

Part-I

Introduction

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 (IPs) 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) jointly with the State Governments. With a view to improve the quality of medical care, the Act was amended in May 2010 to provide for the establishment of medical colleges, nursing colleges, P.G. Colleges and training institutes for its para-medical staff (Section 59B was added).

ESIC is under administrative control of Ministry of Labour and Employment (MoL&E), Government of India.

1.1 Organisation, Governance and Implementation

ESIC has its corporate office at New Delhi and has 23 Regional Offices, 37 Sub-Regional Offices and one Divisional Office as its field formations.

Union Minister of State for Labour and Employment is the Chairman of ESIC. Director General is the Chief Executive Officer of the Corporation.

ESIC provides health and medical care through a network of dispensaries, panel clinics/private clinics/diagnostic centres, hospitals including model hospitals, annexes, zonal occupational disease research centres, etc. It has also tie ups with other hospitals for super speciality treatments. Under ESI scheme, ESIC runs 36 hospitals, 42 annexes¹ and 1384 dispensaries and has tie-ups with State government/private hospitals/dispensaries for providing medical care.

1.2 Income and Expenditure

In order to carry out its core functions to provide medical benefits to insured persons and beneficiaries, the ESIC collects contributions at prescribed rates from the

¹ Annexe: Hospital with less than 50 beds is called annexe.

employees and employers covered under the scheme. Details of total collection of contribution, other income, expenditure and surplus of ESIC during 2009-10 to 2013-14 are as given in **Table 1.1**:

Table 1.1: Income and Expenditure

	(₹ In crore)				
Items	2009-10	2010-11	2011-12	2012-13	2013-14
INCOME					
Contribution	3896.00	5748.77	7070.11	8111.45	9632.54
Other income	1189.17	1231.85	1323.44	2027.18	2276.90
Total	5085.17	6980.62	8393.55	10138.63	11909.44
EXPENDITURE					
Medical and Cash Benefits	2055.78	2620.22	3374.69	4695.69	5461.25
Other Expenditure	656.04	707.38	887.01	1925.45	1028.02
Total	2711.82	3327.60	4261.70	6621.14	6489.27
Surplus (Excess of Income over Expenditure)	2373.35	3653.02	4131.85	3517.49	5420.17
Accumulated surplus	10854.75	14507.77	18639.62	19157.09	15597.86

(Source: Annual accounts of ESIC)

1.3 Audit Mandate

The audit of ESIC is conducted under Section 19(2) of the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act 1971 read with Section 34 of the Employees' State Insurance Act, 1948.

In the Report of the Comptroller and Auditor General of India, Union Government (Civil), Autonomous Bodies (Report No. 30 of 2014), we commented upon certain aspects of the Medical Education Projects.

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

Colleges Projects². 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?

The Ministry had requested the CAG to conduct special audit of 13 ongoing Medical Education Projects. We, however, noticed from the records that instead of 13 Medical Education Projects, ESIC had taken up setting up of 22 Medical Education Projects (**Annex-I**).

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. We have conducted audit of all the 21 Medical Education Projects and this report contains audit findings on these 21 Projects.

1.4 Scope of audit

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.

Draft audit report was issued to ESIC and the Ministry on 10 June 2015. Response to the draft report which was received on 7 August 2015 has suitably been considered and incorporated in the report.

² (1) PGI cum Medical College at Sanath Nagar, Hyderabad, Telangana, (2) Medical college at Bihta, Patna, Bihar, (3) PGI cum Medical College at Basaidarapur, Delhi, (4) Medical college at Faridabad, Haryana, (5) Medical college at Mandi, Himachal Pradesh, (6) Medical, Dental and Nursing College at Gulbarga, Karnataka, (7) PGI, Medical College and Nursing College at Rajajinagar, Karnataka, (8) Medical College at Paripalli, Kollam, Kerala (9) Medical college at Alwar, Rajasthan, (10) Medical College and PGI a KK Nagar, Chennai, Tamil Nadu, (11) Medical College at Coimbatore, Tamil Nadu, (12) PGI cum Medical college at Joka, Kolkata, West Bengal, (13) Proposed Medical College at Bhubaneswar, Odisha.