

Chapter-VI

Financial Management

This Chapter discusses the healthcare funding and adequacy thereof in terms of percentage of healthcare expenditure to the total expenditure and its share in the Gross State Domestic Product (GSDP), utilisation of budgeted provisions on healthcare and financial propriety issues.

Audit objective: *Whether the funding for public healthcare was adequate?*

Brief snapshot of the Chapter

- State Government incurred expenditure of ₹ 1,11,928.58 crore on healthcare under nine Grants during the year 2016-17 to 2021-22. The budget provisions and expenditure under these Grants also include Grants-in-aid received from Government of India on health sector.
- While 82 *per cent* of revenue budgets were utilized, utilization of capital budget was 60 *per cent* during 2016-22.
- Total budgetary expenditure on health was much below than the target of eight *per cent* envisaged in the National Health Policy (NHP), 2017 and ranged between 4.20 and 5.41 *per cent* during 2016-22.
- The Government healthcare expenditure in Uttar Pradesh increased every year during 2016-22 with compound annual growth rate of 9.65 *per cent*, however, it remained only between 1.10 to 1.30 *per cent* of GSDP. With the present growth rate of 9.65 *per cent* in healthcare expenditure, State Government would not get closer to the target of 2.5 *per cent* by 2025 under NHP, 2017.
- Substantial portion (22 *per cent*) of expenditure on healthcare was booked under Object Head 42- Other Expenditure which also includes funds transferred for National Health Mission. This affects transparency in financial reporting.

6.1 Introduction

Medical Health and Family Welfare Department of the State is responsible for the primary and secondary levels health facilities whereas tertiary level facilities are under the purview of Medical Education and Training Department. For functioning of the health centers/hospitals/colleges, State Government makes budgetary provisions under nine Grants in the State Budget as detailed in **Table 6.1**.

Table 6.1: Details of Grants through which funds are allotted

Sl. no.	Grant no.	Description of Grant	Grant/ Major Heads
1	31	Medical Department (Medical Education and Training)	All Major Heads (MHs) operated under these Grants.
2	32	Medical Department (Allopathic Medical)	
3	33	Medical Department (Ayurvedic and Unani)	
4	34	Medical Department (Homoeopathy)	
5	35	Medical Department (Family Welfare)	
6	36	Medical Department (Public Health)	
7	76	Labour Department (Labour welfare)	MHs 2210 and 4210
8	81	Social Welfare Department (Scheduled Tribes Welfare)	MHs 2211 and 4211
9	83	Social Welfare Department (Special Component Plan for Schedule Castes Welfare)	MHs 2210, 2211, 4210 and 4211

(Source: Uttar Pradesh budget documents and Appropriation Accounts)

Audit observed that the State Government was allocating major funds to health sectors under Grant no. 32 (Medical Department-Allopathic Medicine), Grant no. 35 (Medical Department-Family Welfare) and Grant no. 31 (Medical Department-Medical Education and Training). Further, funds for healthcare under employee's state insurance scheme was provided under Grant no. 76 (Labour Department) and provisions for healthcare were also augmented under Tribal Sub Plan and Special Component Plan for Scheduled Castes under Grants no. 81 and 83 respectively.

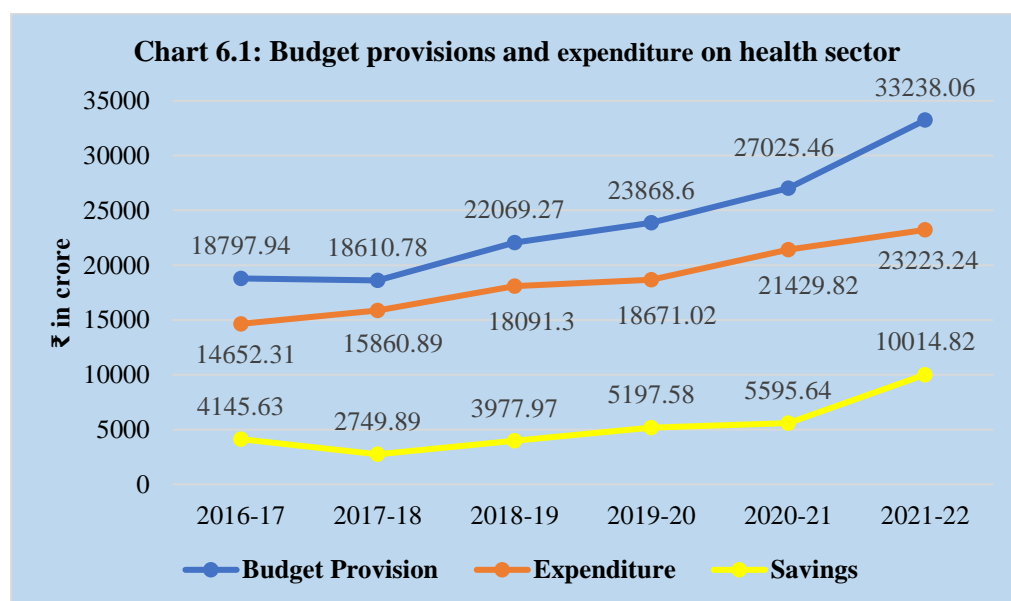
6.2 Budget provisions vis-a-vis expenditure

Budget provisions and expenditure on health sector¹ by the State Government during 2016-22 are detailed in **Table 6.2** and **Chart 6.1**.

Table 6.2: Budget provisions and expenditure on health sector during 2016-22

Year	Budget Provision	Expenditure	Savings	(₹ in crore)
				Savings (in per cent)
2016-17	18797.94	14652.31	4145.63	22
2017-18	18610.78	15860.89	2749.89	15
2018-19	22069.27	18091.30	3977.97	18
2019-20	23868.60	18671.02	5197.58	22
2020-21	27025.46	21429.82	5595.64	21
2021-22	33238.06	23223.24	10014.82	30
Total	143610.11	111928.58	31681.53	22

(Source: Appropriation Accounts of Uttar Pradesh)



(Source: Appropriation Accounts of Uttar Pradesh)

It may be seen from **Table 6.2** that the State Government incurred expenditure of ₹ 1,11,928.58 crore during the period 2016-22 against the budget provisions of ₹ 1,43,610.11 crore on health sector. The details of grant wise budget provisions and expenditure under nine Grants are given in **Appendix-6.1**. It was further observed that the utilisation of funds under these nine grants was ranging between 90 per cent and 51 per cent resulting in 78 per cent overall utilisation

¹ Excluding local bodies.

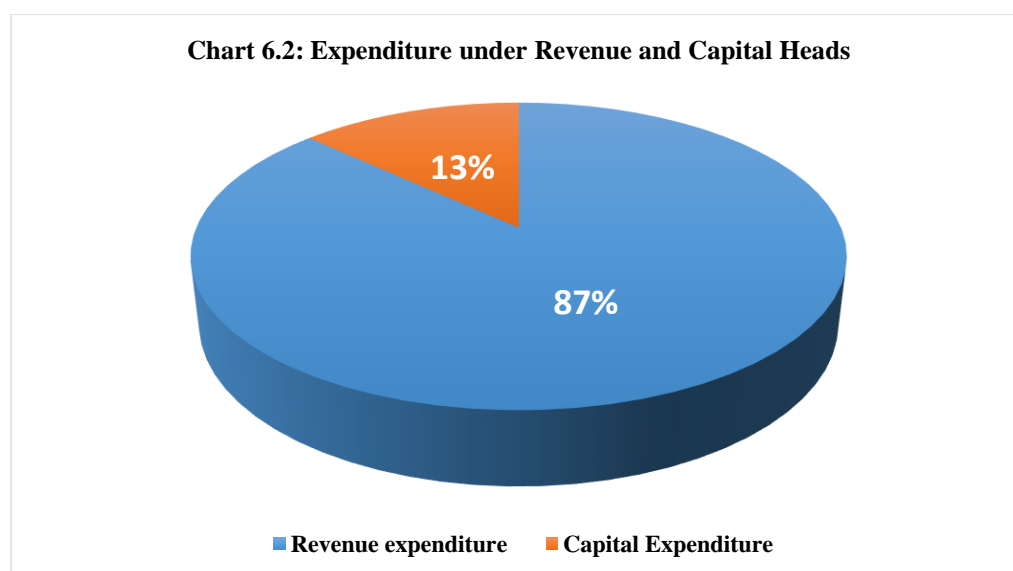
of budget provisions. Major shortfalls in utilisation of funds were noticed under Grant 81-Social Welfare Department (Scheduled Tribes Welfare) followed by Grant 36-Medical Department (Public Health) and Grant 33-Medical Department (Ayurvedic and Unani) where 49 *per cent*, 34 *per cent* and 28 *per cent* funds respectively remained unutilised during 2016-22.

Audit observed that during 2021-22, the savings of ₹ 10,014.82 crore include savings under major construction works (₹ 4,439.95 crore), salary, wages and other establishment expenditure (₹ 3,480.85 crore) and drugs and equipment (₹ 428.26 crore). As discussed in **Paragraphs 5.4.1** and **5.4.2**, construction works of public health care infrastructure were delayed which affected fund absorption capacity of these projects and consequent savings of budgeted provisions. Considering the fact that the State Government health sector lacked human resources, drugs and equipment, and infrastructure as discussed under Chapters II, IV and V of this report, the savings out of budgeted provisions could have been appropriately utilised for providing important medical interventions including augmentation of infrastructure, hospital maintenance/repairs, purchase of drugs and consumables, equipment and deployment of human resources in public health institutions.

The Government's reply was awaited (August 2024) despite reminders.

Revenue and Capital Expenditure

Out of total expenditure of ₹ 1,11,928.58 crore on health sector during 2016-22, ₹ 97,289.92 crore (87 *per cent*) was revenue expenditure and ₹ 14,638.66 crore (13 *per cent*) was capital expenditure as depicted in **Chart 6.2**.



(Source: Appropriation Accounts of Uttar Pradesh)

Audit further analysed the trend of expenditure under revenue and capital budgets during 2016-22 as detailed in **Table 6.3**.

Table 6.3: Budget provisions vis-à-vis expenditure under Revenue and capital heads during 2016-22

(₹ in crore)

Year	Budget Provision (Revenue)	Revenue expenditure	Percentage utilisation of Revenue Budget	Budget Provision (Capital)	Capital Expenditure	Percentage utilisation of Capital Budget
1	2	3	4 = (3)/(2) x 100	5	6	7 = (6)/(5) x 100
2016-17	14940.77	11823.48	79	3857.17	2828.83	73
2017-18	16342.24	13877.56	85	2268.54	1983.33	87
2018-19	19300.59	15866.73	82	2768.68	2224.57	80
2019-20	20337.63	16388.85	81	3530.97	2282.17	65
2020-21	23275.96	19401.74	83	3749.50	2028.08	54
2021-22	24968.47	19931.56	80	8269.59	3291.68	40
Total	119165.66	97289.92	82	24444.45	14638.66	60

(Source: Appropriation Accounts of Uttar Pradesh)

Table 6.3 shows that the State Government could utilise 82 per cent revenue budget during 2016-22, while the utilisation of capital budget was 60 per cent during 2016-22. The utilisation percentage of capital budget was on a consistent decline during 2017-18 to 2021-22. Thus, the department could not utilise revenue budget meant for human resources and procurement of drugs and equipment and capital budget meant for construction works (DHs, CHCs, PHCs and medical Colleges) and procurement of equipment which indicates that the MHFW and MET departments did not have the absorption capacity to utilise the budgeted funds.

The Government's reply was awaited (August 2024) despite reminders.

6.2.1 Funds not utilised

The State Government established Uttar Pradesh Medical Supplies Corporation Limited (UPMSCL) in October 2017 for centralised procurements and supplies of drugs, consumables and equipment. As per financial arrangements prescribed (October 2017) by the State Government, respective Departments were required to provide funds to UPMSCL for the purchases of drugs and equipment.

Audit noticed that UPMSCL was provided ₹ 3,385.56 crore for procurements of drugs and equipment during 2018-22. The status of receipts and utilisation of funds by UPMSCL for NHM and other State Government procurements (State funds) during 2018-22 is given in **Table 6.4**.

Table 6.4: Receipts and utilisation of funds by UPMSCL

(₹ in crore)

Particulars	NHM funds (2018-19)		State funds (2018-19)		Grand Total
	Drugs	Equipment	Drugs	Equipment	
Opening Balance	0.00	0.00	0.00	0.00	0.00
Funds received*	320.00	179.50	122.02	13.82	635.34

Particulars	NHM funds (2018-19)		State funds (2018-19)		Grand Total
	Drugs	Equipment	Drugs	Equipment	
Total funds available	320.00	179.50	122.02	13.82	635.34
Expenditure against available fund (<i>per cent</i>)	9.65 (3.02%)	5.00 (2.79%)	59.67 (48.90%)	13.21 (95.59%)	87.53 (13.78%)
Surrenders	186.83	95.00	0.00	0.00	281.83
Closing Balance	123.52	79.50	62.35	0.61	265.98
	NHM funds (2019-20)		State funds (2019-20)		
Opening Balance	123.52	79.50	62.35	0.61	265.98
Funds received*	0.00	24.92	399.30	17.53	441.75
Total funds available	123.52	104.42	461.65	18.14	707.73
Expenditure against available fund (<i>per cent</i>)	91.83 (74.34%)	80.97 (77.54%)	257.23 (55.72%)	0.00 (0%)	430.03 (60.76%)
Surrenders	0.00	0.00	0.00	0.00	0.00
Closing Balance	31.70	23.45	204.41	18.14	277.70
	NHM funds (2020-21)		State funds (2020-21)		
Opening Balance	31.70	23.45	204.41	18.14	277.70
Funds received*	63.61	93.00	1013.42	72.72	1242.75
Total funds available	95.31	116.45	1217.83	90.86	1520.45
Expenditure against available fund (<i>per cent</i>)	49.57 (52.01%)	26.31 (22.59%)	666.43 (54.72%)	2.10 (2.31%)	744.41 (48.96%)
Surrenders	0.00	0.00	270.63	16.90	287.53
Closing Balance	45.74	90.14	280.78	71.86	488.52
	NHM funds (2021-22)		State funds (2021-22)		
Opening Balance	45.74	90.14	280.78	71.86	488.52
Funds received*	150.00	10.71	746.87	158.14	1065.72
Total funds available	195.74	100.85	1027.65	230.00	1554.24
Expenditure against available fund (<i>per cent</i>)	89.21 (45.58%)	32.66 (32.38%)	754.91 (73.45%)	19.88 (8.64%)	896.66 (57.69%)
Surrenders	0.00	0.00	35.59	24.00	59.59
Closing Balance	106.53	68.19	237.15	186.12	597.99

(Source: UPMSCL) * in case of State fund, budget allotment to UPMSCL.

It may be seen from Table 6.4 that the utilisation of fund available with UPMSCL ranged between 13.78 *per cent* and 60.76 *per cent* during 2018-19 to 2021-22. Out of ₹ 841.74 crore provided under NHM during 2018-22, UPMSCL procured drugs and equipment of ₹ 385.20 crore (45.76 *per cent*). In case of State fund, UPMSCL utilised ₹ 1,773.43 crore (69.72 *per cent*) out of ₹ 2,543.82 crore allotted by the State Government for procurement of drugs and equipment. Besides, UPMSCL retained ₹ 597.99 crore as closing balances of

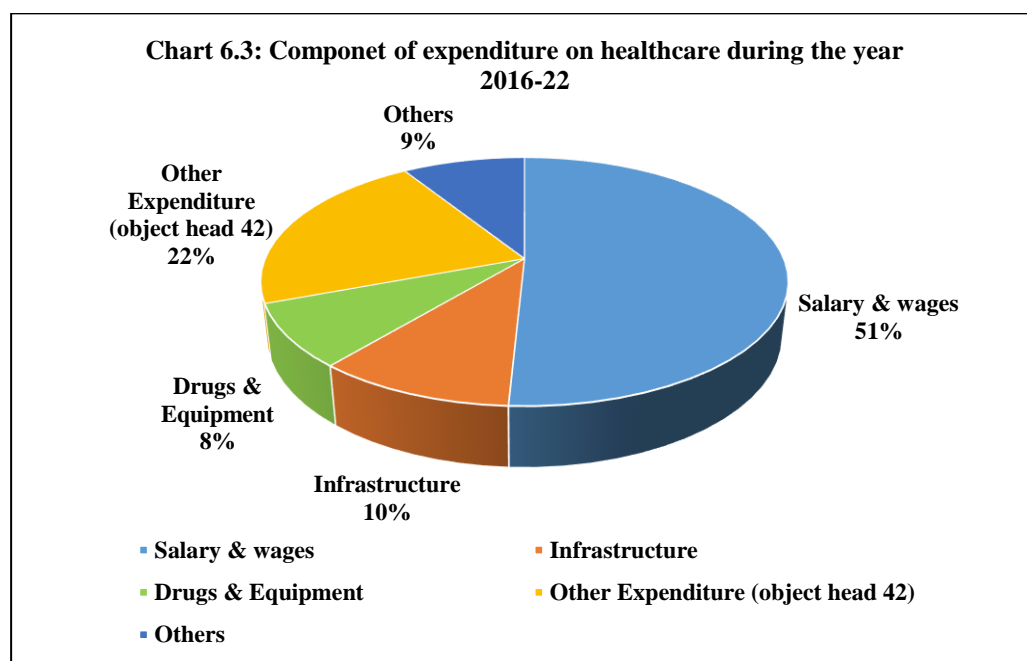
NHM and State fund. Thus, the utilisation was far below the availability of funds.

Audit observed that during 2018-19, the main reason for low expenditure by UPMSCCL as compared to other years (2019-22) was due to procurements of drugs and equipment by the Director General (Medical Health Services) in 2018-19 on the rate contracts finalised by it in the preceding years in order to ensure availability of drugs in the hospitals till UPMSCCL is made fully functional. However, in subsequent years (2019-22) also, UPMSCCL could not utilise the funds made available for procurements which adversely effected availability of drugs, consumables and equipment in hospitals as discussed in **Chapter IV** of this report.

The Government’s reply was awaited (August 2024) despite reminders.

6.2.2 Major components of healthcare expenditure

In Government Accounts, Object Heads (OHs) are the primary units of appropriation showing the economic nature of expenditure such as pay, wages, office expenses, grants-in-aid, etc. Audit grouped various OHs to disintegrate healthcare expenditure into various components, viz., Salary and Wages², Infrastructure³, Drugs and Equipment⁴, Other Expenditure booked under OH 42-Other Expenditure and Others. The component wise expenditure⁵ incurred by the State Government on health care during 2016-22 is given in **Chart 6.3**.



(Source: Koshwani, Uttar Pradesh)

² OHs 01-Pay, 02-Wages, 03-Deareness Allowance, 04-Travelling Allowance, 05-Transfer Travelling expenses, 06-Other Allowances, 07-Honorarium, 16-Payment for Professional and Special Services, 31-Grant-in-Aid (Salary), 38-Interim Relief, 44-Travelling and other related expenditure for training, 45-Leave Travel Expenses, 49-Medical Expenses, 50-Dearness Pay, 52-Revised Pay Arrear, 53- Revised Pay Arrear (State aided), 55-House Rent Allowance, 56-City Compensatory Allowance, 57-Non-practicing Allowances, and 58-Payment for Outsourced Services.

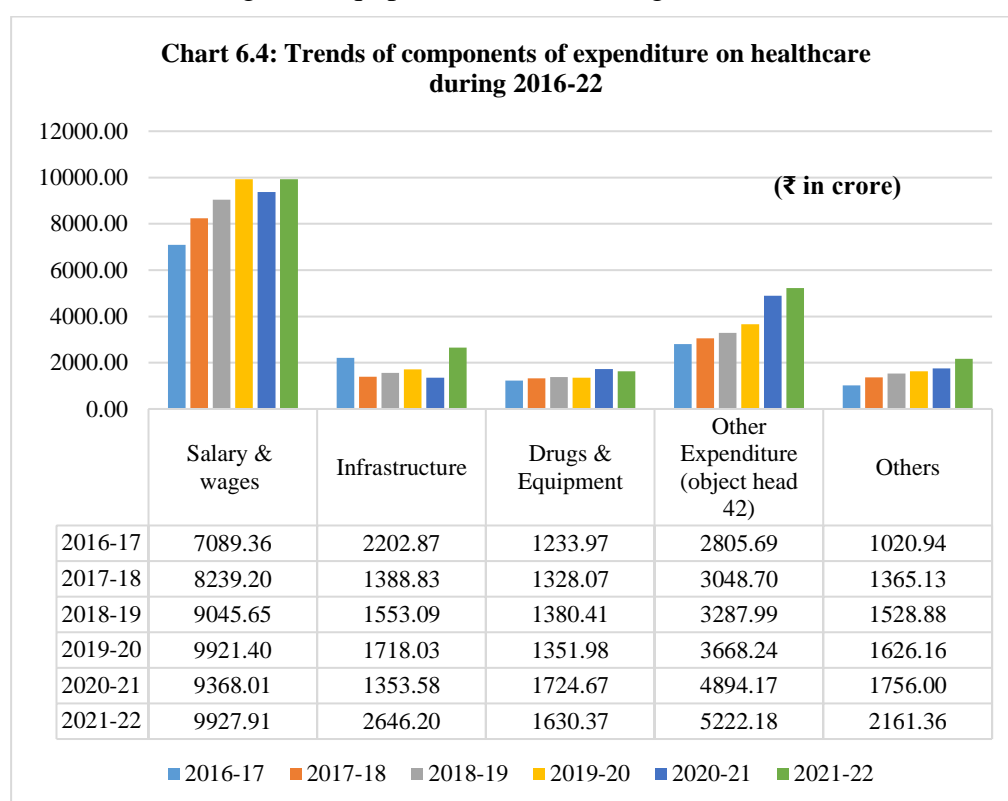
³ OHs 24-Major Construction Works and 25-Minor Construction Works.

⁴ OHs 26-Machines and Furnishing/Tools and Plants, 39-Durges and Chemicals, 40-Furnishing required for hospitals

⁵ Under six Grants (no. 31, 32, 33, 34, 35 and 36) where entire expenditure was for healthcare.

As evident from above, more than half (51 *per cent*) of the healthcare expenditure during 2016-22 was incurred on the salaries and wages. Expenditure on infrastructure and drugs & equipment was 10 *per cent* and eight *per cent* respectively. However, a substantial expenditure of ₹ 22,926.97 crore (22 *per cent*) was booked under Object Head-42 (Other Expenditure) which pertains to residual items and includes remuneration and award related expenditure from discretionary fund. Audit observed that out of ₹ 22,926.97 crore under Other Expenditure (OH 42), ₹ 20,507.99 crore (89 *per cent*) pertained to Grant no 35-Medical Department (Family Welfare) which mainly relates to transfer of ₹ 18,785.60 crore (92 *per cent*) to State Health Society for implementation of NHM.

Audit further analysed the trend of expenditure under salary and wages, infrastructure, drugs and equipment and others as given in **Chart 6.4**.



(Source: *Koshwani*, Uttar Pradesh)

It can be seen from above that during 2016-22, while there was a rising trend under salary & wages (except 2020-21) and other expenditure (OH -42), other components like drugs & equipment had fluctuating trends. However, expenditure was also incurred on drugs and equipment from funds transfer to State Health Society under OH-42, which was not reflected under the appropriate object heads. Substantial booking of expenditure under OH-42 vitiates transparency in the budget and accounts of the State Government which has been previously pointed out in State Finances Audit Reports⁶. State Government should comprehensively review budgeting and booking of expenditure under Object Head 42, particularly in case of transfer of fund to

⁶ Paragraph 4.10 of State Finances Audit Report for the year ended 31 March 2021-Government of Uttar Pradesh and Paragraph 4.9 of State Finances Audit Report for the year ended 31 March 2020-Government of Uttar Pradesh.

State Health Society so that in future expenditure is booked under the appropriate heads instead of the omnibus object head '42-Other Expenditure'.

The Government's reply was awaited (August 2024) despite reminders.

6.2.3 National Health Mission funds

National Health Mission (NHM) was designed with the aim of providing accessible, affordable, effective and reliable healthcare facilities in the rural and urban areas of the country, especially to the poor and vulnerable sections of the population. It focuses on strengthening of important medical services like Maternal and Child Health (MCH), communicable diseases, etc. NHM fund sharing pattern is 60:40 between GoI and the State Government.

The status of funds transferred by the State Government to the State Health Society and expenditure during 2016-17 to 2021-22 is given in **Table 6.5**.

Table 6.5: Status of NHM funds in Uttar Pradesh during 2016-22

Year	Opening balance	Funds received during the year		Total funds available	Expenditure	Closing balance	Percentage of closing balance w.r.t. total fund available
		GoI funds	GoUP funds				
2016-17	3056.80	1671.52	1728.34	6456.66	3184.99	3271.67	50.67
2017-18	3271.67	1827.49	1941.77	7040.93	4374.36	2666.57	37.87
2018-19	2666.57	1915.53	1817.33	6399.43	4564.93	1834.50	28.67
2019-20	1834.50	2456.30	2260.59	6551.39	5169.55	1381.84	21.09
2020-21	1381.84	3956.44	2436.46	7774.74	5772.21	2002.53	25.76
2021-22	2002.53	2355.97	3260.24	7618.74	5902.10	1716.64	22.53
Total		14183.25	13444.73		28968.14		

(Source: SPMU, Uttar Pradesh)

It may be seen from above that during 2016-22, against the availability of ₹ 30,684.78 crore⁷ for implementation of various NHM programmes in the State, the Government could utilise ₹ 28,968.14 crore (94.41 per cent). However, a substantial portion of the available funds, ranging between 21.09 per cent and 50.67 remained unutilized during 2016-22. SPMU attributed (March 2023) the short utilization of fund to delays in receipt of grants-in-aid from State Government. The budget provision and expenditure for major interventions under NHM is depicted in **Table 6.6**.

⁷ OB (2016-17): ₹ 3056.80 crore + GoI funds (2016-22): ₹ 14,183.25 crore + GoUP funds (2016-22): ₹ 13,444.73 crore = Total: ₹ 30,684.78 crore.

Table 6.6: Budget provision and expenditure for major interventions under NHM during 2016-22

Name of Scheme	Total budget for 2016-17 to 2021-22 (₹ in crores)	Total Expenditure for 2016-17 to 2021-22 (₹ in crores)	Percentage of total expenditure to budget	Per cent utilisation						Sparkline for six years from 2016-17 to 2021-22
				2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
Janani Suraksha Yojana	3099.94	2639.78	85	87	94	89	96	86	61	
National Mental Health Programme	127.89	40.15	31	56	21	58	26	20	23	
National Tobacco control Programme	147.52	49.17	33	21	20	50	79	33	03	
National Programme for Control of Blindness & Visual Impairment	455.44	169.62	37	73	44	45	43	21	24	
National Programme for Health Care of the Elderly	72.85	35.91	49	34	18	73	112	37	07	

(Source: SPMU, Uttar Pradesh)

The implementation of these NHM interventions are discussed in **Chapter VII** of the report.

The Government's reply was awaited (August 2024) despite reminders.

6.3 Adequacy of health care funding

The National Health Policy, 2017 proposes a potentially achievable target of raising public health expenditure in a time bound manner. It envisages that the resource allocation to States will be linked with State development indicators, absorbing capacity and financial indicators. However, in Uttar Pradesh, the public health expenditure was not in consonance with the Policy, as discussed in the succeeding paragraphs:

6.3.1 Insufficient budgetary expenditure on health

The National Health Policy (NHP), 2017 has emphasised on health status and programme impact, health systems performance and health system strengthening. These goals and objectives are to achieve sustainable development in health sector in keeping with the policy thrust. While discussing the health finances for strengthening of health systems, the policy envisages to increase State sector health spending to more than eight *per cent* of their budget by 2020.

The status of healthcare spending as a percentage to total budgetary expenditure in Uttar Pradesh during 2016-17 to 2021-22 is given in **Table 6.7**.

Table 6.7: Budgetary expenditure on healthcare vis-à-vis total expenditure

(₹ in crore)

Year	Total budgetary expenditure	Government healthcare expenditure	Percentage of total budgetary expenditure
2016-17	349232.60	14652.31	4.20
2017-18	334876.62	15860.89	4.74
2018-19	409784.50	18091.30	4.41
2019-20	399426.75	18671.02	4.67
2020-21	396023.70	21429.82	5.41
2021-22	449065.47	23223.24	5.17
Total	2338409.64	111928.58	4.79

(Source: Appropriation Accounts of Uttar Pradesh)

It is evident from above table that the percentage of the Government healthcare expenditure vis-à-vis total budgetary expenditure was much below the target envisaged in NHP, 2017. It had been ranging between 4.20 and 5.41 *per cent* during 2016-22, though the target of eight *per cent* was to be achieved by 2020 as per NHP, 2017.

Further, in terms of the recommendations of the Fifteenth Finance Commission, the health spending by State was to be more than eight *per cent* of their budget by 2022. However, the State Government's health expenditure during 2021-22 was at 5.17 *per cent*. Thus, the Government of Uttar Pradesh did not achieve the targeted healthcare expenditure as envisaged under NHP, 2017 as well as Fifteenth Finance Commission (2021-26) recommendations.

The Government's reply was awaited (August 2024) despite reminders.

6.3.2 Insufficient share of healthcare expenditure in GSDP

To strengthen the health system through health finances, NHP, 2017 envisages increase in health expenditure by the Government as a percentage of Gross Domestic Product (GDP) from the existing 1.15 *per cent* to 2.5 *per cent* by 2025.

Further, Fifteenth Finance Commission (2021-26) has recommended that public health expenditure of Union and States together should be increased in a progressive manner to reach 2.5 *per cent* of GDP by 2025.

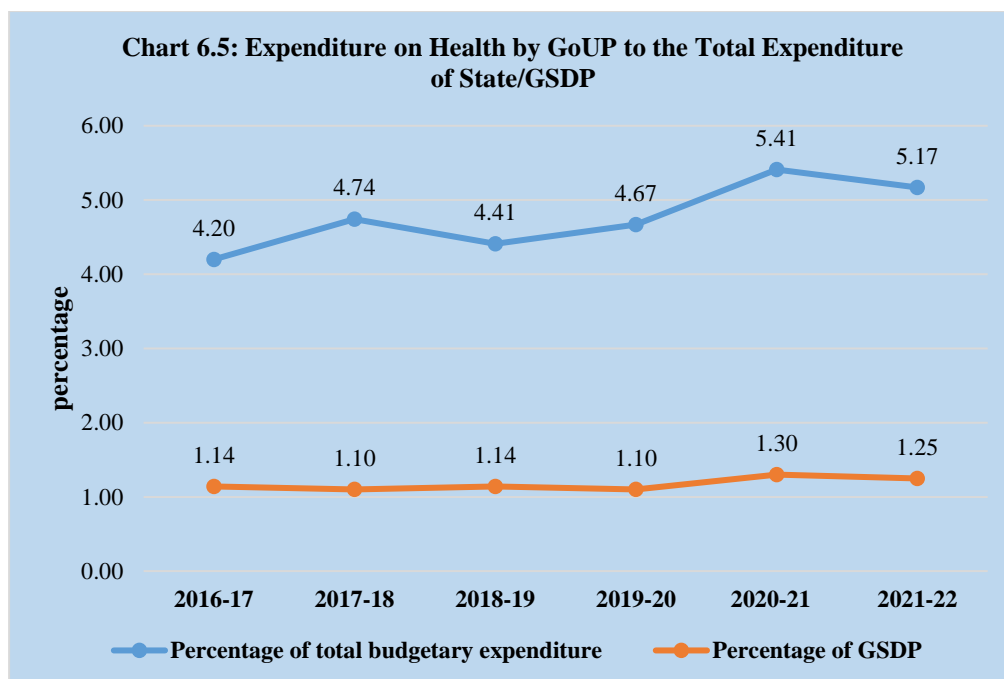
Health expenditure by the State Government as a percentage of GSDP of Uttar Pradesh during 2016-22 is given in **Table 6.8** and **Chart 6.5**.

Table 6.8: State Government healthcare expenditure vis-à-vis GSDP

(₹ in crore)

Year	GSDP of Uttar Pradesh	Government Healthcare expenditure	percentage of GSDP
2016-17	1288700	14652.31	1.14
2017-18	1439925	15860.89	1.10
2018-19	1582180	18091.30	1.14
2019-20	1700273	18671.02	1.10
2020-21	1648567	21429.82	1.30
2021-22	1863221	23223.24	1.25

(Source: Appropriation Accounts of respective years and Ministry of Statistics and Programme Implementation, Government of India)



(Source: Appropriation Accounts of respective years and Ministry of Statistics and Programme Implementation, Government of India)

The Government healthcare expenditure increased every year during 2016-22, however its percentage to total expenditure as well as GSDP during 2016-17 to 2021-22 had fluctuating trend. The healthcare expenditure as percentage of GSDP ranged between 1.10 and 1.30. Further, the healthcare expenditure of the State Government had compound annual growth rate of 9.65 per cent during 2016-17 to 2021-22. With this growth rate, the Government expenditure on healthcare would be ₹ 33,570 crore during 2025-26. However, the envisaged quantum of healthcare expenditure during 2025-26 at the level of 2.5 per cent of GSDP works out to ₹ 70,030 crore in view of State Government's GSDP projection of ₹ 28,01,228 crore in Medium Term Fiscal Restructuring Policy 2022. Thus, with the present growth rate of 9.65 per cent in healthcare expenditure, State Government would not even get closer to the target under NHP 2017.

The Government's reply was awaited (August 2024) despite reminders.

6.4 Non-observance of financial propriety

There were several instances of non-observance of the financial propriety by the Health Department of Uttar Pradesh, which have been discussed in the succeeding paragraphs:

6.4.1 Lapsed budget

As per paragraph 174 of Uttar Pradesh Budget Manual, unnecessary or excessive re-appropriation has been viewed as financial irregularities.

- Scrutiny of records revealed that during 2020-21, ₹ 27 crore was re-appropriated (March 2021) to the Object Head-39 (Drugs and Chemicals) in Grant no.-32 for clearing the liabilities created in preceding years and

₹ 15.22 crore was released in three spells in March 2021 for payments of these liabilities. The remaining funds (₹ 11.78 crore) were not released as the payment of related claims required special audit or expenditure review. Thus, re-appropriation to the extent of ₹ 11.78 crore proved unnecessary.

- Audit further noticed that UPMSCL required (October 2020) additional funds for procurements of COVID-19 Rapid Antigen Kits and VTM Kits. In response, the Government sanctioned (December 2020) ₹ 250.00 crore (Grant no. 32: ₹ 145.00 crore and Grant no. 36: ₹ 105.00 crore) by re-appropriating the funds for procurements of COVID-19 Rapid Antigen Kits and VTM Kits under Object Head-39 (Drugs and Chemicals). The funds were provided to the UPMSCL by DGMH in December 2020. Audit observed that these re-appropriations proved unnecessary as the UPMSCL subsequently surrendered (March 2021) ₹ 247.96 crore under Object Head 39 (Drugs and Chemicals), which was 99 *per cent* of the re-appropriated funds. Thus, re-appropriation of excess funds without assessing the requirements not only led to lapse of budget but the budget controlling authority failed to exercise the due prudence as envisaged in the budget manual.

The Government (MHFW) stated (February 2023) that 2020-21 was COVID-19 pandemic year, which was a period of uncertainty and this fact should have been taken into the consideration while preparing the report.

6.4.2 Irregular withdrawal of advances from treasury

Financial Rules⁸ provide that no withdrawal from treasury should be made unless it is required for immediate use. GoUP order (October 1983) also stipulates that the funds which had been withdrawn from the treasury would be utilised by the end of the financial year.

Scrutiny of records revealed that UPMSCL was allotted Drawing and Disbursing Officer's code for withdrawal of money provided for procurement of drugs and equipment under Government Budget. However, State Government sanctioned advances to UPMSCL for procurement of drugs and equipment which were withdrawn from treasury but not fully utilised by UPMSCL till the end of the year. This led to unutilised balances of ₹ 62.96 crore (in 2018-19), ₹ 222.55 crore (in 2019-20), ₹ 352.64 crore (in 2020-21) and ₹ 423.27 crore (in 2021-22), which were kept in the bank accounts of UPMSCL to be utilised in the following year. Such transfer of money to UPMSCL without immediate requirement was also in violation of instructions (March 2018) issued by the State Government to administrative departments to stop the practice of keeping money under Personal Ledger Account after withdrawal from Consolidated Fund.

The Government (MHFW) stated that 2018-19 and 2019-20 were the initial years of UPMSCL. 2020-21 was the year of COVID-19 disaster and only

⁸ Paragraph 162 of Financial Handbook, Volume V (Part-I).

specific equipment were required. This fact should have been taken into consideration while preparing the report.

The fact remains that keeping the unspent funds in bank account of UPMSCL at the close of the year by withdrawing from treasury was not in consonance with the Financial Rules.

To sum up, the Government finances on health sector was not in consonance with the National Health Policy, 2017. Allocated funds remained unspent due to lack of absorption capacity both under revenue and capital. Substantial expenditure was booked under Object Head 42-Other Expenditure which vitiated transparency in budget and accounts of healthcare expenditure.

Recommendations:

State Government should:

- 22. follow the recommendations of the National Health Policy, 2017 to increase healthcare spending to more than eight per cent of the budget and 2.5 per cent of the GSDP;*
- 23. 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;*
- 24. review indiscriminate use of Object Head-42 and ensure that all expenditure are in future booked under appropriate object heads for transparency in financial reporting.*