115

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

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Sixty-Seventh Report (16th Lok Sabha)]

MINISTRY OF LABOUR AND EMPLOYMENT

PUBLIC ACCOUNTS COMMITTEE
(2018-19)

ONE HUNDRED AND FIFTEENTH REPORT

SIXTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2154

ONE HUNDRED AND FIFTEENTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2018-19)

SIXTEENTH LOK SABHA

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

[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Sixty-Seventh Report (16th Lok Sabha)]

MINISTRY OF LABOUR AND EMPLOYMENT

सत्यमेव जयते

Presented to Lok Sabha on: ………………..

Laid in Rajya Sabha on: ………………..

L O K S A B H A S E C R E T A R I A T
N E W D E L H I

December, 2018/ Agrahayana, 1940 (Saka)

CONTENTS

*Will be appended at the time of printing.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2018-19)

Shri Mallikarjun Kharge - Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Sudip Bandyopadhyay
4. Shri Prem Singh Chandumajra
5. Shri Gajanan Chandrakant Kirtikar
6. Shri Bhartruhari Mahtab
7. Smt. Riti Pathak
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Janardan Singh Sigriwal
10. Shri Abhishek Singh
11. Shri Gopal Shetty
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Chanabasappa Udasi
15. Dr. Ponnusamy Venugopal

RAJYA SABHA

16. Prof. M. V. Rajeev Gowda
17. Shri Bhubaneswar Kalita
18. Shri Shwait Malik
19. Shri Narayan Lal Panchariya
20. Shri Sukhendu Sekhar Roy
21. Shri C.M.Ramesh
22. Shri Bhupender Yadav

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T. JayaKumar - Director
3. Smt. Bharti S. Tuteja - Deputy Secretary
4. Smt. Malvika Mehta - Committee Officer

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2018-19), having been authorised by the Committee, do present this One Hundred and Fifteenth (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Sixty-Seventh Report (Sixteenth Lok Sabha) on **'Performance Audit of Employees State Insurance Corporation and Special Audit of Medical Education Projects of ESIC'** relating to the Ministry of Labour and Employment.

2. The Sixty-Seventh Report was presented to Lok Sabha/laid in Rajya Sabha on 30 March, 2017. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 3rd July, 2018. The Public Accounts Committee considered and adopted the One Hundred and Fifteenth report at their sitting held on 5th December, 2018. Minutes of the Sitting are given at Appendix-I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** in the body of the Report.

4. The Committee 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.

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the Sixty Seventh Report (Sixteenth Lok Sabha) is given at Appendix-II.

NEW DELHI;	**Mallikarjun Kharge**
12 December, 2018	**Chairperson**
21 Agrahayana, 1940 (Saka)	**Public Accounts Committee**

APPENDIX-II

(Vide Paragraph 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR SIXTY SEVENTH REPORT (SIXTEENTH LOK SABHA)

(i)	**Total number of Observations/Recommendations**	**24**
(ii)	**Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1 to 5, 7, 9 and 12 to 22.**	**Total : 18 Percentage: 75%**
(iii)	**Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. Nil.**	**Total : 00 Percentage: Nil %**
(iv) %	**Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para Nos. 8, 10, 11 and 23.**	**Total : 04 Percentage:16.66**
(v)	**Observations/Recommendations in respect of which the Government have furnished interim replies: Para Nos. 6 and 24.**	**Total : 02 Percentage:8.33 %**

*****

CHAPTER – I

REPORT

This Report of the Public Accounts Committee deals with action taken by the Government on the Observations/Recommendations of the Committee contained in their Sixty Seventh Report (Sixteenth Lok Sabha) on "Performance Audit of Employees State Insurance Corporation and Special Audit of Medical Education Projects of ESIC" based on 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.

2. The Sixty Seventh Report (Sixteenth Lok Sabha) was presented to the Parliament on 31.03.2017. It contained twenty four Observations/Recommendations. Action Taken Notes have been received from the Ministry of Labour and Employment in respect of all the Observations/Recommendations and are broadly categorised as follows:

(i) Observation/Recommendations which have been accepted by the Government
Recommendation Para Nos.1 to 5, 7, 9 and 12 to 22.

Total:18
Chapter II

(ii) Observation/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government
NIL

Total:Nil
Chapter III

(iii) Observation/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration
Recommendation Para Nos. 8,10,11 and 23

Total:04
Chapter IV

(iv) Observation/Recommendations in respect of which the Government have furnished interim replies
Recommendation Para Nos. 6 and 24.

Total:02
Chapter V

3. The detailed examination of the subject by the Committee had revealed 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 number of 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.

4. In the case of medical education projects, the Committee had observed incomprehensive feasibility study for selection of sites/locations conducted by the consultant, arbitrary award of different works to different architectural and engineering consultants, absence of due diligence to ascertain the number of colleges required to be opened, 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 were of the view that concrete action should have been taken by ESIC rather than stop gap arrangements to ensure that ESIC fulfilled 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.

6. The Action Taken Notes were furnished by the Ministry of Labour and Employment after a delay of more than eight months. The Committee deprecate the undue delay in submission of Action Taken Notes by the Ministry and desire that necessary instructions may be issued to ensure that replies to the Committee are henceforth, submitted in time.

7. The Action Taken Notes submitted by the Ministry on the Observations/Recommendations of the Committee contained in their Sixty Seventh Report (Sixteenth Lok Sabha) have been reproduced in the relevant Chapters of this Report in the succeeding paragraphs. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the original Report which either need reiteration or merit comments.

8. The Committee desire the Ministry of Labour & Employment (Ministry) to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I and final Action Taken Replies in respect of Observations/ Recommendations contained in Chapter V for which interim replies have been given by the Ministry within six months of the presentation of the Report to the House.

Expenditure vis-a-vis services being provided
(Recommendation at Para No. 6)

9. *The Committee had noted Audit's contention that on analysis of data of income and expenditure indicated, inter-alia, that 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 had also highlighted that the rates of contribution from employee and employers were higher than present level of services being provided. The Committee had observed that during 2008-09 to 2012-13, 'excess of income over expenditure' was even more than the contribution made by employees in each of these 5 years. The Committee had found that amid*

deteriorating health facilities, lack of hospitals, scarce beds and shortage of doctors and specialists, the organisation was flush with funds. The Committee had desired that much was needed 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 were 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 had desired 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.

10. The Ministry of Labour and Employment in the Action Taken Notes have submitted as under:

1. "ESIC has enhanced the ceiling on expenditure for medical services provided by States i.e. ESIS from Rs.2150 to Rs.3000/- per Insured Person (IP) per year from the year 2017-18 subject to submission of Project Implementation Plan (PIP). This has led to financial liberty to States for delivery of better medical services.
2. ESIC has granted in-principle approval for increasing Hospital Bed Strength of ESI Hospitals by 50%, if the Bed Occupancy of the concerned Hospital has been consistently more than 70% in last three financial years.
3. ESIC is running a super-speciality hospital at Sanathnagar, Hyderabad with super specialties such as Cardiology, Neurology, Neurosurgery, Pediatrics, Surgery, Nephrology, Urology, Dialysis etc. and also running Super-specialty Services at Kollam in Kerala for Cardiology and Nephrology.

   Further, Super-Speciality Services (SST) are also provided in-house on PPP mode.

4. Reform measures which have been taken in ESIC hospitals and dispensaries under ESIC 2.0, are as under:

- Using VIBGYOR colour pattern, day-wise, for bed sheets in all Hospitals of ESIC.
- Medical Helpline facility through which Insured Person can directly talk to Doctors in case of any emergency and seek guidance.
- Special OPDs in the afternoon from 3.00 PM to 5.00 PM for senior citizens and Differently-abled Patients.
- Cancer detection/treatment facilities at different level of hospitals.
- Cardiology treatment facilities at different level of hospitals.
- Provision of all possible pathological facilities in all hospitals premises by installation of required equipment either by upgradation or outsourcing.
- Dialysis facilities in all ESIC Model Hospitals on PPP Model.
- Queue Management System in every hospital for helping in registration and pharmacy. Through this online registration can also be done using mobile phones.
- Behavioral training to paramedical and other staff of the hospitals guiding them to provide due courtesy in dealing with the patients/attendants.

- Provision of facilities for reception and "May I Help You" in each hospital to guide the patients/attendants.
- Electronic Health records i.e. prescriptions and laboratory records to beneficiary through internet.
- Upgradation of dispensaries into 6 bedded & 30 bedded hospital, in a phased manner.
- Feedback system, for all indoor patients.
- Proper and attractive signages at the required places in all ESIC Hospitals for guidance and proper communication to the patients and beneficiaries.
- Facility of yoga in ESIC hospitals.
- Tele-medicine facilities for the beneficiaries in a phased manner.
- Extension of AYUSH facilities up to the dispensary level.
- Tracking each and every pregnant mother and newly born child in the families of IPs so that complete immunization as well as safe delivery is achieved.

5. Steps taken by ESI Corporation so as to facilitate / incentivize the delivery of medical services through various State Government run ESIS hospitals and dispensaries:

- With a view to improve the functioning of State Govt. run ESIS hospitals and dispensaries, ESIC has asked state ESI scheme to implement ESIC 2.0 reform measures and prescribed certain minimum facilities/ parameters to be maintained in ESIS health establishments viz.:

(i) Availability of doctors and para-medical staff as per sanctioned strength.
(ii) Minimum number of medicines available.
(iii) Pathological and X-ray services.
(iv) Monitoring of general cleanliness and up keep of dispensary/ hospital, bio-metric attendance and change of hospital bed sheets as per VIBGYOR mission.

- The State ESI scheme have been asked to adhere to above mentioned minimum standards/ prescribed norms and have been also communicated that if ESIS medical establishment is not fulfilling minimum level of provision of services, ESIC will take further steps which may include deducting proportionate share of fund being given by ESIC. It has also been communicated that this fund will be used directly by ESIC for providing the deficient and other services which are lacking in ESIS hospitals/ dispensaries, as mandated by ESIC 2.0.
- Regular monitoring and supervision of ESIS hospitals and dispensaries is also being undertaken by ESIC so as to enforce the minimum standards as per ESIC 2.0 mandate.

To further encourage the State Govt. for improving medical services in ESIS health establishments, ESI Corporation has also proposed creation of State Autonomous Body/ Society at State level for medical services wherein State Govt. are to receive 100% expenditure on the ESI scheme, up to the ceiling in perpetuity on adopting this model, against the current share of 87.5% expenditure.

Regarding fixing the rates of contribution from the employees on the basis of actuarial valuation it is submitted that the rate of contribution is payable @ 6.5% of wages as per Rule 51 of ESI Central Rules, 1950. This rate applicable since 26th August, 2004 is employers contribution @ 4.75% and the employees share @ 1.75%.

A new Rule 51B has been inserted w.e.f. 06.10.2016, whereby contribution @4% of wages is payable in respect of new areas where the ESI Scheme is implemented for the first time, for an initial period of 24 months, after which regular rate of contribution of 6.5% shall be payable. Out of the 4%, the employer share is 3% and employee share is 1% of wages.
Further, As per Section 73A to Section 73F, Medical scheme for other beneficiaries can be framed on payment of user charges in respect of underutilized ESI hospitals in consultation with Central Govt. under the above provision, Scheme for Autorickshaw Drivers and Domestic Workers on pilot basis were started on 01.04.2016 and 01.10.2016 respectively in cities of Delhi and Hyderabad on payment of user charges @ ` 250/- per month for Auto-rickshaw Drivers and @ ` 200/- per month for Domestic Workers. No scheme for other category of self employed workers has so far been launched. Construction workers working in construction agencies in implemented areas employing 10 or more persons are covered under the ESI Act and are entitled to all benefits as Insured Persons."

11. Audit, in their vetting comments have submitted the following:-

“No explanation has been furnished for the low expenditure on medical and cash benefits.”

12. The Ministry of Labour and Employment in the Action Taken Notes have further submitted as under:

“Expenditure on medical services under ESI Scheme is under the administrative decision of respective State Government running ESI Scheme. ESI Corporation reimburses the State Governments’ medical expenditure under ESI Scheme as per agreed ratio and ceiling.
Some of the reasons for low expenditure by the State Government are:
• Posting of inadequate manpower.
• Relative lack of up gradation of medical services.
• Lengthy procedures for procurement of various services / equipments.
Further, ESI Corporation has taken various measure for better fund utilization as under:

- No. of dispensaries being increased on the basis of proposals of State Governments.
- Introduction of modified Employers’ Utility Dispensaries (EUD) with helpdesk facility for which budget of ` 500 Crore for the year 2018-19 has been approved by Corporation in its 173rd meeting held on 16.02.2018.
- New ESI hospitals are being constructed to increase the outreach of ESI medical facilities.
- New Branch Office cum Dispensaries are being planned for which `100 Crore has been provided in Budget for 2018-19.
- To encourage various State Governments for improving medical services under ESIS system, State Government have been requested to form ESI Society at

State level so that fund may be allocated directly to State ESI Scheme without passing through State Treasury.

- ESI Corporation has also suggested a number of new initiatives to State ESI Schemes for improving / upgrading medical services.
- State Government has been asked to submit Project Implementation Plan (PIP) under specific heads of medical expenditure.

  • Ceiling on medical expenditure has also been enhanced from ` 2,150/- to ` 3,000/- .

In respect of low cash benefit expenditure, it is submitted that disbursement of cash benefits depends upon certification by doctor in respect of illness, employment injury. Since medical services particularly the dispensaries are inadequate consequently it may happen that IPs face difficulty in obtaining certificates for availing cash benefits.

To improve expenditure on cash benefits the following steps have been taken :

- Upgradation of medical services.
- The IPs who require absence from work on medical ground are only eligible for cash benefits. Since the cash benefits are directly linked with the medical services, adequate and effective medical services may gain trust of the Scheme into our stakeholders and consequently may improve the cash benefits expenditure.
- Setting up of Dispensary-cum-Branch office to cater the medical services in all the implemented districts.
- To increase the number of dispensaries / empanelled doctors in those areas where IP strength is high.
- To curb the lengthy procedures for disbursement of cash benefits.
- Linking of Aadhar will access the genuineness of the case for early disposal of cash payments.

Regarding, scheme for Autorickshaw Drivers & Domestic workers under the “Scheme for other beneficiaries” under Section 73A it is submitted that this scheme was initiated on Pilot basis in Delhi and Hyderabad for a period of one year w.e.f. 1.4.2016 & 1.10.2016 respectively. The User contribution proposed for the Scheme for Auto-rickshaw drivers in the pilot phase was `250/- per month, payable quarterly, after the registration. The per capita expenditure on medical care, excluding super speciality treatment, was about ` 3,150/- per IP for the year 2013-14. Accordingly, an amount of ` 250/- per month was proposed for pilot phase, subject to reassessment.

Both the pilot scheme were not able to elicit participation from intended beneficiaries. Both the schemes have since been ended & MOL&E has been informed.”

13. The Committee had noted the deteriorating health facilities, lack of hospitals, scarce beds and shortage of doctors and specialists, and desired that ESIC, due to no dearth of funds should have endeavoured to improve its efficiency and quality of services tremendously. The Committee acknowledge that ESIC has undertaken various reform measures in their hospitals and dispensaries

to facilitate the delivery of medical services to the Insured Persons (IPs). The Committee observe however, that for various reasons namely, posting of inadequate manpower, relative lack of upgradation of medical services, lengthy procedures for procurement of various services/equipment etc., State Governments are not spending adequately for the welfare of IPs. The Committee desire that ESIC may impress upon States, especially those that are spending less quantum of funds to expend requisitely for IPs. The Committee further desire to be apprised of the details of the proposed ESI Societies and the response of the State Governments thereon.

Further, ESIC in their reply have stated that the rates of contribution are fixed as per rule 51 of the ESI Act, but still the basis for fixing the rate of contribution has not been clarified. Reiterating its earlier observation that the main activity i.e. providing medical and cash benefits is not in proportion to collection of contributions, the Committee exhort the ESIC/Ministry to fix the rates of contribution on sound, logical and scientific principles. The Committee, therefore, stress upon their earlier recommendation that the option of actuarial valuation be explored for fixing the rate of contribution from the employers and employees.

<u>Need for effective Recovery of arrears</u>
(Recommendation at Para No. 8)

14. *The Committee had noted 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 had observed 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 had replied that the recovery of such amounts becomes difficult and also depends on factors beyond the control of ESIC. The Committee had noted 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 had desired that stringent penal action may be taken against defaulters. The Committee were 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 had desired that ESIC should take effective steps to ensure timely collection of contributions from the employers so as to minimize the arrears.

15. The Ministry of Labour and Employment in the Action Taken Notes have submitted as under:

" The recovery mechanism is already in place for Recovery of dues in the corporation. The recovery targets are given every year to regions to recover ESI dues and the same is closely monitored for every region. The performance of recovery for the past three years is as under :

Year	**Target (Rs. in crore)**	**Actual Recovery (Rs.in crore)**
2014-15	192.06	198
2015-16	218.98	205.8
2016-17	292.97	251.88

* All cases having dues above Rs.10 lakhs are closely monitored and reviewed.
* Where the amounts are not found recoverable despite all possible efforts, waiver actions are initiated.
* Re-conciliation of all pending dues is done to ascertain correct figure of recoverable dues.

However a big chunk of outstanding dues of recovery /non recoverable dues is as under :

i) Factories/ Establishment having gone into liquidation.
ii**)** Stay granted by Courts.
iii) Factories / Establishments registered with BIFR
iv) Factories / Establishments closed and whereabout of the Principal Employers not known."

16. Audit in their vetting comments on the matter have stated as under:-

"No reply furnished in respect of the Hon'ble Committee's suggestion that the SSOs invariably carry out the inspection of quarterly financial statements of the employers/organizations after two months of continuous default. Nothing has been said about the penal action being taken against the defaulters. Cases of dues above `10 lakh and number of cases where waiver actions are initiated and the figures of recoverable dues may be included in the final reply."

17. The Ministry have further replied as under:-

"It is submitted that no case of waiver action in respect of dues above ` 10 lakhs is under consideration at present."

18. The Committee had observed that around 70% of the total arrears outstanding i.e. ` *1754.14 crore* as on 31st March, 2014 were non-recoverable 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. They, therefore, desired stringent penal action against defaulters in contribution, Social Security Officers (SSOs) to carry out inspection of quarterly financial statements of employers after 2 months of continuous default to take suitable action and ESIC to ensure timely collection of contribution from employers to minimize arrears. The Committee note from the reply of the Ministry that there has been substantial recovery of arrears in the last few years and that a recovery mechanism is in place for recovery of dues in the Corporation. However, the Committee find that the ESIC have not been even able to achieve the yearly targets in respect of recoveries that were to be made in 2015-16 and 2016-17. The Committee desire that a detailed statement containing the Recoverable dues, the Targets, the Actual Recoveries, the Amounts Waived Off, the Amounts Pending in Courts etc. for each of the last five years be furnished within three months of Presentation of the Report to the Parliament. The Committee exhort the Ministry/ ESIC to take earnest efforts to recover the dues urgently in a time bound manner. The Committee are of the opinion that a robust and systematic contribution collection mechanism be evolved to restrict the arrears to the minimum and desire that punitive action may be taken against the officers who are unable to achieve their targets. The Committee are shocked to observe that the Ministry have not taken any action on their earlier recommendation that SSOs should carry out inspection of quarterly financial statements of employers after 2 months of continuous default to take suitable action to obviate any instance of default in contribution. The Committee, therefore, deprecate the incalcitrant attitude of the Ministry and desire that a detailed action paln on the above recommendation be submitted to them within three months.

<u>Need for urgent recovery of dues from Delhi Government</u>
(Recommendation at Para No. 10)

19. *The Committee had noted that after 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, a total of `785.10 crore was outstanding from Government of Delhi as on 31 March 2013. The Committee had observed that ESIC did not take up the matter with the Ministry to pursue with Delhi State Government for recovery of arrears. ESIC had replied that the matter was being constantly pursued with Delhi State Government. The Committee had noted that ESIC was regularly discussing the matter with the Ministry of Labour & Employment on the issue of pending dues from the Delhi Government and that ESIC could receive only an amount of `71.29 crores from Delhi Govt. since 1991. The pending dues from Delhi Govt. amounted to `1409.56 crores i.e. `145.18 crore (within ceiling) and 1264.38*

crore(outside ceiling). The Delhi Govt. had agreed in principle to pay 1/8th share and last such payment was made by them in March, 2011, however, Government of Delhi had categorically stated that they would not share the expenses incurred by ESIC outside the ceiling. While observing the lackadaisical attitude of the Ministry in recovering the regular payments/dues from the Delhi Government since 1990, the Committee had earnestly desired 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 had further desired that the Ministry may, as per Section 58(4) of ESI Act, 1948, take necessary action in this regard and the progress made may be apprised to the Committee.

20. The Ministry of Labour and Employment in the Action Taken Notes have submitted as under:

> "During the 207th meeting of the Standing committee held on 31.01.2017, the Chairman has desired a letter from Hon'ble Minister (L&E) may be written to the Hon'ble Minister of Home Affairs, Govt. of India and Lieutenant Governor of Delhi for seeking their intervention to resolve the issue of Recovery of dues from Delhi Govt.
> In this regard, ESI Corporation has taken up the issue with the Ministry of Labour & Employment and accordingly, the Hon'ble Minister (Labour & Employment) vide letter dated 11.07.2017 has requested the Lieutenant Governor of Delhi and Hon'ble Minister of Home Affairs for their kind intervention to expedite the payment dues pending toward the Government of Delhi, so that ESI Scheme in Delhi continue to run smoothly."

21. Audit have submitted their vetting comments on the matter as follows:-

> "Ministry has not indicated that it has initiated any action as per Section 58 (4) of ESI Act 1948. It has been intimated that Hon'ble LG (Delhi) and Minister of Home Affairs had been requested to intervene to get the payment dues pending with the Government of Delhi. The outcome may be included in the final reply."

22. The Ministry of Labour and Employment in the Action Taken Notes have further submitted as under:

> "Despite regular pursuance, Delhi Government is yet to release payment. In this regard, reminder letter is being written from Hon'ble Minister of Labour, Government of India to Chief Minister of Delhi to release the payment dues pending with the Government of Delhi.
> Subsequently, Delhi Government informed ESIC that "if Govt. of India want GNCT to make payment to ESIC, it must categorically say that GNCT is State Government of transferred subject".
> In this regard the Govt. of NCT, Delhi has been asked by ESIC to take up the aforesaid issue separately with Govt. of India and the arrears payable to ESIC may not be subjected to such condition."

23. The Committee had in their original recommendation *inter-alia* desired that the Ministry may take necessary action as per Section 58(4) of ESI Act, 1948 to resolve the deadlock with the Government of Delhi for recovery of pending dues. The Committee observe from the reply of the Ministry that the Minister (Labour and Employment) *vide* letter dated 11.07.2017 had requested the Lieutenant Governor of Delhi and Minister of Home Affairs, Government of India for their intervention to expedite the payment of dues pending with the Government of Delhi so that the ESI scheme in Delhi continues to run smoothly. The Committee opine that since a long time has elapsed without any outcome and on the basis of the reply of the Delhi Government in the matter, the Ministry may take action in accordance with section 58(4) of the ESI Act, 1948 whereby an arbitrator be appointed to resolve the issue. The Committee desire to be apprised of the progress made in this regard within two months of presentation of this report.

<u>Budget</u>
(Recommendation at Para No.11)

24. The Committee had observed that the Ministry approved the budget proposal as submitted by the ESIC without exercising any oversight role during all five years under review. The Committee had also noted that significant deviations were found, such as excess varying from 20% to 196 % and savings ranging from 20% to 69%. The Committee had desired to be apprised of the steps taken by the Ministry and ESIC to frame adequately balanced budget estimates.

The Committee had observed that Rule 31 of ESIC (Central) Rules, 1950 enjoined 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. The Committee had 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 had clarified that they had no objection for creation of separate reserve fund and the procedure for opening a new fund in the Public Account required 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 would process the same while taking concurrence of Budget Division and C&AG. The Committee had desired that Ministry/ ESIC take appropriate action in this regard under intimation to the Committee.

25. The Ministry of Labour and Employment in the Action Taken Notes have submitted as under:

"As desired by the Hon'ble Committee to be apprised regarding steps taken to frame adequately balanced budget, it is submitted that steps have been taken for balanced budget estimates by analyzing past years expenditure from current year 7 months expenditure, status of projects, increase in number of beneficiaries, recruitment plans etc.

As per Sec.26 (1) of the ESI Act,1948 " All contribution paid under this Act and all other moneys received on behalf of the Corporation shall be paid into a fund called the Employees' State Insurance Fund which shall be held and administered by the Corporation for the purposes of this Act". However, Rule 31 of the Employees' State Insurance (Central) Rules,1950 does not contain any provisions requiring Ministry of Finance to open separate fund under the relevant major head in Public Account as mentioned in Report.

Further, Annual Budgets Estimates are prepared as per Sec 32 of the ESI Act 1948 read with Rule 31 of the ESI (central) Rules, 1950 and submitted to Standing Committee headed by the Secretary of the Administrative Ministry for consideration and approval. After approval of Standing Committee, the Budget Estimated is placed before the ESI Corporation headed by Hon'ble Minister of Labour & Employment and member of Corporation comprising Hon'ble Members of Parliament, Representative of Employers and Employees, State Govts etc. and as passed by the Corporation, the same is submitted to Central Government to make such alterations as may be considered necessary before according approval. The budget estimates finally adopted by the Corporation and approved by the Central Government is placed before the Parliament by Administrative Ministry concerned and is published in the Official Gazette.

ESIC operates on the principle of pooling of risk and resources for which reserve funds have been created on the basis of actuarial valuation. The excess funds are evaluated & invested regularly and used as per the needs of the Insured Persons. The present system of fund management is well within the principles of ESI Act.

In ESIC, the entire budget is not released to field offices at once but is done on monthly basis and while releasing the fund, the expenditure pattern of units is also considered and if any unspent fund is left with field units, it is returned to Headquarters and same is transferred to Reserve Fund maintained by ESIC. Moreover, in case of any excess of expenditure over the sanctioned budget; re-appropriation is done as per Rule 33 of ESI (Central) Rules, 1950 and in the case of any savings, the same is transferred to General Reserve Fund.

In view of the above and the prevalent system, Budget preparation may be continued as per the ESI Act."

26. Audit in this regard have given the following vetting comments:-

"Ministry has not agreed to the recommendation of the Hon'ble Committee regarding creation of separate reserve fund under Public Accounts and has suggested that the prevalent system of Budget preparation as per ESI Act may be continued. The possibility of making changes in the ESIC Act to implement the recommendation of PAC may also be commented upon."

27. The Ministry of Labour and Employment in the Action Taken Notes have further submitted as under:

"During the recent Budget preparation for the year 2018-19 various steps have been taken to ensure that Budget Estimates are more realistic based on actual expenditure trend, present & future policy decisions of the Corporation and accordingly each and every items of revenue and expenditures is adequately rationalised and justified.

Further, issues related to finance, ESI Fund, Budget Estimates, Audit and other related issues are covered under Chapter III of ESI Act, 1948. Section 26 and 28 of ESI Act, 1948 specifically contains the provisions related to ESI Fund and purpose for which the Fund may be expended respectively.

In addition to above, ESIC has taken following futuristic actions:

a) MOL&E has conveyed that ESI Scheme should be extended to entire nation in all district by 2022 as per the decision of Cabinet Secretariat which is being monitored through e-samiksha. Under ESIC 2.0 as on 1.1.18, the scheme has been extended to a total of 503 Districts comprising of 325 complete District, 93 District HQs and in 85 Districts it is partially implemented in centers. Process for meeting the implementation targets of 2022 has been initiated.

b) No. of dispensaries being increased on the basis of proposals of State Governments.

c) Introduction of modified Employers' Utility Dispensaries (EUD) with helpdesk facility for which budget of ` 500 Crore for the year 2018-19 has been approved by Corporation in its 173rd meeting held on 16.02.2018.

d) New ESI hospitals are being constructed to increase the outreach of ESI medical facilities.

e) New Branch Office cum Dispensaries are being planned for which ` 100 Crore has been provided in Budget for 2018-19.

To implement the present and futuristic services to the Insured Persons (IPs) constant flow and availability of funds is required."

28. The Committee had found significant deviations in the budget proposal as submitted by the ESIC and the Ministry approved the same without exercising any oversight role during all five years under review. The excess expenditure were varying from 20% to 196% and savings ranging from 20% to 69%. The Committee had, therefore, recommended creation of an open separate fund under the relevant major head in Public Account.The Committee note that ESIC operates on the principle of pooling of risk and resources for which reserve funds have been created on the basis of actuarial valuation. The excess funds are evaluated & invested regularly and used as per the needs of the Insured Persons. However, the Committee find that despite there being a detailed procedure for budget scrutiny and fund management, instances of huge deviations were found during all the five years under review. The Committee while opining that such huge deviations on excess expenditure as well as savings continuously for five years project a poor picture of the whole budget estimation process exhort the Ministry to earnestly perform their oversight role so as to make the budget estimation a realistic one. The Committee desire that a mechanism be evolved whereby a scientific analysis of the budget estimates of the ESIC be invariably

carried out by the Ministry so as to ensure that the funds are neither lying idle nor excess expenditure is incurred on any project/ programme.

Review of Sanctioned Strength
(Recommendation at Para No.23)

29. *While observing vacancies in ESIC to the extent of 25.88% in Bihar to as high as 69.09% in Himachal Pradesh, the Committee had recommended 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.*

30. The Ministry of Labour and Employment in the Action Taken Notes have submitted as under:

> "ESI Corporation in its 161st meeting held on 28.01.2014 & 14.02.2014 authorized its Chairman to constitute the Standing Committee and other Sub-Committee.
>
> Chairman, ESI Corporation then has constituted the Sub-Committee on Organisational Restructuring of the ESI Corporation on 04.03.2014.
>
> ESI Corporation in its 167th meeting held on 18.12.2015 approved that the Sub-Committee on Organisational Restructuring of ESIC may be entrusted to review the sanctioned strength of ESIC at Hqrs. Office as well as field officers and to submit their recommendations which may be placed in the next meeting of the Corporation.
>
> To provide inputs and assist the said Sub-Committee, an internal committee was constituted by the Director General.
>
> Again, an agenda item "ORGANISATIONAL RESTRUCTURING: VISION & ROADMAP 2021" was placed before the 171th meeting of the ESI Corporation held on 18.02.2017. In the said meeting of the Corporation, it was decided to get detailed proposal prepared.
>
> The internal committee is yet to submit its final report to the Corporation Sub-Committee."

31. Audit have stated the following in their vetting comments:-

> "The final report of the internal committee regarding organizational re-structuring along with action taken thereon may be included in the final reply."

32. The Ministry of Labour and Employment in the Action Taken Notes have further submitted as under:

> "In this connection, it is to inform that the Ministry of Labour & Employment has conveyed the decision of the Cabinet Secretariat wherein it is desired to extend the coverage of ESIC to the entire nation. Accordingly, an agenda item "ESIC VISION 2022" was placed in 173rd meeting of ESI Corporation held on 16th February, 2018. At present fine tuning of 'Vision 2022' has been assigned to a

sub committee of the Corporation. To achieve the objective to notify all districts under ESIC in a gradual manner various strategic plan has been initiated with regard to Medical benefits, Cash benefits, Ease of doing business & Modernize IT services of ESIC to improve efficiency and reduce administrative costs by way of restructuring of administrative and medical staff.

It is also decided in the aforesaid meeting that atleast one Branch Office Cum Dispensary may also set up in each of the covered districts."

33. On account of vacancies in ESIC ranging from around 26 % to about 70% in various States, the Committee had recommended review of the existing sanctioned strength and measures taken to fill up vacant posts in the organisation for optimum coverage and implementation of ESIS. The Committee express their displeasure at the callous way in which the Ministry have replied to the recommendation of the Committee. As per their reply, in three separate meetings held over a period of four years, the ESIC approved a sub-committee which would be entrusted to review the sanctioned strength of ESIC, decided to get a detailed proposal prepared and again assigned to a sub- committee to fine tune the ESIC Vision 2022, respectively. The Committee are dismayed to note that instead of providing manpower urgently, the Ministry/ ESIC have deferred recruitment process till 2022. The Committee are of the strong view that this being an essential service, the Ministry need not wait till 2022. Further, the Committee fail to understand how ESIC expect to achieve their vision of implementation of full coverage of ESIS in all the districts of India without adequate staff. The Committee opine that ESIC which is functioning on the contributions of the IPs cannot deny medical facilities to the same IPs on the pretext of shortage of staff and exhort the Ministry to address the issue immediately. The Committee desire to be apprised of the concrete steps taken by the Ministry to provide staff in ESIC hospitals within one month of the presentation of this report to the House.

<u>Medical Education Projects</u>
(Recommendation at Para No.24)

34. While commenting on Medical education projects, the Committee had observed that though the 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. The Committee were of the view that Ministry/ ESIC should have thought of improving themselves instead of running away even before the first batch of MBBS students passed out, after spending more than ` 10000 crores of the IPs' money. The Committee were 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 were 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 had desired that, henceforth, Ministry/ESIC should exercise due diligence while awarding contracts and issue SOPs/ guidelines for carrying out all the construction works including tendering/ awarding contracts. The Committee had noted that the selection of sites by ESIC for construction of Medical Education Projects was arbitrary and not based on norms and 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. The Committee had also recommended the Ministry to examine the lapses on part of ESIC in medical project implementation and had desired that liquidated damages may be imposed on the contractors who caused delays in completion of works and responsibility may be fixed on concerned officials. The Committee had been informed that a Committee under Additional Secretary had been constituted to look into lapses for not providing documents to Audit. The Committee had desired to be apprised of the action taken in this regard within two months. The Committee had observed that Audit found that Medical Education Projects by ESIC were marred by delays and cost overrun.*

35. The Ministry of Labour and Employment in their action taken reply stated as under:

" Prima-facie, provision of MBBS seats in ESIC Medical Collages for 'Wards of Insured Person (IPs)' was not the stated objective of setting up of medical colleges by ESIC under Section 59B of the ESI Act, 1948. It was a benefit which accrued later.

The decision to opt out of medical education was coupled with transfer of medical college projects under construction but not yet started, to willing State Governments for running these colleges. The record of discussions at the presentation made by the Secretary, L&E to the Prime Minister on 7th July, 2014 suggested that, “Since ESIC did not have the core competency to run medical colleges they may be handed over to relevant agencies with capability and mandate to run medical colleges” .

a. ESIC is continuing to run all medical colleges which have been started after receipts of 'Letter of Permission' by the ESIC from the Central Government.

b. In case of erstwhile medical college projects of ESIC transferred to State Governments, the ownership of land and buildings constructed thereon vests with ESIC as per MoU executed for such transfer.

c. <u>Interests of children of IPs are being taken care of by ESIC</u> by ensuring provision of MBBS seats for 'Wards of IPs' in these colleges and erstwhile ESIC medical colleges, now being run by State Governments. The Memorandum of Understanding (MoU) executed for medical colleges projects transferred to the State Governments provided for the same.

d. Medical Council of India (MCI) norms does not per-se mandate super-specialty departments in medical college hospitals. Setting up and development of such departments in a medical college/ other hospital is guided by the objectives of the organization running these colleges and associated hospital. ESIC hospitals are gradually having in-house super-specialty services on own/Public private partnership (PPP) mode.

All the medical college projects (11) have been completed except Bihta, Patna, which is also expected to be completed by March, 2018. MBBS Courses have already been running from as many as 8 colleges and from 1 college situated at Mandi (H.P), the classes are to be started from this year. Another college at Alwar (Rajasthan) is ready in all respects and classes may start from next year.

The final claim of the construction agencies along with extension of time in r/o all these medical education projects are yet to be settled by ESIC. In the Contract Agreements between ESIC and respective construction agencies (Govt. PSUs), there exists a provision for levying liquidated damages for delay, which will be evaluated meticulously based on hindrances for individual project. If delay in completion of these projects is not justified, liquidated damages would be levied to them.

In other projects, liquidated damages are being imposed by ESIC if delay is not found justified based on analysis of hindrances. In 2 dispensary projects at Faridabad and Murthal in the State of Haryana as much as 10% of the cost of the project (maximum limit) was recovered as liquidated damages from M/s NBCC. In another project of renovation of Regional Office at Lower Parel, Mumbai, levying of liquidated damages is being contemplated. As such, liquidated damages/ penalty would be imposed to construction agencies in terms of the Contract Agreement in case of proven delay.

i) Under Section 28(4) of the ESI Act , Corporation has full powers to start Medical Education Projects. Section 59 was amended to only further amplify and focus the same. The Employees' State Insurance (Amendment) Act,2010 was passed by the Parliament, which is in force w.e.f. 01.06.2010. There is further provision / amendment of Section 19 “Validation”which is reproduced hereunder:-

“19. Validation

All things done, or ,omitted to be done , and all action or measures taken or not taken during the period beginning on or after the 3rd day of July, 2008 and ending immediately before the date of commencement of the Employees' State Insurance (Amendment) Act, 2010, be deemed to have been done, or taken, or not taken, under the provision of this Act, as amended by the Employees' State Insurance (Amendment) Act, 2010 as if such provisions were in force at the time such things were done or omitted to be done and actions or measures taken or not taken during the said period”.

In view of the above, the action taken or initiated by the Corporation has been already validated by the Parliament.

(ii) The work of ME projects was taken up within the existing ESIC/ESI hospitals, inter-alia, on the feasibility (report) submitted by the Consultant appointed for the purpose. The ESI Corporation at its 145th meeting (05.12.08) approved 11 (eleven) medical college locations at existing ESIC/ ESI hospitals surveyed by the consultant. However, ESIC at its 147th meeting (25.08.09) independently approved seven (07) locations at (I) Patna (Bihar); (ii) Alwar (Rajasthan) (iii) Faridabad (Haryana); (iv) Mandi (HP); (v) Pantnagar (Uttarakhand); (vi) Bhubaneswar (Orissa) and (vii) Gulbarga (Karnataka). These sites were allotted by State Governments for 'Green-field' ESIC medical college projects largely at subsidized rates / token value / free of cost. The ESIC appeared not to have looked into the criteria of IPs at these locations and solely depended on land parcel availability.

The ESIC has decided, inter-alia, at its 165th meeting held on 07.04.2015 that it will not set up any new Medical College or any other Medical Education Institution in future .

Further, ESIC has, inter-alia, decided to transfer infrastructure at locations where medical colleges had not been commissioned, including at locations with low IP numbers, to willing State Governments for establishment of these colleges by the State Government.

Of the seven locations above, ESIC has already established medical colleges at Faridabad, Haryana (2015-16); and Gulbarga, Karnataka (2013-14). The medical college project at Mandi (HP) is under transfer to the State Government, in phases. The projects at Patna (Bihar) & Alwar, Rajasthan have received conditional acceptance/ consent of the respective State Governments for transfer of the said proposed colleges. The same is under examination pending vacation of stay granted by the Hon'ble High Court of Delhi in WP11837/2015,i.e. maintain status-quo regarding medical colleges established by the Corporation under Section 59-B of the ESI Act'. A separate application for vacation of the stay order in r/o proposed ESIC colleges has been filed by ESIC.

ESIC would take up further with the State Government regarding transfer of the infrastructure of the proposed college and its establishment by the State Governments depending upon the orders of the Hon'ble High Court.

(iii) (a) The works of Architectural & Engineering Consultancy were awarded on nomination basis only to those A&E firms, which were empanelled in ESIC. As regards the criteria for allocation of work, the excerpts of noting dated 23.02.2010 made by the then Chief Engineer, ESIC, reveals:-

i) To provide workable, efficient, cost effective and aesthetical design solution in stipulated time.

ii) To make design presentation before the competent authority and user department such as Financial Commissioner, Medical Commissioner, Dy. Medical Commissioner, Chief Engineer, RC and other ESIC officials.

iii) To get the completion certificate from the Municipal Authority to get al the statutory clearances, for the project within time frame.

iv) To submit BOQ/ Estimates to Hqrs.' for vetting / sanction.

v) To issue goods for construction and detailed drawings at site for execution as per construction on schedule.

vi) To supervise the construction.

Based on the assessment of performance of the consultants on the above parameters, competent authority i.e Director General, ESIC awarded the work/ projects to empanelled Consultants.

The performance of the consultant firms has been evaluated on the project basis such as time taken for 1st submission / presentation of project before the competent authority, submission of drawings for statutory bodies, approval getting clearances from various agencies such as Environmental clearance and clearances from Central Water Pollution Board, Civil Aviation Authorities (wherever applicable) etc, submission of BOQ & Tender documents in time for construction drawing to the construction agency.

Further, all the projects have been awarded as per the direction/ decision of the Competent Authority i.e Director General. The decision was taken at the highest level, well within their power.

b) Six projects which have been pointed out were initial projects in which fees payable to A&E Consultant has not been capped. However, on realizing the deficiency in the Contract Agreement, the same was immediately modified and required clause incorporated in subsequent Agreements and implemented. Prior to adoption of Turnkey system of executing project, ESIC was getting executed work on Deposit Work basis and hence, there was no in-house experience in formulating such contracts. To ensure that such issues do not recur, Standing Committee of ESI Corporation has approved the Standard Contract Agreement in November, 2012 and all subsequent agreements were executed as per the Standardized document.

It is also added that ESI Corporation in its 166th Meeting held on dated 07.08.2015 decided that the construction work (including A&E work) may be executed by the ESIC through executing /existing agencies /Central/ State PSUs after by following the due process. At present, the work is awarded to these agencies after financial bidding the total Centage charges towards construction works and A&E services have come down considerably. Memorandum of Understanding (MoU) is being signed with the executing Agency for each project.

iv) A comprehensive report regarding a well considered time frame and action plan for filling up the vacant posts of medical /paramedical staff was apparently not prepared by ESIC.

v) Since its inception in 1952 till 2007, the ESIC has adopted "deposit work basis" concept for construction of hospitals, dispensaries and office buildings. However, later on above arrangement was not found satisfactory and there were serious and persistent complaints from State Governments. Corporation Members and Trade Unions about poor quality of planning, design and workmanship in capital construction works and extremely poor maintenance of ESIC properties.

To streamline construction of capital and other works a report was put up for the information of the Standing Committee in its 179th meeting held in June, 2008, vide Reporting Item No. VIII. In accordance with said streamlining measures, ESIC switched-over to turnkey system of management of projects. Under the said system, Construction Agencies (Central/ State PSUs) which were engaged/ empanelled by ESIC were awarded work on nomination basis. Rule 126(2) of GFR, 2005 amended in August, 2010 provides for assigning original works of any value to any public works organization (PWOs) such as CPWD, State PWD, other Central Government Organization authorized to carry out civil or electrical works such as MES, BRO etc. public sector undertakings set up by the Central or State Government to carry out civil or electrical works or any other Central/State Government Organization / PSU which may be notified by the Ministry of Urban Development after evaluating their financial strength and technical competence.

ESIC got executed its construction projects through Agencies such as NBCC,UPRNNL,HSCL, UPPCL, HPL, EPI, TCIL which are public sector undertaking set up by the Central/ State Government. These agencies are required to either get the work executed departmentally or tender the work. Savings occurred after tendering was not passed on by these agencies to ESIC as the Contract Agreement didn't contain clause to this effect.

It is also added that ESI Corporation in its 166th Meeting held on 07.08.2015 decided that the construction work may be got executed through the executing /

existing agencies/ Central/State PSUs of ESIC by following the due process. At present, the work is awarded to these agencies after financial bidding for service charges (as per Rule 126(3) of GFR 2005.Due to financial bidding the total Centage charges towards construction works have been reduced. Now the benefit of competitive rates is being availed by ESIC. Memorandum of Understanding (MoU) is being signed with the executing Agency for each project.
vi) Initial construction cost of Medical Education Project was Rs.8611.94 crore. Most of the projects are on the verge of completion. For some of the projects such as Dental Colleges at Nacharam and Kanpur, the scope has been revised as new standalone Dental Colleges are not being permitted by Dental Council of India. In case of Basaidarapur project also, scope has been revised to the extent of excluding Medical College and including Central of Excellence which has resulted into substantial cost optimization. Efforts have been made to optimize the cost of the Medical Education projects further and the expected construction cost as on 31.03.2017 would be to the tune of Rs.10,020.37 crore (approx.). Further efforts are being made to optimize the cost by rationalizing and normalizing the scope without compromising with the functional requirements. Increase in cost of projects from Rs.8611.94 crore to Rs.10,020.37 crore (as on 31.03.2017) has resulted due to various reasons which differs from project to project.
However, some of the common reasons for delays which resulted in cost escalation are summarized as under:-
i) Most of the projects are brown field projects where the renovation /up-gradation / extension were to be carried out in existing hospitals without interrupting the running facilities.
ii) Building Plan approvals of brown field projects, from local municipal authorities / statutory bodies took lot of time.
iii) Non availability of work front / Non-applicability of encumbrance free land.
iv) Changes in existing fire norms.
v) Revision in parking area norms.
vi) Restriction imposed for working hours in specific areas for blasting operations for excavation to carry out foundation work in rocky strata.
vii) Shifting of over-ground / underground existing public utilities viz. HT Lines. Water Mains, Sewerage Mains, Telephone lines etc.
Beside above, addition of medical equipment & medical furniture and other items which were not included in the original estimate but were essential for project has led to increase in cost of projects.
To ensure that such issues do not recur, ESIC has taken following corrective measure:-
. Preparation of authentic detailed estimate, so as to avoid multiple variations in future.
. Necessary statutory approvals and encumbrance free land to be ensure before the work is taken up on the ground, so as to avoid the time lag and cost overruns before actual start of the work.
. Finalization of detailed project schedule in terms of Milestone Chart before start of work, so as to keep proper control over the period of completion of the project.
a. Audit was given access to all documents which were requested for, formally or informally, and which were available and within knowledge of the ESIC. There exists a distinct possibility that documents deemed not to have been provided

were either not asked for by Audit or if available, their location was not in the knowledge of the ESIC.

The scope of Medical College at Basaidarapur has been changed and now a Centre of Excellence is being constructed instead. The expected construction cost of the project with new scope after exclusion of Medical College and inclusion of Centre of Excellence is about Rs.823.60 crore as estimated on 31.03.2017. All actions had due approval of Competent Authority. ESIC has handled all work of medical education 'in-house' and not used services of consultant for medical education purposes after September 2013 .."

36. Audit in their vetting comments have furnished the following:-

"PAC may be apprised whether Ministry has undertaken any exercise to examine the lapses on the part of ESIC. Further status of all the project may be included in the final reply to PAC."

37. The Ministry of Labour and Employment have further submitted the following:-

"Regarding lapses in implementing the Medical Education Projects on the part of ESIC Officers, if any, it is submitted that this issue is being examined by CVC separately and the outcome of same will be intimated in due course."

38. The Committee were of the view that 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 note from the reply of the Ministry that Secretary, Ministry of Labour & Employment had submitted to the Prime Minister that since ESIC did not have the core competency to run medical colleges they may be handed over to relevant agencies with capability and mandate to run medical colleges. The Committee find that under Pradhan Mantri Swasthya Suraksha Yojana, Ministry of Health & Family Welfare has been mandated to set up new AIIMS in various parts of the country alongwith upgradation of the existing Government Medical Colleges and accordingly, it is in the process of acquiring land, building new hospitals and upgrading Government medical colleges, all over the country. The Committee, therefore, recommend that to efficiently utilise infrastructure already created by the ESIC and to ensure uniformity in standards of medical education across all Government run medical colleges, Ministry of Health and Family Welfare may be approached to take over ESIC colleges/ medical education projects and develop them like AIIMS since it has both the capability and mandate to run them.

Further, the Committee find that the Ministry has not furnished the report of the committee constituted under Additional Secretary to look into lapses for not providing documents to Audit and desire that the same may be provided at the earliest.

The Committee are shocked to note the lack of manpower planning resulting in vacant posts of medical/ paramedical staff in ESIC hospitals and colleges. The Committee while opining that lack of planning at every stage and hasty decision

making led to such a situation desire that henceforth big projects should only be undertaken after analyzing every related aspect and in active coordination with the Ministry. The Committee desire that adequate planning may be done beforehand in respect of Centre of Excellence being set up at Basaidarapur by the ESIC to avoid recurrence of similar issues.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

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 .

[Para 1, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Statement of facts / matter of record.

Observation/Recommendation

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.

[Para 2, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Compliance of the observations have been duly made and corrective actions initiated / taken. Para wise comments on compliances and action taken have been elaborated in replies to Para No.6 to 24 of the PAC Report.

Observation/Recommendation

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.

[Para 3, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Statement of facts / matter of record.

Observation/Recommendation

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.

[Para 4, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Compliance of the observations have been duly made and corrective actions initiated / taken. Para wise comments on compliances and action taken have been elaborated in replies to Para No.6 to 24 of the PAC Report.

Observation/Recommendation

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.

[Para 5, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Efforts made by the ESIC and action initiated / taken to comply with the observations made by the PAC have been enumerated in replies to Para No.6 to 24 of the PAC Report.

Observation/Recommendation

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.

[Para 7, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

The Committee has desired to cover all the districts under the Scheme in next five years. In this regard it is submitted that the in second generation reform i.e. ESIC 2.0 it was decided to extend ESI Scheme to the whole of 393 districts where the scheme is presently partially implemented in Centers. It has also been decided to extend the scheme to District Headquarters in remaining non implemented districts initially and eventually extend the ESI Scheme to the entire country. As on 01.07.2017, the ESI Scheme has been extended fully in 325 districts. Apart from these 325 districts, the scheme is available in 89 district Headquarters and in Centers in 84 districts.

It was also decided to extend the scheme to all states and UTs. The scheme has been extended to all states and UTs except Manipur, Arunachal Pradesh and Lakshadweep Islands. Implementation in Manipur is advanced stage.

ESI Act, 1948 applies to factories/ establishment with 10 or more person employed and as such it does not apply to the Unorganized sector. However, under Section 73 of the ESI Act, medical scheme can be framed for other beneficiaries on user charges basis in order to utilize the facilities of underutilized ESI hospitals. Under this provision, scheme has been approved to provide medical facilities to selected category of self employed workers and their family members on pilot basis namely Auto rickshaw drivers and Domestic Workers on payment of user charges of Rs.250/- pm and Rs.200/- pm respectively. At present, the scheme for Auto rickhaw drivers is running on pilot basis at Delhi w.e.f. 01.10.2016.

The ESI Act (as per Section 2 (12) does not apply to a Mine, which is subject to the Mines Act,1952. The State Govt. is the appropriate Govt. as per Section 1(5) of the ESI Act and they can decide to reduce the threshold below 10 in their respective states however the same has not yet been done so far by any of the states.

As desired by the committee to be apprised of the monitoring mechanism is place through Budget and Account Sub Committee (BASC) and Investment committee it is to submit that these committees are constituted to monitor the Budget Estimates, Income and Expenditure, Internal Audit, Investment of surplus funds and scrutiny of Annual Account.

The Budget and Account Sub Committee is headed by Director General, ESIC and members comprising the Financial Commissioner, Representative from State Govt., Employers & Employees and Additional Secretary, Ministry of Labour & Employment, GoI.

Periodical meetings of BASC are conducted and Annual Budgets Estimates, Income & Expenditure, Audit Reports and Annual Accounts etc. are scrutinized in the meeting. After scrutiny recommendations are submitted to the Standing Committee (SC) which is headed by Secretary, Labour & Employment, Govt. of India. Recommendations of BASC are implemented and action taken report is submitted to the committee in subsequent meetings.

The Investment Committee is headed by Director General and members are Financial Commissioner, and two senior members from finance department of ESIC. The Investment Committee invests surplus fund as per approved Investment Policy of ESIC. Each and every investment is reported to Standing Committee and investments are approved.

Thus through monitoring by these Committees it is ensured 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.

Audit's vetting comments on Ministry's ATN

(a) It may be specified whether any timeframe has been fixed for pan-India coverage of all districts.

(b) How the Committees (i.e. Budget and Accounts Sub Committee and Investment Committee) are submitting its findings? In this regard, reports submitted by the committees and actions taken thereon may be provided.

Ministry's comments on Audit's observations

a) MOL&E has conveyed that ESI Scheme should be extended to entire nation in all district by 2022 as per the decision of Cabinet Secretariat which is being monitored through e-samiksha. Under ESIC 2.0 as on 1.1.18, the scheme has been extended to a total of 503 Districts comprising of 325 complete Districts, 93 District HQs and in 85 Districts it is partially implemented in centers. Process for meeting the implementation targets of 2022 has been initiated.

(b) Regarding Budget and Accounts Sub Committee which has been constituted under Employees' State Insurance (General) Regulations, 1956, it is submitted that this Committee critically examine and scrutinize budget in details and after detailed examination the Committee give appropriate directions for taking further necessary actions and also recommends annual budget with its comments to Standing Committee / Corporation for approval and adoption. Copy of Agenda and Minutes of Budget and Accounts Sub Committee held on 30th January, 2017 is enclosed at Annexure-2 for kind reference please.

Further, ESIC has adopted its new Investment Policy according to which besides investment of funds in FDRs of Scheduled Commercial Banks the ESIC funds will be deployed in AAA rated Government / PSUs Bonds through professional Portfolio Managers under monitoring of financial experts hired as Consultant for investment. These Investment activities will be further periodically reviewed and monitored by new Investment Committee. Order effecting constitution of new Investment Committee is enclosed at Annexure-3 for kind reference please.

Besides above, in order to strengthen the monitoring mechanism the following further steps have been planned:

a) Outsourcing of Internal Audit to Chartered Accountants firms empanelled with C&AG of India.

b) Enhancing terms of reference of Budget and Accounts Sub Committee by authorizing to review and examine audit related issues and making recommendation thereon to Standing Committee of ESI Corporation.

c) More transparency through online processing of SST referrals under UTI module.

d) Scrutiny and processing of SST bills through UTI module.

e) Creation of new Vigilance Unit in each ESIC Hospitals

Observation/Recommendation

Loss of Revenue due to time barring: The Committee understand that Section 45A 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 year a for determination of contribution. 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 case could not be decided within the prescribed time limit; resulting in recoveries of Rs.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 instruction 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 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 time limits makes it imperative for ESIC to ensure determination of contributions by the employers within that time frame 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 appraised of the present status and whether the arrear of Rs. 48.31 crore had been recovered and if not, responsibility for the loss to the exchequer has been fixed, for dlay 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 organization 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 assessment 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 of 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.

[Para 9, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

A high level committee of IC (PMD), Director (Fin.) and Joint Director (Legal) was constituted to investigate the time barred cases due to proviso to Section 45-A (1) vide Amendment Act 2010 effective from 1st June,2010. In view of this new proviso, the time limit of five years is strictly to be followed in determining the contribution. Therefore some old pending cases became time barred. Committee has submitted its part report for R.O Karnataka, R.O. Puducherry, S.R.O. Ernakulam and S.R.O Kozhikode (Kerala). Summary of Inspection / Investigation report in respect of R.O. Karnataka, R.O. Puducherry, S.R.O. Ernakulam and S.R.O. Kozhikode (Kerala) are enclosed herewith as Annexure -7 time-barred cases is being forwarded to the Vigilance Branch however the committee could not complete the task of investigation due to large no of cases in respect of R.O. Chennai and S.R.O. Salem (Tamil Nadu) (1096 cases). As such in the remaining cases of Chennai and Salem Regional Directors have been advised to constitute team in consultation with the Zonal Vigilance to initiate action against officers responsible for rendering the cases time barred.

In the Insurance Module there is a provision of identifying defaulters who have not paid contribution by the due date against whom recovery action can be taken. Further the work of incorporating and alert System to deduct these units for whom the time limit of 5 years is elapsing has been taken up with IT Service Provider.

Audit's vetting comments on Ministry's ATN

Nothing has been mentioned regarding:

(i) recovery of arrears Rs. 48.31 crore,

(ii) issuing instructions to the Regional Offices to conduct inspection at least once a year,

(iii) fixing accountability of officials for laxity in assessment of pending cases. Number of officials against whom action was taken for violation of instructions may be indicated. The Ministry may also comment upon its inability to detect the defaulting employers in spite of availability of Panchdeep Project and a Unified Web Portal. PAC may be apprised of these in the final reply.

Ministry's comments on Audit's observations

i) A high level committee was constituted by the Director General, consisting of senior Officers.

The Committee examined 1096 cases involving ` 39.48 Crores in respect of Chennai Region. In 1077 cases, the Committee found no lapses, one case has been challenged in the Court, in 16 cases notices were not served or the employer died etc., 2 cases become time barred due to failure on the part of officials.

In respect of Salem Region, the committee examined 410 cases involving ` 4.54 Crores and found no lapses in any case. The matter has been referred to Vigilance Branch for disciplinary action.

(ii) The Ministry of Labour & Employment, Government of India, has developed a Unified Web Portal 'Shram Suvidha' catering to four major organizations under its aegis including ESIC. This system is governing the inspection policy. Transparent Labour Inspection Scheme via computerized system as per risk-based criteria and uploading of Inspection Reports within 72hours by Labour Inspectors. Unique Labour Identification Number (LIN) allotted to units facilitating online registration. Filling of self-certified, simplified single online return by Industry. Units will only file a single consolidated online return, instead of separate returns. Amendment to Rule 10 has already taken.

(iii) Action for fixing accountability of officials for laxity in assessment of pending cases is under process. Matter has been referred to Vigilance Division for taking further action. Further, the defaulting employers, who fail to file monthly contribution details and / or fail to pay the contribution for a particular month are identified through the Action on Defaulter Module every month. Appropriate action can be taken against them through the system generated demand letters / demand notices by the Regional Offices and Sub-Regional Offices.

Observation/Recommendation

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.

[Para 12, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

As desired by the Hon'ble Committee, a committee was constituted to formulate and recommend a payment policy whereby the State Governments which have been providing the audit certificates on the right schedules should be incentivized and allowed to take 90% on the payment in advance and a limit be set for those States which have not furnished audit certificates consistently in the previous years. The report of the committee is enclosed at Annexure-8.

As per the report of the committee this fund release system has been changed from financial 2016-17 and according to new system fund for 1st and 2nd quarters are released on the basis of average of actual expenditure of 2nd and 3rd and 3rd and 4th quarters of corresponding previous year respectively. Thus, release of fund to state Govt. has been linked to actual expenditure pattern of State. The State Governments are also being perused for providing AG's certificate at the earliest for release of balance 10 percent.

Audit's vetting comments on Ministry's ATN

"The Ministry may also comment upon the recommendation of the Hon'ble Committee – Ministry/ESIC should think of withholding upto 50 percent of the total payments until audited UCs are submitted."

Ministry's comments on Audit's observations

Payment to State Govt is released on account of Corporation's share towards medical expenditure under section 58 of ESI Act. ESIC releases fund to State Govt. in four quarterly statement based on allocated annual budget, which is prepared on the basis of insured persons in the states. During the period under reference, funds were released for 1st and 2nd quarters based on budget estimate only whereas comparison of actual expenditure were done for release of 3rd and 4th quarters. Excess release of funds, if any, to the State Govt used to be adjusted from the balance 10 percent payment after getting the audit certificate from State Govt.

This fund release system has been changed from the year 2016-17 and according to the new system fund for 1st and 2nd quarters are released on the basis of average of actual expenditure of 2nd & 3rd and 3rd & 4th quarters of corresponding previous year respectively. Thus, release of fund to State Govt has been linked to actual expenditure pattern of State. State Govts are also being perused for providing AG's certificate at the earliest for release of balance 10 percent.

Thus necessary steps have been taken to rationalize fund release to State Govts.

Observation/Recommendation

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.

[Para 13, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

The matter regarding 'Availing medical facilities by ESIC employees without Contribution has been entrusted to the ' General Purposes Medical Care Sub-Committee' of ESI Corporation and the same is under consideration of the Committee.

Audit's vetting comments on Ministry's ATN

"Ministry has not specifically stated how much time the latter will take to arrive at conclusion. The same may be indicated in the final reply to the PAC."

Ministry's comments on Audit's observations

The Standing Committee ESIC has decided to effect Recovery of contribution at CGHS rate from 01.06.2009 to 31.03.2016 from the employees who were availing Medical facilities from ESIC Medical Institutions.

Observation/Recommendation

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 160th 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.

[Para 14, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

As already stated in reply to Para 7, ESI Scheme is being expanded to all states and districts with the objective of making it uniformly available across the country. However the prerequisite for the same is the availability of medical arrangement. In the non implemented districts, initially the district headquarters' area is being notified and subsequently the other areas shall be considered.

The ESI Corporation has enhanced the wage ceiling for coverage under the ESI Scheme to 21,000 per month with effect from 01.01.2017. To extend coverage to left out employers and employees, a scheme to promote registration of employers and employees (SPREE) was in operation from 20.12.2016 to 30.06.2017, which alongwith other initiative resulted in registration of about 0.81 lakh new employers and 1.20 crore new employees under the scheme during the above period.

In newly implemented areas, the medical arrangement is being provided through as under:-

- Tagging up of IPs with the existing State health system i.e PHC, CHC/ District Hospitals etc.
- Through Insured Medical Practitioner (IMPs) and tie up with private hospitals / nursing homes for secondary care.
- Mobile vans Services where IPs numbers are very less.

The provision of 96A is also available for the reimbursement of medical expenses incurred by the IPs/ beneficiaries.

Audit’s vetting comments on Ministry’s ATN

"The Ministry may comment upon the recommendation of the Hon’ble Committee 'ESIC should strive to create necessary infrastructure within a given time frame for inclusion of and providing health services to a large number of workers'."

Ministry’s comments on Audit’s observations

ESI Corporation is taking up multi-pronged action for providing health services to a large number of workers, as under:

a) Setting up of additional ESI dispensaries and hospitals in newly implemented and existing areas.

b) IMP Scheme has been made more attractive so that strengthened primary care may be provided to a large number of workers.

c) Tie-up arrangements for secondary and tertiary care services are being strengthened in both newly and existing areas.

d) Introduction of modified Employers’ Utility Dispensaries (EUD) with helpdesk facility for which budget of ` 500 Crore for the year 2018-19 has been approved by Corporation in its 173rd meeting held on 16.02.2018.

Further, new dispensaries and no. of beds have been commissioned during 2016-17:

(A) No. of beds upgraded in ESI Hospital:

	Location	**No. of beds increased**		**Date of order**
		From	**To**	
1	ESI Medical College & Hospital, Gulbarga	380	470	04.08.16
2.	ESIS Hospital, Bhubaneswar	50	100	18.08.17

e) Setting up of Branch Office-cum-Dispensaries of ESIC in each of the covered District is being planned.

(B) Addition of new dispensaries:

	Location	**Particular**	**Date of order**
1	Imphal, Manipur	2 doctor dispensary	05.07.16
2	Tirumala, Tripati, Andhra Pradesh	One doctor dispensary	24.08.16
3	Jorthang, Sikkim	2 doctor dispensary	24.11.16

Observation/Recommendation

Application of ESIS in North-East India 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.

[Para, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

The ESI Scheme has been extended to all North Eastern States except Manipur and Arunachal Pradesh. Implementation in Manipur is in advanced stage, whereas talks are on with the Arunachal Pradesh for implementing the scheme in the state. Both the states have also in principal agreed to form the States Autonomous Body in their states, whereby they shall become eligible for 100% expenditure bourn by the ESIC upto the ceiling in Manipur, the Corporation has also decided to provide 100% expenditure in new areas upto first 5 years in NE states which is 3 years in case of other States.

The proposal of setting up of following hospitals and dispensaries in North Eastern States are sent to Hon'ble Chairman, ESIC for necessary 'in Principle Approval" :

State	**Places**	
	Hospital	**Dispensary**
Assam	Amingao, North Guwahati -50	Mangaklai, Darrang-2 doctor

	beds hospital	
	Sikhar, Cacher-50 beds	Chayagaon & Satbari Kamrup Rural – 3 doctors
	Bongaigaon, Assam -50 beds	
	Tezpur, Sontipur, Distt. - Assam - 100 beds	
Tirpura	Agartala -30 beds	
Nagaland	Dimapur-30 beds	

Audit's vetting comments on Ministry's ATN

"Steps taken to cover the maximum number of establishments in the region may be included in the reply to the PAC along with the status of implementation of the ESI Scheme in Arunachal Pradesh."

Ministry's comments on Audit's observations

The Scheme has been implemented in all North Eastern States except Manipur & Arunachal Pradesh. In Manipur, it has been decided to implement the Scheme by opening of ESIC Dispensary in Imphal. As a special case, ESIC Staff has been sanctioned and after the completion of medical arrangement, and on the recommendation of Regional Director, the scheme shall be implemented in Manipur. Arunachal Pradesh has expressed financial constraint in meeting its $1/8^{th}$ share of medical expenditure due to budgetary constraint. The state was given the option of formation of State Autonomous Body/Society under Section 58(5) vide which as a special incentive, they shall be eligible for 100% expenditure upto the ceiling. A revised structure of the Body as per decision of 172^{nd} meeting of the Corporation held in Dec'2017 has been conveyed to state to form the society, after which the implementation shall be taken up in Arunachal Pradesh. Pre implementation survey is conducted to indentify the factories & Establishments which are coverable and after implementation they are intimated to register with ESIC online and comply with the provisions.

Observation/Recommendation

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.

[Para 16, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

For conducting Inspection of the units, the Ministry of Labour & Employment has developed a unified Web Portal 'Shram Suvidha'. Transparent Labour Inspection of the employer are marked via computerized system as per risk-based criteria through the Portal. To encourage employees to register their units/ employees as Scheme to Promote Registration of Employers/ Employees (SPREE) was introduced and is intended to extend the social security benefits to all eligible under the Act, who have till now been kept out of the ESI coverage, and is open for the period from 20.12.2016 to 31.03.2017, which has been extended up to 30.06.2017. In the scheme Employers were treated as covered from the date of registration or as declared by them and the newly registered employees were treated as covered from their date of registration.

For investigation of specific complaints including cases where survey is required a Central Analysis & Intelligence Unit (CAIU) has been setup by the ESI Corporation. The CAIU has a mandate to order for inspection of units (factories & establishments) on the basis of evidence based inputs, secondary sources of data and set criteria and also based on the complaints received in any office of ESIC for default in compliance by factories / establishments.

The performance of each SSO is closely monitored and reviewed and if the performance is not satisfactory administrative and disciplinary actions are taken against the SSO by scrutinizing the Inspection / survey reports of the SSO and action is recommended against him in case lapse is found in the inspection / survey report.

Audit's vetting comments on Ministry's ATN

"Resultant improvements, if any, of the new inspection policy on increasing coverage of establishments may be included in the final reply to the PAC."

Ministry's comments on Audit's observations

As a result of liberalized Inspection Policy, grievances of the employers have been reduced and improvement in overall voluntary compliance. The number of Employees and Insured Persons has been increased by 966280 and 1017350 respectively. The number of Employers has been increased by 60030 during the year 2015-16. However, this cannot be attributed to single factor.

Observation/Recommendation

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.

[Para 17, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

The ESI Scheme is fully implemented in entire Karnataka w.e.f. 01.06.2016. In West Bengal, the scheme is fully implemented in 14 out of 20 districts and the process is underway to implement in 2 complete districts for which the medical arrangements are being made. The State Govt. is yet to decide regarding four other non implemented districts. In Gujrat and Tamil Nadu, after much persuasion, the State Government has given consent for implementing the scheme in all District where the scheme is partially implemented and District HQ areas where it is not implemented. The process of medical arrangement is underway.

Regional Board is set up under Section 25 and Regulation 10 of ESI (General) Regulation 1950 of the ESI Act. 1948, which monitors the functioning of ESI Scheme in the respective States through Boards Meetings and recommends to the ESI Corporation in policy framing.

Reconstitution of Regional Board in 11 States is pending for last one to twelve years. Hon'ble Chairman of ESIC has bestowed personal attention to send proposals for reconstitution of the Regional Board and send D.O' letter to the Chief Ministers of concerned States on 21.07.2017.

The ESI Corporation has enhanced the wage ceiling for coverage under the ESI Scheme to 21,000 per month with effect from 01.01.2017. To extend coverage to left out employers and employees, a scheme to promote registration of employers and employees (SPREE) was in operation from 20.12.2016 to 30.06.2017, which alongwith other initiative resulted in registration of about 0.81 lakh new employers and 1.20 crore new employees under the scheme during the above period.

Audit's vetting comments on Ministry's ATN

"Status in respect of Reconstruction of Regional Board in 11 States and coverage of new areas/establishments may be included in the final reply to PAC."

Ministry's comments on Audit's observations

The reconstitution of Regional Board in 11 States is at different stages of approval. Regulation 10(4)(i) of the ESI (General) Regulation 1950 stipulates term of office of the members for the three years, with provision that they shall continue to hold office until the nomination of their successor is notified. The State wise status of formation / reconstitution of Regional Boards is enclosed at Annexure-9 for kind information please.

Further, under ESIC 2.0, as on 1.1.18, the scheme has been extended to a total of 503 Districts comprising of 325 complete District, 93 District HQs and in 85 Districts it is implemented in parts of the districts. The State wise status of coverage of new areas is enclosed at Annexure - 10 for kind information please.

Observation/Recommendation

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.

[Para 18, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

It is stated that the statement of total claims, total pending claims and percentage (%) of delayed claims year-wise against the above noted States are given below :-

Name of States	**2015-2016**		**2016-2017**		
	Total No. of claims paid	**% of Pendency**	**Total No. of Pending Claims**	**Total No. of Claims paid**	**% of Pendency**
Andhra Pradesh	77329	**1.98**	1896	101168	**1.88**
Assam	12554	**2.1**	331	12645	**2.62**
Chattisgarh	29977	**2.55**	593	33514	**1.77**
Jharkhand	28988	**0.89**	222	24703	**0.89**
West Bengal	125226	**8.95**	12536	395922	**3.16**
Karnataka	247854	**2.21**	5703	238986	**2.38**
Delhi	156598	**4.02**	8641	314842	**2.75**

It may kindly be seen that the percentage of delay varies from an average of about 1% to 2% except West Bengal in the year 2015-16 which is a bit higher but contained considerably in the succeeding year 2016-17.

Further, the Controlling Officers of Regions have been advised to ensure timely payment as per time frame of Citizen's Charter of ESIC.

Audit's vetting comments on Ministry's ATN

"Ministry may also comment on the PAC recommendations regarding
(i) making employers responsible for completing formation in dire need, and

(ii) evolving a mechanism to provide cash benefits of funerals immediately.
Efforts may be made to further reduce the pendency. Further, status may be included in final reply."

Ministry's comments on Audit's observations

In this regard, it is humbly submitted that the Employers are responsible for:
a) (Online) Registration before taking any person in the employment.
b) Filing of accident report (Online / Offline) within 24 hours of the accident due to employment injury.
c) Extending full co-operation in investigation of the accident case.
Further, from time to time Employers are sensitized through various awareness programme (including print and electronic media).

It is submitted that funeral expenses are paid on same day of claim by the eldest surviving family member / dependent or any person who actually incur the expenditure on funeral on production of death certificate.
Further, the following steps have been taken to reduce the pendency and to ensure prompt settlement of benefit claims:

- The Regional Directors / Director (In-charge have been instructed to expedite all delayed cases and ensure that no claim settlement is remained pending for more than 1 month.
- The Regional Directors / Director In charges have been directed to advise Branch Managers to expedite investigation in all such cases. It is also directed to advise Branch Managers to exercise their powers of accepting the death cases on the floor of factory as employment injury and settle the claim of dependent benefit urgently.

  The Regional Directors / Director In charges have been advised to monitor Branch Managers to contact the IPs's on their available address or phone and advise them to come for laying their claim.

Observation/Recommendation

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.

[Para 19, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

ESI Corporation in its 167th meeting has accorded In-principle approval for increasing Hospital Bed Strength of ESIC Hospitals by 50% if the Bed Occupancy of the concerned ESIC Hospital has been consistently more than 70% in last three financial years.

Further, ESIC has in place, internal Monitoring Committee for recommending increasing hospital bed strength of ESI Hospitals wherever required.

ESIC is having 152 hospitals with more than 22600 beds and has tie-up arrangements with more than 1000 public / private hospitals for specialized care.

This arrangement has ensured that ESIC has sufficient beds to cater the needs of its beneficiaries.

Also, under expansion plan, ESIC is considering establishing 65 new hospitals in new implemented areas.

Audit's vetting comments on Ministry's ATN

"PAC may be apprised if the detailed analysis of availability of beds and their utilization has been done by ESIC.

Further, the status report regarding efforts made to bring availability of beds according to international standards, as desired by PAC may also be included."

Ministry's comments on Audit's observations

The details regarding beds and their utilization is enclosed at Annexure-11 for kind reference please.

The following efforts are being made to improve the bed availabilities under ESI Scheme:

a) Setting up of new hospitals in both newly implemented and existing areas.

b) Tie-up arrangements in Government / Private Hospital for providing required Secondary and Tertiary care services.

c) 50 percent increase in bed strength of ESIC Hospitals having more than 70 percent bed occupancy for last 3 years.

Further, following steps have been taken to improve the utilization rate of beds available:

- Regular monitoring and supervision of ESIS hospitals and dispensaries is also being undertaken by ESIC so as to enforce the minimum standards as per ESIC 2.0 mandate.
- Formation of Subsidiary Corporation at State level so that all decision can be taken at the State level.
- All hospitals of ESIC/ESIS using VIBGYOR pattern day-wise, the colored bed sheets to maintain cleanliness and better hygiene.
- Medical helpline facilities 24X7 through which Insured Person can directly talk to Doctors in case of any emergency.
- Facility for Reception and 'May I Help You' in each hospital to guide the patients/attendants.

Special OPD in afternoon from 3:00 PM to 5:00 PM for Senior Citizens and differently-abled patents.

Observation/Recommendation

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.

[Para 20, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Initially, as a policy decision, it was decided to take-over one State run ESIS Hospital in each State to be run as model hospital, subsequently, more and more State run ESIS hospitals were taken over by ESI Corporation.

Though nomenclature of ESIC run hospitals as one model hospitals and other as directly ESIC hospital persisted, there is no difference between the two type of hospitals as far as operational policies or availability of medical care services is concerned. Further, development of modern treatment facilities & various SST services, as per requirement, are being considered in all ESIC run hospitals without discriminating model/ non-model hospital.

There is overall shortage of medical manpower in the country particularly Specialists and Super-Specialists. In view of this, ESIC is in the process of establishing in-house super-speciality on PPP mode. However, patients are being referred to tie-up hospitals for super speciality services which are not available in-house in ESIC/ESIS hospitals. A comparative financial analysis of having in-house Super-Speciality vis-à-vis referral to tie-up hospitals is being done.

Audit's vetting comments on Ministry's ATN

"It has been intimated that ESIC is in the process of establishing in-house super specialty on PPP mode and comparative analysis is also being done between ESIC own super specialty facilities and referral tro tie-up hospital. The final outcome and steps taken to implement the same may be included in the final reply."

Ministry's comments on Audit's observations

Implementation of in-house super-speciality treatment services under PPP mode was initiated in the year 2015 under ESIC 2.0.

In this regard, a number of tenders were floated to start ICU, Dialysis, Cath Lab., CT/MRI and other services on PPP mode.

Response of private parties in many of these tenders have been poor. Further, services which have been established on PPP mode in ESIC hospitals are placed at Annexure - 12.

A comparative analysis of the Super Speciality services (Dialysis) provided through in-house PPP mode was done with one provided tie-up arrangement, utilizing UTI module data for one such facility at ESIC Hospital, Jaipur.

As per the data, it emerged that average per patient expenditure in in-house PPP mode Dialysis services was less than the one provided through tie-up arrangements with private hospital.

Observation/Recommendation

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.

[Para 21, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

Advance paid to Hospitals for Super Specialty Treatment the listed eight units namely, Himachal Pradesh, Haryana, Chandigarh, Rajasthan, Kerala, Gujarat, Madhya Pradesh and Chhattisgarh in respect of the unadjusted of **Rs.3.485** crores., **Rs.1.945** crores have been adjusted till August 2016 the details are as under:

S. No	Name of State	Amount as on 24.06.16 (Rs. in Crore)	Adjusted Amount as on August 16 (Rs. in Crore)
1	Himachal Pradesh	1.12	0.05
2	Haryana	0.56	0.71
3	Chandigarh	1.55	1.09
4	Rajasthan	0.005	0.005
5	Kerala	0.19	0.09
6	Gujarat	0.06	0
	Total	3.485	1.945

The remaining **Rs.1.54** crore, steps are being taken by the concerned units for adjusting the remaining amount.

Audit's vetting comments on Ministry's ATN

"Final position in respect of remaining unadjusted advances may be intimated. PAC may also be apprised if any action has been taken against officers responsible for laxity."

Ministry's comments on Audit's observations

As desired, the latest position of recovery of remaining unadjusted advance is as under:

S. No	Name of State	Un-Adjusted amount as on August 16 (`. in Crore)	Adjusted further amount as on date (`. in Crore)
1	Himachal Pradesh	**0.05**	**0.05**
2	Haryana	**0.71**	**0.00**
3	Chandigarh	**1.09**	**0.99**
4	Rajasthan	**0.005**	**0.005**
5	Kerala	**0.09**	**0.00**
6	Gujarat	**0**	**0.00**
	Total	**1.945**	**1.045**

The remaining **`.0.90** crore, steps are being taken by the concerned units for adjusting the remaining amount. It is further submitted that warning letter have been issued to field offices about the laxity in adjustment of advances given.

Observation/Recommendation

Excess avoidable payment on procurement of medicines and surgical items: 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.

[Para 22, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

In this connection it is stated that as per the Terms & Conditions of DG-ESIC Rate Contract, it is stated that: “If the articles are not supplied by the schedule date (as indicated above or by the extended date) full or in part, the order in respect of the quantity not supplied is liable to be cancelled at the contactor's risk and expense. The extra expenditure involved in procuring supplies from elsewhere will, in that case, is recoverable from the contractor in full at the discretion of Direct Demanding Officers. The recoveries thus due will be deducted from any sum due to him from the Direct Demanding Officer or which at any time thereafter may become due to him under this contract or any other contract placed with him by the Direct Demanding Officers. He will be deemed to be exercising the powers of Director General, ESI Corporation in case any such contingency arises. Apart from risk purchase action, the firm's earnest money deposit / the security deposit may be forfeited and shall invite other penal action like debarring from participating in DG-ESIC Rate Contract present and future for a period not less than two years.

However no action for non supply can be initiated in the following conditions:

1. during the extension of the Rate Contract.
2. during the validity period of Supply order.

The ESI Headquarter also issued warning letters to the firm in the event of non-supply.

Local Purchase has to be done in the following conditions:

1. NR items like anti cancer / Immunosuppressant's / super Specialty Drugs etc.
2. Not available medicine as Non supply by the firm.
3. Emergency requirement of Drugs.

Regarding making provisions of rate contracts more enforceable the following compliance are made:

1. Rate contract has all the provision in the relevant clause for risk purchase & recoveries.
2. Hqr office takes the status of recoveries before releasing the EMD of RC holder

3. DDO to intimate the amount to be recovered from EMD/Security Deposits .

Further a Circular was circulated vide No.U-15/15/2006-Med.I(MS) on 29/09/2015 by DMC(MS-I) in which instructions has been given to ESI institutions that:-

(i) Medicine to the patient is to be prescribed from valid DGESIC rate contract/Local RC/Drug Formulary.

(ii) In case it becomes essential to prescribe medicine outside the DGESICRC/Formulary for the sake of saving the life of patients, the prescribing doctor should certify that why this medicine should be prescribed.

(iii) The drugs prescribe outside from the valid DGESIC must be written in standard generic.

(iv) If any drug prescribed in brand name only, outside the valid RC/ formulary will not be taken into cognizance and no sanction will be made for local purchase.

(v) The medicine prescribed outside the RC/formulary by the treating doctor will be counter signed by the reporting officer to counter check.

Audit's vetting comments on Ministry's ATN

"PAC may be apprised whether any action has been taken against any firm. If yes, details any be provided in the final reply."

Ministry's comments on Audit's observations

It is submitted that risk purchase/ recoveries for late supply has to be recovered from the ensuing bills of the firm. Further, before releasing of EMD / security of the firm, any amount which is required to be recovered is ascertained and the same is deducted from EMD. So far an amount of ` 10,29,016/- has been recovered from the defaulting firms. Besides, other penal action are also been taken like debarring the firms is also available.

CHAPTER III

OBSERVATION/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

-NIL-

CHAPTER IV

OBSERVATION/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation

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.

[Para 8, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

The recovery mechanism is already in place for Recovery of dues in the corporation. The recovery targets are given every year to regions to recover ESI dues and the same is closely monitored for every region. The performance of recovery for the past three years is as under :

Year	Target (Rs. in crore)	Actual Recovery (Rs.in crore)
2014-15	192.06	198
2015-16	218.98	205.8
2016-17	292.97	251.88

* All cases having dues above Rs.10 lakhs are closely monitored and reviewed.
* Where the amounts are not found recoverable despite all possible efforts, waiver actions are initiated.
* Re-conciliation of all pending dues is done to ascertain correct figure of recoverable dues.

However a big chunk of outstanding dues of recovery **non recoverable dues is as under** :

i) Factories/ Establishment having gone into liquidation.
ii**)** Stay granted by Courts.
iii) Factories / Establishments registered with BIFR
iv) Factories / Establishments closed and where about of the Principal Employers not known.

Audit's vetting comments on Ministry's ATN

"No reply furnished in respect of the Hon'ble Committee's suggestion that the SSOs invariably carry out the inspection of quarterly financial statements of the employers/organizations after two months of continuous default. Nothing has been said about the penal action being taken against the defaulters. Cases of dues above `10 lakh and number of cases where waiver actions are initiated and the figures of recoverable dues may be included in the final reply."

Ministry's comments on Audit's observations

The details of penal action taken against the defaulters during the year 2015-16 & 2016-17 are enclosed at Annexure-4 & 5 respectively for kind reference please. The detail of arrears as on 31.03.2017 is also enclosed at Annexure-6 for kind information please. Further, it is also submitted that no case of waiver action in respect of dues above ` 10 lakhs is under consideration at present.

Observation/Recommendation

Need for urgent recovery dues from Delhi Government: 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.

[Para 10, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

During the 207th meeting of the Standing committee held on 31.01.2017, the Chairman has desired a letter from Hon'ble Minister (L&E) may be written to the Hon'ble Minister, Govt. of India for seeking his intervention to resolve the issue of Recovery of dues from Delhi Govt.

In this regard, ESI Corporation has taken up the issue with the Ministry of Labour & Employment and accordingly, the Hon'ble Minister (Labour & Employment) vide letter dated 11.07.2017 has requested the Lieutenant Governor of Delhi and Hon'ble Minister of Home Affairs for their kind intervention to expedite the payment dues pending toward the Government of Delhi, so that ESI Scheme in Delhi continue to run smoothly.

Audit's vetting comments on Ministry's ATN

"Ministry has not indicated that it has initiated any action as per Section 58 (4) of ESI Act, 1948. It has been intimated that Hon'ble LG (Delhi) and Minister of Home Affairs had been requested to intervene to get the payment dues pending with the Government of Delhi. The outcome may be included in the final reply."

Ministry's comments on Audit's observations

Despite regular pursuance, Delhi Government is yet to release payment. In this regard, reminder letter is being written from Hon'ble Minister of Labour, Government of India to Chief Minister of Delhi to release the payment dues pending with the Government of Delhi.

Subsequently, Delhi Government informed ESIC that "if Govt. of India want GNCT to make payment to ESIC, it must categorically say that GNCT is State Government of transferred subject".

In this regard the Govt. of NCT, Delhi has been asked by ESIC to take up the aforesaid issue separately with Govt. of India and the arrears payable to ESIC may not be subjected to such condition.

Observation/Recommendation

Budget :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.

[Para 11, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

As desired by the Hon'ble Committee to be apprised regarding steps taken to frame adequately balanced budget, it is submitted that steps have been taken steps for balanced budget estimates by analyzing past years expenditure from current year 7 months expenditure, status of projects, increase in number of beneficiaries, recruitment plans etc.

As per Sec.26 (1) of the ESI Act,1948 " All contribution paid under this Act and all other moneys received on behalf of the Corporation shall be paid into a fund called the Employees' State Insurance Fund which shall be held and administered by the Corporation for the purposes of this Act". However, Rule 31 of the Employees' State Insurance (Central) Rules,1950 does not contains any provisions requiring Ministry of Finance is to open separate fund under the relevant major head in Public Account as mentioned in Report.

Further, Annual Budgets Estimates are prepared as per Sec 32 of the ESI Act 1948 read with Rule 31 of the ESI (central) Rules, 1950 and submitted to Standing Committee headed by the Secretary of the Administrative Ministry for consideration and approval. After approval of Standing Committee , the Budget Estimated is placed before the ESI Corporation headed by Hon'ble Minister of Labour & Employment and member of Corporation comprising Hon,ble Members of Parliament, Representative of Employers and Employee, State Govts etc. and as passed by the Corporation, the same is submitted to Central Government to make such alterations as may be considered necessary before according approval. The budget estimates finally adopted by the Corporation and approved by the Central Government is placed before the Parliament by Administrative Ministry concerned and is published in the Office Gazette.

ESIC operates on the principal of pooling of risk and resources for which reserve funds have been created on the basis of actuarial valuation. The excess funds are evaluated & invested regularly and used as per the needs of the Insured Persons. The present system of fund management is well within the principals of ESI Act.

In ESIC, the entire budget is not released to field offices at once but is done on monthly basis and while releasing the fund, the expenditure pattern of units is also considered and if any unspent fund is left with field units, it is returned back to Headquarters and same is transferred to Reserve Fund maintained by ESIC. Moreover, in case of any excess of expenditure over the sanctioned budget; re-appropriation is done as per Rule 33 of ESI (Central) Rules, 1950 and in the case of any savings, the same is transferred to General Reserve Fund.

In view of the above and the prevalent system, Budget preparation may be continued as per the ESI Act.

Audit's vetting comments on Ministry's ATN

"Ministry has not agreed to the recommendation of the Hon'ble Committee regarding creation of separate reserve fund under Public Accounts and has suggested that the prevalent system of Budget preparation as per ESI Act may be continued. The possibility of making changes in the ESIC Act to implement the recommendation of PAC may also be commented upon."

Ministry's comments on Audit's observations

During the recent Budget preparation for the year 2018-19 various steps have been taken to ensure that Budget Estimates are more realistic based on actual expenditure trend, present & future policy decisions of the Corporation and accordingly each and every items of revenue and expenditures is adequately rationalised and justified.

Further, issues related to finance, ESI Fund, Budget Estimates, Audit and other related issues are covered under Chapter III of ESI Act, 1948. Section 26 and 28 of ESI Act, 1948 specifically contains the provisions related to ESI Fund and purpose for which the Fund may be expended respectively.

In addition to above, ESIC has taken following futuristic actions:

a) MOL&E has conveyed that ESI Scheme should be extended to entire nation in all district by 2022 as per the decision of Cabinet Secretariat which is being monitored through e-samiksha. Under ESIC 2.0 as on 1.1.18, the scheme has been extended to a total of 503 Districts comprising of 325 complete District, 93 District HQs and in 85 Districts it is partially implemented in centers. Process for meeting the implementation targets of 2022 has been initiated.

b) No. of dispensaries being increased on the basis of proposals of State Governments.

c) Introduction of modified Employers' Utility Dispensaries (EUD) with helpdesk facility for which budget of ` 500 Crore for the year 2018-19 has been approved by Corporation in its 173rd meeting held on 16.02.2018.

d) New ESI hospitals are being constructed to increase the outreach of ESI medical facilities.

e) New Branch Office cum Dispensaries are being planned for which ` 100 Crore has been provided in Budget for 2018-19.

To implement the present and futuristic services to the Insured Persons (IPs) constant flow and availability of funds is required.

Observation/Recommendation

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.

[Para 11, Part – II, of 67th Report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

ESI Corporation in its 161st meeting held on 28.01.2014 & 14.02.2014 authorized its Chairman to constitute the Standing Committee and other Sub-Committee.

Chairman, ESI Corporation then has constituted the Sub-Committee on Organisational Restructuring of the ESI Corporation on 04.03.2014.

ESI Corporation in its 167th meeting held on 18.12.2015 approved that the Sub-Committee on Organisational Restructuring of ESIC may be entrusted to review the sanctioned strength of ESIC at Hqrs. Office as well as field officers and to submit their recommendations which may be placed in the next meeting of the Corporation.

To provide inputs and assist the said Sub-Committee, an internal committee was constituted by the Director General.

Again, an agenda item **"ORGANISATIONAL RESTRUCTURING: VISION & ROADMAP 2021"** was placed before the 171th meeting of the ESI Corporation held on 18.02.2017. In the said meeting of the Corporation, it was decided to get detailed proposal prepared.

The internal committee is yet to submit its final report to the Corporation Sub-Committee.

Audit's vetting comments on Ministry's ATN

"The final report of the internal committee regarding organizational re-structuring along with action taken thereon may be included in the final reply."

Ministry's comments on Audit's observations

In this connection, it is to inform that the Ministry of Labour & Employment has conveyed the decision of the Cabinet Secretariat wherein it is desired to extend the coverage of ESIC to the entire nation. Accordingly, an agenda item "ESIC VISION

2022" was placed in 173rd meeting of ESI Corporation held on 16th February, 2018. At present fine tuning of 'Vision 2022' has been assigned to a sub committee of the Corporation. To achieve the objective to notify all districts under ESIC in a gradual manner various strategic plan has been initiated with regard to Medical benefits, Cash benefits, Ease of doing business & Modernize IT services of ESIC to improve efficiency and reduce administrative costs by way of restructuring of administrative and medical staff.

It is also decided in the aforesaid meeting that atleast one Branch Office Cum Dispensary may also set up in each of the covered districts.

Audit's further vetting comments on Ministry's ATN

"No explanation has been furnished for the low expenditure on medical and cash benefits.

Basis of contribution collected from the unorganized workers has not been furnished.

Action taken on these may be included in the final reply to the PAC."

Ministry's further reply on Audit's observations

Expenditure on medical services under ESI Scheme is under the administrative decision of respective State Government running ESI Scheme. ESI Corporation reimburses the State Governments' medical expenditure under ESI Scheme as per agreed ratio and ceiling.

Some of the reasons for low expenditure by the State Government are:

- Posting of inadequate manpower.
- Relative lack of up gradation of medical services.
- Lengthy procedures for procurement of various services / equipments.

Further, ESI Corporation has taken various measure for better fund utilization as under:

- No. of dispensaries being increased on the basis of proposals of State Governments.
- Introduction of modified Employers' Utility Dispensaries (EUD) with helpdesk facility for which budget of ` 500 Crore for the year 2018-19 has been approved by Corporation in its 173rd meeting held on 16.02.2018.
- New ESI hospitals are being constructed to increase the outreach of ESI medical facilities.
- New Branch Office cum Dispensaries are being planned for which ` 100 Crore has been provided in Budget for 2018-19.
- To encourage various State Governments for improving medical services under ESIS system, State Government have been requested to form ESI Society at State level so that fund may be allocated directly to State ESI Scheme without passing through State Treasury.
- ESI Corporation has also suggested a number of new initiatives to State ESI Schemes for improving / upgrading medical services.

- State Government has been asked to submit Project Implementation Plan (PIP) under specific heads of medical expenditure.

• Ceiling on medical expenditure has also been enhanced from ` 2,150/- to ` 3,000/- .

In respect of low cash benefit expenditure, It is submitted that disbursement of cash benefits depends upon certification by doctor in respect of illness, employment injury. Since medical services particularly the dispensaries are inadequate consequently it may happen that IP's face difficulty in obtaining certificates for availing cash benefits.

To improve expenditure on cash benefits the following steps have been taken :

- Upgradation of medical services.
- The IPs who require absence from work on medical ground are only eligible for cash benefits. Since the cash benefits are directly linked with the medical services, adequate and effective medical services may gain trust of the Scheme into our stakeholders and consequently may improve the cash benefits expenditure.
- Setting up of Dispensary-cum-Branch office to cater the medical services in all the implemented districts.
- To increase the number of dispensaries / empanelled doctors in those areas where IP strength is high.
- To curb the lengthy procedures for disbursement of cash benefits.
- Linking of Aadhar will access the genuineness of the case for early disposal of cash payments.

Regarding, scheme for Autorickshaw Drivers & Domestic workers under the "Scheme for other beneficiaries" under Section 73A it is submitted that this scheme was initiated on Pilot basis in Delhi and Hyderabad for a period of one year w.e.f. 1.4.2016 & 1.10.2016 respectively. The User contribution proposed for the Scheme for Auto-rickshaw drivers in the pilot phase was ` 250/- per month, payable quarterly, after the registration. The per capita expenditure on medical care, excluding super speciality treatment, was about ` 3,150/- per IP for the year 2013-14. Accordingly, an amount of ` 250/- per month was proposed for pilot phase, subject to reassessment.

Both the pilot scheme were not able to elicit participation from intended beneficiaries. Both the schemes have since been ended & MOL&E has been informed.

CHAPTER V

OBSERVATION/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Observation/Recommendation

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.

[Para 6, Part – II, of 67th report of Public Accounts Committee (16th Lok Sabha)]

Action Taken

6. ESIC has enhanced the ceiling on expenditure for medical services provided by States i.e. ESIS from Rs.2150 to Rs.3000/- per Insured Person (IP) per year from the year 2017-18 subject to submission of Project Implementation Plan (PIP). This has led to financial liberty to States for delivery of better medical services.
7. ESIC has granted in-principle approval for increasing Hospital Bed Strength of ESI Hospitals by 50%, if the Bed Occupancy of the concerned Hospital has been consistently more than 70% in last three financial years.
8. ESIC is running a super-speciality hospital at Sanathnagar, Hyderabad with super specialties such as Cardiology, Neurology, Neurosurgery, Pediatrics, Surgery, Nephrology, Urology, Dialysis etc. and also running Super-specialty Services at Kollam in Kerala for Cardiology and Nephrology.

   Further, Super-Speciality Services (SST) are also provided in-house on PPP mode. The details of in-house Super Speciality Services on PPP mode is placed at **Annexure- 1.**

9. **Reform measures which have been taken in ESIC hospitals and dispensaries under ESIC 2.0, are as under:**
   - Using VIBGYOR colour pattern, day-wise, for bed sheets in all Hospitals of ESIC.

- Medical Helpline facility through which Insured Person can directly talk to Doctors in case of any emergency and seek guidance.
- Special OPDs in the afternoon from 3.00 PM to 5.00 PM for senior citizens and Differently-abled Patients.
- Cancer detection/treatment facilities at different level of hospitals.
- Cardiology treatment facilities at different level of hospitals.
- Provision of all possible pathological facilities in all hospitals premises by installation of required equipment either by upgradation or outsourcing.
- Dialysis facilities in all ESIC Model Hospitals on PPP Model.
- Queue Management System in every hospital for helping in registration and pharmacy. Through this online registration can also be done using mobile phones.
- Behavioral training to paramedical and other staff of the hospitals guiding them to provide due courtesy in dealing with the patients/attendants.
- Provision of facilities for reception and “May I Help You” in each hospital to guide the patients/attendants.
- Electronic Health records i.e. prescriptions and laboratory records to beneficiary through internet.
- Upgradation of dispensaries into 6 bedded & 30 bedded hospital, in a phased manner.
- Feedback system, for all indoor patients.
- Proper and attractive signages at the required places in all ESIC Hospitals for guidance and proper communication to the patients and beneficiaries.
- Facility of yoga in ESIC hospitals.
- Tele-medicine facilities for the beneficiaries in a phased manner.
- Extension of AYUSH facilities up to the dispensary level.
- Tracking each and every pregnant mother and newly born child in the families of IPs so that complete immunization as well as safe delivery is achieved.

10. **Steps taken by ESI Corporation so as to facilitate / incentivize the delivery of medical services through various State Government run ESIS hospitals and dispensaries:**
    - With a view to improve the functioning of State Govt. run ESIS hospitals and dispensaries, ESIC has asked state ESI scheme to implement ESIC 2.0 reform measures and prescribed certain minimum facilities/ parameters to be maintained in ESIS health establishments viz.:
        (v) Availability of doctors and para-medical staff as per sanctioned strength.
        (vi) Minimum number of medicines available.
        (vii) Pathological and X-ray services.
        (viii) Monitoring of general cleanliness and up keep of dispensary/ hospital, bio-metric attendance and change of hospital bed sheets as per VIBGYOR mission.

- The State ESI scheme have been asked to adhere to above mentioned minimum standards/ prescribed norms and have been also communicated that if ESIS medical establishment is not fulfilling minimum level of provision of services, ESIC will take further steps which may include deducting proportionate share of fund being given by ESIC. It has also been communicated that this fund will be used directly by ESIC for providing the deficient and other services which are lacking in ESIS hospitals/ dispensaries, as mandated by ESIC 2.0.
- Regular monitoring and supervision of ESIS hospitals and dispensaries is also being undertaken by ESIC so as to enforce the minimum standards as per ESIC 2.0 mandate.

To further encourage the State Govt. for improving medical services in ESIS health establishments, ESI Corporation has also proposed creation of State Autonomous Body/ Society at State level for medical services wherein State Govt. are to receive 100% expenditure on the ESI scheme, up to the ceiling in perpetuity on adopting this model, against the current share of 87.5% expenditure.

Regarding fixing the rates of contribution from the employees on the basis of actuarial valuation it is submitted that the rate of contribution is payable @ 6.5% of wages as per Rule 51 of ESI Central Rules, 1950. This rate applicable since 26th August, 2004 is employers contribution @ 4.75% and the employees share @ 1.75%.

A new Rule 51B has been inserted w.e.f. 06.10.2016, whereby contribution @4% of wages is payable in respect of new areas where the ESI Scheme is implemented for the first time, for an initial period of 24 months, after which regular rate of contribution of 6.5% shall be payable. Out of the 4%, the employer share is 3% and employee share is 1% of wages.

Further, As per Section 73A to Section 73F, Medical scheme for other beneficiaries can be framed on payment of user charges in respect of underutilized ESI hospitals in consultation with Central Govt. under the above provision, Scheme for Autorickshaw Drivers and Domestic Workers on pilot basis were started on 01.04.2016 and 01.10.2016 respectively in cities of Delhi and Hyderabad on payment of user charges @ Rs. 250/- per month for Auto-rickshaw Drivers and @ Rs. 200/- per month for Domestic Workers. No scheme for other category of self employed workers has so far been launched. Construction workers working in construction agencies in implemented areas employing 10 or more persons are covered under the ESI Act and are entitled to all benefits as Insured Persons.

Audit's vetting comments on Ministry's ATN

"No explanation has been furnished for the low expenditure on medical and cash benefits. "

Ministry's comments on Audit's observations

Expenditure on medical services under ESI Scheme is under the administrative decision of respective State Government running ESI Scheme. ESI Corporation reimburses the

State Governments' medical expenditure under ESI Scheme as per agreed ratio and ceiling.

Some of the reasons for low expenditure by the State Government are:

• Posting of inadequate manpower.

• Relative lack of up gradation of medical services.

• Lengthy procedures for procurement of various services / equipments.

Further, ESI Corporation has taken various measure for better fund utilization as under:

- No. of dispensaries being increased on the basis of proposals of State Governments.
- Introduction of modified Employers' Utility Dispensaries (EUD) with helpdesk facility for which budget of ` 500 Crore for the year 2018-19 has been approved by Corporation in its 173rd meeting held on 16.02.2018.
- New ESI hospitals are being constructed to increase the outreach of ESI medical facilities.
- New Branch Office cum Dispensaries are being planned for which ` 100 Crore has been provided in Budget for 2018-19.
- To encourage various State Governments for improving medical services under ESIS system, State Government have been requested to form ESI Society at State level so that fund may be allocated directly to State ESI Scheme without passing through State Treasury.
- ESI Corporation has also suggested a number of new initiatives to State ESI Schemes for improving / upgrading medical services.
- State Government has been asked to submit Project Implementation Plan (PIP) under specific heads of medical expenditure.

• Ceiling on medical expenditure has also been enhanced from ` 2,150/- to ` 3,000/- .

In respect of low cash benefit expenditure, It is submitted that disbursement of cash benefits depends upon certification by doctor in respect of illness, employment injury. Since medical services particularly the dispensaries are inadequate consequently it may happen that IP's face difficulty in obtaining certificates for availing cash benefits.

To improve expenditure on cash benefits the following steps have been taken :

- Upgradation of medical services.
- The IPs who require absence from work on medical ground are only eligible for cash benefits. Since the cash benefits are directly linked with the medical services, adequate and effective medical services may gain trust of the Scheme into our stakeholders and consequently may improve the cash benefits expenditure.
- Setting up of Dispensary-cum-Branch office to cater the medical services in all the implemented districts.
- To increase the number of dispensaries / empanelled doctors in those areas where IP strength is high.
- To curb the lengthy procedures for disbursement of cash benefits.

- Linking of Aadhar will access the genuineness of the case for early disposal of cash payments.

Regarding, scheme for Autorickshaw Drivers & Domestic workers under the "Scheme for other beneficiaries" under Section 73A it is submitted that this scheme was initiated on Pilot basis in Delhi and Hyderabad for a period of one year w.e.f. 1.4.2016 & 1.10.2016 respectively. The User contribution proposed for the Scheme for Auto-rickshaw drivers in the pilot phase was ` 250/- per month, payable quarterly, after the registration. The per capita expenditure on medical care, excluding super speciality treatment, was about ` 3,150/- per IP for the year 2013-14. Accordingly, an amount of ` 250/- per month was proposed for pilot phase, subject to reassessment.

Both the pilot scheme were not able to elicit participation from intended beneficiaries. Both the schemes have since been ended & MOL&E has been informed.

Observation/Recommendation

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.

Action Taken

Prima-facie, provision of MBBS seats in ESIC Medical Collages for 'Wards of Insured Person (IPs)' was not the stated objective of setting up of medical colleges by ESIC under Section 59B of the ESI Act, 1948. It was a benefit which accrued later.

The decision to opt out of medical education was coupled with transfer of medical college projects under construction but not yet started, to willing State Governments for running these colleges. The Record of Discussions at the Presentation made by the secretary, L&E to the Prime Minister on 7th July, 2014 suggested that, “Since ESIC did not have the core competency to run medical colleges they may be handed over to relevant agencies with capability and mandate to run medical colleges” **(Annexure- 13).**

a. ESIC is continuing to run all medical colleges which have been started after receipts of 'Letter of Permission' by the ESIC from the Central Government.

b. In case of erstwhile medical college projects of ESIC transferred to State governments, the Ownership of land and buildings constructed thereon vests with ESIC as per MoU Executed for such transfer.

c. Interests of children of IPs are being taken care of by ESIC by ensuring provision of MBBS seats for 'Wards of IPs' in these colleges and erstwhile ESIC medical colleges, now being run by State Governments. The Memorandum of Understanding (MoU) executed for medical colleges projects transferred to the State Governments provided for the same (**Annexure- 14).**

d. Medical Council of India (MCI) norms does not per-se mandate super-specialty departments in medical college hospitals. Setting up and development of such departments in a medical college/ other hospital is guided by the objectives of the organization running these colleges and associated hospital. ESIC hospitals are gradually having in-house super-specialty services on own/Public private partnership (PPP) mode.

All the medical college projects (11) have been completed except Bihta, Patna, which is also expected to be completed by March, 2018. MBBS Courses have already been running from as many as 8 colleges and from 1 collage situated at Mandi (H.P), the classes are to be started from this year. Another college at Alwar (Rajasthan) is ready in all respects and classes may start from next year.

The final claim of the construction agencies along with Extension of Time in r/o all these medical education projects are yet to be settled by ESIC. In the Contract Agreements between ESIC and respective construction agencies (Govt. PSUs), there exists a provision for levying liquidated damages for delay, which will be evaluated meticulously based on hindrances for individual project. If delay in completion of these projects is not justified, liquidated damages would be levied to them.

In other projects, liquidated damages are being imposed by ESIC if delay is not found justified based on analysis of hindrances. In 2 dispensary projects at Faridabad and Murthal in the State of Haryana as much as 10% of the cost of the project (maximum limit) was recovered as liquidated damages from M/s NBCC. In another project of renovation of Regional Office at Lower Parel, Mumbai, levying of liquidated damages is being contemplated.

As such, liquidated damages/ penalty would be imposed to construction agencies in terms of the Contract Agreement in case of proven delay.

i) Under Section 28(4) of the ESI Act , Corporation has full powers to start Medical Education Projects. Section 59 was amended to only further amplify and focus the same. The Employees' State Insurance (Amendment) Act,2010 was passed by the Parliament, which is in force w.e.f. 01.06.2010. There is further provision / amendment of **Section 19 "Validation"**which is reproduced hereunder:-

"19. Validation

All things done, or ,omitted to be done , and all action or measures taken or not taken during the period beginning on or after the **3rd day of July, 2008** and ending immediately before the date of commencement of the Employees' State Insurance (Amendment) Act, 2010, be deemed to have been done, or taken, or not taken, under the provision of this Act, as amended by the Employees' State Insurance (Amendment) Act, 2010 as if such provisions were in force at the time such things were done or omitted to be done and actions or measures taken or not taken during the said period"

In view of the above, **the action taken or initiated by the Corporation has been already validated by the Parliament.**

(ii) The work of ME projects was taken up within the existing ESIC/ESI hospitals, inter-alia, on the feasibility (report) submitted by the Consultant appointed for the purpose. The ESI Corporation at its 145th meeting (05.12.08) approved 11 (eleven) medical college locations at existing ESIC/ ESI hospitals surveyed by the Consultant **(Annexure-15 ; 15A).** However, ESIC at its 147th meeting (25.08.09) independently approved seven (07) location at (I) Patna (Bihar); (ii) Alwar (Rajasthan) (iii) Faridabad (Haryana); (iv) Mandi (HP); (v) Pantnagar (Uttarakhand); (vi) Bhubaneswar (Orissa) and (vii) Gulbarga (Karnataka). These sites were allotted by State Governments for 'Green-field' ESIC medical college projects largely at subsidized rates / token value / free of cost. The ESIC appeared not to have looked into the criteria of IPs at these locations and solely depended on land parcel availability **(Annexure- 16 ; 16A).**

The ESIC has decided, inter-alia, at its 165th meeting held on 07.04.2015 that <u>it will not set up any new Medical College or any other Medical Education Institution in future</u> **(Annexure- 17).**

Further, ESIC has, inter-alia, decided to transfer infrastructure at locations where medical colleges had not been commissioned, including at locations with low IP numbers, to willing State Governments for establishment of these colleges by the State Government.

Of the seven locations above, ESIC has already established medical colleges at **Faridabad, Haryana (2015-16)**; and **Gulbarga, Karnataka** (2013-14). The medical college project at **Mandi (HP)** is under transfer to the State Government, in phases. The projects at **Patna (Bihar) & Alwar, Rajasthan** have received conditional acceptance/

consent of the respective State Governments for transfer of the said proposed colleges. The same is under examination pending vacation of stay granted by the Hon'ble High Court of Delhi in WP11837/2015,i.e. maintain status-quo regarding medical colleges established by the Corporation under Section 59-B of the ESI Act'. A separate application for vacation of the stay order in r/o proposed ESIC colleges has been filed by ESIC.

ESIC would take up further with the State Government regarding transfer of the infrastructure of the proposed college and its establishment by the State Governments depending upon the orders of the Hon'ble High Court.

(iii) (a) The works of Architectural & Engineering Consultancy were awarded on nomination basis only to those A&E firms, which were empanelled in ESIC. As regards the criteria for allocation of work, the excerpts of noting dated 23.02.2010 made by the then Chief Engineer, ESIC, reveals:-

i) To provide workable, efficient, cost effective and aesthetical design solution in stipulated time.

ii) To make design presentation before the competent authority and user department such as Financial Commissioner, Medical Commissioner, Dy. Medical Commissioner, Chief Engineer, RC and other ESIC officials.

iii) To get the completion certificate from the Municipal Authority to get al the statutory clearances, for the project within time frame.

iv) To submit BOQ/ Estimates to Hqrs.' for vetting / sanction.

v) To issue goods for construction and detailed drawings at site for execution as per construction on schedule.

vi) To supervise the construction.

Based on the assessment of performance of the consultants on the above parameters. Competent Authority i.e Director General, ESIC awarded the work/ projects to empanelled Consultants.

The performance of the consultant firms has been evaluated on the project basis such as time taken for 1st submission / presentation of project before the competent authority, submission of drawings for statutory bodies, approval getting clearances from various agencies such as Environmental clearance and clearances from Central Water Pollution Board, Civil Aviation Authorities (wherever applicable) etc, submission of BOQ & Tender documents in time for construction drawing to the construction agency.

Further, all the projects have been awarded as per the direction/ decision of the Competent Authority i.e Director General. The decision was taken at the highest level, well within their power.

b) Six projects which have been pointed out were initial projects in which fees payable to A&E Consultant has not been capped. However, on realizing the deficiency in the Contract Agreement, the same was immediately modified and required clause incorporated in subsequent Agreements and implemented. Prior to adoption of Turnkey system of executing project, ESIC was getting executed work on Deposit Work basis and hence, there was no in-house experience in formulating such contracts. To ensure that such issues do not recur, Standing Committee of ESI Corporation has approved the

Standard Contract Agreement in November, 2012 and all subsequent agreements were executed as per the Standardized document.

It is also added that ESI Corporation in its 166th Meeting held on dated 07.08.2015 decided that the construction work (including A&E work) may be executed by the executing /existing agencies /Central/ State PSUs of ESIC by following the due process. At present, the work is awarded to these agencies after financial bidding the total Centage charges towards construction works and A&E services have come down considerably. Memorandum of Understanding (MoU) is being signed with the executing Agency for each project.

iv) A comprehensive report regarding a well considered time frame and action plan for filling up the vacant posts of medical /paramedical staff was apparently not prepared by ESIC.

v) Since its inception in 1952 till 2007, the ESIC has adopted “deposit work basis” concept for construction of hospitals, dispensaries and office buildings. However, later on above arrangement was not found satisfactory and there were serious and persistent complaints from State Governments. Corporation Members and Trade Unions about poor quality of planning, design and workmanship in capital construction works and extremely poor maintenance of ESIC properties.

To streamline construction of capital and other works a report was put up for the information of the Standing Committee in its 179th meeting held in June, 2008, vide Reporting Item No. VIII. In accordance with said streamlining measures, ESIC switched-over to turnkey system of management of projects. Under the said system, Construction Agencies (Central/ State PSUs) which were engaged/ empanelled by ESIC were awarded work on nomination basis. Rule 126(2) of GFR, 2005 amended in August, 2010 provides for assigning original works of any value to any public works organization (PWOs) such as CPWD, State PWD, other Central Government Organization authorized to carry out civil or electrical works such as MES, BRO etc. public sector undertakings set up by the Central or State Government to carry out civil or electrical works or any other Central/State Government Organization / PSU which may be notified by the Ministry of Urban Development after evaluating their financial strength and technical competence.

ESIC got executed its construction projects through Agencies such as NBCC,UPRNNL,HSCL, UPPCL, HPL, EPI, TCIL which are public sector undertaking set up by the Central/ State Government. These agencies are required to either get the work executed departmentally or tender the work. Savings occurred after tendering was not passed on by these agencies to ESIC as the Contract Agreement didn't contain clause to this effect.

It is also added that ESI Corporation in its 166th Meeting held on dated 07.08.2015 decided that the construction work may be got executed through the executing / existing agencies/ Central/State PSUs of ESIC by following the due process. At present, the work is awarded to these agencies after financial bidding for service charges (as per Rule 126(3) of GFR 2005.Due to financial bidding the total Centage charges towards construction works have been reduced. Now the benefit of competitive rates is being availed by ESIC. Memorandum of Understanding (MoU) is being signed with the executing Agency for each project.

vi) Initial construction cost of Medical Education Project was Rs.8611.94 crore. Most of the projects are on the verge of completion. For some of the projects such as Dental Colleges at Nacharam and Kanpur, the scope has been revised as new standalone Dental Colleges are not being permitted by Dental Council of India. In case of Basaidarapur project also, scope has been revised to the extent of excluding Medical College and including Central of Excellence which has resulted into substantial cost optimization. Efforts have been made to optimize the cost of the Medical Education projects further and the expected construction cost as on 31.03.2017 would be to the tune of Rs.10,020.37 crore (approx.). Further efforts are being made to optimize the cost by rationalizing and normalizing the scope without compromising with the functional requirements. Increase in cost of projects from Rs.8611.94 crore to Rs.10,020.37 crore (as on 31.03.2017) has resulted due to various reasons which differs from project to project.

However, some of the common reasons for delays which resulted in cost escalation are summarized as under:-

i) Most of the projects are brown field projects where the renovation /up-gradation / extension were to be carried out in existing hospitals without interrupting the running facilities.

ii) Building Plan approvals of brown field projects, from local municipal authorities / statutory bodies took lot of time.

iii) Non availability of work front / Non-applicability of encumbrance free land.

iv) Changes in existing fire norms.

v) Revision in parking area norms.

vi) Restriction imposed for working hours in specific areas for blasting operations for excavation to carry out foundation work in rocky strata.

vii) Shifting of over-ground / underground existing public utilities viz. HT Lines. Water Mains, Sewerage Mains, Telephone lines etc.

Beside above, addition of medical equipment & medical furniture and other items which were not included in the original estimate but were essential for project has led to increase in cost of projects.

To ensure that such issues do not recur, ESIC has taken following corrective measure:-

. Preparation of authentic detailed estimate, so as to avoid multiple variations in future.

. Necessary statutory approvals and encumbrance free land to be ensure before the work is taken up on the ground, so as to avoid the time lag and cost overruns before actual start of the work.

. Finalization of detailed project schedule in terms of Milestone Chart before start of work, so as to keep proper control over the period of completion of the project.

a. Audit was given access to all documents which were requested for, formally or informally, and which were available and within knowledge of the ESIC. There exists a distinct possibility that documents deemed not to have been provided were either not asked for by Audit or if available, their location was not in the knowledge of the ESIC.

The scope of Medical College at Basaidarapur has been changed and now a Centre of Excellence is being constructed instead. The expected construction cost of the project with new scope after exclusion of Medical College and inclusion of Centre of Excellence is about Rs.823.60 crore as estimated on 31.03.2017. All actions had due approval of Competent Authority (copy of Noting sheets at **Annexure- 18).** ESIC has handled all work of medical education 'in-house' and not used services of consultant for medical education purposes after September 2013 (copy of Noting sheet at **Annexure-19)**.

Audit's vetting comments on Ministry's ATN

"PAC may be apprised whether Ministry has undertaken any exercise to examine the lapses on the part of ESIC. Further status of all the project may be included in the final reply to PAC."

Ministry's comments on Audit's observations

As desired, the latest position of all 22 Medical Education projects is enclosed at Annexure- 20 for kind perusal and record please.

Regarding lapses in implementing the Medical Education Projects on the part of ESIC Officers, if any, it is submitted that this issue is being examined by CVC separately and the outcome of same will be intimated in due course.

NEW DELHI;
12 December, 2018
21 Agrahayana, 1940 (Saka)

Mallikarjun Kharge
Chairperson
Public Accounts Committee

APPENDIX-III

(Vide Paragraph 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR SIXTY SEVENTH REPORT (SIXTEENTH LOK SABHA)

(i)	**Total number of Observations/Recommendations**	**24**
(ii)	**Observations/Recommendations of the Committee which have been accepted by the Government:** **Para Nos. 1 to 5, 7, 9 and 12 to 22.**	**Total : 18** **Percentage: 75%**
(iii)	**Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:** **Para Nos. Nil.**	**Total : 00** **Percentage: Nil %**
(iv)	**Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:** **Para Nos. 8, 10, 11 and 23.**	**Total : 04** **Percentage:16.66%**
(v)	**Observations/Recommendations in respect of which the Government have furnished interim replies:** **Para Nos. 6 and 24.**	**Total : 02** **Percentage:8.33 %**

*****