



**SPECIAL AUDIT REPORT
ON THE ACCOUNTS OF
PUNJAB INSTITUTE OF CARDIOLOGY
LAHORE
DEPARTMENT OF
SPECIALIZED HEALTHCARE &
MEDICAL EDUCATION**

AUDIT YEAR 2022-23

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 of Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8, 12 and 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 81 of the Punjab Local Government Act, 2022 require the Auditor-General of Pakistan to audit the accounts of Federation or a Province or Local Government and the accounts of any authority or body established by or under the control of the Federation, a Province, or a Local Government.

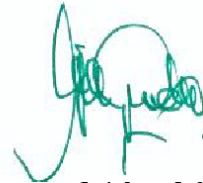
The report is based on a Special Audit on the accounts of the Punjab Institute of Cardiology, Lahore for the financial period from July, 2021 to December, 2022. The Directorate General of Audit, Punjab conducted Special Audit during January-February 2023 as per the Terms of References settled with Government of the Punjab with a view to reporting significant audit findings to the relevant stakeholders.

The audit findings indicate the need for adherence to the regulatory framework besides instituting and strengthening internal controls to avoid recurrence of similar irregularities.

Audit report was issued to the department on 13th April, 2023. Neither replies to the audit observations were submitted by the management nor any DAC meeting was convened despite issuance of reminders to the Administrative Department.

The Special Audit Report is submitted to Governor of the Punjab in pursuance of Article 171 of Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Provincial Assembly of the Punjab.

Islamabad
Dated:



(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

TABLE OF CONTENTS

	Page No.
ABBREVIATIONS & ACRONYMS	iii
EXECUTIVE SUMMARY	v
1. INTRODUCTION	1
2. AUDIT OBJECTIVES	3
3. AUDIT SCOPE AND METHODOLOGY	3
4. AUDIT FINDINGS AND RECOMMENDATIONS	5
4.1 MISAPPROPRIATION	5
4.2 PROCUREMENT AND CONTRACT MANAGEMENT	8
4.3 INVENTORY MANAGEMENT	17
5. CONCLUSION	21
6. ACKNOWLEDGEMENT	23
7. ANNEXURES	25

ABBREVIATIONS AND ACRONYMS

AAA	Asaan Assignment Account
AGP	Auditor-General of Pakistan
BOM	Board of Management
CIF	Cost Insurance Freight
CTO	Chronic Total Occlusion
DAC	Departmental Accounts Committee
DRAP	Drug Regulatory Authority of Pakistan
DTL	Drug Testing Laboratory
FDA	Food & Drug Administration
FIC	Faisalabad Institute of Cardiology
Govt.	Government
GST	General Sales Tax
ISSAIs	International Standards for Supreme Audit Institutions
LD	Late Delivery
LP	Local Purchase
Mm	Millimeter
MOH	Ministry of Health
PFR	Punjab Financial Rules
PIC	Punjab Institute of Cardiology
PLA	Personal Ledger Account
PM&HI	Punjab Medical and Health Institutions
PPR	Punjab Procurement Rules
PPRA	Punjab Procurement Regulatory Authority
PTCA	Percutaneous Transluminal Coronary Angioplasty
Pvt.	Private
SDA	Special Drawing Account
SHC&ME	Specialized Health Care and Medical Education
TORs	Terms of References
WHO	World Health Organization

EXECUTIVE SUMMARY

The Directorate General Audit, Punjab, Lahore conducted a Special Audit of the Punjab Institute of Cardiology, Lahore Department of Specialized Healthcare & Medical Education for the period from July, 2021 to December, 2022 with a view to reporting significant findings to stakeholders. The Special Audit of the formation was conducted on the request of the Public Accounts Committee. The main objective of the audit was to assess whether the financial principle of “value for money” was being realized in the case of the procurement of medicines, machinery & equipment, to check the record of demand of end-user, stores and consumption of disposables and medicines and to capture the complete trail.

Audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) as adopted by the Department of the Auditor-General of Pakistan.

Key Audit Findings

Key audit findings incorporated in the report are enlisted below:

1. Placement of expired cardiac stents in patients and consumption of LP medicines-Rs. 2.63 million ¹
2. Misappropriation in surgical & disposable stores -Rs. 25.08 million ²
3. Loss due to non-finalizing of tender of surgical and disposable items at cardiac hospital level-Rs. 77.67 million ³
4. Loss due to inefficient cardiac stents procurement-Rs. 14.67 million ⁴
5. Loss due to purchase of medicines on higher rates as compared to sister organization-Rs. 32.056 million ⁵
6. Procurement of medicines, surgical and disposable items in violation of PP Rules-Rs. 252.84 million ⁶

1 (4.1.1)
2 (4.1.2)
3 (4.2.1)
4 (4.2.2)
5 (4.2.3)
6 (4.2.5)

Audit Recommendations

Keeping in view the above-highlighted irregularities, audit recommends that:

1. Inquiry into placement of expired cardiac stents.
2. Conduct regular physical inspections of inventory to ensure accuracy.
3. Implement procurement planning in line with PP rules for compliance.
4. Align procurement with end-user consumption patterns for efficiency.
5. Develop a strict compliance system for companies adhering to supply agreements.
6. Enhance internal controls and conduct technical evaluations based on merit.
7. Assign accountability for inventory losses to prevent future shortages and discrepancies.
8. Utilize IT for inventory management and issue stock as per defined methodologies.

1. INTRODUCTION

Punjab Institute of Cardiology (PIC) is mandated to provide quality tertiary care to heart patients. PIC imparts training to postgraduate doctors and paramedics and also provides assistance to other cardiac hospitals in Punjab. Moreover, the entity runs awareness campaigns to educate the masses on preventive measures for heart diseases. Treatment provided by PIC is totally free of cost for poor and entitled patients whereas the private patients are treated at a lower cost than rest of the private hospitals in town. PIC emergency service is tasked to provide 24 hours emergency treatment. The range of facilities available for comprehensive treatment include indoor hospitalization, all relevant diagnostic tests, interventional and operative procedures and intensive cardiac care unit.

The Special Audit of the Punjab Institute of Cardiology was conducted in compliance with the directions of the Auditor-General of Pakistan dated 27.12.2022.

1.1 Budget & Expenditure:

The budget and expenditure of the formation is as under:

Sr. No.	Description	Period	Allocation (Rs.)	Expenditure (Rs.)
1	SDA/AAA	2021-22	4,519,421,700	4,307,045,258
		July-2022 to December 2022	2,678,356,700	1,536,407,703
2	PLA	2021-22	457,315,000	201,919,936
		July-2022 to December 2022	597,961,000	90,941,018

2. AUDIT OBJECTIVES

The audit was conducted with the aim:

- a) To check the record of procurement of machinery & equipment and medicines/disposables as per prevailing rules/requirement.
- b) To check the record of demand of end-user, stores and consumption of disposables and medicines capturing the complete trail.

3. AUDIT SCOPE AND METHODOLOGY

The audit scope included comprehensive scrutiny of procurement of medical equipment, medicines and store inventory of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022.

Initially, a desk audit exercise was carried out to identify high risk areas and high value transactions. The audit examined in detail, whether the expenditure incurred was in conformity with the applicable laws, rules and regulations, determining whether every item of expenditure was incurred with the approval of the competent authority and aligned with the canons of financial propriety. The methodology of the Special Audit has been adopted according to the Terms of Reference (TORs) as follows:

- a) To examine the complete record of procurement of medical equipment, medicines and store inventory in the light of PP Rules 2014 as well as PM&HI Act, 2003.
- b) Complete examination of records of hospital store and stock including supply order, delivery challans, inspection reports, stock registers and indents etc.
- c) To check systems and procedures/SOPs designed for internal controls

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Misappropriation

4.1.1 Placement of expired cardiac stents in patients and consumption of LP medicines -Rs. 2.63 million

As per Punjab Medical & Health Institution Act 2003, head of institution shall be responsible for the administration and management of affairs of an institution.

As per Section 23(a)(ix) of Drug Act 1976, no person shall himself or by any other person on his behalf, export, import or manufacture for sale or sell, any drug if it is dangerous to health when used in the dosage or with the frequency, or for the duration specified, recommended or suggested in the labeling thereof.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period July, 2021 December, 2022, scrutiny of stock registers and personal files of patients revealed that twenty (22) stents “Resolute Onyx” were completely expired and nine (9) stents with shelf life below 3% (0.5 to 2.74) were placed in patients. (Annexure-A)

Moreover, as per delivery challans, different type of medicines (Annexure-B) purchased through local purchase system (LP), were expired or having very nominal shelf life, supplied by different firms and the same were issued to patients unlawfully.

Audit is of the view that lapse occurred due to weak administrative and management controls.

This resulted in placement of expired cardiac stents in patients and consumption of LP medicines amounting to Rs.2.63 million

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that the matter be investigated, responsibility of stated lapse be fixed besides action should be taken against firms and strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000212_F00009)

4.1.2 Misappropriation and inventory discrepancies of surgical and disposable items - Rs. 25.08 million

According to Rule 15.4 (a) of PFR Vol-I, all materials received should be examined, counted measured and weighed, as the case may be, when delivery is taken and then entered in the appropriate stock register.

According to Rule 15.7 of PFR Vol-I, heads of offices and others entrusted with the care of stores of any kind should maintain suitable accounts and inventories of the stores in their charge.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022, the scrutiny of stock registers, indent books and physical inspection (conducted by Audit) of stores revealed that medicines, surgical items, and disposable items i.e. Pacemakers Dual Chamber with MRI Compatible Leads, Aortic Valves, Mitral Valves, Stents, Aortic Balloons, Oxygenators, PTCA Balloons etc. valued at Rs. 25,080,674 were found short and misappropriated in the store. The details are as under:

- a) During physical verification of stores of surgical & disposable items, stocks valued at Rs. 17,227,639 (Annexure-C) were found short.
- b) Surgical and disposable items valued at Rs. 7,311,151 (Annexure-D) were misappropriated due to less carry

forwarding of balances on the next pages of the stock registers.

- c) Gas cylinders valuing Rs. 500,000 were found short as compared to stock handover/takeover reports.
- d) As per daily record for register of ward dated 01.11.2021, it was noticed that forty (40) heparin injections valued at Rs. 45,000 were less carried forward to the next date and were found short.

Audit is of the view that loss occurred due to poor administrative and financial controls.

This resulted in misappropriation of surgical & disposable items in stores and wards amounting to Rs. 25.08 million.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite repeated requests.

Audit recommends that matter be investigated, responsibility of stated financial lapse be fixed besides recovering the lost amount. To avoid recurrence of such lapses supervisory and administrative controls be strengthened.

(PDP No. 2023-0000000212_F00006)

4.2 Procurement and Contract Management

4.2.1 Loss due to non-finalizing of tender of surgical and disposable items at PIC-Rs. 77.67 million

As per Rule 4 of PPR, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022, the scrutiny of procurement files revealed that the management advertised for procurement of surgical and disposable items on 15.03.2021 and 06.04.2022. In response, firms submitted their bids and management conducted technical evaluations and selected responsive firms for opening of financial bids. Meanwhile, procurement process was stopped by PIC and rates of same items were finalized through Central Purchase Committee of Specialized Healthcare & Medical Education Department (SHC&ME) vide notification No. SO(P-III)/1-3/021-22 & 22-23, dated 2nd November 2021 & 19th December 2022 respectively. A comparison of rates offered by firms in PIC and the central purchase revealed that rates of Central Purchase Committee were much higher. Resultantly, PIC sustained a loss of Rs.77.67 million (Annexure-E) whereas the Specialized Healthcare Department Punjab sustained a total loss of Rs.302.95 million due to centralized purchase of surgical items and disposable items at higher rates (Annexure-F).

Audit is of the view that lapse occurred due to weak administrative and financial controls.

This resulted in loss of Rs. 77.67 million by not finalizing tender for surgical and disposable items.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that the matter be investigated, responsibility of stated lapse be fixed besides recovering loss involved and strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000212_F00004)

4.2.2 Loss due to inefficient cardiac stent procurement-Rs. 14.67 million

As per Rule 4 of PPR 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022, the scrutiny of procurement files revealed that 18,800 ‘top-of-the-line stents’ and 17,670 ‘Budget Stents’ were demanded by cardiac hospitals of Punjab during the period of 2022-23. Both type of stents was also procured in last financial year 2021-22. Management of Central Purchase Committee had not floated “Budget Stents” in tender for the financial year 2022-23, despite the presence of demand from cardiac hospitals of Punjab. Award letters were issued by the SHC&ME department for purchase of 36,470 costly “top-of-the line stents” valuing Rs.1,726,781,560 (Annexure-G) to M/S Feroz Sons Laboratories (Pvt.) ignoring the demand for “Budget Stents” which were 32% cheaper.

Moreover, against PIC's demand for 800 Budget Stents for the financial year 2022-23, M/S Medtronic submitted its financial bid to PIC @ Rs.28,999 per stent, which could not be finalized due to central purchase by the SHC&ME department. If the Punjab Institute of Cardiology had finalized its procurement of Budget Stents independently, a loss of Rs.14,679,200 (Annexure-H) due to more expensive procurement by the SHC&ME department could have been avoided.

Audit is of the view that lapse occurred due to non- existence of proper administrative and financial controls.

This resulted in loss of Rs. 14.679 million to PIC due to purchase of costly stents.

The matter was brought to the notice of departmental representative in February 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed besides recovering loss involved and strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000212_F00045)

4.2.3 Loss due to purchase of medicines at higher rates as compared to sister institutions -Rs.32.056 million

As per Sr. No.10 of Bid Form-2 of bidding documents for Annual Tenders of Medicine in Bulk, Nuclear Medicine, Disposables of Anesthesia & Cardiac Surgery, Angio Cardiology, etc., an affidavit signed by bidder on Judicial paper it was narrated that "It is certified that the prices offered to PIC are not more than the prices charged from any other

Govt. / Semi -Govt./Autonomous institutions. In case of over pricing, the firm will be responsible to refund the over charged amount.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022, it was noticed that the management procured medicines and disposable items at higher rates than the rates offered to the sister organizations by the same firms for the same brands in the same financial year causing excess payment of Rs. 32,056,600 (Annexure-I) due to higher rates as per above mentioned clause of bidding document. A brief detail is as under;

Sr No.	ITEM NAME	SIZE	BRAND	PACK RATE	PIC UNIT RATE	FIC Unit Rate (Rs.)	Difference (Rs.)	QTY	Remarks
1	PTFE Vascular Conduits	All Size	Getting/Atrium Medical, USA	300,000	300,000	99,450	200,550	20	PIC procured medicines and disposable items at higher rates than the rates offered to the Faisalabad Institute of Cardiology (FIC).
2	VSD Devices, Taper Disc	All Sizes	Konar MFO / CERA VSD, Life Tech, China	229,000	229,000	199,500	29,500	21	
4	Bio Glue	5ml	Cryolife, USA	65,000	65,000	53,753	11,247	100	
5	Coronary Cutting Balloon	All Sizes	Wolverine, Boston Scientific, USA	120,000	120,000	110,000	10,000	40	
6	Amplatzer Super Stiff Wire 0.35	All Lengths (Offered 150 cm), J - 3	Emaled, Cordis, USA	35,705	7,141	1,548	5,593	10	
7	Inj. Piperacillin + Tazobactam with water for Injection	4.5 gm	Zoycin, Global Pharmaceutical , Pakistan	305	305	272	33	7,000	

Audit is of the view that lapse occurred due to weak administrative and financial controls.

This resulted in loss of Rs. 32.056 million by purchasing medicines at higher rates as compared to sister organizations.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed, effecting recovery besides strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000212_F00037)

4.2.4 Irregular award of contract for purchase of Nuclear Medicines-Rs. 32.06 million

As per the bidding document for purchase of Nuclear Medicines, bids were invited from the firms on Cost Insurance Freight (CIF) basis. Further, as per the advance acceptance issued vide letter No. PC/AT/2021-2022/18922 dated 28.06.2021 and subsequent supply order dated 21.08.2021, the suppliers of Nuclear Medicines were required to deliver the items on Cost Insurance Freight basis. As per the Cost Insurance Freight incoterm, the seller delivers the goods, cleared for export, on board the vessel at the port of shipment, pays for the transport of the goods to the port of destination, and also obtains and pays for insurance coverage on the goods through their journey to the named destination port.

As per bidding document a firm must have “Valid Drug Manufacturing License Issued by DRAP (Formerly known as MOH) for Manufacturers”. As per supply order, delivery should be made within one week after issuance of supply order.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022, scrutiny of procurement files revealed that contract for procurement of Nuclear

Medicines valued at Rs. 14,624,376 was awarded to M/s Vista Enterprises & M/s Danish International. Following irregularities were noticed:

- a) Contract was awarded on Cost Insurance Freight basis where the seller was to pay for the costs, insurance and freight charges. But the bank debited Rs. 32,065,425 on account of sight bill, foreign bank charges and shipping guarantee (Annexure-J) from LC bank account against agreement of procurement of Nuclear Medicines for Rs. 14,624,376. Hence, Rs. 21,520,913 (Annexure-K) were debited by the bank on account of foreign bank charges and shipping guarantee irregularly which were the responsibility of the seller.
- b) Management had not reconciled the said LC account with the actual supply amount for Nuclear Medicines.
- c) As per the bidding document the qualified firms should be registered with DRAP but no evidence in this regard was available on the record.
- d) Mandatory parameters for technical qualification, Bio-Equivalence Study Report notified by DRAP/WHO audited labs shall be accepted but qualified firm had not submitted it during the technical evaluation.
- e) The supply order was issued on 18.09.2021 and supply should have been received on 23.09.2021 but actually it was received on 11.11.2021 i.e. two-month late than delivery date. However, LD charges of Rs.506,922 were not withheld by the management.

Audit is of the view that lapse occurred due to poor administrative and financial controls.

This resulted into irregular award of contract for purchase of Nuclear Medicines amounting to Rs. 21.52 million

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed besides recovering loss involved and strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000212_F00019)

4.2.5 Procurement of medicines, surgical and disposable items in violation of PP Rules-Rs. 252.84 million

According to Rule 12 of Punjab Procurement Rules 2014, procurements over two hundred thousand rupees and up to the limit of two million rupees shall be advertised on PPRA website in the manner and format specified by regulation by the PPRA from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. As per PPR (19)(1) 2014, the procuring agency shall pre-qualify bidders in case of procurement of goods of one hundred (100) million rupees and above and large consultancy, except where a procuring agency, for reasons to be recorded in writing, dispenses with the requirement of pre-qualification of bidders.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period July, 2021 to December, 2022, scrutiny of procurement file revealed that management made procurement of

medicines, surgical and disposable items in violation of PP Rules. The detail is as under:

Sr. No.	PDP No	Nature of Irregularity	Amount (in million)
1	2023-0000000212_F00005	<ul style="list-style-type: none"> Supplier failed to deliver 25 lifesaving items valuing Rs. 126.56 million within time whereas the stock of those items got depleted. Management neither imposed penalty on the firms to forfeit their performance security, nor their cases forwarded for black listing. Procurement of Surgical & Disposable items valuing Rs. 1,110,508,61 were delayed by the management of hospital / Central Purchase Committee causing acute shortage of the items and patients suffered badly (Annexure-L). 	126.56
2	2023-0000000212_F00035	<ul style="list-style-type: none"> Procurement of medicines at higher rates from single firm without market rate analysis. Rs.47.297 million & loss of Rs. 7.58 million (Annexure-M). 	47.30
3	2023-0000000212_F00036	<ul style="list-style-type: none"> Procurement of medicines at higher rates through quotations by split up the indents. Rs.45.116 million and loss of Rs. 2.983 million (Annexure-N). 	45.12
4.	2023-0000000212_F00023	<ul style="list-style-type: none"> “Oxygenator Adult Coated with Custom Pack & Arterial Filter” on quotations Rs.33,855,000 instead through open tender at competitive rates” were procured on quotations instead through open tender at competitive rates (Annexure-O). 	33.86
5.	2023-0000000212_F00042	<ul style="list-style-type: none"> Procurement of surgical & disposable items for the financial years 2021-23 was made without prequalification. Compulsory parameters i.e., price reasonable certificate, sole agent certificate, valid drug sale license and report of labs notified by DRAP/WHO audited Labs were ignored. 	
Total			252.84

Audit is of the view that lapse occurred due to weak supervisory control and improper implementation of procurement rules.

This resulted into irregular procurement of medicines, surgical and disposable items valued at Rs. 252.84 million.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed, effecting recovery besides strengthening of administrative, financial as well as supervisory controls to avoid recurrence of such lapses in future.

4.2.6 Loss due to non-recovery of cost of risk purchases- Rs. 1.98 million

As per chapter schedule of requirements of bidding document, after expiry of prescribed delivery period the procuring agency may proceed for risk purchases (at the risk & cost of defaulter) to ensure the un-interrupted healthcare services to the patients. As per bidding document, if the supplier provides sub-standard item and failed to provide the fresh supply, the payment of risk purchase (which will be purchased by the PIC, Lahore) the price difference shall be paid by the Supplier.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period July, 2021 to December, 2022, it was observed that supply orders for purchase of medicines and surgical items were issued to contractors but the firms failed to supply the stock within stipulated time period. As a result, the hospital management purchased those items through LP at higher rates amounting to Rs.1,982,199 (Annexure-P) without recovering the cost of risk purchase from the firms.

Audit is of the view that lapse occurred due to weak administrative and financial controls.

This resulted into non-recovery of cost of risk purchases amounting to Rs. 1.98 million.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened until the finalization of this report despite the issuance of reminders.

Audit recommends that the matter be investigated, responsibility of stated lapse be fixed, effecting recovery besides strengthening administrative, financial, and supervisory controls to avoid recurrence of such lapses in the future.

(PDP No. 2023-0000000212_F00025)

4.3 Inventory Management

4.3.1 Non recovery of cost of medicine issued to Model Pharmacy governed by the Government-Rs. 34.22 million

According to Sr. No 2(vi) of Notification No. SO7-4/2011 dated 09.07.2015 on the subject “establishment/ running private medical stores on commercial basis in the premises of government hospitals”, no public money shall be used to purchase the medicines. The hospital/ institution shall receive the medicines on credit basis from the pharmaceutical firms/ suppliers. No advance payment shall be made.

According to Rule 4.1 of PFR Vol-I, it is ordinary the duty of the revenue department concerned and not of the audit department to see that the dues of government are regularly paid into the treasury. The departmental controlling officers should accordingly see that all sums due to Governments are regularly received and checked against demands, and that they are paid into Government Treasury.

During the Special Audit of the Punjab Institute of Cardiology, Lahore, for the period from July, 2021 to December, 2022, scrutiny of stock registers revealed that the hospital management issued medicines irregularly valued at Rs.34,222,578 (Annexure-Q) to the “Model Pharmacy” which is governed by the government, for sale to private patients. These medicines neither returned nor the cost recovered by the hospital.

Audit is of the view that lapse occurred due to weak administrative and financial controls.

This resulted in non-recovery of cost of medicine issued to “Model Pharmacy” amounting Rs. 34.22 million.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened until the finalization of this report despite the issuance of reminders.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed besides recovering loss involved, and strengthening of administrative and supervisory controls to avoid recurrence of such lapses in future.

(PDP No. 2023-0000000212_F00044)

4.3.2 Non-return of medicine issued to sister organizations on loan basis-Rs. 63.09 million

As per Punjab Medical & Health Institutions Act, 2003, head of institution shall be responsible for the administration and management of affairs of an institution.

Rule 2.10 (a) (1) of PFR Vol-I provides that same vigilance should be exercised in respect of expenditure from government revenues as a

person of ordinary prudence would exercise in respect of the expenditure of his own money.

During the Special Audit of the Punjab Institute of Cardiology, Lahore for the period from July, 2021 to December, 2022, it was observed that medicine and disposable items costing Rs. 63,095,154 (Annexure-R) were issued to various hospitals on a loan basis. Neither were the items returned by the borrowing hospitals nor were any steps taken to recover the cost of the medicines/disposable items.

Audit is of the view that lapse occurred due to lack of proper administrative and financial controls.

This resulted into non-return of issued medicines to sister organizations on loan basis amounting to Rs.63.09 million.

The matter was brought to the notice of departmental representative in February, 2023. The management did not offer any reply.

The matter was further reported to the Administrative Department. Neither any reply was received nor DAC meeting was convened till the finalization of this report despite issuance of reminders.

Audit recommends that matter be investigated, responsibility of stated lapse be fixed, effecting recovery besides strengthening administrative, financial, and supervisory controls to avoid recurrence of such lapses in the future.

(PDP No. 2023-0000000212_F00027)

5. CONCLUSION

The Special Audit was conducted for the period from July, 2021 to December, 2022. The main objective of the audit was comprehensive scrutiny of procurement of medical equipment, medicines as well as store inventory.

During the course of audit, significant lapses in terms of procurement of medicines/cardiac stents were observed incurring huge financial losses to the organization. The lapses including misappropriation, inventory discrepancies, non-finalizing of tenders, purchasing at higher rates, and irregular award of contracts were due to poor administrative and financial controls. The audit recommends investigating the matter, fixing responsibility, recovering the losses, and strengthening controls to prevent such lapses in the future.

6. ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of Punjab Institute of Cardiology for assistance and cooperation extended to the auditors during this assignment.