

Chapter-6

Financial Management

6.1 Budget allocation and expenditure on Health Sector (Central and State Government)

Finances for health infrastructure and management of health services in the State are sourced through the State budget. Details of allocation of budget and expenditure incurred from Government of India (GoI) and Government of Haryana (GoH) and savings in Department of Health and Family Welfare during 2016-17 to 2022-23 is given in **Table 6.1**.

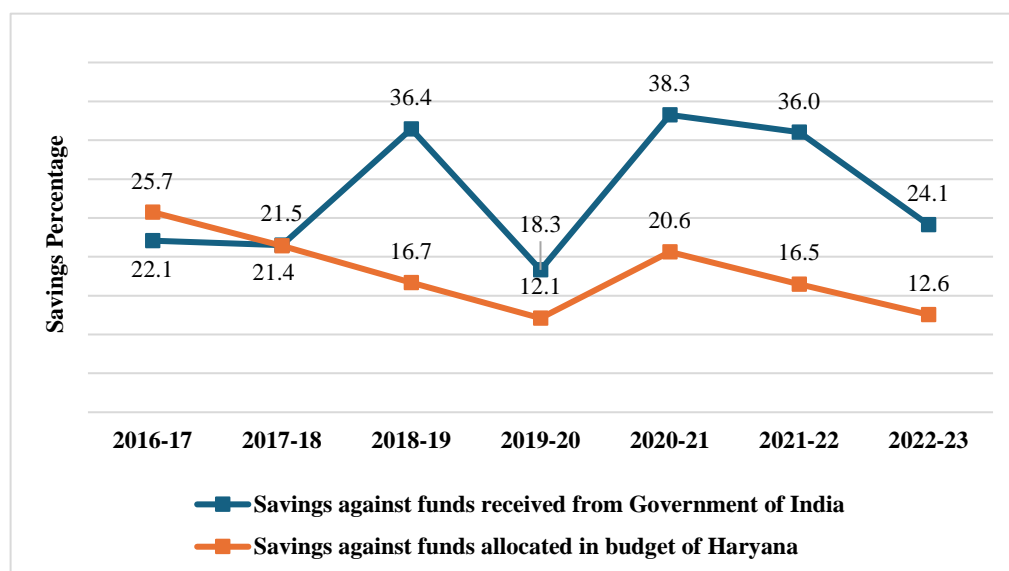
Table 6.1: Budget provision and expenditure on Health Sector (GoI and GoH)

(₹ in crore)

Year	Government of India			Government of Haryana		
	Budget Provision	Expenditure	Savings	Budget Provision	Expenditure	Savings
2016-17	532.36	414.77	117.59	3,541.36	2,629.66	911.70
2017-18	563.82	442.56	121.26	3,733.87	2,933.91	799.96
2018-19	734.54	466.81	267.73	4,260.23	3,550.36	709.87
2019-20	720.84	588.83	132.01	5,007.62	4,401.29	606.33
2020-21	1,013.77	625.94	387.83	6,581.32	5,223.39	1,357.93
2021-22	1,225.19	783.90	441.29	7,320.13	6,113.63	1,206.50
2022-23	1,457.05	1,105.43	351.62	7,541.93	6,594.70	947.23
Total	6,247.57	4,428.24	1,819.33	37,986.46	31,446.94	6,539.52

Source: Appropriation Accounts

Chart 6.1: Savings against Total Budget Provision (per cent)



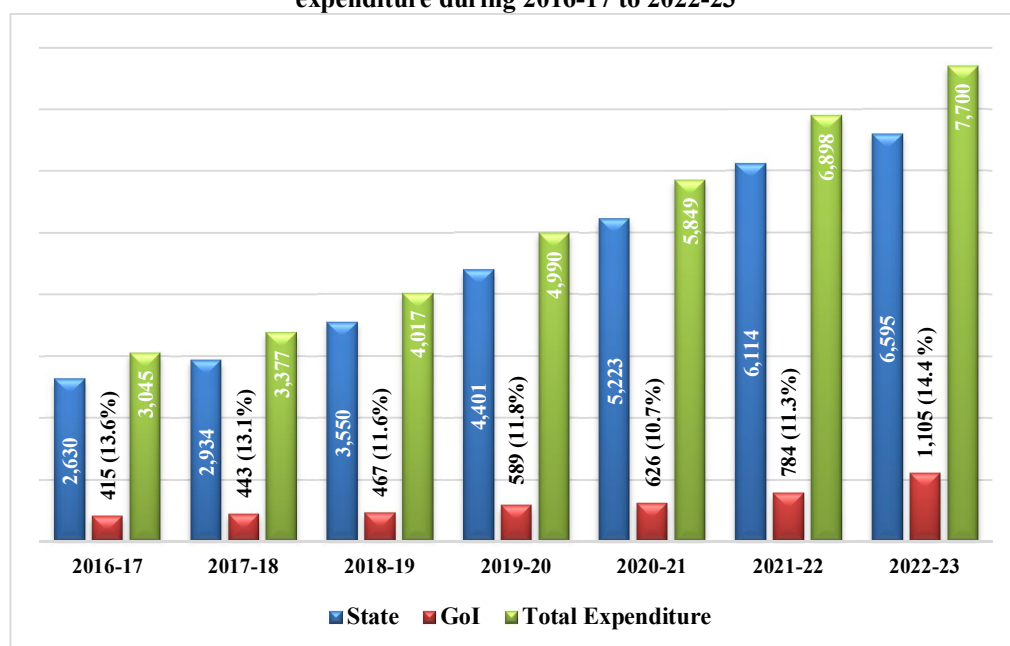
Source: Appropriation Accounts

It is evident from the above that funds ranging from 18.3 per cent to 38.3 per cent against the total budget allocated by GoI and from 12.1 per cent to 25.7 per cent against the budget allocated by the State Government on the health sector could not be utilised during 2016-17 to 2022-23.

6.2 Share of expenditure on Health Sector by GoI and State Government

The State Government implements Central Sharing Schemes, in which funds received/ expenditure incurred are in the ratio of 60:40 (Centre:State). Besides, various State Plan schemes and Central Sector schemes are also implemented by the Health and Family Welfare Department. Expenditure incurred under all schemes under GoI and State as well as total expenditure during 2016-17 to 2022-23 is given in **Chart 6.2**.

Chart 6.2: Expenditure incurred under all schemes under GoI and State as well as total expenditure during 2016-17 to 2022-23



Source: Appropriation Accounts

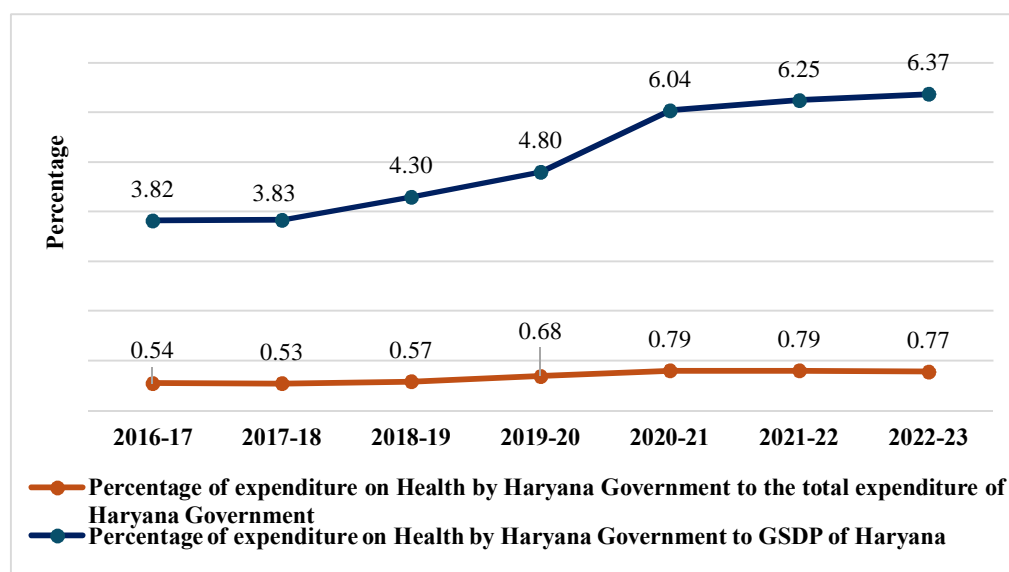
From the above, it can be seen that out of the total expenditure incurred by the State Government on Health Sector, contribution of GoI ranged between 10.7 per cent and 14.4 per cent.

6.3 Expenditure on Health Sector by the State vis-a-vis National Health Policy norms

Paragraph 2.4.3.1 of National Health Policy, 2017, envisages increase on health expenditure by Government as a percentage of GDP from the existing 1.15 per cent to 2.5 per cent by 2025 and increase State sector health spending to more than 8 per cent of their budget by 2020.

Chart 6.3 indicates the percentage of the State expenditure on Health sector to GSDP of Haryana and its total expenditure.

Chart 6.3: Percentage of State expenditure on health vis-a-vis GSDP of Haryana and vis-a-vis total expenditure



Source: Finance and Appropriation Accounts of respective years and information of GSDP on current prices obtained from Department of Economic and Statistical Affairs, Haryana

From the above, it may be seen that against the target of 8 per cent, government spending on the health sector remained between 3.82 per cent and 6.37 per cent of the total expenditure during 2016-17 to 2022-23. The expenditure has increased from 3,044.43 crore during 2016-17 to 7,700.13 crore during 2022-23. Similarly, as against the target of 2.5 per cent of GSDP (to be achieved by 2025), the expenditure on health increased from 0.54 per cent to 0.77 per cent of GSDP during 2016-17 to 2022-23. As such, there is still scope for the Government to increase expenditure on the health sector.

6.4 Revenue and Capital Expenditure

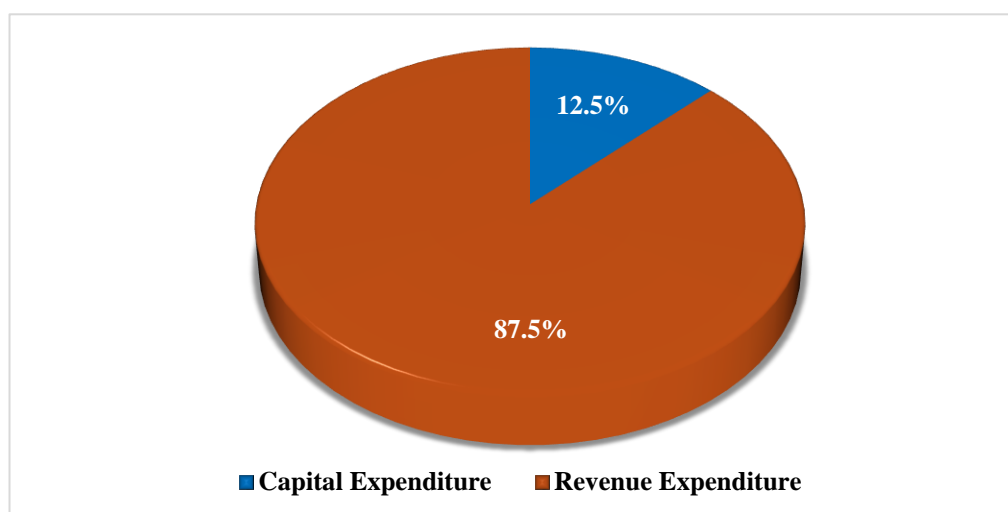
6.4.1 Revenue and Capital Expenditure

Revenue expenditure includes establishment expenses, Grants-in-Aid to various health institutions, expenditure on training programmes, immunisation programme, family planning programmes, Employees State Insurance Scheme, various schemes/programmes of State/ Central Government, assistance to other Non-Government Institutions and purchase of medicines.

Capital expenditure includes construction/major repairs to buildings of health institutions, acquisition of land and strengthening of State Drug Regulatory System.

Out of the total expenditure of 35,875.18 crore incurred on health during 2016-23, revenue expenditure was 31,406.35 crore (87.5 per cent) while capital expenditure was 4,468.83 crore (12.5 per cent) as indicated in the following **Chart 6.4**.

Chart 6.4: Percentage of Capital Expenditure vis-a-vis Revenue Expenditure for the years 2016-17 to 2022-23



Source: Appropriation Accounts

6.4.2 Preparation of unrealistic budget

As per the instructions issued (October 2019) by the Finance Department, Government of Haryana, the budget estimates should be submitted online by the Departments after consolidation of the entire budget proposals by the Drawing and Disbursing Officers/Budget Controlling Officers (BCOs). Further, information regarding physical achievements for the previous year (2019-20) and physical targets for the next financial year (2020-21) was also to be submitted while preparing budget estimates for the financial year 2020-21.

However, physical achievements of the previous year (2019-20) were not submitted by the BCOs while submitting the budget estimates for the period 2020-21 in respect of various schemes implemented by the Director General, Health Services (DGHS) in violation of the instructions of the Finance Department. There was no demand assessment for funds from the district offices/implementing agencies. Rather the fund requirements were centrally decided by the programme officers concerned in DGHS office who prepared the Explanatory Memorandum of the Schemes based on the approximate previous years' expenditure. The same process was followed in the subsequent years also.

In case of preparation of budget estimates for the purchase of medicines and equipment from Haryana Medical Services Corporation Limited (HMSCL), it was noticed that there was annual demand assessment which is uploaded on the Online Drug Inventory and Supply Chain management System by the District offices. However, the same was not considered and the budget estimates were based on the previous year's expenditure plus the normal escalation of 10 *per cent*. Thus, no bottom up/systematic approach was being followed in preparing the budget estimates.

The Director General, Health Services in their reply stated (June 2022) that the budget is prepared in respect of recurring and non-recurring development schemes. The demand in respect of the recurring development schemes is not received from the districts. Thus, the budget in respect of these schemes is proposed based on the increase in the previous year's budget and is uploaded online on the Finance Department portal.

In respect of non-recurring schemes, the respective programme officers submit the memorandum of scheme and seek the budget through the online portal of the Finance Department. Only after uploading the information about the physical targets/achievements, the budget estimates are put into process.

However, the Department could not produce any document/evidence of submission of physical targets/achievements by the programme officers.

6.5 Budget allocation and expenditure on important components under National Health Mission

National Health Mission (NHM), Haryana received funds in 60:40 ratio from GoI and Government of Haryana. There was wide variation in the budget provision and actual expenditure during the period from 2016-17 to 2022-23. Important components under NHM with very high variations are shown in **Table 6.2**. The year-wise details of budget allocated, expenditure incurred and funds remaining unutilised is given in **Appendix 6.1**.

Table 6.2: Budget allocation and Expenditure on important components under NHM

Name of Scheme	Total budget for 2016-17 to 2022-23 (₹ in lakh)	Total expenditure for 2016-17 to 2022-23 (₹ in lakh)	Percentage of total expenditure to budget	Per cent utilisation							Sparkline for seven years from 2016-17 to 2022-23
				2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
National Vector Borne Disease Control Programme (NVBCP)	2,466	1,482	60	60	59	68	37	57	61	78	
Information, Education & Communication (IEC)/ Behavior Change Communication (BCC)	9,478	5,127	54	47	50	48	44	39	59	71	
Iodine Deficiency Disorder (IDD)	287	43	15	33	0	0	0	0	20	50	
Procurement of equipment/drugs funds	28,862	11,139	39	12	29	33	67	24	48	41	
New Constructions/ Renovation and Setting up funds	30,084	1,738	6	24	10	85	47	2	1	10	
Hospitals Strengthening funds	30,371	6,075	20	1,156	118	36	2	8	25	33	
Innovation activity	5,278	1,099	21	134	4	8	25	73	13	35	

Source: Information furnished by NHM, Haryana

As can be seen from the above table, the utilisation percentage varied across the years. There were persistent savings or excess or both in these schemes. For instance,

- In case of National Vector Borne Disease Control Programme, out of the budget provision of ₹ 2,466 lakh, only ₹ 1,482 lakh (60 per cent) was utilised. The Management in its reply (January 2024) stated that the reasons

for under-utilisation of funds were the declining trend of incidence of malaria and non-purchase of equipment/microscope and Bi-valent rapid diagnostic test kits for malaria from Haryana Medical Services Corporation Limited. Further, some activities such as training and procurement of logistics etc. were also hampered due to COVID-19 pandemic.

- ii. Budget provision under Information Education & Communication (IEC)/Behaviour Change Communication (BCC) was enhanced every year (except 2020-21) but NHM incurred expenditure ranging between 39 and 71 *per cent* during 2016-17 to 2022-23.

The MD, NHM Haryana replied (January 2023/February 2024) that less expenditure for the years 2016-17 to 2022-23 was due to non-finalisation of pending payments of printing firms and that efforts were being made for maximum utilisation of budget by the concerned wings/divisions.

- iii. In Iodine Deficiency Disorder (IDD) component, NHM had utilised 33 *per cent* funds in the year 2016-17 and did not incur any expenditure during the period 2017-18 to 2020-21. However, it expended 20 and 50 *per cent* of the funds in the years 2021-22 and 2022-23 respectively.

The MD, NHM Haryana replied (January 2023/February 2024) that the National Iodine Deficiency Disorders Control Programme (NIDDCP) was initially monitored by DGHS Haryana from 2016-17 to 2020-21 and due to delay in procurement procedure, the expenditure could not be booked. The programme was shifted to NHM in November 2020. In 2021-22, the indent for the procurement of salt testing kits was raised to HMSCL but due to single bid participation by the vendor, the same could not be procured timely.

- iv. For procurement of equipment/drugs, funds were utilised ranging from 12 to 67 *per cent*. The MD, NHM intimated (February 2024) that the delay was on the part of HMSCL. Out of funds of ₹ 157.95 crore transferred to HMSCL by NHM, only ₹ 39.89 crore have been utilised so far.
- v. Budget provisions for new construction/renovation and setting up of CHCs, PHCs and Sub Centre was increased from ₹ 1.91 crore in the year 2016-17 to ₹ 122.75 crore in the year 2022-23 but percentage of utilisation ranged between 1 to 47 *per cent* during the period from 2016-17 to 2022-23 except 85 *per cent* during the year 2018-19.

The MD, NHM Haryana replied (January 2023) that various communications have been made to PWD (B&R) to expedite the work.

- vi. Budget provision for hospital strengthening was increased from ₹ 0.47 crore to ₹ 78.30 crore during 2016-17 to 2022-23. The percentage

of expenditure incurred during the years 2016-17 and 2017-18 was 1,156 and 118 *per cent* respectively. Further, for the years 2018-19 to 2022-23, it ranged between 2 to 36 *per cent*.

The MD, NHM Haryana replied (January 2023) that the budget has been approved for hospital strengthening activities i.e construction of additional building, major upgradation of CHCs, PHCs, HWCs. The funds were released to PWD (B&R) for the above purposes and the works are in progress. The balance amounts will be booked on receipt of utilisation certificates in respect of the advances given to PWD (B&R).

- vii. There was wide variation in utilisation of funds of innovation activities during 2016-17 to 2022-23. The utilisation of funds ranged between 4 to 134 *per cent* during the same period.

The MD, NHM Haryana replied (November 2022) that this being a new activity, it takes time for approval from higher authorities before its launch. Further, the activity has to be carried out involving NGO partners and Ministry of Health & Family Welfare, GoI.

As evident from the above, expenditure on important activities of NHM was very less despite availability of budget.

6.5.1 Inadequacy of funds

Mukhya Mantri Muft Ilaaj Yojana (MMIY) was launched in January 2014, which seeks to provide free treatment in all Government Health Institutions. Following are the major components under MMIY

- i. Surgeries under Surgery package programme (for Haryana residents only)
- ii. Free basic laboratories investigations, along with free X-Ray, ECG and USG (wherever available in the Government Health Institutions)
- iii. Free indoor services
- iv. Free OPD services
- v. Free drug supply
- vi. Free referral transport/ambulance services
- vii. Free dental treatment

Audit observed that bills in respect of Computed Tomography (CT) scan, dialysis center payments, medicines, lab charges, etc. amounting to 39.39 crore¹ were pending due to non-release of funds by the Department inspite of overall savings ranging from 606.33 crore to 1,357.93 crore during 2016-17 to 2022-23.

¹ 18.06 crore (2018-19); 18.25 crore (2019-20) and 3.08 crore (2020-21)

Due to huge pendency of bills, the vendors curtailed/intimated that they would curtail their supplies/services which created inconvenience in running the health services smoothly.

Thus, inadequate funds were released to the Health Institutions to meet their requirements which impacted the delivery of health services in the State.

6.6 Delay in release of funds to implementing agencies

In respect of various Centrally Sponsored Schemes, the funds are transferred to the NHM Society through the State Treasury. The Ministry of Finance, Department of Economic Affairs, Government of India fixed (October 2017) the rate of interest that should be claimed by State Health Societies where the delay in transfer of funds from State Treasury to State Health Societies is more than 15 days. So, the funds are ideally expected to be transferred to the State Health Society/NHM or to any other Department within 15 days of credit in the State treasury.

However, the State Government released the funds with delays (in case of two Directorates) ranging between 1 and 262 days beyond the prescribed period during the years 2016-17 to 2020-21. This resulted in interest of 18.79 crore becoming due to the State Health Societies from the State Government as shown in *Table 6.3*.

Table 6.3: Delay in release of funds to implementing agencies during the years 2016-17 to 2020-21

(₹ in crore)

Name of the Directorate	Amount sanctioned	No delay	Amount released with delay between 1 and 15 days from the prescribed period	Amount released with delay between 16 days and six months from the prescribed period	Amount released with delay more than 6 months from the prescribed period	Interest Amount
State Health Society/ National Health Mission	1,391.46	0	81.84	1,305.59	4.03	16.13
Director General, AYUSH	140.10	0	0	132.56	7.54	2.66
Total	1,531.56	0	81.84	1,438.15	11.57	18.79

Source: Information furnished by NHM/AYUSH

The Mission Director (MD), NHM Haryana stated (January 2023) that NHM Haryana is making earnest efforts to receive the funds from the State Treasury.

The Director General, AYUSH Department stated (January 2023) that Grants-in-Aid (GIA) could not be withdrawn from the State treasury unless sanction of State Share is received from the Finance Department. This led to delay in release of GIA.

6.7 Non-submission of Utilisation Certificates

DGHS releases quarterly advances to HMSCL for the purchase of medicines and equipment. After receipt of funds, Purchase Orders (POs) are placed online through the online portal of HMSCL. Against these advances, HMSCL furnishes the Utilisation Certificates (UCs) to DGHS.

On scrutiny of UCs of advances in respect of two schemes², it was observed that the UCs were furnished by HMSCL on the basis of POs raised irrespective of whether the commitment was fulfilled by the supplier or whether the amount had actually been utilised.

During the years 2020-23, HMSCL furnished UCs for ₹ 17.56 crore to DGHS against 199 POs where supplies were incomplete or no payment was made to the suppliers.

The Managing Director, HMSCL accepted (January 2023) that previously Utilisation Certificates were being issued on the basis of supply order issued. In future, Utilisation Certificates would be issued after the funds are utilised.

6.8 Monitoring of funds across entities related to health

State Health Society/National Health Mission gives advances to various corporations, departments and companies for various purposes. Audit observed that adjustment of advances of ₹ 42.90 crore was pending since 2018-19 till date (June 2022) as detailed in *Table 6.4*.

Table 6.4: Outstanding Advances as on June 2022

Sl. No.	Name of Company/Corporation/ Department etc.	Pending since	Outstanding advances (₹ in crore)
1	PWD (B&R) Executive Engineer, Nuh	2019-20	13.00
2	PWD (B&R) Executive Engineer, Panipat	2019-20	13.00
3	PWD (B&R) Executive Engineer, Panchkula	2019-20	8.40
4	PWD (B&R) Executive Engineer, Faridabad	2020-21	5.00
5	HLL Life Care Ltd.	2018-19	2.32
6	Social Justice and Empowerment Department	---	1.18
	Total		42.90

Source: Information furnished by NHM, Haryana.

The Mission Director, NHM replied (January 2023) that utilisation certificates of ₹ 1.18 crore had been adjusted and ₹ 41.72 crore remained unadjusted. In rest of the cases either the works were in progress or payments were held up due to some or the other reason.

Moreover, it was also observed that during the years 2020-21 and 2021-22, HMSCL received advances amounting to ₹ 614.75 crore for COVID-19. Against these funds, Emergency POs (COVID-19 POs) for the purchase of drugs and equipment amounting to ₹ 590.39 crore were raised during 2020-21

² Purchase of medicines for the hospitals and Schedule Caste patients

and 2021-22. However, the details of utilisation of funds against each advanced amount was not available with HMSCL as the manual system was followed in respect of purchases during COVID-19. Audit also noticed that the details regarding the status of the supply orders - whether completed/pending for execution - was also not available with HMSCL. The above instances indicate poor monitoring and internal control regarding advances received from various Departments. Thus, the Department should make efforts to obtain the details of the outstanding advances made to various departments and also authenticate the outstanding advances lying with HMSCL.

6.9 Non-adoption/delay in adoption of financial statements

Rule 24 (1) of Haryana Registration and Regulation of Societies Rules, 2012 states that every Society shall hold its Annual General Meeting (AGM) within a period of six months of the close of the financial year for approval and adoption of its duly audited annual accounts. Audit observed huge delays in finalisation of accounts of societies governed by the Health Department as detailed below:

- i. Project Director, AIDS Control Society: Annual accounts for the financial years 2017-18 to 2020-21 were approved with delay beyond six months of the respective financial years. No Annual General Meeting was convened during the years in which these annual accounts were adopted.
- ii. State AYUSH Society, Haryana: Records in respect of approval and adoption of financial statements were not furnished since its inception in 2014.

The Director General, AYUSH Department stated (January 2023) that the State AYUSH Society is preparing financial statements from the inception of National Ayush Mission (NAM) and also getting approval of the Audited Financial Statements. The fact remains that though the financial statements were being prepared, the same were not being approved and adopted in the AGM as required under Rule 24(1) of the Haryana Registration and Regulation of Societies Rules, 2012.

6.10 Budget and Expenditure for selected districts (GoI and State)

In test checked districts, year-wise revenue budget and revenue expenditure during 2016-22 pertaining to the Department of Medical Health and Family Welfare was as shown in *Table 6.5*.

Table 6.5: Revenue Budget and Revenue Expenditure in test-checked Districts

(₹ in crore)

Year	Hisar		Panipat		Nuh		Total		
	B	E (in per cent)	B	E (in per cent)	B	E (in per cent)	B	E	Savings (per cent)
2016-17	68.00	67.21 (98.84)	39.91	40.40 (101.23)	22.43	18.09 (80.65)	130.38	125.69	3.60
2017-18	80.72	74.72 (92.57)	48.67	47.07 (96.71)	29.57	25.05 (84.71)	158.96	146.84	7.63
2018-19	81.87	81.43 (99.46)	51.28	50.49 (98.46)	38.17	35.27 (92.40)	171.32	167.19	2.41
2019-20	104.99	104.36 (99.40)	61.40	61.25 (99.76)	54.15	51.06 (94.29)	220.54	216.66	1.76
2020-21	122.43	122.92 (100.40)	69.98	69.11 (98.76)	49.58	47.77 (96.35)	241.99	239.79	0.91
2021-22	124.58	124.44 (99.89)	82.58	81.03 (98.12)	57.62	57.48 (99.76)	264.78	262.95	0.69
Total	582.59	575.08 (98.70)	353.82	349.35 (98.74)	251.52	234.72 (93.32)	1,187.97	1,159.12	2.42

Source: CMO Hisar, CMO Panipat and CMO Nuh (Health and Family Welfare)

Note: B: Budget and E: Expenditure

6.11 Other issues

6.11.1 Non-obtaining/renewal of the bank guarantee/FDR

As per the notification (7 December 2021) of the Medical Education and Research Department, Government of Haryana for establishment of a new self-financing/Private Nursing Institute, the Applicant Society/Trust/Company to whom a Letter of Intent has been issued shall be required to submit the Bank Guarantee/FDR of ₹ 15 lakh for each ANM/GNM³ course and ₹ 20 lakh for each B.Sc Nursing, Post Basic B.Sc Nursing and M.Sc Nursing course valid for five years. No Objection Certificate shall be issued to an applicant only after deposit of said bank guarantee of the requisite amount by the applicant. The applicant shall furnish a renewed bank guarantee for another term of five years, at least six months in advance before the date of expiry of the original one.

Audit observed that 65 nursing institutes did not submit/renew the Bank Guarantees/FDRs amounting to ₹ 26.65 crore for 158 courses to Director, Medical Education and Research up to December 2023, although NOCs had been issued in all cases. These institutes were running the courses without submission/renewal of Bank guarantees/FDRs. Non-obtaining the bank guarantee/FDR entails a risk that in case the institution is not found to run/sustain itself, it would be difficult to ensure the continuation of the studies of the enrolled students, payment of the salary of the staff and other costs of running the institute.

³ Auxiliary Nursing and Midwifery/General Nursing and Midwifery

6.12 Conclusion

There were savings ranging from 18.3 *per cent* to 38.3 *per cent* against the total budget allocated by GoI and from 12.1 *per cent* to 25.7 *per cent* against the budget allocated by State Government on Health Sector during 2016-17 to 2022-23. During the same period, GoI contributed between 10.7 *per cent* and 14.4 *per cent* of the total expenditure on health services in the State. Though the government spending on health sector increased from 3.82 *per cent* of total expenditure to 6.37 *per cent* during 2016-23, there was still scope to increase the spending on health services. No demand for assessment of funds were obtained from the district offices/implementing agencies. Instead, the fund requirements were centrally decided by the programme officers concerned in DGHS office on the basis of approximation of previous year's expenditure. In HMSCL, the budget estimates were based on the previous year's expenditure plus the usual escalation of 10 *per cent*. Thus, no bottom up/systematic approach was being followed in preparing the budget estimates. Further, there was wide variation in the budget provision and actual expenditure in various components under NHM. Under MMIY scheme, funds were not released by the Department as per demand despite overall savings.

6.13 Recommendations

- 1. Government may increase budget allocation on health services in line with the guidelines of National Health Policy.**
- 2. Budget allocation and allocative efficiency across sectors/ schemes impacting performance of the health sector need to be addressed by the Government.**
- 3. Government may review the healthcare ecosystem in the State to identify the constraints/factors adversely impacting the absorptive capacity of funds and make concerted efforts for their resolution.**
- 4. The budget estimates should be prepared keeping in view a bottom up/systematic approach by obtaining demand assessment from the field offices.**