

5. Audit findings

5.1 Department of Health (Ministry of Health and Family Welfare)

5.1.1 Organisational structure

The Department of Health is responsible for the implementation of National Health Programmes and schemes initiated and launched by the Union Government for tackling various communicable and non-communicable diseases and providing comprehensive medical care facilities to the Central Government employees/pensioners, Members and ex-members of Parliament, Judges of Supreme Court, High Courts, employees of certain Autonomous Bodies/semi-government organisations, accredited journalists freedom fighters, etc. The department is headed by a Secretary to the Government of India who is assisted by Additional Secretaries and three Joint Secretaries and other officers and staff.

5.1.2 Financial Management and Budgetary Control

The funds allocated to and the expenditure incurred by the Department of Health during the period 2002-03 to 2004-05 were as under:-

Table 1: Expenditure incurred vis-à-vis funds allocated

Year	Budget Estimates		Revised Estimates		Expenditure		Percentage of expenditure to Budget Estimates	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1	2	3	4	5	6	7	8	9
2002-03	1493.51	1291.63	1493.51	1309.19	1341.60	1016.85	89.83	78.73
2003-04	1506.30	1367.68	1411.44	1552.54	1305.03	1303.01	86.64	95.27
2004-05	1769.30	1333.82	2177.00	1333.82	1772.63	1169.84	100.19	87.71

The department was not able to utilise the allocated funds fully during the years 2002-03, 2003-04 and 2004-05. The inability of the department to anticipate expenditure realistically resulting in savings ranging from around 5 to 20 *per cent* of the funds finally allocated (Budget Estimates), was indicative of poor budgetary controls viz. deficient pre-budget scrutiny of schemes and poor monitoring.

5.1.2.1 Budget preparation without inputs from estimating officers

According to the Budget Manual, subordinate/attached offices and different units of the department are required to send the Revised Estimates (REs) for the current year and Budget Estimates (BEs) for the ensuing year to the budget section of the department (headed by the Chief Controller of Accounts) which, in turn, had to submit it to the Department of Expenditure, Ministry of Finance by September of each financial year.

The subordinate offices and different units of the department did not send their budget proposals for the years 2002-03, 2003-04, and 2004-05 to its budget section. Consequently, the department framed the BEs hypothetically without any inputs from

the estimating officers and submitted these to the Ministry of Finance. This indicated violation of the procedures as laid down in the GFRs.

5.1.2.2 Prescribed expenditure control bypassed

The department neither monitored the receipt of monthly expenditure statements from its 108 DDOs, nor watched the progress of expenditure as required under the Budget Manual. It also did not consolidate the expenditure figures of the DDOs and did not reconcile these with the expenditure figures of the Pay and Accounts office. Thus, the prescribed expenditure control in the department was bypassed and expenditure figures booked by the PAO were adapted for inclusion in the REs and BEs.

5.1.2.3 Periodic flow of expenditure vis-a-vis budgeted allocations

Note 3 under Rule 69 of the GFR 1963 provides that rush of expenditure particularly in the closing months of financial year shall be regarded as a breach of financial regularity and should be avoided. Ministry of Finance had also emphasised on a number of occasions that under effective cash management system not more than 33 *per cent* of the budget should be utilised during the last quarter. Rush of expenditure during the closing months of the financial year reflected poorly on the overall financial management controls, implying lack of effective monitoring to ensure regular flow of expenditure. The flow of plan expenditure during the financial years 2002-05 was as under:-

Table 2: Rush of expenditure in the last quarter of the financial year

(Rupees in crore)

Year	Total plan expenditure	Expenditure from April to December	Expenditure in the last quarter i.e. January to March	Percentage of expenditure in the last quarter
2002-03	1341.60	653.25	688.35	51
2003-04	1305.03	788.41	516.62	40
2004-05	1772.63	877.03	895.60	51

Thus, between 40 and 51 *per cent* of plan allocation was utilised only in the last quarter of the respective years during 2002-05. Besides review of the allocation of funds under some of the programmes/schemes and their actual utilisation in the first eight months of the financial year 2004-05 revealed:

Table 3: Lack of utilisation of funds under various schemes during first eight months of the financial year 2004-05

(Rupees in crore)

Sl. No.	Programme/scheme	Funds allocated	Expenditure	Percentage utilisation
1.	National Anti Malaria Programme	219.00	40.65	18.56
2.	Kala Azar Control Programme	50.00	13.16	26.32
3.	National Mental Health Programme	33.00	8.13	24.64
4.	NICD, New Delhi	11.00	2.07	18.82
5.	Drugs Standard Control Programme	22.50	2.90	12.89
6.	Prevention of Food Adulteration	37.00	9.52	25.73
7.	Cancer Research	59.00	0.01	0.02
8.	Development of Nursing Services	22.00	0.51	2.32
9.	Health Disaster Management Plan	10.00	0.00	0.00

(Rupees in crore)

Sl. No.	Programme/scheme	Funds allocated	Expenditure	Percentage utilisation
10.	Capacity Building	20.00	0.00	0.00
11.	Integrated Disease Surveillance Programme	30.00	0.00	0.00
12.	Other small schemes	114.80	41.23	35.91

The utilisation of funds during the first eight months of the financial year upto November 2004 was abysmally low and ranged between 0 to 36 percent. This not only indicates inadequate monitoring of flow of expenditure in the department but also violation of GFRs.

5.1.3 Work standards

The department applies various checks and controls in its day-to-day work as enunciated in Central Secretariat Manual on Office Procedure (CSMOP). The department has not published any manual or flow chart listing out the steps in various activities and procedures which are specific to its working. It had also not documented the Internal Control System after identification of the various risks which it encountered in achieving its objectives keeping in view the risks associated with the working of the subordinate offices and Autonomous Bodies under its administrative control. The department did not maintain guard files and calendar of returns to ensure that important orders were easily available for reference and various returns were being sent regularly and timely to the prescribed authorities.

The Ministry had also not undertaken any work study for prescribing appropriate work norms and standards for output in terms of quality and quantity.

The CSMOP requires time limits to be fixed for disposal of cases. However, the department had not maintained control records for watching the receipt and disposal of cases. Various sections did not prepare any weekly/monthly Returns of cases indicating the age-wise details of pending cases over a month with reasons as required under the CSMOP for monitoring their timely disposal. As per Medical Reimbursement Claim (MRC) Register, 1394 medical claims were received by Desk-I of the Central Government Health Scheme (CGHS) from 1 January 2002 to 31 March 2005. Test check of fifty claims received by CGHS during this period revealed that there were abnormal delays in submission, examination and processing of these cases. In ten of these cases there was delay of 1½ months to 28 months from the dates the claims were received in the department in opening the case files and submitting these to higher authority. In five cases it took 2 to 24 months to settle the cases. A total of sixteen re-imburement claims cases were pending for disposal as of November 2005.

The department needed to rationalise the structures and procedures as required under Para 158 (read with Appendix 61) of the CSMOP.

5.1.3.1 Annual inspection

As per para 133 of CSMOP, each section/desk in the department was to be inspected once in a year to ascertain the extent to which the provisions of the CSMOP

and instructions issued thereunder were being followed. The O&M officer was required to report the significant points, if any, emerging from the Inspection Reports to the Secretary. In addition, he was also required to bring to the notice of the Department of A.R. and Public Grievances, the important findings by 30th April each year. The department did not follow the provisions of CSMOP at all, as 87 to cent *per cent* of the sections/desks remained un-inspected during the years 2002-03 to 2004-05 as shown in the following table: -

Table 4: Status of section/desk note inspected during previous year

Year	No. of section/desk in the department	No. of section/desk inspected	Percentage of section/desk that remained un-inspected
2002-03	32	None	100
2003-04	32	4	87
2004-05	32	4	87

Thus, in addition to non-preparation of its own Office Procedure Manual, the department was also not complying with the provisions of CSMOP which constituted an important component of the overall internal control system.

5.1.3.2 Rotation of duties

Rotation of duties is an important internal control that prevents developing of vested interests and removes the impression of indispensability of an employee. Test check revealed that the department was not rotating the duties of its personnel, which resulted in officials' working in a particular section for periods ranging from 11 to 25 years. Details of a few cases are given below:-

Table 5: List of employees posted in a particular section for long period

Sl. No.	Name of the post	No of employees	No. of years till 2005
1	Assistants	4	15 to 25 years
2	Upper Division Clerks	4	11 to 16 years
3	Lower Division clerk	1	13 years

5.1.3.3 Control over physical custody of assets

Proper control records were required to be maintained indicating current status, procedures for receipt, inspection, safe custody and periodic physical verification of stores, stocks and fixed assets. The ground balances of assets as per physical verification were to be periodically compared with the recorded quantities and amounts to determine whether the two agree. A test check of stock registers of the department and its subordinate offices revealed that the system of periodic physical verification of assets had not been instituted and implemented in the department as well as in its subordinate offices, in the absence of which the actual status regarding custody of stores, position of condemned and unserviceable items and losses, if any, due to theft, embezzlement etc. could not be ascertained. The position of physical verification was as under:-

Table 6: Position of physical verification of store items

Sl. No.	Name of the Department/Attached office	Store items	Period since when physical verification has not been conducted
1.	Department of Health	Stock of assets	No record of previous physical verification
2.	Directorate General Health Services	-do-	-do-
3.	Central Government Health Scheme (Hq.)	-do-	Since 1995
4.	National Medical Library	Books and Journals	Since 1986

5.1.4 Internal audit

Internal audit is defined as the control of all controls. It is conducted to ascertain how far the rules and regulations, systems and procedures and instructions issued by top management in accounting, financial and administrative matters are being followed. It is the primary responsibility of the management of an organisation to install an effective internal audit system and take prompt rectificatory action in respect of the deficiencies in its working as pointed out by such audit.

The internal audit of the Department of Health was conducted by the Internal Audit Wing of the Ministry of Health and Family Welfare under the administrative control of the Chief Controller of Accounts. There were 172 cheque drawing DDOs and non-cheque drawing DDOs located all over the country all of whom fall within the purview of Internal Audit. The audit reports of different units are issued by the Internal Audit directly to the units and copies are sent to the Ministry for review and follow-up action. A test check of functioning of Internal Audit Wing of the Ministry revealed the following deficiencies:-

5.1.4.1 Training of internal audit staff

To be able to conduct its functions of checking various aspects of functioning of the department including its budget and accounts, with reference to the relevant rules and orders, it is essential that the Internal Audit Department is manned by staff who are appropriately qualified and trained. It is also necessary that such staff undergo periodical in-service training programmes for upgrading their knowledge and skills. It was noticed that specific training programmes were not conducted for upgrading the skills of the staff of the Internal Audit Department.

5.1.4.2 Internal audit of schemes and PSUs

A large number of Central and Centrally Sponsored Health Programmes are being implemented at the national level. These programmes are financed mainly by the Ministry and outlays involved constitute about 70 percent of the plan allocation of the Department of Health. However, these programmes had been kept out of the purview of Internal Audit. The audit of Public Sector Undertakings under the Department and grantee institutions/Autonomous Bodies like AIIMS, PGI Chandigarh etc. were also kept out of the jurisdiction of Internal Audit. Since large

amount of grants, loans, advances etc. are advanced to these undertakings and Autonomous Bodies, keeping these outside the audit jurisdiction of Internal audit defeats the purpose of having an Internal Audit Wing in the Ministry.

5.1.4.3 Preparation of audit plans

Internal Audit Wing of the Department had conducted audit of 128 units against the total 138 units planned for 2004-05. Information regarding units planned to be audited and actually audited during previous years was not documented by the Internal Audit Wing. The department was not preparing any monthly, quarterly or annual audit plans.

5.1.4.4 Lack of response by auditee units

The Ministry did not take timely and effective measures to rectify the deficiencies or to comply with the observations of the Internal Audit and Statutory Audit. The position of outstanding audit observations in test-checked files is as under:-

Table 7: Position of outstanding audit observations

Sl. No.	Name of the unit	Outstanding audit observations	
		Internal	Statutory
1.	Department of Health	Information not furnished	53
2.	Directorate General of Health Services	22	25
3.	Central Government Health Scheme (Hq.)	24	153
4.	National Medical Library	15	54
5.	Safdarjung Hospital	68	51

A test check of Inspection Reports of Internal Audit further revealed that the audited units had not taken action on the audit observations made by the Inspection Parties. This resulted in persistence of deficiencies which were being repeatedly commented upon in the subsequent Inspection Reports. The details of some outstanding paragraphs was as under: -

Table 8: Position of persisting deficiencies pointed out by internal audit

Sl. No.	Name of the unit	Period of last audit	No. of paras in the IR	No. of old paras taken afresh
1.	CGHS (HQ)	2003-04	24	5
2.	DGHS	2003-04	22	9
3.	Safdarjung Hospital	2003-04	68	52
4.	National Medical Library	2004-05	15	4

The lack of action by the Ministry in attending to the Internal Audit objections made the efforts of Internal Audit Wing ineffective.

5.1.5 Administrative Control

5.1.5.1 Manpower management and controls

Audit examination of the sanctioned strength vis-à-vis men-in-position of the department of health revealed that 87 posts which were lying vacant for a period of more than one year as of March 2005 were not abolished in terms of the instruction of the Government circulated vide DOPT o. m. no. 2/8/2001-PIC dated 16.5.2001.

5.1.5.2 Manpower appraisal

The department has an Internal Work Study Unit (IWSU), which is required to undertake work measurement study of the department including its subordinate offices. At the end of October 2005 the Ministry had 106 subordinate offices under its control. The IWSU had undertaken work measurement study of the subordinate offices as under:-

Table 9: Position of work measurement studies as undertaken

Year	No. of sub-ordinate offices	Units planned to be covered	Units actually covered	Shortfall	Reasons furnished by the department for the shortfall
2002-03	106	12	9	3	Unavoidable circumstances
2003-04	106	7	5	2	-
2004-05	106	14	8	6	-

Thus, the work measurement studies undertaken by IWSU ranged only between 5 and 8 *per cent* of the units. The IWSU had not covered any section/desk of the Ministry itself. The Staff Inspection Unit (SIU) of the Department of Expenditure which conducts review of the staffing of government establishments with a view to securing economy had also not reviewed or appraised the department in the last 3-4 years. The department stated that it was the prerogative of the SIU to conduct the review and they did not interfere in the number of studies to be conducted by the SIU. Thus, the internal controls were not applied effectively for ensuring that staff patterns conformed to the prescribed norms and standards of the manpower was effectively utilised and the desired level of employee productivity was achieved.

5.1.5.3 Grants-in-aid released to voluntary organisations without following prescribed norms

The Government of India is encouraging the participation of the voluntary organisations engaged in medical relief work in supplementing its efforts to make available preventive, promotive and curative services especially to the weaker sections of the society particularly in underserved areas. The department gives financial assistance/grants-in-aid to the voluntary organisations engaged in the above activities.

As per the approved pattern of release of assistance to Non-Government organisations, funds were to be released in two instalments in the first quarter (April-June) of each financial year on furnishing of un-audited statement of accounts and provisional utilisation certificate for the preceding financial year and in the 3rd quarter (September-December) of each financial year on furnishing audited statements of accounts and utilisation certificates in respect of previous financial year and quarterly report of the current year. Audit noticed that during the years 2002-03, 2003-04 and 2004-05 the first instalment of grants aggregating 75 *per cent* of the total grants-in-aid of Rs. 43.15 lakh, Rs. 37.15 lakh and Rs. 94.46 lakh respectively was released under Leprosy Control Programme during the last quarter of the financial years which was to be released in the first quarter of each year. In two cases grants in aid of Rs. 3.96 lakh pertaining to the financial year 2001-02 was sanctioned during September 2003. Similarly, in 3 cases grant of Rs. 4.92 lakh pertaining to the financial year 2003-04 was sanctioned/released during 2004-05.

5.1.5.4 Control mechanism for watching utilisation of grants

As per Rule 151 (i) of GFR, the Administrative Department concerned should examine the annual audited accounts and utilisation certificates of various bodies and authorities to which grants are released for ensuring proper utilisation of grants released in the preceding year before admitting their claim for grants-in-aid in the subsequent financial year. It was, however, noticed in test check that 3030 utilisation certificates amounting to Rs. 1975 crore as of 30.11.05 were pending from the various Bodies/Authorities for the period 1976-77 to 2003-04. This indicated that the controls for monitoring the functioning of Bodies/Authorities were weak. The department stated (November 2005) that monthly meetings were being held with Joint Secretaries concerned and all efforts were being made to clear such a long outstanding amount of UCs.

5.1.5.5 Lack of propriety in the use of staff cars and residential telephones

Ministry of Finance vide o. m. no. F. 3 (9) E II (A)/95 dated 6.9.95 had inter alia prescribed ceiling of consumption of 600 litres petrol per quarter per car. Test check of records of 6 vehicles in Director General of Health Services for the months of April 2004 to December 2004 revealed excess consumption of 6027 litres of petrol involving extra expenditure of Rs. 3.68 lakh calculated on the basis of average cost of petrol @ Rs. 33 to Rs. 37 per litre of petrol during this period. Further, under Rule 39 of Staff Car Rules, logbooks are required to be scrutinised by a senior officer

preferably of the rank of Joint Secretary to ensure that there is no misuse of vehicles and that all the officers who used the staff car have made the necessary entries and a certificate to this effect is to be recorded in the log book by the officer so authorised. Test check of the logbooks of 6 test-checked vehicles revealed that these were neither scrutinised by a senior officer nor were closed at the end of the month.

The Ministry of Finance (Department of Expenditure) vide o. m. no. F (8)-E (Coord)/82 dated 8th June 1982 had also prescribed ceiling of 650 calls (excluding STD calls made for official purposes and 150 free calls) for bi-monthly billing cycle in respect of telephones provided at the residence of officers at government expenses. A test check of 'Telephone Registers' of 33 telephones however, revealed that the telephone calls in excess of the prescribed ceiling were allowed to officers leading to excess payment of Rs. 5.19 lakh by the department during April 2002-October 2005.

Thus, lax controls led to non-observance of instructions/procedures prescribed for curbing misuse of vehicles and telephones.

5.1.5.6 Verification of service records

In terms of G.I., M.F., O.M. No. 3 (3)-E. IV (A)/76 dated the 25th November, 1976 below rule 199 of Supplementary Rules (SR), the head of office has to inspect annually at least ten *per cent* of the service books and leave accounts. Out of 68 test-checked service books, in 25 cases services had not been verified for the last two to seventeen years; in seven cases services were verified for three to fourteen years at one stretch, and in five cases services were not verified by the Pay and Accounts Office after completion of twenty five years of services/before five years of retirement. In eleven cases information regarding nominations in respect of Gratuity, GPF, CGEIS etc. was not available in service books nor had the department maintained Register of nominations. An important administrative control was thus not followed.

5.1.5.7 Non-adjustment of advances

As per Rule 258 of the General Financial Rules read with Government of India decision No. 4 (2) (viii), the officer drawing money for making advance payment to supplier or stores etc. is responsible for its adjustment. It was, however, noticed that advances aggregating Rs. 138.72 crore and pertaining to the years 1999-2000 to 2003-04 were outstanding for adjustment as of November 2005. Reasons for non-recovery of advances had been called for from the department; their reply was awaited (January, 2006).

Central Government Health Scheme provides for payment of medical advances to pensioners on receipt of estimated expenditure from treating physician/Medical Superintendent of Government recognised hospitals. The advances are directly paid to the hospital and the pensioners are required to submit claim for adjustment of advance within a period of one month from the date of discharge from the hospital. The Directorate was required to correspond with the hospital for refund of the unutilised balance of advance. It was, however, noticed that

Rs. 1.99 crore was lying unadjusted since 1993-94. The inability of the department to adjust the advances for such a long period was indicative of inadequate control mechanism.

5.1.5.8 Improper maintenance of control registers

It was observed that the control registers such as TA/LTC Bill Register, Logbooks, Stock Register etc. were not maintained in the prescribed forms. The TA Bill Register did not contain columns indicating date of submission of adjustment bills, reasons for non-submission of bills immediately after completion of journey etc., which are necessary to keep a watch over the TA advance and effecting recovery when the claim of TA is forfeited. The logbooks were not closed at the end of the month and the Expenditure Control Register was not maintained at all.

5.1.6 Accounting control

5.1.6.1 Reconciliation of figures of expenditure

The department failed to carry out regular reconciliation of figures of expenditure with those booked by DDOs and PAOs. There were delays ranging from 5 to 11 days in depositing government receipts though these were to be deposited immediately.

5.1.6.2 Surprise check of cash

Surprise check of cash is required to be conducted by an authority not responsible for maintenance of cash book. Also, a certificate to the effect that the cash balance found during physical verification agreed with the balances is required to be recorded in the cash book. It was, however, observed that surprise check of cash was not done in department and its subordinate offices during 2002-05. Non-observance of this control renders the department vulnerable to misappropriation of public funds.

5.1.6.3 Improper maintenance of cash book

Cash book is the most fundamental and basic accounting record. However, in the Department of Health and its subordinate offices, cash books were not closed on daily basis and cuttings and corrections were not attested by DDOs. In National Medical Library, payment vouchers were not attested by the DDO, name of the individual to whom GAR-6 receipts were issued, was not entered in the cash book, and individual bills were not entered in the receipt side of the cash book and instead total amount of cheque received from PAO was posted at one place.

5.1.6.4 Heavy cash balance

In every department, procedures for dealing with cash shortages or surpluses are to be prescribed. In the subordinate units of Department of Health, like Safdarjung Hospital, New Delhi no such procedure was followed, as is evident from

the fact that average cash balance of Rs. 4.00 lakh and above was maintained by the hospital during 2003-04 despite having a permanent imprest of Rs. 80,000. This was done in spite of loss/embezzlement of Rs. 2.00 lakh in February 2002 from the cash section of the hospital for which investigation is still going on.

Recommendations

- ❖ **The Ministry may release timely submission of Budget Estimates for ensuing year and Revised Estimates for the current year by subordinate/attached offices of the department needs to be ensured to avoid excess provisions and consequential surrender of savings as well as to enforce expenditure control.**
- ❖ **Internal Audit Wing needs to cover all the units at regular intervals. Timely corrective action on the reports of this wing needs to be taken.**
- ❖ **The department should ensure that each section/desk in the Department is inspected once in a year to ascertain the extent to which the provisions of the Central Secretariat Manual on Office Procedure and other government instructions were being followed.**
- ❖ **Internal controls for monitoring early disposal of Medical Reimbursement claims needs to be instituted to obviate harassment to claimants, especially pensioners.**
- ❖ **Ensure rotation of the duties of its officers and staff.**
- ❖ **Ensure timely adjustment of outstanding advances.**