

CHAPTER VI

FINANCIAL MANAGEMENT

Against National Health Policy's (NHP) target of spending eight *per cent* of State's budget on healthcare, the expenditure on healthcare in the State ranged from 3.99 *per cent* to 5.99 *per cent* of the total expenditure during 2016-22. Despite inadequate budget provisions *vis-à-vis* NHP target, the department could not spend more than five *per cent* of the total expenditure of the State in four out of the last six years. The capital expenditure on healthcare registered significant increase during 2020-21 and 2021-22. Primary healthcare received inadequate attention with just about 35 *per cent* of the total health budget, as against 66 *per cent* envisaged in NHP, resulting in shortage of Urban PHCs by 43 *per cent*. TNMSC and TAMPCOL, the procurement agencies of HFW Department retained huge unspent balances with them without returning the same to Government. Different HoDs of the Department continued to release funds to TNMSC and TAMPCOL without linking it with the unspent balances held by them. Planning lacked focus as GoTN did not conduct facility survey of HCFs to identify gaps to assess the availability of buildings and equipment, to prepare the plan for upgrading the facilities based on ground realities.

6.1 Financial Management

As 'Public health and sanitation; hospitals and dispensaries' is enumerated under the State List in the Seventh Schedule¹, the delivery of healthcare largely rests with the States and the funds are allocated by the State Government.

Further, the National Health Mission² (NHM) is a major instrument of financing and support by the GoI to strengthen the State's public health systems and healthcare delivery. The financing to the state is based on the State's Programme Implementation Plan (PIP) and the fund flow from the Central Government to the States would be as per the procedure prescribed by the GoI.

6.1.1 Budget allocation and expenditure on health sector (Central and State Government)

The budget allocation and expenditure incurred on health sector during 2016-22, out of grants/funds allocated by both the Central and State Governments respectively, is given in **Table 6.1**.

¹ Article 246 of the Constitution of India.

² Encompasses its two Sub-Missions, National Rural Health Mission and National Urban Health Mission.

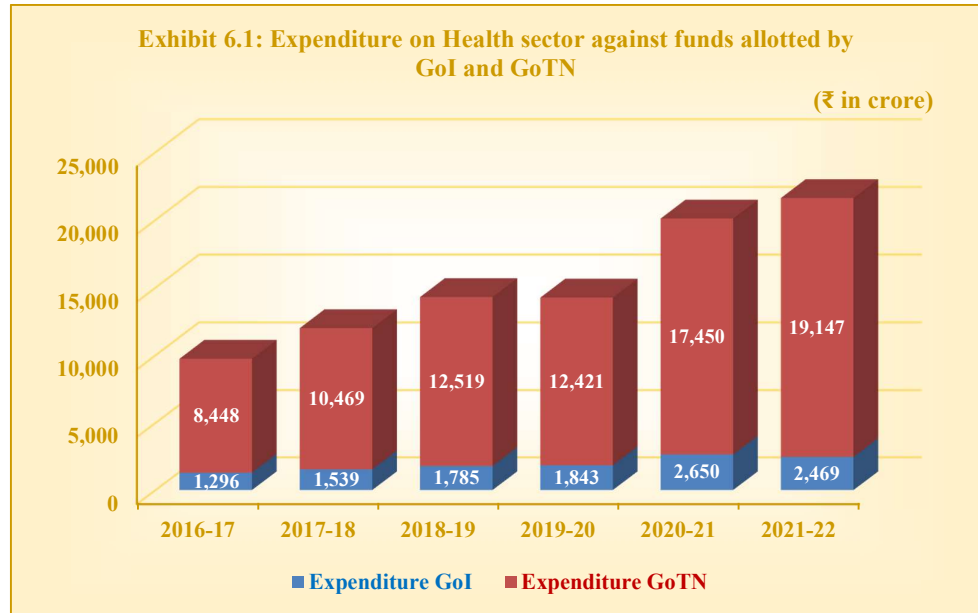
**Table 6.1: Budget allocation and expenditure on health sector
(Central and State Government)**

(₹ in crore)

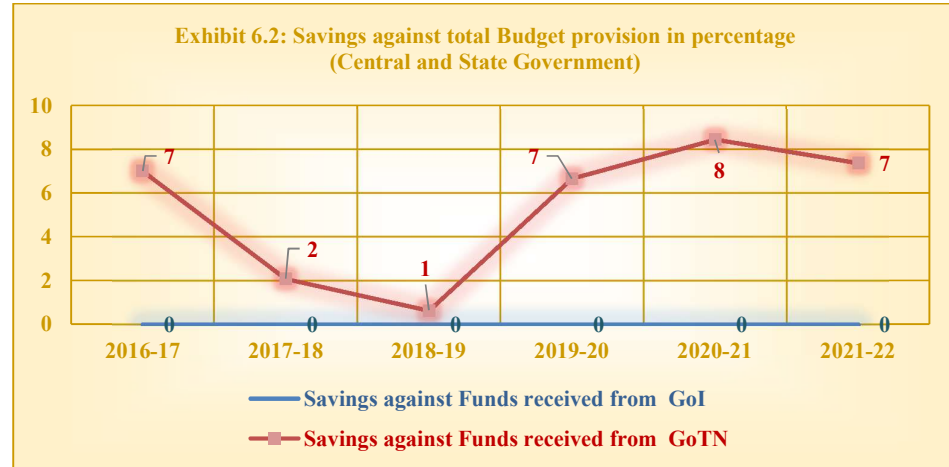
Year	Government of India			Government of Tamil Nadu		
	Grants received	Expenditure	Savings	Budget provision	Expenditure	Savings
2016-17	1,296.47	1,296.47	0	9,084.97	8,448.47	636.50
2017-18	1,539.18	1,539.18	0	10,691.04	10,468.80	222.24
2018-19	1,784.61	1,784.61	0	12,598.39	12,518.86	79.53
2019-20	1,842.54	1,842.54	0	13,306.89	12,420.75	886.14
2020-21	2,650.09	2,650.09	0	19,058.01	17,449.79	1,608.22
2021-22	2,469.13	2,469.13	0	20,668.66	19,146.66	1,522.00
Total	11,582.02	11,582.02		85,407.96	80,453.33	4,954.63

(Source: Annual Accounts of National Health Mission - Tamil Nadu and Appropriation Accounts of the respective years - GoTN)

The expenditure on health sector out of GoI's and GoTN's funds and the savings therefrom is shown in **Exhibits 6.1** and **6.2** respectively.



(Source: Annual Accounts of National Health Mission - Tamil Nadu and Appropriation Accounts of the respective years - GoTN)



(Source: Annual Accounts of National Health Mission - Tamil Nadu and Appropriation Accounts of the respective years - GoTN)

6.1.2 Expenditure on Health sector by the State *vis-à-vis* National Health Policy norms

The budget allocation and expenditure of the State for the period 2016-22 is shown in **Table 6.2**.

Table 6.2: Allotment and expenditure of the State

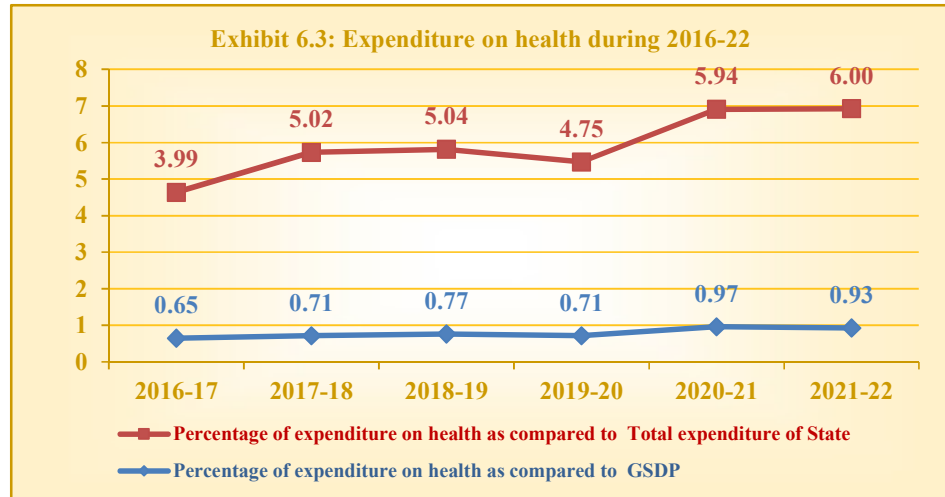
(₹ in crore)

Year	Budget allotment			Expenditure			HFW expenditure as a percentage of total	
	Total budget	Budget for HFW	HFW budget as percentage of total budget	Total expenditure	Expenditure on HFW	Budget utilisation (In per cent)	Budget	Expenditure
2016-17	2,33,667.47	9,084.97	3.89	2,11,641.78	8,448.47	92.99	3.62	3.99
2017-18	2,36,801.62	10,691.04	4.51	2,08,622.18	10,468.80	97.92	4.42	5.02
2018-19	2,67,993.42	12,598.39	4.70	2,48,170.04	12,518.86	99.37	4.67	5.04
2019-20	2,88,353.26	13,306.89	4.61	2,61,259.87	12,420.75	93.34	4.31	4.75
2020-21	3,38,972.45	19,058.01	5.62	2,93,753.74	17,449.79	91.56	5.15	5.94
2021-22	3,49,739.62	20,668.66	5.90	3,19,361.81	19,146.66	92.64	5.47	5.99

(Source: Appropriation Accounts of the respective years - GoTN)

During 2016-22, Budget allocation for the health sector ranged from 3.89 per cent to 5.90 per cent of the total budget of the State, against eight per cent stipulated by NHP. Utilisation of the allotted funds ranged from 91.56 per cent to 99.37 per cent and averaged 94.64 per cent during 2016-22.

Further, the NHP envisages increase in health expenditure by Government as a percentage of Gross Domestic Product (GDP) to 2.5 per cent by 2025. However, the percentage of expenditure on health by GoTN during 2016-22 as a percentage of Gross State Domestic Product (GSDP) ranged from only 0.65 per cent (2016-17) to 0.97 per cent in 2020-21. The percentage of expenditure on health, as compared to the GSDP and total expenditure of the State, is given in **Exhibit 6.3**.

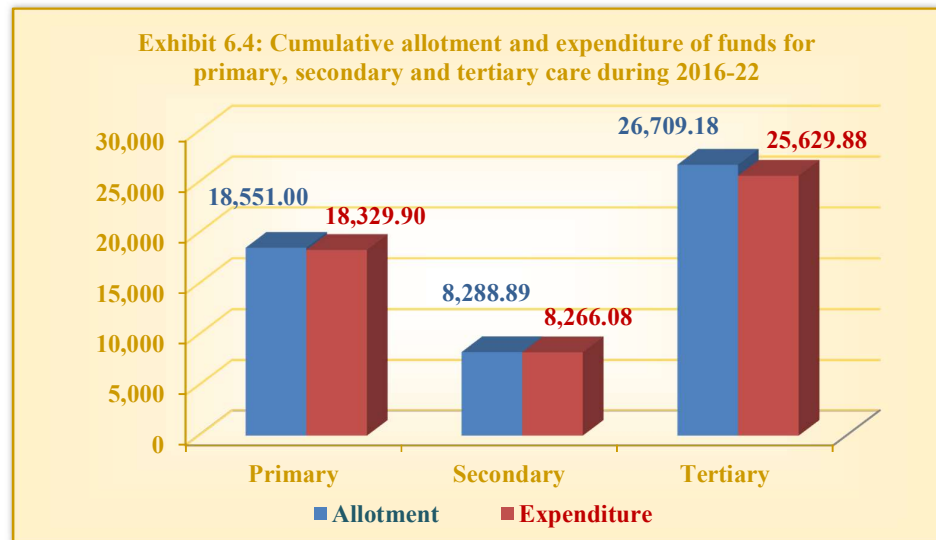


(Source: Central Statistical Office (CSO), Ministry of Statistics and Programme implementation and Appropriation Accounts of the respective years - GoTN)

6.1.3 Inadequate focus on primary healthcare

The NHP, 2017, advocates allocating up to two-thirds (i.e. 66.66 *per cent*) or more of resources to primary care followed by secondary and tertiary care institutions. The allocation of funds for the three levels of healthcare and its expenditure is shown in **Exhibit 6.4**.

(₹ in crore)



(Source: Appropriation Accounts of the respective years - GoTN)

As can be seen in the **Exhibit 6.4**, GoTN spent 49 *per cent* of the funds on tertiary care, followed by 35 *per cent* for primary care and 16 *per cent* for secondary care facilities.

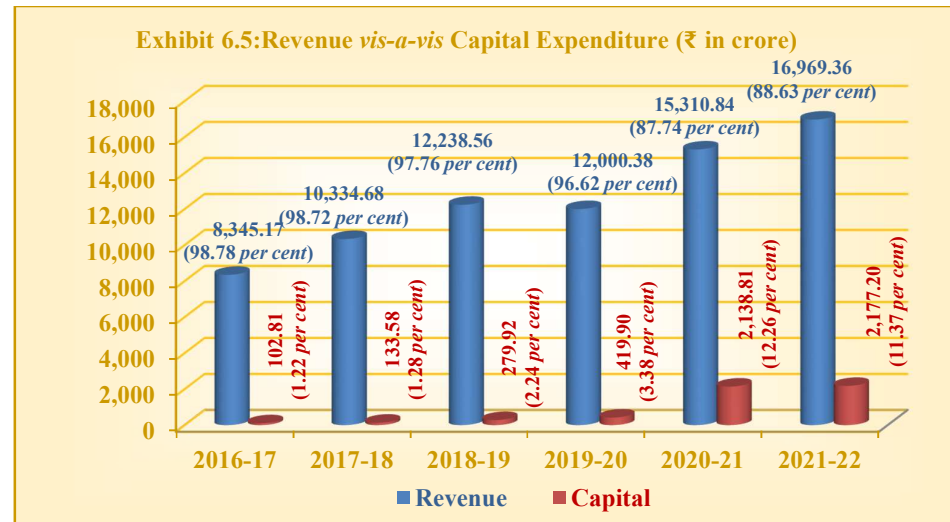
Audit observed that the inadequate funding for primary healthcare facilities had resulted in shortage in the number of PHCs, especially the Urban PHCs (shortfall by 43 *per cent*), with reference to GoI norms, as commented in **Paragraph 5.1.1**.

GoTN replied (August 2022) that people residing in urban areas preferred secondary/tertiary care institutions.

Audit observed that the primary healthcare sector, being the leading contributor to preventive aspects of health like providing vaccination, antenatal care, school healthcare, etc., the lower priority for funding could negatively impact the role to be played by PHCs.

6.1.4 Revenue and Capital expenditure

The Revenue and Capital expenditure of the Health and Family Welfare Department during 2016-22 is shown in **Exhibit 6.5**.



(Source: Appropriation Accounts of the respective years - GoTN)

The expenditure on salaries and wages constituted 46 *per cent* of the total revenue expenditure and drugs and equipment constituted nine *per cent* of the total revenue expenditure during 2016-22. The absolute increase in revenue expenditure during 2020-21 was due to COVID-19 related spending. The capital expenditure increased from 1.22 *per cent* of the total health sector expenditure in 2016-17 to 3.38 *per cent* in 2019-20 and 12.26 *per cent* in 2020-21. The expenditure on maintenance of existing buildings of the Department stood at about ₹100 crore per year during 2016-22.

The average percentage of capital expenditure on Health in the State, as compared with aggregate expenditure, was 5.31 *per cent* during 2018-20 and the capital expenditure on health, as a percentage of GSDP stood at 0.11 *per cent* in the State during 2020-21.

Audit observed that the budget outlay for maintenance of buildings, which stagnated at around ₹100 crore during 2016-22, resulted in poor maintenance of the existing and new buildings due to inadequate funding, as discussed in **Paragraph 5.3.1**.

GoTN did not transfer function, funds and functionaries to Municipalities and Panchayat Raj Institutions for health-related activities. Therefore, the Panchayat Raj Institutions and Urban Local Bodies, except Greater Chennai Corporation,

did not incur any direct expenditure on healthcare services. Sub-optimal spending on health sector resulted in shortfalls in deployment of manpower and inadequate infrastructure as discussed in **Chapter V** of this Report.

Recommendation 8:

Government should ensure that the outlay for healthcare is increased to eight per cent of the budget as envisaged in the National Health Policy to bridge the gaps in infrastructure and manpower needs of all three levels of public health institutions, particularly with a focus on the gaps in Urban Primary Healthcare services. The Department should strive to utilise the budget allotments in full.

6.1.5 Budget allocation and expenditure on important components under NHM

The National Health Mission (NHM) implements various programmes for which fund allocation is shared between the Union and State Governments in the ratio of 60:40. The budget allocation and expenditure on certain important components under NHM in the State is given in **Table 6.3**.

Table 6.3: Budget allocation and Expenditure on important components under NHM

Scheme	Total Budget for 2016-22 (₹ in crore)	Total expenditure for 2016-22 (₹ in crore)	Percentage of total expenditure to budget	Per cent utilisation						Sparkline for six years during 2016-22
				2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
National Center for Vector Borne Diseases Control	125.18	90.01	72	27	28	27	3	5	8	
Routine Immunisation Strengthening Project	132.24	82.15	62	28	15	24	9	12	12	
Pulse Polio Immunisation (PPI)	93.15	39.64	43	3	44	14	14	13	12	
Iodine Deficiency (NIDDCP)	5.24	0.85	16	0	7	16	9	11	56	
Health System Strengthening	7,884.40	6,389.79	81	8	16	19	19	21	17	
National Viral Hepatitis control programme (NVHCP)	0.45	2.98	662	0	0	0	0	0	100	
National Leprosy Eradication Programme (NLEP)	26.19	25.87	99	13	11	31	26	7	12	
National Programme for Control of Blindness (NPCB)	245.16	194.45	79	12	14	33	21	12	9	
National Mental Health Programme (NMHP)	18.92	12.08	64	14	9	20	20	15	22	

(Source: Details furnished by NHM, Tamil Nadu)

6.2 Budget and expenditure for sampled districts

The budget allocation for health and expenditure therefrom in the sampled districts during 2016-22 is given in **Appendix 6.1** and the percentage of expenditure by the sampled districts out of the allotted budget is given in **Table 6.4**.

Table 6.4: Percentage of expenditure against budget allocation in sampled Districts

Year	Erode	Karur	Perambalur	Thanjavur	Theni	Tiruvannamalai
2016-17	96	79	99	101	96	88
2017-18	102	103	85	70	96	103
2018-19	101	97	107	91	88	102
2019-20	99	98	92	109	96	99
2020-21	107	89	118	97	99	128
2021-22	97	71	78	92	99	106
Average	100	89	96	93	96	104

(Source: Compiled from details furnished by the DDHS, JDHS and MCHs in sampled districts)

6.3 Unutilised amount lying outside Government account

Tamil Nadu Budget Manual enjoins that fund should be withdrawn from Government account only when it is actually required. Instances of drawal of funds more than actual requirement and idling of funds outside the Consolidated Fund of the State are discussed in the succeeding sub-paragraphs.

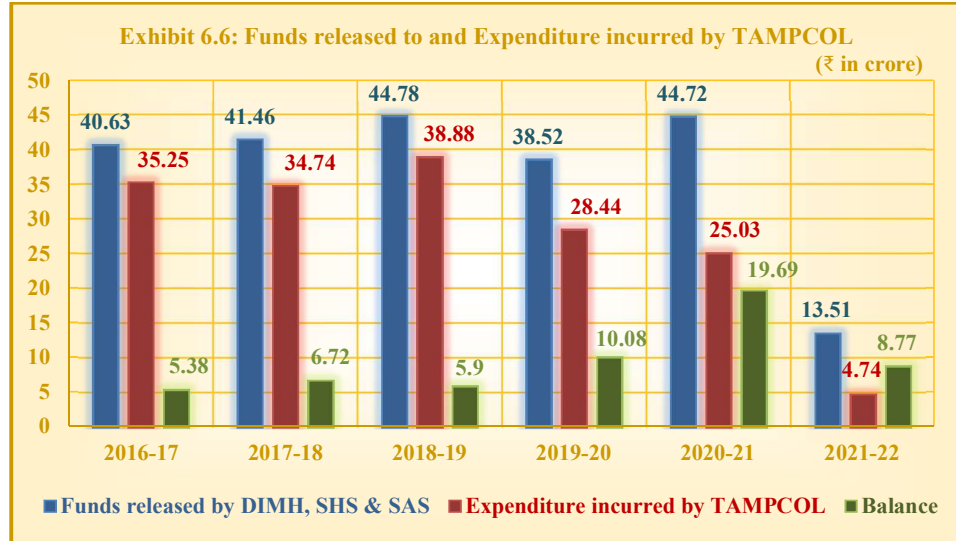
6.3.1 Tamil Nadu Medical Services Corporation Limited

GoTN constituted TNMSC in 1994, with the objective to procure, test, store and distribute drugs, medicine, surgical and suture consumables to all Government medical institutions in the State.

As of March 2022, TNMSC held an unutilised balance of ₹2,516.08 crore, out of the funds received from various Directorates towards procurement of drugs (₹254.84 crore) and equipment (₹2,261.24 crore). Audit observed that TNMSC had an IT based system for monitoring procurement and distribution of drugs and medicines as well as for equipment. Therefore, it was quite possible to assess the requirement of funds with greater accuracy. However, the repeated failure to restrict the fund release with actual requirement, had resulted in falsification of the accounts as the expenditure shown as incurred were not actually incurred, but retained by TNMSC in its Personal Deposit account, leading to overstatement of actual expenditure for Health.

6.3.2 Funds kept unutilised by TAMPCOL

GoTN has nominated TAMPCOL as the Nodal Agency for procurement and supply of medicines, machinery and equipment, to all the AYUSH centres functioning under the Directorate of Indian Medicine and Homoeopathy (DIMH). The details of funds released by DIMH, SHS and SAS to TAMPCOL during the period from 2016-22, expenditure incurred, and the unspent balance is shown in **Exhibit 6.6**.



(Source: Details furnished by DIMH and TAMPCOL)

As per the existing system, DIMH released funds to TAMPCOL for procurement of AYUSH medicines and other supplies for use in the AYUSH wings in HCFs. The AYUSH wings in HCFs submitted their indents to TAMPCOL and the agency procured/manufactured the items and supplied to the HCFs. TAMPCOL rendered accounts to DIMH, but DIMH had not maintained proper records of indents placed by HCFs and supplies received by them. The accounts rendered by TAMPCOL were treated as final accounts by DIMH. Thus, Audit could not ensure the accuracy of the account maintained by DIMH. Further, in the sampled units in Erode and Tiruvannamalai districts, Audit found that TAMPCOL did not supply 13 to 23 items of Siddha medicines indented by the DHQs, TKHQs and PHCs.

The CAG's Audit Report (General and Social Sector), for the year ended March 2018, had already highlighted that TAMPCOL had an unspent balance of ₹22.68 crore as of March 2018. As of March 2022, the unspent balance had increased to ₹56.64 crore.

Audit, however, observed that as of February 2024, the unspent balance held by TAMPCOL had substantially reduced to ₹83.64 lakh. To a specific Audit enquiry, the Chief Accounts Officer (CAO), TAMPCOL replied (February 2024) that since the indents are presently placed online, the pending supply was being easily identified. Further, the CAO, TAMPCOL stated that out of an unspent balance of ₹83.64 lakh, indents have been received for

₹82.67 lakh, for which tender is under process and thereafter supply will be completed fully.

Recommendation 9:

Government should ensure that releasing funds to TNMSC and TAMPCOL are linked to the actual requirement of drugs and other supplies and direct these agencies to refund the unspent balances immediately.

6.3.3 Funds kept unutilised by State AYUSH Society

The State AYUSH Society - Tamil Nadu (SAS) was formed to implement the schemes sanctioned to the State under the National AYUSH Mission. The expenditure on the schemes, implemented by the SAS, are shared in the ratio of 60:40 by GoI and GoTN. During 2016-22, GoTN released ₹199.42 crore (GoI share ₹119.83 crore and GoTN share ₹79.89 crore).

The funds released during 2016-22 were not fully utilised leaving a balance of ₹27.50 crore (14 *per cent*) as of March 2022. Audit found that the Utilisation Certificates (UC) issued by SAS during 2016-21 was flawed, as the UC showed an expenditure of ₹75.67 crore against the actual expenditure of ₹73.32 crore out of GoI grants. The receipt, expenditure and bank balances were not periodically reconciled.

Audit observed that the financial management in State AYUSH Society is prone to possible irregularities as the receipt, expenditure and balances were not periodically reconciled.

6.4 Planning

6.4.1 Non-framing of State Health Policy

The National Health Policy, 2017 (NHP), envisages setting up of appropriate standards for public health delivery and for providing funds by the State Governments. GoTN did not adopt the NHP in toto; especially the IPHS norms, which stipulates quality benchmarks for medical institutions. GoTN had not implemented NHP's recommendations on creation of cadre for Public Health Management and earmarking more than eight *per cent* of State's budget³ for health sector by 2020.

Audit observed that the State had not evolved a State level Health Policy to provide directions for implementing various programmes and projects of health sector. Though GoTN prepares an Annual Policy Note and presents it in the Legislature, it was not a substitute for a comprehensive State level health policy with long term goals and strategies.

Lack of a State level Policy and non-committal on following NHP had resulted in the absence of a criteria for deployment of manpower and creation of

³ Funds for Health Sector ranged from 3.89 to 5.62 *per cent* during 2016-22.

infrastructure either with reference to IPHS norms or any other State level norms, as discussed in succeeding Chapters.

GoTN replied (August 2022) that Government was considering bringing out ‘The Tamil Nadu Right to Health Policy’.

6.4.2 Non-conduct of facility survey

As per NHM Assessors’ Guidebook, gap analysis should be conducted by the HCFs to assess the availability/non-availability of infrastructure, human resource, equipment, drugs, etc., as against the prescribed norms.

GoTN has set their own norms for supply of machineries, equipment, manpower, etc., for PHCs, and secondary care hospitals, and follows the standards set by National Medical Commission⁴ for MCHs. It was seen that while sanctioning for establishment of new HCFs, GoTN accorded administrative sanction for construction of buildings, procurement of equipment and posting of manpower as per the policy note of the State Government. It was further observed that these standards/norms were applied only for the HCFs being newly established and no effort was made to equip the older institutions established prior to 2016 at par with those which were coming up post 2016.

Audit found that no gap analysis was conducted by the DME in any of the institutions. Though DPH and DMRHS replied that gap analysis was conducted in Primary and Secondary care institutions respectively, the records to substantiate the same, were not produced to Audit. The sampled HCFs confirmed the fact that no gap analysis was done by them based on any standards.

GoTN, accepted (August 2022) that there was no formal gap analysis done and the proposals of HCFs were approved based on their requirement of buildings, equipment, manpower etc.

Due to the absence of a formal facility survey and gap assessment, GoTN could not prioritise the areas requiring development, as discussed in the succeeding Chapters.

Recommendation 10:

Government should ensure that the fund and manpower allocation are based on the gaps identified through the annual facility survey, as specified with National Health Mission.

⁴ National Medical Commission replaced the Medical Council of India in September 2020.