

CHAPTER II : FUND MANAGEMENT

2.1 Introduction

The Ministry released funds¹ directly to State Health Societies (SHS) till 2013-14, and through the State Governments thereafter. Such funds are released in five parts: NRHM Reproductive and Child Health (RCH) Flexipool, National Urban Health Mission (NUHM) Flexipool, Flexible pool for Communicable Diseases, Flexible pool for Non Communicable Diseases including Injury and Trauma and Infrastructure Maintenance. The State Governments in turn, disburse funds to the District Health Societies, for further release to the blocks, who in turn, further disburse funds to various implementing units (CHCs/PHCs/SCs/VHSNCs)².

2.2 Release and utilisation of funds

As per Ministry records, State Health Societies (SHS) had spent ₹ 1,06,179.78 crore out of ₹ 1,10,930.30 crore available during the period 2011-16, as depicted below. The year wise details of fund released by the Ministry, State share credited, total fund available (excluding interest earned) and expenditure incurred under NRHM³ during the last five years in all States/UTs is given in **Table-2.1** below:

Table-2.1: Release and utilisation of funds

(₹ in crore)

Year	Opening balance	Central release	State share credited	Total fund available	Expenditure	Closing balance
2011-12	3,985.06	14,960.43	2,778.79	21,724.29	15,960.78	5,763.50
2012-13	5,763.50	15,002.45	5,246.10	26,012.05	19,606.85	6,405.20
2013-14	6,405.20	16,583.70	4,920.63	27,909.53	21,138.27	6,771.25
2014-15	6,771.25	17,160.31	5,093.35	29,024.91	23,076.94	5,947.97
2015-16	5,947.97	17,374.88	7,824.60	31,147.45	26,396.94	4,750.51
TOTAL		81,081.77	25,863.47		1,06,179.78	

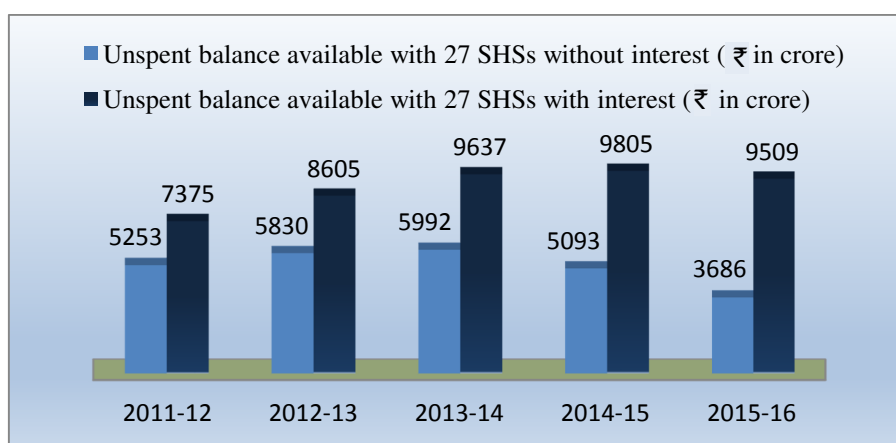
¹ In proportion to their share (explained in the footnote to paragraph 1.5 of this report).

² CHC-Community Health Centre, PHC-Primary Health Centre, SC-Sub-centre, VHSNC-Village Health Sanitation and Nutrition Committee

³ National Health Mission (NHM) with effect from January 2014, which includes National Urban Health Mission (NUHM).

Audit observed, however, that the Ministry did not depict the interest earned by State Health Societies (SHSs) on NRHM funds, contrary to stipulations in paragraph 5.5.4 of the operational guidelines. Audit collated the amount of interest earned by the SHSs in 27 states and accordingly re-worked the amount of unspent balance available with the SHSs as depicted in the **Chart-2.1** below:

Chart-2.1: Unspent balance available with 27 States



Audit further observed that the unspent amounts with the 27 states rose from ₹ 7,375 crore in 2011-12 to ₹ 9,509 crore in 2015-16. The States where the unspent balance ranged between 40 to 76 per cent are listed below:

Year	Name of State where shortfall was more than 40 per cent (Percentage)	No. of States
2011-12	Andhra Pradesh (58), Arunachal Pradesh (42), Chhattisgarh (57), Himachal Pradesh (45), Jammu and Kashmir (40), Manipur (52), Tamil Nadu (64), Tripura (46), Uttar Pradesh (58), Uttarakhand (42) and West Bengal (51),	11
2012-13	Andhra Pradesh (55), Arunachal Pradesh (49), Chhattisgarh (53), Manipur (40), Tamil Nadu (67), Uttar Pradesh (58) and West Bengal (50).	7
2013-14	Andhra Pradesh (62), Chhattisgarh (43), Karnataka (42), Manipur (47), Meghalaya (47), Tamil Nadu (53), Tripura (46), Uttar Pradesh (59), Uttarakhand (49) and West Bengal (46).	10
2014-15	Andaman & Nicobar Islands (46), Andhra Pradesh (49), Arunachal Pradesh (41), Karnataka (47), Manipur (52), Meghalaya (55), Tamil Nadu (42), Telangana (60), Uttar Pradesh (56), Uttarakhand (44) and West Bengal (50).	11
2015-16	Andaman & Nicobar Islands (69), Andhra Pradesh (41), Arunachal Pradesh (49), Karnataka (50), Meghalaya (76), Telangana (52), Uttar Pradesh (52) and West Bengal (43).	8

Case Study-Karnataka

The State Government of Karnataka released ₹ 379.57 crore to SHS during 2011-16 towards state share of the Infrastructure Maintenance without having a plan in place for utilisation of the funds by the Society. As a result, the entire amount released to the Society remained un-utilised.

The Ministry stated that the amount shown towards unspent balance included the amount of advances provided to agencies for construction and procurement, and the amount that is required to be maintained to carry out essential and recurring health care activities.

However, in the absence of details/breakup of advances, the contention of the Ministry remained unverifiable. Moreover, substantial unspent balances with the States indicates that funds were released by the Ministry without reckoning the absorptive capacity of the concerned States and calls for rationalising the procedure for release of funds.

2.3 Delay/Non-release of funds from State Treasury to SHSs.

In terms of the procedure approved by the Union Cabinet (applicable from 2014-15 onwards), funds were released to State Governments for further release to State Health Societies (SHS) within 15 days of their receipt, failing which State Governments were liable to pay interest. Audit observed that ₹ 49.45 crore released during 2014-15 and ₹ 450.20 crore released during 2015-16 under Mission Flexi Pool and RCH Flexi Pool to the State Treasuries were not transferred to the SHSs as of May 2016. Similarly, funds amounting to ₹ 5,037.08 crore and ₹ 4,016.37 crore released during the years 2014-15 and 2015-16 to the State Treasuries were transferred to SHSs with delays ranging from 50 to 271 days. The Ministry replied that they had asked the States to ensure timely release of funds to SHS, from time to time.

The reply is however silent with regard to action taken by the Ministry for repeated defaults by the State Governments in releasing funds to SHSs in a timely manner. Further, the Ministry failed to take action in line with the recommendations of the Cabinet to levy interest on the State Governments for delayed transfer of funds.

2.4 Diversion of Funds

Paragraph 3.3.5 of the operational guidelines provides that, all levels should ensure that the funds provided for various programmes are used for the purpose for which they were given and are not mixed with other funds. In six states (**Andhra Pradesh, Gujarat, Jammu and Kashmir, Rajasthan, Telangana and Tripura**), ₹ 36.31 crore was diverted to other schemes *viz.* Mukhyamantri Subh Lakshmi Yojana (MSLY), Sukhibhava Scheme, etc.

In the exit conference, the Ministry accepted that the diversion of NRHM funds for non NRHM purposes was not proper.

2.5 Outstanding Advances

In terms of para 6.9.1 of the operational guidelines, advances are to be given only for admissible activities under the programme and are to be settled within 90 days. In seven States (**Jharkhand, Himachal Pradesh, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal**) advances amounting to ₹ 909.96 crore made to various Implementing Agencies and staff during the period 2011-16 were not adjusted as of March 2016. The State-wise details are given in **Annexure-2.1**.

The Ministry replied that while it is desirable to settle all advances within a period of 90 days and before sanctioning further advances, this may not be practicable in case of construction related activities, procurement of drugs, supplies and equipment. The reply is unacceptable as it is inconsistent with the operational guidelines.

2.6 Outstanding Utilization Certificates (UCs)

The General Financial Rules stipulate that Utilization Certificate should be submitted within twelve months of the closure of the financial year by the concerned Institution or Organisation. Audit observed for the period 2011-15, UCs of ₹ 4,283.45 crore, under Mission Flexipool, were pending from 22 States/UTs and UCs of ₹ 3,174.72 crore, under RCH Flexipool were pending from 21 States/UTs as of May 2016.

2.7 Release of ₹ 2898 crore without approval of PIP

The Ministry released ₹ 2,897.74 crore during 2014-15 towards the first tranche to 23 States in respect of three pools/programmes (RCH Flexipool,

Performance Audit of Reproductive and Child Health under National Rural Health Mission

Mission Flexipool and Pulse Polio Immunization) without the approval of Project Implementation Plan (PIP) of the concerned States in contravention of the provisions under Para 3.3.5 of NRHM Operational Guidelines for Financial Management.

The Ministry stated that the bulk of the approvals under the NHM every year were for continuing/ongoing activities. Accordingly, approval was conveyed by the competent authority to States/UTs, so that, there was no disruption in the ongoing activities such as Janani Shishu Suraksha Karyakram (JSSK), Janani Suraksha Yojana (JSY), etc. The reply of the Ministry is not valid as approval of PIP by the National Programme Coordination Committee is the pre-condition for release of funds to the SHSs.

2.8 Observations relating to Maintenance of Accounts

2.8.1 Appointment of Chartered Accountant

Para 8.3.2 of the NRHM Operational Guidelines for Financial Management provides that, State Health Society was to engage Chartered Accountant (CA) for Statutory Audit of the State and District Health Societies. The appointment of CAs was to be made from the list of Chartered Accountant firms empanelled by the Comptroller and Auditor General of India and selection was to be done through open bidding process. Further, the process of engagement of CAs was required to commence from 31 January each year and completed by 31 March.

It was however observed that in seven States (**Andhra Pradesh, Assam, Meghalaya, Mizoram, Rajasthan, Telangana and Uttar Pradesh**), appointment of CA firms was delayed by periods ranging between 7 to 206 days. This in turn delayed the submission of audited accounts to the Ministry by 27 to 195 days.

2.8.2 Discrepancies in maintenance of Accounts

Audit observed discrepancies such as non-depiction of interest in the annual accounts, non-maintenance of separate sub-bank account for RCH, under-statement of closing balance, under-statement of receipts, over-statement of expenditure, non-maintenance of important records such as journal, ledger and register of advances, etc., in 15 States (**Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Jharkhand, Kerala, Manipur, Odisha, Rajasthan, Sikkim, Tamil Nadu, Telangana, Uttarakhand and West Bengal**).

Conclusion

The financial management at both Central and State levels was not satisfactory with amounts persistently remaining unspent with the State Health Societies at the end of each year. The Ministry failed to take action in line with the recommendations of the Cabinet to levy interest on delayed transfer of funds by the State Governments to SHSs. There were cases of diversion of funds to other schemes. Various discrepancies were noticed in maintenance of accounts.

Recommendations:

- Funds flow arrangement should be rationalised keeping in view the absorptive capacity of SHSs.
- The Ministry should monitor and maintain the details of interest earned on the unspent balances by SHSs to ensure efficient utilisation of funds.