

CHAPTER-V

MEDICAL EDUCATION & TRAINING DEPARTMENT

5. Internal Controls in Medical Education & Training Department

Internal Controls system is a process by which an organisation directs its activities to achieve its objectives effectively and efficiently. An evaluation of Internal Controls in the Medical Education Department disclosed deficiencies in budgetary, expenditure, store management/ inventory and monitoring controls. Major audit findings are detailed below:

Highlights

Budgetary controls for monitoring the expenditure were not effective as savings amounting to Rs. 38.77 crore were not anticipated and were surrendered at the close of the financial years. Further, in contravention to the financial rules, Rs. 107.99 crore were drawn at the close of the financial years during 2003-06 and deposited in Personal Ledger Account of King George Medical University, Lucknow to avoid lapse of the budget grant.

(Paragraph 5.6.2 & 5.6.3)

The Department incurred expenditure ranging between 51 and 94 per cent in the month of March during the years 2003-06 under contingency heads in violation of the financial rules.

(Paragraph 5.7.1)

Ignoring the directives of the Government drug purchase policy, payments were made irregularly to the drug/ medicine stockists and agents instead of the manufacturing firms.

(Paragraph 5.7.3)

The medical colleges were running with the approval of the Government 25 Post Graduate courses (113 seats) and admitting students in excess of the numbers, which had not been recognized by the Medical Council of India. There was shortage of faculty members and para medical staff in the colleges/hospitals.

(Paragraph 5.9.1 to 5.9.3)

Internal Audit Wing of the Department was non-functional since December 2003 due to non-availability of Auditors.

(Paragraph 5.10)

5.1 Introduction

Internal Control is a system within an organization that governs its activities to achieve its objectives effectively and efficiently. An adequate internal control mechanism provides reasonable assurance to the department about the reliability of financial reporting and effectiveness as well as efficiency in departmental operations. Internal Audit is a part of the Internal Control System. The Medical Education & Training Department was established in December 1980 as an independent department under medical and health sector for providing high quality medical education, specialized medical treatment to the public, training and research.

5.2 Organisational set up

Secretary, Medical Education looks after the affairs of the Department at the Government level. The Department is headed by the Director General, Medical Education and Training (DGMET). Under the control of DGMET there are six Medical Colleges with attached hospitals at Agra, Allahabad, Kanpur, Meerut, Jhansi and Gorakhpur besides the College of Nursing, Institute of Cardiology and J. K. Cancer Institute, Kanpur headed by Principals/ Directors. Finance Controllers (FC) posted in the directorate and colleges are responsible for financial management including control over grant/appropriation. FC at the directorate level is also the chief internal auditor of the Department.

5.3 Audit objectives

The audit objectives were to assess whether:

- budgetary and expenditure controls were effective and efficient to ensure proper control over expenditure;
- store management and inventory controls were in place and effective;
- monitoring controls were effective in ensuring smooth functioning of the Department; and
- internal audit mechanism was effective.

5.4 Audit criteria

The efficiency and effectiveness of the internal controls were assessed against the provisions of the:

- Financial Handbook;
- Budget Manual; and
- Government orders, circulars and other directives of the Director General, Medical Education.

5.5 Scope of audit and methodology

Records for the period 2003-06 maintained in the offices of the Principal, Medical Colleges and attached hospitals at Jhansi, Agra and Kanpur out of six State run medical colleges; Director, Institute of Cardiology, Kanpur, Principal, College of Nursing, Kanpur and DGMET, Lucknow were test checked in audit during April 2006 to August 2006. The important points noticed are brought out in the following paragraphs.

Audit findings:

5.6 Budgetary controls

The position of budget allotment and expenditure of the Department during the period 2003-06 was as under:-

Year	Budget allotment	Expenditure	Surrender
	(Rs. in crore)		
2003-04	130.55	119.89	10.66
2004-05	135.76	132.06	3.70
2005-06	288.86	264.45	24.41

An analysis of the records relating to the utilization and surrender of funds showed the following:

5.6.1 Inflated budget estimates for salaries

The Budget Manual stipulates that the budget estimates on account of salary of the staff should be prepared on the basis of men-in-position rather than the sanctioned strength. The Finance Department also issued (September 2004) directions for adherence to the provisions in preparation of the budget estimates. Records relating to three medical colleges¹, Institute of Cardiology and College of Nursing, Kanpur showed that during 2003-06 the estimates of salaries were proposed on the basis of the sanctioned strength which included vacant posts. These inflated estimates were submitted to the DGMET who forwarded these to the Finance Department without any scrutiny. This resulted in large savings (47 per cent to 74 per cent) and resultant surrender of Rs 22.19 crore during the year 2003-06. Supplementary provision of Rs 16.13 crore during 2004-06 under salary head, without taking the anticipated savings under the head into account, resulted in final savings of Rs 17.23 crore. These savings and resultant surrenders could have been avoided if the anticipated savings were taken into account while preparing the proposal for supplementary grants.

Salary budget was inflated leading to huge savings

¹ Jhansi, Agra, Kanpur

5.6.2 Surrender of surplus funds

Surrender of Rs 38.77 crore at the close of financial year (31 March)

The Budget Manual stipulates that all savings anticipated during the year should be reported by the Controlling Officer to the Finance Department not later than 25 January every year and all final savings must be surrendered to the Finance Department by 25 March. Records of the DGMET revealed that in contravention to this, all the unspent allotments at the end of the years 2003-04 to 2005-06, amounting Rs. 38.77 crore, were surrendered at the close of the financial years (31 March). As the prescribed time schedule for submission of statement of savings to the Finance Department was not observed by the drawing and disbursing officers as well as by the controlling officer, the savings could not be re-appropriated and utilized fruitfully.

5.6.3 Drawal of funds to avoid lapse of budget

Funds drawn and credited to PLAs to avoid lapsing of budget

Financial rules provide that money should not be drawn without immediate requirement. In contravention to this, DGMET withdrew Rs 13.05 crore in 2003-04, Rs 15.07 crore in 2004-05 and Rs 79.87 crore in 2005-06 earmarked for purchase of equipments and construction of buildings of College/ Hospitals and deposited the same in Personal Ledger Account of King George Medical University, Lucknow at the close of the respective financial years to avoid their lapsing. By transfer of these funds to Medical University which was not under the control of DGMET, the amount remained out of Government account. These drawals also inflated the expenditure of the respective years. Thus, non-observance of financial rules eroded the reliability of financial reporting of the Department.

5.6.4 Assessment of budget requirement for procurement of equipment

Incorrect assessment of budget for procurement of equipment

During 2004-06, Rs 7.61 crore¹ were allotted to the Medical College, Jhansi against a demand of Rs 7.86 crore for procurement of equipment to meet the standards of Medical Council of India (MCI). The medical college utilised Rs 2.69 crore, out of Rs 6.36 crore allotted in June 2005, for procurement of the equipment. The balance of Rs.3.67 crore was returned to the DGMET who kept it in the PLA of KGMU, Lucknow. The college stated (April 2006) that against the balance amount of Rs 3.67 crore, equipment worth Rs 1.37 crore only was required and Rs 1.38 crore sanctioned for procurement of PMR unit was not required for want of infrastructure and staff. Thus, the budget demands were raised without assessing the actual needs and excess demands resulted in the un-utilised funds remaining out of the Government account.

5.7 Expenditure controls

Expenditure controls ensure that all the expenditure items are appropriately authorized by the competent authority and expenditure is incurred in

¹ Rs.1.25 crore in March 2004 and Rs.6.36 crore in June 2005

conformity with the broad and general principles of financial propriety. A review of the expenditure controls of the Department showed the following:

5.7.1 Rush of expenditure

As per Budget Manual provisions, rush of expenditure, particularly in the closing month of the financial year, shall be regarded as a breach of financial discipline. The records of the test-checked colleges/ institutes revealed that 51 to 94 *per cent* of the total expenditure incurred under the contingency heads was incurred during the month of March during 2003-06 (*Appendix- 5.1*).

5.7.2 Expenditure without provision

Diversion of funds in violation of financial rules

The Budget Manual provides that for effective control over expenditure, the disbursing officer must ensure that the conditions preliminary to incurring of the expenditure are satisfied, namely the sanction of the competent authority and the funds to cover the charge fully have been placed at his disposal before incurring any expenditure. The Medical College, Kanpur diverted Rs.29.88 lakh for purchase of books and journals out of Rs.7.69 crore sanctioned by the Government for purchase of MCI equipment during the year 2005-06. Similarly, Medical College, Kanpur and College of Nursing, Kanpur purchased furniture, diesel and diesel generator during the year 2003-06 from the funds allotted for other activities in violation of the above provisions.

5.7.3 Irregular payments to drug/ medicine stockists

Non-compliance of Government order regarding payments of drugs/ medicines

The drug purchase policy formulated (April 2004) by the Government envisaged that only manufacturing firms can participate in the tendering process directly or through its sole selling agents/ stockists, with the condition that stockists will produce the bill of original manufacturing firms and the payments will also be made to the manufacturing firm only. Hospitals attached with the Medical Colleges Agra and Kanpur and the Institute of Cardiology, Kanpur purchased medicines for Rs 1.46 crore, Rs 1.52 crore, and Rs 14.22 lakh respectively during 2004-06. Though the rate contracts were entered and supply orders placed on the manufacturing firms, the selling agents/ stockists supplied the medicines and also received payments of the bills. The DGMET stated (August 2006) that necessary action would be taken for implementation of the Government order/instructions regarding payments to manufacturing firms only.

5.7.4 Faulty agreements for installation and operation of diagnostic equipment

Financial rules provide that the terms and conditions of a contract or agreement must be precise and definite without any room for ambiguity or misconstruction. In view of financial constraints, the Government decided (January 2003) to allow private firms to install and operate diagnostic

equipment like CT scan, MRI and Colour Doppler in all the State run medical colleges on ten year lease basis. Test fee, as decided by the Government, was to be charged by the operators from the patients referred by the Government hospitals. Ten *per cent* of the fee so charged was to be deposited in Government account. To ensure effective utilization of the facilities the Secretary, Medical Education prescribed (September 2005) submission of a report on number of patients so referred.

Schedule for installation and operation of diagnostic equipment not ensured

It was observed that the schedule of installation and operation was not indicated in the agreements entered into by the DGMET (February to August 2003) with the private firms selected for installation of the equipment in five medical colleges¹. No equipment was installed at Jhansi and Agra and the installation was delayed at Gorakhpur (July 2005) and Kanpur (March 2006). Although the Government ordered (September 2005) rescinding of the agreement for Agra, no action was taken in respect of Jhansi (August 2006). Further, patients were not referred for tests wherever the equipment was installed. Neither were any reports, as prescribed, sent to Government nor was the extent of utilization monitored by the DGMET. Thus, due to faulty agreements and non-monitoring, the public was deprived of services of better diagnostic facilities.

5.7.5 Short-recovery of electricity charges

Government instructed (May 2003) installation of electric sub-meter in departmental quarters, for recovery of electricity charges from allottees on the basis of actual meter reading by the controlling officers. In Medical College and Hospital, Jhansi neither sub-meters were installed nor recovery made in accordance with the tariff rates². Instead, flat rates not related to actual consumptions of electricity were used from November 2002 resulting in short recovery of Rs 10.98 lakh (May 2006) from the allottees³. The Principal expressed (May 2006) ignorance about the said Government order.

5.8 Store Management and Inventory Controls

As the stores and stock procured form part of the departmental assets, it is essential to maintain their proper records and exercise effective inventory controls. The following points were noticed:

5.8.1 Inadequate store management

Non-maintenance of centralised store inventory

In Medical College, Kanpur centralised stock accounts and ledger for the medical equipment costing Rs 7.93 crore⁴ procured during 2003-06 had not been maintained. Equipment was procured by the Principal and issued directly to the requisitioning departments, although the supply orders indicated that the

¹ Agra, Allahabad, Gorakhpur, Jhansi and Kanpur

² Type IV(Rs.1243 p.m.),Type III(Rs.937 p.m.) Type II (Rs.537 p.m.)

³ 41 Type-IV, 20 Type-III, 34 Type-II

⁴ Rs.60.36 lakh (2003-04), Rs.99.99 lakh (2004-05) and Rs.6.33 crore (2005-06)

equipment procured would be accounted for and issued through the central stores. Thus, non-maintenance of the records of procurement, issues and balances centrally in the stores resulted in lack of proper inventory control. The Principal stated (May 2006) that the equipments were allotted directly to the departments for testing, installation and operation as the facility for testing these was not available at central store. The reply of the Principal was not tenable as necessary entries in the store accounts could have been made after ensuring receipt of the equipments by the departments concerned.

5.8.2 Non-disposal of un-serviceable/ condemned stores

Financial rules stipulate that un-serviceable stocks should be identified every year during physical verification and disposed of through auction as early as possible. Contravening this, the Medical College, Jhansi, did not dispose of the unused and un-serviceable items (cost: Rs.8.62 lakh) for want of sanction of the DGMET. Sanction of Government was also awaited (August 2006) for disposing of three Bedford Mobile Clinical Vans provided by GOI under Rural Health Scheme in the year 1980 for use by the six Medical Colleges and lying unused since 1988.

5.9 Monitoring control

The DGMET monitored the academic and hospital activities of the Department. The evaluation of monitoring controls showed the following:

5.9.1 Shortage of faculty and paramedical staff

Faculty

During the review period, position of faculty viz. Professor, Associate Professor, Assistant Professor/ Lecturer of all the Medical Colleges/ Institutes under the control of DGMET was as under:

Year	Sanctioned post	Men in position	Vacant
Professor			
2003-04	154	72	82
2004-05	154	72	82
2005-06	154	128	26
Associate Professor			
2003-04	220	154	66
2004-05	217	119	98
2005-06	217	166	51
Assistant Professor/Lecturer			
2003-04	384	239	147
2004-05	395	208	187
2005-06	395	63	332

Though the position in respect of professor and associate professor had improved by promotions, the vacancies in the grade of assistant professors/ lecturers increased affecting the quality of medical education adversely.

Shortage of faculty and paramedical staff not monitored

Similarly, five out of seven sanctioned posts of lecturers and three out of six sanctioned posts of clinical instructors, in College of Nursing, Kanpur remained vacant during the review period. The proposal for filling up the vacancies was pending with DGMET/ Government.

Paramedical staff

The position of para medical staff in the hospitals attached to six medical colleges¹ and Institute of Cardiology and J. K. Cancer Institute, Kanpur as of March 2006 was as under:

Name of post	Sanctioned	Men in position	Vacant
Lab Technicians	237	207	30
Other Technicians	53	43	10
Nurses	1117	972	145

The shortages, affected the performance of hospitals adversely. Further, the lab technicians in Kanpur and Agra were used as accountants despite shortage of lab technicians.

5.9.2 Inadequate bed occupancy

Bed occupancy was low ranging between 35 and 61 per cent

The Medical Council of India, in its inspection report (October 2003), noticed shortage of faculty/ para-medical staff and unhygienic conditions prevailing in the hospitals. The MCI had made similar observations earlier in 1995. As a result, hospital beds remained vacant. According to the MCI norms the optimum occupancy rate ranged between 60 and 80 *per cent*. It was, however, observed that the occupancy in the attached hospitals of the test-checked Medical Colleges and J. K. Institute of Cancer, Kanpur ranged between 35 and 61 *per cent*. Incidentally, it may be mentioned that the Institute of Cardiology, Kanpur registered one hundred *per cent* occupancy during the period of review. The Government stated (October 2006) that efforts were being made for filling up the vacancies of doctors and para-medical staff to improve the occupancy of the beds.

5.9.3 Un-recognised post-graduate and diploma courses

Un-recognised PG/Diploma Courses were run in the medical colleges

Records of the Medical Colleges and DGMET revealed that in contravention of the objective of providing high quality medical education, 25 Post Graduate (PG) and diploma courses (113 seats) not recognised by the MCI (*Appendix-5.2*) were running in the medical colleges (except for medical college, Kanpur) despite large number of vacancies in various grades. Similarly, College of Nursing, Kanpur was running the two years Post Basic Nursing Course (capacity: 25 seats) which was not recognized by Nursing Council of India (August 2006).

¹ Agra, Allahabad, Gorakhpur, Jhansi, Kanpur, Meerut,

In addition to the unrecognized courses, the Medical College, Jhansi admitted excess students in recognised PG courses, during the review period, as detailed below:

Sl. No.	Name of course	No. of seats	No. of students admitted		
			2003-04	2004-05	2005-06
1	M.D. Medicines	4	7	7	7
2	M.S. Surgery	4	6	6	4
3	M.D. Pediatrics	2	6	6	6

Running courses not recognised by MCI and admitting students in excess of numbers permitted was against the avowed objective of providing quality medical education by the Department. The Government had also granted permission to run these un-recognised courses putting the career of the passed out students at risk.

5.9.4 Inadequate management of bio-medical wastes

Non-compliance of Bio-Medical wastes Rules under Environment Protection Act

The DGMET was responsible for monitoring compliance of various Acts and Rules of Central and State Government besides the progress of implementation of various schemes. The GOI sanctioned (March 2001) assistance of Rs.1.02 crore for installation of incinerators in Medical Colleges. Out of this amount, the State Government, sanctioned (December 2002) Rs.96 lakh for installation of incinerators at Medical Colleges, Agra and Allahabad and the balance of Rs 6 lakh remained unutilised with the DGMET (August 2006).

The incinerator could not be installed at Agra as the State Pollution Control Board (SPCB) did not accord necessary permission as emission of gases was considered harmful for Taj Mahal. The SPCB did not permit installation of incinerator at Allahabad also as the college was located in a densely populated area. Consequently, the amount sanctioned for the purpose was lying in bank (August 2006) since March 2003. On the recommendation of SPCB, the Government decided (November 2005) to install a Hydroclave in place of incinerator at Agra. The Hydroclave also was not installed till August 2006.

The Principals of the Medical Colleges at Agra, Allahabad, Kanpur, Meerut and Jhansi as an alternative adopted Common Bio- Medical Waste Treatment Facility promoted by respective Nagar Nigams for treatment of waste. No facility for waste disposal was, however, available at Gorakhpur. The Department of Environment did not find (May 2006) even these alternative arrangements adequate as disposal of bio-medical waste was not satisfactory due to non-segregation of bio-medical waste from solid waste and also its transportation to the common facility centre was not proper.

Thus, the DGMET failed to monitor and devise alternative techniques timely resulting in non-compliance of the provisions of the Bio-Medical Waste

(Handling and Management) Rules under Environment Protection Act despite availability of funds. At the instance of audit DGMET issued (September 2006) instructions to all the colleges for immediate installation of Hydroclave etc. for treatment of bio-medical waste.

5.10 Internal Audit

Internal audit was non-functional since December 2003

The Department had an Internal Audit Unit (IAU) functioning under the supervision of Finance Controller in DGMET office with one post of Senior Auditor and four posts of Auditors sanctioned for conducting audit of all medical colleges and institutes. Against the four sanctioned posts of auditors, the department utilized services of 2 auditors from Local Fund Audit Department on deputation basis during 2003-04. These were repatriated in November 2003 and the IAU was non-functional since December 2003.

FC, being head of the internal audit set-up, was responsible for framing departmental internal audit manual containing guidelines for audit and was also required to frame an annual calendar of audit inspections of the colleges/institutes of the department. No departmental internal audit manual or auditing standard prescribing the principles and practices of audit had been framed (August 2006). The working plan for covering high risk areas on priority basis had also not been prepared. The annual calendar of audit inspection for the year 2003-04 framed for coverage of seven units was not completed as only five units were audited.

5.11 Conclusion

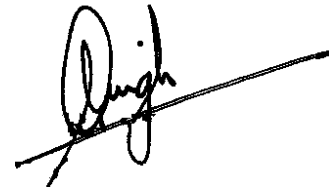
Budgetary controls for monitoring the flow of expenditure were not effective leading to surrender of funds at the fag end of the year, rush of expenditure in the month of March and parking of funds in PLA to avoid lapse of budget grants. Expenditure controls were also lax resulting in irregular payments, diversion of funds and non-compliance of Government directives. Store accounts for proper inventory control had not been maintained. The vacancy position of the faculty in colleges and para-medical staff in hospitals was not monitored effectively leading to a large number of posts remaining vacant for years. Besides, post graduate/diploma courses were run without recognition from MCI. The Internal Audit in the Department was not functional due to shortage of staff.

Recommendations

- The Government should make budgetary and expenditure controls in the Department more effective.
- Store accounts should be maintained centrally for effective inventory control over stores and equipment.

- The vacancy position in colleges and the attached hospitals should be monitored closely so that the shortage of staff does not affect the quality of medical education and medical care.
- The un-recognised courses run by the colleges should be got approved by the Medical Council of India.
- Internal Audit arrangements should be strengthened to ensure closer monitoring of compliance with rules and orders.

The above points were referred (September 2006) and discussed in the exit conference (October 2006) wherein the facts and figures were confirmed and audit recommendations appreciated. The reply was also received (October 2006) and was incorporated wherever appropriate.



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The 16th April 2007

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New Delhi
The 20th April 2007