

CHAPTER VII : MINISTRY OF LABOUR

Employees' State Insurance Corporation

7 Poor cash management

Failure of Employees' State Insurance Corporation to get the missing credits of Rs 33.29 lakh traced and credited into their accounts by their banker until 13 October 2001 resulted in loss of interest of Rs 45.19 lakh besides non-accountal of the amount deposited in the bank by 295 employers of various factories during May 1988 to July 1990.

The Employees' State Insurance Act 1948 applies to all non-seasonal factories using power and employing ten or more persons and non-power using factories employing twenty or more persons. According to provisions of the Act, all employees in factories or establishments shall be insured in the manner prescribed. The contribution payable under the Act in respect of an employee shall comprise contribution by the employer as well as by employee and shall be paid to the corporation through a Bank duly authorised by the Corporation within 21 days of the last day of the calendar month in which the contributions fall due.

During the course of audit of Delhi region of Employees' State Insurance Corporation (ESIC), audit noticed that 295 employers deposited a sum of Rs 33.29 lakh into the State Bank of India (SBI), Shahdara, Delhi during May 1988 to July 1990. But the bank failed to credit this amount in the account of ESIC. To resolve this, three meetings between officers of SBI and ESIC were held during May 1988 and March 2001 viz. in July 1995, August 2000 and in February 2001. All these meetings were taken in a routine manner in which the Bank assured that the missing credit of Rs 33.29 lakh would be looked into on priority basis to facilitate credit immediately. But the decisions taken in these meetings were not implemented by bank and the amount was not credited in the accounts of ESIC. After the fact was pointed out by Audit, ESIC moved fast and was able to get a credit of Rs 24.54 lakh from SBI on 13.10.2001 leaving the balance and interest still to be credited. Timely credit of this amount would have also fetched interest of Rs 45.19 lakh calculated @ of 12 per cent during 1990-91 to 1999-2000, @ 11 per cent during 2000-01 and @ 9.5 per cent from April 2001 to September 2001 as prescribed by the Reserve Bank of India for investment of funds under Special Deposit Account.

Thus failure of ESIC to protect its financial interests resulted not only in non-accountal of Rs 33.29 lakh but also loss of interest of Rs 45.19 lakh.

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The Ministry confirmed the facts in November 2001 and stated that Corporation has been vigorously pursuing the matter to get the remaining amount and interest credited to the ESIC account.