Chapter - 5: Infrastructure Development

One of the objectives of the Performance Audit was to see whether infrastructure development and construction of medical colleges and hospitals, etc. was efficient, economic and effective. Results of audit are as under.

5.1 Property Management Division and different projects

A central division named Property Management Division (PMD) was set-up for management of the construction projects all over India. During 2008-09 to 2012-13 total 82 projects were undertaken, out of which 19 were completed during 2008-09 to 2012-13 while other 63 projects for construction/renovation of hospitals, medical colleges, dental college, nursing colleges, dispensaries and office buildings were under execution as on 31 March 2013. As per amendment in ESIC Act, 1948 in 2010, under Section 59B, ESIC may establish medical colleges, nursing colleges and training institutes.

Audit analysis of the status of 63 ongoing projects as on 30 June 2013 (**Annex-X**) showed that out of 63 projects in 16 states, 53 projects (85 *per cent*) were behind schedule, although extensions ranging from eight to 45 months were granted to these projects.

Audit selected eight projects[21] out of 63 for detailed scrutiny, results of which are as under:

5.1.1 Delays and cost escalation in construction projects

Delays in execution in six projects are described in **Table 5.1**:

[21] ESIC Hospital, Ayanavaram, Chennai, ESIC Medical College, Faridabad, ESI Hospital, Bibvewadi, Pune, ESI Hospital, Kolhapur, ESIC Dispensary-cum-diagnostic centre, Faridabad, ESI Hospital, Okhla, Delhi, Medical college and 500 bedded hospital at Gulbarga, Medical college and 500 bedded hospital at Mandi

Table 5.1: Delays in commissioning of projects

(₹ in crore)

Sl. No.	Name of Project	Cost of project	Date of sanction	Executing agency	Date of commencement	Period of completion	Audit observation
1.	ESIC Hospital, Ayanavaram, Chennai	257.08	1.2.2010	NBCC Ltd.	20.2.2010	2 years	ESIC asked architect in February 2011, after more than a year, to obtain permission from local authority and permission was obtained in October 2011.
2.	ESIC Medical College, Faridabad	544.70	July 2009	UPRNN Ltd.	16.8.2009	2 years (extended upto 31.8.2012)	Project was not completed as of March 2013.
3.	ESI Hospital, Bibvewadi, Pune	3.84	-	UPRNN Ltd.	October 1993	2 years	95 *per cent* of work was completed in July 1997. Hospital handed over to Maharashtra Government in February 2002 but was yet to be fully commissioned.
4.	ESI Hospital, Kolhapur	3.42	-	UPRNN Ltd.	1992	1996	Hospital was yet to be commissioned (March 2013) as building was not made functional by completing all essential services. Occupation and completion certificates were not yet issued by statutory authorities.
5.	ESIC Dispensary-cum-diagnostic centre, Faridabad	0.85	-	NBCC Ltd.	-	-	The agency had completed the work on 30 November 2011. It could not obtain the completion certificate from local authority. Hence, ESIC could not get possession of building.
6.	ESI Hospital, Okhla	155.31	-	TCIL	November 2009	December 2014	A part of the building was handed over to the construction agency for renovation between June 2010 and February 2012 but the work could not be started as of August 2013.

Escalation in cost estimate of five medical colleges/hospitals because of delays was as in **Table 5.2**.

Table 5.2: Increase in cost of estimates

(₹ in crore)

Sl. No.	Name of unit	Original estimate	Revised cost
1.	Medical college and 500 bedded hospital at Gulbarga	768.98	897.73
2.	Medical college and 500 bedded hospital at Mandi	500.00	730.00
3.	Medical College, Faridabad	544.70	571.54
4.	ESI Hospital, Kolhapur	3.96	7.26
5.	ESI Hospital, Bibvewadi, Pune	2.94	3.84

ESIC stated (May 2014) that the projects were entrusted to specialized government construction agencies on turnkey contract agreement on Project Management Consultancy (PMC) basis. Execution including intensive supervision of works ensuring quality assurance and quality control in the works as per the Government standards were the responsibilities of these government construction agencies which were entrusted with the role of PMC as departmental charges were being paid to them.

The reply is not acceptable as despite payment of departmental charges to agencies, the projects had not been completed in time.

5.1.2 Incorrect selection of places for opening of hospitals

As per ESIC norms, minimum 400000 IPs are required for establishing a 500 bed hospital. Audit observed that, the number of IPs in Gulbarga (Karnataka) and Mandi (Himachal Pradesh) were only 40700 and 207100 respectively (as on 31 March 2013). Thus, decision to establish hospitals at these two places was imprudent as these did not fulfill minimum required norms.

ESIC stated (May 2014) that a sub-committee of the Corporation was currently examining the norms for setting up of Medical Colleges.

5.1.3 Irregular expenditure on hospitals

Section 28 of the Act defines purposes on which funds may be expended which include those for medical benefits, fees and allowance, salaries, establishment and maintenance of hospitals, contributions to State Government, audit fees, etc. Any other expenditure not covered in the Act, needs approval of the Ministry (Section 28(xii)).

Audit observed that in following cases, expenditure incurred was neither covered under clauses of Section 28 nor approved by the Ministry and was therefore, irregular.

5.1.3.1 Expenditure on district hospital at Gulbarga

The ESIC entered into MOU with the State Government of Karnataka on 22 September 2012 to tie up its medical college with the Government District Hospital, Gulbarga for functioning as a teaching hospital to fulfill the MCI norms.[22] ESIC also agreed to incur the expenditure on the District Hospital to make it MCI compliant. However, approval for the expenditure on district hospital, Gulbarga to make it MCI compliant was not taken from the Ministry. Thus, the ESIC incurred irregular expenditure of ₹ 22.72 lakh per month (recurring since January 2013) on staff and equipment and ₹ 18.11 lakh (one time) for renovation, etc., in the district hospital, Gulbarga which is open for general public and not specifically for the IPs.

5.1.3.2 Expenditure on district hospital, Mandi

ESIC Medical College, Mandi entered into MOU with State Government of Himachal Pradesh in September 2013 to tie up its medical college with the Netaji Subhash Chandra Bose Zonal Hospital (NSCBZH), Mandi as a teaching hospital to fulfill MCI norms. As per MOU (clause no. 2 under part B), ESIC agreed to incur capital expenditure on NSCBZH for seminar room/demonstration room, etc. without the Ministry's approval.

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[22] As per MCI norms for 100 seats medical college, teaching hospital with 300 beds is required.

5.2 Inadequate space for OPD facilities

ESIC, Noida Hospital was operating from its newly constructed 300 bedded hospital building but all 11 OPDs were still operating from remaining portion of the old building. A significant part of old building was demolished in 2012 for renovation. Audit observed that :

1. The new building's design did not have provision for OPD.
2. There was overcrowding and congestion in OPDs being operated from remaining portion of old building.

ESIC stated (May 2014) that the delay occurred in the renovation and rehabilitation work of the old hospital block due to changes required in retrofitting work to ensure structural safety and seismic resilience, as old structure had further deteriorated due to passage of time.

The reply is not acceptable as pre-demolition activities like obtaining technical advice to ascertain the possibility of either renovating the old building or reconstructing it as new building based on its strength were to be carried out at initial stage which was not done. Further, the ESIC did not make any alternative arrangement for operating OPDs before its commencement of renovation work.

5.3 Non adjustment of advances given for Construction works

Advances worth ₹11.10 crore (details in Table) given for various construction, repair and maintenance works were not adjusted as on 31 March 2013 after their completion.

Table 5.3 : Details of advances

Sl. No.	Name of State	Amount outstanding (₹ in lakh)	Period since outstanding
1.	Gujarat	290.95	2009-10 to 2011-12
2.	Kerala	368.55	
3.	Rajasthan	12.20	1973-74 to 1998-99
4.	Tamil Nadu	266.00 (PWD) 172.00 (NBCC)	1986-87 to 2004-05 2008-09
Total		**1109.70**	

Non-adjustment of advances indicated weak internal control mechanism in the ESIC.

ESIC stated (May 2014) that the corporation had been impressing upon the field units to take adequate action through internal control mechanism for adjustment of advances given to construction agencies.

5.4 Interest free mobilization advance

As per CVC guidelines (April 2007), mobilization advance should essentially be need based. The guidelines discourage grant of interest free mobilization advance to the contracting agencies. However, in case the management feels its necessity in specific cases then the recovery should be time based and not linked with progress of work.

However, ESIC Standing Committee approved (June 2009) grant of mobilization advance without interest to Central/State Government agencies reportedly to minimize delays and to avoid cost escalation. In 10 cases, ESIC had released interest free mobilization advance amounting ₹ 229.80 crore to various agencies viz. UPPCL[23], UPRNN[24] and NBCC[25] between April 2009 and October 2010. The duration of the projects ranged between one and two years, but out of ₹ 229.80 crore, only ₹ 55.84 crore was recovered till stipulated date of completion while out of remaining ₹ 173.96 crore, only ₹ 87.41 crore could be recovered as of March 2013. Thus, ESIC not only granted interest free advance to the agencies, it could not effect its recovery in a time bound manner, which was in violation of CVC guidelines.

ESIC stated (May 2014) that it had formulated a new standard contract agreement for all future construction projects including provision of interest bearing mobilization advance.

5.5 Non recovery of Labour Cess amounting to ₹ 1.01 Crore

The Building & Other Construction Worker's Welfare Cess Act, 1996 provides for the levy of a cess at a rate between one and two *per cent* of the cost of construction incurred. Penal interest at the rate of two

[23] UPPCL – Uttar Pradesh Power Corporation Limited
[24] UPRNN – Uttar Pradesh Rajkiya Nirman Nigam
[25] NBCC – National Buildings Construction Corporation Limited

per cent for every month in case of delay and penalty not exceeding the amount of cess is also leviable. The labour cess was applicable in Uttar Pradesh with effect from 4 February 2009.

ESIC made payment of ₹ 101.01 crore to the contractors engaged in two construction works in Sector 24 and 56, Noida, Uttar Pradesh during 2008-09 to 2009-10. But, it failed to deduct the labour cess from the bills of the contractors at the stipulated rate of one *per cent* amounting to ₹ 1.01 crore and to deposit the amount with the Workers Welfare Board.

ESIC stated (May 2014) that payments were made to the construction agencies based on the agreement for works in Noida, Uttar Pradesh. The work was allotted prior to notification of the Act. Legal opinion was being sought and action would be taken accordingly. ESIC also stated that in case of work at sector 56, Noida, labour cess was being recovered.

The reply is not acceptable as notification clearly provided for deduction of cess from all payments made to the contractors from the date of notification.

5.6 Excess payment on account of electricity load

The ESIC hospital, Noida increased its electricity load from 389 KVA to 4025 KVA with effect from July 2011 consequent upon the commencement of functioning of its new hospital building. The billable demand was 75 *per cent* of total contracted load i.e. 3018.75 KVA. The hospital was paying fixed charges ₹ 6.64 lakh (@ ₹ 220 per KVA) per month and ₹ 7.24 lakh (@ ₹ 240 per KVA) per month from November 2013 onwards. Audit observed that the maximum demand of electricity had remained 1440 KVA during the period of July 2011 to March 2013. The hospital, thus, did not properly assess its load requirement and had paid ₹ 71.70 lakh towards fixed charges on excess electricity load contracted.

Similarly ESI Hospital, Bhiwadi incurred extra expenditure of ₹ 3.53 lakh due to non maintenance of power factor in a specified range. Further, ESIC Hospital, K K Nagar, Chennai paid ₹ 20.18 lakh for excess sanctioned load over and above the maximum requirement during January 2011 to March 2013.

The ESIC stated (May 2014) that for obtaining electric connection from local electrical authorities, total electric load requirements were assessed based on calculations adopting standard diversity factors as per designated use of spaces and installation proposed for the entire hospital complex. Once the electricity load was reduced or diverted from the existing feeder line, there was no assurance to get it enhanced at a later date as additional feeders would be needed from the electricity department. In such a case, if hospitals drew excess load, huge penalty would be levied by electricity authorities as per norms.

However, the reply of the ESIC is not valid as the total electric load sanctioned by the authorities can be reduced or enhanced as per the requirement. Payment of extra money on account of possible future inaction by power distribution companies was, therefore, imprudent.

5.7 Irregular expenditure incurred on modification/renovation of office of Minister

As per section 28 of the ESIC Act read with ESI (Central) Rules, 1950 the ESIC may incur expenditure under the administrative expenses head for defraying expenses on maintenance of office building, purchase of furniture and office equipment in respect of offices of the Corporation.

Audit, however, noted that the ESIC on a specific directive of the Secretary, Ministry of Labour and Employment initiated (May 2010) the process for renovating the office of the Minister (holding ex-officio post of Chairman of ESIC) in Shram Shakti Bhawan. Based on the initial estimates submitted by M/s Design Associates, the Director General, ESIC sanctioned (June 2010) an amount of

₹ 42.87 lakh for the renovation work. The work was awarded to HSCL[26] with the condition to complete the work in a span of 15 days during the period 9 June 2010 to 24 June 2010. Agreement with M/s Design Associates was made on 26 October 2010 i.e. after 4 months of completion of work.

Later, the ESIC approved (August 2010) part-2 of the modification/ rectification and repair work with a sanctioned cost of ₹ 1.51 crore. The scope of the work was revised and due to extensions the total cost escalated to ₹ 2.29 crore. This included overall net deviation amount of ₹ 0.34 crore and items of work included construction of mini Committee Room, Waiting Lounge I, Waiting lounge II and other civil/interior works.

Although, the Minister of Labour and Employment is ex-officio Chairman of the ESIC, however, the office of the Minister in Shram Shakti Bhawan does not constitute an exclusive office building of the ESIC. Besides, the Ministry of Labour and Employment has its own budget for repair and maintenance of the office of the Minister. Repair and Maintenance of Sharam Shakti Bhawan falls under jurisdiction of CPWD.

Thus, the ESIC had irregularly incurred an expenditure of ₹ 2.29 crore pertaining to the modification/rectification and repair work in the office of the Minister.

ESIC stated (May 2014) that the renovation work was executed to facilitate access/dissemination of data/information with regard to functioning of ESIC through IT rollout.

The reply was not relevant as items executed were other than IT rollout and furthermore ESIC funds cannot be put to use in a building that is not in an exclusive possession of ESIC. Secondly, all investments for IT rollout project were to be incurred by System Integrator (M/s Wipro) as per BOOT (Build, Own, Operate and Transfer) model of the agreement.

[26] Hindustan Steelworks Construction Ltd.

5.8 Computerization of ESIC

To computerise its processes i.e. registration of employers and IPs, patients module in hospitals and dispensaries, Enterprise Resource Planning (ERP) modules for finance, administration, human resource management, legal, procurement, health insurance, management information system (MIS), etc., ESIC awarded (February 2009) the work to M/s Wipro Technologies at the cost of ₹ 1181.82 crore (including cost of maintenance for five years) on BOOT concept with a time-period of 18 months. As per the terms and conditions of the tender documents, the System Integrator i.e. M/s Wipro was to invest its own funds for hardware, software and maintenance for five years initially and after successful implementation of the project the payment was to be released in 20 quarterly installments (₹ 59.09 crore). After five years all rights along with hardware and software were to be transferred to ESIC.

Audit observed that:

- The target date of completion of the project was August, 2010 but the project commenced in April, 2011 i.e. after delay of eight months. Moreover, even after the lapse of more than three years from the scheduled date of completion, all the modules of the Project had not yet been completed.
- The submission and approval of Software Requirement Specification (SRS) was expected to be done within initial three months of date of issue of Letter of Intent but as per records SRS was not finalized till May 2014. In the absence of SRS, benchmarks for the development of project could not be ascertained.
- As per Request for Proposal (RFP), system integrator had to cover all the IPs under biometric details but till March 2013 only 52.97 *per cent* IPs (98 lakh out of 1.85 crore) were registered with biometric details.
- In the RFP, desktop specification was defined clearly but system integrator had not installed the desktops as per specifications. Out of 44808 devices installed by system integrator, 40899 devices

failed to meet functional/technical requirements.

- Analysis of the data of patient visits revealed that only 1192 units out of 1599 were capturing the patient details as of 31 March 2013. Remaining 407 units were maintaining the records manually.
- Wipro had quoted ₹ 570 crore (in the first bid which was cancelled) for networking component while in the second bid, quotation was of ₹ 50 crore only, as against identified bandwidth requirements of 512 Kbps to 4 Mbps, bidder offered only 128 Kbps and 1 Mbps which was accepted by ESIC. Acceptance of lower bandwidth resulted in prolonging the waiting period for the end users for completing transactions.

ESIC stated (May 2014) that based on the specific requirement of RO, SRO, ESI hospitals, dispensaries, etc. M/s Wipro had increased the bandwidth size. In respect of SRS, ESIC stated that the SRS would not be finalized till all the functionalities and all the scenarios had been captured and incorporated in the applications.

The reply is not acceptable as, first, the project was severely delayed and scheduled period of completion was already over in August 2010; second, without SRS the package would not have features which are necessary for effective functioning of the scheme; third, reduced bandwidth in the work order was already having adverse impact on waiting period for transactions alongwith demand for increasing the bandwidth.

Recommendation: ESIC may strengthen its project monitoring mechanism.