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EMPLOYEES' PROVIDENT FUND ORGANISATION

MINISTRY OF LABOUR AND EMPLOYMENT

PUBLIC ACCOUNTS COMMITTEE
(2015-16)

THIRTY FOURTH REPORT

SIXTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

PAC No. 2066

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Presented to Lok Sabha on: 22.12.2015

Laid in Rajya Sabha on: 22.12.2015

LOK SABHA SECRETARIAT
NEW DELHI

December, 2015 / Pausa, 1937 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)

Prof. K.V. Thomas - Chairperson

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3. Shri Sudip Bandyopadhyay
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5. Shri Nishikant Dubey
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20. Shri Bhubaneswar Kalita
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SECRETARIAT

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2. Shri T. Jayakumar - Director
3. Smt. Bharti S. Tuteja - Deputy Secretary
4. Ms. Malvika Mehta - Committee Officer

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2014-15)

Prof. K.V. Thomas - Chairperson

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12. Shri Jayant Sinha
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14. Shri Anurag Thakur

15[1]. ***Vacant***

RAJYA SABHA

16. Shri Satyavrat Chaturvedi
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19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ramchandra Prasad Singh

[1] Vacant *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2015-16), having been authorised by the Committee, do present this Thirty Fourth Report (Sixteenth Lok Sabha) on **'Employees' Provident Fund Organisation'** based on C&AG Report No. 32 of 2013, Union Government (Performance Audit) relating to the Ministry of Labour and Employment.

2. The Report of the Comptroller and Auditor General of India was laid on the Table of the House on 18th February, 2014.

3. The Public Accounts Committee (2014-15) took up the subject for detailed examination and report. The Committee took evidence of the representatives of the Ministry of Labour and Employment on the subject at their sitting held on 3rd February, 2015. As the Report on the subject could not be finalised due to paucity of time, the PAC (2015-16) reselected the subject. Based on the evidence taken by the previous Committee a draft Report was prepared and placed before the Committee for their consideration.

4. The Committee considered and adopted this draft Report at their sitting held on 21st December, 2015. Minutes of the sittings form appendices to the Report.

5. For facility of reference and convenience, the Observations/Recommendations of the Committee have been printed in **bold** and form Part II of the Report.

6. The Committee thank their predecessor Committee for taking oral evidence of the Ministry of Labour and Employment and obtaining the requisite information on the subject.

7. The Committee would also like to express their thanks to the representatives of the Ministry of Labour and Employment for tendering evidence before them and furnishing information in connection with the examination of the subject.

8. 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.

NEW DELHI;	**PROF. K.V. THOMAS**
21 December, 2015	**Chairperson,**
30 Agrahayana, 1937 (Saka)	**Public Accounts Committee**

PART-I

CHAPTER-I

INTRODUCTION

1.1 The Employees' Provident Fund Organisation (EPFO) is vested with the responsibility of implementing three Schemes framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the Act), which extends to whole of India except Jammu & Kashmir. These are Employees' Provident Funds Scheme (EPF), Employees' Pension Scheme (EPS) and Employees' Deposit Linked Insurance Scheme (EDLI). EPFO works under administrative control of the Ministry of Labour and Employment (the Ministry).

A Rationale for this Performance Audit and earlier Audits

1.2 Efficient working of EPFO affects large number of subscribers and during 2010-11 there were reports about non-crediting interest to subscribers' accounts resulting in large accumulation in Interest Suspense Account, delays in settlement of claims, announcement of higher rates of interest by the CBT, etc. With these inputs and after suitable risk analysis, performance audit of EPFO was taken up by Audit.

B Objectives and Functions of the EPFO

1.3 The objective of the EPFO is to extend social security benefits to the working class in the form of Provident Fund, Pension and Insurance benefits. The broad functions of EPFO are as under :

- Enforcement of provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Recovery and management of money held in Trust; and
- Providing satisfactory service to the members of Schemes.

C Applicability of the schemes

1.4 The provisions of the Act and the schemes apply to every establishment specified in Schedule I (Schedule I under the Employees' Provident Funds and Miscellaneous Proviosions Act, 1952, gives a list of classes of industries and establishments wherein the Act is applicable) which employ 20 or more persons. The Act does not apply to any establishment registered under the Co-operative Societies Act, 1912 and employing less than 50 persons and working without aid of power. There were 4.44 crore members of EPF, 26.53 lakh pension beneficiaries and 4.72 lakh establishments on 31 March 2007, which increased to 8.55 crore members of EPF, 41.03 lakh pension beneficiaries and 6.91 lakh establishments by 31 March 2012.

D Organisational set up

1.5 The EPFO is administered by the Central Board of Trustees (CBT), consisting of Chairman (Union Labour Minister), Vice-Chairman, five members representing the Central Government, 15 members representing State Governments and 10 members representing employers and employees each.

1.6 The CBT is assisted by Executive Committee, constituted by the Central Government and four Sub-Committees namely (a) Finance and Investment Committee; (b) Committee on Exempted Establishement (c) Pension Implementation Committee and (d) Technical Committee or Committee on implementation of IT Reforms.

1.7 The Central Provident Fund Commissioner is Chief Executive Officer of EPFO and ex-officio member of CBT. The implementation of the schemes is carried out through its Central Office at New Delhi, 40 Regional Offices (ROs) and 80 Sub-Regional Offices (SROs) spread across the country. The EPF Scheme provides for constitution of Regional Committees for each State to advise CBT.

1.8 On being asked to provide details of the manpower sanctioned, in-position and shortfall during the last three years in all the groups of employees *viz.* A, B&C of EPFO, the Ministry of Labour and Employment in their written replies stated,

> "The details of manpower sanctioned, in position and shortfall during the last three years in all group of employees as reported through Annual Reports is as below:

Nature	2011-12		2012-13		2013-2014	
	Sanctioned	In Position	Sanctioned	In Position	Sanctioned	In Position
Group 'A'	1042	762	1057	732	1132	883
Group 'B'	6368	5086	9032	7027	6361	4670
Group C	17681	13980	14649	11209	17166	13348

The shortfall is as follows:

NATURE	2011-12	2012-13	2013-14
GROUP A	280	325	249

GROUP B	1282	2005	1691
GROUP C	3701	3440	3818

E Audit Objectives

1.9 The Performance audit was taken up to assess the economy, efficiency and effectiveness of implementation of the schemes by the EPFO.

F Audit Scope

1.10 The performance audit covered test check of records of Central Office of EPFO, 26 out of 40 ROs (65 *per cent)*, 49 out of 80 SROs (61 *per cent)* (Details in **Annex**). States having two or more than two ROs, a minimum of two ROs with the respective SROs were selected and in other States, the RO along with respective SROs were selected for audit.

1.11 The performance audit, however, did not cover the Regional and Sub-Regional Offices at Himachal Pradesh, Uttarakhand and North Eastern Region due to low density of establishments in these States. Records of activities for the period April 2006 to March 2012 were audited.

CHAPTER II

FINANCIAL MANAGEMENT

A Rates of contribution and wage limit

2.1 EPFO collects (a) contributions from employers (including employees' share), and (b) administrative charges from covered establishments, for operation of its schemes. The contribution rates in terms of *per cent* of wages (consisting of basic wages, dearness allowance (including cash value of concessions) and retaining allowance, if any, payable to each employee) under schemes are:

Table:Rates of Contribution (in *per cent* of wages)

	Contribution Account				Administration Account		
	EPF	EPS	EDLI	Total	EPF	EDLI	Total
Employer	3.67	8.33	0.5	12.5	1.10	0.01	1.11
Employee	12.00	Nil	Nil	12.00	Nil	Nil	Nil

2.2 Establishments which are exempted from EPF Scheme are required to pay inspection charges of 0.18 *per cent* of wages for EPF and 0.005 *per cent* of wages for EDLI.The Central Government also contributes 1.16 *per cent* of wages of the members of EPS. Thus, the employers, employees and Central Government contribute at 12.5 per cent For certain category of establishments like sick units or establishments which have incurred losses, etc., the rate of contribution is less, 12 *per cent* and 1.16 *per cent* of wages respectively in contribution account for a beneficiary covered under all three schemes.

2.3 Wage limit for coverage of employees under EPF Scheme was ₹ 6500 which has been continuing since June 2001, thus denying the benefit of EPF to a large number of employees with wages more than this limit. Wage limit for ESI i.e. another social security scheme was also ₹ 15,000. EPFO stated (December 2013) that matter regarding enhancement of existing wage limit has been taken up with the Ministry.

2.4 On being asked about the specific reasons for not revising the wage limit since June 2001, the Ministry replied as under:-

> "Revision of wages for mandatory coverage is a process which involves tripartite consultation among Employer, Employee and the Government and it also involves concurrence of Ministry of Finance as it is a Policy decision having budgetary impact. The Government of India notified the revision in wage ceiling

for mandatory coverage from ₹ 6,500 to ₹ 15,000/- on 19.08.2014 w.e.f. 1.09.2014".

2.5 When asked if there any time limit prescribed for revision of the same? If so, why was is not adhered to in the instant case?

"There is no time limit prescribed for revision of wage ceiling and hence there is no case of non-adherence.

2.6 In their Vetting comments, Audit stated that the wage limit may be suitably revised at regular intervals.

2.7 The Ministry responded to the vetting comments of Audit as given below:-

"The wage ceiling has been revised from time to time as under:

CHRONOLOGICAL ORDER OF THE CHANGE OF WAGE CEILING UNDER PARA 2(f) OF EPF SCHEME 1952.	
Period	Wage limit per month
01.11.1952 to 31.05.1957	₹ 300/-
01.06.1957 to 30.12.1962	₹ 500/-
31.12.1962 to 10.12.1976	₹ 1,000/-
11.12.1976 to 31.08.1985	₹ 1,600/-
01.09.1985 to 31.10.1990	₹ 2,500/-
01.11.1990 to 30.09.1994	₹ 3,500/-
01.10.1994 to 31.05.2001	₹ 5,000/-
01-06-2001 to 31.08.2014	₹ 6,500/-
01.09.2014 to onwards	₹ 15,000/-

The wage ceiling has been revised recently from ₹ 6500/- to ₹ 15000/- w.e.f. 01.09.2014 vide notification G.S.R. No 608(E) dated 22.08.2014. The Ministry has noted the observation for appropriate action."

B Contribution collected

2.8 According to Audit, Based on the prescribed rates given in preceding paragraph, the collection under contribution account was as under:

(₹ in crore)

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Provident Fund	14,414.01	18,782.30	23,246.60	26,558.20	32,494.40	39265.50
Employees' Pension Fund						
I) Employers Share	6,710.66	8,022.46	9,320.56	9,930.52	11,587.94	13417.47

II) Government Share	1,340.00	990.00	1,167.22	994.00	1,300.00	1350.00
Total	8,050.66	9,012.46	10,487.78	10,924.52	12,887.94	14767.47
Employees Deposit Linked Insurance Scheme						
Employer Contribution	250.65	308.44	368.40	423.22	480.00	566.40

2.9 The Minsitry was asked to provide scheme-wise breakup of contribution received and benefits disbursed during the last three years. They replied as given below:-

"The details includes as under:
[Amount in crore]

Year	**EPF Scheme**		**EPS**		**EDLI**	
	Contribution	**Benefits Disbursed**	**Contribution**	**Benefits Disbursed**	**Contribution**	**Benefits Disbursed**
2011-12	39431.42	20155.76	13417.50	7639.51	566.44	74.97
2012-13	45798.37	25956.40	14724.02	9038.54	620.12	123.89
2013-14	52179.50	31515.01	16417.76	10900.32	697.76	152.63

2.10 Audit in their vetting comments stated that as per PA Report, the EPF contribution is ₹ 39265.50 crore and EDLI contribution is ₹ 566.40 crore and EPS contribution (employer Share) is ₹ 13417.47 crore during 2011-12.

2.11 To the contention of Audit, the Ministry replied as under:-

"As per Audited consolidated Annual Accounts for the year 2011-12, the figures of contribution in respect of all the three schemes for the year 2011-12 are as under:

1. EPF Scheme

1. Contribution (including refund of withdrawal and transferred securities) received.	₹ 39265.50 crore
2. Contribution received by way of transferred securities (HQ Office only)	₹ 165.94 crore
Total	₹ 39431.44 Crore

2. Employees Pension Scheme

1. Contribution of Employers	₹ 13417.47 crore

3. E.D..L.I.

1.Contribution of Employers	₹ 566.40 crore

C Shortfalls in Central Government share of EPS

2.12 Para 3 of Employees' Pension Scheme 1995 provides that the Central Government shall also contribute at the rate of 1.16 *per cent* of wages and credit the contribution to the Employees Pension Fund. The EPFO prefers claim to the Ministry in this regard in the beginning of the year. It was, however, observed that there were consistent shortfalls in receipt of contributions from Central Government as against claims preferred during 2006-07 to 2011-12as under:-

Table: Shortfalls in Central Government share of EPS (₹ in crore)

Year	**Arrears of Government share in the beginning of the year**	**Claims added during the year**	**Total claims**	**Contribution received from Government during the year**	**Shortfall in contribution**	***Per cent* shortfall (Col 6X100 Col.4)**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
2006-07	870.57	934.50	1805.07	1340.00	465.07	25.76
2007-08	465.07	1117.17	1582.24	990.00	592.24	37.43
2008-09	592.24	1297.94	1890.18	1167.22	722.96	38.25
2009-10	722.96	1382.88	2105.84	994.00	1111.84	52.80
2010-11	1111.84	1613.69	2725.53	1300.00	1425.53	52.30
2011-12	1425.53	1868.46	3293.99	1350.00	1943.99	59.02

2.13 From the above, it is clear that there was increasing trend of shortfalls inreceipt of Government share. An amount of ₹ 1943.99 crore was outstanding from Central Government as on 31 March 2012.

2.14 EPFO initially stated (January 2013) that EPS'95 is a funded scheme and delay in contribution made by Central Government has no immediate adverse effect on pension obligations. It subsequently stated (August 2013) that the Ministry had conveyed the sanction of a sum of ₹ 1943.99 crore towards arrears of Central Government contribution.

2.15 The reply of EPFO regarding adverse effect is not acceptable as shortfall in receipt of contribution affected the EPS corpus including investments and interest thereon.

2.16 The Ministry was asked to explain the reasons for increasing trend of shortfalls in receipts of Government share and why did the Ministry not release the contribution in time every year to EPFO. The Ministry replied thus:-

"Central Government contributes 1.16% of wages of the employees towards Employees' Pension Scheme, 1995. The Ministry of Labour & Employment has been requesting Ministry of Finance for allocation of additional budget to meet the shortfall in contribution through Budget & Revised Estimates.
It is clarified that against the proposed BE of Rs 1600 crore in financial year 2011-12, the Ministry of Finance allotted an amount of ₹ 1350 crore and the same was retained at RE stage also. Further, in the financial year 2012-13, provision of ₹ 1400 crore was made at BE stage. Against the RE proposal of ₹ 1949.58 crore, the original allocation of ₹ 1400 crore only was retained. In the financial year 2013-14, a sum of ₹ 1997.78 crore was received against ₹ 2297.72 crore in the RE. In the current financial year, ₹ 2290.00 crore has been received against ₹ 2645.86 crore in RE 2014-15."

2.17 In their vetting comments, Audit mentioned that as per PA Report, as against the total claim of ₹ 3293.99 crore, central govt. released ₹ 1350.00 crore during the year 2011-12. Thus there was shortfall of ₹ 59.02 per cent in receipt of contribution of EPS share from Central Govt. Central Government should remit its contributions to EPFO in time. As per para 3(2) of the Employees' Pension Scheme 1995, the Central Government contributes @1.16% of the pay of the members under EPS to credit the contribution to the Employees' Pension Fund.

2.18 As the EPFO prefers claims to the Ministry in the beginning of the year, Audit asked if any corrective measures had been initiated for timely release of Government contribution in future and details thereof. In reply, the Ministry stated as under:-

"EPFO prefers claim to the Ministry by way of BE and RE in every financial year. In turn, the Ministry of Labour & Employment has been requesting Ministry of Finance for allocation of additional budget to meet the short-fall in contribution through Budget & Revised Estimates.

The short fall is intimated to the Ministry of Finance through BE and RE. The Ministry of Finance is also intimated about the interest due on the amount of shortfall of their contribution. The GOI has been paying interest on the shortfall. Therefore, the shortfall in GOI contributions, which apparently emanates from budgetary constraints do not have any financial impact upon the scheme

2.19 Audit then asked for the Shortfall in receipt of contribution affected the EPS corpus including investment and interest thereon.

2.20 The Ministry replied:-

"The Ministry of Labour & Employment has been requesting Ministry of Finance for allocation of additional budget to meet the shortfall in contribution through

Budget & Revised Estimates. Further the Government of India has been paying interest on the shortfall. Therefore, the shortfall in Central Government's contribution, which apparently is due to budgetary constraints do not have any financial impact upon the EPS corpus.

The Ministry of Labour & Employment has been requesting Ministry of Finance for allocation of additional budget to meet the shortfall in contribution through Budget & Revised Estimates. The cumulative balance of Central Government's share payable, contribution received and cumulative balance of arrears for the period from 1995-96 to 2014-2015 includes as under:-

[Amount in crore]

Government's share payable	Contribution received from Government	Cumulative balance of arrears.
20,992.72	17,763.79	3,228.93

2.21 The Ministry was asked if the sanction of ₹ 1943.99 crore brought about any improvement in the EPFO and were asked to give details about the latest position of Central Government contribution. They were also asked to state whether the Central Government was making upto date contribution at present. The Ministry replied:-

"This sanction brought down the shortfall in Central Government contribution towards Employees' Pension Scheme, 1995. The total arrears upto 2014-15 is ₹ 3238 crore - this includes arrears of ₹ 593 crore upto 31st March 2014 and ₹ 2645 crore for the financial year 2014-15 (RE)."

2.22 In their vetting comments, Audit asked the Ministry to indicate reasons for non-receipt of ₹ 3238 crores from the Central Government. The Ministry replied:-

"It is felt that it is because of budgetary constraint. However, as pointed out earlier, EPS corpus does not suffer as it gets interest on any delayed payment. In a way the balance amount becomes a sort of investment with Central Government."

D Administration Account: Income, Expenditure and Surplus

2.23 The main income of EPFO is received through administrative charges and inspection charges, penal damages or interest and interest on investments. The expenditure of EPFO is on its establishment for running of the schemes viz. EPF, EPS and EDLI. Income of EPFO collected by way of administrative charges, etc. has been significantly and consistently more than its expenditure on running of schemes. As on 31 March 2012, the accumulated surplus of EPFO, on administration account was ₹ 8558.08 crore.

2.24 The Ministry was requested to explain the reasons for such large scale unspent balance every year. In reply, they stated:-

> "The growth in contribution has been buoyant in these years. As a result, there has also been a corresponding increase in income. The gap has been sought to be brought down by reduction in administrative charges from 1.10% to 0.85% of pay. "

2.25 Audit in their vetting comments stated that the same needs to be further reviewed.

2.26 The Ministry further replied:-

> "The reduction in administrative charges from 1.10 to 0.85 has only been notified *vide* notification No.323E dated 2.2.2015 and it is w.e.f. 1st January, 2015. Any further review at this stage may not be appropriate. However, the observations are noted for appropriate action in future."

2.27 On being asked if it was not felt that such large scale unspent balances indicate shortfall in performance for running the Schemes viz. EPF, EPS and EDLI, the Ministry replied:-

> "The unspent balances has been on account of increase in income because of greater efficiency in implementing the Schemes. Kind attention is also drawn to the fact that the entire administrative expenditure to run the Organisation including the capital expenditure to purchase land & building, expenses for salary including the payment of pension to staff & officers upon retirement has to be charged against collection of administrative charges. Therefore, the surplus is not indicative of any shortfall in performance."

E Budget

2.28 The Commissioner prepares the budget of EPFO and places before CBT by 15 February of the preceding year, which then sends it to the Ministry for approval (Section 58 of the Act). General Financial Rules (GFRs) provide guidance on preparation of budget and states that the budget should be prepared with due care (Rule 3 of GFR, 2005). The year-wise position of Budget Estimates (BE), Revised Estimates (RE) and actual expenditure during the period 2006-07 to 2011-12 is shown below:

Table-2.5: Excess/Savings in Budget (₹ in crore)

Year	B.E	R.E.	Variation between BEs & REs		Actual Expen-diture*	Excess(+)/ Savings(-) (*per cent w.r.t. REs)*	Excess(+)/ Savings(-) *(per cent w.r.t. BEs)*
			Amount	percentage			
2006-07	733.22	1090.07	356.85	48.67	1011.37	(-) 78.70 *7.22*	(+) 278.15 *37.94*
2007-08	956.66	842.66	(-)114.00	(-)11.92	586.25	(-) 256.41 *30.43*	(-) 370.41 *38.72*
2008-09	959.25	1027.04	67.79	7.07	819.89	(-) 207.15 *20.17)*	(-) 139.36 *14.53*
2009-10	1231.67	1502.57	270.90	21.99	1125.39	(-) 377.18 *25.10*	(-)106.28 *8.63*
2010-11	1514.62	1708.61	193.99	12.81	1198.39	(-) 510.22 *29.86*	(-)316.23 *20.88*
2011-12	1761.40	1925.82	164.42	9.33	1338.33	(-) 587.49 *30.51*	(-)423.07 *24.02*

*including Capital Expenditure

2.29 From the above table, it may be seen that:

- There was saving of 7.22 *per cent*to 30.51*per cent* during the years 2006-07 to 2011-12 with reference to revised estimates.

- During the years 2007-08 to 2011-12, the actual expenditure was less than the budget estimates and percentage of savings, with reference to budget estimates was between 8.63and 38.72 *per cent.*

- During the years 2008-09 to 2011-12, although the revised estimates was more than the budget estimates, but the actual expenditure was even less than the budget estimates.

2.30 The shortfalls in expenditure were mainly under following major heads - Revenue, Contingencies and Miscellaneous Staff Welfare Fund, Retirements Benefits, Computerisation and Capital Expenditure. While scrutinizing the process of approval of budget in the Ministry, it was also seen that the Ministry approved the budget proposals as submitted by the EPFO i.e. without exercising any oversight role. Thus there were weaknesses in budgeting process.

2.31 The EPFO noted (November 2012) the observations for future improvement in the process of preparation of budget.

2.32 The Ministry queried as to how the EPFO justified the variations in their budget as well as revised estimates every year? Do you not feel that such variations are directly attributable to faulty budget estimation in EPFO?

> “It has been observed that in recent years the Revised Estimates had consistently been over and above the Budget Estimates of the particular year and yet actual expenditure incurred had been below the Budget Estimates. The main reason for this was examined and it has been found that the capital expenditure, though budgeted and also paid to respective agencies for whom land or building was being procured for being constructed was not being booked as expenditure as the same was booked as advance in the final annual accounts of the Organisation. This accounting of Capital Expenditure as advance is being consistently followed by EPFO as per the existing practices of EPFO Similarly, a large number of APFCs and SSAs were to be recruited in these years for whom the budgetary provisions were being made but due to delay in recruitment, the estimated amount could not be spent. Therefore, it has been a conscious effort to plug the weaknesses in the Revised Estimates for 2014-15 and Budget Estimates for 2015-16. “

2.33 The Ministry were asked to explain why did the EPFO not adhere to General Financial Rules/guidelines on preparation of budget. The ministry stated as under:-

> “The preparation of budget had been formulated as per the GFR and the guidelines of the Central Government but the weaknesses which had crept in budgeting process has been plugged in the current financial year. However, it may be pointed out that expenditure of the EPFO is charged to the Administrative Fund of EPFO which is separate from consolidated fund of India, therefore, any surplus in RE over the actual expenditure does not reflect lapsed surplus.”

2.34 When asked about the basis for anticipation of upward revision of funds of RE stage when there is under-utilisation of funds during the preceding years, the Ministry replied thus:-

> “This has been on account of higher projection of estimates and the same has been plugged in the year 2014-15.”

2.35 The Ministry were asked to explain why they did not take proper care in scrutinizing the budget proposals framed by EPFO before according sanction and in the absence of adequate scrutiny of the budget proposals of EPFO how do the Ministry state that the proposal is made on a realistic basis. The Ministry in their submission stated:-

> "The Ministry sanctioned the budget on the recommendation of Central Board of Trustees, EPF on the basis of projected expenditure by EPFO. The RE 2014-15 and BE 2015-16 has been sanctioned on a realistic basis after taking into account the recommendations made in the performance audit report."

F Interest Suspense Account

2.36 Para 51 of the Employees Provident Fund Scheme, 1952provides that all interest, rent and other income realised, and net profits or losses, if any, from the sale or investments not including transactions of the Administration Account, shall be credited or debited, as the case may be, to an account called Interest Suspense Account (ISA).

2.37 As per Para 6.1.10 of the Manual of Accounting Procedure, the ISA is to be compiled accurately and promptly as any omission /commission would adversely affect the interest of subscribers*.*

2.38 ISA is a proforma account operated in Central Office. All earnings on account of interest, penal damages, etc. are credited and expenditure relating to interest credited to subscribers' account is debited to the Interest Suspense Account. The balance in ISA is shown as liability in the EPF Balance Sheet. Audit observed that the balance inthe ISA increased consistently from ₹ 12445.29 crore in March 2007 to ₹ 22461.15 crore in March 2011. Thus the amount in ISA was not being debited with corresponding credits to subscribers' accounts in a regular and timely manner primarily due to non updation of subscribers' accounts.

2.39 The balance in ISA reduced to ₹ 17195.29 crore during 2011-12 due to updation of 16.62 crore subscribers' accounts in that year. It was further noticed that EPFO credited ₹ 23797.27 crore to subscribers' accounts for interest payable from ISA resulting into negative balance of ₹1336.12 crore in ISA account temporarily as on 31.03.2012.

2.40 In reply, EPFO stated (November 2012) that the figure at the end of the year in Interest Suspense Accounts increases every year as the corpus in investment is increased every year. EPFO reply does not justify increasing balance in ISA which is due to non-updation of subscribers' accounts in a timely manner. Non-updation of accounts is also discussed under para 5.5.

2.41 On being asked if the Ministry have any mechanism in place to ensure EPFO's compliance to provisions in Manual of Accounting Procedure with regard to the accurate and prompt compilation of Interest Suspense Account and how the Ministry intends to strengthen the monitoring mechanism, the Ministry replied:-

"The Ministry was seized of the problem of delay in the area of account updation. While approving the rate of interest for the year 2012-13, a clear cut instruction was given to EPFO to expedite updation of all accounts. Due to constant monitoring, the updation of accounts has been achieved to the extent of 99.48% in the current financial year."

2.42 When queried since when these 16.62 crore subscribers' accounts were pending for updation and whom the Ministry/EPFO hold responsible for this negligence persisting over the years, the Ministry replied:-

"The pendency in updating of accounts of the subscribers has been primarily on account of the manual processes involved in accounting for the contribution, interest and withdrawals of each subscriber. During 2013-14, EPFO has, however, developed a software which enables it to update its accounts. Every year accounts of each member is required to be updated and if for some reason the account of any member is not updated for any reason, the pendency next year is counted as two accounts. The year-wise updation and pendency of accounts is as per the table below:

*Year	Total accounts updated (in Lac)	Pending for updation (in Lac)
2007-08	393.83	361.19
2008-09	584.93	426.22
2009-10	653.54	473.54
2010-11	606.65	727.91
2011-12	1662.01	38.81
A 2012-13	1290.91	28.31
2103-14	1356.98	75.56
A 2014-15*	1536.71	8.65

As on 16.02.2015

2.43 When asked whether EPFO has any time schedule for the regular updation of subscribers EPF accounts and If so, why was it not followed properly as the balance in the Interest suspense Account' which increased during the period from March 2007 to March 2011 had reduced during 2011-12 due to un updation of 16.62 crore subscribers' accounts, the Ministry replied:-

"The Manual of Accounting Procedure prescribed by the Central Board of Trustees, EPF has mandated that the accounts of all the subscribers are to be updated by 30th September of the following year. The workload of updation of subscribers' accounts has increased over the years which have since been updated and the problem has now been resolved in the current financial year. "

2.44 The Ministry were asked to elucidate on how they ensure regular updation of EPF accounts by EPITO and also to provide the latest position of the Interest Suspense Account. In reply, they submitted:-

> "The Ministry monitors the performance of the EPFO in this regard by way of an IT assisted dashboard created for the same. Further, as on 31.03.2014, the amount lying in Interest Suspense Account (now called Interest Account w.e.f. 1.2.2013) was ₹ 27,940 Crore, out of which ₹ 25,756.12 crore pertain to interest earned during 2013-2014 which is to be appropriated in 2014-2015."

G Non-adoption of investment pattern as notified by the Ministry of Finance

2.45 Ministry of Finance had prescribed pattern of investment in July 2003 with break up of percentage of investments under different categories. This pattern was revised in January 2005 and again in August 2008. It was seen that the EPFO did not follow the pattern of investment prescribed by the Ministry of Finance. The Ministry of Finance directed (July 2010) the Ministry of Labour and Employment /EPFO to adopt the investment pattern as notified by it. The EPFO in its reply stated (November 2012) that it had followed the pattern of investment prescribed by Ministry in July 2003. It was found that even 2003 pattern was not being followed. Thus, EPFO was not following investment pattern as directed by Government of India.

2.46 When asked why did the Ministry/EPFO not ensure compliance to the investment pattern prescribed by the Ministry of Finance, the Ministry stated as under:-

> "The pattern of investment is initially notified by Ministry of Finance, Govt. of India. On the basis of the above pattern and in consultation with the Central Board of Trustees, Employees Provident Fund (CBT, EPF), the Ministry of Labour & Employment, Govt. of India notifies a pattern of investment to be followed by EPFO. EPFO has been following the pattern of investment notified by Ministry of Labour & Employment."

2.47 In their vetting comments, Audit asked if the pattern of investment notified by Ministry of Labour & Employment and followed by EPFO was approved by the Ministry of Finance (MOF) and if it was in conformity with the instructions issued by MOF from time to time.

2.48 The Ministry replied that, the pattern of Investment notified by Ministry of Labour & Employment and followed by EPFO has been approved by the Ministry of Finance. It is in conformity with the instructions issued by Ministry of Finance from time to time.

2.49 on being requested to furnish their comments on the contention of Audit that even the 2003 investment pattern was not being followed, the Ministry stated as under:-

> "The EPFO is not aware of any instance where the 2003 Investment Pattern was not being followed. It is further clarified that since the EPFO follows the Investment Pattern issued by the Ministry of Labour & Employment in consultation with CBT, EPF, Investment Pattern issued by the Ministry of Labour & Employment."

2.50 The Ministry was asked to state by when the notification under consideration by Ministry of Labour and Employment would be notified. The Ministry replied:-

> "The Pattern of Investment which was under consideration by Ministry of Labour & Employment has already been notified on 21st November, 2013."

2.51 When further asked by audit if the notification of 21st Nov 2013 on the pattern of investment to be followed by EPFO had been approved by Ministry of Finance (MOF) and if it was in conformity with the instructions issued by MOF from time to time, the Ministry replied as under:-

> "Yes, the notification of 21st November 2013 on the Pattern of Investment to be followed by EPFO has been approved by Ministry of Finance and it is in conformity with the instructions issued by MOF from time to time."

H Annual valuation

2.52 As per Para 32 of Employees Pension Scheme, 1995, the Central Government shall have an annual valuation of the Employees' Pension Fund made by a Valuer appointed by it. The Valuer appointed for year 2005-06 projected total liability in the accounts for ₹ 95,895.00 crore and considered value of fund of ₹ 73,236.00 crore, thereby estimating a deficit of ₹ 22,659.00 crore as on 31 March 2006. The valuation exercise for the year 2006-07, 2007-08 and 2008-09 had been carried out by appointed Valuers. Annual valuation reports as on March 2007 and March 2008 were received by EPFO in October 2011 and August 2012 respectively. The report for the year 2008-09 was yet to be received. Valuers for 2009-10, 2010-11 and 2011-12 were appointed in November 2012. Received reports were reportedly under consideration of EPFO.

2.53 Thus, (a) valuation during 2006-07 reflected considerable deficit in Fund, (b) valuation is not being done in time, nor are the reports received in a time bound manner,and (c) there has been significant delays in action on valuation reports.

2.54 The EPFO stated (August 2013) that the valuation of EPS Fund as on 31 March 2009, had been completed and the Valuer for valuation as on 31 March 2010, 2011 and

2012 had already been appointed by the Central Government and valuation exercise had been initiated. The EPFO further stated (August 2013) that the Ministry of Labour and Employment had informed in December 2012, that the Ministry after inter-ministerial consultation regarding revision in pensionary benefit under EPS, 1995 submitted a Cabinet Note to the Cabinet Secretariat on 12 October 2012 and it was decided that the issue be examined by a Committee of Secretaries, and the issue was under their consideration since May 2013.

2.55 The Ministry/EPFO were asked to explain the reasons for (i) the valuation being not done in time, (ii) non-receipt of valuation reports in a time bound manner, and (iii) significant delays in action on valuation reports. In reply, the Ministry stated:-

> "As per Para 32 of the Employees' Pension Scheme, 1995 (EPS) the Central Government is required to carry out an annual valuation of the scheme. The valuation of the EPS Fund for any financial year falls due only after the completion of the year. The process of appointing an Actuary (valuer) for carrying out the valuation and providing data to the Actuary thereafter followed with submission of reports had resulted in delays earlier in the valuation process.
>
> Keeping in view the delay in valuation in the previous years, the Government has taken advance action in the current financial years and the Actuary has been appointed for the year 2013-14 as well as for 2014-15, much before completion of the financial year.
>
> Based on the recommendations of actuarial valuation reports and in consultation with the Ministry of Finance a number of amendments have been carried out in the EPS-95, these include:
>
> (i) The membership of the Fund has been restricted to employees whose wages at the time of joining is at or below the wage ceiling of ₹ 15,000/- per month. The EPS is targeted towards the most vulnerable lower income group and by this amendment the liability on account of the relatively higher income group members have been restricted.
> (ii) The provision available for contributing to the EPS on wages higher than the wage ceiling at the joint option of the member and the employer has been withdrawn thereby restricting liability on the EPS Fund. The contribution of 1.16% from the Government is also restricted only to such workers who join the scheme below the wage ceiling and only up to ₹ 15000/-.
> (iii) Calculation of pension benefits taking into account the enhanced wage ceiling (from ₹ 6,500/- per month to ₹ 15,000/- per month) w.e.f 01-09-2014 are being done only prospectively and on pro-rata basis taking into

consideration the spells of service prior to enhancement of wage ceiling and thereafter thus safeguarding against any unintended leakage of benefits.

(iv) Calculation of pensionable salary, which is a factor in benefit determination are based on an average of last five years instead of the previously applicable average of 12 months wages."

2.56 The Ministry was asked to give the present status of completion of these reports and the results thereof. The Ministry replied:-

The combined valuation reports for the 3-year period covering the years 2009-12 have been submitted on 13.01.2014. The deficit in the Valuation Report as on 31.03.2012, has been shown as ₹ 10,855 crore. The Actuary states in the valuation report that the net liability or deficit of ₹ 10,855 crore as on 31.03.2012 is less than 4.00% of the total liability and is not a matter of concern."

2.57 The Ministry were requested to furnish the status of the valuation reports for the years 2012-13 and 2013-14. They submitted:-

"The Actuary has submitted the valuation reports for the financial year ending 31.03.2013 and 31.03.2014 respectively on 21.01.2015. In respect of the valuation for the financial year 2014-15 (with valuation date 31.03.2015) a preliminary report as on 31.12.2014 covering the actuarial impact of the implementation of the Gazette notification for minimum pension of ₹ 1,000/- per month has also been received.

In the valuation Report as on 31.03.2013 & 31.03.2014 the deficit has been shown as ₹ 6,712.96 crores and ₹ 7,832.74 crores respectively. The valuation reports reveal that the net liability or deficit of ₹ 6,712.96 crores as on 31.03.2013 and ₹ 7,832.74 crores as on 31.03.2014 in terms of present value, is less than 2.00% and 2.50% respectively of the total liability and is not a matter of concern."

I Employees' Pension Fund

2.58 As per Para 5.3.4 of the Manual of Accounting Procedure of Employees' Pension Scheme, 1995, the Central Government's contribution to the Employees' Pension Fund is to be kept in the Public Account of the Government of India. The Ministry of Labour and Employment issues sanctions in respect of the Government's share of contribution (and for interest thereon) for necessary adjustments by the Pay and Accounts Office in the Union Government accounts. The copies of the sanctions are also forwarded to the EPFO for making necessary entries in its Annual Accounts. As such, the balances of the Government's share of pension contribution to the Employees' Pension Fund, as depicted in the Public Account and in the accounts of EPFO should agree.

2.59 Audit noted that as per the annual accounts of EPFO for the year 2007-08, the closing balance of the Central Government's contribution (including interest) to the Pension Fund was ₹ 36,809.06 crore. The amount, however, depicted in the Union Government Finance Accounts was ₹ 36,939.04 crore. There was, thus, a difference of ₹ 129.98 crore in the two documents.

2.60 This subject was also commented upon in Audit Reports for the financial years 2008-09, 2009-10, 2010-11 and 2011-12, wherein the need for regular reconciliation to address this discrepancy was impressed upon. The EPFO stated (September 2013) that as per the directions of the Ministry the matter of reconciliation is being sorted out with the Principal Accounts Officer, Ministry of Labour and Employment.

2.61 On being asked why the Ministry did not take any cognizance despite this matter being repeatedly pointed out in four successive Audit Reports, the Ministry responded by stating that the matter is being resolved in consultation with Ministry of Finance.

2.62 In their vetting comments, Audit stated that despite the matter being repeatedly pointed out in audit reports for the financial years 2008-09 to 2011-12, the Ministry has come out with the routine reply that the same was being resolved in consultation with Ministry of Finance.

2.63 In response, the Ministry stated:-

> "In this connection, it is stated that as per Para 2.7 of Audit Observation the Pay & Accounts Office (MS), Ministry of Labour & Employment vide their letter No.PAO/Correspondence/EPF&EDLI/MS/5245 dated 16.03.2015 alongwith letter dated 11.03.2015 (**copy enclosed as Annexure II**) has informed that " it is confirmed that the difference of ₹ 129.98 Crore have been reconciled and necessary rectification has been made in the monthly account for the month of February,2015. The same will be reflected in the Finance Accounts for the Financial year 2014-15".

2.64 The Ministry were asked to furnish the timelines by which the above difference would be reconciled and also intimate the latest status thereof. In reply they stated that the matter is likely to be resolved within next six months.

J Committee meetings

2.65 The activities and functions of the EPFO are governed by the Act. Para 11 of the EPF Scheme 1952 prescribes the minimum number of meetings of Executive Committee and Regional Committees to be held in each financial year. Status of actual number of meetings of these Committees held during the period 2006-12 is given below:

Table - Periodical meetings of Committees of the EPFO

Name of the Committee	Main functions of the Committee	Prescribed frequency of meetings	Actual number of meetings held during 2006-07 to 2011-12	Shortfall
Executive Committee	To assist the Central Board in the performance of its functions.	4 every year Total-24	4 - (2006-07) 3 - (2007-08) 4 - (2008-09) 2 - (2009-10) 3 - (2010-11) 4-(2011-12) Total=**20**	4
Regional Committees	Administration of scheme in States, progress of recovery of PF contribution, speedy settlement of claims	2 every year Total : 266	28 - (2006-07) 22 - (2007-08) 22 - (2008-09) 32 - (2009-10) 36 - (2010-11) 33 - (2011-12) **Total: 173**	93

Thus, there were shortfalls in the Committee meetings.

2.66 The EPFO accepted (November 2012 and August 2013) and stated that audit observations have been noted and the fresh instructions will be issued shortly to all concerned.

2.67 The Ministry were asked what steps were taken by the Ministry/EPFO to ensure compliance to hold the minimum number of meetings of Executive Committees and Regional Committees stipulated under the EPF scheme. In reply they submitted:-

> "Meetings of Executive Committee, CBT (EPF) are more or less regularly held. As regards the Regional Committee (EPF), the issue is under consideration of the Committee and State Governments are not sending proposals for re-constitution of the Committees despite repeated reminders."

CHAPTER III

COVERAGE AND ENROLMENT

A Coverage of establishments

3.1 The EPF Act is applicable to every establishment, which is engaged in any one or more of activities specified in Schedule-1 of the Act or any activity notified by the Central Government in the official Gazette; and employing 20 or more persons. Also an establishment which is not otherwise covered under the Act can be included voluntarily with the mutual consent of the employer and the majority of its employees under Section 1(4) of the Act.

3.2 Under the EPF Scheme, 187 classes of industries and establishments were covered (March 2012). During 2006-07 to 2011-12, EPF Scheme was extended to industries and establishments dealing with computers, companies offering life insurance, private airports, electronic media, lodging houses, service apartments, condominiums, municipal councils or corporations, etc.

3.3 6,91,237 establishments were covered under EPF Scheme (as on 31 March 2012). These included 6,88,487 un-exempted (Unexempted establishments are those to whom the EPF Scheme has been extended. (Sec.1) and 2750 exempted (Exempted establishments) means an establishment in respect of which an exemption has been granted from the operation of the Scheme (Sec.2(fff). The employees in the un-exempted establishments are serviced by the EPFO and those of the exempted establishments are serviced by the establishments themselves.

3.4 Out of the total work force of about 459 millions in India, 27.55 (six *per cent*) million workers are in the organized sector (17.67 million in public sector and 9.87 million in private sector) and the remaining 94 *per cent* are in the unorganized sector. As on 31 March 2012, 8,55,40,324 members were covered under the EPF Scheme which was 18.64 *per cent* of total work force. Of the total number of members, 64.45 *per cent* are concentrated in five States namely Tamil Nadu, Maharashtra, Karnataka, Delhi and Haryana.

3.5 The Ministry was requested to provide details of the enrolments made in all the three schemes during the last three years. They submitted the following reply:-

> “The details of the enrolments made in all the three schemes during the last three years are as under:

Scheme	2011-12	2012-13	2013-14
	(Figures in lakhs)		
EPF Scheme, 1952	92.92	147.11	257.45

EPS , 1995	92.09	146.37	254.56
EDLI, 1976	92.16	146.63	254.14

3.6 On being asked whether all the organizations which meet the stipulated requirement for enrolments In EPFO have enrolled themselves for their employees, the Ministry replied as under:-

"The organizations which meet requirements of having code number are mandatorily required to register. This has been further facilitated by launch of Online Registration of Establishments (OLRE) facility."

3.7 The Ministry was asked to explain how they keep constant vigil over uncovered establishments so as to give them coverage as soon as the Act becomes applicable to them and if any target had been fixed for this purpose and action taken to achieve he same.

" This work is done by carrying out inspections. Employees' Associations do make complaints and these complaints also help in covering establishments. A Central Analysis & Intelligence Unit (CAIU) has also been established to ensure coverage in a systematic manner.

The targets were usually fixed earlier on higher side. Coverage is linked to business environment and more establishments gets covered if the business environment is good. Overall the coverage by EPFO is good. The regular inspections are carried out by limited number of Enforcement Officers. Further, in case of any complaint regarding non-coverage of establishments, inspections are done on priority."

3.8 Audit in their vetting comments stated that the E.P.F.O. should closely monitor to ensure compliance for conducting regular surveys and inspections of establishments. Further, it needs to welcome establishments opting for voluntary coverage.

3.9 In Response, the Ministry stated that the comments had been noted for appropriate action.

3.10 On being asked to provide details of the monitoring mechanism in the Ministry/EPFO for monitoring enrolment of all the establishments/organizations to the EPFO and if there was any need to have a re-look, the Ministry replied as under:-

"Ministry has relooked into the issue of monitoring enrolment of all the establishments/organizations to the EPFO. It has launched Shram Suvidha Portal which will facilitate inspection of establishments and exchange of data between various Government departments. This will also facilitate in bridging the gaps in coverage."

3.11 The Ministry/ EPFO were asked to explain the circumstances leading to huge shortfalls in the targets fixed for coverage of establishments and how they ensure inclusion of new establishments. The Ministry submitted as under:-

> "The targets were usually fixed earlier on higher side. Coverage is linked to business environment and more establishments will get covered if the business environment is good. Overall the coverage by EPFO is good. The regular inspections are carried out by limited number of Enforcement Officers. Further, in case of any complaint regarding non-coverage of establishments, inspections are done on urgent basis. "

3.12 In their vetting comments, Audit stated that the EPFO should monitor closely to ensure compliance for conducting regular inspections of establishments. To this the ministry further replied that inspections of establishments are frequently being monitored through Shram Suvidha Portal.

3.13 The Ministry were asked what was the laid down mechanism to identify new establishment commissioned in the area. In response, they submitted:-

> "To identify a new establishment for coverage under the Act the following actions are taken:-
>
> a) The regular surveys, special coverage drives and awareness campaigns were conducted in the jurisdictional area of RO/SRO to find out coverable establishments.
> b) The information were gathered from Employees Unions in the area regarding coverable establishments.
> c) The help of employer association was taken to find out a coverable establishment.
> d) The information published in the print media were also utilized to explore the possibility of coverage of new establishments.
>
> The complaints received from employees of coverable establishments also help find out coverable establishments."

B Voluntary Coverage

3.14 An establishment can be covered voluntarily with the mutual consent of the employer and the majority of the employees (Section 1(4) of the Act). In such cases, the CPFC issues a notification in the official gazette and the social security benefits as per the EPF Scheme are available to employees. However, there was no time frame for issue of such notification.

3.15 *A*udit noted that a large number of requests for voluntary coverage were pending with the Central Office and ROs. Between 2006-07 and 2011-12, of the total 1352 cases of request for voluntary coverage from Chhattisgarh, Delhi, Haryana, Jharkhand, Punjab and Uttar Pradesh, only in 79 cases (5.84 per cent), notifications were issued. As on 31March 2012, 314 cases were pending with Central Office for issue of gazette notification and 959 cases pending with ROs. Significant pendencies were also noticed inother States such as West Bengal, Odisha, Kerala and Haryana. Thus, EPFO was not very encouraging regarding voluntary coverage of its schemes.

3.16. When asked how the Ministry/EPFO deal with the cases of voluntary coverage and how are establishments covered voluntarily, the Ministry replied :-

> "Whenever applications for voluntary coverage under Section 1(4) of EPF & MP Act, 1952 are received by Regional/Sub-Regional Offices of EPFO from applicant establishments, the field offices examine as to whether those can be covered either under Section 1(3)(a) or 1(3)(b) of the Act or not. If it is found that the establishments are not coverable either under Section 1(3)(a) or 1(3)(b) of the Act, the establishments are covered under Section 1(4). After coverage, notifications are issued in the cases of voluntary coverage.
>
> If the Enforcement Officer comes across an establishment which is not coverable under the Act, he tries to convince the establishment for voluntary coverage under Section 1(4) of the Act to extend benefits in the form of provident fund, pension and insurance available under the Act and the Schemes framed there under. During field visits, the Enforcement Officers were also instructed to pursue the establishments to get themselves covered under the Act which are not otherwise coverable either under Section 1(3)(a) or under Section 1(3)(b). Now to encourage the employers to get themselves registered under the Act for PF code, a facility for Online Registration of Establishments (OLRE) for getting PF code number has been put in place since last six months."

3.17 The Ministry was asked to provide details of steps initiated by the Government to expand the coverage of the EPFO by halving the threshold for eligible establishments from those employing 20 workers or more to 1O workers.

> "The reduction of the threshold limit for coverage from 20 to 10 has been proposed in the comprehensive amendment to the EPF & MP Act, 1952 which the Ministry of Labour and Employment had placed in their official website on 17.12.2014. Tripartite consultation by the Government has been made on 11.02.2015. The Government is working on the amendments taking inputs from tripartite consultation. "

C Inspections

3.18 Para 11 of Inspector Manual provides that every establishment covered under the Act should be inspected as often and as thoroughly as necessary to ensure effective and prompt implementation of the Act and schemes. In general, routine inspection of an establishment (exempted or un-exempted) should be conducted at least once in 4 months and a minimum of 45 inspections in a month should be maintained by Inspectors.

3.19 During test check of records in the ROs/SROs it was noticed that desired number of inspections of establishments were not conducted. Inadequate inspections were noticed in the States of Karnataka, Uttar Pradesh, Chhattisgarh, West Bengal, Haryana etc. Thus inspections of establishments were less than targets, which led to insufficient controls over establishments regarding implementation of provisions of the Act.

3.20 Please provide details of the inspections of the establishments covered under the Act done during the last three years so as to ensure effective and prompt implementation of the Schemes under the Act. The Ministry replied:-

> "The details of inspections of establishments (exempted and un-exempted) covered under the Act carried out during the last three years are as under:
>
> - Year 2011-12 – 72775 Inspections
> - Year 2012-13 – 74358 Inspections
> - Year 2013-14 – 73281 Inspections

3.21 Audit in their vetting comments stated that EPFO should closely ensure compliance for conducting regular inspections of establishments. The ministry in response submitted that the comments have been noted. Presently, the inspections are monitored through Shram Suvidha Portal.

Chapter IV

CONTRIBUTION AND RECOVERY

A Responsibility of employers

4.1 As per Para 30(3) of the EPF Scheme, it shall be the responsibility of the principal employer to pay both the contributions payable by him in respect of the employees directly employed by him and also in respect of the employees employed through a contractor,as also administrative charges.

B Demand Collection Balance Register (DCBR)

DCBR is maintained in ROs/SROs for all establishments. Entries in DCBR are made through monthly statements received from employers along with challans of remittances made in bank. DCBR facilitates preparation of defaulters' lists and damages statement which are then transferred to Enforcement Branch and Penal Damage Cell for initiating action to recover the dues. DCBR also facilitates reconciliation with schedule of receipts received from banks to get delayed remittances which constitute default by banks (Para 4.5.3 of the Manual of Accounting Procedure, Part 1- General). Thus, DCBR is an important control register and is required to be maintained properly.

4.3 Test check of records in respect of the selected ROs/SROs in the following Statesrevealed that the DCBRwas not being maintained or the reconciliation was not being done with the receipts of the bank.

- In Delhi RO (North) and RO (South) DCBRs were not being maintained.
- In Karnataka (RO Bangalore and SRO Chikkamagalur) monthly updation of DCBR was not done.
- In Rajasthan (RO Jaipur and three SROs) DCBR was not maintained since 2005-06.
- In Jharkhand, posting in DCBR was not being done monthly and in some cases the posting was done annually.

4.4 Due to non-maintenance or updation of the DCBR, the EPFO authorities lost an important control mechanism to watch receipt of dues and remittance towards the past accumulations and ensure correctness of defaulters' lists. The EPFO stated (September 2013) that the Electronic Challan-cum-Return (ECR) facility has already been provided in the new Application Software which will auto update the DCBR.

4.5 The Ministry was asked how in the absence of maintenance or updation of DCBR could the EPFO watch receipt of dues and remittance towards the past accumulations and ensure correctness of defaulters lists. In response, the Ministry submitted:-

> "The current DCBR software which has been deployed not only captures the amount collectible from the employer post April 2012 but also takes into account all the collectible for previous period including defaults in payments."

4.6 The Ministry was asked if the DCBR software generated complete defaulters list, and were asked to provide details of recoveries effected (ROs/SROs-wise) since the deployment of DCBR software till 31st March 2014.

> "The DCBR software does generate defaulting lists. After the development of this DCBR, about ₹ 2000 Crores have been reconciled, collected or recovered."

C Arrears of Provident Fund and Administrative Charges

4.7 Para 38 of the EPF Scheme provides that every employer shall deduct the employees' contribution from their wages which together with their own contributionas well as administrative charges, he shall deposit within 15 days of the close of every month. Directorate of Recovery at EPFO Headquarters monitors the performance of its field offices regarding recoveries.

4.8 As on 31 March 2012, total arrears on account of EPF were ₹ 1723 crore. Test check in audit revealed that a sum of ₹ 313.20 crore was recoverable on account of EPF arrears from 20,974 establishments in selected ROs/SROs from five Statesviz West Bengal, Gujarat, Tamil Nadu, Haryana, Punjabas on 31 March 2012.

4.9 Further, as on March 2012 total arrears on account of administrative and inspection charges were ₹ 143.60 crore. The arrears of administrative charges pertaining to un-exempted establishments in three States of Kerala, Madhya Pradesh and Tamilnadu had increased from ₹ 16.94 crore involving 17213 establishments to ₹ 27.87 crore involving 19316 establishments during 2006-12. No reply was received from the EPFO (November 2013).

4.10 On being asked about the reasons for accumulation of arrears of provident funds and administrative charges in the test check cases, since when these are pending,, whether any action been initiated against the establishments for not depositing the contributions, the Ministry replied as under:-

> "The issue of monitoring and recovering interest on delayed payment from SBI is regularly taken up with the bank by respective field offices in the review meetings with SBI. There is, however, absence of reliable document available both at EPFO and bank for period prior to 2003 which is required for determination of amount of interest to be paid by SBI.

The reasons for accumulation of arrears of Provident fund & Admn. Charges in the test check cases are as under:-

1. Stay by courts /EPFAT/DRT/BIFR.
2. Non-availability of defaulters.
3. Details of properties of the defaulters are not available as the cases are very old.
4. Many establishments in default are closed and the whereabouts of the employers are not available.
5. Sale by auction is restricted by courts /EPFAT/DRT/BIFR.
6. Instalments facilities for payment of arrears have been allowed varying from 36th months to 72 months.
7. Cases are sub-judice before courts / BIFR/EPFAT.
8. Claims before the official liquidators are pending.

The cases are pending since long however all the action under the recovery provisions have been taken."

4.11 Audit further asked what was the mechanism that EPFO intended to put in place to ensure that the arrears on account of provident fund, administrative charges do not mount up. The Ministry submitted:-

"The EPFO system at present does give a list of the non contributors on monthly basis. Instructions have already been e-mailed to all the offices so that they can monitor the non contributor's arrears."

4.12 When asked what kind of mechanism EPFO intends to put in place to curb the mounting arrears on account of provident fund, administration charges and inspection charges, the Ministry submitted:-

"The Compliance MIS software has been put in place to monitor the determination of contribution, damages and interest due from the defaulting establishments and recovery thereof. This facilitates EPFO to see that dues assessed are collected in time and to take preventive measures to curb the mounting arrears on account of provident fund, administration charges and inspection charges."

4.13 In their vetting comments, Audit stated that as on 31st March, 2012, total arrear on account of EPF were ₹ 1723 crore and ₹ 143.60 crore on account of administrative and inspection charges and asked if the deployment of Compliance MIS software brought about any reduction in the arrears . The Ministry further responded:-

"The arrears in the EPFO are to be understood as compared to the total collection made by the EPFO. If this comparison is made, the arrears are not significant at all. Further, in last ten years, no agenda has been taken to the

Central Board for writing off of the arrears as was being done earlier. As already replied in earlier para, present MIS system does help us in arresting this trend."

4.14 On being asked what steps have been taken by the EPFO to punish the officials who fail in their duties to collect the arrears, the Ministry stated the following:-

"All Recovery Officers have performed their duties properly but the arrears could not be collected because of stay granted by the judicial forum, establishment not traceable and sometimes are in liquidation. Therefore there was delay in collection of arrears."

4.15 In their vetting comments, Audit stated that the establishments not being traceable reflects on the lack of performance by EPFO officials and how does EPFO intend to control/check this. The Ministry further clarified :-

"It is a routine administrative exercise whereby officers are taken to task for not doing their duties properly. They can be asked to explain or disciplinary action would also be taken against them for non performance of their duties. There have been cases where the officers have been asked for their conduct as regards poor recovery."

4.16 The Ministry were asked to provide details of the 10 major cases that resulted in substantial arrears during the last five years. In response they submitted:-

"The Ten (10) Major Defaulters in arrears during last five years are :

Sl. No.	**Name of the Establishment**	**Amount Recoverable (₹ in crores)**
1.	M/s B.L Kashyap & Sons Ltd, Delhi (South)	577.77
2.	M/s Pimpri Education Inst., Pune	310.51
3.	M/s Airport Authority, Delhi(North)	192.06
4.	M/s Group 4 Security Delhi(South)	133.76
5.	M/s HBL Global , Bandra	78.81
6.	M/s Aluwalia Contracts India Ltd., Delhi(North)	54.57
7.	M/s G4S Secure Eduction India Pvt. Ltd., Bangalore	41.41
8.	M/s JNAU, Jabalpuir	33.41
9.	M/s Noodia Mill Co. Ltd., kerala	32.92
10.	M/s Ernakullam D.C.B. Ltd., Kerala	30.98

4.17 To the vetting comments of Audit, the Ministry replied that in all the ten cases listed above, the courts or tribunals have stayed the matter and therefore, no further coercive action taken for recovery of amount.

D Levy and realisation of damages and penalties

4.18 All the covered establishments are required to pay their dues within 15 days of the close of every month.If the amount is not deposited within the stipulated time, penal damages can be imposed under section 14B of the Act.(Para 5.1.3 of the Manual of Accounting Procedure (Part -1 General) read with Para 32A of the Scheme).

4.19 It was seen that outstanding amount of damages levied but not realised from defaulting un-exempted establishments as on 31 March 2012 was ₹ 265.75 crore. Further, it was noticed that the balance outstanding amount had doubled from ₹ 132.62 crore as on 1 April 2006 to ₹ 265.75 crore as on 31 March 2012. The EPFO stated (November 2012) that directions have been issued for active follow up of the provisions of the Act by its field offices.

4.20 Audit also noted that the arrears of penalties from un-exempted establishments in respect of selected ROs/SROs of Chhattisgarh, Odisha, Gujarat, Delhi, Rajasthan, Tamilnadu and West Bengal increased from ₹ 443.65 lakhin 2006-07 to₹ 1371.90 lakh in 2011-12.

4.21 The Ministry was asked to give the present status of recovery of mounting arrears of penalties/damages as a result of the aforesaid measures, whether any case where collusion of the lawyers of the EPFO and the affected parties had been reported and what mechanism had been evolved to monitor such collusions. In response the Ministry responded:-

> "A sum of ₹ 1905.34 Cr. is recoverable on account of damages. No case of collusion of EPFO Lawyer and affected party has come to notice as yet."

4.22 In their vetting comments, Audit mentioned that the current status of damages realized in these five States may be intimated to PAC. Further, the current status of penalties levied in selected ROs/SROs may also be intimated alongwith reasons for shortfall in levy of penalties. The period to which the amount of ₹ 1905.34 crore pertains may also be intimated.

4.23 The Ministry further replied that during 2014-2015 damages levied in these states is ₹ 2809.13 lacs and damages recovered is ₹ 1235.78 lacs. The amount of damages is related to the late remittance of contributions and directly proportion to the delayed remittance and the amount remitted. So it can be more in a year and lesser in other year. The amounts of ₹ 1905.34 Crore pertains to the previous year.

E Determination of dues from employers in case of default

4.24 Section 7A of the Act empowers the Organisation to determine the amount due from an employer under any provision of this Act, the scheme or the pension scheme or the insurance scheme and may conduct such inquiry as deemed necessary. Accordingly, EPFO quantifies the provident fund dues and raises demand against defaulters. The proceedings under these provisions are quasi-judicial.

4.25 The EPFO Headquarters fixed (January 2009) the target of minimum disposal of 50 cases under Section 7A per month for each Assessing Officer. Further, all the cases were required to be finalised within three months and no case was to remain pending for more than 6 months.

4.26 Audit noted that in selected ROs/SROs in the States of Andhra Pradesh, Bihar, Delhi, Haryana, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamilnadu, Uttar Pradesh and Goa, the number of cases pending for determination of dues increased from 7324 in March 2007 to 11850 in March 2010 which subsequently decreased to 7089 during next two years.

4.27 Extent of delay in determination of dues as on 31 March 2012 in respect of 7089 cases was as under:

Delay upto three months	847 cases
Delay from 3-6 months	1833 cases
Delay more than six months	4409 cases

Thus there were persistent pendencies in cases for determination of dues from defaulters.

4.28 When asked what is the total number of cases pending for determination of dues from defaulters as on date, the reasons for such pendency and steps taken to reduce the number of pending cases, the ministry replied:-

> “There are 18544 cases pending under Section 7A of the Act as on 30.09.2014. The reasons for pendency are :-
>
> a) The establishments are closed and whereabouts of employers are not known.
> b) The employers fail to provide old records.
> c) The employers fail to appear before 7A authority.
> d) The establishment wound up and no assets/no responsible person available.

The instructions are given to field offices by senior officers from time to time to reduce the number of pending cases. "

4.29 In their vetting remarks, Audit stated that as per PA Report, in respect of 7089 cases here was extent of delays upto 3 months to more than six months as on 31st March, 2012. The current status thereof may be intimated to PAC. For the reasons detailed in the reply, it is desirable to introduce stringent measures to curb the delays. The Ministry replied as under:-

"As on 31.12.2014, 11299 cases under Section 7A were pending for six months and above. This is a continuous process as fresh cases are initiated while old cases are closed every month. The Inquiry under Section 7A of the Act is a quasi-judicial function and hence only general instructions can be issued in respect of such inquires. A strict time line cannot be enforced."

F Recovery of dues from defaulters

4.30 Where any amount is in arrear from the employers, Section 8B, 8C and 8F of the Act empower the EPFO to issue Revenue Recovery Certificate (RRC) and recover the amount by attachment and sale of movable or immovable property of the establishment or the employer.

4.31 Scrutiny of records in selected ROs/SROs in Chhattisgarh, Delhi, Madhya Pradesh, Maharashtra, Odisha and Punjabrevealed that (during 2006-07 to 2011-12):

- 14170 bank accounts were seized. Further, against the recoverable amount of ₹ 911.72 crore, only ₹ 182.07crore was recovered.
- Against 3353 properties to be seized involving ₹ 686.97 crore, only 259 properties were seized and a sum of ₹ 5.50 crore was recovered.

4.32 On being asked how many cases have been Identified during the last three years where despite deduction of salary from employees, the employer fails to submit his share with EPFO and whether any action has been initiated there against, the ministry replied as under:-

"The number of cases pending at the end of the year where the contribution has been deducted from the salary of employees but the employer failed to deposit the same to the fund for the last 3 years are as under:-

- Year 2011-12 – 7260 Cases
- Year 2012-13 – 7451 Cases
- Year 2013-14 – 7071 Cases

FIRs lodged against the employers with the police authorities under Section 406/409 of IPC for criminal breach of trust in these cases. "

4.33 When asked as to what action do the Ministry/EPFO take against belated remittance of contributions due from any employer, how many such cases have been identified during the last three years and what action has been taken there against, the Ministry stated the following:-

"Wherever the establishments/employers remit Provident Fund dues belatedly, proceedings under Section 14B of the Act read with Para 32-A of the Employees' Provident Funds Schemes, 1952 are initiated for quantifying the damages. In addition, simple interest at the rate 10% per annum were levied against the establishments/employers for such belated remittance under Section 7Q of the Act. The Year-wise details of number of cases initiated under Section 14B of the Act for quantification of damages and interest under Section 7Q of the Act for the last three years are as under:

- Year 2011-12 – 29720 Cases
- Year 2012-13 – 38459 Cases
- Year 2013-14 – 79128 Cases"

4.34 The Ministry were queried as to the number of cases where prosecutions were launched against the defaulting employers for avoiding payment of dues, non-submission of returns and making false statement during the last three years. In response, the Ministry submitted:-

"The Year-wise number of prosecutions launched against the defaulting establishments for non-payment of dues, non-submission of returns or making false statements under Section 14 of the Act during the last three years are as under:

- Year 2011-12 – 6138 Cases
- Year 2012-13 – 2076 Cases
- Year 2013-14 – 3834 Cases"

4.35 The Ministry were asked to provide details of the 20 major defaulters and action taken against them, amount pending for recovery and recovered so far. The Ministry replied as under:-

"The details of twenty major defaulters as on 31.03.2014 are as under:-

Sl. No.	Name of the Establishments	Establishment Code	Net Amount of default after recovery (₹ In lacs)
1.	M/s B L Kashyap & Sons Ltd.	DL/7227	577.77
2.	Pimpri Edu. Inst.	MH/32660	310.51

3.	M/s Airport Authority	DL/36478	192.06
4.	Group 4 Security	DL/12438	133.76
5.	HBL GLOBAL	MH/45327	78.81
6.	M/s Aluwalia Contracts India Limited	DL/7718	54.57
7.	M. H. A. D. A.	MH/21385	48.57
8.	J.Kumar Infrastructure	MH/93233	43.28
9.	M/s.G4S Secure Edcuation India Pvt Ltd	KN/14766	41.41
10.	JNAU Jabalpur	MP/3992	33.41
11.	M/s Nuddea Mill Co. Ltd.	WB/36&47	32.92
12.	M/s.Msource India Pvt Ltd	KN/25075	31.03
13.	Ernakulam DCB ltd	KR/1912	30.98
14.	Alappuzha DCB ltd	KR/1900	29.09
15.	Duncan India Ltd., Kanpur	UP/4049	28.57
16.	Muthoot consultancy, TVM	KR/16159	24.94
17.	Vasntdada SSK Ltd.	MH/3746A	24.33
18.	MPSRTC, Gwl	MP/225	22.29
19.	HMT Watch	UA/14072	20.82
20.	Mau Aima Sahakari Katai Mills,Allahabad (UP/12149)	UP/12149	18.48

Against these defaulters prosecution under Section 14 of the Act were initiated for non-depositing of dues and non-submission of returns. All actions provided under Section 8B to 8G have been taken for recovery of dues from the employers. In cases where the establishments are under liquidation claims commensurating the dues have been filed with the official Liquidator. "

4.36 In their Vetting remarks, audit asked for Details of (i) Amount pending for recovery and (ii) Amount recovered so far. The ministry replied thus:-

"In respect of the details of 20 major defaulters reported the desired information is as under:

(i) Amount pending for recovery is ₹ 1777.60, and
(ii) Amount recovered so far is NIL as cases involving these amounts are pending before various judicial forums."

4.37 On being asked if there was any mechanism to flash the names of major defaulters on the Ministry/EPFO's website, the ministry replied:-

"The list of major defaulters where the defaults is more than 10 lakhs and above have been placed in the official website of EPFO-www.epfindia.gov.in."

4.38 The Ministry/EPFO were asked to explain the reasons for the pendency of the cases for determination of dues from defaulters and whether the EPFO evolved a monitoring mechanism to ensure speedy determination of dues from defaulters. In response, the Ministry stated:-

> "The Compliance MIS software has been put in place to monitor the pending 7A cases initiated for determination of contribution due from the defaulting establishments. Instructions have been issued to field offices for disposal of 7A cases pending for more than 3 years."

4.39 In their vetting remarks, Audit stated that the specific reasons for the pendency may be indicated. The Ministry replied as under:-

> "The determination of dues under section 7A is judicial function. The parties will have to be given time for furnishing on records etc. Therefore, the decision of the cases does take time. However, during the periodical review meeting of the Zonal ACCs, the issue of disposal of 7A cases was discussed and instructions on 22.01.2015 (Annexure V) to follow the instructions."

CHAPTER V

MAINTENANCE OF SUBSCRIBER'S ACCOUNTS

A Maintenance of Accounts

5.1 The Manual of Accounting Procedure provide for system of accounts prescribed under the EPF Schemes for maintenance of establishments and employee's members master files, maintenance of data and particulars of employees enrolled as PF members, their cessation and nomination.

B Minus balances

5.2 Subscribers' accounts reflect balance accumulated as on a particular date. Prudence demands that balances in subscribers' accounts should always be positive. However, an examination of the closing balances in the records revealed minus balances in subscribers accounts as under (31 March 2012):

Table Details of minus balances

State	Name of RO/SRO	Number of Subscriber Accounts with minus balance	Total amount of Minus balances in these accounts (₹ in crore)
Punjab	Chandigarh	9341	10.23
West Bengal	Kolkata, SRO Park Street	3776	6.27
Odisha	SRO Keonjhar	160	0.04
Madhya Pradesh	RO Indore	19291	13.51
Kerala	Thiruvanantha-puram	4541	1.60
Karnataka	RO Manglore,	3958	1.51
	RO Mysore	1236	0.63
Gujarat	RO Ahmadabad	27874	11.27
Total		**70177**	**45.06**

Depiction of minus balance is indicative of withdrawal in excess of the available balance in the accounts. Possibility of unauthorised withdrawals / excess payment from the subscribers' accounts could not be ruled out.

5.3 The EPFO stated (September 2013) that detailed instructions have been issued to field offices to identify and clear the minus balances. Further, Over Pay Committee has been entrusted with the work of identifying the reasons for such minus balances. In case of any of the minus balances resulting due to negligence on the part of officials, recovery of the actual amount from the concerned official isrecommended.

5.4 When asked what the justification of Ministry/EPFO was on the above-mentioned cases and since when these cases remained with minus balance, the Ministry responded:-

> "The work of reconciliation of negative balances has been taken up by EPFO. A comprehensive effort for investigating the reasons for minus balances was initiated on an all India level. It was found that negative balance more often than not were because of accounting errors. However, in some cases negative balance is due to overpayment. Detailed instructions have already been issued to the field offices vide this office letter No. Audit/Misc/Genl/2004 Form 24/Reports/7227 dated 02.06.2010 to identify and clear the minus balances. Further Overpayment Committee, in case of minus balances resulting due to overpayment, has been entrusted with the work of identifying the reasons for such minus balances. In case of any of the minus balances resulting due to negligence on the part of any of the officials, the committee recommends recovery of the actual amount from the concerned official. The total amount of recovery from employees in 2012-2013 is ₹ 66.72 lacs and in the financial year 2013-14 it is ₹ 42.45 lacs.
>
> This effort has resulted into much reduced minus balances in individual accounts, both in terms of number of accounts and also the amount in these accounts.
>
> The present status of negative balances in respect of the offices mentioned in the report is as follows:

State	Name of RO/SRO	As per Audit Report		Status as on February 2014.		Present Status	
		Accounts	Amount (in crore)	Accounts	Amounts	Accounts	Amount (in crore)
Punjab	RO Chandigarh	9341	10.23	9865	10.64	3,295	2.95
West Bengal	RO Kolkata, SRO Park Street	3776	6.27	8925	21.73	3,158	9.27
Odisha	SRO Keonjhar	160	0.04	3388	1.36	647	0.37
Madhya Pradesh	RO Indore	19291	13.51	8106	3.86	74	0.82
Kerala	RO Thiruvanantapuram	4541	1.60	2986	1.62	16	0.45
Karnataka	RO Manglore,	3958	1.51	5255	1.45	3	0.003
	RO Mysore	1236	0.63	4668	2.49	2,491	1.05 1.05

Gujarat	RO Ahmadabad	27874	11.27 11.27	24831	13.02	8,758	3.76 3.76
Total		70,177	45.06 45.06	68025	56.17	18,442	18.68 1 18.68

This effort has resulted into much reduced minus balances, which is obvious from the following table.

As on February 2014		As on June 2014	
No. of Account	Amount (in Rs)	No. of Account	Amount (in Rs)
11,13,903	10,13,29,57,122	3,65,814	330,86,65,223

After the reconciliation of minus balances amount, in case of overpayment, recovery from staff is an ongoing process."

5.5 In their vetting remarks, Audit asked for the status of recovery for the year 2014-15 to which the Ministry replied as under:-

"Status of recovery for the year 2014-15 (₹ in Crores)

Nature of Arrear	Total Workload	Recovered	Closing Balance
Current Demand	4291.62	2591.06	1700.56
Arrear Demand	3829.60	307.31	3522.29

5.6 The Ministry asked as to why there were such a large number of cases not identified by the Internal audit in the Ministry, the Ministry replied:-

"For the year 2014-2015, there were eight core areas on which the Audit Parties focused their Audit. One of this was minus balances. Exhaustive verification of minus balances has been done by the Audit throughout the country. Even before 2014-2015 , Audit not only pointed out cases of negative balances but also verified them to ascertain if there was any overpayment involved. It is only because of this that a software was launched to take care of the same. "

The Internal Audit Parties have been directed to audit cases of minus balances and overpayments, if any."

5.7 On being queried if the Over Pay Committee identified the reasons for such minus balances, whether any of these reasons were attributable to negligence of the officials and, details be provided of the penal recoveries effected from the concerned officials, the Ministry replied as under:-

> "The total amount of recovery from employees in 2012-2013 is ₹ 66.72 lacs and in the financial year 2013-14 it is ₹ 42.45 lacs. The negligent officials have been penalised by way of recovery of amount paid in excess to subscribers."

5.8 When asked what was the extant monitoring mechanism in the Ministry/EPFO to rule out the possibility of unauthorized withdrawals/excess payment from the subscriber's accounts the Ministry replied as under:-

> "An IT assisted tool has been developed to identify and to take corrective measures in cases where minus balance in accounts have been detected."

C Transfer of accounts

5.9 As employees change their jobs, EPFO facilitates transfer of balances to relevant RO/SRO. Para 11.3 of the Manual of Accounting Procedure (Part II A&B) provides that the transfer application should be dealt with promptly and the transfer should be effected within 30 days of the receipt of the application, in complete form.

5.10 Audit noted that during the period 2006-12, in selected ROs/SROs in the following States, in 81531 cases the funds were not transferred from ROs/SROs to other ROs/SROs as per details given below:

5.11 It was noticed in audit that in West Bengal (RO Kolkata) alone, the contribution of ₹ 665.63 crorereceived from 4955 establishments during 2006-11, was yet to be transferred (January 2013) to ROs/SROs under jurisdiction of which new employer falls.

5.12 The EPFO in its reply (September 2013) accepted the observation and stated that recent modifications in the Application Software and in the Form 13 (revised) will expedite the process of on line transfer of accounts from one account to another.

5.13 When asked if the Ministry/EPFO analysed the reasons for non-transferring of funds in such a large number of cases and what steps have been taken to obviate the same in future, the Ministry responded:-

> "The primary reason for delay had been due to manual processes involved in settlement of transfer cases and manual transfer of funds and details thereof. The application form had to be transferred manually. Annexure-K was prepared

manually and payments were transferred by physical transactions through cheques.

EPFO had introduced an application (Online Transfer Claim) portal for facility of transfer of claims. This facility was launched on 2nd October, 2013.

Further, a massive exercise was undertaken to resolve the issue of pending Annexure-K in the system. This backlog has almost been cleared. A few complicated cases remain to be sorted out.

EPFO has also started implementation of allotment of Universal Account Number (UAN). EPFO has so far allotted 4.17 crore UAN to members. UAN will act as an umbrella for multiple member IDs allotted to an individual by different establishments. UANs are being seeded with Know Your Customer (KYC) details using different documents like bank account number, PAN and Aadhar. As on 30.09.2014, 3.61 crore bank account numbers, Aadhar, PAN etc. have been collected.

"The number of cases where funds had not been transferred has shown a significant downtrend in respect of the different offices. The time taken for effecting transfer of accounts from one account to another has also reduced substantially. The entire pendency shown in the PA report has been cleared.

On an average, the total transfer cases for settlement is about 60,000 per month. As on date, a total of 4,191 Annexure K cases are pending for transfer."

5.14 On being asked if the recent modification in the Application Software brought about any improvement in the non-transfer of funds, the Ministry replied as under:-

"The number of cases where funds had not been transferred has shown a downtrend in respect of the different offices.

The number of cases where funds had not been transferred has shown a significant downtrend in respect of the different offices. The time taken for effecting transfer of accounts from one account to another has also reduced substantially. The entire pendency shown in the PA report has been cleared.

On an average, the total transfer cases for settlement is about 60,000 per month. As on date, a total of 4,191 Annexure K cases are pending for transfer."

D Inoperative/Unclaimed Deposit Account

5.15 Any amount which could not be remitted for want of latest address, related to members who ceased to be employed or died but no claim is preferred in three years, or amount remitted and received back undelivered, are transferred to inoperative account (Para 72 (6) of EPF Scheme). Further, every effort should be made to contact the payee through employer, trade unions to disburse dues as early as possible (Para 6.5.4 of Manual of Accounting Procedure Part II A and B).

5.16 Scrutiny of records in respect of selected ROs/SROs in the States of Chhattisgarh, Delhi, Gujarat, Madhya Pradesh, Maharashtra, Punjab and Rajasthan revealed that the balance amount ofinoperative/ unclaimed deposit account increased nine fold from ₹ 332.14crore in April 2006 to ₹ 2948.11 crore in March 2012.

5.17 Further, number of inoperative accounts increased from 25,12,793 in 2006-07 to 73,00,262 in 2011-12. Thus, as on 31 March 2012, EPFO had 8.53 *percent* of their 8.55 crore total accounts as inoperative accounts. Thus, sharp increase in unclaimed deposits and inoperative accounts indicated that the EPFO did not exercise adequate control on timely refund or transfer of deposits to subscribers.

5.18 The EPFO in its reply stated(September 2013)that a mass awareness programme through print as well as electronic media had been made to encourage members to withdraw or transfer the balances in their inoperative account to their current active accounts. Further, modification in Form 13 (Transfer of accounts) and online transfer of funds from one account to another (Form 13) has also commenced to expedite the process of transfer.

5.19 When asked if the Ministry/EPFO agreed that the increase in the balance amount of inoperative/unclaimed deposit accounts mainly attributed to lack of proper and timely monitoring of such cases and what corrective measures have been initiated to exercise adequate control on timely refund or transfer of deposits to subscribers, the Ministry stated the following:-

> "EPFO being trustee of the provident fund of the members maintains individual accounts. The member has to either withdraw or transfer his PF balance to the new PF account in case of leaving service. EPFO does not have information about the member's new PF account or the address and the bank account number for its settlement and thus the account becomes inoperative. However the members who a have been allotted UAN on joining new establishment are required to fill Form no. 11, wherein previous PF account number are also to be filled. This will facilitate in linking the old PF account with new/transfer of PF accumulations without submission of application for transfer provided the KYC (Know Your Customer) are digitally verified by the employer. This, as it is expected will reduce the number of inoperative accounts significantly."

5.20 When queried if the EPFO's mass awareness programme and online transfer of funds brought about a reduction in the balances in inoperative/unclaimed deposit accounts and details of the latest status of the inoperative/unclaimed deposit accounts, the Ministry replied as under:-

> "Mass publicity on Inoperative Accounts was given in 2010-11 in print and electronic media (in the channels of Doordarshan, AIR, and in private TV / FM channels) to educate the various stakeholders. EPFO has recently launched "Inoperative Account Helpdesk", a facility to enable members to track Inoperative Accounts and facilitate them to either settle the same or transfer to their present PF Account.
>
> There has been increase in disbursement on account of settlements out of inoperative accounts over the years. The amounts disbursed from inoperative accounts during 2011-12, 2012-13 and 2013-14 are ₹ 955.51 crore, ₹ 2890.40 crore and ₹ 4316.71 crore respectively. "

E Non-updation of accounts

5.21 It is expected that accounts are updated with latest additions or withdrawals, however, it was observed that EPFO had a large number of accounts which were not updated. The position of non-updated/updated accounts during the period 2006-07 to 2011-12 was as under:

Table Non-updated accounts*(Figure: in crore)

	As on 31 March 2007	**As on 31 March 2008**	**As on 31 March 2009**	**As on 31 March 2010**	**As on 31 March 2011**	**As on 31 March 2012**
Total number of accounts	8.37	7.55	10.11	11.25	13.35	17.01
Accounts updated	5.25	3.94	5.85	6.53	6.07	16.62
Accounts non-updated	3.12	3.61	4.26	4.72	7.28	0.39
Percentage of non updated accounts to total accounts	(37%)	(48%)	(42%)	(42%)	(55%)	(2%)

* EPFO treats one year's account as one account for updation.

Thus, a large fraction of its beneficiaries' accounts remained un-updated at end of each year, till 2010-11 reflecting inadequate service.

5.22 Based on the instructions (March 2011) of the Ministry of Finance, EPFO updated 16.62 crore accounts during 2011-12. Yet, 38.74 lakh accounts remained un-updated as on 31 March, 2012.

5.23 The EPFO stated (September 2013) that after taking note of the observation of the Finance Ministry and the CAG it had initiated a special drive during the year 2011-12 to update all its pending accounts by 31 March 2012. Due to this special drive and focused efforts, majority of members' accounts for the year up to 2010-11 have been updated thereby leaving a pendency of only 5.58 lakh accounts as on 31 March 2013.

5.24 on being asked about the specific reasons for non-updation of accounts since 2006-07 to 2011-12, the Ministry replied:-

> "During 2006-07 to 2011-12, the updation of annual accounts was partially done manually and partly on the system. In 2013-14, EPFO has developed a software to receive Electronic Challan-cum-Receipt (ECR) and also developed a software to update the members annual accounts in "batch process". Now the updation of accounts has been integrated in the system itself and the manual feeding of data has been done away with.
>
> The EPFO is proud of to report that it has developed software to update the accounts in almost 24 hours. With the operation of this software all the pending accounts as on 31.3.2015 were updated on that very day itself. There might be any case now pending for updation due to technical reasons and the number of the same are not significant. "

5.25 when asked if the EPFO now had a regular system in place for updation of non-updated accounts of its subscribers, the Ministry replied as under:-

> "The accounts of the subscribers are now updated regularly. As on 16.02.2015, a total of 8.65 lac accounts are pending for updation."

Part-II

Observations/Recommendations of the Committee

1. The Committee note that the Employees' Provident Fund Organization (EPFO) has been set up under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 for extending social security benefits to the working class in the form of Provident Fund, Pension and Insurance benefits and accordingly has been vested with the responsibility of implementing three Schemes framed under the Act namely Employees' Provident Funds Scheme (EPF), Employees' Pension Scheme (EPS) and Employees' Deposit linked Insurance Scheme (EDLI). Besides enforcement of provisions of the Act, the functions of EPFO include recovery and management of money held in Trust and providing satisfactory service to the members of Schemes. The provisions of the Act are applicable to every establishment which is engaged in any one or more of activities specified in Schedule I of the Act or any activity notified by the Central Government and employing 20 or more persons. The Committee note that 187 classes of industries and establishments were covered under the Scheme as on March 2015. The Committee while appreciating all the efforts made by EPFO such as updation of all accounts upto 31.03.2015, launch of Online Registration of Establishments (OLRE) facility, establishment of a Central Analysis & Intelligence Unit (CAIU), launch of the Shram Suvidha Portal and Grievance Management System, have expressed their considered views in the succeeding paragraphs.

2. The Committee note that as per the survey conducted by the National Sample Survey Organization (NSSO) in 2004-05, the total number of workforce was 459 million of which about 433 million (about 94%) of the total workforce is engaged in unorganized sector and 26 million in organized sector. As per the survey carried out by the National Sample Survey Organization in the year 2009-10, the total employment, in both organized and unorganized sectors in the country was of the order of 46.5 crore comprising around 2.8 crore in the organized sector and the balance 43.7 crore workers in the unorganized sector.

Out of 43.7 crore workers in the unorganized sector, there are 24.6 crore workers employed in agricultural sector, about 4.4 crore in construction work and remaining in manufacturing and service sectors. The organized sector includes primarily those establishments which are covered by the Factories Act, 1948, the Shops and Commercial Establishments Acts of State Governments, the Industrial Employment Standing Orders Act, 1946 and has a structure through which social security benefits are extended to workers covered under social security legislations like the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees State Insurance Act, 1948 etc. The unorganized sector on the other hand, is characterized by the lack of labour law coverage, seasonal and temporary nature of occupations, high labour mobility, dispersed functioning of operations, casualization of labour, lack of organizational support, low bargaining power, etc. all of which make it vulnerable to socio-economic hardships. The nature of work in the unorganized sector varies between regions and also between the rural areas and the urban areas, which may include the remote rural areas as well as sometimes the most inhospitable urban concentrations. In the rural areas, unorganized sector comprises of landless agricultural labourers, small and marginal farmers, share croppers, persons engaged in animal husbandry, fishing, horticulture, bee-keeping, toddy tapping, forest workers, rural artisans, etc. whereas in the urban areas it comprises mainly of manual labourers in construction, carpentry, trade, transport, communication etc. and also includes street vendors, hawkers, head load workers, cobblers, tin smiths, garment makers etc. The Committee observe that since majority of the workforce in India is working in the unorganized sector, the welfare Schemes of the Government of India should have implicit provisions for covering these workers. The Committee also note that the Government has enacted Unorganized Workers' Social Security Act to create a framework for providing social security to unorganized workers, the National Pension System, the Swawlamban Scheme applicable up to 2016-17and the Atal Pension Yojana to bring those employed in rural and unorganized sector under the ambit of Pension Schemes. The Committee feel that considering the huge number of unorganized

workers, the Government should implement a universal Scheme for coverage of maximum workers for social security benefits including provident fund and pension. Since EPFO already has experience and available infrastructure for implementing such Schemes, the EPFO Scheme can also be tweaked/ modified to include all such workers. The Committee also desire that the Government study such Schemes being implemented in other countries and include their best practices in the modified Scheme.

3. The Committee note that the Directive Principles of State Policy (Article 41) which direct the State "to make, within the limits of its economic capacity and development, effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and in other cases of undeserved want". The Committee find that as per the 1991 census, 39 percent of the people aged 60 years or more continue to be in the labour force. Of the total working population, about 5.26 percent are either of the age of 60 or above. An overwhelming majority of these elderly workers are either self-employed or engaged in casual work. The elderly participation rate is significantly higher in the rural areas where the incidence of poverty is greater compared to the urban areas. The Committee observe that the social security benefits provide social stability to the society and therefore, desire that as the Scheme provides old age benefits in the form of provident fund and pension, the Ministry earnestly endeavor to increase the coverage under the EPF Scheme both in terms of number of beneficiaries and in terms of the areas covered. The Committee further feel that in order to provide maximum public assistance to the elderly, unemployed, sick and disabled as envisaged in the Directive Principles of State Policy, the Scheme should be reviewed/ modified so as to include unemployment insurance and gratuity under the Scheme.

4. The Committee note from the reply of the Ministry that a proposal for comprehensive amendments in the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is under consideration and a Committee has been constituted for drafting of 4 Labour Codes on (i) Wages, (ii) Industrial

Relations, (iii) Social Security and; (iv) Safety & Working respectively. The Committee desire that the Codes be finalized expeditiously and the Bill for amendment of the Act may be brought before the Parliament at the earliest.

5. The Committee note that the wage limit for coverage of employees under EPF Scheme has been revised to ₹15000 p.m. since September 2014. The wage limit before revision was ₹6500 p.m. since 2001. The Committee find that minimum wage rates for certain classes had gone above ₹6500 p.m. long back but the wage limit for coverage has only been revised in 2014. The Committee are of the view that if even the lowest rung of workers do not get covered by the welfare schemes of the Government then the very purpose of having social security schemes is defeated. The Committee further note the suggestion made by the working group on 'Labour Laws & Other Regulations' for the Twelfth Five Year Plan (2012-17) that though there is a well defined eligibility criteria in terms of wage ceiling in a number of Acts such as those relating to Payment of Wages, ESI, EPF, Employees' Compensation, etc., the same gets eroded with inflation reducing the number of workers who are entitled to benefits under these Acts and therefore, the eligibility criteria should be reviewed at a given periodicity, say 3-5 years to take into account the erosion in the wage ceiling limits. The Committee while taking note of the enhancement in wage limit after a long gap of 13 years are of the considered view that these limits be hiked when the minimum wages are raised through amending rules rather than amending the Act.

6. The Committee note that the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 apply to every establishment specified in Schedule I which employ 20 or more persons and further, the Act does not apply to any establishment registered under the Co-operative Societies Act, 1912 and employing less than 50 persons and working without aid of power. The Committee take note of the objective of EPFO that envisages extending social security benefits to working class in the form of Provident Fund, Pension and Insurance benefits and observe that extension of the social security benefits to a large section of working class is hindered by such restrictive provisions. The

Committee earnestly desire that to cover maximum numbers of employees, the provisions of the Act be made applicable to all establishments, including Co-operative Societies, employing more than 10 persons, initially, and gradually all establishments be covered under the Act.

7. The Committee note that even the Central Government has faltered in making its contribution towards the fund that goes to the extent of ₹1943.99 crore as on 31.3.2012. The Committee note that the Ministry of Labour & Employment issues sanctions in respect of Government's share of contribution (and for interest thereon) for necessary adjustments by the Pay and Accounts Office in the Union Government Accounts. The Committee are shocked to note that the Ministry of Labour & Employment delayed the issue of sanctions for transferring the Union Government's share of contribution to the Employees' Pension Fund. The Committee while noting that sanction has now been given towards payment of arrears of contributions desire that the Central Government should set example to lead all other subscribers and make its contributions in time. The Committee further desire that the Ministry take the issue of additional allocation to meet the shortfall in the Central Government contributions with Ministry of Finance and apprise the Committee in this regard. The Committee desire the Ministry to consider the option that Central Government transfer an amount equal to the previous contribution at the beginning of the financial year and balance may be transferred later when sanction is given. The Committee also note that the Government's share of pension contribution to the Employees' Pension Fund, as depicted in the Public Account and in the accounts of EPFO should tally. However, Audit noted that there was a difference of ₹129.98 crore in the two statements in respect of annual accounts of EPFO for the year 2007-08. The Committee find that despite repeated comments of the Audit in this regard, the EPFO has not been able to rectify the discrepancy. The Committee desire the Ministry to take up the issue with EPFO so as to get the accounts reconciled at the earliest.

8. The Committee desire that the EPFO take steps to improve its accounting procedures. The Committee are of the view that accounting for the EPFO may also be done electronically using a customized software wherein, amongst other improvements, it may also be ensured that every month the share of Government's contribution based upon last month's contribution by subscribers be calculated automatically and the advice sent to the PAO, Union Government, accordingly, within next three days for adjustment in the accounts.

9. The Committee note that the income of EPFO collected by way of administrative charges has been significantly and consistently more than its expenditure on running of the schemes. The Committee also observe that the EPFO has large amount of accumulated surpluses indicating the need for rationalizing the percentage of administrative expenses charged from the employers. The Committee find from the reply of the Ministry that pursuant to the Audit's observation, the administrative charges have been reduced from 1.10% to .85% w.e.f. 1.1.2015. The Committee recommend that since the computerization of all the functions of EPFO is now completed, the Ministry need to undertake a review of the administrative costs being incurred, the reduction in costs owing to computerization and the measures that can be taken to reduce them further so as to pass the benefit of reduction in costs to the subscribers. The Committee desire that the Ministry may also explore the possibility of meeting out the administrative costs out of the surplus being credited to the accounts of EPFO every year.

10. The Committee note that the Commissioner prepares the budget of EPFO and places before CBT which then sends the same to the Ministry for approval . The Committee find that there have been persistent savings ranging from 7.22% to 30.51% during the years 2006-07 to 2011-12 with reference to revised estimates and during 2007-08 to 2011-12, the actual expenditure was even less than the budget estimates and percentage of savings, with reference to budget estimates was between 8.63 and 38.72 percent . The Committee further note from the reply of the Ministry that expenditure of EPFO is charged to the administrative fund of

EPFO which is separate from Consolidated Fund of India, therefore, any surplus in Revised Estimates over the actual expenditure does not reflect lapsed surplus. The Committee are of the view that even if the surplus has not lapsed, the commitment of funds which were not utilized eventually results in idling of funds. Since budgeting involves fixation of priorities, foresight and forecasting based on sound analysis of past trends and the monitoring capabilities of the Department, the Committee desire that sound budgeting principles be evolved by the Ministry coupled with robust monitoring mechanism to allocate/ utilize the resources optimally.

11. The Committee note that as per Employees Pension Scheme, 1995, the Central Government shall have an annual valuation of the Employees' Pension Fund made by a Valuer appointed by it. According to the Audit, the annual valuation reports as on March 2007 and March 2008 were received by EPFO in October 2011 and August 2012 respectively and the Valuers for 2009-10, 2010-11 and 2011-12 were appointed only in November 2012 indicating that neither the valuation is done on time nor are the reports received in a time bound manner. The Committee are unable to comprehend the reasons for delay in an exercise which is to be done yearly on a routine basis. The Committee desire that exemplary disciplinary action be taken against the officials responsible for such huge delays. The Committee are of the view that that due to long delays the very purpose of including such provisions gets diluted and hence valuation be carried out timely and the benefits and contributions be adjusted according to the actuarial valuation and the annual valuation reports also be disclosed to give a clear picture of the value of the fund including total deficits and the liabilities of the Scheme thereby ensuring transparency. Further, the Committee concur with the suggestion of the Second National Labour Commission that since the valuation is done by the same actuary who designed the scheme, it is desirable that an independent valuer does three yearly or five yearly valuations.

12. The Committee note from Para 11 of the EPF Scheme 1952 that there are certain minimum number of meetings of Executive Committee and Regional

Committees to be held in each financial year. The Committee are shocked to find that there has been considerable delay in constitution of Regional Committees and shortfalls in convening meetings of both Executive and Regional Committees. The Committee are not able to understand how the Regional Committees, without meeting and examining in detail the issues relating to the areas of their mandate are administering the Scheme in their States, monitoring recovery of PF contributions and settling the claims speedily. The Committee direct the Ministry to take up the issue with the State Governments for constitution of the Regional committees at the earliest. The Committee further desire that these committees hold prescribed number of meetings to ensure better and efficient enforcement of the Scheme in the States.

13. The Committee note that 900943 establishments are covered under the Scheme and the number is bound to increase manifold in future with the incentives being given for setting up new enterprises. The Committee observe that coverage of Establishments is the very root of the purpose of the existence of EPFO and if EPFO fails to ensure coverage, the promise of protection given to the working class is rendered nugatory. The Committee, therefore, are of the considered opinion that whenever an establishment is set up, they should compulsorily be registered with EPFO also, as they register with Sales Tax/VAT Departments etc. The number of employees, categorized by their wages, the corresponding contribution recovered from the employees, and the employers' contribution remitted to the EPFO (even if it is zero) should be put on the website of EPFO. This will bring in transparency and open a channel of complaints by the workers who have been left out. The Committee desire that that the data provided by the Enterprise Survey (Economic Census) conducted by the Ministry of Statistics and Programme Implementation can be used for matching the contributions received from complying establishments. The establishments not paying contributions to EPFO, if not exempted, may then be brought under the Scheme and also penalized either by displaying their names on the website and/or by issue of individual notices. The Committee strongly desire that the

Ministry may examine the proposal and apprise the Committee thereof of the position within two months of the presentation of this report.

14. The Committee note that surveys are conducted by Enforcement Officers of the EPFO to assess coverage potential of new establishments and the Provident Fund Inspectors are expected to keep constant vigil over uncovered establishments in their area and recommend coverage as soon as the Act becomes applicable to them. However, Audit found shortfalls in conducting surveys ranging between 47% and 58.82% against the targets prescribed for ROs/SROs by the EPFO Headquarters. The Committee feel that the shortfall in surveys adversely affect the inclusion of new establishments under the Scheme thereby denying social security benefits to the workers employed in those establishments. The Committee urge that the EPFO initiate strict disciplinary action against the Inspectors who are not able to meet their targets and rigorously enforce the provisions of the Scheme.

15. The Committee further note that routine inspection of an establishment (exempted or un-exempted) should be conducted at least once in 4 months and a minimum of 45 inspections should be carried out by Inspectors. According to the audit, desired number of inspections of establishments were not conducted during 2006-07 to 2011-12. The Committee are of the view that inadequate number of inspections reflects the lackadaisical attitude of the EPFO in exercising control over the establishments covered under the Scheme. The Committee view seriously that since inadequate control over these establishments may eventually affect the interests of the poor workers, EPFO should strictly enforce the monitoring provisions of the Scheme.

16. The Committee note that an establishment can be voluntarily covered under the Scheme with the mutual consent of the employer and the majority of employees after the CPFC issues a notification in the official gazette in this regard. The Committee note that a large number of requests for voluntary coverage were pending with the Central Office and Regional Offices. The Committee earnestly desire that EPFO should prescribe a time frame for issuing

notification in such cases as lethargic approach of the officers hurts the genuine interests of the poor employees.

17. The Committee noticed various discrepancies in the implementation of the Scheme viz.

a) balance in the Interest Suspense Account increased consistently from ₹ 12445.29 crore in March 2007 to ₹ 22461.15 crore in March 2011 as it was not being debited with corresponding credits to subscribers' accounts in a regular and timely manner,

b) difference between amount of money under EPF corpus and the cumulative balance with all its subscribers largely due to non updation of accounts, unclaimed accounts and moneys in transit reflecting inadequate services to the subscribers,

c) minus balances in subscribers' accounts,

d) the funds were not transferred from one RO/SRO to other in case of employees changing their jobs,

e) sharp increase in unclaimed deposits and inoperative accounts from 25.13 lakh in 2006-07 to 73 lakh in 2011-12,

f) the Demand Collection Balance Register was not being maintained and the reconciliation was not being done with the receipts of the bank,

g) interest amounting to ₹7.74 crore was recoverable from the bank for delays in crediting in EPFO account and the system to track the delayed credits by the bank was not functional.

h) 55 % of subscriber's accounts were not updated as on 31.3.2011

The Committee while appreciating that all offices of the EPFO have been computerized which has enabled updation of all subscriber's accounts as on 31.3.2015, desire that a streamlined procedure for handling unclaimed deposits

may be evolved including the time limit for claiming the amount; the EPFO may also explore the option of investing the amount lying as unclaimed in a long term scheme as recommended by the Committee in subsequent paragraphs; the EPFO must insist on KYC details which should invariably include the details of the immediate family to minimize the unclaimed accounts; the demand collection balance register may be maintained electronically and reconciled daily; the interest suspense account/ interest account may only be credited with income/ loss as provided in the Scheme; the average rate of interest on the investments may be declared by the EPFO; the earnings of EPFO may be prudently matched with the interest payout to the subscribers; the interest on delayed credits by the bank may be automatically calculated by the system for each day of delay and the maximum time for transfer from one RO/SRO to other may be reviewed in wake of computerization of the functions of EPFO. The Committee further desire that a review of the computerized system may be made at regular intervals to update the system accordingly. The Committee note from the reply of the Ministry that Over Pay Committee had been entrusted with the work of identifying the reasons for minus balances. The Committee desire to be apprised of the findings of the Over Pay Committee and recommend that action may be initiated against the negligent officials responsible for minus balances.

18. The Committee note that, the Audit, during test check of records, found that

a) the employers of exempted establishments did not deposit ₹129.20 crore to their respective BOT indicating violation of exemption provisions.

b) in some cases, the BOT did not invest the accumulated funds of ₹299.78 crore as required under the Scheme.

c) Few of the BOTs have not transferred accumulated balances to the EPFO after the cancellation of the exemption even after five years.

d) total arrears in respect of un-exempted establishments were ₹1723 crore and ₹143.60 crore on account of administrative and inspection charges as on 31.3.2012,

e) outstanding damages levied but not realised from defaulting un-exempted establishments doubled from ₹132.62 crore on 1.4.2006 to ₹265.75 crore on 31.3.2012,

f) Audit also found that the EPFO did not initiate any immediate action against the erring employers.

The Committee feel that such lackadaisical approach on the part of EPFO has a direct influence on the credibility of the Scheme. The Committee are of the view that internal audit mechanism of the EPFO needs to be strengthened so that these violations are brought to the notice of the EPFO and action is taken thereon at the earliest. The Committee desire that the outstanding amounts may be realized urgently and wherever necessary the EPFO initiate recovery proceedings against the defaulting establishment at the earliest. The Committee desire to be apprised of the action taken by the EPFO against the erring employers involved in these cases. The Committee also note that the committee on exempted establishments oversees the working of the such establishments, suggests methods for improvement of working and considers additional guidelines for exemption. The Committee are of the opinion that the committee on exempted establishments also take up the issue of violations made by these establishments and suggest ways to contain them. The Committee strongly urge that a comprehensive review of the working of the respective provident funds in exempted establishments may be undertaken to ensure that the employees covered under those funds are actually getting all the benefits at par with the EPFO.

19. The Committee note that the retirement savings managed by the EPFO is almost ₹10 lakh crore out of which ₹7 lakh crore is managed by the fund managers of the EPFO and during 2015-16 EPF corpus is expected to grow by more than 15%. Other pension funds like National Pension System had Assets Under Management amounting to ₹72,000 crore as on 31.12.2014. Similarly LIC, being the largest non-banking financial institution in India, has also huge savings in its Superannuation Fund to manage. The Committee observe that these huge accumulations which are to be paid after a long period that too in form of

annuities can be effectively utilized for the developmental projects of the country. The Committee while agreeing that the funds belong to the workers/ subscribers and they expect maximum returns from their investments, are of the considered view that a developed nation will in long term give more benefits to the people of the country by improving living conditions and increasing new and better employment opportunities. The Committee also note that 1.16% of the basic wages is contributed by the Central Government. The Committee are of the view that since the EPFO has such huge funds and can earn handsome returns on these funds, the burden on Central Government to contribute towards the Pension Funds may be reduced in the first instance and eventually done away with. The Committee desire the Ministry to deliberate upon the recommendation of the Committee to come out with options for investing in developmental projects and apprise the Committee of such deliberations and the decision made thereon within two months.

20. The Committee are further concerned about the huge quantum of unclaimed amounts lying with the EPFO. The Committee find that ₹ 26497 crore is lying unclaimed with the EPFO and another ₹ 37595 crore is with other Institutions which include PPF, Life insurers, Mutual Funds and Banks etc. as on 31.03.2013. Since these funds belong to the subscribers, they cannot be put to any other use, the Committee are therefore, of the strong view that the Government should bring out a policy for dealing with unclaimed accounts. The Committee desire the Government to consider creation of a central pool where all such moneys be transferred after a period of 7 years so that it can be invested prudently for the developmental activities of the country.

NEW DELHI;	**PROF. K.V. THOMAS**
<u>21 December, 2015</u>	**Chairperson,**
30 Agrahayana, 1937 (Saka)	**Public Accounts Committee**

MINUTES OF THE FIFTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 3RD FEBRUARY, 2015.

The Committee sat on Tuesday the 3rd February 2015 from 1130 hrs. to 1400 hrs. in Committee Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Prof. K. V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Ranjit Singh Brahmpura
4. Shri Nishikant Dubey
5. Shri Gajanan Kirtikar
6. Shri Bhartruhari Mahtab
7. Shri Ramesh Pokhriyal "Nishank"
8. Shri Janardan Singh Sigriwal
9. Shri Shiv Kumar Udasi
10. Dr. Kirit Somaiya
11. Shri Anurag Thakur
12. Dr. P. Venugopal

RAJYA SABHA

13. Shri Satyavrat Chaturvedi
14. Dr. Satyanarayan Jatiya
15. Shri Bhubaneswar Kalita
16. Shri Shantaram Naik

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Joint Secretary
2. Smt. Anita B. Panda - Director
3. Smt. Anju Kukreja - Under Secretary

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1.	Shri Satish Loomba	-	Director General
2.	Smt. Shubha Kumar	-	Director General
3.	Shri B.P. Yadav	-	Principal Director

REPRESENTATIVES OF THE MINISTRY OF LABOUR AND EMPLOYMENT AND EMPLOYEES PROVIDENT FUND ORGANIZATION

1.	Shri Shankar Aggarwal	Secretary, Labour & Employment
2.	Shri Deepak Kumar	Additional Secretary, Labour & Employment
3.	Shri Manish Gupta	Joint Secretary, Labour & Employment
4.	Ms. Meenakshi Gupta	Joint Secretary and Financial Advisor, Labour & Employment
5.	Smt. Annie George Mathew	Joint Secretary (Pers.) Department of Expenditure
6.	Shri Sakesh Prasad	Controller of Accounts, Labour and Employment
7.	Shri K.K. Jalan	Central Provident Fund Commissioner, EPFO

2. At the outset, the Chairperson welcomed the Members and the representatives of the Office of the C&AG of India to the sitting of the Committee. The Chairperson, then apprised the members that the sitting had been convened to have oral evidence of the representatives of the Ministry of Labour and Employment on the subject "Employees Provident Fund Organisation" based on C&AG Report No. 32 of 2013. The officers from the Office of the C&AG of India then briefed the Committee on the issues relating to the subject.

3. Thereafter, the representatives of the Ministry of Labour and Employment were called in. The Chairperson during his Introductory remarks highlighted the audit objections regarding increasing trend of shortfalls in receipt of Government share, variation between the revised estimate and the actual expenditure during the years 2009-10, 2010-11 and 2011-12, non-completion of annual valuation of the Employees

Pension Fund by the valuer appointed by the Central Government, discrepancy between the closing balance of the Central Government's contribution including the interest on pension fund as shown in annual accounts of EPFO and Finance Accounts of the Central Government, withdrawals in excess of balance at credit or unauthorized withdrawal or excess payments, non-transfer of funds from one Regional Office to another following the transfer of employees and non-deposition of funds amounting to ₹ 129.20 crore to the Boards of Trustees (BOT) by the employers of exempted establishments in the States of Madhya Pradesh, West Bengal, Rajasthan and Kerala.

4. Keeping in view the above-said irregularities in the functioning of EPFO, the Chairperson observed that whenever an establishment is set up, they should be required to register with EPFO, in much the same way as they must register with Sales Tax/VAT Department. The number of employees, categorized by their wages, the corresponding contribution recovered from the employees, and the employer's contribution remitted to the EPFO (even if it is zero) should be displayed on the Website of EPFO. He suggested that the data from the Enterprise Survey (Economic Census) conducted by the Ministry of Statistics and Programme Implementation should be used for matching the contributions received form complying establishments and the Ministry should have a list of establishments not paying contributions to EPFO. Legal proceedings should be initiated against the establishments, which are not really exempted, either by displaying their names on the Website and/or by issuing individual notices. The Chairperson further suggested that all the irregularities pointed out by Audit should be brought to the notice of the Ministry of Labour and Employment and Cabinet Secretary for taking appropriate action against the concerned Chief Accounting Authority and Financial Adviser. The Chairperson made it clear that the deliberations of the Committee were confidential and were not to be divulged to any outsider until the Report on the subject was presented to the Parliament. The Committee, then proceeded with the examination of the subject.

5. A brief Power Point Presentation was given by the representatives of the Ministry. The Members then sought clarifications on various issues which *inter-alia* included non-revision of rates of contribution and wage limit, shortfalls in receipt of Central Government share, weaknesses in budgeting process, increase in the balance in Interest Suspense Account, non-updation of subscriber's Accounts, paying of lesser amount of interest to the subscribers than earned on the corpus, the valuation exercise not done in time/non-receipt of valuation reports in a time bound manner/delays in action on valuation Reports. The other issues that were raised by the Members included pendencies in issuing notices for voluntary coverage, poor achievement of targets for conducting of inspections, accumulation of arrears of provident funds and administrative charges, interest due from bank for delayed credits, non-recovery of mounting arrears of penalties, non-transfer of funds by the establishments to their respective Board of Trustees, transfer of accumulated balances to Fund by the exempted establishments after cancellation of exemptions, increase in the balance amount of inoperative/unclaimed deposit accounts, non-updation of additions or withdrawals from the beneficiaries accounts etc. The Members also sought to know about the mechanism in EPFO to keep constant vigil over uncovered establishments, cases where despite deduction of salary from employees, the employer fails to submit his share with EPFO, criteria adopted by the Ministry/EPFO for making investments, need to explore the possibility of having multiple bankers instead of depending upon its sole banker (SBI), grievances received, redressed and pending for redressel, penal action taken against the defaulters, flashing the names of major defaulters on the Ministry/EPFO Website, study of best international practices and comprehensive review of the EPFO Act, etc. The representatives of the Ministry/EPFO clarified the various issues raised by the Chairperson as well as Members and assured that the information sought by them would be furnished to the Committee expeditiously.

6. Before concluding, the Chairperson thanked the representatives of the Ministry/EPFO and also asked them to furnish the requisite information that was sought by the Members within 15 days. The Chairperson also thanked the representatives of

the Office of the C&AG of India for providing valuable assistance to the Committee in the examination of the subject.

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the sitting was kept on record.

The Committee then adjourned.

MINUTES OF THE SEVENTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2015-16) HELD ON 21st DECEMBER, 2015.

The Committee sat from 1000 hrs. to 1100 hrs. on 21st December, 2015 in Room No. "51", Parliament House, New Delhi.

PRESENT

Prof. K. V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Shri Gajanan Kirtikar
4. Shri Bhartruhari Mahtab
5. Shri Janardan Singh Sigriwal
6. Dr. Kirit Somaiya
7. Dr. P. Venugopal

RAJYA SABHA

8. Shri Vijay Goel
9. Shri Sukhendu Sekhar Roy

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Shri Tirthankar Das - Additional Director
4. Smt. Bharti S. Tuteja - Deputy Secretary
5. Smt. Anju Kukreja - Under Secretary

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri Rakesh Jain - Deputy C&AG (RC&LB)

2.	Shri Mukesh P. Singh	-	Director General of Audit
3.	Shri Pramod Kumar	-	Principal Director of Audit (Navy)
4.	Shri Manish Kumar	-	Principal Director of Audit (PAC)

2. At the outset, the Chairperson, PAC welcomed the Members to the Sitting of the Committee. As he had to attend some other important meeting he authorized Shri Sukhendu Sekhar Roy, Member of PAC to preside over the meeting. During the discussion, one of the Members suggested that in future summary of the recommendations contained in the draft Report be also provided to the Members before the sitting for consideration and adoption of draft Reports. Thereafter, the Committee took up the following draft Reports for consideration:

i. Draft Report on the subject **"Employees' Provident Fund Organisation"** based on C&AG Report No. 32 of 2013;

ii. XXXXXX XXXXX XXXXX XXXX

iii. XXXXXX XXXXX XXXXX XXXX

iv. XXXXXX XXXXX XXXXX XXXX

3. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the contents of these draft Reports, the Committee adopted the draft Reports at Sl. No (i), (ii) & (iii) with some changes/modifications which are indicated in the enclosed Annexures I, II & III respectively. The Committee then adopted the draft Report at Sl. No. (iv) without any changes/modifications.

4. The Committee authorized the Chairperson to finalise these Reports in the light of verbal discussion and consequential changes arising out of factual verification by the Audit and present the same to Parliament.

<u>The Committee then adjourned.</u>

ANNEXURE-I

Changes/modifications as suggested by the Members to be incorporated in draft Report on the subject "Employees' Provident Fund Organisation"

Sl. No.	Page/Para/Line No.	For	Read
1.	Page 45/ Para 2/ Line 40	focussed	universal
2.	Page 46/ Para 3/ Line 17	etc.	sick and disabled