CHAPTER I : MINISTRY OF LABOUR

1. Employees' State Insurance Corporation

Functioning of Employees' State Insurance Corporation

Highlights

- **Good Corporate Governance practices were not followed. There was a shortfall of 25 *per cent* in the number of meetings held of the Standing Committee and 50 *per cent* in respect of the Medical Benefit Council, during the years 1999-2000 to 2003-04 as compared to prescribed requirement.**

  (Paragraph 1.7.1)

- **The rise in income of ESIC by 42.45 *per cent* in the year 2004-05 over 1999-2000 was not utilised to commensurately increase the benefits to the insured persons.**

  (Paragraph 1.8)

- **Despite setting up a revenue recovery machinery, the outstanding arrears of contribution increased from Rs. 524.79 crore in March 2000 to Rs. 1015.14 crore in March 2005.**

  (Paragraph 1.9.2)

- **There was a shortfall in coverage of 3.91 lakh employees in 117 new areas under the Scheme upto the year 2003-04.**

  (Paragraph 1.11)

- **Due to deficient internal control mechanism, cash benefits were misused in the States of Andhra Pradesh, Assam, Delhi, Maharashtra and Orissa.**

  (Paragraph 1.12.2)

- **Plots of land acquired by ESIC from different State Governments for constructing hospitals, dispensaries and staff quarters were not utilised for periods ranging from two to thirty seven years resulting in blocking of funds and defeating the very purpose for which the land was acquired.**

  (Paragraphs 1.13.1)

- **Deficient management of hospitals and dispensaries resulted in under-utilisation of beds, idling of equipment, injudicious purchase of medicines and procurement of sub-standard drugs.**

  (Paragraphs 1.14, 1.15 and 1.16)

- **Out of a target of establishing 25 model hospitals to improve the quality of medical care provided to the beneficiaries and to serve as benchmark for upgrading other hospitals by the State Governments, only 16 could be established and these too lacked proper facilities.**

  (Paragraph 1.18)

- **Improper implementation of the project on prevention and control of HIV/AIDS resulted in under utilisation of aid from World Bank. The utilisation of available funds during the years 1999-2005 ranged between 6.27 *per cent* and 33.06 *per cent.***

  (Paragraph 1.19)

Summary of Recommendations

ESIC should: -

- **Improve corporate governance by holding regular meetings of the Standing Committee, Medical Benefit Council and Regional Board/Local Committee atleast to the extent mentioned in ESIC Act.**

- **Utilise the growth in its income to commensurately improve the coverage and the quality of the benefits to the insured persons and their dependents.**

- **Take effective steps to recover the arrears of contribution, interest and damages and also ensure prompt recovery of the current dues.**

- **Adopt a target oriented approach for covering all the eligible employees in the country under the ESIS. ESIC should also investigate the reasons for decline in the number of beneficiaries under the scheme despite the overall growth in the industrial activity in the country and take appropriate remedial measures.**

- **Create a database of insured persons in order to prevent misuse of medical benefits. An effective management information system should also be evolved for ensuring timely settlement of claims.**

- **Address the deficiencies in project management leading to delays in construction of hospitals/dispensaries/staff quarters after acquisition of land.**

- **Consider opening to the general public hospitals with low bed occupancy. Hospitals should be provided with adequate staff and equipment. Optimal utilisation of equipment in hospitals/ dispensaries should be ensured.**

- **Ensure that model hospitals function in the manner these were intended to.**

1.1 Introduction

1.1.1 Background

The promulgation of Employees' State Insurance (ESI) Act, by the Parliament in 1948 was the first major legislation on comprehensive social security for workers in India. The Act envisages social protection to workers deployed in the organised sector in contingencies such as sickness, maternity and death or disablement due to employment injury. Based on the principle of "pooling of risks and resources", this multi-dimensional health insurance Scheme provides full medical facilities to the beneficiaries and adequate cash compensation to insured persons for loss of wages or earning capacity in times of physical, and employment injury. The ESI Act applies to non-seasonal factories or manufacturing units located in a geographical area notified for implementation of the Scheme and employing ten or more persons in a power using factory and twenty or more persons in a non-power using factory. Employees drawing wages upto Rs. 6,500 per month from 1 January 1997 and Rs. 7,500 per month from 1 March 2004 are currently entitled to health insurance Scheme under the ESI Act. The wage ceiling for the purpose of coverage is revised from time to time.

The provisions of the ESI Act have also been extended gradually to other establishments such as shops, hotels and restaurants, road and motor transport undertakings, newspaper establishments and cinema halls. The ESI Act is, however, not applicable to factories or establishments run by the State Governments/Central Government whose employees receive other social security benefits.

The ESI Scheme (ESIS) was framed in 1952 under the ESI Act. The objectives of ESIS are to provide comprehensive and need based package of major social security benefits in cash and kind which include (i) Medical Benefit (for self and family), (ii) Sickness Benefit (for self), (iii) Maternity Benefit (for self), (iv) Disablement Benefit (for self), (both temporary disablement and permanent disablement), (v) Dependents' Benefit (for family), (vi) Funeral expenses (to a person who performs the last rites of an IP (vii), Rehabilitation Allowance (for self), (viii) Vocational Rehabilitation for the IPs, (ix) Old age Medicare (for self and spouse), (x) Medical Bonus (for insured women and IP's wife).

ESIS is a self-financing health insurance scheme in which contributions are raised from covered employees and their employers as a fixed percentage of

wages. From 1 January 1997 covered employees contribute 1.75 *per cent* of wages and the employers contribute 4.75 *per cent* of the wages of the covered employees. Employees earning less than Rs. 40 per day, as daily wage, are exempted from payment of their share of contribution. The State Governments are required to bear one-eighth share of the expenditure on medical benefit, within the per capita ceiling of Rs. 750 per annum with effect from 1 April 2004 (Rs. 600 w.e.f 1 April 1999, Rs. 700 from 1 April 2003 and Rs. 900 from 1 April 2005) and the whole of any additional expenditure beyond the ceiling. The contributions paid by the employees and the employers are deposited in a common pool known as the ESI Fund, which is utilised for meeting the administrative expenses as well as cash and medical benefits to the insured persons[1](IP) and their dependents.

1.1.2 Organisational set-up

ESIS is administered by an apex corporate body called the Employees' State Insurance Corporation (ESIC) comprising members representing vital interest groups that include employees, employers, representatives of the Central and State Governments, Parliament and medical profession. The Union Minister of Labour is the Chairman of ESIC. The Director General, appointed by the Union Government, functions as its Chief Executive Officer. A Standing Committee, constituted from amongst the members of the ESIC, acts as the Executive Body. The Medical Benefit Council comprising the Director General of Health Services as Chairman and members of different interest groups viz. representatives of the Union Government, State Government, Union Territory, Employers, Employees, Medical Profession etc. advises the ESIC on matters relating to effective delivery of medical services to the beneficiaries of the scheme. The Director General is also an ex-officio member of the ESIC and the Standing Committee. A Medical Commissioner, an Insurance Commissioner, a Financial Commissioner and an Actuary Commissioner assist the Director General in policy planning and decision making for growth and development of the Scheme. Regional Boards have been constituted in each State and Local Committees have been formed as Advisory Bodies for smooth functioning of the Scheme. The Regional Boards and the Local Committees have representation both from employers and employees.

The ESIC functions from its headquarters at New Delhi, supported by a country-wide network of 23 Regional Offices, 11 Sub-Regional Offices, 4 Divisional offices, 628 Branch offices, 180 Pay offices and 272 Inspection office for administration of cash benefits, revenue recovery, implementation of the scheme in new areas and inspection of factories and establishments. Medical care in the States is administered by the State Governments on cost sharing basis except in the National Capital Territory of **Delhi** and **NOIDA** area in **Uttar Pradesh**, where the medical facilities are being provided directly by the ESIC. There is no specific reason for ESIC providing the medical care

[1] Insured person is/was an employee in respect of whom contributions are/were payable under the ESIC Act and who is/was entitled to the benefits under this Act.

directly in these two areas. As on 31 March 2004, ESIC has 143 ESI hospitals and 1452 service dispensaries. The organisational chart of ESIC is given in Annexure-I.

1.2 Audit objectives

The accounts of the ESIC are audited by the Comptroller and Auditor General of India under section 19(2) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with section 34 of the ESI Act, 1948. The certified accounts together with an Audit Report are forwarded annually to the government for being laid before Parliament.

The audit objectives covered: -

- The extent to which the ESIS has achieved its objective of providing the full range of medical care.
- Adequacy of ESIC's financial management
- Extent to which eligible establishments and workers were covered in ESIS
- Economy, efficiency and effectiveness of ESIC's construction and procurement activities
- Extent to which the model hospitals met their objectives

1.3 Acknowledgement

The draft performance audit report was issued to the Ministry of Labour in August 2005; their reply was awaited.

1.4 Audit approach

The performance audit review covered the functioning of the ESIC Headquarters, Regional Offices, Sub-Regional Offices, Local Offices, Hospitals and Dispensaries during the period 1999-2000 to 2003-2004. Statistical figures have been updated to 2004-05 wherever available. Records maintained at the ESIC Headquarters, 38 Regional Offices/Sub-Regional/ Divisional Offices, 261 Local Offices (24 *per cent* coverage), 118 Hospitals (83 *per cent* coverage) and 319 Dispensaries (22 *per cent* coverage) as detailed in Annexure-II were test checked in audit during the period from April 2004 to July 2004.

1.5 Audit criteria

The criteria used for evaluating schemes were the norms/guidelines enunciated in the ESI Act/ESIS guidelines in respect of eligibility of the insured persons, duration of the benefit, payment of the benefits, provisions made in the Employer's Guide, the Employees' Guide, the Citizen's Charter, information available in the Annual Report, the Standing Committee Reports. The timeliness of extending the benefits, was included in the audit criteria.

1.6 Lessons learnt and sensitivity to error signals

A performance audit review of the functioning of the ESIC had been conducted earlier during 1993-94 covering the period 1989-90 to 1993-94 and the audit results were reported in Comptroller and Auditor General's Report No. 4 of 1995. It was mentioned in paragraphs 30.6, 30.7, 30.8 and 30.14 of this Report that there were shortfalls in holding of the Regional Board meetings, identification of the establishments to be covered and inspection thereof, mounting arrears of contribution to be recovered as well as deficiencies in payment of benefits to insured persons. The Ministry had replied (August 1996) in its Action Taken Note (ATN) that necessary remedial action would be taken. Audit, however, ascertained that the above shortcomings were still persisting.

1.7 Audit findings

1.7.1 Corporate Governance

The ESIC was required to meet at least twice in a year, the Standing Committee four times in a year and the Medical Benefit Council twice in a year to monitor the implementation of the Scheme and to take policy decisions. While there was no shortfall in holding the meetings of ESIC, there were shortfalls of 25 *per cent* in holding the meetings of Standing Committee during 1999-2000 and 2001-02 and 50 *per cent* in respect of Medical Benefit Council meetings during 1999-2000, 2002-03 and 2003-04.

According to section 25 of ESI Act 1948, the ESIC may appoint Regional Boards, Local Committees and Local Medical Benefit Councils as per its regulations. Audit noticed that while no Regional Board was formed in the States of **Chattisgarh** and **Jharkhand**, there were shortfalls in the meetings of Regional Boards elsewhere ranging between 25 and 95 *per cent* during the period 1999-2000 to 2003-04. Such shortfalls were not consistent with good corporate governance.

Audit also noted:

- **Uttaranchal** Although the State was formed in November 2000, the Regional Board was formed only on 26 February 2004.

- **Tamil Nadu** No meeting of the Regional Board took place after November 2000. After the change of State Government in May 2001, the Chairman, Regional Board desired that the Board be reconstituted. But this was not done. The empanelment and selection of official and non-official members of the Regional Board was still under consideration of the State Government.

Recommendation

- *ESIC should ensure that meetings of the Standing Committee, Medical Benefit Council, Regional Board and Local Committee are held*

according to the prescribed schedule for better management and monitoring of its activities.

1.8 Financial Management

According to section 26 of the ESI Act, 1948, 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 for the purpose of this Act.

The ESIC is required to frame a budget every year and maintain correct accounts of its income and expenditure in the form and manner prescribed by the Union Government. Details of budget estimates and actual expenditure during 1999-2000 to 2004-2005 were as under:

(Rupees in crore)

Year	Budget estimates	Actual expenditure	Savings	Percentage of saving
1999-2000	1132.61	1068.40	64.21	5.67
2000-2001	1163.28	1082.58	80.70	6.93
2001-2002	1287.39	1104.12	183.27	14.23
2002-2003	1401.02	1118.32	282.70	20.17
2003-2004	1498.20	1170.48	327.72	21.87
2004-2005	1484.07	1258.20	225.87	15.21
Total	**7966.57**	**6802.10**	**1164.47**	**14.62**

The savings were high during the years 2002-03, 2003-04 and 2004-05 indicating inadequate budget formulation.

A time series analysis of the main components of the income and expenditure (compiled on actual basis) is given below: -

(Rupees in crore)

Sl. no.	Income	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Contribution Income	1257.77	1255.44	1249.91	1302.38	1380.72	1689.09
2.	Interest and Dividend	267.39	242.95	397.28	326.98	513.34	486.25
3.	Rent, Rates and Taxes	43.82	57.17	56.96	58.75	57.62	55.29
4.	Fees, fines and forfeitures	2.60	3.18	3.08	3.30	5.69	5.84
5.	Other income[2]	5.17	5.54	22.96	13.40	18.27	9.60
	Total	**1576.75**	**1564.28**	**1730.19**	**1704.81**	**1975.64**	**2246.07**
	Expenditure						
1.	Medical Benefits	534.80	542.29	543.37	565.20	620.37	686.38
2.	Cash and other benefits	278.25	286.41	300.94	286.41	274.78	265.49
3.	Administrative expenditure	175.38	170.95	176.44	177.22	182.78	199.97
4.	Provision etc.	79.97	82.93	83.37	89.49	92.55	106.36
5.	Total Expenditure	1068.40	1082.58	1104.12	1118.32	1170.48	1258.20
6.	Excess of income over expenditure	508.35	481.70	626.07	586.49	805.16	987.87
Total		**1576.75**	**1564.28**	**1730.19**	**1704.81**	**1975.64**	**2246.07**

[2] Other income includes State Government share towards medical expenditure initially incurred by ESIC compensation from State Government and other miscellaneous income.

The income of ESIC had risen by 42.45 *per cent* in 2004-05 over the level of 1999-2000, which included the increase of 34.29 *per cent* in the contribution income and rise of 82 *per cent* in the income from interest and dividend from investment of ESIC. However, there was no corresponding increase in providing medical and cash benefit to the IPs and the expenditure on these components increased merely by 17.07 *per cent* in 2004-05 over the level of 1999-2000. The main reason for reduction in expenditure under cash and other benefits was non-revision of the wage limit for coverage for seven years from 1 January 1997 to 31 March 2004. This had also resulted in fall in number of beneficiaries by 10.27 *per cent* as at 31 March 2004 compared with 1 January 1999 (para 1.11). Also, ESIC did not enhance the facilities to IPs commensurate with the financial resources accrued during the above period. There were delays in providing cash benefits to IPs as stated in para 1.12.1 infra despite the fact that ESIC had increase of income over expenditure from Rs. 508.35 crore in 1999-2000 to Rs. 987.87 crore in 2004-05.

Thus, ESIC had substantial surplus funds of Rs. 987.87 crore as on 31 March 2005. It stated that for utilising the surplus funds, it had formulated a scheme known as 'Rajiv Gandhi Shramik Kalyan Yojana', that provided for unemployment allowance to the IPs who had been rendered unemployed due to closure of factories etc. Setting-up of four zonal super specialty hospitals, increase of ceiling on medical care, bearing full expenditure on ESI Scheme for initial five years instead of the present three years in the north east states were also being considered.

Audit also noted that:

- In **New Delhi**, the beneficiaries of ESI are referred to government hospitals that include GB Pant, AIIMS, Safdarjung for specialised treatment and full payment of the estimated expenditure on treatment is made to the hospitals. Rs. 3.13 crore paid as advance to AIIMS, Safdarjung Hospital, Regional Cancer Institute, Institute of Nuclear Medicines and Applied Sciences (INMAS), Apollo Hospital, G.B. Pant Hospital, Batra Hospital, RML Hospital, LNJP Hospital, Dharam Shila Hospital and Holy Family Hospital was unadjusted for varying periods since 1990-91 for want of adjustment bills. The ESIC stated in December 2005 that the matter had been taken up with the concerned hospitals by the Director (Medical), Delhi. However, the fact that the unadjusted advances continue to mount every year pointed to ineffective pursuance.

- In **Haryana**, Rs. 1.66 crore was paid as advance through Director General, Health Services, (DGHS), Haryana to the insured persons during 1999-2004 for super speciality treatment against which Rs. 22.33 lakh was outstanding as of March 2005 for want of utilisation certificates from the insured persons concerned.

1.8.1 Management of investment

Loss of interest

According to the agreement between the SBI and ESIC, the latter has to maintain a deposit of Rs. 500 crore with the SBI. In turn, the SBI provides free collection of ESIC contribution and disbursement of cash benefits etc. The cost of such benefits for the year 2001-02 and 2002-03 were computed by the SBI as Rs. 4.83 crore and Rs. 5.55 crore respectively. In terms of the agreement, ESIC has no obligation to maintain deposits with SBI in excess of Rs. 500 crore. Hence, the decision to retain deposits beyond this threshold should be governed exclusively by the objective of maximising returns.

However, ESIC had invested Rs. 157.20 crore in excess of the agreed amount of Rs. 500 crore in SBI for three years which resulted in loss of interest of Rs. 1.18 crore as shown below: -

Sl. no.	Period of investment	Amount (Rupees in crore)	Rate (*Per cent* per annum)	Rate offered by other Bank (*Per cent* per annum)	Difference of rate	Loss of interest (Rupees in lakh)
1	7.2.2003 to 6.2.2006	15.15	6.25	6.50	0.25	11.36
2	22.8.2003 to 21.8.2006 1.9.2003 to 31.8.2006	142.05	6.00	6.25	0.25	106.54
	Total	**157.20**				**117.90**

1.9 Recovery and contribution

1.9.1 Arrears of contribution

ESIS is mainly financed by contributions received from employees covered under the scheme at the rate of 1.75 *per cent* of wages and their employers at the rate of 4.75 *per cent* of the wages. The rates of contribution were last revised by the ESIC in January 1997.

Under the provisions of the Employee's State Insurance (Amendment) Act, 1989 every employer was required to submit six monthly returns showing the total number of employees, total wages, employer's share, employee's share etc. with full details of remittances made.

A review of the relevant records showed that contributions amounting to Rs. 918.47 crore were in arrears as on 31 March 2004. This amount was recoverable from 1,03,636 defaulting establishments, of which 1,02,227 were in the public sector and 1,409 in the private sector. Rs. 259.97 crore due from private sector units constituted 28 *per cent* of the total recoverable amount. The region wise defaulting establishments are shown in Annexure-III. The yearwise details of outstanding contributions were not available with the ESIC indicating lack of an effective system to monitor as well as recover the outstanding contributions.

Out of the total arrears of Rs. 918.47 crore on 31 March 2004, Rs. 241.95 crore was disputed in courts, Rs. 63.07 crore was due from the factories/establishments which had gone into liquidation, Rs. 20.16 crore was due from factories/establishments and recovery of which was barred by Acts of State/Central Government viz. nationalisation, relief undertaking etc, and Rs. 8.68 crore was due from factories/establishments which had been closed and whereabouts of the employers were not known. Decrees were obtained for Rs. 0.63 crore for recovery on which progress was awaited.

The ESIC stated (August 2004) that every possible effort including attachment of movable/immovable property, bank attachment etc was being made to recover the outstanding dues. However, the arrears of contribution as on 31 March 2005 increased to Rs. 1015.14 crore.

1.9.2 Recovery of interest and damages

Under section 39(5) (a) of the ESI Act, read with Regulation 31 (A) of the ESI (General) Regulations 1950, the employer is liable to pay simple interest at the rate of 15 *per cent* per annum in respect of each day of default or delay in payment of contributions. Further, under the provision of section 85 (b) (1) of the ESI Act, the ESIC is empowered to recover damages. Interest and damages can be recovered as arrears of land revenue by the Recovery Officer of ESIC under sections 45(C) to 45(I).

An analysis of the region-wise break-up of the outstanding damages revealed that Rs. 85.72 crore was outstanding as on 31 March 2004. Significant part of the arrears pertained to Maharashtra, Uttar Pradesh, Madhya Pradesh, Karnataka, West Bengal, Kerala, Orissa and Tamil Nadu, as indicated in Annexure-IV. The outstanding damages as on 31 March 2005 was Rs. 97.68 crore. The main reasons for the outstanding damages were disputes pending with the courts.

In order to accelerate the pace of recovery, new provisions, namely sections 45-C to 45-I, were added to the ESI Act enabling the ESIC to set up its own machinery for recovering ESIS dues. Accordingly ESIC's Revenue Recovery Machinery came into existence in phases from January 1992 onwards in all the regions. A Recovery Cell had been set up at Headquarters to monitor the recovery and performance of the recovery machinery. Audit observed that despite these measures, recoveries were not significant; the outstanding arrears increased from Rs. 524.79 crore in March 2000 to Rs. 1015.14 crore in March 2005.

1.10 Extra expenditure on electricity and water

Extra expenditure on electricity and water was incurred due to excess sanctioned load of electricity and non-installation of shunt capacitor of adequate rating and non-recovery of charges in full from allottees of staff quarters. A few cases are given below: -

1.10.1 In **Delhi**, Audit noted that fixed demand charges for electricity were paid by the following hospitals: -

(Amount in Rupees)

Sl. no.	Period	Sanctioned load	Fixed charges	Fixed charges paid for one month
ESI Hospital, Basaidarapur				
1	April 1996 to April 1997 (13 months)	2813 KVA	@ Rs. 120 per KVA	3,37,560
2	May 1997 to July 2003 (75 months)	2813 KVA	@ Rs. 150 per KVA	4,21,950
ESI Hospital, Rohini				
1	July 1999 to April 2004 (58 months)	2530 KVA	@ Rs. 150 per KVA	3,79,500

Energy auditors, recommended reduction of the electricity load in ESI hospital, Basaidarapur in July 2002 by 750 KVA and in ESI hospital, Rohini in May 2002 by 900 KVA. However, the load of ESI hospital, Basaidarapur was reduced only from July 2003 and that of ESI hospital, Rohini from April 2004. These delays in reduction of load of electricity resulted in the avoidable payment of Rs. 94.95 lakh[α] by ESI hospital, Basaidarapur and Rs. 76.95 lakh[β] by ESI hospital, Rohini.

1.10.2 The tariff for power supply by Delhi Vidyut Board (DVB) was based on power factor 0.85. The consumers were required to install and maintain shunt capacitors of adequate ratings in proper working condition to ensure that the average power factor of supply taken did not fall below 0.85. If the average power factor fell below 0.85, DVB levied a surcharge on the basic charges.

Audit ascertained that ESI hospitals at Basaidarapur and Rohini had paid Rs. 47.83 lakh for the period August 1994 to September 2001 on account of low power factor surcharge. The shunt capacitors for maintaining the power factor of 0.85 were ultimately installed only in March 2003.

1.10.3 In **Uttar Pradesh,** ESIC had 366 residential quarters. Electricity charges were not being recovered from occupants as per actual consumption but at flat rates ranging from Rs. 80 to Rs. 240 per month for different types of quarters. This resulted in only Rs. 26.45 lakh being recovered from the occupants against Rs. 194.20 lakh actually paid by ESIC for the energy consumed during the period 1999-2004. The short recovery of Rs. 167.76 lakh was an irregular subsidy to the employees of ESIC.

1.10.4 ESI Hospital, Basaidarapur and the office of the Director Medical, Delhi had 352 quarters and 85 quarters respectively. The ESIC had collected Rs. 7.58 lakh as water charges from these quarters from 1999 till June 2004 at the flat rate of Rs. 30 to 32 per quarter per month against Rs. 40.35 lakh paid

[α] 750 KVA @ Rs. 120 for 13 months = Rs. 11,70,000 and 750 KVA @ Rs 150 for 75 months = Rs. 83,25,000 (11.70 lakh + 83.25 lakh = 94.95 lakh)
[β] 900 KVA @ Rs. 150 for 58 months = 76.95 lakh

by it on this account. The short recovery of Rs. 32.77 lakh during 1999-2004 on water charges amounted to an irregular subsidy.

Recommendation

- *The ESIC should provide separate electric meters in staff quarters and recover actual charges for electricity, water etc.*

1.11 Coverage of industrial units

ESIS was first introduced in 1952 at **Kanpur** and **Delhi** and was later extended to other parts of the country. The coverage of the ESIS during the years 1999-2004 was: -

Sl. no.	Type	As of March 1999	As of March 2000	As of March 2001	As of March 2002	As of March 2003	As of March 2004
1	States/U.T. covered	22	22	25	25	25	25
2	Implementing Centres	642	655	677	678	687	689
3	Employees Covered[1]	8085200	7862050	7754450	7159350	7000350	7082300
4	Insured Persons[2]	8819050	8601100	8493500	8003800	7828150	7912700
5	Beneficiaries[3]	34217900	33372250	32954800	31054750	30373200	30701300

Thus, while the number of States covered and ESIS centres had increased as of March 2004 by 13.6 *per cent* and 7 *per cent* respectively over the level in March 1999, the number of employees covered, insured persons and beneficiaries had decreased by 12 *per cent*, 10 *per cent*, and 10 *per cent* respectively. The ESIC attributed (August 2004) the decrease to the closure of factories, mills and establishments and increase in wages of some industrial workers above the eligibility limit of Rs. 6500 per month. However, with the increase in ESIS coverage , the coverage of insured persons and beneficiaries should have increased in view of the overall growth in the industrial activity in the country during those years. Further, as per a survey of ESIC itself, 9.78 lakh eligible employees were yet to be covered as on 31 March 2004.

Audit ascertained that the coverage of ESIS during 2002-03 and 2003-04 was less than the targets fixed primarily because of non-provision of medical arrangements in the newly surveyed areas by the State Governments of **Maharashtra**, **West Bengal**, **Madhya Pradesh**, **Karnataka** and **Rajasthan.**

[1] Employees covered : - Employees as defined under Section 2 (9) of the ESI Act, covered by the ESI Scheme.
[2] Insured Persons: - A person who is or was an employee in respect of whom contributions are or were payable under this Act and who is, by reasons thereof entitled to any of the benefits provided under the ESI Act.
[3] Beneficiaries are the persons (insured persons and their entitled dependent family members) benefited by the ESI Scheme.

The following table shows the State-wise progress of implementation of ESIS in new areas:

Sl. no.	State/U.T.	Target for the period 1999-2000 to 2003-04		Achievements		Shortfall	
		Areas	Employees	Areas	Employees	Areas	Employees
1.	Andhra Pradesh	48	77248	45	64736	3	12512
2.	Assam & Meghalaya	2	2166	2	2400	-	-
3.	Bihar	6	9200	-	-	6	9200
4.	Gujarat	5	44550	3	24402	2	20148
5.	Haryana	13	14643	12	18435	1	-
6.	Himachal Pradesh	4	2200	3	4350	1	-
7.	Karnataka	23	41800	17	14070	6	27730
8.	Kerala	2	1250	35	10,036	-	-
9.	Madhya Pradesh	19	46720	2	1660	17	45060
10.	Orissa	11	15410	12	7150	-	8260
11.	Maharashtra	36	193980	-	-	36	193980
12.	Pondicherry	3	3180	2	2550	1	630
13.	Punjab	17	23380	10	17640	7	5740
14.	Rajasthan	28	33940	8	4640	20	29300
15.	Tamil Nadu	49	87615	39	88220	10	-
16.	Uttar Pradesh	13	33365	15	42535	-	-
17.	West Bengal	12	57280	5	18480	7	38800
18.	Chattisgarh	-	-	2	5855	-	-
19.	Uttaranchal	-	-	3	2250	-	-
						117	391477

The above indicates that: -

- 117 areas and 3.91 lakh employees were still to be covered under ESIS at the end of the year 2003-04.
- No targets were fixed in **Chattisgarh** and **Uttaranchal**.
- Although ESIS had been implemented in **Orissa** in more areas, the number of employees covered was less than 50 *per cent* of the target fixed.
- Targets of extending ESIS to new areas were fully achieved only in the four States of **Assam, Meghalaya, Kerala** and **Uttar Pradesh**.
- The implementation of the Scheme had been poor in **Bihar** and **Maharashtra** where there had been no additional coverage for more than five years.

1.11.1 Surveys and actual coverage

Section 23 of ESI Scheme specifies survey as the process meant to determine whether a factory/establishment is ameneable to the provisions of the ESI Act 1948 for purpose of coverage. ESIC also conducts surprise surveys in case of receipt of complaints from any employee or trade unions or when there is a

reasonable doubt that the provisions of the Act are not being applied deliberately to a factory. The list of such areas is then sent to the State Governments for making arrangements for providing medical care so that the Scheme can be extended to such areas. After receipt of confirmation of provision of medical arrangements in the verified areas from the State Government and about cash and other benefits from the Regional Director, the area is notified by the Union Government as an implemented area under the ESIS.

The following deficiencies were noticed in certain States: -

In **Rajasthan**, of the 2532 establishments identified in surveys during 1987 to 2004, 593 establishments were covered under ESIS during 2001-04. The main reason for non-coverage and delay in coverage was non-provisioning of medical facilities by the State Government.

In **Tamil Nadu**, 54 areas with 1.17 lakh employees (11 *per cent* of the existing insured persons in the State as of March 2003) which were found suitable for coverage through surveys conducted between 1986 to 2003 were yet to be covered (March 2004) under the Act. The main reasons for non-coverage were pendency of proposals with the State Government and ban on recruitment of staff.

In **Andhra Pradesh**, against 7956 eligible establishments identified by surveys during 1999-2004, only 6791 were covered.

The ESI scheme could not be extended to Barnihat, a township in **Meghalaya** comprising 35 establishments with 2589 employees, as the ESIC HQrs. and **Meghalaya** Government could not provide the necessary infrastructure for extending the ESI Scheme to these units. Thus, while the employees were deprived of the benefits of the Scheme, the employers indirectly benefited, as they did not have to pay Rs. 1.73 crore, which was their share of contribution to the ESIS.

Similarly, in Dimapur, **Nagaland,** 44 factories/establishments employing 1418 employees as of December 1999, were not covered under ESIS due to non-completion of certain formalities by Nagaland Government. Thus, while the employees were deprived of the benefit of the scheme, the employers indirectly benefited, as they did not have to pay to the ESIC of Rs. 1.01 crore towards their contribution from January 2001 to June 2004.

In **Punjab,** neither was any survey conducted nor was a proper system set-up for conducting surveys. When this was pointed out by Audit, it was stated that since no complaint either from employees or trade unions was received, no establishment was surveyed. The reply was not tenable because no registers/records were maintained for recording complaints.

Recommendation

- *ESIC needs to conduct periodical surveys and closely monitor the action taken by the State Governments for avoiding delays in extending coverage. ESIC should also ensure that there is no shortfall in conducting the inspections.*

1.12 Benefits to Insured Persons

The ESI Scheme provides not only medical care for the insured persons (IPs) and their dependents but also cash benefits for physical distress suffered by the workers due to sickness and disablement, maternity benefits, dependent's benefit and funeral expenses.

1.12.1 Cash benefit

ESIC provides cash benefits relating to medical care, sickness and maternity, dependents' benefit and employment injury benefit to insured workers in consonance with the policy of ILO and as provided in Section 46 of the ESI Act, 1948. These payments are made at the branch offices and pay offices set up by the ESIC in areas where ESIS is in operation. Audit scrutiny of the cash benefit payments revealed that in **Assam**, 3487 medical reimbursement claims of Rs. 22.82 lakh were pending (May 2004) for periods ranging between 5 and 68 months. In six local offices of **Delhi**, 27 cases of accident claims were pending since 1999. In **Rajasthan**, in four out of five district headquarters test checked, 20549 cases of medical claim of Rs. 62.01 lakh were paid late to the IPs. The delay was attributed to poor progress in disposal of claims combined with poor accounting and documentation, non-availability of funds, want of manpower etc.

1.12.2 Misuse of benefit

Internal control mechanism of ESIC was deficient resulting in cases of excess/fraudulent payment of medical benefits indicated below: -

(Rupees in lakh)

Sl. no.	State	No. of Local/ Branch offices involved	Type of benefit	No. of cases	Excess amount paid
1.	Andhra Pradesh	7	Sickness benefit/ temporary disablement benefit	266	1.58
2.	Assam	2	Fraudulent claims/excess payment	290	1.26
3.	Delhi	6	Wrong rates and wrong calculation	294	2.07
4.	Maharashtra	12	Over payment to beneficiaries/ temporary disablement benefit/ dependent's benefit	565	2.23
5.	Orissa	12	Medical treatment availed without entitlement/sickness benefit/excess payment	1223	4.83

The reasons for the above were wrong calculation of days or the rate at the branch offices, non-verification of documentary evidence, wrong declaration of the IPs and wrong information submitted by the employers.

In **Maharashtra**, the Branch Manager, Local Office Chinchwad stated (June 2004) that some cases had been referred to Sub Regional Office, Pune, for recovery of the overpaid amounts. In a few cases, the letters sent to the concerned IPs were returned undelivered.

Recommendation

- *ESIC needs to create a database of IPs and evolve an effective Management Information System for ensuring timely settlement of claims. ESIC also needs to fix responsibility for allowing the fraudulent claims and take effective steps to prevent their recurrence.*

1.13 Hospital and dispensaries

Section 58 of ESI Act 1948 provides for full medical care facilities for the IPs and their dependents from the first day of entering insurable employment through a network of empanelled clinics, ESI dispensaries and hospitals. Audit noticed the following shortcomings in providing medical care benefits to the IPs.

1.13.1 Non-construction of hospitals and dispensaries

ESIC acquires land from different State Governments for construction of hospitals/dispensaries and staff quarters. Audit observed that in the following cases, the construction work had not been started even years after acquiring land that resulted in blocking of funds and defeating the very purpose for which the land was acquired.

In **Andhra Pradesh, Bihar, Jharkhand, Delhi, Gujarat, Haryana, Kerala, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Pondicherry** and **Uttar Pradesh,** land acquired at the total cost of Rs. 3.68 crore during the years 1967 to 2003 could not be utilised for the intended purpose of construction of hospitals, dispensaries and staff quarters. Reasons for not initiating construction work were not furnished to audit.

Further, Audit noted that:

In **Rajasthan**, three plots for construction of 50 bed hospitals (at Udaipur, Bhiwadi and Alwar) and three plots for construction of dispensaries (at Jaipur, Behror and Alwar) were purchased from State Government agencies between 1977 and 1994 at a cost of Rs. 2.08 crore. Audit ascertained that no construction work had started till July 2004, risking cancellation of allotment of land by the concerned authorities.

A plot allotted by **Punjab** Small Industries and Export Corporation Ltd. (PSIEC) to ESIC in December 1989 in Ludhiana for construction of a TB hospital was cancelled due to delayed payment resulting in forfeiture of Rs. 25.08 lakh. ESIC stated (July 2004) that a final decision in the matter was awaited from the High Court.

In **West Bengal**, ESIC paid Rs. 20.23 lakh to the Land Acquisition Authority (November 1987) for acquisition of land measuring 9.93 acres at Garshyamnagar. It spent Rs. 7.04 lakh on construction of a boundary wall on the land. In February-March 2002, ESIC reconsidered the issue of construction of the hospital, due to availability of excess beds in the State hospitals in that area. It, therefore, requested the State Government to take back the land. The State Government had not taken suitable action. Thus, defective planning resulted in unfruitful expenditure of Rs. 27.27 lakh.

In Delhi, ESIC purchased land at Arjun Nagar, Mayur Vihar, Narela, Bindapur, Wazirpur and Pappankala from DDA at a cost of Rs. 32.26 lakh to construct dispensaries during 1986-95. However, construction had not started in any location except Wazirpur. The investment of Rs. 32.26 lakh remained blocked for periods ranging from 10 to 19 years.

Recommendation

- *ESIC should take effective steps to construct Hospitals/ Dispensaries and staff quarters on vacant plots.*

1.14 Non-commissioning of hospitals and dispensaries

Section 58 of the ESI Act, 1948 places the responsibility for administration of medical care under the ESIS on the State Government. Audit ascertained that the ESIC had constructed 23912 beds in 143 ESI Hospitals and 42 ESI Annexes as on 31 March 2004, out of which 20,486 beds i.e. 86 *per cent* were commissioned. However, the percentage of non-commissioned beds in the ESIC hospitals in **Andhra Pradesh**, **Chandigarh**, **Delhi**, **Gujarat**, **Haryana**, **Maharashtra**, **Karnataka**, **Madhya Pradesh**, **Tamil Nadu**, **Uttar Pradesh** and **West Bengal** ranged from 18 *per cent* to 100 *per cent*. The ESIC stated (August 2004) that the hospitals had been handed over to State Governments after construction for commissioning. It attributed non-commissioning of beds to inadequate doctors/staff, low occupancy etc.

Further, 74 hospitals (Annexure-V) had bed occupancy of less than 50 *per cent*. The low occupancy was attributed to shortage of medical/paramedical staff including specialists, lack of basic facilities like drinking water in some hospitals, closure of factories, accessibility of other hospitals and other local factors. ESIC stated (July 2004) that State Governments had been asked to reorganise the health care delivery system and run the hospitals through third party participation i.e. by inviting participation of a third party by the State Government on agreed terms and conditions.

Instances of non-commissioning of hospitals and dispensaries are outlined below:

(a) Two hospitals, constructed in Punjab and Jammu and Kashmir at a total cost of Rs. 6.36 crore, were not commissioned as of June 2004 due to the following reasons:

(Rupees in crore)

Sl. no.	Details	Amount released upto 31.3.03	Date of start of construction	Scheduled date of completion	Date of completion	Reasons for non-commissioning
Punjab						
1	50 bed ESI Hospital Mandigobindgarh	2.42	June 1988	September 2001	Completed in 2001	The State Government had agreed in principle to take over the hospital and commission it through third party administration as a pilot project. However, it has not happened as yet.
Jammu and Kashmir						
2	50 bed ESI Hospital, Jammu	3.94	April 2000	October 2001	Completed in 2003	The construction was complete but the power connection was still to be obtained.
Total		**6.36**				

The reasons indicated poor monitoring and coordination and inadequate planning due to which investment of Rs. 6.36 crore was blocked for periods ranging from 4 to 16 years.

(b) ESIC constructed three hospitals at Chinchwad, Bibvewadi and Kolhapur in **Maharastra** at a cost of Rs. 25.20 crore. These hospitals were constructed despite objection of the State Government regarding their financial viability, as the expenditure incurred on IPs was far higher than the ceiling fixed by ESIC. Though these hospitals were ready for commissioning between September 1996 and November 1996, the State Government did not take their possession. Thus, failure of ESIC to correctly assess the requirement of a hospital with reference to the number of IPs at each location despite this being pointed out by the State Government, resulted in idling of the investment of Rs. 25.20 crore.

Due to the non-commissioning of these hospitals, Pune Zilla Kamgar Union and others had filed a writ petition in Mumbai High Court. ESIC had assured the court that these hospitals would be commissioned with the help of third party participation.

(c) The work of expansion of ESI Hospital, Ludhiana was completed in August 1999 at a cost of Rs. 14.92 crore and possession was taken by the State Government in November 2002. The additional building constructed had not yet (June 2004) started functioning due to shortage of staff in different categories and various other proposals pending sanction of the ESIC

Headquarters resulting in idling of the investment of Rs. 15.11 crore (including Rs. 18.53 lakh spent on repair and maintenance).

(d) In **Faridabad**, a 200 bed ESIC hospital constructed at a cost of Rs. 8.03 crore was handed over to the State Government in June 1992. An additional expenditure of Rs. 1.19 crore was incurred on repair/special repairs of the building during 1999-04. However, three floors of the hospital building out of five floors had not been used as of June 2004 due to decrease in number of indoor patients. There was consequential idling of investment of Rs. 5.53 crore on a proportionate basis. Thus, the building was constructed without taking into account the expected number of beneficiaries in the area.

(e) In **West Bengal**, a ten-storied hospital with 300 beds was constructed at Thakurpukur, Kolkata in February 1994 at a cost of Rs. 14.66 crore. However, only 152 beds could be commissioned. The top five floors remained unutilised as of November 2005, resulting in unfruitful expenditure besides recurring expenditure towards maintenance and security of the entire building.

(f) ESIC approved (August 2000) special repairs for the three tower blocks of ESI Hospital, Bapu Nagar, Ahmedabad, **Gujarat** (constructed in 1971) at a cost of Rs. 1.98 crore and Rs. 45.00 lakh was released to a construction agency for special repairs. After the agency started the repair work in 2000 and had spent Rs. 32.76 lakh, it was asked to stop the work following Labour Minister's visit to the hospital in July 2002. A Sub-Committee headed by Minister of State for Labour (July 2003) recommended the demolition of tower blocks itself due to their dilapidated state. Thus, the expenditure of Rs. 32.76 lakh incurred on special repairs became infructuous.

(g) ESIC released Rs. 35 lakh to the State PWD in May 1996 for construction of 10 staff quarters for ESI hospital, Shahabad, **Karnataka** at an estimated cost of Rs. 47.54 lakh. Though the construction work started in April 1998 and was nearing completion, further work was held up as the ESI hospital at Shahabad was found to be grossly underutilised since inception. The State Government was considering establishing an Industrial Training Institute in the hospital building. Thus, improper planning resulted in avoidable expenditure of Rs. 35 lakh.

Recommendation

- *ESIC needs to ensure optimum utilisation of its medical infrastructure. Hospitals with low bed occupancy due to non-availability of sufficient IPs, should be considered for access to the general public on payment basis to ensure cost effectiveness. Hospitals with adequate IPs but which are not functioning well should be provided with adequate staff and equipment. ESIC should have closer coordination with State Governments to ensure better medical facilities to the IPs.*

1.15 Idle equipment

Audit ascertained that equipment purchased for hospitals and dispensaries remained unutilised in many cases for want of medical staff, lack of repair and maintenance, mismanagement and improper planning as discussed below: -

In **Delhi**, solar heating systems for heating water for clinical purposes costing Rs. 26.20 lakh were installed at I. G. Hospital, ESIC, Jhilmil in 1988 and ESI Hospital, Okhla in 1995 respectively. The systems were never made functional due to non-award of AMC with installation agency or with CPWD in Jhilmil and acute shortage of water in Okhla.

In **Uttar Pradesh**, ESIC provided (1999-2000) Rs. 74.60 lakh for purchase of dental equipment for ESI hospitals**.** However, the equipment could not be utilised effectively as the post of dentist remained vacant for most of the time.

In **Haryana**, Ultra Sound machines were lying idle in ESIC Hospital Faridabad since April 2002 for want of repairs and non-availability of Radiologist in Bhiwani and Jagadhri hospitals. In ESI Dispensary, Hisar, an X-ray machine was lying idle since April 1995 for want of a technician. In ESI hospital, Jagadhri, the X-ray machine was lying idle since January 2003 for want of repair and non-availability of technical staff.

In **Himachal Pradesh**, an Ultra Sound machine at ESI hospital, Parwanoo remained out of order for 38 months from March 2001 to April 2004. A Cardiac Monitor purchased in March 1995 for Rs. 0.52 lakh, was installed only in July 2003. The concerned SMO stated (June 2004) that the monitor could not be installed in time due to non-posting of technical staff and doctor.

In **Maharashtra**, it was noticed that equipment costing Rs. 48.34 lakh acquired between 1994 to 2003 were lying unutilised for want of repairs.

In **Orissa**, a departmental review of medical facilities available in six ESI Hospitals revealed that more than 50 *per cent* of the essential equipment and instruments were not available and there was a gross mismatch between equipment and staff available.

In **Delhi,** there were delays ranging upto 49 months in purchase of various essential equipment worth Rs. 2.41 crore resulting in hardship to the patients and additional expenditure on providing treatment from outside agencies.

Recommendation

- *ESIC must establish an effective monitoring system to identify idle equipment. This information must be brought to the notice of the appropriate authority at periodic intervals for remedial action.*

1.16 Injudicious purchase and supply of drugs

In **Maharashtra,** drugs were being regularly purchased by the Medical Superintendent ESI hospital on rate contract fixed by ESIC. In March 2000 Hepatitis B vaccine was issued to all the hospitals without any requisition. Consequently, vaccine costing Rs.10.66 lakh, supplied to 5 hospitals at Thane, Andheri, Vashi, Pune and Kandivali could not be used before their expiry date (January 2003).

In **Orissa**, 1120 Phenformin capsules, which were banned (October 2003) by the Union Government, were distributed in Kansbahal Hospital between October 2003 and February 2004. There was delay in communication of the ban from the State Government and no responsibility had been fixed for the same as of December 2005.

In **Tamil Nadu**, according to the instructions of the State Government, the medicines required were to be purchased from the Tamil Nadu Medical Services Corporation (TNMSC) and only items not available with it were to be purchased from the firms that had been awarded Running Rate Contract (RRC) by ESIC. However, Audit noticed that medicines which were available with the TNMSC were purchased from firms with running rate contract against the prescribed procedure during the years 2002-04, resulting in excess expenditure of Rs. 32.56 lakh.

In **West Bengal,** medicines worth Rs. 8.10 lakh were held over beyond their expiry date during 2000-04. Out of these, medicines worth Rs. 6.85 lakh were purchased during 2003-04. The ESIC centre stated, (June 2004) that procurement of medicines would be done more judiciously in future.

1.17 Unfruitful outlay on construction of staff quarters

(a) In paragraph 9.3 of Audit Report No. 4 of 2000 it was mentioned that out of 185 staff quarters which were constructed at New Vasna, Ahmedabad **(Gujarat)** at a cost of Rs. 1.54 crore, 160 quarters remained unutilised since 1991 because of the poor construction and failure of ESIC in assessing of the actual requirement of staff quarters. Ministry in their ATN (January 2004) had stated that ESIC was exploring ways of disposal of the surplus quarters including selling these to the Government of Gujarat. Audit ascertained that these quarters were still lying vacant and action taken to sell/allot them to other departments had also not succeeded due to lack of demand.

(b) A 650 bed ESI hospital was constructed at Vashi (Mumbai), **Maharashtra** during the year 1977 alongwith 346 staff quarters of different categories. Subsequently, at the request of the State Government, the State PWD constructed additional 260 staff quarters in 1986 at a cost of Rs. 2.25 crore. As a part of re-structuring the ESIS, the State Government did not commission the hospital to its full capacity. The 260 quarters were also not taken over by the State Government due to which these remained vacant. The prospect of utilisation of these facilities was also remote due to opening of a

Corporation Hospital at Navi Mumbai and decline in the number of insured persons in the area.

(c) The construction of 52 staff quarters at Rourkela, **Orissa** was awarded (October 1999) to M/s UPRNN Ltd at a cost of Rs. 2.38 crore with 15 September 2000 as the scheduled date for completion. The work was completed in May 2001. Only 14 quarters were taken over from the construction agency in October 2003 and allotted to the staff of the Model Hospital, which had started functioning from May 2003. The remaining 38 staff quarters were yet to be taken over due to non-posting of the required staff for the hospital.

(d) In **West Bengal**, out of 213 residential quarters in five categories (Type A to E), 125 quarters remained vacant during 1999-2000 to 2003-04. Non-occupation of these quarters for long periods rendered the expenditure on their construction unfruitful.

(e) In **Kerala**, ESIC Headquarters spent Rs. 2.79 crore in constructing 174 staff quarters of various types at Trichur. These were finally taken over in December 1998. During July 2000 ESIC Headquarters declared 66 type B quarters as surplus and decided to let out the surplus quarters to the staff of other Central Government Departments/Organisations. However, the effort did not succeed, as the rent fixed by the ESIC was very high. As of November 2005, 60 quarters were still lying vacant. Thus, non-assessment of the housing requirement properly resulted in idling of investment of Rs. 96.28 lakh (approximately) on the 60 quarters that remained vacant from December 1998 onwards.

The unfruitful outlay on construction of staff quarters was due to improper assessment of demand, defective selection of sites, deficient staff strength in hospitals and poor coordination with State Governments.

1.18 Model Hospitals

The ESIC decided (February 2001) to set up one Model Hospital in each State with a view to improving the quality of medical care provided to the beneficiaries and to serve as the benchmark for upgradation of other hospitals by the State Governments. Under the scheme, the ESIC had to renovate and expand the buildings, provide equipment and staff as per its norms and bear the entire expenditure of running these hospitals. Audit ascertained (November 2005) that of the 25 Model Hospitals to be set up in the States/(UTs), only 16 had been set up in the States of **Andhra Pradesh, Assam, Jharkhand, Karnataka, Kerala, Orissa, Punjab, Rajasthan, Uttar Pradesh, Bihar, Tamil Nadu, Maharashtra, Madhya Pradesh, Delhi, Chandigarh and West Bengal**.

In **Andhra Pradesh**, ESI Hospital, Nacharam was taken over by the ESIC in August 2002 for developing it as a model hospital. Audit ascertained that the hospital lacked proper facilities like staff and equipment, due to which 1102

cases were referred to other hospitals during August 2002 to April 2004. A blood bank refrigerator and a Dark Field Microscope costing Rs. 0.49 lakh and Rs. 4.03 lakh respectively procured in March 1999 and April 2002, were not put to use.

In **Rourkela, Orissa,** a 50-bed hospital constructed at a total cost of Rs. 4.27 crore in May 2001 was selected as a model hospital by the standing committee of ESIC (July 2001). The hospital, however, could be commissioned only partially from May 2003. ESIC attributed the partial commissioning to the ban on the creation of posts by the Union Government. The reply was not tenable as when the work was awarded in December 1993, ESIC was fully aware of the ban on recruitment.

1.19 World Bank/NACO project for the prevention and Control of HIV/AIDS amongst ESI beneficiaries

ESIC has been awarded a project by World Bank/National Aids Control Organisation (NACO) for the prevention and control of HIV/AIDS amongst ESI beneficiaries. The project envisaged setting-up of 85 Sexually Transmitted Diseases (STD) clinics, 73 STD laboratories and 35 Voluntary Testing Centres. Funds released during 1999-2000 to 2004-2005 and expenditure incurred were as under: -

(Rupees in lakh)

Year	Opening Balance	Funds released by World Bank/NACO during the year	Total funds available	Expenditure incurred during the year/ Percentage	Closing balance
1999-2000	-	121.54	121.54	40.19 (33.06)	81.35
2000-2001	81.35	40.00	121.35	38.76 (31.94)	82.59
2001-2002	82.59	120.97	203.56	12.78 (6.27)	190.78
2002-2003	190.78	150.00	340.78	23.16 (6.79)	317.62
2003-2004	317.62	200.00	517.62	34.44 (6.65)	483.18
2004-2005	483.18	--	483.18	46.67 (9.66)	436.45

The utilisation of available funds during the years 1999-2005 was poor and ranged between 6.27 and 33.06 *per cent*. Audit noted that as against a target of 85 STD clinics, only 42 clinics were set-up as of March 2004 and as against a target of 73 STD laboratories, none was set up. Similarly, no Voluntary Testing Centre had been set up during the period from 1999 to 2004 against the target of 35. The ESIC stated that funds were being released to the State Governments, which were not in a position to utilise the same. The following deficiencies were noticed in different States: -

The ESIC had released Rs. 8.58 lakh to the Regional Office in **Goa** during March 2000 to March 2005, for carrying out various activities for prevention

and control of HIV/AIDS among ESI beneficiaries. The funds had remained unutilised as of December 2005.

Rs. 16.36 lakh was released from March 1999 to March 2005 to ESI Dispensaries/Hospitals in **Kerala** for the AIDS control programme. However, no activities for the prevention and control of HIV/AIDS were carried out during this period except for expenditure of Rs. 1.05 lakh on printing of posters and releases to CPWD for setting up of STD clinics in 2 hospitals. The balance Rs. 15.31 lakh remained unspent as of December 2005.

In **Orissa**, out of Rs. 16.60 lakh released under the programme during 1999-2005 for expenditure on AIDS Cell in ESI Directorate, Bhubaneswar, only Rs. 6.54 lakh had been utilised for the purchase of stationery, fax-machine, air conditioner etc. and the balance of Rs. 10.06 lakh was lying unspent as of December 2005.

Recommendation

- *There is an urgent need to speed up the pace of implementation of the activities under this programme. STD clinics need to be strengthened and voluntary testing centres set up to help in preventing the spread of HIV/AIDS.*

1.20 Human Resource Management

Audit ascertained that there were large shortages in different categories of staff as discussed below: -

The medical and para-medical staff in position in the ESI Hospitals in Delhi as of March 2004 were as follows: -

Category of staff	ESI Hospital Basaidarapur	ESI Hospital Rohini	ESI Hospital Okhla	ESI Hospital Jhilmil
Medical Staff				
Sanctioned strength	304	111	71	112
Men in position	197	63	60	82
Vacancy	107	48	11	30
Percentage vacancy	35	43	15	27
Para-Medical staff				
Sanctioned strength	1036	329	157	333
Men in position	845	248	117	217
Vacancy	191	81	40	116
Percentage vacancy	18	25	25	35

In **Assam**, against a sanctioned strength of 326 medical, para-medical and other staff only 265 persons were in position. The shortfall was around 23 *per cent*.

In **Haryana**, 92 to 110 posts remained vacant against the sanctioned strength of 456 to 459 officers/officials in various cadres during 1999-04. The Regional Director stated (May 2004) that the vacant posts could not be filled

due to the Staff Selection Commission not being able to provide sufficient number of candidates.

In **Goa**, it was noticed that as of March 2004, against the sanctioned strength of 82 staff (Group A: 2, Group B: 1, Group C: 60 and Group D: 19), only 46 were in position (including one Deputy Director, Group 'A', who had been appointed although the post had not been sanctioned). The Regional Director attributed the shortage of staff to the fact that Group 'C' staff were recruited by ESIC Headquarters and the staff posted being from outside Goa State did not report to Goa Region.

In **Jharkhand**, 63.07 *per cent* of posts of medical, para medical and non-medical staff were vacant in the ESI hospitals and dispensaries.

In **Kerala**, a test check of 7 hospitals and 27 dispensaries revealed that in a majority of institutions, medical and paramedical staff as per the sanctioned strength were not in position and the vacancies had been continuing for two to five years. The norms for fixing staff strength have not been revised during the last five years with reference to the fall in the number of patients.

Recommendation

- *ESIC needs to address the human resources issues especially those relating to the medical and para medical staff of its hospitals/ dispensaries to ensure that proper medical service is rendered to the IPs and their dependents.*

1.21 Conclusion

The Employees' State Insurance Scheme (ESIS) was introduced in 1952 to achieve the objectives of the Employees' State Insurance Act, 1948 for providing comprehensive social security for the workers deployed in organised sectors other than factories or establishments run by the Central/State Governments. However, the Employees' State Insurance Corporation, which is the apex corporate body administering the ESIS, could not fully achieve the objectives of the Scheme.

While the income of ESIC had risen by 42.45 *per cent* in 2004-05 over the level of 1999-2000, it failed to utilise its financial resources to correspondingly increase the facilities and benefits to the insured persons. The expenditure on benefits increased merely by 17.07 *per cent* which was lower than even the 34.29 *per cent* rise in the contribution income during 1999-05.

Deficient financial management of the ESIC led to unadjusted advance payments of Rs. 3.13 crore to various hospitals, loss of interest of Rs. 1.18 crore on excess investments in SBI and accumulation of arrears of contribution of Rs. 918.47 crore from 1.04 lakh defaulting establishments.

Despite the overall growth of industrial activity in the country, the coverage of employees under the Scheme had decreased from 80.85 lakh insured persons in March 1999 to 70.82 lakh insured persons in March 2004.

The internal control mechanism of ESIC was deficient resulting in delays in providing cash benefits to the insured persons and excess/fraudulent payments of medical benefits.

Lapses in planning and delays in construction of hospitals/dispensaries in several cases resulted in delay in extension of benefits to insured persons and their dependents besides blocking of funds invested in acquiring land.

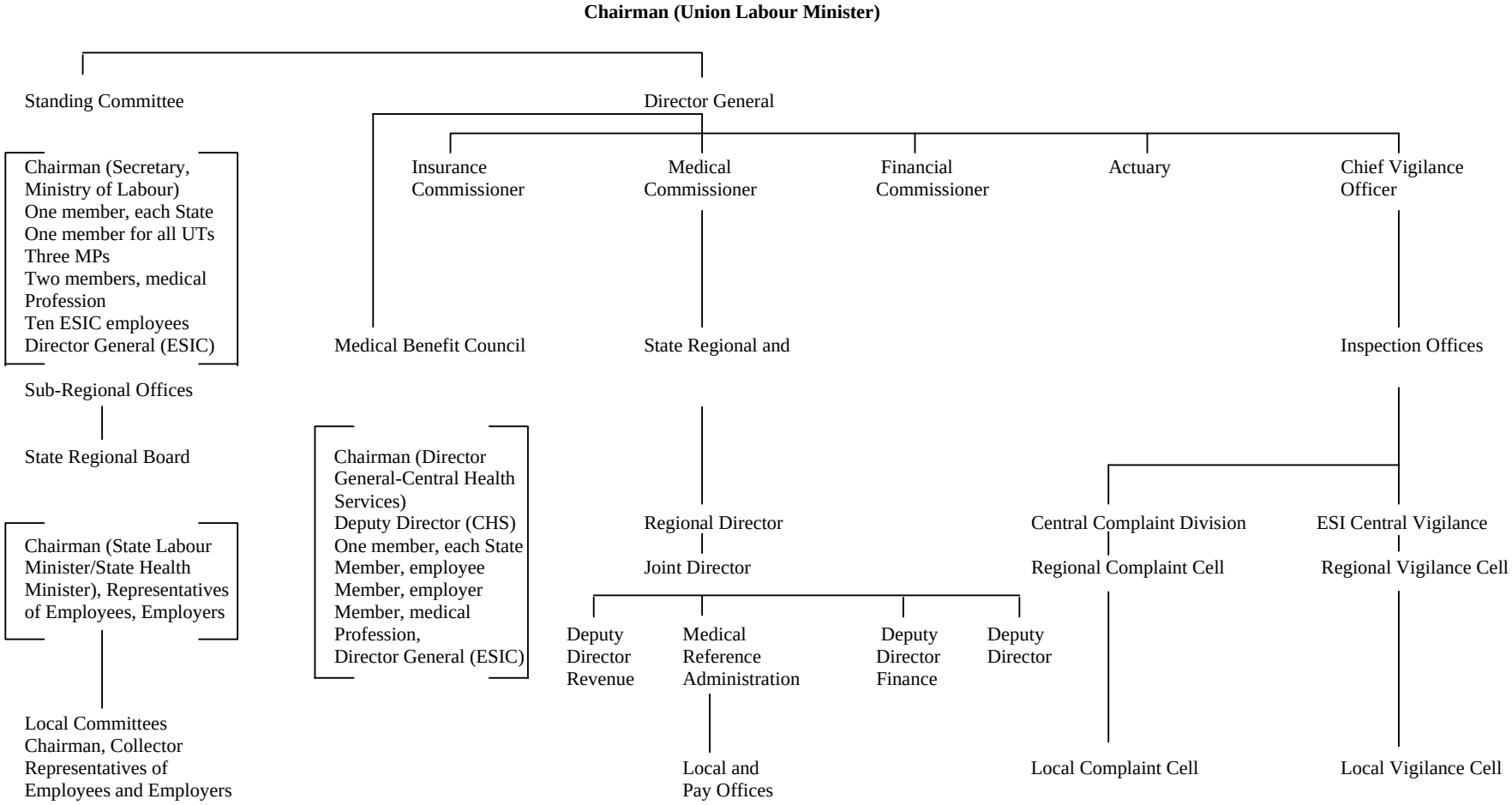
Mismanagement in hospitals and dispensaries resulted in idling of equipment, non-commissioning/under utilisation of beds and procurement of sub standard drugs.

Of the 25 model hospitals targeted to be established, only 16 could be established and these too lacked proper facilities.

Annexure -I

(Referred to paragraph 1.1.2)

Organizational Structure of ESIC



Annexure -II

(Referred to paragraph 1.4)

List of test checked units

S.No.	Name of State/UTs	Regional Office/Sub-Regional Office	Local Offices (Branch/Pay/Inspection offices)	Hospitals	Dispensaries
1.	Andhra Pradesh	2	19	11	35
2.	Assam	1	5	2	12
3.	Bihar	1	8	3	6
4.	Delhi	5	6	4	9
5.	Goa	1	2	1	4
6.	Gujarat	3	21	10	27
7.	Haryana	2	10	5	20
8.	Himachal Pradesh	1	2	1	3
9.	Jammu & Kashmir	1	2	-	7
10.	Jharkhand	1	6	4	7
11.	Karnataka	2	20	10	35
12.	Kerala	1	13	7	27
13.	Madhya Pradesh	1	10	6	5
14.	Maharashtra	5	21	11	3
15.	Meghalaya	-	1	-	1
16.	Orissa	1	12	6	13
17.	Pondicherry	1	1	1	4
18.	Punjab	1	12	7	20
19.	Rajasthan	1	13	5	16
20.	Tamil Nadu	3	40	9	47
21.	Uttaranchal	1	4	-	7
22.	West Bengal	3	33	15	11
	Total	**38**	**261`**	**118**	**319**
	Total number	**38**	**1080**	**143**	**1452**

Annexure -III

(Referred to paragraph 1.9.1)

Public and Private Sector defaulting establishments

Region	Public Sector		Private Sector		Total arrears as on 31.3.2004	
	No. of cases of defaulting estts.	Amount in Rs. crore	No. of cases of defaulting estts.	Amount in crore	No. of cases of defaulting estts.	Amount in Rs. crore
Andhra Pradesh	5271	30.42	37	9.52	5308	39.94
Vijaywada	2266	17.06	45	15.24	2311	32.3
Assam	921	3.88	16	1.05	937	4.93
Bihar	521	3.55	57	4.71	578	8.26
Jharkhand	639	5.72	16	0.47	655	6.19
Delhi	3073	14.58	11	0.52	3084	15.1
Goa	797	4.16	1	0.02	798	4.18
Gujarat	2883	24.5	38	7.69	2921	32.19
Baroda	649	5.07	2	0.08	651	5.15
Surat	290	5.67	--	--	290	5.67
Haryana	4183	17.11	31	0.19	4214	17.3
Karnataka	6924	22.83	44	12.08	6968	34.91
Hubli	928	7.31	25	2.14	953	9.45
Kerala	4481	27.18	113	4.65	4594	31.83
Madhya Pradesh	4430	18	31	12.24	4461	30.24
Chhatisgarh	28	1.8	6	2.14	34	3.94
Mumbai	5173	46.41	28	36.75	5201	83.16
Marol	3308	14.46	1	0.15	3309	14.61
Nagpur	758	5.24	27	2.61	785	7.85
Pune	6624	29.61	30	10.92	6654	40.53
Thane	2786	15.9	6	1.87	2792	17.77
Orissa	1564	9.4	88	10.35	1652	19.75
Punjab	7114	13.82	44	1.12	7158	14.94
Himachal Pradesh	552	1.52	3	0.01	555	1.53
Jammu & Kashmir	1288	0.5	169	2.95	1457	3.45
Rajasthan	3571	10.75	122	4.54	3693	15.29
Tamil Nadu	10535	86.32	141	2.97	10676	89.29
Pondicherry	383	1.95	2	0.12	385	2.07
Coimbatore	3317	22.03	10	1.1	3327	23.13
Madurai	2792	20.36	10	2.67	2802	23.03
Uttar Pradesh	6225	45.85	140	33.71	6365	79.56
Uttaranchal	361	1.45	17	4.29	378	5.74
West Bengal	6711	69.68	60	54.12	6771	123.8
Barrackpore	881	54.41	38	16.98	919	71.39
Total	**102227**	**658.5**	**1409**	**259.97**	**103636**	**918.47**

Annexure -IV

(Referred to paragraph 1.9.2)

Region-wise arrears of damages as on 31.3.2004

(Rupees in lakh)

State/Region	Not recoverable for the present	Recoverable	Total
A.P	22.18	109.94	132.12
Vijayawada	7.5	218.98	226.48
Assam	Nil	15.48	15.48
Bihar	28.14	125.04	153.18
Jharkhand	4.13	57.34	61.47
Delhi	12.79	33	45.79
Gujarat	0.98	207.06	208.04
Baroda	10.88	76.17	87.05
Surat	Nil	13.51	13.51
Haryana	78.32	160.09	238.41
Bangalore	24.94	330.86	355.8
Hubli	6.95	84.21	91.16
Kerala	87.01	309.21	396.22
Madhya Pradesh	77.73	1036.42	1114.15
Chhatisgarh	7.44	53.73	61.17
Mumbai	20.43	308.22	328.65
Marol	0.34	60.39	60.73
Thane	7.84	133.17	141.01
Nagpur	47.65	381.53	429.18
Pune	56.35	271.44	327.79
Goa	0.21	24.94	25.15
Orissa	13.45	294.4	307.85
Punjab	38.86	210.11	248.97
Himachal Pradesh	Nil	15.85	15.85
Jammu & Kashmir	6.74	91.16	97.9
Rajasthan	10.01	66.51	76.52
Tamil Nadu	46.23	263.44	309.67
Pondicherry	0.22	8.69	8.91
Coimbatore	59.66	116.86	176.52
Madurai	7.2	59.68	66.88
Uttar Pradesh	375.18	380.03	755.21
Uttarnachal	Nil	6.14	6.14
West Bengal	394.24	387	781.24
Barrackpore	1007.96	199.54	1207.5
Total	**2461.56**	**6110.14**	**8571.70**

Annexure –V

(Referred to paragraph 1.14)

Under utilisation of ESI Hospitals

Sl. No.	Name of hospital	No. of beds constructed	Year of establishment	Cost of construction *(Rupees in lakh)*	Percentage of bed occupancy
1.	ESIH Adoni (Andhra Pradesh)	52	1970	51.78	31
2.	Tirupati (Andhra Pradesh)	50	1989	504.17	41
3.	Nizamabad (Andhra Pradesh)	50	1998	348.13	11
4.	Beltola (Assam)	50	1983	129.07	45
5.	Phulwarisharif (Bihar)	50	1981	81.28	14
6.	Dalmianagar	72	1972	27.58	NIL
7.	Mungyr (Bihar)	30	1963	2.64	NIL
8.	Bapunagar (Gujarat)	600	1981	155.95	26
9.	Naroda (Gujarat)	225	1970	57.14	19
10.	Kalol (Gujarat)	50	1982	40.32	32
11.	Baroda (Gujarat)	200	1983	37.79	47
12.	Surat (Gujarat)	150	1982	230.97	20
13.	Rajkot (Gujarat)	50	1982	44.87	17
14.	Bhavnagar (Gujarat)	50	1988	161.84	29
15.	Baroda (Chest)	100	1986	40.51	42
16.	Vapi (Gujarat)	100	1993	220.49	25
17.	Jamnagar (Gujarat)	150	1998	335.03	22
18.	Ankeleshwar (Gujarat)	25	1998	29.83	31
19.	Faridabad (Haryana)	188	1968	95.01	42
20.	Jagadhari (Haryana)	80	1968	22.71	35
21.	Panipat (Haryana)	75	1971	19.20	44
22.	Bhiwani (Haryana)	50	1997	140.22	12
23.	Parwanoo (Himachal Pradesh)	50	1995	224.00	NA
24.	Hubli (Karnataka)	50	1986	158.65	44
25.	Mysore (Karnataka)	100	1981	223.22	47
26.	Mangalore (Karnataka)	100	1979	102.37	26
27.	Shahbad (Karnataka)	50	1997	340.90	NIL
28.	Belgaum (Karnataka)	50	1998	515.50	14
29.	Mulamkunnathakaru (Kerala)	110	1968	21.97	24
30.	Olarikara (Kerala)	90	1971	33.91	37
31.	Palakkad (Kerala)	50	1985	164.79	35
32.	Udyogmandal (Kerala)	150	1971	56.10	30
33.	Vadavathua (Kerala)	65	1972	45.35	45
34.	Feroke (Kerala)	100	1987	253.75	41
35.	Thottada (Kerala)	50	1987	281.27	35
36.	Indore (TB) (Madhya Pradesh)	75	1965	32.39	38
37.	Ujjain (Madhya Pradesh)	100	1971	77.00	27
38.	Gwalior (Madhya Pradesh)	116	1976	86.01	48

Sl. No.	Name of hospital	No. of beds constructed	Year of establishment	Cost of construction *(Rupees in lakh)*	Percentage of bed occupancy
39.	Bhopal (Madhya Pradesh)	84	1988	351.80	37
40.	Dewas (Madhya Pradesh)	50	1991	236.16	45
41.	Nagda (Madhya Pradesh)	50	1999	552.00	45
42.	Ulhasnagar (Maharashtra)	200	1976	214.65	33
43.	Thane (Maharashtra)	632	1981	594.99	49
44.	Vashi (Maharashtra)	650	1977	542.06	15
45.	Chinchward (Pune)	100	1997	681.85	NIL
46.	Brajrajnagar (Orissa)	50	1972	93.49	6
47.	ESIH Amritsar (Punjab)	125	1966	102.12	31
48.	Jallandhar (Punjab)	190	1973	780.50	39
49.	Ludhiana (Punjab)	262	1969	1513.80	NA
50.	Mohali (Punjab)	30	1989	102.48	41
51.	Rajpura (Punjab)	30	1992	174.12	27
52.	Hoshiarpur (Punjab)	50	1993	231.35	23
53.	Jodhpur (Rajasthan)	50	1991	200.93	43
54.	Bhilwara (Rajasthan)	50	1997	314.37	15
55.	Pali (Rajasthan)	50	1998	227.01	NA
56.	Chennai (Tamil Nadu)	625	1979	483.19	45
57.	Kanpur (Uttar Pradesh)	312	1962	176.27	26
58.	Kanpur (Chest)	180	1967	37.20	35
59.	Modinagar (Uttar Pradesh)	100	1968	32.35	18
60.	Naini (Uttar Pradesh)	100	1981	133.54	6
61.	Kanpur (Mat.) (Uttar Pradesh)	144	1967	23.82	13
62.	Lucknow (Uttar Pradesh)	100	1981	225.23	42
63.	Sahibabad	48	1982	175.83	NA
64.	Saharanpur (Uttar Pradesh)	50	1985	114.04	30
65.	Kidwainagar (Kanpur)	100	1987	303.35	32
66.	Bareilly	50	1987	137.28	34
67.	Jagmau Kanpur (Uttar Pradesh)	100	1987	304.32	20
68.	Aligarh (Uttar Pradesh)	60	1989	156.59	37
69.	Pipri (Uttar Pradesh)	60	1992	175.00	12
70.	Varanasi (Uttar Pradesh)	60	1998	207.86	2
71.	Assansol (West Bengal)	150	1980	78.99	25
72.	Maithan (Jharkhand)	110	1968	25.68	4
73.	Adityapur (Jharkhand)	50	1981	53.78	39
74.	Ranchi (Jharkhand)	50	1987	81.26	NA