

Chapter - 6

Procurement and distribution of Medicine

Chapter 6: Procurement and distribution of Medicine

Medicines are the essential requirement for prevention and treatment of diseases. Medicines are provided to AYUSH Health Care Facilities (AHCFs) from different sources. SAS procures medicine from the funds provided under NAM; and is the main source for supply of medicine to AYUSH dispensaries and hospitals. DAUOs, RUOs, DHMOs and AYUSH GMCHs also procure¹ medicines from the State budget and supply the same to dispensaries and hospitals under their administrative control. Additionally, State Ayurvedic & Unani Pharmacy, Lucknow and State Ayurvedic Pharmacy, Pilibhit produce medicine from State budget and supply the same to Ayurvedic and Unani dispensaries and hospitals of the State. There was, however, no State Pharmacy for production and supply of Homeopathic medicines.

6.1 Procurement and distribution of AYUSH Drugs under NAM

NAM guidelines (September 2014 and July 2022) provide mandatory component of AYUSH Services which, *inter alia*, includes supply of essential drugs to AYUSH hospitals and dispensaries. Accordingly, GoI approved funds of ₹ 512.76 crore for procurement of AYUSH medicine during the years 2018-19 to 2022-23. The observation noticed in procurement and distribution of AYUSH medicine under NAM are discussed in succeeding paragraphs:

6.1.1 Lack of definite categorisation of HCFs and absence of any scientific basis for seeking financial assistance

Audit noticed that there was no definite categorisation of AYUSH dispensaries and 4/15/25 bedded hospitals. Further, there was neither any basis, like footfalls in HCFs, for seeking financial assistance, nor any scientific approach, like identification of area specific problems for providing relevant medicines to these HCFs. The range of funds, demanded during the period 2015-16 to 2022-23 lacked rationale and uniform type and quantities of medicine were supplied to each category of HCFs, without following any bottom-up approach, as discussed below:

- There was unreasonable and different grouping of different categories of HCFs in different years. Further, the uniform demand for each group of HCFs were fluctuating each year and ranged between 0.05 lakh to 5.00 lakh (100 times) for Ayurvedic and Unani medicine and 0.03 to 3.00 lakh (100 times) for Homeopathic medicines indicating that there was no scientific basis for demand of funds. The funds demanded by SAS were approved by GoI.
- Further, against the demand of ₹ 1.00 lakh per Homeopathic dispensary, the NAM Directorate approved (September 2021) ₹ 3.00 lakh per dispensary, which was three times of the funds demanded during 2021-22. The funds were tripled without ascertaining its demand at ground level, especially when the consolidated supply order for the years 2018-19 and 2019-20 amounting to ₹ 31.14 crore was placed in March 2021. Further, kits containing common homeopathic medicine already included in Essential

¹ DAUOs, RUOs and Principals of Ayurvedic & Unani GMCHs also procure raw herbs (*Kachchi Aushadhi*).

Drugs List (EDL), valuing ₹ 15.21 crore, were also supplied (2021-22) to the dispensaries.

- With the view to utilise balance funds of ₹ 1.24 crore for Ayurveda medicine pertaining to the year 2015-16 and 2017-18, SAS placed (February 2020) an order of ₹ 1.24 crore for supply of uniform quantities of medicines valuing ₹ 1.60 lakh to each of the 74 districts of UP and medicine valuing ₹ 4.00 lakh to Lucknow, even though the number of Dispensaries and 4 bedded hospitals ranged between 3 to 57 and the number of 15 and 25 bedded hospitals ranged between 0 to 5 per district.

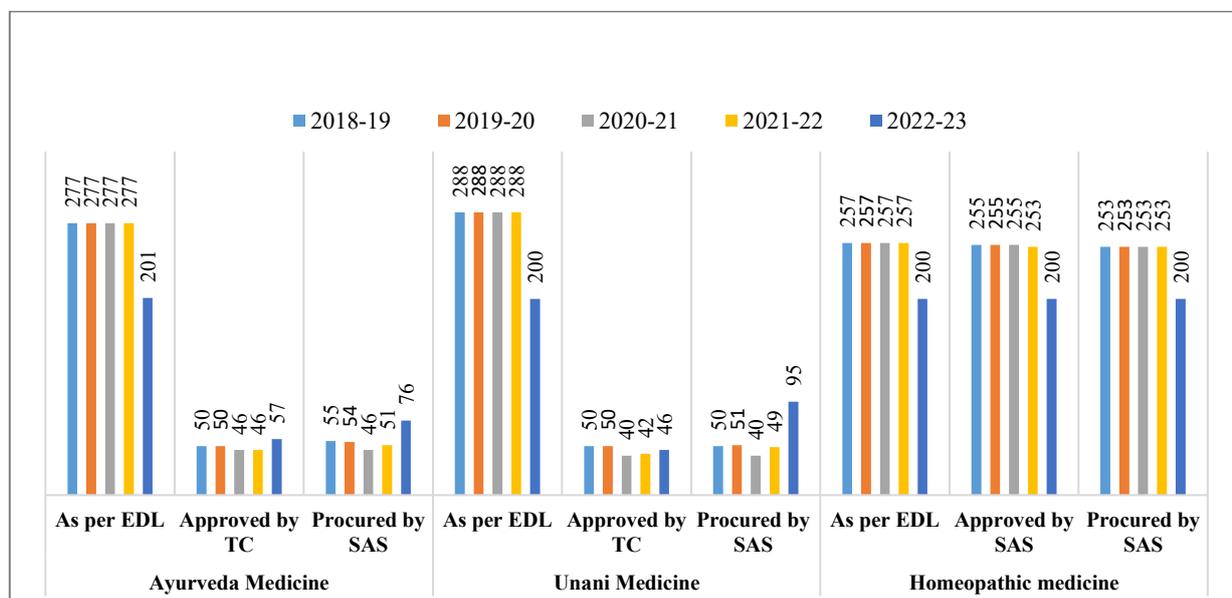
The Government stated (January 2025) that the list of medicines for procurement is determined by a Technical Committee (TC) constituted at SAS, after reviewing the demands received from the districts and compiled at Directorate level; and the medicine are purchased within the allocated budget as per GoI guidelines. Reply is not acceptable as no such record submitted by Directorates and considered by TC for the period 2018-19 to 2022-23 were produced to audit. Audit of test-checked DAUOs and DHMOs revealed that these offices were never asked to submit their demands and the purchases were made in violation of NAM guidelines, as discussed in paragraph 6.1.3.

6.1.2 Partial procurement of essential AYUSH Medicines

AYUSH Services guidelines (September 2014) of NAM, *inter alia*, provides that “Essential drugs and medicines required for implementation of the Mission will have to be procured from Essential Drugs List (EDL) for Ayurveda, Unani, Siddha and Homoeopathy published by Department of AYUSH, GoI”.

The details given in **Chart 5** indicates number of essential drugs of Ayurveda, Unani and Homoeopathy provided in the EDLs (March 2013 and January 2022), approved by TC, and procured there against by SAS during the period 2018-19 to 2022-23:

Chart 5: No. of medicines prescribed in EDL of AYUSH Department, Government of India and No. of medicine procured by the State AYUSH society



(Source: Information provided by State Pharmacy of Ayurveda and Unani Medicine, Lucknow)

The procurement of lesser number of essential Ayurveda and Unani medicines was not in consonance with the directives of MoA, GoI which prescribes that “EDL is mandatory in all systems of medicine and is an integral part of the WHO policy for traditional medicines”.

The Government stated (January 2025) that EDL issued by GoI doesn't mean that all the medicine were to be procured. Reply is not acceptable in view of the directives of MoA, GoI, which prescribe that Essential Drugs List is mandatory in all systems of medicine.

6.1.3 Irregular purchase of medicine

NAM guidelines (September 2014) for AYUSH Service, *inter alia*, provides procurement of medicine from Indian Medicine Pharmaceutical Corporation Limited (IMPCL), a Central Public Sector Undertaking (CPSU) or from PSUs, pharmacies under State Governments and co-operatives manufacturing drugs in their own Good Manufacturing Practices (GMP) compliant units; and the remaining 50 *per cent* from other GMP compliant units having valid licenses. In a case filed by a cooperative society² against State of UP, the Hon'ble High Court of Allahabad termed the purchase of Ayurvedic drugs from IMPCL on nomination basis as 'illegal' and directed (October 2019) GoUP to purchase medicine by adopting a transparent procedure, after inviting tenders³. The decision was upheld (January 2023) by the Hon'ble Supreme Court.

Audit noticed that in contravention of NAM guidelines and directives given by the Hon'ble High Court, SAS procured 100 *per cent* Ayurvedic and Unani medicines valuing ₹ 389.37 crore from IMPCL, and Homeopathic medicine valuing ₹ 108.53 crore⁴ from Goa Antibiotics and Pharmaceuticals Limited (GAPL) during 2018-19 to 2022-23 on nomination basis, i.e. without inviting tenders by frequently putting on record that prices of IMPCL were vetted⁵ by the Department of Expenditure (DoE), Ministry of Finance (MoF), GoI to support genuineness of rates. Pertinently, Central Government Health Scheme, which prompted incorporation (1978) of IMPCL for catering to its requirement of medicine under the administrative control of MoA, GoI, and other States⁶ procured medicine by inviting tenders. Even after decision (January 2023) of the Supreme Court, SAS considered (February 2023) it mandatory to purchase at least 50 *per cent* of Ayurvedic and Unani medicine from IMPCL, and Homeopathic medicine from GAPL. Placement of supply orders without following tendering process resulted in deprivation of SAS in procuring medicines at transparent and competitive rates; and underutilisation of its own pharmacy. Audit also noticed that:

- In line with NAM guidelines, the Purchase Committee of SAS, decided (January 2018) to decentralise the purchase of Homeopathic medicine by

² M/s Kerala Ayurvedic Cooperative Society limited.

³ The decision was in line with paragraph 174 (13) (i) of UPBM which considers placing of a contract without obtaining competitive tenders in an open and public manner, except in cases where the necessity for obtaining such tenders has been waived by any general or special rule or order by the competent authority, a financial irregularity.

⁴ Except purchase of ₹ 4.55 crore during 2018-19 from HOMCO).

⁵ The prices of medicine procured from IMPCL is vetted by the DoE, MoF, GoI for the limited purpose of undertaking an audit. It is the National Pharmaceutical Authority that approves the prices of medicine. The Ministry of Finance does not have the power and expertise to determine the prices of Ayurvedic medicine.

⁶ Directorate of AYUSH, Government of Orissa invited tenders for purchase of medicine from IMPCL, PSUs, pharmacies under State Governments and Co-operatives.

executing Rate Contracts (RCs) at the level of SAS; and providing funds to DHMOs for placing supply orders on RC firms and making payments there against. Accordingly, SAS transferred (June 2018) funds of ₹ 16.39 crore⁷ pertaining to the years 2015-16 to 2017-18 to the Director, Homeopathy. The system, however, was discontinued thereafter; and SAS started placing the supply orders with Goa Antibiotics Private Limited (GAPL) on nomination basis.

- With a view to provide Ayurveda medicines to its hospitals, Employees State Insurance Corporation Limited (ESIC) invites tenders from drugs manufacturers and executes rate contracts (RC) with them. A comparison of rates of 41 out of 51 Ayurvedic medicines valuing ₹ 86.16 crore; procured (October 2021) by SAS from IMPCL and available in RC of ESIC executed with 13 GMP certified firms revealed that SAS procured medicines at considerably higher rates resulting in loss of ₹ 30.62 crore, as detailed in *Appendix-8*.

The Government stated (January/February 2025) that NAM has permitted procurement of 100 *per cent* Ayurvedic and Unani medicines from IMPCL and Homeopathic medicine from GAPL on nomination basis on the basis of letter issued (February 2020) by MoA, which also stipulates that IMPCL cannot be placed at parity with other pharmacies. Reply is not acceptable as NAM guidelines does not allow procurement of medicine from IMPCL without inviting tenders and Hon'ble Allahabad High Court, in its decision (October 2019) considered all these arguments and termed the purchase of medicine on nomination basis as 'illegal', and directed GoUP to purchase medicine by adopting transparent procedure. The decision was upheld (January 2023) by the Supreme Court.

6.1.4 Unjustified procurement of medicine kits

Paragraph 12 of Chapter 1 of UPBM stipulates that every government servant should exercise the same vigilance and care in respect of expenditure from public money under his control as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noticed that SAS purchased medicine kits for protection against Covid 19 pandemic containing medicine already available with HCFs or with delays, when the requirement of medicine was over, as discussed in succeeding paragraphs:

- GoI approved (September 2021) ₹ 15.21 crore for procurement of 36.22 lakh Homeopathic medicine kits (at the rate of ₹ 42 per kit) against SAAP for the year 2021-22. Accordingly, SAS placed (October 2021) an order⁸ for supply of 36.22 lakh kits valuing ₹ 15.21 crore with GAPL. The kits included 4 common medicines (Recommended in May 2021 by TC, constituted at Homeopathy Directorate) i.e., Arsenic Alb. 30 (1 dram),

⁷ Against the funds of ₹ 7.88 crore sanctioned for homeopathic medicine during 2015-16, a purchase of ₹ 2.19 crore was made through e-tender during 2016-17. Out of the available funds of (₹5.69 crore + ₹ 15.75 crore + ₹ 0.50 crore =) ₹ 21.94 crore pertaining to the years 2015-16 to 2017-18, SAS decided (March 2018) to transfer 5 *per cent* of the total funds amounting to ₹ 1.10 crore to Director, Homeopathic services for purchase of phials, leaving a balance of (₹ 21.94 crore – ₹ 1.10 crore =) ₹ 20.84 crore. GoUP, however, did not release its share of ₹ 4.45 crore. Thus, there was a balance fund of (₹ 20.84 crore – ₹ 4.45 crore =) ₹ 16.39 crore.

⁸ Accordingly, SAS placed (May 2021) a supply order on GAPL for ₹ 10.21 crore. Subsequently, based on the advisories received from GoI for procurement of medicines under Post Covid Management Protocol, SAS merged the supply order of ₹ 10.21 crore placed subsequently (March 2021) on GAPL for ₹ 31.14 crore.

Bryonia Alba 30 (1 dram), Eupatorium Perfoliatum (1 dram) and 30 Rhus Tox 30 (1 dram). These medicines were already available with the dispensaries and hospitals in sufficient quantities, against the consolidated supply order (March 2021) of ₹ 31.14 crore for the years 2018-19 and 2019-20, as discussed in Paragraph 6.1.5. Procuring kits, instead of utilisation of already available medicines, resulted in unjustified purchase of homeopathic medicine valuing ₹ 31.14 crore.

- The Election Commission declared (January 2022) Assembly Elections - 2022 and issued (January 2022) guidelines, which included directives for protection from Covid, and kits (containing mask, sanitizer, face-shield and gloves) to be provided to every personnel deployed on election duty. Though, there were no directives in the guidelines and even were not demanded by Election Commission, the Principal Secretary, AYUSH decided (January 2022) to provide 7.50 lakh *Ayuraksha* kits to the personnel deployed on election duty, out of the 3 lakh and 5 lakh *Ayuraksha* kits available in the districts and receivable from the supplier respectively, against a previously placed order (October 2021). Contrary to the decision and without approval in SAAP, SAS placed (February 2022) an order for supply of 7.63 lakh kits valuing ₹ 20.00 crore⁹, stating that it was decided at higher level¹⁰. The order was placed on 8 February 2022, though the polling was to be started from 10 February 2022.
- The decision (January 2022) provided distribution of kits to the personnel deployed on election duty during their training period. Audit noticed that 1.48 lakh kits valuing ₹ 3.71 crore were supplied after completion of voting and 3.75 lakh kits valuing ₹ 9.38 crore were not supplied by IMPCL at all. Thus, the objective of procuring kits was not achieved.

The Government stated (January 2025) that Ayush-64 and *Ayuraksha* kits were procured after approval in SAAP for the year 2021-22, and decision to provide Homeopathic kits to the persons deployed on election duty was taken at the Government level. The Government, however, furnished no replies to the procurement of medicine beyond EDL, purchase of 7.50 lakh kits despite decision (January 2022) to provide kits to the persons deployed on election duty out of the 8 lakh *Ayuraksha* kits available in the districts.

6.1.5 Non-procurement/unjustified procurement of medicine

GoI sanctions funds under NAM, based on SAAP submitted by GoUP. Rule 238 (i) of GFR, *inter alia*, provides submission of UC within 12 months of the closure of financial year by the organisation concerned.

The details given in **Table 9** indicates year-wise position of funds sanctioned for purchase of Ayurveda, Unani and Homeopathic medicines, supply order placed and payments made against the medicines supplied under NAM during the year 2017-18 to 2022-23.

⁹ Against recurring grants for HWC (13.00 crore), Mobility Support (₹ 1.50 crore), Ayush Gram (₹ 1.80 crore), Public Health Outreach (₹ 1.00 crore), DTL (₹ 0.56 crore) and Administrative Cost (₹ 2.14 crore), totaling ₹20.00 crore pertaining to the years 2015-16 to 2019-20, which was approved (February 2022) by GoI.

¹⁰ The details of higher level were not available on records.

Table 9: Details showing funds sanctioned for purchase of AYUSH medicine, supply order placed, medicines supplied, and payments there against, made under NAM during the years 2017-18 to 2022-23¹¹

| (₹ in lakh) | | | |
|-----------------------------|-----------------|---------------------|-----------------|
| Year | Fund sanctioned | Supply order placed | Payments made |
| Ayurvedic Medicine | | | |
| 2015-18 | 6408.80 | 6265.22 | 6265.22 |
| 2018-19 | 4244.00 | 0.00 | 0.00 |
| 2019-20 | 4244.00 | 8611.06 | 8611.06 |
| 2020-21 | 6348.00 | 6347.87 | 6347.87 |
| 2021-22 | 12803.06 | 12670.71 | 12670.71 |
| 2022-23 | 6745.00 | 5931.65 | 5931.65 |
| Total | 40792.86 | 39826.51 | 39826.51 |
| Unani Medicine | | | |
| 2015-18 | 812 | 811.98 | 811.98 |
| 2018-19 | 536.00 | 0.00 | 0.00 |
| 2019-20 | 536.00 | 1072.00 | 1072.00 |
| 2020-21 | 517.00 | 516.91 | 516.91 |
| 2021-22 | 2773.11 | 2772.45 | 2772.45 |
| 2022-23 | 1154.00 | 1013.92 | 1013.92 |
| Total | 6328.11 | 6187.26 | 6187.26 |
| Homeopathic Medicine | | | |
| 2015-18 | 2412.5 | 1967.61 | 1967.61 |
| 2018-19 | 1615.50 | 0 | 0 |
| 2019-20 | 1616.50 | 0 | 0 |
| 2020-21 | 40.50 | 3114.41 | 3114.41 |
| 2021-22 | 6316.74 | 6316.74 | 6316.74 |
| 2022-23 | 1720.00 | 1421.39 | 1421.39 |
| Total | 13721.74 | 12820.15 | 12820.15 |

(Source: Information provided by State AYUSH Society)

Audit noticed that:

- Despite availability of funds, no Ayurvedic and Unani medicines were purchased during the year 2016-17 and 2018-19. The Supply Orders pertaining to the funds received for the years 2016-17 and 2018-19 were placed during the year 2020-21 and 2019-20, along with the orders for the funds received against SAAP for the respective years. Further, though the 11 FIAHs had started functioning in December 2021, and funds for purchase of medicine was sanctioned (December 2021) against SAAP for the year 2021-22, the supply order for ₹ 1.97 crore was placed in May 2022.
- Against the balance funds of ₹ 568.09 lakh pertaining to the year 2015-16 and funds of ₹ 1575.00 lakh and ₹ 50 lakh sanctioned during 2016-17 and 2017-18 respectively, SAS transferred (June 2018) ₹1638.53 lakh to Director, Homeopathy for its further transfer to DHMOs for purchase of medicine at district level under RC executed by the Directorate of Homeopathy. SAS again did not purchase any Homeopathic medicine against the amounts of ₹1615.50 lakh and ₹ 1616.50 lakh sanctioned for the

¹¹ The figures of supply orders placed and payments made included supply orders placed in 2023-24 against the funds approved in previous years.

years 2018-19 and 2019-20. Since the funds were lying unspent, GoI sanctioned¹² no funds for Homeopathic medicine during 2020-21 against demand of ₹ 2200 lakh made in SAAP. These resulted in lack of medicine in Homeopathic dispensaries and Hospitals.

- Against funds sanctioned for Homeopathic medicines for the year 2018-19 and 2019-20, SAS placed a supply order of ₹ 31.14 crore in March 2021. SAS also placed a supply order of ₹63.17 crore in October 2021, against the funds of ₹ 63.17 crore sanctioned for the year 2021-22. Thus, SAS placed a total supply order of ₹ 94.31 crore, against the funds sanctioned for the year 2018-19, 2019-20 and 2021-22, within 7 months. This resulted in supply of triple quantities of medicine to dispensaries and hospitals within a year.

The above indicates non-procurement/unjustified procurement of medicine.

The Government accepted (January 2025) that the purchase order against the funds sanctioned during 2017-18, including balance funds of 2015-16 for Ayurveda and Unani medicine was issued in February 2020; and stated that purchases against funds sanctioned for Homeopathic medicine during 2016-17 to 2019-20 was not made due to a court case but at the instance of NAM, purchase orders were issued; and Homeopathic medicines procured from state budget were available in dispensaries and hospitals. The Government, however, furnished no reply regarding procurement of medicine valuing ₹ 94.31 crore within 7 months. Reply is not acceptable as in case, the medicines procured from state budget was sufficient for hospitals and dispensaries, there was no need to provide further funds under NAM. Further, medicines were purchased despite pendency of the court case, but belatedly.

6.1.6 Delayed supply of medicine

Paragraph 4.3 of UP Procurement Manual 2016, *inter alia*, provides that no purchases of any kind should be commenced without prior execution of contract documents; all contracts should have a provision for recovery of liquidated damages (LD) for defaults on the part of the contractor, and to take care of delays in supplies and performances. Standard practices followed in the medical sector¹³ provides LD on supply of medicine after the expiration of ‘period of supply’.

¹² The appraisal committed of NAM in its meeting dated 12 June 2020 observed that “An amount of ₹ 31.51 crore (including State share) is lying unspent with State Govt. In this regard State representative has clarified that the amount lying unspent for this activity is because of the Court Case, thus, they are not able to place any further order for the purchase of medicines. The Appraisal Committee suggested to the State Govt. that they can procure the medicines from Central PSU or State PSU as per the provisions of NAM Guidelines. It has also been suggested by the appraisal committee that firstly they have to utilise the previous year amount and furnish the UCs of the same to the Ministry. Further, if there is any need of additional support of grant under this activity, the same may be projected through Supplementary SAAP. Keeping in view above, the Appraisal committee did not recommend the proposal”.

¹³ Director General, Medical & Health (DGMH), GoUP had been entering into rate contracts with the suppliers for supply of drugs/medicines etc. The conditions of supply, *inter alia*, included automatic cancellation of any unexecuted order for supply of medicine/drugs after expiry of 60 days of its placement and recovery of penalty at the rate of 20 per cent of the value of unexecuted order from the supplier, irrespective of the indenting authority having suffered any damage/loss or not on account of non-supply of medicine/drugs. Government of Odisha also procures medicine under NAM by adopting tendering process and recovers LD on the medicine supplied after the period of supply.

Audit noticed that SAS placed orders with IMPCL for purchase of Ayurveda and Unani medicines and with GAPL for purchase of Homeopathic medicine by giving advance payment of 50 *per cent* of the value of supplies to the supplier. It, however, never entered into any agreement with the suppliers incorporating therein scheduled dates of supplies. Scrutiny of records of DAUOs and DHMOs of eight selected districts, RUOs of two district FIAH of Varanasi and 5 selected AYUSH GMCHs revealed that there were delays (after allowing two months' time¹⁴ for supply of medicine) ranging between 4 and 571 days in supply of Ayurvedic and Unani medicines valuing ₹ 55.68 crore (86.55 *per cent*), against the total supply of ₹64.33 crore, and between 13 and 964 days in supply of Homeopathic medicines totaling ₹ 8.00 crore (70.67 *per cent*), against the total supply of ₹ 11.32 crore during the period 2018-19 to 2022-23.

The Government stated (January/February 2025) that manufacturing of drugs takes 2 to 6 months' time, it was expected that supplies would be made within 2 months' time, Supplies were affected during the period of Covid pandemic also, Explanation for delayed supplies have been called for from the firm and time-bound supply of medicine would be ensured by executing MoU with suppliers in future. Reply is not acceptable as the supplies were taken without executing any MoU/agreement with the suppliers and also without mentioning the period of supply even in the supply orders, the time taken in production of medicine has nothing to do with the supplies as it is an ongoing process in the pharmacies; and there was no compulsion for taking supplies from a single source, as discussed in paragraph 6.1.3. Even the Government's own pharmacy was underutilised; as discussed in paragraph 5.1.2.

6.1.7 Procurement of medicine in contravention of conditions of supply

Supply orders placed on IMPCL and GAPL provided that the payments would be made on the basis of receipt of quantity/value of medicines certified by the DAUOs/DHMOs of respective districts.

Audit noticed that the payments were made without confirmation from DAUOs/DHMOs. Test check of records in the offices of DAUOs/DHMOs of sampled districts revealed short supplies of medicines valuing ₹ 31.53 lakh (including GST ₹ 33.11 lakh) as per in *Appendix-9*.

The Government stated (January 2025) that cases of short supplies of medicine are taken up at the district level and suppliers have been directed to provide short-supplied medicine; cases of short supply of medicine have been confirmed by DAUO, Prayagraj and Ayurvedic GMCH, Pilibhit; and 50 *per cent* payments are released after confirmation of supplies by the districts. Reply is not acceptable as the Government itself has confirmed cases of short supplies, copy of supply order are not provided to the districts and hence, there is no system for verification of supplies of medicine, and payments are made on the basis of demands made by the supplier.

¹⁴ As adopted by Director General Medical & Health for supply of medicine.

6.1.8 Procurement of medicine without quality testing

Paragraphs 4.4 of NAM guidelines provide that random samples of 5 per cent of the medicines being supplied by the vendor at a time may be picked up for quality testing. The guidelines further stipulate that if the samples are not found of standard quality, the States and UTs may take action against the vendor and manufacturing units, as per the quality control guidelines.

Audit noticed that SAS never sent any sample of AYUSH medicine for quality testing, and completely relied upon the test reports submitted by the suppliers. Even these medicines were not sent to its own DTL for testing. This resulted in acceptance of medicines without an independent quality check.

The Government stated (January 2025) that IMPCL is having its own drugs testing laboratory; and IMPCL and GPL supply the medicine after quality testing from NABL. Reply confirms that SAS relied only upon the test reports submitted by the suppliers and samples of 5 per cent of the supplied medicines were not sent for quality testing, though required under NAM guidelines.

6.2 Procurement and production of medicine without convergence with different sources of funds

Prior to implementation of NAM, funds for procurement and supply of AYUSH medicine were provided by the State Government. After implementation (September 2014) of NAM, which included supply of AYUSH medicines against 40 per cent of the cost borne by the State Government, GoUP continued to provide funds from State budget for purchase of AYUSH medicines. The purchases are made by DAUOs, RUOs and DHMOs in the districts and Principals of AYUSH GMCHs. GoUP also provide funds to State Pharmacies situated in Lucknow and Pilibhit for production and supply of Ayurvedic and Unani medicine to dispensaries and hospitals.

Audit noticed that during the period 2018-19 to 2022-23, a total expenditure of ₹ 54.03 crore, ₹ 11.10 crore and ₹ 27.14 crore (total: ₹ 92.27 Crore) and ₹ 38.13 crore, ₹ 11.46 crore and ₹ 1.02 crore (total: ₹ 50.61 Crore¹⁵) was incurred for purchase of Ayurvedic, Unani and Homeopathic medicines under Object Head-39 and 43 respectively from State budget; whereas a total expenditure of ₹ 335.61 crore, ₹ 53.75 crore and ₹ 108.53 crore (total: ₹ 497.89 crore) was incurred from NAM funds for purchase of Ayurvedic, Unani and Homeopathic medicine respectively. There was, however, no convergence for procurement of medicine from different sources, as discussed below:

- GoUP issued (September 1999) a list of general and emergency Ayurveda and Unani medicine, (SDL) that were required to be available in the dispensaries and hospitals. No such list of essential drugs was prepared for Homeopathic medicines. The list issued (December 1999) by GoUP was neither updated nor revised after implementation of NAM and circulation of Essential Drugs List (EDL) by MoA, GoI. This resulted in inclusion of 37 and 30 number of common Ayurveda as well as 25 and 21 Unani medicines in SDL and shortlisted EDLs prepared by SAS based on EDLs

¹⁵ The expenditure under object head 43 also includes expenditure incurred by pharmacies in production of medicine

issued by MoA, GoI in March 2013 and January 2022 respectively, and consequential procurement of common medicine from two different sources.

- Out of the Ayurvedic medicines ranging between 18 to 29 and Unani medicines ranging between 11 to 24 produced by PAUM, Lucknow during 2018-23, Ayurvedic medicine ranging between 8 to 13 and Unani medicines ranging between 3 to 7 were also supplied by IMPCL resulting in procurement and production of common medicines.

The above could have been avoided had a single source of fund, or multiple sources with convergence of each other been utilised in purchase of wider range of medicine.

The Government stated (January 2025) that due to limited budget under NAM, all the medicines under EDL were not purchased; and further requirement of medicine are met from the state budget and State pharmacies. The reply does not address the issue raised by audit.

6.3 Cartage of medicine to hospitals and dispensaries

Audit noticed that there was no proper system for delivery of medicine upto the respective dispensaries and hospitals, as discussed below:

- While placing the supply order for medicine, SAS incorporates a condition that *“the firm would supply the medicine at its own cost upto the destinations mentioned in the list enclosed”*. No such list, however, was found attached with any of the supply orders. As a result, the medicines were delivered by the suppliers to the offices of DAUOs/DHMOs, situated in the districts headquarters¹⁶. DAUOs/DHMOs of test checked districts informed that the medicines were taken to the dispensaries/hospitals by the respective MOs at their own expenses/utilising their own resources.
- GoI sanctioned funds totaling ₹ 2.39 crore¹⁷ during the period 2018-19 to 2020-21 for providing mobility support to State and District level functionaries for regular and systematic monitoring of the scheme activities; against which SAS incurred expenditures of ₹ 0.99 crore¹⁸. SAS released funds for mobility support to DAS; and allowed (November 2019) them to make payment for cartage of medicine from the same. Audit noticed that test checked DASs of Banda, Jhansi, Lucknow, Moradabad and Prayagraj incurred expenditures of ₹ 1.23 lakh, ₹ 0.64 lakh, ₹ 1.76 lakh, ₹ 1.54 lakh and ₹ 0.27 lakh respectively (total: ₹ 5.44 lakh) in cartage of medicine, resulting in irregular expenditure of funds for mobility support

The Government accepted (January 2025) taking supplies at district level offices and stated that instructions have been issued to DAUOs/RUOs/ DHMOs to utilise funds under mobility support in cartage of medicine. Reply is not acceptable since NAM has directed (September 2023) GoUP to instruct the suppliers to supply medicines upto the desired locations, and as per NAM

¹⁶ Sometimes, DAUOs are holding the charge of two or more districts, and the supplies were made for these districts to the districts where office of DAUO was situated.

¹⁷ ₹ 1.00 crore, ₹ 0.49 crore and ₹ 0.90 crore during 2018-19, 2019-20 and 2020-21 respectively.

¹⁸ ₹ 0.75 crore, ₹ 0.24 crore and ₹ 0.00 crore during 2018-19, 2019-20 and 2020-21 respectively.

guidelines, funds for mobility support is meant for monitoring of the scheme activities.

To sum up, there was no proper system for ascertaining the requirement of medicine for the hospitals and dispensaries, and uniform quantity and type of medicine were supplied to different categories of the hospitals (4/15/25 bedded) and dispensaries. There were instances of unjustified procurement of medicine. Despite availability of funds, no Ayurvedic and Unani medicines were purchased during the year 2016-17 and 2018-19. The Supply Orders pertaining to the funds received for the years 2016-17 and 2018-19 were placed during the year 2020-21 and 2019-20, along with the orders for the funds received against SAAP for the respective years. Further, though the 11 FIAHs had started functioning in December 2021, and funds for purchase of medicine was sanctioned (December 2021) against SAAP for the year 2021-22, the supply order for ₹ 1.97 crore was placed in May 2022. Audit of test checked Divisional Ayurvedic and Unani Officers, Regional Unani Officers, District Homeopathic Medical Officers and Ayurveda, Unani and Homeopathic Medical Colleges and Hospitals revealed that there were delays (after allowing two months' time¹⁹ for supply of medicine) upto 571 days in supply of Ayurvedic and Unani medicine valuing ₹ 55.68 crore (86.55 per cent), against the total supply of ₹64.33 crore, and upto 964 days in supply of Homeopathic medicine totaling ₹ 8.00 crore (70.67 per cent), against the total supply of ₹ 11.32 crore during the period 2018-19 to 2022-23. Payments were made by State AYUSH Society to suppliers without ensuring quality of medicine at its own level. Procurement and production of medicine were made without convergence with different sources of funds. The cartage of medicine was not taken from the suppliers and there were instances of short supplies of medicine.

Recommendation 9: There should be a proper system for obtaining requirement of medicine from the hospitals and dispensaries.

Recommendation 10: Unjustified procurement of medicine should be checked, and responsibility fixed. Procurement and production of medicine with convergence of different sources of funds should also be ensured.

Recommendation 11: Agreement/Memorandum of Understanding should be executed with the suppliers incorporating therein period and places of supply to ensure timely supply of medicine and places of delivery.

¹⁹ As adopted by Director General Medical & Health for taking supply of medicine.

