72

# EMPLOYEES' PROVIDENT FUND ORGANISATION

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

## MINISTRY OF LABOUR AND EMPLOYMENT

## PUBLIC ACCOUNTS COMMITTEE (2016-17)

SEVENTY-SECOND REPORT

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SIXTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2105

SEVENTY-SECOND REPORT

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## MINISTRY OF LABOUR AND EMPLOYMENT

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Presented to Lok Sabha on: 11.4.2017

Laid in Rajya Sabha on: 11.4.2017

LOK SABHA SECRETARIAT
NEW DELHI

April, 2017/ Chaitra, 1939 (Saka)

# CONTENTS



## APPENDICES



* Not included to the cyclostyled copy of the Report

## COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17)

Prof. K.V. Thomas - Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Prof. Richard Hay
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Janardan Singh Sigriwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

**RAJYA SABHA**

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. *Shri Bhupender Yadav
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ajay Sancheti

**SECRETARIAT**

1. Shri A.K. Singh - Additional Secretary
2. Shri Sukhi Chand - Joint Secretary
3. Shri T.Jayakumar - Director
4. Smt. Bharti Sanjeev Tuteja - Deputy Secretary

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* Elected w.e.f. 09.08.2016 *vice* Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

# INTRODUCTION

I, the Chairperson, Public Accounts Committee (2016-17), having been authorised by the Committee, do present this Seventy-Second Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirty-Fourth Report (Sixteenth Lok Sabha) on **'Employees Provident Fund Organisation'** relating to the Ministry of Labour and Employment.

2. The Thirty-Fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 22 December 2015. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 22 December 2016. The Public Accounts Committee considered and adopted the Seventy-Second Report at their sitting held on 06 April 2017. Minutes of the Sitting are given at Appendix-I.

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

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

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

**NEW DELHI;**
**06 April, 2017**
**16 Chaitra, 1939 (Saka)**

**PROF. K.V. THOMAS**
**Chairperson**
**Public Accounts Committee**

## CHAPTER – I

## REPORT

This Report of the Public Accounts Committee deals with Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirty-fourth Report (Sixteenth Lok Sabha) on **"Employees' Provident Fund Organization"** based on the C&AG Report No. 32 of 2013 relating to the Ministry of Labour and Employment.

2. The 34th Report (Sixteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 22.12.2015. It contained 20 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Labour and Employment and categorized as under:

(i) Observations/Recommendations of the Committee which have been accepted by the Government:

**Paragraph Nos. 1,3,4,5,6,10,14,15,16,18,20**

**Total: 11**
**Chapter- II**

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

**-NIL-**

**Total: NIL**
**Chapter- III**

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which requires reiteration:

**Paragraph Nos.- 2,9,11,13,19**

**Total: 5**
**Chapter- IV**

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

**Paragraph Nos. 7,8,12,17**

**Total: 4**
**Chapter- V**

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of the Ministry of Labour & Employment which *inter-alia* included high administrative charges, persistent savings ranging from 7.22% to 30.51%, delay in submission of Valuation Reports by the actuary, shortfalls in conducting surveys, inadequate number of inspections, lethargic approach of the EPFO in issuing of notification for coverage of establishments voluntarily and minus balances in subscribers' accounts. The Committee had accordingly given their Observations/Recommendations in their Thirty-fourth Report.

4. The Action Taken Notes furnished by the Ministry of Labour and Employment have been reproduced in the relevant Chapters of this Report. The Committee will now deal with action taken by the Government on their Observations/Recommendations which either need reiteration or merit comments. The Committee desire that Action Taken Note in respect of Observations/Recommendations contained in Chapter I and final action taken replies in respect of the Recommendations contained in Chapter V for which interim replies have been given by the Government may be furnished to them within six months of the Presentation of the Report to the House.

## I. PROVISION OF SOCIAL SECURITY BENEFITS

**Recommendation Para No. 2**

5. The Committee noted that as per the survey carried out by the National Sample Survey Organisation in the year 2009-10, the total employment, in both organized and unorganized sectors in the country was of the order of 46.5 crores comprising around 2.8 crore in the organized sector and the balance 43.7 crore workers in the unorganized sector.

The Committee observed 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 those workers. The Committee felt that considering the huge numbers 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 infrastructure available for implementing such Schemes, the EPFO Scheme can also be tweaked/modified to include all such workers. The Committee also desired that the Government study such Schemes being implemented in other countries and include their best practices in the modified Scheme.

6. The Ministry in their Action Taken Notes have stated as under:

"Efforts are being made to increase the coverage and compliance for construction workers. The progress in this area is being regularly monitored by the Sub-Committee of Central Board of Trustees, (EPF) on Construction Workers.
To ensure updation and uploading of contractors' workers' details, a circular was issued on 07-03-2016. The said facility is being further modified and improved so that the workers engaged through contractors get their due benefits.
Further, the proposed comprehensive amendment to The Employees Provident Fund and Miscellaneous Provisions (EPF & MP) Act, 1952 which has been sent to the Cabinet Secretariat seeking approval of Union Cabinet, brings establishments employing between 10 and 19 persons under the ambit of the Act. This will extend social security to a large number of workers."

7. While vetting the said ATNs, the Audit made the following comments:

"Hon'ble Committee has recommended that:

a. Welfare Schemes of GoI should have implicit provisions for covering the unorganized sector workers.
b. GoI should implement a universal scheme for coverage of maximum workers for social security benefits.
c. EPF Scheme can also be tweaked/modified to include all unorganized sector workers.
d. GoI should study similar schemes being implemented by other countries. Ministry's replies did not specifically address these issues."

8. In their further comments to the above audit observation, the Ministry stated as under:

"Efforts are being made to increase the coverage and compliance for unorganized workers in construction industry. The progress in this area is regularly monitored by the Sub-Committee of Central Board of Trustee, (EPF) on Construction Workers.
For updation/uploading of details of contractors' workers including those in unorganized sector, a detailed circular was issued on 07.03.2016. The said facility is being further modified and improved so that the unorganized workers engaged through contractors get due benefits.
Further, the proposed comprehensive amendment to The EPF & MP Act, 1952 which has been sent to the Cabinet Secretariat seeking approval of Union Cabinet, brings establishments employing between 10 and 19 persons under the ambit of the Act, thus providing social security to a large number of unorganized workers.
It is informed that many of the unorganized workers are currently employed in such occupations where the number of employees per employer may be much below 10. For instance, a domestic worker may be working in one household or even for three households. So, the number of employee is one but the number of employers is three. A similar situation may obtain in the case of Auto Rickshaw Drivers and other self employed persons also. So, unorganized workers cannot be brought under the purview of EPF & MP Act, 1952 as it is not administratively feasible to make their employer liable for filing of returns under EPF Scheme, 1952 and the cost of administering PF Scheme for such workers will outweigh the benefits thereon".

9. The Committee had recommended that a Universal Scheme for coverage of entire workforce for social security benefits including Provident Fund and pension be implemented by the Government and since EPFO already had experience and infrastructure for implementing such scheme, the EPFO scheme may be tweaked/modified to include all such workers. The Committee note from the reply of the Government that unorganized workers cannot be brought under the purview of the EPF & MP Act, 1952 as it is not administratively feasible to make their employer liable for filing of return under EPF Scheme, 1952 and the cost of administering PF scheme from such workers will outweigh the benefits thereon. The Committee would like to draw attention of EPFO towards ESI Scheme, administered by the same Ministry where a proposal for bringing all such workers under the scheme is under consideration. The Committee observe that under ESI Scheme also the employers contribute towards the benefits admissible to employees and, therefore, desire that the EPFO may include unorganized workers under the scheme. As regards workers with multiple employers, the Committee are of the considered view that in such cases the employers contribution may be done away with and benefits admissible may be calculated accordingly. The Committee would like to be apprised of the steps taken by EPFO in this regard within four months of the presentation of this report. The Committee are of the strong view that the avowed objective of Government should be to provide old age benefits to every citizen of the country and for achieving this objective, the Government should have a universal scheme for providing all the social security benefits under one umbrella and ,therefore, all similar schemes may be merged with emphasis on efficient administration and maximum returns.

## II. REVIEW OF THE EPF SCHEME

### Recommendation Para No. 3

10. The Committee noted that as per the 1991 census, 39 percent of the people aged 60 years and above continue to be in the labour force. The Committee observed that the social security benefits provide social stability to the society and therefore, desired that as the Scheme provides old age benefits in the form of provident fund and pension, the Ministry should earnestly endeavour to increase the coverage under the EPF Scheme both in terms of number of beneficiaries and in terms of the areas covered and further felt 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.

11. The Ministry in their Action Taken Notes have stated as under:

"EPF & MP Act, 1952 already extends to the whole of India except the State of Jammu and Kashmir. Therefore, there is no possibility of increasing the coverage under EPF & MP Act, 1952 in terms of geographical areas covered.
A proposal for comprehensive amendment to The EPF & MP Act, 1952 which has been sent to the Cabinet Secretariat seeking approval of Union cabinet, will increase the coverage under the Act in terms of number of beneficiaries in the following two ways:
The establishments employing 20 or more persons are covered under the Act. The amendment will cover all establishments employing 10 or more persons under the Act.
The Act applies only to factories engaged in industries specified in Schedule I and to classes of establishments notified by the Central Government. The amendment will make the Act applicable to all establishments regardless of their industry."

12. While vetting the said ATNs, the Audit made the following comments:

"Ministry's replies did not specifically address the recommendation made by the Hon'ble Committee. The PAC has desired that the Ministry should endeavour to increase the coverage both in terms of beneficiaries and areas covered. However, the Ministry has replied taking it as geographical coverage only.
The Scheme should be reviewed/modified so as to include unemployment insurance and gratuity under the scheme. However, the Ministry has not apprised the PAC about the steps taken by it to include gratuity and unemployment insurance under the amended Act."

13. In their further comments to the above said audit observation, the Ministry stated as under:

"A proposal for comprehensive amendment to the EPF & MP Act, 1952 which has been sent to the Cabinet Secretariat seeking approval of Union Cabinet, will increase the coverage under the Act in terms of number of beneficiaries in the following two ways:
At present, establishment employing 20 or more persons are covered under the Act. The amendment will cover all establishments employing 10 or more persons under the Act.
At present, the Act applies only to factories engaged in industries specified in Schedule I and to classes of establishments notified by the Central Government. The amendment will make the Act applicable to all establishments regardless of their industry.
Payment of gratuity is governed by the Payment of Gratuity Act, 1972. This Act is administered by the Labour departments of the State Governments. Unemployment Insurance is not under present EDLI Scheme in which insurance is linked to the deposit. Therefore, unemployment insurance is not financially feasible at this juncture."

14. The Committee had desired that the EPF scheme be universalized both in terms of beneficiaries and the areas covered and had further recommended that in order to provide maximum public assistance to the elderly, unemployed and disabled, the scheme should be reviewed/modified to include unemployment insurance and gratuity under the scheme. The Committee note from the reply of the Ministry/EPFO that a proposal for comprehensive amendment to the EPF & MP Act, 1952 has been sent to the Cabinet Secretariat for the approval of Union cabinet which includes provisions for covering all establishments employing 10 or more persons under the Act and application of Act to all establishments regardless of their industry. The Committee while appreciating the efforts of the Ministry reiterate their earlier recommendation that gradually all establishments irrespective of numbers employed by them be covered under the Act. The Committee further reiterate that the Cooperative Societies be also brought under the ambit of the Act. The Committee also desire that once the proposed amendments are approved, the Ministry/EPFO may aggressively spread awareness about the advantages of the scheme not only amongst the employers but also amongst the labour force.

The Committee note from the reply of the Ministry that unemployment insurance is not under the present EDLI Scheme in which insurance is linked to the deposit, therefore, unemployment insurance is not feasible at this juncture. The Committee are of the view that the employees/subscribers of the EPFO Scheme who have been depositing their contributions regularly while in service deserve to get benefits during the phases when they are rendered jobless due to reasons such as old age, illness, disability or retrenchment. As regards gratuity also, the Committee are of the considered opinion that all benefits related to superannuation/death sickness/disability of an employee should be covered under one scheme. The Committee, therefore, reiterate their earlier recommendation that the scheme should be reviewed/modified so as to include unemployment insurance and gratuity under the scheme.

## III. NEED FOR REVIEW OF ADMINISTRATIVE COSTS AND BENEFITS

### Recommendation Para No. 9

15. The Committee noted 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 and that the EPFO had large amount of accumulated surpluses indicating the need for rationalizing the percentage of administrative expenses charged from the employers. The Committee recommended that since the computerization of all the functions of EPFO has been completed, the Ministry need to undertake a review of the administrative costs being incurred, the reduction in costs owing 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 and that the possibility of meeting out the administrative costs out of the surplus being credited to the accounts of EPFO every year may also be explored.

16. The Ministry in their Action Taken Notes have stated as under:

> "The gap between the contribution received and administrative expenses has been brought down by reduction in administrative charges from 1.10% to 0.85% of pay. The reduction in the rate of administrative charges has been notified vide Notification No. 323(E) dated 02.02.2015. A further reduction in administrative charges can be explored. However, it may not be desirable to meet the administrative expenses from the surplus since there is a massive deficit in the Staff Pension & Gratuity Fund as well as provisioning has to be made towards assessed dues by the Service Tax Department."

17. While vetting the said ATNs, the Audit made the following comments:

> "Ministry may apprise the PAC of the steps being taken by it for further reduction in the administrative charges."

18. In their further comments to the above audit observation, the Ministry stated as under:

> "A proposal to reduce the administrative charges from 0.85% to 0.65% of pay was placed before the Central Board of Trustees, EPF in its 208th meeting held on 16.09.2015. The said proposal was deferred by the Board. The employers' representatives felt that the proposal may be agreed to and, if required, the charges could be increased in future. However, the employees' representatives felt that the existing funding requirements of Staff Pension & Gratuity Fund, purchase of office building, likely impact of 7th Pay Commission may be taken into account while formulating the proposal. Hon'ble LEM (IC) & Chairman, CBT (EPF) advised that the views of members be taken into account and the anticipated expenditure on modernization & restructuring should also be considered while framing the proposal for consideration of the Board again."

19. **The Committee had recommended that since the computerization of all the functions of EPFO has been completed, hence the Ministry needed 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 note from**

the reply of EPFO that the proposal for reducing the administrative charges from 0.85% to 0.65% was deferred by the Board as the employees' representatives felt that the existing funding requirements of Staff Pension & Gratuity Fund, purchase of office building, likely impact of 7th Pay Commission may be taken into account while formulating the proposal. And accordingly Hon'ble LEM (IC) & Chairman, CBT (EPF) advised that the views of members be taken into account and the anticipated expenditure on modernization & restructuring should also be considered while framing the proposal for consideration of the Board again. The Committee are of the firm opinion that since the income of EPFO is significantly more than the expenditure on running the scheme, the administrative charges need to be reduced further and benefits should be passed on to employers. The Committee are of the considered view that the EPFO should also strive to bring its expense ratio (the percentage of assets used for expenses) down to the global average of around 2% and reduce the administrative charges accordingly as higher charges are burdensome for small businesses. The Committee would also like to be apprised of the details of the amounts provisions made/ spent on the staff/ buildings of the EPFO in each of the last five years.

## IV. FIXING ACCOUNTABILITY

### Recommendation Para No. 11

20. The Committee noted that 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 desired that exemplary disciplinary action be taken against the officials responsible for such huge delays. The Committee opined 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 and concurred 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.

21. The Ministry in their Action Taken Notes have stated as under:

"Actuarial Valuation Report as on 31.03.2015 has been received from the Actuary and further action on the matter is being taken by placing the same before CBT, EPFO."

22. While vetting the said ATNs, the Audit made the following comments:

"Ministry's reply did not specifically address the recommendation made by the PAC that-

a. Exemplary disciplinary action may be taken against the officials responsible for such huge delays.

b. An independent valuer (other than the actuary that has designed the scheme) may be considered for three or five yearly valuation."

23. In their further comments to the above said audit observation, the Ministry stated as under:

"(a):- It is intimated that Sh. P.A. Balasubramanian was appointed valuer for the annual valuation of EPS 1995 as on 31.03.2005, 31.03.2006 and 31.03.2007. Thereafter, proposal was sent by EPFO for the appointment of valuer for annual valuation on EPS as on 31.03.2008 vide letter no. Actuarial/18(3)2008/12/Val/1529 dated 10.12.2008. But as the actuary report for the period 2005 to 2007 was not received from the valuer till such time this Ministry informed EPFO vide letter no.R-15011/2/04-SS.II dated 06.02.2009 that appointment of Sh. P.A. Balasubramanian as actuary may be re-looked into for the annual valuation as on 31.03.2008. Further, this Ministry also suggested EPFO vide letter no. S-3502/7/2008-SS.II dated 12.10.2009 that EPS 1995 may be valuated by appointing the actuary from the panel of names of actuaries sent by Ministry of Finance.

Due to this, appointment of actuary was delayed. Hence, no official may be held responsible for the delay as the delay in appointment of actuary for the valuation as on 31.03.2008 was due to delay in submission of valuation report by the actuary for previous years, i.e., as on 31.03.2005, 31.03.2006 and 31.03.2007.

(b) Regarding the suggestion of second Labour Commission concurred by Public Accounts Committee that independent valuer does the valuation for 3 years/ 5 years in place of getting it done by same actuary who had prepared Employees Pension Scheme, it is informed that the Employees Pension Scheme was designed with the help of Sh. Bhudev Chattarjee, Actuary who had also conducted the first actuary valuation of the Employees Pension Fund as on 15.11.1996. As per details recorded above the actuary who did valuation and prepared the Employees Pension Scheme for the year 2005-06 and onwards are different persons/organization than the Actuary who designed the Employees Pension Scheme, 1995."

24. **The Committee had observed long delays in annual valuation of the Employees Pension Fund and recommended (i) exemplary disciplinary action against those responsible for such huge delays, (ii) disclosure of annual valuation reports for ensuring transparency. The Committee note from the reply of EPFO/Ministry that**

**delay in appointment of actuary for the valuation as on 31.03.2008 was due to delay in submission of valuation reports by the actuary for previous years ending on 31.3.2005, 31.3.2006 and 31.03.2007. The Committee would like to be apprised of the action taken/liquidated damage imposed on the actuary who delayed three successive reports. The Committee further observe that the EPFO/Ministry have not replied to recommendation of the Committee about the disclosure of the annual valuation reports for ensuring transparency. The Committee would like to be apprised of the views of the Ministry/EPFO on the same. The Committee desired to be intimated about the details of the actuaries appointed after 31.3.2007. The Committee exhort the Ministry to ensure that actuaries are appointed every year and their valuation reports submitted on time.**

## V. MANDATORY REGISTRATION OF ESTABLISHMENTS WITH EPFO

### Recommendation Para No. 13

25. The Committee recommended 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 desired 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 Committee further recommended that 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 desired that the Ministry may examine the proposal and apprise the Committee of the position within two months of the presentation of this report.

26. The Ministry in their Action Taken Notes have stated as under:

> "It is submitted that the Employees Provident Funds and Miscellaneous Provisions Act, 1952 applies to the factories engaged in industries specified in Schedule I of the Act and establishments notified by the Government under Section 1(3)(b) of the Act and employing 20 or more persons. Making the registration of the establishments mandatory at the time of set up itself irrespective of the coverage criteria under the Act would require amendments to the Act. Similarly, stipulating a

mandatory return specifying the number of employees, the wages and contribution (if any) for all establishments irrespective of coverage under the act would require amendments to the Act to be made enforceable. It must be mentioned that the compliance details of covered establishment including the contribution made by the establishment and the list of employees for whom the contributions is made is currently available in the public domain on the EPFO website. The information can be used by any worker who has been left out. Further, the EPFO is making efforts to gather intelligence from various sources to secure coverage of establishments and workers. A Centralized Analysis and Intelligence Unit (CAIU) has been setup at the Headquarter of EPFO for the purpose. It is also submitted that the Economic Census is an aggregated report and the details of the individual establishments cannot be obtained from it. However, the Committee's observation is noted and efforts will be made to match the coverage at the aggregated level with Economic Census data."

27. While vetting the said ATNs, the Audit made the following comments:

"Ministry's reply did not specifically address the recommendation made by the PAC regarding compulsory registration of establishments as and when they register with Sales Tax/VAT departments."

28. In their further comments to the above audit observation, the Ministry stated as under:

"While noting the observations of Committee, it is submitted that the Employees Provident Funds and Miscellaneous Provisions Act, 1952 applies to factories engaged in industries specified in Schedule I of the Act and establishments notified by the Government under Section 1(3)(b) of the Act and employing 20 or more persons. As already informed, making the registration of establishments mandatory at the time of set up itself irrespective of the coverage criteria under the Act would require amendments to the Act to be made enforceable. Further, it will make the monitoring work more difficult. Accordingly, at this juncture compulsory registration at the time of registration with Sales Tax/VAT Tax departments may not be insisted upon."

29. **The Committee had recommended 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 Committee note from the reply of EPFO/Ministry that making the registration of establishments mandatory at the time of setting up itself, irrespective of the coverage criteria under the Act would require amendments to the Act to be made enforceable; it will make the monitoring work more difficult and therefore, at this juncture compulsory registration at the time of registration with Sales Tax/VAT Tax departments may not be insisted upon. The Committee are of the considered opinion that making registration of establishments mandatory at the time of setting up would ensure coverage of all establishments and consequently maximum number of workers would be covered under the scheme. Further, in this**

age of rapid computerization, the Committee feel that monitoring would not be a major issue. The Committee, therefore, reiterate that the registration of the establishments with EPFO may be made mandatory at the time of set up itself. As regards amendments in the Act, the EPFO may initiate appropriate necessary action at the earliest.

## VI. FIXING TIME LIMIT FOR VOLUNTARY COVERAGE

**Recommendation Para No. 16**

30. The Committee noted that a large number of requests for voluntary coverage were pending with the Central Office and Regional Offices and desired 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.

31. The Ministry in their Action Taken Notes have stated as under:

> "The work of approvals and notification under section 1(4) of the Act has improved significantly. The process of getting approval from the CPFC for notification has been systematized. Significant progress has been made in the year 2014-15 with approximately 450 of approvals having been given for issuing notifications.
> It is also submitted that the coverage under section 1(4) of the Act is considered only where an establishment is not coverable under section 1(3) of the Act. To avoid liabilities under Employees' Provident Funds & Miscellaneous Provisions Act, 1952, it is seen that many a time the employers instead of filing application for coverage under section 1(3) of the Act under report the number of employees and apply for the coverage under section 1(4). Accordingly, it becomes necessary to investigate the possibility of coverage under section 1(3) of the Act before a recommendation is made for issue of notification. In many cases after verification the coverage under Section 1(4) have been converted into statutory coverage under Section 1(3) of the Act. Further it must be mentioned that in order to streamline the process of handling of the proposals for voluntary coverage under Section 1(4) of the Act administrative guidelines including timelines for various stages of the process were issued vide Circular No. C-II/10(1)14/KN&Goa/Vol.Cov/18077 dated 23.02.2015."

32. While vetting the said ATNs, the Audit made the following comments:

> "Ministry may apprise the PAC if it has prescribed a time frame for issuing notifications in such cases."

33. In their further comments to the above audit observation, the Ministry stated as under:

> "The observation made by the Committee is noted. The work of approvals and notification under section 1(4) of the Act has improved significantly and the approval from the CPFC for notification has been systematized. In order to streamline the process of handling proposals for voluntary coverage under Section 1(4) of Act administrative guidelines including timelines for various stages of the process were issued vide Circular No. C-II/10(1)14/KN&Goa/Vol..Cov/18077 dated 23/02/2015.

However, it is informed that there is no specific time frame anywhere in the EPF & MP Act 1952 and Schemes framed thereunder."

34. **The Committee had recommended that EPFO may prescribe a time frame for issuing notification in cases of requests for voluntary coverage. The Committee note from the reply of the EPFO/Ministry that though guidelines have been issued prescribing timelines, there is no specific time frame anywhere in the EPF & MP Act, 1952 and schemes framed thereunder. The Committee are of the view that a period of 3 months may be prescribed for issuing notification after a request is received for voluntary coverage. The Committee, in order to ensure that requests for voluntary coverage are taken up timely and the workers do not suffer due to procedural delay, reiterate their earlier recommendation that a time frame for issuing notification may be prescribed by amending the Act itself.**

## VII. THRUST ON EFFICIENCY

### Recommendation Para No. 19

35. The Committee observed that the huge accumulations of EPFO which are to be paid after a long period, that too in the 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 noted that 1.16 % of the basic wages is contributed by the Central Government. The Committee were 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 desired 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.

36. The Ministry in their Action Taken Notes have stated as under:

(a) "Option for investing in developmental Projects.

The retirement savings directly managed by EPFO is approximately ₹ 7.42 lakh crores. The details of which under different categories are as under:-

| Category | Sub-Category | As on 31.03.2014 | % of Total | |
|---|---|---|---|---|
| Govern-ment | Central Govt. Securities (CGS) | 1,74,805 | 23.53 | 69 |
| | Public Account with Central Govt. | 98,486 | 13.26 | |
| | Special Deposit Scheme (SDS) | 54,500 | 7.34 | |
| | State Guaranteed Securities (SGS) | 18,944 | 2.55 | |
| | State Development Loan (SDL) | 1,65,995 | 22.34 | |
| Public sector | Public Sector Undertakings/ Financial Institutions (PSU/PSFIs) | 1,81,049 | 24.37 | |
| Private | Private Sector (PVT) | 49,121 | 6.61 | |
| TOTAL | | 7,42,900 | 100 | |

Approximately 69% of the retirement savings of EPFO is with Government and is being utilised for the purposes in the best of interest for the country.

Within the other debt instruments issued by corporates which includes both public sector and private sector, most of EPFO's investments are in Scheduled commercial banks. Approximately ₹1.15 lakh crores, (15.5% of the total) is invested in such entities. These banks would typically lend the money for different purposes which would aid in generating economic activity assisting in generating wealth for the country.

Approximately ₹55 thousand crores (7.5% of the total) is invested in power sector. Another approximately ₹17 thousand crores (2.4% of the total) is invested in sectors like housing finance, agro finance and railway finance.

The sectors noted above are directly related to development activities and financing such companies is an indirect way of investing in developmental projects.

Considering all the facts as noted above, it may be summarized that the retirement savings managed by EPFO is mainly with the Government and the funds which are invested in corporate bonds are being presently utilized for the purpose of developmental activities.

(b) Doing away with Government contribution in EPS.
As per the information provided by Pension Division, regarding doing away with 1.16% contribution of Govt. towards EPS 1995, the actuary has projected an impact of ₹ 32,365.66 crore, if the Govt. share is done away with."

37. While vetting the said ATNs, the Audit made the following comments:

"Sudden removal of Government Contribution may adversely impact the Pension Fund. However, in our view the Hon'ble Committee has desired that the possibility of doing away with Government Contribution may be explored by the Ministry and it may be reduced in steps."

38. In their further comments to the above audit observation, the Ministry stated as under:

> "It is informed that for the current financial year 2016-17 alone the impact has been assessed for more than ₹ 4300 crores. This impact will increase every year in future due to increase in number of EPS, 1995 members and the corresponding increase in contribution due to increase in pensionable salary each year."

**39. The Committee had recommended 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 note from the reply of the Ministry that the impact will increase every year in future due to increase in number of EPS, 1995 members and the corresponding increase in contribution due to increase in pensionable salary each year. The Committee are of the firm view that the EPFO/Ministry should strive towards efficiency and maximum returns on investments and, therefore, reiterate their earlier recommendation that 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 also desire to be apprised of the returns being earned by the EPFO on each category of investment, as enumerated in the table above. The Committee also desire that the management of funds of EPFO should be done in a transparent manner and, hence, details of the investments made and interest earned on each investment may be published in the annual reports of the EPFO.**

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# CHAPTER V

## OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

### Observation / Recommendations

The Committee notes that even the Central Government has faltered in making its contribution towards the fund that goes to the extent of R 1943.99 Crore as on 31.03.2012. The Committee note that that 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 Account. The Committee is 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 contribution desire that the Central Government should set example to lead all other subscribers and make its contributions in time. The Committee further desires 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 amounts equal to the pervious contribution at the beginning of the financial year and balance may be transferred later when sanction is given. The Committee also notes 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 Rs. 129.98 crore in the two statements in respect of annual accounts of EPFO for the year 2007-2008. The Committee find that despite repeated Vetting comments of C&AG in this regard, the EPFO has not been able to rectify the discrepancy. The Committee desires the Ministry to take up the issue with EPFO so as to get the accounts reconciled at the earliest.

**[Observation / Recommendations No.7 of 34th Report of the Public Accounts Committee (16th Lok Sabha)]**

### Action Taken:

Ministry of Labour & Employment has taken up the issue of shortfall in Central Government's share of contribution towards Employees' Pension Fund with the Ministry of Finance from time to time. As on 31.03.2016, there is a shortfall of Rs.4,651.93 crore in the Central Government contribution towards the said fund. A provision of Rs. 3525 Crore has been made in the Budget Estimates of 2016-2017.

Ministry of Labour & Employment vide letter No. CA-LAB/3-7/Fin.Acct/2014-15(Pt) dated 11.03.2015 has confirmed that the difference of Rs. 129.98 crore has been reconciled. (copy enclosed).

### Audit's vetting comments on Ministry's ATN

Ministry may apprise the PAC of the timely issue of sanction for transferring the Central Government share to the Employees' Pension Fund. The facts regarding reconciliation of difference of Rs. 129.98 Crore in the two statements (Public Accounts and EPFO Accounts) would be verified at time of next audit. <u>**Copy of letter dated 11.03.2015 was not found attached.**</u>

**[Ministry of Labour and Employment OM No. G-20017/1/2016-SS-2 dated 22 December 2016]**

### Ministry's further Action Taken on the vetting comments of Audit

<u>**As desired by the committee, copy of letter dated 11.03.2015 is enclosed for kind information.**</u>

The amount allocated in Budget with regard to the Government's share of contribution to Employees' Pension Fund is transferred to EPFO timely. Also as regards pending contribution, the matter is taken up with Ministry of Finance continuously.

### Observation / Recommendations

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.

**[Observation / Recommendations No.8 of 34th Report of the Public Accounts Committee (16th Lok Sabha)]**

### Action Taken:

The suggestions of the committee have been noted. It is now possible to calculate the Government share of contribution towards Employees Pension Scheme 1995 on the lines suggested by the committee.

**Audit's vetting comments on Ministry's ATN**

Ministry's reply did not specifically address the recommendation made by the PAC that-"advice related to GoI contribution based on last month's contribution by subscribers be sent to the PAO for adjustment in the accounts".

**[Ministry of Labour and Employment OM No. G-20017/1/2016-SS-2 dated 22 December 2016]**

**Ministry's further Action Taken on the vetting comments of Audit**

The proposal for payment of Government Contribution under Employees' Pension Scheme, 1995 and differential amount for minimum pension of Rs.1000/- under Employees' Pension Scheme, 1995 in RE 2016-17 and BE 2016-17 is being taken up with Ministry of Finance. Regarding observation of the Committee 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, the matter is being taken up by EPFO.

**Observation / Recommendations**

The Committee note from Para 11 of the EPF Scheme 1952 that there are certain minimum number of meetings of Executive Committee and Regional Committee 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 their States, monitoring recovery of PF contributions and setting 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.

**[Observation / Recommendations No.13 of 34th Report of the Public Accounts Committee (16th Lok Sabha)]**

**Action Taken:**

The Regional Committees (Employees' Provident Fund) for the State are constituted under the provisions of Para 4 of Employees' Provident Fund Scheme, 1952. The Chairman, Central Board, is the competent authority to constitute / reconstitute the Regional Committee (EPF) for the state under Para 4 of the Employees' Provident Fund Scheme, 1952. The term of each Regional committee is three years from the date of notification in the Official Gazette. Sub-Para (1) and (2) of Para 4 of EPF Scheme,1952 provides for each State to advise the Central Board on matters connected with the administration of the Scheme in the State and in particular on:-

- Progress of recovery of provident fund contributions and other charges
- Expeditious disposal of prosecution cases.
- Speedy settlement of claims
- Issue of Annual Accounts slips to members of the Fund, and
- Speedy sanction of advances.

There are 23 Regional Committees (EPF) constituted in accordance with Para 4 of the EPF Scheme for the States/ Union Territories in the country. As on 01.04.2015, out of 23 Regional Committees, are in existence and pertained to the States of Chhattisgarh, Haryana, Kerala, Madhya Pradesh, Puducherry (UT) and Uttrakhand six(06). These Regional Committee will be reconstituted in the year 2016-17 & 2017-18.

During the year six (06) Regional Committees (EPF) have been due for reconstitution and 12 (twelve) were overdue between 01.04.2013 to 31.03.2015. Details of the same is given hereunder:-

| Sl.No. | Name of States | Date of Reconstitution | Proposal regarding call for the nomination in respect of Regional Committees for the state have been sent to the concerned state during 2015-2016. |
|---|---|---|---|
| 1. | Punjab | 07.02.2016 | |
| 2. | Tamil nadu | 07.02.2016 | |
| 3. | West Bengal | 31.03.2016 | |
| 4. | Delhi | 09.10.2015 | |
| 5. | Assam | 15.03.2016 | |
| 6. | Karnataka | 08.11.2015 | |
| Sl. No. | Name of states | Date of reconstitution | Time of over due appro. |
| 1. | Andhra Pradesh | 26.02.2015 | 1 Year |
| 2. | Bihar | 03.02.2014 | 2 Years |
| 3. | Goa | 09.11.2013 | 3 Years |
| 4. | Gujarat | 03.02.2014 | 2 Years |
| 5. | Himachal Pradesh | 13.10.2014 | 2 Years |

| | | | |
|---|---|---|---|
| 6. | Jharkhand | 29.03.2014 | 2 Years |
| 7. | Maharashtra | 14.12.2013 | 3 Years |
| 8. | Odisha | 03.02.1014 | 3 Years |
| 9. | Rajasthan | 26.02.2015 | 1 Year |
| 10. | Tripura | 26.02.2015 | 1 Year |
| 11. | Uttar Pradesh | 03.02.2014 | 3 Years |
| Sl.No. | Name of State | Date of Re-constitution | Proposal calling for nomination in respect of Regional Committees for the state will be sent during the year i.e. 2016-17. |
| 1 | Chhattisgarh | 28.03.2017 | |
| 2 | Haryana | 22.01.2017 | |
| 3. | Kerala | 22.01.2017 | |
| 4. | Madhya Pradesh | 17.09.2017 | |
| 5. | Pondicherry (UT) | 23.05.2017 | |
| 6. | Uttarakhand | 28.03.2017 | |

The matter of reconstitution of the Regional Committees for the above mentioned pending states was taken up with the respective State Governments and the Central Provident Fund Commissioner has also formally taken up the issue with the Chief Secretaries of the States/UTs to expedite the proposal in the matter.

In addition to the above, due to bifurcation of the erstwhile state of Andhra Pradesh into the states of Telangana and Andhra Pradesh, the proposal for constitution of separate Regional Committees for these two states was initiated with respective State Governments during the last year. The requisite proposals from both the States Government are awaited.

The provisions of the EPF Scheme, 1952 mandates that the Regional Committees EPF of a State should meet at least two times in a financial year. Advisories have been issued to the concerned Regional Commissioners to ensure that the required number of meetings is held. During 2015-16 the status of meetings held by the Regional committees is as under:

| Sl. No. | Regional Committee | Date of Last Notification in the Gazette | Date of Completion of the Normal tenure of three years. | Present Status / Stage of Reconstitution | Total No. of Meetings held during the year 2015-16. |
|---|---|---|---|---|---|
| 1. | An- | 27.02 | 26.02. | The file of reconstitution of the | Nil |

| | | | | | |
|---|---|---|---|---|---|
| | dhra Pra-desh | .2012 | 2015 | Regional Committee (EPF) for the state of Andhra Pradesh has been submitted to Hon'ble Chairman, CBT (EPF) for approval on 03.09. 2015 and a reminder was issued on 11.12.2015but approval has not been received till date. | |
| 2. | As-sam | 16.03 .2013 | 15.03. 2016 | Proposal for re-constitution of Regional Committee for the state of Assam has been sent to the Principal Secretary Labour , As-sam on 04.04.2016 | 01 |
| 3. | Bihar | 04.02 .2011 | 03.02. 2014 | For reconstitution of Regional Committee (EPF) for the state of Bihar, the fresh nominations /recommendations have been called for from the state Govt. of Bihar vide letter dated 21.04.2014 and subsequent reminders dated 14.05.2015 , 07.09.2015 and 30.09.2015. However, the same is awaited and the latest reminder has been issued in the matter on 18.03.2016. | 01 |
| 4. | Chhat tisgar h | 29.03 .2014 | 28.03. 2017 | In existence. | 01 |
| 5. | Delhi | 11.11 .2012 | 09.10. 2015 | For reconstitution of Regional Committee (EPF) for the state of Delhi, the fresh nominations / rec-ommendations have been called for from the State Govt. of Del-hi(NCT) vide letter dated 30.09.2015 and a reminder was issued on 04.12.2015 However, the same is awaited. The last re-minder has been sent on 07.04.2016 in the matter. | 01 |
| 6. | Goa | 10.11 .2010 | 09.11. 2013 | The file for reconstitution of the Regional Committee (EPF) for the state of Goa has been submitted to the Hon'ble Chairman, CBT (EPF) for approval on 07.07.2015 and a reminder has been sent on 11.12.2015. The requisite approv-al has not been received. | Nil |

| | | | | | |
|---|---|---|---|---|---|
| 7. | Guja-rat | 04.02 .2011 | 03.02. 2014 | The file for the reconstitution of the Regional Committee (EPF) for the state of Gujarat was submitted to Hon'ble Chairman, CBT (EPF) for approval on 05.11.2015. A reminder was sent on 11.12.2015 in the matter. The requisite approval has not been received. | 02 |
| 8. | Har-yana | 23.01 .2014 | 22.01. 2017 | In existence. | 02 |
| 9. | Hi-machal Pra-desh | 14.10 .2011 | 13.10. 2014 | The file for the reconstitution of the Regional Committee (EPF) for the state of Himachal Pradesh has been submitted to the Hon'ble Chairman, CBT (EPF) for approval on 01.06.2015 and a reminder was sent on 11.12.2015 in the matter .The requisite approval has not been received. | Nil |
| 10. | Jhar-khand | 30.03 .2011 | 29.03. 2014 | The fresh nominations / recommendations have been called for the reconstitution of the Regional Committee, EPF for the State of Jharkhand from the State Govt. of Jharkhand vide letter dated 27.03.2014. Subsequently, reminders have been issued on 28.01.2015 & 27.08.2015. However, the same is awaited. Latest reminder was issued in the matter on 30.09.2015. | Nil |
| 11. | Kar-nataka | 09.11 .2012 | 08.11. 2015 | The fresh nominations / recommendations have been called for the reconstitution of the Regional Committee, EPF for the State of Karnataka from the State Govt. of Karnataka vide letter dated 30.09.2015. However, the same is awaited. Reminders have been issued in the matter on 29.10.2015 & 04.04.2016. | 02 |
| 12. | Kera-la | 23.01 .2014 | 22.01. 2017 | In existence. | 01 |
| 13. | Madhya Pra- | 18.09 .2014 | 17.09. 2017 | In existence. | 02 |

| | | | | | |
|---|---|---|---|---|---|
| | desh | | | | |
| 14. | Maharashtra | 15.12.2010 | 14.12.2013 | The fresh nominations / recommendations have been called for from the state Govt. of Maharashtra vide letter dated 26.11.2013. Subsequently, reminders have been issued on 13.03.2014, 08.09.2014, 28.01.2015, 04.02.2015 and 11.12. 2015. However, the same is awaited. Latest reminder in the matter has been issued on 06.04.2016. | 02 |
| 15. | Odisha | 04.02.2011 | 03.02.2014 | The file for the reconstitution of the Regional Committee (EPF) for the State of Orissa was submitted to the Hon'ble Chairman, CBT (EPF) for approval on 07.09.2015 and a reminder issued on 11.12.2015. The requisite approval has not been received. | 01 |
| 16. | Puducherry (UT) | 31.03.2008 | 04.06.2011 | In existence. | 02 |
| 17. | Punjab | 08.02.2012 | 07.02.2016 | In existence. | 01 |
| 18. | Rajasthan | 27.02.2012 | 26.02.2015 | The file for the reconstitution of the Regional Committee (EPF) for the State of Rajasthan was submitted to the Hon'ble Chairman, CBT (EPF) for approval on 06.10.2015 and a reminder was issued on 11.12.2015.The requisite approval has not been received. | 02 |
| 19. | Tamil Nadu | 08.02.2013 | 07.02.2016 | The proposal of reconstitution of the Regional Committee (EPF) for the State of Tamil Nadu was submitted to the Principal Secretary, Govt. of Tamil Nadu Deptt. of Labour and Employment for approval on 07.04.2016. | 02 |
| 20. | Tripura | 27.02.2012 | 26.02.2015 | The file for the reconstitution of the Regional Committee (EPF) for the State of Tripura has been submitted to the Hon'ble Chairman, CBT (EPF) for approval on 10.09.2015 and a reminder has | 01 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | been issued on 11.12.2015.The requisite approval has not been received. | |
| 21. | Uttarakhand | 29.03.2014 | 28.03.2017 | In existence. | Nil |
| 22. | Uttar Pradesh | 04.02.2011 | 03.02.2014 | The fresh nominations / recommendations have been called for from the State Govt. of Uttar Pradesh vide letter dated 27.03.2014. Subsequently, reminders have been issued on 28.01.2015 and 27.08.2015. However, the same are awaited. Latest reminder has been issued in the matter on 30.09.2015. | 01 |
| 23. | West Bengal | 01.04.2013 | 31.03.2016 | The proposal for the reconstitution of the Regional Committee (EPF) for the State of West Bengal was submitted to the Principal Secretary, Govt. of West Bengal Deptt. of Labour for approval on 01.04.2016 | 02 |
| 24 | Telangana | - | - | Fresh nominations have been called from the State Govt. of Telangana for the constitution of the 1st Regional Committee (EPF) for the state of Telangana. However, the same are awaited and the latest reminder has been issued in the matter on 30.09.2015. | - |

**Audit's vetting comments on Ministry's ATN**

In the financial year 2015-16, as per information furnished by the Ministry, required number of meeting of Regional Committees could not be held in some States. Ministry may apprise the PAC of the progress made in the cases of recovery, prosecution, non-settlement of claims and pendency in issue of annual accounts slip members in States where required number of meeting was not held during 2015-2016.

[Ministry of Labour and Employment OM No. G-20017/1/2016-SS-2
dated 22 December 2016]

**Ministry's further Action Taken on the vetting comments of Audit**

The details of Assessed arrears of Un-exempted sector in all three Schemes, Prosecution Cases u/s 14 of the Act (Un exempted sector, EPF, FPF and EDLI Schemes as on 31/3/2016 along with pendency of claims as on 31/7/2016 and working establishments Accounts pending for Updation as on 29/8/2016 in respect of those States where less than two meetings of Regional Committee were held in 2015-16. **All the details are enclosed.**

**Observation / Recommendations**

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

a) Balance in the Interest Suspense Account increased consistently from Rs. 12445.29 crore in March 2007 to Rs. 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 Rs. 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 31.03.2011.

The Committee while appreciating that all offices of the EPFO have been computerized which has enabled updation of all subscriber's accounts as on 31.03.2015, 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 pays Committee and recommends that action may be initiated against the negligent officials responsible for minus balances.

**[Observation / Recommendations No.13 of 34th Report of the Public Accounts Committee (16th Lok Sabha)]**

**Action Taken:**

17 (a) Balance in the Interest Suspense Account

It is mentioned that prior to the financial year 2014-15, annual accounts were updated in the respective individual field offices by manual intervention. Receipt & returns were reconciled in the system for each single establishment and annual accounts were processed by updating interest for the financial year.

At the close of the financial year 2014-15, a new system of annual accounts updation was introduced wherein the accounts were updated by crediting the interest on the first day of financial year. Accordingly, more than 15 crore accounts were processed on the first day of the financial year 2015-16. Further, as on 31/3/2015 the amount lying in the interest suspense account (now called the Interest account w.e.f. 1st February, 2013) was Rs. 33770 crore. Out of this Rs. 30926.83 crore pertained to the interest earned during the year 2014-15 which was to be appropriated during the year 2015-16.

17(b) Updation of Annual Accounts
During the year 2014-15 (as on 30.04.2016), total of 1465.38 lac accounts had been updated and only 2.62 lac accounts are pending for updation. Many of the accounts are held up due to technical glitches which are being addressed with the help of Information Services Division.

17(c ) Negative Balance
The status of negative balance in members' accounts shows a gradual reduction in individual accounts, both in terms of the number of accounts and the amount in such accounts. Instructions have been issued to the field offices to clear the negative balances in a time bound manner.

17(d) Funds transfer
EPFO has introduced a Web Portal (Online Transfer Claim Portal) to facilitate online transfer of claims. This facility was launched on 2nd October, 2013. Total claims received through OTCP from 02.10.2013 to 31.03.2016 are 9.97 lakh and these were at-

tended online. 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.

17(c) Unclaimed Deposit/Inoperative Accounts

EPFO has created Inoperative Accounts Online Helpdesk to assist the members to trace their inoperative accounts and withdraw their PF accumulations. A facility to the members has been provided wherein a member may provide the details of his/her employment along with the personal details. A Reference ID is created for each case registered for future reference.

In addition to the above, EPFO has in the recent past launched awareness campaigns through the electronic as well as the print media to educate and encourage the members to either get their accounts transferred or apply for settlement. The trade unions and employers have been requested to advise the members for such transfer or settlement.

The total amount classified as Inoperative Accounts as on 31.03.2015 is Rs. 35,531.39 crores.

Due to growing awareness more and more subscribers are coming forward to get their inoperative account settled. The amount disbursed from inoperative accounts during 2011-12, 2012-13, 2013-14 & 2014-15 are Rs. 955.51 crore, 2890.40 crore, 4316.71 crore and 6491.01 crore respectively

A massive exercise for exact determination of inoperative account, its reconciliation with the physical record, identification of the person, is being taken up on priority so that the amount of inoperative account can be refunded to the rightful claimants. Instructions in this regard have been issued to the field offices on 28.07.2014, 12.01.2015, 21.01.2015,11.9.2015 and 9.2.2016

The process of allotment of Universal Account Number (UAN) has also given the facility to the individual beneficiary to indicate along with their current PF account with earlier PF accounts held by them. This will facilitate merger of all such accounts into one current account, which in turn, will reduce a substantial number of inoperative accounts.

17(f) Demand Collection Balance Register (DCBR) not maintained and the reconciliation

A software has been developed to reconcile open challan in the legacy system which will enable reconciliation of the past gaps in DCBR. DCBR rectification software is being tested for launching the same in the field offices within 3 months.

17(g) The following steps have been taken by EPFO for recovery of interest on delayed payments.

EPFO has started collection of contribution through ECR (Electronic Challan Receipt) w.e.f. 01.04.2012. Under ECR a centralised report is automatically generated on delayed credit and the interest amount thereon, which is accessible to field offices for claiming interest on regular basis.

A computerised system to calculate the interest on belated credit has been put in place w.e.f. October 2014 in order to ensure that the interest on belated credit is calculated correctly for recovery from SBI.

EPFO has also launched Internet based collection mode from August, 2014 wherein remittance is credited directly into the accounts of EPFO and the scope of delayed credit has further been greatly reduced. In May, 2015 the Central Government has made it mandatory for employers to pay statutory contribution electronically through internet banking only. Thus, as the payment platform has moved from physical transactions to the electronic mode such instances have come down exponentially.

17(h) Updation of Annual Accounts

The following table gives the picture of the work done in the last few year for updation of annual accounts.

| Year | Total accounts updated ( in lacs) | Pending for updation (in lacs) |
|---|---|---|
| 2007-08 | 393.83 | 361.19 |
| 2008-09 | 584.93 | 426.22 |
| 2009-10 | 563.54 | 473.54 |
| 2010-11 | 606.65 | 727.91 |
| 2011-12 | 1662.01 | 38.81 |
| 2012-13 | 1290.91 | 28.31 |
| 2013-14 | 1356.98 | 75.56 |
| 2014-15 | 1465.38 | 2.62* |

* As on 30.04.2016

The pendency of accounts is dynamic because the defaulting establishments remit dues for the past period, which requires updation of accounts for the past period. All the accounts, which are due, have already been updated leaving a small number of accounts due to technical problems. The pendency on account of technical glitches in the system will be cleared with the help of Information Services Division.

**Audit's vetting comments on Ministry's ATN**

No further comments for 17 (a) to 17(h) except 17 (c). Ministry may apprise the PAC of the manner and the instruction issued to the field offices to clear the minus balances in a time bound manner. Findings of the Over pay Committee and the action initiated against negligent officials responsible for minus balances may also be apprise to PAC.

**[Ministry of Labour and Employment OM No. G-20017/1/2016-SS-2 dated 22 December 2016]**

**Ministry's further Action Taken on the vetting comments of Audit**

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/software errors. However, in a few cases negative balance is due to overpayment. Over Payment Committee has been entrusted with the work of identifying the reasons for such minus balances. In case of any minus balances due to negligence on the part of any of the officials, the committee recommends recovery of the actual amount from the concerned officials. As on 31.03.2016, the minus balance has been reduced to Rs. 193.46 crore in 2,39,739 accounts.

**NEW DELHI;**
**06 April, 2017**
**16 Chaitra, 1939 (Saka)**

**PROF. K.V. THOMAS**
**Chairperson**
**Public Accounts Committee**

MINUTES OF THE TWENTY-NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17) HELD ON 6 APRIL, 2017.

The Committee sat from 1030 hrs. to 1100 hrs. on 6 April, 2017 in Room No. "51", Parliament House, New Delhi.

**PRESENT**

**Prof. K. V. Thomas** - **Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Prem Singh Chandumajra
3. Shri Nishikant Dubey
4. Prof. Richard Hay
5. Smt. Riti Pathak
6. Shri Neiphiu Rio
7. Shri Abhishek Singh
8. Dr. Kirit Somaiya
9. Shri Anurag Singh Thakur
10. Shri Shiv Kumar C. Udasi

**RAJYA SABHA**

11. Shri Bhubaneswar Kalita
12. Shri Ajay Sancheti

**LOK SABHA SECRETARIAT**

1. Shri A. K. Singh - Additional Secretary
2. Shri S. C. Chaudhary - Joint Secretary
3. Shri T. Jayakumar - Director
4. Shri Paolienlal Haokip - Deputy Secretary
5. Smt. Bharti S. Tuteja - Deputy Secretary
6. Shri A. K. Yadav - Deputy Secretary

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

1. Shri. Nand Kishore - Dy.CAG (DCR)
2. Shri Mukesh P. Singh - D. G (ACE)

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 meeting has been convened to consider and adopt six Draft Reports as already circulated to Members. Thereafter, the Committee took up the following draft reports one by one for consideration:

(i) Draft Report on "Suburban Train Services in Indian Railways";

(ii) Draft Report on "Commercial Publicity in Indian Railways";

(iii) Draft Report on "XIX Commonwealth Games 2010" ;

(iv) Draft Report on Action taken by Government on observations/ recommendations contained in 34th Report (16th Lok Sabha) on "Employees Provident Fund Organisation";

(v) Draft Report on Action taken by Government on observations/ recommendations contained in 48th Report (16th Lok Sabha) on "Avoidable Expenditure on Service Tax by Insurance Regulatory Development Authority (IRDA)";

(vi) Draft Report on Action taken by Government on observations/ recommendations contained in 40th Report (16th Lok Sabha) on "Management of Satellite capacity on DTH Service by Department of Space".

3. After deliberations, the Draft Reports were adopted unanimously by the Committee except Draft Report at Serial No. (iii) above wherein minor changes/modifications were suggested by a Member.

4. Hon'ble Chairperson, thereafter, also informed the Members that a group photograph of Members of PAC with Hon'ble Speaker, Lok Sabha has been organised on 7 April, 2017 at 1000 hrs at the courtyard behind P.N.O, near Gate No. 1, Parliament House. He requested all the Members to be present on the occasion.

5. The Chairperson thanked the Members for their participation in the consideration and adoption of the Draft Reports and the representatives of the C&AG of India for assisting the Committee in the examination of the subjects.

*__The Committee then adjourned.__*

APPENDIX-II

*(Vide Paragraph 5 of Introduction)*

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

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|---|---|---|---|
| (i) | Total number of Observations/Recommendations | - | 20 |
| (ii) | Observations/Recommendations of the Committee which have been accepted by the Government:<br><br>Para Nos. 1,3,4,5,6,10,14,15,16,18 and 20 | - | Total : 11<br>Percentage: 55% |
| (iii) | Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:<br><br>-Nil- | - | Total : 0<br>Percentage: 0% |
| (iv) | Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:<br><br>Para Nos. 2,9,11,13 and 19 | - | Total : 5<br>Percentage: 25% |
| (v) | Observations/Recommendations in respect of which the Government have furnished interim replies:<br><br>Para Nos. 7,8,12 and 17 | - | Total : 4<br>Percentage: 20% |