Executive Summary

1. National Rural Health Mission

The National Rural Health Mission (NRHM) was launched in April 2005 to provide accessible, affordable, accountable, effective and reliable healthcare facilities in the rural areas of the country especially to poor and vulnerable sections of the population. The key strategy of NRHM was to bridge gaps in healthcare facilities, facilitate decentralised planning in the health sector, and provide an overarching umbrella to existing disease control programmes run by the Ministry of Health and Family Welfare, Government of India.

The Mission was to be funded by the Governments of India and Uttar Pradesh in the ratio of 85:15 and its goals were to be achieved under the aegis of State Health Mission (SHM) headed by the Chief Minister. The State Health Society (SHS) and the State Programme Management Unit (SPMU) were to implement the Mission through District Health Societies (DHSs) at the District level and *Rogi Kalyan Samitis* (RKSs) at Hospital level.

NRHM emphasised community planning, management and monitoring at all levels and also convergence of various health determinants such as nutrition, drinking water, hygiene, sanitation etc., with activities under NRHM. Community participation was the keystone of NRHM as it aimed to transfer control and ownership of all health related assets to the community by 31 March 2012.

Capacity building – physical and human infrastructure – was part of the key strategy of NRHM. Indian Public Health Standards (IPHS) were to be targeted and achieved.

2. Audit Scope and Limitations

This performance audit, covering the period April 2005 to March 2011, was conducted between August and November 2011, by examining documents at the Government level, departments, directorates, government commercial undertakings, and in 23 districts and attendant implementation structures, where, apart from examination of documents, joint physical inspections, photography and cross verifications were also undertaken.

Audit has been constrained due to non-production/delay in production of records at the different tiers of the Government. During the course of audit, at many units, it was informed, that records were either not available in full or not available at all and in quite a few instances, original records had not been maintained, particularly relating to Accounts.

Details of major documents and records that were stated to be unavailable with the audited entity, at the State and District levels are given in ***Appendices 1.3*** and ***1.4*** respectively.

Delays in furnishing of records/responses affected audit. Given that the flow of records, information and responses were not timely, Audit had to depend also on related material, such as the inspection/review reports of the Government of India (GoI), Programme Implementation Plans (PIPs), websites, orders of the Allahabad High Court etc.

Director General, National Programmes, Monitoring and Evaluation (DGNPME) did not furnish supporting books of annual accounts for the period 2005-07 for ₹ 1277.06

crore (*Appendix 1.3*). In the absence of these records, Audit relied on collateral records/reports for that period. In the districts, records for the period 2005-11 for ₹ 83.34 crore (*Appendix 1.4*), were not furnished to Audit. Non-production/delay in production of records constrained audit.

3. Planning

NRHM envisaged a bottom up approach to planning with integration of village and district plans, with the State level plans. It was seen that no baseline surveys had been undertaken to identify gaps in healthcare. Consequently, State PIPs were not prepared for 2005-06 and 2006-07. Moreover, PIP of 2007-08 was prepared without any inputs from districts, as District Health Action Plans (DHAPs) were not prepared during 2005-08. State PIPs were prepared without obtaining inputs from other social sector departments. There was no formal, transparent and documented methodology for appraising DHAPs.

Though the State Government stated that Village Health and Sanitation Committees (VHSCs) were constituted in almost all villages, documents produced did not corroborate this. Panchayati Raj Institutions (PRIs) were to be fully involved so that the gains of integrated action accrued to the DHAPs. The envisaged active convergent approach with PRIs was not adopted in the planning process. Further, there was lack of convergence within the Health Department, and with other departments relating to drinking water, sanitation, food, nutrition, social security etc., and with Non-Governmental Organisations (NGOs). Consequently, the convergence was not reflected in the State PIPs and DHAPs.

In 12 of 22 test checked districts, VHSCs did not spend ₹ 4.55 crore (11 *per cent)* of the grant (₹ 41.07 crore), transferred during 2007-11. Besides, Corpus Grant, Annual Maintenance Grant and Untied funds were not fully utilised by RKSs. In 19 of 22 test checked districts, ₹ 6.45 crore (9 *per cent*), transferred during 2007-11, remained unspent at RKSs level.

4. Financial Management

The State's spending on health sector through budget was in the range of 3.65 to 4.53 *per cent* of the State Budget which was much below the National Health Policy recommendation of eight *per cent*. The State's spending on healthcare as percentage to Gross State Domestic Product was only 1.50 as against the target of 2-3 *per cent* by the end of the Mission period, March 2012.

Despite the State receiving the highest allocation of NRHM funds, the health indicators were poor with maternal mortality rates being highest and infant mortality and total fertility rates being second highest, compared to the eight major populous States of the country.

The total expenditure on NRHM between 1 April, 2005 and 31 March, 2011 was ₹ 8657.35 crore. The accounts of SHS did not reflect a fair presentation of the financial activities of NRHM. A difference of ₹ 358.18 crore was noticed between the receipts of funds from GoI and that acknowledged by SHS. Further, funds aggregating to ₹ 1768.12 crore received from GoI through treasury route were not captured in the accounts of SHS.

- **Prescribed books of accounts for advances disbursed by SHS and for expenditures of ₹ 4938.74 crore were not maintained. Therefore, correctness of such amounts booked in accounts along with outstanding advance of ₹ 816.71 crore was not ensured.**

- **Utilisation Certificates (UCs) did not include interest earned amounting to ₹ 57.45 crore which led to GoI disbursing more funds to Government of Uttar Pradesh (GoUP) during the period under audit.**

- **Deficient accounting and loose financial controls led to financial mismanagement with aggregate impact of ₹ 396.63 crore. These mainly included unauthorised diversion of fund (₹ 45.02 crore), advances charged as final expenditure (₹ 32.81 crore), cash book not maintained or short carryover of balances (₹ 6.20 crore), major deficiencies/defalcation (₹ 4.89 crore), irregular transaction through bank accounts required to be closed (₹ 6.77 crore), unauthorised inter-fund transfers (₹ 42.72 crore), large scale cancellation of cheques (257 in SPMU and DGNPME: ₹ 244.97 crore) etc.**

- **Release of fund was characterised by diffusion of responsibility. SHS, instead of releasing funds directly to the executing agencies, released ₹ 1546.09 crore (₹ 1170.78 crore for civil works during 2009-11 & ₹ 375.31 crore for procurement during 2008-11) through Programme Management Society (an unregistered society) under DGNPME. This was an unauthorised agency introduced by the State Government in violation of NRHM framework.**

Due to weak programme implementation, unutilised funds continued to increase from year to year and stood at ₹ 1364.89 crore at the end of March 2010. This deprived the State from further central assistance of ₹ 124.55 crore.

Lack of control over opening and operation of bank accounts led to unauthorized diversion of ₹ 45.02 crore to non-NRHM bank accounts (including ₹ 36.50 crore through unregistered Programme Management Society under DGNPME) and irregular retention of ₹ 5.56 crore in accounts that were to be closed by 31 March, 2007.

5. Capacity Building - Physical Infrastructure

NRHM sought to prime the healthcare infrastructure and facilities in the State, the lack of which has perhaps been the major factor for the State's continued poor performance on health indicators. Upgradation of infrastructure to Indian Public Health Standards (IPHS) was not done. The healthcare coverage, based on population, was not increased as no additional sub-centres were sanctioned/created during 2005-11.

- **The selection and award of NRHM works to construction agencies on nomination basis were in violation of the judgement of the Hon'ble Supreme Court, Central Vigilance Commission (CVC) guidelines and NRHM framework.**

- **There was preference for Co-operative Societies as construction agencies for NRHM works, although the accountability structures of these societies were not as robust.**

- **Hundred *per cent* funds were released to construction agencies {UP Processing and Construction Co-operative Federation (PACCFED) - ₹ 203.78 crore during 2009-10 and UP Jal Nigam - ₹ 38.57 crore during 2009-10} without obtaining detailed estimates and utilisation certificates.**

- **Model estimates were prepared by application of incorrect and higher Plinth Area Rates (PAR) during 2009-11. The inflated estimates led to excess release of ₹ 87.17 crore to executing agencies. Further, the construction agencies did not**

prepare detailed estimates on the basis of local Public Works Department's Schedule of Rates, which resulted in undue advantage of ₹ 4.90 crore in four test checked districts.

- **Construction agencies were paid ₹ 51.72 crore for 540 buildings without ensuring availability of land, and therefore, not only had construction not started, but the funds were lying with the construction agencies, unduly benefiting them in the form of interest getting accrued on the said amount.**
- **The Memorandum of Understanding (MoU) provided for refund of interest earned on NRHM funds. Non-enforcement of MoU by DGNPME resulted in loss of interest of ₹ 8.15 crore. Non-imposition of penalty, as provided for in MoU, led to undue benefit of ₹ 22.31 crore as of 30 June 2011.**
- **Further, undue aid of ₹ 18.95 crore (and loss of revenue to the State Government) accrued to construction agencies due to non-deduction of Value Added Tax (VAT).**

There were long delays in completion of construction works and even those completed were yet to be taken over by the department and were, therefore, not being utilised {312 sub centres (11 *per cent*) and 354 Janani Suraksha Yojana (JSY) wards (39 *per cent*)}. Of 125 test checked facilities, 58 sub centres (46 *per cent*), completed, handed and taken over, were not functional for want of taking various controllable actions.

Quality control of NRHM works were not ensured by either the Government or by construction agencies. Constructions worth ₹ 9.48 crore, test checked in Agra, revealed: i) wide variations in costs on labour and material and ii) use of inferior bricks. Besides, joint physical verification revealed poor infrastructure in 67 of 125 test checked sub centres and 7 of 17 test checked JSY wards.

Further, the nominated construction agencies were entrusted the work of supply of equipment/material for ₹ 108.04 crore during 2009-11 which resulted in extra and avoidable expenditure of ₹ 13.50 crore in the form of centage charges. Even the statutory compliance with labour regulations by the construction agencies was not ensured by the Government.

6. Capacity Building - Human Infrastructure

There were large gaps in the number of health personnel in position and the number required as per IPHS. The shortages of Auxiliary Nursing Midwives (ANMs), doctors and specialists at the rural health facilities were 48, 61 and 65 *per cent* respectively. Against a requirement of 8327, as per IPHS, only 4606 staff nurses were available in the State. In the sub centres, the shortages of ANMs and Multi Purpose Workers (MPWs)-Male were 11 and 76 *per cent* respectively. **Although GoI approved and funded appointments of health workers/doctors on contractual basis, GoUP failed to take advantage and yawning gaps in deployment of personnel persisted. An urban bias in the deployment of health personnel existed in the State, particularly of specialists**.

7. Procurement – State level

Despite known weak procurement system of medical supplies in the State and NRHM's stated goal to revamp it, the Government did not take effective steps to ensure effective sanctioning procedure, development of procurement related capacities within SHS and a transparent and competitive procurement regime. Full powers to Executive Committee (EC) of SHS in purchases were given as against limited financial powers to the departmental heads

in the State Government. There was involvement of only one Principal Secretary level officer in decision making body (EC) of SHS for high value contracts against three Principal Secretary level officers in the Government, including Finance and Planning Department in Expenditure Finance Committee (EFC), before approval by the Cabinet.

Procurement Cell within SPMU was not constituted and technical directorates became procurement agents. Executive Committee (EC) released ₹ 375.31 crore during 2008-11 to DGNPME for procurement of goods and services.

Directorates released funds to the following State Government companies and co-operative societies on nomination basis during 2008-11:

- **₹ 65.99 crore to Uttar Pradesh Small Industries Corporation (UPSIC) for supply of medical and general stores;**
- **₹ 563.47 crore to PACCFED (co-operative society) for construction and supply of general goods and Modular Operation Theatres (MOT);**
- **₹ 286.71 crore to Uttar Pradesh Project Corporation Limited (UPPCL) for construction and supply of MOT;**
- **₹ 51.96 crore to Jal Nigam, Uttar Pradesh for construction;**
- **₹ 45.37 crore to Labour and Construction Co-operative Federation (LACCFED) for construction and supply of medical and general stores; and**
- **₹ 9.15 crore to National Consumer Co-operative Federation (NCCF) for supply and installation of telemedicine facility.**

The above agencies procured goods and services through a process which was not in consonance with the open tendering and NRHM framework.

DGNPME entered (2008-11) into five agreements with UPSIC for ₹ 77.66 crore for supply of First Referral Units (FRU) and Intra Uterine Device (IUD) kits, medical solutions, Reverse Osmosis (RO) systems, spectacles, Information Education and Communication (IEC)/Behavioural Change Communication (BCC) activities etc. and advanced ₹ 65.99 crore to UPSIC. The tendering process entered into by UPSIC with its suppliers resulted in supplies being made belatedly, at higher rates, of sub standard quality etc.

DGNPME received ₹ 70.04 crore before July 2010 for operationalisation of Emergency Medical Transport Services (EMTS) but the EMTS was yet to be put to use. The agreement with the finalised service provider was yet to be entered into although the vehicles were received upto a year ago. These vehicles carried a warranty period of 18 months, of which 10 to 16 months had lapsed for 589 vehicles. Non-rescheduling of the delivery resulted in non-receipt of 190 vehicles, blockage of funds and the possibility of deterioration of supplied vehicles lying in the open. Further, DGNPME failed to procure (2010-11) medicines and equipments for ₹ 37.26 crore. It surrendered ₹ 26.40 crore and released ₹ 10.86 crore to Chief Medical Officers (CMOs), and not to DHSs as required.

In 2010-11, ₹ 42.68 crore was earmarked for operationalisation of 135 Mobile Medical Units (MMUs) in 15 districts, of which DGNPME spent ₹ 35.04 crore only on the capital cost of 133 vehicles, although the provision was to cover capital cost, fabrication cost and operational cost for 135 vehicles for 2010-11. No ceiling was fixed by DGNPME for the fabrication cost and different rates were charged for fabrication by different service

providers, which was facilitated by change of Letters of Credit by DGNPME in favour of service providers in place of fabricators. Further, the security deposit of 10 *per cent* of total costs for five years, as per the terms and conditions of the tender, was reduced to 10 *per cent* of the total cost for one year in the agreement.

8. Procurements - District level

At the District level, the DGNPME (2009-11) released ₹ 36.49 crore to District CMOs which were kept outside the NRHM framework.

- **Iron Folic Acid (IFA) tablets, de-worming tablets and spectacles were purchased (2010-11) at higher rates on quotation basis which resulted in excess expenditure of ₹ 2.02 crore;**
- **Cross verification of 21 invoices (₹ 12.97 lakh), in one out of five districts where a particular firm had supplied drugs, with tax authorities in West Bengal, revealed that these were fictitious; and**
- **In five test checked districts, equipment and articles were purchased (2010-11), on the basis of quotations, at exorbitant rates as compared to Maximum Retail Price. This resulted in excess expenditure of ₹ 15.63 lakh.**

Irregularities like splitting of purchases (₹ 2.41 crore), non-adoption of open tender for procurement (₹ 1.51 crore), procurements ignoring prevalent and existing rate contracts and other deficiencies (₹ 2.12 crore) led to uneconomical and irregular expenditure. Logistics management was poor in the districts, stock registers were not duly maintained, and test check in sampled districts revealed that equipment worth more than ₹ 5.82 crore were lying idle.

9. Family Welfare, Maternal and Child Health

Although the number of beneficiaries of institutional deliveries increased from 0.12 lakh in 2005-06 to 23.41 lakh in 2010-11, the shortfall in achievement of target ranged between 38 and 96 *per cent* in 2010-11 and 2006-07 respectively. **Further a majority of pregnant women (69 *per cent*), registered during 2005-11, did not opt for institutional deliveries**.

- **Out of 71.18 lakh institutional deliveries reported during 2005-11, 69.10 lakh pregnant women were paid the incentive under JSY. In four test checked districts ₹ 5.71 lakh, to be paid to beneficiaries for 434 deliveries, was not paid during 2006-11. Payments to beneficiaries under JSY were not evidenced by required documents. Test check revealed excess payment of ₹ 22.43 lakh (two test checked districts and four test checked hospitals), suspected fraudulent payment of ₹ 0.61 lakh (two test checked districts and three test checked hospitals), doubtful payment of incentive of ₹ 0.99 lakh (two test checked districts and two test checked hospitals) and irregular payment of ₹ 160.21 lakh (one test checked district and three test checked hospitals).**
- **Transportation charges of ₹ 133.33 lakh (four test checked districts) during 2007-11 were not paid to the beneficiaries. Belated payments of incentives of ₹ 3.01 crore (five test checked districts and six test checked hospitals) and to persons other than beneficiaries to the extent of ₹ 105.17 lakh (three test checked districts and four test checked hospitals) were made during 2007-11 and 2006-11 respectively.**

- **68 laparoscopes (₹ 5.30 crore) and 227 laparoscopes (₹ 15.89 crore) were lying idle at Logistics Management Cell, Lucknow and in 23 test checked districts respectively.**
- **In test checked districts, payments for compensation of ₹ 73.60 lakh (seven test checked districts and eight test checked hospitals) for adoption of limiting methods of family planning were made to persons other than beneficiaries.**

With regard to immunization, cases of excess expenditure of ₹ 46.39 lakh on mobility support in four test checked districts and fraudulent payments of ₹ 26.77 lakh in eight test checked districts were noticed. Moreover, there was wastage/loss of vaccines of ₹ 3.62 crore over and above the prescribed norms for wastage in three test checked districts.

Besides, payment of ₹ 10.81 lakh (one test checked district and one test checked hospital) to beneficiaries was doubtful and an expenditure of ₹ 10.38 lakh (one test checked district and one test checked hospital), incurred on tubectomy during 2005-11, was not entered in the cash book.

10. National Disease Control Programmes

Under National Programme for Control of Blindness (NPCB), 14,894 cataract operations were performed irregularly by NGOs in camps and were paid ₹ 66.98 lakh in three test checked districts. District Blindness Control Society (DBCS), Bareilly paid ₹ 1.67 crore to 10 NGOs, during 2005-11, for performing cataract operations without proper documentation.

11. Information, Education and Communication

The Information Education Communication Bureau utilised only ₹ 35.04 lakh out of ₹ 1.23 crore provided to it by the SPMU during 2007-11; details for 2005-07 were not made available.

There was disproportionately large expenditure (₹ 3.55 crore out of ₹ 4.37 crore) on organising *Health Melas* in urban areas at the expense of focus on rural population; bills for ₹ 1.75 crore on account of requisitioning of electronic media services remained unpaid despite availability of funds with DGNPME; irregular/ doubtful payments of ₹ 77.40 lakh out of ₹ 94.51 lakh spent in ten districts on wall paintings etc. Consequently, the effectiveness of IEC activities in increasing awareness about the Mission's activities and facilities amongst the targeted beneficiaries was weak and suspect.

12. Monitoring

Although NRHM framework provided for a well defined monitoring and evaluation mechanism, it was virtually non-existent in the State. SHM, had not met even once during 2005-10, while Governing Body of SHS, met only twice during 2005-11. Internal audit mechanism was not operational in NRHM and the internal audit units under the Director General, Medical and Health (DGMH) and DGNPME, were not examining the records of NRHM. Neither adequate number of State Quality Monitors was appointed nor was the system of community monitoring put on place. In many districts, District Health Missions (DHMs) were not formed and DHSs were not meeting regularly; district level vigilance and monitoring committees were also not formed.

Several reports like those of the Central Review Mission, Joint Review Mission and the Comptroller and Auditor General of India, were available with the Government but effective corrective measures had not been taken.