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STANDING COMMITTEE ON LABOUR

(2016-17)

(SIXTEENTH LOK SABHA)

MINISTRY OF LABOUR AND EMPLOYMENT

[EXEMPTED ORGANISATIONS/ TRUSTS/ ESTABLISHMENTS FROM EPFO : PERFORMANCE, ISSUES AND CHALLENGES]

TWENTY-SIXTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

April, 2017/Chaitra, 1939 (Saka)

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Presented to Lok Sabha on 07.04.2017

Laid in Rajya Sabha on 07.04.2017

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(2016-17)

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31.* Vacant

* Vacancy occurred *vice* Shri Haji Abdul Salam expired on 28.02.2017.

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1. Ms. Rimjhim Prasad	-	Joint Secretary
2. Smt. Anita B. Panda	-	Director
3. Smt. Archana Srivastva	-	Under Secretary

INTRODUCTION

I, the Chairperson, Standing Committee on Labour (2016-17) having been authorized by the Committee do present on their behalf this Twenty-Sixth Report on 'Exempted Organisations/ Trusts/ Establishments from EPFO: Performance, Issues and Challenges' pertaining to the Ministry of Labour and Employment.

2. The Committee took evidence of the representatives of the Ministry of Labour and Employment and EPFO on 14th December, 2016 and 18th January, 2017. The Committee considered and adopted the Draft Report at their sitting held on 6th April, 2017. The Committee wish to express their thanks to the officers of the Ministry of Labour and Employment for tendering oral evidence and placing before them the detailed written notes and post evidence information as desired by the Committee.

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

New Delhi;
6th April, 2017
16th Chaitra, 1938 (Saka)

DR. KIRIT SOMAIYA
CHAIRPERSON,
STANDING COMMITTEE ON LABOUR

<u>GIST OF OBSERVATIONS/RECOMMENDATIONS AS CONTAINED IN THIS REPORT</u>

Concerned with the gross deficiencies in the monitoring of the performance of Provident Fund Exempted Establishments, the Standing Committee on Labour had decided to examine the subject "Exempted Organizations/Trusts/Establishments from EPFO: Performance, Issues and Challenges" on priority and held evidences of the representatives of the Ministry of Labour and Employment and EPFO as well as few exempted Establishments on 14.12.2016 and 18.1.2017 respectively. The Committee have been informed that their concerns are being addressed by the Ministry of Labour & Employment and EPFO.

In the present Report, the Committee have made their observations/recommendations on the following points:-

1. **A definite timeline need to be given to all Regional offices to conduct compliance audit of the 1549 Exempted Establishments employing 84,42,241 workers. Also all pending proposals for cancellation of exemptions to be finalised without further delay.**
2. **Total corpus of Exempted Establishments is ₹2.57 lakh crore, which includes a huge unclaimed amount of Rs.5475 crore too.**

This data was collected by EPFO only after the intervention of the Committee. Presently no provision is there in the Act to deter a Trust from holding such unclaimed amount with them. Suitable provision/amendment needs to be incorporated in the Act to specify the time period for holding unclaimed amount by the establishments to avert such a situation. Also the concerned establishments are expected to have names and addresses of all workers hence urged to trace them to reduce non-claim cases.

3. C-DAC, Pune, which is developing a better software to monitor details of all Exempted Establishments and their compliance of the provisions of the Act, to speed it up as further time would be required for migration of data from the old system to the new one, before the new software starts its proper operations.

4. In 180 Exempted Establishments having less than 20 workers, 22 Establishments have zero membership. Exemption granted to these Establishments to be reviewed immediately.

5. 118 Exempted Establishments have total corpus of less than 1 crore. They filed their last returns in 2014 or 2015. Apprehending that these Establishments may not have settled the PF dues of their employees/workers, EPFO has been asked

to explain the basis of granting exemption to them, reasons for non-filing of returns since last 2-3 years and status of disbursement of dues to the subscribers.

6. The Committee have recommended that proper strong guidelines may be prepared with regard to past performance, net worth, group performance, etc. as well as minimum strength of workers, collections, contributions, corpus of the company/establishment, to grant exemption.

7. The Committee have asked to be furnished with the special audit report of certain exempted establishments, as committed by EPFO during the meeting held on 18.1.2017 which was promised to be ready by 31.3.2017.

8. Surcharge levied by EPFO in case of deviations from the prescribed pattern of investment by Exempted Establishments, is very nominal hence cannot act as an effective deterrent. Therefore, Committee has directed that a raised amount of surcharge be notified at the earliest.

9. As the present Act does not impose any restrictions on Exempted Establishments to invest accumulated PF fund amount in their own business, therefore, the Committee have

strongly recommended to initiate requisite process to stop such practices.

10. No physical inspection of investment instruments (where the PF amount is invested) is made due to the same being in DEMAT format. Committee has emphasized on inspection of DEMAT Accounts as well as physical inspection of filed returns during the compliance audit of Exempted Establishments to ensure that the Government-prescribed pattern is followed.

11. Citing various cases of violations, the Committee have emphasized on bringing requisite transparency and accountability not only in the compliance of exemption provisions under the EPF & MP Act, 1952 by the concerned establishments but also in the monitoring of the same by RPFCs and EPFO.

In the meantime, the Ministry and the EPFO are already active on the following initiatives:

(i) development of a new better software through C-DAC for more effective monitoring;

(ii) initiation of compliance audit of Exempted Establishments;

(iii) identification of small/very small PF Trusts and framing of policy guidelines for imposing restrictions of minimum corpus and membership etc;

(iv) In view of non-capturing of data about un-claimed PF amount of members with Trusts of PF Exempted Establishments, initiation of formulation of guidelines for Trusts to transfer un-claimed amounts of EPFO;

(v) Framing of new rates of surcharge for levying on account of deviation from the prescribed pattern of investment by BOTs of PF Exempted Establishments; and

(vi) In-principle agreement to frame necessary guidelines/amendments/ notification to restrict BOTs of Exempted Establishments from investing in the instruments issued by the principal establishments and its sister concerns.

As is seen from the recommendations, the Committee have sought status of all these efforts at the action taken stage.

REPORT

CHAPTER-I

INTRODUCTORY

With the Industrial growth in India, some of the big employers had introduced schemes of provident funds for the welfare of their workers. But all those schemes were private and voluntary. Workers of the small employers remained deprived of the benefits which were provided by the big employers. On 11th February, 1948, a private bill was introduced in the Constituent Assembly of India to provide for the establishment and grant of provident fund for certain classes of workers by their employers. This Bill provided for compulsory establishment of provident funds by every employer in industrial concerns for the betterment of the employees and their families. On 15th November, 1951 the Government of India promulgated the Employees' Provident Funds Ordinance which came into force on that date. Subsequently the Employees' Provident Funds and Miscellaneous Provisions Bill was introduced in the Parliament to replace the Ordinance. To avoid any hardship to new establishments, a provision had been made for exempting them for a period of three years and similar exemptions were given to other establishments which were less than three years old till they have been in operation for a period of three years in all. The rate of contribution will be 6 percent of the total emoluments of the worker, the worker and the employer each contributing these amounts. Further, the scheme could empower payment of a higher subscription by the workers at their option. Where provident funds offering equal or more advantageous terms were operating efficiently, provision had been made for them to continue subject to certain safeguards in the interest of the workers.

EPF&MP Act 19 of 1952

1.2 The Employees' Provident Funds Bill having been passed by both the Houses of the Parliament received the assent of the President on 4th March, 1952. It came on the Statute Book as the Employees' Provident Funds Act, 1952 (19 of 1952). By section 13 of the Labour Provident Fund Laws (Amendment) Act, 1971 (16 of 1971) the nomenclature of the Act was amended as "The Employees Provident Funds and Family

Pension Fund Act, 1952" (w.e.f. 23.4.1971) and by section 17 of the Labour Provident Fund Laws (Amendment) Act, 1976 (99 of 1976), the nomenclature of the Act was again changed as "The Employees' Provident Funds and Miscellaneous Provisions Act, 1952" (w.e.f. 1.8.1976). Now it stands as THE EMPLOYEES' PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952 (19 OF 1952) (Came into force on 4.3.1952).

Till 1997 this Act had been amended 15 times.

1.3 EPF & MP Act, 1952 applies to an establishment –

i. Employing 20 or more employees and
ii. Falling under the schedule or under class of establishments so notified.

1.4 An establishment falling under the purview of the EPF & MP Act is required to comply with the following Schemes:-

i. Employees' Provident Fund Scheme (EPF), 1952
ii. Employees' Deposit Linked Insurance Scheme(EDLI), 1976
iii. Employees' Pension Scheme (EPS), 1995

- Establishments pre existing enactment of EPF & MP Act, 1952.
- Allowing employers with good track record to provide flexibility – for extending better benefits to employees.
- To overcome service related issues.
- If any establishment having a scheme providing comparable or more benefits to members seeks exemption, it can be granted exemption from operation of EPF Scheme, 1952 subject to terms and conditions and overall supervision.

1.5 Types of exemption

There are three kinds of Exemption Categories as under:

- **Establishment as a whole - Section 17(1)(a)**

> "any [establishment] to which this Act applies if, in the opinion of the appropriate Government, the rules of its provident fund with respect to the rates of contribution are not less favourable than those specified in

section 6 and the employees are also in enjoyment of other provident fund benefits which on the whole are not less favourable to the employees than the benefits provided under this Act or any Scheme in relation to the employees in any other [establishment] of a similar character;"

- **Class of Employees - Para 27A read with Section 17(2)**

"**27A. Exemption of a class of employees -** (1) [The appropriate Government] may by order and subject to such conditions as may be specified in the order exempt from the operation of all or any of the provisions of this Scheme any class of employees to whom the Scheme applies: Provided that such class of employees are entitled to benefits in the nature of provident fund, gratuity or old age pension according to the rules of the [factory or other establishment] and such benefits separately or jointly or on the whole not less favourable than the benefit provided under the Act and this Scheme.

(2) Where any class of employees is exempted as aforesaid, the employer shall in respect of such class of employees maintain such account, submit such returns, provide such facilities for inspection, pay such inspection charges and invest provident fund collections in such manner as the Central Government may direct.

[Provided that above mentioned returns shall be submitted by the employer in electronic format also, in such form and manner as may be specified by the Commissioner.]

(3) A class of employees exempted under sub-paragraph (1) or the majority of employees constituting such class may by an application to the Commissioner make a declaration that the class desires to join the Fund and thereupon such class of employees shall become members of the Fund.

(4) No class of employees shall be granted exemption or permitted to apply out of exemption more than once on each account.

(5) The provisions of this paragraph shall be deemed to have come into force with effect from the 14th of October, 1953."

"**Section 17(2) -** Any Scheme may make provision for exemption of any person or class of persons employed in any establishment to which the Scheme applies from the operation of all or any of the provisions of the Scheme, if such person or class of persons is entitled to benefits in the nature of provident fund, gratuity or old age pension and such benefits, separately or jointly, are on the whole not less favourable than the benefits provided under this Act or the Scheme: Provided that no such exemption shall be granted in respect of a class of persons unless the appropriate Government is of opinion that the majority of persons constituting such class desire to continue to be entitled to such benefits.

(2A) The Central Provident Fund Commissioner may, if requested so to do by the employer, by notification in the Official Gazette, and subject to such conditions as may be specified in the notification, exempt, whether prospectively or retrospectively, any establishment from the operation of all or any of the provisions of the Insurance Scheme, if he is satisfied that the employees of such establishment are, without making any separate contribution or payment of premium, in enjoyment of benefits in the nature of life insurance, whether linked to their deposits in provident fund or not, and such benefits are more favourable to such employees than the benefits admissible under the Insurance Scheme.

(2B) Without prejudice to the provisions of sub-section 2A, the Insurance Scheme may provide for the exemption of any person or class of persons employed in any establishment and covered by that scheme from the operation of all or any of the provisions thereof, if the benefits in the nature of life insurance admissible to such person or class of persons are more favourable than the benefits provided under the Insurance Scheme."

- **Individual Employees - Para 27 read with Section 17(2)**

"**Para 27 Exemption of an employee -** (1) A Commissioner may by order and subject to such conditions as may be specified in the order exempt from the operation of all or any of the provisions of this Scheme an employee to whom the Scheme applies on receipt of application in Form I from such an employee: Provided that such an employee is entitled to benefits in the nature of Provident Fund, gratuity or old age pension according to the rules of the factory or other establishment and such benefits separately or jointly are on the whole not less favourable than the benefits provided under the Act and the Scheme.

(2) Where an employee is exempted as aforesaid, the employer shall in respect of such employee maintain such account, submit such returns, provide such facilities for inspection, pay such inspection charges and invest provident fund collections in such manner as the Central Government may direct.

(3) An employee exempted under sub-paragraph (1) may by an application to the Commissioner make a declaration that he shall become a member of the Fund.

(4) No employee shall be granted exemption or permitted to apply out of exemption more than once on each account."

"**Section 17(2) -** Any Scheme may make provision for exemption of any person or class of persons employed in any establishment to which the Scheme applies from the operation of all or any of the provisions of the Scheme, if such person or class of persons is entitled to benefits in the nature of provident fund, gratuity or old age pension and such benefits, separately or jointly, are on the whole not less favourable than the benefits provided under this Act or the Scheme: Provided that no such exemption shall be granted in respect of a class of persons unless the appropriate Government is of opinion that the majority of persons constituting such class desire to continue to be entitled to such benefits.

(2A) The Central Provident Fund Commissioner may, if requested so to do by the employer, by notification in the Official Gazette, and subject to such conditions as may be specified in the notification, exempt, whether prospectively or retrospectively, any establishment from the operation of all or any of the provisions of the Insurance Scheme, if he is satisfied that the employees of such establishment are, without making any separate contribution or payment of premium, in enjoyment of benefits in the nature of life insurance, whether linked to their deposits in provident fund or not, and such benefits are more favourable to such employees than the benefits admissible under the Insurance Scheme.

(2B) Without prejudice to the provisions of sub-section 2A, the Insurance Scheme may provide for the exemption of any person or class of persons employed in any establishment and covered by that scheme from the operation of all or any of the provisions thereof, if the benefits in the nature of life insurance admissible to such person or class of persons are more favourable than the benefits provided under the Insurance Scheme."

1.6 Function of Exemption Division in EPF Head office -

In the EPFO Head Office, a separate division to deal with Exemption exists. Its functions are as under:

- Processing of the proposals for grant of exemption from operation of EPF Scheme, 1952 received from the field offices for onward submission to the Appropriate Governments - Central Government/State Governments as the case may be.

- Processing the proposals for cancellation/surrender of exemption.
- Formulation of guidelines/directives for the field offices.
- Handling of grievance pertaining to exempted/relaxed establishments.
- Monitoring of Dashboard of EPF Exempted Establishments.
- Other miscellaneous work.

1.7 Procedure for applying for Exemption -

- The establishments eager to seek Exemption from EPF Scheme, 1952 applies to the Appropriate Government through the Regional PF Commissioner under whose jurisdiction the establishment lies.
- The proposal submitted to RPFC is examined at the level of the field office and the proposal complete in all respects is forwarded to the Exemption Branch of the EPFO Head Office.
- Exemption Branch scrutinises the proposal and the proposal complete in all respects is placed before the CBT, EPF or Sub Committee of CBT, EPF on Exempted Establishments, for recommendation to the Appropriate Government.
- On getting recommendation of the Sub-Committee on Exempted Establishment, CBT, EPF, the proposal is then forwarded to the Appropriate Government for consideration.

1.8 Provision for Relaxation -

- Para 79 of EPF Scheme, 1952 provides for special provisions in respect of the establishment whose application for exemption has been received and are under consideration.
- Under the provisions Commissioner may relax an establishment during the pendency of application for grant of exemption.
- At present this power has been withdrawn w.e.f 2012 from the RPFCs through an administrative order.

1.9 Cancellation/Surrender of Exemption -

As per section 17(4) exemption may be cancelled:-

- By the authority which granted it
- Duly following the laid down procedure
- Through an order in writing
- For failure to comply with the conditions
- Surrender of exemption by the Establishment
- Where Exemption stands revoked consequent upon change of legal status of the exempted establishment, formal order is issued at the end of CPFC.

CHAPTER - II

I. COVERAGE OF WORKERS/EMPLOYEES

As per the information furnished by the Ministry of Labour and Employment/EPFO, there are 1,549 exempted Establishments all over India. The number of employees covered in each of the exempted establishment are 84,42,241 (as on 31.03.2016).

2.2 While analysing, the information provided by the EPFO it was found that some of the exempted establishments were following dual setup i.e. some of their employees were subscribing to their own trust formed for this purpose and some were subscribing to EPF. When asked by the Committee as to how the EPFO tackles this situation as the particular organisation could be shown under exempted as well as un-exempted establishment, the EPFO informed as under:

"Section 17 of the EPF & MP Act,1952 provides for following types of exemption :-

S.No	Provision	Applicability
1	U/s 17(1)(a) of EPF & MP Act,1952	To Establishment to which Act apply
2	U/s 17(2) of EPF & MP Act,1952 read with Para 27 of EPF Scheme, 1952	Exemption of an Employee
3	U/s 17(2) of EPF & MP Act,1952 read with Para 27(A) of EPF Scheme, 1952	Class of Employees

With reference to the case 1 mentioned at Sl. No. (1) above, all the eligible employees of the establishment are made member of the Trust.

With reference to case 2 mentioned at Sl. No. (2) above, only individual employee who wishes to comply as exempted is allowed to become the member of the Trust. This facility is given to the employee once in entire service.

With reference to case 3 mentioned at Sl. No. (3) above, a particular class of employee, which are well defined in the Trust Rules, are allowed to become the member of the Trust. All other employees not falling under the definition of class of employees are required to contribute to the stator fund of EPFO. However as per 2 above the employee can exercise option to join trust fund and vice-versa under this exemption (27A) once in his entire service as per para 27 (Individual exemption).

Since, the demarcation of exempted and un-exempted employees is crystal clear, therefore compliance position of both the categories of employees are ascertained separately."

2.3 When asked about the cases where the exempted establishments catering to a specific class of employee and others are left out of any coverage and the action taken against such establishments as well as the mechanism followed to cover such employees to protect their interests, the EPFO informed as under:

"...no eligible employee of any covered establishment under EPF & MP Act, 1952 is allowed to be left out from coverage. However during compliance audit or on receipt of any complaint, if any employee is found left out an inquiry under Section 7A is initiated by RPFC to examine his eligibility after giving reasonable opportunity to establishment and employee also."

2.4 When asked about the viability of small and very small Provident Fund Trusts, the EPFO stated as under:

"As per the direction, EPFO has already started an exercise of identification of such establishments. Policy guidelines for imposing restriction of minimum corpus and membership has already been framed and is under submission before the Central Board of Trustees for approval. Once the said guidelines are approved and adopted, following restriction will be imposed on the establishments seeking grant of exemption from the operation of EPF Scheme, 1952:-

a) The establishment seeking grant of exemption should comply as un-exempted for aminimum period of 05 years before applying for exemption.
b) The establishment should have a corpus of more than 100 Cr. at time of seeking grant of exemption.

c) The establishment should have an employment strength of more than 500 hundred at time of seeking grant of exemption.

Once the guidelines are approved, EPFO will try to undertake an exercise of either cancelling the exemptions of PF Exempted Establishments having smaller Trusts or merging of smaller PF Trusts into larger PF Trusts as per the extant guidelines and rules."

2.5 During evidence held on 18.01.2017 the EPFO furnished a statement showing membership summary of the exempted establishments which also contained list of (180) establishments having membership strength of less than 20.

2.6 The Committee are of the view that the Exempted Establishment are to be monitored by EPFO, for which there is a strong need to review the present system of monitoring. The Committee pursued this during their interaction with the representatives of the Ministry and EPFO. As a result, significant changes have since been initiated as follows:

(i) development of a new better software through C-DAC for more effective monitoring;

(ii) initiation of compliance audit of Exempted Establishment;

(iii) In view of non-capturing of data about un-claimed PF amount of members with Trusts of PF Exempted

Establishment, initiation of formulation of guidelines for Trusts to transfer un-claimed amounts of EPFO;

(v) Framing of new rates of surcharge for levying on account of deviation from the prescribed pattern of investment of BoTs of PF Exempted Establishment; and

(vi) In-principle agreement to frame necessary guidelines/ amendments/notification to restrict BoTs of Exempted Establishment from investing in the instruments issued by the principal establishments and its sister concerns.

The Committee further note that after their deliberations with the Ministry of Labour and Employment and EPFO, on 14th December, 2016 and 18th January, 2017, directions were issued promptly to all the Regional Provident Fund Offices for collection of data and inspections were conducted too. The Committee, while taking note of the efforts made by the EPFO, desire that a definite timeline be given to all the Regional Offices for conducting compliance audit of the Exempted

Establishment. C-DAC, Pune, the company developing a software to contain data of all exempted returns, should also be asked for completing the task which will form the basis to monitor compliance of the provisions of the Act. The Committee also impress upon the EPFO to speed up the formulation of policy guidelines for grant of exemption based on past performance, net worth, collections, contributions, minimum corpus and membership which is statedly under submission to the Central Board of Trustees. The Committee further recommend that once such guidelines are finalised by the EPFO, a complete review of all presently Exempted Establishments should be undertaken and completed within three months, followed by appropriate decision to close defective/unhealthy/deviating exempted PF Trusts and transfer the same to EPFO.

2.7 The Committee note that as per the latest information provided by EPFO, there are 1549 Exempted Establishment all over India employing 84,42,241 workers. Further, the number of workers/employees covered under each of those

establishments varies from 1 to 3,25,997. The Committee observe that some of the establishments are following dual set up i.e. some of their workers/employees were subscribing to their own trust while some were subscribing to EPF. While an individual employee or a class of employees can be exempted under Section 17(2) read with Para 27 and 27(A) respectively, the Committee apprehend that in such a scenario, there could be a possibility of workers/employees being left out of coverage of either of the setup in confusion. Besides, in view of the very limited capability of the Exemption Division of EPFO to minutely monitor compliance, it may not, perhaps, be possible to detect exclusion of employees, even if it exists. They, therefore, desire that in the policy guidelines being formulated, adequate care needs to be taken to ensure that either all the eligible workers/employee subscribe to their own Trust or to EPFO as a whole. They also recommend that the enabling clause for choosing the Trust or EPF by the respective subscriber may be withdrawn with immediate effect.

2.8 The Committee find that there were 180 Exempted Establishment having membership strength of less than 20. Out of those 180 establishments, 22 establishments have been shown as having 0 memberships. They therefore, desire that exemption granted to these establishments be reviewed immediately and suitable action may be taken.

2.9 The Committee further find that there are 118 Exempted Establishment having their total corpus of less than one crore. The last return filed by these establishments dated back to the years 2014 and 2015. Hence, the Committee feel that these establishments may not have taken any steps to benefit their PF subscribers. The Committee, note that the Ministry have now initiated identification of small/very small PF trusts and framing of policy guidelines for imposing restrictions of minimum corpus and membership. They reiterate that strong guidelines for grant of exemption may be made which make it mandatory to take into account past performance, net worth, group performance as well as minimum strength of workers,

collections, contributions and corpus of the company/establishment.

II. TOTAL CORPUS

2.10 As per information submitted by EPFO, as on 31st December, 2016, the total corpus of exempted establishments is around ₹ 25698372,02,795/- which includes unclaimed amount. However, after segregation of unclaimed amount, the total corpus comes around ₹ 25150798,27,039/-.

2.11 A consolidated figure of total corpus and unclaimed amount is as under:

SL. NO.	ZONE	TOTAL CORPUS OF EXEMPTED ESTABLISHMENTS AS ON 31.12.2016	UNCLAIMED AMOUNT LYING WITH THE TRUST AS ON 31.12.2016	TOTAL CORPUS - UNCLAIMED AMOUNT
1	Andhra Pradesh, Telangana & Orissa	₹ 3625219,65,023	₹ 14170,38,723	₹3611049,26,300
2	Delhi & Uttarakhand	₹ 2153024,58,214	₹ 37122,93,000	₹2115901,65,214
3	Gujrat & Madhya Pradesh	₹ 1325225,18,158	₹ 9938,16,831	₹1315287,01,327
4	Haryana & Rajasthan	₹ 1133095,04,400	₹ 262857,64,000	₹ 870237,40,400
5	Karnataka & Goa	₹ 1438921,38,000	₹ 35684,00,000	₹1403237,38,000
6	Maharashtra & Chhattissarh	₹ 7983023,63,495	₹ 157969,46,369	₹7825054,17,126
7	Punjab & Himachal Pradesh	₹ 226854,00,000	₹ 3123,73,000	₹ 223730,27,000
8	Tamilnadu & Kerala	₹ 1147362,16,493	₹ 9218,43,000	₹1138143,73,493
9	Uttar Pradesh & Bihar	₹ 221442,87,569	₹ 81 15,64,656	₹ 213327,22,913
10	West Bengal , NER & Jharkhand	₹ 6444203,51,443	₹ 9373,36,177	₹6434830,15,266
	TOTAL	**₹25698372,02,795**	**₹ 547573,75,756**	**₹25150798,27,039**

2.12 Asked about the details of unclaimed amount lying with these organisations and the guidelines for keeping the unclaimed amount with them, the EPFO informed as under:

> "No guidelines in this regard is available. Since, the extant guidelines regarding unclaimed amount lying with EPFO is also applicable in toto to the exempted establishments and the BoTs, therefore no exclusive guidelines for the BoTs have been framed."

2.13 They further stated as under:

> "Since no provision of EPF & MP Act, 1952 and EPF Scheme, 1952 or any extant guidelines restrict any Trusts of PF Exempted Establishments to keep un-claimed PF amount of members with them, therefore the said data was not captured by EPFO in their annual inspections. But after the said issue was raised by the Parliamentary Standing Committee, EPFO is in the process of formulation of guidelines under which Trusts of PF Exempted Establishments would be required to transfer the un-claimed accounts to the EPFO."

2.14 When asked about the absence of any clear cut guidelines, how these establishments are utilising the unclaimed amount lying with them, the EPFO informed as under:

> "The unclaimed amount lying with the BoTs of exempted establishments cannot be used for any other purpose and will remain lying in the PF account of the members of exempted establishments. However, in case of any closed establishments the past accumulation laying with the BoTs is transferred to the statutory Fund of EPFO alongwith the unclaimed deposits."

2.15 As regards enabling provision to deter the exempted establishments to keep the unclaimed amount with them indefinitely, the EPFO informed as under:

> "There is no provision in Act and Scheme which can restrict a P.F. Trust to hold unclaimed deposit with them. However a proposal for transferring unclaimed deposits to the statutory fund is under active consideration of EPFO through proper provisions in the Act and Scheme."

2.16 As regards measures proposed to ensure deposit of the unclaimed amount with EPFO, the EPFO further informed as under:

> "For depositing the unclaimed amount lying with the Trust of exempted establishments a proposal for amendment in the Scheme is under process. The said amendment will enable EPFO to receive the unclaimed deposits lying with the PF Trusts."

2.17 As per the submission of EPFO, it was informed that the information regarding the details of unclaimed amount lying with the exempted establishments, was not being captured by them till date.

However, after the issue was raised by the Committee, the EPFO submitted as under:

> "A mechanism for capturing the data related to unclaimed deposits is being formulated on the suggestion of the Parliamentary Standing Committee on Labour".

2.18 On being asked about the absence of any such data, there could be cases where the exempted establishments would be using the unclaimed amount as their working capital, the EPFO informed as under:

> "It is true that no member wise data related to unclaimed deposits is collected. However, the PF Inspectors rely on the audited balance sheets of the exempted establishments and their Trust to see that no such amount is utilized in the working capital of the exempted establishments during compliance audit."

2.19 When asked about the reasons for the said amount going unclaimed as the respective establishments must be having the details of their subscribers viz. name, address, account number, employee code and their nominees etc., the EPFO informed as under:

> "The reasons for Provident Fund money going un-claimed in respect of PF Trusts of exempted establishments is not known to EPFO, but it must be having same reasons as in case of members of un- exempted establishments managed by EPFO. However, from the Provident Funds managed by Central Board of Trustees, EPF following reasons are analysed for non-claiming of fund by outgoing members:-
>
> 1. Migration.
> 2. Illiteracy.
> 3. Un-awareness.
> 4. To enjoy benefits of Income Tax."

2.20 As one of the reasons cited by EPFO for non-claiming of funds by the subscribers, was unawareness and illiteracy, the Committee desired to be apprised of the steps taken for awareness campaigns and literacy programmes for the benefit for those subscribers. The EPFO responded as under:

> "All out efforts have been made to increase the awareness about the Provident Fund deposit which are lying unclaimed with the Provident Fund Trust. Various field offices adopt different strategies for increasing

the awareness among the EPF members. Some of the actions taken by field offices of EPFO are as follows:-

i) Camps are organized regularly in the areas with high concentration of workers to make them aware of the provisions and benefits under the Act. Recently many camps were organized for UAN, KYC seeding and opening of Bank Account wherein such information was disseminated. For example Regional Office, Vadodara organized 40 camps/awareness programmes with the Trade Unions and subsequently 177 employees have submitted their claims.
ii) List of members of unclaimed amount has been asked to be displayed on the notice boards of the establishments. Regional Office, Indore particularly is planning to issue directions for displaying names of such members on the website of the exempted establishments.
iii) Many field offices have also directed P F Inspectors to arrange a session during the compliance audit/inspection with the subscribers and the Trade Unions, wherein the illiterate and unawared subscribers are being given information about the provisions related to unclaimed deposits and related solutions.
iv) Head Office have recently conducting meetings with the exempted establishments under Chairmanship of Central P. F. Commissioner, wherein the exempted establishments have been asked to undertake all out efforts for lowering the figures of unclaimed deposits.
v) “NidhiAapKeDwar” is an awareness and interactive programme launched by EPFO on 10.07.2015 and all the field offices organized an interactive and informative session on 10th day of every month. The said platform has been effectively used by the field offices for generating awareness related to unclaimed deposits among the members.
vi) Help desk on website."

2.21 As regards the efforts made by those organisations to disburse the PF accumulation to their respective subscriber or his/her legal heir, the EPFO informed as under:

"The P.F. accumulations are paid to the members and to the legal heirs of deceased members as per the Trust Rules of the exempted establishments which are aligned with the EPF Scheme, 1952.

No information is available in this regard. However, EPFO has resorted to newspaper advertisement, helpdesk and its website for inviting claims from subscribers in respect of unclaimed accounts."

During the oral evidence of representatives of some exempted establishments held on 18.01.2017, the following suggestion was made by one of the witnesses:

> "...I would like to make a suggestion...when the annual accounts are finalized from a Trust Fund, may be there can be a schedule which should list out alongwith the name of individuals in respect of whom there is unclaimed amount available with the Trust and the same should be part of it."

2.22 The Committee note that as on 31st December, 2016, the total corpus of Exempted Establishment is around ₹ 2.57 lakh crore including the unclaimed PF amount of ₹ 5475 crore. The Committee opine that the total corpus could have been more, had some of the establishments not violated the provisions of the Act. The Committee are happy that of late, the compliance audit is being conducted by the EPFO and proposal for cancellation of exemption has also been under consideration. They therefore, desire that the pending proposals for cancellation of exemption be finalized at the earliest so that the concerned workers/employees could be covered under EPF provisions.

2.23 The Committee opine that the huge amount of ₹ 5475 crore lying un-claimed with the Exempted Establishment particularly in two zones i.e. Haryana & Rajasthan and

Maharashtra & Chhattisgarh, is a matter of concern. As of now there is no provision in the Act and Scheme which can restrict a PF Trust to hold unclaimed deposit with them. The Committee feel that transparency is required in the matter. After their intervention, a proposal is stated to be under process for amendment in the Scheme in order to enable EPFO to receive the unclaimed deposits lying with the PF Trusts. The Committee desire that without losing further time, suitable amendment in the Scheme must be carried out so that in the Annual Account Statement of the PF Fund, name of workers, for whom unclaimed amount is available, not only gets reflected, but after specified period, gets transferred to EPFO. They also desire that possibilities of depositing the unclaimed amount so received in the Special Reserve Fund (SRF) may also be explored.

2.24 Till the subject was taken up for examination by the Committee, the EPFO did not have any details of unclaimed amount lying with the Exempted Establishment. The Committee appreciate that, based on their suggestion, the

EPFO has now started developing a mechanism for capturing the data related to unclaimed deposits lying with the exempted establishment. They, therefore, recommend that the mechanism must be put in place at the earliest. They also desire that a time period should also be specified for keeping the unclaimed amount with the respective establishment, after which the amount be deposited with the EPFO.

2.25 The Committee note that, as of now, there are no clear cut guidelines for Exempted Establishment to keep the unclaimed deposits hence during compliance audit, the PF Inspectors rely on the audited balance sheets of the Exempted Establishment and their Trusts to see that no such amount is utilized in their working capital. The Committee find from the documents furnished by the EPFO that in the past, there were hardly any compliance audits conducted by the EPFO. In fact the audit mechanism gained momentum after intervention of the Committee. Hence the Committee feel that some of the Exempted Establishment could be using the unclaimed deposits as their working capital. They therefore, desire that such

possibilities should be considered while framing the guidelines and stringent penalty may be prescribed in order to deter the Exempted Establishment from carrying out such illegal activities.

2.26 The Committee note that migration, illiteracy, un-awareness and the intention to enjoy benefits of Income Tax are the probable reasons for non-claiming of PF dues by workers. The Committee feel that since the exempted organizations are expected to have all the details of each worker/employee, like name, address, nominees etc., while employing them and thus can disburse PF dues to an employee or his/her heir. They therefore, desire that the EPFO must impress upon those Exempted Establishment to make all efforts to trace the workers/ employees/ nominees and disburse the amount in the first instance and thereafter, if some amount still remains, the same could be transferred to EPFO.

III. PATTERN OF INVESTMENT

2.27 The Committee desired to know the pattern of investment followed by the exempted establishments/establishments and the details of investments made by them, the EPFO informed as under:

> "Yes, Board of Trustees of exempted establishments are required to invest the Trust Funds in accordance with pattern of investment notified by the Government. Investment details of P.F. Trusts of exempted establishments are available with field offices concerned under whose original jurisdiction their monitoring lies. However, no consolidated information is available."

2.28 They further informed as under:

> "Board of Trustees of PF Exempted Establishments have to invest the Provident Fund accumulations as per the pattern of investment notified by the Government of India. As per the condition No. 17 of Appendix – 'A' to para 27AA of EPF Scheme, 1952, Board of Trustees are liable to pay surcharge. In this context, EPFO has framed new rates of surcharge to which surcharge will be levied on account of deviation from the prescribed pattern of investment. In case of more than three consecutive deviations, the Exemption shall be cancelled by giving reasonable opportunity to the employer.
>
> Parliamentary Standing Committee also raised its concerned regarding investment made by Board of Trustees in the instruments issued by either the parent company or its sister concerns. EPFO has agreed in principle and will very soon come out with necessary guidelines/amendments/notification, wherein Board of Trustees would be required to maintain an arm's length from the principle establishments and its sister concerns."

2.29 Finding that some of the Board of Trustees (BOTs) of exempted establishments are not following the pattern of investment, the Committee desired to know the reasons therefor and the penalty imposed, if any, the EPFO informed as under:

> "Sometime securities in the desired category are not available in the market. Also medium and small exempted establishments are not having expert fund managers."

They further informed as under:

> "It was observed that Board of Trustees of the exempted establishments were not adhering to pattern of investment prescribed by the Government for various reasons. Surcharge is levied by the Regional P. F. Commissioner on the BoT to regularize violations of this nature.
>
> However, the number of violations is restricted to 03, on this count and if further deviation by the BoT from the prescribed investment pattern is observed, Regional P.F. Commissioner concerned is required to process the case of the exempted establishment for cancellation of exemption.
>
> XX XX XX XX"

2.30 As regards the adequacy of penalty, the surcharge levied and the improvement observed thereafter, the EPFO stated as under:

> "The levy of surcharge is prescribed under Condition No. 17 of Appendix- 'A' to Para 27AA of EPF Scheme, 1952. The surcharge rates have been recently revised and enhanced vide order No. Exem/10(16)2016/28265 dated 01.02.2017. The levy of surcharge is not the only penalty on establishments. The violation of not adhering to the prescribed pattern of investment is only limited to three instances and if the pattern of investment is not followed for the fourth time the exemption granted to the establishments can be cancelled."

2.31 The Committee also desired to know the additional penalties proposed to be imposed if no improvement is found. The EPFO informed as under:

> "Further, the apprehension about the loss suffered by the Trust if the Trust Funds are not invested as per the prescribed pattern of investment is answered by Condition No. 6 & 28 of Appendix- 'A' to Para 27AA of EPF Scheme, 1952, wherein any loss will be borne by the establishment. The Condition No. 6 & 28 has been reproduced as under:-
>
> Condition No. 6- The employer shall bear all the expenses of the administration of the Provident Fund and also make good any other loss that may be caused to the Provident Fund due to theft, burglary, defalcation, misappropriation or any other reason. Condition No. 28 - In the event of any loss to the trust as a result of any fraud, defalcation, wrong investment decisions etc. the employer shall be liable to make good the loss. However additional penalty on forth default in prescribed pattern of investment is to initiate for cancellation of exemption."

2.32 When asked about any fool-proof measures taken/contemplated to ensure strict adherence to the Government-prescribed pattern of investment by the BoTs, the EPFO stated as under:

> "All the BoTs are required to adhere to prescribed pattern of investment religiously. However, if for some or the other reason the prescribed pattern of investment is not adhered to, then BoTs are liable to pay the surcharge. If the prescribed pattern of investment is not adhered for more than three consecutive years, then exemption granted to the establishment will be cancelled. Furthermore, any loss for any wrong investment decision will be borne by the establishment. Moreover the rate of levy of surcharge is revised vide order No. Exem/10(16)2016/28265 dated 01.02.2017."

2.33 The EPFO further informed as under:

> "All the establishments exempted from operation of EPF Scheme, 1952 under EPF & MP Act, 1952 have to adhere to prescribed pattern of investment as notified by the Government. The investment of exempted establishments is monitored through the monthly return filed by the exempted establishment on the dashboard facility provided by EPFO. However Regional Offices also conduct the detailed examination during compliance audit."

2.34 When asked about the establishments investing in private securities and the comparison of returns with Government Securities and how are they passed on to the beneficiaries, the EPFO informed as under:

> "All the establishments exempted from operation of EPF Scheme, 1952 under EPF & MP Act, 1952 have to adhere to prescribed pattern notified by Government of India and adopted by the CBT, EPFO. The benefits are passed to beneficiaries in the form of interest earned on investments including private securities."

2.35 It was observed that several companies, particularly those having a negative growth/consistently incurring huge losses invest PF Trust funds in their own sick companies. It was also observed that many times, layers are created to invest funds in their own exempted establishments, which is extremely risky since in case such companies fail/get bankrupt, the employees may lose their PF contributions meant for their social security. Regarding the investment made by exempted establishments in their own business via mutual funds route, the EPFO informed as under:

> "The latest pattern of investment for the Trusts of exempted establishments and the extant provisions of Act and Scheme do not impose any restriction for investment in their own business via mutual funds route. The latest pattern of investment for the Trusts of exempted establishments issued by the Government was notified in the Gazette of India Part II, Section III, No. 1134, dated 29.05.2015. However, EPFO can frame guidelines which can restrict the Trust from investing in the exempted establishments, with the approval of the Government."

2.36 The Committee were informed that if the Board of Trustees of some of the exempted establishments do not adhere to the pattern of investment, as prescribed by the Government, for various reasons, a surcharge is levied by the Regional PF Commissioners on the BOTs to regularise violations of this nature. The EPFO stated as under:

> "...surcharge is levied by the Regional PF Commissioner as per the rate prescribed by the Central PF Commissioner on taking approval of the Sub-Committee of CBT, EPF on Exempted Establishments. The said levy of surcharge is in accordance with the condition No. 17 of Appendix- 'A' to Para 27AA of EPF Scheme, 1952.
>
> Sometime securities in the desired category are not available in the market. Also medium and small exempted establishments are not having expert fund managers."

2.37 When asked about the number of BOTs on which surcharge was levied, the percentage thereof and the improvement observed thereafter, the EPFO furnished a "Zone-wise list of the cases where surcharge have been levied is as under: (LOP 2 Question no. 7)

Sl. No.	**Zone**	**Number of BoTs where surcharge was levied**
1	West Bengal, NER & Jharkhand	82
2	Tamil Nadu and Kerala	49
3	Delhi and Uttarakhand	0
4	Haryana and Rajasthan	11
5	Gujarat and Madhya Pradesh	48
6	Andhra Pradesh, Telangana and Odisha	38
7	Punjab and Himachal Pradesh	6
8	Karnataka & Goa	22
9	Uttar Pradesh and Bihar	12
10	Maharashtra and Chhattisgarh	49
Total		**317**

2.38 When asked about the total amount collected as surcharge, the EPFO stated as under:

> "It is very nominal and it is levied just to deter them from any deviation".

2.39 The Committee note that the Board of Trustees (BOTs) of Exempted Establishment are required to invest the Trust Funds in accordance with pattern of investment notified by the Government. They further note that in case of any deviation from the prescribed pattern of investment, the BOTs are liable to pay surcharge which is limited to three times and after that, the exemption is liable to be cancelled by giving reasonable opportunity to the employer. The surcharge levied by EPFO is statedly very nominal and is meant just to deter the establishments from any deviation. The Committee have now been informed that the EPFO has framed and notified new rates of surcharge on 1st February, 2017. However, the Committee apprehend that even the revised rate of surcharge may not act as an effective deterrent. They therefore, desire that the effectiveness of the new rates of surcharge monitored closely revisited subsequently, if needed.

2.40 The Committee note that surcharge is levied on the BOTs of the Exempted Establishment which are deviating from the prescribed pattern of investment three times and after that if those are found to be indulging in same kind of deviation, the exemption is liable to be cancelled. From the list of 317 such establishments, on whose BoTs, surcharge was levied, the Committee observe that most of the establishments were closed against which the cancellation orders were issued. The Committee therefore, desire that such a futile exercise needs to be tackled with regular physical inspection of the establishments by the Regional inspectors and if required, cancellation process be speeded up. The Committee further recommend that while formulating the guidelines, a provision may be made for review of exemption after a prescribed period, so that the EPFO is aware of the exact financial status of the establishment and precautionary measures are taken well in time and interests of the workers/employees are protected.

2.41 From the deposition of EPFO the Committee note that the extant provisions of the Act and Scheme do not impose any

restriction on Exempted Establishment for investment of accumulated PF funds in their own company/business/sister concerns via mutual funds route. However, as per submission of EPFO, in-principle agreement has been reached to frame necessary guidelines which restrict the Trust from investing in their own ventures through this route. The Committee feel that investing in own business is improper and is being done to serve their own interests. They, therefore, desire that there is a need to have special inspection/audit of all such companies and the EPFO should take early action on the requisite process, for restricting investment through this route and take immediate corrective steps/redivert such investments in other healthy investment instruments.

IV. PHYSICAL INSPECTION OF SECURITIES

2.42 As per the EPF&MP Act, 1952, all the exempted establishments have to adhere to prescribed pattern of investment as notified by the Government. In regard to physical inspection of securities by those establishments, the periodicity of inspection and the number of inspections conducted during the last three years, the EPFO has informed as under:

> "As per the amendment in Para 27AA of Appendix – 'A' of EPF Scheme, 1952 vide GSR 853 (E) dated 29.10.2003, effective from 30.10.2003. The exempted establishments have to maintain securities in the DEMAT (Dematerialized-Electronic) format instead of physical form of securities.

> In view of aforesaid amendment, there is no need of physical inspection of securities. They are inspected in only DEMAT format. A certificate of holding is obtained from the participant depository, who is normally a participant with NSDL/CDSL."

2.43 The Committee note that as per the amendment made in Para 27AA of EPF Scheme, 1952, the Exempted Establishment have to maintain securities in the DEMAT format instead of physical form of securities. The Committee were informed that since a certificate of holding is obtained from the participant depository, hence there is no need of physical inspection of securities. The Committee find that some of the Exempted Establishment could be investing either in excess of the limit permitted under the guidelines in private securities or the parent company or its sister concerns, in which case they can provide a certificate of holding which in no way, can certify that the investments have been made in the Government prescribed securities only. Also the Committee are apprehensive about some of the private investments turning into bad debts in some cases of Exempted Establishment, for instance, District Cooperative Banks, etc. The Committee, therefore, recommend that it should be made mandatory to check the DEMAT account to verify the pattern of investments

made as well as the returns thereof received by the Exempted Establishment during the compliance audit.

V. MONITORING

2.44 The Committee desired to know the existent monitoring mechanism on the Exempted Organizations and the constraints faced by the EPFO on the matter. The EPFO responded as under:

> "Monitoring of exempted establishments and their PF Trusts is done by Regional PF Commissioners of the field offices through annual Compliance Audit. Further, Regional P.F. Commissioner can cause Third Party Audit of the P.F. Trusts of exempted establishments wherever felt necessary by them. Furthermore, the exempted establishments and their Trusts are required to file returns online periodically which can be viewed by the field offices through Dashboard developed for the purpose.
>
> Presently EPFO, Head Office does not have effective tool for monitoring of exempted establishments and their P.F. Trusts. However, C-DAC Pune has been assigned the task of developing necessary software so that the database relating to exempted establishments and their Trusts can be extracted in a useful manner/format for and various information so available will be helpful for monitoring purposes as well as for taking necessary decision at EPFO, Head Office level."

2.45 During evidence the representatives of EPFO informed as under:

> "...then they have to get their accounts audited every year. These are the activities which they have to do as part of the exemption-cum-conditions. Actually exempted trusts are monitored by our Regional Provident Fund Commissioners. They are the monitoring agencies. We have a total of 123 officers in the country."

2.46 They further informed as under:

> "We are monitoring with the help of our software but our software is not up-to-mark. We are collecting all the data and feeding it into the software. We are in need of effective software and we have asked for developing new software."

2.47 As per the latest reply of EPFO, the Committee were informed as under:

> "During the review it was found that compliance audit of many PF Exempted Establishments was not conducted during the last three years. The EPFO Head Office immediately took cognizance of the issue and issued necessary directions to all the field offices for ensuring upto date compliance audit of PF Exempted Establishments. Latest report in this regard has already been furnished to the Parliamentary Standing Committee in the second week of March. Parliamentary Standing Committee on Labour has stressed that it should be regularly monitored on concurrent basis for all the Exempted Establishments."

2.48 Asked about the preparation of software by the C-DAC, the expected time of development and handing over the requisite software, the EPFO stated as under:

> "C-DAC has been asked to develop the exempted return through an agreement with EPFO signed on 16.07.2016.
>
> The exempted return has been planned to be developed in phase II for which the stipulated delivery date was 31.12.2016. However, the scheduled delivery has been delayed due to delay in phase I and the expected delivery is by the end of March 2017."

2.49 They further informed as under:

> "EPFO had developed a monitoring dashboard for PF Exempted Establishments and their Trusts in May, 2014. Through the said dashboard PF Exempted Establishments were facilitated to file the statutory returns through online facility. However, it was felt that for more effective monitoring, a better dashboard/software should be prepared. In this endeavour, C-DAC has been entrusted the responsibility of developing a new software. Suggestionsof the Parliamentary Committee in the development of new software have been taken care of. The new software is in the final stage and will be delivered to EPFO very soon."

2.50 When asked about the exemptions granted to the establishment/Trust long back and even now the EPFO Head Office do not have any effective monitoring system, the EPFO informed as under:

> "The EPFO Head Office did have a monitoring system, which was through submission of summary report by the field offices. Since 2014, a

dashboard for exempted establishments was developed, wherein the exempted establishments used to file various statutory returns online. The said system involved submission of statutory return in .pdf format.

Since, filing of the return was in .pdf format, therefore a more efficient dashboard, wherein more technology has been infused, is under development with the help of C-DAC."

2.51 When the Committee desired to know whether it is wise to leave the entire monitoring aspect to the Regional PF Commissioner, the EPFO informed as under:

"Certainly not. EPFO as an organisation have a pan India presence and 123field offices spread across length and breadth of the Country are responsible for efficient running of the three Schemes and enforcement of EPF & MP Act, 1952.

The basic objective of monitoring an exempted establishments is to curtail the violations of various terms and condition under which the exemption has been granted. These violations can be of following nature:-

i) Not extending provident fund benefits to all eligible employees.
ii) Subterfuge of wages.
iii) Not transferring the PF accumulations to the Trust in time.
iv) Not investing the Trust Funds as per prescribed pattern of investment.
v) Not declaring the rate of interest at par or more than as declared by EPFO etc.

For discovering the aforesaid violations, physical inspection of the exempted establishments and their trusts is essential and the said responsibility has been given to the field offices. Field offices fulfil the said responsibility through inspection which has been named as compliance audit.

However, Head Office is discharging the overall responsibility of effective monitoring of exempted establishments."

2.52 As the Committee desired to know the reasons for not having any central monitoring mechanism in place, the EPFO informed as under:

"It is not true that no central monitoring mechanism was ever in place. As per the Head Office directions all field offices are required to submit a report regarding compliance audit conducted in the exempted establishments. Further, as a first step towards central monitoring mechanism, a dashboard was developed in 2014 wherein exempted establishments were asked to submit the statutory returns on an IT enabled platform. Presently EPFO is developing a more robust software for exempted establishments."

2.53 Asked about the number of inspections conducted during the last 3 years on the Exempted Organizations, shortcomings observed and action taken against the delinquent establishments, the EPFO stated as under:

"Compliance Audit of exempted establishments is an annual exercise falling under the original jurisdiction of Regional PF Commissioners of the field offices concerned. The details thereof is being gathered from the field offices and will be furnished after compilation of the same."

2.54 When asked about the periodicity prescribed for inspection of the exempted establishments by the Regional PF Commissioner and whether they adhering to the prescribed periodicity, the EPFO stated as under:

"The inspection of exempted establishments is done annually as per instructions of Head Office.

Yes, the field offices adhered to the prescribed periodicity. However, sporadic instance are seen where the field offices could not adhere to the prescribed periodicity of inspection."

2.55 The account of the PF maintained by the BOT of an exempted establishment is subject to audit annually by a qualified independent Chartered Accountant. However, the CPFC or the RPFC-in-charge can get the accounts re-audited and the expenses are to be borne by the employer. In regard to such audits which were initiated, the EPFO stated as under:

"Total 35 Third Party Audits have been conducted. List of number of Third Party Audits conducting in each zone is annexed as

Sl. No.	**Zone**	**Number of BoTs where surcharge was levied**
1	West Bengal, NER & Jharkhand	8
2	Tamil Nadu and Kerala	12
3	Delhi and Uttarakhand	0
4	Haryana and Rajasthan	5
5	Gujarat and Madhya Pradesh	3
6	Andhra Pradesh, Telangana and Odisha	2
7	Punjab and Himachal Pradesh	0
8	Karnataka and Goa	5
9	Uttar Pradesh and Bihar	0
10	Maharashtra and Chhattisgarh	4
Total		**39**

2.56 As regards general inspection to ensure overall implementation of their instructions by those organisations, procedure as well as the follow up action taken subsequently, the EPFO stated as under:

> "Section 13 of EPF & MP Act, 1952 mandates Inspectors of EPFO to inspect an establishment for ensuring the implementation of provisions of EPF & MP Act, 1952 and its Schemes in letter and spirit. With reference to the exempted establishments and their P.F. Trusts, these inspections have been named as compliance audit.
>
> It is the duty of the Regional P.F. Commissioners of field offices to conduct a comprehensive Compliance Audit of all the exempted establishments and their Trusts lying in their jurisdiction. Compliance Audit is conducted through a Squad comprising of Enforcement Officers (P.F. Inspectors) headed by an Assistant P.F. Commissioner or a Regional P.F. Commissioner – II. A month in a Financial Year is chosen and observed as an exempted month, wherein maximum compliance audits of the exempted establishments and their Trusts are done. Moreover Trust'saccounts and balance sheets is audited by Chartered Accountant independently.
>
> The duties and responsibilities and various dimensions of inspection/compliance audit of exempted establishment has been annexed as Annexure – 'I'.
>
> After completing the compliance audit, Squad/Inspecting Team submits its report before the competent authority for scrutiny and examination. After scrutiny of Audit Report, deficiencies are communicated to the exempted establishments and their Trusts. In case of default legal provisions like 7A, 14B and 7Q are invoked against the defaulting establishments for assessment of dues, levy of damages and interest respectively.
>
> As per the condition No. 24(a) of Appendix – 'A' to Para 27AA of the EPF Scheme, 1952, Central P.F Commissioner or Regional P.F. Commissioner In-charge of the Region have the right to have the accounts of Board of Trustees re-audited by any third party as qualified auditor."

2.57 During the meeting held on 18th January, 2017, the representatives of EPFO were directed to conduct special audit of Maharashtra Cooperative Banks/State Electricity Boards, OCM, Shri Gauri Shanker Jute Mill, Rallis India and Cable Corporation of India Ltd, the EPFO stated as under:

"As per the direction given by Hon'ble Standing Committee on Labour in its meeting held on 18.01.2017,in the mentioned cases instruction had been issued to the field Regional Office/Sub Regional Offices through respective zonal Addl. Central P. F. Commissioner to conduct special audit in the initial report called by 02.02.2017. Since the compliance audit is comprehensive exercise and required a substantial time, as soon as the exercise is completed by the concerned Regional PF Commissioner, the report will be forwarded to the Hon'ble Committee. However it is expected to get the report by March 2017."

2.58 The Committee note that presently the Exempted Establishment and their Trusts are required to file returns online periodically which can be viewed by the field offices through a Dashboard developed for the purpose. However, this has not proved as an effective tool for monitoring of Exempted Establishment and their PF Trusts. It is evident from the EPFO's own submission before the Committee, to this effect. On the suggestion of the Committee, C-DAC Pune was assigned the task of developing necessary software in July, 2016, for which the stipulated delivery date was 31st December, 2016. However, the scheduled delivery was reportedly delayed and was expected by the end of March 2017. The Committee desire to be apprised of the status and if not delivered, recommend that necessary instructions to C-DAC Pune may be issued for immediate delivery of the requisite software with complete features. As the data would be required to be migrated to the

new software, the Committee urge the Ministry to take up the matter and pursue it vigorously.

2.59 As Third Party compliance audit of many Exempted Establishment was not conducted during the last several years, the Committee feel that several violations may have remained undetected. They further note that following their intervention in the matter, the EPFO issued directions to all the field offices for ensuring up-to-date compliance audit of Exempted Establishment. However, no audits have been conducted in three zones i.e. Delhi and Uttarakhand, Punjab and HP and Maharashtra and Chhattisgarh. The Committee desire to be apprised of reasons thereof. The Committee opine that once the review exercise of grant of exemptions is completed, carrying out compliance audit would become manageable for the RPFCs. The Committee therefore, recommend that the formulation of new guidelines for grant of exemption be prioritised followed by the review of the exemption granted so that the same could be cancelled for the defaulting Exempted Establishment. They also desire that the consolidated report of

compliance special audit of the Establishments be furnished to them, as committed by the EPFO during the meeting held on 18th January, 2017.

2.60 The Committee note that presently the Regional Provident Fund Commissioners are monitoring the implementation of the Act through their 123 field offices spread across the Country. However it is surprising that at present there is no Central monitoring mechanism available for ensuring that the checking of compliance of the Act by the Exempted Establishment by the RPFCS is done appropriately. The Committee, therefore, opine that grant of exemption and its monitoring should be finalised Centrally through the Head Office, instead of leaving it solely to the RPFCs not only to keep a check on the malpractices/violations but also to maintain uniformity in grant of exemptions. They therefore, recommend that all future requests for exemptions, once examined by the field offices, should be referred to the EPFO Head Office for final decision and a Central monitoring mechanism must be put in

place which may also include physical inspections alongwith constant vigil on the digital database.

VI. VIOLATIONS/MALPRACTICES

2.61 The Committee desired to know about the irregularities/violations found in regard to PF compliance, the type of irregularity/violation, number of persons effected and the action taken against the organizations alongwith the penalty imposed, the EPFO stated as under:

> "It was observed that Board of Trustees of the exempted establishments were not adhering to pattern of investment prescribed by the Government for various reasons. Surcharge is levied by the Regional P. F. Commissioner on the BoT to regularize violations of this nature.
>
> However, the number of violations is restricted to 03, on this count and if further deviation by the BoT from the prescribed investment pattern is observed, Regional P.F. Commissioner concerned is required to process the case of the exempted establishment for cancellation of exemption.
>
> The second type of violations is delay in transfer of P.F. contributions by exempted establishments to their P.F. Trusts within stipulated date. However, provisions under Section 14B and 7Q of the Act exist to deal with such violations. Regional P. F. Commissioners of the field offices take recourse to these provisions against the exempted and un-exempted establishments in a routine manner in deserving cases.
>
> However, the details thereof is being gathered from the field offices and will be furnished after compilation of the same."

2.62 When asked about the complaints received from the unions of the workers of the subscribers of those exempted establishments about irregularities/violations or misuse of funds, the EPFO stated as under:

> "List of exempted establishments where complaints have been received. However, action under Section 7A and 14B etc. are taken by respective field offices. The complaints received are as under:

ANNEXURE-'C'

LIST OF EXEMPTED/RELAXED ESTABLISHMENTS AND WHOSE EXEMPTION HAS BEEN CANCELLED, WHERE COMPLAINTS/GRIEVANCES HAS BEN RECEIVED.

SL. NO.	NAME OF THE ESTABLISHMENT	CODE NO.	REGIONAL/SUB REGIONAL OFFICE	NATURE OF COMPLAINT/GRIEVANCE	ACTION TAKEN
1	M/S. BALCO LIMITED	CG/2305	RO, RAIPUR	CONTRAVENTION OF CONDITION NO. 12 OF EPF & MP ACT, 1952 AND CONDITION NO. 11 OF PARA 27AA OF EPF SCHEME, 1952	THE SUB-COMMITTEE OF CENTRAL BOARD OF TRUSTEES, EPF ON EXEMPTED ESTABLISHMENTS HAS RECOMMENDED THE APPROPRIATE GOVERNMENT TO REJECT THE PROPOSAL FOR GRANT OF EXEMPTION
2	M/S. INSTRUMENTATION LIMITED	RJ/1339	SRO, KOTA	CONTRAVENTION OF CONDITION NO. 5,12,16,17,18(b),21 & 26 OF PARA 27AA OF EPF SCHEME, 1952.	THE PROPOSAL FOR CANCELLATION OF EXEMPTION IS IN PROCESS.
3	M/S. HINDUSTAN ANTIBIOTIC LIMITED	MH/1459	RO, PUNE	CONTRAVENTION OF CONDITION NO. 2, 5, 6,16,24(C),17 & 18 OF PARA 27AA OF EPF SCHEME, 1952 .	THE PROPOSAL FOR CANCELLATION OF EXEMPTION IS IN PROCESS.
4	M/S. TITAGHUR JUTE MILLS NO.2	WB/338	SRO, BARRACKPORE	COMPLAINTS OF RIVAL ESTABLISHMENTS REGARDING RIGHTS OF OPERATION OF PROVIDENT FUND TRUST.	THE ISSUE IS UNDER EXAMINATION.
5	M/S. MANAGEMENT DEVELOPMENT INSTITUTE	GN/GGN/51 60	RO, GURGAON	GRIEVANCES FROM THE MEMBERS OF THE TRUST HAD BEEN RECEIVED REGARDING PAYMENT OF PROVIDENT FUND DUES.	NECESSARY DIRECTIONS TO REGIONAl PF COMMISSIONER CONCERNED HAS BEEN ISSUED AND GRIEVANCES HAS BEEN RESOLVED.
6	M/S. APE BELLISS INDIA LIMITED	WB/11697	SRO, PARK STREET	GRIEVANCES FROM THE MEMBERS OF THE TRUST HAD BEEN RECEIVED REGARDING PAYMENT OF PROVIDENT FUND DUES.	THE MATTER HAS BEEN TAKEN UP WIT THE SUB REGIONAL OFFICE AND EFFORTS TO RESOLVE THE GRIEVANCES ARE IN PROGRESS.

2.63 During evidence, the Committee raised the point that the exempted establishments either do not declare the interest in time or declare the interest rate lower than the EPF rate. The Committee also observed that some firms do not transfer the funds to the trust account in time. In this regard, the representatives of EPFO informed as under:

> "Monthly statements are filled in the software. Through the software, we come to know of any kind of violation of conditions like some firm did not declare the interest in time or some firm declared the interest rate but that interest sometimes happens to be lower than the EPF rate. Sometimes, some firms do not transfer the funds in time to the trust account. These are the kind of irregularities which we observe in the working of the exempted establishments. When these irregularities come to our notice, our field officers take action including prosecution. This is the action which we are taking and we are monitoring. When any of these irregularities happen, there is a prosecution provision and we can also cancel the exemption. Whenever these violations are observed, we are taking action. But sometimes the matter goes to the courts and they get rectified. This is the present state of affairs. I would like to submit that we would like to improve the present monitoring system which is not fully satisfactory for us."

2.64 The Committee note that there are various types of major violations/malpractices of the exemption provisions being done by the Exempted Establishment, viz. (i) not adhering to the prescribed pattern of investment; (ii) delay in transfer of PF contributions to Trusts within stipulated date; (iii) non-declaration of interest or the declared rate of interest lower than the EPF rate; and (iv) investing PF funds in own company. The Committee were informed that whenever such violations are observed, there is a prosecution provision and even the exemption could be cancelled. However, the details of action taken against the defaulting establishment on these counts are being gathered from the field offices by EPFO after the matter was raised by the Committee. As the basic principle of granting exemption to some establishments is to ensure similar or even better social security to workers, the Committee are of the strong opinion that if any establishment is committing violations, stern penal action must be taken by the regulating authority. The Committee therefore, recommend that irregularities/violations be viewed very seriously by the EPFO and they must ensure that appropriate prosecution action, as

enumerated in the Act, be taken against the defaulting establishment without fail. At some time, the Committee feel that RPFCs & EPFO have a statutory duty to keep a constant vigil on the violations committed, if any, and failure to do so should attract appropriate administrative action against them too.

VII. PROPOSALS PENDING FOR GRANT OF EXEMPTION

2.65 The processing and finalisation of all pending exemption proposals for forwarding the same to appropriate authority for exemption through the Central Board of Trustees, EPF could not be completed within the period stipulated in the statute. It had been extended several times by legislative intervention from 2007 to 2013. Even then, the processing and finalisation of all pending exemption proposals could not be completed. In this regard, EPFO has stated as under:

> "The proposal for grant of exemption is considered completed if the proposal meets all the guidelines issued for processing the proposal from time to time. The main reason in delay in processing the proposal for grant of exemption is due to presence of shortcomings in the proposals."

2.66 The Committee note that proposals for grant of exemption are pending with EPFO for years together because the process could not be completed within the statutorily period under the Act. Resultantly, the EPFO had to seek permission for extension of time from the Ministry of Finance several times for seven years during the period 2007-13. Responding to the

query of the Committee for the reasons thereof, EPFO stated that the proposal for grant of exemption is considered complete if the proposal meets all the guidelines. The Committee, note that, presently the power to grant exemption rests with more than 100 Regional Provident Fund Commissioners, even than there are numerous cases pending for grant of exemption. Clearly the RPFCs have not been able to ensure that the proposals are complete in all respects for final decision on the cases. Therefore, the Committee opine that the policy guidelines need to be revisited to ensure that the pending proposals are disposed off in a time bound manner. As the Ministry has statedly decided to frame necessary guidelines/amendments/notifications to address concerns expressed by the Committee with respect to exemptions, the Committee suggest that the pending proposals can be examined from the perspective of amended guidelines, so that the number of establishments seeking exemption could become manageable. The Committee desire to be furnished with a detailed note on the final action taken by the Ministry to address all points raised in connection with the subject.

VIII. WITHDRAWAL OF EXEMPTION

2.67 The Committee desired to know about the cases where the exemption was withdrawn, the reasons therefor and the compensation given to their subscribers, the EPFO stated as under:

> "Yes, there are cases where exemption granted to establishments have been cancelled by the appropriate Government in terms of Section 17 (4) of the EPF & MP Act, 1952 for having contravened terms and conditions of grant of exemption.
>
> As regards compensation to subscribers, there is no such provision. Liability towards subscribers is shifted from private P.F. Trust to EPFO to the extent of fund transferred from the BoT."

2.68 The Committee then desired to know the terms used as 'cancellation' and 'revocation' of exemption, the EPFO defined the terms as under:

> "As per the EPF & MP Act,1952 u/s 17, power to exemption is provided to appropriate government to grant exemption to establishment by notification and subject to such condition as may be specified in the notification. The said condition are available in "para 27AA" of EPF scheme,1952 in form of" Appendix-"A", wherein term 'cancellation' & 'revocation' of exemption is available.
>
> i) Wherein, word "cancellation" may be invoked on violation of the condition for grant of exemption by the employer of the Board of Trustees. The Exemption granted may be cancelled after issuing a "Show Cause Notice" by Competent Authority.
> ii) Wherein, the word "Revoked" used in condition No.29 of Appendix-A of Para 27 AA of the EPF Scheme, 1952. Specifically, applied "in case of any change of legal status of the establishment which has been granted exemption, as a result of merger, demerger, acquisition, sale amalgamation, formation of a subsidiary, whether wholly owned or not etc. The exemption shall stand revoked.
>
> As, per Oxford English Dictionary –"Revoked" means "Official Cancel ".
>
> While,in legal parlance "Revocation" is act of recall or annulment. It is the reversal of an Act, the recalling of grant or privilege, or the making of void some deed previously existing.
> The meaning mentioned aforesaid is understood in the general functioning of EPFO.

Further in cancellation the establishment remains in existence but exemption is withdrawn and the establishment starts complying as an un-exempted establishment with Regional P F Commissioner.

While in revocation, the existence of the establishment is vanished or changed as the case may be due to merger, amalgamation etc hence it neither remains as exempted nor un-exempted but the new establishment or the merged/amalgamated establishment continue as per its own status of exempted or un-exempted."

2.69 The Committee note that there were cases of cancellation/revocation of exemption of Exempted Establishment like Jute Mills, State Electricity Boards, etc in terms of Section 17(4) of the EPF & MP Act, 1952. However, there is no subsequent provision to compensate the subscribers and the liability towards subscribers is shifted from Private PF Trust to EPFO to the extent of fund transferred from the BoT. The Committee are note that apart from lack of clarity on cancellation or revocation status in some establishment, there is no provision to prevent the innocent subscriber from being cheated on account of the irregularity committed by his/her employer and the resultant cancellation of the exemption. Moreover, since the industrial work force remains largely unaware of official procedures, hence in cases where the legal status of an exempted establishment changes due to

'revocation', there could be innumerable cases of non-payment of claims remaining unresolved owing to long legal delays. In such cases many a times an employee dies and since there is hardly any willingness on the part of employers to trace legal heirs, his dues lie unclaimed in the employer's account. The Committee, therefore, desire to be apprised of correct status of cancellation/revocation of Exempted Establishment in the last three years. Further, they recommend that in case of functioning establishments, where exemption is cancelled, heavy penalty needs to be imposed on the employers to recover the amount and in case of closure of defaulting establishment due to revocation, the subscribers needs to be compensated through the SRF. The Committee desire that the matter must be examined in detail and appropriate legal provisions be framed to protect and disburse the lifetime savings of employees/workers in these situations.

IX. MAINTENANCE OF DATA BASE

2.70 Asked about the type of record/data the exempted establishments maintain about the subscribers and management of the PF accumulation by them, the EPFO stated as under:

"The P. F. Trusts of exempted establishments manage Trust funds in accordance with the provision laid under Condition No. 13 of Appendix – 'A' to Para 27AA of the EPF Scheme, 1952 by maintaining individual ledger Accounts."

2.71 In regard to the efforts made by EPFO in the matter of maintaining data base and developing appropriate software to manage the functioning in a more efficient manner, the EPFO stated as under:

i) "In line with the e-governance policy of the Government, Electronic-Challan-cum-Return (ECR) has been introduced by EPFO to facilitate employers of all establishments, which has eased their burden of filing numerous statutory returns in physical from and has also facilitated remittance of contribution/dues to EPFO through manual challan.

ii) Online filing of returns by employer of exempted establishments and Trusts has been developed, which has facilitated ease of compliance to them.

iii) Dashboard for monitoring of filing of online returns by exempted establishments ad their Trust has also been developed for benefit of field offices.

iv) Further, C-DAC Pune has been assigned the task of developing necessary software so that the database relating to exempted establishments and their Trusts can be extracted in a useful manner/format for and various information so available will be helpful for monitoring purposes as well as for taking necessary decision at EPFO, Head Office level."

2.72 As regards the extraction of the database of the exempted establishment and their Trusts for taking necessary action/decisions at the Head Office level, the EPFO informed as under:

"Once the development is completed and the testing is done the new software will be deployed on the Unified Portal, data from the old portal will have to be migrated and then the same can be made available for action.

The exempted establishments have been asked by the circular issued by the exemption section to keep the data ready for filing when the link is made available again (copy enclosed).

Since, the delivery of the proposed software is expected in March 2017, therefore no secondary mechanism for extracting data has been proposed for such a short period."

2.73 The Committee note that presently the PF Trusts of Exempted Establishment manage Trust funds in accordance with the laid down provisions by maintaining individual ledger Accounts. The Committee further note that in line with the e-governance policy of the Government, Electronic-Challan-cum-Return (ECR) has been introduced by EPFO for filing of returns by employer of Exempted Establishment and Trusts. A Dashboard for monitoring of filing of online returns by Exempted Establishment and their trust has also been developed for benefit of field offices. In view of the rampant violations of the Act, the Committee opine that mere filing of returns has not proved to be enough to protect the workers of the Exempted Establishment hence there still remains scope for improvement in the checking of the returns filed by Exempted Establishment. They therefore recommend that the returns filed by the Exempted Establishment be checked randomly to detect misuse of the facility and appropriate action be taken against the defaulting establishments.

Meanwhile, the Committee desire to be apprised of the status of the new software being developed for EPFO by C-DAC, Pune, and the improvements brought therein to detect short comings in returns and other violations more effectively.

New Delhi;	**DR. KIRIT SOMAIYA**
6th April, 2017	***CHAIRPERSON,***
16th Chaitra, 1938 (Saka)	***STANDING COMMITTEE ON LABOUR***

Appendix - I

STANDING COMMITTEE ON LABOUR
(2016-17)

Minutes of the Seventh Sitting of the Committee

The Committee sat on Wednesday, the 14th December, 2016 from 1700 hrs. to 1900 hrs. in Committee Room No. '63', Parliament House, New Delhi.

PRESENT

Dr. Kirit Somaiya – CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Satish Chandra Dubey
3. Dr. Boora Narsaiah Goud
4. Dr. Arun Kumar
5. Shri Hariom Singh Rathore
6. Shri Naba Kumar Sarania
7. Shri Dayakar Pasunoori

RAJYA SABHA

8. Shri Ram Narayan Dudi
9. Shri Nazir Ahmed Laway
10. Haji Abdul Salam
11. Shri Amar Shankar Sable
12. Ms. Dola Sen
13. Shri Tapan Kumar Sen

SECRETARIAT

1. Shri N.C. Gupta - Joint Secretary
2. Shri D.R. Mohanty - Additional Director
3. Smt. Archana Srivastva - Under Secretary

PART - I

XX XX XX XX XX XX

PART-II

Witnesses

Representatives of the Ministry of Labour & Employment (MoLE) and Employees' Provident Fund Organisation (EPFO)

1.	Shri R.K. Gupta	Joint Secretary
2.	Shri Manish Gupta	Joint Secretary
3.	Dr. V.P. Joy	Central Provident Fund Commissioner (CPFC)

2. The Chairperson then welcomed the representatives of the Ministry of Labour & Employment (MoLE) and EPFO to the sitting, convened to have a briefing on the subject 'Exempted Organisations/ Trusts/ Establishments from EPFO, Investment of Corpus of EPFO in Exchange Trade Fund (ETF) and disbursement of dividend and PF Pension to the beneficiaries'. He then drew the attention of the representatives to Direction 58 of the 'Directions by the Speaker' regarding confidentiality of proceedings of the Committee during deposition before the Parliamentary Committees.

3. Thereafter, the representative of MoLE, briefed on various aspects of the subject matter which *inter-alia* included running of three Schemes of the EPFO i.e., (i) The Employees' Provident Funds Scheme, 1952 (EPF), (ii) The Employees' Pension Scheme, 1995 (EPS), (iii) The Employees' Deposit Linked Insurance Scheme, 1976 (EDLI), provision of exemption Establishments/Organisations/ Trusts to run their own trust for the Scheme, power for giving such exemptions/relaxations, investments of funds, monitoring, inspections, etc. Thereafter Members raised queries on various issues which, *inter-alia*, included monitoring mechanism, irregularities, basic

criteria for granting exemption, number of defaulters, unclaimed amount, total corpus, registration of CPWD and NDMC and collection of arrears, etc . The representatives then responded to the queries raised by the Members.

4. The Chairperson thanked the witnesses for appearing before the Committee and briefing them on the subject. The Chairperson also directed the Joint Secretary, MoLE and CPFC to furnish written replies within 10 days in respect of those queries, for which information was not readily available with them during the meeting as well as which required detailed and statistical information.

The witnesses then withdrew.

[A copy of the verbatim proceedings was kept on record]

The Committee then adjourned.

XX Do not pertains to this Report.

Appendix - II

STANDING COMMITTEE ON LABOUR
(2016-17)

Minutes of the Eleventh Sitting of the Committee

The Committee sat on Wednesday, the 18th January, 2017 from 1130 hrs. to 1330 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Dr. Kirit Somaiya – CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Rajesh Kumar Diwakar
3. Shri Satish Chandra Dubey
4. Shri Devajibhai Govindbhai Fatepara
5. Shri Satish Kumar Gautam
6. Shri C.N. Jayadevan
7 Shri Bahadur Singh Koli
8. Shri Hari Manjhi
9. Shri Naba Kumar Sarania

RAJYA SABHA

10. Shri Ram Narayn Dudi
11. Shri Nazir Ahmed Laway
12. Shri P.L. Punia
13. Shri Rajaram
14. Shri Tapan Kumar Sen
15. Shri Ravi Prakash Verma

SECRETARIAT

1. Ms. Rimjhim Prasad - Joint Secretary
2. Smt. Anita B. Panda - Director
3. Shri D.R. Mohanty - Addl. Director
4. Smt. Archana Srivastva - Under Secretary

Witnesses

Representatives of the Ministries of Labour & Employment (MoLE) and Employees' Provident Fund Organisation (EPFO)

1.	Shri R.K. Gupta	Joint Secretary
2	Dr. V.P. Joy	Central PF Commissioner

Representatives of various exempted organisations

1.	Shri. Sandeep Verma, GM (Finance) Shri T.K. Mookherjee, Employees Relation Manager	Fortis Healthcare Ltd.
2.	Shri V.R. Boraste, Manager, HRM Shri H.S. Nalawade, Dy. C.O. Estt & Tax Dept, HO	Dhulia District Central Co-operative Bank Ltd.
3.	Shri D.G. Kasle, Asstt. Adm, Manager Shri S.T Shirsekar, Astt. Adm. Manager	Best Undertaking
4.	Shri Madhav Dhavale, Manager	Rallis India Ltd.
5.	Shri Sanjay Kaushal, G.M. HR, Shri N.K. Das, GM(HR)	Indian Oil Corporation (Refinery-Panipat Div.)
6.	Shri Edwin A D'Cunha, Shri Nandkumar S. Tirumalai	Tata Power Company Ltd.
7.	Shri Ravi, Chief Business Development Officer, Shri Yatrik Vin, Chief Financial Officer	National Stock Exchange of India Ltd.
8.	Shri Hemant Sharma, Sr. Director, Shri Anand Srivastava, Director	Price Waterhouse CO.

9.	Shri D.R. Prabodhankar, Manager (Finance)	Maharashtra State Cooperative Marketing Federation Ltd.
10.	Shri Dilip Dutta, Advisor, Shri V.K. Agarwal, CS	Shri Gauri Shankar Jute Mills Ltd.
11.	Shri Ram Kumar Arora, GM Finance &CS, Shri Sunil Sharma, Manager (PF&ESI)	OCM India Ltd.
12.	Shri Hansh Raj Prihar, CAO, Shri Atual, Manager (Account)	Delhi Gymkhana Club Ltd.
13.	Shri Sanjeev Mittal, Senior Manager (Finance), Shri M.K. Mittal, Senior Manager (Finance)	DCM ShriRam Sugar Division
14.	Shri Girish D Bhingarkar, Director, Shri Rajaram N Kasar, Assistant Vice- President-HR & Administration	Cable Corporation of India Ltd.

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Labour & Employment (MoLE), Employees' Provident Fund Organisation (EPFO) and the exempted establishments to the sitting, convened to take evidence on the subject 'Exempted Organisations/ Trusts/ Establishments from EPFO, Investment of Corpus of EPFO in Exchange Trade Fund (ETF) and disbursement of dividend and PF Pension to the beneficiaries'. The Chairperson then drew attention of the representatives to Direction 58 of the 'Directions by the Speaker' regarding confidentiality of the proceedings of the Committee during deposition before the Parliamentary Committees. He then asked the representatives of the Ministry to update the Committee on various issues relating to the subject matter.

3. The representatives of the Ministry of Labour & Employment accordingly briefed the Committee on various aspects of the subject matter which *inter-alia* included action taken by the Ministry subsequent to the sitting of the

Committee held on 14th December, 2016, creation of data-base, issue of surcharge, etc. Thereafter, the representatives of the exempted establishments apprised the Committee, one by one, of the number of employees in their respective establishments, total corpus, fund management, interest rate, settlement of claims, etc. The Members then raised queries on several issues which, *inter-alia*, included processing and finalisation of all pending applications, exemption, extension given by the Ministry of Finance year after year since 2007, investment of corpus in ETF securities prescribed by EPFO, investment of corpus in private securities, periodicity of audit of Fund Managers, physical inspection of securities, monitoring mechanism put in place to ensure overall implementation of the instructions of EPFO, conditions for cancellation & revocation of exemption, investment in their own business via mutual funds route, special audit of Maharashtra Cooperative Banks/State Electricity Boards and other exempted establishments, data base/bank of the audit of accounts of exempted establishments and action taken by EPFO thereon; recovery of funds from exempted establishments, employees' grievances, PF settlement cases pending with the exempted establishments, utilisation of and awareness campaign for unclaimed dividends, etc. The representatives of the Ministry of Labour & Employment, EPFO and exempted establishments responded to the queries raised by the Members.

4. The Chairperson thanked the witnesses for appearing before the Committee and rendering evidence on the subject matter. The Chairperson also asked the Joint Secretary, Ministry of Labour & Employment to furnish written replies within 10 days in respect of those queries, for which information was not readily available with them during the meeting as well as which required detailed and statistical information.

The witnesses then withdrew.

[A copy of the verbatim proceedings was kept on record]

The Committee then adjourned.

Appendix - III

STANDING COMMITTEE ON LABOUR
(2016-17)

Minutes of the Fifteenth Sitting of the Committee

The Committee sat on Thursday, the 6th April, 2017 from 1030 hrs. to 1100 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. Kirit Somaiya – CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Ashok Kumar Dohrey
3. Shri Satish Chandra Dubey
4. Shri Satish Kumar Gautam
5. Shri Bahadur Singh Koli
6. Dr. Arun Kumar
7. Shri Kaushalendra Kumar
8. Shri Hari Manjhi
9. Shri Hariom Singh Rathore
10. Shri Naba Kumar Sarania

RAJYA SABHA

11. Shri N. Gokulkrishnan
12. Shri P.L. Punia
13. Ms. Dola Sen
14. Shri Ravi Prakash Verma

SECRETARIAT

1.	Ms. Rimjhim Prasad	-	Joint Secretary
2.	Smt. Anita B. Panda	-	Director
3.	Shri K.C. Pandey	-	Deputy Secretary
4.	Smt. Archana Srivastva	-	Under Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee, convened for consideration and adoption of Draft Report on the subject 'Exempted Organisation/ Trust/ Establishments from EPFO: Performance, Issues and Challenges' pertaining to the Ministry of Labour and Employment. Giving an overview of the Recommendations made in the Draft Report, the Chairperson requested the Members to give their suggestions on them, if any.

3. The Committee, then, took up for consideration the Draft Report and adopted the same after some discussions.

4. The Committee then authorized the Chairperson to present the Report to both the Houses.

The Committee then adjourned.