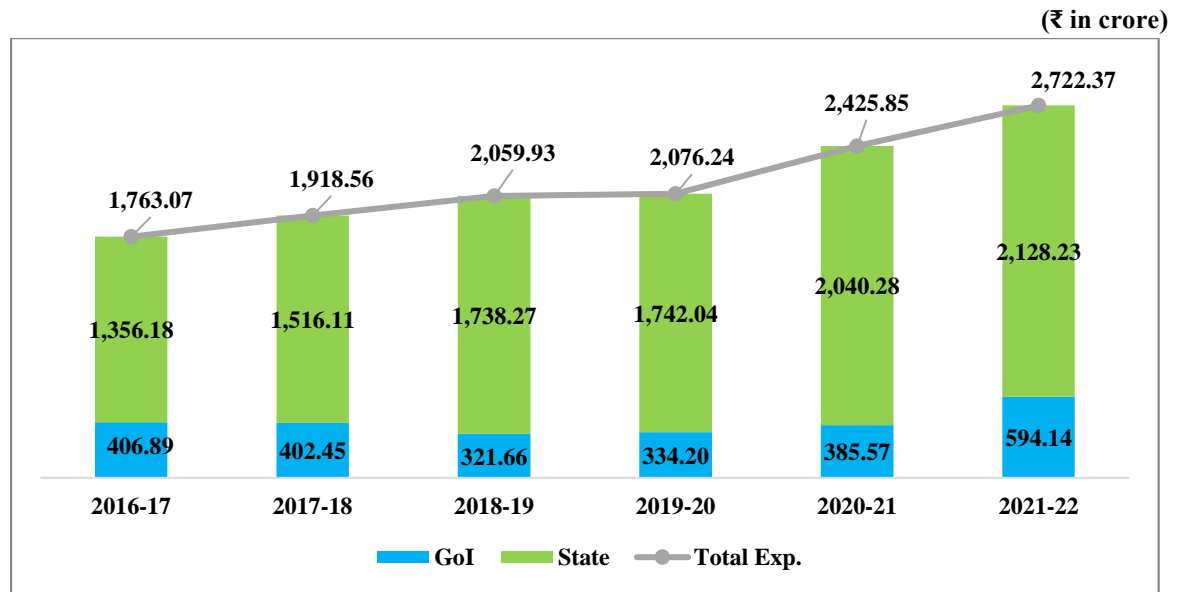


Chapter VI: Financial Management

6.1 Trend of Expenditure (Central & State Government)

Finances for health infrastructure and management of health services in the State are sourced through the State budget, National Health Mission and schemes under Government of India (GoI) etc. Details of expenditure incurred from Government of India and State Government in Department of Health (Health and Family Welfare, Medical Education & Research, Health Safety & Regulation and Dental Health) during the period 2016-22 are given in **Chart 6.1**:

Chart 6.1: Expenditure trend



Note: - Does not contain AYUSH. The consolidated figure with AYUSH is incorporated in Table 6.1.

6.2 Budget and Expenditure w.r.t GSDP

National Health Policy 2017 targeted to increase spending on health from 1.15 per cent to 2.50 per cent of GSDP by 2025. Budget and expenditure (both GoI and State) w.r.t to GSDP is shown in **Table 6.1**.

Table 6.1: State Government Budget Allocation and Expenditure during 2016-22

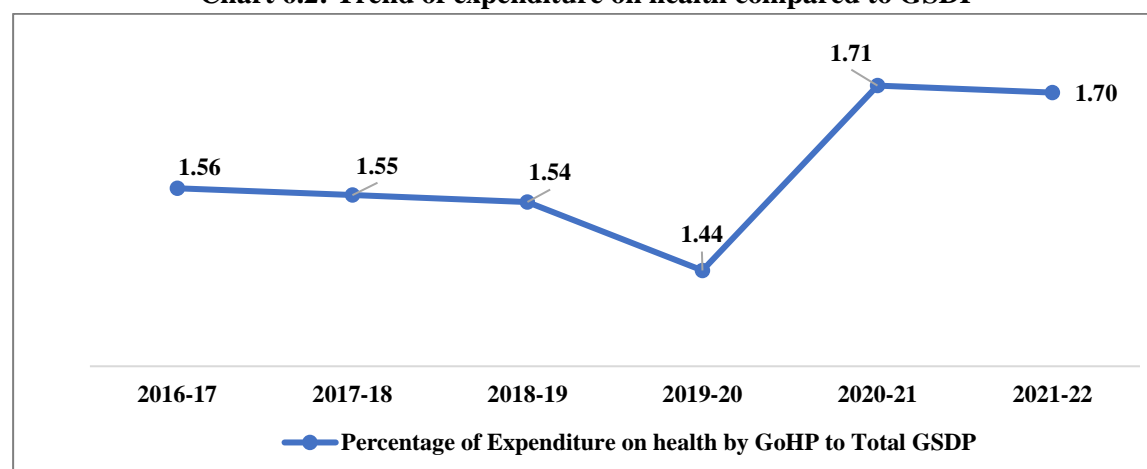
(₹ in crore)

Year	Budget allocated for health	Expenditure on health	GSDP (at current prices)	per cent of expenditure w.r.t. GSDP
2016-17	2,081.91	1,962.81	1,25,634	1.56
2017-18	2,201.55	2,143.29	1,38,551	1.55
2018-19	2,625.51	2,295.80	1,49,442	1.54
2019-20	2,565.38	2,344.74	1,62,816	1.44
2020-21	3,228.59	2,671.62	1,56,522	1.71
2021-22	3,365.97	2,984.39	1,75,173	1.70

Source: Budget and Expenditure departmental figure (including AYUSH) and GSDP from Economic & Statistical Department.

As can be seen from **Table 6.1**, budgetary expenditure on health services in the State during 2016-22 ranged from 1.44 *per cent* to 1.71 *per cent* of GSDP. The trend of expenditure on health is shown in **Chart 6.2**.

Chart 6.2: Trend of expenditure on health compared to GSDP



As seen from **Chart 6.2**, the trend of expenditure as compared to GSDP of the State declined during the period 2016-17 to 2019-20. It improved in 2020-21 due to both increase in spending in the health sector and decrease in GSDP of the State. There was net increase of 52.05 *per cent* in the expenditure on health as compared to the corresponding increase of 39.43 *per cent* in GSDP over the period 2016-17 to 2021-22.

6.3 Funding on health in terms with National Health Policy

As per the National Health Policy 2017, the State is to increase expenditure on Health to more than eight *per cent* of the total budget by 2020. Expenditure on healthcare w.r.t total expenditure of the State is shown in **Table 6.2**.

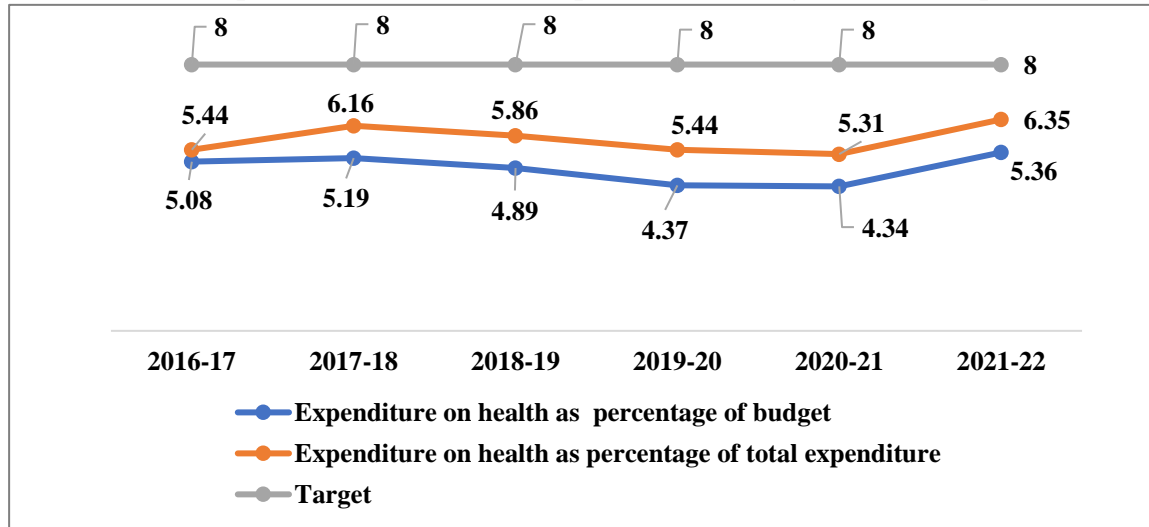
Table 6.2: Comparison between Budget & Expenditure on health in the State

(₹ in crore)

Year	Allocated budget	Total expenditure of the State	Expenditure on health*	Expenditure on health as percentage of budget	Expenditure on health as percentage of total expenditure
2016-17	38,675.28	36,075.78	1,962.81	5.08	5.44
2017-18	41,267.45	34,811.21	2,143.29	5.19	6.16
2018-19	46,984.67	39,166.85	2,295.80	4.89	5.86
2019-20	53,707.68	43,063.30	2,344.74	4.37	5.44
2020-21	61,596.65	50,305.30	2,671.62	4.34	5.31
2021-22	55,714.72	46,989.18	2,984.39	5.36	6.35

Source- Appropriation Accounts, Finance Accounts,

*State Expenditure (Departmental Figures) including Ayush.

Chart 6.3: Expenditure on health in comparison with budget and total expenditure

From **Chart 6.3**, it can be seen that against the target of eight *per cent*, government spending on the health sector has increased from ₹ 1,962.81 crore (5.44 *per cent* of total expenditure of the State) during 2016-17 to ₹ 2,984.39 crore (6.35 *per cent* of total expenditure of the state) during 2021-22. Though the funds allocated were less than that envisaged in NHP 2017, the State was unable to utilise the funds allocated as shown in **Table 6.3**. Non-utilisation of the funds allocated indicated lack of absorptive capacity of the State. As such, there is still scope for the government to increase expenditure on the health sector.

6.4 Comparison of Allocation and Expenditure

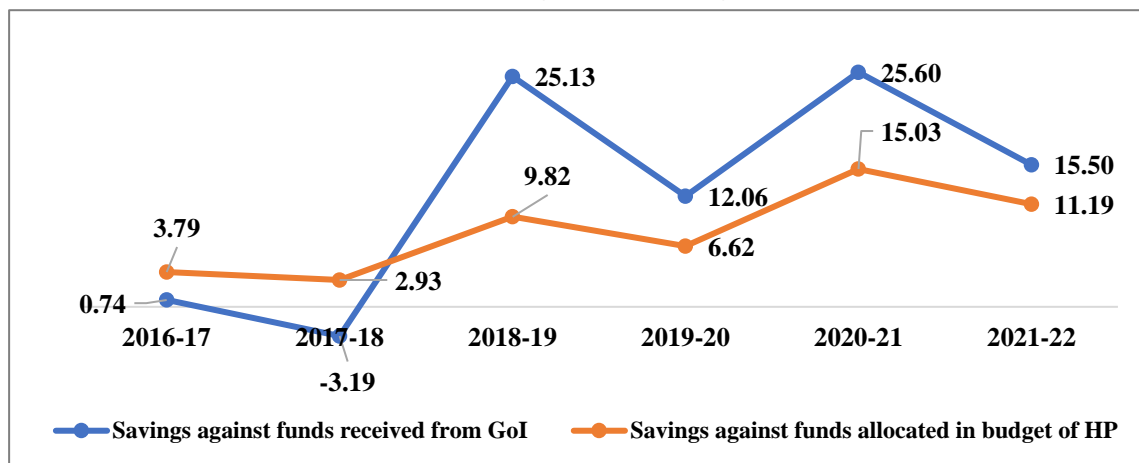
The budget and expenditure for the years 2016-22 for the funds from GoI and allocations in State Government budget and percentage of unspent funds is given in **Table 6.3**:

Table 6.3: Overall Budget and Expenditure

Year	Government of India			Government of Himachal Pradesh			Total Savings
	Budget	Expenditure	Savings (-)/ Excess (+)	Budget	Expenditure	Savings (-)/ Excess (+)	
2016-17	409.94	406.89	-3.05 (0.74)	1,409.66	1,356.18	-53.48 (3.79)	-56.53 (3.11)
2017-18	390.02	402.45	+12.43 (3.19)	1,561.80	1,516.11	-45.69 (2.93)	-33.26 (1.70)
2018-19	429.63	321.66	-107.97 (25.13)	1,927.52	1,738.27	-189.25 (9.82)	-297.22 (12.60)
2019-20	380.03	334.20	-45.83 (12.06)	1,865.61	1,742.04	-123.57 (6.62)	-169.40 (7.54)
2020-21	518.24	385.57	-132.67 (25.60)	2,401.21	2,040.28	-360.93 (15.03)	-493.60 (16.91)
2021-22	703.13	594.14	-108.99 (15.50)	2,396.26	2,128.23	-268.03 (11.19)	-377.02 (12.16)
Total	2,830.99	2,444.91	-386.08 (13.64)	11,562.06	10,521.11	-1,040.95 (9.00)	-1,427.03 (9.91)

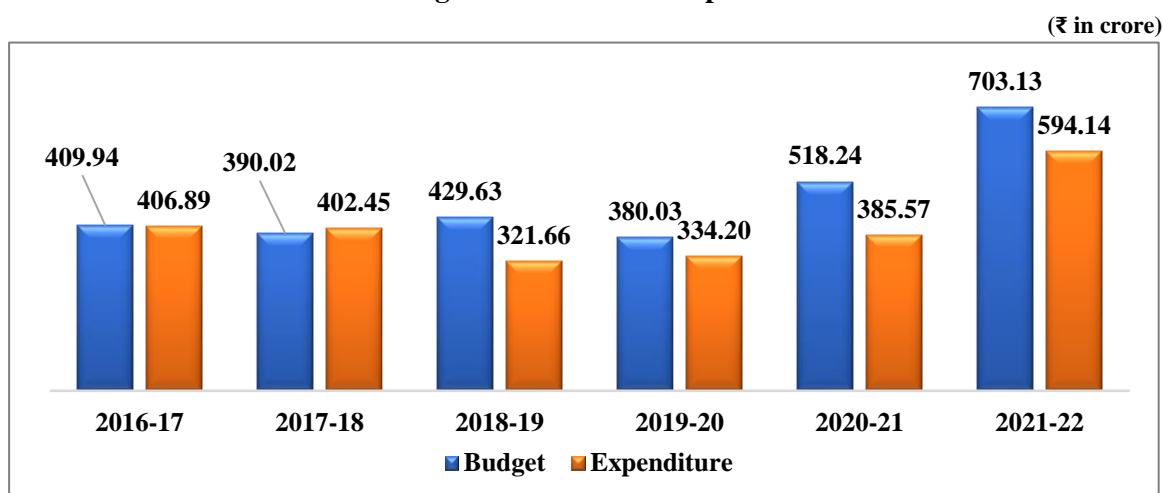
Source: Departmental figures, Figures in brackets indicate percentage

Chart 6.4: Savings trend during 2016-22



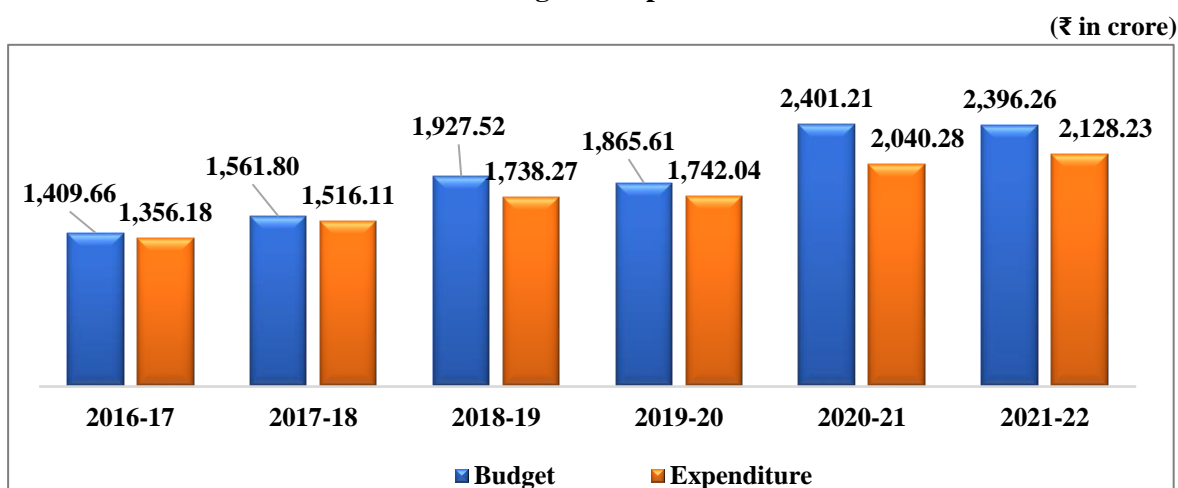
The percentage of utilisation of budget during 2016-17 to 2021-22 showed a mixed trend and was lowest in 2020-21. This indicated that the State has not made realistic assessment before preparing the funds requirement in the budget for the health sector.

Chart 6.5: Budget Allocation and Expenditure of GoI share



Source: Data provided by Department

Chart 6.6: Budget & Expenditure of State share



Source: Data provided by Department

- From **Table 6.3**, it was noticed that there was a total unspent budget of ₹ 1,427.03 crore (9.91 *per cent*) (GOI¹ - ₹ 386.08 crore and State - ₹ 1,040.95 crore²) during 2016-22.
- There was excess expenditure of ₹ 12.43 crore during 2017-18 under Central share by Director Health and Family Welfare.
- It was observed that there was variation in figures of budget allocation (₹ 990.39 crore³) and expenditure (₹ 543.18 crore⁴) as per data supplied by the Directorate and E-kosh (online treasury data of the State Government) of Treasury and Accounts. Reasons for the variation of data, surrender of savings and excess expenditure were not furnished by the Directorate (September 2022) though called for.
- On being enquired about the basis of budget estimation, the Department stated (August 2022) that there is no practice of assessing gap identification in HIs on various aspects. It was further stated that while preparing budget estimates, proposals are sought from CMOs concerned for their districts, Medical Superintendents, Zonal Leprosy Officers and Principals of Training Centres. In those cases where proposal is not received, the estimate is prepared by increasing the estimate by 10 *per cent* over the previous year's expenditure. The Department was, however, unable to produce demands received from the districts for 2016-17 to 2019-20.

It was also seen in audit that no demand for budget was sent by CMO Kangra during 2016-19, CMO Solan during 2016-20 and CMO Kinnaur during 2016-21. Thus, it is clear that the budget was prepared by the DHS without accurate estimation of requirements.

6.5 Utilisation of funds

6.5.1 Revenue and Capital Expenditure

Revenue expenditure includes establishment expenses, Grants-in-aid to various institutions, expenditure on training programmes, immunisation programmes, family planning programmes, various schemes/programmes of the State/Central Government, assistance to other non-government institutions, purchase of medicines, etc.

Capital expenditure includes construction/major repair of buildings of health institutions, acquisition of land etc.

Out of the total expenditure of ₹ 12,422.85 crore (as per E-kosh data) incurred on health during 2016-22, revenue expenditure was ₹ 10,779.72 crore (87 *per cent*) while capital expenditure was ₹ 1,643.13 crore (13 *per cent*).

¹ DHS: ₹ 229.96 crore DMER: ₹ 156.12 crore

² DHS: ₹ 530.19 crore, DDH ₹ 19.76 crore, DMER: ₹ 490.37 crore and DHSR ₹ 0.63 crore

³ Allocation for the year 2016-22 for all directorates (DHS, DMER, DHSR and DDH): ₹ 14,393.05 crore, as per E-kosh ₹ 13,402.66 crore,

⁴ Expenditure for the year 2016-22 for all directorates (DHS, DMER, DHSR and DDH): ₹ 12,966.02 crore, and as per E-kosh ₹ 12,422.84 crore

Table 6.4: Details of Revenue and Capital Expenditure

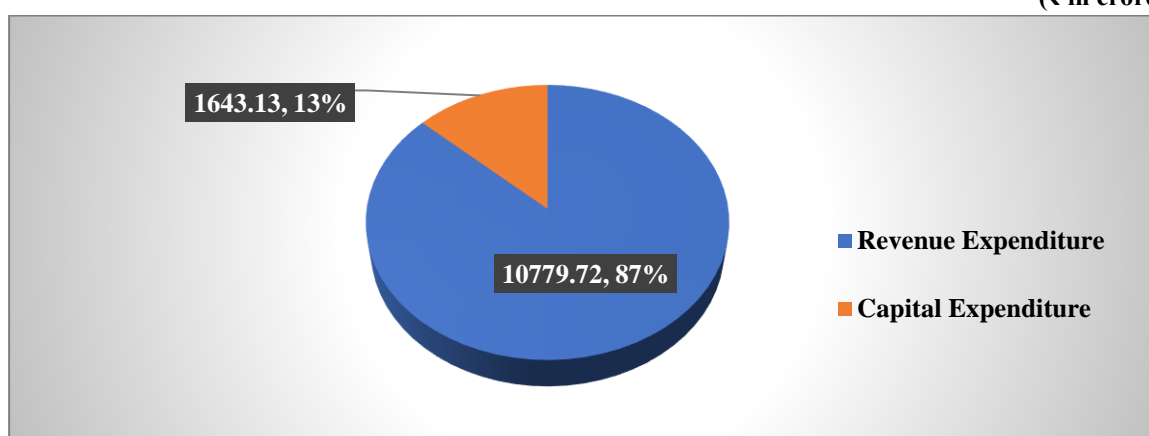
(₹ in crore)

Year	Revenue			Capital		
	Allocation	Expenditure	(-) Saving/ (+) Excess (in per cent)	Allocation	Expenditure	(-) Saving/ (+) Excess (in per cent)
2016-17	1,325.70	1,321.99	-3.71 (-0.28)	273.36	270.84	-2.52(-0.92)
2017-18	1,540.90	1,542.11	+1.21(+0.08)	249.62	248.64	-0.98(-0.39)
2018-19	1,688.40	1,681.43	-6.97(-0.41)	335.64	334.89	-0.75(-0.22)
2019-20	1,850.05	1,850.05	0.00	221.29	221.29	0.00
2020-21	2,415.85	2,014.07	-401.78(-16.63)	401.30	287.68	-113.62(-28.31)
2021-22	2,790.23	2,370.07	-420.16(-15.06)	310.32	279.79	-30.53(-9.84)
Total	11,611.13	10,779.72	-831.41(-7.16)	1,791.53	1,643.13	-148.40(-8.28)

Source: E-kosh data of the respective year

Chart 6.7: Details of Revenue and Capital Expenditure

(₹ in crore)



As seen from **Table 6.4**, revenue expenditure increased over the years while capital expenditure increased till 2018-19 and then showed a declining trend. Expenditure for the period 2016-22 comprised 87 per cent under revenue head and 13 per cent under capital head. The component-wise expenditure is discussed in the succeeding paragraph.

6.5.2 Component-wise utilisation of funds

Component-wise expenditure incurred on healthcare by all the Directorates as per E-kosh during 2016-22 is shown in **Table 6.5**.

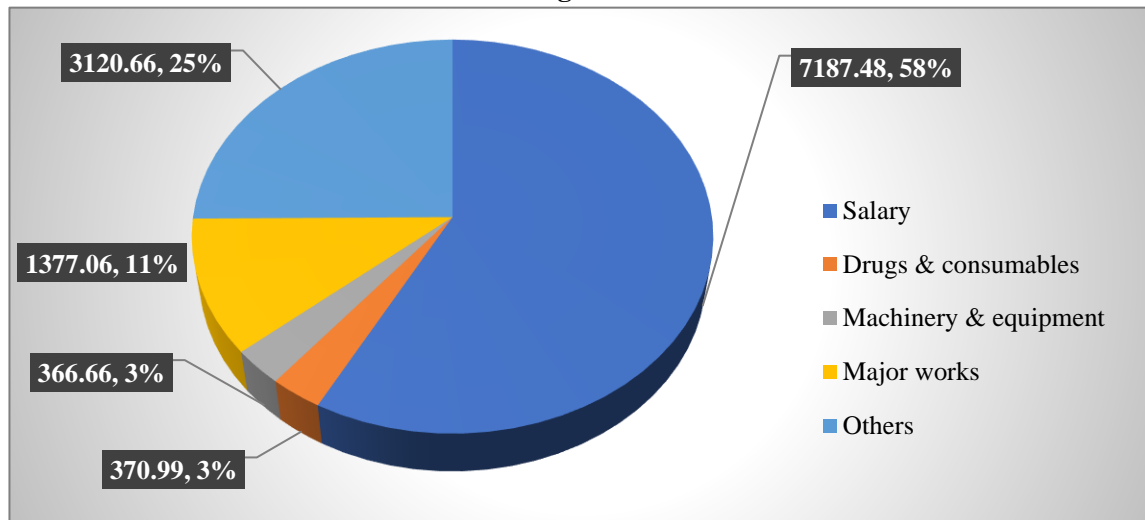
Table 6.5: Component wise expenditure incurred on healthcare for the State as a whole (₹ in Crore)

Year	Total Expenditure	Salary ⁵	Drugs & Consumables	Machinery & Equipment	Major works	Other
2016-17	1,592.83	955.95 (60.02)	39.89 (2.50)	21.98 (1.38)	270.84 (17.00)	304.17 (19.10)
2017-18	1,790.75	1,083.09 (60.48)	49.68 (2.77)	34.01 (1.90)	245.68 (13.72)	378.29 (21.12)
2018-19	2,016.32	1,182.94 (58.67)	79.94 (3.96)	174.90 (8.67)	176.19 (8.74)	402.35 (19.95)
2019-20	2,071.34	1,246.83 (60.19)	77.05 (3.72)	50.26 (2.43)	184.03 (8.88)	513.17 (24.77)
2020-21	2,301.75	1,312.59 (57.03)	48.65 (2.11)	48.06 (2.09)	245.41 (10.66)	647.04 (28.11)
2021-22	2,649.86	1,406.08 (53.06)	75.78 (2.86)	37.45 (1.41)	254.91 (9.62)	875.64 (33.04)
Total	12,422.85	7,187.48 (57.86)	370.99 (2.99)	366.66 (2.95)	1,377.06 (11.08)	3,120.66 (25.12)

Source: as per E-kosh data of treasury and accounts of HP, Figures in brackets indicate percentage

⁵ Salary, Wages, Travel Expenses, Liveries, Medical Reimbursement, GIA Salary, Remuneration to out-sourced staff

Chart 6.8: Component-wise expenditure incurred on healthcare in the State as whole during 2016-22



It can be seen from **Table 6.5 & Chart 6.8** that:

- A major portion of expenditure was incurred on salary and general establishment during 2016-22, which constituted 58 *per cent* of the total expenditure.
- On machinery and equipment, though there was an increase in expenditure as compared to 2016-17, there was a sharp increase from ₹ 34.01 crore in 2017-18 to ₹ 174.90 crore in 2018-19. The increase was mainly attributed to establishment of four⁶ medical colleges during the period 2016-18, of which funds amounting to ₹ 150.99 crore out of ₹ 174.90 crore were released to three colleges (YSPGMC Sirmaur- ₹ 49.95 crore, JLNGMC Chamba - ₹ 49.84 crore & RKGMC Hamirpur - ₹ 51.20 crore) during 2018-19. The decreasing trend started from 2018-19 onwards, although it was observed that in the selected districts, there was shortfall in availability of equipment in district hospitals (DH) and in CHs as discussed in Chapter IV (**Para 4.9.1**).
- On drugs and consumables, there was an overall increase of 89.97 *per cent* in expenditure from 2016-17 to 2021-22. However, a decline of 36.86 *per cent* in expenditure was noticed during 2019-20 to 2020-21. Average shortfall in availability of drugs and consumables was also noticed in selected health institutions (DH/CMO-42 to 80 *per cent*, CH- 55 to 92 *per cent* and CHC- 60 to 85 *per cent*) which is discussed in Chapter IV- Drugs, Equipment and other consumables (**Para 4.1.1** to **Para 4.1.7**).

6.6 Budget and Expenditure for selected districts (GoI and State)

In the selected districts, year-wise allotment and expenditure of funds during 2016-22 pertaining to the Department of Medical Health and Family Welfare is shown in **Table 6.6**.

⁶ YSPGMC Sirmaur (2016), JLNGMC Chamba (2017), SLBGMC Mandi (2017) & RKGMC Hamirpur (2018)

Table 6.6: Budget & Expenditure of selected districts

(₹ in crore)

Year	Kinnaur		Solan		Kangra		Total		
	Budget	Exp.	Budget	Exp.	Budget	Exp.	Budget	Exp.	Savings (per cent)
2016-17	15.53	17.07	76.93	64.84	117.78	106.68	210.24	188.59	10.30
2017-18	15.17	16.64	67.46	64.01	107.71	103.57	190.34	184.22	3.22
2018-19	19.21	18.21	79.49	74.62	126.66	120.95	225.36	213.78	5.14
2019-20	20.24	20.89	85.50	78.98	171.45	164.60	277.19	264.47	4.59
2020-21	19.61	19.56	80.80	74.70	203.88	169.27	304.29	263.53	13.40
2021-22	24.99	24.52	78.92	72.49	213.32	195.92	317.23	292.93	7.66
Total	114.75	116.89	469.10	429.64	940.80	860.99	1,524.65	1,407.52	7.68

Source: CMO Kinnaur, CMO Solan and CMO Kangra (Health and Family Welfare) including DH

From **Table 6.6**, it is observed that:

- Of the three districts, in Kinnaur the expenditure was more than the budget during the years 2016-17, 2017-18 and 2019-20. The expenditure was met by re-appropriating funds from other heads.
- The expenditure in three districts increased by 55.33 per cent (Kinnaur- 43.64, Solan-11.80 and Kangra-83.65) in 2021-22 as compared to 2016-17.
- Mixed trend of savings was seen ranging between 3.22 per cent and 13.40 per cent during 2016-22 (Kinnaur 1.88 per cent in 2021-22, Solan between 5.11 per cent - 15.72 per cent and Kangra between 3.84 per cent – 16.98 per cent).

6.6.1 Component wise expenditure incurred on healthcare by all the selected districts

In the selected districts as shown in **Table 6.7**, it was observed that 79 per cent of the expenditure was incurred on salary; four per cent on procurement of drugs and consumables, one per cent on equipment, nine per cent on major works and seven per cent towards 'Other' which comprised items like office expenditure, motor vehicles, referral services, Grants-in Aid, minor works and repair and maintenance.

Table 6.7: Component wise expenditure in selected districts during 2016-22 (₹ in crore/ per cent)

Year	Total Expenditure	Salary (per cent)	Drugs & Consumables (per cent)	Equipment (per cent)	Major works (per cent)	Other (per cent)
2016-17	188.59	157.99 (84)	7.61 (4)	1.47 (1)	14.31 (8)	7.21 (4)
2017-18	184.22	156.40 (85)	8.16 (4)	1.96 (1)	10.86 (6)	6.84 (4)
2018-19	213.78	168.69 (79)	12.99 (6)	2.37(1)	21.95 (10)	7.78 (4)
2019-20	264.47	209.03 (79)	12.86 (5)	6.68 (3)	26.24 (10)	9.66 (4)
2020-21	263.53	211.60 (80)	5.54 (2)	0.61 (0)	22.09 (8)	23.69 (9)
2021-22	292.93	204.21(70)	6.10(2)	2.14(0)	28.34(10)	52.14(18)
Total	1,407.52	1,107.92 (79)	53.26 (4)	15.23(1)	123.79 (9)	107.32 (7)

Source: Departmental figures

6.7 Audit findings

6.7.1 Budget control

6.7.1.1 Irregular drawal of funds from treasury without immediate requirement

Rule 2.10(b) 5 of the Himachal Pradesh Financial Rules (HPFR), 1971 Vol. I provides that no money should be drawn from the treasury unless it is required for immediate disbursement and that advances cannot be drawn from the treasury for the execution of works, the completion of which is likely to take a considerable amount of time.

Audit noticed that ₹ 7.88 crore was drawn by five DDOs between March 2017 and March 2020 and the amount was not immediately disbursed but was kept in the shape of demand draft/savings bank accounts in respect of the test checked HIs as shown in **Table 6.8**.

Table 6.8: Statement showing details of fund drawn from treasury without immediate requirement

Sl. No.	Name of the DDO	Amount drawn from the treasury (in lakh)	Purpose for withdrawal	Date of withdrawal	Period of release of payment	Remarks
1	CMO Kangra	420.20	Installation of STPs	31/03/2020	6-15 months	The amount was drawn from treasury and kept in the shape of demand drafts/ banker's cheques and subsequently released to firms.
2	CMO Kinnaur	43.50	Installation of STPs	March 2020	9-12 months	The amount was kept in the shape of demand draft after drawing from the treasury
3	TBS Dharampur	18.00	Installation of STPs	March 2020	16 -17 months	Amount was kept in savings bank account
4	RPMC Kangra	155.00	Intramural Research Grant	March 2017 to March 2019	₹ 13.41 lakh was advanced to five Assistant Professors of different departments	Amount was kept in savings bank account from March 2017 to June 2020 and thereafter, the balance amount of ₹125.00 lakh was transferred to Director, DMER Shimla
5	Principal IGMC Shimla	151.00		March 2017 to March 2019	₹ 13.27 lakh was spent for various activities and purchase of kits for research work as of January 2023	₹151.68 lakh (including interest ₹ 13.95 lakh) was lying unutilised in the savings bank account upto January 2023. The reason quoted for non-utilisation was non-recruitment of required staff.
Total		787.70				

Source: Information provided by institutions

On being pointed out, CMO Kinnaur stated (October 2021) that the STP work was not completed due to Covid-19 pandemic and blocking of roads in the winter season etc., while CMO Kangra stated (December 2021) that funds were drawn as the budget was allotted. The replies were not acceptable as funds were drawn from the treasury without immediate requirement in violation of Rule 2.10(b) 5 of HPFR.

6.7.1.2 Non-surrender of unspent budget

As per Rule 41 of HPFR 2009, Heads of Departments of the State Government, through their Administrative Department, shall surrender to the Finance Department, by the dates prescribed by the Finance Department before the close of the financial year, all the anticipated savings noticed in the Grants or Appropriations controlled by them.

- Audit noticed that there was overall unspent budget of ₹ 1,427.03 crore under State and GOI share during 2016-22 in four directorates (DHS, DMER, DDH and DHSR). Further in 10⁷ test-checked units, there was unspent budget of ₹ 193.91 crore, mainly under the salary head, for the period 2016-22, which was not surrendered timely. There was a practice of sending the excess and surrender statement after the close of the financial year, which was against the financial rules. However, the surrender of fund was not done as per rules.
- In Government Dental College Shimla, it was noticed that during the year 2016-17, budget provision for ₹ 0.20 crore was made by the State Government for construction of hostel and other infrastructure for the students and staff of the Dental College. Subsequently during 2017-18, budget provision of ₹ two crore was made for the said work. Due to non-availability of land, no expenditure could be incurred on the project. However, the office did not surrender the budget during 2016-17 and 2017-18.

In reply it was stated by the Principal, Dental College (August 2022) that there was a practice for surrender of the budget after the close of the financial year. The reply was not acceptable as surrender of budget was required to be made as per financial rules and the practice followed was in contravention of the Rules.

6.7.1.3 Unutilised funds

In Rajendra Prasad Government Medical College (RPGMC) Kangra, an amount of ₹ 37.40 lakh received from the Deputy Commissioner Kangra under MPLAD for five works⁸ was lying unutilised due to non-finalisation of tender and pending permission for utilisation for other purposes (purchase of equipment). The amount had been kept in savings bank account for more than 24-34 months (August 2019 to May 2022).

⁷ Training Institute Cheb Kangra: ₹ 1.63 crore (2016-22), BMO Jawalamukhi: ₹ 2.13 crore (2016-21), CH Baijnath: ₹ 0.91 crore (2016-21), BMO Mahakal: ₹ 6.05 crore (2016-22), CMO Kangra: ₹ 2.94 crore (2016-21), DH Kangra: ₹ 10.03 crore (2016-21), RPGMC Kangra: ₹ 23.12 crore (2016-22) IGMC: ₹ 108.51 crore (2016-22) and CMO Solan ₹ 23.39 crore (2016-21) and Dental College Shimla ₹ 15.20 crore (2016-22)

⁸ Installation of 25 No. Sevi Fowler beds (May 2020) ₹ 5.00 lakh, Installation of 50 ordinary beds (May 2020) ₹ 2.40 lakh, Purchase of one ventilator (November 2019) ₹ 10.00 lakh and Purchase of two ventilators ₹ 20.00 lakh

6.7.2 Receipt controls

6.7.2.1 Non-deposit of Government revenue to State treasury

Rule 3 of HP Financial Rules 2009 provides that all moneys received by or on behalf of the Government either as dues of the Government or otherwise for deposit, remittance, and withdrawal there from, shall be brought into government account immediately.

Audit noticed that the Directorate of Health Safety & Regulation, IGMC Shimla, RPGMC Kangra and Dental college had not deposited the accumulated revenues for the period 2016-22 amounting to ₹ 52.01 crore (Health safety⁹: ₹ 5.69 crore, Tuition fee: IGMC Shimla - ₹ 18.27 crore, RPGMC Kangra - ₹ 22.01 crore and Dental College, Shimla- ₹ 6.04 crore) into government account. The authorities of the Directorate had not obtained any permission/order from the Finance Department for retaining the above revenues.

In reply, the Dental College stated (August 2022) that permission for deposit of tuition fee in the society account was granted by the Additional Secretary, Health to the Government of HP during January 2007.

DHS&R stated (November 2021) that Health Safety and Regulation Society Governing Body had decided to retain the amount after the approval/decision of the Governing Body.

In the Exit Conference it was stated by the Secretary (Health) to the Government of H.P. that tuition fee was deposited in Rogi Kalyan Samiti (RKS) fund and immediate day-to-day expenditure was met from RKS fund. Further, the notification from the Health Department has been issued after the concurrence of the Finance Department for depositing of tuition fee in RKS account.

The Government in its reply (January 2024) stated that as per the decision taken at Government level during January 2012, student fee was to be kept in separate account and the same was to be used for the students' welfare activities. The reply was not acceptable as legislative concurrence for keeping Government revenue out of Government account was not taken.

6.7.2.2 Delay in depositing user charges

Rogi Kalyan Samities (RKSs) were introduced in 2005 under the National Rural Health Mission (NRHM) as a forum to improve the functioning and service provision in public health facilities, increase participation and enhance accountability. As per provisions given in the RKS guidelines, user charges collected from the patients on account of various tests/treatment etc. are required to be deposited into the bank on the same day or next working day.

- Audit noticed that in four test-checked HIs¹⁰, user charges of ₹ 8.43 lakh were deposited belatedly in the bank account of RKS with delays ranging between two and 317 days, in violation of the rules *ibid*.

⁹ Accumulated revenues of interest, license/registration fees, penalties, fines received for food/drug license, registration fees.

¹⁰ Kinnaur: ₹ 3.86 lakh, CH Thural: ₹ 2.21 lakh, CH Jawalamukhi: ₹ 0.83 lakh, CH Shahpur: ₹ 1.53 lakh

- In CH Baijnath, it was noticed that during 2016-18, the amount collected on account of user charges under RKS was not deposited in the bank account. Instead, every month the balance was kept as cash in hand, which was against the RKS guidelines.

6.7.2.3 Suspected embezzlement of RKS fund collected on account of user charges

It was noticed from the records of RKS, Civil Hospital Shahpur, Kangra that the user charges collected were initially retained by the cashier/collector for almost eight-10 days and subsequently deposited with the dealing hand of RKS. The dealing hand used to deposit the accumulated amount in the bank account of RKS. There was a practice in the Hospital for not depositing the entire receipts on the next working day, as in some instances it was noticed that the amount was deposited after incurring expenditure out of the receipts. Further, no proper system of depositing the user charges in the bank account existed and as per the cash book for the month of December 2021, an amount of ₹ 2.13 lakh on account of user charges was lying in as “cash in hand” and the same was not deposited in bank since a long time. The period for which this amount which was pending for deposit pertains, was neither shown in the cash book nor in the records.

Audit compared the user charges collected by the cashier as per his/her register with the bank statement for the period April 2016 to February 2022 and it was noticed that the whole amount was not deposited in the bank account. As per the comparison made by Audit with reference to the amount deposited in the savings bank account and user charges collection register, there was short deposit of user charges amounting to ₹ 20.72 lakh as detailed in Table 6.9.

Table 6.9: Details of less deposit of user charges

(₹ in lakh)

Year	User charges collected as per collection register	Amount deposited in savings bank account	Expenditure incurred out of receipt	Balance
2016-17	7.10	1.55	0	5.55
2017-18	7.62	0.96	0	6.66
2018-19	8.27	1.79	1.94	4.54
2019-20	13.67	8.32	0	5.35
2020-21	10.00	11.38	0	-1.38 (excess deposit due to deposit of user charges of previous years)
2021-22 (Feb-22)	5.09	5.09	0	0
Total	51.75	29.09	1.94	20.72

Thus, the balance available should have been ₹ 20.72 lakh, while only ₹ 2.13 lakh was reflected in the cash book. The balance amount remained unaccounted for.

In reply, BMO Shahpur stated (September 2022) that CMO Kangra had instituted an enquiry for the suspected embezzlement.

In the Exit Conference (January 2023) the Secretary (Health) stated that the issue will be looked into and necessary action would be taken.

6.7.2.4 Non-deduction of performance security and security deposit

Para No. 11 of the MOU executed between DHS and two firms¹¹ for installation of Sewerage Treatment Plants (STPs) in the State provided that five *per cent* performance security and five *per cent* security deposit was to be deducted from due payments, which shall be released after six months from the date of completion of the project.

It was noticed in audit that CMO Kangra, CMO Solan and CMO Kinnaur, had not deducted the performance security and security deposit amounting to ₹ 0.53 crore¹² (five *per cent* performance security and five *per cent* security deposit) at the time of making the payment of ₹ 5.27 crore¹³ to the firms on account of installation and commissioning of STPs. This was in contravention of the provisions of the MOU.

In reply, CMO Kinnaur assured (October 2021) to follow the procedure in future, CMO Solan stated (January 2022) that the amount was not deducted due to oversight, however, the same would be deducted in future. No reply was offered by CMO Kangra.

Non-deduction of security deposit and performance security was not only an undue favour to the executing agencies, but also compromised the Department's ability to safeguard against default by the agencies during execution of the work.

6.7.3 Expenditure Controls

6.7.3.1 Rush of expenditure

The State Government with the aim of regulating the expenditure in a phased manner prescribed quarter-wise expenditure¹⁴ targets.

Audit noticed that as per E-kosh data, expenditure was in the following ranges.

State level:

The range of quarter-wise expenditure percentages for the period 2016-22 is mentioned in **Table 6.10**.

Table 6.10: Range of quarter-wise expenditure percentages for 2016-2

(in *per cent*)

Quarter	Limit	DHS	DMER	DDH	DHSR
1 st Quarter	20	13 to 26	12 to 19	24 to 26	5 to 25
2 nd Quarter	25	23 to 33	14 to 23	22 to 26	13 to 51
3 rd Quarter	30	20 to 31	15 to 24	24 to 27	5 to 49
4 th Quarter	25	28 to 35	36 to 59	24 to 29	20 to 75
March		14 to 23	20 to 49	8 to 11	4 to 19

Source: Departmental records

It can be seen from **Table 6.10** that in DMER, the expenditure during the fourth quarter was 36 *per cent* or more, in which 20 *per cent* or more of total expenditure was incurred in the month of March indicating rush of expenditure.

¹¹ M/s Bansal Construction Company Gurugram, Anushka Builder Lucknow

¹² Kangra ₹ 46.04 lakh, Solan ₹ 2.27 lakh and Kinnaur ₹ 4.35 lakh

¹³ Kangra ₹ 460.44 lakh, Solan ₹ 22.75 lakh and Kinnaur ₹ 43.50 lakh

¹⁴ 1st quarter-20 *per cent*; 2nd quarter-25 *per cent*; 3rd quarter-30 *per cent*; 4th quarter-25 *per cent*

Selected CMOs/BMOs¹⁵:

During 2016-22, in the first quarter, *per cent* expenditure range was five to 31, 2nd quarter range was 20-35, 3rd quarter range was 17-30, 4th quarter was 22-37 and in March, the range was three to 26 *per cent*.

From **Table 6.10**, it can be seen that DMER and DHS had incurred expenditure in the range of 14 to 49 *per cent* in the month of March during 2016-22, which shows rush of expenditure at the end of the financial year.

6.7.3.2 Irregular parking of NHM funds in the current bank account

As per GOI guidelines issued during June 2014, bank accounts for all NHM funds should be kept in savings accounts in the scheduled commercial banks.

Funds of ₹ 94.79 lakh received during 2016-2021 (minimum observed balance in Kinnaur District during March 2018 to July 2021 was ₹ 49.22 lakh and in Solan during June 2016 to September 2021 was ₹ 45.57 lakh) were irregularly parked in the current bank account by the CMO Kinnaur and CMO Solan during this period.

6.7.3.3 Reconciliation with the treasury

Reconciliation with the treasury was not conducted during 2016-21 as required in HPFR 2009 rules in any of the test checked HIs of Kangra, Solan and Kinnaur District.

6.8 Internal audit

It was noticed that in the Health Department, there was no system of internal audit despite having 19 Assistant Controllers and four Section Officers (Finance & Accounts) under DHS.

The DHS in reply stated (November 2021) that there is no internal audit mechanism in the Health Department, which was also accepted by the Department during the exit conference.

6.9 Conclusion

The expenditure of the Health and Family Welfare Department did not meet the target set under the National Health Policy for any of the years. Though the funds allocated were less than envisaged, the absorptive capacity of the State was not adequate. There was persistent saving of funds under the State budget and also funds under NHM indicating there was still scope to increase the spending on health services. The mechanism for collection and depositing user charges into RKS funds was not robust.

¹⁵ CMOs: Kinnaur, Kangra, Solan BMOs: Jawalamukhi, Mahankal, Shahpur, Thural

6.10 Recommendations

Government should take steps to:

- *Increase budget allocation on health services in line with the guidelines of National Health Policy.*
- *Review the healthcare ecosystem in the State to identify the constraints/factors adversely impacting the absorptive capacity of funds and make concerted efforts for their resolution.*
- *Prepare budget estimates keeping in view bottom up/systematic approach by obtaining demand assessment from the field offices.*
- *Ensure funds are released for capital works only after ensuring completion of statutory and codal formalities.*