

## Chapter 5 Fund Management

Funds are released by the Central Government to the State through two separate channels - (i) State Finance Department for Direction and Administration, Rural and Urban Family Welfare Services and Grants to State Training Institutions and (ii) directly to the State Health Society and other vertical societies, by the concerned Programme Division in the MoHFW under each programme. Vaccines, drugs and equipment etc. are procured centrally and supplied to the State as grants in kind based on their requirement.

### 5.1 Adequacy and utilisation of funds at various levels

#### 5.1.1 At State level

The States are expected to increase their contribution to public health budget by a minimum of 10 *per cent* per annum to support the Mission activities. The State Government signed (April 2006) an MOU with the GOI committing itself to increase its share of public spending on health sector from its own budgetary sources at least at the rate of 10 *per cent* every year. Scrutiny revealed that the State's allocation to health sector increased by 33.11 *per cent* in 2006-07 and by 21.93 *per cent* in 2007-08 in comparison to the previous years. The percentage increase in the State's actual spending, however, was 42.20 *per cent* and 7.52 *per cent* during 2006-07 and 2007-08 respectively, in comparison to the previous years.

Table 2 shows the expenditure incurred by the State on the health sector as a whole vis-à-vis on NRHM activities.

Table: 2

(Rupees in crore)

Year	Total expenditure incurred by the State on the entire Health Sector (primary, secondary, tertiary, health education etc.)*			Total expenditure incurred by the State on NRHM	
	State budget allocation	Expenditure	Gap	Central Government releases through State Finance Department channel**	Expenditure
2005-06	774.55	404.17	(-) 370.38	NA	49.77
2006-07	1031.03	574.72	(-) 456.31	NA	52.81
2007-08	1257.15	617.95	(-) 639.20	49.88	54.05
<b>Total</b>	<b>3062.73</b>	<b>1596.84</b>	<b>(-) 1465.89</b>	<b>49.88</b>	<b>156.63</b>

\*Source: Finance and Appropriation Accounts of Government of Assam.

\*\*Excluding grants in kind (Supplies) of Rs.9.34 crore, Rs.23.51 crore and Rs.17.53 crore released by the GOI during 2005-06, 2006-07 and 2007-08 respectively.

As can be seen from the table above, the State Government could utilize only 52 per cent of its allocation to the health sector during the review period. Therefore, while the State complied with the NRHM guidelines in terms of increasing its outlay on public health, it failed to utilize the allocation on strengthening the healthcare infrastructure and delivery at the grassroot level.

In the Eleventh Plan period (2007-12), the State Government is to contribute 15 *per cent* of the share of NRHM implementation. However, as against Rs.72.65 crore determined by

the GOI for the purpose, only Rs.60 crore was contributed by the State Government. Thus, while the State Government made a substantial increase in 2006-07 and a marginal increase in 2007-08 in its budget and spending on health sector, it failed to contribute its share of funding for NRHM fully.

The Department stated during discussion that funds were released based on actual utilization on NRHM. This is in violation of the guidelines, as the State Government was required to contribute its share (15 per cent) proportionately.

### 5.1.2 Release of State share for upgradation of SCs

As per the Mission guidelines, the State Government was to contribute 25 per cent of the cost of creation and upgradation of the infrastructure of SCs. Scrutiny however, revealed that during 2005-08 an amount of Rs.10.53 crore was released by the GOI for construction and upgradation of 412 SCs, whereas the State's contribution was 'NIL'.

The Department stated that the State Government took up construction of SCs separately from its own source. In the absence of documentary evidence however, the contention of the Department could not be verified in audit.

### 5.1.3 Fund utilisation on Mission activities

Funds available under NRHM against all the components and expenditure incurred thereagainst during 2005-08 are shown below:

Table: 3

(Rupees in crore)

Year	Opening balance	Funds received	Total funds available	Expenditure	Percentage of expenditure	Closing balance
2005-06	102.10	139.47	241.57	83.36	34.51	158.21
2006-07	158.21	245.34	403.55	227.13	56.28	176.42
2007-08	176.42	742.35	918.77	542.35	59.03	376.42
<b>Total</b>		<b>1127.16</b>		<b>852.84</b>		

Source: Annual Accounts of SHS.

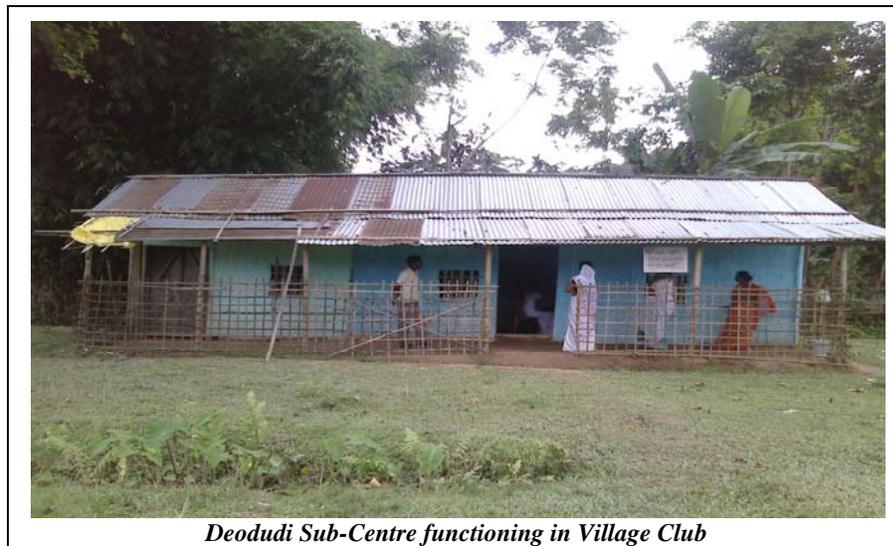
The above table shows that the SHS could utilize only 34.51 per cent, 56.28 per cent and 59.03 per cent respectively out of the total funds available during 2005-08, leaving huge balance unspent. Such poor utilization not only reflected unrealistic assessment of fund requirements or limited absorption capacity by the State, but also meant that large portions of programme activities remained un-implemented as is revealed from the fact that as many as 54 activities of NRHM involving Rs.8.35 crore remained unattended to. The reasons for non-utilisation of allocated funds were neither available on record nor stated by the Department.

### 5.1.4 Release of Central grants to health centres

As per NRHM norms, specific funds are to be released to HMC/RKS by the SHS in a timely manner to enable them to carryout the functions devolved on them. Annual untied grant of Rs.50,000/- and annual maintenance grant of Rs.1,00,000/- are to be released to each of the CHCs. Similarly, annual untied grant of Rs.25,000/- and annual maintenance

grant of Rs.50,000/- are to be released to the PHCs. The Sub-Centres (SCs) are also to receive annual maintenance grants @ Rs.10,000/-. Scrutiny revealed that maintenance grant was not released to the SCs during 2006-07 and no grant was released to 68 PHCs during 2006-07. Untied and maintenance grants were released at variable (excess/less) rates to 92 CHCs and 786 PHCs with a net excess release of Rs.58.50 lakh. Further, as per NRHM norms, corpus (one time support) grants were to be provided to the HMCs/RKSSs at District and Sub-divisional Hospitals @ Rs.5,00,000/- and Rs.1,00,000/- respectively. The SHS, however, provided corpus grants @ Rs.1,00,000/- to 92 CHCs and 462 PHCs in addition to the usual untied and maintenance grants and to 3 Sub-divisional Civil Hospitals @ Rs.1.50 lakh in excess, totaling Rs.5.59 crore during 2007-08. Thus, there was an excess release of Rs.6.17 crore as grant, which was irregular.

The SHS released maintenance grants @ Rs. 10,000 per centre, as per norms, to 4,572 SCs during 2007-08. The PIPs for 2006-07 and 2007-08, however, showed that 2,794 out of 4,592 SCs were functioning in rented houses. Thus, release of maintenance grant of Rs.2.77 crore to the health centres not housed in own/ Government buildings was not only irregular but unauthorized, as maintenance of a rented house was not the responsibility of the Government. One such instance is depicted below:



The SHS released maintenance grant @ Rs.50,000/- to 256 State Dispensaries (SD) and 80 Subsidiary Health Centres (SHC), (classified as PHCs) during 2006-07, while the PIP for 2006-07 shows that there were only 239 SDs and 71 SHCs. Further, untied grants were released to DHS for 4,726 SCs during 2005-06 and 2006-07 while during 2007-08 untied grants were released to only 4,572 SCs through centre specific bank drafts.

Thus, the whereabouts of the funds released to 180 doubtful centres (26 PHC + 154 SCs) involving Rs.43.80 lakh released during 2005-06 (SCs only) and 2006-07 (SCs and PHCs) was not on record with the SHS.

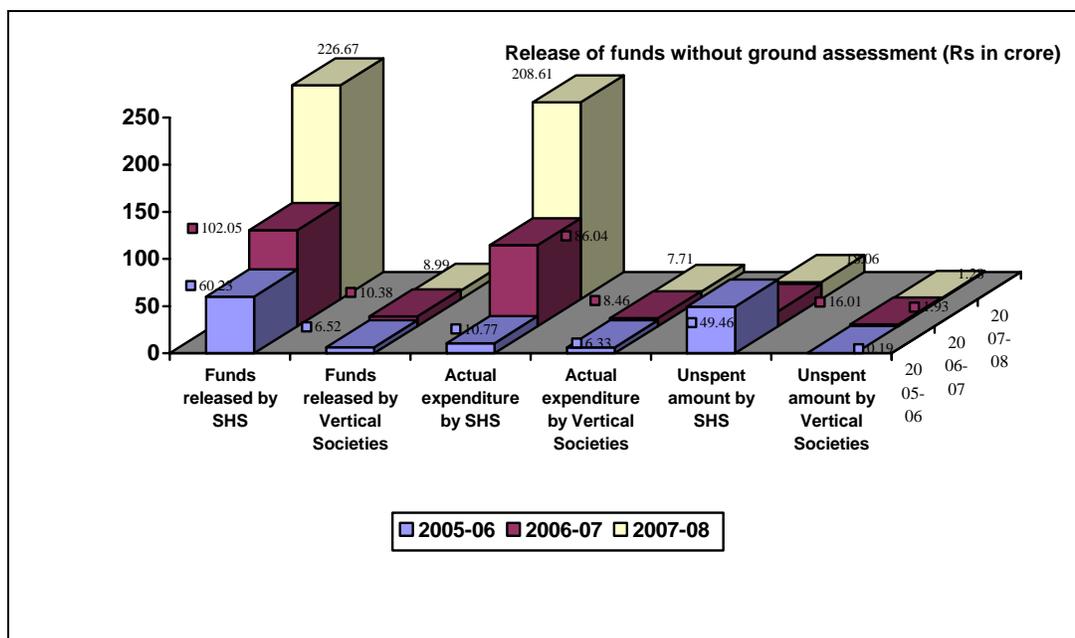
The Department stated (January 2009) that there is no case of non-existent PHC/SC in the State, but assured that the matter would be verified.

No further communication was , however, received from the Government in this regard, as of March 2009.

### 5.1.5 At District level

Scrutiny revealed that, funds were released to the districts in a routine manner without assessing their absorption capacity. The graph below shows the year wise position of funds released without prior allocation, the actual expenditure incurred and unspent funds.

Chart No.4



As can be seen from the above chart, 82 per cent, 16 per cent and 8 per cent funds released during 2005-06, 2006-07 and 2007-08 respectively for RCH-Flexipool and NRHM Flexipool remained unspent. For other vertical programmes, the unspent balances were 3 per cent, 19 per cent and 14 per cent for the years 2005-06, 2006-07 and 2007-08 respectively.

The unspent balance at different levels showed their limited absorptive capacities to utilize the funds. Such excess allocation without specific requirement from the districts and lower level institutions also reflected poorly on fund management under NRHM.

### 5.2 Accounting procedure

Guidelines on financial, accounting, fund flow and banking arrangements as approved (December 2006) by the Empowered Programme Committee (EPC) of the MoHFW envisaged that Financial Management Groups (FMGs) of the Programme Management Support Units (PMSUs) at SHS and DHS levels will be responsible for centralised processing of fund releases, accounting for the expenditure reported by subordinate units, monitoring of Utilisation Certificates (UCs) and audit arrangement. They will also be responsible for collecting, compiling and submitting Statements of Expenditure (SOEs), Financial Management Reports (FMRs), UCs, audit reports from the DHSs to SHS and

from SHS to the GOI. As regards audit arrangement, the guidelines envisaged that a single (common) Auditor would be appointed for the SHS and DHS from the list of auditors provided by the GOI and the selection of auditor for NRHM would be a one time process which will take care of the entire programme.

Scrutiny revealed that cash book with day-to-day attestation of transactions and monthly closing certificates by the Drawing and Disbursing Officer (DDO) was not maintained at SHS as well as in three<sup>1</sup> out of the five sampled districts. Basic records like expenditure register, fund register, other registers relating to grants, release of funds, SOE etc. were also not maintained at the State level. Instead, transactions were input in the computer periodically from the cheque issue register without validating or scrutinizing the data at any stage. The authenticity of entries in the cash book prepared from such data entry at the time of finalization of annual statements of accounts remained doubtful.

Scrutiny also revealed that the State and District Health Societies were audited by various Chartered Accountants (CAs) empanelled by the Comptroller and Auditor General (C&AG) of India. The statutory audit, to be conducted by the C&AG as envisaged in the MOU, has not yet been conducted due to non-entrustment of audit as required to be done in case of audit of Autonomous Bodies (ABs) constituted by executive orders.

### 5.3 Financial Management

Absence of proper financial management and defined accountability structure led to the following financial irregularities in the implementation of the programme.

- Unspent balances relating to RCH-I programme under the State Committee on Voluntary Agencies (SCOVA) amounting to Rs.1.48 crore was not brought forward as opening balance in the NRHM Cash Books for 2005-06 and remained unaccounted for.
- The Director of Health Services, on receipt of a Demand Draft for Rs.48.50 crore from the Mission Director, NRHM for procurement of drugs etc. deposited the entire amount in the Current Bank Account in violation of the programme guidelines as well as directives issued in regard to operation of Current Bank Account by the Government of Assam and thereby sustained loss of bank interest.
- For “Free Mega Eye Operation Camp” at Regional Institute of Ophthalmology (RIO) conducted in September 2006 and for travelling and treatment of 35 unsuccessful and badly affected patients with post operative ‘Endophthalmitis’ to Sankardeva Netralaya, Chennai, an amount of Rs.28.77 lakh was paid to the MD, RIO, Guwahati without any provision in the PIP.

### Conclusion

*While the State Government increased its outlay on healthcare during the review period, it failed to utilize the available funds optimally. It also failed to release its share of funds for implementation of NRHM as per the programme guidelines. Basic accounting records*

<sup>1</sup> Sivasagar, Lakhimpur, Karbi-Anglong.

were not maintained at both the State and the district level leaving scope for fraud and misappropriation.

**Recommendations**

- *The State Government should release its share of funding for the implementation of NRHM and ensure that the provision made in the budget is actually utilized.*
- *The State Health Society should assess the requirement of funds by the CHCs/PHCs/SCs based on their specific demands and population of the area and should ensure timely release of funds to the districts and lower level institutions on grounds of equity.*
- *The State Health Society needs to prepare its annual PIPs on the basis of actual requirements and absorptive capacity of various implementing agencies and health centres.*
- *The State Health Mission needs to identify the grey areas of financial management structure and define/revamp the accountability aspects and take prompt corrective action on the deficiencies/discrepancies pointed out.*