# Chapter-VI

## Financial Management

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# Financial Management

## 6.1 Budget allocation and expenditure on Health Sector

Finances for health infrastructure and management of health services in the State are sourced through the State budget. Details of allocation of budget, expenditure incurred and savings in Department of Health and Family Welfare and Department of Medical Education and Research during 2016-17 to 2021-22 are given in **Table 6.1** and **Chart 6.1**.

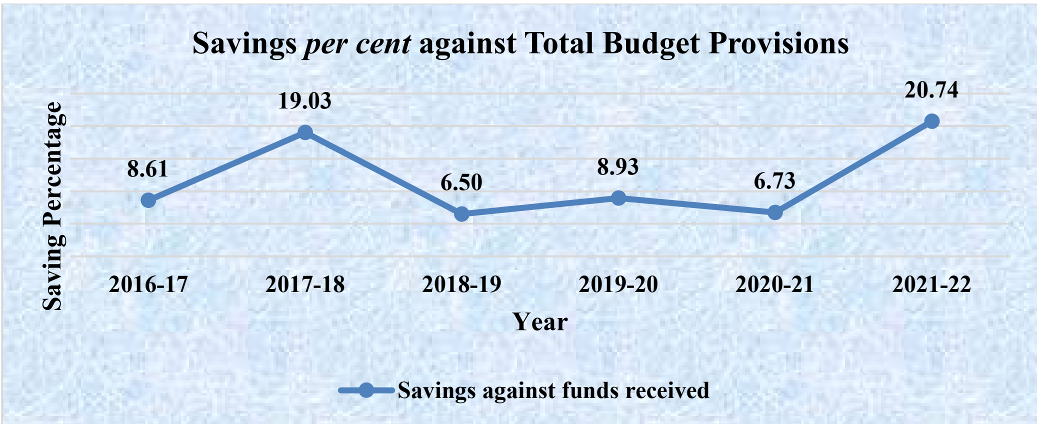
**Table 6.1: Budget allocation and expenditure on health sector**

*(₹ in crore)*

| Year | Budget | Expenditure | Savings |
|---|---|---|---|
| **2016-17** | 3,162.69 | 2,890.23 | 272.46 |
| **2017-18** | 3,393.53 | 2,747.84 | 645.69 |
| **2018-19** | 3,469.20 | 3,243.85 | 225.35 |
| **2019-20** | 3,863.96 | 3,518.75 | 345.21 |
| **2020-21** | 4,131.55 | 3,853.35 | 278.20 |
| **2021-22** | 4,974.31 | 3,942.47 | 1,031.84 |
| **Total** | **22,995.24** | **20,196.49** | **2,798.75** |

*Source: Appropriation Accounts*

**Chart 6.1: Savings against total budget provision (*per cent*)**




*Source: Appropriation Accounts*

It is evident from the above Chart that funds ranging from 6.50 *per cent* to 20.74 *per cent* were not utilised by State Government on health sector during 2016-17 to 2021-22.

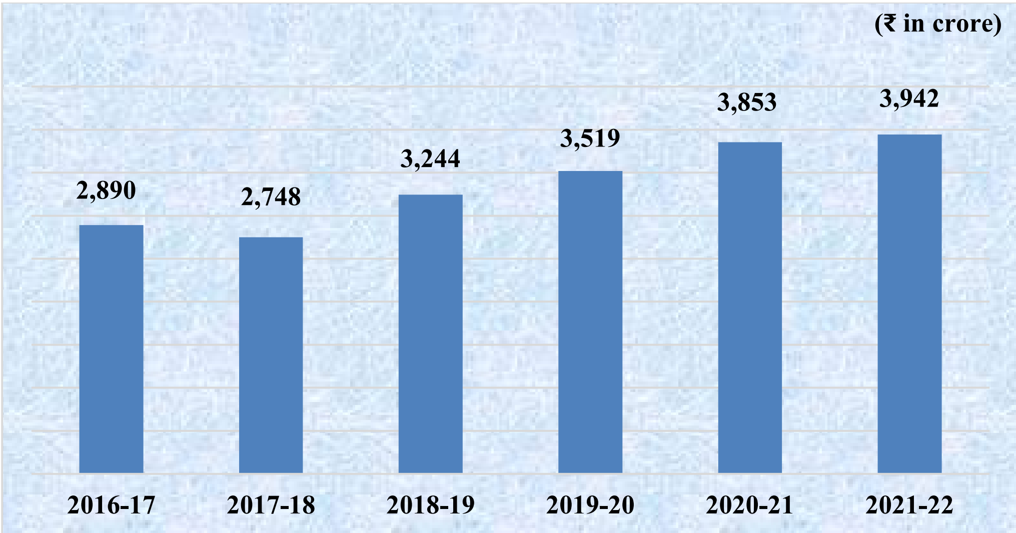
It was noticed that during the period 2016-17 to 2021-22, as against the budget provisions of ₹ 777.16 crore in 44 schemes, the Finance Department had withdrawn almost the entire budget provision amounting to ₹ 771.03 crore (99.21 *per cent*) through reappropriation, as detailed in ***Appendix 6.1***. This showed lack of intent on the part of the State Government which did not prioritise one of the important key social services i.e. health for enhancing human development, as is also evident from the very low percentage of expenditure on health to total expenditure and to GSDP of the State, as discussed in **Paragraph 6.3**.

The reply of the State Government was awaited (February 2024).

## 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 and Medical Education and Research Department. Total expenditure incurred by the State during 2016-17 to 2021-22 is given in **Chart 6.2.**

**Chart 6.2: Expenditure of Health Sector in the State**




*Source: Appropriation Accounts*

Further, budget provision and expenditure in respect of GoI and the State on health sector is not shown separately in the Budget documents of Punjab and hence, contribution of GoI and State on health sector in the State could not be analysed separately.

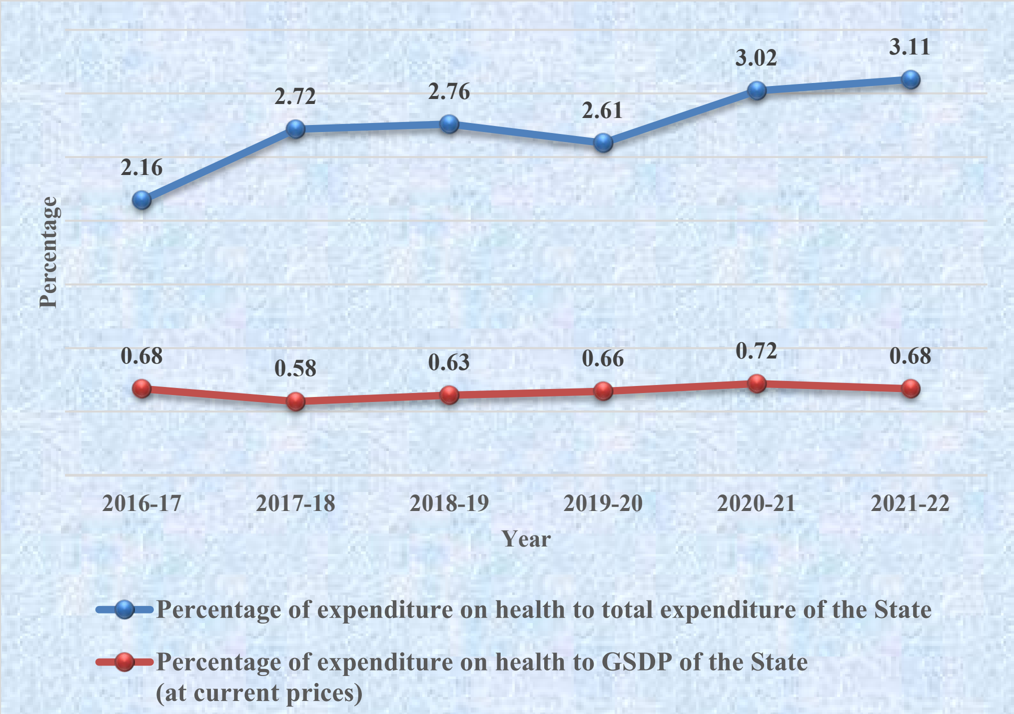
The reply of the State Government was awaited (February 2024).

## 6.3 Expenditure on Health Sector by the State *vis-à-vis* National Health Policy norms

Paragraph 2.4.3.1 of NHP, 2017 envisages increase in the 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 Punjab and its total expenditure.

**Chart 6.3: Expenditure on Health by Punjab Government to Total Expenditure of State/GSDP**




*Source: Report on State Finances and Appropriation Accounts*

From above, it is seen that against the target of 8 *per cent*, the Government spending on health sector has increased from ₹ 2,890.23 crore (2.16 *per cent* of total expenditure of State) during 2016-17 to ₹ 3,942.47 crore (3.11 *per cent* of total expenditure of State) during 2021-22. Similarly, as against the target of 2.5 *per cent* (to be achieved by 2025), the expenditure on health by the State Government remained stagnant around 0.68 *per cent* of the GSDP during the same period. As such, there is still scope for the Government to increase expenditure on health sector. It was also noticed that the Government had not prepared any roadmap to increase the expenditure on health sector.

The reply of the State Government was awaited (February 2024).

## 6.4 Application of resources

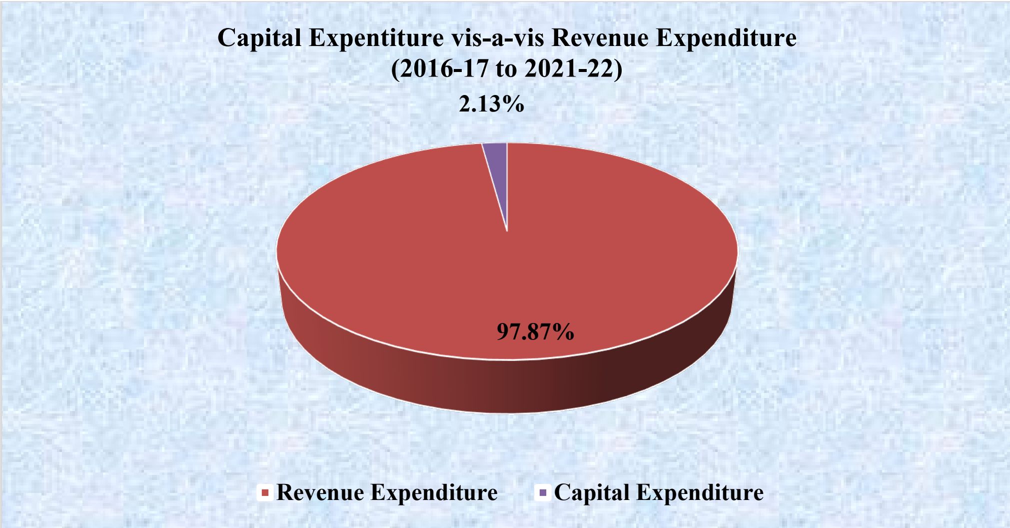
### 6.4.1 Revenue and Capital Expenditure

Revenue expenditure includes establishment expenses, Grant-in-aid to various Institutions (NHM, AYUSH, etc.), 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, purchase of medicines, etc.

Capital Expenditure includes construction/major repair of buildings of health institutions, acquisition of land and strengthening of State Drug Regulatory System.

Out of the total expenditure of ₹ 20,196.49 crore incurred on health during 2016-2022, revenue expenditure was ₹ 19,767.05 crore (97.87 *per cent*) against the budget provision of ₹ 22,113.61 crore while capital expenditure was ₹ 429.44 crore (2.13 *per cent*) against the budget provision of ₹ 881.63 crore, as depicted in **Chart 6.4**. Besides, there was savings of ₹ 2,346.56 crore (10.61 *per cent)* under revenue heads and ₹ 452.19 crore (51.29 *per cent)* under capital heads.

**Chart 6.4: Capital Expenditure vis-à-vis Revenue Expenditure**




*Source: Appropriation Accounts*

It was further noticed that the various schemes/projects, as detailed in **Table 6.2**, were not completed due to improper management by the State Government.

**Table 6.2: Details of schemes/projects which could not be completed**

| Sr. No. | Name of scheme/project | Incomplete as on | Discussed in Paragraph |
|---|---|---|---|
| 1. | Non-completion of the work of new Medical College at Mohali | October 2022 | 5.5.2.2 |
| 2. | Non-establishment of Burn Unit under the National Programme for Prevention & Management of Burn Injuries | December 2022 | |
| 3. | Non-setting up of State Cancer Institute at Amritsar | December 2022 | |
| 4. | Non-setting up of Tertiary Cancer Care Centre at Fazilka | December 2022 | |
| 5. | Non-completion of infrastructure work under Scheme "Strengthening/Up-gradation of existing State/Central Government Medical Colleges to increase MBBS seats in the country" | October 2022 | |
| 6. | Non-establishment of an Advanced Autism Care and Research Centre in Punjab | December 2022 | 5.5.2.3 |

*Source: Information furnished by DMER and PHSC*

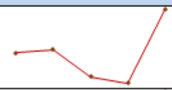
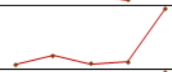
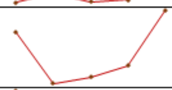
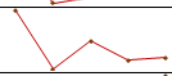
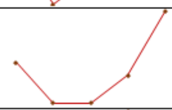
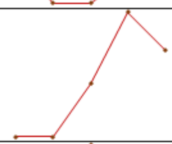
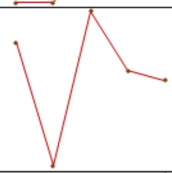
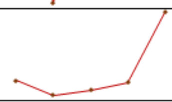
This showed that the healthcare sector was not given adequate priority in the State.

The reply of the State Government was awaited (February 2024).

## 6.4.2 Budget allocation and expenditure on important components under National Health Mission

National Health Mission (NHM), Punjab received funds in 60:40 ratio from GoI and Government of Punjab. There was wide variation in the budget provision and actual expenditure during the period from 2016-17 to 2020-21. Important components under NHM with very high variations are shown in **Table 6.3**.

**Table 6.3: Budget allocation and expenditure on important components under National Health Mission**

| Scheme | Total budget for 2016-17 to 2020-21 (₹ in lakh) | Total expenditure for 2016-17 to 2020-21 (₹ in lakh) | Percentage of total expenditure to budget | Percentage utilisation across five years 2016-2021 | | | | | Sparkline for five years from 2016-17 to 2020-21 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | |
| Hospital strengthening | 49,637 | 15,069 | 30 | 39 | 41 | 22 | 17 | 70 |  |
| New construction | 6,569 | 5,906 | 90 | 31 | 45 | 32 | 35 | 123 |  |
| Procurement of drugs/equipments | 1,10,349 | 82,870 | 75 | 98 | 53 | 59 | 69 | 117 |  |
| Short utilisation of grants | 9,114 | 3,770 | 41 | 84 | 5 | 43 | 17 | 20 |  |
| Monitoring and Evaluation | 5,400 | 3,169 | 59 | 65 | 39 | 39 | 57 | 98 |  |
| National programme for prevention & control of Flurosis | 271 | 27 | 10 | 0 | 0 | 14 | 33 | 23 |  |
| Information, Education and Communication (IEC)/ Behavior Change Communication (BCC) | 5,430 | 2,943 | 54 | 63 | 24 | 73 | 54 | 51 |  |
| New initiative/ Strategic Interventions | 4,401 | 984 | 22 | 37 | 7 | 18 | 33 | 173 |  |

*Source: Information furnished by NHM, Punjab*
Note: Expenditure incurred (more than 100 *per cent*) in excess of budget allotment during 2020-21 under components 'new construction' and 'procurement of drug/equipment' met from the unutilised funds of previous years.

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

i. In case of Hospital Strengthening, out of budget provision of ₹ 49,637 lakh, only ₹ 15,069 lakh (30 *per cent*) was utilised.

ii. Funds for New Constructions were utilised ranging between 31 *per cent* to 123 *per cent* during 2016-17 to 2020-21.

iii. For procurement of drugs/equipment, funds were utilised ranging between 53 *per cent* and 117 *per cent* during the years 2016-17 to 2020-21.

iv. For annual Maintenance Grants/Corpus Grants to HMS/RKS, funds were utilised ranging between 5 *per cent* and 84 *per cent* during the years from 2016-17 to 2020-21.

v. Funds utilisation under Monitoring and Evaluation was ranging between 39 *per cent* and 98 *per cent* during the years from 2016-17 to 2020-21.

vi. Under National programme for prevention and control of Fluorosis which is being implemented in two districts (Ferozepur and Sangrur), no funds were utilised during 2016-17 to 2017-18 and during 2018-19 to 2020-21, utilisation of funds was ranging between 14 *per cent* and 33 *per cent*. The low spending was due to the fact that the number of cases in these two districts have come down significantly from 734 in 2016 to 15 in 2022.

vii. Budget provision under Information, Education and Communication (IEC)/Behaviour Change Communication (BCC) was utilised ranging between 24 *per cent* and 73 *per cent* during 2016-17 to 2020-21.

viii. For New initiative/Strategic Interventions, NHM had utilised only 22 *per cent* funds during 2016-17 to 2020-21.

Thus, budget preparation needs improvement so that funds could be made available to important activities instead of allotting funds to entities or activities where either immediate requirement does not exist or the entity does not have capacity to spend. However, where funds need to be spent, capacity also needs to be improved.

The reply of the State Government was awaited (February 2024).

### 6.4.3 Delay in submission of State Programme Implementation Plans to Government of India

As per Operational Guidelines for Financial Management of NHM, the financial year beginning from 1st of April is the enforcement date of the Annual Project Implementation Plans. Hence, the budget needs to be approved, communicated and consented at all levels before this date. The success of budgeting exercise is dependent on adherence to time schedules fixed by the Government of India (GoI) from time to time. The details of due dates for submission *vis-a-vis* actual dates of submission of State Programme Implementation Plans (SPIP) during 2016-2022 are given in **Table 6.4.**

**Table 6.4: Delay in submission of State Programme Implementation Plans to Government of India**

| Year | Due date for submission of SPIP to GoI | Actual date for submission of SPIP to GoI | Delay (In days) | Date of approval by GoI | Date of release of funds |
|---|---|---|---|---|---|
| 2016-17 | 20.02.2016 | 03.03.2016 | 12 | 23.06.2016 | 13.06.2016 |
| 2017-18 | 30.01.2017 | 18.05.2017 | 108 | 18.07.2017 | 16.06.2017 |
| 2018-19 | 09.02.2018 | 19.02.2018 | 10 | 13.07.2018 | 26.06.2018 |
| 2019-20 | 15.01.2019 | 14.02.2019 | 30 | 05.03.2019 | 20.06.2019 |
| 2020-21 | 30.11.2019 | 07.02.2020 | 69 | 17.04.2020 | 06.04.2020 |
| 2021-22 | 31.12.2020 | 22.01.2021 | 22 | 12.06.2021 | 22.07.2021 |

*Source: State Health Society*

**Table 6.4** shows that the SPIPs for each year were submitted to GoI with delays ranging from 10 days to 108 days, which ultimately delayed the approval and release of funds by GoI.

On being pointed out in audit, the Department admitted the facts (December 2022) and stated that approval was granted after the approval of National Programme Coordination Committee the dates of which varied every year. However, the Department admitted that delayed approval of SPIP affected the activities in a significant manner. The delay in approval of SPIP had a cascading effect as is evident from the savings noticed under various programmes under NHM (pointed out in Chapter VII - Implementation of Centrally Sponsored Schemes) as funds could not be utilised over the short period of time for which they were available during the year.

### 6.4.4 Delay in release of funds to State Health Society

Government of India (GoI) instructed (July 2014) that funds released by them must be transferred to State Health Society (SHS) within fifteen days, otherwise the State Government is liable to pay penal interest. Release of 2nd tranche of funds depends upon the transfer of 1st tranche of funds from treasury to SHS. Further, GoI also decided (October 2017) the rate of penal interest on delayed releases of funds by the States.

Examination of records revealed that funds of ₹ 2,015.68 crore were released by GoI (60 *per cent* Central Share) during 2016-2022 by issuing 519 sanctions for further transfer to State Health Society but instead of releasing the funds within 15 days, the funds were released by the State Government to SHS with delays up to 345 days thereby delaying the delivery of healthcare services and also created a liability of ₹ 25.49 crore on account of penal interest[1] on the State exchequer. The State Government neither paid the penal interest nor reported it to GoI.

[1] 7.16 *per cent* (2016-17) and 7.14 *per cent* (2017-2022).

On being pointed out, the Department admitted the facts (December 2022) and stated that release of funds got delayed due to the lengthy procedure. Further, it was also stated that the case of penal interest on delayed release of funds was being taken up with the Finance Department.

### 6.4.5 Non-accounting of interest earned on NHM funds

Operational guidelines for financial management (January 2012) of NRHM provided that NRHM funds would be kept in separate bank accounts. Further, the interest earned on the funds would be utilised for the same purpose for which the State PIP was approved. Mention was made in the Comptroller and Auditor General's (CAG) Report (Civil) for the year ended 31 March 2010 (Paragraph 2.1.9) and in the Report of the CAG on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2016 (Paragraph 2.3.7.2) regarding non-accounting of interest on NRHM funds. The Public Accounts Committee had recommended (January 2014) that the Department should ensure that the interest earned on NRHM funds was utilised only for the programmes under NRHM.

Audit, however, noticed that the State Health Society (SHS) had transferred funds of ₹ 1,186.72 crore to various bank accounts of PHSC for procurement of drugs, consumables, equipment and civil works under NHM during the period 2016-2022. PHSC earned interest of ₹ 14.20 crore on these funds, which was neither intimated to SHS nor was accounted for by PHSC against the NHM funds.

On being pointed out in audit, the Department while admitting the facts, stated (December 2022) that PHSC was not charging any departmental charges from NHM for execution of various works allotted by NHM. The reply is not convincing as no documentary evidence was provided by PHSC regarding their authority to levy any departmental charges on the projects/works executed from funds provided by the NHM.

## 6.5 Parking of funds outside Government Account

Paragraph 2.10(b)(5) of Punjab Financial Rules (PFR) provides that no money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance and that it is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable amount of time.

### 6.5.1 Punjab Nirogi Yojana

The State Government constituted (August 2007) the Punjab Nirogi Society (PNS) and established the State Illness Fund under the Centrally Sponsored Scheme – 'Rashtriya Arogya Nidhi'. The State Government and the Central

Government were to contribute to the corpus in the ratio of 67:33. Under this Scheme, financial assistance up to ₹ 1.50 lakh was to be provided in an individual case to the people living Below Poverty Line (BPL) possessing yellow cards who were suffering from major life-threatening diseases[2]. The State Government contributed ₹ one crore each year during 2007-08 and 2008-09 and ₹ 0.25 crore during 2010-11; and GoI provided (March and May 2008) ₹ 0.50 crore as matching contribution for the year 2007-08. Subsequent funds were not released by GoI due to non-submission of requisite documents[3] to them.

Mention was made in the Comptroller and Auditor General's (CAG) Report (Civil) for the year ended 31 March 2011 (Paragraph 3.2.5) regarding ineffective implementation of the Rashtriya Arogya Nidhi Scheme instituted for healthcare of BPL people.

Audit, however, observed that only 103 BPL patients could avail the financial benefit up to the year 2019-20 since the inception of the Scheme. The balance amount of ₹ 4.92 crore including interest was lying unutilised with the Society outside Government account as of March 2022.

On being pointed out in audit, the Department while admitting the facts, stated (December 2022) that the State Government had decided to dissolve PNS and Finance Department asked (August 2022) to take a decision (by the Department of Health and Family Welfare) regarding transfer of unutilised grants to another society of similar nature. The matter was pending with the Secretary, Health and Family Welfare, Punjab.

### 6.5.2 Mukh Mantri Punjab Cancer Rahat Kosh Scheme

Under Mukh Mantri Punjab Cancer Rahat Kosh (MMPCRK) Scheme (revised in July 2015), relief of ₹ 1.50 lakh is provided to eligible cancer patients of the State of Punjab for treatment. The treatment is available in Government and Government-aided hospitals. Department of Finance, Government of Punjab (January 2020) directed all the departments that all the unspent balances along with interest accrued should be deposited in the treasury by 31st March.

Fund position under this scheme for the period 2016-2022 is given in **Table 6.5**.

[2] Cancer, heart diseases, kidney and urinary disease, orthopaedic, thalassemia, bone-marrow transplant, AIDS, chronic mental illness, epilepsy, brain tumour, etc.

[3] Utilisation Certificates, audit certificate, list of beneficiaries, etc.

**Table 6.5: Details of allotted funds and expenditure incurred during 2016-2022 under MMPCRK Scheme**

*(₹ in crore)*

| Year | Opening balance | Funds drawn | Interest earned | Expenditure | Closing Balance |
|---|---|---|---|---|---|
| 2016-17 | 14.90 | 25.00 | 0.45 | 35.34 | 5.01 |
| 2017-18 | 5.01 | 15.00 | 0.12 | 19.42 | 0.71 |
| 2018-19 | 0.71 | 37.50 | 0.31 | 37.62 | 0.90 |
| 2019-20 | 0.90 | 43.20 | 0.10 | 40.71 | 3.49 |
| 2020-21 | 3.49 | 160.00 | 1.00 | 68.61 | 95.88 |
| 2021-22 | 95.88 | 0.00 | 2.69 | 21.76 | 76.81 |
| **Total** | | **280.70** | **4.67** | **223.46** | |

*Source: Departmental data*

Audit noticed that the total number of new cancer patients registered under the Scheme to get the benefit declined from year to year from 8,925 cases in 2016 to 3,212 cases in 2021 (except in 2019 when the number of cases had risen to 7,838) due to lack of wide publication of the scheme. Thus, out of the available funds of ₹ 164.49 crore and ₹ 98.57 crore during 2020-21 and 2021-22, only 41.71 *per cent* and 22 *per cent* respectively were spent under the Scheme, thereby leading to parking of funds of ₹ 95.88 crore (as on 31 March 2021) and ₹ 76.81 crore (as on 31 March 2022) outside the Government account, in contravention of codal provisions *ibid*.

On being pointed out in audit, the Department admitted (December 2022) the facts in the exit conference.

### 6.5.3 Retention of user charges

Article 266(1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form a consolidated fund to be entitled the Consolidated Fund of State. Article 266(2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State. Further, Department of Finance permitted (July 2018, July 2020 and January 2021) to retain the user charges collected by the health institutions under Department of Medical Education and Research, Punjab (DMER) for the period 2018-2021 with the condition that 'no budget shall be provided to Administrative Department under SOE-28-Professional Services for Government Colleges and Hospitals'.

Audit noticed that user charges of ₹ 147.55 crore (including interest of ₹ 2.36 crore earned thereon) were collected by 10 institutions[4] under DMER at Patiala and Amritsar during the period 2018-2021 and the amount retained without approval of the legislature. Out of these funds, an expenditure of ₹ 107.80 crore was incurred by these institutions and an amount of ₹ 39.35 crore was deposited into the treasury during 2018-2022, leaving balance amount of ₹ 0.40 crore lying with Rajindra Hospital, Patiala. Moreover, Rajindra Hospital, Patiala did not deposit the user charges of ₹ 1.54 crore into the treasury, out of ₹ 5.35 crore collected during 2021-22; thus, user charges of ₹ 1.94 crore were still lying with Rajindra Hospital, Patiala (November 2022).

On being pointed out in audit, the Department stated (December 2022) that Finance Department had issued permission to retain user charges till 31 March 2021 and thereafter out of ₹ 1.94 crore, an amount of ₹ 1.43 crore had been deposited in Government treasury. The reply was not acceptable as retention of user charges and utilisation thereof without obtaining approval of the State Legislature was irregular and was in contravention of the Constitutional provisions *ibid.*

### 6.5.4 Non-deposit of interest into treasury

Government of Punjab, Department of Finance directed (February 2015 and April 2020) that all the unspent balances along with interest accrued should be deposited into treasury immediately.

Audit observed that interest of ₹ 13.38 crore was earned by Punjab Health System Corporation (PHSC) on the funds of ₹ 195.00 crore received (kept in Savings account) from the DMER during the period 2016-2022**.** However, interest of ₹ 13.38 crore so earned by PHSC was neither refunded to the funding agency nor was deposited in the Government account.

On being pointed out in audit, the Department admitted the facts (December 2022) and stated that interest earned on the funds provided by the DMER were not returned/deposited as no departmental charges were taken from DMER for the implementation of project. The reply is not convincing as no documentary evidence was provided by PHSC regarding levy of departmental charges on the works executed for other Government departments.

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[4] (i) GMC, Patiala; (ii) Rajindra Hospital, Patiala; (iii) Ayurvedic College, Patiala; (iv) Ayurvedic Hospital, Patiala; (v) Dental College, Patiala; (vi) T.B. Hospital, Patiala; (vii) T.B. Hospital, Amritsar; (viii) Dental College, Amritsar; (ix) GMC Amritsar; and (x) Guru Nanak Dev Hospital, Amritsar.

## 6.6 Irregularities in the payment of concession fee

Article 266(1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form a consolidated fund to be entitled the Consolidated Fund of State. Article 266(2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State.

Further, Articles 12.2(a) and 12.2(c) of the agreement signed (August 2009) between M/s Max Healthcare Institute Ltd (Concessionaire) and Government of Punjab to set up Max Super Specialties under Design, Build, Operate and Transfer (DBOT) basis at Mohali and Bathinda provided that the concessionaire shall, with effect from the operations date and during the concession period, pay to GoP concession fee at the rate of five *per cent* of the gross revenue of each financial year of the concession period and it shall be payable by the Concessionaire to GoP in equated quarterly installments within seven days of the close of each quarter in the bank account advised by GoP to the Concessionaire. In the event of delay of up to four weeks by the Concessionaire in the quarterly payment of the concession fee from the date the concession fee is due and payable, the Concessionaire shall be required to pay GoP interest thereon at the rate of SBI Prime Lending Rate (PLR) plus two *per cent per annum* from due date until the date of such payment. Audit noticed the following irregularities in the funds management of the public private partnership project:

### 6.6.1 Non-deposit of concession fee in Consolidated Fund of the State

Test-check of records of PHSC revealed that an amount of ₹ 135.70 crore on account of concession fee was received so far (for the period from November 2011 to September 2022) from Max Hospitals since the date of operationalisation (September 2011). Of these, ₹ 50 crore was deposited (October 2018) into the treasury and the remaining amount of ₹ 85.70 crore was available with PHSC which was lying outside the Consolidated Fund of the State.

On being pointed out in audit, the Department stated (December 2022) that the State Government decided in principle to deposit all the proceeds in the Consolidated Fund of the State in the treasury but later on the High Powered Committee decided in July 2021 that the funds received from Max Hospitals be utilised for strengthening of the health infrastructure and as such, the funds available had not been deposited in the Consolidated Fund. The reply of the

Department is not tenable as the action of the Department was not in line with the Constitutional provisions.

### 6.6.2 Short receipt of concession fee

During examination of balance sheets, it was noticed that both the hospitals earned gross revenue of ₹ 1,440.10 crore during the period from 2016-17 to 2020-21[5] and concession fee of ₹ 72.01 crore[6] was required to be paid to GoP. But the concessionaire paid ₹ 71.89 crore only considering the gross revenue of ₹ 1,435.50 crore. This resulted in short payment of concession fee amounting to ₹ 0.12 crore.

On being pointed out in audit, the Department replied (December 2022) that the difference between gross revenue and quarterly statements is due to debtors movement, unbilled revenue, interest and project on sale of investment. The reply of the Department is not tenable as these components are the parts of other income, so, these components were neither considered in gross revenue nor in quarterly statements.

### 6.6.3 Non-levy of interest on delayed payment of concession fee

Audit noticed that the quarterly instalments on account of concession fees were deposited by both hospitals after the expiry of due dates and period of delay varied from one day to 61 days during 2016-2021[7]. But the PHSC did not levy interest amounting to ₹ 0.28 crore on the delayed payments, as required under the provisions of the agreement *ibid*.

On being pointed out in audit, the Department replied (December 2022) that Government of Punjab, Department of Finance has constituted a committee having two teams for conducting audit of Max Hospitals and to finalise the penalty and the audit report was awaited.

## 6.7 Budget and Expenditure for selected districts

In the selected districts, year-wise allotment and expenditure of funds during 2016-2022 pertaining to Department of Health and Family Welfare was as shown in **Table 6.6**.

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5 There was no difference between the gross revenue and the amount on which the concession fee was paid during the year 2021-22.

6 Five *per cent* of ₹ 1,440.10 crore.

7 Installments on account of concession fees were deposited by both the hospitals in time during 2021-22.

**Table 6.6: Budget and Expenditure for selected districts during 2016-2022**

***(₹ in crore)***

| Year | Bathinda | | Fatehgarh Sahib | | Gurdaspur | | Hoshiarpur | | Ludhiana | | Moga | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Exp. (in *per cent*) | Budget | Exp. (in *per cent*) | Budget | Exp. (in *per cent*) | Budget | Exp. (in *per cent*) | Budget | Exp. (in *per cent*) | Budget | Exp. (in *per cent*) | Budget | Exp. (saving in *per cent*) |
| 2016-17 | 89.60 | 86.88 (96.96) | 41.12 | 38.89 (94.58) | 131.73 | 122.03 (92.64) | 123.56 | 118.26 (95.71) | 130.84 | 122.11 (93.33) | 55.76 | 52.12 (93.47) | 572.61 | 540.29 (5.64) |
| 2017-18 | 98.59 | 97.07 (98.46) | 45.22 | 41.36 (91.46) | 129.43 | 125.72 (97.13) | 122.39 | 115.50 (94.37) | 149.82 | 134.86 (90.01) | 56.92 | 53.75 (94.43) | 602.37 | 568.26 (5.66) |
| 2018-19 | 102.34 | 100.57 (98.27) | 45.89 | 44.47 (96.91) | 145.55 | 140.89 (96.80) | 129.39 | 119.95 (92.70) | 143.26 | 135.35 (94.48) | 58.08 | 56.11 (96.61) | 624.51 | 597.34 (4.35) |
| 2019-20 | 102.74 | 100.90 (98.21) | 50.29 | 47.22 (93.90) | 159.14 | 150.18 (94.37) | 135.39 | 130.40 (96.31) | 174.90 | 168.81 (96.52) | 65.37 | 61.33 (93.82) | 687.83 | 658.84 **(4.21)** |
| 2020-21 | 112.41 | 107.18 (95.35) | 53.44 | 45.81 (85.72) | 182.92 | 158.65 (86.73) | 145.69 | 141.59 (97.19) | 193.56 | 187.76 (97.00) | 69.16 | 65.57 (94.81) | 757.18 | 706.56 (6.69) |
| 2021-22 | 123.58 | 121.93 (98.66) | 61.20 | 54.74 (89.44) | 184.33 | 180.52 (97.93) | 166.50 | 156.91 (94.24) | 223.34 | 192.58 (86.23) | 77.31 | 69.95 (90.48) | 836.26 | 776.63 **(7.13)** |
| **Total** | **629.26** | **614.53 (97.66)** | **297.16** | **272.49 (91.70)** | **933.10** | **877.99 (94.09)** | **822.92** | **782.61 (95.10)** | **1,015.72** | **941.48 (92.69)** | **382.60** | **358.82 (93.78)** | **4,080.76** | **3,847.92** |

*Source: Civil Surgeon Office*

From the above, it was observed that:

i. The expenditure increased by 43.74 *per cent* in 2021-22 as compared to 2016-17.

ii. Savings were ranging between 4.21 *per cent* and 7.13 *per cent* during 2016-2022.

Moreover, out of total budget provision of ₹ 22,995.24 crore, there was a budget provision of ₹ 4,080.76 crore (17.75 *per cent*) in the six selected districts during the period 2016-17 to 2021-22. Against this, the total expenditure in the selected districts on Health Services was ₹ 3,847.92 crore i.e. 19.05 *per cent* of the total expenditure (₹ 20,196.49 crore) on the health sector. Thus, there were savings of ₹ 232.84 crore during the period 2016-2022.

The reply of the State Government was awaited (February 2024).

## 6.8 Other points

### 6.8.1 Avoidable liability on account of surcharge and interest against electricity bills

As per Rule 2.10(b)(3) of PFR, all charges incurred are drawn and paid at once and are not held up for want of funds. Further, the Punjab State Power Corporation Limited (PSPCL) levies surcharge on delayed payment of electricity bill up to 15 days beyond the due date and also charges interest at the rate of 1.5 *per cent* per month on gross unpaid amount after 15 days of due date.

During test-check of records of District Hospital, Ludhiana, it was noticed that against the total bill of ₹ 7.58 crore (including surcharge and interest amounting to ₹ 2.16 crore due to delay/non-payment of bill on time) was raised by PSPCL during the period from January 2018 to March 2022, an amount of ₹ 1.58 crore only was paid up to March 2022. Had the Department paid the bill timely, liability of ₹ 2.16 crore could have been avoided.

On being pointed in audit, the Department admitted (December 2022) the facts in the exit conference.

### 6.8.2 Undue benefit to suppliers due to non-obtaining of performance security

As per tender document as well as purchase order/rate contract, the successful bidder within 10 days after receipt of acceptance letter shall be required to pay performance security deposit equivalent to 10 *per cent* of the total value of the order. It will be refunded after satisfactory completion of the warranty period. In addition to other penal action if the supplier fails to supply the goods and perform the service as per contract leading to termination of the contract, the performance security amount will be forfeited.

Test-check of records in PHSC revealed that PHSC had placed (March 2020) a supply order with the supplier for the supply of adult ventilators (65 Nos.) and defibrillators (4 Nos.) costing ₹ 9.42 crore against the rate contract (March 2019 for ventilators and June 2019 for defibrillator). Against the due amount of performance security of ₹ 0.94 crore (10 *per cent* of ₹ 9.42 crore), performance security of ₹ 0.10 crore in the form of bank guarantee was obtained from the supplier. At a later stage, PHSC cancelled (August 2020) the supply orders due to non-supply of requisite quantity of ventilators by the supplier. However, no action was taken by the Department against the supplier for non-supply of the requisite quantity. Thus, non-adherence to the provisions of the contract agreement *ibid*, resulted into compromising the departmental interest and giving undue benefit of ₹ 0.84 crore to the supplier.

On being pointed in audit, the Department admitted (December 2022) the facts in the exit conference.

### 6.8.3 Non-submission of detailed contingent bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDO) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head. Rule 274 of Punjab Treasury Rules as amended by State Government in November and December 2016 provides that Drawing and Disbursing Officers (DDO) are required to present Detailed Contingent (DC) bills containing vouchers in support of financial expenditure within six months from the date of drawal of such advance. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

The details of Abstract Contingent (AC) bills pending for adjustment as on 31 March 2022 in respect of Health and Family Welfare Department are given in **Table 6.7**.

**Table 6.7: Year-wise pendency of AC bills**

*(₹ in crore)*

| Year | No. of Bills | Amount drawn | Amount adjusted | Balance Amount |
|---|---|---|---|---|
| 2018-19 | 36 | 51.97 | 51.70 | 0.27 |
| 2019-20 | 51 | 109.81 | 98.82 | 10.99 |
| 2020-21 | 74 | 73.51 | 59.89 | 13.62 |
| 2021-22 | 28 | 35.21 | 25.76 | 9.45 |
| **Total** | **189** | **270.50** | **236.17** | **34.33** |

*Source: Finance Accounts*

**Table 6.7** shows that a total of 189 AC bills amounting to ₹ 270.50 crore were drawn during 2018-22, out of which DC bills of ₹ 34.33 crore (12.69 *per cent*) were not submitted so far (January 2023).

Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills.

On being pointed in audit, the Department admitted (December 2022) the facts in the exit conference.

### 6.8.4 Non-disposal of condemned medical equipment

Rule 15.3 of PFR Vol-1 provides that any item of store when it becomes unserviceable should be declared condemned and should be disposed of through public auction and these unserviceable items should not be kept in store for longer period as with the passage of time their condition may deteriorate further which may result into loss of Government money. Further, PHSC issued (29 August 2014) instructions to all Civil Surgeons/Deputy Medical Commissioners and Medical Superintendents in the State of Punjab for re-organisation of the committee along with financial powers to condemn unserviceable articles of stores/stocks.

Scrutiny of records revealed that while providing the maintenance service, 4,801 medical equipment worth ₹ 36.69 crore (book value) were declared condemned/non-repairable during service period from June 2017 to June 2021. Accordingly, such condemned/non-repairable equipment had not been disposed of under the provisions *ibid* (November 2021). Delay in disposal of assets would deteriorate the condition and further decrease the value of assets with the passage of time.

On being pointed in audit, the Department admitted (December 2022) the facts in the exit conference.

### 6.8.5 Excess payment of fuel charges

PHSC provided (July 2020) an Advance Life Support (ALS) ambulance to DH Ludhiana as per norms which was further handed over (August 2020) to a service provider (who was already providing the ambulance service under Emergency Revolving Service 108) for operation and maintenance. The fuel charges thereon at the rate of ₹ 25,000 per month were to be paid by DH Ludhiana, which were to be deducted by PHSC from the service charges being paid to the service provider.

Audit noticed that an amount of ₹ 0.23 crore was paid by DH Ludhiana on account of fuel charges to the service provider during August 2020 to September 2022 (26 months) against the admissible amount of ₹ 0.07 crore (as PHSC deducted from service charges), which resulted in excess payment of ₹ 0.16 crore made by DH Ludhiana on account of fuel charges.

Due to lack of coordination between DH Ludhiana and PHSC and inadequate control mechanism, excess payment was made to the service provider.

On being pointed in audit, the Department admitted (December 2022) the facts in the exit conference.

## 6.9 Conclusion

There was lack of budget intent on the part of the State Government who did not prioritise one of the important key social services i.e. health for enhancing human development, as is also evident from the low percentage of expenditure on health sector which was much below the recommendations of the NHP, 2017. Expenditure on healthcare sector was highly skewed in favour of revenue expenditure with barely any capital expenditure. The State Government released funds to the SHS with delay resulting in creation of liability in the form of penal interest. Interest earned by PHSC was neither intimated to SHS nor was accounted for by PHSC against the NHM funds. Funds were lying unutilised outside Government account with Punjab Nirogi Society and Mukh Mantri Punjab Cancer Rahat Kosh Scheme in contravention of codal provisions.

## 6.10 Recommendations

In light of the audit findings, the State Government may consider:

(i) *increasing the budget allocation on health services in line with the guidelines of National Health Policy;*

(ii) *showing the GoI and the State share separately in the budget provision and the expenditure thereagainst on Health sector;*

*(iii)(a) reviewing 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;*

*(b) increasing emphasis on growth and development of medical and healthcare sector by reorienting budget allocations to favour capital expenditure;*

*(iv) providing adequate funds to healthcare sector besides utilisation of the allocated budget to ensure availability of ample and quality healthcare infrastructure and services to the people of the State;*

*(v) timely submission of State Programme Implementation Plans to GoI for timely receipt of funds from them; and further release of funds to the State Health Society well in time for effective utilisation of the funds in programme implementation; and*

*(vi) ensuring deposit of Government money, lying outside Government account with various agencies, into Consolidated Fund of the State for its optimum utilisation.*