

Chapter-V: Maintenance of Subscribers' Accounts

5.1 Maintenance of Accounts

The Manual of Accounting Procedure provides for system of accounts prescribed under the EPF Scheme 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.

5.2 Minus balances

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 5.1: 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	RO Chandigarh	9341	10.23
West Bengal	RO Kolkata, SRO Park Street	3776	6.27
Odisha	SRO Keonjhar	160	0.04
Madhya Pradesh	RO Indore	19291	13.51
Kerala	RO Thiruvananthapuram	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.

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 is recommended.

5.3 Transfer of accounts

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.

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:

Table 5.2: Number of cases where funds not transferred

State	Number of cases where funds not transferred
Madhya Pradesh	6337
Tamil Nadu	43658
Haryana	11439
Punjab	6667
Gujarat	7546
Chhattisgarh	929
West Bengal	4955
Total	81531

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

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.

5.4 Inoperative/Unclaimed Deposit Account

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).

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 of inoperative/unclaimed deposit account increased nine fold from ₹ 332.14 crore in April 2006 to ₹ 2948.11 crore in March 2012. Details are given below:-

Table 5.3: Unclaimed deposits

(₹ in lakh)

Year	Opening Balance	Amount transferred	Amount adjusted	Closing balance
2006-07	33214.11	51.54	12222.16	21043.49
2007-08	21043.49	241.35	2288.47	18996.37
2008-09	18996.37	17207.64	5307.51	30896.50
2009-10	30896.50	24024.84	5680.79	49240.55
2010-11	49240.55	98287.71	31281.00	116247.26
2011-12	116247.26	190172.20	11608.81	294810.65

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 per cent of their 8.55 crore total accounts as inoperative accounts. Details are given below.

Table 5.4: Number of inoperative/unclaimed deposit accounts

Year	Regional level	Sub-regional level	Total inoperative accounts
2006-07	1312395	1200398	2512793
2007-08	1752870	1248746	942632
2008-09	1358488	2599723	609718
2009-10	4905130	3726016	2298280
2010-11	6345082	6587634	3365348
2011-12	9416961	5356698	7300262

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.

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.

Recommendation: The EPFO should evolve a procedure for constant monitoring and control mechanism to ensure that number of in-operative accounts is minimised.

5.5 Non-updation of accounts

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 5.5: 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.

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.

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.

Recommendation: Updation of subscribers' accounts should be done on a regular basis.