

FORTIETH REPORT
ESTIMATES COMMITTEE
(1986-87)

(EIGHTH LOK SABHA)

MINISTRY OF HEALTH AND FAMILY WELFARE
MEDICAL STORES ORGANISATION



Presented to Lok Sabha on 27 March, 1987

LOK SABHA SECRETARIAT

NEW DELHI

March, 1987/Phaiguna, 1908 (Saka)

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**CORRIGENDA TO
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(1986-87)**

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CONTENTS

PAGE

COMPOSITION OF ESTIMATES COMMITTEE (iii)

INTRODUCTION (v)

CHAPTER I—INTRODUCTORY

- A. Historical Background 1
- B. Aims and Objectives 1
- C. Strengthening of Medical Stores Organisation 3

CHAPTER II—A. Organisational Set-up 5

- B. Staff Strength 7
- C. Assessment of Staff 9
- D. Training Facilities 12
- E. Accounts Training Programme 13
- F. Adequacy of Medical Stores Depots 14
- G. Pharmaceutical Factories and their Modernisation 16
- H. Conversion of Medical Stores Depots into a Corporation 18

CHAPTER III A. Budget Provision 23

CHAPTER IV—PROCUREMENT

- A. Method of Procurement 27
- B. Placement of Indents 27
- C. Local Purchases 30
- D. Enhancement of the Power of Ministry for Local Purchases 34

(ii)

	PAGE
E. Difference in prices of items purchased under Local Purchases and through DGS&D	35
F. Uncovered Demands	36
G. Procurement of Sub-standard Stores at Government Medical Stores Depot, Bombay	39
CHAPTER V—STORAGE FACILITIES	
A. Storage Facilities	41
B. M.S.D., Guwahati	41
C. M.S.D., Calcutta	42
D. M.S.D., Bombay	42
E. M.S.D., Madras	43
F. M.S.D., Karnal	43
G. M.S.D., Hyderabad	43
H. M.S.S.D., Delhi	44
I. Stock Provisioning and Monitoring	45
J. Revision of V.M.S.	49
K. Family Welfare Stores	51
CHAPTER VI—LOSSES	
A. Losses	54
B. Out dated Drugs	54
C. Outstanding Dues	56
D. Chemical Testing Laboratories	60
E. Review of Testing	62
F. Acceptance of drugs on Warranty or Post Lab. Test basis.	64
G. Life Saving Drugs	68
APPENDIX	70

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(1986-87)

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appointed Minister.

**Elected w.e.f. 24.7.1986 *vice* Smt. Krishna Sahi appointed Minister.

(iv)

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3. Shri J.C. Malhotra—*Senior Financial Committee Officer*

*Elected w.e.f. 28.11.1986 vice Shri Chintamani Panigrahi appointed Minister.

INTRODUCTION

1. The Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Fortieth Report on the Ministry of Health and Family Welfare—Medical Stores Organisation.

2. The Estimates Committee (1986-87) took the evidence of the representatives of the Ministry of Health and Family Welfare on 1st & 2nd September, 1986. The Committee wish to express their thanks to the Secretary, Ministry of Health and Family Welfare and other officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to the representatives of Government Medical Stores Depot Staff Association, who furnished memorandum on the subject to the Committee.

4. The Report was considered and adopted by the Estimates Committee (1986-87) on 12th March, 1987.

5. For facility of reference, the recommendations/observations 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 to the Report.

NEW DELHI ;
March 20, 1987

Phalguna 29, 1908 (S)

CHANDRA TRIPATHI
Chairman,
Estimates Committee.

CHAPTER I

INTRODUCTORY

A. Historical Back Ground

1.1 Prior to 1942 drug supply in India was managed by a Central Organisation under the administrative control of the Defence Department through its warehouses at Bombay, Madras, Calcutta and Lahore. The Organisation was responsible for the supply of medical stores and Veterinary stores to various Government and non-Government Departments. However, in the year 1942, when the Defence Department made their own arrangement for the supply of medical stores to its units, the responsibility of supply to civil hospitals and dispensaries was taken over by the Ministry of Health (then known as Department of Health, Education and Lands).

1.2 At the time of take over in 1942, there were three depots— one each at Bombay, Calcutta and Madras. As the number was inadequate, another Depot was established at Karnal in the year 1948. Subsequently, two new Depots one at Hyderabad to cater to Andhra Pradesh and Karnataka regions and another at Guwahati to cater to the north-eastern region were established in 1962 and 1965 respectively. A sub-Depot has also been functioning at new Delhi since 1970. Two pharmaceutical factories, one each, are attached to Government Medical Store Depot, Bombay and Madras.

B. Aims and Objectives

1.3 The Organisation aims at procurement of various items of medical stores in bulk and their supply at reasonable rates under a single roof to various indentors ranging from big hospitals in the cities to primary health centres and small dispensaries located in the remotest corner of the country. The organisation is also playing a vital role in the distribution of drugs required for the implementation of various National Health Programmes like NMEP, T.B. Control Programme, Family Welfare Programme and Leprosy Eradication Programme. From

the end of 1983 onwards, the Organisation has taken over the responsibility of making supplies of medical stores to the CGHS Organisation throughout the country. The Organisation arranges supplies on a war footing for the natural/national calamities like droughts, floods, cyclones, riots etc. The Organisation is also assigned the task of distribution of supplies received under various National Agreements like UNICEF, SIDA, WHO, USAID. The Organisation also makes supplies to foreign countries at the instance of the Ministry of External Affairs.

1.4. During the course of evidence the Committee have been informed that out of Rs. 45 crores worth of supplies, Rs. 19 crores worth of supply i.e. about 45% went to the States. This excluded the supplies which were made by medical Stores Organisation for the various health programmes.

1.5. Explaining the extent to which the above objectives had been fulfilled, the Ministry of Health in a note furnished to the Committee has stated that "the organisation is expected to make supplies of quality drugs and other items of medical stores which are indented and are included in the vocabulary of Medical Stores (VMS). The turn-over of the Depots is increasing in terms of the value, with efflux of time, as is evident from the following figures :

1982-83	Rs. 53 crores
1985-86	Rs. 76 crores

There are about 16,000 indentors spread throughout the country. More than 75% of these indentors were small indentors like PHCs, Sub-Centres, Government Dispensaries, drawing upto Rs. 25,000/- per annum. To this extent the objective is fulfilled. Despite increase in turnover, there has been no increase in the infrastructure, storage and testing facilities in the Depots. The Depots are housed in very old buildings and the storage facilities therein are inadequate. In some cases, the Depot has to go in for rented godown accommodation which is not readily available. The testing facilities at all the Depots are also inadequate and are required to be augmented. For test reports, in many cases the Depots have to depend on approved private testing laboratories.

These constraints stand in the way of the demand of the indentors being met in full.”

1.6 During the course of evidence the Committee have been informed that :—

“The total number of registered indentors is 13566, but those who actually place indents every year their number is only 4000. However volume of medicines required by them has increased. Every registered indentor is not bound to place the indent. In 1983-84, the number of total indentors was 2,665, which rose to 4,000 in 1985-86.”

C. Strengthening of Medical Stores Organisation

1.7 In the preliminary material furnished to the Committee it has been stated that “Although the Medical Store Depots are engaged in procurement, supply and handling of medical stores pertaining to Plan Schemes for the past several years it was purely a non-Plan venture till 6th Plan period. In view of the increased activities and important role being played by the Medical Stores Organisation it is essential to streamline its functions. It has accordingly been planned for the first time to implement a developmental scheme for the Medical Stores Organisation during the Seventh Five Year Plan. The Scheme consists of five components namely (i) strengthening of Medical Stores Organisation at Headquarters (ii) strengthening of Depots (iii) strengthening of quality control measures in the Depots (iv) introduction of computerisation in the Depots and (v) conversion of Sub-Depot Delhi into a fullfledged Depot. The entire developmental scheme has been approved by the Planning Commission and an amount of Rs. 3 crores has been allocated for the development of Medical Stores Organisation during the Seventh five Year Plan. Initially an amount of Rs. 50 lakhs has been provided during 1986-87 for the launching up of the above scheme and necessary proposals for development/creation of new posts are already under consideration of the Government.”

1.8 In reply to a question whether at all there was need for this organisation, the representative of the Ministry has stated, during evidence that “The considered view of this in the Health Ministry is that this is very much required. (1) It ensures a regular supply of drugs which otherwise we do not know how it can be done. (2) If the

system laid down is followed, we find that it is possible to supply all the demands of the indentors and there is no question of any difficulty. (3) They should ensure quality which is a necessity in a country like ours. (4) Natural calamities and emergencies arise suddenly and demands are placed before the Centre. Recently, there was an outbreak of diarrhoea. The Chief Minister met the Prime Minister and wanted us to send the medicine the next day. In Andhra Pradesh we were asked to help it. So, we are convinced about it."

1.9 Asked specifically whether all the objectives stated above have been fulfilled, the representative of the Ministry stated :

"I say largely yes. By and large, I am saying that the Organisation is able to fulfil the objectives for which it has been set up."

1.10 The Committee are constrained to note that despite an increase of actual indentors from 2,665 in 1984-85 to 4,000 in 1985-86 and also increase in the volume of medicines indented by them, there has been no corresponding increase in the infrastructure, storage and testing facilities in the depots being managed by Medical Stores Organisation. The depots continue to be housed in very old, in most cases rented buildings with totally inadequate storage capacity and paltry and primitive testing facilities. In the circumstances, one can hardly expect the Medical Stores Organisation to realise fully the objectives for which it was set up. For all these years the expenditure being incurred on the Medical Stores Organisation has been non-plan and it is only in the Seventh Five Year Plan that the Ministry of health and Family Welfare has shown seriousness for toning-up the functioning of the Medical Stores Organisation and has chalked out a Plan Scheme for implementation. The Committee hope that when the scheme is fully implemented it will be possible for the Medical Stores Organisation to play a vital role in the distribution of drugs to various indentors particularly to Primary Health Centres and small dispensaries located in the remotest corners of the country and implementation of National Health Programmes etc.

CHAPTER II

A. Organisational Set-up

2.1 At present, the Medical Stores Organisation consists of six Depots on each of Bombay, Madras, Calcutta, Hyderabad, Guwahati and Karnal and a Sub-Depot at Delhi. Two Pharmaceutical factories are attached to the Depots one each at Bombay and Madras which can manufacture about 100 odd common drug formulations/equipments and other materials like Bandages etc. The Depots at Bombay, Calcutta and Madras have Chemical Testing Laboratories attached to them to ensure quality of drugs manufactured at the factory and purchased from the firms. A Biological Laboratory and Animal House is also functioning at Madras.

2.2 To the question whether the present organisational set-up in the Ministry and Medical Stores Organisation and Depots was adequate to cater to the demands of various indentors fully, the Ministry of Health and Family Welfare in a note furnished to the Committee stated that the present organisational set up in the Medical Stores Organisation both in the Depots as well as Headquarters was inadequate in view of the overall increase in turnover of various National Health Programmes and the demand of the various indentors.

2.3 During his evidence before the Committee, the Secretary Ministry of Health stated in this regard :—

“The work of the organisation has been expanding much more than the staff strength, the staff strength since 1979-80 has remained the same. The number of items which were dealt with in 1979 were only 1,709 whereas now the number is 3,060. The number of indenter was about 13,000. This number is more or less the same. The turn over which was of order of Rs. 17.93 crores has gone up to Rs. 72 crores. All these figures indicate that the organisational set up is not adequate.....”

2.4 Regarding deficiency in the organisational set up it was further stated that, "the turnover has increased manifold and the organisation needs strengthening at several places. Staff is also inadequate, the delay in supplies is on four or five counts which are beyond our control. We have to place all our requirements which are more than one lakh value to the DGS&D. This takes a long time and we have to wait for these materials. Of course we have been delegated powers from the Ministry upto Rs. 1 lakh at a time. But some times we require items which are more than 30 or 40 lakhs of rupees. Even for local purchases we have to wait about 3-4 months because of the procedural formalities."

2.5 To a question whether the Ministry had at any time, represented to the Government for overcoming these deficiencies, the Health Secretary stated.

"Yes Sir, we have written to the Government. As I was submitting, we have entrusted a study to the Tata Consultancy Services, we asked them to look into the whole system and advise us so as to bring about procedural simplicity, what norm we should have and how should we reorganise or strengthen the set up by having modern facilities like computerisation and other latest inventory control system. They have just given the report. We shall be taking action on that."

2.6 Regarding the strengthening of organisation, the representative of Ministry during the evidence stated :

"..... till the Seventh Plan, we never had the opportunity of having any plan funds for strengthening this organisation. When the Plan was formulated, we made a general representation before the Planning Commission that this particular organisation needs to be strengthened. As it has never been treated as a plan scheme and as there are some ceilings and limitations in the non-plan expenditure also, we have not been able to strengthen this organisation. As a general decision has been taken that this organisation should continue, we asked them to give some funds for strengthening it. We said that we would like to have a full-fledged depot at Delhi, and also we would need a certain amount of strengthening of the organisation at the headquarters, and for new buildings

for the stores in the outlying areas and so on. On that basis a total amount of Rs. 3 crores has been provided for the Plan period. Based on this allocation, as the Secretary was earlier mentioning, we then approached the consultancy organisation. Our idea was this. This is a unit which has got two very important functions. A large number of indentors send their indents on the basis on which, the whole procurement is done. At present, this is taking about ten months. We wanted to know whether things can be improved by merely adding to the staff or whether by having certain facilities like computerisation, etc. We can rationalise the work of the whole organisation.

Secondly, we wanted to know whether there ought to be any change in the procedures followed at present."

2.7 Asked further to specifically mention the area of inadequacy, the representative of the Ministry replied :

"We require more space and staff."

B. Staff Strength

2.8. The Medical Stores Organisation at the Headquarters and Depots employ nearly two-thousand persons of different ranks, the vast majority of which are industrial workers.

2.9 Each Medical Store Depot is headed by a Deputy Assistant Director General (MS) and is assisted in his work by a Depot Manager and some Assistant Depot Managers. The Biological Laboratory is headed by a Director who is assisted by two Assistant Directors. The Head Quarters establishment of the Directorate comprises a Deputy Director General (St.) under Directorate General of Health Services who is assisted by two Assistant Director Generals (St.), three Deputy Assistant Director Generals (St.), one Deputy Assistant Director (St.) and one Deputy Director Accounts (St.).

2.10 The following statement showing the sanctioned and actual staff strength in various categories of posts in all the Medical Stores Depots (Depot-wise) has been submitted to the Committee :—

Sl. No.	Name of the Depot	Gr. A		Gr. B		Gr. C		Gr. D	
		Sanctioned Strength	Vacancy Position	Sanctioned Strength	Vacancy Position	Sanctioned Strength	Vacancy Position	Sanctioned Strength	Vacancy Position
1.	G.M.S.D., Bombay	3	Nil	4	Nil	80	10	20	2
2.	„ Calcutta	2	Nil	6	1	171	3	169	11
3.	„ Karnal	2	Nil	4	1	128	3	111	6
4.	„ Gauhati	2	Nil	Nil	Nil	6	1	32	1
5.	„ Hyderabad	2	Nil	3	1	100	1	90	Nil
6.	„ Madras	4	Nil	6	1	218	23	248	19
7.	Bio. Lab. Madras	3	1	Nil	Nil	5	1	8	2

2.11 Asked to give his views regarding the inadequacy of staff and since when it was being felt to be inadequate, the Health Secretary during evidence before the Committee stated :—

“We have been facing inadequacy for quite some time. But the whole of the question of the future of the MSD was in doldrums because in 1981 a decision was taken that the department should be wound up. After that, a paper was submitted to the Cabinet Committee that it should be converted into a corporation. Action for expansion was not taken for that reason. Then this Tata Consultancy study came up. We shall be giving our recommendations about our requirements of additional staff, after studying this report.”

2.12 Regarding the steps taken or proposed to be taken for augmenting the staff strength it was stated that the proposal of augmentation of staff both at the Depots and the Headquarters..... had been approved by the Planning Commission and were under the consideration of the Ministry of Health for implementation.

C. Assessment of Staff

2.13 Asked whether any systematic study had been made to lay down the work norms and assess the staff strength requirements thereafter, the Health Secretary replied in the negative.

2.14 He further stated that three studies had been made before 1985. Regarding the question of any study made before 1985, the representative of the Ministry stated :—

“A work Study of the Headquarters of the Directorate was done in the year 1975 or 1976. After that the work study of different things may have been taken up.”

2.15. To the question that on what basis the argument that the supply depots required more staff could be advanced unless it was established that more demands were there and more supplies were required and what specific job the Ministry was going to entrust to

Tata Consultancy Service and what work they had already entrusted to them, the Health Secretary replied :—

“..... In 1979-80, the number of items required was 1709. It has now risen to 3060. In 1979-80 the turn over was Rs. 17.93 crores and now it is Rs. 72 crores. Therefore, I have made the submission that the organisation staff has remained the same as it was in 1979. That is why, we feel that the organisation must be strengthened.

We felt that though this was not a commercial organisation yet it should have the standard of productivity and efficiency which the commercial organisations have. For that reason, we thought, we should have a consultancy of a commercial organisation. When they made representation, the question arose, what is the basis of additionality of the staff on which we should go. This is one small part, not the whole concept of work measurement. Can they suggest norms for different sort of work for procurement, staffing, storing, accounting, despatching of stores etc.? What sort of work and quantum of work we should expect from a normal efficient productive worker? But I am told by the hon. Member that on the Defence side, the exercise has already been done and therefore we require no study. We request them to give that information and our information will be complete.”

2.16 Regarding the Review of staff strength of Medical Stores Organisation made in the past, Ministry in a note has stated that since the Organisation is century old and was functioning under the administrative control of the Defence Department, it is regretted that it would not be possible at this stage to indicate the staff strength which might have been established at the inception. The Work Study Unit of the Government has undertaken studies to assess the staff strength at the Government Medical Stores Depots in the past.

Internal work studies were undertaken of the Medical Store Depots at Bombay, Calcutta and Guwahati in 1976. In respect of these three Depots, there were no further work studies till now to review the staff strength. The Madras Depot was studied in 1982 but the report has been disputed by the Union and has not been finalised. In respect of Karnal Depot, the study was undertaken in 1983 before the Medical Store Depot took up the responsibility of supplying stores C.G.H.S.

At that time no increase in staff was recommended. The Hyderabad Depot was taken up for study in 1985 and additional staff was recommended at higher levels like Assistant Depot Manager and Store Superintendents. The Internal Work Study Unit (WSU) working under Financial Adviser, Ministry of Health and Family Welfare takes up studies of various units under the Ministry of Health and Family Welfare every year. A roster is prepared for this purpose. The Medical Store Depots are included in the Study. WSU takes up the study of the Depots according to the roster. In this manner, the three depots—Bombay, Calcutta and Guwahati were studied in 1976, Madras Depot in 1984, Karnal Depot in 1983 and Hyderabad Depot in 1985. Apart from this, there has been no other study of this organisation impinging upon its activities which are of a commercial nature. As the Medical Stores Organisation is not an autonomous organisation, but is a Government Unit, no study other than that by IWSU has been taken up so far.

2.17. The Committee note that although work of the Medical Stores Organisation has been increasing substantially with the passage of time yet the staff strength since 1979-80 has remained more or less stationary. In 1979-80 the number of items dealt with by Medical Stores Organisation was 1,709 which has now risen to 3,060. Similarly, the turnover rose from Rs. 17.93 crores in 1979-80 to Rs. 72 crores in 1985-86. The Committee find that there is no regular and systematic procedure for the assessment of staff strength of Medical Stores Organisation and it is left to the Internal Work Study Unit to do the needful according to a roster. That Unit undertook the study of Depots at Bombay, Calcutta and Guwahati in 1976, Karnal in 1983, Madras in 1984 and Hyderabad in 1985, and recommended for the augmentation of staff in respect of some of these Depots but surprisingly the matter was kept in abeyance. The Committee desire that the Ministry of Health and Family Welfare should evolve suitable work norms and have the assessment of staff requirements made at regular intervals, so that the work of the Medical Stores Organisation could be carried on smoothly. The assistance of Administrative Staff College, Hyderabad and Defence Institute of Work Study, Mussorie could be taken in this regard. Where it is established that the staff strength needs augmentation, the follow up action should be taken promptly otherwise the whole exercise of making assessment of staff requirement becomes meaningless and cost and labour involved goes sheer waste.

D. Training Facilities

2.18 In the preliminary material furnished to the Committee, it has been stated that at present no regular system or facilities of training for the staff exists within Medical Stores Organisation in Stores Keeping and Material Management of work in the Depots. Such facilities exist only at Administrative Staff College, Hyderabad and training to members of staff is arranged as and when necessary at this institution in collaboration with World Health Organisation.

2.19 To a question whether regular and in-depth training is essential for the staff in order to expose them to the modern techniques of stores keeping and material management, the Ministry of Health and Family Welfare in a note furnished to the Committee has stated that regular and in-depth training is essential for the staff in order to expose them to modern techniques of store keeping and material management. Six Deputy/Asstt. Director General out of nine and one more Asstt. Director General have received training organised by National Institute of Health & Family Welfare during the last 4-5 years.

2.20. Regarding the suggestions for imparting training to the staff and the contents of training programme imparted at Staff Training College, Hyderabad and its utility, it has been stated that the staff working at middle and lower levels should also be trained regularly at National Institute of Health & Family Welfare and other institutions. The contents of the training programme imparted at Administrative Staff College of India involves modern techniques of forecasting, provisioning, planning, timely procurement, vendor rating, stores accounting, fixation of re-order levels, computerisation etc. The training is very much useful to the Medical Stores Organisation as the theoretical knowledge gained during the training was put to practical use in the Organisation.

2.21 In reply to a question, it was stated that no member of the staff was sent for training at Staff Training College, Hyderabad in the last three years.

2.22 During the evidence Committee pointed out that the Staff College of Hyderabad was competent to impart training in the stores and material management and not the National Institute of Health and Family Welfare where some senior officers of the Medical Stores Organisation were sent for training, in reply the representative of Ministry of Health and Family Welfare stated :—

“They are running classes for personal management. We depute our officers there for material management etc. It is not purely of their faculty. They regularly organise these courses for store keeping etc. It is true that the National Institute of Health and Family Welfare are not experts in these subjects.”

2.23 When pointed out further that the lectures at National Institute of Health & Family Welfare for management, material and stores keeping might be only guess lectures and not training, the representative of Ministry stated :

“I agree that that type of training is not possible over there.”

E. Accounts Training Programme

2.24. In the preliminary material furnished to the Committee it has been stated that the employees of the depots had never been exposed to practical training in maintenance of accounts on commercial lines. A short training programme for the Depot employees working in the Accounts Sections and Accounts Officers in order to streamline accounting system of the Depot was organised recently with World Health Organisation assistance.

2.25 In a not furnished by the Ministry it has further been stated that initially 2 staff members working in each Depot were trained at Hyderabad Depot for 2 weeks and later all the Accounts Officers of the Depots were trained in April, 1986 for four days. The contents of the training programme contained commercial accounting, maintenance of sundry creditors and debtors book, cash book, funds flow, introduction of double entry system. The training programme should be organised on a regular basis and it is being done at present as the Consultants in Accounts are constantly visiting the Medical Stores Depots to give practical training to the staff working in the medical Stores Depots during the last 1½ months. They have been imparting continuous training on the lines mentioned above by visiting all the 7 depots.

2.26 The Committee need hardly point out that to enable the officers and staff of Medical Stores Organisation to discharge their duties efficiently, their exposure to regular and indepth training in the field of stores keeping and material management is of paramount impor-

tance. The Committee however note that there is no regular system of imparting training to the staff of Medical Stores Organisation. Only some senior officers have been sent for training organised by National Institute of Health and Family Welfare, which is stated to be hardly equipped to impart training in the field of stores keeping and material management. The Committee feel that the services of Administrative Staff Training College, Hyderabad which is considered to be a premier institution for imparting training in these fields should have been utilised. The Committee desire that not only the staff at higher levels, but also at middle and lower levels, should be exposed to training regularly at the Administrative Staff Training College Hyderabad so as to acquaint them with the modern techniques of store keeping and material management.

2.27 The Committee desire that training programmes in the maintenance of accounts should also be arranged for the employees working in the accounts sections of all the Depots on a regular basis.

F. Adequacy of Medical Stores Depots

2.28 At present the Medical Stores Organisation consists of six Depots one each at Bombay, Madras, Calcutta, Hyderabad, Guwahati and Karnal and a Sub-Depot at Delhi.

2.29 To a question whether the existing Medical Stores Depots were adequate to cater to the needs of a vast country like India, the Ministry of Health in a note furnished to the Committee has stated, that although the number of existing Depots was inadequate to cater to the needs of the country, in the first instance it had been thought to strengthen the existing Depots only and the proposal of conversion of Medical Store Sub-Depot, Delhi into a fullfledged Depot had also been framed and was in the final stages of approval.

2.30 It has also been stated that the proposal for establishing new Depots would be considered provided they were found viable.

2.31 Asked during evidence whether there was any proposal for setting up of a Sub-Depot at Port Blair, the representative of the Ministry replied, "We will consider it."

2.32 Regarding the supply of Stores to the States, it was stated that most of the States were having their own MSDs. Major States

like Karnataka, Kerala, U.P., Tamil Nadu, Rajasthan, J & K., Himachal Pradesh etc. were not purchasing any medicines from the Medical Stores Depots and only a few States viz. Assam, Haryana, Arunachal Pradesh etc. were making purchases from the Medical Stores Depots. It was also stated that if the States were keen to make their own purchases and if they were strengthening and expanding their MSDs, then main supplies by MSDs, would be confined to two or three areas only.

2.33 In reply to a question regarding the future of the Organisation the representative of the Ministry of Health and Family Welfare stated :—

“The.....field where MSD will be needed is Union Territories and small States where the demand is not high and where the companies do not give them medicines at the same rate. But the Major States will not purchase from us, because they get all the advantages from the companies. We charge about 10% as our service charges. If the rate is the same, and if the States purchase from us, the States will have to incur handling charges. It will be disadvantageous to them”.

2.34 According to the information furnished by the Ministry of Health and Family Welfare state-wise supply position of Medical Stores is as follows :—

(Rs. in lakhs)

Sl. No.	Name of State	1984-85	1985-86
1.	Madhya Pradesh	203.83	266.16
2.	Maharashtra	90.12	121.63
3.	Gujarat	1.65	8.36
4.	Goa	51.51	58.77
5.	Andhra Pradesh	175.00	453.00
6.	Punjab	348.77	303.03
7.	Haryana	76.60	51.32
8.	Delhi Administration	—	162.79
9.	Chandigarh	18.80	7.99
10.	Bihar	238.00	321.00

1	2	3	4
11.	Orissa	40.00	11.00
12.	West Bengal	170.00	180.00
13.	Andaman and Nicobar Island	80.00	88.00
14.	Assam	658.04	660.05
15.	Arunachal Pradesh	117.00	190.00
16.	Tripura	33.95	38.95
17.	Manipur	13.02	29.37
18.	Mizoram	1.24	0.61
		2,317.89	2,947.48

2.35 The Committee are unhappy to be informed that although the number of existing depots is inadequate to cater fully to the needs of the country, yet in the first instance it has been thought to strengthen the existing depots and to convert the Medical Store Sub-depot Delhi into a full-fledged depot only. The Committee strongly feel that keeping in view the overall increase in the turn-over of various indentors and activities of Medical Stores Depots the Ministry should examine the feasibility of setting up of more depots in the areas where there is demand but the present arrangement is not adequate to cater to it. In this context the feasibility of opening a Sub-depot at Port Blair should be considered.

2.36 The Committee would also like the Government to go into the question of non-purchasing of medicines by many States from Medical Stores Organisation in all its ramifications and evolve a suitable policy where the Central Medical Stores Organisation and the States Medical Stores Organisations could work in close rapport.

G. Pharmaceutical Factories and their Modernisation

2.37 At present two pharmaceutical factories are attached to the Medical Stores Depots one each at Bombay and Madras which can manufacture about 100 odd common drug formulations/equipments and other materials like bandages etc. Bombay factory was set up around 1893 and Madras factory around 1950.

2.38 To a question whether these pharmaceutical factories were adequate to meet fully the demands of all the Medical Stores Depots, the Ministry of Health and Family Welfare in a note furnished to Committee has stated that these factories were established long back and were not adequate to cater to the entire requirements of M.S.O. These were at present being utilised for the manufacture of National Programme (NMEP and anti-TB) items and also some commonly used items like syrups, tinctures and bandages which were not easily available.

2.39 In a subsequent note furnished to the Committee, the Ministry has stated that there was no proposal to modernise/expand the existing pharmaceutical factories. The main function of the Depots is to procure, store and supply medical stores. It is, therefore, proposed to restrict the activities of these factories to manufacture tablets and capsules like INH and Chloro-quine, which are required for national programme. The action in this regard has been initiated by way of purchasing two modern tableting machines at the Bombay factory.

2.40 To a question as to why no proposal for setting up of pharmaceutical factory had been made in the Seventh Five Year Plan and how the Ministry could meet the demand of the people in the future, the representative of the Ministry of Health and Family Welfare stated :

“At that time there were not enough manufacturing factories available in the country. They were to meet the needs of the organisation and that too manufacturing of some ointment etc. Major share is diverted towards manufacture of Chloro-quine and INH tablets.”

2.41 When asked to indicate the steps taken for modernising the two pharmaceutical factories, the representative of the Ministry stated that after making a visit to pharmaceutical factory at Bombay, procurement orders for two machines had been placed. Regarding the allocation of budget for the machines it was stated that some machines which had come up were not up to the specifications and the matter had been taken up with the suppliers.

2.42 In regard to supply from factory manufacture in the Report on Material Management Systems in respect of Medical Stores Orga-

nisations brought-out by Tata Consultancy Services it has been stated that :—

- (a) "The facilities of the factory are limited both with respect of level of production and range of products which can be manufactured.
- (b) It is, therefore, felt that the factories will remain only marginal suppliers of depots' requirements."

2.43 The Committee are unhappy to note that although the pharmaceutical factories were set up long time back, nothing has been done so far to modernise them or augment their capacities. What is more distressing is that there is no such proposal for implementation in the near future also. The Committee consider that there is an urgent need for modernisation of the pharmaceutical factories as well as augmentation of their capacities in the interest of expanding the activities of the Medical Stores Organisation.

H. Conversion of Medical Stores Depots into a Corporation

2.44 According to preliminary material furnished to the Committee the necessity for streamlining the functioning of the Medical Stores Organisation and the desirability of converting the existing set up into a company has been recommended by a number of bodies viz :—

- (i) Faqir Chand (with the Secretary, Health, Govt. of Madhya Pradesh as Chairman) Committee Report published in 1968 ;
- (ii) Administrative Staff College, Hyderabad Report submitted in 1973 ;
- (iii) Task Force appointed by the Union Health Minister in 1974, which submitted its Report in 1974 ;
- (iv) The Public Accounts Committee in its 49th Report (1977-78, 6th Lok Sabha) re-emphasised, in very clear terms the restructuring of the Medical Stores Organisation.

Public Accounts Committee, 49th Report (1977-78, Sixth Lok Sabha).

The Public Accounts Committee 1977-78 in their 49th Report observed, *inter-alia* that :—

"The Committee has considered the plea advanced in favour of the conversion of Medical Stores Organisation into a Government Company and are of the view that in order to give greater flexibility and autonomy to the Organisation in its day-to-day dealings financial as well as management matters—suggestions of conversion of Medical Stores Organisation into a Government company set up under the Indian Companies Act with a revolving fund at its credit may be examined thoroughly in consultation with the Ministry of Finance and the Planning Commission"

2.45 Pursuant to the recommendation of Public Accounts Committee, the Ministry of Health & Family Welfare in their Action Taken note stated as follows :

"The Report of Administrative Staff College, Hyderabad received in May, 1973 suffered from a number of deficiencies. These deficiencies were pointed out to the representatives of the Administrative Staff College during their discussions with the officers of the Directorate General of Health Services and the Health Ministry. In May 1974, a detailed letter was sent to the Principal, Administrative Staff College specifying the deficiencies. In November 1974, the college authorities replied stating that they were taking a second look at their findings and that revised recommendations would be submitted incorporating the changes. In the meantime, in May 1974, the then Health Minister appointed a Task Force to examine the re-organisation of the Medical Stores Depots. The Task Force comprising of representatives drawn from the Ministries of Health & Family Welfare, Finance, Petroleum and Chemicals, Company Affairs and DGS&D etc. recommended the conversion of Medical Stores Organisation into a section 25 Company. The Report of the Task Force was circulated to the Ministries concerned who raised various points and the matter remained under correspondence for a considerable time. Thereafter, the question was thoroughly considered in this Ministry and a final view was taken that the best solution lay in restructuring the Medical Stores Organisation into a Section 25 Company. A note for the Cabinet was prepared and circulated to various Ministries in April, 1975. On

account of difference of opinion between various Ministries concerned on the question of conversion of Medical Stores Organisation into a Company the proposal did not make headway. In the meanwhile, a high powered Board with full powers of the Ministry of Health was set up in September, 1976 to look after the functioning of the Medical Store Depots. This Board, did not, however, prove very effective because it was also be set with various constraints which the formation of a company may have minimised.

The problems of the Medical Store Depots have, meanwhile continued to receive the urgent attention of the Ministry. The various Ministries/Organisations which had earlier opposed the conversion of Medical Store Depots into a Company have again been addressed at high level to persuade them to withdraw their objections.

In view of the position explained above, there has been no delay on the part of any particular individual in coming to a final decision on the question of re-organisation of the Medical Stores Organisation and as such the question of fixing responsibility does not arise... ..The proposal for restructuring the Medical Stores Organisation into a Company is still under consideration of the Government....."

2.46 In the preliminary material it has further been stated that the various Committees/Consultants referred to above pointed that unless the Medical Stores Organisation is made into a Corporation with an autonomous management structure it would be futile to expect any significant improvement in its functions.

The Hathi Committee (1978) in their Report also recommended that additional formulation units should be set up in the country immediately. Pursuant to this, the Cabinet decided on strengthening of the formulation capacities in the Medical Stores Organisation.

2.47 In a subsequent note furnished to the Committee it has been stated that the Committee on Public Expenditure made the following recommendations during 1979-80. The Medical Stores Depot of the Dte. General of Health Services has no proper justification for being continued. It need not be entrusted with the task of procuring

drugs and pharmaceuticals for re-sale to State Government Municipalities etc. Maintenance of Health Services is the responsibility of the State Government in accordance with the distribution of functions laid down in the Constitution. Many State Governments have already assumed these functions and are not availing of the services of the Medical Store Depots. It is also significant that none of the Central Govt. agencies like the CGHS, Employees State Insurance, Railways and Delhi Hospitals found it economical to obtain their supply of drugs and medicines from these Depots. Moreover, the Indian Drugs and Pharmaceutical Industries are sufficiently well established to meet the requirements of the Govt. Sector. The total value of the drugs procured by the Medical Store Depots is about 15 crores per annum. It has become even difficult to recover the cost of the drugs to the State Govt. and at present there are arrears of approximately Rs. 8 crores, which in effect amount to a central financial aid in the form of advances. Therefore, no further sanctions of funds for the procurement of drugs, medicines and pharmaceutical requirements for re-sale may be made to Medical Store Depots and the State Govt. should be asked to procure these directly. The organisation should be wound up gradually by redeployment of staff."

Ministry of Finance opined on the basis of findings of the Working Group appointed by the Committee on Public Expenditure that the Medical Stores Organisation should be wound up. Subsequently, in the meeting taken by Finance Secretary on 6-4-1981, it was decided that the Medical Store Depots should continue with activities other than of supplies of stores to the States. The matter was taken up by the Ministry at the level of the Health Minister on 21-7-1982 suggesting to the Finance Minister to reject recommendations of the Committee on Public Expenditure and advising continuance of the Medical Stores Organisation in the present form. Finance Minister in his letter dated 2-8-1982, however, did not agree to the suggestion of Health Minister and advised to give up distribution of stores to States progressively. However, due to overall increase of work-load, the Ministry took certain steps to strengthen the Medical Stores Depots and make them economically viable. A proposal for development of Medical Stores Depots was, therefore, included in the Seventh Five Year Plan. It has been approved by the Planning Commission."

2.8 The Committee note that necessity for streamlining the

functioning of Medical Stores Organisation and the desirability of converting its existing set up into a Company has been recommended by a number of expert Committees appointed so far. The Public Accounts Committee also, in their 49th Report (6th Lok Sabha) endorsed these views. The Committee consider that if the Medical Stores Organisation is to fully realise its objectives, for which it was set up, it is but imperative that its functioning be effectively streamlined so as to make it a viable commercial organisation. It is surprising that the Ministry has not paid due attention to the recommendations contained in the reports of the various expert Committees and dealt with them in a casual manner. It was only in 1975 that a note for the consideration of the Cabinet about the conversion of Medical Stores Organisation into a Government Company was prepared and circulated in pursuance of the recommendation of Administrative Staff College, Hyderabad and Task Force appointed by the Health Ministry. Subsequently the proposal was dropped. Again in 1978 a decision was taken. In an inter-ministerial meeting to convert it into a Government Company. But the proposal was again dropped in the light of the recommendations made by the Committee on Public Expenditure in 1979-80. That Committee surprisingly opined that the Medical Stores Organisation should be wound up as the maintenance of health services was the responsibility of State Governments. The Committee do not find any rationale behind such a recommendation and on the contrary feel that the Medical Stores Organisation has to play a vital role in the supply of medicines all over the country and for the implementation of the various National Health Programmes, etc. This is evident from the fact that in the last five years there has been many fold increase in the turnover of the Medical Stores Organisation. All that is required at this juncture is that the functioning of the Medical Stores Organisation should be put on a sound footing so as to enable it to discharge its functions properly. In this context the proposal to convert it into a Government company merits close consideration as the Committee strongly feel that in order to give greater flexibility and autonomy to the organisation in its day to day dealings, financial as well as management matters, it is but natural that the Medical Stores Organisation should have more elbow-room and function on sound commercial basis.

CHAPTER III

(A. Budget Provision)

3.1 The Revised Estimates for each of the Medical Store Depots of the Medical Stores Organisation for the last five years from 1981-82 to 1985-86 and the actual expenditure incurred by them during these years have been stated to be as under :

**Statement showing Revised Estimates vis-a-vis Actual Expenditure incurred by
M.S.Ds during 1951-82 to 1985-86.**

Name of the Depot	1981-82		1982-83		1983-84		1984-85		1985-86	
	R.E.	Actual Expr.	R.E.	Actual Expr.	R.E.	Actual Expr.	R.E.	Actual Expr.	R.E.	Actual Expr.
1. Hyderabad	17570	15991	14793	11517	12600	14731	25042	25761	89013	48507
2. Madras	25332	25073	33071	23078	23861	26209	37292	29625	84941	39211
3. Guwahati	21729	18817	21930	27599	34802	38883	62677	66418	83357	84378
4. Calcutta	24333	30487	30015	44295	40494	43377	66034	70967	90237	90150
5. Karnal	47431	37470	37839	41807	45674	49917	66380	75986	119995	146724
6. Bombay	34918	14206	35725	44626	38706	34809	57556	60902	69290	79560
TOTAL:	171319	182044	163383	196922	196137	207926	302375	329659	435933	488590

3.2 The Revised Estimates in respect of Medical Sub Depot, Delhi which was set up in 1972 have not been furnished to the Committee.

3.3 In a note furnished to the Committee it has been stated that out of last five years in four years the projected requirements of Medical Stores Organisation were not taken into full consideration at the time of finalisation of Budget and lesser funds were allocated to the organisation.

3.4 The details showing the projectiong made by Medical Stores Organisation and the funds actually allocated during the last five years are as under :

		Budget proposed	Budget accepted
		(Rupees in Thousands)	
1981-82	Total	17,12,24	17,13,19
	Material Purchases	15,00,00	15,00,00
1982-83	Total	17,43,17	16,29,48
	Material Purchases	15,00,00	14,00,00
1983-84	Total	22,90,06	19,65,52
	Material Purchases	20,00,00	17,00,00
1984-85	Total	33,31,05	33,00,98
	Material Purchases	30,00,00	30,00,00
1985-86	Total	49,52,64	43,59,33
	Material Purchases	45,50,00	40,00,00

3.5 During the course of evidence it was stated that the budget included the cost of establishment, contingencies and other expenses which *inter-alia* included expenditure incurred on purchasing of some material required for chemical testing. The expenditure on the organisation was Rs 2.13 crores in 1981-82, Rs. 2.29 crores in 1982-83 and Rs. 2.65 crores in 1983-84. The increase in establishment expenditure was not very much, Value of the material purchases had increased from Rs. 15 crores in 1981-82 to Rs. 45.5 crores in 1985-86. It was also stated that by appropriation within the total budget, the Ministry was allowed to make use of savings wherever possible and short fall of funds for material purchases if any, were compensated in the supplementary grants to the Ministry.

3.6 Asked to indicate the position of budget allocated for material purchases in 1985-86, the representative of the Ministry stated, "we got Rs. 46.17 crores, we spent Rs. 46.56 crores." The representative of Ministry conceded that there was no difficulty in getting fund for the purchase of material, but some money was required for testing facilities, computerisation and staff to meet the requirements.

3.7 To a question as to what extent supplies to the indentors were out down due to constraints of budgets, the Ministry of Health in a not furnished to the Committee stated, "the extent to which the supplies to the indentors had to be cut down due to constraints of budget during each of the last three years has been on an average 10%. Almost each and every hundred per cent committed indentors like CGHS, P&T dispensaries, Delhi Hospitals, ITBP, BSF, CRPF and Union Territories like Andaman and Nicobar Islands, Pondicherry etc. were not served to as per their requirements due to several factors including budgatory constraints."

3.8 The Committee are surprised to find that on the one hand there is stated to be no funds constraint for the purchase of material, and on the other hand supplies to in-indentors are cut short by 10% on an average due to budgetary constraints and that in-indentors like CGHS, P&T Dispensaries, Delhi Hospitals etc. and Union Territories like Andaman & Nicobar Islands, Pondicherry etc. are not being supplied medicines as per their requirements. The Committee would like the Government to reconcile the two statements and pin-point the reasons because of which the in-indentors are not being Catered to fully and initiate suitable remedial measures accordingly.

CHAPTER IV

PROCUREMENT

A. Method of Procurement

4.1 According to the preliminary material furnished to the Committee the Medical Stores Organisation handles about 3,000 items of various types of medical stores and they are supposed to keep all the items whose consumption trend is established in the stock at all times for their onward supplies. For the purposes of procurement of these items the Medical Stores Depots follow a system of forward provisioning of stores. The procurement of items exceeding Rs. 1 lakh each in value are made through the DGS&D, New Delhi and others whose value falls between Rs. 50,000/- to Rs. 1 lakh each are purchased locally under the powers delegated to Directorate General of Health Services, New Delhi.

Similarly, the Deputy Asstt. Director General (MS), of each Depot has been empowered to make local purchases upto a limit of Rs. 50,000/-.

The procurement is made either through DGS&D or by making local purchases. M.S.Ds draw their bulk requirements through DGS&D.

B. Placement of Indents

4.2 In a note furnished to the Committee, it has been stated that for placement of indents well in advance with DGS&D a system of annual forward provisioning is followed in Medical Store Organisation. The provisioning year commences from April and ends in March every year. However, due to bunching of indents, the DGS&D finds it difficult to process them to ensure timely supplies. Indents are placed for all the items in one lot at present on DGS&D.

The DGS&D has now made a suggestion to submit indents to them in a phased manner. In view of the difficulties being experienced by the DGS&D, the suggestion to submit indents to them in a phased

manner has been considered in detail for implementation. It is proposed to prepare the indents groupwise i.e. for capsules, tablets, injections etc. separately and place the same on DGS&D in lots at intervals. A calendar of activities for collection of data at the Depot level, preparation and scrutiny of proposals for this purpose has been drawn up as follows :

MONTHS	ACTIVITY
1st April	Issue of Guide lines for the annual provisioning of Medical Store in respect of items of Drugs and non-Drugs.
15th May	To ensure submission of provisioning Statements by the Depots.
30th June	(i) Consolidation of provisioning figures, price them and preparation of draft indent. (ii) Financial approval from competent authorities.
July-September	Transmission of Indents to the Directorate General of Supplies and Disposal, New Delhi, in groups.

4.3 To a question as to what were the bottlenecks coming in the way of Ministry for advance placement of indents on DGS&D, the representative of Ministry replied during evidence that,

"... .. Recently we discussed the situation with the DGS&D. Earlier also, it has been discussed but now as the version of the DGS&D is given, we will discuss it again." He further added, "There should be no difficulty in placing the indents in a phased manners. That has been decided recently in consultation with the DGS&D .. Earlier we had to phase the availability of funds. We can not phase out these indents in the way the DGS&D wants us to do only recently we decided that we can categorise them according to different sections like injections, capsules, tablets, syrups etc."

4.4 Regarding the preparation of list of items much in advance, it was stated, "Since we are dealing with so many items, it takes 7-8 months right from the depot level to the headquarter level to finally consolidate our demands."

4.5 The Committee were further informed that,

"After taking into consideration so many factors and after having consultation we have come to the conclusion that this is an ideal area which can be computerised and this time we may be able to reduce to three to four months and that has been confirmed also."

To a question that when the use of computers would be started, the representative of Ministry replied,

"We will have to have some persons who can advice us as to which type of system of computers we should adopt for this purpose."

He added that Tata Consultancy had also advised that with the use of computers the time would be reduced to three to four months.

4.6 In a note furnished to the Committee it has been stated that the rate contracts are concluded by D.G.S.&D. with various manufacturers for such items which are commonly demanded and have major consumption. D.G.S.&D. establishes these rate contracts after floating tender enquiries to the manufacturer registered with them and finalise the contracts with those firms whose rates are found to be competitive and acceptable. The rates contracts so concluded are operated by Medical Stores Depots as direct demanding officers on the terms specified in the rate contracts.

In a meeting held recently with D.G.S &D. it was informed by them that so far they have established rate contracts for 38 items during the current year. D.G.S.&D. has been requested to cover more and more items under the rate contract for which they have agreed to, in a meeting held on 28-8-1986.

4.7 During the evidence the Committee have been informed that out of 3,000 items dealt with by the Medical Stores Organisation, only 38 were covered under rate contract and that the supply time of the items covered under rate contract was two months.

4.8 The Committee consider that the suggestion of the DGS&D to submit indents for the procurement of medicines in a phased manner and group-wise i.e. for capsules tablets, injections etc. separately rather

than in one bunch (as is being done at present) should be implemented urgently so as to reduce the time lag between the placing of indents for medicines and their final procurement, which at present is stated to be 7 to 8 months to the barest minimum. The Committee feel that covering more items under the rate contract system will also go a long way in obviating the delay in procurement of supplies. The Committee would also like the Ministry of Health and Family Welfare to initiate immediate action for computerisation of the whole process, so as to cut the delays in the procurement of medicines and their ultimate supply to the indentors.

C. Local Purchases

4.9 According to the preliminary material furnished to the Committee, local purchases are made with a monetary ceiling of Rs. 1 lakh at a time per item to satisfy the indentors if indents placed with DGS&D do not materialise in time.

4.10 Following are the figures of local purchases resorted to by various MSDs during each of the last three years :—

Value of Purchase in Rupees

Name of the Depot	1983-84		1984-85		1985-86	
	through DGS&D	Local Total	through DGS&D	Local Total	through DGS&D	Local Total
Hyderabad	4728	8517 13245	6208	26890	7737	47794 55531
Madras	11542	3134 14676	7114	15536	14691	13404 28095
Guwahati	13579	34421 48000	13740	62905	20165	64990 85155
Calcutta	23827	23829 47656	47562	26663	68582	24181 92763
Karnal	33500	38500 72000	37400	59800	30300	27500 57800
Bombay	19614	16231 35850	22808	31405	23718	46037 69755
Delhi	—	— —	2000	17100	19300	46300 65600

4.11 From the above statement it is noted that purchases through DGS&D are much less than the local purchases, and that local purchases form the bulk of the total purchases.

4.12 When asked to give the reasons for local purchases of stores being far higher than purchases through DGS&D inspite of the limit of Rs. one lakh in a note furnished to the Committee, it has been stated that local purchase upto a value of Rs. 1/- lakh which falls within the competence of Director General is allowed per item at a time. Indents are placed on the DGS&D for items where the value exceeds Rs. 1/- lakh. The DGS&D procured these items by concluding acceptance of tenders and contracts on various manufacturers registered with them. The lead time for procurement by the DGS&D normally falls between 6—9 months. The Department has to resort to local purchase for items whose supplies do not materialise in time through the DGS&D and such items are again purchased upto a value of Rs. 1/- lakh to meet the urgent and time bound demand in hand. Besides these, the VMS book includes a number of proprietary items which are newly included in it and in whose case the trend of consumption is not yet established. Purchases of such items are also being made through local purchase against firm demand from the indentors arising from time to time.

The Medical Stores Organisation is also responsible to make supplies to the C.G.H.S. Organisation. The C.G.H.S. places annual indents on M.S.O. and supplies are demanded by them in three instalments at an intervals of four months. As these supplies are to be made urgently and are time bound, the department has to meet these requirements through local purchase initially and also through DGS&D depending upon the situation. The Medical Stores Depots also stock a number of items whose total requirements do not exceed Rs. 1/- lakh in a year. Demands of shelf life items possessing life upto 1½ years are also purchased locally so as to avoid items becoming time expired. Large number of supplementary demands are received from the indentors in addition to annual indents which also add to local purchase.

4.13 The Committee have been informed during evidence that "under the existing procedure in excess to the powers delegated to

us, we have to go to the DGS&D for every item. If the supply is to be made within time bound period, we cannot make arrangement for the supply in these circumstances If we have to supply in two instalments all items and if the requirement is say for Rs. 21 lakhs, within the time bound programme, as per the present procedure we go by default."

4.14 In a note furnished to the Committee it has also been stated that in case supplies from DGS&D do not materialise then local purchases within the limit of Rs. 1 lakh is resorted to meet the immediate requirement of the indentors. For instance, in case of CGHS New Delhi while indents were sent, local purchases to the extent of Rs. 21 lakhs, Rs. 23 lakhs and 31 lakhs respectively had to be made during the last three years.

4.15 Explaining during evidence the reasons for increase in local purchases the representative of the Ministry stated :—

".....When we were preparing for the EC we ourselves felt concerned why should 60% of the total procurement came out of the local purchases? We asked them we would like to have some view. Why are you making 60% purchases. One explanation was that DGS&D delays We have discussed it. I will just bring to your notice the other reasons which they have given. You may kindly see that during 1983-84, the local purchases was 54%, 46% was supplied through DCS&D. Similarly during 1984-85, the local purchase was 64% the remaining quantity was supplied through DGS&D. During 1985-86, the local purchase was 60 percent. I was asking as to why this should happen. In this connection, I will just bring to your notice the explanation which they have given. They have said that 4.5 per cent, I am talking of 1985-86, was due to emergency conditions. For example, there is flood in Andhra Pradesh. They may say "we would like to have so much of bleaching powder." We may not have the entire quantity of it. It has to be purchased on 'local purchase' basis. DGHS sometime say that within their power, in anticipation of the approval of the Government they purchased. For example, something happened in Bhopal. To meet the situation he had to take certain action. So such thing account for 4.5 per

cent. Then there are other items which are not included in our vocabulary. For such items we do not know that such a demand would arise. These demands come to the depot. They were never part of our Vocabulary, which we prepare every year, that account for 15.4%. They have to be purchased and supplied. Like this 20% can be explained as unforeseen circumstances. The remaining 40%..... ”

D. Enhancement of the Power of Ministry for local purchases

4.16 To a question whether the present limit of Rs. 1 lakh for local purchases was adequate and whether any review for raising this limit had been made, the Ministry of Health and Family Welfare in a note furnished to the Committee has stated that the present limit of Rs. 1 lakh for local purchase was not considered adequate. A review for raising the above limit on the basis of valuwise requirements was made and a proposal for enhancing the financial limit upto Rs. 10 lakhs of the Ministry was under consideration of the Ministry of Supply.

4.17. The Committee were informed that to the suggestion made by the Ministry of Health for enhancement of the powers of the Ministry to Rs. 10 lakhs, the Ministry of Finance expressed their inability to increase the powers on the ground that the issue of enhancement of powers was of a general nature involving all the ministries. They however agreed to consider the proposal for raising the limit to Rs. 2—3 lakhs.

4.18 According to a note furnished to the Committee the proposals envisaged to reduce local purchases are as follows :

1. Placing indents with the DGS&D for the next year earlier than now.
2. Indents will be grouped into various categories and sent category-wise. This will facilitate quick scrutiny and early placement of orders by DGS&D.
3. Inclusion of the newly included proprietary items in the list for which indents are to be placed with DGS&D.
4. More number of items will be on rate contract.

5. Quite often local purchase is to be resorted to because of the indentors making a sudden demand and insisting on immediate supply. To inculcate discipline among the indentors, they have been advised to work out their requirements and place indents only twice a year.
6. Periodical meetings will be held by the DDG (Store) with the major indentors.

4.19. The Committee visualize that the limit of rupees one lakh for local purchase of medicines by Medical Stores Depots must have been laid down for keeping a check on the mal-practices inherent in such deals. The Committee are perturbed to find that the Medical Stores Depots have been observing this limit more in breach and it has not at all stood in their way for local purchases which amounted to Rs. 21 lakhs, Rs. 25 lakhs, Rs. 31 lakhs respectively during the last three years in the case of CGHS, New Delhi alone. In case the Medical Stores Depots were facing certain genuine difficulties in adhering to this limit in some cases, the right course would have been to sort out the matter with the DGS&D rather than adopting dubious methods. The Committee agree that with the rise in prices the limit of rupees one lakh may not be sufficient and could have been considered for upward revision. The Committee understand that such a proposal for local purchases is presently under consideration of the Government. The Committee would like the Ministry of Health and Family Welfare to go into this matter in depth and resettle the monetary limit upto which the Medical Stores Depots may be allowed to make local purchases in future. Once the limit is laid down the Committee expect it to be scrupulously adhered to by Medical Stores Depots and all local purchases beyond that limit should invariably be made through DGS&D. The Committee also expect that steps detailed in para 4.18 in the interest of reducing local purchases would be strictly followed by the Medical Stores Depots in future.

Difference in prices of items purchased under local purchases and through DGS&D

4.20 In reply to a question whether prices of various items purchased from sources other than through DGS&D were in consonance with the prices approved by DGS&D the Ministry has in a note furnished to the Committee, stated that "the prices of various items purchased

directly i.e. other than those through DGS&D are not always in consonance with the prices approved by DGS&D."

4.21 Asked about the extent of variations in the medical stores purchased through DGS&D and directly, the Ministry informed that, "44 items were selected at random for price comparison between rates on which these were procured directly and through DGS&D. In 23 cases local purchases rates were lower than DGS&D. In 14 cases local purchases rates were higher than DGS&D and in 7 cases these were found to be at par."

4.22 The Committee are unhappy to find a huge disparity between the procurement prices of items procured through local purchase and those through DGS&D. It is noted that out of 44 items selected, at random, for price comparison, in as high as 23 cases (i.e. 52%) local purchases rates were lower than those approved by DGS&D, in 14 cases (i.e. 32%) they were higher than DGS&D rates and in 7 cases (i.e. 16%) the prices were at par. The very fact that DGS&D prices in respect of 52% were higher shows that the very purpose of making purchases through DGS&D is being completely defeated. The Committee are not aware whether the procurement made through local purchases satisfied the standard specifications laid down or not. The Committee desire that a thorough check be kept on the standards of stores purchased thorough local purchases as also those through DGS&D. The Committee recommend that Ministry of Health & Family Welfare, should, in consultation with the DGS&D, go into the matter thoroughly and have a fresh look at the system responsible for fixing prices for the procurement of medicines both through local purchases and DGS&D. They should also ensure that no vested interest have been created between persons responsible for the purchase of medicines and the firms concerned.

F. Uncovered Demands

4.23 The figures indicating the time taken by DGS&D while finalizing the indents in respect of Medical Stores Depot, Karnal during each of the last three years are as follows :—

1983-84		Date of placement on DGS&D : 26-12-83	
		25-2-84	
No. of Indents	78		
No. of Indents covered	61 (78 %)		
Yearwise percentage of coverage of Indents	1983-84	1	1%
	1984-85	54	70%
	1985-86	5	6%
	1986-87	1	1%
Balance Indents to be covered	17		
Yearwise stores received against 61 A/Ts	1983-84	NIL	
	1984-85	29	47.5%
	1985-86	24	40%
	1986-87	8	13%
Balance	NIL		

1984-85		Date of placement on DGS&D : 12-2-85	
		12-3-85	
No. of Indents	96		
No. of Indents covered	71		
Yearwise percentage of coverage of Indents	1984-85	3%	
	1985-86	70%	
	1986-87	1%	
	Total :	74%	
Balance Indents to be covered	25	(26%)	
Yearwise stores received against 71 A/Ts	1984-85	NIL	
	1985-86	36	50%
	1986-87	25	36%
Balance	14		

1985-86	Date of placement on DGS&D : 27th March, 1986
No. of Indents	96
No. of Indents covered	20%
Yearwise percentage of coverage of Indents	1985-86 25 1986-87 NIL
Balance Indents to be covered	71 74%
Yearwise stores received against A/Ts	1985 86 NIL 1986-87 2
Balance	23 A/Ts

From the above figures it is seen that in 1983-84 number of uncovered indents was 17 out of a total of 78. To a question whether the uncovered demands in 1983-84 were due to delayed indents put on DGS&D, or the DGS&D failing to procure the items in time, or because the manufacturer failed to supply these items in time, the representative of the Ministry stated, "we have given at the top the dates of placement of indents. The dates are 26th December, 1983, and 25th February, 1984 out of this during the year 1983-84, we could get only 1%."

4.24 It was pointed out that Medical Stores Depots was sending its demand too late. In 1983-84, demand was sent just before three months of the completion of the year (i.e. in December, 1983) and the supplementary demands were sent as late as one month before the expiry of the period for which it was required (i.e. on 25th February, 1984). Similarly in 1985-86 date of placement of indent was 27th March, 1986 i.e. just 3 days before the close of the year which resulted in 80% of the demands remaining uncovered. It is, thus, clear that uncovered demands were largely due to delayed actions for placing the indents.

4.25 The Committee are surprised to note that the Medical Stores Depot, Karnal has been placing indents on the DGS&D for the procurement of medicines unduly late as is evident from the fact that the Depot placed indents on DGS&D in December, 1983 and end of February, 1984 i.e. just three months and one month respectively before the expiry of the period for which the supply was required and the position was allowed to worsen further every year. In 1985-86, the date of placement of indent was 27-3-1986 i.e. just 3 days before the expiry of the period. The Committee visualise that the same may be the *modus*

operandi in other Medical Stores Depots for going in for local purchases. No wonder, a very large number of indents placed by the Depots remain uncovered in the year for which they are placed. The Committee feel that deliberate delay on the part of the Depots in placing the indents with DGS&D and subsequent delay by DGS&D in the procurement of medicines is a major reason for the very high quantum of purchases made by the Medical Stores Depots locally. The Committee would like the Ministry of Health and Family Welfare to take a very serious view of the matter and tighten their administrative control on the Medical Stores Organisation and fix responsibility on those indulging in malpractices so as to ensure that the indents on DGS&D are placed well in time and local purchases are reduced to the barest minimum.

*G. Procurement of Sub-standard Stores at
Government Medical Stores Depot, Bombay*

4.26 In a non-official memorandum furnished to the Committee the following representations have been made :—

- “(1) Certain cots procured by the Medical Stores Depot, Bombay in 1982 were rejected after inspection as these did not conform to the prescribed standards of specifications laid down in the tender. Despite the fact that the suppliers were asked to lift the material, the rejected cots remained lying for almost a year and no action was taken against the supplier and the cots were supplied, after being reconditioned, to the hospitals.”
- “(2) Microscope Munocular (caplit) instruments supplied to the Medical Stores Depot, Bombay were rejected by the Indentors as they did not conform to the prescribed standards of specifications and were sent back to the Depot for getting them exchanged from the suppliers. However these instruments (worth Rs. 99,840/-) were not exchanged and are said to be lying in the godown.”
- “(3) In the year 1980, fifty-five lakhs Paracetamol Tablets were purchased by Medical Stores Depot Bombay, despite their samples having been rejected by the Depot Chemist on account of poor quality and that these tablets were supplied

to various hospitals under their jurisdiction to Madhya Pradesh, Rajasthan and Maharashtra States. Subsequently, the supply was rejected, being of inferior quality."

4.27 Asked to give the details of the above cases, and action taken, if any, against the personnel who are alleged to have indulged in the malpractices, the Ministry in a note has stated that "departmental proceedings have been initiated and relevant papers have been retained by vigilance section of the Ministry."

4.28. The Committee expect the Ministry to expedite the finalisation of the departmental proceedings initiated against the involved personnel and fix the responsibility for the malpractices committed in the matter. The Committee would like the Ministry to strengthen the vigilance machinery so that allegations of malpractices reported from various Medical Stores Depots are investigated expeditiously and deterrent action taken against the guilty so as to avoid, recurrence of such malpractices.

7/10
10/10
10/10
10/10
10/10

CHAPTER V
STORAGE FACILITIES

A. Storage Facilities

5.1 According to the preliminary material ".....Most of the Medical Stores Depots continue to be occupied in the old buildings which have practically outlived their life. Most of the buildings are in dilapidated conditions and are not suitable for storage of medicines for the much controlled conditions. Adequate facilities which are essential for storing drugs are not available at most of the Depots. The construction of the multi-storey buildings for the various Depots is an absolute necessity."

5.2 When asked to give the reasons for the above state of affairs, the Ministry of Health in a note furnished to the Committee has stated that there has been no approved Plan so far, thus there was no scope for construction of any new building for the Depots.

5.3 Regarding the proposals for augmenting the storage facilities, it has been stated that the proposals for providing suitable buildings for the Depots were framed at the estimated cost of about Rs. 18 crores and submitted to the Planning Commission. The Planning Commission has not been able to provide any funds during the 7th Five year Plan on the capital side. Thus, the construction of buildings of all the Depots cannot be taken in the near future.

B. M.S.D. Guwahati

5.4 According to preliminary material Medical Store Depot, Guwahati is catering to the requirements of the North Eastern States. The Depot is at present accommodated in requisitioned building of Guwahati, Gaushalla. The continued retention of the building for an indefinite period may not be possible further and adequate and modern storage facilities are also not available in the building.

5.5 In a note furnished to the Committee, it has been stated that the construction of the fencing wall for the Depot building of Medical Store Depot, Guwahati, has been started. The construction of main building of the Depot has not yet been started as the work has not been let out so far by the CPWD, Calcutta. Cost of the work has been estimated at Rs. 2.84 crores and administrative approval has been given. The work is likely to be completed in 2 years time, as per CPWD estimates.

C. M.S.D. Calcutta

5.6 According to the preliminary material Medical Store Depot, Calcutta is meeting the requirement of indentors in the States of West Bengal, Orissa, Bihar, Sikkim, Andaman and Nicobar Islands. Modern Storage facilities are absolutely essential in the Depot. Necessary plan for the construction of multistorey building is under preparation by the Chief Architect in consultation with C.P.W.D.

5.7 In a note furnished to the Committee it has been stated that the necessary plan for construction of multistorey building for Medical Stores Depot Calcutta has not yet been approved. Since the Planning Commission has not approved any funds for construction of building at Calcutta the proposal to construct multistorey building has been dropped for the time being.

5.8 Regarding the steps proposed to increase the existing storage capacity of buildings housing Medical Store Depots in view of constraints of budget, Ministry of Health in a note furnished to the Committee has stated that Government Medical Store Depot, Calcutta is serving as a Transit Camp for the receipt and distribution of Family Welfare Stores as well. The godowns are used to their optimum capacities with respect to UNICEF, WHO and various National Programme Stores. There is no place in the main depot or godown for storage of these materials. So proposal for construction of temporary structure in the Depot premises at a cost not exceeding Rs. 5/- lakhs has been taken up and the Senior Architect of the Ministry of Health & Family Welfare has been asked to inspect the site for preparation of drawings.

D. M.S.D. Bombay

5.9 According to the preliminary material Medical Store Depot at Bombay is accommodated in a very old building. It has also hired a

godown for storing the United Nations International Children Emergency Fund stores. The Depot is having maximum activity in the field of Programme Stores on account of higher outlays for various National Health Programmes which are distributed through this Depot. The Depot requires much greater storage capacity.

5.10 To a question as to why no extra storage facilities have been provided at Medical Store Depot Bombay despite the fact that it is having maximum activities in the field of Programme Stores, the Ministry in a note furnished to the Committee has stated that no extra storage facilities have been provided and the work for construction of a new building is not proposed to start in the near future as the Planning Commission to which the proposal for provision of funds was made has not been agreed to.

E. M.S.D. Madras

5.11 Regarding Medical Stores Depot at Madras it has been stated that there is no proposal to construct a new building for Medical Stores Depots, Madras in the near future as the proposal to provide funds for construction of the building has not been approved by the Planning Commission during the 7th Five Year Plan.

5.12 It has further been stated that a temporary shed is under construction by the CPWD to ease the existing storage problem.

F. M.S.D. Karnal

5.13 An area of 20,000 sq. ft. is available with the Medical Store Depot, Karnal. There is no further space available for covering the area in Medical Store Depot, Karnal. The proposal for shifting the Medical Store Depot, Karnal, to Chandigarh was made when there was on plan to develop a fullfledged Depot in Delhi and in view of the very small area available for building at Karnal. Since it is now proposed to establish a fullfledged Depot at Delhi, the need for construction of a very big building for the present Karnal Depot at Chandigarh is not considered necessary.

G. M.S.D. Hyderabad

5.14 Medical Store Depot, Hyderabad is housed in a new single storeyed building, which is insufficient and improper as it does not have

essential requirements for staff and security angle. The Depot needs an additional area of 25,000 sq. ft. for its various activities.

5.15 It has been further stated that the reasons for insufficient storage capacity at Hyderabad are increased turnover i.e. around Rs. 6 crores in comparison to what it was handling at the time of construction of the present building. No action can be contemplated as the proposal to provide funds for construction of the building has not been approved by the Planning Commission during Seventh Five Year Plan period.

H. M.S.S.C. Delhi

5.16 The Medical sub-depot, Delhi was established in 1972 for arranging supplies during emergencies. Consequent upon a decision taken by the Government all supplies of medical stores to Central Government Health Scheme and other Central Government Hospitals in Delhi will be made from this sub-Depot. A proposal for conversion of the Sub-Depot into a fullfledged Depot has been included in the Seventh Five Year Plan. At present the Depot is situated in a plot measuring 2.5 acre in the institutional area at New Meharauli Road. It has got built-in area of 300 sq. ft. which is inadequate for meeting new requirements of this Depot. Sufficient space for undertaking the construction of new building with all modern facilities is available in the premises. The possibility of constructing of a building of its own is being considered in consultation with Delhi Developments Authority and the Chief Architect in the Directorate General of Health Services. Till the building of its own comes up, a proposal to rent a suitable accommodation for housing the Depot is under consideration of the Government.

5.17 Regarding storage facilities, during the course of evidence it was stated :—

“Against Rs. 18 crores of requirements, for storage they have given only Rs. 3 crores. Only Rs. 3 crores has been earmarked. Actually the Bombay stores is in a bad condition. Nothing much can be expected.”

5.18 To a question that why the matter regarding allocation of more funds was not pursued with the Planning Commission, the representative of Ministry of Health and Family Welfare stated :—

“the debate was going on whether the Medical Stores Department should continue. This is purely non-Plan subject. Whatever staff and facilities were there, were from the non-Plan side. Nothing more has been provided.”

5.19 In regard to sanctioning of funds for enhancing storage facilities and strengthening of Medical Stores Organisation the representative of Ministry of Health and Family Welfare stated :—

“Actually we have estimated Rs. 18 crores which they have not agreed to. I would only say that the Ministry of Finance was slightly favourable in that they gave us a non-Plan grant for putting up a building at Guwahati. We are addressing the Finance Ministry and the Planning Commission that these buildings have been declared as unsafe buildings. We have to take up the help of the Minister and his counterpart.”

5.20 The Committee are constrained to note that most of the Medical Stores Depots continue to be housed in very old and dilapidated buildings which have practically outlived their lives and are unsuitable for storage of medicines. The Committee also feel unhappy to be informed that it has not been possible for the Planning Commission to provide any funds during the Seventh Five Year Plan for construction of new buildings or augmentation of the present storage capacity. All that has been ear-marked is a sum of rupees 3 crores for storage and some other items against the demand of Rs. 18 crores as a non-Plan expenditure. The Committee hardly expect that within this paltry amount, either it will be possible to make any appreciable improvement in the storage capacity of the Medical Stores Depots or construct any new buildings. The Committee would therefore like the Ministry of Health and Family Welfare to emphasise upon the Planning Commission the imperative need of providing adequate and suitable storage facilities and allotment of requisite funds for the purpose. Alternatively, it should not be difficult for the Government to allot the required funds as a non-Plan expenditure.

I. Stock Provisioning and Monitoring

5.21 It has been stated that with a view to meet indentors demand fully and also to avoid overstocking, Medical Stores Depots ensure that stocks in respect of stock items are not allowed to reach beyond one year requirements and fall below six months requirements based on

the current level of expenditure any time. Stocks in respect of life items are not allowed to reach beyond six months requirements and fall beyond two months requirements based on the current trend of expenditure at any time. The fact that the stocks do not cross the maximum limit is taken care of by each Depot at the time of forwarding provisioning statements to the Directorate General of Health Services, New Delhi.

5.22 To a question that what difficulties were encountered in adhering to the above guidelines, the Ministry of Health in a note furnished to the Committee has stated that the main difficulties to adhere to these guidelines are increase in workload with regard to demands received and also increase in the number of items being handled by the Depots. Another difficulty is that the Depots are still following very old manual system. The system has been reviewed to check its adequacy and effectiveness by the Tata Consultancy Services. They have examined this aspect and their recommendations are under consideration. Specific guidelines have been laid down in the Manual for provisioning of stores for emergencies. The guidelines are reiterated from time to time and items for this purpose have been identified. The Depots have instructed to keep adequate stock of items required emergency within a total ceiling of Rs. 3 crores. The relaxation in purchase procedures have been given to the Depots, to meet the emergent situations.

5.23 Regarding the existence of central coordinating agency, for the provisioning of Stores, the Ministry of Health in note has stated that the central coordinating for provisioning of medical stores is done at the DGHS Headquarters. Its detailed functions are as follows :—

- (i) Checking and scrutiny of figures received from the Depots.
- (ii) Determination of net demand as per prescribed procedure in the Manual.
- (iii) Checking of correct strength, packing, life and current specification of items.
- (iv) Adjustment of surplus stock at Depots and inter Depot transfers.
- (v) Financial sanction of the Ministry for items whose value falls beyond Rs. 1 lakh per item.

- (vi) Placement of indents on DGS & D.
- (vii) Assessment and allocation of funds among the various Depots within the budget available for the Medical Stores Organisation as a whole.

5.24 During the evidence, the representative of Ministry of Health and Family Welfare stated that demands which the Medical Stores Depots were not able to meet in the previous year were also taken into consideration at the time of advance provisioning.

5.25 Asked to explain the reasons for not taking into account all the factors at the time of advance provisioning, the representative of the Ministry stated, "One main factor is that we are getting annual as well as supplementary indents from our indentors. For example Hyderabad Depot received 677 annual indents and 1,077 supplementary indents during last year. For that I can not plan."

5.26 He further stated that for about last 3 or 4 years, the Ministry has been having a feeling that indentors were not planning in a proper manner and that they were going to ask them (indentors) not to place the indents more than twice a year.

5.27 To a question that how the stock position of Medical Stores Depots was assessed in the absence of a proper inventory, the representative of the Ministry replied, "This is the exercise which takes about 8-10 months".....That is why we went to Tata Consultancy to give us the system."

5.28 Regarding difficulties being faced by CGHS dispensaries and hospitals in getting their full quota of medicines, it has been stated that the Medical Stores Organisation took over the responsibility of making supplies of medical stores to the C.G.H.S. Dispensaries and Hospitals throughout the country consequent to a decision to this effect taken by the Government at the end of 1983. Supplies are not directly made to the CGHS Dispensary but to their Central Medical Stores. The main difficulty relates to the inability of the Medical Stores Depots in making full supply of stores. This situation has mainly arisen due to the indenting pattern of the CGHS, etc. C.G.H.S. places annual indents on the Medical Stores Organization in the month of January each year and supplies are demanded by them in three instalments at an interval of

four months. The CGHS also places supplementary demands for non-available items whenever there is a stock-out situation or a possibility of stock-out situation. They also change their formulary frequently, due to which the trend of consumption of a number of items cannot be established. Adequate advance provisioning is not possible therefore. The pattern of indenting leads to increase in local purchases since the DGS & D takes atleast 6-9 months time for the conclusion of Annual Tender for which indents are placed with them. It also leads to delays and non-adherence to delivery schedules due to lack of time. To remedy this situation indentors, including CGHS, have been advised to work out their requirements and place indents only twice a year. This would enable the Medical Stores Organization to scrutinise and place orders with the DGS & D well in time. In fact, it would ensure proper forward provisioning.

5.29 In a subsequent note, it has been stated that the Report of Tata Consultancy Services for Modern Methods of monitoring has been received and their main recommendations in this regard are as follows :

Main Recommendations

- (1) Their specific recommendations are in the field of development of a system for forecasting and requirement planning of various medical stores, considering trends of consumption, indentors profile, etc.
- (2) More effective systems and procedures for procurement of various items, Recommendation of appropriate inventory control systems for ensuring timely availability of stores.
- (3) Streamlining procedures relating to receipt, storage, issue and despatch of various materials for minimising delays, ensuring proper stores routine and controlling pilferages, losses and wastage of materials.

The recommendations are under consideration.

5.30 The Committee find that the main factor coming in the way of effective forward provisioning of medical stores and ensuring full and timely supply of stores to various indentors including CGHS is the placement of a very large number of supplementary and emergency indents by the indentors in an arbitrary manner. The Committee note

that to remedy the situation, the Ministry of Health and Family Welfare is planning to ask the indentors to place indents with the Medical Stores Depots not more than twice a year. The Committee however, fail to understand that how in the absence of proper inventory control, any forward provisioning of medical stores can be meaningful even though the indentors adhere to the schedule as desired by the Ministry. They feel that all that is being done now in the name of forward provisioning of medical stores is that all provisioning is being done on an *ad hoc* basis. The Committee, therefore, desire that the Medical Stores Depots should evolve an effective inventory control system so that forward provisioning of medical stores could be done on a realistic and scientific basis. In this connection the Manual of Medical Stores Depots, which is stated to have become outdated, should be reviewed, revised and updated so as to obviate the problems in adhering to the guidelines specified for proper stock provisioning. The recommendations contained in the report of Tata Consultancy Services regarding forward provisioning and modern methods of monitoring should also be examined quickly and implemented at the earliest. The Committee desire that in future if a study regarding forward provisioning and modern methods of monitoring is to be made, the work should be entrusted to an Organisation under the Government viz Defence Institute of Work Study Mussorie and the like, instead of entrusting it to a private Organisation.

J. Revision of V.M.S.

5.31 It has been stated that those items are included in the Vocabulary of Medical Stores (VMS) which are commonly demanded by the hospitals, dispensaries, institutions like C.G.H.S., P & T dispensary, Central Reserve Police Force, Border Security Force etc. A periodical review of the VMS is also undertaken to weed out items which are not more in use and to include items which are of new origin and are popular with the medical profession.

5.32 The Committee have been informed that the Vocabulary of Medical Stores was revised twice during 1983-84, twice during 1984-85 and once during 1985-86.

5.33 The criteria for including the items in the VMS have been stated to be as follows :—

- (1) The item should be included as liberally as possible in increase the business in the Depots. All items whose annual sale value

as furnished by the firm comes to Rs. 1 lakh and above should be included in the VMS. (The above criteria was to be adopted only when the number of drugs to be included in a particular pharmacological category are too many. The idea was that the VMS is not made too bulky by unnecessarily increasing the paper work.)

- (2) Those items about whom complete information is not received from the manufacturers were not to be scrutinised.
- (3) At least Ten medicines may be included under each category wherever they are available so as to enable the indentors to exercise their choice in framing the demnds.
- (4) The drugs under generic name as received from the firm against advertisement and items approved under CGHS, P&T, Central Government Hospitals and recommended by Primary Health Centres, Hospitals, Director of Health Services and Depots were to be included.

5.34 During the evidence Committee have been informed that indentors could procure such items as are not in the list of Vocabulary of Medical Stores by obtaining a non-availability certificate from them.

5.35 Regarding the non-availability of a particular medicine, the representative of Ministry stated,

“There is a standing Committee under the Director of CGHS and some representatives of the CGHS dispensaries. This Committee normally meets once in a year to decide the medicines which should be made available from the dispensaries. But besides this there is a regular system. Once in a year the Directorate of CGHS goes and gets formulations of the non-listed medicines which are frequently prescribed. In that case he calls a special meeting of the Committee to consider these lists. The last special Committee met only a month back, when they considered 23 medicines which though not in the list are frequently prescribed, they decide to include those 23 medicines also in the list as a routine, this exercise is done every year.....”

5.36 The Committee have also been informed that the formalising Committee of MCD also considers availability of medicines in CGHS which are commonly prescribed by some specialists. Their next meeting would be held sometime next month and thereafter it was almost an yearly meeting.

5.37 In a note furnished to the Committee it has been stated that from the indents of five cases it is found that in all 34% of the items could not be supplied to the indentors. Out of this 34%, (1) 10% of items could not be supplied as they were not in the Vocabulary list of Medical Stores Depots. (2) 4% of items were not supplied by manufacturers, (3) 10% of items could not be got due to inadequate Budget, and (4) 10% of items could not be got due to delay in initiating procurement action which was due to increased value of Stores handled without proportionate increase of staff strength.

5.38 The Committee note that from the survey of indents of five cases, it is found that 34% of the items could not be supplied by the Medical Stores Depots to the indentors. Out of this 34%, 10% of the items could not be supplied as they were not included in the Vocabulary of Medical Stores Depots. The Committee have reasons to believe that this percentage might be higher if all the indents were verified. The Committee, therefore, need hardly stress that constant efforts are called for maintaining the Vocabulary of Medical Stores Depots upto date by making additions based on systematic analysis of demand data available from various sources and by deleting items, the demand in respect of which from all depots put together, has gone down beyond a particular level. It should also be ensured that all life saving and vital drugs find a place in the Vocabulary of Medical Stores.

K. Family Welfare Stores

5.39 In the Inspection Report of Government Medical Stores Depot, Calcutta held on 14-8-1985, it has been stated that "about 3,500 packets containing Family Welfare Stores were lying in the open space. Deputy Asstt. Director General (MS), Calcutta, had no instructions for further despatch of the material to the various consignees there is no storage place in Calcutta Depot for keeping the Family Welfare Stores. Hence, the creation of a temporary shed for storing the Family Welfare items, is absolutely essential."

5.40 When asked to give reasons for the aforesaid stores lying in open space for a long period, and delay in the issuance of instructions for their despatch and to state whether any coordination was maintained between MSDs and concerned Programme Officers responsible for implementation of National Health Programmes, the Ministry of Health and Family Welfare in a note furnished to the Committee has stated that the Stores remained lying in open space since June, 1985 i.e. for 3 months but were fully covered with tarpauline. The release instructions were received by the Depot in the month of August and September, 1985 and the stores were despatched during the month of August and September, 1985. Close coordination is being maintained between MSDs and the concerned Programme Officers by way of regular meetings and correspondence.

5.41 Regarding the provisions made in Calcutta Medical Stores Depot and other Medical Stores Depots for keeping the Family Welfare Stores in the covered space it has been stated that no additional provision has been made so far. However, it may be mentioned that the situation of keeping the stores in open space is faced only once a while when huge stores are received suddenly by the Depot In no other Depot except Guwahati, the stores have been lying in open space. But they were covered with tarpauline fully. The reasons for this is that the Guwahati Depot has no building of its own and no adequate covered space for keeping the stores. Action to provide a new building for MSD Guwahati is being taken.

5.42 The Committee regret to note that Family Welfare Stores in Calcutta Depot were exposed to vagaries of nature as they remained lying in open for three months from June, 1985 to September, 1985 because of delay in the issuance of instructions for their despatch from the Department of Family Welfare. This is indicative of the fact that there is lack of proper coordination between the Medical Stores Depots and the programme officers responsible for implementation of National Health Programmes. The Committee desire that adequate arrangements should be made by the Medical Stores Depots to keep the stores required for National Health Programme properly. The Committee feel that better coordination between Medical Stores Depots and the concerned National Health Programme officers is called for for prompt despatch of such stores in future.

The Committee have been informed that Guwahati Depot has also no building of its own and there is no adequate covered space for keeping stores. The action which was reportedly being taken to construct the building should be expedited and the building completed within a definite time schedule which may be laid down for the purpose.

CHAPTER VI

LOSSES

A. Losses

6.1 In the Preliminary Material furnished to the Committee it has been stated that the losses in the Medical Store Depots on account of theft or pilferage can be said to be not very substantial. To avoid theft and pilferage, watchmen have been employed round the clock. No unauthorised persons are allowed to enter into the Depot. All incoming and outgoing packages, including the vehicles, are checked by the security staff. Group 'D' personnel of the Depots are also searched while leaving the Depot everyday. Stocks are verified regularly by internal stock verifier and security officer is keeping strict vigil for outgoing stores. Surprise checkings are done while packings and loadings. Bin card balances are verified by Section Officers. Life Registers for life saving drugs are maintained and scrutinised by officers regularly.

B. Out dated Drugs

6.2 It has further been stated that as regards losses incurred in the Medical Stores Depots on account of drugs becoming outdated the Annual review of working of Internal Audit Wing for the year 1984-85 revealed that the depots were having stock of life expired medicines as under :—

	Rs.
Medical Stores Depot Bombay	5,57,327.63
Medical Stores Depot Calcutta	10,50,867.89
Medical Stores Depot Madras	12,17,187.00
Medical Stores Depot Hyderabad	8,232.00
Medical Stores Depot Guwahati	2,83,409.09
Medical Stores Depot Karnal	13,21,404.12
	<hr/>
Total :	Rs. 44,38,527.73

6.3 However, the said amount of Rs. 44.39 lakhs cannot be treated as a loss to Government as there was commitment from the suppliers for free replacement to the extent of Rs. 15.08 lakhs and action was also proposed to get such free replacement to further stock of Rs. 26.16 lakhs.

6.4 In a note furnished to the Committee, it has been stated that as on date the value of time expired stores work out to Rs. 34.95 lakhs out of which undertaking for replacement are available for Rs. 7.53 lakhs.

6.5 Regarding the procurement of items having adequate life period it has been stated that all efforts are made to obtain medicines with adequate shelf life. Never the less, sometime is taken in getting the item tested and lifting the stores from one place to another.

6.6 To a question whether any enquiry has been conducted to ascertain the causes of accumulation of outdated drugs it has been stated that the departmental investigations are conducted from time to time. As a result of constant monitoring, time expired items during the last two years have remained at the level of Rs. 1.12 lakhs, out of which undertakings are available for Rs. 40,000/-.

6.7 During evidence, in reply to a question, the representative of Ministry of Health and Welfare stated, "Sir you will appreciate, in such a organisation which is handling so many items and also items with very short life it is bound to happen. But I would like to point out that this is cumulative value. We are taking certain precautions. We are now taking an undertaking from the suppliers. The loss figure, which you have mentioned is as per the 1984 Audit Report. Now this has come down. One of the items had been procured from DGS&D, we have taken it up with them."

6.8 The Committee are firmly of the opinion that had the Ministry of Health and Family Welfare continuously and closely monitored the the receipt and despatch of drugs by the Medical Stores Depots, the quantum of stock of life expired drugs which stood at Rs. 44.39 lakhs till August, 1986 would have been much lower. The Committee cannot but attribute this state of affairs to the lassitude shown by the concerned authorities and the lackadaisical manner in which they have dealt with this matter causing a huge loss to the exchequer. The Committee under-

stand that the Ministry of Health and Family Welfare has now initiated certain measures to remedy this situation. The Committee stress that strict vigil should be kept on the stock position of such drugs and their issue on priority basis so as to reduce the quantum of loss on this account to the barest minimum.

The Committee would emphasise that normally drugs having full span of life at the time of purchase, should be procured by the Medical Stores Organisation. If, however, due to emergency some drugs having a short period of life have to be purchased, the feasibility of inserting a condition in terms of purchase of such drugs should be considered that in case such drugs remained unutilised within the short period left for expiring these would be replaced by the firm concerned by fresh drugs free of cost.

C. Outstanding dues

6.9 In the inspection report of a Medical Store Depot, Calcutta held on 14.8.1985 it has been stated that, the position of outstanding dues with the indentors was found to be most unsatisfactory as huge arrears are pending against the indentors.

6.10 Asked to give the reasons for the above state of affairs, the Ministry of Health and Family Welfare in a note furnished to the Committee has stated that two main reasons for outstanding dues are (1) delay on the part of indentors in making payment and (2) delay in communicating issue prices to the indentors.

6.11 Regarding the steps taken to recover/bring down the outstanding dues it has been stated that the matter has been taken up with the controlling authorities of the indentors at higher levels. Personal contacts have also been made by senior officials of the Ministry. Instead of the time consuming moving weighted average method for each transaction a monthly weighted average method as advised by the Tata Consultancy has been introduced.

6.12 During evidence, it was stated that major difficulty in getting payment from indentors were from Bihar, Orissa, Andaman and Nicobar Islands, West Bengal, Post and Telegraph, C.G.H.S. etc.

6.13 When asked whether the Ministry approached such indentors against whom large amount of payment was outstanding to find out from them as to what were the difficulties in making the payment by them, the representative of Ministry of Health and Family Welfare stated :—

“We have been contacting the major indentors against whom outstanding are there. We personally contacted Secretary, Health, West Bengal, we also went to Orissa. We have taken up with CGHS and P & T alsoBut the ultimate position is that a total of Rs. 20.89 crores are outstanding at the moment.”

6.14 Asked to give the reasons for any delay in communicating the prices the representative of Ministry stated :—

“there was a defect in the system. It was a moving average system. But this has now been changed and made monthly—the average of purchase made over that period.”

6.15 It was stated that the oldest payment which was outstanding was for the year 1976-77 and no interest was paid by the indentors for the outstanding dues.

6.16 The representative of the Ministry also stated that :—

“In future there should be no difficulty because we have now agreed on the procedure that if, with in two months, payments are not received, the Central Accountant General will raise the debit against the State Government concerned and that will be accepted by the State Government.”

6.17 It has been further stated that the total outstanding recoveries from indentors as on 31.3.1986 was Rs. 2089.98 lakhs as per details given below :—

Statement showing outstanding dues from Indentors

Year	Arrears	Percentage of arrears to total demand	Demand for the year	Percentage of current demand to total	Total demand	Collection	Percent- age	Balance
1981-82	23.17	59.64	15.68	40.36	38.85	19.93	50.40%	19.27
1982-83	19.27	50.78	18.68	49.22	37.95	19.57	51.57%	18.38
1983-84	18.38	46.83	30.87	53.17	39.25	23.28	59.31%	15.97
1984-85	15.97	51.37	34.94	68.63	50.91	32.01	62.78%	18.90
1985-86	18.90	28.60	47.29	71.40	66.10	45.65	69.10%	20.45

6.18 The entire outstanding amount related to the period from 1976-77 onwards after departmentalisation of accounts. The details of outstanding recoveries furnished are in respect of major indentors only. There are also small indentors from whom some recoveries are due but have not been included in the list to avoid making it lengthy. In the list some amounts are included as outstanding against Non-Governmental Organisations. These relate to amounts pending against Panchayat Samitis, Municipalities etc. As per the prescribed procedure supplies were to be made on a system of advance payments before delivery of stores to these bodies but sometimes this was not rigidly followed in times of epidemics, emergencies etc. From the depot level as well as from the Directorate level the matter is pursued regularly to recover the outstanding dues with concerned Central/State Government institutions, Non-Government bodies etc. by issuing reminders including D.O. reminders at Joint Secretary's level to the concerned Secretaries, Chief Secretaries and Directorate officials are also contacted personally from time to time. The efforts have borne fruit as is evident from the reduction in the percentage of outstandings.

6.19 The following statement gives *inter alia* the names of some of the major indentors, the amount in respect of whom outstanding is above Rs. 50 lakhs and the period from which the amounts are outstanding :—

Sl. No.	Name of defaulting indentor	Name of M.S.D.	Amount outstanding (Rs. in Lakhs)	Period for which the dues related
1	2	3	4	5
1.	Post & Telegraph	Karnal	136.19	1976-77, 1978-79 to 1982-83, 1984-85 to 1985-86
2.	Posts & Telegraph	Bombay	126.34	upto 1985-86
3.	Union Territories	-do-	57.65	-do-
4.	C.G.H.S., Bombay	-do-	59.44	-do-
5.	Govt. of Madhya Pradesh	-do-	135.72	-do-
6.	Govt. of Maharashtra	-do-	67.64	-do-

1	2	3	4	5
7.	CGHS, Hyderabad	Hyderabad	143.16	1977-78 to 1985-86
8.	Andhra Pradesh Government	-do-	216.64	1980-81 to 1985-86
9.	Tamil Nadu Govern- ment Institutions	Madras	107.29	1976-77 to 1982-83
10.	P & T Dispensary Varanasi (U.P.)	Calcutta	84.75	1976-77 to 1985-86
11.	C.G.H.S. Calcutta	-do-	68-89	1976-77 to 1980-81 1985-86

6.20 The Committee are constrained to learn that as on 31 March, 1986 a colossal amount of about Rs 21 crores was lying outstanding for years against the indentors and all these years the Ministry of Health have not been serious either for the recovery of the amount or for removal of the bottlenecks found in the system. It was only after the Tata Consultancy Services gave their recommendations, that the Ministry initiated certain measures to retrieve the situation. The Committee hope that with the steps now envisaged, it will be possible to keep such dues to the barest minimum. The whole matter, should, however, be continuously kept under review so that immediate counter steps could be taken whenever it was found that the system now evolved was going astray.

D. Chemical Testing Laboratories

6.21 Although, testing facilities are at present available at Government Medical Stores Depot, Madras, Bombay and Calcutta, these are quite inadequate for meeting even their present testing requirements. The Depots are accordingly required to send their samples to outside laboratories for testing. The Depots at Guwahati, Hyderabad and Karnal and Sub-Depot at New Delhi are not having any testing facilities at all and they are fully dependent on outside laboratories. Depots also avail of testing facilities concerning biological and Animal House, Madras which is a subordinate office under Medical Stores Organisation.

6.22 The Chemical Laboratories as also the Biological Laboratory and Animal House, Madras are not adequately equipped to take all the

samples load from the Depots and require modernisation. Accordingly, a scheme for establishment of the new Chemical and Microbiological Laboratory at Guwahati, Hyderabad and Karnal/Delhi and strengthening of all the existing chemical laboratories at Bombay, Calcutta and Madras has been prepared under the Seventh Five Year Plan which has been approved by the Planning Commission. This Scheme is proposed to be taken up implementation from 1986-87 itself and a proposal in this regard is already under consideration of the Government.

6.23 To the question about not providing separate Chemical Testing Laboratories for Medical Stores Depots at Guwahati, Hyderabad, Karnal and Sub-Depot at Delhi, Ministry of Health and Family Welfare in a note furnished to the Committee has stated that since Medical Store Organisation was a Non-Plan venture so far there was no provision for establishing new laboratories at these provision for establishing new laboratories at these Depots. Now since Medical Store Organisation has been included as a Plan Scheme for development in the Seventh Five Year Plan the proposal to provide the laboratories to these Depots as well as to augment the existing laboratories are under final stages of approval. These proposals have already been approved by the Planning Commission.

6.24 When asked that how the contents of a particular sample are tested in the case of those Depots which do not have the laboratories attached to them, the representative of Ministry of Health and Family Welfare stated,

“We have got facilities at three depots; Bombay, Madras and Calcutta. We do not have the facilities at the other four depots. Wherever we do not have our own laboratories, we send the samples, to other approved laboratories.”

6.25 In reply to a question that how many more laboratories were required, the representative of the Ministry stated, “Four more Laboratories.”

6.26 When asked as to how many samples had been sent for examination in the past three years and what was their results, the representative of Ministry of Health and Family Welfare stated.

“During the year 1985-86, the samples which were tested in our own laboratories total 5,984 and outside laboratories 12,565. We are getting 68% samples tested from outside laboratories. The total number of samples failed in test is 363.”

6.27 It has been further stated that in order to strengthen the quality control measures in the Depots a proposal for additional chemical testing laboratories and augmentation of existing laboratories was made in December, 1985. The Planning Commission approved the proposal on 19th March, 1986. This augmentation of existing laboratories is part of the main scheme for development of Medical Stores Organisation during the Seventh Five Year Plan Period. The Planning Commission had made specific budget provision of Rs. 500/- lakhs for the Annual Plan 1986-87 out of which for this particular component Rs. 26 lakhs has been earmarked. The proposal is now under consideration of senior officers of this Ministry.

E. Review of Testing

6.28 According to an Inspection Report of Government Medical Stores Depot, Calcutta held on 14-8-1985, a review of items to be tested by the Depot as well as outside laboratories during the last three months revealed that out of a total of 994 items required for testing, 440 were tested in that Depot Laboratory and 195 were tested in the outside Laboratory thus the total number of items tested during the last three months were 635 samples leaving 359 items pending for test.

6.29 In reply to a question as to why all the items could not be sent for testing during the prescribed period of three months and where the pending 359 items were sent for testing, the Ministry of Health and Family Welfare in a note furnished to the Committee has stated that all the items were sent for test during the prescribed period. However, the delay was on the part of the laboratories in conducting tests. The pending samples were tested within one month. Out of 359 samples 239 samples were pending in outside laboratories and 120 in Depot laboratories. Delay in testing this large volume of samples was caused due to the limited testing capacity of the laboratories.

6.30 From the tour report of Government Medical Stores Depots Bombay, the Committee noted that in case of proprietary drug items out of 198 batches received in December only 20 batches were tested. In January, 1986 out of 327 batches only 16 were sent for test.

6.31 When asked as to why 100% batches of drug samples received by the laboratories were not tested, the Ministry of Health and Family Welfare in a note has stated that instructions exist for testing each and every batch by the Depots and in such cases explanation is called for and administrative action is instituted if the explanations are not found satisfactory.

6.32 In respect of the testing facilities in the laboratory at Bombay, the Tata Consultancy Services, New Delhi, in their Report on Materials Management system has *inter alia* stated that testing facilities in the laboratory at Bombay are very unsophisticated. As a result, testing cannot be done for a number of items, including injections, eye-drops, vitamins and most multi-ingredient drugs. For other drugs also, only simple chemical tests can be done. Because of the old technology of equipments, even these tests take a long time Depots do not have any facilities for testing of instruments and a large number of sundry items. Most of these items are accepted without adequate testing. It was observed that depots do not use any statistical method for picking up samples from batches and only one sample is taken from each batch. As a result in some cases, materials accepted by the Bombay depot have been rejected on further testing by other depots.

6.33 The Committee are constrained to note that despite the fact that the chemical testing laboratories attached to the Medical Stores Depots at Bombay, Calcutta and Madras are very unsophisticated and ill-equipped to test all the samples from their respective depots, the Ministry of Health and Family Welfare remained a silent spectator to the requirement for augmentation/opening of new chemical testing laboratories, and continued to have almost 68% of the samples tested from outside laboratories. Further in some of the depots the instructions regarding testing of all the batches are not followed. To supply untested drugs for consumption by the people is playing with precious lives and the Committee fail to understand how the Ministry of Health allowed such a situation to continue for so long. It was only in December, 1985, that proposal for additional chemical testing laboratories and augmentation of the existing laboratories was submitted to the Planning Commis-

sion for approval which has since been received. The Committee expect that the scheme will be implemented in right earnest without any further loss of time so that sophisticated and most modern testing facilities are made available in the testing laboratories under Medical Stores Depots.

F. Acceptance of drugs on Warranty or Post Lab. Test basis

6.34 From a Tour Report of the Directorate General of Health Services in respect of Medical Stores Depot, Madras, it is found that "A quantity of 29,000 number of Pyrozinamide tablets 500 mg. (VMS 01090) were received from M/s Alpine Industries, New Delhi under SO 277 dated 16.8.1984. As the item was required urgently for issue, the same was accepted on warranty and post lab. basis out of the above quantity 7,000 Nos. were issued to T.B. Sanatorium Tambaram and simultaneously the samples were sent to Lab. (Chemical Lab., Medical Store Depot, Madras) for testing. During that the sample was declared as "does not conform to specification with reference to description vice white circular flat bevelled edged uncoated tablets with plain in one side and a central score on the other side and the number of broken tablets found in the container."

6.35 On being asked as to under what circumstances medicines are supplied to the indentors before testing, Ministry in a note has stated that Medicines are accepted only after test. However, in cases of emergency as well as at the time of acceptance of stores from Public Sector Undertakings viz. IDPL and HAL very negligible percentage of items are accepted on warranty/Guarantee on post lab-test basis. In the procedure, samples are drawn and sent for test before despatching the stores.

6.36 It has further been stated that clear cut instructions are available with the Depots that the medicines should not be supplied to the parties without proper testing. The existing instructions have been stated to be adequate and no necessity is felt to provide any further guidelines on the subject.

6.37 Asked about the medicines accepted on warranty and supplied to indentors before testing the samples in respect which failed and the medicines had to be withdrawn, it has been stated that the information relating to stores accepted on Warranty/Guarantee Certificate and supplied to the indentors before testing the samples which failed subsequently and had to be withdrawn are given below :—

Statement showing medicines accepted on Warranty/Guarantee Certification prior to lab. testing

Sl. No.	Year	Name of Medicine	Name of Supplier	Quantity	Remarks
1	2	3	4	5	6
1.	May, 1979	Phenyl	Hyderabad M/s Shyam Agencies, Hyderabad.	11,000 Lt.	10,200 Lts. were issued and for balance 800 Lts. the firm originally wanted to get it replaced but on a representation from the firm it was decided that cost of 800 Lts. may be deducted from their bills. The case was investigated by CBI and warning letters were issued to the defaulting officers. However, the supplier M/s Shyam Agencies Hyderabad were banned from making any supplies to Medical Store Depot in future and Depots were forbidden to enter into any dealings with this party.
2.	1983-84	Ampicillin Dry Sup.	Gawabati M/s Hindustan Antibiotics, Pune.	5481 Bot.	Failed in assay. Item accepted on warranty/guarantee to meet urgent demand of Govt. of Assam. Free replacement given by firm with quality drug.
3.	1984-85	Pyrazinamide	Madras M/s Alpine Industries.	29,000 tabs.	A quantity of 19,000 pyrazinamide tabs. 500 mg. were received from M/s. Alpine Industries, New Delhi.

As the item was required urgently the same were accepted on warranty/guarantee and 7,000 tablets were issued to TB Sanatorium Tambarum. Some tablets were found in broken condition in the tins. However, as the indentor had already consumed all the 7,000 tablets issued to them nothing could be withdrawn. Since no payment was made to the firm on this account, the question of deducting any amount did not arise.

4.	1984-85	Chloramphenicol & Streptomycin Sulphate Caps.	M/s Alpine Industries, New Delhi.	2,00,000	Failed in assay. Item accepted to meet epidemic requirement of Tripura. Free replacement made with standard quality drug.
5.	1984-85	Tr. Belladonna	M/s Northern India Chemical Works Pvt. Ltd., Meerut.	375 Lt.	Failed in assay. Item with only one year shelf life. Accepted on warranty to meet requirement of remote localities in Arunachal Pradesh. Stores withdrawn and returned.
6.	—do—	Tr. Hyoseyamus	—do—	498 Lt.	—do—
7.	1984-85	Bibutol Tabs.	M/s Bogs India Pvt. Ltd. Sonapat.	24,000 Tabs.	Failed in assay. Accepted on warranty on urgent demand from CRPF. Entire rejected store returned to supplier at their cost.

8. 1985-86 Sulphacetamide Eye drops. M/s. IDPL. 275 Failed in assay. Accepted on urgent demand from Phials Assam Government Stores withdrawn.
9. 1985-86 Nystatin Oral Tabs. M/s. Alpine 5000 Failed in assay. Accepted on warrantee to meet requirement of Arunachal Pradesh indentors. Drug withdrawn.
10. 1985-86 Glycerine M/s Bijoy Stores & Trading Corpn. 300 kg. Failed in description (yellowish colour). Accepted on warranty to meet emergent requirement of Assam Government in absence of non-availability from central sources. Stock withdrawn and returned.
11. 1985-86 Chloride Antiseptic liquid. M/s C.I. Lab. 800 Lts. Failed in assay. Accepted to meet emergent demand of Assam Government stock withdrawn and returned.
12. 1985-86 Caps. Oxytetracycline. M/s IDPL 1,57,000 Failed in description. Accepted to meet timely requirement of indentors as earlier consignment lost in transit and nil stock in the Depot. Stock withdrawn and returned.

6.38 The Committee are surprised to find that inspite of clear instructions that the medicines should not be supplied to the indentors without proper testing, quite a large number of medicines have been accepted on warranty/guarantee certificate and despatched to the indentors before testing the samples, which failed subsequently and had to be withdrawn. They are unhappy to note that in one case the medicines had already been consumed before withdrawal process could be initiated. In the circumstances, the Committee can not help concluding that the instructions on the subject are being flouted with impunity. The Committee strongly recommend that in no case medicines should be accepted before proper lab testing. In case some medicines are accepted on warranty/guarantee certificate in an emergency, it should be ensured that their samples are properly tested before they reach the indentors. If in an emergent situation it becomes necessary to accept medicines on warranty/guarantee basis, they may be despatched to indentors to save time but indentors should be told clearly not to distribute the medicine till they are given the clearance after the testing. Such drugs could be got tested on priority basis and indenter informed of the result through a fast communication like telephone, telex or telegram. In all cases where such medicines were supplied before lab testing and subsequently not found to be of requisite quality, the responsibility should be fixed on the persons involved and stringent action taken against them. The Committee would also like the Ministry of Health and Family Welfare to examine whether the existing instructions on the subject are ambiguous and require elucidation and further tightening.

G. Life Saving Drugs

6.39 To a question about the non-availability of life saving drugs in various Hospitals in a note furnished to the Committee, it has been stated that :

“There is no definition of life savings drugs so far. The responsibility of Medical Stores Organisation is to procure and stock vital drugs. Medical Stores Depots have identified about 18 drugs as vital drugs to be stocked in the Depots all the time. These are subjected to monthly checks. In a surprise check at Medical Store Depot, Bombay recently, it was observed that out of these 18 drugs only 2 were not available at some point of time. Procurement action in respect of these two drugs

was already under process. In this way Medical Store Depots try to ensure availability of vital drugs for indentors which include Hospitals.”

6.40 The Committee need hardly point out that even though there may not be a technical definition of life saving drugs as such, this terminology is very commonly and frequently used and understood. The Committee note that in the absence of such a definition, only 18 drugs have been identified as vital drugs and are required to be stocked in the Medical Stores Depot all the time. They are however, unhappy to be informed that there is no foolproof system of having regular checks to ensure the availability of such drugs in Medical Stores Depots all the time as is evident from the fact that as a result of surprise check at Medical Stores Depot Bombay, 2 drugs out of these 18 were found to be not available in the stock. The Committee desire that realistic and effective checks should be conducted at regular intervals in all the Depots to ensure the availability of such drugs at all times.

NEW DELHI ;
March 20, 1987

Phalguna 29, 1908 (S)

CHANDRA TRIPATHI,
Chairman,
Estimates Committee.

APPENDIX

Statement of Recommendations/Observations

S. No.	Para No.	Recommendation/observation
1	2	3
1	1.10	<p>The Committee are constrained to note that despite an increase of actual indentors from 2,665 in 1984-85 to 4,000 in 1985-86 and also increase in the volume of medicines indented by them, there has been no corresponding increase in the infrastructure, storage and testing facilities in the depots being managed by Medical Stores Organisation. The depots continue to be housed in very old, in most cases rented buildings with totally inadequate storage capacity and paltry and pre-mitive testing facilities. In the circumstances, one can hardly expect the Medical Stores Organisation to realise fully the objectives for which it was set up. For all these years the expenditure being incurred on the Medical Stores Organisation has been non-plan and it is only in the Seventh Five Year Plan that the Ministry of Health and Family Welfare has shown seriousness for toning-up the functioning of the Medical Stores Organisation and has chalked out a Plan Scheme for implementation. The Committee hope that when the scheme is fully implemented it will be possible for the Medical Stores Organisation to play a vital role in the distribution of drugs to various indentors particularly to Primary Health Centres and small dispensaries located in the remotest corners of the country</p>

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and implementation of National Health Programmes etc.

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The Committee note that although work of the Medical Stores Organisation has been increasing substantially with the passage of time yet the staff strength since 1979-80 has remained more or less stationary. In 1979-80 the number of items dealt with by Medical Stores Organisation was 1,709 which has now risen to 3,060. Similarly, the turn over rose from Rs. 17.93 crores in 1979-80 to Rs. 72 crores in 1985-86. The Committee find that there is no regular and systematic procedure for the assessment of staff strength of Medical Stores Organisation and it is left to the Internal Work Study Unit to do the needful according to a roster. That Unit undertook the study of Depots at Bombay, Calcutta and Guwahati in 1976, Karnal in 1983, Madras in 1984 and Hyderabad in 1985, and recommended for the augmentation of staff in respect of some of these Depots but surprisingly the matter was kept in abeyance. The Committee desire that the Ministry of Health and Family Welfare should evolve suitable work norms and have the assessment of staff requirements made at regular intervals, so that the work of the Medical Stores Organisation could be carried on smoothly. The assistance of Administrative Staff College, Hyderabad and Defence Institute of Work Study, Mussorie could be taken in this regard. Where it is established that the staff strength needs augmentation, the follow up action should be taken promptly otherwise the whole exercise of making assessment of staff requirement becomes meaningless and cost and labour involved goes sheer waste.

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3	2.26	<p>The Committee need hardly point out that to enable the officers and staff of Medical Stores Organisation to discharge their duties efficiently, their exposure to regular and indepth training in the field of stores keeping and material management is of paramount importance. The Committee however note that there is no regular system of imparting training to the staff of Medical Stores Organisation. Only some senior officers have been sent for training organised by National Institute of Health and Family Welfare, which is stated to be hardly equipped to impart training in the field of stores keeping and material management. The Committee feel that the services of Administrative Staff Training College, Hyderabad which is considered to be a premier institution for imparting training in these fields should have been utilised. The Committee desire that not only the staff at higher levels, but also at middle and lower levels, should be exposed to training regularly at the Administrative Staff Training College, Hyderabad so as to acquaint them with the modern techniques of store keeping and material management.</p>
	2.27	<p>The Committee desire that training programmes in the maintenance of accounts should also be arranged for the employees working in the accounts sections of all the Depots on a regular basis.</p>
4	2.35	<p>The Committee are unhappy to be informed that although the number of existing depots is inadequate to cater fully to the needs of the country, yet in the first instance it has been thought to strengthen the existing depots and to convert the Medical Store Sub-Depot Delhi into a full-fledged depot only. The Committee strongly feel that</p>

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keeping in view the overall increase in the turnover of various indentors and activities of Medical Stores Depots the Ministry should examine the feasibility of setting up of more depots in the areas where there is demand but the present arrangement is not adequate to cater to it. In this context the feasibility of opening a Sub-depot at Port Blair should be considered.

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The Committee would also like the Government to go into the question of non-purchasing of medicines by many States from Medical Stores Organisation in all its ramifications and evolve a suitable policy where the Central Medical Stores Organisation and the States Medical Stores Organisations could work in close rapport.

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2.43

The Committee are unhappy to note that although the pharmaceutical factories were set up long time back, nothing has been done so far to modernise them or augment their capacities. What is more distressing is that there is no such proposal for implementation in the near future also. The Committee consider that there is an urgent need for modernisation of the pharmaceutical factories as well as augmentation of their capacities in the interest of expanding the activities of the Medical Stores Organisation.

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2.48

The Committee note that necessity for streamlining the functioning of Medical Stores Organisation and the desirability of converting its existing set up into a Company has been recommended by a number of expert Committees appointed so far. The Public Accounts Committee also, in their 49th Report (6th Lok Sabha) endorsed these

views. The Committee consider that if the Medical Stores Organisation is to fully realise its objectives, for which it was set up, it is but imperative that its functioning be effectively streamlined so as to make it a viable commercial organisation. It is surprising that the Ministry has not paid due attention to the recommendations contained in the reports of the various expert Committees and dealt with them in a casual manner. It was only in 1975 that a note for the consideration of the Cabinet about the conversion of Medical Stores Organisation into a Government Company was prepared and circulated in pursuance of the recommendation of Administrative Staff College, Hyderabad and Task Force appointed by the Health Ministry. Subsequently the proposal was dropped. Again in 1978 a decision was taken in an inter-ministerial meeting to convert it into a Government Company. But the proposal was again dropped in the light of the recommendations made by the Committee on Public Expenditure in 1979-80. That Committee surprisingly opined that the Medical Stores Organisation should be wound up as the maintenance of health services was the responsibility of State Governments. The Committee do not find any rationale behind such a recommendation and on the contrary feel that the Medical Stores Organisation has to play a vital rôle in the supply of medicines all over the country and for the implementation of the various National Health Programmes, etc. This is evident from the fact that in the last five years there has been many fold increase in the turnover of the Medical Stores Organisation. All that is required at this juncture is that the functioning of the Medical Stores Organisation should be put

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on a sound footing so as to enable it to discharge its functions properly. In this context the proposal to convert it into a Government company merits close consideration as the Committee strongly feel that in order to give greater flexibility and autonomy to the organisation in its day to day dealings, financial as well as management matters, it is but natural that the Medical Stores Organisation should have more elbow-room and function on sound commercial basis.

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The Committee are surprised to find that on the one hand there is stated to be no funds constraint for the purchase of material, and on the other hand supplies to indentors are cut short by 10% on an average due to budgetary constraints and that indentors like CGHS, P&T Dispensaries, Delhi Hospitals etc. and Union Territories like Andaman & Nicobar Islands, Pondicherry etc. are not being supplied medicines as per their requirements. The Committee would like the Government to reconcile the two statements and pin-point the reasons because of which the indentors are not being catered to fully and initiate suitable remedial measures accordingly.

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4.8

The Committee consider that the suggestion of the DGS&D to submit indents for the procurement of medicines in a phased manner and group-wise i.e. for capsules, tablets, injections etc. separately rather than in one bunch (as is being done at present) should be implemented urgently so as to reduce the time lag between the placing of indents for medicines and their final procurement, which at present is stated to be 7 to 8 months, to the barest minimum. The Committee feel that covering more items under the rate

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contract system will also go a long way in obviating the delay in procurement of supplies. The Committee would also like the Ministry of Health and Family Welfare to initiate immediate action for computerisation of the whole process, so as to cut the delays in the procurement of medicines and their ultimate supply to the indentors.

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4.19

The Committee visualise that the limit of rupees one lakh for local purchase of medicines by Medical Stores Depots must have been laid down for keeping a check on the mal-practices inherent in such deals. The Committee are perturbed to find that the Medical Stores Depots have been observing this limit more in breach and it has not at all stood in their way for local purchases which amounted to Rs. 21 lakhs, Rs. 25 lakhs, Rs. 31 lakhs respectively during the last three years in the case of CGHS, New Delhi alone. In case the Medical Stores Depots were facing certain genuine difficulties in adhering to this limit in some cases, the right course would have been to sort out the matter with the DGS&D rather than adopting dubious methods. The Committee agree that with the rise in prices the limit of rupees one lakh may not be sufficient and could have been considered for upward revision. The Committee understand that such a proposal for local purchases is presently under consideration of the Government. The Committee would like the Ministry of Health and Family Welfare to go into this matter in depth and resettle the monetary limit upto which the Medical Stores Depots may be allowed to make local purchases in future. Once the limit is laid down the Committee expect it to be scrupulously adhered to by

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Medical Stores Depots and all local purchases beyond that limit should invariably be made through DGS&D. The Committee also expect that steps detailed in para 4.18 in the interest of reducing local purchases would be strictly followed by the Medical Stores Depots in future.

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4.22

The Committee are unhappy to find a huge disparity between the procurement prices of items procured through local purchase and those through DGS&D. It is noted that out of 44 items selected, at random, for price comparison, in as high as 23 cases (i.e. 52%) local purchases rates were lower than those approved by DGS&D, in 14 cases (i.e. 32%) they were higher than DGS&D rates and in 7 cases (i.e. 16%) the prices were at par. The very fact that DGS&D prices in respect of 52% were higher shows that the very purpose of making purchases through DGS&D is being completely defeated. The Committee are not aware whether the procurement made through local purchases satisfied the standard specifications laid down or not. The Committee desire that a thorough check be kept on the standards of stores purchased through local purchases as also those through DGS&D. The Committee recommend that Ministry of Health & Family Welfare should, in consultation with the DGS&D, go into the matter thoroughly and have a fresh look at the system responsible for fixing prices for the procurement of medicines both through local purchases and DGS&D. They should also ensure that no vested interest have been created between persons responsible for the purchase of medicines and the firms concerned.

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The Committee are surprised to note that the Medical Stores Depot, Karnal has been placing

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indents on the DGS&D for the procurement of medicines unduly late as is evident from the fact that the Depot placed indents on DGS&D in December, 1983 and end of February, 1984 i.e. just three months and one month respectively before the expiry of the period for which the supply was required and the position was allowed to worsen further every year. In 1985-86, the date of placement of indent was 27.3.1986 i.e. just 3 days before the expiry of the period. The Committee visualise that the same may be the *modus operandi* in other medical Stores Depots for going in for local purchases. No wonder, a very large number of indents placed by the Depots remain uncovered in the year for which they are placed. The Committee feel that deliberate delay on the part of the Depots in placing the indents with DGS&D and subsequent delay by DGS&D in the procurement of medicines is a major reason for the very high quantum of purchases made by the Medical Stores Depots locally. The Committee would like the Ministry of Health and Family Welfare to take a very serious view of the matter and tighten their administrative control on the Medical Stores Organisation and fix responsibility on those indulging in malpractices so as to ensure that the indents on DGS&D are placed well in time and local purchases are reduced to the barest minimum.

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4.28

The Committee expect the Ministry to expedite the finalisation of the departmental proceedings initiated against the involved personnel and fix the responsibility for the malpractices committed in the matter. The Committee would like the Ministry to strengthen the vigilance machinery so that allegations of malpractices reported from

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various Medical Stores Depots are investigated expeditiously and deterrent action taken against the guilty so as to avoid, recurrence of such malpractices.

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5.20

The Committee are constrained to note that most of the Medical Stores Depots continue to be housed in very old and dilapidated buildings which have practically outlived their lives and are unsuitable for storage of medicines. The Committee also feel unhappy to be informed that it has not been possible for the Planning Commission to provide any funds during the Seventh Five Year Plan for construction of new buildings or augmentation of the present storage capacity. All that has been ear-marked is a sum of rupees 3 crores for storage and some other items against the demand of Rs. 18 crores as a non-Plan expenditure. The Committee hardly expect that within this paltry amount, either it will be possible to make any appreciable improvement in the storage capacity of the medical Stores Depots or construct any new buildings. The Committee would therefore like the Ministry of Health and Family Welfare to emphasise upon the Planning Commission the imperative need of providing adequate and suitable storage facilities and allotment of requisite funds for the purpose. Alternatively, it should not be difficult for the Government to allot the required funds as a non-Plan expenditure,

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5.30

The Committee find that the main factor coming in the way of effective forward provisioning of medical stores and ensuring full and timely supply of stores to various indentors including CGHS is the placement of a very large number of supplementary and emergency indents by the

indentors in an arbitrary manner. The Committee note that to remedy the situation, the Ministry of Health and Family Welfare is planning to ask the indentors to place indents with the Medical Stores Depots not more than twice a year. The Committee however, fail to understand that how in the absence of proper inventory control, any forward provisioning of medical stores can be meaningful even though the indentors adhere to the schedule as desired by the Ministry. They feel that all that is being done now in the name of forward provisioning of medical stores is that all provisioning is being done on an *ad hoc* basis. The Committee, therefore, desire that the Medical Stores Depots should evolve an effective inventory control system so that forward provisioning of medical stores could be done on a realistic and scientific basis. In this connection the Manual of Medical Stores Depots, which is stated to have become outdated, should be reviewed, revised and updated so as to obviate the problems in adhering to the guidelines specified for proper stock provisioning. The recommendations contained in the report of Tata Consultancy Services regarding forward provisioning and modern methods of monitoring should also be examined quickly and implemented at the earliest. The Committee desire that in future if a study regarding forward provisioning and modern methods of monitoring is to be made, the work should be entrusted to an Organisation under the Government *viz* Defence Institute of Work Study Mussorrie and the like, instead of entrusting it to a private Organisation.

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items could not be supplied by the Medical Stores Depots to the indenters. Out of this 34%, 10% of the items could not be supplied as they were not included in the Vocabulary of Medical Stores Depots. The Committee have reasons to believe that this percentage might be higher if all the indents were verified. The Committee, therefore, need hardly stress that constant efforts are called for maintaining the Vocabulary of Medical Stores Depots upto date by making additions based on systematic analysis of demand data available from various sources and by deleting items, the demand in respect of which from all depots put together, has gone down beyond a particular level. It should also be ensured that all life saving and vital drugs find a placed in the Vocabulary of Medical stores.

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5.42

The Committee regret to note that Family Welfare Stores in Calcutta Depot were exposed to vagaries of nature as they remained lying in open for three months from June, 1985 to September, 1985 because of delay in the issuance of instructions for their despatch from the Department of Family Welfare. This is indicative of the fact that there is lack of proper coordination between the Medical Stores Depots and the programme officers responsible for implementation of National Health Programmes. The Committee desire that adequate arrangements should be made by the Medical Stores Depots to keep the stores required for National Health Programme properly. The Committee feel that better co-ordination between Medical Stores Depots and the concerned National Health Programme officers is called for prompt despatch of such stores in future.

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The Committee have been informed that Guwahati Depot has also no building of its own and there is no adequate covered space for keeping stores. The action which was reportedly being taken to construct the building should be expedited and the building completed within a definite time schedule which may be laid down for the purpose.

17.

6.8

The Committee are firmly of the opinion that had the Ministry of Health and Family Welfare continuously and closely monitored the receipt and despatch of drugs by the Medical Stores Depots, the quantum of stock of life expired drugs, which stood at Rs. 44.39 lakhs till August, 1986 would have been much lower. The Committee cannot but attribute this state of affairs to the lassitude shown by the concerned authorities and the lackadaisical manner in which they have dealt with this matter causing a huge loss to the exchequer. The Committee understand that the Ministry of Health and Family Welfare has now initiated certain measures to remedy this situation. The Committee stress that strict vigil should be kept on the stock position of such drugs and their issue on priority basis so as to reduce the quantum of loss on this account to the barest minimum.

The Committee would emphasise that normally drugs having full span of life at the time of purchase, should be procured by the Medical Stores Organisation. If, however, due to emergency some drugs having a short period of life have to be purchased, the feasibility of inserting a condition in terms of purchase of such drugs should be considered that in case such drugs remained unutilised within the short period

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left for expiring these would be replaced by the firm concerned by fresh drugs free of cost.

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6.20

The Committee are constrained to learn that as on 31 March, 1986 a colossal amount of about Rs. 21 crores was lying outstanding for years against the indentors and all these years the Ministry of Health have not been serious either for the recovery of the amount or for removal of the bottlenecks found in the system. It was only after the Tata Consultancy Services gave their recommendations, that the Ministry initiated certain measures to retrieve the situation. The Committee hope that with the steps now envisaged, it will be possible to keep such dues to the barest minimum. The whole matter, should, however, be continuously kept under review so that immediate counter steps could be taken whenever it was found that the system now evolved was going astray.

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6.33

The Committee are constrained to note that despite the fact that the chemical testing laboratories attached to the Medical Stores Depots at Bombay, Calcutta and Madras are very unsophisticated and illequipped to test all the samples from their respective depots, the Ministry of Health and Family Welfare remained a silent spectator to the requirement for augmentation/opening of new chemical testing laboratories, and continued to have almost 68% of the samples tested from outside laboratories. Further in some of the depots the instructions regarding testing of all the batches are not followed. To supply untested drugs for consumption by the people is playing with precious lives and the Committee fail to understand how the Ministry of Health

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allowed such a situation to continue for so long. It was only in December, 1985, that proposal for additional chemical testing laboratories and augmentation of the existing laboratories was submitted to the Planning Commission for approval which has since been received. The Committee expect that the scheme will be implemented in right earnest without any further loss of time so that sophisticated and most modern testing facilities are made available in the testing laboratories under Medical Stores Depots.

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6.38

The Committee are surprised to find that inspite of clear instructions that the medicines should not be supplied to the indentors without proper testing, quite a large number of medicines have been accepted on warranty/guarantee certificate and despatched to the indentors before testing the samples, which failed subsequently and had to be withdrawn. They are unhappy to note that in one case the medicines had already been consumed before withdrawal process could be initiated. In the circumstances, the Committee can not help concluding that the instructions on the subject are being flouted with impunity. The Committee strongly recommend that in no case medicines should be accepted before proper lab testing. In case some medicines are accepted on warranty/guarantee certificate in an emergency, it should be ensured that their samples are properly tested before they reach the indentors. If in an emergent situation it becomes necessary to accept medicines on warranty/guarantee basis, they may be despatched to indentors to save time but indentors should be told clearly not to distribute the medicine till they are given the clearance after the testing. Such drugs could be

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got tested on priority basis and indenter informed of the result through a fast communication like telephone, telex or telegram. In all cases where such medicines were supplied before lab testing and subsequently not found to be of requisite quality, the responsibility should be fixed on the persons involved and stringent action taken against them. The Committee would also like the Ministry of Health and Family Welfare to examine whether the existing instructions on the subject are ambiguous and require elucidation and further tightening.

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6.40

The Committee need hardly point out that even though there may not be a technical definition of life saving drugs as such, this terminology is very commonly and frequently used and understood. The Committee note that in the absence of such a definition, only 18 drugs have been identified as vital drugs and are required to be stocked in the Medical Stores Depots all the time. They are, however, unhappy to be informed that there is no foolproof system of having regular checks to ensure the availability of such drugs in Medical Stores Depots all the time as is evident from the fact that as a result of surprise check at Medical Stores Depot Bombay, 2 drugs out of these 18 were found to be not available in the stock. The Committee desire that realistic and effective checks should be conducted at regular intervals in all the Depots to ensure the availability of such drugs at all times.