

Chapter-V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENT

5.1 INTERNAL CONTROL SYSTEM IN GOA MEDICAL COLLEGE AND HOSPITAL

Highlights

The Goa Medical College and Hospital (GMCH) was established in 1842. It has a bed strength of 1000 in the main hospital at Bambolim, 80 beds at the TB Hospital at St. Inez and 20 beds at the Rural Health Centre, Mandur. A review of the internal controls in GMCH revealed that despite being the only Medical Training Institute in the State, the College and the attached hospitals did not have any Administration Manual of its own. There were huge savings under capital budget indicating weak budgetary control. Internal audit of the GMCH had not been carried out by the Director of Accounts. Some of the important deficiencies in financial and administrative controls are highlighted below.

- There were savings in capital budget ranging from 15 to 55 percent during 1999-2004, due to weak budgetary control.

(Paragraph 5.1.6)

- Receipts from patients in private wards were utilised for refunds without routing it through cash book and patients were discharged without recovery of hospital charges.

(Paragraph 5.1.6)

- Stock account of receipt books received from Government Printing Press was not maintained by the Medical Records Section of GMCH. Twelve unnumbered receipt books were missing from the stock of Accounts Section.

(Paragraph 5.1.6)

- Oxygen outlets installed at a cost of Rs.8.59 lakh in two departments of GMCH were not put to use due to defective system of maintenance and upkeep of equipment.

(Paragraph 5.1.8)

- The GMCH recruited contract labour for sweeping and security services in excess of the sanctioned strength. A sweeping contract was also extended irregularly. There were weaknesses in financial control on payment released to contract labour.

(Paragraph 5.1.8)

- Unserviceable articles/equipment with purchase value of Rs.65.90 lakh were lying undisposed.

(Paragraph 5.1.9)

- System of internal audit was non-existent in GMCH.

(Paragraph 5.1.10)

5.1.1 Introduction

The Goa Medical College and Hospital (GMCH) was established in 1842. It was shifted from Panjim to Bambolim in 1992. It has a bed strength of 1000 in the main hospital at Bambolim, 80 beds at the TB Hospital at St Inez and 20 beds at the Rural Health Centre, Mandur. The College imparts training to undergraduate and postgraduate medical students, with an annual intake capacity of 70 seats for MBBS course, which was raised to 100 from the academic year 2001-2002. The Medical Council of India decides the number of post graduate seats. During 1999-2004, the annual number of patients treated by GMCH were around 3.5 lakh in OPD. There were around 40,000 indoor admission cases and 13,000 operations annually during the period.

5.1.2 Organisational set up

The GMCH functions under the overall supervision of Secretary (Health) of the State Government. The Dean (Administrative head) is the overall in charge of the functioning of hospital and the college. He is assisted by the Director of Administration (Head of office) in respect of administration, purchase of medicines/equipment and academic sections. The Medical Superintendent looks after hospital administration and maintenance of the complex. Executive Engineer of the Division PWD XIX, Bambolim which was created exclusively for GMCH, is responsible for capital works and maintenance of the hospital and the college. Budget and accounts are looked after by a Joint Director of Accounts and two Assistant Accounts Officers.

5.1.3 Audit objectives

The objectives of the review of Internal Control System were to assess:

- Financial controls
- Expenditure controls
- Stores and inventory management
- Operational controls
- Effectiveness of Internal Audit Arrangements

5.1.4 Scope of audit

A review of the adequacy and effectiveness of the internal control mechanism including internal audit arrangements was conducted by test check of records for the period 1999-2004 at the Secretariat, GMCH and its attached hospitals during the period August-September 2004.

Audit findings

5.1.5 Internal Control Tools

Despite GMCH being a very old hospital with a vast set up having 20 departments at Bambolim and two attached hospitals, it did not have any hospital administration manual setting out its own guidelines and procedures so as to exercise necessary checks and controls for effective functioning of its various departments. The procedures followed by the hospital are based on general rules and regulations prescribed for Government departments.

5.1.6 Financial controls

Budgetary controls

The budget provision and the actual capital and revenue expenditure of GMCH for the period is given in the table below

(Rupees in crore)

During 1999-2004 there were savings ranging from 55 to 15 per cent in capital budget due to inadequate planning

Year	Provision		Expenditure		Savings		Percentage of savings	
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
1999-00	8.15	30.30	3.64	29.53	4.51	0.77	55	3
2000-01	6.14	32.50	3.21	29.52	2.93	2.98	48	9
2001-02	4.00	33.48	3.15	32.12	0.85	1.36	21	4
2002-03	5.26	34.57	3.17	34.09	2.09	0.48	40	1
2003-04	7.49	39.03	6.34	37.39	1.15	1.64	15	4
Total	31.04	169.88	19.51	162.65	11.53	7.23		

(Note: Appropriation Accounts figures-Demand No.47)

The savings in the capital budget ranged from 55 to 15 *per cent* during the period 1999-2004. It was observed in analysis that the main reasons for savings in the capital budget were inadequate planning for capital works and delay in obtaining approvals. Savings of Rs. 2.81 crore out of provision of Rs. 2.93 crore (2000-01) and savings of Rs. 1.74 crore out of provision of Rs. 2.09 crore (2002-03) occurred due to Government decision to postpone purchases of equipment.

Cash Controls

Delay in remittance of cash and utilisation of receipts for refunds

The Government started (March 1996) a Nursing Home in GMCH campus having 48 beds and with charges ranging from Rs.100 to Rs.500 per bed/room per day. The prescribed procedure requires the patients to deposit 10 days' room charges in advance on the day of admission. On discharge of the patient, the billing section makes the final bill for refund or recovery of charges. Audit scrutiny revealed that the receipts towards deposits made by patients in the private ward were not routed through any cash book, i.e neither the main cash nor any subsidiary cash book but were retained in the Medical Superintendent's office and the refunds were made out of these receipts. It was also observed in audit that collections were not being remitted to the cashier of GMCH on daily basis and the amounts collected were remitted on fortnightly basis. During test check of

Private ward receipts were utilised for refunds without routing the receipts through the cash book

records for the period August 2000 to August 2004 it was observed that out of Rs.1.01 crore received towards room charges, Rs.13 lakh were refunded and Rs.88 lakh were handed over to the GMCH cashier without routing the receipts through the cash book. Failure to record cash received in the cash book coupled with delayed remittance and payment of refunds from the receipts was a serious deficiency in internal control and the system was clearly fraught with the risk of malpractices and fraud.

Non-preparation of final bill at the time of discharge of patients

Scrutiny revealed that there were delays ranging from one month to five months in settlement of the final bills of the patients treated in the private wards due to delay in billing for medicines and consumables. Thus the patients were being discharged without settlement of final bills. An amount of Rs.14,000 pending recovery for earlier periods from patients already discharged had to be written off due to defective system of billing.

Stock account of receipt books not maintained

As per Government of Goa Receipt and Payment Rules, 1997 receipt books in machine numbered form were required to be obtained from the Government Printing Press (GPP), Panaji. It was however seen that there were deficiencies in system of record keeping with respect to receipt and issuance of receipt books. It was observed that the receipt books were machine numbered by the Accounts section only at the time of issue to various departments instead of getting them numbered by GPP or numbering them immediately on receipt from GPP and recording the numbers in a register/stock account under attestation by DDO/Joint Director of Accounts.

There was no accounting of the stock of receipt books received from Government Printing Press (GPP). Periodical physical verification of the blank receipt books by the Drawing and Disbursing Officer or Joint Director of Accounts was also not done, which was necessary to avoid misuse and misappropriation of Government money.

A review of the records of receipts and issue of receipt books conducted by audit and its reconciliation with the physical stock as of 23rd September, 2004 revealed that 12 unnumbered receipt books were unaccounted or missing. The reasons for non-availability of these receipt books could not be explained by the department. Improper upkeep of records coupled with absence of system of numbering of receipt books upon receipt entails risk of fraudulent practices leading to leakage and misappropriation.

PLA/Establishment cash books

The GMCH had three cash books, two of which were for personal ledger accounts (one each for undergraduate and post graduate students) and the third for accountal of establishment transactions. Audit scrutiny revealed that the DDO had not certified the number of pages in each cash book. The cash books were also not machine numbered. Corrections were found to have been made by using white ink without attestation by the DDO. In respect of post graduate students cash book, there was delay of upto 14 days in entering cheques encashed.

Defective maintenance of stock account of receipt books led to 12 missing receipt books

Surprise monthly verifications of cash by an official (other than writer of the cash book) recommended by Joint Director of Accounts were also not conducted. Deficient system of maintenance and updation of records pertaining to transactions in cash or cheques is fraught with risk of malpractices and even embezzlement.

Loss of revenue due to non-collection of prescribed fees

Government had prescribed a registration fee of Rs.10 and Rs.20 w.e.f October 1997 and April 2003 respectively for patients attending OPD in GMCH and its controlled hospitals. It was however observed that the prescribed fees were not collected from new patients during 1999-2004 in the hospitals at Mandur and St. Cruz OPD, resulting in a loss of Rs.5.34 lakh and Rs.7.30 lakh respectively during the period from April 1999 to March 2004. Reasons for non-recovery of the prescribed fee were not furnished by the department.

Prescribed OPD fees not recovered in branch hospitals of GMCH

5.1.7 Expenditure controls

Delay in submission of DC bills

The GMCH has been drawing money on AC bills for import of equipment. Audit scrutiny revealed that despite the extended period of 12 months given to GMCH by Government for submission of DC bills, 21 bills during 1999-2003 amounting to Rs.2.20 crore were submitted after delays ranging between one and 27 months. In reply, GMCH stated (September 2004) that the delays were due to non receipt of stamped payees receipts, delay in supply of equipment/parts and delay in commissioning etc.

5.1.8 Operational controls

Unutilised infrastructure

The GMCH, Bambolim has a gas manifold (GM) room as central delivery point for supply of oxygen and nitrous oxide to 21 wards and 16 Operation Theatres. Oxygen is also supplied through individual cylinders to five unconnected wards and other connected wards, in case central supply is insufficient. Audit scrutiny revealed that 122 oxygen outlets installed (March 2004) at a cost of Rs.4.49 lakh in the newly constructed Gynaecology and Neonatology departments, were not put to use (September 2004) due to leakage of oxygen or insufficient oxygen as intimated (February 2004) by the Head of Anaesthesia Department. Further, 36 oxygen and 36 vacuum outlets installed in 1996 at a cost of Rs.4.10 lakh for private wards were not put to use for over eight years (September 2004). Records also revealed that one of the two oxygen manifolds with capacity of 24 cylinders was not functional for over three years (September 2004) and that the annual maintenance contract had not been entered into for the central pipeline since inception (1992) despite known leakages of gas. The Department could not explain the non-usage of the equipment installed. Non-utilisation of the infrastructure created was mainly on account of defects in the system of upkeep and periodic maintenance.

Non maintenance of register of land and buildings

The GMCH campus at Bambolim admeasures 11,34,978 sq. metres. Other areas under the administrative control of Dean/GMC are 9025 sq. metres (Mandur), 624 sq. metres (St. Cruz), 72832 sq. metres (St. Inez) and 75,000 sq. metres (Institute of Psychiatry and Human Behaviour, Bambolim). Consolidated register of the land, building and immovable assets of GMCH properties was not maintained by the Estate Officer. As a result, verification of assets and reconciliation with the book balances was also not being done.

Appointment of casual labour without assessment of requirement and inadequate controls on release of payments

Government decided (April 2001) to avail the services of Goa Contract Labour Society (GCLS) in providing sweepers/watchmen on contract basis in Government departments. Audit scrutiny revealed that the GMCH had not entered into an agreement with GCLS, specifying the annual requirement of sweepers/security guards and the rate of monthly payments (stipulated by GCLS as Rs.2700 per month (sweepers) and Rs.3240 per month (Security Guards). Further, during the period from July 2001 to December 2003, though the vacancies against the sanctioned strength of 603 sweepers and 20 security guards ranged from 44 to 106 and two to three respectively, GMCH recruited 107 sweepers and 50 security guards resulting in an irregular expenditure of Rs.68.79 lakh in respect of excess casual labour over the sanctioned strength. Thus, GMCH had not done any rational assessment of the personnel requirement nor did Government fix any limits for recruitment.

There were weak internal controls in authorisation of payment to the Labour Society as the Administration/Establishment section of the Dean/Medical Superintendent's (MS) office had not counterchecked the physical attendance sheets prepared by the Security-in-charge of GMCH. The Accounts section had also passed the payment without independent check of the correctness of the physical attendance sheets, which were not called for by them from the MS's office before authorisation of payment. On a test check by audit of two months of payment done by the GMCH to the labour society, irregular payment of Rs.68,000 was noticed for February/March 2004 due to excess mandays claimed and paid for evenwhen the sweepers had been absent from duties on these days.

Disregard to the instructions pertaining to award of contract for labour work

Despite Government's directive of April 2001 that only the Goa Contract Labour Society's labourers be taken in Government departments and that private contractors should not be considered, GMCH entrusted the work of cleaning the external areas of GMCH to contractor 'X' @ Rs.47,600 per assignment per month upto 13 December 2001 and Rs.1.50 lakh per month with wider scope of work from 14 December 2001 to July 2003. The rate of Rs. 1.5 lakh per month was also on the higher side since against the tenders floated in April 2003 for the same work, the lowest rate received was Rs. 1.29 lakh per month. Thus not only the

Excess recruitment of casual labour over the sanctioned strength resulted in irregular expenditure of Rs.68.79 lakh

Government instructions on the subject had been disregarded but also additional expenditure of Rs. 4.10 lakh[♦] was incurred.

5.1.9 Stores Management and Inventory control

Unserviceable articles/equipment

Five hundred and six items of equipment/furniture including microscopes, cupboards, spectrophotometers, ventilators etc. purchased during 1964 to 1998, with purchase value of Rs.65.90 lakhs were lying unserviceable for period of one to 17 years as of November 2004. Although a condemnation committee had been constituted in May 2002, further action with respect to identification, surveying off and disposal of these equipment and items as prescribed in rules was not taken up.

5.1.10 Internal audit by Finance Department

Every controlling officer must satisfy himself that prescribed checks to guard against waste and loss of public money are effectively applied in sub-ordinate offices. The Finance Department specified (August 1996) that in departments where the post of Accounts officer/Senior Accounts officer exists, the duty of carrying out the internal inspection of the establishment/Drawing and Disbursing Officers, would devolve on the Accounts Officer. It was observed that in GMCH system of internal audit was not functional as a separate internal audit wing within the GMCH had not been set up.

5.1.11 Conclusions

The hospital did not have adequate internal control tools in form of a Hospital Administration Manual prescribing guidelines for effective functioning. The budgetary and cash controls were weak. The GMCH was not vigilant in recovering Government dues. The recruitment of casual labour had assumed alarming proportion much beyond the sanctioned strength of GMCH and the payments to contract labour were also released without adequate internal checks. The utilisation of the infrastructure including its maintenance was also not adequately monitored.

5.1.12 Recommendations

- A hospital administration manual setting guidelines for effective functioning of GMCH's departments should be framed
- Proper systems should be evolved for accountal of GMCH's Nursing Home receipts in cash book and preparation of final bills of inpatients before discharge.
- Register of immovable assets should be maintained and a system of periodical inspection and reconciliation with book balances should be prescribed.

Neither was an Internal Audit wing set up, nor was the internal inspection of establishment/ DDO conducted.

[♦] Rs. 21000 (Rs. 1.5 lakh-1.29 lakh) * 19.5 months

- Cash books should be properly maintained and system of surprise monthly verification of cash to be carried out by official other than the writer of cash book should be introduced.
- Internal audit wing for administrative inspections of various departments of GMCH may be set up and an annual audit of the GMCH's DDO may be taken up by Directorate of Accounts, Panaji.