



कार्यालय प्रधान महालेखाकार (सिविल लेखापरीक्षा)
 तमिलनाडु एवं पुदुचेरी
 लेखा परीक्षा भवन
 361, अण्णा सालै, तेनामपेट, चेन्नै - 600 018.
**OFFICE OF THE PRINCIPAL
 ACCOUNTANT GENERAL (CIVIL AUDIT)**
 Tamil Nadu & Puducherry,
 "LEKHA PARIKSHA BHAVAN"
 361, Anna Salai, Teynampet, Chennai - 600 018.

No.Pr.AG(CA)/CASS III/I/12-26/2011-12/

21.12.2011

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Introduction

We have audited the accompanying financial statements of the Tamil Nadu Health Systems Project which is financed under the World Bank Loan/Credit/Grant No.IDA Cr.No.4018-IN & IDA Cr.No.4756-IN, which comprise the Statement of Expenditure, Statement of Sources & Application of Funds and the Reconciliation of Claims to Total Application of Funds for the year ended March 31, 2011. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

Scope

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the Source and Application of Funds of Tamil Nadu Health Systems Project for the year ended March 31, 2011 (1.4.2010 to 31.3.2011), in accordance with the Government of India Accounting Standards.

दूरभाष / Phone : 2431 6400, 2431 6401, 2431 6402
 2431 6403, 2431 6404, 2431 6405
 तार / Telegram : "AUDITONE" Chennai

फैक्स / Fax : 044 - 2433 0012
 तार / E-mail : pagciviltnp@bsnl.in

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditure incurred, and (b) except for ineligible expenditure as detailed in the audit observations, given hereunder, expenditure are eligible for financing under the Loan/Credit/Grant No.IDA Cr.No.4018-IN & IDA Cr.No.4756-IN. During the course of the audit, Interim Unaudited Financial Reports (IUFs) for the quarters ended 30.6.10, 30.9.10, 31.12.10 & 31.3.11 for Rs.10,563.68 lakh and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

This report is issued without prejudice to the Comptroller and Auditor General's right to incorporate the audit observations in the Report of Comptroller and Auditor General of India for being laid before Parliament/State or UT Legislature.

A test check of records of the following offices in Chennai and districts were conducted :

- (a) O/o the Project Director, Project Management Unit, DMS Office Complex, Chennai-6;
- (b) District Project Management Unit, Tirunelveli @ Tenkasi;
- (c) District Project Management Unit, Virudhunagar;
- (d) Executive Engineer, Public Works Department, Buildings Construction Division, Chennai.
- (e) Executive Engineer, Public Works Department, Buildings (C&M), Pudukottai.
- (f) Executive Engineer, Public Works Department, Buildings (C&M), Tiruvannamalai.

AUDIT OBSERVATIONS:

On a test check of records at the above mentioned offices, the following observations are made :

(a) Project Management Unit, Chennai :

It was observed during audit that the expenditure of Rs.4706.87 lakh incurred on Pay & Allowances of hospital staff at districts, was included in the SOE and reimbursement claimed contrary to the provisions of second Amendment to the Development Credit Agreement dt.28.6.2010, which provides only for financing of "salaries of staff deputed to, or in, the PMU".

Therefore, the expenditure of Rs.4706.87 lakh is not eligible for reimbursement.

- (b) The expenditure of Rs.71.51 lakh incurred for the inaugural function of "Non-Communicable Diseases - prevention, screening and treatment" at Kasturba Gandhi Hospital, Chennai - 5 was included in the SOE and reimbursement claimed. In the G.O.(D) No.197 - Health & Family Welfare (EAP 1.1) Department dt.1.3.11, Government while according sanction for incurring an expenditure of Rs.71.51 lakh, have ordered to meet the expenditure initially from out of the funds available in Tamil Nadu Health Systems Project and to send necessary proposals for sanction of Government funds during the financial year 2011-12. Since the expenditure will be ultimately met out of Government funds, the claim of Rs.71.51 lakh is ineligible for reimbursement.
- (c) Air Travel by private Airlines are not admissible as per All India Leave Travel Concession (LTC) Rules. The then Project Director had performed journeys by private airlines (Jet Airways)/Helicopter/Taxi on the sectors "Chennai - Dehradun"/"Phata-Kedarnath-Phata"/"Rishikesh to Kedarnath (Phata), Badrinath & Dehradun", respectively.

On this being pointed out, Government vide its G.O.Rt.No.3582 dt.21.10.11 ratified the travel performed by private airlines in Chennai - Dehradun sectors, and restricted the journey performed by taxi on the sectors - Dehradun-Rishikesh-Badrinath-Phata and back to Dehradun, to the fare of the direct shortest route by train. Further, the Government have also directed that the travel by private helicopter on the sectors Phata-Kedarnath-Phata is not feasible for compliance.

In view of the above, the expenditure of Rs.35,000 incurred on travel by private helicopter, is ineligible for reimbursement.

COMMENTS ON AUDIT OBSERVATIONS POINTED OUT IN THE AUDIT CERTIFICATE
ISSUED FOR THE YEAR 2009-2010

S. No	Audit Observation	PMU's reply	Remarks
1	Difference in the total expenditure as per the Statement of Expenditure (Rs.3,96,89,080) and the records of Executive Engineer, Public Works Department (Buildings - Construction & Maintenance Division), Ramanathapuram (Rs.3,95,78,895) for the months of January, February and March 2010 resulted in excess claim of Rs.1,10,185.	The records received from the Executive Engineer, Ramanathapuram with relevant records are found correct. The total expenditure in respect of Executive Engineer, Public Works Department (Buildings, Construction and Maintenance Division) Ramanathapuram for the months of January, February and March 2010 is only Rs.3,96,89,080/- and hence there is no difference of Rs.1,10,185/-. Hence this para may please be dropped.	Due to non-production of relevant records, the facts could not be verified. Hence, the observation is retained.
2	Excess claim of Rs.78,397 in price adjustment clause of the works in Government Hospital at Chengam in Thiruvannamalai District for the month of February, 2010.	The excess claim of Rs.78,397/- has been deducted from the reimbursement claim on the II quarter IUFR of 2010-11. Hence this para may please be dropped.	Due to non-production of relevant records, the facts could not be verified. Hence, the observation is retained.
3	An expenditure of a sum of Rs.88,920 incurred towards procurement of UPS and Bio-Metric System at PMU was shown as an expenditure eligible for reimbursement in the Project Financial Statement. However, M/s.K. Munusami & Co., Chartered Accountants, Internal Auditors for Tamil Nadu Health Systems Society have excluded this expenditure while computing the Income & Expenditure Statement for the year. Hence, the sum of Rs. 88,920 is not certified in audit.	The material evidences were shown to the World Bank officials during their mission visit and the relevant invoices for the equipments purchased are enclosed herewith. Hence this para may please be dropped.	Consequent on production of necessary documentary evidences of UPS and Bio-Metric system, the observation is withdrawn.

COMMENTS ON AUDIT OBSERVATIONS POINTED OUT IN THE AUDIT CERTIFICATE
ISSUED FOR THE YEAR 2008-2009

SL No	Audit Observation	PMU's reply	Remarks
1	<u>PROJECT MANAGEMENT UNIT, CHENNAI:</u> (a) On a scrutiny of records it was observed that 1606 nos. of Surgical Bins of size 18"X12" (each costing Rs.1170) & 17 Nos. of Auto Claves Horizontal HP besides other surgical items were procured through Tamil Nadu Medical Services Corporation Ltd. and supplied to Government hospitals in the State. Surgical Bins of size 18"X12" could be used only in Horizontal type Autoclaves. It was observed that only 168 nos. of Surgical Bins of size (18"X12") were supplied to 17 Government Hospitals where Horizontal type Autoclaves were also supplied. Further, Joint Director of Health Services Tiruchirapalli & Tiruvannamalai have reported that 10 surgical bins 18" X 12" bins supplied to each of them were surplus. Since, only 168 nos. of Surgical Bins (18" X 12") were supplied to 17 hospitals where Horizontal type Autoclaves were also supplied, and as it was also reported that 10 Surgical Bins each supplied to Tiruchirapalli & Tiruvannamalai hospitals were surplus, remaining 1458 (1438+10+10) Surgical Bins could not be put to effective use in the Government Hospitals for want of Horizontal Autoclaves resulting in imprudent expenditure of Rs.17,05,860. Consequently, Rs.17,05,860 is ineligible for reimbursement. (b) M/s.N. Raja & Associates, Chartered Accountants, internal auditors for Tamil Nadu Health Systems Society have arrived at the total expenditure in r/o the Society as Rs.6,29,03,792 for the period from 1.10.08 to 31.3.09. However, in the Project Financial Statement of Tamil	-- --	No reply is furnished by the department. Hence, the Observation is reiterated. No reply is furnished by the department. Hence, the

	Nadu Health Systems Project, total expenditure incurred under Tamil Nadu Health Systems Society was shown as Rs.629.17 lakh, which includes a sum of Rs.0.13 lakh incurred as office expenses at Project Management Unit. Consequently, since the projected expenditure is over and above the certified expenditure by Rs.13,700, the sum of Rs.13,700 is ineligible for reimbursement.		Observation is reiterated.
2	<u>DISTRICT PROJECT MANAGEMENT UNIT, THENI @ PERIYAKULAM:</u> (a) Consequent on the high incidence of Cervical Cancer in Tamil Nadu, it was planned to take up pilot project on cervical cancer screening and treatment in two districts viz. Theni & Thanjavur. For implementation of the project, vide G.O.2(D) No.92 dt.4.9.06, Health & Family Welfare (GOVERNMENT 1/1) Department accorded sanction for non-recurring expenditure of Rs.64.81 lakh and recurring expenditure of Rs.80.06 lakh. In the said G.O., sanction was also accorded for appointment of 2 Oncologists/Specialists in Obstetrics & Gynecology (O&G) as Medical Officers (Cancer Control), Specialist in Public Health on contract basis @ Rs.20,000 per month in each pilot district. The qualifications prescribed for the post of Cancer Control Officer are an (a) MBBS Degree; (b) Post-Graduate Degree or Diploma in Oncology or Obstetrics and Gynecology or Public Health and (c) Experience of having worked in cancer control programme or any public health programme for two years. However, it was observed during audit in contravention of above sanction, a Doctor possessing only an MBBS qualification was appointed as Cancer Control Officer from 2006. Appointment of a Medical Officer without requisite qualification for a pilot project is brought to notice.	The Cancer Cervix pilot project started functioning from 02/2007. Even after making sincere efforts, no one has come forward with the required qualification for the above. If no medical officer has been posted, the pilot project would not have been started and entire pilot project would have been derailed. To start with only MBBS Degree holder (Medical Officer) who is also having knowledge with obstetrics & Gynecology has been to fill up the post selected by the Project Committee. However the AG observation will be taken care for compliance in future. Therefore the paragraph may be dropped.	Since the very objective of the pilot study involves the specialist requirement, management's excuse is not accepted. Hence, the observation is retained.

	(b) The pilot project Cervical Cancer Screening & Treatment was introduced by Government of Tamil Nadu as a test check to control cervical cancer for a period of two years as per GOVERNMENT 2D No.65 H &FW dept dt 24/8/05. As such the project should have been completed by August 2007. But it was seen that an expenditure to the tune of Rs.8.16 lakh was incurred under the Head of Account (HOA) 2210-06-101-PA beyond 8/2007 and upto 9/2009. Hence the expenditure of Rs.8.16 lakh incurred beyond 8/2007 is ineligible for reimbursement	---	No reply is furnished by the department. Hence, the Observation is reiterated.
COMMENTS ON AUDIT OBSERVATIONS POINTED OUT IN THE AUDIT CERTIFICATE ISSUED FOR THE YEAR 2007-2008			
1	On a test check of records at the O/o Joint Director of Health Services, Villupuram, it was observed that as against the expenditure of Rs.83,70,516, as reported by Project Director, actual expenditure incurred on Contract Salary, Mortuary, Mobile Out-reach services, Ambulance services, Counselling Centres, Coordinator Salary, POL Charges, Telephone charges, Contingencies, CEmONC Staff salary, Vehicles expenses worked out to Rs.64,65,494. Consequently, the excess expenditure of Rs.19,05,022 does not qualify for reimbursement.	The audited amount of RS.19.05 lakh already adjusted in Project Interim Unaudited Financial Report (IUFR) for the Second Quarter (q/e 30.9.11) out of total adjusted amount of Rs.73.74 lakh. Therefore on compliance of the audit objection, the audited objection may be dropped. Separate break up is furnished below for overall adjusted amount of Rs.73.74 lakh.	Consequent on adjustment of the ineligible amount of Rs.19.05 lakh in the second quarter of IUFR 2010-11, the observation is withdrawn.

4	In Pt.(g) it was observed that there were differences between the expenditure shown in SOE and the expenditure reconciled in the books of Accountant General (A&E) under various Heads of Account (HOA). Further, since the expenditure of Rs.31,04,249/- incurred under the HOA 4210-01-800-PA was not reflected in the books of AG(A&E) it was not certified in audit. To this observation, department replied that the following expenditure were incurred against the HOA indicated thereon were documented in the Government books of accounts. <table><tr><th>S.No.</th><th>Heads of Accounts (HOA)</th><th>Expenditure (in Rs.)</th></tr><tr><td>1.</td><td>4210-01-110-PC</td><td>7,99,64,000</td></tr><tr><td>2.</td><td>4210-01-800-PA</td><td>34,73,000</td></tr><tr><td>3.</td><td>4211-00-103-PA</td><td>13,18,38,000</td></tr></table> However, since the above mentioned HsOA and other HsOA mentioned in the Annexure to Pt.(g) are yet to be reconciled and reflected in the books of AG(A&E), they are not certified in audit..	S.No.	Heads of Accounts (HOA)	Expenditure (in Rs.)	1.	4210-01-110-PC	7,99,64,000	2.	4210-01-800-PA	34,73,000	3.	4211-00-103-PA	13,18,38,000	SINCE RECONCILED WITH AG and DCM Section of AG has furnished the required certificate to the effect vide their letter No. Pr. AG (A&E)/DCM/VI/ 2010-11 dated 23.12.2010 addressed to CASS III, Pr.AG (Civil Audit), Chennai-6. Therefore the audit observation may be dropped.	In r/o Head of Account 4210-01-800-PA, a sum of Rs.34,73,388 is verified in the books of Pr.AG (A&E) as against the department's expenditure of Rs.34,73,000. Hence, the expenditure reconciled in the books of Pr.AG (A&E) is certified.
S.No.	Heads of Accounts (HOA)	Expenditure (in Rs.)													
1.	4210-01-110-PC	7,99,64,000													
2.	4210-01-800-PA	34,73,000													
3.	4211-00-103-PA	13,18,38,000													
5	In Pt.(h), a sum of Rs.1,51,641/- which was treated as non-qualifying expenditure in the A.C. for the year 2005-2006 were pending adjustment as on 31.3.2007. This sum is yet to be adjusted by PMU in their subsequent claims.	Rs.82,029/- adjusted in Claim RF-16, Rs.40,000/- adjusted in Claim RF-15 and Rs.5749/- + Rs. 23,863/- adjusted in Claim RF-25. Thus all the non- qualifying expenditure has been adjusted. Therefore the audit paragraph may be dropped.	For want of Reimbursement Claims bearing Nos. RF Nos.15, 16 & 25, for scrutiny, the observation is not withdrawn.												

P.S. Iyengar
21/12/11

(P.S. IYENGAR)
DY. ACCOUNTANT GENERAL/ISC.I

Project Financial Statement for 2010-2011		
TAMIL NADU HEALTH SYSTEMS PROJECT		
IDA Cr.No.4018-IN and IDA Cr.No.4756-IN		
SOURCE AND USES OF FUNDS	For 2010-2011	Rs.in Lakh
SOURCE AND USES OF FUNDS	Actual	Cumulative from 21/1/05 to 31/03/2011
	Actual	Actual
1.Opening Balance		
Cash (if any)/Bank Balance	837.36	
Advances:	0	
with TNMSC	5264.47	
with PMU + DPMUs	176.46	
Temporary Advances		
Total opening balance (1)	6278.29	
2.Inflow:		
Civil Works – thro'LOC	264.9	27543.01
TNMSC – Receipt in PD a/c	15306.14	32120.09
THSS – Receipt in PD a/c	7026.46	10198.46
GOTn-from Treasury System	4706.87	12997.21
Interest	24.81	36.56
Miscellaneous Receipts	54.00	55.47
Total Inflow (2)	27383.18	82950.80
Total sources of funds (1+2)	33661.47	82950.80
Outflow:		
1.Civil Works (by PWD thro LOC)	264.90	26521.71
2.Goods & Equipment-thro TNMSC	993.85	11833.46
- by PMU		14.24
- by DPMU		223.25
- by ELCOT	2896.70	2896.7
3.Services:		
-NGO/Private Services	343.99	2087.76
-Training & Workshops	355.58	838.5
-Staff on Contract (Treasury account)	4706.87	10426.31
-Staff on Contract (Society account)	499.89	499.89
-Consultants	280.41	960.43
-IEC (etc)	118.89	242.62
4.Incremental Operating Costs	163.59	919.54
Soft activities (3+4)	6469.22	15975.05
5.Total Eligible Expenses for reimbursement (1+2+3+4)	10624.67	57464.41
6. – Adjustment	-60.99	-60.99
6.Salary – Non reimbursible		1448.05
7.TOTAL EXPENSES (5+6)	10563.68	58851.47
8.Refund		
Refund from TNMSC to Government	938.69	1547.70
Refund to Government from Temporary Advances		392.53
Total Refund	938.69	1940.23
9.Closing Balances		
Cash/Bank Balance	501.64	501.64
Advances:		0
with TNMSC	18662.79	18662.79
with PMU + DPMUs	137.65	137.65
with ELCOT	2857.02	2857.02
Total closing balances	22159.10	22159.1
Total uses of Funds (7+8)	33661.47	82950.80
Reconciliation with SOE Claims filed		
Gross Eligible Expenditure	10563.68	57403.42
Claims filed –1st IUFR to 4th IUFR - 2010-2011	10563.68	56871.39
Balance to be claimed in 2011-2012	0	532.03

बरीष्ठ लेखापरीक्षा अधिकारी
SENIOR AUDIT OFFICER
 OFFICE OF THE
 PRINCIPAL ACCOUNTANT GENERAL
 (CIVIL AUDIT),
 TAMIL NADU & PONDICHERY
 CHENNAI

Financial Advisor &
 Chief Accounts Officer
 Tamilnadu Health Systems Project
 Chennai

Name of the Project : TAMIL NADU HEALTH SYSTEMS PROJECT
Loan/Credit/Grant No.IDA Cr.No.4018-IN & IDA Cr.No.4756-IN
Statement of Sources and Application of Funds
Reports for the year ended 31st March 2011

Particulars	In Rs.'000		
	Current Year_2010- 2011	Upto the Previous Year 2009_2010	Project to date 27_01_05 to 31_03_2011
Opening Balance,(if cash balance are controlled by the entity) (A)	627,829		
Receipts			
Funds received from Government through Budget (These will include external assistance received by Government for the project)	2,732,918	5,556,615	8,289,533
Beneficiary Contribution (if any-Miscellaneous)	5,400	147	5,547
Total Receipts (B)	2,738,318	5,556,762	8,295,080
Total Sources (C=A+B)	3,366,147	5,556,762	8,295,080
Expenditures by Component			
A. Increasing Access and Utilisation of Health Services	372,654	2,899,291	3,271,945
B.Developing Effective Models to Combat Non-Communicable Diseases	35,544	61,951	97,495
C.Building The Capacity for Oversight and Management of the Health System	403,623	518,933	922,556
D.Maximizing the Efficiency of the Public Sector to deliver essential services	244,547	1,348,604	1,593,151
Total Expenditure (D)	1,056,368	4,828,779	5,885,147
Refunds to GoTN (TNMSC & Treasury Advance)	93,869	100,154	194,023
Closing Balance,(if cash balance are controlled by the entity) (C-D)	2,215,910	627,829	2,215,910

Notes:

- Information about the basis of preparation of the Financial statements with regard to the Financial Rules and Codes applicable.
- The above figures will be based on monthly/quarterly abstract accounts prepared by the accounts compiling offices, duly reconciled by the respective DDOs, with details of unreconciled amounts to be furnished.
- Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.
- Any other project specific Note.
- Certified that the second column viz., inflow and outflow of funds relating to period upto 2008-2009 is arrived at after reconciliation.

[Signature]
**Financial Advisor &
 Chief Accounts Officer**
 Tamil Nadu Health Systems Project
 Teynampet, Chennai.
[Signature]

[Signature]
वरिष्ठ लेखापरीक्षा अधिकारी
SENIOR AUDIT OFFICER
OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL
(CIVIL AUDIT)
TAMIL NADU & PONDICHERRY
LEKHA PARIKSHA BHAVAN

Name of the Project : TAMIL NADU HEALTH SYSTEMS PROJECT
Loan/Credit/Grant No.IDA Cr.No.4018-IN & ID Cr.No.4756-IN

Reports for the year ended 31st March 2011

	Amt (Rs.'000)			
Schedules	Current Year 2010-2011	Previous Year 2009-2010	Project to date	
Reimbursement claimed during the year-Gross (A)	I	1056368	4630770	5687138
Total Expenditure made during the year (B)		1056368	4828779	5885147
Less: Outstanding AC Bills (C)	II			
Ineligible expenditure (D)	III		144805	144805
Expenditures not claimed (E)	IV		53204	53204
Total Eligible Expenditures Claimed (F)=(B)-(C)-(D)-(E)	V	1056368	4630770	5687138
World Bank @ x% of (F) above (G)				

CFAO

Project Director

Date

Date

Notes:

- Total expenditure made during the year (B above) must be the same as as the Total Expenditure shown on the Statement of Sources and Applications of Funds (D on the Statement of Sources and Application of Funds)
- Outstanding AC Bills (C above) reflect funds drawn against AC bills that have been booked as expenditure but not settled by the end of the year (ie, unsettled advances). The project should show in Schedule II the opening balance of unsettled AC bills, AC bills drawn during the year, AC bills settled during the year, and AC bills unsettled at the end of the year
- Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.
- Amounts A and G above must be equal.

செனியர் ஆடிட்டர்
SENIOR AUDIT OFFICER
OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL
(CIVIL AUDIT),
TAMIL NADU & PONDICHERRY
LEKHA PARIKSHA BHAVAN

Financial Advisor &
Chief Account Officer
Tamil Nadu Health Systems Project
Teynampet, Chennai