No.S-11/12/2/2008 - Rev-II

Dated: 01.08.2014

To

All Regional Director/Director (I/C)/ Joint Director (I/C)
ESI Corporation
Regional/Sub Regional Office/Divisional Office

Subject: New Inspection Policy - 2014

Sir / Madam,

In supersession of instruction issued vide letter No. S-11/12/2/2008-Rev.II dated 14.03.2012 on the subject of Inspection Policy, the New Inspection Policy-2014, which will be effective from 01st September, 2014, is notified as under:

OBJECTIVE:

The Inspection Scheme aims to achieve the objective of simplifying business regulations and bring in transparency and accountability in labour inspections. It envisages objective criteria for selection of units for inspection.

A. MANDATORY INSPECTION FOR FOLLOWING CATEGORIES

- All New Covered/Registered Units.
- Units which have been defaulter for six months.
- Units for which Closure Request have been received.
- Units where no Inspection was carried out in last 3 years (as ESIC has time bar of 5 years for claiming dues)
- Inspection required as per Central Data Analysis Unit

B. SYSTEM DRIVEN INSPECTION CRITERIA

- Drop in contribution by 30% and above compared to previous Contribution Period (over a period of 6 months). Top 30% of the units falling in this category.
- Drop in number of Employees by 30% and above compared to previous Contribution Period (over a period of 6 months). Top 30% of the units falling in this category.
- Security/Manpower Agencies employing more than 250 employees if inspection was not done in last two years. Top 30% of the units falling in this category in terms of no. of employees.
- Any other not falling in above categories (10%).

C. PRIORITY OF INSPECTIONS

- Though Mandatory Inspection may be considered for Priority Inspection, first priority has to be given to any such unit where the period of Inspection is likely to cross 5 year and where any
determination of dues under Section 45 of ESI Act becomes time barred if inspection is not conducted in time.

D. ACTION IN CASE OF NON PRODUCTION OF RECORD FOR INSPECTION

- Wherever Employer fails to produce the record, action for filing prosecution must be completed within one year from the date of first visit by Social Security Officer. In case of non-submission of records on the first occasion, the Social Security Officer will fix the next date of inspection in consultation with the Employer and issue them a notice on the spot on which the signature of the employer shall be obtained. If it is found that the Employer is deliberately avoiding production of records, then prosecution action be recommended to RO/SRO/DO. The officer sanctioning prosecution shall also keep in mind that prosecution is not filed as a matter of routine but only against the chronic and willful defaulters.

E. DUTIES AND RESPONSIBILITIES OF SSOs

- SSO shall ensure that in respect of Units Inspected by him/her, all coverable employees are registered under ESI Act. He shall report to the Branch Office and RO/SRO concerned if any deficiency found.
- Wherever required he/she shall also guide the Employer / IPs on the various benefits available under the ESI Act, 1948.
- He/she will conduct inspections in order of Priority laid down in the Inspection Policy only as provided in task list.
- He / she shall not conduct any inspection other than the unit allotted as per task list.

F. METHODOLOGY OF INSPECTION

- The inspection programme will be put on task list of the SSO in the system.
- The SSO while visiting the Units for inspection will make it a point to meet the Occupier/Chief Executive of the factory/establishment and handover Inspection cum Observation Report to him/her under proper acknowledgement. If Occupier/CEO refuses to accept the Inspection cum Observation Report, this fact should be mentioned in the Inspection cum Observation Report and the said report should be sent to him/her by Regd. Post with AD and also by e-mail (wherever email ID is available).
- The SSO should upload the Inspection cum Observation Report on Unified Web Portal within 3 days of Inspection. Only Inspection cum Observation Report submitted online will be counted for APAR. In case of violation by the SSO entries will be recorded in the APAR.
- If it is found that any contribution is payable on particular amount which should have been included in wages, then it should be decided on the spot during the inspection after going through the documents. Tendency to record observation that “further observation if any, will follow from Regional Office after further examination of records” must be avoided.
- The SSO has to record the statement of atleast 5 employees and in case of contradiction in the statements of employer’s, employee and entry in the record, report it in the Inspection Report.
- The SSO shall conduct the inspection during any reasonable time as laid down in Section 45 (2)(b) of the ESI Act, 1948.
- Whenever an inspection is done it should be complete in all respect and final observation must be recorded properly. The Inspection Report of SSO will be treated as complete only where ledger verification is conducted. The inspection of unit in first financial year of their existence and coverage may be done on the basis of records available and ledger verification could be conducted in later years of inspection. The SSO after checking the books of accounts as per the extant instructions on the subject will incorporate all the details in the Inspection cum Observation Report (revised format enclosed)
• Inspection will be done only for one year, which is the oldest of pending period, however, it is prerogative of Regional Director/Director I/c / JD I/c to order for Inspection of records for the remaining periods in case of reasonable doubts with regards to the deficiency in compliance. For the inspection of remaining period the SSO shall visit the unit only after the unit is put for inspection for further remaining period in his task list, with the approval of RD. The inspection conducted in the first instance in r/o above unit in any case has to be uploaded within three days.

• SSO should notify in advance to Employers the date on which ESIC Officer is going to visit the factory/establishment for verification of record. SSO should also mention the period for which records are going to be verified well in advance.

G. Monitoring of inspection work

The Regional Director/Director (I/C)/JD (I/C) would monitor the performance of the Social Security Officers on month to month basis and he/she would be accountable for non-performance/lower performance of the SSO towards coverable employees.

1. The SSO have to submit fortnightly diary of Inspection/visits made during fortnight to RD/Director (I/C) / JD(I/C). A DO Letter will also be addressed to RD/Director (I/C)/JD(I/C) every month (by the 7th of the next month) by the SSO giving the details of the activities undertaken by the SSO.

2. The SSO will have to append a note in the monthly DO indicating the steps taken for covering coverable employees.

3. At the end of the financial year SSO will give a certificate that "no coverable employee" in the units inspected by him is left unreported in his/her inspection division.

4. SSO should conduct at least one inspection each working day in such a way that a target of 20 inspections in a month is achieved.

5. One year inspection with books of Accounts verification will be treated as one inspection in respect of units having employment strength upto 250. For the Units having employment strength more than 250 persons, RD/Director (I/C)/Director (I/C)/JD (I/C) will decide the weightage on the basis of quantum of work.

The above instructions will be effective from 1st September, 2014.

The instructions on survey will be issued separately.

This issues with the approval of the DG/IC.

Please acknowledge the receipt.

Yours faithfully,

Encl: as above.

(Arun Kumar)
Additional Commissioner (Revenue)