centres, substantial amounts of branded drugs were procured through Authorised Local Chemists (ALC) at higher costs²².

PAC had recommended in November 2016 that the Ministry should make complete shift towards procurement and distribution of good quality generic drugs. However, audit observed that the expenditure on procurement of branded drugs through ALC in Delhi has increased from 74.70 to 93.61 *per cent* during 2016-17 to 2020-21 as detailed in **Chart-2.10**:

Chart-2.10



Source: MSD Delhi

CGHS replied (April 2022) that increase in indented medicines was due to discontinuation of pilot project²³, increase in number of beneficiaries, permission of referral to OPD in private

²¹ Drugs not available in wellness centres are purchased through ALC. As per norms ALC should supply drugs on next working day after receiving indent. So, patient has to visit again on next working day and some time it may be holiday or sometimes drugs are delayed.

²² Drugs listed in formulary are generic drugs for which rate contract for bulk purchase is finalised by MSO therefore these are cheaper. Drugs purchased through ALC are branded drugs. Therefore, these are costlier.

²³ Under Pilot Project monthly requirement of commonly procured 235 drugs in each wellness centre, calculated on basis of past consumption, was sent online to supplier at the end of each month and drugs were supplied directly to wellness centre at the beginning of each month. This project was however discontinued in December 2017.

empanelled hospitals where specialists did not prescribe generic medicines and therefore medicines prescribed needed to be indented through ALC. Further, supply from GMSD being irregular resulted in overlap of supplies from different cycles and over provisioning of some medicines and shortage of other medicines resulting in increase in ALC indent.

This reply is not satisfactory, since as per orders²⁴ if generic version of a branded drug prescribed by a specialist doctor is available in wellness centres the same may be issued to the patient. Despite these orders, the prime reason for increase in indented drugs was thus the shortage of drugs in wellness centres.

2.7.2 Procurement of rate contracted drugs through ALC at higher rates

Deficiencies in the supply chain in CGHS led to non-availability of generic drugs in wellness centres, for which MSO rate contracts were available. Therefore wellness centres raised indent, on ALC, for supply of branded drugs corresponding to these generic drugs. Branded drugs are costlier as compared to generic drugs procured by CGHS through MSO. Audit noted that out of top 500²⁵ drugs procured through ALC, 70.80 to 81.80 *per cent* drugs were branded substitutes of generic drugs listed in formulary. Out of these even though rate contracts for 6.20 to 37.00 *per cent* related generic drugs were available as detailed in **Table 2.4**. CGHS incurred avoidable expenditure of ₹ 206.89 crore in procuring these drugs through ALC during 2016-17 to 2020-21, due to non-availability of generic drugs, as detailed below:

Table-2.4

(₹ in crore)

Year	Out of top 500 branded drugs procured through ALC				
	Branded substitutes of drugs listed in formulary	Percentage of branded substitutes	Branded substitutes of drugs for which rate contracts* were available	Percentage of branded substitutes for which rate contracts* were available	Avoidable exp. due to higher rates of branded drugs
2016-17	354	70.80	68	13.60	3.13
2017-18	374	74.80	31	6.20	4.86
2018-19	409	81.80	88	17.60	37.87
2019-20	378	75.60	185	37.00	102.85
2020-21	372	74.40	121	24.20	58.19
Total					206.89

*rate contracts for the corresponding generic drugs

Source: CGHS Database

Audit recommends that the supply chain of drugs in CGHS and MSO may be improved so that generic drugs, for which rate contracts are available, are stocked in wellness centres in

²⁴ F no.25-1/09-10/CGHS/MSD/(CGHS(P) dt.30September 2009.

²⁵ Number of transactions of drugs procured through ALC in selected wellness centres all over India during 2016-17 to 2020-21 run into several crore entries and therefore analysis of only top 500 drugs (by amount) procured through ALC has been made.

sufficient quantities and expenditure on procurement of drugs through ALC could be minimized.

2.7.3 Prescribed drugs not supplied by ALC

A particular brand of a drug is manufactured only by one particular company. Other companies can manufacture the same drug with different brand name. According to terms and conditions of contract, ALC shall supply the same brand of drug as indented by wellness centre and not substitute it with drug of a different manufacturer. In case ALC supplies any substitute brand of drug, then ALC will be penalized by ₹ 1,000 along with the cost of the specific brand of medicines for each such default. The conditions of contract also prescribe that ALC should have facilities for scanning bar-code²⁶ of drugs.

Audit noted that ALCs all over the country did not supply the prescribed brand of drug as indented by the wellness centre and instead supplied drugs manufactured by different companies. During analysis of data of top 500²⁷ drugs procured through ALC audit observed that in details of drugs supplied there were 5 to 3099²⁸ different manufactures mentioned against each prescribed brand of drug. In some cases, incorrect details of manufacturer of drug were also mentioned by ALC. Hence, ALC did not supply the prescribed brand of drug as indented by wellness centre.

This also indicates that ALC did not use the system of bar-coding of drugs, prescribed in conditions of contract, to upload correct details of drugs in online supply to CGHS. As details of drugs and manufacturers were entered manually in the system by ALC, audit could not derive assurance about correctness of details and authenticity of drugs supplied by ALC.

Wellness centres also did not object to supply of substitute brand of drugs by ALC and did not propose any action against the ALC in this regard. This was in violation of conditions of contract with ALC.

A few examples of different brands of drugs supplied by ALC are given in **Annex-2.4**.

CGHS replied (April 2022) that each salt was available in the market by several brands. Some of the prescribed brands might not be freely available. In such cases the Chief Medical Officer (CMO) might permit the pharmacist to receive a similarly popular brand so that the beneficiary need not revisit the wellness centre or if the beneficiary was unwilling to purchase and reimburse.

Reply is not satisfactory as ALC has to supply the same brand of drug as per the conditions of contract.

²⁶ Bar-code label of drug stores data comprising brand name, batch no, date of manufacturing and expiry of drug etc.

²⁷ Data pertaining to drugs procured through ALC during 2016-17 to 2020-21 involves crores of transactions therefore a test check of only top 500 drugs, by amount, procured through ALC during 2016-17 to 2020-21 is taken.

²⁸ For example Tab Allegra is manufactured only by Sanofi India Ltd. However, in supply details ALC has mentioned manufacturers as German remedies, Glenmark, Glaxo, Sun pharma and also incorrect names like fgfdgdfg and gfgdfgdh as detailed in Annex-2.4.

2.7.4 Delay in supply of indented drug by ALC to wellness centres

According to prescribed norms, indented drugs shall be received in wellness centres from ALC on the next working day. In the event of delay/non-supply, ₹ 500/- will be deducted from the bill of the Chemists for each day or part thereof of delay in respect of each brand.

Delay in issue of drugs causes inconvenience to patients. In the selected wellness centres, Audit observed that there were delays of more than two days in receipt of drugs in the wellness centres in 36.40 *per cent* cases. There were delays of three to seven days in 34.98 *per cent* cases, and more than seven days in 1.42 *per cent* cases during 2016-17 to 2020-21 as detailed in **Table-2.5**:

Table-2.5

Total Number of cases of supply against indent	Total number of cases of no delay	Total number of cases of delay of more than two days *	Details of delay	
			Delay of 3 to 7 days	Delay above 7 days
2,75,47,256	1,75,20,578	1,00,26,678	96,35,878	3,90,800
In <i>per cent</i>	63.60%	36.40%	34.98%	1.42%

Source: CGHS Database

(*In order to account for cases where next working day is a holiday, criteria of more than two days is taken)

Audit observed that in selected wellness centres the highest percentage of cases of delay were 98 *per cent* in both KK Nagar wellness centre in Tamil Nadu and in Lucknow-3 in Uttar Pradesh followed by 95 *per cent* in Avadi wellness centre in Tamil Nadu. Details of percentage of cases of delay in selected wellness centres are given in **Annex-2.5**.

CGHS replied (April 2022) that normally indent of medicines was submitted at 2 pm and medicines were received at 7.30 am on the next day. The pharmacist checked the batch number, date of manufacture and expiry and distributed the medicine after signatures of the CMO. In overburdened wellness centres receiving the medicines takes more time and distribution could be done on the next day.

Reply is not satisfactory, since the data provided by CGHS revealed that the ALC had delivered the drugs in wellness centres with delay. Further, CGHS should take steps to ensure that after receipt of drugs from ALC, these are distributed to patients on same day to avoid any inconvenience to patients.

2.7.5 Short and excess supply of indented drugs by ALCs to wellness centres

According to terms of contract the ALC should supply same quantity of drugs as indented by wellness centres. Audit observed that in selected wellness centres, in 2.37 *per cent* cases there was short supply of drugs from 1 to 9210 quantity against indented quantity. Similarly, in

1.91 *per cent* cases there was excess supply of drugs from 1 to 9000²⁹ against indented drugs as detailed in **Table-2.6**:

Table-2.6

Total number of cases of drug supply against Indent	Total number of cases of short supply	Total number of cases of excess supply
2,75,47,256	6,51,530	5,26,298
<i>In per cent</i>	2.37%	1.91%

Particulars	Details of cases of quantity short/excess supply				Total
	1 to 100	100 to 500	500 to 1000	above 1000	
Cases of short supply	6,47,558	3710	159	103	6,51,530
Cases of excess supply	5,24,216	1815	214	53	5,26,298

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

Data analysis revealed that the highest numbers of cases of short supply were 41,772 cases in Shahdara wellness centre followed by 37,563 cases in Gurugram wellness centre and 37,351 cases in Laxmi Nagar wellness centre, all in Delhi NCR. The lowest numbers of cases of short supply were 16 cases in Janta colony wellness centre in Rajasthan. Details of cases of short supply in selected wellness centres are detailed in **Annex-2.6**.

Similarly, audit observed that there were 45,636 cases of excess supply in Jankpuri wellness centre followed by 34,514 cases in Rohini wellness centre and 27,235 cases in Faridabad wellness centre, all in Delhi NCR. The lowest numbers of excess supply of drugs were three cases in Imphal wellness centres in Manipur. Details of cases of excess supply of drugs in selected wellness centres are given in **Annex-2.7**.

2.7.6 Irregularities in tender for empanelment of ALC in Delhi

According to General Financial Rules (GFR)³⁰ in order to safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders. Amount of bid security should ordinarily range between two to five *per cent* of the estimated value of the goods to be procured.

In Delhi, CGHS issued E-Tender (August, 2016) for empanelment of Authorised Local Chemists (ALCs) for supplying medicines to 40 wellness centres of Delhi for one year. As

²⁹ Numbers of Tablets/capsules etc.

³⁰ Rule 170 of GFR 2017.

per prescribed norms the value of Earnest Money Deposit (EMD) for these 40 wellness centres was ₹ 1.80³¹ crore. Audit noted that CGHS had specified only ₹ 4.00 lakh as amount of EMD to be deposited for these 40 wellness centres in this tender. As per clause 5.08 of tender document the earnest money was to be forfeited if a successful bidder either withdrew or failed to sign the contract.

During the tender process, M/s Aar Ess Remedies Pvt. Ltd was declared L-1 for 39 wellness centres and M/s Goel Medicos for one wellness centre. However, both bidders withdrew themselves from the tender process and the tender was finally cancelled (March 2017).

Audit observed that it was irregular on part of CGHS to specify a lower EMD of ₹ 4.00 lakh in tender against the prescribed ₹ 1.80 crore. The lower EMD failed to deter the bidders against withdrawing from the tender. As a result, CGHS failed to safeguard its interest against bidders and the whole tender process became unfruitful.

2.8 Procurement and Supply of Restricted drugs

Restricted drugs include chemotherapy medicines for cancer and other medicines as enumerated in the “restricted drugs” list of CGHS. Restricted drugs are procured for individual CGHS beneficiaries on case to case basis. Audit findings relating to restricted drugs are discussed in the succeeding paragraphs.

2.8.1 Restricted drugs being procured without inviting open tender

According to GFR³² invitation of tenders by advertisement should be used for procurement of goods with an estimated value of ₹ 25 lakh and above.

In September 2014, AD MSD Delhi finalised a rate contract with various manufacturers/suppliers for restricted drugs through limited tender enquiry which was valid till March 2015. In March 2015, CGHS requested MSO for finalisation of rate contract of restricted drugs through open tender. MSO floated two tenders in this regard but could not finalise the rates due to fewer participation of bidders. Thereafter, no efforts were made by MSO to re-initiate the tender process. Audit observed that CGHS was procuring these drugs by extending the existing rate contracts of September 2014 in violation of General Financial Rules.

CGHS replied (April 2022) that the rates in restricted medicines were discovered by limited rate enquiry conducted by AD MSD Delhi on direction of competent authorities. These were single source medicines requiring Special Terms and Conditions (STC) validation.

³¹ Being two *per cent* of average expenditure on procurement of drugs through ALC for these 40 wellness centres.

³² Rules 144 and 158 to 161 of GFR 2017.

Reply is not satisfactory as there are several³³ drugs for which two or more brands exist in market. Hence, a tender should have been floated as per the rules of GFR to get the lowest rates in market.

2.8.2 Delay in supply of restricted drugs

According to conditions of contract, restricted drugs should be supplied by suppliers on the next working day. Audit noted that in selected wellness centres, during 2016-17 to 2020-21, there were delays of more than two days in supply of restricted drugs in 54.15 per cent cases (delay of three to seven days in 41.36 per cent and more than seven days in 12.78 per cent cases) as detailed in **Table-2.7**:

Table-2.7: Details of delay in supply of restricted drugs

Total number of cases of supply against indent	Total number of cases of delay of more than 2 days*	Details of delay	
		Delay of 3 to 7 days	Delay above 7 days
94,415	51,122	39,052	12,070
In per cent	54.15%	41.36%	12.78%

Source: CGHS Database

(* In order to account for cases where next working day is a holiday, criteria of more than two days is taken)

Audit noted that the highest numbers of cases of delay were 11,121 cases in Gurugram wellness centre followed by 6785 cases in Faridabad wellness centre and 3144 cases in Janakpuri wellness centre, all in Delhi NCR. The lowest number of case of delay in supply of restricted drug was one case in Pedder Road wellness centre in Maharashtra.

Details of cases of delay in supply of restricted drugs in selected wellness centres against indent by supplier have been shown in **Annex-2.8**.

CGHS replied that life-saving drugs (restricted drugs) were critical drugs, procured from single source and are imported. Due to logistic issues, pandemic and delays in international shipping also there were delays in supplies.

Reply is not satisfactory as being life-saving critical drugs, their availability without delay is very important and AD MSD Delhi/AD cities must ensure that patients get these drugs promptly.

2.9 Procurement of drugs on Beneficiary ID of wellness centres through ALCs

Drugs prescribed by doctors but not available in wellness centres are procured through ALC with reference to the beneficiary ID of concerned patient.

³³ There are more than one brands in market for drugs viz. Abiraterone, Adalimumab, Azacitidine, Bendamustine, Bevacizumab, Carboplatin, Collagenase clostridium histolyticum, Deferasirox, Denosumab, Docetaxel, Everolimus listed in restricted drugs.

Audit observed that in selected wellness centres drugs were procured by wellness centres through ALC on Beneficiary ID of wellness centres, amounting to ₹ 1.49 crore, which was irregular.

In response to audit observation, wellness centres replied that these drugs were purchased in emergency cases due to shortage of stock of drugs. On being pointed out by audit, this practice was discontinued and beneficiaries IDs of all the wellness centres were blocked centrally on the orders of the higher authorities.

2.10 Supply of expired and short expiry drugs

Audit observed that there were instances of supply of expired and short expiry drugs in CGHS at various stages of supply as detailed in paras below:

2.10.1 Drugs having short shelf life supplied by GMSD.

CGHS procures drugs by raising indent on GMSD. Procurement Manual of MSO/GMSD prescribes that at least five-sixths (5/6th) shelf life should remain at the time of receipt of drug from suppliers, whereas Procurement Manual does not prescribe the balance shelf life at the time of dispatch of drug to indentors/wellness centres.

Audit observed that CGHS received drugs having shelf life of 50 *per cent* and less from GMSD, HLL Lifecare Limited³⁴, HSCC and Amrit pharmacy in 308 cases during 2016-17 to 2020-21. CGHS did not initiate any action against suppliers.

Short shelf life of drugs may result in early expiry of drugs and issue of short expiry drugs to patients. Details of cases of supply of drugs having less than 50 *per cent* shelf life are detailed in **Table-2.8**:

Table-2.8

Particular	Number of cases	Quantity
Drugs having half and less shelf life on date of receipt	306	90,78,324
Supply of expired drugs	2	5,460
Total	308	90,83,784

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

Details of such cases are given in **Annex-2.9**.

MSO replied (January 2022) that erosion of shelf life of drug beyond 5/6th in GMSD was due to time consumed in inspection and testing of drugs, segregation of drugs for various indentors and hiring of transport, etc. Reply of MSO is not acceptable since drugs having less

³⁴ Due to exigency some drugs were procured through HLL Lifecare Limited, HSCC India Ltd. and Amrit pharmacy.

shelf life were supplied to CGHS only because MSO did not prescribe a reasonable shelf life that should remain at the time to supply of drugs to CGHS.

CGHS replied (April 2022) that National Informatics Centre (NIC) Pharmacy module did not allow transfer of medicines with less than 90 days shelf life.

Reply is not acceptable, since as per the data analysis AD MSD Delhi/AD cities had received and supplied drugs which were due to expire within 90 days. Further, CGHS should fix responsibility on officials for accepting drugs which were expired or had less than prescribed shelf life. CGHS should also ensure that the relevant software does not allow entry of such drugs in the system.

2.10.2 Supply of expired and short expiry drugs

Audit noted that in 74 cases, against indent raised by wellness centres, and in 226 cases, without any indent of wellness centres, AD MSD Delhi/AD cities supplied drugs, that were already expired or were due to expire within 90³⁵ days (short expiry) as detailed in **Table-2.9**. The supply of such expired and short expiry drugs to wellness centres is a health risk for patients.

Table-2.9: Details of supply of expired/short expiry drugs against indent

Particulars	Number of cases	Quantity of drugs supplied
Supply of expired drugs against demand	15	1,30,380
Supply of short expiry drugs against demand	59	33,322
Total	74	1,63,702

Qty/quantity denotes number of tablets/capsules etc.

Details of selected wellness centres with numbers of cases of supply of expired or short expiry drugs against indent by AD MSD Delhi/AD Cities has been shown in **Annex-2.10**.

Details of supply of expired/short expiry drugs without indent

Particulars	Number of cases in which drugs supplied after expiry	Quantity of drugs supplied
Supply of expired drugs without demand	3	2,500
Supply of short expiry drugs without demand	223	6,23,887
Total	226	6,26,387

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

³⁵ As per norms in CGHS Drugs for chronic diseases may be issued to patients for 3 months (90 days) at a time against the valid prescription of a specialist doctor. Therefore, drugs issued to patients shall have shelf life of at least 90 days.

Details of numbers of cases of supply of expired or short expiry drugs without demand by AD MSD Delhi/AD Cities to selected wellness centres have been shown in **Annex-2.11**:

CGHS replied that NIC pharma module did not permit issue of expired drugs or those with less than three months shelf life. Drugs having less than 50 *per cent* shelf life were issued to wellness centres on basis of demand received from them or based on their provisioning data.

Reply is not acceptable as the cases of supply of expired and short expiry drugs cited above have been taken from the data dump provided by CGHS itself. Further, CGHS should fix responsibility on officials for supplying drugs which were expired or had less than prescribed shelf life. CGHS should also ensure that the relevant software does not allow supply of such drugs to wellness centres.

2.10.3 Supply of expired/short expiry drugs by ALCs to wellness centres

Audit noted that in 52577 cases expired/short expiry drugs were supplied by the ALCs to selected wellness centres. As mentioned earlier, the supply of such expired/short expiry drugs to wellness centres is a health risk for patients.

Details of cases of supply of expired/short expiry drugs by ALC during 2016 to 2021 are given in **Table-2.10**:

Table-2.10

Particulars	Number of cases	Quantity of drugs supplied	Amount in ₹
Supply of expired drugs	11,140	2,93,591	53,51,083
Supply of short expiry drugs	41,437	10,52,068	2,03,84,988
Total	52,577	13,45,659	2,57,36,071

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

In selected wellness centres the largest numbers of cases of supply of expired/short expiry drugs by ALC were 5138 cases with 1,28,473 units³⁶ in Laxmi Nagar wellness centre followed by 3535 cases with 62,456 units in Yamuna Vihar wellness centre, both in Delhi. The lowest numbers of cases were 11 with 190 units in Aishbagh wellness centre in UP.

CGHS should fix responsibility on officials for accepting drugs which were expired or had less than prescribed shelf life. CGHS should also ensure that the relevant software does not allow entry of such drugs in the system.

Details of selected wellness centres with cases of supply of expired/short expiry drugs by ALC are given in **Annex-2.12**.

³⁶ Units denotes number of Tablets/capsules etc.

2.10.4 Supply of expired/short expiry of restricted drugs

Audit noted that in 88 cases restricted drugs which were expired /short expiry were supplied by supplier to AD MSD Delhi/AD cities of cities against indent of wellness centres. The supply of expired/short expiry restricted drugs is dangerous for cancer patients.

Details of supply of expired /short expiry restricted drugs during 2016 to 2021 are given in **Table-2.11:**

Table-2.11

Particulars	Number of cases	Quantity of drugs supplied	Amount in ₹
Supply of expired drugs	45	488	9,36,979
Supply of short expiry drugs	43	522	9,75,089
Total	88	1010	19,12,068

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

Further, details of selected wellness centres with supply of expired or short expiry drugs are given in **Annex-2.13.**

CGHS replied that AD MSD Delhi/AD cities module did not permit issue of expired drugs. There had been discrepancy in the data entry as retail invoice showed the correct expiry date as against the wrong expiry date mentioned in indent voucher.

Reply is not acceptable as CGHS had provided retail invoices for only 17 cases showing error in data entry. Further, CGHS had admitted the lapse in the system and stated that it had made modification in the module so that no restricted drugs with less than six months shelf life remaining could be accepted.

CGHS should fix responsibility on officials for accepting drugs which were expired or had less than prescribed shelf life. CGHS should also ensure that the relevant software does not allow entry of such drugs in the system.

2.10.5 Supply of drugs by ALC without specifying the manufacturing date

According to the conditions of contract with Authorized Local Chemists (ALC) for supply of drugs to CGHS the shelf life of drugs supplied should not have passed more than half of its shelf life at the time of supply.

Further, as per clause 6.2(i) of the tender, the bill raised by ALC should clearly indicate the details of batch number, date of manufacture and expiry. Several clauses³⁷ of tender also specify that the ALC should install equipment for bar coding of drugs.

³⁷ Clause B(h) of bidders eligibility in technical bid, 8 (f) inspection of bidders, 4.2 packing, 7.1 online connectivity,

Audit observed that the bar-coding system had not been utilized while uploading the online data for supply of indented drugs to wellness centres. Details of supplies were filled manually by ALC and the column of manufacturing date was not filled. In the absence of date of manufacturing, shelf life of drugs supplied by ALC to CGHS could not be calculated. In the absence of these details, audit could not ensure and verify that drugs supplied by ALC to wellness centres were within the prescribed shelf life.

Further, instances of expired and short expiry drugs supplied by the ALCs to wellness centres noticed have been detailed in para 2.10.3.

CGHS had accepted the audit observation and stated that Date of manufacture had now been added to the ALC vouchers. Further, we recommend that CGHS should ensure that ALC uploads details of drugs supplied by using bar-code system as prescribed in contract.

2.10.6 Drugs expired in Medical Store Depot (MSD) Delhi and AD Cities.

Audit noted that during 2016-17 to 2020-21 huge quantities of various drugs were removed from stock records of MSD in Delhi, Hyderabad and Jaipur as these had become expired as detailed in **Table-2.12**. This indicated that the planning for procurement of drugs was not efficient as drugs procured could not be utilised resulting in expiry of drugs.

Table-2.12

Name of AD CGHS	Quantity of drugs expired.
Delhi NCR	25,87,809
Hyderabad	65,583
Jaipur	37,092

Source: CGHS Database

Qty/quantity denotes number of tablets/capsules etc.

2.11 Quality Assurance and Testing of drugs supplied by MSO to CGHS

GMSD gets the drugs tested from empanelled labs before delivering the same to CGHS. GMSD at Mumbai, Kolkata, and Chennai have Chemical Testing Laboratories attached to them to ensure quality of drugs purchased from the firms. Drugs procured by CGHS directly through manufactures and CPSEs are sent for testing by AD MSD Delhi/AD Cities to empanelled labs. The drugs purchased through ALCs and anti-cancer drugs are not subject to testing as these are procured and delivered to patients/beneficiaries by the next working day.

PAC had recommended in November 2016 that the Ministry should establish an effective centralised mechanism to monitor the quality of generic drugs. An examination of the records revealed significant deficiencies in the monitoring of the quality of drugs, as given below.

2.11.1 Issue of substandard drugs to patients

As per Procurement and Operational Manual for MSO Quality Assurance ensures procurement of consistently good quality product. Quality Assurance helps in eliminating risk of sourcing substandard, counterfeit or contaminated drugs. In this regard sample testing³⁸ of drugs is conducted from empanelled laboratories by MSO.

Audit noted that drugs that were declared substandard during testing in labs were issued by GMSD to AD Cities in following cities, some of which were already issued to patients as detailed in **Table-2.13**:

Table-2.13

AD Cities	Substandard drug issued by GMSD to CGHS(units)	Drugs issued to patients(units)
Shillong	20,800	19,465
Kolkata	3,22,310	2,97,918
Mumbai	26,45,860	11,42,861
Nagpur	3,79,460	2,69,904
AD Cities	Substandard drug issued by GMSD to CGHS (₹ in lakh)	Drugs issued to patients (₹ in lakh)
Hyderabad	28.33	24.87
Bhubaneswar	3.25	NA

Source: Audit findings in States

Units denotes number of tablets/capsules etc.

Further, in Jaipur and Chennai among drugs procured from HLL Lifecare Limited, HSCC and directly from manufacturers only 3.43 *per cent* and 11.46 *per cent* drugs, respectively, were tested before issuing the same to patients. AD MSD Delhi, did not provide lab test reports of specific batches of drugs procured through HLL Lifecare Limited, HSCC, and Amrit stores in certain test checked cases.

In such circumstances audit could not derive assurance that drugs procured by CGHS through various sources and issued to patients were of prescribed standard and quality.

2.12 Non-Monitoring of procurement of drugs in CGHS

A Monitoring, Computerization and Training Cell (MCTC) was created in August 2013 in CGHS with the objective to act like 'Nerve Centre' for CGHS and assist the higher authorities in decision-making and improving the functioning of CGHS. As per the concept note, main objectives of MCTC included online Monitoring of activities of Wellness Centers/AD Offices at random on daily basis, using MIS module and generate reports for perusal of higher authorities, organize and conduct through a panel of senior CMOs /Pharmacists/Accounts Officials, an Audit/Physical verification in every CGHS city as per specified checklist and suggest steps for systemic improvement based on such finding.

³⁸ Lab tests are carried out to examine drug assay, disintegration, dissolution, and detect defects viz. presence of spots, lump formation, chipping, brittle tablets, contamination etc.

However, following the merger of computerization cell and e-Tendering cell, monitoring activities were not being carried out by MCTC, whose prime focus now is computerization followed by e-tendering.

Audit observed that a regular system of monitoring was not established in CGHS. As a result, timely indenting for adequate quantity of drugs, getting adequate supply of drugs from GMSDs and other sources, status of stock of drugs in wellness centres and huge procurement of drugs through ALC was not monitored. Hence, there were irregularities in every stage of procurement and supply of drugs leading to shortage of drugs in wellness centres and huge procurement of drugs through ALC.

2.12.1 Outstanding payments from CGHS to GMSDs amounting to ₹ 484.66 crore

As per para 11.1 of 'Procurement and Operation Manual' of MSO, indenters will submit online indents to MSO, after getting their budget allocation for the financial year for which indent is submitted. Thus, the indenter has to ensure availability of funds before making indents for drugs.

Despite this, CGHS did not make payment for the supplies made by GMSDs all over the country. An amount of ₹ 484.66 crore was outstanding from CGHS as on 31 March 2021. Details of outstanding dues are given in **Annex-2.14**.

In response, Additional Director, CGHS Hyderabad and Nagpur replied that payments were outstanding due to shortage of funds. The Additional Director, CGHS, Kolkata and Chandigarh stated that outstanding amounts needed to be reconciled before payment could be made.

CGHS replied (April 2022) that payment of ₹ 91 crore had been made in the financial year 2021-22.

2.12.2 Quality of data in CGHS database

Data quality measures the accuracy, completeness, consistency, reliability and timeliness of data. Data should be checked for quality to minimise errors so that it can be used for accurate decision making. For maintaining data quality, essential validation checks should be incorporated in the software so that the erroneous entries are restricted at the time of data entry itself.

Audit noticed, during analysis of data in CGHS database, that adequate validation checks were not incorporated in the system resulting in inaccurate and unreliable database. During audit, CGHS provided data dump for the period 2016 to 2021. However, the data revealed several inaccurate and erroneous entries viz Invalid or abnormal dates of manufacturing and expiry, date of expiry being earlier than manufacturing, quantities of receipt and issue of

drugs appearing as negative values, exorbitant values of quantities, essential columns showing null values etc.

Details of such cases are given in **Annex-2.15**. Due to inadequate validation checks and in the absence of mandatory filling of essential fields, audit could not derive assurance about accuracy, completeness, and reliability of data in CGHS software. Hence, the quality of data maintained through CGHS software was not of desirable standards.

CGHS has accepted the observation and stated (April 2022) that these suggestions shall be implemented.

Further CGHS should fix responsibility on storekeepers for not maintaining accuracy in data of stock of drugs.

2.13 Beneficiary Survey

A Beneficiary Survey was conducted in 20 out of 30 selected wellness centres to assess the availability of drugs in Delhi NCR. In each wellness centre, 10 beneficiaries were interviewed and overall a total 200 beneficiaries were interviewed. The beneficiaries were interviewed through a structured questionnaire. In the survey, 95.5 *per cent* beneficiaries stated that all drugs should be available in wellness centres so that the patient could get drugs on the same day, while 34.5 *per cent* beneficiaries stated that drugs were received from the local chemist after delays during their illness. 72 *per cent* beneficiaries stated that the quality of drugs of ALC and AD MSD Delhi was the same, whereas 24 *per cent* beneficiaries stated that quality of drugs procured from ALC was of better quality. 32 *per cent* beneficiaries stated that they did not get the same drug as per prescription of their doctor. Seven *per cent* beneficiaries stated that short expiry (expiry within 90 days) drugs were issued to them, and 10.5 *per cent* beneficiaries stated that the quantity of drugs issued to them by wellness centres was less than prescribed. The detailed results of Beneficiary Survey are given in **Annex 2.16**.

2.14 Conclusion

CGHS caters to the healthcare needs of Central Government employees and pensioners, ex and sitting Members of Parliament, Freedom Fighters. The healthcare facilities and drugs are provided through a large network of wellness centres, polyclinics and labs. Audit of the procurement process revealed significant shortcomings in each stage of the procurement cycle in terms of lack of prescribed timelines, non-adherence to scheduled timelines, where available, deviation from norms and absence of adequate monitoring, thus effecting the entire process of procurement of drugs and impacting timely delivery of service to beneficiaries and the quality of drugs supplied to them as follows:

- The Ministry had not prescribed periodic revision of the drug formulary prior to October 2020. The formulary was finally revised only in February, 2022 after a gap of seven years.
- Out of 2030 drugs listed in the formulary, MSO finalised rate contracts only for 220 to 641 drugs during 2016 to 2021. CGHS did not place indent on GMSD, for all the drugs and for the entire quantity as approved by the Ministry. Further, the supply of indented drugs by GMSD was neither timely nor for the entire quantity. Against the annual requirement of 1169 drugs, there were only 6 to 290 drugs available in wellness centres. This resulted in persistent shortage of drugs in wellness centres.
- Due to shortage of drugs in wellness centres, huge quantities of drugs were purchased through ALC. In Delhi, 74.7 to 93.61 *per cent* of expenditure was incurred on procurement of drugs through ALC.
- As generic drugs were not available in wellness centres, it raised indents on ALC for procurement of branded drugs at higher rates. There were delays, short supply and excess supply as well as supply of expired/short expiry drugs by ALC to wellness centres and ALCs all over the country did not supply the prescribed brand of drug as indented by the wellness centre.