

*CHAPTER V*

**INTERNAL CONTROL MECHANISM  
AND  
INTERNAL AUDIT**

## CHAPTER V

### INTERNAL CONTROL MECHANISM AND INTERNAL AUDIT

#### HEALTH, MEDICAL AND FAMILY WELFARE DEPARTMENT

##### 5.1 Internal Controls in Medical Education Department

###### Highlights

*Internal Control is an integral component of an organisation's management processes which is established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, that financial reports and operational data is reliable, and that the applicable laws and regulations are complied with so as to achieve organisational objectives. A review of internal controls of the Medical Education Department during the years 2002-07 has shown that there was lack of discipline in Budget preparation, weak expenditure controls, poor implementation of Central/State financed schemes and disregard for the codal provisions as well as the instructions issued by Government/Director of Medical Education (DME). Internal Audit was ineffective. Overall, these adversely affected the quality of medical care to public and medical education to students.*

**Budget Estimates (BEs) were finalised without any inputs from the estimating officers. The estimates were therefore, unrealistic resulting in huge surrenders and re-appropriation of funds.**

*[Paragraphs 5.1.5.1, 5.1.5.2 and 5.1.5.4]*

**Tuition fee from Non-Resident Indian (NRI) students aggregating Rs 14.40 crore was unauthorisedly diverted by the AP Health & Medical Housing and Infrastructure Development Corporation and Kurnool Medical College, Kurnool for other purposes. Demand Drafts worth Rs 67.21 lakh were lying for periods ranging between one to three years unremitted to Government account with the DME.**

*[Paragraphs 5.1.6.1 and 5.1.6.2]*

**Government instructions on maintenance of Asset register for lands, buildings, etc. and submission of relevant returns, were not observed by any of the Teaching hospitals/Medical colleges as well as the DME and there were cases of encroachments.**

*[Paragraphs 5.1.7.1 and 5.1.7.2]*

**The Centrally/State sponsored State Illness Assistance Fund (APSIAF), Paediatric Heart surgeries programmes were poorly implemented in the State. The envisaged establishment of Trauma Care Centres and upgradation of School of Nursing had not taken place despite availability of Central assistance two to three years ago. Lack of operational controls also led to foregoing of Central grant of Rs 15 crore under APSIAF.**

*[Paragraphs 5.1.7.3 to 5.1.7.6]*

**Maintenance grant aggregating to Rs 8.35 crore remained unspent and lying with 14 out of 18 test checked institutions. Equipment costing Rs 69.15 lakh were idle for over one to five years in Niloufer hospital, Hyderabad and MGM hospital, Warangal.**

*[Paragraphs 5.1.8.3 and 5.1.8.4]*

**Inspection of Teaching hospitals and Medical colleges was altogether neglected by the DME. Little importance was given to Internal Audit.**

*[Paragraphs 5.1.10.3 and 5.1.10.4]*

### **5.1.1 Introduction**

The Medical Education Department with a separate Director started functioning from 29 September 1987. All Teaching hospitals, Speciality hospitals, Medical colleges and Nursing colleges come under the Administrative and financial control of the Director of Medical Education.

The main objectives of the Medical Education Department are to (a) provide medical care to the people through hospitals, (b) impart Medical Education to Undergraduates and Post Graduates through medical colleges and (c) provide training in Para Medical courses like Nursing, etc. through Medical Colleges and Teaching Hospitals.

### **5.1.2 Organisational set up**

At Government level, the Principal Secretary, Health, Medical and Family Welfare Department is responsible for overseeing the functioning of the Directorate. The Director of Medical Education (DME) is the Head of the Directorate. He is assisted by one Additional Director, two Joint Directors (Admn & Medical), two Deputy Directors (Admn & Nursing), two Assistant Directors (Planning and Nursing) and other supporting staff. One Chief Accounts Officer (CAO), one Accounts Officer (AO) and one Assistant Accounts Officer (AAO) assist the DME in all financial matters and are responsible for conduct of Internal Audit. Six Regional Directors are functioning in six regions<sup>1</sup> in the State. At the district level, the Principals of 11 Medical Colleges, five Nursing Colleges, two Dental Colleges and Superintendents of 11 Teaching Hospitals and 25 Specialty Hospitals with supporting staff implement the various Schemes/ Programmes.

AP Health and Medical Housing and Infrastructure Development Corporation (APMHIDC - Corporation) was entrusted to undertake construction of buildings, purchase of equipment, drugs, etc. as required by all the medical institutions.

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<sup>1</sup> Guntur, Hyderabad, Kadapa, Rajamundry, Warangal and Visakhapatnam.

### 5.1.3 Audit objectives

Audit objectives were to see:

- Budgetary and Financial controls;
- Operational controls to achieve the objectives of the department;
- Procurement controls;
- Manpower management; and
- Monitoring including Internal audit and vigilance arrangements.

### 5.1.4 Audit coverage

A review on the Internal controls in the Directorate of Medical Education for the period 2004-05 to 2006-07 was conducted (January – May 2007) by test-check of records at the Secretariat, Directorate and 18 Colleges/Hospitals in five sample districts<sup>2</sup>. The records pertaining to the earlier period were also covered wherever considered necessary. The selection of districts and sub units for test-check was made on the basis of highest budget allocation (four districts and 16 sub units) and on the basis of Grants-in-Aid released to institutions (one district and two sub units). The results of the Review are presented in the succeeding paragraphs.

### 5.1.5 Budgetary controls

#### 5.1.5.1 Budgetary process

**BEs were finalised without any inputs from the estimating officers**

According to the Budget Manual, the Chief Controlling Officer (CCO) i.e., DME, is required to send the Revised Estimates (REs) for the current year and Budget Estimates (BEs) for the next year based on the estimates submitted by the sub-unit officers to the administrative department of the Government by 1 October of every year, who in turn submits the same to the Finance Department by 15 October every year. For the years 2004-05 to 2007-08, the submission of REs and BEs were delayed by the DME for periods ranging from 51 to 83 days. Similarly, there were also delays ranging from 42 to 74 days in submission of BEs by the administrative department to Finance department. Delay in submission of BEs by the DME left little time to both the Administrative and Finance Departments for finalising the BEs. As a result, budget provision had to be made without considering the actual requirement. The budget provision vis-à-vis the expenditure incurred by the DME during 2004-05 to 2006-07 was as under:

(Rupees in crore)

Year	Budget Provision	Expenditure booked by AG(A&E)	Variation (percentage) (+) Excess/(-) savings
2004-05	357.77	347.38	(-) 10.39 (3)
2005-06	402.01	406.15	(+) 4.14 (1)
2006-07	512.49	473.53	(-) 38.96 (8)
<b>Total</b>	<b>1272.27</b>	<b>1227.06</b>	<b>(-) 45.21</b>

<sup>2</sup> Hyderabad, Kurnool, Chittoor, Visakhapatnam and Warangal

The excess expenditure in the year 2005-06 was attributed by the DME to the implementation of Pay Revision Committee recommendations. The saving in the years 2004-05 and 2006-07 was attributed to non-release of Budget authorisation and non-filling up of vacant posts. Provision for vacant posts was, however, not permissible as per the Budget Manual.

Thus, preparation of budget estimates was not need based and hence unrealistic which rendered the entire budgetary process a futile exercise.

#### **5.1.5.2 Delay in surrender of savings**

**Huge surrenders were made on the last day of financial years**

As per the Budget Manual, spending departments are required to surrender the Grants/Appropriations or portion thereof to the Finance Department as and when the savings are anticipated. During the years 2004-05, 2005-06, 2006-07, an amount of Rs 78.59 crore<sup>3</sup> was surrendered on 31 March of each year. Consequently, the funds could not be allotted to other needy departments.

#### **5.1.5.3 Lack of expenditure control**

**Expenditure control was absent in the department**

DME being CCO, is to receive monthly statement of expenditure from 50 Drawing and Disbursing Officers (DDOs) to enable him to monitor the expenditure and to carry out reconciliation of departmental figures with those booked by the Accountant General (Accounts and Entitlements) (AG (A&E)).

Although the DME was maintaining a Control register, all entries were not entered in the register and the receipt of monthly expenditure statements from DDOs was not being watched. The DME was not consolidating the expenditure figures of the Directorate as well as DDOs nor did he take action to reconcile those with those booked by the AG (A&E). As a consequence, huge variations (upto Rs 21.11 crore) were noticed between the departmental figures and those booked by the AG (A&E). The DME replied (May 2007) that, reconciliation work could not be done due to shortage of staff. This showed ineffective manpower management as well as lack of expenditure control on the part of the DME.

#### **5.1.5.4 Unnecessary re-appropriation of funds**

As per the provisions of the Budget Manual, any amounts re-appropriated from one sub head to another in any financial year are to be utilised in the same financial year and shall not be carried forward to the next financial year or deposited in Personal Deposit (PD) account or Bank account to avoid lapse of budget releases. On 31 March 2006 an amount of Rs 5 crore was re-appropriated from the sub head “340 – Scholarships and Stipends” to another sub head “503 – Other Expenditure” and the amount credited to PD account of DME as per the orders of Government. However, after meeting the expenditure of Rs 1 crore during the financial year 2006-07 towards bio-medical waste management, the DME transferred the balance amount to the Corporation in February 2007 to meet the requirement of Medical Council of India (MCI).

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<sup>3</sup> 2004-05 (Rs 20.41 crore), 2005-06 (Rs 23.16 crore) and 2006-07 (Rs 35.02 crore)

However, Rs 4 crore was lying unutilised in the savings bank account of the Corporation as of May 2007 beyond the financial year, against the provisions of Budget Manual.

## **5.1.6 Financial controls**

### **5.1.6.1 Non-remittance of departmental receipts**

**Demand drafts worth Rs 67.21 lakh were lying for over one to three years unremitted to Government account by DME**

According to the State Government orders (May 2005), annual inspection fees of Rs 30000 is required to be collected from the private hospitals by DME for granting recognition as referral hospitals for treatment of State Government employees, pensioners, etc. An amount of Rs 51.90 lakh received by the Directorate by way of 175 Demand Drafts (DDs) between October 2005 – March 2007 was still lying in the form of Demand Drafts, without remittance to Government account. Of these, 144 DDs worth Rs 42.60 lakh had become time barred.

Similarly, for granting certificate of registration/renewal to undertake transplantation of human organs by the Corporate hospitals, the DME was to collect Rs 75000 as inspection fees and Rs 51000 as renewal fees from the hospitals. It was, however, observed that out of Rs 23.96 lakh received during October 2003 to December 2006 by way of 46 DDs, a sum of Rs 8.65 lakh was credited to PD Account and DDs for Rs 15.31 lakh was still lying with the DME unremitted. Of these, DDs for Rs 14.80 lakh became time barred.

The DME replied (March 2007) that Government had been addressed in May 2006 about the mode of remittance of the fees received and that Government orders were still awaited. His reply is not tenable as in fact some DDs had been remitted by him on earlier occasions.

### **5.1.6.2 Unauthorised diversion of NRI Tuition fee**

**NRI tuition fee aggregating to Rs 14.40 crore was diverted by the Corporation / Kurnool Medical College for other purposes**

Government prescribed (August 2001) tuition fee at \$10000 per annum for students admitted against NRI quota in Government medical colleges from the academic year 2001-02 and ordered that fees so collected should be sent to the DME in the form of demand drafts drawn in favour of MD of the Corporation to utilise the amount for the repayment of HUDCO loan. As per the provisions of Treasury Rule 7(1), (2) of AP Treasury Code, Vol. I, appropriation of departmental receipts for departmental expenditure without being credited to Government account is highly irregular and breach of financial discipline. However, issue of orders in contravention of Treasury Rules resulted in appropriation of departmental receipts amounting to Rs 14.40 crore by Corporation/college as detailed below.

- Tuition fees of Rs 13.54 crore received (2001-07) by the Corporation in respect of NRI students from the Government medical colleges at Guntur, Kakinada, Vijayawada and Warangal was not utilised for repayment of loan and the Corporation diverted (2001-07) it for other purposes such as payment of inspection charges to MCI, civil works, etc.

- An amount of Rs 55.78 lakh collected from two NRI students of 2001-02 batch and two NRI students of 2002-03 batch was not sent to the DME by the Kurnool Medical College, Kurnool (KMC) for onward transmission to the Corporation. The amount was credited by the college to their College Development Society funds and utilised for other purposes such as purchase of car, refrigerators, etc. The DME admitted (June 2007) that the diversion of NRI fees by the KMC was in contravention of Government orders.
- KMC, Kurnool paid (January 2003) Rs 30 lakh out of the tuition fees collected from NRI students as an advance to the Corporation for construction of shopping complex in their premises without obtaining administrative sanction from the Government and the work had to be stopped (August 2003) following Government orders. The request of the college to refund the advance had been turned down by the Corporation stating that the contractor had filed a case in a court of law. Thus, the amount of Rs 30 lakh was held up for four years.

The unauthorised retention and diversion of tuition fees by the college/ Corporation was unnoticed by the DME due to lack of watch over the transactions.

### **5.1.7 Operational controls**

Due to non-compliance of monitoring and operational controls, it was observed that certain schemes were either implemented ineffectively or were not at all implemented despite availability of sufficient funds as discussed below:

#### **5.1.7.1 Non-maintenance of Assets Register**

**Government instructions on asset management were not followed by any of the institutions and the DME as well**

As per the orders issued by Government in October 2004, all Government Departments are to maintain asset registers with upto date entries to know the actual ownership and prevent illegal occupation/utilisation and annual returns be submitted to the concerned administrative offices every year.

The DME did not furnish any details to Audit, regarding asset management in the Directorate. A test-check of the accounts of the Directorate and 18 hospitals/ colleges disclosed that no assets register for lands and buildings were being maintained in any of the institutions. The institutions were also neither submitting annual returns as prescribed by the Government nor did the DME follow-up this aspect.

#### **5.1.7.2 Alienation and encroachment of hospital premises**

According to Government orders (April 2003), no land or property should be permitted to be leased/alienated or disposed off without prior approval of the Government.

Non-working of controls at the institution and DME level with regard to asset management, resulted in valuable land in the two test-checked institutions, being illegally alienated as stated below:

- In KGH Visakhapatnam, 7125 sq ft. of land was alienated to the Greater Municipal Corporation of Visakhapatnam (GVMC) without the permission from the Government and without obtaining any compensation from GVMC.
- In the Government General & Chest Hospital, Hyderabad, there was encroachment at north east corner of the Hospital premises. However, the extent of encroachment was neither reported by the Hospital though asked for by the Collector, nor was there any recorded evidence that the hospital authorities ever reported this to DME. Though the matter was being pursued with the Revenue authorities by the hospital since 1995, encroachers were not evicted as of June 2007.

### 5.1.7.3 Paediatric heart surgeries programme

**Paediatric Heart Surgeries programme was poorly implemented**

The State Government launched (October 2004) a scheme ‘Paediatric Heart Surgeries Programme’ for children of 0-12 years age group suffering from Cardiac diseases to provide free treatment/surgery in seven Government General Hospitals (GGH). The private Corporate Hospitals also came forward to treat the children with cardiac problems at nominal rates as proposed by the Government. It was, however, noticed that, the programme made slow progress. As against Rs 22.80 crore released under the scheme during 2004-07, only Rs 14.41 crore was utilised, leaving Rs 8.39 crore (36 *per cent* ) unspent as of March 2007. The DME attributed (July 2007) the slow progress to lack of infrastructural facilities in Government hospitals and to non-performance of operations in complicated cases by private hospitals.

Government issued orders (October 2004) to offer financial aid to private Corporate Hospitals who conduct paediatric heart surgery, at the rate of 20 *per cent* less than the charges levied by Nizam’s Institute of Medical Sciences (NIMS), Hyderabad, for similar cases. For reimbursement to Government hospitals, although Government directed the DME to estimate the cost of surgery performed in Government Hospitals, this was not done. The DME, however, recommended that Government Hospitals also be reimbursed the cost of surgery at the same rate applicable to private hospitals. The cost of surgery in Government hospitals comprised only of cost of medicines and other items consumed in surgery, with the remaining overheads being borne through regular budget. The DME’s inaction resulted in release of funds to Government hospitals in excess of what was intended in the scheme.

### 5.1.7.4 Non-establishment of trauma care centres

**Trauma care centers were not established despite availability of Central assistance**

In order to provide immediate treatment to the victims of road accidents, GOI formulated a Project for upgradation and strengthening of emergency facilities in Government hospitals located on National Highways and provided financial assistance of Rs 1.50 crore each to GGH, Kurnool (March 2004), KGH, Visakhapatnam (October 2005) and GGH, Kakinada (September 2005) to establish Trauma Care Centres in these hospitals. Although, the centers were to be established and utilisation certificates (UCs) submitted within one year of the receipt of funds, these centers had not come up (June 2007) in any of these hospitals even after lapse of two to three years. While the Trauma Care Centre



building at Kurnool was ready in August 2006, it has not been established as yet due to non-procurement of equipment/vehicles, the construction of Centres at Visakhapatnam and Kakinada are still in progress and Central funds of Rs 3.12 crore were lying unutilised as of June 2007.

#### 5.1.7.5 Non-upgradation of School of Nursing

**The envisaged upgradation of School of Nursing into College of Nursing was delayed**

GOI released Rs 1.50 crore in April 2005 for upgradation of School of Nursing attached to SVRR Government General Hospital, Tirupati into College of Nursing. As per the conditions stipulated by GOI, Grants-in-aid should be utilised within 12 months of release of funds. It was, however, observed that the hospital had deposited Rs 1.05 crore with the Corporation only in November 2006 for civil works. The balance Rs 52.73 lakh (including interest) was lying unutilised in the Bank account of the hospital authority. The Superintendent of the Hospital stated (April 2007) that work was held up for want of Forest Department's permission for clearance of trees and bushes and that civil works would be taken up soon after the clearance from the Forest Department. The reply is not acceptable as there was no pursuance by the Superintendent after April 2005 when the Forest Department was initially addressed. The DME also did not monitor this.

#### 5.1.7.6 AP State Illness Assistance Fund

**Funds provided by GOI/ State Government under State Illness Assistance Fund were widely misused. Further, Central grant of Rs 15 crore could not be obtained**

For providing financial assistance to the persons below poverty line suffering from six specified life threatening diseases a scheme "A.P State Illness Assistance Fund" was introduced by DME with 50 *per cent* financial assistance from GOI. As against Rs 35 crore released by the DME (Rs 10 crore in 1997-98 and Rs 25 crore during 2001-07) to 15 teaching hospitals through Corporation, Rs 31.80 crore was spent (August 2006) leaving Rs 3.20 crore unspent with the teaching hospitals. In three out of six test-checked hospitals the non-utilisation of funds was very high viz., SVRRGG Hospital, Tirupati (Rs 37.09 lakh out of Rs 40 lakh), Government General and Chest Hospital, Hyderabad (Rs 39 lakh out of Rs 80 lakh) and Government General Hospital, Kurnool (Rs 30.35 lakh out of Rs 80 lakh). The following points were also noticed:

- The balance Central share of Rs 15 crore (as of March 2007) could not be obtained due to non-submission of utilisation certificates and beneficiaries list to GOI. This was attributable to absence of proper control mechanism with the DME to watch the progress of expenditure.
- Out of Rs 10 crore released in 1997-98, unspent balance of Rs 1.79 crore available with 10 teaching hospitals was received back by the Corporation and diverted (2002-03) Rs 1.45 crore towards repayment of HUDCO loan without obtaining the orders from the Government and balance of Rs 33.90 lakh was not refunded to Government account. DME neither pursued the matter with the Corporation nor had any control over the accountability of the scheme fund. Similarly, four hospitals diverted (2002-06), Rs 1.53 crore<sup>4</sup>

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<sup>4</sup> MGM Hospital, Warangal – Rs 70.91 lakh, Niloufer Hospital, Hyderabad – Rs 41.48 lakh GGH, Kurnool – Rs 34.81 lakh and GGH, Vijayawada – Rs 6.03 lakh

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of the scheme funds towards purchase of equipment, suturing material, etc. not covered under the guidelines.

- As per the statement of the Corporation, Rs 3.50 crore was released to three hospitals, but Rs 2.95 crore only was accounted for by the concerned hospitals. There was variation of Rs 55 lakh which was due to lack of non-reconciliation at the level of DME as shown in *Appendix 5.1*.
- Interest accrued on the deposit of scheme funds (in SB accounts with nationalised banks) aggregating to Rs 30.72 lakh was not accounted for by three hospitals<sup>5</sup>, depriving the BPL patients of the benefit of the scheme.

Thus, adequate attention was not given by the DME for effective implementation of the scheme.

### 5.1.8 Procurement controls

#### 5.1.8.1 Short supply of material by the Corporation

During 2002-07 DME released Rs 39.58 crore to the Corporation towards purchase of drugs, surgicals and clothing, tentage and stores. The status of the materials supplied to the institutions and the balance amounts lying with the Corporation was, however, not being watched by the DME.

A test-check of records of five hospitals<sup>6</sup> showed that the value of material supplied to these hospitals by the Corporation were less than the amount placed at the disposal of the Corporation. During the years 2002-03 to 2006-07 there was a short supply of materials costing Rs 4.04 crore by the Corporation which was not made good in the subsequent quarter/years (March 2007). The hospital-wise details are given in *Appendix 5.2*. This was neither pursued by the hospitals nor by the DME. The short supply of materials including drugs could not but have adversely affected the working of the hospital.

Neither the DME had any watch over the releases vis-à-vis the amounts actually spent/retained by the Corporation nor did the hospitals pursue with the Corporation to get the medicines short supplied.

#### 5.1.8.2 Retention of excess collected central excise duty

**Excess central excise duty collected was retained by the Corporation without adjustment**

As per Rate Contract (RC) 1998-99, the cost of drugs was exclusive of central excise duty (CED), sales tax (ST) and service charges. Software was developed by the Corporation accordingly for charging the teaching hospitals for the cost of drugs after adding the CED, ST, etc. As per the RC for 2001-03 (effective from 1 April 2002), the cost of drugs was inclusive of CED. But, necessary correction was not carried out to the existing software which resulted in charging CED twice at eight *per cent* in the bills. During 2002-03, the

<sup>5</sup> OGH, Hyderabad – Rs 16.04 lakh, KGH, Visakhapatnam – Rs 10.55 lakh, Niloufer Hospital, Hyderabad – Rs 4.13 lakh

<sup>6</sup> Niloufer Hospital, Hyderabad; Osmania General Hospital, Hyderabad; G.G.H., Kurnool; Government Maternity Hospital, Nayapul, Hyderabad; Government Hospital for Mental Care, Visakhapatnam

teaching hospitals were overcharged with tax being levied @18 per cent instead of 10 per cent and the excess CED so collected was retained by the Corporation without adjusting in the bills for subsequent years. In the nine (out of 36) test-checked institutions the Corporation retained with the excess tax of Rs 23.61 lakh collected. This showed the lack of supervisory control by the DME. The Corporation accepted (June 2007) the audit point and agreed to adjust the same against the future bills. The amount was not adjusted as of July 2007.

### 5.1.8.3 Improper utilisation of Maintenance grant

**Maintenance grant was misutilised by hospitals/colleges contrary to the instructions issued by the DME**

Maintenance grant is intended to be utilised by the medical institutions to meet the expenditure on account of repairs to buildings, water supply, sanitation and electrical instalations. As per the Government orders this grant should not be utilised for original construction works and other miscellaneous works. DME released (2002-07) Rs 84.18 crore to the Corporation as maintenance grant for 54 medical institutions.

A test-check of the accounts of the Directorate and 18 hospitals/colleges disclosed that maintenance grant accounts were not properly maintained and the grant was misutilised due to lack of supervisory control by the DME as mentioned below:

- The DME released maintenance grant @ Rs 19.96 per sq. ft on total plinth area of the hospital/colleges without ascertaining actual requirement of the Institutions. This resulted in accumulation of unspent balances of Rs 8.35 crore in 14 (including the Directorate) out of 18 test-checked institutions in savings bank accounts and PD account of the Corporation during 2002-07 as per details given in *Appendix 5.3*. This indicated that the grant was released in a routine manner without regard to the actual need.
- In seven hospitals/colleges<sup>7</sup> maintenance grants were mixed up with the funds of Hospital/College Development Society and no separate accounts were maintained. This resulted in non-identification of grant including the utility of the grant for the intended purpose.
- Three institutions<sup>8</sup> deposited (June 2000 to February 2007) Rs 2.81 crore of the maintenance grant with the Corporation for execution of various civil works. However, the progress of works was not ascertained and detailed accounts were not obtained by the above institutions from the Corporation.
- Three hospitals/college did not account for the interest of Rs 36.97 lakh<sup>9</sup> accrued on the maintenance grant deposited in banks and the amount kept separately.

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<sup>7</sup> Government Maternity Hospital, Nayapul, Hyderabad; Osmania Medical College, Hyderabad; Osmania General Hospital, Hyderabad; G.G.H., Kurnool, S.V.R.R. G.G Hospital, Tirupathi; Government Dental College, Hyderabad; and Kurnool Medical College, Kurnool.

<sup>8</sup> Kurnool Medical College, Kurnool : Rs 152.51 lakh, Osmania General Hospital, Hyderabad: Rs 67.00 lakh, Osmania Medical College, Hyderabad : Rs 61.20 lakh

<sup>9</sup> SVRRGG Hospital, Tirupati : Rs 19.95 lakh/Rs 5.77 lakh, Dental College, Hyderabad : Rs 11.68 lakh/Rs 4.59 lakh Regional Eye Hospital, Warangal : Rs 5.34 lakh/Nil

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- Six hospitals diverted Rs 33.48 lakh for purchase of computers, steel almirahs, air conditioners, equipment, payment of wages, repairs and replacements, garden maintenance, etc.
- Rs 15.82 lakh was incorrectly allotted and released by the DME (May 2005) to CWSSSVR Hospital, Tirupati and VVC Oncology, Chinnakakani in May 2005 even though these institutions were not in existence (already merged with other hospitals). The cheques issued were received back (May 2005) and kept in the PD account of the Corporation without remittance to Government account (March 2007).

#### 5.1.8.4 Machinery and equipment lying idle

**Equipment costing Rs 69.15 lakh were lying idle for over one to five years in two hospitals**

Medical equipment worth Rs 69.15 lakh were lying idle for one to five years, as detailed below:

- The Corporation purchased One Pentra 60 Haematology Analyser at a cost of Rs 12.61 lakh and supplied (January 2002) to Niloufer Hospital. The equipment had not been put to use as of July 2007 and lying idle at its Pathology Department for want of auxiliary electrical equipment such as UPS, AC Voltage Stabilizer and certain solutions to run the equipment. As a result, equipment was lying idle for the last five years and certain parts had gone out of order due to non-utilisation. The Superintendent of the Hospital replied (February 2007) that the instrument would be used after procurement/replacements of certain parts from the manufacturer.
- In MGM Hospital, Warangal, medical equipment (comprising 97 items of surgical, diagnostic and theatre utility) worth Rs 56.54 lakh procured between October 2001 and November 2005 were lying idle for more than two years mainly for want of repairs. The non-utilisation of equipment was attributed to non-release of funds by Government for carrying out repairs.

Thus, above points indicated the lack of adequate budgetary planning as well as proper monitoring both at the Directorate and hospital level.

#### 5.1.9 Manpower management

**Huge vacancies in key posts adversely affected the functioning of hospitals/colleges under the control of DME**

Provision of efficient medical care to public depends on the availability of the required manpower. As of July 2007, vacancies existed in the key posts of Professors (33 per cent), Associated Professors (18 per cent), Assistant Professors (8 per cent), Civil Assistant Surgeon/Medical Officers (18 per cent), Tutors (14 per cent) and Para Medical staff (31 per cent). There was no regular DME since September 2004 and additional DME was kept as in-charge DME. The year-wise vacancy position is given in *Appendix 5.4*.

The DME stated (February 2007) that the posts of Professors/Associate Professors could not be effected due to Tribunal orders issued in 2003 and promotions were issued from 2005 as per interim directions of Tribunal. Posts of Assistant Professors were vacant due to non-availability of qualified doctors and poor response to Government's notification. The DME also stated that the

posts of Para Medical staff were to be filled up on contract /third party outsourcing basis by the Principals of Government Medical Colleges and Superintendents of Teaching Hospitals in the State. Civil Assistant Surgeons/ Tutors were to be filled up by way of deployment from other Directorates. This resulted in lack of effective control over the functioning of the hospitals/ colleges under the control of DME, adversely affecting medical care to public, and medical education to the students.

### 5.1.10 Monitoring including internal audit and vigilance arrangements

#### 5.1.10.1 Poor settlement of misappropriation cases

The pace of settlement of misappropriation cases has been very slow

As of July 2007, there were six misappropriation cases involving Rs 17.89 lakh. Only three misappropriation cases involving Rs 2.02 lakh were settled. The pace of settlement of cases indicated very poor monitoring of the settlement of misappropriation cases by the DME. The delay in finalisation of these cases is fraught with the risk of non-recovery of misappropriated amounts.

#### 5.1.10.2 Vigilance and Enforcement Cell not constituted

As of July, 2007, there were 57 Vigilance cases pending at various stages against the departmental officers as detailed below:

Year	Anti corruption bureau cases	Vigilance and enforcement cases	Departmental cases	Total
Upto 2001	10	5	8	23
2001-02	1	2	1	4
2002-03	1	1	4	6
2003-04	4	1	3	8
2004-05	1	1	1	3
2005-06	0	12	1	13
<b>Total</b>	<b>17</b>	<b>22</b>	<b>18</b>	<b>57</b>

Though large number of vigilance cases were pending in the Directorate, no vigilance officer was nominated and no vigilance cell was constituted to deal with all cases of Vigilance, in spite of recommendations of the Committee on Public Accounts (1983-84) in their special report of Seventh Legislative Assembly. As such the cases were being dealt with only by the Establishment section in the Directorate.

### 5.1.10.3 Departmental inspections

As per the functionary manual of the Directorate, the DME being the Head of the department, to administer the medical colleges and teaching hospitals in the State is required to inspect the medical institutions and guide them to improve their working conditions. As against 50 (54 from 2006-07) institutions to be inspected, the DME conducted inspections of only six and one institutions during 2004-05 and 2005-06 respectively. No inspections were conducted during 2006-07. It was also seen that no inspection reports were issued by the DME. Thus inspections of the medical colleges and hospitals was altogether neglected by the DME. This indicated ineffective supervision and monitoring of the DME.

### 5.1.10.4 Internal Audit

**Little importance was given to internal audit by DME**

Internal Audit (IA) was to examine and evaluate the level of compliance to the departmental rules, regulations and procedures so as to provide assurance to the management on the adequacy of the risk management and internal control framework of the department. The directorate did not have any manual on internal audit prescribing the duties and responsibilities of the Internal Auditors. No training was imparted to the staff on internal audit methodology and techniques. Although Chief Accounts Officer and Accounts Officer available in the directorate are responsible for conduct of internal audit of all subordinate offices including the Directorate, one Superintendent and one typist only were kept in-charge of internal audit without any supporting staff and supervisory officer. No system was evolved for fixing the periodicity, coverage and duration of audit of subordinate offices. Internal audit of subordinate units (50 units upto 2006 and 54 units from 2006-07) was not conducted at all for the period from 2002-06 and audit of only three units were conducted during 2006-07. Thus, little importance was given by the DME to internal audit despite the staff being specifically provided for the purpose. Due to inadequate and ineffective internal audit, no assurance was available to the DME about compliance with the rules and prescribed procedures.

### 5.1.10.5 Lack of adequate response to Audit

**Accountability was absent for settlement of IRs of the AG**

The irregularities noticed during the audit conducted by the AG are communicated through Inspection Reports (IRs) to the Head of the Offices with a copy to the Head of the department. First replies to the IRs should be sent to AG within four weeks. A half-yearly report of pending IRs is also sent to the Secretary of the administrative department concerned to facilitate monitoring of rectificatory action on the audit observations. As per the books of the Principal Accountant General (Civil Audit), 179 IRs (914 paragraphs) were still outstanding as of June 2007. Of them, 104 IRs (431 paragraphs) even pertained to the period 2002-03 and earlier years. It was also observed that State level audit committees and district level committees meetings were not held by the (Health, Medical and Family Welfare) department during 2004-05 to 2006-07. This shows lack of response and absence of suitable mechanism to closely monitor timely action on audit objections.

### **5.1.11 Conclusions**

A system of effective internal controls is a critical component of an organisation. There was general disregard for budgetary procedures resulting in huge surrenders and unnecessary re-appropriations. Expenditure controls were also inadequate. Lack of adequate internal controls also resulted in non-realisation/non-remittance of demand drafts for several years, diversion of funds and non-accountals, etc. Issue of orders by the Government in contravention of Treasury Rules resulted in appropriation of departmental receipts by the Corporation and the medical institutions. The institutions had not maintained Asset Register. The Centrally sponsored and State financed schemes were poorly implemented in the State, resulting in losing the Central assistance. Substantial amount of maintenance grant remained unspent and was lying with test checked institutions. Equipments were lying idle for over one to five years in two hospitals. There was no control by the DME over the release of funds, services provided and drugs supplied to the Corporation and sub-unit offices. Inspection of Teaching Hospitals/Medical colleges was altogether neglected by the DME and little importance was given to Internal Audit. In the absence of ineffective internal audit, there was no assurance to the management on the adequacy of the internal controls in the department.

### **5.1.12 Recommendations**

- Timely submission of Budget Estimates should be ensured to make the budget more realistic and need based.
- Government should immediately withdraw the orders of August 2001 directing the medical colleges to remit the fees collected to DME in the form of Demand Drafts in favour of the MD of the corporation. Government should ensure in all places that the departmental receipts should first be credited to Government account.
- DME should ensure maintenance of Register of valuables. Timely remittance of Demand Drafts received should also be regularly monitored.
- Maintenance of Asset Register and submission of relevant returns by all sub-unit offices should be ensured by DME.
- Proper mechanism should be put in place to effectively monitor the implementation of the schemes/programmes by the sub unit officers. Unspent amounts of Schemes funds should be remitted to Government in a timely manner by all the medical institutions.
- While releasing the funds to the APHMHIDC (Corporation) for maintenance/procurement of drugs, etc the unspent amounts already available with the Corporation should be taken into account.
- Internal audit wing should be strengthened to cover all the DDOs over a period of three years and corrective action suggested in the internal audit reports should be ensured.

The above points were reported to Government in June 2007; their reply had not been received (August 2007). The recommendations were also discussed in exit conference held in July 2007 and accepted.

**Hyderabad**  
**The**

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**New Delhi**  
**The**

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