27.1 Procurement of Goods and Services

27.1.1 Contract for the Procurement of Cleaning Services for Eight Hospitals

Bids in respect of cleaning services for eight Hospitals were invited on 15 December 2008. After two evaluation exercises, the contract was awarded to four Contractors, as shown in Table 27-1 with effect from February 2009.

Table 27-1 Contractors for Cleaning Services for Eight Hospitals

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Hospital</th>
<th>Monthly Amount (Rs)</th>
<th>Contract Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor A</td>
<td>S. Bharati Eye Hospital</td>
<td>31,860</td>
<td>3 months (trial basis)</td>
</tr>
<tr>
<td></td>
<td>New Souillac Hospital</td>
<td>20,520</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mahebourg Hospital</td>
<td>15,390</td>
<td></td>
</tr>
<tr>
<td>Contractor B</td>
<td>SSRN Hospital</td>
<td>137,000</td>
<td>3 months (trial basis)</td>
</tr>
<tr>
<td></td>
<td>Poudre d’Or Hospital</td>
<td>20,020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long Mountain Hospital</td>
<td>20,020</td>
<td></td>
</tr>
<tr>
<td>Contractor C</td>
<td>J Nehru Hospital</td>
<td>56,000</td>
<td>3 months (trial basis)</td>
</tr>
<tr>
<td>Contractor D</td>
<td>Brown Sequard MHCC</td>
<td>93,265</td>
<td>1 year</td>
</tr>
</tbody>
</table>

Source - Evaluation Report – Procurement of Cleaning Services for Eight Hospitals (23 January 2009)

Since the first three Contractors had no experience in the Hospital services, the contracts in respect of seven Hospitals which were awarded to them were on a trial basis of three months as from 1 February 2009, renewable for another period of nine months upon satisfactory performance. The fourth Contractor, which at that time was providing its services to Victoria Hospital, and as there was a satisfactory feedback on its performance, was awarded a contract for one year.

Adverse reports were received in mid April 2009 from New Souillac, Mahebourg, SSRN, Long Mountain and Poudre d’Or Hospitals in respect of the services provided by Contractor A and Contractor B during the trial period of three months. In June 2009, the Ministry re-evaluated the bids in view of terminating the above contracts and approving new awards. Subsequently, in order not to disrupt the provision of cleaning services at these Hospitals, the Departmental Tender Committee conveyed its approval for these Contractors to continue providing their services up to 31 January 2010, subject to monthly monitoring of their performance.
Observations

➢ The evaluation exercise was not conducted in accordance with the criteria set out in the Standard Bidding Document. The selected bidders were not substantially responsive. With regard to three of the selected bidders, no mention was made of experience in hospitals or in toilet cleaning, and for two of them, no report on their financial standing was available.

➢ There was no evidence that an insurance cover had been provided by the selected Contractors, as required by the Special Conditions of Contract contained in the Standard Bidding Document.

➢ The Letter of Award provided for a Contract Agreement, detailing the terms and conditions, to be signed between the two parties. As of mid-September 2009, that is more than seven months after award, there was no evidence of any signed Contract Agreement between the Ministry and one of the selected bidders. The contract value for the initial one year period ending January 2010 was more than Rs 1 million.

➢ The letter informing Contractor C that its contract had been extended up to 31 January 2010 was issued on 17 July 2009, that is, two and a half months after the end of the trial period.

➢ The Ministry had taken considerable time to consider re-evaluating the bids and approving new awards, during which time, the defaulting Contractors were still providing their services at the respective Hospitals. Thus, due to the delay on the part of the Ministry to take timely decisions, it had no other alternative than to extend the contracts of these defaulting Contractors up to January 2010. It was only by end of August 2009, that is, four months after the end of the trial period that the Departmental Tender Committee finally conveyed its approval to allow these Contractors to continue providing their services.

Recommendations

➢ The need for the Ministry to comply with the provisions of the Public Procurement Act 2006 in the evaluation of future bids is emphasised. Every bid should be evaluated according to the criteria and methodology set out in the bidding documents, such that only the significantly responsive bids are ranked in terms of bid price.

➢ Timely decisions should be taken and proper monitoring should be effected to ensure that the Ministry obtains value for money.

Ministry’s Reply

➢ With the teething problems regarding the introduction of the Public Procurement Act 2006 as from January 2008, the Ministry encountered difficulties in setting up appropriate Bid Evaluation Committees. However, this problem has now been solved. An independent Bid Evaluation Committee had been set up.
Due to these teething problems, the issue of insurance cover was overlooked.

The Letter of Award already stipulated all the terms and conditions of the contract that were binding on the Contractor. However, it would be ensured that whenever required, a Contract Agreement would be signed.

As a new tender exercise would have taken a long time, and the cleaning services in the Hospitals had to be maintained, it was decided to extend the contracts with emphasis laid on close monitoring of the daily performance.

All evaluations of tenders are now being carried out according to the criteria and methodology set in the bidding documents. Monitoring mechanisms had been set up at Hospital level.

27.1.2 Security Services

The contracts for provision of security services in Public Health Institutions were awarded on 12 January 2007 to Company X and to Company Y for the sums of some Rs 2.8 million (three sites) and Rs 8.2 million (14 sites) per year respectively. These contracts were entered into for a period of one year, renewable for another one year, subject to satisfactory performance of the contractors.

During the first contract period, the performance of the two Companies was adversely reported upon by Hospitals.

Despite above, on 14 January 2008, at the expiry of the first year of contract, the Ministry sought the approval of the Central Procurement Board (CPB) to extend same for an initial period of four months, and in case there would be no improvement, to seek fresh tenders. These proposals were not entertained by the Board. Instead, CPB advised that the services of private contractors be hired in line with the Public Procurement Act 2006 pending launching of fresh tenders at the earliest possible, and that a new contract should be put in place within three months.

In the meantime, the present Contractors continued to provide the security services. Consequently, the Ministry decided to extend the contracts of the two Companies on a month-to-month basis on the same terms and conditions as from 15 January 2008, pending the launching and completion of fresh tender procedures.

On 31 October 2008, the contract of Company Y was terminated. As regard Company X, its contract was extended on the same terms and conditions as spelt out in the previous contract on a month-to-month basis till May 2009.

On 15 October 2008, bids for the provision of security services at the 14 sites previously entrusted to Company Y were invited from a selective list of seven potential suppliers, of which four responded, including Company X. The contract for all 14 sites was awarded to Contractor Z on a month-to-month basis for a maximum period of six months (that is from 1 November 2008 to 30 April 2009) at the monthly rate of Rs 957,950. The contract was later extended for one month up to May 2009.
In April 2009, after two tender exercises, the CPB approved the award of contract for security services at all the 17 Health Institutions to Company Z for a period of one year, renewable for another period of one year upon satisfactory performance. However, the contract was not awarded following a challenge made by one of the unsuccessful bidders. As it was not possible to anticipate whether the bidder was satisfied with the Ministry’s reply or would apply for a review, the Ministry decided to further extend the present contract of both Company X and Company Z on a month-to-month basis as from 1 June 2009 until the above challenge was resolved and in order not to disturb the security services at the 17 sites.

On 11 January 2010, Company Z was informed that the bidding exercise for the “Provision of Security Services for all Hospitals and Health Institutions” had been cancelled as it had become necessary in the public interest, to use the new set of bidding documents issued by the Procurement Policy Office wherein the specifications/critical aspects of the conditions of the contract had been modified.

As at mid January 2010, the Ministry was in the process of re-inviting bids based on the new set of bidding documents issued by the Procurement Policy Office.

**Observations**

- It was only at the end of the first year’s contract in January 2008, that the Ministry started taking action in respect of provision of security services for year 2008.
- For year 2008, despite adverse reports on the performance of both Company X and Company Y, the Ministry sought approval from the CPB to extend their contracts for an initial period of four months.
- The contracts for all Contractors of Security Services were being renewed on a month-to-month basis despite the fact that the CPB had since January 2008 advised that a new contract should be put in place within three months. Payments for services provided on a month-to-month basis by the three Companies during the period January 2008 to December 2009 totalled some Rs 25 million.

**Ministry’s Reply**

- Following the first tender exercise, the Central Procurement Board informed the Ministry on 7 October 2008, that no responsive bids were received and that fresh tenders should be launched. In the meantime, the Ministry had no alternative than to extend the existing contracts on a month-to-month basis.
- As a result of the poor performance of contractors for cleaning and security services, the Procurement Policy Office had come up with special conditions in the Bidding Documents to ensure that Government obtained value for money. It became necessary to cancel the Tender Exercise for which approval for award was obtained in April 2009, and to invite fresh tenders on the basis of the new Bidding Documents. Bids are presently at evaluation stage.
27.2 Supply of Pharmaceuticals and Ingredients from Company A

27.2.1 Liquidated Damages not Applied on Orders from Annual Tender 2007-08.

Around April 2008, Company A was awarded more than 30 items from the Annual Tender for “Procurement of Drugs for 2007-08”. The Company was requested to deliver as and when required due to storage problems at the Central Supplies Division (CSD) and that the clauses for Liquidated Damages would not apply.

However, some items were completely delivered in September 2009, while one was still being delivered in February 2010. These late deliveries were due to internal problems the Company was facing. The non application of Liquidated Damages for these cases was not justified.

At end of June 2009, some 14 months after award, the whole order of 990,000 Prochlorperazine Maleate 5mg tablets was outstanding. This order should have been cancelled and the Performance Bond forfeited.

27.2.2 Paracetamol 500 mg Tablets

Two orders for a total of 44 million Paracetamol 500mg tablets were placed on the Company in 2007-08. The tablets supplied were found unfit for consumption, and the Company was requested to stop manufacturing operations from 10 December 2008 to 13 January 2009. The reason was that its Good Manufacturing Practice was not of acceptable level. The Ministry subsequently cancelled the order for the balance of about 23.5 million tablets. The Company had ingredients worth US $ 90,000 in stock.

The Ministry had also asked the Company not to use this stock of active ingredients to manufacture Paracetamol tablets prior to its authorisation. The Ministry had never reverted back to it over this issue, and the stock was still lying at its premises in December 2009.

27.2.3 Other Orders

Prior to the Annual Tender exercise for 2008-09, the Company had also been awarded contracts for the supply of other tablets and preparations. The orders included cough syrups, expectorants and ointments. The Ministry had already started to face delivery problems with the Company since these awards. Delivery of some high consumption cough mixtures and expectorants was still ongoing at 31 December 2009, when their last date for delivery was 14 October 2008. Two orders were completed in 2010, while delivery for another four was still ongoing on 28 February 2010.

27.2.4 Orders in 2008-09

For the Annual Tender for 2008-09, contracts for 58 items for a total value of Rs 35.7 million were awarded to the Company during the period November 2008 to February 2009. These comprised 28 tablets, 14 ingredients and 16 preparations, including cough mixtures, syrups, creams, and ointments.
At the time awards for the Annual Tender for 2008-09 were made, the Company already had ongoing contracts for the supply of 14 items. 11 of these were again included in the 2008-09 Annual Tender. There were delays in the delivery of all the 14 items.

As the Company was already unable to supply these 14 items within the specified time, the award of all the 58 items by the Ministry to it was not justified.

27.2.5 Performance Bonds not Submitted Within Legal Delay

For each award, a Performance Security was to be submitted. These were not submitted within the stated period. At this juncture itself, the Ministry could have applied provisions of the Public Procurement Act 2006 and cancel the awards. The Performance Securities were submitted in June 2009, after the Company had obtained funds under the Stimulus Package.

27.2.6 Delays in Delivery of Orders

General

Deliveries were to be completed for all items to be delivered in one lot, as well as the first instalment of all other items by end of May 2009. By this date, only one item (2.5 million Folic Acid tablets) was completely delivered. The latest delivery date for this item was 24 April 2009. No Liquidated Damages were deducted from payments effected although delivery was effected after the scheduled date.

Several meetings were held in May and June 2009 between the Ministry and the Company to discuss delivery schedules. New ones were submitted, but were not adhered to. Officials of the Company stressed the fact that problems were linked with their financial situation and not their production capacity. They expected the situation to improve with funds under the Stimulus Package which would allow them to clear raw materials from Customs, as well as pay for items ordered by air. In July 2009, two other items were delivered.

Since the beginning of July 2009, the Ministry started to run out of stock of some 20 items. However, the only action proposed was to inform the Central Procurement Board and the Procurement Policy Office of the situation.

Delivery of Syrups, Expectorants, etc

According to the schedule submitted in June 2009, delivery of all items, except those in bottles would be effected within six weeks. As bottles were expected by mid July 2009, delivery would start then, or earlier, if possible. The ingredients for the syrups were stated to be already available. However, these were not delivered as assured by the Company. Between June and December 2009, only a few partial deliveries of items were effected.

The Company had misled the Ministry either on the availability of raw materials or on its production capacity to meet the output required or on both.
Items not Delivered at All

There were 19 items for which no delivery was effected at all up to October 2009. Since the beginning of October 2009, it was suggested that legal advice be sought on the possibility of cancelling the contracts for these items. This was done on 25 November 2009, and a few days later the Ministry was informed that the proposed course of action was legally in order. However, the outstanding orders were not cancelled.

The Ministry had taken so much time to seek legal advice that in the meantime, the Company had already delivered four items completely and one item partially. Hence, facts as mentioned in the letter of 25 November 2009 were no longer completely accurate. Another order was completed on 18 December 2009.

27.2.7 No Action Taken Despite Considerable Delays

Despite all the problems encountered as a result of late/non delivery of items ordered, the Ministry had not reacted promptly.

- Performance Bonds were not forfeited, and orders cancelled although items ordered were not delivered within delay specified.
- Liquidated Damages were not applied on partial late deliveries.
- Orders were not cancelled although legal advice in that sense had been obtained.
- The Ministry did not claim excess expenses from the Company as per the General Conditions of Contract and the Letters of Award. These were incurred on purchases effected at higher costs to palliate stock outs. In a few cases, prices paid were up to four to six times that as per awards to the Company.

27.2.8 Bridging Purchases for CSD

During the period July 2008 to December 2009, the CSD had run out of stock of several items on several occasions. The Procurement Unit of the Ministry, together with the Hospitals, were purchasing from the local market.

Purchases at the Level of CSD

An exercise to determine the additional amounts paid for a few items purchased for CSD from other suppliers to palliate stock outs was carried out.

An additional sum of some Rs 10.5 million had been paid during the period July 2008 to December 2009. This amount represented the difference between prices that would have been paid to Company A and those actually paid to other suppliers. Details are given in Table 27-2.
Table 27-2  Additional Amount Spent by CSD to Palliate Stock Out

<table>
<thead>
<tr>
<th>Period</th>
<th>Section - Items</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>C- Cough Mixtures and Syrups</td>
<td>4,700,482</td>
</tr>
<tr>
<td>2008-09</td>
<td>A- Carbimazole 5mg tabs</td>
<td>699,400</td>
</tr>
<tr>
<td>July - Dec 2009</td>
<td>C- Cough Mixtures and Syrups</td>
<td>3,264,821</td>
</tr>
<tr>
<td>July - Dec 2009</td>
<td>A- Metformin Tabs, Salbutamol Syrup and Betamethasone Ointment</td>
<td>1,806,850</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>10,471,553</strong></td>
</tr>
</tbody>
</table>

Purchases at the Level of Hospitals

Hospitals were allowed to purchase listed items that were not available at CSD. Some Rs 42 million had been spent on these purchases during the two years 2008 and 2009. A summary of amount spent on listed items is given in the Table 27-3 for the selected Hospitals.

Table 27-3  Amount Spent by Hospitals on Listed Items

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Jan - June 08 Rs</th>
<th>July 08 - June 09 Rs</th>
<th>July - Dec 09 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSRN</td>
<td>1,947,375</td>
<td>2,985,607</td>
<td>1,318,394</td>
</tr>
<tr>
<td>Dr A G Jeetoo</td>
<td>1,833,812</td>
<td>1,317,828</td>
<td>751,565</td>
</tr>
<tr>
<td>Flacq</td>
<td>Not available</td>
<td>*1,148,507</td>
<td>1,532,525</td>
</tr>
<tr>
<td>J Nehru</td>
<td>906,006</td>
<td>1,079,641</td>
<td>1,200,442</td>
</tr>
<tr>
<td>Victoria</td>
<td>4,455,789</td>
<td>10,427,284</td>
<td>6,189,476</td>
</tr>
<tr>
<td>S Bharati (Eye)</td>
<td>762,771</td>
<td>1,749,578</td>
<td>671,342</td>
</tr>
<tr>
<td>ENT</td>
<td>Not available</td>
<td>*1,030,219</td>
<td>721,717</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,905,753</strong></td>
<td><strong>19,738,664</strong></td>
<td><strong>12,385,461</strong></td>
</tr>
</tbody>
</table>

**Note:** *January to June 2009 only

With respect to items not supplied by Company A, additional public funds spent by the Hospitals to palliate for stock outs had been calculated wherever possible. An additional sum of more than Rs 15 million had been spent on items awarded to the Company and for which it
had not been able to comply with the terms of the contract. Out of the Rs 42 million spent by Hospitals on the purchase of drugs, some Rs 15 million could have been saved. Table 27-4 refers.

Table 27-4 Additional Amount Spent by Hospitals to Palliate Stocks Out

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSRN</td>
<td>1,069,625</td>
</tr>
<tr>
<td>Dr A G Jeetoo</td>
<td>990,968</td>
</tr>
<tr>
<td>Flacq</td>
<td>1,165,384</td>
</tr>
<tr>
<td>J Nehru</td>
<td>903,463</td>
</tr>
<tr>
<td>Victoria</td>
<td>9,596,475</td>
</tr>
<tr>
<td>S Bharati</td>
<td>515,214</td>
</tr>
<tr>
<td>ENT</td>
<td>896,546</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,137,672</strong></td>
</tr>
</tbody>
</table>

For the two years 2008 and 2009, an additional amount of more than Rs 25 million had been disbursed by the Ministry due to non performance of contracts by the Company. This can be considered as nugatory expenditure.

**Implications**

- The Ministry had faced considerable stock outs for a large number of items causing disruption in supply to Health Centres and Hospitals.

- Considerable overheads had been incurred.
  - The same item was received in small quantities, involving increase in entries, drawing up of Store Forms, processing of payments by staff at CSD, the Procurement Unit and the Finance Section and resulting in a considerable waste of resources. For example, during 2008-09, Paracetamol Syrup was delivered in 30 batches to the CSD by the Company, with quantities ranging from 3,380 to 25,470 flasks, while Chlorpheniramine Cough Expectorant in 33 batches ranging from 540 to 24,975 flasks.
  - Issues by CSD were made piecemeal to outstations. More frequent despatches had to be made to the same outstations, again resulting in waste of resources in Warehouses and increase in transport costs.
  - Reduced quantities had to be issued to patients so that the frequency of collecting drugs by them increased, putting additional pressure on staff in the Centres.
- Patients could not be prescribed drugs which were out of stock, and for which there was no close substitute that could be given in lieu.

**Recommendation**

The Ministry should apply terms of the contract, whenever warranted.

**Ministry’s Reply**

- Liquidated Damages should have been charged on Company A as from July 2008, but probably through inadvertence and heavy workload, this situation might have passed unnoticed. However, Liquidated Damages were being charged on late deliveries as from July 2009.

- Cancelling the award of contract for the 58 items on Company A would have resulted in serious stock outs. The supplier had never refused to deliver the goods, but was slow in delivery. Relaunching tenders for 58 items, evaluation, approval and award of contracts, and eventual receipt of the goods would have taken a lot of time. Moreover, in view of Government Policy to support local industry, the decision to outright cancel the awards was not taken.

- Hospital Pharmacies were bound to resort to local purchases in order to attend to instant requests of prescribers of that Hospital and its catchment area. Most of the drugs purchased by Hospital Pharmacies on the local market were branded products, and hence, higher prices as compared to generics through Annual Tender exercise.

27.3 **Expired Drugs**

An analysis of drugs, with value exceeding Rs 225,000, that had expired during the past two years showed that there were four main reasons that had led to expired items, namely excessive purchases, accepting shorter shelf life items, phasing out of drugs and poor stock monitoring.

27.3.1 **Excessive Purchases**

Drugs were usually purchased in sufficient quantity to cover one year consumption, and enough additional to cover consumption during the purchasing process. This should take into account the latest available trend of consumption and stock in hand at time of order. Sometimes, quantities ordered were in excess of expected use, resulting in drugs getting expired before use. A few examples are given below.
Anti D 250/300mcg (Rs 705,000)

141 ampoules of Anti D 250/300mcg costing Rs 705,000 expired in November 2008. These ampoules came from an order placed in March 2007 when the stock was 300. Request for another 300 was made, based on a monthly consumption of 50. However, consumption for the three fiscal years to 2006-07 was nil.

Multiple Vitamins Tablets (Rs 374,000)

5,350,000 tablets of Multiple Vitamins worth Rs 374,500 expired between August 2007 and May 2008. These included some 3.2 million tablets that were received in February 2006 and expired in August 2007, and some 1.6 million that were received in March 2006, and expired in December 2007. Quantities purchased were in excess to requirements as whole batches received had expired.

Thioridazine 10 mg (Rs 303,000)

2,337,530 tablets of Thioridazine 10mg worth some Rs 303,000 expired in July 2007. These were received during the period April 2005 to January 2007, out of which 2,283,120 in April 2005.

27.3.2 Acceptance of Shorter Shelf Life Items

The normal shelf life was previously two years at time of receipt. This has been reduced for many items to 18 months at time of receipt. Any supply of less than 18 months required the explicit approval of the Ministry before delivery. There were several cases where approval had been granted without considering trend of consumption and actual stock. This had resulted in expired drugs which would have to be written off.

Vecuronium Bromide (Rs 1.1 million)

4,704 ampoules of Vecuronium Bromide worth more than Rs 1.1 million had expired during the period July 2007 to October 2009. This was due to the fact that proper projections were not made.

In the Annual Tender for 2007-08, 23,000 ampoules were included and award was made in November 2007 for the said quantity. At that moment in time, there were some 20,000 ampoules in stock and added to the 23,000, stock would last some additional 14 months up to November 2009. It was therefore imperative that expiry dates of at least part of the order should go up to December 2009.

At the very start (January 2008), the supplier stated that the manufacturer could only issue ampoules with expiry date of February 2009, that is, 13 months shelf life. The Ministry accepted 9,000 ampoules from this batch. 1,940 ampoules from this lot had expired. Several batches had been subsequently accepted with short shelf lives, increasing the quantity expired to 4,704 at end October 2009.
Foscavir Sodium Injections - (Rs 278,000)

The shelf life of Foscavir Sodium Injections at time of receipt varied from five to seven months only. Almost all the stocks received during the period February 2006 to July 2009 expired (144 out of 150 and costing some Rs 278,000). The quantity purchased (150 injections) was also excessive as the consumption for the fiscal years 2004-05 to 2006-07 was nil, 30 and nil respectively.

Atacurium Besylate 10mg (Rs 239,000)

Out of the 4,230 tablets of Atacurium Besylate 10mg that appeared on the list of items removed from the Computerised System of the CSD, 3,600 tablets worth Rs 238,968 were received in June 2006 and expired in July 2007, that is a shelf life of only 13 months.

27.3.3 Phasing Out of Drugs

Phasing out of drugs should be properly planned. This involves the proper monitoring of existing stock and orders already placed for items to be replaced to avoid having drugs getting expired before use, resulting in wastage of public funds. Examples of cases where this situation occurred are listed below.

Nifedipine Retard 20mg (Rs 500,000)

5,539,532 tablets out of 5,974,600 received in October 2005 and costing some Rs 500,000 expired in June 2008. This was attributed to the fact that this item had been substituted by Amlodipine 10mg tablets.

Famotidine 20mg (Rs 280,000)

4,661,115 tablets of Famotidine 20mg worth about Rs 280,000 expired in February, March and April 2007. Some 2.1 million tablets received in February 2005 had a shelf life of two years, while another 2.25 million received in June 2005 had 22 months’ shelf life. It would appear that another tablet falling within the same category as this drug was introduced. The quantity of Famotidine 20mg purchased was excessive, as after about two years, the stock could not be used.

27.3.4 Poor Stock Monitoring - Items Used for Dialysis

All items relating to Haemodialysis were ordered in kits. These included Haemodialysis Solution, blood lines, syringes of different sizes, surgical gloves and Heparin Injections, amongst others.

Requests for consumables for dialysis were not made on a fixed ratio for all items, that is, in complete kits. There was no direct link between the number of blood lines, Heparin Injections, syringes or gloves. In the past, certain items were found in excess and were
transferred for general use (for example, syringes). There was a lack of monitoring of trend of consumption and available stock at time orders were placed. This has resulted in items getting expired before use. Also, certain expired items were received with relatively short shelf life.

**Acetate Solution for Haemodialysis (Rs 3 million)**

At end November 2009, there was a stock of Acetate Solution for Haemodialysis worth Rs 2,978,708 that had expired. These were received in January and February 2007 from an order of 20,000 cans placed in November 2005. Acetate Solution was issued only to Private Clinics with which the Ministry had an agreement to send patients for dialysis as and when the Public Sector Haemodialysis Units could not cope with the workload.

This item had been a slow moving one since long. In May 2007, there were some 34,000 cans of Acetate Solution in stock and the consumption was less than 1,000 cans per month at that time. The average for July to December 2007 was about 600 cans. The next order for 40,000 cans was placed in August 2007. 19,497 cans were delivered in July/August 2009 (some two years later). In July 2009, the supplier was requested to replace the balance of 20,000 cans Acetate by Bicarbonate solution as the order was not yet completed. This had been accepted by the supplier, and the replacement was still ongoing.

**Heparin Sodium LP 5000 LU x 5 ml Vials for Dialysis (Rs 1 million)**

More than 30,000 injections of Heparin (5,000 units) used by the Dialysis Units only and worth some Rs 1 million expired during the period April 2008 to March 2009.

The quantity of the injections used was far less than other items in the kits, resulting in overstocking. Each time, a new consignment was ordered, existing stock of the injections was not taken into consideration.

**Peritoneal Dialysis 1.5% Glucose 2 L (Rs 815,000)**

3,000 litres Peritoneal Dialysis Glucose were received in September 2007. The whole quantity received, as well as another 300 litres from a previous batch, expired in June 2009. It would appear that with patients being dialysed on machines, having recourse to Peritoneal Dialysis was rare. Hence, it had become a slow moving item. This fact appeared to have been overlooked when the order was placed.

**Diateryn (Sterilising Agent for Dialysis Equipment) (Rs 1.1 million)**

4,770 litres of Diateryn, worth Rs 714,546, had expired in April 2009. This item was received in August 2008, that is, with a shelf life of less than nine months. About 65 per cent of the quantity received in August 2008 had expired.

Another 2,390 litres of this solution worth Rs 434,980 expired in January 2010. This stock was part of the order received in April 2009, again with a shelf life of hardly ten months.
**Conclusion**

For the cases mentioned above, some Rs 9.6 million could have been saved if there was proper monitoring of stock and trends of consumption, with stock in hand taken into account when orders were placed, as well as not accepting items with short shelf life.

I have recommended that the Ministry should ensure that such situation does not recur and that decision should rest on latest available information regarding stock and trend of consumption at the time the orders are actually placed.

**Ministry’s Reply**

- For future procurement of Anti-D, delivery will be staggered to maximize shelf-life. Hospital estimates and users demand will be closely monitored.

- Consumption trend will be closely monitored and users informed through circular letter. Prior to phasing out of any pharmaceutical or the introduction of new drug molecules, the Consultants and the Drugs and Therapeutic Committee will be informed of existing stock and requested to maximize use before switching over to new drugs.

- Vecuronium Bromide is a highly critical drug which is difficult to source on the local market and should always be available at hand in emergency situation. The quantity to be purchased in 2007 was based upon the average monthly consumption of year 2006, but consumption trend in year 2007 had drastically reduced, thus resulting in expiry of the said item. Moreover, the supplier had been requested to refund £ 14,711, representing cost of 2,840 ampoules which had expired as a result of not complying with the Ministry’s “Schedule of Requirements”.

- Foscavir Sodium Injection is used in full blown AIDS cases, and there is no referenced monthly consumption trend. A minimum stock of 90 vials, representing treatment course for five patients was justified, and should always be available irrespective of consumption trend.

- Atacurium Besylate is a highly critical anaesthetic bearing short shelf life due to the chemical nature of the molecule itself. High valued anaesthetics will be purchased in two to three instalments to maximise shelf life.

- With regard to the Famotidine tablets, the Evaluation Committee approved purchase of twice the requested quantity without taking into account the introduction of new drug molecule Omeprazole 20mg capsule.

- No fresh order of Acetate Solution would be made until 75 per cent of the present stock had been consumed, after which a Technical Committee would decide about its future need.

- As from the last tendering exercise for 2009/2010, Heparin Injections were being purchased separately from the Dialysis Kits.
Peritoneal Dialysis is performed as an alternative for patients who cannot undergo Haemodialysis treatment. In future, only a minimal stock of the item for six months consumption for one patient will be ordered and kept for emergencies.

With regard to Diateryn, the supplier had accepted to replace those which had expired as a result of short shelf life. The replacement had already started for a first batch of the solution.

27.4 Renovation and Upgrading Works

The Ministry has under its responsibility hundreds of buildings, including all Hospitals, Area Health Centres (AHC), and Community Health Centres (CHC). Repairs at the Hospitals and at the units within their respective catchment area were carried out by staff attached to the different Hospitals.

There was no plan for preventive maintenance works that have to be carried out regularly for both new buildings and existing ones. As a result, infrastructure deteriorated, until the situation reached a stage where repairs were no longer appropriate. The Ministry had to embark on major works which had to involve the Ministry of Public Infrastructure, Land Transport and Shipping (MPI). These were either “Renovation” or “Upgrading” Works, and were mainly entrusted to District Contractors, if estimated at less than Rs 5 million. As far as possible, standard designs were used for all such works, and all the standard drawings and specifications were part of the Bidding Documents for District Contractors.

During the year 2008-09 and the six months ending 31 December 2009, the Ministry had spent Rs 29,815,785 and Rs 52,560,408 respectively on a total of 39 Upgrading Works (20 in 2008-09 and 19 from July to December 2009). Almost all payments were effected to District Contractors. Hence, more than Rs 80 million had been paid to them during the 18 months’ period.

A few renovation and upgrading works were selected and site visits carried out. The main shortcomings were:

27.4.1 Works not Carried Out in Order of Priority

Doctor’s Mess at Victoria Hospital

A contract for major renovation works, which included tiling, replacing of all openings with aluminium ones and replacing all flush doors and painting works for the sum of Rs 4.8 million was awarded in May 2009. During a site visit made on 23 March 2010, it was found that works on the second floor, including painting works, were almost completed. The visit was carried out after a rainy night. The ceiling leaked at several places, and water had even collected in one room. The painting works were damaged with the water seeping in.

For this case, it is felt that the Ministry should have requested repairs to the roof first, and only after satisfactory completion, that is, the building did not leak during rainy days, that renovation works should have been carried out inside.
Waterproofing Works at SSRN Hospital

The contract for waterproofing works to the Catering Section, Administration Block, Pharmacy Block, ICU Medical and Covered Passage at SSRN Hospital was awarded in June 2009 for a sum of Rs 3.5 million. With regard to the Covered Passage, it was open on both sides so that water was always present along it when there was rain.

During the visit to the Hospital on 26 March 2010, it was observed that the corridor in front of the wards on the second floor leaked heavily at all the expansion joints. This represented by far a greater hazard to patients and staff with water flowing a long way down the corridor due to the slope and the floor surface becoming slippery. In addition to the risk and inconvenience, considerable additional manpower was required to remove water constantly on rainy days.

Priority for waterproofing works should have been given to the ward block expansion joints, instead of the Covered Passage. This could have been carried out at a later stage.

Ministry’s Reply

➢ The Ministry is very much concerned with this state of affairs. A circular is being issued to all Regional Health Directors, requesting them to take the appropriate measures in order to avoid the recurrence of such matters. A committee had also been set up in all Regional Hospitals to regularly monitor the defects and damages which required renovation works and to set up priorities.

➢ On rainy days, a cleaning team ensured that the corridor in front of the wards on the second floor at SSRN Hospital was kept dry as far as possible.

➢ Requests to review all leakage problems, including waterproofing works, were made to MPI in April and May 2010.

27.4.2 Building Still Leaked after Waterproofing Works

SSRN Hospital

The office of the Medical Consultant was still leaking after the recently done roof. This was reported in January 2010, and traces were visible inside the office in March 2010.

At the X-Ray Block, an extension had been constructed to accommodate the MRI and CT Scan Departments. There were leaks all along where the new building joins the existing one. A contract was awarded for waterproofing works, but the problem had not been solved. Leaks were again reported by the Departments in January 2010, and the matter referred to the MPI in February 2010. In March 2010, no development was noted.

At the Linen Room, there were major leaks which had led to metal framed partitioning to be extensively corroded. The building had been waterproofed, but the date could not be
determined. A visit on the roof showed that the waterproofing was damaged, and water was trapped under the membrane.

*Doctors’ Mess at Flacq Hospital*

Included in the renovation works at the Doctors’ Mess at Flacq Hospital costing some Rs 2.5 million was the fixing of roofing sheets of 0.75 mm to address the heavy leakage problem there. However, during the site visit, it was noted that the building still leaked as was evidenced by the rusty water that had seeped in and stained the new paint at several places, as well as on the ground floor in the dining area.

*Ministry’s Reply*

- Since the guarantee period of the water proofing works for both the X Ray Block and Linen Room at the SSRN Hospital was still valid, the MPI had been requested to initiate urgent remedial action.
- According to MPI, the renovation works at the Doctors’ Mess at Flacq Hospital were still under maintenance period. These defects were not witnessed during the Taking Over exercise effected on completion of works. However, being given that the defects appeared during the maintenance period, the Contractor would be required to take remedial measures prior to the release of retention money.

### 27.4.3 Poor Quality of Work

**Renovation/ Upgrading Works at Moka CHC**

The contract for the renovation works at Moka CHC was awarded to a District Contractor for the sum of Rs 1.1 million. Additional works for the sum of Rs 330,000 were entrusted to the same Contractor. The works were completed on 18 January and handed over to the Ministry on 12 February 2008. Following a site visit effected in October 2008, the Internal Control issued a report in September 2009. It was reported that in the Treatment Room, the wash hand basin leaked heavily. The towel holder was loose and one side had already detached from its fixed place. Ceramic skirtings were debonded at several places.

A site visit was carried out on 31 March 2010, that is, some two years after the handing over of the works. No action had been taken by the Contractor to make good the defects which were reported by the Internal Control. In the meantime, almost all towel holders had come off, and several more tiles had debonded in the different rooms, even breaking the mirror in the Doctor’s Consultation Room.
Ministry’s Reply

Following a joint site visit effected by an officer of the MPI and the Contractor at Moka CHC, a request had been made to the latter to attend to all the defects relating to the renovation/upgrading works there by mid May 2010.

27.5 Arrears of Revenue

According to the Statement of Arrears of Revenue as of 31 December 2009, revenue due to the Ministry totalled Rs 9,383,970. A breakdown of this figure is given in Table 27-5.

Table 27-5 Arrears of Revenue as at 31 December 2009

<table>
<thead>
<tr>
<th>Description</th>
<th>Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refund of Students’ Bonds</td>
<td>6,136,817</td>
</tr>
<tr>
<td>Debt taken over from National Trust Fund for Community Health</td>
<td>457,588</td>
</tr>
<tr>
<td>Harbour Disinfection Section</td>
<td>343,975</td>
</tr>
<tr>
<td>Central Health Laboratory</td>
<td>2,181,690</td>
</tr>
<tr>
<td>Port Health Office</td>
<td>263,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,383,970</strong></td>
</tr>
</tbody>
</table>

Source – Statement of Arrears of Revenue as at 31 December 2009

27.5.1 Refund of Students’ Bonds – Rs 6,136,817

Included in the above figure, was a sum of Rs 3,842,407 representing 15 bonds in respect of which no payment at all had been effected. In nine of these cases totalling Rs 1,362,505, the sum was due prior to year 2008.

27.5.2 Debt Taken over from National Trust Fund for Community Health – Rs 457,588

This figure represented sum due by two contractors. The debt was taken over by the Ministry following the winding up of the National Trust Fund for Community Health since November 2007. At time of audit, in mid April 2010, more than two years after the assets of the Trust Fund were taken over, the sum due by the two contractors had not yet been recovered.

I have recommended that all cases of long outstanding arrears of revenue be fully investigated, and every avenue to recover the sum due be explored, including prompt action to trace the sureties.
Ministry’s Reply

Close monitoring for each and every case was being effected to ensure that the amount of outstanding bond in all the cases due was recouped. With regard to six of these cases, the matter had been or would be referred to the Attorney-General’s Office, while in two cases, the sureties had been requested to refund the sum due, and in one case, the principal had asked for more time to repay the debt.

As for the two contractors, in one case, the advice of the Attorney-General’s Office had been sought, and was being awaited regarding the course of action to be followed. With regard to the other contractor, there was a court case still ongoing. Its outcome was being awaited before initiating action to recover the overpayment.