

Chapter VI

Financial Management

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Spending on the health sector vis-à-vis total State budget over the five year period was less than the targeted eight per cent of total State budget. There was a gap of more than 4.31 per cent in achievement even after completion of the targeted year of 2020. The State had not achieved the initial targeted expenditure of 1.15 per cent of GSDP on health sector during the years 2017-22. The State Government had not released the State share of ₹350.93 crore for the years 2017-22 towards various programmes under NHM. The State Government did not avail financial assistance extended by various financial institutions in full and funds received were also not fully utilised.

6.1 Introduction

National Health Policy, 2017 gives impetus to increasing Government finances for health, better utilisation of existing resources (optimum use of manpower and infrastructure) to achieve better health outcomes, improving financial protection and strategic purchasing from private sectors. The health expenditure by Government as a percentage of Gross Domestic Product is to be raised from the existing 1.15 per cent to 2.5 per cent by 2025. The State spending on health sector is to cross eight per cent of the budget by 2020.

In the State of Andhra Pradesh, the Department of Health, Medical and Family Welfare provides health care mainly through public hospitals. Curative and super speciality services are being provided through secondary and tertiary public Health Care Facilities (HCFs) along with private HCFs through ‘YSR Aarogyasri¹⁵³’ scheme.

6.2 Sources of funding

The Government of Andhra Pradesh (GoAP) predominantly finances health care through budgetary support every year. The budgetary support contains the State’s own receipts through taxes and non-taxes, miscellaneous receipts¹⁵⁴ and loans from NABARD¹⁵⁵ and International financial institutions (World Bank/ Externally Aided Project (EAP)). In addition, funds were provided by Government of India (GoI) by way of grants towards Centrally Sponsored Schemes (CSS) and Finance Commission (FC) grants. The details are given below:

¹⁵³ GoAP is implementing State sponsored Dr.YSR Aarogyasri Health Scheme towards achievement of universal health coverage for Below Poverty Line families in terms of financial protection and access to effective health care.

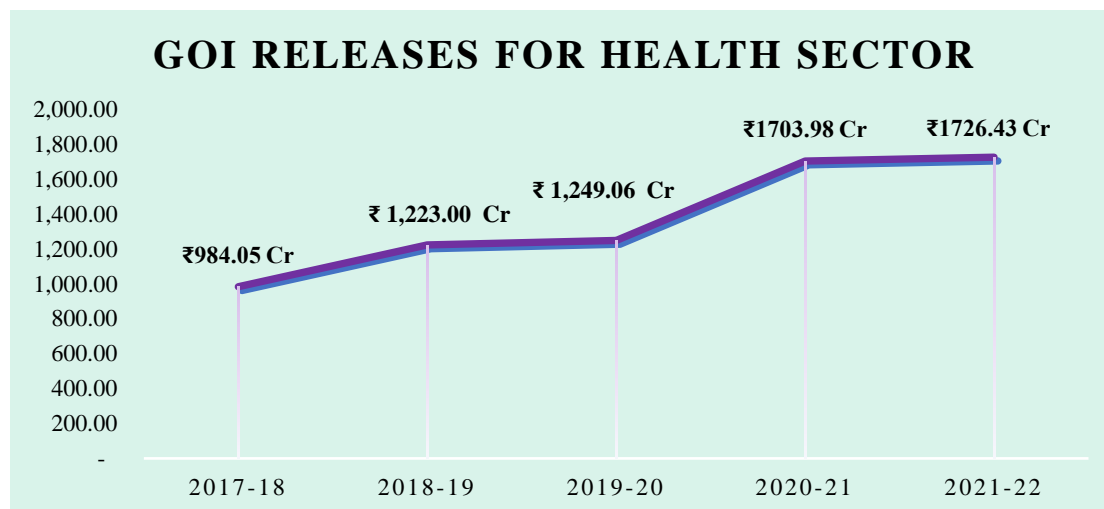
¹⁵⁴ include interest earned on program funds and refunds received from District Health Societies and Hospital Development Societies

¹⁵⁵ National Bank for Agriculture and Rural Development

6.2.1 Government of India Grants

Government of India has released an amount of ₹6,886.53 crore towards implementation of Centrally Sponsored Schemes pertaining to Health and Family Welfare. The details of year wise releases by GoI for the period 2017-18 to 2021-22 are shown in **Chart 6.1** below.

Chart 6.1: Chart showing the year wise releases made by GoI for Health Sector



From the above table, it is observed that GoI releases showed an increasing trend with an increase of 75.44 per cent from 2017-18 to 2021-22, with a total release of ₹6,886.52 crore during the five year period.

6.2.2 Finance Commission Grants

To strengthen and plug critical gaps in Primary Health Care level, the 15th Finance Commission recommended an amount of ₹2,601.00 crore for the award period of 2021-22 to 2025-26. As per the recommendations of State Level Committee, the National Level Committee approved ₹488.15 crore (October 2021) for seven activities¹⁵⁶ for the year 2021-22. The details of funds utilised were not available with the Department.

State Government initially transferred these grants for implementation of above activities and it was observed that subsequently the State Government withdrew the entire grant amount of ₹488.15 crore on 31 March 2022 to the Revenue Account as reduction of expenditure.

6.2.3 Loans from financial institutions

NABARD had sanctioned an amount of ₹2,484.92 crore during the period 2017-22 for health infrastructure development under RIDF¹⁵⁷. However, only an amount of ₹951.53 crore (38.29 per cent) was drawn by the Department towards execution of

¹⁵⁶ Construction of buildings to building less sub-centres (SCs) and PHCs, Upgradation of SCs and PHCs as Health Wellness Centres, support for diagnostic infrastructure at SCs and PHCs, to constitute Public Health Laboratory at Block public Health Unit, establishment of Urban Health Wellness centre, Support for diagnostic infrastructure for Urban PHCs, Specialist clinics in urban areas

¹⁵⁷ Rural Infrastructure Development Fund (Tranche No.s XXIII to XXVII)

186 works. Thus, GoAP had not availed the total loan facility extended by NABARD for infrastructure development.

6.2.4 Externally Aided Projects

World Bank Assistance (External Aid) was taken to strengthen the health systems and to ensure that the citizens of Andhra Pradesh have access to assured quality services without incurring any out-of-pocket expenditure¹⁵⁸ on health. The key deliverables¹⁵⁹ under the project are Infrastructure, Quality, Skill, Governance and Informatics.

The cost of the project was estimated at ₹3,127.30 crore over the project period 2019-20 to 2023-24 with corresponding State share of 30 *per cent*. As per financial activity statement provided by World Bank, an amount of ₹763.94 crore was disbursed¹⁶⁰ to the State during 2019-20 to 2021-22. However, the expenditure booked towards the activity during the said period was only ₹70.68 crore, which was 9.25 *per cent* of the amount disbursed as loan.

It is evident from above that the State Government could not avail the financial assistance extended by various financial institutions in full and funds received were also not fully utilised.

6.3 Expenditure on Health Sector

6.3.1 Expenditure on Health Sector by the State Government

NHP envisaged raising the total healthcare budget to eight *per cent* on the total State expenditure. Details of total state expenditure *vis-à-vis* the health expenditure is given in *Table 6.1*.

Table 6.1: Showing expenditure on health *vis-à-vis* State total expenditure during 2017-18 to 2021-22

(₹ in crore)					
Year	Budget for the years	Total State Expenditure*	Total State Health Expenditure	Percentage of Health Expenditure over Budget	Percentage of Health Expenditure over Total Expenditure
(1)	(2)	(3)	(4)	(5) = (4)/(2)*100	(6) = (4)/(3)*100
2017-18	1,90,705.47	1,57,617.61	6,195.09	3.25	3.93
2018-19	2,43,047.51	1,71,933.33	7,257.92	2.99	4.22
2019-20	2,48,278.85	1,87,895.24	7,429.01	2.99	3.95
2020-21	2,55,516.84	1,99,834.74	9,390.48	3.68	4.70
2021-22	3,72,445.87	2,12,126.37	11,575.04	3.11	5.46

Source: Appropriation accounts read with Grant No. XVI

*Expenditure excluding ways and means of the State

¹⁵⁸ Out-of-pocket expenditure means the money paid directly by households, at the point of receiving health care strengthening of primary health care system by strengthening /transforming Sub-Centres as e-Primary care posts; enhancing the quality of service and patient safety in hospital which would lead to Quality Assurance certification by GoI for DHs, AHs and CHCs and NABH accreditation for teaching hospitals, improving the skills to address the maternal and child health indicators (SNCU & NBSU based training), disaster management and disease and epidemic management systems, strengthening of 'health governance system' to address priority health issues through effective implementation of electronic health records in tertiary and secondary health care.

¹⁶⁰ disbursements represent increases in the balance outstanding due to payments made to borrowers, as well as capitalised charges (such as loan origination fees on IBRD loans)

As seen from the above, the spending on health sector vis-à-vis total State budget is much below the desired percentage of eight and ranged between 2.99 to 3.68 *per cent*. The expenditure on health sector over the five years period was nowhere near the targeted eight *per cent* as mentioned in NHP. There was a gap of more than 4.32 *per cent* in achievement of the targeted eight *per cent* even after completion of targeted year of 2020.

Further, audit compared the spending on health sector vis-à-vis total State expenditure over the years. This showed an increasing trend over the five year period and ranged between 3.93 to 5.46 *per cent*.

Policy thrust of the NHP is to ensure adequate investment in health. Without adequate financing, the NHP goal of attaining highest possible level of health and wellbeing of citizens of all ages cannot be achieved.

Reply from the Government is awaited.

6.3.2 Gross State Domestic vis-a-vis share of Government expenditure on health sector

National Health Policy, 2017 aims to increase in health expenditure by Government as a percentage of Gross State Domestic Product (GSDP) from the existing 1.15 to 2.5 *per cent* by 2025. The expenditure on health by the State Government in percentage of GSDP was as detailed in **Table 6.2** below.

Table 6.2: Percentage of expenditure on health and GSDP figures during 2017-18 to 2021 22

(₹ in crore)

Year	GSDP (Current Prices)	Expenditure by Government on health	Percentage of expenditure on health over GSDP of the State
2017-18	7,86,135.00	6,195.09	0.79
2018-19	8,73,721.00	7,257.92	0.83
2019-20	9,25,839.00	7,429.01	0.80
2020-21	9,56,788.00	9,390.48	0.98
2021-22	11,33,837.00	11,575.04	1.02

Source: Data from website of Ministry of Statistics, programme and implementation and Appropriation accounts data

It could be seen from above that though there was increase in expenditure on health as a percentage of GSDP from 0.79 (2017-18) to 1.02 (2021-22), the State had not achieved even the initial target of 1.15 *per cent*, set in 2017 during any of the years 2017-22. Thus, achievement of normative target of 2.5 *per cent* by 2025 seems remote.

Reply from the Government is awaited.

6.3.3 Budget provision and expenditure on health sector

The expenditure on health against budget provision during 2017-22 was as detailed in *Table 6.3* below.

Table 6.3: Budget provision and expenditure on health

(₹ in crore)

Year	Budget provision	Expenditure	Savings	Percentage of savings
(1)	(2)	(3)	(4)	5 = (4)/(2) X 100
2017-18	7,020.63	6,195.09	825.54	11.76
2018-19	8,463.51	7,257.92	1,205.59	14.24
2019-20	11,399.23	7,429.01	3,970.22	34.83
2020-21	11,419.48	9,390.48	2,029.00	17.77
2021-22	13,830.44	11,575.04	2,255.40	16.31

Source: Budget estimates and Finance Accounts

It could be seen from the above that budget provision was not completely utilised in any of the years. In the year 2019-20, about one third of the amount appropriated was not utilised by the State. These savings indicate that either the budgetary allocations were unrealistic or there was poor expenditure monitoring mechanism or weak scheme implementation capacities/ weak internal control which led to sub-optimal allocation among various development needs.

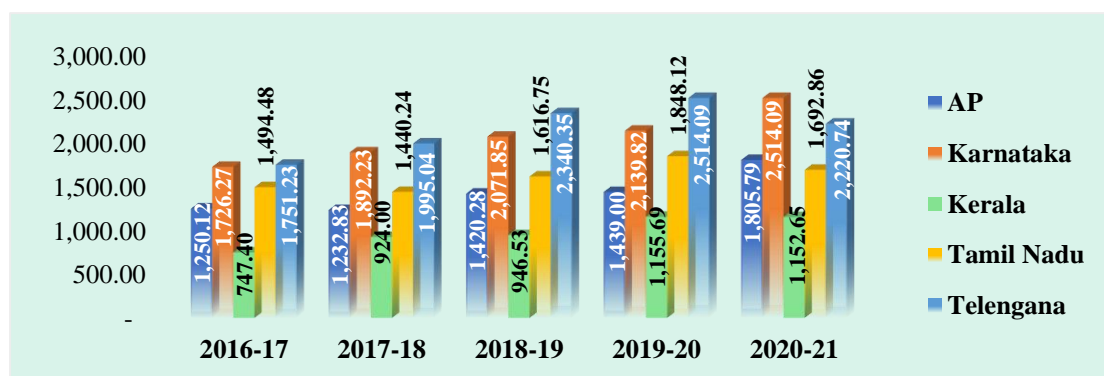
Reply from the Government is awaited.

6.3.4 Per capita health expenditure

The per capita health expenditure indicates total health expenditure per person. Government health expenditure has an important bearing on the health system, as low Government health expenditures depicts the Government's low priority over health sector.

The per capita spending by GoAP on health had increased from ₹1,250.12 in 2016-17 to ₹1,805.79 in 2020-21. However, the per capita expenditure was low when compared to three¹⁶¹ of four neighbouring states as depicted in *Chart 6.2* below.

Chart 6.2: Comparison of per capita health expenditure among southern states



Source: Key economic and fiscal indicators published by CAG of India (September 2022)

Reply from the Government is awaited.

¹⁶¹ Karnataka, Tamil Nadu and Telangana

6.4 Financial management under National Health Mission

The National Health Mission (NHM) encompasses two sub-missions, National Rural Health Mission¹⁶² (NRHM) and National Urban Health Mission¹⁶³ (NUHM). The NHM envisages the achievement of universal access to equitable, affordable & quality health care services that are accountable and responsive to people's needs.

State Health & Family Welfare Society, Andhra Pradesh is the nodal agency functioning under the administrative control of the Health Medical and Family Welfare Department, headed by the Mission Director, National Health Mission, for implementation of various health schemes in Andhra Pradesh.

6.4.1 Release of matching State share towards NHM

Under NHM, the planning and budgeting process is carried out by preparing State Project Implementation Plans (SPIPs/PIPs) which helps to identify and quantify the targets required for the programme implementation during the year. The PIPs prepared by States are sent to the National Program Coordination Committee (NPCC) under MoHFW¹⁶⁴, GoI for approval. After examination of PIPs and discussions by the NPCC with State officials, a document in the name of RoP (Record of Proceedings) is prepared. Suggestions made in NPCC meetings are recorded in the form of RoPs for budgetary approvals to support the activities proposed by the State for that financial year which serves as a reference document for programme implementation.

After approval, sanctions are issued to respective State Health Society (SHS) and funds are transferred to the State as committed in the RoP; correspondingly, the State should also deposit its 40 *per cent* share. As per NHM guidelines, upon receipt of funds from GoI, treasuries are meant to release funds to SHSs, who in turn shall release funds to the District Health Societies (DHS).

Audit observed that State Government had not released the GoI share of ₹2,128.56 crore out of total releases of ₹5,349.41 crore by GoI and ₹454.73 crore of State share for the Years 2017-22 to the implementing Units.

Government in its reply (August 2023) confirmed the GoI releases during the years 2017-18 to 2021-22 were ₹5,349.41 crore. The corresponding State share on the above amount was worked out to ₹3,566.27 crore. Further, it was stated that the short fall / gap as noticed by audit in GoI releases as ₹2,128.19 crore, is due to counting of GoI share without taking into account the Infrastructure Maintenance (IM) and Kind Grant (KG). In computing the short fall of GoI share, the actual cash grant received by SHS was only taken by audit, excluding IM and KG, which will not be credited to SHS but part of Resource Envelope. The GoI directly credits IM portion to the consolidated fund

¹⁶² The main programmatic components of the National Health Mission (NHM) include Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCH+A), Communicable and Non-Communicable Diseases

¹⁶³ NUHM seeks to improve the health status of the urban population particularly the urban poor and other vulnerable sections by facilitating their access to quality primary health care. NUHM covers all the State capitals, district headquarters and other cities/towns with a population of 50,000 and above (as per census 2011)

¹⁶⁴ Ministry of Health & Family Welfare

of the State. Similarly, the KG amount would be received in the form of commodities and hence both of these are not reflected in SHS accounts.

Releases to SHS made by MoHFW and State Government under NHM for the period 2017-18 to 2021-22 as furnished by the Government is detailed in **Table 6.4** below:

Table 6.4: Releases by GoI and State Government

(₹ in crore)

S. No	Financial Year	GoI Releases to State	State Releases to SHS	Short fall in release of GoI Share by GoAP	GoAP Share to be released (40%)	GoAP Share released	Short fall in GoAP Share	Total Short fall
(1)	(2)	(3)	(4)	(5) = (3)-(4)	(6)	(7)	(8) = (6)-(7)	(9) = (5)+(8)
1	2017-18	762.44	575.11	187.33	484.54	282.06	202.48	389.81
2	2018-19	1,172.23	1,180.21	(-)7.98	746.09	608.31	137.78	129.80
3	2019-20	1,114.93	1,135.68	(-)20.75	743.28	916.99	(-)173.71	(-)194.46
4	2020-21	1,094.01	1,160.07	(-)66.06	729.34	842.42	(-)113.08	(-)179.14
5	2021-22	1,205.80	1,298.34	(-)92.54	803.86	506.40	297.46	204.92
	Total	5,349.41	5,349.41	0.00	3,507.11	3,156.18	350.93	350.93

Source: RoPs extracts and information furnished by SHS

Government had not provided the quantum of amounts received towards IM and KG grants in its reply. However, it is evident from the above that the State Government had not released the State share of ₹350.93 crore for the years 2017-22 to the Implementing Units. Short release of corresponding State share affected the implementation of programmes under NHM and thereby universal access to good quality healthcare services with a lower cost of healthcare delivery could not be ensured.

6.4.2 Expenditure under National Health Mission

The funds approved under RoP and expenditure during 2017-22 are shown in **Table 6.5** below.

Table 6.5: Statement showing expenditure against total approvals

(₹ in crore)

Year	Total resource envelope ¹⁶⁵	Expenditure	Closing Balance	Percentage of expenditure over resource envelope
(1)	(2)	(3)	(4) = (2)-(3)	(5)
2017-18	1,460.78	988.42	472.36	67.66
2018-19	1,548.11	1,131.38	416.73	73.08
2019-20	1,683.68	1,035.08	648.60	61.48
2020-21	1,832.72	1,586.01	246.41	86.55
2021-22	2,063.25	1,692.83	370.42	82.05
Total	8,588.54	6,433.72	2,154.52	74.91

Source: Extracts of RoPs approved by Government

Audit noticed that the funds released were not utilised to full extent during any of the years and only 75 per cent of the total resource envelope was utilised during 2017-22.

Reply from the Government is awaited.

¹⁶⁵ amount released as per ROP inclusive of previous year closing balances available with State Government

6.4.3 Pending advances and non-receipt of Utilisation Certificates

State Health Society (SHS) maintains an advance¹⁶⁶ register to monitor the settlement of advances extended to various institutions/implementing units. SHS shall watch the settlement of advances by the implementing units and obtain Utilisation Certificates for the amount utilised. However, SHS did not watch the adjustment of long pending advances.

The closing balance of institutional advances for the year 2020-21 was shown as ₹576.53 crore since 2013-14 *i.e.* from united Andhra Pradesh, where utilisation certificates for even old advances were also not obtained. Non-submission/delay in submission of UCs weakens the control on utilisation of funds and provides scope for mis-utilisation / misappropriation / diversion of funds.

Reply from the Government is awaited.

6.4.4 Untied grants to Sub Centres (SCs)

As per operational guidelines for financial management under NHM, timelines for release of funds from State Health Society (SHS) to District Health Society (DHS) should be within 15 days of receipt from GoI. However, the timelines were not followed in any of the years under review.

An amount of ₹20,000/- is to be released to the SCs functioning in government buildings. There are 10,032¹⁶⁷ SCs functioning in the State of which only 1,417 SCs have their own buildings. It was noticed from the release orders submitted by SHS/NHM, that amounts were not released to these 1,417 SCs which functioned in government buildings during 2019-20 and 2021-22. Further, only ₹15 lakh was released during 2020-21.

An amount of ₹10,000/- is to be released to the SCs functioning in private buildings. During the year 2019-20, no fund was released to these sub centres located in rented buildings. Further, only ₹5,000 instead of ₹10,000 was released to sub centres functioning in rented buildings for the year 2020-21. The functional effectiveness of a SC in these conditions is doubtful. The physical status of Sub-centre buildings during test check is detailed in **Figures 6.1 and 6.2** below.

¹⁶⁶ advances given for POL, purchase of drugs & equipment *etc.*, to various implementing units

¹⁶⁷ As per information furnished by Department there are 10,032 SCs available as of October 2022. As per GoAP decision, every village/ward to have a Sub-Centre (SC), AP Govt. established 10,032 SCs. Prior to this there were 7,683 SCs.

Figure 6.1 and Figure 6.2



Figure 6.1: SC, Chennur Bit-1 of SPSR Nellore District functioning in rented building (July 2022)

Figure 6.2: SC Ganganapalli of Anantapur district functioning in a Village Sachivalayam (August 2022)

Government stated (August 2023) that ROP approval for the year 2021-22 was given for 6,313 SCs/ SHCs established and funds released. It was further stated that ₹20,000 was released to each of all the 10,032 SC HWCs for the financial year 2022-23. However, no specific reply relating to release of ₹5,000 to SCs functioning in rented buildings and release of untied funds for the year 2019-20 was furnished by the Government.

6.5 Recommendations

- *The State Government may enhance expenditure on healthcare services to the expected level of eight per cent of total State budget and to 2.5 per cent of GSDP in line with the Guidelines of National Health Policy 2017 to ensure that adequate and quality healthcare infrastructure and services are provided to the citizens.*
- *The State Government may ensure optimum utilisation of funds available under NHM.*

