

## CHAPTER-V

### INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

#### HEALTH AND FAMILY WELFARE DEPARTMENT

##### 5.1 Internal Control System in Health and Family Welfare Department

###### *Highlights*

*Internal Control Mechanism aims to achieve compliance of stated policies and programmes, promote operational efficiency and effectiveness, encourage adherence to prescribed managerial practices and safeguard assets. Strict adherence to statutes, codes, manuals and departmental orders strengthens the internal control system. The check of internal control system in Health and Family Welfare Department revealed laxity in budgetary, expenditure and operational controls and deficiency in system of internal audit. Some of the significant points noticed are as follows:*

**Rupees 341.16 crore remained unutilised mainly due to vacancies and non-purchase of machinery and equipment.**

**(Paragraph 5.1.5)**

**There was a delay ranging between 18 and 562 days in submission of Detailed Contingent bills by the Director of Indian System of Medicines and Homeopathy for the amount of Rs.1.10 crore drawn on Abstract Contingent bills.**

**(Paragraph 5.1.7)**

**Inspection of drug manufacturing units and drawal of samples were inadequate.**

**(Paragraph 5.1.9)**

**Provisions of Civil Service (Conduct, Discipline and Appeal) Rules, 1971 were not followed. Prescribed Registers/records were either not maintained or were incomplete.**

**(Paragraphs 5.1.10 and 5.1.13)**

**There were large scale pendency in internal audit.**

**(Paragraph 5.1.17)**

### **5.1.1 Introduction**

Internal Control System envisages achieving economical, efficient and effective working consistent with the organisation's mandate by adherence to laws, regulations and management directives so as to prevent loss, wasteful expenditure and other irregularities.

The main objective of the Health and Family Welfare Department is to provide medical aid and treatment to the general public, control spread of diseases and epidemics, train personnel in medical and paramedical fields and popularise and implement Family Welfare Programme. The Internal Control in Health and Family Welfare Department is exercised on the basis of the Gujarat Financial Rules, the Bombay Treasury Rules, the Bombay Civil Service Rules, Conduct Rules and the orders issued from time to time.

### **5.1.2 Organisational set up**

The Secretary, Health and Family Welfare Department supervises and controls six<sup>1</sup> Heads of the Department (HODs) for implementation of the Government policies and programmes of Health and Family Welfare Department. HODs of Health, Medical and Family Welfare wings are assisted by five Regional Deputy Directors<sup>2</sup>. At district level, 23 District Hospitals are operational. The health care in rural areas was looked after by the Chief District Health Officers (CDHOs) and the Additional District Health Officers (ADHOs). Food and Drugs Control wing carries out the drug testing at Vadodara laboratory and Food testing through three laboratories<sup>3</sup>. Indian System of Medicines and Homeopathy (ISM&H) wing carries out its operation through 29 hospitals and 490 dispensaries. There were six Medical Colleges in allopathic system and four in Ayurveda to impart medical education.

### **5.1.3 Audit objectives**

The objective of review was to see whether the Internal Control System of the Department provides a reasonable assurance of adequacy and effectiveness of

- Budgetary controls
- Cash controls
- Expenditure controls
- Operational controls
- Administrative controls and
- System of Internal Audit.

---

<sup>1</sup> Commissioner of Health, Medical & Family Welfare; Commissioner of Medical Education; Commissioner of Food and Drugs; Director of Central Medical Stores Organisation; Director of Indian System of Medicines and Homeopathy and Director of Employees State Insurance Scheme

<sup>2</sup> Ahmedabad, Bhavnagar, Gandhinagar, Rajkot and Vadodara

<sup>3</sup> Bhuj, Rajkot and Vadodara

---

### 5.1.4 Audit coverage

Review of the adequacy and effectiveness of the Internal Control mechanism including internal audit arrangements in the Department for the period 2000-05 was conducted by check of records in the offices of Commissionerates/Directorates (six), two Regional Deputy Directors (RDDs) (out of five), two Medical College hospitals (out of six) and two Food Testing Laboratories (out of three) and one Drugs Laboratory, two District Hospitals (out of 23), seven Community Health Centres, four Primary Health Centres.

## Audit Findings

### 5.1.5 Budgetary controls

Budget provision and the expenditure incurred thereagainst by the Department during 2000-2005 were as under:

**(Rupees in crore)**

Year	Outlay			Expenditure			Excess(+)/Saving(-)	
	Plan	Non plan	Total	Plan	Non plan	Total	Plan	Non plan
2000-01	260.00	753.88	1,013.88	213.72	775.82	989.54	(-) 46.28	(+) 21.94
2001-02	210.00	767.46	977.46	143.29	635.78	779.07	(-) 66.71	(-) 131.68
2002-03	213.87	709.59	923.46	151.99	707.56	859.55	(-) 61.88	(-) 2.03
2003-04	222.21	663.66	885.87	214.72	678.19	892.91	(-) 7.49	(+) 14.53
2004-05	252.94	690.58	943.52	246.86	671.57	918.43	(-) 6.08	(-) 19.01
	<b>1,159.02</b>	<b>3,585.17</b>	<b>4,744.19</b>	<b>970.58</b>	<b>3,468.92</b>	<b>4,439.50</b>		

**Poor fund management and faulty preparation of budget estimates resulted in savings of Rs.341.16 crore and excesses of Rs.36.47 crore**

During 2000-05, as against total outlay of Rs.4,744.19 crore, Rs.4,439.50 crore were expended leaving balance of Rs.304.69 crore. This indicates poor fund management and faulty preparation of budget estimates which resulted in huge savings. Government attributed (July 2005) non-utilisation of funds aggregating Rs.341.16 crore (2000-05) to vacant posts and non purchase of machinery and equipment for want of issue of approved tender by the Central Medical Stores Organisation (CMSO). Excess expenditure of Rs.36.47 crore was due to arrear payments on account of revision of pay scales (1998). As per the Gujarat Budget Manual, estimates for salary should be framed on the basis of expenditure likely to be incurred during the year for the persons likely to be on duty and their actual pay, irrespective of the actual sanctioned strength. Further, non-utilisation of the funds for other services such as purchase of machinery and equipment defeated the purpose for which it was provided.

### 5.1.6 Submission of Budget Estimates

**Delay in submission of Budget Estimates ranged between seven and 84 days**

Budget Manual provides that the HODs are required to submit the Budget Estimates (BEs) of the ensuing year to the Administrative Departments not later than first October of every year. The Administrative Departments are to scrutinise these estimates and forward them to the Finance Department by 15 October every year.

Scrutiny revealed that during 2000-05 there were delays ranging between seven and 84 days in submission of BEs by the HOD and Administrative Department. This indicated that the controls prescribed for submission of BE was not followed by the Department.

## Expenditure controls

### 5.1.7 Submission of Detailed Contingent bills

**Director, ISM&H delayed submission of DC bills aggregating Rs.1.10 crore by 18 to 562 days**

Gujarat Financial Rules provide that the Officer, who drew funds on Abstract Contingent (AC) bills, should submit Detailed Contingent (DC) bills within three months from the date of drawal of money. However, the Director, ISM&H delayed submission of DC bills aggregating Rs.1.10 crore by 18 to 562 days (2000-05). Thus, ineffectiveness of the control defeated the very purpose of ensuring proper accountal of the expenditure incurred from the amounts drawn from AC bills.

### 5.1.8 Cash controls

**Provisions of GTR were not followed for maintenance of cash book**

Gujarat Treasury Rules (GTR) provides that all monetary transactions should be entered in the cash book as soon as they occur and to be attested by the head of office in token of check at the end of the closing. The head of the office should verify the totaling of cash book or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct monthly. The GTR also provided that at the end of each month the head of the office should verify the cash balance in the cash book and record signed and dated certificate to that effect mentioning therein the balance both in words and figures. However, scrutiny revealed that in all the 13 test checked offices<sup>4</sup> these provisions were not followed which defeated the very purpose of the relevant control mechanism.

It further provides that overwriting in Cash Book should be avoided. Any correction in the entry made should be attested by the competent authority to avoid any malpractice subsequently. However, in all the test checked offices the corrections of entries made in the cash book were not attested by the

---

<sup>4</sup> (1) Secretariat, (2) Commissioner - H&M, (3) Director - ISM&H, (4) Commissioner-Food & Drugs, (5) Joint Director - Medical Education, (6) Pandit Dindayal Upadhyay Civil Hospital, Rajkot, (7) Padma Kunvarba Hospital, Rajkot, (8) Food and Drugs Laboratory, Vadodara, (9) Food Laboratory, Rajkot and (10) four Community Health Centres (Lodhika, Kotada Sangani, Kolithad and Virpur)

---

competent authority which indicated that prescribed controls for maintenance of cash book were not being adhered to.

## Operational controls

### 5.1.9 Control over manufacturing/sales units

#### 5.1.9.1 Inspection

Shortfall in inspection of manufacturing units and sales units ranged between 26 and 63 per cent and 39 and 75 per cent respectively

According to Rule 52(i) of Drugs and Cosmetics Act, 1945 (DC Act), Drugs Inspector was to inspect all premises licensed for manufacture and sales of Drugs at least twice in a year upto 2000-01 and once a year thereafter to ensure that the conditions of the licence and provisions of the Act and Rules made thereunder are being observed. The status of inspection carried out during 2000-05 was as under:

#### Manufacturing units

Year	No. of manufacturing units	Inspections to be carried out	Actually inspected	Shortfall in inspection	Percentage of shortfall
2000-01	3,220	6,440	2,364	4,076	63
2001-02	3,253	3,253	2,226	1,027	32
2002-03	3,267	3,267	2,288	979	30
2003-04	3,224	3,224	2,323	901	28
2004-05	2,850	2,850	2,109	741	26

#### Sales Units

Year	No. of Sale units	Inspections to be carried out	Actually inspected	Shortfall in inspection	Percentage of shortfall
2000-01	19,645	39,280	9,847	29,433	75
2001-02	20,412	20,412	9,210	11,202	55
2002-03	20,976	20,976	12,779	8,197	39
2003-04	20,645	20,645	11,091	9,554	46
2004-05	20,814	20,814	10,589	10,225	49

Shortfall in inspection of manufacturing/sales units ranged between 26 and 75 per cent. Department attributed the reasons for shortfall in inspections to shortage of Senior Drug Inspectors and Drug Inspectors.

### 5.1.9.2 Drawal of samples

According to Circular (June 1999) of the Commissioner of Food and Drugs, a Senior Drug Inspector (SDI) has to draw six samples a month to cover all the 2,850 registered manufacturing units in a year. Scrutiny revealed that there was shortage ranging between 18 and 60 *per cent* in the posts of SDI and 55 *per cent* in the posts of DI and consequent shortfall in sampling ranged from 18 to 60 *per cent* during 2000-05.

### 5.1.9.3 Analysis of food samples

**Delay in forwarding report of analysis of food samples ranged between five and 315 days**

The Prevention of Food Adulteration Rules, 1955 provides that the Public Analyst shall, within a period of two months from the date of receipt of any sample for analysis, send by registered post or by hand to the local (Health) authority a report of the result of such analysis. However, audit noticed delay ranging from five to 315 days in forwarding the report in 43 cases. Due to delay in sending of the result of the analysis, the purpose of ensuring timely and immediate action to stop consumption of food where substandard reports after analysis were received, was defeated.

### 5.1.9.4 Inspection of Blood Bank Units

**Control mechanism provided under the DC Act to ensure analysis of blood samples was not followed**

According to the provisions of DC Act, all the Blood Banks were to be inspected by SDI, DI and Assistant Commissioner periodically. However, the records regarding the number of inspections carried out were not maintained by the Department. The Commissioner stated (June 2005) that there is no practice to collect, maintain and preserve the data cum specific information regarding the number of Blood Banks inspected. Moreover, samples of blood and its components were not drawn and analysed by the Department due to lack of special facilities to maintain temperature at minus 30 degree centigrade and speedy transportation of the samples containing the components with short life span. Thus control mechanism provided under the DC Act to ensure adequate analysis of the blood samples was not followed.

## **Administrative control**

### **5.1.10 Rules not followed**

According to the Gujarat Civil Service (Conduct, Discipline and Appeal) Rules, 1971 modified up to August 1999, every Government servant is required to obtain prior permission from competent authority while acquiring any moveable or immovable asset. The Rules further provide that the Gazetted/Non-Gazetted Government servants should furnish return of assets on 1<sup>st</sup> January every year. Audit scrutiny revealed that these provisions were not followed in the Department. In reply, the Department stated (September 2005) that these provisions would be followed.

### **5.1.11 Idle/unserviceable articles/land**

The GFR provides that idle and unserviceable articles should be disposed of immediately and amount realised credited to the Government account. Scrutiny revealed that in two commissionerates<sup>5</sup> 19 items of idle/unserviceable articles for which upset value was fixed (1987-2000) at Rs.7.56 lakh were lying undisposed of (November 2005). Further, land admeasuring 8,352 square metres with building at Ahmedabad was lying idle with the Commissioner of Health and Medical Services since January 2003. No action was taken by the Department either to dispose of the land or to utilise it fruitfully. This indicated inadequacy in control over unserviceable articles/land and building.

### **5.1.12 Departmental Manual**

**Department had not codified the instructions and issued Departmental Manual**

Department followed Manual of Office Procedure issued by the General Administration Department and various internal control measures prescribed in a general Circular (August 1987). However, the Department had not yet codified the instructions issued from time to time on different subjects. In absence of departmental manual, control on various aspects of the administration of the Department could not be established.

### **5.1.13 Maintenance of records/registers**

According to the provisions of the Bombay Treasury Rules various records/registers are required to be maintained, in prescribed form, by competent authorities; maintenance thereof to be watched by the head of office. This was reiterated (January 2004) by the Commissioner, Health, Medical and Medical Education. Twenty one registers such as Cash Book, Register of valuables (to watch the receipt of Fixed Deposits (FDs), Cash certificates, etc. in relation to contracts, etc.), Receipt Form (to watch all cash/cheque received by the Department), Statement of arrear claims (to watch payment of arrears), Register of Supplementary Bills (to watch the supplementary payments), Register of undisbursed pay and allowances, Register of Increments, Bills Register, Cheque Register, etc. were prescribed. However, only cash book was maintained in the prescribed form by the test checked offices. The heads of offices stated the registers were not maintained due to non-receipt of prescribed form from the Printing and Stationery Department.

### **5.1.14 Submission of Periodical Returns/Reports**

Periodical returns/reports are tools of internal control mechanism through which the head of the department obtains information on various matters and instructs the field offices on deficiencies, if any, in the performance. Various monthly, quarterly, yearly reports/returns have been prescribed for being sent to the controlling offices by the prescribed date. Scrutiny of the records in

---

<sup>5</sup> Commissioner of Food and Drugs and Commissioner of Health and Medical Services

respect of 10<sup>6</sup> offices revealed that the submission of monthly expenditure statements, tour diaries and other periodical returns such as Epidemiological Return, position of food analysis and information, Education and Communication Return were delayed for periods ranging between 10 and 50 days.

#### ***5.1.15 Verification of Dead stock***

According to the provisions of financial rules all dead stocks<sup>7</sup> are to be verified and certificate to that effect recorded on the register maintained for this purpose. However, in 13 test checked offices dead stock was not verified during 2000-05. Thus, the control prescribed for this purpose was not followed.

### **Internal Audit**

#### ***5.1.16 Deficiency in the system of Internal Audit***

**Internal audit reports  
contained only  
routine observations**

Internal Audit (IA) is necessary to keep watch on strict compliance to the Government rules and orders as well as the pattern and the flow of Government spending. The internal auditors were primarily responsible to bring about fiscal discipline in their respective assignments by pointing out the system lapses and advising the Department/Directorate for taking corrective steps. The General Administration Department had specifically directed (August 1987) all the Government Departments while carrying out IA to assess the work done, the schemes and programmes carried out, the implementation of rules and regulations, hearing and redressal of the complaints of public and the Government servants and maintenance of office records.

However, the reports of IA contained only routine observations regarding the maintenance of records and drawal of bills, etc.

#### ***5.1.17 Pendency of IA***

According to IA plan, all the offices of HOD were to be audited annually and subordinate offices were to be audited according to the periodicity prescribed based on the quantum of transaction. All the 1,386 subordinate offices were to be audited at least once in five years. However, audit noticed shortfall in IA of offices of the HODs and subordinate offices as shown below:

---

<sup>6</sup> (1) Civil Hospital, Ahmedabad, (2) Joint Director, Medical Education, Ahmedabad, (3) Joint Director, Malaria, Gandhinagar, (4) Regional Deputy Director, Rajkot, (5) Chief District Health Officer, Rajkot, (6) Additional Chief District Health Officer, Rajkot, (7) Director, Food and Drug Laboratory, Rajkot, (8) Director Food and Drug Laboratory, Vadodara, (9) Chief Medical Officer, Padmakunvarba Hospital, Rajkot and (10) Community Health Centre, Lodhika

<sup>7</sup> Dead Stock Register contains the details of furniture, fixtures, computers, equipment, etc.



▪ **Office of HOD by Administrative Department**

Year	Number of HODs to be inspected	Actually inspected	Shortfall (Percentage)
2000-01	5	3	2 (40 )
2001-02	5	None	5(100 )
2002-03	5	None	5(100 )
2003-04	5	2	3(60 )
2004-05	5	2	3(60 )

As against 25 IAs prescribed, only seven (28 *per cent*) IAs of HODs were conducted by Administrative Department during 2000-05.

▪ **Subordinate Offices by HODs**

HODs	Number of units not audited			
	Above 20 years	10 to 20 years	5 to 10 years	Less than 5 years
HM&FW	6	188	19	36
Medical Education	None	2	10	6
Food and drugs	None	None	10	11
ISM & Homeopathy	None	1	20	22
Medical	None	None	25	27
ESIS	21	60	16	34
<b>Total</b>	<b>27</b>	<b>251</b>	<b>100</b>	<b>136</b>

Though all the units were to be covered by IA once in five years, in respect of 27 units IA was pending for more than 20 years. The pendency of IA in respect of 251 units ranged between 10 and 20 years and that of 100 units ranged between five and 10 years.

Thus the Department could not ensure strict compliance to the Government rules and orders as well as the pattern and the flow of the Government spending through internal audit.

**5.1.18 Settlement of IA observations**

Internal audit reports were to be issued to the respective subordinate offices for rectification of deficiencies.

Audit observed that there was no system for monitoring the clearance of the IA observation by the HODs. Timely issue of Inspection Reports to the Drawing and Disbursing Officers and monitoring the outstanding paragraphs and money value objections observed by IA could not be verified as the relevant control registers were not maintained in IA Wing.

**5.1.19 Evaluation of the working of IA Wing**

**Deficiencies noticed in internal audit wing**

The following deficiencies were noticed in the Internal Audit Wing which rendered IA in the Health and Family Welfare Department ineffective. Adequate staff was not deployed for IA. No training was provided to the staff engaged in internal audit to enrich their knowledge and improve their audit skills since formation of IAW. There was no departmental IA manual to guide the audit. Department had not devised and followed any risk based audit planning.

**5.1.20 Inspection reports of the Accountant General**

Observations as a result of the audit of Accountant General (AG) are communicated through Inspection Reports (IRs) to the Heads of Office. First replies to the IRs were to be sent to the AG within four weeks. A half yearly report on pending IRs is sent by the AG to the Secretary of the concerned administrative department to facilitate monitoring of the action on audit observations. Details of outstanding paragraphs (HOD wise) as of June 2005 were as below:

Year	Secretariat		Health & Medical		Medical Education		ESIS		ISM		Food & Drugs		CMSO	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto 1999 -2000	8	17	80	122	45	142	15	22	24	46	9	16	7	7
2000-01	1	3	20	45	3	15	6	12	4	8	3	9	--	--
2001-02	1	1	7	27	13	51	6	9	--	--	4	7	1	8
2002-03	--	--	5	12	10	70	3	14	1	6	1	1	1	6
2003-04	1	2	16	42	13	66	10	24	--	--	--	--	--	--
2004-05	--	--	2	16	3	24	2	9	--	--	1	2	--	--
	<b>11</b>	<b>23</b>	<b>130</b>	<b>264</b>	<b>87</b>	<b>368</b>	<b>42</b>	<b>90</b>	<b>29</b>	<b>60</b>	<b>18</b>	<b>35</b>	<b>9</b>	<b>21</b>

As on October 2005, 861 paragraphs contained in 326 Audit Inspection Reports pertaining to the Department were pending settlement by various Drawing and Disbursing Officers. Out of these, 188 IRs with 372 paragraphs were outstanding for more than five years. Failure to ensure expeditious settlement of the objectives/irregularities brought out in Audit Inspection Reports may lead to continuance of the financial irregularities and lack of control on the financial management in the Department.

**5.1.21 Conclusion**

Control over Budget demands was inadequate and Budget Estimates were submitted late. The Department had not prepared Departmental Manuals. Inspections and drawal of samples of drugs manufacturing units were inadequate. Provisions of Conduct Rules were not implemented. Cash book and Service books were not properly maintained. Audit standards were not in existence and there was shortfall in the number of IAs. Shortfall in inspection

of manufacturing/sales units was also noticed. The control mechanism provided under the DC Act to ensure adequate analysis of blood samples was not followed.

#### **5.1.22 Recommendations**

- Budget control system should be strengthened to ensure demand of funds on a realistic basis and to avoid persistent savings.
- Internal audit should be conducted regularly to facilitate prompt rectification of deficiencies. Annual Plan for IA should be drawn up to cover all the DDOs over a period of time.
- Inspection of manufacturing units should be conducted as per norms.
- Control mechanism provided under the DC Act for analysis of blood samples should be ensured.
- Verification of cash book by the head of the office as provided in the Gujarat Treasury Rules should be ensured.

Rajkot  
The

(ILA SINGH)  
Accountant General (Civil Audit), Gujarat

Countersigned

New Delhi  
The

(VIJAYENDRA N. KAUL)  
Comptroller and Auditor General of India

