CHAPTER 6

Financial Management

6 Chapter

Financial Management

Audit Objective: Whether comprehensive strategies and plans had been developed and adequate funding in the health sector had been made available, for ensuring accessible, affordable, and quality health services.

There was a decreasing trend in capital expenditure over the years and inadequate budgetary spending on the health sector, in respect of the State Gross Domestic Product (SGDP), as well as the overall State Budget for the covered audit period. Instances of parking of funds, along with short release of State share, also come to notice.

6.1 Departmental financial management

State Government made budgetary provisions for the Health & Family Welfare Department, against the following heads, under Demand No.24:

Table 6.1: Major Head-wise total expenditure of the H&FW Department

Sl. No.	Major head	Description of major head	Total expenditure during 2016-17 to 2021-22 *(₹ in crore)*
1	2210	Medical and public health	54,701.43
2	4210	Capital outlay on Medical and public health	6,214.27
3	2211	Family Welfare	5,553.68
4	2235	Social security and Welfare	169.91
5	2236	Nutrition	0.31
6	2049	Interest Payment	1.80
7	2051	Public Service Commission	17.28
8	2251	Secretariat – Social Services	94.33
9	2551	Hill Areas	0.66
10	2250	Other Social Services	0.15
11	2515	Other Rural Development Programmes	19.22
12	6210	Loans and Advances	97.34
	Total		**66,870.38**

Source: Budget documents of H&FW, Govt. Of W.B., FYs 2016-17 to 2021-22

6.1.1 Budgetary Savings and decrease in capital expenditure

On comparing the departmental expenditure against the revised estimates in the State Budget, by the department, as detailed below, it was noticed that there had been savings, in all years, including considerable savings of 23.32 *per cent* in FY 2021-22, as below:

Table 6.2: Budgetary Expenditure of the H&FW Department for the audited period

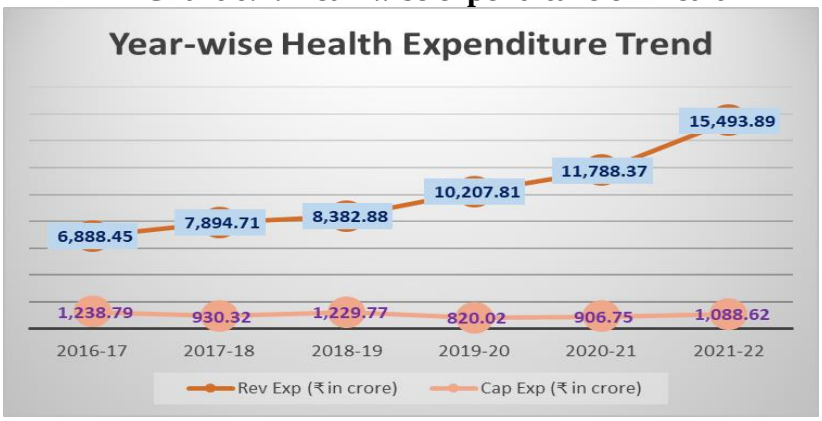
Financial Year	Revised Estimate (₹ in crore)	Released by the Department (₹ in crore)	Gross Expenditure (₹ in crore)	Savings (₹ in crore)	Savings (Percentage) over RE
	A	B	C	(A-C)	(A-C)/ A*100
2016-17	8,713.07	8,047.99	8,127.24	585.83	6.73
2017-18	9,820.60	8,836.47	8,825.03	995.57	10.14
2018-19	10,342.63	9,645.63	9,612.65	729.98	7.05
2019-20	11,938.55	10,461.31	11,027.83	910.72	7.63

Financial Year	Revised Estimate (₹ in crore)	Released by the Department (₹ in crore)	Gross Expenditure (₹ in crore)	Savings (₹ in crore)	Savings (Percentage) over RE
	A	B	C	(A-C)	(A-C)/ A*100
2020-21	14,162.89	12,143.92	12,695.12	1,467.77	10.3
2021-22	21,624.61	16,821.98	16,582.51	5042.10	23.32
Total	**76,602.35**	**65,957.30**	**66,870.38**	**9,731.97**	**12.70**

Source: Budget documents of H&FW, Govt. of W.B., FYs 2016-17 to 2021-22

A detailed analysis of departmental spending ***(Appendices 6.1 & 6.2)*** showed that, while the revenue expenditure of the department had gradually increased (125 *per cent*) over 2017-22, capital expenditure in the health sector had experienced a consistent decrease (12 *per cent*) over the same period, as shown in ***Chart 6.1***.

Chart 6.1: Year-wise expenditure on Health



Source: Budget documents of H&FW, Govt. of W.B., FYs 2016-17 to 2021-22

The Department in its reply (February 2024) offered no response in this regard.

6.1.2 Inadequate funding in the Health Sector

The National Health Policy, 2017, outlined the indicative quantitative goals, and objectives, under three broad components, *viz.:* (a) health status and programme impact (b) health systems performance and (c) health system strengthening. These goals and objectives are aligned to achieve sustainable development in the health sector, keeping in view the policy thrust. Strengthening of the health system is directly associated with health finance, which targeted for goals such as:

- increase in the health expenditure by Government, as a percentage of GDP[161], from the existing 1.15 *per cent*, to 2.5 *per cent*, by 2025.
- increase in the State sector health spending, to more than eight *per cent* of its budget, by 2020.

The status of State spending in health sector, however, as may be seen from the following table, was below the national level of 1.15 *per cent*, in all the years except FY 2021-22. The target of 2.5 *per cent* by 2025, had remained unachieved, up to 2021-22.

- Further, the health sector expenditure ranged between 4.24 *per cent* and 6.37 *per cent* of the overall budgetary expenditure of the State, against the target of more than eight *per cent* by 2020.

[161] *Gross Domestic Product*

Table 6.3: Health sector expenditure *vis-à-vis* GSDP and State expenditure

(₹ in crore)

Financial Year	GSDP of the State	Total Budgetary Spending of the State	Health sector spending	Percentage against GSDP	Percentage against total Budgetary spending
	A	B	C	C/ A*100	C/ B*100
2016-17	8,72,527.23	1,58,755.22	8,127.24	0.93	5.11
2017-18	9,74,700.05	1,85,425.81	8,825.03	0.91	4.75
2018-19	11,02,053.65	2,26,742.74	9,612.65	0.87	4.24
2019-20	11,79,097.14	2,20,224.97	11,027.83	0.94	5.00
2020-21	11,55,820.61	2,20,121.09	12,695.12	1.09	5.77
2021-22	13,63,925.86	2,60,285.69	16,582.51	1.22	6.37

Source: Finance & Appropriation Accounts; GSDP- Directorate of Economics and Statistics; MoSPI

The Department did not have any mechanism to capture private investments made in the health sector.

6.1.3 Short release of State Share

The State was supposed to release its share of funds against GoI funds released to implement the National Health Programmes, under the 'National Health Mission', in the ratio of 60:40. A review and analysis of records showed that the State had not released ₹ 500.81 crore of the State share, against the GoI releases, under NHM, as detailed below:

Table 6.4: Short/ Excess release of State Share under NHM *(₹ in crore)*

Year	GoI grants received	Commodity grant* received	Total GoI grants received	State Share	Actually released	Short(+)/ excess(-) release
2016-17	735.41	77.16	812.57	541.71	393.42	148.29
2017-18	1,086.19	217.16	1,303.35	868.90	642.98	225.92
2018-19	1,005.83	110.01	1,115.84	743.89	719.96	23.93
2019-20	1,617.72	132.03	1,749.75	1,166.50	1,185.62	-19.12
2020-21	17,52.55**	150.47	1,903.02	1,268.68	968.63	300.05
2021-22	1,169.43	136.26	1,305.69	870.46	1,048.73	-178.27
Total:	**7,367.13**	**823.09**	**8,190.22**	**5,460.14**	**4,959.34**	**500.81**

*Source: WB Finance Accounts; **excluding ₹ 295 crore of Covid-19*
** Commodity Grant denotes cash equivalent of vaccines*

In reply (February 2024), the Department furnished different set of data weherein the short release of State share has been depicted as ₹ 344.25 crore[162]. The Department, however, did not clarify/ provide source of figures and claimed that the amount of short release has been made good subsequently in 2022-23. However, no documentary evidence was furnished.

It is pertinent to mention that the figures in audit as depicted in **Table 6.4** were sourced from West Bengal Finance Accounts which also tallied with the actual figures of expenditure of State budget documents.

6.1.4 Parking of funds

(i) Parking of GoI grants in the State Exchequer

Scrutiny of records (State Finance Accounts) revealed that the Health Department had not drawn GoI grants, credited to the State exchequer towards NHM, as shown below:

[162] *State share due: ₹5,540.99 crore; State share released ₹5,147.97 crore;* ***Short release of State share = ₹344.25 crore*** *{₹5,540.99 crore minus ₹5,147.97 crore (after adjusting excess release of ₹48.77 crore upto FY 2015-16)}.*

Table 6.5: Release of GoI Grants under NHM *(₹ in crore)*

Year	GoI grants received by State for NHM*	GoI grants drawn and deposited to the Deposit/ Bank Account of NHM	Difference of grants received but not drawn
	A	B	A-B
2016-17	584.58	602.45	(-) 17.87
2017-18	955.61	709.48	246.13
2018-19	804.72	826.19	(-) 21.47
2019-20	888.93	841.27	47.66
2020-21	1,331.3	1,186.49	144.81
Total	**4,565.14**	**4,165.88**	**399.26**

*Source: Annual Accounts of NHM from 2016-17 to 2020-21; Annuual Accounts for FY 2021-22 had not been finalised; * This grant is exclusive of grants received under the 'Infrastructure Maintenance (IM)' component of NHM, which is spent through the treasuries and not through bank accounts.*

It may be seen from **Table 6.5** that, though GoI grants, amounting to ₹4,565.14 crore (excluding grants meant to be spent through treasury), were credited between FYs 2016-17 and 2020-21, under the National Health Mission (NHM), to the State exchequer, around ₹ 399 crore of GoI grants had remained parked in the State exchequer and had not been drawn and deposited to the bank account/ Deposit account of NHM, for running the National Health Programmes in the State.

In its reply (February 2024), the Department has furnished a different set of figures wherein the amounts not drawn was shown as ₹ 235.02 crore[163]. Though neither the source nor the supporting documents in favour of the above figures were provided by the Department, even with these figures, a short release of GoI grants from the State exchequer was evident.

(ii) Parking in bank/ deposit accounts of various authorities

The closing balances of budgetary drawals, remaining parked in the bank accounts of different Societies/ Corporations under the department, are shown below:

Table 6.6: Parking of funds of various authorities, in bank/ deposit accounts *(₹ in crore)*

Name of the Society/ company	Closing Balances at the end of the financial years				
	2016-17	2017-18	2018-19	2019-20	2020-21
West Bengal State Health and Family Welfare Samity[164]	1,580.39	956.71	802.21	1,072.78	1,546.81
WB Medical Services Corporation[165]	653.05	523.64	726.31	269.28	350.09
WB State AYUSH Samity[166]	48.29	59.07	74.46	82.16	56.75
Society for Health & Demography[167]	3.94	2.99	2.88	0.60	0.63
Total: **(Percentage to health sector spending)**	**2,285.67** ***(28.12%)***	**1,542.41** ***(17.48%)***	**1,605.86** ***(16.71%)***	**1,424.82** ***(12.92%)***	**1,954.28** ***(15.39%)***

Source: Annual Accounts of the respective Samity/ Corporation/ Mission/ Society; Annual Accounts of NHM for 2021-22 not finalised

[163] *GoI grants received but not drawn: ₹ 235.02 crore (GoI grants received by State: ₹ 4,024.14 crore minus grants drawn and deposited in NHM account: ₹3,789.12)*

[164] *West Bengal State Health & Family Welfare Samity is the society created under the department of H&FW for execution of the National Health Programmes specially under National Health Mission.*

[165] *West Bengal Medical Services Corporation (WBMSCL) is a corporation under the H&FW Department, created primarily to bring efficiency in construction of health facilities, procurement of drugs and equipment and maintenance thereof.*

[166] *A society created under H&FWD to govern and execute the AYUSH Mission and for programme implementation in the State.*

[167] *A society created under the H&FWD for maintaining a dynamic data warehouse on various social, demographic and health characteristics to understand the health and demographic changes in the rural community over time.*

It could be seen that funds ranging between ₹ 1,424.82 crore and ₹ 2,285.67 crore, had remained parked in the bank accounts of various Societies and Companies/ Corporations under the H&FW department. These funds constituted 12.92 *per cent* to 28.12 *per cent* of the health sector spending incurred during the concerned years.

West Bengal Health & Family Welfare Samity did not maintain age-wise analysis of the closing balances. Age analysis of closing balances could also not be made available by WBMSCL.

In West Bengal State AYUSH Samity, as of 2022-23, 8 *per cent* and 32 *per cent* of the closing balances (₹ 29.95 crore) were lying unspent from 2018-19 and 2019-20 respectively which mainly included funds for Public Health Outreach activities, training, construction of AYUSH hospital (Institute of Post Graduate Ayurvedic Education & Research, Kolkata), Project Management Cost *etc*.

Of the closing balance of ₹ 62.71 lakh lying with the Society for Health & Demographic Surveillance as of 2020-21, ₹ 69,415 meant for the head 'health care' had been lying from 2015-16, while 54 *per cent* of the closing balance were lying from 2019-20 meant for execution of Anganwadi and Iron Folic Acid projects.

Further scrutiny of WBMSCL[168] records showed that funds amounting to ₹ 285.30 lakh, received for procurement of different bio-medical equipment, had remained parked in the bank account of the Corporation, for periods ranging between one to seven years ***(Appendix 6.3)***. Moreover, excepting for FY 2021-22, 49 *per cent* to 94 *per cent* of the funds had been withdrawn and deposited to the Deposit Account of WBMSCL, in the 4th quarters of the respective years[169]. This indicated unnecessary drawal of funds, to avoid lapse of budget allotment, in contravention of Rule 389A of the West Bengal Financial Rules.

The Department, in its reply (February 2024) has offered its comments only for balances in respect of West Bengal State Health and Family Welfare Samity. In reply it was stated that the closing balances of the Samity includes remittances in transit and also the balances at district and block levels which were mostly committed for expenditure in next year. The Department, also stated that no age-wise analysis of closing balances were done.

6.2 COVID fund management

Government of India, with financial supports from the World Bank and other Financial Institutions, sanctioned (April 2020) India COVID-19 Emergency Response and Health Systems Preparedness Package (ER&HSP)-Phase I, as a Central Sector Scheme. The scheme, fully funded by the GoI with no State

[168] *West Bengal Medical Services Corporation (WBMSCL) is a corporation under the H&FW Department, created primarily to bring efficiency in construction of health facilities, procurement of drugs and equipment and maintenance thereof.*

[169]

(₹ in crore)

Financial Year	Opening Balance	Total funds received	Fund received in 4th Qtr. of FY	Percentage
2017-18	*₹ 653.05*	*₹ 373.51*	*₹ 183.02*	*49*
2018-19	*₹ 523.64*	*₹ 782.35*	*₹ 735.41*	*94*
2019-20	*₹ 726.31*	*₹ 556.44*	*₹ 283.79*	*51*
2020-21	*₹ 269.28*	*₹ 610.32*	*₹ 329.57*	*54*
2021-22	*₹ 350.09*	*₹ 638.29*	*₹ 217.02*	*34*

share, intended to build resilient health systems to support preparedness and prevention related functions, that would address not only the COVID-19 outbreak, but also such outbreaks, in future.

In the FY 2021-22, Phase II of the package (ER&HSP) was introduced by GoI as a Centrally Sponsored Scheme, with some Central Sector components. The aim of Phase II was to strengthen the health systems further and support States in managing the second wave and any future upsurges. This phase was to be shared by the GoI and State on a 60:40 basis.

As per the Guidance Notes issued vide MoHFW (in April 2020, August 2020 and June 2021) the States were to prepare Emergency COVID Response Plans (ECRPs), in the prescribed format ***(Appendix 6.4 to 6.6)***, for obtaining and utilising funds under these packages. The response plans (ECRPs) were to include details of activities necessary for effective response.

However, even before introduction of the above packages (ER&HSP) and preparation of ECRP, GoI had released, in the financial year 2019-20, funds for supplementing the resources out of NHM funds (under the component Mission Flexi-pool for Health Systems Strengthening).

Details of funds received (along with the State share) against the ECRPs and allotment of funds from State budget (COVID untied fund- State), for COVID-19, for the period from FY 2019-20 to FY 2021-22, was as below:

Table 6.7: Fund Position of Covid – 19 (ECRPs) ***(₹ in Crore)***

Year	State funds from Budget	ER&HSP against ECRPs			Grand Total	Remarks
		GoI Share	State Share	Total		
2019-20	100.00	44.53	29.69	74.22	174.22	State had to release its share in NHM pattern (60:40) against funds released prior to introduction of ER&HSP Phase I
2020-21	910.00	295.28	0.00	295.28	1205.28	No state share involved in ER&HSP Phase-I (Central Sector scheme)
2021-22	835.16	604.76	403.17	1007.93	1843.09	ER&HSP-Phase-II was shared at 60:40 basis
Total:	**1,845.16**	**944.57**	**432.86**	**1,377.43**	**3,222.59**	

Source: Covid Fund as furnished by H&FW Department

All funds were drawn and placed in the West Bengal State Health & Family Welfare Samity accounts for utilization.

As regards ₹ 1,845.16 crore of State Funds released from Budget, the Government did not attach any specific purpose to these funds; instead, the same was to be spent based on locally felt needs. Utilisation of various types of funds are discussed below:

Utilisation of COVID untied State funds: Out of total ₹ 1,845.16 crore placed with West Bengal State H&FW Samity, an expenditure of ₹ 1,742.11 crore was incurred during FYs 2019-20 to 2021-22. However, it was observed that out of the same, an expenditure of ₹ 364.60 crore was adjusted against funds received against ECRPs. The position is tabulated below:

Table 6.8: Utilisation of COVID untied State funds *(₹ in crore)*

Year	Opening balance	Funds received by WB H&FW Samity	Total funds available during the years	Funds released to various lower level functionaries[170]	Total Expenditure booked	Expenditure adjusted against ECRP heads	Adjusted Expenditure	Closing balance
2019-20	0.00	100.00	100.00	52.96	5.60	5.60	0.00	94.40
2020-21	94.4	910.00	1004.4	**1,101.61**	**1,101.61**	318.20	783.41	220.99
2021-22	220.99	835.16	1,056.15	773.22	634.90	40.80	594.10	462.05
Total:		**1,845.16**		**1,927.79**	**1,742.11**	**364.6**	**1,377.51**	**462.05**

Source: Covid Fund under NHM (State level)

Utilisation of funds under ER&HSP –I & II against ECRPs: A summary position of receipt, availability and utilization of funds received under ER&HSP Phase I and Phase II against Emergency COVID Response Plans is discussed in **Table 6.9** below:

Table 6.9: Utilisation of funds under ECRP *(₹ in crore)*

Particulars	2019-20	2020-21	2021-22
	ECRP-I (NHM)	ECRP-I	ECRP-II
Opening Balance	0.00	68.62 *(unspent fund of ECRP)*	Nil
Central share	44.53	295.28	604.76
State share	29.69	0.00	403.17
Total funds received	74.22	295.28	1,007.93
Total available funds	74.22	363.90	1,007.93
Funds released	0.00	63.02	663.12 *(as per ledger updated up to 09.06.2022)*
Expenditure ***(As UC furnished)***	5.60* (7.54%)	363.90** (100%)	348.65 (34.59%) *(as per ledger updated up to 09.06.2022)*
Closing Balance	68.62	0.00	659.28

*Source: Covid Fund (ECRP-I) under the NHM (State level)*Expenditure incurred from State untied funds was adjusted against ECRP; ** ₹ 363.90 cr. = ₹ 45.70 cr. + ₹ 318.20 cr. (Spent ₹ 45.70 crore from ECRP-I and adjusted expenditure of ₹ 318.20 crore from the State untied fund)*

Thus, substantial quantum of funds had been lying un-utilised with West Bengal State H&FW Samity and its subordinate functionaries as per available records. While, State COVID Untied Funds of ₹ 462.06 crore (25 *per cent*) were lying unutilized (as of March 2022), 65 *per cent* of ECRP-II funds (₹ 659.28 crore) were also lying unspent as of last available ledger entries. Specific reasons if any, for non-utilisation of these funds, were not stated to Audit, though asked for. However, it shows lack of preparedness of the State to utilize available funds.

Non-production of records: In spite of several pursuance, the following records/ information was not produced/ furnished to Audit by the H&FW Department/ State H&FW Samity.

i. ECRPs prepared by the State Health Samity and sent to MoHFW, in the prescribed format.

ii. Financial and physical progress reports, which States were to submit by the 7th of every month, against all the ECRPs.

iii. Up-to-date status of implementation of the activities approved in the ECRPs.

[170] *District and Block Health & Family Welfare Societies, Rogi Kalyan Samities*

The following information, in regard to Untied State funds, drawn for COVID-19 purposes, for the period from FY 2019-20 to FY 2021-22, was also not furnished:

i. Year-wise plans, if any, for the FYs 2019-20, 2020-21 and 2021-22, for utilization of State funds received for COVID-19 purpose

ii. Year-wise physical and financial progress reports, if any, as on date, regarding utilization of State funds received for COVID-19 purpose, for the FYs 2019-20, 2020-21 and 2021-22.

iii. Sources of excess release and expenditure, by ₹ 97.21 crore (₹ 1,101.61 crore – ₹ 1,004.40 crore) under the COVID untied State funds, against the available funds in FY 2020-21.

The Department in its reply (February 2024) offered no response in this regard.

Recommendation:

13. Department may ensure that adequate funds are allotted in Health Sector and are utilized in a more efficient manner, as envisaged in the National Health Policy and other relevant guidelines.