

CHAPTER XI : MINISTRY OF HEALTH AND FAMILY WELFARE

11.1 Performance of pharmaceutical factories in Medical Stores Depots at Chennai and Mumbai

Pharmaceutical Factories at Mumbai and Chennai were established in 1893 and 1947 respectively with the objective of manufacturing about 75 and 100 common drug formulations, ointments and other material like bandages etc., for supply to government hospitals/dispensaries on a no-loss and no-profit basis. A factory manager under the control of Assistant Director General and Deputy Assistant Director General heads each factory.

The factory at Chennai has a sanctioned staff strength of 87 as of March 1998 comprising Assistant Factory Manager, Senior/Junior Scientific Assistants, Group C and Group D staff while the sanctioned strength of Mumbai factory was 94 as of March 1999.

Sample checks of the accounts and performance of the factories at Chennai and Mumbai disclosed the following:

Expenditure on establishment was 86 to 92 per cent.

- The total expenditure of factory at Chennai during 1991-98 was Rs 2.85 crore and while that for Mumbai Rs 2.28 crore. Out of the total expenditure, establishment expenditure accounted for 86 to 92 *per cent*.

The Machinery installed at both the factories had outlived their life. Out of 17, six tablet making machines were non functional since 1994.

- The machinery installed in Chennai and Mumbai units had outlived their useful life. Two out of the three tablet making equipment in Chennai unit were non-operational since 1989. The third one functioned for only 25 days in 1996 and three days in 1997. Six out of seventeen tablet-making machines in Mumbai unit were also non-operational since 1994.

Capacity utilisation was less than 12 per cent during 1992-99.

- The factory at Chennai produced only 12 drug formulations during 1993-98 and the factory at Mumbai produced 19 drugs during the same period. The capacity utilisation in all other sections except 'Steam' and 'ORS' sections in Chennai and bandage Section in Mumbai was less than 12 *per cent* in all the seven years except during 1991-92 in Mumbai when it was between 7 and 19.8 *per cent*.

No production in tablet section during 1991-95.

- In the Tablet sections of Chennai and Mumbai, against the installed capacity of 5.76 crore and 7.65 crore tables *per annum* respectively, there was no production during 1991-95 and it was less than two *per cent* during 1995-98 in Chennai. In Mumbai, it was less than three *per cent* during 1992-93 and 1994-97 and less than seven *per cent* in 1997-99.

The capacity utilisation in the steam section was down to nil.

Continuos steep decline in production from 1991-92 onwards.

The percentage of utilisation of labour was only 9 to 33 percent in Chennai, while in Mumbai it was between 1.6 and 11.5 per cent.

The factory manufactured item were much onstiler than the market rate.

TCS observed existence of these factories non-justifiable.

Despite recommendation by TCS in April 1996, DGHS and Ministry did not intiate any action for closure of factories.

- In Steam Section, there was steep decline in capacity utilisation from 26.4 *per cent* in 1991-92 to 0.6 *per cent* during 1997-98 in Chennai and from 14.52 *per cent* in 1991-92 to three *per cent* during 1993-94 and further to 'nil' up to 1998-99 in Mumbai. There was no production of ointment and powder in all the eight years in Mumbai while in Chennai, the production ranged between nil and seven *per cent* during 1991-98.
- There was continuous decline in production from 1991-92 onwards and it touched the lowest level in 1997-98 in almost all the sections. The production finally stopped altogether in October 1997 in Chennai while in Mumbai; it stopped from 1994-95 in almost all sections except bandage and tablet sections.
- Since the production in both the factories had been negligible, the percentage of stated utilisation of labour ranged between 9 and 33 *per cent* in Chennai and between 1.6 and 11.5 *per cent* in Mumbai.
- The cost of the factory-manufactured items was exorbitant as compared to the market price. In some cases, it was up 2.2 times the market price. Thus, Medical Depots had to resort to local purchase.
- Tata Consultancy Services, which studied the functioning of the Medical Stores Depots, observed in April 1996 that the factories in Chennai and Mumbai were hardly productive and, therefore, be hived off. The study observed the existence of these factories in its set up was not justifiable.
- Despite the fact of no relevance for the factories with passage of time and near nil production, Director general of Health Services and Ministry did not initiate any action for its closure. Even after the recommendation by the Tata Consultancy Services for its closure, the Government was yet to undertake effective action for its closure

It is recommended that the Ministry may take immediate action to critically examine the justification for continued existence of these factories and close them with appropriate re-deployment of the personnel, if necessary.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 2000.

11.2 Loss on account of expired medicines

Arbitrary procurement of medicines without ascertaining the requirement from the user dispensaries by Additional Director, CGHS, Pune resulted in life expiry of medicines worth Rs 48.40 lakh.

Additional Director CGHS¹ Pune is required to purchase medicines for the seven CGHS dispensaries in Pune by placing an indent on GMSD² Mumbai. The quantity of medicines for purchase from GMSD is to be worked out on the basis of requirement projected by the seven CGHS dispensaries.

The Joint Director CGHS Pune, who was holding the charge of the Additional Director during April 1996 to December 1997 procured medicines worth Rs 73.47 lakh and Rs 1.53 crore during 1996-97 and 1997-98 respectively from GMSD Mumbai without ascertaining the requirement from the user dispensaries.

Examination of stock of medicines disclosed that out of the medicines procured during 1996-98, 35 items valued at Rs 48.40 lakh became time-expired as of June 1999. Of these, 20 items valued at Rs 40.41 lakh were purchased without even there being any demand from the user dispensaries. Besides, the Additional Director CGHS Pune had to divert medicines valued at Rs 14.51 lakh to CGHS dispensaries at other locations and a Government Hospital to avoid their time expiry.

Since arbitrary indent by the Joint Director CGHS resulted in a loss of Rs 48.40 lakh on the expired medicines, it calls for an investigation to fix responsibility.

The matter was referred to the Ministry in November 1999; their reply was awaited as of January 2000.

¹ Central Government Health Scheme

² Government Medical stores Depot

11.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs¹ on two Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) as of November 1999 revealed that the Ministry has failed to submit ATNs in respect of two paragraphs included in the Audit Report for the year ended March 1997 as detailed below:

Audit Report for the year ended March@	Paragraph number	Subject
1997 (2 of 1998)	7.2	Loss due to expired medicines
1997 (2 of 1998)	7.3	Loss due to time expired anti-leprosy drugs

@ The Audit Reports for the year ended March of any year are generally presented in the following year.

The position of pending ATNs was referred to the Ministry in December 1999; their reply was awaited as of January 2000.

¹ Action Taken Notes