

CHAPTER-III: FINANCIAL MANAGEMENT

3.1 Introduction

In November 2004, the Ministry estimated the capital cost of six new AIIMS under Phase-I of PMSSY to be ₹ 1,707 crore (₹ 284.50 crore for each AIIMS) with a recurring cost of ₹ 1,780.86 crore (2005-13) along with upgradation of seven GMCIs at a total estimated cost of ₹ 780 crore¹. The total estimated cost of the scheme was ₹ 4,267 crore. Subsequently in March 2006, the Government approved a revised capital cost of ₹ 332 crore for each new AIIMS and added four more GMCIs to be upgraded. Accordingly, the total cost of Phase-I of the scheme was approved for ₹ 3,776 crore (capital cost ₹ 3,067.15 and recurring cost of ₹ 708.84 crore). In March 2010, the capital cost of each of the six new AIIMS was further revised along with capital cost of 13 GMCIs of ₹ 1,290 crore and recurring cost of ₹ 3,097.62 crore upto 2016-17 and the total outlay on Phase-I was approved for ₹ 9,307.62 crore. In the case of Phase-II of the Scheme, only one new AIIMS was taken up at a capital cost and recurring cost of ₹ 823 crore and ₹ 515.75 crore (upto 2016-17) respectively. Along with the central share for upgradation of six GMCIs in this phase of ₹ 750 crore (₹ 125 crore for each GMCI), the total outlay on Phase-II was ₹ 2,088.75 crore. Phase-III of the scheme consisting of upgradation of 39 GMCIs was approved at a total capital cost of ₹ 4,680 crore. Hence the total approved cost of first three phases of the scheme was ₹ 16,076.37 crore of which capital costs were ₹ 12,463 crore.

3.2 Budget estimates and release of funds

The budget estimates and fund released by the Ministry for setting up of new AIIMS and upgradation of GMCIs for the period 2004-17 are given in **Table-3.1**:

¹ ₹ 120 crore each for six GMCIs and ₹ 60 crore for one GMCI.

Table-3.1: Year wise Budget Estimates and Releases*(₹ in crore)*

Year	Budget Estimate	Fund Release	Saving	Saving %
2004 - 05	60.00	6.16	53.84	89.73
2005 - 06	250.00	2.52	247.48	98.99
2006 -07	75.00	6.27	68.73	91.64
2007 - 08	150.00	87.49	62.51	41.67
2008 - 09	490.00	484.00	6.00	1.22
2009 - 10	1,447.92	474.48	973.44	67.23
2010 - 11	750.00	653.84	96.16	12.82
2011 - 12	1,616.57	877.10	739.47	45.74
2012 - 13	1,544.21	989.06	555.15	35.95
2013 - 14	1,975.00	1,273.24	701.76	35.53
2014 - 15	1,956.00	822.03	1133.97	57.97
2015 - 16	2,206.00	1,577.83	628.17	28.48
2016 - 17	2450.00	1,953.16	496.84	20.28
Total	14,970.70	9,207.18	5,763.52	38.49

(Source: Ministry)

Savings in the initial period from 2004-08 ranged from 42 to 99 *per cent* which was mainly due to delay in obtaining approval of CFA and other delays at the planning stage as discussed in Para 2.3 of the report. Savings during 2009-2017 ranged between 13 to 67 *per cent* and were attributable to delays in tendering, slow progress of capital works, slow pace of procurement of equipment, non-finalisation of sites for AIIMS and non-filling up of posts.

The Ministry accepted (February 2018) that savings had resulted as the targeted goals for construction could not be met and stated that the trend with regard to savings had reversed since 2011-12. However, the fact remains that savings with respect to Budget Estimates continued to be significant in all the years and this was indicative of delays at all stages.

Further, the Ministry could not provide figures of actual expenditure on the scheme stating that amount of funds released are treated as actual expenditure. However, it was noted in audit that unspent funds amounting to ₹ 2,098.22 crore was available with the new AIIMS and the nominated agencies as of March 2017². The existence of unspent balances indicated that financial progress was being over-stated by treating funds released as actual expenditure on the scheme.

² In respect of six new AIIMS and GMCIs of Phase-I to Phase-III.

It was also noted that Ministry was not compiling or monitoring expenditure being incurred by new AIIMS/agencies against releases made by it. Thus, no mechanism was in place for monitoring and tracking actual expenditure leading to accumulation of unspent funds with the new AIIMS and the agencies.

3.3 Increase in capital cost of new AIIMS in Phase-I

The capital cost of each new AIIMS in Phase-I was initially approved in March 2006 as ₹ 332 crore. However in March 2010, the Ministry obtained revised approval for capital cost of the six new AIIMS at the rate of ₹ 820 crore per new AIIMS³. This represented a 145 *per cent* increase in capital costs. The increase in cost of civil works due to change in price index between September 2003 to October 2008 was 46.4 *per cent* of the original cost and the balance was due to increase in area, provision for additional items⁴ and inclusion of Works Contract Tax etc. Further, cost of equipment increased by 91.3 *per cent*. The increase in capital costs is thus attributable both to delay in progressing the project after the same was announced in 2003 and shortcomings in planning and assessment of requirements for establishing an AIIMS like institute.

3.4 Utilisation of funds by new AIIMS

Out of the total fund of ₹ 3,285.03 crore (Grant-in-aid) made available to the six⁵ new AIIMS during 2011-17, ₹ 2,017.62 crore was utilised leaving an unspent balance of ₹ 1,267.41 crore as of March 2017 as depicted in **Table-3.2**:

Table-3.2: Funds available and expenditure during 2011-17

(₹ in crore)

Name of new AIIMS	Total funds available	Expenditure	Unutilised	Percentage of unutilised fund
Bhopal	533.10	258.09	275.01	51.59
Bhubaneswar	505.69	375.20	130.49	25.80
Jodhpur	535.50	373.19	162.31	30.31
Patna	496.95	338.03	158.92	31.98
Raipur	597.79	360.06	237.73	39.77
Rishikesh	616.00	313.05	302.95	49.18
Total	3,285.03	2,017.62	1,267.41	

³ Total cost escalated ₹ 2,928 crore (₹ 820 crore - ₹ 332 crore X 6 AIIMS)

⁴ Includes items on a count of green building norms, items not included at EFC stage in November 2004,

⁵ Out of seven AIIMS selected for the Performance Audit, GIA was released to six new AIIMS where as no GIA was released to AIIMS-Raebareli as it was not functional as of March 2017.

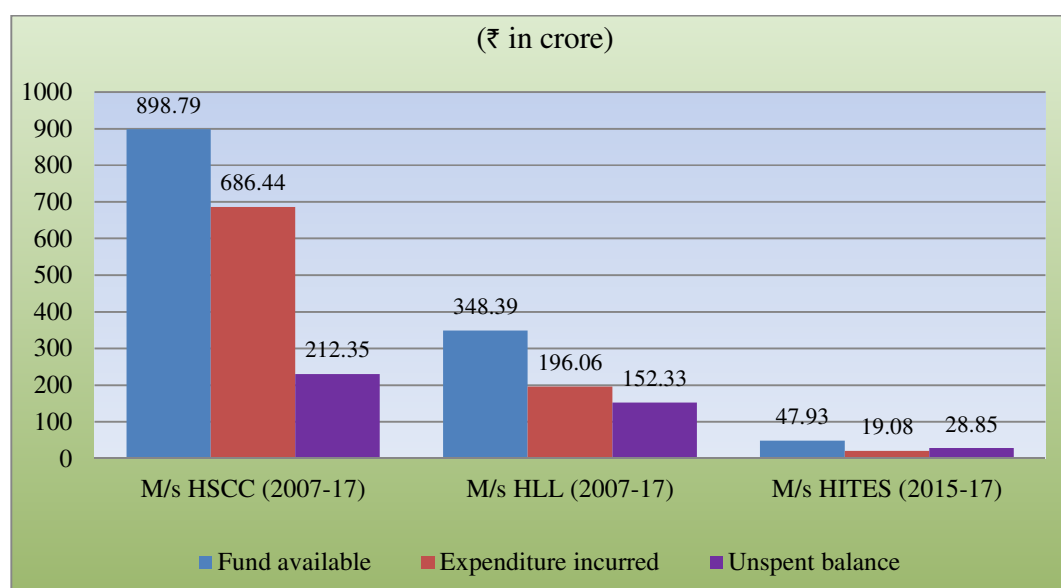
The main reasons for unspent funds were slow progress of construction work and failure on the part of the institutes to factor in available funds while submitting requirement of funds to the Ministry and delays in filling up of vacancies.

The Ministry attributed the unspent balances to non-filling up of posts and delay in implementation of the Seventh Pay Commission scales.

3.5 Non-utilisation of funds of ₹ 830.81 crore by the nominated agencies

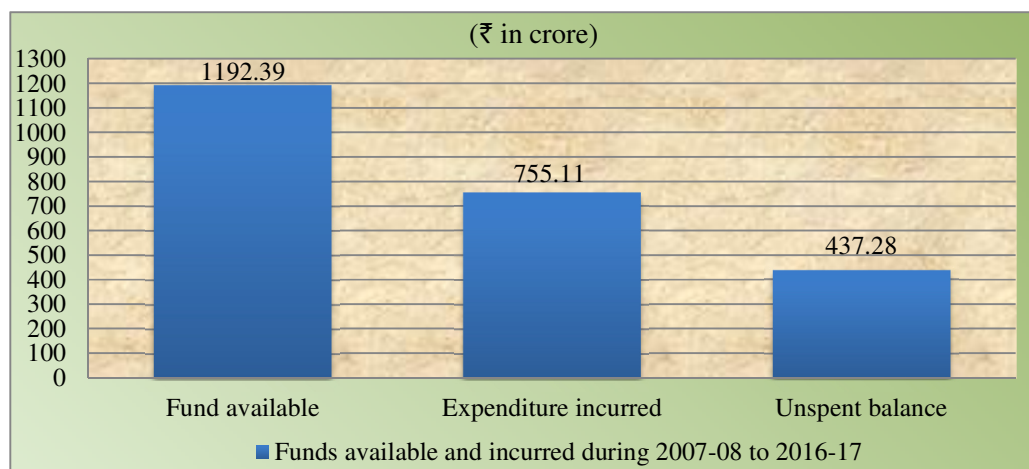
Ministry released funds to nominated agencies i.e. M/s HLL, HITES and HSCC for civil works relating to GMCIs and residential complexes of new AIIMS and for procurement of medical equipment. These agencies could not fully utilize these funds and were holding substantial unspent funds as of March 2017. An amount of ₹ 393.53 crore provided by the Ministry/Institutes for civil works and ₹ 437.28 crore for procurement of equipment were lying unspent with these agencies as depicted in **Charts-3.1** and **3.2**:

Chart-3.1: Unspent balance available with Nominated Agency (Civil Works)



(Source: M/s HSCC, M/s HLL and M/s HITES)

Chart-3.2: Unspent balance with Nominated Agency (Procurement of Equipment)



(Source: M/s HLL)

Audit noted that the reasons for the funds remaining unspent were non-finalisation of bills, delay in finalising proposals for procurement of equipment and non-provision of contractual manpower.

The Ministry stated (February 2018) that the contract required to maintain a balance of funds of 10 *per cent* of tendered cost for civil works. It added that these amounts will be refunded along with interest during final settlement of accounts by the nominated agencies.

The reply of the Ministry is not tenable as the agreements only provided for payment of an initial deposit of 10 *per cent* and there was no requirement to maintain this throughout the contract period. Further, reasons like delay in finalising procurement proposals and lack of synchronization with provision of requisite manpower pointed to deficiencies in management and coordination that resulted in funds totalling ₹ 830.81 crore remaining unutilised with the institutions and the PSUs.

3.6 Idling of funds with GMCIs amounting to ₹ 63.85 crore

In five GMCIs (**JNMC-Aligarh**, **NIMS-Hyderabad**, **RIMS-Ranchi**, **RPGMC-Tanda** and **IMS-Varanasi**) funds amounting to ₹ 63.85 crore, received for civil works and procurement of equipment, remained idle for periods ranging from two to five years. Details are given in **Annex-3.1**. Idling of funds was indicative of the failure of the Ministry to monitor proper and timely utilisation of funds.

3.7 Non-inclusion of interest clause in the contract agreement

The Ministry generally included a provision in the contract with M/S HLL for adding the interest earned on funds received/advances drawn to the balances of deposits/advances for civil work and procurement of equipment for upgradation of GMCIs under Phase-I and in the contracts for provision of pre-clinical equipment. However, a clause to this effect was not included by the Ministry in the agreement entered into in August 2013 with the agency for procurement of clinical equipment for the six new AIIMS. As a result, an amount of ₹ 30.45 crore earned as interest as on 31 March 2017 by M/s HLL on amounts advanced to the company for procurement of equipment had not been added to the deposit received/advance drawn by the company.

The Ministry informed (February 2018) that M/s HLL had agreed to return unused project funds along with interest after finalization of accounts of the project.

3.8 Diversion of funds amounting to ₹ 26.71 crore

Clause 10 of the MoU states that the GMCIs/State Government shall not divert the grants for any other purpose and unutilized grants shall be refunded to the Ministry. Audit noticed that four GMCIs (**BJMC-Ahmedabad, BMCRI-Bangalore, NIMS-Hyderabad and RIMS-Ranchi**) diverted funds amounting to ₹ 26.71 crore for other purposes as detailed in **Annex-3.2**. For example, funds for procurement were diverted to meet cost escalation of civil works and installation of gas manifold system, comprehensive maintenance contract and purchase of consumables items. Similarly, funds for computerisation were diverted for centralised air conditioning and minor civil works.

Ministry stated (February 2018) that the cases relate to GMCIs which were within the jurisdiction of the Institutes and State Governments. The fact remains that such diversion of funds was against the provisions of the MoU and the Ministry cannot be absolved of its responsibility to ensure that funds released are utilized for the intended purpose.

3.9 Outstanding Utilization Certificates amounting to ₹ 234.98 crore

According to clauses 12 and 13 of the MoU between the Ministry and GMCIs, advances/subsequent release shall be made by the Ministry on the satisfaction that the beneficiary institution had furnished necessary statement of expenditure and utilisation certificate. Audit noticed that utilization certificates in seven GMCIs amounting to ₹ 234.98 crore were not furnished to the Ministry as shown in **Annex-3.3**. In the absence of proper utilisation certificates, there was no assurance that funds were used for the purpose for which these had been provided and not diverted or parked. In some cases, balance funds required for civil works and purchase of equipment were not released by the Ministry for want of UCs thereby holding up procurement.

The Ministry intimated (February 2018) that this issue will be taken up with the concerned State Government/Institutes.

3.10 Delay in adjustment of advances

As per clause 10.4 of the MoU signed between the nominated agencies i.e. (M/s HLL and M/s HSCC) and the Ministry, the consultant/contractor had to submit adjustment bills on 30 days'-cycle basis. Ministry had released funds to different nominated agencies in Phase-I and Phase-II of PMSSY for setting up of new AIIMS and upgradation of GMCIs. Audit noted that though the assigned work was completed by the concerned nominated agencies in some cases, advances amounting to ₹ 254.15 crore were not settled as of March 2017 even though periods upto seven years had elapsed since completion of work as given in **Table-3.3**.

Ministry stated (February 2018) that it was taking steps for formal closure of the activities.

Table-3.3: Non-adjustment of advances to Nominated Agencies

(₹ in crore)

Sl. No.	Phase	Name of the new AIIMS/GMCI	Name of the nominated agency (M/s)	Funds released including interest	Unspent balance as on March 2017	Date of start of work	Date of completion of work
1.	II	AIIMS-Raipur	HSCC	32.91	2.28	June 2008	February 2011
2.	I	RPGMC-Tanda	HSCC	45.94	6.51	November 2011	February 2014
3.	II	NIMS-Hyderabad	HSCC	93.53	22.81	March 2008	July 2010
4.	II	JNMC-Aligarh	HLL	81.77	13.75	November 2011	March 2016
Total				254.15	45.35		

Further, in **BMRCI-Bangalore** and **GMKMC-Salem**, though civil works were completed in October 2010 and July 2010 respectively, the nominated agency (M/s HLL) refunded the unspent amount along with interest earned thereon, only after a lapse of more than three years as given in **Table-3.4**:

Table-3.4: Delay adjustment of advances to Nominated Agencies

(₹ in crore)

Name of GMCI	Funds available	Expenditure incurred	Balance fund	Date of completion of work	Date of final adjustment	Period of fund retained
BMCRI-Bangalore	54.35	53.50	0.85	July 2010	September 2013	Three years & two months
GMKMC-Salem	87.72	83.24	4.48	October 2010	June 2014	Three years & eight months
Total	142.07	136.74	5.33			

3.11 Avoidable/excess payment amounting to ₹ 14.74 crore

Avoidable/excess payment to the tune of ₹ 14.74 crore was made by the seven new AIIMS (**Bhopal, Bhubaneswar, Jodhpur, Patna, Raipur, Rishikesh** and **Raebareli**) and two GMCI (**BJMC-Ahmedabad** and **IMS-Varanasi**). It included avoidable or excess payment of ₹ 12.47 crore on account of excess demand charges due to poor assessment of power requirements, payment of customs duty due to failure to apply for customs duty exemption certificate, unnecessary payment of service tax and excess payment of consultancy fees. In addition, the new AIIMS paid ₹ 2.27 crore to faculty members and officers irregularly, on account of “Learning Resource Allowance” despite specific instructions of the Ministry that such payments should be stopped immediately. The details have been brought out in **Annex-3.4**.

The Ministry stated (February 2018) that the institute had sought expert opinion on the issues raised.

3.12 Short deduction/non-deduction of Taxes amounting to ₹ 8.84 crore

An amount of ₹ 8.84 crore of statutory dues such as royalty, tax deducted at source and value added tax was found to have been either not deducted or short deducted by five new AIIMS (**Bhopal, Jodhpur, Raipur, Rishikesh and Raebareli**) as given in **Annex-3.5**.

Audit Summation

The total approved cost of the first three phases of PMSSY was ₹ 16,076.37 crore of which ₹ 12,463 crore constituted capital costs. The Ministry had released ₹ 9,207.18 crore during the period 2004-05 to 2016-17 under the Scheme for setting up of new AIIMS and upgradation of GMCIs. However, a significant portion of the funds remained under-utilised due to delays in obtaining approval, delays at the planning stage, delays in execution of works, slow pace of procurement of equipment and non-filling up of posts. Lack of effective monitoring and tracking of actual utilisation led to ₹ 830.81 crore lying unutilised with the nominated agencies as on March 2017 as well as diversion of funds amounting to ₹ 26.71 crore. Deficient financial management is also evidenced by outstanding utilisation certificates of ₹ 234.98 crore and non-settlement of advances ₹ 259.48 crore which increases the risk of diversion and idling of funds.