Chapter-I

Social sector

CHAPTER I

SOCIAL SECTOR

1.1 Introduction

The financial profile of Government departments under Social Sector for the year ending 31 March 2022 is given in **Table 1.1.1.**

Table 1.1.1: Budget provision and expenditure of major State Government departments under Social Sector during the years 2020-21 & 2021-22

(₹ in crore)

Sl. No.	Name of Department	2020-21		2021-22	
		Total Budget provision	Expenditure	Total Budget provision	Expenditure
1.	Education, Sports & Youth Affairs and Arts & Culture	2,259.32	2,072.90	2,499.64	2,396.71
2.	Health & Family Welfare	1,243.80	1,169.06	1,732.83	1,682.40
3.	Public Health Engineering	760.28	757.47	926.70	927.05
4.	Urban Development	139.82	139.37	593.58	593.57
5.	Social Welfare	509.12	508.07	527.38	526.46
6.	Labour	86.98	86.02	55.63	57.68
7.	Housing	77.93	77.42	132.10	131.78
8.	Information and Publicity	24.31	24.63	31.79	32.01
9.	Secretariat Social Services	9.97	9.97	12.69	12.66
10.	Revenue & Disaster Management	105.58	56.41	98.22	97.80
Total		**5,217.11**	**4,901.32**	**6,610.56**	**6,458.12**

Source: Detailed Appropriation Accounts and Appropriation Accounts 2020-21 & 2021-22.

1.1.1 Planning and conduct of Audit

The audit process starts with the risk assessment of various Government departments based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns. During 2020-21, expenditure worth ₹ 2,185.63 crore (including expenditure pertaining to previous years audited during the year) and during 2021-22, ₹ 2,511.15 crore worth of expenditure (including expenditure pertaining to previous years audited during the year) was audited under Social Sector. The audit findings have been communicated to the departments concerned through 18 Inspection Reports (IRs) issued in 2020-21 and 12 IRs issued in 2021-22.

The Chapter on Social Sector contains two Compliance Audit Paragraphs as discussed in the following paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

HEALTH AND FAMILY WELFARE DEPARTMENT

1.2 Undue financial benefit

Inability of the State Nodal Agency to protect the interest of the Government in efficient implementation of MHIS-IV and PMJAY had resulted in extension of undue financial benefit of ₹ 11.38 crore to the insurance company of the Scheme.

Megha Health Insurance Scheme (MHIS) is a universal health insurance scheme introduced by Government of Meghalaya (GoM) in 2012. MHIS aims to provide free health insurance benefits to all residents of Meghalaya except for State and Central government employees. Phase-IV of the Scheme, designated as MHIS-IV, has been implemented in convergence with Pradhan Mantri Jan Arogya Yojana[1] (PMJAY) for a policy period of three years covering the period from February 2019 to January 2022. Convergence of the scheme enabled enhanced insurance coverage of up to ₹ five lakh per family on a floater basis, with no restriction on size and age of the family/ family members. The scheme provides cashless treatment benefits for enrolled members. The premium charges applicable for the cover is to be shared[2] between Government of India (GoI) and GoM. During the time of treatment, the subscribed members produce their smart card to avail cashless treatment in empanelled hospitals in the State and identified health facilities/ hospitals across the country. The cashless treatment benefit is based on the predetermined package rates for specific health conditions.

In Meghalaya, the Director of Health Services (Medical Institutions) DHS (MI) is the Chief Executive Officer (CEO) of the State Nodal Agency (SNA) for implementation of MHIS-IV and PMJAY and M/s Reliance General Insurance Company Limited, Mumbai, selected through tendering process, was the insurer company. MHIS-IV and PMJAY targeted to cover 7,88,256 households (MHIS: 4,41,243 plus PMJAY: 3,47,013) during the policy period.

Scrutiny of records (June 2022) of the CEO, SNA pertaining to the implementation of MHIS-IV and PMJAY showed the following:

- M/s Reliance General Insurance Company Limited was selected (December 2018) as insurer for the scheme at the agreed premium of ₹ 1,630.00 per beneficiary household[3] *per annum* and accordingly contract agreement was executed on 03 December 2018.
- As per Clause 8B(c), the prescribed claim ratio[4] and its corresponding percentage towards administrative cost are:

[1] A flagship health scheme of the Government of India launched in September 2018 to achieve universal health coverage (UHC) as recommended in the National Health Policy, 2017.
[2] At the ratio of 90:10 between GoI and GoM subject to premium ceiling limit of ₹ 1,052.
[3] GoI share: ₹ 946.80 (₹ 1,052 x 90 *per cent*) + GoM share: ₹ 683.20 (₹ 1,630.00 – ₹ 946.80).
[4] The ratio between number of claims settled and total number of premiums paid in a financial year.

i. Administrative cost @ 12 *per cent* if claim ratio is less than 60 *per cent.*

ii. Administrative cost @ 15 *per cent* if claim ratio is between 60-70 *per cent.*

iii. Administrative cost @ 20 *per cent* if claim ratio is between 70-80 *per cent.*

➢ Further, clause 21A (a) to (c) of the contract agreement *ibid* provides that the insurer shall be responsible for beneficiary identification, registration, and to ensure availability of sufficient number of IT infrastructure/kits, at the designated location so as to complete the registration drive of 50 *per cent* of the targeted 7,88,256 households within four months starting from 23 January 2019 to 31 May 2019[5]. The cost of registration was to be borne by the SNA.

In this regard Audit observed the following:

(A) Undue financial benefit of ₹ 3.86 crore to the insurer

Scrutiny of records showed the following:

1. The SNA intimated (15 January 2019) the insurer to deploy 130 kits for registration drive and to complete the registration process by 31 May 2019. However, the CEO, SNA had expressed (February 2019) concerns over the slow pace of registration drive.

2. The insurer requested (18 March 2019) the CEO, SNA for immediate deployment of additional 100 to 150 additional kits to speed up the registration process. The SNA in a meeting[6] (29 March 2019), approved the deployment of 170 additional kits to speed up the registration process with the condition that the cost for deployment of the additional kits (₹ 3.69 crore) shall be adjusted out of the registration fee[7] collected by the insurer from the beneficiaries on behalf of the SNA.

3. Despite deployment of additional 170 kits over and above the existing 130 kits, the insurer could achieve registration of only 28.28 *per cent* of the household as against the target of 50 *per cent* by May 2019, as shown in **Table 1.2.1.**

Table 1.2.1: Progress of registration on deployment of additional 170 kits

Period	Total no. of households target	No. of households registered during the period	Cumulative no. of households registered	Percentage of households registered	Target (in *per cent*) as per the Insurance Contract	Shortfall in percentage registration
January-February 2019	7,88,256	31,692	31,692	4.02	08	3.98
March 2019		46,704	78,396	9.94	20	10.06
April 2019		59,762	1,38,158	17.53	40	22.47
May 2019		84,769	2,22,927	**28.28**	50	21.72

Source: Information furnished by the CEO, State Nodal Agency, MHIS, Meghalaya.

[5] This was extended up to 31 August 2019.

[6] (i) CEO, MHIS & Secretary, Health & Family welfare (Chairman), (ii) Jt. CEO & DHS (MCH&FW), (iii) Financial Advisor, MHIS, (iv) State Manager, MHIS, (v) Monitoring & Control Officer, (vi) Finance & Accounts Manager and (vii) IEC & Enrolment Manager.

[7] Total Registration fee collected was ₹ 4.52 crore (31 August 2019) @ ₹ 30 per household.

4. In view of the above, the SNA had extended the due date for completion of the registration drive up to 31 August 2019. The total registration fee collected from beneficiaries up to 31 August 2019 was ₹ 4.52 crore which was transferred (29 January 2020) in full to the SNA by the insurer in contravention of the decision taken by the SNA in the meeting dated 29 March 2019.

Audit further observed that the insurer added the deployment cost of the additional 170 kits amounting to ₹ 3.69 crore to its claim ratio leading to inflation of claim ratio to 60.48 *per cent* from the actual 57.59 *per cent* which consequently paved the way for enhancement of the administrative cost to 15 *per cent* instead of the admissible 12 *per cent*. This resulted in short refund of surplus premium to the tune of ₹ 7.55 crore as detailed in **Table 1.2.2.**

Table 1.2.2: Details of refundable amount calculated by Audit

(₹ in crore)

Sl. No.	**Parameters**	**Refundable amount as worked out by Audit**	**Amount refunded by insurer and formula adopted**
1.	Gross Premium paid to insurer	128.49	128.49
2.	Total claims	74.01	74.01
3.	Cost of deployment of additional 170 kits	0	3.69
4.	**Claim ratio {(2)+(3) x 100/(1)} (in *per cent*)**	**57.60**	**60.48**
5.	Administrative Cost allowed (in *per cent*)	12	15
6.	Administrative Cost {(5) x (1)}	15.42	19.27
7.	**Amount refundable/refunded {(1)-(2)-(3)-(6)}**	**39.06**	**31.51**

Source: worked out by Audit as per Information furnished by the CEO, SNA, MHIS, Meghalaya.

As can been seen from **Table 1.2.2**, inclusion of cost of deployment of additional kits enhanced the administrative cost to 15 *per cent* and the insurer refunded (July 2020) ₹ 31.51 crore only in place of the admissible ₹ 39.06 crore which was not challenged by the SNA. Due to this, the SNA extended undue financial benefit of ₹ 3.86 crore (short refund of surplus premium of ₹ 7.55 crore reduced by ₹ 3.69 crore deposited by the insurer as Registration Fee) to the insurer.

Thus, SNA's acceptance of the refund amount of ₹ 31.51 crore from the insurer as against the admissible refund of ₹ 39.06 crore was tantamount to extending undue favour to the insurer and has resulted in loss of ₹ 3.86 crore to the State exchequer.

On this being pointed, the Department forwarded (January 2023) the reply furnished by the insurer (August 2022) which stated that inclusion of deployment cost of additional kits in the claim ratio calculation was as per agreement mutually arrived at in the meeting dated 29 March 2019. The reply is a misrepresentation of facts as it was decided in the meeting *ibid* that deployment cost of additional kits has to be met from the registration fee collected by insurer on behalf of the SNA.

(B) Delay in refund of surplus premium by the insurer within the prescribed time resulted in non-realisation of interest amounting to ₹ 7.52 crore, which tantamount to extension of undue financial benefit to the insurer to that extent.

Clause 8B(c) & (e) of the contract agreement envisages that after adjustment of a defined *per cent* towards administrative cost and after settling all claims, remaining amount should be refunded by the insurer to the SNA within 60 days of the date of expiry of the policy cover period, failing which, the insurer shall be liable to pay interest @ one *per cent* of the refund amount due and payable to SNA for every seven days of the delay beyond 60 days.

Scrutiny of records revealed that the insurer had refunded ₹ 31.51 crore (06 July 2020) and ₹ 12.44 crore (17 September 2021) being surplus premium for the policy years of February 2019 to January 2020 and February 2020 to January 2021 respectively. This indicates that the refunds were made after a delay of 14 and 25 weeks of the due dates as shown in **Table 1.2.3.**

Table 1.2.3: Details of interest calculation for delay in refund

(₹ in crore)

Policy Year	Amount refunded	Due date for refund	Actual date of refund	Delay period (in days)	Delay period (in weeks)	Interest payable for the delay
01 February 2019 to 31 January 2020	31.51	31-03-2020	06-07-2020	97	14	4.41
01 February 2020 to 31 January 2021	12.44	01-04-2021	17-09-2021	169	25	3.11
Total						**7.52**

Source: Information furnished by the CEO, State Nodal Agency, MHIS, Meghalaya.

It is seen from **Table 1.2.3** that due to delay in refund of the surplus premium a total amount of ₹ 7.52 crore was payable by the insurer being interest for the delay @ one *per cent* of the refunded amount which was not levied by the SNA. Non-realisation of interest amount to the tune of ₹ 7.52 crore was tantamount to extension of undue financial benefit to the insurer.

Thus, the SNA did not enforce the provisions of the contract agreement entered for efficient implementation of MHIS-IV and PMJAY and extended undue financial benefit of ₹ 11.38 crore (₹ 3.86 crore plus ₹ 7.52 crore) to the insurer.

The matter was reported to the Government (February 2023); their reply is awaited (March 2023).

1.3 Avoidable excess expenditure

Procurement of medicines at rates higher than the approved rates of the Central Purchase Board from non-approved manufacturers by the DHS (MI) had resulted in avoidable excess expenditure of ₹ 0.87 crore.

In Meghalaya, the DHS (MI), is responsible for establishment, administration, regulation and monitoring of Medical and Health Institutions (primary, secondary and tertiary). One of the main administrative responsibilities of the DHS (MI) is procurement of medical & surgical supplies, drugs, and consumables, *etc*. based on quarterly indents received from district health authorities. The DHS (MI) is also responsible for ensuring availability, proper storage and timely distribution of the drugs and medical/ surgical supplies to Government medical institutions across the State.

Scrutiny (May 2022) of records of the DHS (MI) pertaining to procurement of drugs and medical supplies during the period 2019-20 to 2021-22 showed that the DHS (MI) floated Notice Inviting Tender (NIT) in two bids system (Technical & Financial bids) on 05 November 2018 inviting original manufacturers for supply of Drugs and Chemicals. The technical bids were opened on 7th, 9th, 10th and 14th January 2019. Financial bids were opened by the Central Purchase Board (CPB) headed by the Additional Chief Secretary to Government of Meghalaya, Health & Family Welfare Department in its meeting dated 14 May 2019. Based on analysis of the rates quoted by the bidders, the CPB came out with the Approved Rate of Essential Drugs List-2019, containing 1,329 number of medicines along with names of approved manufacturers for supply of the drugs.

As per terms and conditions of the NIT, the rates once approved shall remain valid throughout the period covered by the contract executed with the successful tenderers. If any of the items are approved in favour of the tenderer, the tenderer shall have to supply the approved items till the end of the contract tenure, failing which all items approved in his favour shall be forfeited and such items shall be offered to the next lowest bidder. Moreover, the concerned stockists/distributors shall be blacklisted and debarred from participating in any government tender for a period of five years.

Further scrutiny showed that the CPB had approved (January 2019) M/s Maxmed Lifescience Private Limited, New Delhi and M/s East African (India) Overseas, Uttarakhand for supply of two medicines *viz*., (i) Dry Syrup Cefpodoxime Proxitil 50 mg + Clavulanic Acid 125 mg 30 ml (Dry Syrup) and (ii) Tablet Ofloxacin 200mg + Ornidazole 500mg (Tablet), at the rates of ₹ 53.00 per bottle and ₹ 25.00 per strip of 10 tablets respectively.

Audit observed that the DHS (MI) had placed supply orders (January to May 2019) to M/s Arengh Medical Supplier, Tura for supply of two lakh bottles of Dry Syrup at the rate of ₹ 70.40 per bottle and to M/s Wholesale Pharmaceuticals, Shillong for supply of 80,370 strips of Tablets at the rate of ₹ 90.00 per strip. This has resulted in excess expenditure to the tune of ₹ 0.87 crore as detailed in **Table 1.3.1.**

Table 1.3.1: Details of procurement of medicines

(Amount in ₹)

Medicine Name	Name of supplier	Supply order date/ date of invoice	Quantity procured (Bottle/ Strip)	Rate paid	Approved rate	Difference in rate (5-6)	Excess expenditure (4x7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dry Syrup Cefpodoxime Proxitil 50 mg + Clavulanic Acid 125 mg 30 ml	M/s Arengh Medical Supplier, Tura	31.01.2019 04.05.2020	1,50,000	70.40	53.00	17.40	26,10,000
		21.05.2020 29.05.2020	50,000	70.40	53.00	17.40	8,70,000
Sub-total (A)			**2,00,000**				**34,80,000**
Tab Ofloxacin 200mg + Ornidazole (Ornidazole) 500mg	M/s. Wholesale Pharmaceuticals, Shillong	31.01.2019 07.09.2020	60,370	90.00	25.00	65.00	39,24,050
		31.01.2019 10.09.2020	20,000	90.00	25.00	65.00	13,00,000
Sub-total (B)			**80,370**				**52,24,050**
TOTAL (A+B)							**87,04,050**

Thus, due to procurement of two medicines at a higher rate than the approved rates of the CPB from unapproved suppliers, DHS (MI) incurred avoidable excess expenditure to the tune of ₹ 0.87 crore.

On this being pointed out, the DHS (MI) stated (August 2022) that the two medicines were included in the Essential Drugs List and due to urgent requisition from districts, the medicines were procured at the market rates on emergency basis, as the approved suppliers could not supply the medicines immediately at the approved rates.

The reply is not acceptable in view of the fact that 1.50 lakh bottles of Dry Syrup and 80,370 strips of Tablet 500mg, ordered on 31 January 2019, were supplied/delivered by the suppliers only in December 2019 and September 2020 respectively *i.e*., after 11 to 19 months from the date of placing the orders. As such, the procurement cannot be termed as emergency purchase which necessitated procurement of these medicines at higher rates. Further, the DHS (MI) could not furnish copies of indents for the medicines from the district authorities, nor did they produce recorded evidence of inability of the approved suppliers to supply the medicines. Moreover, no documentary evidence was produced in support of any action taken against the defaulting firms for breach of contractual obligations.

The matter was reported to the State Government (03 February 2023); reply is awaited (March 2023).

Recommendation: *The State Government may initiate inquiry to identify the reasons for procuring medicines from unapproved suppliers at higher rates and fix responsibility on the official(s) concerned for the lapses.*