

Executive Summary

The Government of India has enacted a number of legislations in the area of social security. Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is an important Act in this regard. The Act provides for compulsory provident fund, pension and deposit linked insurance in factories or establishments employing twenty or more employees in industries mentioned in Schedule I to the Act. The Government of India administers the Act through Employees' Provident Fund Organisation.

Important findings of the Performance Audit Report are given below:

- Wage limit for coverage of employees under EPF Scheme was ₹ 6500 which has been continuing since June 2001.

(Paragraph 2.1)

- There were consistent shortfalls in receipt of contributions from the Central Government.

(Paragraph 2.1.2).

- Income of EPFO collected by way of administrative charges, etc. has been more than its expenditure on running of schemes.

(Paragraph 2.1.3)

- The balance in the 'Interest Suspense Account' increased consistently from ₹ 12445.29 crore in March 2007 to ₹ 22461.15 crore in March 2011.

(Paragraph 2.3)

- The EPFO did not follow prescribed pattern of investments.

(Paragraph 2.5)

- Valuation of Employees Pension Fund is not being done in time, nor are the reports received in a time bound manner and there is significant delay in action on valuation reports.

(Paragraph 2.6)

- The EPFO was not very encouraging towards voluntary coverage of its schemes. Inspections of establishments were less than prescribed targets, which led to insufficient controls over establishments.

(Paragraphs 3.3 and 3.4)

- A sum of ₹ 313.20 crore was recoverable on account of EPF arrears from 20974 establishments in selected ROs/SROs of the five States as on 31 March 2012.

(Paragraph 4.3)

- Outstandings towards realisation of damages from unexempted establishments increased from ₹ 151.78 crore to ₹ 265.75 crore during 2006-07 to 2011-12.

(Paragraph 4.5)

- Employers of exempted establishments did not deposit ₹ 129.20 crore to their respective Boards of Trustees. An amount of ₹ 299.78 crore was not invested by the BOTs of 249 exempted establishments which was in violation of the provisions of exemption.

(Paragraphs 4.6.1 and 4.6.2)

- More than 70,000 Subscribers' accounts had minus balances totalling ₹ 45.06 crore, which is indicative of withdrawal in excess of available balance. Possibility of unauthorised withdrawals could not be ruled out.

(Paragraph 5.2)

- Balance in Inoperative/Unclaimed Deposit Account increased from ₹ 332.14 crore to ₹ 2948.11 crore during 2006-12. Further, number of inoperative accounts increased from 25,12,793 in 2006-07 to 73,00,262 in 2011-12.

(Paragraph 5.4)

Summary of Recommendations

- *The wage limit may be suitably revised at regular intervals.*
- *Central Government should remit its contribution to EPFO in time.*
- *The EPFO may revise its administrative charges suitably.*
- *The EPFO may frame the budget estimates with due care as per provisions in GFRs. Ministry may scrutinize the budget proposals adequately before according sanction.*
- *The EPFO should prudently match its earnings with interest payouts to its subscribers.*
- *Government must immediately act on pending Valuers' report and decide its impact on EPS accounts and carry out necessary corrections. The valuation exercise should be done annually on regular and timely basis and the impact thereof should be disclosed.*
- *The Ministry may take appropriate action to reconcile the figures.*
- *The minimum number of meetings of the Committees should be held as per prescribed norms.*
- *The EPFO should closely monitor targets and ensure compliance for conducting regular surveys and inspections of establishments. Further, it needs to welcome establishments opting for voluntary coverage and ensure that notifications are issued in a time bound manner.*
- *The EPFO should ensure comprehensive updation of DCBRs, generate appropriate defaulters list and initiate necessary recoveries.*
- *The EPFO may monitor timely remittance of its deposits by SBI.*
- *The EPFO should evolve a procedure for constant monitoring and control mechanism to ensure that number of in-operative accounts are minimised.*
- *Updation of subscribers' accounts should be done on a regular basis.*