FINANCIAL ADMINISTRATION
As an integral part of the structure of State Administration in the Department of Health, the District Government General Hospital, Anantapur receives all its finances from the budgetary provisions of the Government of Andhra Pradesh. The State Government sanctions the annual budget of the hospital and formulates the procedures and specifies financial powers of the hospital functionaries based on the recommendations of the Directorate from time to time.

The General Hospital, being one of the medical institutions in the state, has all the potentialities to mobilize resources to meet a part of its expenditure and the accounts of it are maintained as in any other State Government institution and the audit is also conducted on the same norms.

Although, there is a four-fold increase in the annual expenditure of the hospital in the last ten years, the methods and procedures of its financial administration has not changed significantly. The lack of administrative orientation is much more apparent in the field of financial administration. All the existed
procedures appear of course outdated accuracy and public accountability.

It is proposed in this chapter, here to discuss the finances of the General Hospital, the financial powers of the various functionaries, mobilisation of resources in the hospital, and the methods of accounting and auditing.

**Finances of the Hospital**

As an institution of the Government of Andhra Pradesh, the General Hospital, Anantapur is governed by the Andhra Pradesh Financial Code (APFC) in all matters of financial administration and by Andhra Pradesh Budget Manual in the preparation and implementation of the budget. The hospital undoubtedly meets all its expenditure from the funds sanctioned by the State Government and also credits all revenues it receives otherwise to the Government Fund as per the provisions of the Andhra Pradesh Financial Code.

The hospital does not totally prepare its budget. It is the Directorate which prepares the budget for the medical services in the state including the General Hospital, Anantapur. The Superintendent in fact communicates the financial requirements of the hospital for the next year in three stages so that the Directorate can incorporate them in the budget estimates for the ensuing year.

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In one stage, every year in the month of June, the hospital in general sends the 'Number Statements' indicating the total sanctioned strength of all categories of staff, their present emoluments and the emoluments they receive in the ensuing year by way of annual increments and other additions to the pay. The Number Statements are sent separately for the staff working in the main scheme, non-plan and plan schemes. Therefore, at this stage the Directorate is informed of the total financial commitment on salaries under various schemes of the hospital well in advance before the start of preparing the budget for the next year.

In the second stage, every year in the month of October, the hospital sends Revised Estimates by including estimated expenditure for the next year on various heads of accounts like staff salaries, contingencies, materials and supplies, medicines, equipment, stipends to Interns and diet to patients.

The hospital prepares the estimates for pay and allowances of the staff as per the actual amounts, while for each contingency it works out on the average of the previous three years. The revised estimates help the Directorate to assess the detailed requirements of the hospital before the former has prepared the next year’s budget item-wise for the entire state.
Every calendar year in the month of February or in the first half of March, the hospital is called upon to send the Final Revised Estimates for the next year, which constitutes stage three. The final revised estimates consist of two parts: (i) Item-wise expenditure of the current year till February and also estimated expenditure on different items till March 31st of the current year showing the excess or savings under each item to that of the allotted budget, (ii) the final revised estimates for the next financial year, keeping in view the actual expenditure in the current year. The final revised estimates help the Directorate in finalizing the budget estimates for the next year.

In all the three stages, the Directorate sends instructions to all medical institutions to furnish the estimates urgently on top priority basis. The District General Hospital being located in the city, does not experience any difficulties in complying with the time scheme in sending the estimates. However, the quantum of paper work, the hurry with which the estimates are prepared and dispatched and the way the hospital authorities always look for the instructions of the Directorate, call for some reform undoubtedly in the present system of sending the estimates. It should be so designed that the hospital authorities are given sufficient time to prepare the estimates. This
enables the Superintendent to consult the unit heads and heads of central departments before finalizing the estimates.

In all the three stages, the Directorate keeps the Department of Health informed by sending a consolidated statement of estimates for the entire Medical and Health Services in the State. The Directorate prepares the final estimates of budget for the next year as per the usual procedure and sends them to the Department of Health. The Department of Health, after approving the estimates sends them to the Department of Finance for inclusion in the budget of the State Government. Usually, the Department of Health and the Finance Department approve the budget estimates as sent by the Directorate. But under some exceptional circumstances, they also effect cuts on the estimates.

Pending the passing of the Budget, the State Government releases an amount of equal to $1/4$ of the last year’s sanctioned budget in the month of May every year, so that the hospital can meet the salaries, supplies and day-to-day expenditure. The sanctioned budget for the year is released by the Government in June/July every year.

Thus, as in the case of all State Government institutions in Andhra Pradesh, this hospital follows the traditional system of
budgeting which is only a statement of head-wise expenditure on one-
side and the amounts sanctioned by the Government on the other. The
budget does not set any targets of service for the hospital, nor does it
reflect on its achievements. The State Government should introduce
the technique of performance budgeting to start within a clientele and
service based organization like the hospital, so that the budget can
serve its real purpose of acting as a tool of sound administration and
proper financial control.\(^6\)

The financial position of the hospital can be seen from Table
5.1 consisting of item-wise sanctioned budgets of the hospital for the
five years (2002 to 2007). The sanctioned budget for 2006-07 is
somewhat higher than the budgets in the Five Years from 2002 to
2007. There is a remarkable increase in the allotments during 2005-06
due to the higher emoluments paid to the utility payment.

As shown in the above table, there are significant changes in
the percentages of different items to the total budget allotment. The
prices of drugs and other hospital necessaries, according to the
functionaries of the hospital have increased.\(^7\) In the face of rising
prices on the one hand and increasing requirements on the other, the
decrease in the expenditure on important items would mean
TABLE 5.1


<table>
<thead>
<tr>
<th>S.No</th>
<th>Items*</th>
<th>Budget released for 2002-03</th>
<th>Budget released for 2003-04</th>
<th>Budget released for 2004-05</th>
<th>Budget released for 2005-06</th>
<th>Budget released 1st &amp; Ind quarter for 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>020 - Wages</td>
<td>2,00,000</td>
<td>3,00,000</td>
<td>3,00,000</td>
<td>4,00,000</td>
<td>1,30,000</td>
</tr>
<tr>
<td>2</td>
<td>131 (13) - UP</td>
<td>19,50,000</td>
<td>25,00,000</td>
<td>30,00,000</td>
<td>48,00,000</td>
<td>50,000</td>
</tr>
<tr>
<td>3</td>
<td>111 - TA</td>
<td>50,000</td>
<td>75,000</td>
<td>75,000</td>
<td>1,00,000</td>
<td>50,000</td>
</tr>
<tr>
<td>4</td>
<td>132 - OOE</td>
<td>2,00,000</td>
<td>1,50,000</td>
<td>90,000</td>
<td>17,50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>5</td>
<td>230 - Diet</td>
<td>18,00,000</td>
<td>15,00,000</td>
<td>13,50,000</td>
<td>1,00,000</td>
<td>9,00,000</td>
</tr>
<tr>
<td>6</td>
<td>240 - POL</td>
<td>1,00,000</td>
<td>75,000</td>
<td>75,000</td>
<td>2,00,000</td>
<td>50,000</td>
</tr>
<tr>
<td>7</td>
<td>503 - (OE)</td>
<td>2,00,000</td>
<td>1,05,000</td>
<td>1,50,000</td>
<td>-</td>
<td>1,00,000</td>
</tr>
<tr>
<td>8</td>
<td>510 - M &amp; V</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,500</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>521 - Purchase</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,500</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td>272 - Maintenance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,00,000</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td>131 - SPTT &amp; TC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,40,000</td>
</tr>
<tr>
<td>12</td>
<td>133 - W &amp; E</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,60,000</td>
</tr>
</tbody>
</table>

Note: UP-Utility Payment; TA - Travelling Allowance; OOE- Office and other Expenditure; Diet-Food;
POL-Petrol and other lubricants; OE-Other Expenditure; M&V - Motor and Vehicle;
SPT&TC-Service and Postage, Telephone and Telegraph Charges; W&E- Water and Electricity.
Source: Statistical Data of District Government General Hospital, Anantapur.
inadequate supply of food and medicines to the patients. The total
dependence of the hospital on the State Government for all its major
and minor requirements leaves its administrators with little discretion
and the hospital is unable to bridge the gap between its needs and
resources. 8

The allotment for plan schemes is also insignificant when it is
compared with the growth and necessaries of the hospital. In the years
to come, the percentages of these items are bound to increase as the
hospital, as an important teaching institution in the State, has to get
more and more and more new specializations and train more and
more interns. 9 But care has to be taken to see that these increased
allotments do not take away the resources meant for primary
requirements (like medicines and food) of patients in the hospital.

The State Government releases the budget in the month of
June/July for all non-plan schemes. For plan schemes, it releases the
funds as and when it receives them from the Central Government.

As soon as the release of budget, the hospital again sends the
bills for salaries, contingencies and supplies to the pay and Accounts
Office, which pre-audits the bills and passes them for payments to be
made through banks. The Pay and Accounts Office sends the cheques
for the amounts passed by it to the hospital. The Lay Secretary-I
under delegated powers withdraws the money and makes the payments on behalf of the Superintendent of the hospital after making entries in withdrawal registers. The Accounts Staff of the hospital undertakes reconciliation by comparing their records of the payments with the Pay and Accounts Office from time to time.

For all bills outside the budget, the hospital has to obtain the sanction of the Directorate and then the approval of the Secretariat Departments of Health and Finance. Only after obtaining the necessary sanction from the Government, the bills are passed by the Pay and Accounts Office.

After making all the payments till March 31st every year, the hospital authorities have to submit a detailed Appropriation Accounts for the year to the Directorate. The Appropriation Accounts are prepared after completing the reconciliation of accounts with the pay and Accounts Office. Usually, this takes a great deal of time and the Appropriation Accounts are prepared and sent by October every year.

For all excess expenditure, the hospital has to obtain prior sanction from the Government while all savings are surrendered to the Government as lapses from the budget. The variations between the budget allotment and the expenditure incurred on different items
(as shown in Table 5.2 for the years 2002-07) take place because of various reasons such as the following:

**TABLE 5.2**

STATEMENT SHOWING THE BUDGET ALLOCATION OF GOVERNMENT GENERAL HOSPITAL, ANANTAPUR

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Medicines &amp; Consumables Rs.</th>
<th>Diet Rs.</th>
<th>Establishment Rs.</th>
<th>Total Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-01</td>
<td>77,00,000</td>
<td>5,00,000</td>
<td>2,98,53,508</td>
<td>3,80,53,508</td>
</tr>
<tr>
<td>2</td>
<td>2001-02</td>
<td>74,55,000</td>
<td>12,10,000</td>
<td>3,16,73,229</td>
<td>4,03,38,229</td>
</tr>
<tr>
<td>3</td>
<td>2002-03</td>
<td>60,14,285</td>
<td>17,91,790</td>
<td>3,21,49,109</td>
<td>3,99,55,184</td>
</tr>
<tr>
<td>4</td>
<td>2003-04</td>
<td>70,40,000</td>
<td>14,68,560</td>
<td>3,35,04,266</td>
<td>4,20,12,826</td>
</tr>
<tr>
<td>5</td>
<td>2004-05</td>
<td>67,51,752</td>
<td>12,73,713</td>
<td>3,23,53,944</td>
<td>4,03,83,409</td>
</tr>
</tbody>
</table>

Source: The Budget Records of the District General Hospital, for the years 2000-2005.

Firstly, there are number of agencies involved in the preparation and execution of the budget. Although sanction is accorded for the posts under different schemes, the appointments are to be made by the Government which may not do so promptly. Likewise, some of the other vacancies also are not filled in time by the State Government with the result that some amount under the head of establishment may lapse.

Secondly, the hospital places orders with the private suppliers who may not supply all the requirements on time, which ultimately
result in the lapse of budget. Or the supplies ordered are delivered in the last minute of financial year or in the current year budget period. By that time, there is an increase in the cost of supplies more than the estimates. The hospital has to spend more or excess than the allotment with the approval of the Government. Like that the Water Works Department (WWD) and the Electricity Board do not send their tariff bills resulting in excess or savings under these heads of accounts.

Thirdly, the hospital, like any other Government institution either spends with restraint and caution in early months of the financial year or awaits the reconciliation with the Pay and Accounts Office to find out the balances under each item of expenditure. After reconciliation, the hospital may not succeed fully when it resorts to spend the accumulated balances in the month of March.

Lastly, the State Government releases the funds for plan schemes some times very later in the financial year. The hospital may not be in a position to utilize these funds. The delays at pay and Accounts Office which is a centralized pre-audit office for all state establishments in the city contribute a great deal for the lapses in the budget.

There is an urgent need to enable the hospital to fully utilize the budget allotments, so that it can render better patients’ care. The State
Government can think of instituting a pre-audit cell in the hospital itself so as to avoid the present difficulties in getting the bills passed or in getting the reconciliation done from time to time. The pre-audit cell in the hospital will be able to better understand the urgency of its requirements than a centralized pre-audit office which attends to all Government transactions.

The State Government should also think of instituting a foundation grant to the hospital so that it can meet the contingencies pending the sanction of the Government. These steps ultimately will help the hospital to avoid lapses in the meager allocation made to it in the budget.

Financial Powers

The financial powers of the functionaries in the hospital are specified from time to time by the Department of Health at the instance of the Directorate. At present, the Superintendent of the Hospital alone has financial powers. Neither the RMOs nor any Lay Secretaries have any financial powers. The Superintendent of the hospital has entrusted the task to the Lay Secretary-I, the responsibility of presenting bills and withdrawals of bills after they are passed by the Pay and Accounts Office.
Five years back, the Superintendent of the hospital who was of the rank of Additional Director of Medical Services, too had very limited financial powers and the hospital was looking to the Directorate for every sanction. Realising the difficulties faced by the teaching hospitals and the Medical College, the Directorate has recommended to the Government for larger financial powers to the Superintendents of all teaching hospitals in the State. The Government has accepted these recommendations and issued orders to that effect on Superintendents of teaching hospitals in 1977.11 Under the present arrangement the Superintendent of the hospital has the financial powers as listed in the Table 5.3.

The Superintendent and the functionaries expressed their happiness over the widening of the financial powers at least in the case of Rate Contract purchases. With this, the financial powers to some extent are decentralized to the hospital level from the level of the Directorate. In spite of that, the functionaries of the hospital are not able to make necessary purchases for various reasons. Firstly, these financial powers are subject to the sanctions made for each item of expenditure in the budget. The Superintendent cannot think of making any reappropriation in the budget from one head to the other.
### TABLE 5.3

**FINANCIAL POWERS OF THE SUPERINTENDENT**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Subjects</th>
<th>Extent of Financial Powers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchase of drugs on rate contract&lt;sup&gt;12&lt;/sup&gt;</td>
<td>Full powers</td>
</tr>
<tr>
<td>2</td>
<td>Purchase of spare or replaceable parts for hospital equipment</td>
<td>Full powers</td>
</tr>
<tr>
<td>3</td>
<td>Purchase of drugs and hospital necessaries outside the rate contract</td>
<td>Rs.25,000 per annum</td>
</tr>
<tr>
<td>4</td>
<td>Purchase of furniture</td>
<td>Rs.10,000 per annum</td>
</tr>
<tr>
<td>5</td>
<td>Purchase of steel furniture</td>
<td>Rs.10,000 per annum</td>
</tr>
<tr>
<td>6</td>
<td>Painting, colouring, varnishing etc., and repairs to furniture</td>
<td>Rs.10,000 per annum</td>
</tr>
<tr>
<td>7</td>
<td>Repairs of hospital equipment and tinning of vessels</td>
<td>Full powers in respect of service rate contract</td>
</tr>
<tr>
<td>8</td>
<td>Purchase of crockery and cutlery</td>
<td>Full powers subject to the scale&lt;sup&gt;13&lt;/sup&gt; prescribed by the Government</td>
</tr>
<tr>
<td>9</td>
<td>Purchase of gauge, bandages and surgical cotton</td>
<td>Full powers in respect of rate contract</td>
</tr>
<tr>
<td>10</td>
<td>Write off as irrecoverable value of stores or public money lost through fraud, negligence or other losses and unprofitable outlay on work</td>
<td>Rs.200.&lt;sup&gt;14&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

For every excess expenditure, prior sanction of the Government is essential. Secondly, the Superintendent is given full powers only in respect of purchases or dealing under Rate Contracts and service Rate Contract entered by the Government with different firms and
individuals.\textsuperscript{15} Even in the matters of purchase of drugs, the Superintendent is not allowed to operate outside the Rate Contract. The amount allowed for this purpose (i.e., Rs.25,000) is not even 0.5 per cent of the total budget allotment for medicines in the hospitals.\textsuperscript{16} Thirdly, the larger financial powers have covered only day-to-day items like furniture, repairs to furniture, etc. Essential items of expenditure like minor constructions or alternations in the hospital premises should also have been included. The present power of the Superintendent to spend Rs.5,000 per annum on minor repairs or constructions is wholly out of proportion to the requirements and hence, is not utilized. The improver maintenance of buildings is one of the important reasons for the insanitation of the hospital.

Lastly, no functionary except the Superintendent has any financial powers and under the present rules, he cannot delegate any of his financial powers. The RMO-I who is in constant touch with the requirements of the hospital and the Lay Secretary and Treasurer-I who are sufficiently senior officials conversant with administrative and accounts problems should have been given financial powers to the extent of meeting the day-to-day requirements. Conferring such powers would reduce the burden on the Superintendent to some
extent and it would offer some initiative to coordinative functionaries like RMO-I and Lay Secretary-I.

The following suggestions may be considered to provide for a greater initiative to the hospital authorities. First, the Superintendent should be conferred the power of reappropriation to the extent of 10 per cent of the allotted budget from one head of account to the other. This would also reduce the incidence of budget lapses due to last minute sanctions or delayed supplies. Secondly, the Superintendent should be allowed to go in for purchases outside the Rate Contract to the extent of 10 per cent of the budget allotment for medicines and hospital necessaries. This would help the hospital authorities to pay for qualitative and timely supplies outside the Rate Contract. Thirdly, the Superintendent should have necessary powers to order for minor constructions or repairs to the existing buildings of the hospital. It would be better if the present limit of Rs.5,000 is increased ten times or even more to attend to the urgent works in the hospital to improve its sanitation and cleanliness. Finally, the Superintendent should be allowed to delegate some of his financial powers to administrative functionaries like the RMO-I and the Lay Secretary-I.
Resource Mobilisation

The General Hospital being a highly specialized medical institution with reputed expert doctors, has all the potentialities of earning a good part of its expenditure if only Government permits it to do so.

The philosophy of free treatment to everybody, irrespective of the economic position of the patients looks outdated and unrealistic. A patient who can afford to pay for his treatment does not mind, if the hospital charges him for the services it renders to him. By charging the patients who can pay, the hospital can improve its services and serve better the patients who are economically poor.

Patients who were responsible to this study, were asked to indicate the expenditure they incurred in the premises of the hospital. 52 per cent of the patients had shown their expenditure in the premises of the hospital as 'nil' and 45 per cent of them said that they had incurred an expenditure ranging from about Rs.100 to Rs.500. This means in-patients no doubt spend money but it is not channelised properly so as to increase the income of the hospital.

In regard to mobilize the finances through the services of the hospital, the Government of Andhra Pradesh started a scheme of
establishing pay-clinics in October 1968 in all the hospitals of the State including this hospital.

The pay clinics were open for the out-patients with three-fold purpose. First, to augment the resources in order to improve the conditions in the hospitals in the State; secondly, to provide an opportunity for the people to consult the specialists with a low consultation fee; and thirdly, to avoid long standing queues for the members of the public, who could not consult the doctors conveniently with prior appointment. But in practice, the pay clinics did not succeed in attracting the public for various reasons such as the following:

In the first place, the starting of pay clinics was not phased but was commissioned in all the hospitals of the state at the same time and the Government could not pay sufficient attention to such a vast number of pay clinics. Secondly, it appears that the policy of establishing pay clinics has been laid down by the Government without the involvement of the hospital authorities. In the same way, it was again the Government which decided to abandon them. Thirdly, the payments were to go to the state exchequer and naturally very little interest was shown by the hospital functionaries to popularize the scheme. Fourthly, there were many bureaucratic
procedures like prior appointment which discouraged the public. Fifthly, Doctors in the Government did not take to these clinics favourably as they were started in the wake of ban on private practice. The doctors were reluctant that the success of the pay clinics would affect their private practice. Sixthly, the Government or the hospital did not care to give much publicity about the new facility for the patients. Lastly, the scheme of pay clinics was not tried long enough and was withdrawn within one and half year after its introduction.

There is a great deal to start pay clinics in the hospital rectifying the defects of the old scheme. The hospital authorities should have full discretion in the administration of the clinics and the power to utilize the income so realized.

It is necessary that the following steps are taken immediately to activate the pay clinics in hospital. First, the pay clinic should be located in a most accessible place in the hospital that the patients should not difficult to locate it. Secondly, the Government and the hospital should give appropriate publicity to the venture. Otherwise, this pay clinic operated in the hospital on an experimental basis would run the danger of getting discontinued resulting ultimately in the closure. Thirdly, the pay-clinic should be operated during the evenings and the staff assigned to it should be present regularly in the
And finally, the traditional pattern of crediting all the receipts on the scheme to the ocean of Government fund might satisfy the provisions of the State Finance Code, but would not help in enthusing the hospital authorities to run it at least on a non-loss basis, let alone profit basis.

At present, the receipts from this scheme do not meet the investment involved in it.\(^2^1\) This situation can be improved only when the hospital authorities are allowed greater initiative in the execution of the scheme. As a first step in this direction, the Government should allow the hospital to retain the receipts so as to meet the requirements on the scheme from time to time. But all this calls for an administrative competence which is essential for making such schemes successful. Otherwise, running a scheme of special facilities to rich patients on a constant loss basis would pave the way to public criticism. Moreover, giving special facilities on a loss basis would amount to discriminatory treatment between economically rich and poor patients. So the scheme 'longevity' depends on how profitably it is run and how it is able to meet at least a part of the expenditure incurred, in general clinics and wards of the hospital. The Government should think in terms of changing its traditional approach to the execution of the scheme by leaving it to the initiative.
of the administrators and doctors in the hospital. Only then the scheme can survive the onslaughts of public criticism on the one hand and the uncooperative attitude of the doctors on the other.

The hospital authorities should also be taken necessary initiative to accept donations from the philanthropic patients. In this way, a good part of the hospital requirements can be met and the state of finances of the hospital will improve.

**Accounts and Audit**

The hospital follows the accounting procedures of the State Government as stipulated in the Andhra Pradesh Finance Code and the amendments made to it from time to time. There is an Accountant in the hospital.

**Accountant**

He is also in the cadre of Office Superintendent and will work under the administrative control of the Lay Secretary & Treasurer Grade-I / Grade-II. He is assisted by Senior Assistants, Junior Assistants, U.D.Cashier, Cashier, Junior Cashier. He has the following functions.
Functions

1. He will supervise the work of all the Senior Assistants, Junior Assistants, Cashier, Typists allotted to his section.

2. He must be well conversant with the Treasury rules, Financial rules and the Accounting procedures.

3. He will scrutinize all files written by the Assistants before sending them to the Lay Secretary.

4. He will scrutinize all the bills prepared by the Assistants and ensure their correctness before sending them to the Lay Secretary.

5. He will ensure that the cash drawn by the hospital is properly accounted for by the cashier and the relevant records like cash book, permanent advance register, undisbursed pay register etc., are correctly and properly maintained by the cashier. He will check the entries made in the registers before sending them to the Lay Secretary.

6. He will ensure prompt submission of financial returns such as monthly expenditure statements, budget and revised estimates etc.

7. He will ensure that proper office procedures enumerated in Dt.Office manual are followed by the Assistants in the sections.
8. He will check up the personal registers, periodical registers etc., maintained by the Assistants and note his remarks in the run-on-note file to enable them to be prompt in the disposal of files.

The Lay Secretary and Treasurer-I head the machinery of accounting in the hospital.

**Lay Secretary & Treasurer Grade-I**

The post of Lay Secretary and Treasurer is created in the hospital with a view to relieve the Superintendent of some of his administrative and non-technical duties so as to enable him to look after professional and technical work. He will work under the administrative control of the Superintendent. He will under the Superintendent in-charge of the non-technical organization of the hospital. His functions are:

**Functions**

1. He will be in entire charge of the clerical establishment and the Class IV staff working in the office and be responsible for the proper work of the non-technical branch of the office, discipline and decorum of the office.
2. He will be solely responsible for the maintenance of all accounts relating to cash transactions viz., cash book, permanent advance register, contingent register etc.

3. He will be responsible for the proper maintenance of various stock accounts of stores such as:

(1) Furniture
(2) Linen
(3) Drugs and Dressings
(4) Instruments and appliances
(5) Major and Minor equipment
(6) Forms and stationery

He will arrange periodical verification of the stock as prescribed under financial code.

4. He will check and sign all indents for stores such as drugs, dressings instruments, appliances etc., purchased and will inspect the supplies received.

5. He is responsible for the proper accounting and maintenance of registers relating to diet accounts and see that the rules prescribed relating to diet are strictly followed, bringing to the notice of the Superintendent any uneconomical issue of the diets and extras. He will verify that the perishable articles stock register is written daily and contains a record of all perishable articles supplied by the contractor during the day. He will also
review the diet accounts and check the postings in the diet register with the entries in diet sheets.

6. He will scrutinize the expenditure of non-diet articles in wards and departments and articles such as dressing lotions, thermometers, syringes etc., and bring to the notice of the Superintendent any wasteful expenditure on these articles.

7. He will exercise check over the contingent expenditure of the hospital.

8. He will be responsible for the work connected with tenders and contracts.

9. He will be responsible for the proper maintenance and upkeep of the hospital buildings.

10. He will supervise the consumption of electricity gas and water.

11. He will be present.

   (a) At the auction sale of all condemned articles.
   (b) When the pay of the hospital staff is disbursed.

12. He will be delegated by the Superintendents of the hospital the following financial powers.

   (a) To draw the pay and allowances bills of the establishment.
   (b) To draw the contingent bills
   (c) To draw other bills
   (d) To sign for the head of the office, bills vouchers and orders sanctioning expenditure.
(e) To incur sanction charges on account of ordinary and recognized contingencies except special medicines.
(f) To attest entries in the service books and verify the service records annually.
(g) To be the drawing and disbursing officer.

13. He will be responsible for custody of the cash in the hospital.

14. He will be responsible for the preparation of budget and revised estimates, financial returns etc., review the progress of expenditure of the appropriations, placed at the disposal of the Superintendent and bring to the notice of the Superintendent any abnormal expenditure that may lead to exceeding the budget allotted.

15. He shall be well conversant of the financial rules, treasury rules, service rules and other civil service rules with their upto data amendments and shall guide the Superintendent in all financial and administrative matter correctly.

16. All papers, drafts, statements, returns etc., for the signature of the Superintendent should be routed through the Lay Secretary & Treasurer who will scrutinize them and initial.

They are assisted by a Superintendent of the accounts section and upper division clerks and cashiers. The Lay Secretary and Treasurer-II look after accounts of the medical stores and they are assisted by an accountant and store-keepers.
Lay Secretary & Treasurer Grade-II

He exercises the following functions.25

Functions

1. He will be responsible to the Superintendent through the Lay Secretary & Treasurer Grade-I for the proper functioning of (a) Medical Stores, and (b) Kitchen Stores and will issue such instructions to the staff working there which he thinks necessary for the efficient working of the stores.

2. He will inspect all the articles received in the stores against indents duly authorized by the Superintendent.

3. He will see that articles received into the stores and issues made from the stores are promptly entered in the stock books concerned.

4. He will make stock entries and pass for payment all bills received in the Medical Stores.

5. All correspondence, indents, statements, etc., relating to medical stores will pass through him.

6. He will be responsible for the correct methods of accounting being adopted in the medical stores.

7. He will carry out physical verification of the stores periodically at least once a month a few articles being selected at random.
for verification each time. A report on such verification will be submitted to the Superintendent.

8. He will check the stock books maintained in the dispensary to ensure that the drugs etc., issued from the stores are duly brought into account in the dispensary and that the issues to the wards and departments are made against proper indents.

9. He will look after the Academic subjects if posted in Medical College under the administrative control of the Principal.

10. He will manage the students hostel, if he is posted to Medical College Hostel under the Administrative control of the Principal and guidance of the Warden.

The Accounts Registers in the hospital broadly pertains to (i) emoluments paid to personnel, (ii) bills paid to suppliers of medicines and hospital necessities, (iii) medical stores, (iv) stock registers and (v) cash remittances made towards wages and small purchases.

(i) As all the Gazetted Officers of the hospital are self-drawing officers, the hospital only maintains the record of the emoluments bills (sent to Pay & Accounts Office) and bills passed and paid to them through cheques. For the non-gazetted and Class-IV staff, the hospital maintains separate registers for the emoluments claimed and disbursed by the
hospital. It also has to maintain daily attendance registers and duly sheets for the medical, paramedical and non-medical staff and muster rolls for Class-IV employees.

(ii) For all supplies made under Rate Contract, the hospital maintains a record of the placement orders, delivery of supplies outside the Rate Contract besides the many registers maintained for Rate Contract, the hospital has to record and maintain the tender proceedings.

(iii) The records in the Medical Stores consist of placement of orders, delivery of supplies, payments made for the supplies, the allocation and distribution of supplies and the day-to-day stock and expenditure of Medical Stores.

(iv) Besides the Medical Stores Staff, the units heads and wards in-charge also maintain their respective stock registers of equipment and supplies.

(v) The Superintendent can keep an imprest money for day-to-day disbursements and purchases. Records are maintained for drawals and disbursements separately.

All these registers meet the traditional norms of accounting like book-keeping and control of flow of funds. The performance aspects like utilization of supplies and benefits to patients in the hospital do
not find a place in these registers. Designed as they are, these registers do not help the administrators of the hospital in making fiscal decisions. Nor do they provide any data for cost estimates, cost-units or cost-control and the hospital administrators cannot think of effecting any economies in expenditure unless ordered so by the government in some general economy-drive. The approach seems to be that of maintaining a mechanical voucher account of the funds given by the Government to the extent of satisfying the Government auditors rather than thinking of using these funds to improve the performance of the hospital.

The present accounting system does not afford any initiative to the administrators to improve the efficiency of the hospital administration. Similarly, it does not fully serve its basic purpose of accountability, for it is very difficult to make out the performance aspect from these various registers. Thus, there is a need for changing the present accounting system in the hospital by incorporating cost-benefit analysis of each expenditure. Only then the performance of each expenditure can be evaluated and the accounting would serve the purpose of accountability. The administrators of the hospital can also think of avoiding purchases that are not beneficial to the patients.
The auditors from Accountant-General audit the accounts of the hospital every year. The Accountant-General's office issues a programme of audit of various Government institutions in the State and the hospital authorities keep the accounts registers ready for audit. Generally the audit of the annual accounts of the hospital is conducted one or two years after the lapse of a financial year depending on the audit programmes.\textsuperscript{27}

The audit party consists of a Section Officer and three Senior Assistants (auditors) from Accountant General's office. At the start and finalization of audit, higher level officials may also join the party.\textsuperscript{28} The auditors take each financial transaction with its supportive documents and registers to evaluate it with reference to the following norms:

(i) Whether or not it fulfills the accounting procedures stipulated by the Government, (ii) whether or not it has the requisite competent authorities behind it as assigned by the Government, (iii) whether or not it conforms to the budget sanctioned by the Government, and (iv) whether or not it has the propriety of safe guarding the public money from waste and extravagance.

The auditors go by the vouchers and supportive documents to audit the accounts from the stand-point of first three norms mentioned.
above. The hospital authorities also face a few problems in answering their queries for most of the transactions are pre-audited and passed by the Pay and Accounts Office. But problems arise when it comes to meeting the fourth norm i.e., the audit of propriety. Hospital transactions being highly technical, the lay auditors find it difficult to evaluate their propriety. They resort to evaluate the appropriateness of only those transactions which they can understand. Thus, the audit report, which is communicated to the hospital under intimation to the Directorate consists of objections pertaining to major and minor deviations from the procedures. The hospital authorities either answer these objections in a period spread over six to seven months or more with necessary explanations for deviations, or with the post-facto approval of the Government get the objections waived.

It is heartening to note that the auditors in their reports for the last five years continuously have certified the general state of accounts in the hospital as satisfactory. The auditors also have complimented the administrators in the hospital for the care and efficiency with which they maintain the accounts, giving very less room for objections.29

The audit, at present, is only a post-mortem check on the expenditure, it odes not check through any light on the factor of
efficiency in the transactions. It performs an annual ritual of checking the accounts and raising some objections because without them an audit report is incomplete. The hospital authorities also do not bother much about these objections because they know these can be dropped by getting the sanction of the Government or by saying ‘noted for future guidance’. The audit report does not carry any suggestion and hence does not act as a guide to improve the administrative performance nor does it caution the medical administrators against west or extravagance.

Treating a clientele oriented welfare organization like the District General Hospital in the same mould as any other Government institutions, for purpose of audit does not serve any purpose. The audit here should be in the nature of assessing its efficiency-cum-performance in all its financial transactions. The efficiency-cum-performance audit should have the purpose of ascertaining whether or not every transaction is conducted economically taking cost-benefit aspects into account. It should also see whether the transaction contributes to the efficiency in the hospital and whether it can produce the results expected of it. Such audit will not serve its purpose if it is conducted in a post-mortem nature by an external agency. It has got to be an internalized audit to render its advice
before a decision is taken. The low level knowledge auditors are not useful for performance audit in a technical institution like the hospital. As suggested earlier it is necessary to establish a pre-audit cell with persons trained in accountancy and hospital materials management to conduct pre-audit in place of traditional pre-audit of the Pay and Accounts Office. Such a measure, alone would solve the problems in the present accounts and audit procedures in the hospital.

An Overview

A modern medical institution like the District General Hospital has a highly outdated and unhelpful system of financial administration. The application of the Government methods and procedures to the fiscal administration of the hospital does not provide any scope for initiative to the administrators of the hospital.

The State Government sanctions the budget, decides the financial powers of the hospital functionaries from time to time and the Pay and Accounts Office pre-audits and passes the bills submitted by the hospital. The hospital Superintendent who handles an annual budget about one and half crores of rupees does not have the authority to effect minor repairs so as to improve the facilities for patients. The excessive control of the State Government in financial administration
of the hospital does not even meet the requirements of safeguarding efficiency and accountability.

The perceptions of the patients and staff of the hospital about the working pattern of the hospital, views of the issues are followed in the coming chapter.
References


2. Main scheme and Non-Plan schemes are the recurring and permanent establishments of the hospital while plans schemes are the ones sanctioned under the current Five Year Plan.


4. In the budget for 1979-80, the Department of Health as per the direction of the Cabinet and the Finances Department cuts Rs.40 lakhs from the budget of the city hospitals so as to allot more to rural dispensaries.

5. The State Budget is presented to State Legislature by the Finance Minister sometime in March every year. The demands of Health Department are presented by the Health Minister and they are voted by the legislature after some discussion about the medical and health services in the State.


7. Despite unprecedented inflation in the years 1974-77 the allotment for medicines and hospital necessaries in 1975-76 was less than 1974-75 and 1977-78 was lesser than 1976-77.

8. The Superintendent and his administration assistants of the General Hospital are helpless when most of the bedside equipment, apparatus in laboratories and kitchen utensils have become old, damaged and leaking. Similarly when the sanctioned amount for drugs and diet is far shorter than sufficient, because the amounts were fixed long ago, and because of hiking in prices, the amounts need additions.

9. A number of medical students from all the medical colleges in the State approach General Hospital for internship. The hospital gives priority to the students of General Hospital, Anantapur.
Under the delegated powers, the Lay Secretary and Treasurer-I of the hospital have financial powers to the extent of Rs.10/- under Article 93(a) of the A.P. Financial Code (Vol.I), Op.cit.


The Government (at the instance of Directorate) prescribes the quantum of cutlery and crockery necessary to a Government depending upon its bed strength.


The hospital at present spends about Rs.50/- lakhs on medicines under the main scheme and plan schemes.

In the patients survey conducted for this study, 70 per cent patients who are economically good, expressed their willingness to pay for the services of the hospital.

The patients in large number revealed that they paid ‘tips’ to lower level employees to get the things done. Some of them complained that they joined the hospital only after paying the ‘fee’ to the specialist in their private clinics. Some patients said the expenditure was for their self as they purchased drugs, fruits, etc., from outside.

G.O.Ms.No.2089/Dept. of Health, (Govt. of A.P. dt 23.10.'68 and its Annexure-I).


The cost of buildings and furnishing, added to the staff salaries on the scheme makes the investment very huge.

23. Dr. MCR Human Resource Development, Institute of Andhra Pradesh, 'Medical Education Department', Hyderabad, 2000, pp. 79-80.

24. Ibid., pp. 33-35.

25. Ibid., pp. 35-36.


27. The audit of the Annual accounts of the hospital for 1980-81 was conducted recently.

28. For instance, at the start of recent audit the Dy. Accountant General visited the hospital and discussed the guidelines of audit with the hospital authorities.

29. In their interviews, the auditors have expressed these views.