PERFORMANCE AUDIT OF EMPLOYEES' STATE INSURANCE CORPORATION (ESIC)

AND

SPECIAL AUDIT OF MEDICAL EDUCATION PROJECTS OF ESIC

MINISTRY OF LABOUR AND EMPLOYMENT

PUBLIC ACCOUNTS COMMITTEE
(2016-17)

SIXTY-SEVENTH REPORT

SIXTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2100

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MINISTRY OF LABOUR AND EMPLOYMENT

Presented to Lok Sabha on: 31.03.2017

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LOK SABHA SECRETARIAT
NEW DELHI

March, 2017/ Chaitra, 1939 (Saka)

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* Elected w.e.f. 09.08.2016 *vice* Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

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9. Shri Neiphiu Rio
10[†]. ***Vacant***
11. Shri Janardan Singh Sigriwal
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13. Dr. Kirit Somaiya
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20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ramchandra Prasad Singh

[†] Vacant *vice* Shri Rajiv Pratap Rudy who has been appointed as Minister w.e.f. 9th November, 2014.

[‡] Vacant *vice* Shri Jayant Sinha who has been appointed as Minister w.e.f. 9th November, 2014.

[§] Vacant *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2016-17), having been authorised by the Committee, do present this Sixty-Seventh Report (Sixteenth Lok Sabha) on **'Performance Audit of Employees State Insurance Corporation (ESIC) and Special Audit of Medical Education Projects of ESIC'** based on C&AG Report No. 30 of 2014 and Report No. 40 of 2015 (Union Government) relating to the Ministry of Labour and Employment.

2. The Report Nos. 30 of 2014 and 40 of 2015 of the Comptroller and Auditor General of India were laid on the Table of the House on 12 December, 2014 and 18 December, 2015 respectively.

3. C&AG Report No. 30 of 2014 on Employees State Insurance Corporation (Performance Audit) was selected by the PAC for examination in 2014-15. The subject was continued for examination by successor PAC during their terms (2015-16) and (2016-17). On laying of C&AG Report No. 40 of 2015 on Medical Education Projects of ESIC (Special Audit) in the Parliament, the same was selected for examination by the PAC during the term (2015-16) and this subject also continued for examination during (2016-17).

4. The Public Accounts Committee (2014-15) took briefing and oral evidence of the Ministry of Labor and Employment on C&AG Report No. 30 of 2014 on 7 October, 2015. Afterwards, the PAC (2015-16) took oral evidence of the representatives of Ministry of Labour and Employment on C&AG Report No. 40 of 2015 on 28 January, 2016. Thereafter, the PAC (2016-17) took further oral evidence of the representatives of Ministry of Labour and Employment on both the C&AG Reports (30 of 2014 and 40 of 2015) at their sitting held on 5 July, 2016. A single Report with the title 'Performance Audit of Employees State Insurance Corporation (ESIC) and special Audit of Medical Education Projects of ESIC' covering aspects contained in both the aforesaid C&AG Reports was drafted and placed before the Public Accounts Committee for their consideration on 15 December, 2016 and again on 17 March, 2017. The Committee considered and adopted this Draft Report at their sitting held on 17 March, 2017. The Minutes of the sittings are appended to the Report.

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part II of the Report.

6. The Committee thank the predecessor Committees for taking oral evidence and obtaining information on the subject.

7. The Committee would like to express their thanks to the representatives of the Ministry of Labour and Employment for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

8. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
17 March, 2017
26 Phalguna 1938 (Saka)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

PERFORMANCE AUDIT OF EMPLOYEES STATE INSURANCE CORPORATION (ESIC) AND SPECIAL AUDIT OF MEDICAL EDUCATION PROJECTS OF ESIC

PART I

I. Introductory

1. The C&AG of India (Audit) prepared two reports on Employees' State Insurance Corporation (ESIC) viz. Report No. 30 of 2014 regarding Performance Audit of Employees' State Insurance Corporation and Report No. 40 of 2015 pertaining to Special Audit of Medical Education Projects of ESIC. Since the C&AG reports were on related topics regarding ESIC, the Committee have decided to present one consolidated report on the subject containing their observations and recommendations on both the Audit reports.

2. Employees' State Insurance Scheme (ESIS) is an integrated social security scheme mandated to provide protection to workers and their dependants in the organized sector in contingencies such as sickness, maternity and death or disablement due to employment injury or occupational disease. Towards this objective, the scheme provides full medical facilities to insured persons and their dependants and cash compensation for any loss of wages or earning capacity of insured persons. The scheme is operated by Employees State Insurance Corporation (ESIC) established under the Employees' State Insurance Act, 1948 (the Act). ESIC is an autonomous statutory corporation under the administrative control of Ministry of Labour and Employment, Government of India.

A. Objective, coverage and benefits under the Act

3. The objective of the Act is to provide full medical facilities to insured persons and their dependants, as well as cash compensation for any loss of wages or earning capacity of an insured person in case of sickness, maternity and employment injury.

4. The Act is implemented in the entire country (except Manipur, Sikkim, Arunachal Pradesh and Mizoram) covering shops, hotels, restaurants, cinemas, motor transport undertakings, newspaper establishments, educational and medical institutions employing 20 or more persons. Twenty one states have reduced the threshold of coverage to 10 persons.

Benefits of ESIS

Sl. No.	Benefit	Description
1.	Medical Benefit	Medical care for self and dependents through a network of panel clinics, ESI dispensaries and hospitals.
2.	Sickness Benefit	Sickness Benefit is payable in cash, in the event of any sickness resulting in loss of wages due to absence from work which is duly certified by an authorized medical officer/practitioner.
3.	Maternity Benefit	Maternity Benefit is payable to insured women in case of confinement or miscarriage or sickness related thereto.
4.	Disablement Benefit	Disablement Benefit is payable to insured employees, suffering from physical disablement due to employment injury or occupational diseases.
5.	Dependent's Benefit	Periodical payment to dependant's of employee in case of death of employee due to employment injury.
6.	Funeral expenses	Recoupment of funeral expenses on death of employee.
7.	Rehabilitation Allowance	Payment of 50 *per cent* of average daily wages for maximum of 12 months, in case of loss of job due to closure of the establishment, under Rajiv Gandhi Shramik Kalyan Yojna (RGSKY).

5. The Ministry were asked whether ESIC has formulated any corporate plan or vision document and if so, details thereof. The ministry replied as under:-

> "The ESIC has formulated a vision document containing Vision, Mission, Objectives and Functions and was formally released on 31/07/2014 in its Corporation Meeting by the Hon'ble Chairman, ESIC. The same had been submitted to the Cabinet Secretariat under Results-Framework Document (RFD) for ESIC 2014-15.
>
> In addition to above, E.S.I. Corporation in its 166th meeting held on 07.08.2015, has approved expansion plans to cover all the States, Union Territories and all districts in full where scheme is running in industrial clusters and delivery of medical services by upgrading Dispensaries, Cancer detection facility, dialysis

facility on PPP mode, all possible pathological facilities etc. in ESIC Hospitals under 2nd Generation Reforms ESIC 2.0."

6. The Ministry were asked about the mechanism in place to fix accountability in cases of irregularities found in ESIC and all audit paras of the audit report no. 30 of 2014. The Ministry replied the following:-

> As and when irregularity is noticed in ESIC due to delinquency of any official, apart from rectifying the deficiency, action is also taken against such official as per provisions contained in ESIC (Staff and Conditions of Service) Rules, 1959. This effectively means transfer, disciplinary action, suitable entry in Annual Performance Appraisal Report etc.
>
> As far as the observations contained in Audit Report No. 30 of 2014, report has been circulated to all concerned in ESIC and shortly appropriate action as deemed fit, will be initiated.

7. When asked if any surprise inspection teams were sent to the hospitals to check the physical status and details of the number of surprise inspections conducted during the last one year at least and the outcome of such inspections, the Ministry stated the following:-

> "The ESI Corporation is directly running 36 ESI Hospitals in different parts of the country.
>
> An action plan alongwith specific targets have been drawn for improvement of medical services at these hospitals. Regional Directors and Senior State Medical Commissioners/State Medical Commissioners of respective States have been authorized to visit and inspect the hospitals in their jurisdictions for compliance of targets.
>
> Besides, during the previous quarter, there were three surprise inspections of these hospitals. First on 8th July, 2015, Second on 14th August, 2015 and the last one on 8th September, 2015.
>
> Marked improvement in the overall functioning of these hospitals is visible as a result of aforesaid steps.
>
> General cleanliness of the hospital premises including in-patient wards, toilets etc. has improved to a large extent. Separate OPD for Senior Citizens and Physically Challenged persons have been started in the afternoons. Reception/ "May I Help You" counters are also functioning."

B. Organisation, Implementation and Governance structure

8. ESIC has its corporate office at New Delhi and has 23 Regional Offices (RO), 31 Sub Regional Offices (SRO) and 6 Divisional Offices (DO) as its field formations. Union Minister and Secretary of the Ministry of Labour and Employment are Chairman and Vice-Chairman of ESIC respectively. Director General is the Chief Executive Officer of the Corporation.

9. ESIC provides health and medical care through a network of dispensaries, panel clinics (private clinics/diagnostic centers), hospitals including model hospitals and annexes, Zonal Occupational Disease Research Centres, etc. It also has tie up with other hospitals for super speciality treatments. Under ESI scheme, ESIC runs 36 hospitals, 42 annexes (Hospital with less than 50 beds is called annexe) and 1384 dispensaries and has tie-ups with State Government/private hospitals/dispensaries for providing medical care.

10. The activities of the ESIC are governed by three bodies at the national level namely (i) ESI Corporation, (ii) Standing Committee and (iii) Medical Benefit Council and by three bodies at the State level namely, (i) Regional Board, (ii) Hospital Development Committee and (iii) Local Committee.

C. Beneficiaries and coverage

11. Out of the total work force of about 4590 lakh[1] in India, 275.40 lakh workers are in organized sector (176.70 lakh in public sector and 98.70 lakh in private sector) and the rest are in unorganized sector. The Act covers workers in organized sector only. At present about 186 lakh Insured Persons (IPs) i.e. 67 *per cent* of organized sector are covered under Act, which represents only about 4 *per cent* of the total work force of the country.

[1] As per Standard Note on ESIS as on 1 January 2013

D. Audit objectives

12. The performance audit of the ESIC in report no. 30 of 2014 was conducted by Audit to assess whether :

- financial management and governance was efficient;
- mechanism for coverage of new establishments was effective;
- implementation of scheme, including procurement of medicines/ equipment was efficient and effective; benefits provided to the Insured Persons/beneficiaries were as per norms; and
- infrastructure development was effective and as per norms.

13. In Report no. 40 of 2015, Audit commented upon certain aspects of Medical Education Projects. The Ministry of Labour and Employment in November 2014 requested the C&AG of India to conduct a special audit of 13 ongoing Medical College Projects. It was specifically desired by the Ministry that the special audit may be taken up to address the following concerns:-

- Whether due diligence was observed while deciding to take up medical education projects?
- Whether these projects were able to fulfill the objectives envisaged under Section 59(B) of ESI Act?
- Whether the provisions of General Financial Rules (GFRs) were followed while implementing these projects?

14. Audit however, noticed from the records that instead of 13 Medical Education Projects, ESIC had taken up setting up of 22 Medical Education Projects. Scrutiny of records revealed that one Medical Education Project viz Dental College at Vashi was converted into a 100 bedded hospital (February 2013) due to a change in Dental Council of India (DCI) norms for a standalone dental college. Audit has conducted audit of all the 21 Medical Education Projects and report no. 40 of 2015 contains audit findings on these 21 Projects.

E. Scope of Audit

15. The performance audit covered related activities of ESIC at its Headquarters, Regional Offices, Sub-Regional Offices (along with two Branch offices), Divisional Offices, hospitals and dispensaries. Activities at selected Medical/Dental/Nursing Colleges and Directorate (Medical) Delhi were also examined. Period covered under performance audit was 2008-09 to 2012-2013. The Performance Audit did not cover states of Meghalaya, Nagaland and Tripura as very few establishments were covered under ESIC in these states.

16. The special audit was conducted at the ESIC Headquarters, New Delhi and requisite records relating to implementation of Medical Education Projects as available at ESIC Headquarters and Ministry of Labour and Employment were examined during the period January 2015 to May 2015.

II. Financial Management

A. Income and expenditure

17. As per Rule 51 of ESI (Central) Rules 1950, the contribution is to be collected at the rate of 1.75 *per cent* of wages from employee and 4.75 *per cent* of wages from employer. It was the main source of income to the ESIC and contributed 76 to 84 *per cent* of its total income. In addition, the other sources of income were interest on investments (14 to 22 *per cent*) and rent/rate/taxes (0.60 *per cent* to 1.48 *per cent*) of the buildings constructed by ESIC and handed over to state governments to run the scheme, etc. Expenditure of ESIC was mainly towards providing medical benefits (54 to 64 *per cent* of total expenditure), cash benefits (11 to 18 *per cent*), administrative expenses (12 to 20 *per cent*), etc.

18. Analysis of data of income and expenditure indicated *inter-alia* expenditure towards medical and cash benefit was between 33 and 46 *per cent* of total income

implying that the expenditure on the main activity was not in proportion to collection of contributions. It also indicated that the rates of contribution from employee and employers were higher than present level of services being provided.

19. When asked about the reason for increase in administrative expenses from ₹826.12 cores in 2012-13 to ₹ 1028.02 crore in 2013-14, while the ESIC was entitled for 15% expenditure for administrative purpose since 1948, the Ministry made the following submission:-

> "As per Rule 31 A(2) of the ESI (Central) Rules,1950 the administrative expenditure is restricted to 15% of the total revenue income. Administrative expenses includes pay and allowances of ESIC employees which is as per the Central Govt. and other administrative expenditure is done strictly according to the budget. The amount of ₹ 1028.02 crores includes the provisions of ₹ 341 crores towards retirement benefit of ESIC employees for current year and future years. These provisions are being done on the basis of actuarial valuation."

20. On being queried as to why a separate account head like medical benefit, cash benefit etc. could not be made instead of booking it under administrative expenses, the Ministry gave the following response:-

> "In ESIC the administrative expenses of Medical Staff are shown together with that of Medical benefits and Cash benefits. This is done because the Medical Staff are engaged for extending proper and quality Medical benefits to IPs. There was a deliberation to club the Medical administrative expenditure with that of General administrative expenses of ESIC. But after careful consideration, it was decided by the Ministry of Labour and Employment that the expenditure on Medical benefits should be linked and put together with that of Medical and Cash benefits, as it relates to service of IPs."

B. Accumulated surplus

21. The ESIC was created to provide social security for IPs, however as seen from its income and expenditure figures, its collections were consistently and significantly higher than its level of expenditure on services, with the result that it has been accumulating surplus over the years. During 2009-10 and 2012-13 ESIC transferred ₹ 5000 crore and ₹ 3000 crore respectively from 'Surplus' to 'Capital Construction Reserve Fund' (CCRF). Yet the accumulated surplus increased from ₹ 13481.40 crore in 2008-09 to ₹ 19157.09 crore in 2012-13. As per Audit, spending less on providing

core services (medical benefits and cash benefits) for which ESIC was created and using accumulated surplus for medical education (construction of medical colleges) is an issue of concern.

22. The Ministry were asked if ESIC had prioritized heads for which accumulated surpluses may be used while specifying the reasons for accumulation of surplus fund. The Ministry were further asked as to why ESIC failed to spend on core services like medical benefits and cash benefits. The Ministry responded as under:-

"The ESI Corporation in its 166th meeting held on 07/08/2015 has approved following expansion plans besides measures to improve delivery of medical services under 2nd Generation Reforms ESIC 2.0.

a. Expansion: ESIC to expand to cover all the States, Union Territories and all Districts in full where Scheme is running in industrial clusters.
   (i) States of Arunachal Pradesh, Mizoram, Manipur and Andaman & Nicobar Island (UT).
   (ii) The ESI Scheme is presently running in 849 Centers of Industrial Clusters of 393 Districts. There is a plan to cover whole of the Districts instead of Industrial Cluster based on revenue villages.

b. The ESI Scheme to be expanded to unorganized sector by reducing the threshold from present 10 persons in a unit. Self employed like autorickshaw drivers, rickshaw pullers are also being considered for bringing them into the ESI ambit for medical benefit, in phases.

c. Delivery of Medical Services :

   (i) ESIC to upgrade 1/3rd number of dispensaries to six bedded hospitals with 24x7 facilities, Pathological Facilities and X-ray Facilities.
   (ii) Cancer detection/treatment facility at different level of hospitals.
   (iii) Dialysis facility in all ESIC Model Hospitals on PPP Model.
   (iv) All possible pathological facilities in all hospitals by installation of required equipment either by upgrading or outsourcing.
   (v) Placing appropriate queue management system in every hospital.
   (vi) Better upkeep and signages at hospitals.

ESIC has provided medical and cash benefit to Insured Persons as per prescribed scale of benefits. ESIC has made sustained efforts for improving medical and cash benefits. The expenditure on medical and cash benefit has substantially increased during the period 2009-10 to 2014-15. The expenditure on medical benefit has increased from ₹ 1627 crore in 2009-10 to ₹ 5616 crore in 2014-15 and the cash benefit has increased from ₹ 386 crore to ₹ 800 crore during the same period. Thus the average annual growth in Medical and Cash Benefit during last 6 years is 41 % and 18 % respectively.

The accumulation of surplus is not the purpose of the social security scheme but it is the integral part of the system. As the medical benefit of ESIC is unlimited, maintaining surplus is essential to face any unforeseen contingency.

The ESIC in the recent past has implemented decisions of the Corporation for improvement of Medical Services extending Super speciality treatment from tie-up hospitals wherever it was required. The recommendations of Committee on Medical Services and Medical Education has been implemented thereby boosting the financial requirement of the States run ESI Schemes i.e. ₹ 1500/- per I.P. unit/annum to ₹ 2000/- per I.P/annum besides expenditure on super speciality by ESIC itself.

Keeping above in view, the surpluses accumulated shall be judiciously utilized in the years to come."

23. In this regard, when asked if the Ministry believed that the surplus fund beyond a certain limit be transferred to the Public Accounts so that huge unspent amounts of the ESIC do not lead to unplanned, inefficient expenditure, and whether there was a monitoring process in place for financial analysis of the ESIC funds and expenditure, the Ministry responded thus:-

"It is humbly submitted that CCRF was created as an earmarked fund with an object to meet the expenditure on the purchase of building, construction of hospitals, dispensaries, other medical institutions and offices of the Corporation together with staff quarters attached to it so that capacity building in medical and non medical infrastructure could be established to provide more strength and better outreach in delivery of services to the beneficiaries of the scheme. It is further submitted that the Corporation in its 147th meeting held on 25th August, 2009 approved the allocation of funds in phased manner for medical education projects to be incurred in five years period commencing from the year 2009-10 and accordingly during the period 2009-10 to 2013-14 total amount of ₹ 16,914 crores was transferred in CCRF for the purpose. In the year 2013-14 it was decided to make CCRF as non-earmarked fund so as to enable ESIC to treat interest earned on investment of CCRF as revenue income. It was also decided to continue transfer of fund at one *percent* of contribution for future expansion plans and from the financial year 2014 onwards, amount equal to newly sanctioned project shall be transferred immediately from General Reserve Fund (GRF) to CCRF and adequacy in CCRF will be assessed every year in view of escalation, addition, reduction, termination of project and transfer from CCRF to

GRF as per requirement and in case of immediate requirement of fund for any contingency. It is also mentioned that in order to have effective monitoring of all major construction activities, the Corporation has constituted its Sub-Committee and mandate to oversee, review (pre / post activities) and examine all the construction activities and progress of construction of hospitals, dispensaries, staff quarters and office buildings. In addition to above it is mentioned that as per audited annual accounts of ESIC for the year 2014-15 there is a capital commitment to the tune of ₹ 4,262 crores and besides this Corporation expending its outreach on all India basis from the year 2017 which will likely to demand more funds for these future expansion plans.

Therefore, it can be evident from above submission that transfer of funds in CCRF to the tune of ₹ 16,914 crore during the period 2009-10 to 2013-14 was a planned decision of the Corporation and this amount cannot be qualified as surplus fund.

Regarding transfer of funds from ESIC to Public Accounts, it is submitted that as per provisions contained in section 28 of the ESI Act, 1948, the Employees' State Insurance Fund shall be expended only for the purposes provided under this act and for the benefits of the beneficiaries of the Scheme. Since the ESI Scheme is in the nature of self-financing scheme and therefore, the Employees' State Insurance Fund may be expended only for the purposes provided under this Act. Any surplus fund is to be invested for future expenditure towards the scheme as per provisions of the Act.

It is submitted that the Corporation has constituted the Budget and Accounts Sub Committee for monitoring and control of ESIC funds and expenditure and scrutiny of expenditure and accounts. It is also mentioned that for day to day investment of ESIC funds a separate Committee already exists in ESIC which professionally manages the ESIC funds."

C. Arrears of contributions

24. As per rule 31 of ESI (General) Regulations 1950, all employers of covered establishments are required to deposit both employees' and employer's contribution within the stipulated period i.e. latest by 21st of next month. In case employer fails to do so, contribution along with interest will fall under arrears for which ESIC is empowered to take recovery action as arrears of land revenue under Section 45-B to 45-I of the Act.

25. Analysis of arrears by Audit indicated that:

- Out of total arrears of ₹ 1655.42 crore as of March 2013, ₹ 1001.82 crore were classified as not recoverable, ₹ 124.32 crore as dues from sick industries and ₹ 529.28 crore as pending for recovery with Recovery Officers.

- A significant portion of total arrears was classified as 'not recoverable arrears' indicating weaknesses in recovery mechanism.
- Total arrears were about 20 to 34 *per cent* of annual contributions during 2008-09 to 2012-13.
- Arrears recoverable as on 31 March 2013 i.e. ₹ 1655.42 crore, constituted 20.4 *per cent* of the total contributions collected during 2012-13.
- The amount of outstanding arrears increased by about 30 *per cent* from 2008-09 to 2012-13.

26. ESIC stated (May 2014) that the main reason for the outstanding arrears was continuing default and all regions were being advised to ensure timely recovery action in respect of defaulter units.

27. When the Ministry were asked to explain the basis on which the rates of contribution from employees was decided they submitted the following reply:-

"Rule 51 of the Employee's State Insurance (Central) Rules, 1950 lays down the rate of contribution as under.

Rule 51: Rates of contribution:- The amount of contribution for a wage period shall be in respect of -

a) Employer's contribution, a sum (rounded to the next higher rupee) equal to four and three-fourth percent of the wages payable to an employee; and
b) Employees' contribution, (rounded to the next higher rupee) equal to one and three-fourth percent of the wages payable to an employee."

28. When queried about the mechanism in ESIC to ascertain that the contribution and the main activity of providing benefits are in proportion, the Ministry replied the following:-

"The contribution and the main activity of providing benefits are ascertained on the basis of actuarial valuation of the assets and liabilities.

The purpose for actuarial valuation to examine if the contribution is adequate to pay /meet the benefit on a long term basis. It is also examined if the benefits are in line with actuarial principle and if the fund is adequate to meet the liabilities.

The adequacy is established by the Actuary through- Strata Sampling to obviate effects of regional/environmental variance on sickness rates, Cluster Sampling for proportion to be taken from each category of industry, Proportionate Sampling to proportionately represent each industry in a particular region and finally Random Sampling of Insured Persons in a Centre depending upon the total number of Insured Persons in the centre.

Accordingly, the rate of contribution and the scale of medical benefit (ceiling on medical care expenditure) and cash benefits have been increased from time to time. The rate of contribution so arrived in the past are as below :

Period	Contribution as % of wages		Total contribution
	Employer's	Employees'	
01.07.1973 to 26.01.1985	5%	2%	7%
27.01.1985 to 31.03.1992	5%	2.25%	7.25%
01.4.1992 to 31.12.1996	4%	1.5%	5.5%
w.e.f. 01.01.1997	4.75%	1.75%	6.5%

29. In their background note submitted to the Committee, the Ministry stated the following in this regard:-

"The total arrears outstanding as on 31st March, 2014 were ₹ 1754.14 crores, out of which ₹ 630.79 crores fall under the category of recoverable arrears and an amount of ₹ 1123.35 crores under the category of non-recoverable arrears for the present due to claims disputed in the Courts, factories having gone into liquidation, factories registered with BIFR, amount pending with Claims Commissioner, closure of the factories and whereabouts of the defaulting employers in certain cases not known. Special drives are being launched every year to recover ESI dues. The Recovery Officers of the Corporation had recovered ₹ 186.07 crores from defaulting employers in 2013-14 against the target of ₹ 175.00 crores. A target of ₹ 192.06 crores towards recovery of arrears was fixed for the year 2014-15 and an amount of ₹ 198.13 crores has been recovered against this target.

30. On being asked as to what steps have been taken by the ESIC to recover the pending dues and what amount was expected to be recovered out of ₹ 1655.42 crore, the Ministry gave the following reply:-

"More than 2/3rd of ₹1655 cr mentioned above is disputed and under litigation, hence, not recoverable unless the courts vacate the stay. In the year 2013-14 net recoveries was ₹13.00 crores against the dues of ₹ 742.73crores. Besides, annual recovery is about ₹ 200 cr.

The details for the last two years are as under :

Arrears Disputed in courts

Sl. No	Description	As on 31.03.2013	As on 31.03.2014	Net change
		Amount in ₹ crores		
1	Arrears disputed in courts	742.73	729.68	(-13.05)
2	Under liquidation	172.45	177.75	5.3
3	Pending with claim commissioner	7.44	6.98	0.46
4	Closed factories whereabouts not known	78.35	89.33	10.98
5	Decree obtained but not executed	0.85	0.85	0
	Total	1001.82	1004.59	2.77
Dues from Sick industries				
1	Factories registered with BIFR but scheme yet to be sanctioned	82.78	70.70	(-12.08)
2	Declared sick and scheme sanctioned	41.54	48.06	6.52
	Total	124.32	118.76	(-5.56)
Recoverable dues with recovery officers				
1	Pending with recovery officers	529.28	630.79	101.51
	Grand Total	1655.42	1754.14	98.72

The net change indicates the difference between amount added and recovery made during the year. The (-) minus figure indicates excess recovery over addition

Actual Recovery made during this period (in crores)

Year	Target	Recovery made
2013-14	175	186.07
2014-15	192.06	198.13

*Amount includes arrears under all the three category/previous years."

31. When asked why the recovery officers had not been able to recover the pending dues, whether any accountability had been fixed and what action had been taken to enforce greater accountability on contributing organisations and recovery officers, the Ministry replied as under:-

> "The amount pending with the recovery officers is about 32 % of ₹ 1655.42crore Out of this about ₹ 1125 crore is either disputed-in courts or dues from sick industries. Recovery of such amounts becomes difficult and also depends on factors beyond the control of ESIC. "

32. On being asked if ESIC had given any time frame to its regional offices/ made any time bound action plan to recover arrears of contributions from various organisations with interest, the Ministry gave the following reply:-

> "The recovery target is prepared for all the Regional Offices every year out of the recoverable amount. The performance is monitored at Hqrs office level and report is placed before the Corporation every year. The units whose performance are below par are also conveyed the displeasure notice of the Corporation."

D. Loss of Revenue by time barring

33. Section 45 A of the Act, which empowered ESIC to determine the amount of contribution payable by the employer, was amended in June 2010 by prescribing a time limit of five years for determination of contributions, with a view that such cases were determined within maximum period of five years. Consequent to the amendment, ESIC directed (June 2010) all ROs/SROs, to assess all the pending cases on priority to finalize the assessment of contribution by passing appropriate orders before expiry of five years. However, it was seen that a number of cases could not be decided within this time limit; resultantly the recoveries of ₹ 48.31 crore became time barred. Thus, non-initiation of action by the ESIC even in five years period to determine the dues resulted in loss of revenue of ₹ 48.31 crore. ESIC stated (May 2014) that action for determining responsibility for violation of instructions was being looked into.

34. In this regard, the Ministry asked about the measures undertaken by ESIC to determine the contribution payable by the employer within five years consequent to the

amendment of the Act in June 2010 and if there was any provision for collecting provisional contribution to avoid losses due to time barred recoveries. The Ministry stated the following:-

> "The employer is paying contribution on regular basis, on a provisional assessment by themselves on the amount, which constitute "Wages" under the Act. The determination of contribution u/s 45A arises in case of defaulters or as a result of inspection of records. Subsequent to amendment to the Act w.e.f. 2010, guidelines have been, on 9/12/2013, 20/03/2014 and 12/5/2014, issued to the regions for determining the dues on time so that back period dues up to 5 years are not time barred.
>
> Further, under the Insurance Module of the Panchdeep Project, defaulting employers can be tracked on month-to-month basis. This will help in reducing the default and enforcement of timely compliance."

35. When asked if ESIC had taken action against those responsible for delaying assessment resulting in recoveries becoming time barred, the Ministry submitted the following:-

> "The employer is paying contribution on regular basis, on a provisional assessment by themselves on the amount, which constitute "Wages" under the Act. The determination of contribution u/s 45A arises incase of:
>
> (i) defaulters or/ and
> (ii) as a result of inspection of records by ESIC
>
> Defaulters are being monitored on month-to-month basis through the Insurance Application of Panchdeep Project.
>
> However, the inspection is undertaken as per random selection through the Unified Web Portal, as per the criteria laid down in the inspection policy to neutralize subjective inspection. The number of inspections has been reduced under this policy of the Government of India, and it is possible that some of the employers may not have been selected by UWP for inspection in a period of five years.
>
> Therefore, delaying assessment resulting in recoveries becoming time barred, if any, cannot entirely, be attributed for not conducting inspection timely by the employees of ESIC.
>
> However, the employees are liable for disciplinary action for delay in assessment of contribution resulting in recoveries becoming time barred where such determination is due as a result of defaulter action or on the basis of report of inspection conducted within the specified time period."

D. Non-Recovery of Arrears of ₹ 785.10 crore from Delhi Government

36. Administration of ESIS was transferred from Delhi Government to ESIC in 1962, with the condition for reimbursement of 1/8th share of expenditure by Delhi Government. Delhi Government had been making payment regularly till 1989-90, but subsequently payments became irregular. A total of ₹ 785.10 crore was outstanding from Government of Delhi as on 31 March 2013. ESIC also did not take up the matter with the Ministry to pursue with Delhi State Government for recovery of arrears.ESIC stated (May 2014) that the matter was being constantly pursued with Delhi State Government.

37. On being asked if ESIC had consulted/ discussed the matter with the Ministry of Labour and Employment, what was the status of pending dues and recovered amount as on date, and further, what specific steps were being taken to pursue the matter with the Delhi Government, the Ministry replied the following:-

> "ESIC has regularly discussed the matter with the Ministry of Labour & Employment on the issue of pending dues towards the Delhi Government. The ESI Scheme in Delhi was transferred to the ESIC on the sanction of MOLE, Govt. of India. An amount of ₹ 71.29 crores has been received from Delhi Govt. since 1991. The pending dues towards Delhi Govt. now amounts to 1127.87 crores. The State Govt. has agreed to pay 1/8th share upto 2013 amounting to ₹ 90.35 crores. A number of correspondence has been made by the Director General of ESIC to the Chief Secretary/CMO Govt. of NCT Delhi to discuss the matter and action for payment of outstanding dues. The matter is still being pursued."

E. Budget

38. According to Section 26 of the ESI Act, all contributions paid under this Act and all other moneys received on behalf of the ESIC are paid into a fund called the Employees' State Insurance Fund, which is held and administered by the ESIC. The Act further provides that the Corporation shall frame a budget, showing probable receipts and expenditure and submit a copy of the budget for the approval of the Central Government (Section 32). Rule 48(2), Appendix 2 of General Financial Rules (GFRs) provide guidance on preparation of budget and states that the budget should be prepared with due care. The details of budget estimates and actual expenditure of ESIC and its Excess (+) or Saving (-) during 2008-2009 to 2012-2013 as per audit indicate

that while actual expenditure was close to budget figures in 2008-09, during 2009-10 to 2011-12 savings of 14.47 *per cent* to 20.22 *per cent* were observed.

39. Scrutiny of process of approval of budget in the Ministry revealed that the Ministry approved the budget proposal as submitted by the ESIC i.e. without exercising any oversight role during all five years. This indicated weaknesses in the budgeting process.

40. Audit also analysed budgeting for ESIC field offices and significant deviations were found, such as excess varying from 20% to 196 % and savings ranging from 20% to 69%. These variations indicated weak budgeting and lack of adequate oversight on the part of ESIC. Audit recommended that ESIC may frame the budget estimates with due care and that the Ministry may scrutinize the budget proposals carefully before according sanction. The Ministry/ESIC accepted the recommendation.

41. On being asked about the major reasons for savings with respect to budget estimates in all the five years and why the Ministry had failed to exercise any oversight role during the period from 2009-10 to 2011-12 while approving the budget proposals submitted by the ESIC, the Ministry replied:-

> "Analysis of BE versus actual expenditure for the period 2009-10 to 2012-13 reveals that the major reason for saving in BE was "Payment to State Government" (OAP). Detail is as follows :-

₹ In crore

Year	BE	Actual Expenditure	Savings in OAP	Total Saving	Saving on OAP to total Saving
1	2	3	4	5	6 (4/5)
2009-10	1112.90	808.60	304.30	687.23	44%
2010-11	1260.00	993.86	266.14	563.11	47%
2011-12	1627.29	1217.05	410.24	818.00	50%
2012-13	1739.86	1464.91	274.95	871.52	32%

"On Account Payment" to State Govt for providing medical benefit is done on the basis of total number of Insured Persons (IP) in the State multiplied by the ceiling per IP. As per agreement with State, 90 % of the same is released during the year and balance 10 % is released after receipt of audit certificate from State Accountant General. 90 % payment is released on 4 quarterly installments whereas first 2 quarters are released on the basis of estimate, next 2 quarters are released on the basis of receipt of unaudited expenditure detail up to the 2nd quarter. Budget is prepared on the basis of 90 % ceiling amount.

Since, liability of ESIC is 7/8 of the ceiling amount, budget is prepared accordingly and in the case of less than ceiling expenditure by State, situation of savings arises. However, full care will be taken to factor the trend of State Govt expenditure to make the budget more rational.

The Ministry of Labour & Employment has already issued instructions vide letter dated 5/3/2015 to factor trend of expenditure, division level variance analysis and considering 7 months actual expenditure for preparing the budget.

Now, full care is being taken while preparing current year budget."

F. Payments to States without audit certificates

42. As per Section 58(3) of the Act, the ESIC entered into an agreement with the State Governments to provide a uniform scale of medical care to IPs and expenditure on medical care is to be shared between ESIC and State Governments in a ratio of 7:1. As per prescribed procedure, ESIC makes provision for on account payment up to 90 *per cent* of its 7/8th share of expenditure based on the ceiling fixed and pays the balance 10 *per cent* subsequently on receipt of audit certificate from the concerned State Accountants General (AsG). Audit observed that during 2008-09 to 2011-12, the ESIC paid ₹ 2280.29 crore to 21 States as 90 *per cent* advance payment but the expenditures were not certified from the respective Accountants General even after a lapse of more than four years. Audit also observed that ESIC released funds to Andhra Pradesh, Gujarat, Haryana, Punjab, Rajasthan and Tamil Nadu in excess of expenditure certified by the AsG. The basis of making excess payments to States was not on records.

43. ESIC stated (May 2014) that the payment of ₹ 2280.29 crore to 21 States referred to the payment of 90 *per cent* of 7/8th share, which was to be made in advance without audit certificates. Audit did not accept the reply of Ministry as the funds had been released to the States consecutively for four years i.e. 2008-09 to 2011-12 and expenditure figures were not certified during these years.

44. In this regard, on being asked why ESIC had made payments to certain States in excess of expenditure certified by the State Accountants General and what action had

been initiated against the delinquent employees, the Ministry submitted the following reply:-

"Based on Budget Estimate received, the payment to the State Govt. is released in advance on quarterly basis so as to facilitate the smooth delivery of medical services by State Govt. However, Revised estimates is received just prior to 4^{th} quarter of a financial year. So, the amount to be given in last quarter is calculated based on the expenditure during first two quarters & revised estimate.

Hence, there may be few instances of excess payment. However, any excess payment made is adjusted at the time of full and final payment of that financial year upon production of Audit Certificate by the State Govt.

As per guidelines/procedure, ESI Corporation pays 90% of $7/8^{th}$ share to State Govt. in advance in four quarterly installments. However, full & final payment is paid on receipt of audited certificate of accounts of State Govt. by the Accountant General through State Govts.

As mentioned, payment made in three Quarters on the basis of annual budget, is adjusted in Final installment (as per expenditure statement of the three quarters of the same financial year).

However, when ESIC Hqrs. receives the certificate of Accounts of State Govt. from the Accountants General, the final payment is made on actual basis. As such, there is no excess payment."

G. Un-reconciled challans

45. After the computerization of ESIC, all contributions are to be paid by the employer through online challan. Each month, each employer needs to generate online challan for contribution to be paid. Payment is to be made in State Bank of India for that challan. After getting scroll from the bank, ESIC reconciles the challans generated vis-à-vis those paid in bank. The challans generated but not paid are treated as un-reconciled challans. Audit observed that subsequent to the completion of process of significant online challan generations, a number of un-reconciled challans were found in the system.

46. Audit noted a difference of ₹ 556.59 crore between generated challans and actual receipts. ESIC stated (May 2014) that such types of challans were lying unpaid in the Insurance Module and it was decided that all the challans lying unpaid for more than six months would be automatically deleted from the system. However, this system was

not introduced because it was not clear whether these challans were unpaid challans or un-reconciled challans.

47. In this context, when queried if ESIC had reconciled the difference between generated challans and actual receipts, the reason for such a difference of ₹ 556.59 crore and the action taken to avoid such discrepancies in future, the Ministry stated the following:-

> "The contribution and other payments of ESIC are deposited only by generating ERP challan and payment is made in designated pool account called "Power Jyoti" account. The receipt comes against a valid reconciled challan, but during the initial phase of IT Rollout multiple problems cropped up like generation of duplicate & dummy challans in the system, generation of correct challans but payment in old collection instead of "Power Jyoti" account, clerical error by bank staff in entering challan no. in system etc.
>
> Thus, the amount has already been collected by ESIC. However, to reconcile the amount the process of identification and cleansing of duplicate & dummy challans in the system and receipts in non designated banks of ESIC has already been undertaken. About 75,000 challans have already been identified as duplicate / dummy deletion of which shall be done.
>
> The ERP software was not configured to delete unpaid challans automatically after definite period and at the time of receiving payment, bank staff were entering challan no. manually where chances of error was high. Now, the following steps have been taken to avoid the problem under reference :-
>
> i) Payment of contribution has been made mandatory through net banking. This has reduced the reconciliation problem drastically.
>
> ii) The software has been modified from April 2015 to ensure that any unpaid challan will be deleted automatically after 90 days from creation of challan. This will remove the duplicate/ dummy challans after 90 days.
>
> The above steps will reduce the difference between generated challan and actual receipt."

H. Availing medical facilities by ESIC employees without contribution

48. As per Rule 51 of ESI (Central) Rules 1950, facilities of ESIC hospitals/dispensaries and other benefits are available for eligible category of workers/employees on payment of contribution by employee and employer both. However, audit observed that all employees of ESIC were availing medical facilities without payment of any contribution.

49. Availing medical facilities free of cost by the employees from ESIC dispensaries/hospitals was, therefore, irregular. Prior to 1995, employees of ESIC were availing CGHS facilities at prevailing CGHS rates. As per decision of 135th Standing Committee meeting held on 29 August 1996, the employees posted in ROs, Delhi and HQrs. office, Delhi who were availing medical benefits through CGHS, were to be provided medical facilities through ESI dispensaries/hospitals with effect from 1 April 1995. Thus, ESIC employees switched over from CGHS to ESI medical facilities without paying any contribution.

50. As per prevailing subscription rates for CGHS w.e.f. 1 June 2009, an amount of ₹ 61.53 lakh was recoverable from the salary of 648 ESIC employees posted at ESIC HQrs for the period June 2009 to March 2013. There are approximately 12000 employees in ESIC availing medical facilities without any contribution.

51. ESIC stated (May 2014) that decision could not be taken in 135th Standing Committee meeting with regard to recovery of subscription from the employees availing medical facilities from ESI hospitals. <u>A final view in the matter has not yet been taken. The matter would be placed before the competent authority for decision.</u>

52. On being asked to explain why ESIC allowed its employees to avail its facilities without taking any contributions from them, the Ministry replied:-

> "Central Government employees are governed by CGHS as well as Central Services(Medical Attendance) Rules 1944.
>
> Central Government employees availing the facilities under CGHS are required to pay the contribution as specified from time to time.
>
> In areas, which are not covered under CGHS, the Central Government employees are governed by Central Services(Medical Attendance) Rules 1944 and no contribution is charged from them.
>
> As per the provisions contained in Section 17(2) of ESI Act, 1948, the ESIC employees are also eligible for the aforesaid facility. The ESIC employees are governed by the Central Services(Medical Attendance) Rules, 1944 for which

no contribution is required to be paid. Under Central Services(Medical Attendance) Rules 1944, employees take treatment at Govt. Hospitals.

In view of the above, ESIC has allowed its employees to avail its Medical facilities without taking any contribution from them, treating ESIC hospitals as Govt. Hospitals.

However, keeping in view the observation made in para 2.7; the matter is proposed to be placed before the ensuing meeting of the Standing Committee, and appropriate final decision will be taken in the matter."

III Governance of ESIC through Committees

53. As per Section 3 of the Act, the ESIS is administered by a duly constituted corporate body called the 'Employees' State Insurance Corporation (ESIC)'. Under Section 8 of the Act, a Standing Committee of the Corporation shall be constituted from among its members appointed by/representing Central Government, State Governments, employers, employees, medical profession and Director General of ESIC (ex-officio). Similarly, under Section 10 of the Act, a Medical Benefit Council shall be constituted by the Central Governments consisting of Director General of ESIC, Director General Health Services, Medical Commissioner of Corporation and other members representing State Governments medical profession with at least one lady member. Under Section 25 of the Act, Corporation may appoint Regional Boards, Local Committees and Regional/Local Medical Benefit Councils in such manner as provided by Regulations. Accordingly, three bodies namely (i) Regional Board, (ii) Hospital Development Committee (HDC) and (iii) Local Committee are appointed for State level.

A. Committee meetings

54. The activities and functioning of the ESIC are governed by the ESI Act, 1948. As per Section 20 of the Act, the Corporation, the Standing Committee and the Medical Benefit Council shall meet at such times as may be specified in the Regulations made in this behalf. Under Rule 6 of ESI (Central) Rules 1950, minimum number of meeting of ESIC, Standing Committee and Medical Benefit Council to be held in a year are prescribed. Meeting for Regional Board and HDC were prescribed by ESIC through

circulars/handbook. For meetings of local committee no minimum criterion was prescribed.

55. Comparison of prescribed and actual number of meetings of these committees held during 2008-09 to 2012-13 indicated shortfall, especially at state level, that is Regional Board (Extension of ESIS to new areas, improvement in benefits, provision of indoor medical treatment, arrangement of rehabilitation of permanently disabled IPs, review the working of the scheme in the state), Hospital Development Committee (Improvement in day to day functioning, repair and maintenance of the hospital, obtaining ISO certification and to handle general grievances, complaints and difficulties of IPs, to review up-gradation of medical care facilities. (Handbook on Hospital Development Committee of ESI Hospitals).

56. Audit observed that in 15 states (Assam, Chhattisgarh, Delhi, Goa, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and Uttarakhand) the shortfall in holding Regional Board meetings was 75 *per cent* or more. Infrequent meetings by committees was not consistent with good governance practices and would have an adverse impact on implementation of the ESIS.

57. In this regard, on being asked as to when was the last time ESIC undertook a review of health care services/benefits offered by it and what were the conclusions of the review, the Ministry replied as under:-

> "ESI Corporation in its 161st Meeting in the month of January/February, 2014 approved a sub-committee on Medical services and Medical Education which was to suggest measures for improvement of delivery of medical care services. The recommendation of the sub-committee were approved in 162nd ESI Corporation Meeting held on 31.07.2014. The brief summary of the decisions are given below:-
>
> In order to make improvement in the delivery of primary medical care, the Corporation decided, as under:-

- Heavy dispensaries with average daily attendance of 200 patients or more should be provided with minimum investigation facilities. General Duty Medical Officers may be engaged on part time basis where there is a shortage of doctors, following the prescribed procedure.
- The Corporation decided to increase the fee to be paid to Insurance Medical Practitioner (IMPs) from existing ₹ 150/- per IP family per year to ₹ 300/- per IP family per year, which will also include cost of basic lab investigation facilities. Each IMP can now enroll upto 2000 IPs as against the existing limit of 1000 IPs. The IMPs would supply specified medicines to IPs and the IMPs would get their medicines from the nearest ESI dispensary. Each IMP shall be given an additional amount of ₹ 10,000/- per year to have a computer system with internet facility for eligibility verification of IPs and other online transactions.
- The Medical Superintendents should be authorized to engage part time contractual specialists under certain circumstances. Similarly, specific guidelines were decided for engagement of Senior Residents. It has also been decided that wherever regular or contractual specialist/super-specialists are not available, they could be hired from the private sector on market rate basis for which ESIC is to develop a policy.
- A bank of specifications of common equipment is to be prepared so that time taken in procuring equipment could be minimized.
- The Corporation decided on improved procedure for testing of drugs to maintain the quality of drugs and ensuring regular supply; Rate Contract (RC) was amended permitting acceptance of drugs (having total shelf life of 2 years or less) older than 1/6th to 1/4th of its shelf life from the date of manufacturing. Separate DG-ESIC Rate Contract for costly/anti cancer drugs is to be finalized.
- Super speciality Treatment (SST) referral on the basis of specified clinical pathways/guidelines including option of specialist consultation online prior to SST referral, revision of MoU for tie-up with private hospitals, establishment of SST Cell for faster bill clearance, parity of package rates with CGHS rates,

audit of referral and bills were decided in order to improve efficiency of expenditure on SST.

- To make the ISM/AYUSH services up to the satisfaction of ESI beneficiaries, specific norms based on OPD attendance for setting up an ISM unit in hospitals and dispensaries have been decided. Norms for setting up of additional units in the same system or in different system have also been decided.
- With a view to ensure quality of Ayurvedic drugs, it has been decided that annual turnover of participating pharmaceutical units for Ayurvedic Rate Contract should be increased from existing ₹ 1 Crore to ₹ 5 Crore.
- For specialized high cost treatment, it was decided that in cases where CGHS package rates are not available, an upper ceiling on such treatment is warranted.
- With a view to improve financial discipline, almost all expenditure is to be counted towards the amount admissible under the ceiling to the States and per IP ceiling has been increased to ₹ 2000/- from existing ceiling of ₹ 1500/-. Also, the ceiling shall be increased by ₹ 150/- per IP every year for 5 years starting from 2015-16. Strategic Management Group to be set up at ESI Headquarters to strengthen its policy formulation and strategic intervention functions. It may consist of people from Government and /or private sector. The ESIC may also take help of consultancy organizations from time to time in different spheres of its work.
- The Corporation decided to have mandatory disclosure on ESIC website covering list of all tie-up hospitals, location of dispensaries/hospitals, contact number of doctors, 24X7 helpline number, integration of beneficiary feedback system on the IT platform of ESIC; engagement of a third party for conducting beneficiary satisfaction survey etc.
- To tide over the implementation challenges, the Corporation decided measures like State Executive Committee to hold regular meetings and monitor progress; two members Mini IT Cell in each State by hiring technical manpower from industry to be created for expeditious implementation of

Dhanwantri infrastructure issues to be addressed by Joint team of SSMC, Wipro and DIMS either through upgradation of building or shifting to new premises etc.

- With a view to strengthen HDC, the Corporation decided to have one time non-sharable improvement fund to hospitals/dispensaries for procurement of medical equipment, stipulation of minimum 4 meetings in a year, etc.
- It has also been decided that about 30% training budget should be utilized for training of paramedical and nursing staff and 15% of the training time should be on soft skills."

58. The Ministry were asked to delineate the steps taken by ESIC to ensure that the meetings of the various committees are held as per prescribed norms and that the Regional Boards are constituted on time for effective governance. The Ministry stated the following:-

> "The meetings of the ESI Corporation, the Standing Committee are held keeping in view the requirement.
>
> The Corporation is the primary body for the administration of the ESI Scheme whereas the Standing Committee administers the affairs of the Corporation subject to general superintendence and control of the Corporation.
>
> During the period 2008-09 to 2012-13, 16 meetings of Corporation (as against minimum 10 meetings) and 16 meetings of Standing Committee (as against 20 meetings) prescribed under the Regulations, have been held.
>
> Major policy decisions of ESIC are taken by the ESI Corporation and/or the Standing Committee or by the Corporation on the recommendations of the Standing Committee. Even though there has been a shortfall of 4 meetings of Standing Committee, there is a surplus of 6 meetings of Corporation during the period.
>
> The meetings of Medical Benefit Council are held keeping in view the requirement. In addition, the consultations are being held through video conferences with Members of Medical Benefit Council.
>
> As regards delay in reconstitution of Regional Boards, it is submitted that the Regional Boards are reconstituted with the approval of the Chairman, ESIC on the recommendations by the concerned State Govts. Therefore, ESIC regularly takes up the issue of timely constitution of Regional Boards with the State Governments requesting them to send their recommendations. Further, Regional Directors of ESIC of concerned States also regularly pursue with the State Governments in the matter.

> The Provisions of ESI Act as such do not specify a fixed tenure for the Regional Board and hence the Regional Boards continue to function till their reconstitution. However the term of office of the members of Regional Board referred to in Regulation 10(4)(i), members in clause 10(1)(e) and proviso to Sub-regulation 1 is three years. The members of the Regional Board continue to hold office until the nomination of their successors is notified. Hence meetings of Regional Boards are being held in such states also where their reconstitution is pending e.g. Maharashtra, Delhi, Tamil Nadu, Punjab etc."

59. When asked to give reasons for shortfall in the meetings of regional boards and hospital development committees and steps taken to improve the situation, the Ministry submitted the following:-

> "ESIC regularly takes up the issue of holding regular meetings of Regional Boards with the State Govts. The Regional Director of ESIC of the concerned state arranges the meeting of Regional Board with the consent of the State Govt.
>
> Hospital Development Committee (HDC) meetings are held as per requirement. Instructions have been issued to all concerned to conduct the HDC meetings as per the schedule. Further, ESI Corporation has decided to reduce the frequency of meetings from six to minimum four in a year."

B. Delay in re-constitution of Regional Boards

60. As on March, 2013 there were 24 Regional Boards. The tenure of Regional Boards is for three years. Out of these 24 Regional Boards, tenure of nine boards namely Maharashtra, Puducherry, Punjab, Assam, Uttar Pradesh, Uttarakhand, Kerala, Tamil Nadu and Delhi expired during 2004 to 2011. These were not reconstituted (July 2013). Proposal for constitution of Regional Boards of three states (Assam, Chhattisgarh and Jharkhand) was reportedly pending with the Ministry. Regional Board of Gujarat was reconstituted in 2012 with delay of 10 years after expiry of previous Regional Board tenure in 2002. The instances of delay in constitution of Regional Boards would lead to denial of appropriate forum to the stakeholders.

61. ESIC stated (May 2014) that the Regional Boards of Jharkhand, Assam and Chhattisgarh were reconstituted in July-August, 2013 and rest of recommendations of the Audit were noted for future guidance.

IV Coverage of the Scheme

62. One of the objectives of the performance audit was to examine effectiveness of mechanism for coverage of new establishments. For this, Audit examined the process for inclusion of new areas/establishments under ESIS so as to deliver its benefits to the insured persons. Audit also looked for evidences whether eligible establishments were left out from the ambit of ESIS' coverage. Significant issues from Audit examination are as follows.

A. Planning for coverage

63. The State Governments are empowered to extend the provisions of the ESI Act to various classes of establishments, industrial, commercial, agricultural or otherwise in nature. Under these provisions, most of the State Governments have extended the Act to classes of establishments such as, shops, hotels, restaurants, cinemas, theatres, medical and educational institutions, motor transport undertakings, newspaper and advertising establishments, etc. employing 10 or more persons. The ESIS has so far been implemented in 24 States and three Union Territories (not yet implemented in Mizoram, Manipur, Arunachal Pradesh and Sikkim).

64. On being asked about the reasons for non-applicability / limited applicability of ESIC in the states of Sikkim, Manipur, Arunachal Pradesh and Mizoram, the Ministry replied the following:-

> "ESIC conducted the survey of Arunachal Pradesh, Manipur and Mizoram but the numbers of employees were not found adequate to implement the scheme.
> On the basis of survey the respective State Governments have been requested to provide medical facility for making medical arrangement but the State Governments did not respond to the request of ESIC.
> The geographical area of the states and small clusters of factory/establishment was also a reason for non applicability/limited applicability of ESI Scheme."

65. The ceiling on monthly wages for coverage was ₹ 10000 with effect from 1 January 2006 to 30 April 2010 and ₹ 15000 with effect from 1 May 2010. Ceiling for physically challenged employees was ₹ 25000. Thus, employee comes out of the social security net of ESIC on crossing the wage ceiling limits. At present ESI covers only about four *per cent* of the total work force and 67 *per cent* of organized workforce. ESIC stated (May 2014) that at present the ESI Act covers only organized sector, although

threshold limit of coverage of establishments has been reduced to 10 employees by many states.

66. The Ministry were asked to explain the bottlenecks in covering the employees of unorganized sector under ESIC and the action plan to cover the employees of unorganised sector under ESIC. They submitted the following :-

> "The ESI Act provides for certain benefits to "employees" in case of sickness, maternity and employment injury and to make provision for certain other matters in relation thereto. The term "employee" means any person employed for wages in or in connection with work of a factory or establishment to which ESI Act applies.
>
> The ESI Act, prima facie, does not apply to the unorganized sector. However, on the recommendation of ILC, the ESIC is exploring the feasibility of bringing certain category of unorganized sector within the ambit of the ESI Act."

B. Surveys, Inspections, and Test Inspections

67. ESIC does surveys, inspections and test inspections for effective coverage of the ESIS, which are described as under:

> Surveys: The Social Security Officer (SSO) is expected to keep constant vigil over uncovered establishments in his/her area and recommend coverage as soon as the Act becomes applicable to them. Surveys are conducted by SSO to assess coverage potential of new establishments.
>
> Inspections: While surveys are carried out for possibility of coverage of new establishments, inspections are done for already covered establishments to ensure that all coverable employees are covered and to ascertain whether all components of wages are taken into account for payment of contribution. Under Section 45 of the Act, the SSOs have been vested with duties, functions and powers for examination of records, books and documents relating to employment of persons and wages maintained at any office, establishment, or factory and exercise such other powers.
>
> Test Inspections: The Regional Director/Joint Director cross-checks a sample of inspection which is called test inspection.

68. The Inspection Policy framed in 2008, prescribed target of 20 inspections and 20 surveys per month for each SSO.

69. **Surveys:** Test check of records of some states revealed substantial shortfalls in conducting surveys i.e., in Delhi the shortfall was 69.51%, in Assam it was 77.69% and in West Bengal it was 59.70%. ESIC stated (May 2014) that shortfalls were due to acute shortage of SSOs and the field offices had been advised to conduct surveys as per the Inspection Policy.

70. **Inspections of Establishments:** Under the Inspection Policy of ESIC (June 2008), each SSO has to conduct 20 inspections per month. Further, it was mandatory to conduct inspection of units employing more than 250 employees (major units) once in two years and units with lesser number of employees once in three years. There were substantial shortfalls in conducting inspections ranging from 22.68 to 93.16 *per cent* (except Himachal Pradesh). Audit observed that the shortfall had a direct bearing on the recoverable amounts as the outstanding arrears from defaulters had increased by 30.62 *per cent* from ₹ 1267.32 crore (March 2009) to 1655.42 crore (March 2013).

71. ESIC accepted (May 2014) the observations and stated that reasons for shortfalls were shortage of SSOs, non-production of records on fixed date of inspection, closure of units fixed for inspections, etc. It further stated that efforts were being made to sensitize the SSOs for showing outputs as per new inspection policy. The recruitment process of SSOs was also in progress to meet the shortage of SSOs.

72. On being asked the reasons for such a major shortfall and action initiated to increase the inspections by SSOs to cent percent, the Ministry replied:-

> "The inspection is being under taken as per the random selection through the Unified Web Portal, as per the criteria laid down in the inspection policy to neutralize subjective inspection. The number of inspections has been reduced under this policy of the Government of India. Therefore, it is unlikely to have cent percent inspection of units."

C. Non-coverage of new areas/establishments

73. As per Section 1(5) of the Act, respective State Governments may, in consultation with the ESIC and with the approval of the Central Government, extend the

provisions of this Act to any establishment. Regulation 10(14) (c) also provides that the Regional Board of the state shall decide on extension of the scheme to new areas. For implementation of the ESIS, the ESIC may enter into an agreement with the State Government (Section 58(3) of the Act). Audit examination revealed many coverable areas in different states were left uncovered under the scheme such as Gujarat, West Bengal, Tamil Nadu, Karnataka etc. ESIC stated (May 2014) that the matter was being pursued with the State Governments.

74. When asked what mechanism was available in ESIC/ Ministry to deal with such instances of non-implementation by State Governments of instructions issued from time to time by ESIC, the Ministry replied the following:-

> "Under Section 25 of ESI Act, 1948, the Corporation may appoint Regional Board, Local Committees, Regional and Local Medical Benefit Council in such areas and in such manner, and delegate to them such powers and functions, as may be provided by the regulation.
>
> The Regional Boards in the States are constituted vide regulation 10 of Employees' State Insurance (General) Regulations, 1950 of ESI Act 1948.
>
> Under Regulation 10(14), a Regional Board, *inter-alia*, shall perform the following functions in respect of the Region for which it is set up.
>
> Under sub-sub-para 10(14) (C)(ii) extension of the scheme to new areas and extension of medical care to the family.
>
> Under sub-sub-para 10(14) (C)(i) to decide extension of the scheme to other category of establishments in accordance with the order or priorities laid down by the Corporation.
>
> The ESI Scheme is implemented in non-implemented areas in a phased manner. Under Section 56 of ESI Act, provision of medical care under the ESI Scheme in States, is the responsibility of the State Governments. The Scheme can be extended to new areas only after completion of necessary arrangements for providing medical care by the State Governments.
>
> The ESI Corporation, in consultation with the State Governments draws up a phased Programme for implementation of the scheme in new areas for a period of two years i.e. for the current year and for the next financial year.
>
> The Phase Programme is circulated to the state Government under intimation to the respective Regional Director.

The Regional Director pursues the same with the concerned Department/Ministry for completion of medical arrangements and consent/approval of the state Government.

The Regional Director who is a Member Secretary of the Regional Board, vide regulation 10(3), includes the Phase Programme in the agenda of Regional Board with the prior approval of the Chairman of the Regional Board. The Board may approve/not approve the said agenda item regarding implementation of Phase Programme."

V Implementation of the ESIS

75. Audit examined the efficacy of implementation of ESIS such as settlement of cash/medical benefits, Hospital management in terms of availability and occupancy of beds, functioning of dispensaries, availability, or lack of super speciality treatment, procurement of medicines and surgical items and human resource management. The findings of Audit are given below.

A. Cash/Medical Benefits- Delays in settlement of claims of cash benefits

76. As per Citizen's Charter of ESIC, maximum time limit for payment of cash benefits after submission of claim under various categories is seven days for sickness benefit, 14 days for maternity benefit, one month for disablement benefit, three months for dependent benefit, one month for unemployment allowance and same day for funeral expenses. Test check of related records for settlement of claims revealed instances of delays with respect to those declared in the citizen's charter as given in the table below:-

Sl. No.	State	Type of claim	No. of cases	Delays
1.	Andhra Pradesh	RGSKY	6	Up to 3 months
2.	Assam	Maternity benefit	17	3 to 108 days
	Assam	Sickness benefit	172	1 to 220 days
	Assam	Temporary disablement cases	11	2 to 374 days
3.	Chattisgarh	Sickness benefit	96	12 to 268 days
4.	Delhi	Disablement benefit	48	1 to 36 months
	Delhi	Funeral expenses	61	1 to 199 days
5.	Jharkhand	Dependent benefit	4	5 to 15 months
6.	Karnataka	Dependent benefit	120	1 to 10 months

	Karnataka	Permanent disablement benefit	190	5 days to 7 months.
7.	West Bengal	Sickness benefit	35971	Up to 556 days
	West Bengal	Maternity benefit	61	Up to 249 days
	West Bengal	Temporary disablement benefit	4029	Up to 363 days
		Total	**40786**	

77. ESIC replied (May 2014) that in some cases, the claims were settled late due to incomplete documents submitted with the claims. It further stated that respective Regional Directors had since been advised to ensure timely payment to the IPs.

78. The Ministry were asked to give details of the total amounts of medical and cash benefits claimed during the years 2009-10 to 2012-2013 and how many claims were settled/ rejected and pending. They were further asked what were the major reasons for rejecting the claims and what steps have been taken to expedite payments in respect of pending claims. They submitted the following reply:-

"Total amount of cash benefits claimed:-

2009-10	2010-11	2011-12	2012-13
426.93 Crores	509.64 Crores	681.85 Crores	761.17 Crores

The cash benefits are claimed by the beneficiaries while medical benefits are provided in kind, free of cost including the drugs, through the dispensaries & hospitals established under the Act. The expenditure on medical benefit during the period is given below :-

2009-10	2010-11	2011-12	2012-13
1626.93 Cr	2540.25 Cr	2858.87 Cr	4058.13 Cr

Total number of claims rejected during the above period was 13052. No claim is pending for settlement.

After the IT Roll out, the need for making monthly claim for the Dependent Benefit (DB) and Permanent Disablement Benefit (PDB) has been dispensed with. The claim is now made once a year at the time of submission of the "Life Certificate". Thereafter the payments are made directly to the account of the beneficiary through ECS/NEFT for the next 12 months. The beneficiaries are not required to visit the ESIC's office for the purpose. The DB & PDB payments constitute about 40% of the total cash benefits payment.

Major reasons for rejecting the claims are:

1. Non fulfilling eligibility conditions.

2. Time Barred claims."

79. On steps undertaken to ensure prompt reimbursement/settlement of claims, the Ministry replied:-

"As per regulation 52 of ESI (General) regulation, 1950, benefits are payable as under:-

"Any benefit payable under the Act shall be paid

(a) in the case of sickness benefit not later than 7 days:

(b) in the case of funeral expenses not later than 15 days;

(c) in the case of first payment in respect of Maternity payment not later than 14 days;

(d) in the case of first payment in respect of Temporary Disablement Benefit not later than 1 month;

(e) in the case of first payment in respect of Permanent Disablement Benefit not later than 1 month;

(f) In the case of first payment of Dependants' Benefit, not later than 3 months after the claim therefore together with the relevant medical or other certificate and any other documentary evidence which maybe called for under these regulations has been furnished completed in all particulars to the appropriate office."

Since all the claims are processed Online, there is minimal chances of pendency. All the Benefits payments are made through ECS. Further, a module to identify and track delay in settlement has been developed under Project Panchdeep."

B. Hospital Management

I). Bed occupancy

80. ESIC provides medical care to its IPs through a network of ESI hospitals, ESI dispensaries and diagnostic centres. Audit observed that two out of three hospitals with more than 500 beds were having bed-occupancy less than 60 *per cent*. Similarly, 6 out

of 19 hospitals with 250-500 beds, 33 out of 58 hospitals with 100-250 beds and 43 out of 60 hospitals with less than 100 beds were under-utilised i.e. operated with less than 60 *per cent* bed occupancy. About 35 *per cent* of the hospitals were having bed occupancy levels of less than 40 *per cent* and were thus underutilized. ESIC stated (May 2014) that reason for low occupancy was shortage of manpower and the quality of health care services being rendered. The matter was regularly taken up with the State Governments to improve the health care services.

II). Availability of beds

81. As per the norms prescribed for setting up of new hospitals by ESIC, the benchmark for opening a 100 bed new hospital is 25000 IPs i.e. 250 IPs per bed. The ESIC also projects requirement of beds based on ratio of one bed for 250 IPs in its Financial Estimates and Performance Budget every year. According to the data for number of IPs, number of beds required as per ESIC norms and actual availability and shortage of beds during 2008-09 to 2012-13 audit stated that while the number of IPs increased by 56.44 lakh (44 *per cent*), the number of beds actually decreased by 488 (2.11 *per cent*) from 2008-09 to 2012-13. Further, although the capital expenditure on construction of hospitals, dispensaries, medical/para-medical/nursing college, etc. had increased from ₹ 213.80 crore to ₹ 1671.44 crore (7.82 times) during 2008-09 to 2012-13, shortage of beds against the requirement increased from 55.39 *per cent* in 2008-09 to approximately 70 *per cent* in 2012-13.

82. ESIC stated (May 2014) that the above calculation was not based on factual norms. The demand for new hospitals was promptly considered and approved depending on the hospitals' qualifying the eligibility criteria for opening of new hospital and actual workload. Further, many new hospitals were approved and were at various stages of completion.

83. However, Audit did not find the reply of ESIC acceptable as the shortage had been calculated based on the figures of beds required and available as given in Financial Estimates and Performance Budget for respective years.

III). Multiple admissions per bed in ESI hospitals

84. Medical safety and care demands that not more than one patient is admitted against one bed. Scrutiny of occupancy register of various wards of ESI hospital at Noida, Uttar Pradesh for year 2012-13 revealed that as number of beds were not sufficient to cater to the requirement of IPs, there were multiple admissions on one bed resulting in bed occupancy of more than 100 *per cent* during 2012-13. Similar situation was also noticed in ESI hospital Joka, West Bengal.

85. ESIC stated (May 2014) that as the growth of industrial development in Noida, Uttar Pradesh was very fast, number of beds fell short of requirement. The feasibility of enhancing the bed strength/setting up of new hospital was being examined.

86. When asked what steps had been taken to improve this aspect of multiple admissions per bed, the Ministry submitted the following reply:-

"**Noida**

(a) Numbers of beds have been increased from 300 to 350 as per increase in bed occupancy and number of IPs in Noida Hospital.
(b) Construction activity is still going on.

Okhla

(a) Construction activities is still going on. The matter is being pursued on priority.
(b) Once construction is completed, number of beds will be increased from 250 to 500. Then the issue of multiple admission per bed will be resolved.

Joka

(a) Construction activities was going on at that time.

(b) Initially the hospital was getting patients from neighboring states. MSME 162nd Corporation meeting has allotted the Dispensary to each hospital from catchment area.

1. ESI Corporation in its 162nd meeting has taken decision that 'Kahin Bhi Kabhi Bhi' is to be restricted for emergency situation only. The IP shall have a parent dispensary for himself and his family. This would help in reducing the attendance load of hospitals due to limitation of catchment area.
2. Increasing of bed strength from 300 to 350 would improve the position in Noida.
3. The issue of multiple admissions per bed will be resolved, once the construction activity would be over in all three locations.
4. Once construction is completed, the bed strength will be increased. This resolved the issues of multiple admissions."

IV). Deficiencies in functioning of dispensaries

87. ESIC provides medical care to its IPs through a network of ESI hospitals, ESI dispensaries, panel clinics and diagnostic centres. Medical care is largely administered through the respective state governments except in Delhi and Noida and model hospitals in states which are run directly by the ESIC. Audit observed various deficiencies in infrastructural facilities in dispensaries such as poor conditions of dispensary buildings, inadequate space and electrical problems. ESIC stated (May 2014) that the respective state governments were being constantly pursued to improve primary medical care in their states.

88. In a related context, the Ministry were asked in how many ESIC Hospitals, AYUSH centres were available and how many had been planned to be established in the coming one or two years. The Ministry replied:-

"AYUSH Centers are available in 32 ESIC Hospitals. In the remaining 04 ESIC Hospitals, AYUSH Centers have been planned to be established."

V). Increase in expenditure on referral cases for non-availability of super speciality treatment (SST)

89. ESIC issued guidelines (July 2008) for referring its IPs for getting super speciality treatment by tying up with reputed government/semi government/private hospitals/institutions which provide cashless and hassle free treatment to IPs and their dependents. The services to be covered under SST were cardiology and cardiothoracic vascular surgery, neurology and neurology surgery, pediatric surgery, oncology and oncology surgery, urology and urology surgery, gastroenterology, endocrinology, burns and plastic surgery, reconstruction surgery and any treatment rendered to the patients by a super specialist. Audit observed that the expenditure on the super speciality treatment from empanelled hospitals had been consistently increasing over the years.

90. Audit have explained that the expenditure on referral cases on SST had increased from ₹ 5.79 crore in 2008-09 to ₹ 334.54 crore in 2012-13 (about 57 times). Such substantial increase in referral expenditure could be because of non-availability of SST services with ESIC hospitals or lack of confidence in medical services being provided by ESIC. For example, as against sanctioned strength of 21 cardiologists and 17 neurologists, the ESIC had only two cardiologists and one neurologist across the country. ESIC replied (May 2014) that steps were being initiated to make SST more effective and efficient. Possibility to provide SST through in-house facility or PPP model would also be examined.

91. In this context, during the study visit of the Committee to Hyderabad in April, 2015, when asked why there was shortage of Doctors especially cardiologists, the Ministry replied:-

> "The reasons for shortage of Super- Specialists include:-
> (a) ESIC pay structure does not sufficiently attract the Super-Specialists.
> (b)There is general shortage of Super Specialist doctors in the country.
>
> (c) Some of the Super-Specialists do not apply for the job as private practice is not allowed in ESIC.
> (d) Doctors leave the job for better opportunities outside ESIC.
> (e) Next round of recruitment of Super Specialists on regular basis will be initiated shortly.
> Further, it is to state that ESIC is engaging Cardiologists and Neurologists on Part-time basis as per requirement.

Also, at two locations, ESIC is running Cardiology units on tie-up arrangement within the hospital premises."

92. In this regard, the Ministry further stated that the expenditure on referral cases on SST had increased from ₹ 5.79 crore in 2008-09 to ₹ 334.54 crore in 2012-13 because of the following reasons:-

"The expenditure on referral cases on SST increased due to:-

- Decision of ESI Corporation to totally bear all expenditure on Super speciality services outside the ceiling w.e.f. 1.8.2008.
- Eligibility to avail Super speciality Services by the beneficiaries decreased from 78 days (for both IPs and family) in a contribution period to 39 days for IPs and 78 days for family.
- Increased awareness of availability of SST amongst beneficiaries."

93. It was further asked during the study visit of the Committee to Hyderabad in April 2015 that if ESIC was sending patients to Private Hospitals for better treatment by spending huge money, why could it not strengthen its own institutions/hospitals with such huge amount at its disposal. In response, the Ministry submitted the following:-

"As per ESI Act, ESIC was to provide reasonable medical care to all its beneficiaries. Accordingly, the system of dispensaries and secondary care hospitals was developed all over the country. Later on in the 143rd Meeting of ESI Corporation in July,2008, it was decided to provide the super speciality treatment to ESI beneficiaries through tie-up arrangements with private hospitals . As the super speciality facilities were not available in existing hospitals, the tie up arrangement with private hospitals became necessary and patients were referred to private hospitals .

Opening super speciality hospital requires heavy investment along with the risk of not getting super-specialists, who are highly paid in the private sector.

Recently ,ESI Corporation in its 165th meeting has decided to develop a Centre of Excellence for providing enhanced secondary care services and super speciality services in ESIC Hospital, Basaidarapur , Delhi."

94. On being asked whether any steps had been taken by the ESIC to minimise the expenditure being incurred in regard to the Super speciality treatment in private hospitals, the Ministry replied:-

"In order to minimize expenditure being incurred on Super speciality Services currently SST is being provided through a mix of in house facilities, PPP mode and tie up with private hospitals.

- Standard guidelines have been issued to all user units under "Operational Manual for SST 2015".
- Further, as per MSME decisions ESIC PGIMSRs shall provide mentoring to other ESI Hospitals for long term development of medical disciplines / specialties.
- ESIC is running a super speciality hospital at Sanathnagar, Hyderabad. In addition, some of the super speciality services are available in other major ESIC hospitals. Super Speciality services have been started on PPP mode at the following locations:-

(a) ESIC Hospital, Rajajinagar: Cardiac Surgery including Cath lab services.
(b) ESIC Hospital Kollam: Cardiology with Cath lab services.
(c) ESIC Hospital Sanathnagar : Cath lab services and Dialysis Unit.

- ESIC has also initiated establishment of in-house Super Speciality Services at the following hospitals :-

(a) Sanath Nagar : Nephrology, Urology, Cardiology, Neurology, Neuro Surgery, Pediatric Surgery.
(b) Rajajinagar : Plastic Surgery, Urology, Oncology, Endocrinology, Gastro Enterology, Neurology.
(c) Andheri : Nephrology, Urology, Plastic Surgery, Cardiology, Neurology
(d) Kollam : Dialysis, Urology, Neurology.
(e) Basaidarapur : Nephrology, Dialysis, Urology, Cardiology, Pediatric Surgery, Plastic Surgery.

The proposed modality to provide Cardiology, Oncology, CT – MRI – Ultrasound services shall be on PPP Mode. Other services shall be strengthen by building in-house capacity of ESIC Hospitals.

These steps are expected to improve efficiency of expenditure on SST."

95. When queried if ESIC was considering revising pay structures in order to attract specialist doctors for employment in its hospitals, the Ministry replied:-

"ESIC has addressed the issue and a decision has been taken under MSME. Whenever a post of Specialist falls vacant or is likely to falls vacant within 6 months it should be advertised. If regular specialist is not available even after advertising the post, full time contractual specialist may be engaged; failing which Part Time contractual specialist may be engaged. Wherever, regular or contractual (Full time / Part time) Specialists / Super Specialists are not available they can be hired from Private Sector on market rate either on per case basis or fixed duration basis. Specific guidelines on engagement on market rate may be developed".

96. On the results of the recruitment of super specialists which was to be initiated by ESIC as stated by them during the study visit of the Committee to Hyderabad in April, 2015, the Ministry responded thus:-

> "1. In past years several attempts were made for filling the posts of Super Specialists in different Regions. In the process only few vacancies under Super Specialties were filled and most of the vacancies remained unfilled. Recently ESIC has advertised 66 vacancies under Super Specialties in 09 Regions and the recruitment is under process.
> 2. As Super Specialists in certain most demanding Super Specialties are hardly available under existing Pay Scales and Terms of Employment of ESIC, efforts are being made in consultation with Medical Administration to decide modalities for contractual engagement in these super specialities at Market Rates. "

C. Procurement of medicines and surgical items

97. Procurement of medicines and surgical items are normally done through rate contracts, while medicines/surgical items which are not covered under rate contract or are covered under rate contract but are not available, can be purchased locally from the empanelled chemists. Rate contracts for medicines are concluded by ESIC for all States centrally, and for surgical items these are done by Directorate (Medical) Delhi i.e. DMD (for Delhi and NCR) and by Senior State Medical Commissioners (SSMC) in respective states. DMD also empanels local chemists for purchase of medicines in Delhi/NCR, while for states, SSMCs are responsible for the empanelment of local chemists. Normally rates of medicines and surgical items are higher when procured under local purchase as compared to those under rate contract.

98. In this context it was asked if ESIC had a system to control large amounts of money being spent beyond the rate contract, how ESIC reviewed rate contract and

whether there was any stipulated purchase procedure. The Ministry in response stated the following:-

"(i)As the number of drugs are increasing, it is not possible to include all the items of drugs in the Rate Contract.

(ii) Drug Selection for Rate Contract is done by Addition/Deletion Committee duly constituted by the Competent authority based on the recommendations of Local purchase data received from all user units. ESIC also has detailed Purchase Procedure Guidelines based on GFR.

(iii) The tenders are processed through Open Tendering System and finalized by a duly constituted Committee comprising of members from the ESI Corporation, State ESI schemes & representatives from Drug Controller General of India.

(iv) DGESIC Running Rate Contracts are formulated at ESIC Headquarter office with a validity for two years. These Rate Contracts are used by ESI Institutions all over the country in order to maintain uniformity and ensure regular supply of quality generic drugs to the beneficiaries at competitive rates. Respective medical institutions of ESIC procure medicines through DG , ESIC Rate Contract as per local requirement.

(v) In addition certain other drugs needed for the patients are purchased locally by the respective institutions after following due procedure which accounts for an average 15%-20% of total budget allocated for medicines.

(vi) Local purchase of medicines is resorted to for the drugs that are not available in DG ESIC Rate Contracts.

(vii) Local purchase of medicines is done through Empanelled Chemists engaged after due Tendering process, on the basis of percentage of discounts offered on Branded and Generic medicines."

I). Local purchase of medicines

99. Data of 19 hospitals and four dispensaries test checked indicated that the expenditure on local purchase in these cases increased from ₹ 6.15 crore (during 2008-09) to ₹ 16.61 crore (during 2012-13) i.e. by 169.89 *per cent*. Large increase in quantum of medicines purchased locally bypassing the rate contract procedure was financially imprudent, besides indicating weaknesses in its contracting process. These are discussed as under:

ii). Excess payment on procurement of Drugs and Dressing

100. ESIC entered into rate contracts for the supply of three items viz. bandage cloth, gauze than and cotton roll throughout India, with nine firms from 17 December 2009 to 16 December 2011 (extended to April 2012) and subsequent rate contracts were valid from 11 April 2012 to 30 April 2014.

101. Audit observed that ESIC hospitals at Rohini, Jhilmil and Noida had purchased only 24.16 *per cent* (bandage cloth), 28.16 *per cent* (gauze than) and 13.47 *per cent* (cotton roll) of the total purchase made for 2011-12 and 2012-13 under rate contract and procured remaining stocks of these items from empanelled local chemists. The rates of local purchases were higher by 108.28 to 443.65 *per cent* for these three items as compared to the rates of rate contract. Procurement at higher rates resulted in avoidable payment of ₹ 44.77 lakh on these dressing items. Similarly, ESIC hospitals incurred extra expenditure of ₹ 1.80 crore on purchase of medicines from local chemists despite existence of rate contract. Thus, the hospitals incurred extra expenditure of ₹ 2.25 crore on purchase of medicines and dressing material which could have been procured through rate contracts.

102. ESIC replied (May 2014) that the prices increased significantly in a short span of time due to which suppliers failed to supply the medicines on the existing rates. In such cases, the local purchases were made from approved local chemist.

103. As per Audit, the reply is not acceptable as the suppliers were bound to supply the medicines in accordance with the terms of rate contract till their validity. In case of non-supply, the extra expenditure involved in procuring supplies from elsewhere was liable to be recovered from the supplier. However, no such recovery of extra expenditure was found on records, which indicates that the provisions of the rate contract were not being enforced. ESIC stated (May 2014) that constant efforts were being made to maintain the local purchase to minimum and orders had been issued in this regard.

104. When asked to state whether the contract for procurement of medicines was given to the same company before, what were the conditions of the contract in case the

company was not able to provide the requisite medicines and what action was taken against the company for not providing the required medicines, the Ministry replied the following:-

"A Central Rate Contract is finalized for procurement of 'Drugs & Dressings through open tender process. Same company may or may not be selected for supply of the same drugs. As per the contract, in case companies do not supply even beyond the time period of 42 days given to supply consignment, the following action can be taken:-

a) ESI Corporation may purchase stock from other sources i.e. from any other firm/firms in the Rate Contract or from outside.
b) Order is cancelled by informing the company about risk purchase @ 2%/week till a maximum of 10%.
c) If no amount is due to the company in the User Unit, recovery to be done from the performance security in the RC Cell."

105. The Ministry were asked to explain the steps being taken to ensure that the rate contract for procurement of medicines and dressings was formed with a view to effecting economy and minimizing procurement through local purchase. They were further asked by when the review of the rate contract process would be completed. The Ministry responded thus:-

"Steps to ensure rate contract is formed to effect economy and minimizing local purchase:

1. Process of open tendering for Rate Contract is an ongoing process.
2. Before tendering, all ESI Hospitals and State Directorates are asked to submit a list of the frequently locally purchased NR (not recommended) items.
3. A duly constituted Drug Selection Committee screens and finalizes the Drug Item List including the frequently local purchased items and deleting the outdated medicines.
4. Guidelines are issued repeatedly for decreasing Local Purchase such as:-
   a) Drugs to be prescribed by Specialist only in emergencies and when essential.
   b) Doctors to prescribe generic medicines

(ii). Rate Contract 139 has already been floated and will be finalized by 31.1.2016."

III). Non-compliance of Policy for shelf life

106. As per the instructions on quality control of drugs issued (August 1999) by Directorate Medical Delhi (DMD), drugs which had passed their one sixth of shelf life should not be accepted. Audit observed that medicines worth ₹ 2.34 crore were purchased in four locations i.e. Directorate (Medical) Delhi, ESIC model hospital, Rourkela, Odisha, ESIC hospital, Nacharam, Andhra Pradesh and ESIC hospital, Joka, West Bengal, and in all these cases the required shelf life had lapsed leading to non-compliance of policy regarding shelf life of medicines.

107. ESIC stated (May 2014) that instructions for shelf life were being followed at DMD. The reply was not tenable as the DMD itself purchased medicines of ₹ 2.14 crore during 2009-10 to 2012-13 wherein one sixth shelf life was over before delivery.

108. In this regard, the Ministry was asked about the steps taken to avoid such instances in future and action taken against officers who purchased medicines with less than prescribed shelf life. The Ministry replied the following:-

"Various steps have been taken to avoid expiry of medicines and non compliance of policy regarding shelf life of medicine.

i) Communicate to other User units if they require any of these medicines and redistribute them before expiry date.

ii) Norms for shelf life of drugs have been revised :-

a) For Drugs having shelf life of two years or less. Drug supplied should not be older than one fourth (1/4) of its shelf life from the date of manufacture.
b) For Drugs having shelf life more than two years. Drug supplied should not be older than one sixth (1/6) of its shelf life from the date of manufacture.
c) For Imported Drugs: All Imported Drugs should have 50% of shelf life from the date of manufacture of the time of supply.

iii) Enquiry is being conducted against erring hospitals and action will be taken as deemed fit."

D. Human Resource Management

109. As ESIC provides service to IPs, sufficiency and quality of human resources is important for its service delivery. In this regard, audit observations are as under:

I). Shortage of staff

110. Analysis of the data relating to the availability of staff revealed that the services of ESIC were adversely affected with large number of vacancies (Ministerial staff, Medical staff) in all cadres throughout audit period i.e. from 2008-09 to 2012-13. As on 31.03.2013, as against the sanctioned strength of 17347, 5326 vacancies existed across the ESIC.

111. The vacancy status of medical personnel, as of 31st March 2013 ranged from 19 % to 41 %. Thus, the ESIC run hospitals were facing significant shortage of doctors. The shortage of 41 *per cent* of the specialists had an adverse impact on the specialists' services of the ESIC hospitals, leading to an increase in the quantum of referral cases.

112. ESIC stated (May 2014) that Recruitment Regulations were under revision in consultation with the Ministry and the recruitment would be undertaken thereafter.

113. In this context, on the present status of revision of Recruitment Regulations being undertaken by ESIC in consultation with the Ministry, the Ministry replied as under:-

> "Recruitment Regulation of most of posts in ESI Corporation has been revised as per extant DOP&T instruction. Recruitment Regulations of remaining posts will be taken up for amendment in next meeting of ESI Corporation. Thereafter, the proposal will be submitted to the Ministry of Labour & Employment/UPSC for approval."

114. The Ministry were asked about the doctor-patient ratio in ESI dispensaries/hospitals, whether it was comparable to any other Government-run hospital in the country and whether it was comparable to world standards. Regarding

the huge vacancy of doctors in ESIC hospitals, the Ministry were asked to indicate the present status and the action being taken to fill up the posts of doctors. Further, the reasons for doctors leaving their jobs and going away were also asked. The Ministry had the following comments to offer:-

> "Total number of doctors as per annual report (2013-14) is 8849 and number of IPs is 2,08,60,078. The doctor patient ratio as derived from above data comes out to be 0.37/1000 IPs. The availability of doctor patient ratio at national level is 1:1700 that comes to about less than 0.6 : 1000 population. The prescribed limit as per WHO Standards is 1:1000 population.
>
> Regarding recruitment of doctors, 47 Specialists Gr.II and 88 Insurance Medical Officers are selected in the Year 2014-15.
>
> Advertisements have been released for 66 posts of Specialists Senior Scale in different super specialities, 220 posts of Specialists Jr. Scale and 450 posts of Insurance Medical Officers."

II). Non retention of trained PG students

115. ESIC decided (2009-10) to establish a Post Graduate Institute of Medical Science and Research (PGIMSR) at Rajajinagar, Bangalore in the same premises where the 500 bed model hospital was already operational.

116. As per conditions stipulated in bond filled by the students before admission, students after completing PG courses should serve in the ESI hospitals for a period of five years and execute a bond for ₹ 7.5 lakh with interest @15 *per cent* per annum in case of violation of the above terms. Audit found that only two out of ten students who became Post Graduates during 2012-13 were serving in the ESI hospitals. Thus, ESIC could not utilize the services of its PG students despite taking service bond of five years. ESIC replied (May 2014) that issues related to bond and its enforcement were being reviewed.

III. Property Management Division and different projects

117. 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.

118. Audit analysis of the status of 63 ongoing projects as on 30 June 2013 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.

119. Audit selected certain projects[2] out of 63 for detailed scrutiny, results of which are given below. Further detailed analysis of medical education projects by ESIC has been done in subsequent sections.

A. Delays and cost escalation in construction projects

120. According to Audit, there were Delays in execution in six projects. In ESIC Hospital, Ayanavaram, Chennai, ESIC asked architect in February 2011, after more than a year, to obtain permission from local authority and permission was obtained in October 2011. In ESIC Medical College, Faridabad, project was not completed as of March 2013. In ESI Hospital, Bibvewadi, Pune, 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. In ESI Hospital, Kolhapur, 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. In ESIC Dispensary-cum-diagnostic centre, Faridabad, the agency had completed the work on 30 November 2011. It could not obtain the completion certificate from local authority. ESIC could not get possession of building and in ESI Hospital, Okhla, 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.

[2] 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

B. Interest free mobilization advance

121. 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.

122. 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 to ₹ 229.80 crore to various agencies viz. UPPCL[3], UPRNN[4] and NBCC[5] 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.

123. 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.

C. Computerization of ESIC

124. To computerise its processes i.e. registration of employers and IPs, patients module in hospitals and dispensaries, 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 a cost of ₹ 1181.82 crore (including cost of maintenance for five years) on BOOT

[3] UPPCL – Uttar Pradesh Power Corporation Limited
[4] UPRNN – Uttar Pradesh Rajkiya Nirman Nigam
[5] NBCC – National Buildings Construction Corporation Limited

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.

125. 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.

126. As per Audit, 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.

127. When payment details to the service provider for ICT Project were enquired about, the Ministry gave the following response:-

> "Details of payment made to M/s WIPRO in respect of IT Project Panchdeep upto 31.03.2015 is as under :
>
> (i) Payment claimed by WIPRO: ₹ 709.09 Crore.
>
> (ii) Amount paid to WIPRO: ₹ 472.64 Crore.
>
> (iii) Deduction: ₹ 47.27 Crore - on account of delay in project implementation and on account of breach of Service Level Agreement (SLA).
>
> (iv) Amount Withheld due to pendency of items as per decision of Corporation :
>
> ₹ 189.19 Crore

128. The Ministry were asked to state in how many cases, bandwidth networking has reached the benchmark of 70 per cent, and whether M/s Wipro had increased the bandwidth in such cases. The Ministry replied:-

> "1. Total No of cases where bandwidth reached benchmark of 70 % - 27
> 2. Total No of cases where bandwidth upgraded - 18
> 2. Total No of pending cases – 9
>
> Reasons for Pendency:
> Up gradation Not feasible for technical reasons - 4
> Work in Progress - 5"

129. The Ministry were asked to give details of the findings of the IT sub-committee set up to review the functioning of Project Panchdeep and to work out the roadmap for completing the rest of the activities. The Ministry gave the following reply:-

"The Committee reviewed the functioning of the Project Panchdeep and worked out roadmap for completing all the remaining activities under the Project Panchdeep.

The Committee identified 54 pending items under different Heads for which road map was decided. The Head-wise detail of pending items is as follows:-

1. Milap – 08
2. Paashan – 14
3. Pragati – 18
4. Dhanwantri – 07
5. Pehchaan – 04
6. Others - 03

Total - 54

The track-wise details of items closed as on 16/10/2015 is as follows:-

1. Milap – -
2. Paashan – 05
3. Pragati – 09
4. Dhanwantri – 07
5. Pehchaan – 03
6. Others - -

Total - 24

The track-wise details of items pending as on 16/10/2015 is as follows:-

1. Milap – 08
2. Paashan – 09
3. Pragati – 09
4. Dhanwantri – 0
5. Pehchaan – 01
6. Others - 3

Total - 30

VII. Medical Education Projects

130. With a view to improve the quality of services, the ESI Act was amended in May, 2010 to provide for the establishment of medical colleges, nursing colleges and training institutes.

131. The main objectives of the special audit were to examine whether due diligence was observed while deciding to take up Medical Education Projects, fulfilment of objectives envisaged for projects and compliance to General Financial Rules. For this, Audit examined background for amendment of the ESIC Act to enable it to set up Medical Education Projects at different locations selected by the ESIC management, feasibility/selection of locations, processes involved in selection of consultants, architects and executing agencies for establishing Medical Education Projects and financial resources arrangements for these colleges.

132. The significant issues arising from results of scrutiny and examination of records as made available by the ESIC are given in the succeeding paragraphs.

A. Amendment of ESIC Act – a background

133. In the 139th meeting of the Corporation (17 July 2007), the issue of shortage of medical/administrative staff leading to the delivery of services under the scheme being adversely affected was raised by the Corporation members. The Chairman (ESIC) desired that there should be a well-considered time frame and action plan for filling up of vacant posts and directed Director General (DG) ESIC that a detailed and comprehensive report on this issue should be put up in the next meeting of the Corporation. The Chairman further mentioned that to ensure availability of sufficient medical/paramedical staff, ESIC should have its own Medical Colleges, training schools for paramedical staff and post graduate teaching facilities and directed the Director General to initiate action in this regard.

134. Audit observed that there was no agenda item in the 139th meeting regarding shortage of manpower in the ESIC hospitals. Further, to an audit query, the ESIC stated (May 2015) that no such report on the issue was prepared and submitted to the ESIC Corporation by the DG-ESIC.

135. The issue of amendments to the ESIC Act keeping in view the changed economic scenario was an agenda item with details of amendments proposed. However, in the meeting, it was decided that a sub-committee be constituted to review

the existing provisions of the ESI Act and suggest amendments keeping in view the changed economic scenario. In pursuance of the above decision of the Corporation, Chairman ESIC constituted a sub-committee (30 July 2007) for the said purpose. The sub-committee consisted of nine members including representatives from governments of Maharashtra, Andhra Pradesh, Uttarakhand, and DG ESIC as convenor. The sub-committee meetings were held on 08 August 2007, 30 August 2007, 8 October 2007. The committee's report was placed in 142[nd] meeting of the Corporation held on 18 February 2008. The report recommended comprehensive amendment of the various sections of the ESI Act which *inter-alia* recommended that in order to meet acute shortage of doctors and para-medical staff, the Corporation may establish medical colleges, nursing colleges and training institutes for its para medical staff. These doctors/paramedical staff would be required to render such minimum service in ESI hospitals/dispensaries as may be prescribed by the ESIC. The report was accepted by the Corporation which recommended comprehensive amendment to the ESI Act.

136. Accordingly Corporation wrote to MoL&E to amend the ESI Act, 1948. The matter was placed in the Cabinet meeting held on 16 October 2008. The Cabinet decided that this matter may be considered, in the first instance, by a Committee of Secretaries. The Committee of Secretaries approved (January 2009) the proposed amendment. The matter was again placed in the Cabinet meeting held on 23 July 2009 and the same was approved by the Cabinet.

137. The matter of amendment to the ESI Act was referred by the Speaker to the Standing Committee on Labour. Standing Committee in its report (9 December 2009), in addition to other amendments, recommended for establishment of medical colleges, nursing colleges and training institutions for paramedical staff with their establishments in such places where more number of insured persons and poor working class people lived.

138. By the amendment Bill of 2009, the ESIC Act was amended in May 2010 and section 59(B) was inserted which states "The Corporation may establish medical

colleges, nursing colleges and training institutes for its para-medical staff and other employees with a view to improve the quality of services provided under the Employees' State Insurance Scheme." Further as per para 19 of the ESIC (Amendment) Act 2010, all things done and action taken during the period on or after 3 July 2008 and ending immediately before the commencement of the amended act were validated.

139. Audit noted that during the processing for amendment, MoL&E communicated (21 August 2009) the comments of Integrated Finance Division on the proposed agenda of 147th meeting of the Corporation that setting up of medical colleges involved huge investment of funds and it would be appropriate either to wait for amendment of the Act or obtain legal opinion from the Ministry of Law. It further stated that no investment may be made till these issues are resolved in consultation with Ministry of Law. In the 147th meeting of the Corporation held on 25 August, 2009 the issue of advice of IFA was discussed and the Secretary (L&E) clarified that earlier IFAs never raised such an issue. Secretary (L&E) mentioned that there was absolutely no doubt about the fact that under section 28(iv)[6] of the ESIC Act, Corporation had full powers to start Medical Education Projects. Section 59[7] was being amended only to further amplify and focus the same.

B. Expenditure on construction of medical colleges prior to amendment of Act.

140. It was observed that prior to the amendment of the Act, the Corporation had sanctioned 17 out of 21 Medical Education Projects and even started the construction of 16 medical colleges and incurred an expenditure of ₹ 1021.72 crore (which included mobilisation advance given to executing agencies). ESIC's records did not reveal specific administrative/financial approval of the Ministry of Labour and Employment in the matter of number and places for opening of medical colleges.

[6] Section 28(iv) – ESI Fund shall be expended only for the purposes establishment and maintenance of hospitals, dispensaries and other institutions and the provisions of medical and other ancillary services for the benefit of insured persons and, where the medical benefit is extended to their families, their families.

[7] Section 59 – The Corporation may, with the approval of the State Government, establish and maintain in a State such hospitals, dispensaries and other medical and surgical services as it may think fit for the benefit of insured persons and their families.

141. Ministry stated (August 2015) that their actions had been validated with the amendment of the Act in 2010. The validation of all actions by Parliament indicates that contention of Integrated Finance Division of MoL&E that no expenditure may be incurred on the project was justified and incurring of huge expenditure in anticipation of retrospective validation is not a prudent practice. Further, activities started prior to 3 July 2008 were not validated by the Amendment Act 2010.

142. In their action taken replies on the audit para, the Ministry replied the following:-

> "No expenditure was incurred on Medical Education prior to 03.07.2008 by the PMD. However Audit has not specifically mentioned the activities which started prior to 3rd July 2008. "

143. In their post-evidence replies, the Ministry however also stated the following:-

> "No expenditure was incurred on Medical Education projects prior to 03.07.2008 except ₹ 3.60 lakh paid to the consultant."

C. Preparation of Feasibility Study Report for selection of sites/locations for establishment of medical colleges:

144. ESIC called (July 2007) expression of interest for preparation of feasibility report from the consultants/organisations having experience of establishing at least one medical college. Out of the 56 applications received, the offer of M/s. Medisys Projects Consultants Private Limited being lowest was accepted by the Corporation. The ESIC signed (February 2008) an agreement with M/s. MediSys Project Consultants Pvt. Ltd., New Delhi for a contract amount of ₹ 18 lakh for the assignment. The consultant was required to submit its report within four months. The scope of work included:

1) Collection of available data from ESIC.
2) Visiting all hospitals and collection of additional information required for preparing the feasibility report.
3) Identifying all types of colleges/Schools at all possible locations that can be set up throughout the country under the network of ESIC.
4) Detailing out the changes/additions, modifications required in these hospital buildings for setting up the above institutions.

5) Preparing the feasibility report as per the guidelines of Medical Council of India (MCI)/Nursing Council of India (NCI)/Dental Council of India (DCI).

145. The consultant submitted (17 March 2008) the feasibility report for the proposed ESI-PGIMSR projects for starting various courses. The feasibility report of the consultant included details of 60 shortlisted locations, in 14 States. These locations had been shortlisted by the consultant on the basis of availability of land, availability of hospital beds etc. Out of these 60 locations, 14 locations in eight States (Delhi, West Bengal, Karnataka, Tamil Nadu, Andhra Pradesh, Kerala, Uttar Pradesh and Maharashtra) were selected by ESIC.

146. ESIC also selected seven other locations in eight states which were not included in the consultant's list.

147. Audit noted that:

- The terms of reference for feasibility study were incomplete as it did not include issues such as capital and recurring expenditure involved, number of colleges required to fulfill the needs of ESIC, future needs and actual availability of doctors/para medical staff through these medical colleges, efficiency and cost of recruitment of doctors/paramedical staff with medical colleges projects vis-à-vis existing practice of recruiting doctors/ paramedical staff from the open market, availability of doctors for faculty for these colleges, other pros and cons of this strategy etc.
- Reasons for selection of sites not recommended by Consultant were not made available to audit.

148. Ministry stated (August 2015) that the consultant submitted feasibility report on setting up of Medical Education Projects as per the scope of work allotted. Sites other than those selected by consultant were in states who responded to demi official letter written by Director General, ESIC to the Secretaries for allotment of atleast 25 acres of land for medical college where there was no existing 300 bed hospital of Corporation. Land was allotted by State Government and foundation stone were laid by the then Chairman, ESIC at some of these locations where construction was started.

D. **Appointment of an Advisor (Medical Education) on contract basis:**

149. ESIC engaged (on 26 May 2008), Dr. M. Shamsudeen, Managing Director of M/s. MediSys Projects Consultants Pvt. Ltd. engaged for feasibility study, as Advisor (Medical Education) for a period of six months on honorarium of ₹ 20,000 per month plus reimbursement of other entitlements on tour at par with the rank of Additional Commissioner of ESIC. The terms of the Advisor *inter-alia* provided liaisoning work with different regulatory authorities, to act in coordination with the Deans of ESIC Medical Education Projects to facilitate the setting up of different medical projects etc.

150. Audit observed that the advisor who was engaged for six months continued to work for four continuous years and his tenure was extended nine times. The amount of honorarium was also enhanced to ₹ 30,000 per month on 21 November 2008 and further to ₹ 50,000 per month on 22 August 2012. Moreover the approval of Standing Committee was not obtained at the time of appointment of consultant and even at the time of subsequent revisions of honorarium. Total expenditure of ₹ 20.72 lakh was incurred on account of honorarium and other expenses for the consultant. The records of ESIC did not reveal any assessment of the work done by the consultant.

151. Ministry stated (August 2015) that the appointment of the advisor was made with the approval of DG, ESIC under his delegated powers. Extension was given on the basis of requirement and satisfactory performance.

152. On being enquired as to why audit was not given the required documents/records for scrutiny, the Ministry replied as under:-

> "All available documents / records as requested by the Audit party were provided for scrutiny including;
>
> 1. Copies of letters of DG, ESIC to State Governments requesting for allotment for 25 acres of land for establishing Medical College where there is no existing 300 bed hospital of the Corporation;
> 2. Acceptance of feasibility reports of the consultant by DG, ESIC;

3. Status report regarding the location of ESIC medical Education Institutions."

E. Appointment of Architectural and Engineering Consultants

153. ESIC issued advertisement in November 2007 for empanelment of Architectural and Engineering Consultants/Project Management Consultants for construction of its hospitals, dispensaries, offices and housing facilities in different parts of the country. The eligibility for empanelment was that the firm should have provided comprehensive services for atleast two similar projects whose construction cost exceeds ₹ 20 crore in last five years and average turnover in terms of consultancy fees earned in the last three years of atleast ₹ 50 lakh. Based on the offers received, the Corporation empanelled 15 firms as Architectural and Engineering Consultants. The Corporation awarded 21 Medical Education Projects to eight Architectural and Engineering Consultants out of the 15 empanelled architects and engineering consultants on nomination basis. Audit observed that:

- Different projects with the total value of ₹ 8611.94 crore were awarded to different consultants on nomination basis without any specific criteria.
- The advertisement given for empanelment of consultant did not specifically mention that ESIC want to empanel consultants for medical colleges.
- Out of the total 21 Medical Education Projects, works relating to eight projects were awarded to M/s. Design Associates.
- Basis of awarding large block of works to the M/s. Design Associates (eight works with original estimated cost of ₹ 3020.09 crore and till date consultancy fees payment of ₹ 63.39 crore) was not on record.
- At no stage the ESIC assessed the capacity and capability of M/s. Design Associates to complete the projects.
- Execution of all the works handled by M/s. Design Associates had been delayed by two to five years.
- In all, a payment of ₹ 173.82 crore had been made to all architects and engineering consultants.

- As per CVC guidelines (25 November 2002) the consultants tend to increase the cost of the work for more fees as generally the fee of the consultant is fixed at a certain percentage of the final cost of the project. Consequently CVC directed that the consultant's fee should be pegged based on the original contract value. As per agreement entered by ESIC with architectural and engineering consultants the contract price payable shall be three *per cent* of the final value of work executed. However, total contract price payable shall be restricted to (capped at) the fee payable at the agreed rate for the approved estimate of work at the time of award of work. Audit has, however, observed that in six projects at Sanath Nagar,Telangana, Maniktala, West Bengal, Joka, West Bengal, Coimbatore, Tamil Nadu, Mandi, Himachal Pradesh and K.K. Nagar, Tamil Nadu the fees payable to architectural and engineering consultants has not been capped at the original contract value as done in other contracts. The original cost of these six projects had been revised from ₹ 2618.51crore to ₹ 3441.24 crore as on 31 March 2015. Consequently, extra fees payable to architectural and engineering consultants due to non-inclusion of above clause would be to the tune of ₹ 24.68crore.

Thus the award of different works to different architectural and engineering consultants was not only carried out in arbitrary manner but also resulted in undue favour to some of these consultants.

154. Ministry stated (August 2015) that the credentials of all the empanelled consultants were evaluated by a Committee constituted for scrutiny of application and further recommendations for empanelment. The allotment of the eight projects to the M/s. Design Associates has been done with the approval of Director General, ESIC.

Audit, however, stated that the reply of the Ministry is not acceptable as the empanelment criteria was that the firm should have provided comprehensive services for atleast two similar projects whose construction cost exceed ₹ 20 crore in last five years and average turnover in terms of consultancy fees earned in the last three years of atleast ₹ 50 lakh. But the quantum of work allotted to the Design Associate was not comparable as it had a turnover ranging from ₹ 37.88 lakh to ₹ 64.18 lakh during 2004-

05 to 2006-07 and ESIC has already made payment of ₹ 63.39 crore to the Design Associates. (as of March 2015).

155. In this context, when asked about the action taken by the Ministry and the system had the ESIC followed then and what it was following currently, the Ministry stated the following:-

> "Six projects which have been pointed out were initial projects in which fees payable to A&E Consultant has not been capped.
>
> In subsequent agreements, consultant fee has been capped based on the original contract value payable."

F. Non-execution of specific job by Architects

156. The ESIC entered into contract agreement with Architectural and Engineering Consultants to provide comprehensive architectural or engineering consultancy services. As per agreement with the architect consultants, they were to be paid at three *per cent* of the final value of the work executed. Further interim payments shall be released on the latest available estimate for the work.

157. The scope of work of the architects *inter-alia* included the submission of concept design and drawing report, preliminary design report, material report, certificate from statutory bodies and height clearance certificate from Airport Authority of India (AAI) and a model of the project, technical specifications, rate analysis, cost estimates, bill of quantities (BOQ), tender document and tender drawing including priced BOQ specifications, test procedure, project clearance report, tender documents, as built drawings, completion drawings etc. The stages of payment were provided in the agreement based on the completion of various volumes of work.

158. As per agreement with the architects, they were required to prepare tender documents including invitation to tender, instruction to tenderers, general and particular conditions of contract, specifications, drawings etc. based on ESIC standard format and obtain, in principle, approval of ESIC, invite competitive tender on behalf of ESIC, evaluate the tender received and submit recommendation with full justification for award

of work and finalise contract agreement between client and contractor after approval of ESIC.

159. Audit observed that ESIC subsequently awarded all the projects on nomination basis without following the competitive tendering to government construction agencies/companies. Consequently, a number of works which were required to be performed by architect and engineering consultants were not performed by these agencies. Thus, huge payments were made to the architectural agencies and their services were not utilised as per the contract by ESIC.

160. Ministry stated (August 2015) that in most of the projects architects had only been given the work of architectural and engineering consultancy services. Simultaneously, ESIC had entrusted construction work of the medical projects to Government construction agencies (Central State PSUs). Hence the need for floating tender by architectural and engineering consultants did not arise.

161. As per Audit, the Corporation awarded various architect works on nomination basis. The scope of work *inter-alia* included tendering work. Subsequently when Corporation decided that construction works to be awarded on nomination basis to the construction agencies then it should have reviewed the contract agreement with the architect and engineering consultants and necessary deductions made from the architect fees.

G. Medical Education Projects

(i) Irregular/non-viable sites for Medical Education Projects – Non- fulfillment of prescribed norms: Insufficient number of IPs

162. The Standing Committee of Parliament on Labour in the Report for the year 2009-10 concurred with proposal of the Government to establish medical colleges/nursing college/training institutes etc. due to acute shortage of doctors and paramedical staff in ESIC Hospitals/dispensaries. However, the Committee recommended that these medical colleges and hospitals should be established in such

places where more number of IPs and poor working class people were living so as to provide them the much needed health care.

163. Audit noted that:

- The justification for selection of different sites for Medical Education Projects was not made available to audit.
- Due diligence to ascertain the number of colleges required to be opened, to fulfill the future requirement of doctors and other paramedical staff was not carried out.
- Project-wise approval of the ESIC Corporation for different sites/number of Medical Education Projects was not available.
- As per Section 59 of the ESI Act and Regulation 9 (e) of ESIC (General) Regulations, 1950 the approval of ESIC Corporation is required for constructing the hospital. ESIC got new hospitals constructed but no approval for the same from the competent authority was found on record.
- Six out of 21 places the minimum requirement of IPs as per ESIC norms was not fulfilled.
- The locations with higher number of IPs were not selected by the ESIC for setting up of Medical Education Projects.
- ESIC had decided to open Medical Education Projects even where it neither have existing hospital nor did it meet its own norms of IPs for opening new hospital.

H. Non-receipt of approval due to non-fulfillment of norms of regulatory bodies

164. Audit examined the details of Medical Education Projects with reference to norms of IPs, availability of approvals from regulatory bodies (e.g. MCI, DCI, NCI, etc.), availability of land and hospital infrastructure etc.

165. Audit noticed that the process of applying for mandatory approval of regulatory bodies started in 2008-09. This was followed by inspection of the ESIC colleges by the MCI inspectors who had pointed out certain deficiencies. A few examples of deficiencies pointed out by MCI inspectors were absence of Dean, absence of teaching faculty, inadequate library, inadequate infrastructure and instrumentation, etc. These

deficiencies were subsequently removed by the Corporation and the approvals were granted for courses started from 2010.

166. As per Audit, due to lack of adequate follow up by ESIC the Medical Education Projects at Mandi, Faridabad, Sanath Nagar, Coimbatore and Paripally did not receive the necessary MCI approval. Consequently, the appointment of Medical Advisor/Consultant appointed for liaisoning work for getting approvals from regulatory bodies remained unjustified.

167. Ministry stated (August 2015) that grant of permission to start medical courses by the regulatory authorities was subject to the fulfilment of several conditions, i.e. infrastructure, equipment, clinical material, placement of faculty etc. Consultant had helped ESIC in effectively forming up all the regulatory matters with the regulatory bodies.

I. Selection of construction agencies for execution of projects on nomination basis rather than on tender basis

168. As per GFRs Rule 204 (vii) Cost plus contracts should ordinarily be avoided. Where such contracts become unavoidable, full justification should be recorded before entering into the contract.

169. As per the agreements entered by ESIC with the architect and engineering consultants, the scope of work of the architects, *inter-alia*, included preparation of tender documents including invitation to tender, instruction to tenderers, general and particular conditions of contract, specifications, drawings etc. based on ESIC standard format and obtain, in principle, approval of ESIC, invite competitive tender on behalf of ESIC, evaluate the tender received and submit recommendation with full justification for award of work and finalise contract agreement between client and contractor after approval of ESIC. These entailed a competitive tendering process. Audit examined the process of selection of contractors for execution of 21 Medical Education Projects sanctioned during 2008-09 to 2011-12. Audit noted that:

- Based on the estimated cost of the projects prepared by architect and engineering consultants, ESIC assigned the work relating to the construction of 21 Medical Education Projects on nomination basis to various construction agencies like NBCC, UPRNN, EPI etc. on turnkey basis.

- ESIC's action to award the works on nomination basis was not as per the established norms and procedures. The basis of selection of these construction agencies was not on record and was, therefore, arbitrary.

- The justification for change of stand from tendering of the projects to award of projects on nomination basis was not on record.

- During 2009 and 2010, ESIC has entered into 18 contract agreements with architect and engineering consultants which state that these agencies would carry out competitive tendering for these projects. Simultaneously, ESIC was assigning these projects on nomination basis to construction agencies.

- Due to award of works on nomination basis, the ESIC could not avail of benefit of competitive rates as the original cost of the works amounting to ₹ 8611.94 crore was revised to ₹ 11997.15 crore.

- Construction agencies further awarded these projects to sub-contractors on back to back basis. Test check of two projects of Medical College, Coimbatore and Medical College, Bihta revealed that there were variations of ₹ 72.98 crore between cost of works awarded by construction agencies to sub-contractors and the rates on which works were awarded to construction agencies by ESIC.

- Since the ESIC is having its own full-fledged Project Management Division (PMD) since 2008 headed by a Commissioner, PMD, the need for engaging outside Agencies for execution of works raises a question mark on the role and existence of the PMD.

Thus, the award of works to construction agencies were not only arbitrary but also ESIC had lost the benefit of competitive rates.

170. Ministry stated (August 2015) that since inception, construction works were being executed through construction agencies like CPWD, NBCC, UPRNNL etc. on Deposit Work basis. The above said arrangement was not found to be satisfactory as this

resulted in delays, cost overrun, poor quality of design etc. Hence it was decided to adopt turnkey system and to get the work executed through empanelled construction agencies. As regards variation in price awarded by ESIC to construction agencies and construction agencies to sub-contractors, the ESIC stated that the contract agreement had not provided for passing on to ESIC savings, if any, accruing to the construction agencies and accordingly works already awarded continue to be implemented as per the contract agreement already signed. Standard Contract agreement for passing on the savings to ESIC has been implemented for works taken up subsequently. In the matter of PMD, the ESIC stated that it did not have adequate strength of staff.

171. Audit, however, stated that the reply of Ministry is not acceptable as the shortcoming in Deposit Work System like time overrun, cost overrun, etc. still persists in the new system of awarding contract on turnkey basis. No justification for award of different works to different agencies was furnished. The revision of standard contract agreement with construction agencies for passing on the savings to ESIC prove that either sufficient due diligence was not done or estimated cost worked out by ESIC was wrong. Consequently, ESIC could not get the benefits of competitive rates and thus straining the resources of ESIC.

J. Physical and Financial Status of Medical Education Projects – Delay and cost overrun of projects

172. Audit scrutiny of records and details provided by ESIC revealed that the Medical Education Projects were marred by delays and cost overrun. Audit observed that:

- All the Medical Education Projects taken up were behind schedule except dental college at Rohini and PGI, Ayanavaram Chennai. Extensions ranging from one year and two months to four year and nine months were granted to these projects. The work at Bhubaneswar had been deferred.

- The reasons for delays were attributable to delay in obtaining permission from authorities, delay in shifting of sites, handing over of parts of building under occupation etc.

- The total cost of all the projects was revised from ₹ 8611.94 crore to ₹ 11997.15 crore resulting into cost overrun of ₹ 3385.21 crore due to delays caused by various reasons as indicated above.

173. This shows that ESIC had not done adequate planning before commencement of works so as to ensure timely completion/execution of works which has resulted in huge cost overrun of various projects.

174. Ministry stated (August 2015) that it had appointed government construction agencies (PSUs) to monitor the jobs. Again architect and quality auditors were also appointed for Architectural and Engineering Consultancy work and maintaining quality. Monitoring was done by ESIC through monthly meetings with Construction Agency/Architect and through Video Conferences. Thus, ESIC had monitored the projects despite limited technical manpower.

175. Audit, however stated that the reply is not acceptable as the reasons for delay were foreseeable with advance planning and despite regular monitoring by ESIC the project was marred by delays and heavy cost escalation.

176. In this regard when asked out of 21 projects how many had the approval of MCI and how many were pending for approval from MCI, the Ministry stated:-

> "05 out of 12 medical colleges under construction have been started after receiving permission from Central Government / MCI
>
> Permission to start 01 out of 12 medical colleges under construction has been submitted to Govt. of India."

K. Financial Impact of Medical Education Projects

177. The ESIC was created to provide social security for IPs. Setting up of medical colleges is a capital intensive project including a onetime expenditure of around ₹ 800 crore per medical college with 100 annual MBBS admissions and 500 bedded attached hospital and recurring cost of around ₹ 180 to ₹ 200 crore per year for running the institutions.

178. Capital Construction Reserve Fund (CCRF) had been set up to meet the expenditure on purchase of buildings, construction of hospitals/dispensaries, other medical institutions and offices of the Corporation together with staff quarters attached

to it. As per the approval of ESIC Corporation and Ministry of Labour and Employment a certain *percentage* of income from contribution (currently one *per cent*) is transferred to Capital Construction Reserve Fund. ESIC in addition to annual transfer of one *per cent* also transferred ₹ 16914 crore from Surplus to CCRF during 2009-10 to 2013-14. The expenditure on 21 Medical Education Projects was met out of the surplus available/transfer from CCRF.

179. Audit observed that capital commitment on 21 Medical Education Projects had increased from ₹ 8611.49 crore to ₹ 11997.15 crore as on 31 March 2015. Against the revised cost of ₹ 11997.15 crore, the ESIC had incurred expenditure of ₹ 5955.03 crore on 21 projects as on 31 March 2015. Audit also found that:

- The cost of the Project was revised two to 12 times. The reason for frequent revisions were the changes in DSR and non DSR rates due to delays in all the projects.
- Even after incurring a total expenditure of ₹ 5955.03crore on 21 Medical Education Projects none of the project (except two projects at Rohini and Ayanavaram) were physically completed and an additional liability of ₹ 6042.12 crore (as on 31 March 2015) is required to be incurred by ESIC for the completion of construction of these projects.

Thus, the income of the ESIC which was required to be spent on core function of providing medical and cash benefits to the beneficiaries was spent on Medical Education Projects which remained incomplete.

L. Effectiveness of Strategy to meet the shortage of doctors

180. The objective of setting up of Medical Education Projects was to get medical and other para medical staff for ESI hospitals/dispensaries and improve the quality of services provided under the Scheme.

I). Sanctioned strength and Men-in-position of Doctors/Para Medical Staff as on 31 October 2014 in ESIC

181. As per ESIC norms, the staffing pattern of the hospitals is based on bed strength and speciality services being provided. The sanctioned strength of doctors increased from 1397 to 3040 during the period 2008-2014. During this period men-in-position had

also seen an increase from 931 to 1937. It was, however, observed that against the sanctioned strength of 2180 doctors in ESIC hospitals in 2012-13 (excluding teaching faculty of doctors for medical colleges), it had 1719 men-in-position. This indicates that actual vacancy of doctors in ESIC hospitals/dispensaries was only 461 during 2012-13. Further during 2012-13 against the sanctioned strength of teaching faculties of 578, the ESIC had 211 faculties leaving vacant posts of 367 which comes to 63 *per cent*. This shows that ESIC was not able to get sufficient faculties/doctors for medical colleges which were being opened to fill the shortage of doctors in ESIC hospitals/dispensaries.

II). Admissions and Availability of medical personnel passed out from ESIC Medical Colleges:

182. Students were admitted under following three categories in ESIC Medical Colleges:

(i) All India Quota (AIQ) – 15 *per cent* of total available seats in each of the medical institutions shall be made over to an All India Quota.

(ii) State Quota - Based on the location of the ESI's Medical Education Projects, a State Government Quota would be made over as per the policy of respective State applicable to unaided non-minority institutions.

(iii) ESIC Management Quota - Balance seats left over after contributing to AIQ and State Quota to be bifurcated into All India ESIC management quota and state ESIC management quota.

183. To ensure that the doctors passing out from the Medical Education Projects of ESIC serve in ESIC, the condition of the Bond for serving ESIC institutions was approved by the Corporation in its 145th Meeting. As per the terms of the bond, students taking admission in ESIC medical colleges, dental colleges and post graduate medical institutes had to furnish a Bond for serving ESI institution i.e. hospitals and dispensaries for a minimum period of five years. The duration of the bond is five years and non-compliance to the conditions of the Bond involves the payment of an amount of ₹ 7.5 lakh with interest @ 15 *per cent* towards failure to fulfill obligation. ESIC in addition to under graduate and PGI colleges also started Dental College at Rohini, Delhi and Nursing College at Indira Nagar, U.P.

184. Admissions were started in four medical colleges at Rajaji Nagar (Bangalore Karnataka), Gulbarga (Karnataka), K.K. Nagar, Chennai (Tamil Nadu), Joka, Kolkata (West Bengal) with 398 under graduate seats. An analysis made in respect of graduate doctors likely to be available from the operational medical colleges of ESIC revealed that Rajaji Nagar, Bangalore would be able to produce 100 doctors per year from 2017-18 and other colleges at Gulbarga, K.K. Nagar and Joka would be producing 300 doctors per year from 2018-19. Hence, there would be around 400 doctors produced by operational medical colleges of ESIC from the year 2018-19.

185. Further, ESIC had taken up the construction of 12 medical colleges with 1200 under graduate seats. ESIC had 461 vacant post of doctors to man the ESIC hospitals/dispensaries as on 31 March 2013. This indicates that even one year of pass outs would exceed the available vacancies and future pass outs would be of no use to ESIC hence it would not be able to contribute to improving medical care. This would defeat the very purpose of establishment of Medical Education Projects. This shows that no due diligence was carried out to assess the requirements of medical personnel and huge capital cost and recurring costs was incurred with no clear cut benefits to ESIC's core activity.

186. When asked that since these acts of non-estimation of true nature and extent of shortage were extremely serious and it was necessary to fix responsibility on the officers who drew up the terms of reference without including such elementary requirements, the Ministry submitted the following reply:-

> "The decision to establish 12 medical colleges was based on the objective to have sufficient number of doctors and para medical staff against available as well as future requirement of vacancies."

187. Audit noticed that ESIC had issued 107 offers of appointment to post graduate students passed out from different colleges during 2013-15. Against a total of 107 appointment orders issued, only 15 medical personnel (14 *per cent*) had joined. This indicates that the strategy of opening medical colleges for filling the vacant posts had failed.

188. Ministry stated (August 2015) that the PGs pass outs were issued appointment letter to comply with the condition of bond. Those candidates who had not complied had been issued notice for payment of bond amount. Thus, the aim of ESIC of imparting medical education for developing their own trained medical personnel proved futile.

189. In this regard, when asked about the legal validity of the bond filled by the students, the Ministry stated the following:-

> "The contents of the Bond are vetted by legal counsel and the Bonds are enforceable as per law."

M. Exit from Medical Education Projects

190. The Corporation decided to exit from the field of medical education in its 163rd meeting held on 4 December 2014 as it was not one of its core functions. Thus, the strategy adopted by ESIC to meet the shortage of medical and paramedical staff was thoroughly ineffective and the expenditure incurred on this was infructuous. Later on, the ESIC decided to continue with a few projects.

191. Scrutiny of records and further information made available by ESIC revealed the following:

- A white paper on medical education was placed in 161st meeting of the Corporation held on 28 January 2014 for appropriate decision of the Corporation. The Corporation authorised its Chairman to constitute a committee to look into the issues.

- The report of the committee was discussed in 162nd meeting of the Corporation held on 31 July 2014. It was decided that decision on continuation or otherwise of Medical Education Project would be decided in the next meeting of the Corporation. In the meantime discussion should be held with Central/State Governments on modalities for transfer of ongoing medical colleges.

- The ESIC had taken up the matter of transfer of Medical Education Projects with Government of India (Ministry of Health and Family Welfare) who responded vide letter dated 3 September, 2014 that it will not be feasible to take over these medical colleges from ESIC. In the alternative it was suggested that the Ministry of

Labour and Employment may explore possibility of collaborating with the respective State Governments in taking over these colleges.

- Further Director General, ESIC on 05 September 2014 wrote to the State Governments concerned seeking their "in-principle consent" for taking over of medical colleges and related Medical Education Projects located in the respective states.

- In this regard five states (Rajasthan, West Bengal, Delhi, Himachal Pradesh, Kerala) out of 12 had responded till December 2014, but no positive responses were received from any state.

- The Corporation in its 163rd meeting held on 4 December 2014 decided to exit from medical education as it was not the core function of ESIC and objective of Section 59B of the Act was unlikely to be met.

- The Ministry of Labour informed the PMO (9 January 2015) on further decisions taken in regard to 13 medical colleges. These included exit from medical education, no further admissions, not to start new medical colleges, handing over ongoing medical colleges to State Governments willing for transfer, to create centre of excellence for Super Speciality Treatment in cases where State Governments were not willing to take over the medical colleges. Reasons for not apprising the PMO about the true and complete status of 21 Medical Education Projects was not on record of ESIC.

- Subsequently ESIC in 165th meeting held on 7 April 2015 decided to protect the interests of the students and insured persons and continue with ongoing courses at Medical Education Projects.

- Secretary MoL&E, intimated the following position on 25 March 2015 to PMO.
  - Three ESIC medical colleges at Rajajinagar (Benguluru), K.K. Nagar(Chennai)and Joka (Kolkata) respectively will be continued to be run by the ESIC.
  - Three ESIC medical colleges at Faridabad (Haryana), Coimbatore (Tamil Nadu) and Sanath Nagar, Hyderabad (Telangana)were offered to be run by the respective State Governments failing which the ESIC will run them on PPP mode on its own.

- ESIC medical college at Gulbarga (Karnataka)was offered to be run by the State Government failing which by the ESIC on PPP mode.
- Four ESIC medical colleges at Alwar (Rajasthan), Mandi (Himachal Pradesh), Bihta, Patna(Bihar) and Paripally, Kollam(Kerala)were offered to be run by the respective State Governments failing which by the ESIC on PPP mode, failing which the assets may be divested.
- ESIC wished to continue the admissions to ongoing MBBS/BDS/PG courses at ESIC Medical Education Projects.
- The proposed ESIC Medical Education Project in Basaidarapur, Delhi would be in the interest of IPs. This would be modified into a Centre of Excellence for providing enhanced secondary care as well as Super Speciality Treatment facility.
- ESIC will neither set up any other Medical College nor any other new Medical Education Project.

192. Ministry stated (August 2015) that Medical College Projects were proposed to be set up by the ESIC at 21 locations. Construction work of the medical colleges was taken up only at 12 locations. The status of these medical colleges was as under:

a. ESIC to continue to run ESIC Medical Colleges at Joka (Kolkata), K.K. Nagar(Chennai) and Rajajinagar (Bengaluru), The Ministry had also taken decision recently to continue to run the medical college at Gulbarga(Karnataka).

b. ESIC would run the proposed Medical Colleges at Faridabad (Haryana) and Sanath Nagar, Hyderabad (Telangana).

c. The respective state Governments had consented (in-principle or otherwise) for takeover of ESIC Medical colleges at Paripally (Kerala), Coimbatore (Tamil Nadu), Bihta (Bihar) and Mandi (Himachal Pradesh).

d. The proposed Medical College at Basaidarapur, Delhi would be in the interest of IPs and modified into a centre of excellence for providing enhanced secondary care as well as Super Speciality Treatment facility for ESI beneficiaries. Decision on proposed Medical College at Alwar was yet to be finalized.

193. As per Audit, thus ESIC had to exit from the Medical Education Project segment which was taken up with the IPs contribution. This happened due to imprudent and faulty planning and lax attitude of the ESIC from the very beginning.

194. In this regard, details of ongoing or planned projects to be taken up by the ESIC including the planning of the Department for the next four-five years was asked. In response the Ministry submitted the following:-

> "b) Medical Colleges / Medical Education Projects are not to be taken up in future in view of the decision of ESI Corporation in its 163rd meeting held on 04.12.2014.
>
> However, construction of hospitals/ dispensaries for which in-principle approval has been granted / will be granted in view of the ESIC 2.0 Reforms (under which creation / expansion of medical infrastructure has been envisaged), by the competent authority (ESI Corporation / Director General) may be taken up for construction. ESIC 2.0 Reforms envisages extension of ESI Scheme to entire parts of all districts in the country. A sub-committee was constituted by ESI Corporation to give recommendations for establishing ESI Hospitals & Dispensaries based on geographical necessity while opening new health care facilities. Recommendations of the sub-committee were approved in 167th meeting of ESI Corporation held on 18.12.2015. Further, ESIC has approved increasing bed strength of ESIC Hospitals by 50% if the bed occupancy of the concerned ESI Hospital has been consistently more than 70% in the last 3 financial years."

195. On whether financial rules were observed in medical education projects, the Ministry stated the following:-

> "The Medical education projects of ESIC were set up based on the report of consultant appointed for the purpose and also wherever the land was provided by the State Govts.
>
> ESIC being a social security organization caters to the interest of the IPs. As these persons health is important the ESIC has adopted the best of the standards in respect of all construction activities, equipment and various infrastructure required for specialized treatment. In other words our hospitals are superior to the private hospitals in most of the aspects. Moreover, being a govt. organization we cannot compromise in any of the quality aspects in respect of

the above and our quality of construction, equipment, facilities etc. would definitely have a quality service during this life cycle.

Of late, the ESIC has exited from taking up new medical colleges as per the decision taken in 163rd meeting of ESI Corporation held on 04.12.2014.

Given the background and facts stated above, broadly financial rules have been observed."

196. When asked about the logic behind retaining certain medical projects after taking the decision to exit from the field, the Ministry replied:-

"The PG/UG pass-outs of ESIC medical education Institutions which are continued to run by the ESIC would be required to render service under Bond."

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PART II

OBSERVATIONS AND RECOMMENDATIONS

Introduction

1. The C&AG of India examined the functioning of the Employees State Insurance Corporation (ESIC) in their two Audit reports viz. Report No. 30 of 2014 regarding Performance Audit of Employees' State Insurance Corporation and Report No. 40 of 2015 pertaining to Special Audit of Medical Education Projects of ESIC. The first report is an assessment of the overall performance of ESIC and the second report relates to analysis of an important issue of Medical Education Projects started by ESIC. Since both the reports of the C&AG were related to ESIC, the Committee have decided to bring out one consolidated report containing their observations/ recommendations on all the relevant issues. The C&AG had, earlier, presented Report No. 2 of 2006 on Performance Audit of ESIC covering 1999-2000 to 2003-04 .

2. The Committee note that most of the shortcomings pointed by Audit in their earlier report no. 2 of 2006 which was Performance Audit of ESIC covering 1999-2000 to 2003-04 still persist. There were shortfalls in number of meetings of the Standing Committee and Medical Benefit Council, consistent increase in outstanding arrears of contribution from employers, shortfall in coverage of eligible employees working in establishments coverable in new areas, misuse of cash benefits due to deficient internal controls, land acquired by ESIC from State Governments for construction of hospitals, dispensaries and staff quarters not utilized for periods ranging from two to thirty seven years; deficiencies in management of hospitals and dispensaries - under utilization of beds, idling of equipment, injudicious purchase of medicines and procurement of sub-standard drugs etc.

3. The Performance Audit of the ESIC in Report no. 30 of 2014 was conducted by Audit to assess whether financial management and governance was efficient;

mechanism for coverage of new establishments was effective; implementation of scheme, including procurement of medicines/ equipment was efficient and effective; benefits provided to the insured persons/beneficiaries were as per norms; and infrastructure development was effective and as per norms. In Report no. 40 of 2015, Audit commented upon certain aspects of Medical Education Projects. The Committee note that the Government of India, Ministry of Labour and Employment in November, 2014 requested the C&AG of India to conduct a special Audit of 13 ongoing Medical College Projects. It was specifically desired by the Ministry that the special Audit may be taken up to address concerns including whether due diligence was observed while deciding to take up medical education projects, whether these projects were able to fulfill the objectives envisaged under Section 59(B) of ESI Act, and whether the provisions of General Financial Rules (GFRs) were followed while implementing these projects.

4. The Committee have found serious lacunae in the functioning of ESIC such as outstanding dues on account of contribution from covered establishments, irregular availing of medical benefits from ESIC dispensaries/hospitals without paying contribution, shortfalls in meetings of Standing Committee, Medical Benefit Council, Regional Boards and Hospital Development Committees, shortfalls in conducting surveys/inspections/test inspections, humongous increase in expenditure on Super Speciality Treatment, purchase of dressing items and medicines from local market despite existence of Rate Contract etc. In the case of medical education projects, the Committee observe incomprehensive feasibility study for selection of sites/locations conducted by the consultant, arbitrary award of different works to different architectural and engineering consultants, due diligence to ascertain the number of colleges required to be opened not carried out, time and cost overrun in almost all the medical education projects taken up, and ineffective strategy adopted by ESIC to meet the shortage of medical and paramedical staff.

5. The Committee are of the view that it is now time for concrete action to be taken by ESIC rather than stop gap arrangements in order to ensure that ESIC

fulfils its mandate of providing adequate and good quality medical care to workers and their dependants during contingencies such as sickness, maternity and death or disablement due to employment injury or occupational disease. The Committee have accordingly made their observations / recommendations on pertinent issues in the succeeding paragraphs.

6. Expenditure vis-a-vis services being provided

The Committee note Audit's contention that on analysis of data of income and expenditure indicated *inter-alia* expenditure towards medical and cash benefit was between 33 and 46 *per cent* of total income implying that the expenditure on the main activity was not in proportion to collection of contributions. It also indicated that the rates of contribution from employee and employers were higher than present level of services being provided. The Committee observe that during 2008-09 to 2012-13, 'excess of income over expenditure' is even more than the contribution made by employees in each of these 5 years. The Committee find that amid deteriorating health facilities; lack of hospitals, scarce beds and shortage of doctors and specialists, the organisation is flush with funds. The Committee desire that much needs to be done for effective delivery of medical benefits and expediting cash benefits to the IPs and with such huge funds, ESIC should endeavor to improve its efficiency and quality of services tremendously. The Committee are also of the view that the ESIC may earnestly explore fixing the rates of contribution from the employees on the basis of actuarial valuation. The Committee also desire to be apprised of the basis of contribution to be collected from the unorganized workers including construction workers and self employed workers like rickshaw pullers and auto rickshaw drivers etc.

7. Accumulated Surplus Funds

The Committee note that during 2009-10 and 2012-13, ESIC transferred ₹ 5000 crore and ₹ 3000 crore respectively from 'Surplus' to 'Capital Construction Reserve Fund' (CCRF) which was set up to meet the expenditure on purchase of buildings, construction of hospitals/dispensaries, other medical institutions and offices of the Corporation together with staff quarters attached to it. As per the approval of ESIC Corporation and Ministry of Labour and Employment a certain percentage of income from contribution (currently one *per cent*) is transferred to Capital Construction Reserve Fund. ESIC in addition to annual transfer of one *per cent* also transferred ₹ 16914 crore from Surplus to CCRF during 2009-10 to 2013-14. The expenditure on 21 Medical Education Projects was met out of the surplus available / transfer from CCRF.

Since ESIC has decided to largely exit from medical education projects, optimum utilisation of accumulated surplus funds including those in CRRF is required. The Committee observe from the reply of the Ministry that the ESIC in its 166th Meeting held on 7th August, 2015 had approved expansion plans besides measures to improve delivery of medical services under 2nd Generation Reforms ESIC 2.0 which included expansion by ESIC to cover all the States, Union Territories and all Districts, in full where Scheme is running in industrial clusters; to be expanded to unorganized sector by reducing the threshold from present 10 persons in a unit; consideration for inclusion of self-employed workers, like auto rickshaw drivers, rickshaw pullers for bringing them into the ESI ambit for medical benefit, in phases and various measures to enhance delivery of medical services. The Committee desire that all the districts may be covered under the Scheme within 5 years. The Committee while appreciating that the ESIC is considering inclusion of self employed workers like auto rickshaw drivers and rickshaw pullers within the ambit of ESIC desire that all unorganized/ self employed workers who are not covered under any other Act of Parliament/ Scheme for medical benefits/ insurance and mining workers (both major & minor minerals) may be brought under this scheme within a stipulated time frame.

The Committee also note from the reply of the Ministry that the Corporation has constituted a Budget and Accounts Sub Committee for monitoring and control of ESIC funds and expenditure and scrutiny of expenditure and accounts and that for day to day investment of ESIC funds a separate Committee already exists in ESIC which professionally manages the ESIC funds. The Committee wish to be apprised of the monitoring mechanism in place through these Committees to ensure that the available funds are spent in accordance with sound financial principles to attain the objectives of adequate and just medical care to insured persons.

8. Need for effective Recovery of arrears

The Committee note that the total arrears outstanding as on 31st March, 2014 were ₹ 1754.14 crore, out of which ₹ 630.79 crore fall under the category of recoverable arrears and an amount of ₹ 1123.35 crore under the category of non-recoverable arrears for the present due to claims disputed in the Courts, factories having gone into liquidation, factories registered with BIFR, amount pending with Claims Commissioner, closure of the factories and whereabouts of the defaulting employers in certain cases not known. The Committee observe that when asked why the recovery officers were not able to recover the pending dues, whether any accountability had been fixed and what action had been taken to enforce greater accountability on defaulting contributing organisations and recovery officers, the Ministry replied that the recovery of such amounts becomes difficult and also depends on factors beyond the control of ESIC.

The Committee note that the Recovery Officers of the Corporation recovered ₹ 186.07 crore from defaulting employers in 2013-14 against the target of ₹ 175.00 crore. A target of ₹ 192.06 crore towards recovery of arrears was fixed for the year 2014-15 and an amount of ₹ 198.13 crore had been recovered against this target. While appreciating the efforts made by ESIC to recover the arrears due, the Committee desire that stringent penal action may be taken against defaulters. The Committee are of the strong view that the contribution collection mechanism should be such that the SSOs invariably carry out the inspection of quarterly financial statements of the employers/ organizations after 2 months of continuous default in order to ascertain their financial health and malafide intentions, if any, for taking suitable action thereon. The Committee earnestly desire that ESIC should take effective steps to ensure timely collection of contributions from the employers so as to minimize the arrears.

9. Loss of Revenue due to time barring

The Committee understand that Section 45 A of the Act, which empowers ESIC to determine the amount of contribution payable by the employer, was amended in June 2010 by prescribing a time limit of five years for determination of contributions. Consequent to the amendment, ESIC directed (June 2010) all ROs/SROs, to assess all the pending cases on priority basis so as to finalize the assessment of contribution by passing appropriate orders before expiry of five years. However, the Committee was shocked to find that a number of cases could not be decided within the prescribed time limit; resulting in recoveries of ₹ 48.31 crore becoming time barred. The Committee observe from the reply of the Ministry that employers pay contribution on regular basis, on a provisional assessment by themselves on the amount, which constitute "Wages" under the Act. The determination of contribution U/s 45A arises in case of defaulters or/ and as a result of inspection of records by ESIC. ESIC replied that action for determining responsibility for violation of instructions was being looked into. The Ministry further replied that under the Insurance Module of the Panchdeep Project, defaulting employers can be tracked on month-to-month basis which would help in reducing the default and enforcement of timely compliance. The Ministry also stated that it is possible that some of the employers may not have been selected by the Unified Web Portal, which selects establishments randomly, for inspection in a period of five years.

The Committee are of the view that the prescription of a time limit makes it imperative for ESIC to ensure determination of contributions by employers within that timeframe rather than using the lapse of five years as an excuse for not deciding the contribution resulting in losses. The Committee note that a committee under the Insurance Commissioner, ESIC has been constituted to fix the responsibility regarding time barred cases.The Committee desire to be apprised of the present status and whether the arrear of ₹ 48.31 crore had been recovered and if not, responsibility for the loss to the exchequer has been fixed, for delay in determination of the amount of contribution. The Committee exhort that ESIC should issue necessary instructions to Regional Officers /Sub Regional Officers to conduct inspections of all organisations under them atleast once in a year to decide/ verify/ confirm their contribution. The Committee also direct that accountability may be fixed on officials for laxity in assessments of pending cases and suitable punitive action may be taken against them. The Committee desire to be apprised of the total number of officials against whom action taken for violation of instructions within two months of the presentation of this report.

The Committee are surprised to note that in spite of availability of Insurance Module Panchdeep Project and a Unified Web Portal, the Ministry is not able to timely detect the defaulting employers and arrest heavy loss to the exchequer. The Committee, therefore, desire that the Insurance Module of Project Panchdeep may introduce a system to generate alerts for all those organisations for whom the time limit of five years is elapsing and exemplary punishment may be awarded to the officers failing to carry out assessments of such cases on priority basis.

10. <u>Need for urgent recovery dues from Delhi Government</u>

The Committee note that administration of ESIS was transferred from Delhi Government to ESIC in 1962, with the condition for reimbursement of 1/8th share of expenditure by Delhi Government to the ESIC. Delhi Government had been making payment regularly till 1989-90, but subsequently payments became irregular. A total of ₹ 785.10 crore was outstanding from Government of Delhi as on 31 March 2013. The Committee observe that ESIC did not take up the matter with the Ministry to pursue with Delhi State Government for recovery of arrears. ESIC replied that the matter was being constantly pursued with Delhi State Government.

The Committee note from the reply of the Ministry that ESIC was regularly discussing the matter with the Ministry of Labour & Employment on the issue of pending dues from the Delhi Government. The ESI Scheme in Delhi was transferred to the ESIC on the sanction of Ministry of Labour and Employment, Govt. of India. The ESIC could receive only an amount of ₹ 71.29 crores from Delhi Govt. since 1991. The pending dues from Delhi Govt. now amounts to ₹1409.56 crores i.e. ₹145.18 crore (within ceiling) and 1264.38 crore(outside ceiling). The Delhi Govt. has agreed in principle to pay 1/8th share and last such payment was made by them in March, 2011, however, Government of Delhi has categorically stated that they would not share the expenses incurred by ESIC outside the ceiling. A number of correspondence has been made by the Director General of ESIC with the Chief Secretary/CMO Govt. of NCT of Delhi to discuss the matter and action for payment of outstanding dues and the matter is still being pursued. While observing the lackadaisical attitude of the Ministry in recovering the regular payments/dues from the Delhi Government since 1990, the Committee earnestly desire that the Ministry to engage proactively with the representatives of Delhi Government to resolve the issue and recover at least 1/8th share from them at the earliest . The Committee further desire that the Ministry may, as per Section 58(4) of ESI Act, 1948, take necessary action in this regard. The progress made in this regard may be apprised to the Committee within two months of presentation of this report to the Parliament.

11. <u>Budget</u>

The Committee observe that the process of approval of budget in the Ministry revealed that the Ministry approved the budget proposal as submitted by the ESIC i.e. without exercising any oversight role during all five years under review. The Committee also note that Audit analysed budgeting for ESIC field offices and significant deviations were found, such as excess varying from 20% to 196 % and savings ranging from 20% to 69%. The Ministry replied that they issued instructions to factor trend of expenditure, division level variance analysis and considering 7 months actual expenditure for preparing the budget. The

Committee note from the evidence tendered by the officers of the Ministry and ESIC that ESIC is a self-financing autonomous body under Government of India and all money received by the Corporation by way of contribution, interest on investment, rent/tax on the buildings, etc., are deposited in the fund called "Employees State Insurance Fund" and that all expenditure towards provision of medical benefits, cash benefits, administrative expenses, etc., are incurred from this Fund. The Corporation is not in receipt of any grants-in-aid or any financial assistance from the Government and, therefore, the expenditure from the Consolidated Fund of India does not arise, as such, the fund is outside the Government account. The Committee feel that gross difference between the Budget Estimate and Actual Expenditure points towards flaws in the estimation process of the ESIC and the Ministry.The Committee desire that ESIC may frame the budget estimates with due care and the Ministry may scrutinize the budget proposals carefully before according sanction. The Committee also desire that they may be apprised of the steps taken by the Ministry and ESIC to frame adequately balanced budget estimates.

The Committee observed that Rule 31 of ESIC (Central) Rules, 1950 enjoins that the Budget Estimates of the Corporation shall be prepared in the format prescribed by the Central Government, approved by the Standing Committee, passed by the Corporation and, again, approved by the Central Government and finally, placed before the Parliament, after necessary review by Government and that Ministry of Finance is required to open separate fund under the relevant major head in Public Account. On a related reference made on an Audit finding, Ministry of Law and Justice clarified that all funds received by the autonomous bodies are public money and all public money received on behalf of the Government would be part of Public Fund, as defined in Article 226 of the Constitution of India. The Committee desired the Ministry of Finance to examine this issue for suitable clarification on the procedure to deal with excess expenditure from public fund.

The Department of Economic Affairs, Ministry of Finance has clarified now that they have no objection for creation of separate reserve fund and the procedure for opening a new fund in the Public Account requires the Department concerned to examine the issue in detail and send the detailed accounting procedure to the office of Controller General of Accounts(CGA) who will be processing the same and taking concurrence of Budget Division and C&AG. The Committee desire that Ministry/ ESIC take appropriate action in this regard under intimation to the Committee.

12. Payments to States without Audit certificates

The Committee note Audit's findings that during 2008-09 to 2011-12, ESIC paid ₹ 2280.29 crore to 21 States as 90 *per cent* advance payment but the expenditures were not got certified from the respective AsG even after a lapse of more than four years. The Committee also note that Audit observed that ESIC released funds to Andhra Pradesh, Gujarat, Haryana, Punjab, Rajasthan and Tamil Nadu in excess of expenditure certified by the AsG and that the basis of making excess payments to States was not on records. The Committee are appalled to note the Ministry's reply that the payment of ₹ 2280.29 crore to 21 States referred to the payment of 90 *per cent* of $7/8^{th}$ share, which was to be made in advance without Audit certificates since the funds had been released to the States consecutively for four years i.e. 2008-09 to 2011-12 and expenditure figures were not certified during these years.

The Committee feel that it is imperative that the ESIC must pursuade the State Governments to provide Audit certificates, which is the only proof that the funds have been spent on the purpose that they were intended to be spent on. The Committee are of the view that withholding only 10% of the total payment makes the State Governments callous in their approach. The Committee are of the opinion that a payment policy whereby that the States which have been providing the completion certificates on the right schedules should be incentivised and allowed to take 90% of the payment in advance and a limit be set for those States which have not furnished any completion certificates consistently over the last years. The Ministry/ ESIC should think of withholding upto 50% of the total payments until audited utilization certificates are submitted. The Committee desire to be apprised of the action taken by the Ministry in this regard.

13. Availing medical facilities by ESIC employees without Contribution

The Committee note that as per Rule 51 of ESI (Central) Rules 1950, facilities of ESIC hospitals/dispensaries and other benefits are available for eligible category of workers/employees on payment of contribution by employee and employer both. However, the Committee observe from the Audit report that all employees of ESIC were availing medical facilities without payment of any contribution. The Committee note from the reply of the Ministry that necessary orders have been issued for contribution by ESIC employees at CGHS rates and the same would be deducted from the salary with effect from April 2016. As regards recovery of the past period, the matter is under active consideration of ESIC. The Committee desire that the decision regarding recovery for the prior periods be also taken at the earliest under intimation to the Committee.

14. Enhancement in wage ceiling to increase coverage

The Committee note that at present ESIC covers only about four percent of the total work force and 67 % of the organised work force. While the Committee feel that in keeping with its mandated task of providing full medical care to worker population and their dependants covered under the scheme, ESIC should make all out efforts to increase coverage of the workforce, at the same time, it is extremely important that ESIC improves its existing services and infrastructure to be able to cater to the needs of the Insured Persons. The Committee observe from the minutes of the 160^{th} meeting of ESIC, that it has been proposed to enhance wage ceiling for coverage from ₹ 15,000/- to ₹ 25,000/-. The Committee also observe on perusal of minutes of various meetings of ESIC that there has been both support and opposition to the proposal for increase in wage ceiling.

On one hand it is felt that since primary and secondary care services are inadequate, first the services being offered need to be enhanced and on the other hand, it is felt that enhancement of wage ceiling would lead to better utilisation of under-utilised hospitals. The Committee desire that the wage ceiling may be raised to include maximum number of workers under the Scheme. The Committee are of the view that given the enormous gap in coverage of eligible workforce, ESIC should strive to create necessary infrastructure within a given timeframe for inclusion of and providing health services to a large number of workers and thereafter ESIC may also think of including workers who wish to be covered under the Scheme and contribute voluntarily.

15. <u>Application of ESIS in North-East India</u>

The Committee observe that the ESI Act is implemented in the entire country except in the North Eastern States of Manipur, Sikkim, Arunachal Pradesh and Mizoram. On being asked about the reasons for non-applicability of ESIC in the aforementioned States, the Ministry replied that the ESIC conducted the survey of Arunachal Pradesh, Manipur and Mizoram but the numbers of employees were not found adequate to implement the scheme. On the basis of survey, the respective State Governments were requested to provide medical facility for making medical arrangement but the State Governments did not respond to the request of ESIC. The Ministry further replied that the geographical area of the states and small clusters of factory/establishment was also a reason for non applicability/limited applicability of ESI Scheme. The Committee note from the minutes of the 160th meeting of the ESIC held on 19.09.2013, that it was proposed that relaxations may be made and a 100 bedded hospital may be set up in the north eastern region at a suitable location. The Committee further note from the minutes of the 166th meeting of ESIC, that it has been decided, inter-alia, to extend the ESI scheme coverage in the states of Arunachal Pradesh, Mizoram, Manipur, and Andaman and Nicobar Islands. The Committee desire that locations may be searched for in the region by assessing the medical needs of the area and if necessary by relaxing criteria so that atleast one hospital in each North Eastern

State and 6 bedded dispensaries in remote areas are set up within a given time frame. The Committee may be apprised of the decision and action taken in this regard. The Committee recommend that steps may be taken to cover maximum number of establishments in the region and a status report in this regard may be placed before the Committee.

16. Surveys and Inspections

The Committee note from the Audit report that the Inspection Policy framed in 2008, prescribed a target of 20 inspections and 20 surveys per month for each SSO (Social Security Officer). The Committee are aghast to find that there were substantial shortfalls in conducting surveys i.e., in Delhi the shortfall was 69.51%, in Assam it was 77.69% and in West Bengal it was 59.70%. There were shortfalls in conducting inspections also ranging from 22.68 to 93.16 *per cent* (except Himachal Pradesh). Audit observed that the shortfall had a direct bearing on the recoverable amounts as the outstanding arrears from defaulters had increased by 30.62 *per cent* from ₹ 1267.32 crore (March 2009) to ₹ 1655.42 crore (March 2013). The Committee note the ESIC's reply that reasons for shortfalls were due to shortage of SSOs, non-production of records on fixed date of inspection, closure of units fixed for inspections, etc. It further stated that efforts were being made to sensitize the SSOs for showing outputs as per new inspection policy under which the number of inspections, which were randomly selected from the Unified Web Portal. The recruitment process of SSOs was also in progress to meet the shortage of SSOs.

The Committee observe that since new inspection policy is based on computerized records, many checks are being done through the computerized system. The Committee are of the view that a system of physical inspection of 1-2% randomly selected establishments by senior officers may also be evolved to minimize the defaults. The Committee would like to be apprised of the resultant effect of the new inspection policy in increasing coverage of establishments. The Committee further recommend that ESIC after recruitment of the required number of SSOs, devise a mechanism to assess the work done by these SSOs on monthly basis-by-offering incentives for performers and penal action against non-performers in carrying out surveys.

17. Reconstitution of Regional Boards in time and coverage of new areas/establishments

The Committee note from the Audit report that respective State Governments may, in consultation with the ESIC and with the approval of the Central Government, extend the provisions of the ESI Act to any establishment, wherein the Regional Board of the State shall decide on extension of the scheme to new areas. The Committee are disconcerted to find that many coverable areas in different States were left uncovered under the scheme such as Gujarat, West Bengal, Tamil Nadu, Karnataka etc. on account of non-issuance of notification by state governments for ten years to extend the benefit of the ESIS, non-issuing of no-objection to ESIC by the State Government for setting up of medical facilities, delay by ESIC in covering employees despite issue of no objection certificates, delays in pre-implementation survey, non availability of survey reports, proposal pending with State Governments, non-issuance of notification, non-identification of rented buildings to house the dispensaries etc.

While according to the existing mechanism, ESI Scheme may be implemented in non-implemented areas in a phased manner after approval by the Regional Boards, the Committee feel that excessive delays in re-constitution of Regional Boards in States becomes a handicap in coverage of hitherto uncovered areas. The Committee accordingly recommend that henceforth, ESIC may take necessary steps in engaging with State Governments aggressively to ensure that Regional Boards of all States are reconstituted well in time before their expiry and also to vigorously pursue the matter with state governments to extend the scheme to newer establishments under them. The Committee exhort that the ESIC may take sincere efforts to mitigate delays in covering employees despite issue of no objection certificates as well as delays in conducting pre-implementation surveys.

18. Delays in settlement of claims of cash benefits

The Committee are aghast to note that there were several delays in settlement of claims under various categories such as disablement, maternity, sickness benefit ranging from 1 day to 36 months in the states of Assam, Andhra Pradesh, Karnataka, Jharkhand, Chhattisgarh and West Bengal including delay to the extent of 199 days for payment of cash benefit for funeral expenses in the capital city of Delhi. The Committee observe that under Project Panchdeep, a separate module called ICT Project has been completed and commissioned to monitor settlement of cash benefit claims within the prescribed time line. The Committee note that in their reply to Audit, ESIC stated that in some cases, the claims were settled late due to incomplete documents submitted with the claims and that respective Regional Directors had since been advised to ensure timely payment to the IPs. The Committee expect the ESIC to deal compassionately with employees or their dependants who are either sick or disabled or have lost their income earners in times of need. The Committee while cautioning ESIC against making excess payments to employees, desire that the employers may be made responsible for completing formalities in cases of dire need. The Committee are shocked to find the long delays in payment of cash benefits for funerals and desire that ESIC should evolve a mechanism whereby these payments can be made immediately. The Committee would also like to be apprised of the status of pendency of claims settlement after the commissioning of ICT project under Project Panchdeep.

19. Bed availability

With respect to secondary and tertiary care, India lags behind most other countries in the number of hospital beds per thousand population, despite having a higher absolute number of hospital beds than most other countries. According to the World Health Statistics, India ranks 6th among the lowest in this regard, with 0.9 beds per 1000, far below the global average of 2.9 beds. According to the latest National Health Profile (2010), India has a current public sector availability of one bed per 2012 persons available in 12,760 Government hospitals, which is approximately 0.5 beds per 1000. This includes Community Health Centre (CHC) beds, but excludes Primary Health Centres (PHCs) and medical colleges. The Committee also find that percentage of occupancy during the year 2012-13 in Naroda, Gujarat is 26 per cent; in Baroda where there is a 100-bed hospital, it is 35 per cent; in Surat it is 35 per cent; in Rajkot it is 30 per cent and in Bhavnagar it is 22 per cent. In Jharkhand, in one ESI hospital it is only 8 per cent of occupancy during the year in the hospital of 110 beds. There is one hospital in Bhilwara which has 10 per cent occupancy. In Pali, Rajasthan, a 50 bed hospital has occupancy of 0.2 per cent. The Committee would like the ESIC to make a detailed analysis of the availability of beds in its hospitals including discipline-wise/ specialty- wise availability of beds and their utilisation.

The Committee find that ESIC is planning to upgrade 1/3rd of its dispensaries into 6 bedded hospitals. The Committee would like to be apprised of the detailed strategy of ESIC to atleast equal the global average of 2.9 beds per 1000. The Committee while understanding that ESIC is dependent on the respective State Governments to improve the health care services in the states, recommend that ESIC should persistently engage with State governments to complete construction of the new hospitals that have been approved and are at various stages of completion to increase availability of beds wherever required and help Government of India in bringing availability of beds according to international standards. A status report in this regard may be furnished to the Committee within 2 months of the presentation of this report.

20. Model Hospitals, Super Speciality Services

A. The Committee note that the ESI Corporation in its meeting held on 16.02.2001 had approved the setting up of one Model Hospital in each State. A number of Hospitals were taken over by Corporation with consent of the concerned State Governments for setting up of ESIC Model hospitals. The entire expenditure on these hospitals was to be borne by the ESI Corporation outside the ceiling limit. At present, the ESI Corporation is directly running 36 Model ESI Hospitals. The Committee note from the list of hospitals directly run by ESIC that 17 out of 36 hospitals are yet to be developed into model hospitals. The Committee desire that ESIC take urgent steps to develop these remaining hospitals into model hospitals and apprise the Committee about the progress made within two months of presentation of this report.

B. The Committee further observe that ESIC has set up various Super-speciality Services at hospitals in five states, i.e. Sanathnagar in Hyderabad, Kollam in Kerala, Rajaji Nagar in Bangalore, Karnataka, Andheri in Maharashtra and Basai in Delhi. The Committee feel that super speciality services such as nephrology, urology, dialysis, cardiology, neurology, oncology, neuro surgery, paediatric surgery, endocrinology, gastro enterology and plastic surgery are essential services that should be available in at least all the model hospitals. The Committee, therefore, recommend that ESIC take necessary steps to ensure the setting up of the above-mentioned super speciality services in all the model hospitals and engaging consultant super specialists for these services within a specified time frame. The Committee further recommend that ESIC may also make a comparative analysis of financial impact of employing super specialist doctors or engaging consultant super specialists vis-a vis the expenditure incurred on referral cases for super-specialty treatment.

21. Advances paid to hospitals for super-speciality treatment

The Committee observe that the Senior State Medical Commissioners/State Medical Commissioners/Directorates (Medical), were authorized to make tie up arrangements with reputed governmental/non-governmental private hospitals for getting super-speciality treatment by in-patients. In such cases, the patients were not required to make any payment and instead, would get cashless treatment from such super-speciality hospitals. In exceptional circumstances, an advance could also be paid by ESIC to such hospitals, to be adjusted in the final bills. ESIC is appeared to have paid advance payments to the extent of ₹ 20.13 crores to such super-speciality hospitals in eight States. Out of the total unadjusted amount of ₹ 20.13 crores, as much as ₹ 3.5 crores remains unadjusted, as of August, 2016. The Committee are of the view that such large amount of advances remaining unadjusted reveals total lack of control over financial matters by the ESIC. The Committee, therefore, recommend that Ministry should take up the matter vigorously to ensure that all advances paid to the hospitals are adjusted within a given timeframe and the officers responsible for this laxity are punished.

22. <u>Excess avoidable payment on procurement of medicines and surgical items</u>

The Committee observe that certain hospitals incurred extra expenditure of ₹ 2.25 crore on purchase of medicines and dressing material which could have been procured through rate contracts. The reply of ESIC that the local purchase was resorted to since the rate contracted suppliers failed to supply the medicines on the existing rates because of the significant rise in prices in a short span of time, is not tenable. It is to be noted that the suppliers were bound to supply the medicines till the validity of rate contract, irrespective of escalation in prices. In case of non-supply, the extra expenditure involved in procuring supplies through local purchase was liable to be recovered from the suppliers. The Committee are surprised to note that no such recovery of extra expenditure was made. This indicates that the provisions of the rate contracts were not enforced sincerely.

Further, on being asked to state whether the contract for procurement of medicines was given to the same company before, what were the conditions of the contract in case the company was not able to provide the requisite medicines and what action was taken against the company for not providing the required medicines, the Ministry/ESIC in their reply simply stated the action that could be taken and not what was actually done. The Committee had asked specific questions and had expected specific replies. While cautioning the Ministry to not mislead the august Committee in replying to their questions, the Committee recommend that when finalizing rate contracts, liquidity damages may be specified therein. The Committee desire that accountability for such callous and unscrupulous attitude be fixed and exemplary action against the officers responsible may be initiated at the earliest.

23. Review of sanctioned strength

The Committee note from the reply of the Ministry that vacancies in ESIC in all States as against the sanctioned strength ranged from 25.88% in Bihar to as high as 69.09% in Himachal Pradesh. The Committee are of the view that large number of vacancies in ESIC would lead to ineffective coverage and implementation of ESIC. While being aware that manpower requirements in any organisation change with time, the Committee desire that the Ministry/ESIC carry out a review of the existing sanctioned strength and vacancies and based on the results of the same, amend the existing norms and thereafter take the necessary steps to fill up the vacancies. The Committee may be apprised in this regard.

24. Medical Education Projects

With a view to improve the quality of services, the ESI Act was amended in May, 2010 to provide for the establishment of medical colleges, nursing colleges and training institutes. The Committee note that the Ministry of Labour and Employment in November, 2014 requested the C&AG of India to conduct a special Audit of 13 ongoing Medical College Project. It was specifically desired by the Ministry that the special Audit may be taken up to address the following concerns of whether due diligence was observed while deciding to take up medical education projects, whether these projects were able to fulfill the objectives envisaged under Section 59(B) of ESI Act and whether the provisions of General Financial Rules (GFRs) were followed while implementing these projects. The Committee note from the submission made during the evidence that the core function of ESIC is to provide social security i.e. cash benefit and medical benefit to the Insured Persons under the ESI Scheme. It was felt that it would help the ESIC in concentrating at its core function if the ESIC exited from the field of

Medical Education. Accordingly, the ESI Corporation in its 163rd meeting took a decision to exit from the field of Medical Education . ESIC in its 165th meeting decided that "ESIC will neither set up any other new medical college nor any other new medical institution in future." In addition, ESIC decided to run the existing ongoing ESIC medical educational institutions.

The Committee are of the view that the ESIC has been taking decisions in haste since 2009-10. In 2009, ESIC, even before formal approval of the provision for entering medical education field, engaged consultants for preparing project reports and then selected locations for setting up of medical colleges by disregarding the established criteria. The Committee are surprised to find that an organization which claims to be inexperienced in a field took up setting up of 21 colleges in no time. Further, in 2014 when not even the first batch of MBBS students had graduated, ESIC decided to leave the field. The Committee note with surprise that Secretary, Ministry of Labour & Employment in his submission before the Committee stated that "we do not have the core competence to run these medical colleges". However, the Committee find that nowhere in the submissions of Ministry, any problems relating to running the colleges have been pointed out and MCI has also been giving approvals to the colleges proving that they must have fulfilled all the criteria. All but one Audit observations also point to flaws in tendering, awarding of contracts, pre assessments and activities related to construction of buildings. The Committee observe that though these medical colleges were opened for giving education to the children of Insured Persons (IPs) with their money at reasonable costs, the Ministry/ ESIC did not give a single thought to the concerns of these IPs before opting out of the field. As for retaining of doctors in ESIC hospitals, the Committee are of the view that this is a problem being faced by all the Government run medical Colleges all over India and, interestingly, these Government run medical colleges are best in the country. The Committee feel that since Government run medical colleges are the only institutions in the country which are able to provide medical education to the aspirants at most reasonable costs and these colleges are being run pretty well by other Ministries also. The Committee are of the view that Ministry/ ESIC should have thought of improving themselves instead of running away even before the first batch of MBBS students have passed out, after spending more than ₹ 10000 crores of the IPs' money. The Committee are of the considered view that Medical colleges are essential for hospitals with super-speciality department and also, the interests of the children of IPs are to be taken care of by the ESIC. The Committee recommend that the entire issue be placed before a Committee of Empowered Secretaries for consideration and deciding future course of action.

The Committee found that Audit has made following observations regarding these Medical college projects:

i) The Corporation had sanctioned 17 out of 21 medical projects and started the construction of 16 medical colleges and incurred an expenditure of ₹ 1021.72 crore prior to the amendment of the Act.

ii) The feasibility study for selection of sites/ locations conducted by the consultant was not comprehensive and the selection of sites by ESIC for construction of Medical Education Projects was also arbitrary and not based on norms.

iii) Award of different works to different architectural and engineering consultants was carried out in an arbitrary manner. Further as per CVC directives the consultant fees should be pegged to the original contract value payable. Due to non -inclusion of this clause in 6 out of 21 agreements, ESIC was liable to pay extra consultancy fees of ₹ 24.68 crore.

iv) Due diligence to ascertain the number of colleges required to be opened, to fulfill the future requirement of doctors and other paramedical staff was not carried out.

v) Due to award of works on nomination basis to construction agencies, the ESIC could not avail the benefit of competitive rates.

vi) All medical education projects taken up, except two, were behind schedule. The total cost of all the projects was revised from ₹ 8611.94 crore to ₹ 11997.15 crore resulting into cost overrun of ₹ 3385.21 crore.

The Committee note that the audit was not given the required documents and records for scrutiny containing i) the reasons for selection of sites which were not recommended by the Consultant; (ii) the documents relating to the assessment of work of the Consultant; and (iii) justification for the selection of different sites for medical education projects. The Committee have been informed that a Committee under Additional Secretary has been constituted to look into lapses for not providing documents to Audit. The Committee desire to be apprised of the action taken in this regard within two months.

The Committee note that prior to the amendment of the Act, the Corporation had sanctioned 17 out of 21 medical education projects and even started construction of 16 medical colleges and incurred a whopping expenditure of ₹ 1,021.72 crores which includes mobilization advance given to executing agencies, however, the ESIC records did not show any administrative or financial approval of the Ministry in this regard. The Committee further note from the reply of the Ministry the ESI Act was amended in 2010 but the effect was retrospective. Further, the audit observed that the Advisor who was engaged only for six months continued to work for four years and his tenure was extended nine times. The honorarium of the Advisor was also raised from ₹ 20,000/- to ₹ 50,000/- per month in four years without any assessment of his performance and the approval of Standing Committee was also not obtained, either at the time of appointment or at the time of revision of honorarium. The Committee also note from the reply of the Ministry, that the Advisor was appointed initially for 6 months for ₹ 20000 p.m and his term was extended for 6 months seven times based on performance appraisal. Subsequently, the post was filled by an open advertisement wherein the same person was selected for one year at Rs 50000 p.m. and DG, ESIC had approved the appointment and the matter was not put up before the Standing Committee.

Audit found that Medical Education Projects by ESIC were marred by delays and cost overrun. All the Medical Education Projects taken up were behind schedule except for two projects at Rohini and Ayanavaram. Extensions ranging from one year & two months to four years & nine months were granted to these projects. Further, on financial impact of Medical Education Projects, Audit observed that capital commitment on 21 Medical Education Projects had increased from ₹ 8611.49 crore to 11997.15 crore (as on 31 March, 2015) resulting into cost overrun of ₹ 3385.21 crore due to delays caused by various reasons. Against the revised cost of ₹ 11997.15 crore, the ESIC has incurred expenditure of ₹ 5955.03 crore on 21 projects as on 31 March, 2015. Out of the 21 Medical Education Projects, it is seen that six projects have a cost overrun of more than 200 crore, the important being PGIMSR & Medical College at Basaidarapur, Delhi with an original estimate of 730.82 crore and a revised cost of 1470 crore (as on 31.03.2015) indicating a cost overrun of ₹ 739.18 crore :-

The Committee are of the view that the ESIC did not exercise due diligence in expending hard earned money of poor IPs and the Ministry did not exercise adequate control over ESIC's handling of the medical projects. The Committee are unhappy to note that ESIC incurred expenditure even before amendment to the Act, awarding of contracts on nomination basis and payment of extra consultancy fee due to non inclusion of clauses as per the directives of CVC. The Committee desire that, henceforth, Ministry/ESIC should exercise due diligence while awarding such contracts and issue SOPs/ guidelines for carrying out all the construction works including tendering/ awarding contracts. The Committee recommend the Ministry to examine the lapses on part of ESIC in medical project implementation and desire that liquidated damages may be imposed on the contractors who caused delays in completion of works and responsibility may be fixed on concerned officials.

New Delhi;
17 March, 2017
26 Phalguna, 1938 (Saka)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee

APPENDIX-I

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2015-16) HELD ON 7TH OCTOBER, 2015.

The Committee sat on Wednesday, the 7th October, 2015 from 1400 hrs to 1620 hrs in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

Prof. K.V. Thomas - Chairperson

Members

LOK SABHA

2. Shri Nishikant Dubey
3. Shri Gajanan Chandrakant Kirtikar
4. Dr. Ramesh Pokhriyal Nishank
5. Shri Neiphiu Rio
6. Shri Janardan Singh Sigriwal
7. Shri Shivkumar Chanabasappa Udasi
8. Shri Anurag Singh Thakur
9. Dr. P. Venugopal

RAJYA SABHA

10. Shri Vijay Goel
11. Shri Shantaram Naik
12. Shri Sukhendu Sekhar Roy

LOK SABHA SECRETARIAT

1. Shri A.K Singh	-	Additional Secretary
2. Shri Jayakumar T.	-	Director
3. Smt. Bharti S.Tuteja	-	Deputy Secretary

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1.	Ms. Suman Saxena	- Dy. CAG
2.	Shri Rakesh Jain	- Dy. CAG
3.	Shri L.S. Singh	- Principal Director
4.	Shri Manoj Sahay	- Principal Director
5.	Shri Manish Kumar	- Principal Director (PAC)

REPRESENTATIVES OF THE MINISTRY OF LABOUR AND EMPLOYMENT

1.	Shri Shankar Agarwal	- Secretary
2.	Shri Heera Lal Samariya	- Additional Secretary
3.	Shri Deepak Kumar	- DG, ESIC
4.	Smt. Meenakshi Gupta	- JS&FA(L&E)
5.	Shri G. Venugopal Reddy	- Joint Secretary (L&E)

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and Officers of the C&AG of India to the sitting of the Committee. The Chairperson, then, apprised the Members that the meeting was convened for selection of additional subject, "Recent Developments in the Telecom Sector including allocation of 2G and 3G Spectrum" for detailed examination by the PAC (2015-16); and to take a briefing from Audit on the subject "Employees State Insurance Corporation (ESIC)" based on the C&AG Report No. 30 of 2014 followed by oral evidence of the representatives of the Ministry of Labour and Employment on the aforesaid subject.

3. The Committee decided to select the additional subject "Recent Development in the Telecom Sector including allocation of 2G and 3G Spectrum" for detailed examination by the PAC (2015-16) and also to constitute/ form a Sub-committee on the same for carrying out the examination on the subject. It was decided that the Convenor of the Committee would be Shri Satyavrat Chaturvedi, M.P.

4. Thereafter, the Audit officers briefed the Members on the above-mentioned C&AG report on ESIC and Members of the Committee sought certain clarifications on the same.

5. The Hon'ble Chairperson then welcomed the representatives of the Ministry of Labour and Employment to the sitting of the Committee. He drew the attention of the witnesses to the confidentiality of the matter till a report on the same was presented to the House.

6. The Hon'ble Chairperson and members raised various queries on the above-mentioned subject including inordinate delay and cost escalation in construction and completion of projects; non-adjustment of Rs.11.10 crore given as advance for expenditure towards construction, repairs and maintenance works by the ESIC for Hospital buildings in four States; viz. Gujarat, Kerala, Rajasthan and Tamil Nadu; apparent lack of monitoring by the Financial Adviser; large amount of advances given to super-specialty hospitals in eight States remaining unadjusted; irregular setting up of Medical College and Hospital at Gulbarga and Mandi; on the decision of handing over Medical Colleges to State Governments and Hospital; purchase of dressing items and medicines from local market despite existence of rate contract; on steps taken by ESIC to minimise the expenditure in regard to Super Specialty Treatment being taken in private hospitals; details of MoU signed by Wipro and the difficulties in the execution and financial management of the Corporation; amount of Rs. 2.29 crore spent on renovation of the office of the Minister; non-adjustment of Rs. 1.56 crore paid as advance to super specialty hospitals for over five years etc.

7. The Secretary, Labour and Employment replied to the queries raised by the members on related aspects of ESIC. As some queries required detailed and statistical information, the Chairperson asked the Secretary to furnish written replies to the Secretariat at the earliest. The Secretary assured to do the same.

8. The Chairperson thanked the representatives of the Ministry for appearing before the Committee and the representatives of the office of the C&AG of India for providing assistance to the Committee in the examination of the subject.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2015-16) HELD ON 28th JANUARY, 2016.

The Committee sat from 1100 hrs. to 1330 hrs. on 28th January, 2016 in Committee Room "E", Parliament House Annexe, New Delhi.

PRESENT

Prof. K. V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Shri Bhartruhari Mahtab
4. Shri Neiphiu Rio
5. Shri Janardan Singh Sigriwal
6. Shri Shiv Kumar Udasi
7. Dr. Kirit Somaiya
8. Shri Anurag Thakur
9. Dr. P. Venugopal

RAJYA SABHA

10. Shri Vijay Goel
11. Shri Bhubaneswar Kalita
12. Shri Shantaram Naik

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Additional Secretary
2. Shri Tirthankar Das - Additional Director
3. Smt. Bharti S. Tuteja - Deputy Secretary

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri Rakesh Jain - Deputy C&AG (RC&LB)
2. Shri Umesh P. Singh - Director General of Audit
3. Shri Manoj Sahai - Principal Director of Audit (AB)
4. Shri Manish Kumar - Principal Director of Audit (PAC)

REPRESENTATIVES OF MINISTRY OF LABOUR AND EMPLOYMENT

1.	Shri Shankar Aggrawal	-	Secretary (L&E)
2.	Shri Heera Lal Samariya	-	Addl. Secretary (L&E)
3.	Shri Deepak Kumar	-	DG, ESIC
4.	Smt. Meenakshi Gupta	-	JS&FA
5.	Shri U.Venkateswarlu		Financial Commissioner, ESIC

Representative of Medical Council of India (MCI)

Dr. Reena Nayyar - Secretary (MCI)

2. At the outset, the Chairperson, PAC welcomed the Members and the representatives of the Ministry of Labour and Employment to the Sitting of the Committee. The Chairperson, then, apprised the Members that the meeting was convened to discuss C&AG Report No.40 of 2015 (Special Audit), Union Government, regarding 'Medical Education Projects of Employees' State Insurance Corporation'. He drew the attention of the witnesses to the confidentiality of the matter till a report on the same was presented to the House.

3. The Chairperson stated that this was an instance of Special Audit, commissioned at the instance of the concerned Ministry (Ministry of Labour and Employment), and thus utmost cooperation was expected, however, it was found from the report that there were at least three instances where the audit was not given the required documents/records for scrutiny. He stated that since the Executive is expected to be under the control of the C&AG who acts on behalf of the Parliament, there cannot be any situation where the records are not given to the audit if such apparent violation of rules is seriously dealt with by the audit. He added that the records of ESIC did not reveal any specific administrative and financial approval of Ministry of Labour and Employment with regard to number and places of opening of medical colleges and was of the opinion that these acts of non-estimation of true nature and extent of shortage and the faulty terms of reference to the consultant were extremely serious. He emphasized that it is necessary to fix responsibility on the officers who drew up the Terms of Reference without such elementary requirements.

4. The Chairperson stated that the Committee would be constrained to take a serious view of the fact that sites, not originally recommended by the Consultant, were also selected were not made available to the Audit. He felt that the award of as many

as eight sites to a single company on nomination basis that too without following procedures prescribed under various rules smacked of ad-hocism and indiscretion. The justification offered by the Ministry fell short of fairness in Government functioning, and again, denial of access to the basis of choice of contractors again needed deprecation. He concluded that the entire project seemed to have been wholly misconceived, and it may not have been an exaggeration to say that the capital-intensive project resulted in depletion of the Capital Construction Reserve Fund. The money that was spent about Rs.12,000 Crore belonged to the insured persons, who deserved better treatment of their money and could have been served better by not wasting their funds on an unviable project.

5. The Chairperson then asked Secretary, Labour and Employment to give a brief account of the latest status of the follow up remedial action taken on the Audit findings and the improvements effected so far. The Secretary stated that since ESIC's core competence did not lie in providing medical education and their primary focus was to provide healthcare services to the Insured Persons and their family members, it was felt prudent to exit the medical education field.

6. The Secretary then replied to the queries raised by the members on related aspects of the subject including the process of decision making and the rationale for setting up medical colleges, the selection of the design associate and sites for medical colleges, whether any assessment was made before taking the decision to exit the medical education field etc. As some queries required detailed information and clarifications to be sought from other departments, the Chairperson asked the Secretary to furnish written replies to the Secretariat at the earliest. The Secretary assured to do the same.

7. The Chairperson thanked the representatives of the Ministry for appearing before the Committee and the representatives of the office of the C&AG of India for providing assistance to the Committee in the examination of the subject.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

APPENDIX III

MINUTES OF THE FIFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17) HELD ON 5th JULY, 2016.

The Committee sat from 1430 hrs. to 1655 hrs. on 5th July, 2016 in Committee Room "B", Parliament House Annexe, New Delhi.

PRESENT

Prof. K. V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Prof. Richard Hay
4. Shri Gajanan Chandrakant Kirtikar
5. Smt. Riti Pathak
6. Shri Neiphiu Rio
7. Shri Janardan Singh Sigriwal
8. Shri Abhishek Singh
9. Dr. Kirit Somaiya
10. Shri Shiv Kumar Udasi
11. Dr. P. Venugopal

RAJYA SABHA

12. Shri Bhubaneswar Kalita
13. Shri Shri Sukhendu Sekhar Roy

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Additional Secretary
2. Shri S. C. Chaudhary - Joint Secretary
3. Shri T. Jayakumar - Director
4. Smt. Bharti S. Tuteja - Deputy Secretary

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1.	Shri Rakesh Jain	- Deputy C&AG
2.	Shri M. P. Singh	- Director General (CE)
3.	Shri Manoj Sahai	- Principal Director of Audit (LB)
4.	Shri Manish Kumar	- Principal Director of Audit (PAC)

REPRESENTATIVES OF MINISTRY OF LABOUR AND EMPLOYMENT

1.	Shri Shankar Aggrawal	- Secretary (L&E)
2.	Shri Heera Lal Samariya	- Addl. Secretary (L&E)
3.	Smt. Meenakshi Gupta	- JS & FA
4.	Shri U.Venkateswarlu	- Financial Commissioner, ESIC
5.	Shri Rajeev Arora	- Joint Secretary (L&E)

2. At the outset, the Chairperson, PAC welcomed the Members and the representatives of the Ministry of Labour and Employment to the Sitting of the Committee. The Chairperson, then, apprised the Members that the meeting was convened to take oral evidence of the representatives of the Ministry of Labour and Employment on the subjects (i) "Employees State Insurance Corporation (ESIC)" based on the C&AG Report No. 30 of 2014 (Performance Audit) and (ii) "Medical Education Projects of Employees State Insurance Corporation" based on C&AG Report No. 40 of 2015 (Special Audit). He drew the attention of the witnesses to the confidentiality of the matter until a report on the same was presented to the House.

3. The Hon'ble Chairperson raised several important issues regarding both the reports including loss of Rs.48.31 crore due to time barring of the amount of contribution payable by employers within five years; difference between the Budget Estimate and Actual Expenditure revealing that the Financial Commissioner of ESIC and Financial Adviser of the Ministry did not exercise proper control over preparation of Budget Estimates; availing of medical benefits by employees of ESIC from ESIC Hospitals/Dispensaries without paying the contribution resulting in huge financial loss to the Corporation; unadjusted advances to the extent of Rs. 20.31 crore given to 8 hospitals as on March, 2013; unadjusted advance payments of Rs. 11.10 crore given for expenditure towards construction, repair and maintenance works by ESIC for hospital buildings in four States, namely, Gujarat, Kerala, Rajasthan and Tamil Nadu etc. Hon'ble Chairperson also raised various issues related to Medical Education

Projects such as audit not being given the required documents and records for scrutiny; incurring an expenditure of Rs. 1,021.72 crore without any administrative or financial approval of the Ministry and appointment, extension and increase in honorarium of Adviser (Medical Education) on contract basis without any assessment of his performance or the approval of Standing Committee etc. The Chairperson then asked Secretary, Labour and Employment to give a brief account of the latest status of the follow up remedial action taken on the Audit findings and the improvements effected so far.

4. The Secretary, Labour and Employment then introduced his colleagues. Members raised the issue of absence of DG, ESIC at the sitting and conveyed their displeasure at DG, ESIC for not seeking exemption from personal appearance from the Hon'ble Chairperson and cautioned that in future this should not be repeated.

5. The Secretary then replied to the queries raised by the Msembers on related aspects of the subject including payments to States without audit certificates, difference between the actual expenditure and the provision due to improvements effected in the budgetary mechanism, loss of revenue due to time barring of cases, constitution of committees to look into various irregularities, arbitrary appointment of consultants without adhering to the criteria, award of different works to different architectural and engineering consultants resulting in undue favour to some of these consultants and whether the matter should be referred to CBI for proper investigation; substandard quality of medicines distributed by the hospitals/dispensaries, the selection of the design associate and sites for medical colleges, the modalities followed for taking the decision to exit the medical education field by ESIC etc.

6. As some queries required detailed information and clarifications to be sought from other departments, the Hon'ble Chairperson directed the Secretary to furnish written replies to the Secretariat within a weeks' time. The Secretary assured to do the same.

7. The Chairperson thanked the representatives of the Ministry for appearing before the Committee and the representatives of the office of the C&AG of India for providing assistance to the Committee in the examination of the subject.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

<u>The Committee, then, adjourned.</u>

APPENDIX IV

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17) HELD ON 15th DECEMBER, 2016.

The Committee sat from 1015 hrs. to 1055 hrs. on 15th December, 2016 in Room No. "51", Parliament House, New Delhi.

PRESENT

Prof. K. V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Prof. Richard Hay
4. Smt. Riti Pathak
5. Shri Janardan Singh Sigriwal
6. Shri Abhishek Singh
7. Dr. Kirit Somaiya
8. Shri Shivkumar C. Udasi

RAJYA SABHA

9. Shri Bhupender Yadav
10. Shri Bhubaneswar Kalita
11. Shri Shantaram Naik
12. Shri Ajay Sancheti

LOK SABHA SECRETARIAT

1. Shri S.C. Chaudhary - Joint Secretary
2. Shri Tirthankar Das - Additional Director
3. Smt. Bharti S. Tuteja - Deputy Secretary

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri Rakesh Jain - Deputy CAG (RC/LB)
2. Shri Manoj Sahay - Principal Director of Audit (AB)

3. Shri Mukesh P. Singh - DGACE

2. At the outset, the Chairperson, PAC welcomed the Members to the Sitting of the Committee. Thereafter, the Committee took up the following draft Reports for consideration: -

(i) Draft Report on 'Performance Audit of Employees' State Insurance Corporation (ESIC) and Special Audit of Medical Education Projects of ESIC"

(ii) xxxx xxxx xxxx

(iii) xxxx xxxx xxxx

3. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the draft Reports, the Committee adopted draft Reports at Sl. No. (ii) and (iii) with minor changes/modifications. As regards, draft Report at Sl. No. (i), it was desired that the changes as suggested by the Members may be incorporated and the draft Report may once again be placed before the Committee for consideration.

4. The Committee authorized the Chairperson to finalize the adopted Reports in the light of verbal discussion and consequential changes arising out of the suggestions by the Members and factual verification by the Audit and present the same to Parliament.

5. It was further decided that henceforth the Public Accounts Committee will hold its sitting every Friday in the week.

The Committee then adjourned.

APPENDIX VI

MINUTES OF THE TWENTY-EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17) HELD ON 17th MARCH, 2017.

The Committee sat from 1500 hrs. to 1720 hrs. on Friday, the 17th March, 2017 in Committee Room "D", Parliament House Annexe, New Delhi.

PRESENT

Prof. K. V. Thomas - **Chairperson**

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Prof. Richard Hay
4. Shri Bhartruhari Mahtab
5. Smt. Riti Pathak
6. Shri Neiphiu Rio
7. Shri Janardan Singh Sigriwal
8. Shri Abhishek Singh
9. Shri Anurag Singh Thakur
10. Dr. P. Venugopal

RAJYA SABHA

11. Shri Bhupender Yadav
12. Shri Bhubaneswar Kalita
13. Shri Sukhendu Sekhar Roy
14. Shri Ajay Sancheti

LOK SABHA SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri S.C. Chaudhary - Joint Secretary
3. Shri T. Jayakumar - Director
4. Smt. Bharti S. Tuteja - Deputy Secretary

REPRESENTATIVES

**** **** ****

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1.	**Shri Rakesh Jain**	**Dy. CAG (RC/LB)**
2.	**Shri V.Kurian**	**Director General (Commercial)**
3.	**Shri Manish Kumar**	**Principal Director (PC)**
4.	**Smt. Parama Sen**	**Principal Director (Commercial)**

2. At the outset, Hon'ble Chairperson welcomed the Members and officials of the C&AG **** **** ****. It was further stated that the agenda of the day also includes three draft reports for consideration and adoption. **** **** ****.

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10. The Committee, thereafter, took agenda for consideration and adoption of following three draft Reports:

(i) Draft Report on "Performance Audit of Employees' State Insurance Corporation (ESIC) and Special Audit of Medical Education Projects of ESIC";

(ii) **** **** ****; and

(iii) **** **** ****.

11. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the draft Reports, the Committee adopted draft Reports at Sl. No. (i) and (ii) without any modifications/ amendments. **** **** ****.

12. The Committee, authorized the Hon'ble Chairperson to present/ lay the adopted Reports to the Lok Sabha/ Rajya Sabha.

A copy of the verbatim proceedings of the Sitting has been kept on record

The Committee then adjourned.