

CHAPTER V

INTERNAL CONTROL SYSTEM

HEALTH DEPARTMENT

5.1 Internal Control System in Health Department

Internal control system is a process by which an organisation directs its activities to achieve its objectives. Such a system consists of methods, systems and procedures for protecting resources from waste, loss, theft, misuse or mismanagement and provides reasonable assurance that the organizational goals and objectives are achieved. Evaluation of the internal control system in the Health Department revealed deficiencies in its budgetary, financial, administrative and supervisory controls, non-maintenance of basic records and non- reconciliation of expenditure. Internal audit arrangements were also deficient and unable to provide assurance against possibilities of financial irregularities. These lapses adversely affected delivery of primary health care services in the State.

Highlights

Unrealistic budget estimates resulted in overall savings of Rs.81.82 crore during 2002-07 affecting State’s financial interest and hindering departmental activities.

(Paragraph 5.7.2)

The Department had incurred 15 to 35 *per cent* of its total expenditure in March alone during 2002-07 indicating lack of departmental control over March rush.

(Paragraph 5.7.3)

Ineffective internal control resulted in non-adjustment of Abstract Contingent bills amounting to Rs.45.18 crore for a period ranging from five months to five years.

(Paragraph 5.7.7)

Huge vacancies of Medical Officers (16 *per cent*) and Group C posts including essential para-medical staff (20 *per cent*) adversely affected the health care delivery service to the public.

(Paragraph 5.7.29)

5.1 Introduction

Internal control system in an organisation comprises policies and methods to promote operating efficiency, achieve compliance with established policies, uncover frauds and minimise errors. It safeguards against errors and irregularities in operational and financial matters and provides reasonable

assurance that the organisational objectives are being achieved. A built-in internal control system and strict adherence to statutes, codes and manuals provide reasonable assurance to the management about compliance with applicable laws, norms and rules and ensures reliability of financial reporting and effectiveness and efficiency in operations.

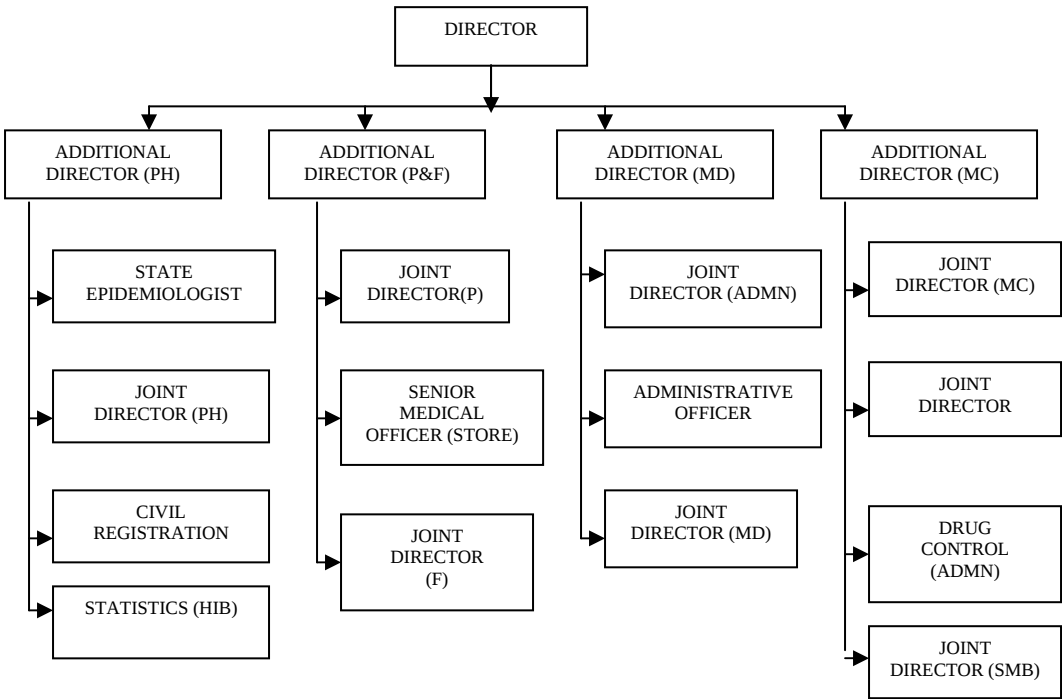
The Health Department is responsible for supervising, implementing and monitoring basic health services to the people through Government-run hospitals and dispensaries in the State. The services provided include preventive, curative and rehabilitative health care.

5.2 Organisational structure

Health care system in the State is based on the Primary Health Care approach as envisaged in the National Health Policy, 1983 with the objective of attainment of “Health for All” and “All for Health”. The health services are organised in a three tier structure.

The administrative control of the Department is vested with the Commissioner/Secretary to the Government, who is responsible for policy formulation and major decision making. The executive functions are performed by the Directorate of Health Services (DHS), which is responsible for technical aspects of health administration. The Directorate provides general direction and undertakes planning, supervision, evaluation and monitoring of implementation of various health programmes in the State. At the district level, health services are organised through the Chief Medical Officer (CMO), who administers a network of health care centres and hospitals in the district, and is responsible for implementation of health care programmes. The organisational structure of the Department is given in Chart below:

Chart No.1



5.3 Scope of Audit

The internal control system of the Department was reviewed during April-June 2007 through a test check of the records of the Director, Health Services and eight¹ other offices for the period 2002-07.

5.4 Audit Objectives

The objectives of audit were to ascertain the adequacy of the following internal controls in the Department:

- Budgetary and expenditure controls;
- Administrative controls;
- Operational Controls;
- Inventory controls;
- Internal Audit; and
- Supervisory and monitoring controls.

5.5 Audit criteria

Audit criteria used for assessing the effectiveness of internal controls of the Department were as under:

- General Financial Rules;
- Central Treasury Rules;
- Executive Orders issued by the Government from time to time;
- Delegation of Financial Power Rules, 1995;
- Supplementary Rules; and
- Departmental policies/Rules and regulations.

5.6 Audit Methodology

Audit methodology included intimating the auditee management about the objectives of the review, issuing audit questionnaires for offering comments/views of the Department, scrutiny of Departmental records and collection and analysis of data and documentary evidence, to arrive at audit findings, conclusions and recommendations.

5.7 Audit findings

The important points noticed during the course of review are discussed in the succeeding paragraphs.

¹ Deputy Director (Malaria), NAMP, Imphal; Senior Medical Officer, Community Health Centre, Kangpokpi; State Leprosy Officer, Imphal; Chief Medical Officer, Bishnupur; Chief Medical Officer, Imphal; Chief Medical Officer, Thoubal; Superintendent, Jawaharlal Nehru Hospital, Imphal; District Malaria Officer, Kangpokpi.

Budgetary and expenditure controls

5.7.1 Non-observance of prescribed procedures

General Financial Rules (GFRs) envisage preparation of budget estimates based on inputs from lower formations, expenditure within the budgeted amounts, avoid rush of expenditure at the close of the year and timely surrender of anticipated savings. Supplementary provision for funds is to be made only in case the original allotment proves insufficient. Regular monitoring of monthly expenditure incurred by the drawing and disbursing officers (DDOs) of the subordinate offices is required at the highest level of the Department to ensure compliance with the GFRs. Scrutiny of records, however, revealed that no such monitoring had ever been conducted by the Departmental officers.

Audit scrutiny revealed that the Department prepares non-plan budget estimates based on the requisite data received from the Head of Offices/DDOs. Regarding plan budget, the Department stated that no annual budget proposals were received from the programme implementing officers of the districts during 2002-07. This indicates that plan budgets were prepared on *ad hoc* basis without the basic information from the district level implementing officers.

5.7.2 Unrealistic budget estimates

The Department is responsible for exercising budgetary control to ensure that no expenditure is incurred in excess of the sanctioned grants and the savings are surrendered in advance before the end of the financial year. The actual expenditure *vis-à-vis* budget provision during 2002-07 was as under:

Table 5.1

Year	Budget Provision			Total expenditure	Savings(-)/excess(+) (percentage)
	Original	Supplementary	Total		
2002-03	66.32	8.10	74.42	51.81	(-) 22.61 (30)
2003-04	64.08	4.47	68.55	56.19	(-) 12.36 (18)
2004-05	71.22	3.36	74.58	56.81	(-) 17.77 (24)
2005-06	66.05	9.94	75.99	76.98	(+) 0.99 (1)
2006-07	82.51	37.89	120.40	90.33	(-) 30.07 (25)
Total	350.18	63.76	413.94	332.12	

(Source: Detailed Appropriation Accounts)

From the above table, it is clear that the Department failed to carry out prescribed regular monitoring of expenditure, modification of requirements. As a result, during 2002-03, 2003-04 and 2004-05, supplementary demands were taken but not utilised at all. The supplementary demand was partially utilised in 2006-07. The supplementary demands were thus not justified and deprived other needy Departments of funds. Further, the savings in each year during 2002-07 (except in 2005-06) ranged from 18 *per cent* to 30 *per cent* of the budget allocation. The percentage of savings would be much more if funds kept in deposits (Paragraph 5.7.4 and 5.7.5) are taken into account. Surprisingly, the savings were not surrendered well before the end of the

financial year for utilisation by some other deficit departments and instead, supplementary demands were taken. Thus, the preparation of budget was casual and not realistic. This indicates that there was no monitoring of expenditure or expenditure control within the Department. Yet funds were not a constraint for various schemes and filling up of vacancies.

5.7.3 Rush of expenditure in March

GFRs envisage that money should not be spent hastily or in ill conceived manner just to avoid the lapse of budget grant at the end of the financial year. The GFRs also require the controlling officers to avoid rush of expenditure in the closing months by keeping a close watch on the progressive expenditure of the DDOs on a month to month basis. It was, however, noticed that the Department had incurred 15 to 35 *per cent* of the total expenditure in March alone during 2002-07 as detailed below:

Table 5.2

(Rupees in crore)

Year	Total expenditure incurred during the year	Expenditure incurred in March	Percentage of expenditure in March
2002-03	51.81	7.59	15
2003-04	56.19	12.99	23
2004-05	56.81	11.34	20
2005-06	76.98	23.04	30
2006-07	90.33	31.60	35

(Source: Detailed Appropriation Accounts)

The rush in March as shown in the table above especially in 2005-06 and 2006-07 indicates that internal control mechanism as envisaged in the GFRs had not been adequately exercised.

5.7.4 Parking of funds

Scrutiny of records also revealed that an amount of Rs.69.83 lakh was withdrawn in March 2007 through Abstract Contingent (AC) bills for construction of District T.B. Centre, Imphal West (Rs.49.83 lakh), construction of District Hospital, Churachandpur (Rs.10 lakh) and construction of nursing school (Rs.10 lakh). Of this amount, Rs.39.18 lakh was deposited during the same month under “8449 - Other Deposits” which remained unutilized as of May 2007. Obviously, the amount was drawn and parked in ‘Other Deposits’ only to avoid lapse of funds at the end of the year. Consequently DCC bill was also not submitted to adjust the amount.

5.7.5 Retention of heavy cash balances

Central Treasury Rules provide that money should not be drawn from the treasury unless it is required for immediate disbursement. Scrutiny of cash book of the Department, however, revealed that the Directorate retained heavy cash balances at the end of each month ranging from Rs.2.33 crore to Rs. 4.93 crore during the years 2005-06 and 2006-07. Considering that the average period of retention of cash was five to 39 months, the possibility of temporary misappropriation of Government money cannot be ruled out.

5.7.6 Improper maintenance of cashbook

Central Treasury Rules stipulate that all monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of office in token of check. Test check of records, however, revealed that the Director of Health did not enter in the cashbook, a sum of Rs.1.13 crore received from the Union Ministry of Health and Family Welfare in April 2005 as grants-in-aid for strengthening the emergency facilities at the District Hospital, Senapati. When the omission was pointed out by Audit (May 2007), the Department stated that the transaction would be reflected in the cashbook with immediate effect.

Further, checking of cashbooks of offices including the Directorate revealed that the cashbooks were not maintained in proper format and their pages were not machine numbered. The entries were not attested by the Head of office/DDO in most of the cases. Physical verification of cash balances and periodical surprise check of cash had never been conducted during 2002-07. The Directorate did not analyse the position of cash balance at the end of each month and as such, the period of retention could not be ascertained in audit.

5.7.7 Unadjusted Abstract Contingent bills

According to the Central Treasury Rules, an Abstract Contingent (AC) bill requires adjustment by presenting Detailed Countersigned Contingent (DCC) bills to the Controlling Officer (CO) for countersignature and onward transmission to the Accountant General. A certificate should be attached to every AC bill stating that DCC bills in respect of all one month old AC bills drawn earlier had been submitted to the CO.

It was, however, noticed that DCC bills in respect of 96 AC bills, involving Rs.45.18 crore drawn between October 2002 and March 2007 by the DHS, were pending adjustment and submission of DCC bills for a period ranging from five months to over five years as of September 2007. The details are given in the table below:

Table No. 5.3
(Rupees in crore)

Year	Number of DCC bills pending	Amount involved
2002-03	10	2.67
2003-04	16	9.16
2004-05	3	3.97
2005-06	31	8.62
2006-07	36	20.76
Total	96	45.18

(Source: Departmental records)

The delays in submission of DCC bills were attributed by the DHS to non-receipt of adjustment vouchers from the subordinate officers indicating ineffective financial and administrative controls at the DHS level. The possibility of fraud and misappropriation of funds cannot be ruled out in this regard.

5.7.8 Unauthorised expenditure

As per the Delegation of Financial Power Rules (DFRs), 1995, the Head of the Department is empowered to accord expenditure sanction for purchase of equipment/instrument/appliances *etc.* up to Rs.0.10 lakh in each case.

It was seen from the records that the DHS had unauthorisedly accorded (March 2003) sixty expenditure sanctions (Rs.49,896 each) for a total amount of Rs.29.94 lakh towards purchase of Disposable Blood Lancet (DBL) under National Malaria Programme violating the financial limitation of Rs.0.10 lakh in each case. Based on these sanctions, the Deputy Director, Malaria, purchased (March 2003) 17,820 packets of DBL incurring an expenditure of Rs.29.94 lakh. The expenditure of Rs.29.94 lakh, is thus irregular.

5.7.9 Unauthorised purchase of material through departmental staff

GFRs envisage that every officer incurring expenditure from public money should be guided by high standards of financial propriety and should enforce financial orders and strict economy with respect to any expenditure.

Test-check of bills and vouchers revealed that during March 2006, the Directorate had purchased material like POL, motor parts, medicines, stationery and other miscellaneous articles through office staff at rates not duly approved by the competent authority and without supply orders being issued to the suppliers. An amount of Rs.9.91 lakh was paid to them in this regard for 32 bills, by way of reimbursement. Apart from reflecting on the lack of adequate financial control in the Department, these transactions also point to the possibility of collusion within the Department to circumvent the established rules and procedures.

5.7.10 Idle expenditure

Records of Chief Medical Officer (CMO), Thoubal disclosed that two X-Ray machines were lying idle since April 2004 at Yairipok and Kakching Community Health Centres (CHCs) under his administrative control. Original cost of X-Ray machines, dates of installation and the dates of their becoming non-functional were not, however, on record. The Department had neither initiated any steps to activate the machines nor had utilised the services of the technicians in other medical units of the State. Thus, the Department had not only rendered the investment (Rs.5.38 lakh) on the salaries of the technicians infructuous but had also deprived the rural patients of the benefit of X-Ray facilities. The Department admitted the fact (August 2007) and stated that the machines will be repaired and made functional.

Administrative control

5.7.11 Doubtful procurement of aids and appliances

It was observed that the Department purchased 2,970 Optimal IT Rapid Malaria Test-99 and 4,500 packets of E. Mal. injection at a total cost of Rs.19.96 lakh in March 2003. But the copies of the supply order of appliances

so procured were not available and as such, could not be produced to audit. Although stock certificates were recorded on the body of the bills, the relevant stock register was also not produced to audit despite repeated requests.

In the absence of stock register, supply orders *etc.* the veracity of the procurement appears to be doubtful and the possibility of misappropriation of funds cannot be ruled out.

5.7.12 Non-observance of purchase procedures

Audit scrutiny revealed that the Department issued (March 2006) 66 (sixty six) supply orders to M/s Dina Art Gallery, Imphal for supply of 1,232 “Hoardings” and “Sign boards” (95 Hoardings and 1137 sign boards) at a total cost of Rs.21.89 lakh (Rs. 8.43 lakh for ‘Hoarding’ and Rs.13.46 lakh for ‘Sign boards’) under National Malaria Programme. Tendering procedures were not followed in issuing the supply orders and the Department also did not enter into any agreement with the vendor to specify the terms and conditions of the supply. Further, issuance of 66 (sixty-six) supply orders to the same vendor on a single date *i.e.* on 18 March 2006 is indicative of the fact that the supply orders were split up intentionally to avoid approval of the higher authority.

This illustrates lack of adequate administrative and procurement controls within the Department

5.7.13 Improper maintenance of service book

Service book is the basic and important document of an employee’s service life which should contain all entries as provided in Rule 198 and 199 of Supplementary Rules.

Test-check of service books maintained by four offices *viz.* Director of Medical and Health, CMO, Imphal, CMO, Thoubal and Superintendent of JN Hospital revealed the following irregularities.

- Service books were not shown to the employees annually as required under rules and their signatures were not obtained;
- Dates of birth were not verified and attested with reference to Admit Card/School Certificate;
- Earned Leave accounts in many cases were not up-to-date/not maintained at all;
- In some cases service verification was not done during the entire period of service;
- GPF account number was not recorded in most of the cases; and
- Photographs of the employees were not found affixed in all cases test-checked.

The irregularities as detailed above show absence of administrative controls in maintenance of service books of the employees of the Department.

5.7.14 Improper maintenance of bill register

Bill register is an important control for watching drawal of funds from the treasuries. After a bill has been passed by the treasury and encashed by the DDO from the bank, necessary entries are required to be made in the bill register to facilitate verification of bills actually drawn from the treasury. Test-check revealed that bill registers of CMO, Imphal, CMO, Thoubal and Superintendent of JN Hospital were maintained in bound book of plain papers and the requisite entries had not been recorded therein making verification of drawals difficult.

5.7.15 Lack of control on General Provident Fund (GPF) accounts

Audit scrutiny revealed that GPF ledgers for Grade IV staff of the Department were not maintained in proper form and their pages were also not machine numbered. The subscription and recovery of advance, debit posting of advances and withdrawals entered in the ledger account were not attested by the Head of Office/DDOs in token of check. Pass books, which were required to be issued to all Grade IV subscribers, were not issued.

Records also showed that amount of advances and withdrawals (Rs. 2.72 lakh) in respect of ten Grade IV staff were not reflected in the ledger.

In the office of the CMO, Thoubal, due to wrong calculation, interest on GPF amounting of Rs.2.84 lakh was allowed in excess to 134 Grade IV employees during the years 2003-06. While admitting the facts the Department stated (September 2007) that excess interest would be recovered.

5.7.16 Non-adjustment of medical advances

Medical Attendance Rules lay down that final bills in adjustment of medical advances should be submitted by the Government servant within one month of discharge of the patient from the hospital. Examination of records of the CMO, Imphal, and CMO, Thoubal, however, revealed that a total sum of Rs.4.13 lakh of medical advances drawn by eight employees of CMO, Imphal (Rs.3.24 lakh) and four employees of CMO, Thoubal (Rs.0.89 lakh) during the period from September 2002 to August 2006 remained unadjusted (June 2007).

The Department failed to recover the unadjusted medical advances from the salaries of the employees who did not submit the final bills for years together. The details are given in **Appendix 5.1**.

5.7.17 Non-remittance/delayed remittance of revenue

All moneys received by or tendered to Government officers on account of revenue, shall without delay be paid in full into the Treasuries.

Test-check of records revealed that moneys received through Out Patient Department (OPD) and In-Patient Department (IPD) coupons for the period January–December 2002 amounting to Rs.0.51 lakh by the CMO, Imphal, had neither been entered in the cashbook nor remitted into the Treasury.

Records of Director of Medical and Health also showed that Rs.0.83 lakh collected through TR-5 between December 2002 and February 2006 was entered in the cashbook and remitted into treasury with delays ranging from one to 23 months.

5.7.18 Lack of computerisation

An automated Management Information System (MIS) would have helped the Department in assuming a more proactive role in financial management, reducing errors in accounts and would have also assisted in material management. However, audit scrutiny revealed that none of the test-checked offices had adopted information technology in its day to day functioning to manage their activities in a more systematic manner.

5.7.19 Avoidable expenditure due to delayed payment of electricity charges

Test-check of records revealed that the JN Hospital, Imphal had not paid electricity charges in time and had to pay accumulated surcharge amounting to Rs.3.22 lakh in March 2007 due to delay in clearing the bills. This indicates poor administrative control and lack of anticipation of recurring payments.

5.7.20 Non-reconciliation of expenditure

Under the provisions of GFRs, the Head of the Department is responsible for reconciliation of expenditure figures with the Accountant General (Accounts & Entitlement) every month in order to ensure that the Departmental accounts are accurate. However, no monthly reconciliation had been carried out by the DMH for the period 2002-07.

5.7.21 Delay in processing of pension papers

Rule 58 of CCS Pension Rules envisage that every Head of office shall undertake the work of preparation of pension papers two years before the date on which a Government servant is due to retire on superannuation.

Rules 59, 60, 61 of the Rules *ibid* further envisage that all the pension papers and service book duly completed and processed in all respects by the Department should reach the Accounts Officer not later than six months before the date of retirement.

Test check of 20 pension records maintained by the Department revealed that the above preparatory activities were never carried out as per prescribed time schedule and the pension cases were sent to the Sr. Deputy Accountant General (A&E), Manipur, with delay ranging from two to 24 months from the date of retirement of the Government servant. This indicates inadequate monitoring and supervision of authorisation of pensionary benefits which resulted in failure of the Department to provide timely social security to the retired employees.

Operational controls

5.7.22 Inadequate Infrastructure

Health services in the State are provided at three levels. The primary health care is provided through a network of 420 sub-centres and 72 primary health centres (PHC). The secondary health care is rendered by the community health centres (CHC) and seven district hospitals. The third is the tertiary health care, where specialist and super-specialist care is provided. It includes one State hospital (JN Hospital) and Regional Institute of Medical Sciences (RIMS).

Scrutiny of records revealed that the Department is faced with the following problems in providing adequate health care services in the State:

- Out of 420 sub-centres and 72 PHCs, 182 and 35 health centres respectively did not have building facilities as on 31 March 2007.
- CHC Thoubal was up-graded to district hospital during 1998-99, but the construction of district hospital is yet to be taken up (March 2007). Besides, the construction of district hospital building at Churachandpur taken up during 1997-98 could not be completed (July 2007) for want of adequate funds.
- The JN Hospital which provides services in 15 major specialities, has only 200 beds due to which, large number of patients could not be admitted. Moreover, construction of OPD complex, casualty block and 100 bedded wards taken up between 2003-04 and 2005-06 could not be completed (July 2007).
- None of hospitals of the State is provided with modern equipments. Eight out of 16 CHCs did not have any X-ray machines.
- Ambulance services, the main stay in accidents and emergency cases, were crippled, as 18 out of 42 ambulances were non-operational. Thus, patients needing immediate medical attention would be deprived of timely care, putting them to higher risk.

The above instances point to poor operational controls within the Department. There is no evidence on record to show that the Department has taken up these issues for solution in right earnest despite their having a significant impact on the provision of health care services in the State.

5.7.23 Inadequate cure rate of leprosy patients

As per the Administrative report of the Department, the shortfall in the achievement of targets to cure the leprosy patients varied from 10 to 42 *per cent* during the years 2003-07. Further, achievement in curing and discharging of leprosy patients remained static at 58 *per cent* during the last three years as shown in the table below:

Table 5.4
Statement showing targets and achievements of curing leprosy patients

Year	Target	Achievement (<i>per cent</i>)	Shortfall (<i>per cent</i>)
2003-04	150	135 (90)	15 (10)
2004-05	80	46 (58)	34 (42)
2005-06	80	46 (58)	34 (42)
2006-07	60	35 (58)	25 (42)

(Source: Departmental records)

Although there was a 30 bedded leprosy hospital at Chingmeirong, one urban leprosy centre at Imphal and four leprosy control units functioning in the State, the Department could not achieve the targets.

5.7.24 Inadequate maintenance of statistical data of Infectious diseases

It was observed that the Department had not maintained adequate statistical data of various infectious diseases. During 2002 to 2005, no statistical record was maintained in respect of infectious diseases like AIDS, Tetanus, Rabies *etc.* The data maintained in 2006 in respect of Acute Diarrhoea, Pulmonary TB and AIDS, *etc.* and the number of cases in this regard were also not matching with the figures given in the Annual Administrative Report (AAR) of 2006-07. Statistical data regarding the number of patients suffering from infectious and other diseases and number of patients referred to hospitals outside the State during 2002-07 could not be furnished to audit due to non-maintenance of adequate records.

5.7.25 Increase in mortality due to infectious diseases

A comparative study of mortality due to infectious diseases for the year 2002-06 disclosed that there was an increasing trend in this area, as shown below:

Table 5.5
Statement showing number of patients treated and death cases

Year	Number of patients treated	Number of death cases
2002-03	70,908	13
2003-04	37,130	41
2004-05	26,595	14
2005-06	36,710	72

(Source: Departmental records)

From 13 death cases out of 70,908 patients treated during 2002-03, the death cases in 2005-06 shot up to 72 cases out of 36,710 patients treated. This indicates that the State health care delivery system was not geared appropriately in treating infectious diseases.

Inventory control

5.7.26 Stock of expired medicine

Scrutiny of records in the JN Hospital, Imphal revealed that huge quantities of expired medicines had been lying in stock for a long time (Details shown in **Appendix 5.2**). The original cost of expired medicines was neither recorded in

the stock register nor in the list of expired medicines furnished to Audit. This indicates that the medicines obtained from the central store/procured from the market by the hospital authorities were in excess of requirement resulting in their expiry due to passage of time.

5.7.27 *Doubtful issue of mosquito net*

Under the National Vector Borne Diseases Control Programme, the State Malaria Officer (SMO), Imphal, issued (August 2006) 12,000 mosquito nets (@ Rs.94.62 each) valued at Rs.11.35 lakh to District Malaria Officer (DMO), Kangpokpi.

Subsequent cross-checking of records (February 2007) of DMO, Kangpokpi revealed that he had received only 10,000 mosquito nets as against 12,000 shown to have been issued by the SMO resulting in short receipt of 2,000 nets valued at Rs.1.89 lakh.

Further, it was seen that the issue of 12,000 mosquito nets was not authenticated by the SMO by putting his initials. Hence, the issue/receipt of 2,000 nets valued at Rs.1.89 lakh was doubtful.

5.7.28 *Stock register and physical verification*

Stock registers of different offices had not been maintained properly. Invoice/challan number of the bills, value of medicines and equipment, date of manufacture and expiry had not been noted in the stock register of all the test checked offices excluding the Directorate.

Stores should be verified physically at least once in a year. Annual physical verification of stores and stock, except in the case of Central Medical Stores of the National Vector Borne Disease Control Programme, had never been conducted during 2002-07. In the absence of physical verification, loss/shortage due to misappropriation/ pilferage remained undetected.

5.7.29 *Manpower management*

Adequate administrative and technical/professional staff in key posts is essential for the effective functioning of an organisation. Examination of records in the Department of Medical and Health, however, revealed that men-in-position in the Department was not commensurate with the sanctioned posts required for the Department as a whole. As against the sanctioned strength of 669 doctors, only 560 were in position with 109 posts (16 *per cent*) lying vacant. Similarly, against 1,936 sanctioned posts of Class III employees including para-medical staff, men-in-position was 1,549 and the shortage was 387 posts (20 *per cent*). This affected the delivery of health care services to the people of the State adversely. Reasons for not filling up the vacancies including that of medical officers were not stated.

5.7.30 Internal Audit System

5.7.30.1 Absence of internal audit

Internal audit is an integral part of internal control mechanism. To obtain reasonable assurance about its functioning, the Department is required to establish a free and independent internal audit. The Department did not have an internal audit wing of its own, as it is under the audit jurisdiction of the Directorate of Local Fund Audit, Government of Manipur. It was, however, noticed that only four out of the nine test-checked offices were inspected by the Local Fund Audit during the period covered by the review.

5.7.31 Supervision and monitoring controls

5.7.31.1 Lack of monitoring and evaluation

It was seen in audit that no monitoring and evaluation cell was set up by the Department for effective monitoring and functioning of each activity. The Department did not evolve any monitoring mechanism prescribing the schedule of inspection of the working of the hospitals, dispensaries and offices under the control of the DHS. Health related important schemes like TB control programme, Cancer Control Programme and AIDS Control Programme *etc.* have not been monitored as evidenced by non-maintenance of relevant records. There were no records to establish that evaluation of the working of the Department as a whole had ever been done by any constituted committee/ external agency during 2002-07.

5.7.32 Lack of response to audit

It is an important function of the Department to monitor compliance with the observations of external audit conducted by the Accountant General. Important audit findings are communicated to the Heads of Offices through Inspection Reports (IRs) and the Heads of Offices are required to furnish replies to the IRs within four weeks.

As of March 2007, 191 paragraphs involving Rs.30.44 crore relating to 43 IRs of the Department were lying unattended. In respect of 30 paragraphs pertaining to six IRs of the Directorate of Medical and Health, even the first replies were not furnished. Failure to comply with the issues raised by audit facilitated continuation of serious financial irregularities and adversely affected the accountability mechanism. The details are shown in **Appendix 5.3**.

5.7.33 Conclusion

Internal control system in the Department was ineffective and inadequate. There were serious deficiencies in budgetary, financial, administrative controls and maintenance of basic records. There was shortage of manpower in key posts including doctors, affecting the delivery of essential health services in the State adversely. The system of annual physical verification of stores was virtually non-existent.

5.7.34 Recommendations

- Budget should be formulated in a realistic manner to avoid savings and excess funds should be surrendered on time.
- Physical verification and surprise check of cash balances should be carried out at prescribed intervals.
- Codal provisions for maintenance of cashbook should be strictly enforced.
- Purchase procedures should be strictly followed as per rules.
- Department should take immediate steps to fill up the vacant posts of medical officers and para-medical staff and ensure delivery of critical health services to the people.

Appendix 5.1

(Reference : Paragraph 5.7.16)

Statement showing the outstanding medical advances

(Rupees in lakh)

Name of office	Bill number & date	Amount of advance	Name of employee
CMO, Imphal	306 dated 11.9.2002	0.20	S. Ningthouren Singh
CMO, Imphal	308 dated 16.9.2002	0.20	N. Nalu Singh
CMO, Imphal	403 dated 26.9.2002	0.20	M. Nobin Singh
CMO, Imphal	546 dated 22.1.2003	0.68	Kh. Ibomba Singh
CMO, Imphal	50 dated 6.5.2003	0.20	S. Santibala Devi
CMO, Imphal	126 dated 17.5.2003	0.20	K. Ibomcha Singh
CMO, Imphal	440 dated 7.10.2003	0.56	N. Nalu Singh
CMO, Imphal	339 dated 5.8.2006	1.00	A. Dijen Singh
	Total:	3.24	
CMO, Thoubal	306 dated 11.9.2002	0.21	Kh. Memcha Devi
CMO, Thoubal	306 dated 11.9.2002	0.28	Maipaksana Devi
CMO, Thoubal	306 dated 11.9.2002	0.20	Md. Ibodon
CMO, Thoubal	191 dated 9.8.2004	0.20	S. Birmangal Singh
	Total:	0.89	

Appendix 5.2
(Reference : Paragraph 5.7.26)

Statement showing the expired medicine lying in stock

Sl. No.	Item	Date of manufacture	Date of expiry	Quantity
1	Inj. Adrenalin	10/2000	9/01	200 vials (one ml each)
2	Inj. Oxytocin	4/02, 4/03	9/03, 9/04	3750 vials/1 ml inj.
3	Inj. Methyl ergometrine	5/02, 4/03	4/03, 3/04	5750 amp. 1 ml inj.
4	Tab. Combat (Cotrimazol)	6/02	5/05	2000 tablets.
5	Frusemide	10/03	1/05	600 tablets.
6	Injection Amikacin	5/02	4/04	150 vials.
7	Injection Aminophilline	5/02	4/05	750 Ample (10 ml inj.)
8	Injection Adrenalin	4/02	3/03	1150 vials of 1 ml inj.
9	Xylometazoline/Nasal drop	12/2000	11/03	110 (10 ml phials).
10	Ketamine HCL	5/01	4/05	5400 mg.
11	Dexona	2/03	1/05	600 Pc. (2 ml.).
12	Injection Lignocain	3/01	2/03	600 Injection.
13	Sodium Bicarbonate	1/02	12/04	325 (10 ml Ample).
14	Ringer Lactate	NA	NA	400 bottles.
15	Normal Saline	NA	NA	200 bottles.
16	5% Dextrose	NA	NA	400 bottles.
17	Cidex	3/02, 4/02, 5/02, 6/02, 10/03, 12/03, 1/04	2/04, 3/04, 4/04, 5/04, 9/04, 11/04, 12/05	342 litres.
18	Cadicide	5/04, 4/05	4/06, 3/07	10 litres
19	Antacid /Antee	1/04, 6/04,	12/05, 5/06	38.72 litres
20	Aldendaxol/albitex	2/04	1/07	800 ml
21	Ampiciline (Ampitex)	2/04, 4/04	1/06, 3/06	14100 ml
22	Paracetamol/Pertex	2/04	1/07	540 ml
23	Furatex MD/Furazolidone	2/04	1/06	5280 ml
24	Bactran/Trimethoprim	2/04	1/06	1600 ml

Appendix 5.3

(Reference : Paragraph 5.7.32)

Statement showing outstanding Inspection Reports of Medical Department

Year	No. of outstanding Inspection Reports	No. of outstanding paras			First reply not received	Money value (Rs. in lakh)
		Part IIA	Part IIB	Total	(No.of Paras)	
1997-98	5	2	18	20	4	67.33
1999-00	6	4	20	24	3	312.68
2000-01	4	8	31	39	4	130.68
2001-02	2	0	3	3	0	10.80
2002-03	11	3	43	46	7	257.46
2003-04	7	1	26	27	4	726.19
2004-05	1	2	4	6	1	577.85
2005-06	7	0	26	26	7	960.95
Total	43	20	171	191	30	3043.94