

***CHAPTER 6***

***Financial Management***



## Chapter 6: Financial Management

*Audit noticed persistent savings and rush of expenditure in the month of March which was indicative of the ineffective budgetary controls in the Departments.*

*The National Health Policy (NHP) envisaged increase in State sector health expenditure to more than eight per cent of budget by 2020. In Maharashtra, it was observed that budget outlays on health and family welfare was only 4.91 per cent of total budget (2021-22).*

*A large number of abstract contingency bills were pending due to non-submission of detailed contingent bills in PHD and MEDD. Instances of retention of excess amount by HCIs against the admissible limit of 10 per cent for local purchase of medicines and consumables were also noticed.*

*Under the National Health Mission, as against the cumulative allotment of ₹ 14,871.05 crore as per resource envelope sanctioned by GoI, there was a short release of ₹ 1,739.73 crore (12 per cent) by Government of India and Government of Maharashtra during 2016-17 to 2021-22.*

### 6.1 Financial Management

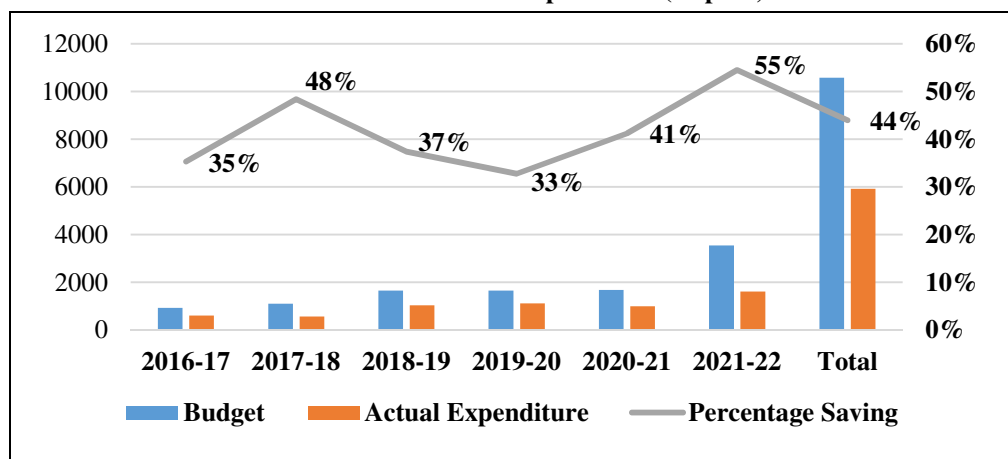
Adequate and timely availability of funds is a fundamental prerequisite for the delivery of quality and efficient healthcare services. Funds are made available to the HCIs through the State budget. Financial assistance under NHM is also received from GoI with corresponding share of the State Government. The year-wise budget estimates and actual expenditure during 2016-17 to 2021-22 in PHD and MEDD is shown in **Table 6.1** and depicted in **Chart 6.1** and **Chart 6.2**.

**Table 6.1: Budget estimate and actual expenditure in PHD and MEDD**  
(₹ in crore)

Year	Budget Estimate		Actual Expenditure		Saving		Saving in Percentage	
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
2016-17	930.81	11,942.17	602.37	10,121.43	328.44	1,820.74	35	15
2017-18	1,104.26	13,889.70	569.85	11,604.72	534.41	2,284.98	48	16
2018-19	1,655.58	14,662.03	1,036.72	11,969.31	618.86	2,692.72	37	18
2019-20	1,659.71	16,252.30	1,115.86	13,576.27	543.85	2,676.03	33	16
2020-21	1,684.14	19,640.97	989.70	16,102.16	694.44	3,538.81	41	18
2021-22	3,544.38	24,142.16	1,612.23	19,455.14	1,932.15	4,687.02	55	19
<b>Total</b>	<b>10,578.88</b>	<b>1,00,529.33</b>	<b>5,926.73</b>	<b>82,829.03</b>	<b>4,652.15</b>	<b>17,700.30</b>	<b>44</b>	<b>18</b>

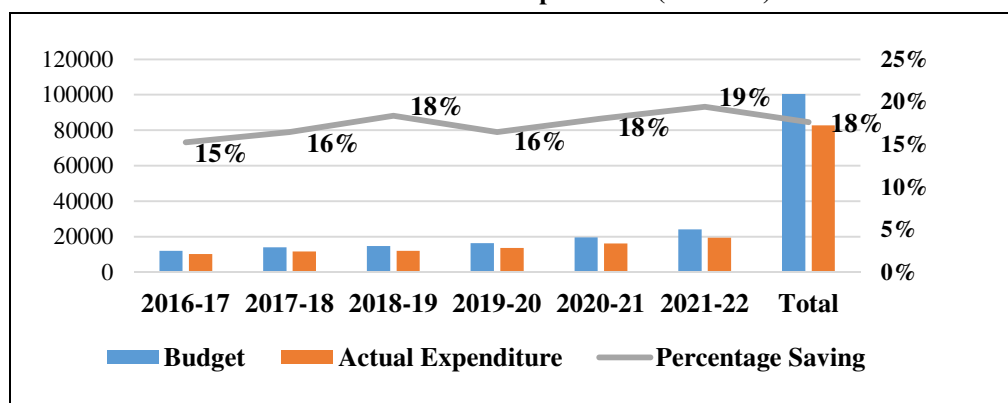
*Source: Budget estimates from Appropriation Accounts of Government of Maharashtra for the respective years and actual expenditure from Finance Accounts of Government of Maharashtra for the respective years*

Chart 6.1: Healthcare expenditure (Capital)



Source: Budget estimates from Appropriation Accounts of Government of Maharashtra for the respective years and actual expenditure from Finance Accounts of Government of Maharashtra for the respective years.

Chart 6.2: Healthcare expenditure (Revenue)



Source: Budget estimates from Appropriation Accounts of Government of Maharashtra for the respective years and actual expenditure from Finance Accounts of Government of Maharashtra for the respective years

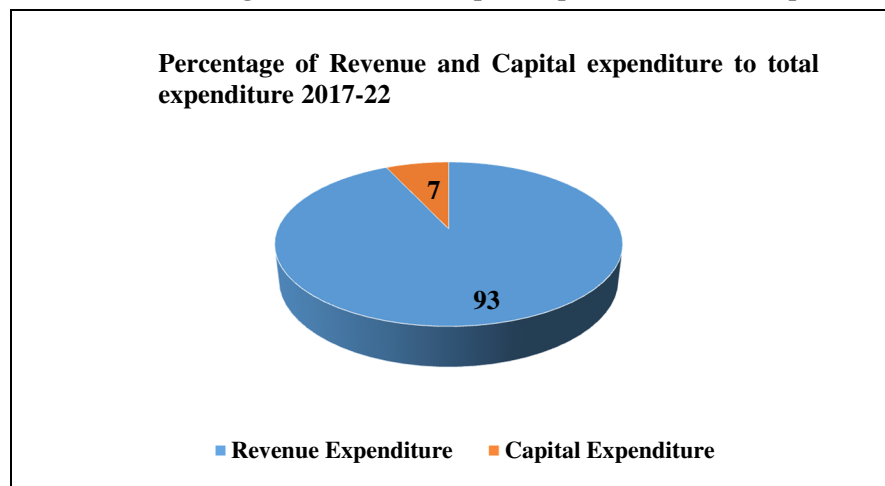
- Out of the total budget (PHD and MEDD) of ₹ 1.11 lakh crore from 2016-17 to 2021-22, the expenditure incurred was ₹ 0.89 lakh crore. Thus, there was a saving of ₹ 0.22 lakh crore (20 per cent) during 2016-17 to 2021-22 under health sector in the State.
- The overall savings under capital head was 44 per cent and savings under revenue head was 18 per cent.
- Savings under revenue head were attributed<sup>62</sup> to the reduction of expenditure under ‘Salaries’ due to posts lying vacant, non-clearance of bills, non-supply of material and equipment, non-completion of tender procedure within stipulated time. Saving was also attributed to reduction in release of central grants leading to corresponding reduction in release of State share. During 2019-20 and 2020-21, the budgeted outlay could not be utilised on account of pending bills due to COVID-19 pandemic. Savings under capital head during 2017-18 and 2018-19 were primarily due to non-receipt of administrative approval for the Schemes.

<sup>62</sup> Reasons furnished by the Departments for the savings vis-à-vis the budget in respective years’ Appropriation Accounts.

- The percentage of revenue expenditure to total expenditure on health during 2016-17 to 2021-22 ranged between 92.03 per cent (2018-19) and 95.32 per cent (2017-18) while the percentage of capital expenditure to total expenditure ranged between 4.68 per cent (2017-18) and 7.97 per cent (2018-19). Out of the total expenditure of ₹ 88,755.76 crore, the revenue expenditure was ₹ 82,829.03 crore (93.32 per cent) and capital expenditure was ₹ 5,926.73 crore (6.68 per cent) during 2016-17 to 2021-22.

This indicated low priority on the creation and augmentation of existing infrastructure facilities in the State as shown in **Chart 6.3**.

**Chart 6.3.: Percentage of revenue and capital expenditure to total expenditure**



Source: Budget estimates from Appropriation Accounts of Government of Maharashtra for the respective years and actual expenditure from Finance Accounts of Government of Maharashtra for the respective years

Audit also noticed release of the funds at the fag end of the financial year especially under the capital head as shown in **Table 6.2**.

**Table 6.2: Expenditure at the fag end of the financial year**  
(₹ in crore)

Year	Category	Total yearly Expenditure	Expenditure in March	Percentage of March Expenditure to total expenditure
2016-17	Revenue	10,121.43	1,846.21	18
	Capital	602.37	293.34	49
2017-18	Revenue	11,604.72	2,704.06	23
	Capital	569.85	328.14	58
2018-19	Revenue	11,969.31	2,855.1	24
	Capital	1,036.72	743.15	72
2019-20	Revenue	13,576.27	3,068.87	23
	Capital	1,115.86	881.32	79
2020-21	Revenue	16,102.16	4,437.69	28
	Capital	989.70	704.77	71
2021-22	Revenue	19,455.14	6,075.92	31
	Capital	1,612.23	1,094.76	68
Total	Revenue	82,829.03	20,987.85	25
	Capital	5,926.73	4,045.48	68

Source: Total yearly expenditure from Appropriation Accounts of the Government of Maharashtra for the respective years and figures of expenditure in March compiled from Voucher Level Data

As seen from **Table 6.2**, the percentage of expenditure in the month of March in respect of capital and revenue expenditure during 2016-17 to 2021-22 was 68 *per cent* and 25 *per cent* respectively. Significant quantum of expenditure in the last month of financial year was indicative of poor overall financial management

Persistent savings as shown in **Table 6.1** and significant quantum of expenditure in the last month of financial year as shown in **Table 6.2** were indicative of poor overall financial management.

**Recommendation 12: Government may ensure that funds are made available throughout the year to avoid rush of expenditure in March and also ensure utilisation of available funds.**

**6.2 Adequacy of funds for Healthcare**

The NHP required the State Governments to increase their commitment to the health sector to more than eight *per cent* of the budget by 2020. The budgetary outlay on health *vis-à-vis* the total budgetary outlay of the State during 2016-17 to 2021-22 is shown in **Table 6.3** and depicted in **Chart 6.4**.

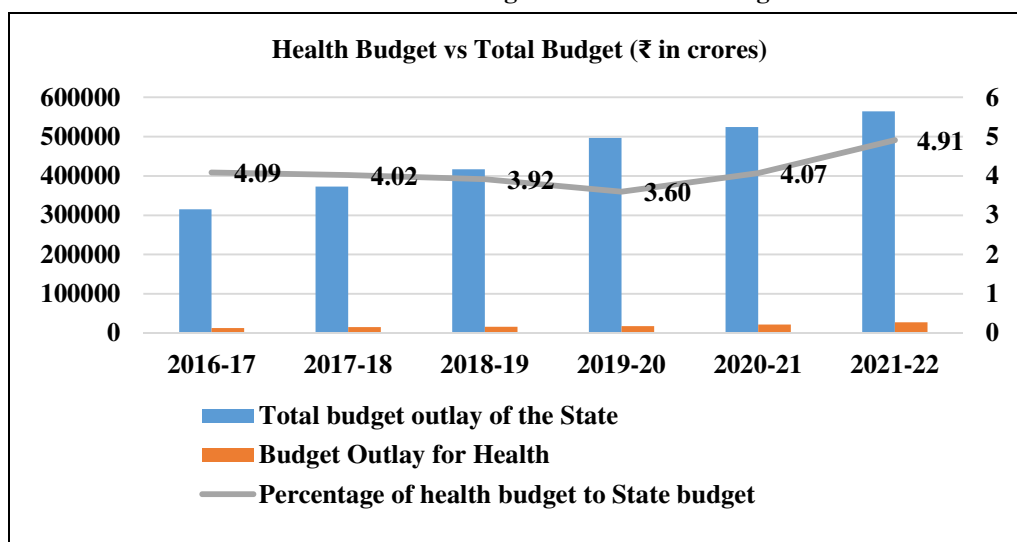
**Table 6.3: The budgetary outlay on health *vis-à-vis* total budgetary outlay of the State during 2016-17 to 2021-22**

(₹ in crore)

Year	Total budget outlay of the State	Budget Outlay for Health	Percentage of health budget to State budget
2016-17	3,14,982.43	12,872.98	4.09
2017-18	3,73,033.87	14,993.96	4.02
2018-19	4,16,791.37	16,317.61	3.92
2019-20	4,97,176.38	17,912.01	3.60
2020-21	5,24,289.56	21,325.11	4.07
2021-22	5,64,386.70	27,686.54	4.91

Source: Appropriation Accounts of the Government of Maharashtra for the respective years

**Chart 6.4: Health Budget *vis-à-vis* Total Budget**



Source: Appropriation Accounts of the Government of Maharashtra for the respective years

As seen from **Table 6.3**, the percentage of health budget to total State budget showed a marginal increase from 4.09 *per cent* in 2016-17 to 4.91 *per cent* in 2021-22. However, the percentage of the health budget to the total State budget

as of March 2022 at 4.91 *per cent* was significantly less than the target of more than eight *per cent* as laid down under the NHP.

Key health financing indicators as per the National Health Account Estimates prepared by the Ministry of Health and Family Welfare, GoI (available upto 2019-20) for the State are shown in **Table 6.4**.

**Table 6.4: Key financing indicators in the State during 2016-17 to 2019-20**

Year	Estimated Total Health Expenditure (THE) <sup>63</sup>		Estimated Government Health Expenditure (GHE) <sup>64</sup>			Estimated Out of pocket expenditure <sup>65</sup>		
	₹ in crore	Percentage to GSDP	₹ in crore	Percentage to THE	Percentage to GSDP	₹ in crore	Percentage to THE	Percentage to GSDP
2016-17	63,046	2.9	14,708	23.30	0.7	35,771	56.7	1.6
2017-18	63,350	2.6	16,406	25.90	0.7	31,092	49.1	1.3
2018-19	66,703	2.6	17,934	26.90	0.7	32,251	48.4	1.3
2019-20	77,501	2.8	20,606	26.60	0.8	34,177	44.1	1.2

Source: National Health Account Estimates prepared by the Ministry of Health and Family Welfare, Government of India of respective years (last published in April 2023 for the year 2019-20)

As seen from **Table 6.4**, the estimated THE and the estimated GHE increased in absolute terms during 2016-17 to 2019-20 in the State. The percentage of estimated GHE to estimated THE also increased from 23.30 *per cent* (2016-17) to 26.60 *per cent* (2019-20). However, the estimated THE as a percentage of GSDP decreased from 2.9 *per cent* (2016-17) to 2.8 *per cent* (2019-20) in the State while the estimated GHE as a percentage of GSDP remained constant at 0.7 *per cent* during 2016-17 to 2018-19 and it increased to 0.8 *per cent* during 2019-20 in the State.

Out of pocket expenditure is directly made by households at the point of receiving healthcare and indicates the extent of financial protection available for households towards healthcare payments. As seen from **Table 6.4**, though the percentage of estimated out-of-pocket expenditure to the estimated THE decreased in the State during 2016-17 to 2019-20, it constituted 44.10 *per cent* of THE during 2019-20 indicating low financial protection available to households towards healthcare payments in the State. In the survey of 690 in-patients conducted by Audit, 102 in-patients (15 *per cent*) responded that they had to incur out of pocket expenditure on medicines, diagnostic tests/lab tests as the same was not provided by HCIs.

**Recommendation 13: Government may take necessary steps to increase the budgetary allocation for the health sector as a percentage of State Budget in line with the National Health Policy.**

<sup>63</sup> Total Health Expenditure (THE) of a State includes health expenditure by all government agencies including quasi-governmental organisations and donors in case funds are channeled through government organisations, all household health expenditures, all expenditures by Enterprises, Not for profit institutions serving households and external donors.

<sup>64</sup> Government Health Expenditure constitutes spending under all schemes funded and managed by Union, State, and Local Governments including quasi-Governmental organisations and donors in case funds are channeled through Government organisations.

<sup>65</sup> Out of pocket expenditure is directly made by households at the point of receiving healthcare and indicate the extent of financial protection available to households towards healthcare payments.

### **6.3 Retention of funds by Zilla Parishad**

The Chief Accounts and Finance Officer, Zilla Parishad draws funds from the budget of PHD (received as grant-in-aid) for incurring the expenditure of District Health Officer (DHO), Zilla Parishad.

The Finance Department, Government of Maharashtra *vide* Government Resolution permitted (June 2008) the local bodies to incur the expenditure upto 31 March of the next financial year. The Finance Department further permitted (September 2021) to utilise the funds drawn for the year 2019-20 and 2020-21 till 31 March 2022.

The District Health Offices of Nanded and Jalgaon districts, received ₹ 115.23<sup>66</sup> crore during 2019-20 to 2020-21 which had to be utilised till March 2022. Audit noticed that out ₹ 115.23 crore, an amount of ₹ 20.63 crore was neither utilised nor surrendered to the Government as of May 2022 and was lying idle with both the Zilla Parishads.

The District Health Officers of Nanded and Jalgaon stated (May 2022) that the unspent funds would be reconciled and surrendered to the Government.

### **6.4 Pending Abstract Contingent bills**

As per the provision contained in Rules 302, 303 and 304 of Maharashtra Treasury Rules, 1968, except in the case of contingencies requiring countersignature before payment, contingent charges may be drawn from the treasury by presenting abstract contingent bills (AC bills) subject to presentation of detailed bills to the countersigning officer for countersignature. The Detailed Contingent (DC) bills containing vouchers in support of final expenditure towards the amount so drawn are to be submitted within 30 days to the Offices of the Accountant General (Accounts & Entitlements)-Mumbai/Nagpur or Pay and Accounts Office, Mumbai, as the case may be.

Under PHD, the Director of Health Services, Mumbai (DHS) draws AC bills each year and transfers the funds to HBPCCL. Whereas, under MEDD, Director of Medical Education and Research, Mumbai (DMER) authorises the HCIs to draw AC bills and transfer funds to HBPCCL. The status of pending AC bills in respect of PHD and MEDD is given in **Table 6.5**.

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<sup>66</sup> 2019-20: ₹ 38.05 crore; 2020-21: ₹ 77.18 crore.



**Table 6.5: Pending AC bills as of March 2022 in PHD and MEDD**

Year	Pending AC bills	
	No.	Amount (₹ in crore)
<b>Public Health Department</b>		
Upto 2016-17	0	0
2017-18	35	107.65
2018-19	59	148.24
2019-20	20	124.67
2020-21	44	557.73
2021-22	46	253.03
<b>Total</b>	<b>204</b>	<b>1,191.32</b>
<b>Medical Education and Drugs Department</b>		
Upto 2016-17	46	3.30
2017-18	24	111.78
2018-19	135	277.09
2019-20	111	578.59
2020-21	179	642.84
2021-22	176	804.59
<b>Total</b>	<b>671</b>	<b>2,418.19</b>
<b>Grand total</b>	<b>875</b>	<b>3,609.51</b>

Source: Information received from the Accountant General (Accounts & Entitlements)-I, Maharashtra, Mumbai

As seen from **Table 6.5**, the pending AC bills in PHD and MEDD as of March 2022 was ₹ 3,609.51 crore.

During 2017-18 to 2021-22, an amount of ₹ 4,298.05 crore was received by HBPCL for centralised purchase from PHD and MEDD. Out of this, HBPCL incurred an expenditure of ₹ 2,086.12 crore on procurement of medicines and equipment. An amount of ₹ 159.65 crore was refunded by HBPCL to PHD and MEDD while the balance amount of ₹ 2,052.28 crore (48 per cent) was pending with HBPCL.

### **6.5 Retention of excess amount for local purchase**

PHD, GoM *vide* Government Resolution (GR) stipulated (July 2017) centralised purchase of medicines, equipment and consumables in the State through HBPCL. As per GR, 90 per cent of the grant released for purchase of medicines and consumables was required to be transferred by the procuring HCIs to HBPCL at the beginning of every financial year. The balance 10 per cent of grant could be used by HCIs for local purchase.

In PHD, DHS transferred 90 per cent of the grant to HBPCL and disbursed the remaining 10 per cent to the HCIs for local purchase. Whereas in MEDD, the HCIs drew funds through AC bills and transferred to HBPCL.

Scrutiny of records in test-checked HCIs under MEDD revealed that in nine HCIs out of 12 HCIs had withdrawn ₹ 359.86 crore through AC bills during 2017-18 to 2021-22 for procurement of medicines and equipment. Audit noticed that these HCIs had retained more than 10 per cent for local purchase as shown in **Table 6.6**.

Table 6.6: Excess retention of funds for local purchase

(₹ in crore)

Sr. No.	Name of Health Care Institution	Grants Received	Grants transferred to HBPCCL	Grants retained	Grants to be retained	Excess retention of grants for local purchase	Percentage of grants retained
1	Sir J.J. Group of Hospitals, Mumbai	101.88	44.30	57.58	10.19	47.39	56.52
2	Cama & Albles Hospital, Mumbai	16.19	11.65	4.54	1.62	2.92	28.66
3	St. Georges Hospital, Mumbai	20.78	7.25	13.53	2.08	11.45	65.11
4	G.T. Hospital, Mumbai	15.80	4.28	11.52	1.58	9.94	72.91
5	Government Medical College and Hospital, Chandrapur	8.49	1.65	6.84	0.85	5.99	80.57
6	Government Medical College and Hospital, Jalgaon	41.30	25.57	15.73	4.13	11.60	38.09
7	Government Medical College and Hospital, Nanded	98.18	69.56	28.62	9.82	18.80	29.15
8	Government Medical College and Hospital, Chhatrapati Sambhajnagar	55.43	22.38	33.05	5.54	27.51	59.64
9	Government Dental College and Hospital, Chhatrapati Sambhajnagar	1.81	0.61	1.20	0.18	1.02	66.3
<b>Total</b>		<b>359.86</b>	<b>187.25</b>	<b>172.61</b>	<b>35.99</b>	<b>136.62</b>	

Source: Information furnished by the HCIs concerned

As seen from **Table 6.6**, excess grant of ₹ 136.62 crore was retained by the nine HCIs against the stipulated retention of ₹ 35.99 crore (10 per cent) of the grant.

During exit conference, the Secretary, MEDD stated (January 2023) that the HCIs retained the higher amount to cover other contingencies.

## 6.6 National Health Mission

### 6.6.1 Short release of National Health Mission funds by GoI and State

The NHM is a centrally sponsored scheme with a cost-sharing arrangement of 60:40 between GoI and GoM. On approval of the State Programme Implementation Plan (SPIP) of NHM, GoI sanctions Resource Envelope (RE) which comprises of GoI own fund and corresponding share of the State Government.

As per the information furnished by State Health Society, NHM, Maharashtra, the year-wise allotment as per RE and funds released by GoI and State government during 2016-17 to 2021-22 are shown in **Table 6.7**.

Table 6.7: Funds released vis-à-vis the Resource Envelope sanctioned by GoI

(₹ in crore)

Year	Resource Envelope			Funds Released			Short released		
	Central Share	State Share	Total	Central Share	State Share	Total	Central Share	State Share	Total
2016-17	963.48	831.04	1,794.52	954.41	824.99	1,779.40	9.07	6.05	15.12
2017-18	1,036.38	1,060.03	2,096.41	964.51	976.05	1,940.56	71.87	83.98	155.85
2018-19	1,308.41	1,244.57	2,552.98	1,089.44	956.52	2,045.96	218.97	288.05	507.02
2019-20	1,535.57	1,556.19	3,091.76	1,384.29	1,150.00	2,534.29	151.28	406.19	557.47
2020-21	1,299.06	1,233.71	2,532.77	1,360.95	1,222.40	2,583.35	-61.89	11.31	-50.58
2021-22	1,510.04	1,292.57	2,802.61	1,067.97	1,179.79	2,247.76	442.07	112.78	554.85
<b>Total</b>	<b>7,652.94</b>	<b>7,218.11</b>	<b>14,871.05</b>	<b>6,821.57</b>	<b>6,309.75</b>	<b>13,131.32</b>	<b>831.37</b>	<b>908.36</b>	<b>1,739.73</b>

Source: Information furnished by the Mission Director, National Health Mission, Maharashtra

As seen from **Table 6.7**, as against the Resource Envelope of ₹ 14,871.05 crore, the release was ₹ 13,131.32 crore during 2016-17 to 2021-22. Thus, there was the short release of ₹ 1,739.93 crore (12 *per cent*) by GoI and the State Government.

The reasons for short-release were awaited from the Government (February 2024).

