

## Chapter-V Stores and Stock

### Health and Medical Education Department

#### 5.1 Management of Stores including Machinery and Equipment in Associated Hospitals

*Associated Hospitals responsible for providing specialised health care services in the State, procure material/supplies and machinery/equipment for diagnostic and patient care services. Management of stores and stock in these hospitals was not satisfactory as purchases were made without following the process of indenting, analysing and ascertaining functional status of existing machinery. Delay in finalisation of annual rate contracts, purchase through split orders to avoid approval of higher authorities, cases of non-accounting and machinery/equipment remaining idle for want of technical staff/repairs were also noticed.*

#### Highlights

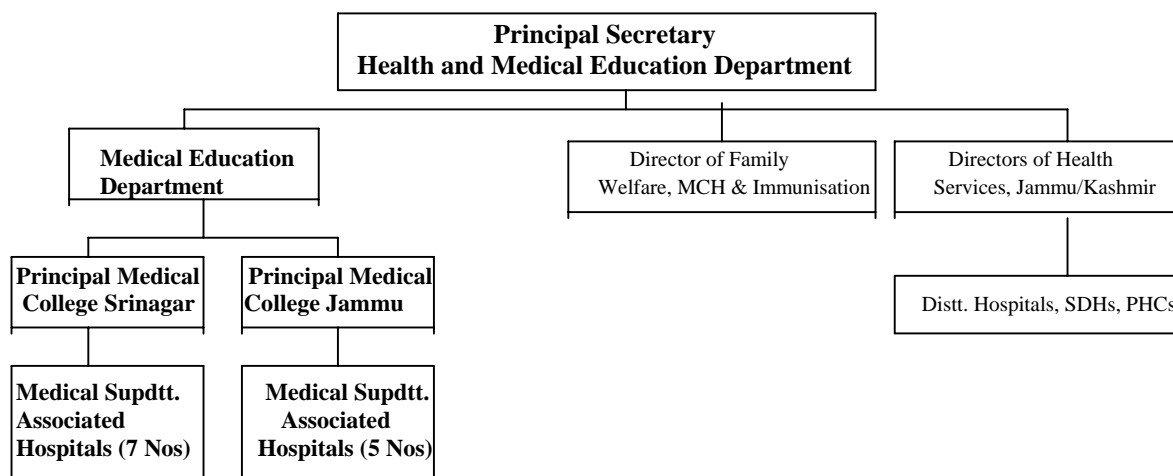
- Funds aggregating about Rs 8 crore for purchase of medicines and equipment were not utilised during 1996-97 to 2000-2001.
- Standard procedures for purchase and installation of machinery and equipment had not been followed.
- There was no uniformity in the specifications and rates of costly and sophisticated diagnostic equipment procured for various hospitals in Jammu and Kashmir Divisions.
- There were delays in the finalisation of annual rate contracts resulting in extra expenditure of Rs 69 lakh.
- Equipment purchased at a cost of over Rs 20 crore between November 1996 and September 2000 had been accepted without inspection. Sub-standard medicines and equipment was also purchased, of which medicines (over Rs 3 lakh) were administered to patients.
- 272 items of equipment were non-functional as of December 2000, out of which 26 items were procured at a cost of over Rs 2 crore.
- Norms for procurement and issue of linen articles vis-à-vis sanctioned bed strength had not been prescribed. In G.B. Pant Hospital, Srinagar linen articles representing 31 to 100 per cent of total quantities purchased during April 1994 to July 2000 were lying unused in stores.
- Physical verification of stores was not conducted in Kashmir Province since 1995-96 except of drugs in one hospital for 1998-99.

## Introduction

**5.1.1** There were 12<sup>λ</sup> Associated Hospitals (Kashmir: 7; Jammu: 5) with a sanctioned strength of 3790 beds, functioning in the State as of March 2001 rendering preventive, curative and promotional health care services to the people. These hospitals besides, catering to the need of academic and clinical practice of the students of Medical Colleges Srinagar and Jammu, also serve as referral hospitals for district/sub-district hospitals of the State. Medical College Hospital Jammu and SMHS Hospital Srinagar also provide super speciality and intensive care treatment in various disciplines of medical care.

## Organisational structure

**5.1.2** The following chart shows the organisational structure for management of stores in the Associated Hospitals (AHs).



**5.1.3** Purchase of machinery, equipment, material and supplies, drugs and medicines and other store items for AHs is made by respective Medical Superintendents on the basis of rate contract approved by Divisional Level Rate Contract Committees constituted by Administrative Department who have four to six members<sup>Ω</sup> under the chairmanship of Principal/Dean of Medical College Srinagar/Jammu. These Divisional Level Central Rate Contract Committees functioned till September 2000 when a State Level Rate Contract Committee (SLRCC) was constituted.

<sup>λ</sup> Jammu: Medical College Hospital, SMGS Hospital, Chest Diseases Hospital, Psychiatric Diseases Hospital, Children Hospital  
Srinagar; SMHS Hospital, Lal-Ded Hospital, G.B. Pant Hospital, Children Hospital, Bone and Joint Hospital, Psychiatric Diseases Hospital, Chest Diseases Hospital

<sup>Ω</sup> Principal Medical College Srinagar/Jammu: Chairman, Joint Director Industries Marketing: Member, Senior Most Medical Supdtt. of Government Medical College/Associated Hospital: Member Secretary, Medical Supdtt. S.M.H.S. Hospital: Member, Accounts Officer Medical College: Member, Financial Advisor and CAO Medical Education Department: Member

### **Audit coverage**

**5.1.4** The Store and Stock accounts maintained in 6<sup>♦</sup> out of 12 AHs, for the years 1996-2001 were test-checked during October 2000 and January 2001, covering 52 per cent of the total expenditure of Rs 102.25 crore. The audit findings were further supplemented by test-check of the records maintained by Drug and Food Organisation and Administrative Department. Important points noticed are mentioned in the succeeding paragraphs.

### **Allocation and Expenditure**

**5.1.5** The year-wise position of budget allocation and expenditure on purchase/maintenance of machinery, equipment, material and supplies in AHs during 1996-97 to 2000-01, as per departmental records, was as follows:

(Table No. 5.1)

(Rupees in crore)

<b>Year</b>	<b>Allocation</b>	<b>Expenditure</b>	<b>Savings (percentage)</b>
1996-97	15.33	14.69	0.64 (4)
1997-98	15.00	14.67	0.33 (2)
1998-99	16.80	13.68	3.12 (19)
1999-2000	44.59 <sup>¶</sup>	42.51	2.08 (5)
2000-2001	18.34	16.70	1.64 (9)
<b>Total</b>	<b>110.06</b>	<b>102.25</b>	<b>7.81 (7)</b>

**5.1.6** Reasons for savings were attributed (July 2001) by the department to procedural delays, imposition of austerity measures and delay in allotment of funds. Audit scrutiny, however, revealed that the savings had also occurred on account of inefficiencies in application of allotted funds such as delay in the finalisation of rate contracts and placing of supply orders.

### **Non-following of standard procedures**

**5.1.7** In order to ensure proper use of stores, it is necessary that the authority competent to procure items for stores should make a judicious assessment of the requirement based on projections of the end users. There was little evidence of a proper system of calling indents of store from end users. Purchase of drugs/medicine, linen and bedding was instead made on the basis of previous years consumption. System of analysing and listing of vital, essential and desirable drugs/medicine (VED analysis) and other items of stores was also not followed. Requirement of machinery/equipment/instruments was worked out by the respective Heads of Department without specifying or ascertaining the functional status of the existing machinery/equipment, etc. The following paragraphs list out instances of failure to follow the standard operating procedure for indenting, purchasing, commissioning and for ensuring operational status of equipment required for

♦ Jammu: SMGS Hospital, Medical College Hospital, Chest Diseases Hospital  
Srinagar: SMHS Hospital, Lal-Ded Hospital, G.B. Pant Hospital

¶ Includes special funds of Rs 28.91 crore received under Xth Finance Commission award

diagnostic and patient care services. This led to expensive equipment worth Rs 1.84 crore lying idle in various AHs.

(a) Principal, Medical College, Srinagar drew an advance of Rs 34.60 lakh on 31 March 1998 under Border Area Development Programme (BADP) for purchase of an X-ray machine and Odelca camera for installation in the mobile van for providing diagnostic facility to people living in far-flung border areas at their door steps. Advance payment was made (March 1998) to a foreign supplier and the machinery /equipment was received after 2 years in July 2000. The equipment was lying idle in stores, as the mobile van in which these were to be installed, had not been fabricated (July 2001).

(b) Diesel Generator and Mammography/Oxygen concentrator costing Rs 1.14 crore purchased by 2<sup>Φ</sup> AHs during July 1996 and April/August 2000 respectively had not been installed as of July 2001, reasons for which were not intimated.

(c) Chitaranjan Mobile Cum Teaching Hospital and G.B.Pant Hospital Srinagar purchased material/equipment costing Rs 63.57 lakh under BADP during 1994-95 to 1999-2000. Material costing Rs 27.93 lakh was transferred (April 1994 to March 1998) to 4<sup>€</sup> AHs/other hospitals after their retention in stores for periods ranging between 3 months and over 36 months. Balance material costing Rs 35.64 lakh was lying idle in stores as of February 2001.

### *Non-uniformity of purchases in Jammu and Kashmir Divisions*

**5.1.8** Due to the failure of the Government to provide for an Apex Level Rate Contract Committee during the period 1986 to September 2000, there was no uniformity in specifications and cost of sophisticated diagnostic machinery/equipment purchased for the AHs in the two Divisions. Details of some important cases are given in table 5.2.

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<sup>Φ</sup> Lal-Ded Hospital, SMHS Hospital, Srinagar  
<sup>€</sup> SMHS, Lal-Ded, JLN and S.K. Civil Secretariat Hospitals

(Table No. 5.2)

Month/Year of purchase	Name of machinery/equipment	Cost (Rs in lakh)		Specification		Remarks
		Jammu	Srinagar	Jammu	Srinagar	
March 1999 (Jammu) January 2001 (Srinagar)	Auto Analyser	24.00	42.00	Dimension AR Brand	RXL Brand	Head of the Department Bio-chemistry SMHS Hospital Srinagar intimated that Auto analyser purchased by Jammu was an old, smaller model and a closed system involving high running cost and depended on supplier for kits/reagents
March 1999 (Jammu) March 1999 (Srinagar)	Whole body spiral CT Scan	280.11 (Installation cost on turnkey basis: Rs 11.25 lakh)	219.05 (Installation cost on turnkey basis: Rs 8.50 lakh)	50/60 HZ with 3 seconds reconstruction	Not specified with 4 seconds reconstruction	CT scan purchased for Jammu had only 2 years warranty as against 5 years purchased for Kashmir from the same supplier.
March 1999 (Jammu) February 2000 (Srinagar)	MRI System	536.66 (Installation cost on turnkey basis: Rs 22.00 lakh)	540.00 (Installation cost on turnkey basis: Rs 20.00 lakh)	Gradient Strength 20 MT/M with Pentium-II computer system	Gradient Strength 30 MT/M with Pentium-III computer system	The MRI purchased by Jammu had 2 years guarantee, against 3 years for Srinagar. Annual maintenance cost for Jammu was Rs 51.29 lakh for 5 years from 3 <sup>rd</sup> year onward as against Rs 70 lakh for 7 years from 4th year in Srinagar. Labour charges under annual maintenance contract for Jammu was Rs 5.63 lakh, while for Srinagar it was Rs 4.25 lakh only. The MRI purchased for Jammu had a total of 6.4 GB Hard disc enough to store 40000 images, while the one purchased for Srinagar had 27 GB Hard disc capacity enough to store of 80000 images.

### **Lack of control over purchases**

**5.1.9** The Central Rate Contract Committees (CRCC) were required to finalise rates of medicines/drugs and other items every year. The rate contracts were, however, either not fixed in time or were not finalised at all. Instead, extension to the earlier rate contracts was granted or purchases made on the rates approved by the sister organisations<sup>#</sup> or from open market. Illustrative cases are mentioned below:

(a) The CRCC, Jammu met in February 1998 and February 1999 for finalisation of the rate contracts of machines requisitioned by the various Heads of Departments of AHs during 1997-98 and 1998-99. While rate lists were finalised in February 1999, orders for supply were placed in October 1999.

<sup>#</sup> Directorates of Health Services Jammu and Kashmir and SKIMS Srinagar

(b) Tenders for purchase of a whole body spiral C.T. Scan were floated by CRCC Jammu in October 1997 without any requisition from the end users. The rate of Wipro GE Medical System Ltd. for the equipment (Rs 2.18 crore) was recommended (February 1998). The equipment was, however, not purchased for which no reasons were on record. Thereafter the CRCC, Jammu approved (February 1999), after delay of 4 months, purchase of the C.T. Scan at a cost of Rs 2.84 crore. The Medical Superintendent, Government Medical College Hospital, Jammu, however, placed orders (October 1999) for purchase at the negotiated rate (Rs 2.80 crore) with the said firm and the equipment was received in June 2000. Delay in the finalisation of rate contract and issue of supply order for purchase of CT Scan resulted in avoidable extra expenditure of Rs 62 lakh.

(c) Delay in fixation of rate contracts, non-providing of lead time and non-maintenance of Reorder Level/Buffer Stock of life saving/essential drugs/medicines resulted in frequent stock outs leading to local purchases of Rs 72.71 lakh in 6 test-checked AHs. This involved avoidable extra expenditure of Rs 6.96 lakh (Rate Contract value: Rs 65.75 lakh). Material worth Rs 4.54 lakh was also purchased by two<sup>•</sup> AHs through 101 split orders to avoid approval of higher authorities.

(d) 19 machines costing Rs 17.92 crore purchased during August 1991 to December 2000 for different departments in 5<sup>&</sup> AHs were installed after delays ranging between 3 months and 10 years (July 2001). These machines were purchased without providing for civil, mechanical and electrical infrastructure for their installation.

### ***Procurement of sub-standard Medicines/Equipment***

**5.1.10** Sub-standard purchase of medicines/equipment by the AHs noticed in audit are discussed below:-

(a) Controller, Food and Drug Organisation took 61 samples of drugs/medicines purchased by 6<sup>ψ</sup> AHs for analytical examination/tests. While results of 11 samples were awaited as of March 2001, 8 samples were found sub-standard. These analytical reports were, however, received after the sub-standard medicines worth Rs 3.24 lakh had been administered to the patients in the hospitals of SMGS and Medical College, Jammu. It was also noticed that sub-standard drugs/medicines had not been confiscated/destroyed and instead suppliers were allowed to lift and replace the unused quantity which was against the provisions of Section 14 of Drug Act 1940. No action had been taken against the suppliers for their blacklisting, etc.

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• SMGS and Medical College Hospitals Jammu  
 & SMGS Hospital, Jammu, SMHS Hospital, Srinagar, Lal-Ded Hospital, Srinagar, Government Medical College, Jammu and Government Medical College, Srinagar  
 ψ Jammu: SMGS Hospital & Medical College Hospital; Srinagar: SMHS, Lal-Ded, Bone and Joint and Children Hospitals

(b) Medical Superintendent, Children Hospital Srinagar purchased a specific brand of Scalp Vein Sets during 1998-99 on the basis of its good performance and past experience. Instead, the CRCC approved purchase of vein sets of different brands (cost: Rs 1.16 lakh) which were found sub-standard as these sets had reportedly long tubing allowing the blood to clot early, loose, bad and blunt needles and syringes did not fit into the needles. Similarly, CRCC Jammu purchased 575 dozen of catguts (Rs 2.04 lakh) during 1997-98 and 1998-99 for SMGS Hospital, Jammu which were found sub-standard by Gynae and Surgical department. Of these, 373 dozen were consumed and remaining 202 dozen catguts (cost: Rs 0.72 lakh) remained unutilised (July 2001).

#### ***Excess purchase of Hospital Linen***

**5.1.11** Norms for procurement, stocking and issue of linen items (clothing, bed sheets, blankets, pillow covers, mattresses) with reference to sanctioned bed strength or for periodical replacement of old and damaged items had not been prescribed which resulted in non-uniformity in their purchase and stocking. In G.B. Pant Hospital Srinagar linen articles (cost: Rs 2.51 lakh) representing 31 to 100 *per cent* of the total quantities purchased during April 1994 to July 2000, were lying unutilised in stores (March 2001).

#### ***Non-accounting of machinery and equipment***

**5.1.12** Audit test-check found that machinery and equipment valued at Rs 20.22 crore (*Appendix-12*) purchased between November 1996 and September 2000 were not checked for technical specifications and entered in the stock registers (December 2000). Some of these equipments viz., C-Arm Image Intensifiers (2 Nos), Stereostatic System and Dialysis Main System, costing Rs.76.50 lakh, had been installed in different departments of Medical College Hospital, Jammu. As a result, audit could not evaluate the manner in which the department took care of their custodial arrangements. Non-accounting of machinery/equipment in stock registers was also fraught with the risk of their pilferage.

#### ***Non-functional machinery and equipment***

**5.1.13** 272 machines/equipment were lying non-functional for want of repairs in the AHs. The hospital-wise position of these non-functional machines, as of December 2000, was as under:

(Table No. 5.3)

			(Rupees in lakh)
S.No	Name of Hospital	Number of Non-functional equipment	Value
1.	S.M.H.S Hospital Srinagar	73	96.56 (10)
2.	Lal-Ded Hospital Srinagar	45	N.A
3.	Children Hospital Srinagar	5	3.85 (1)
4.	Chest Diseases Hospital Srinagar	82	10.65 (3)
5.	Medical College Hospital Jammu	38	91.70 (8)
6.	S.M.G.S Hospital Jammu	26	18.29 (4)
7	Children Hospital Jammu	3	N.A

(Figures in brackets indicate number of non-functional machines for which cost was available)

24<sup>®</sup> items of machinery and equipment (details in *Appendix-13*) had become non-functional within 1-4 years of their purchase/installation. Some of the illustrations as noticed in audit are as follows:

(a) One intracavitary Buchler A.L System (cost: Rs 82.68 lakh) purchased (1989) by Government Medical College Hospital, Jammu for treatment of intracavitary cancer patients was installed after a delay of 24 months in June 1991. The equipment developed faults in January 1993 and was declared beyond economic repairs. Reasons for late installation and development of defects/faults within 18 months of their installation/commissioning had not been investigated. The defects in the machine had not been rectified which rendered the expenditure of Rs 82.68 lakh thereon wasteful, besides denying this facility to intracavitary cancer patients.

(b) In 3<sup>#</sup> AHs, 6 machines (cost: Rs 8.50<sup>z</sup> lakh of one machine) were non-functional as these machines or parts thereof sent to suppliers/engineers for repairs during the period January 1989 to February 2000 had not been received back despite lapse of one to eleven years. No action, except for issue of routine reminders, had been taken in these cases.

(c) Test-check of 5 equipment purchase cases (June 1998 to August 2000) revealed that as per the agreed terms and conditions, the supplier was to impart training to concerned technicians for operating these machines. Arrangements for the same were, however, not made. Consequently, six machines costing Rs 25.47 lakh were non-functional in Bone and Joint Hospital, Srinagar for periods ranging between 7 and 33 months (March 2001).

#### *Avoidable/wasteful expenditure*

**5.1.14** Government Medical College Hospital, Jammu advanced Rs 2 lakh to a foreign supplier in March 1998 for supply of neuro-surgery instruments. In view of the failure of the Medical Superintendent, Government Medical

<sup>®</sup> Cost of 16 items for which information was available was Rs 1.36 crore

<sup>#</sup> SMHS Srinagar (3), SMGS Jammu (2), Lal-Ded Srinagar (1)

<sup>z</sup> Cost of remaining 5 machines not available



College Hospital, Jammu to complete various formalities relating to customs clearance, etc. the equipment was auctioned by Airport authorities resulting in wasteful expenditure of Rs 2 lakh.

**5.1.15** Delay in completion of procedural formalities viz., furnishing of custom duty documents, timely opening of letter of credit and release of machinery and equipment from ports/warehouses by 3<sup>u</sup> AHs, resulted in avoidable expenditure of Rs 19.14 lakh (appreciation in exchange rates: Rs 17.91 lakh; demurrage charges: Rs 1.23 lakh) during the period from December 1997 to January 2001.

#### ***Physical verification of stores***

**5.1.16** In 4<sup>u</sup> AHs of Kashmir Division, physical verification for the years 1995-96 to 1999-2000 had not been conducted except of drugs of the year 1998-99 in SMHS Hospital, Srinagar. Cash security of Rs 2000 and personal surety of Rs 20000 was also not obtained from any of the 24 storekeepers who had handled stores in the test-checked AHs.

**5.1.17** The above points were referred to the Government/department in June 2001; reply had not been received (September 2001).

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<sup>u</sup> Medical College Hospital Jammu; SMHS Hospital Srinagar; SMGS Hospital Jammu  
<sup>u</sup> SMHS, Lal-Ded, Children, Chitranjan/ GB Pant Hospitals of Srinagar