

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 1991

NO. 15 OF 1992

**UNION GOVERNMENT
(OTHER AUTONOMOUS BODIES)
EMPLOYEES' PROVIDENT FUND ORGANISATION**

REPORT OF THE

COMPTROLLER AND CHIEF OF GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1901

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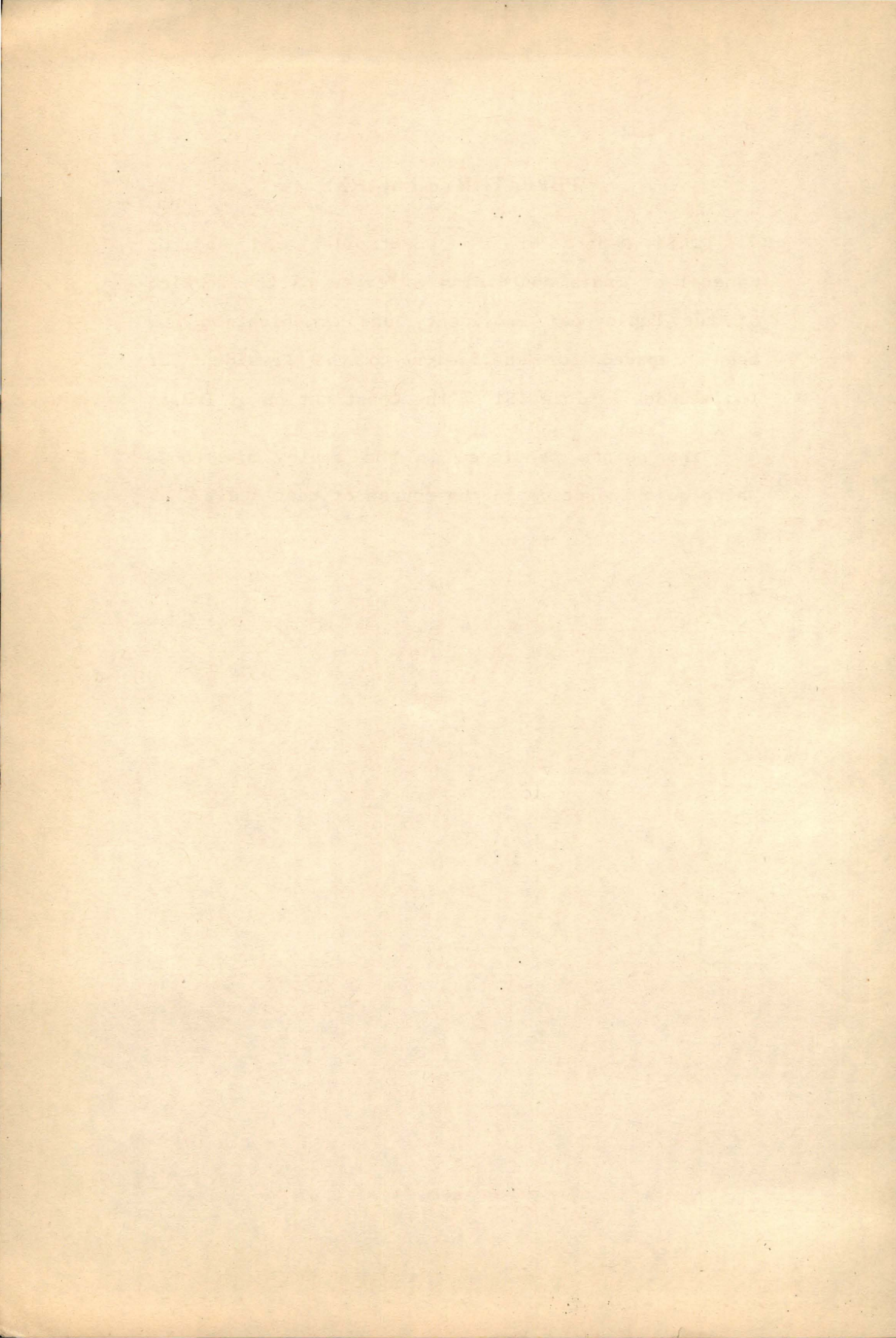
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PREFATORY REMARKS

This Report of the Comptroller and Auditor General of India containing a review on the working of the Employees' Provident Fund Organisation has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The points mentioned in the review are those which came to notice in the course of test audit.



OVERVIEW

This Audit Report contains a review on "The Employees Provident Fund Organisation." The 'Employees' Provident Fund and Miscellaneous Provisions Act' was enacted in 1952 to administer 'The Employees' Provident Funds Scheme' which was amended in 1971 and 1976 to introduce 'Employees' Family Pension Scheme 1971' and 'the Employees' Deposit Linked Insurance Scheme 1976' respectively.

(Paragraph 1)

As on 31 March 1991, 204053 establishments were covered under the schemes with 113.30 lakhs subscribers. There were 2933 exempted establishments with 43.77 lakhs members.

(Paragraph 1)

Several deficiencies had been noticed by Audit in the implementation of the schemes during test check of the records for the period from 1985-86 to 1990-91 in the offices of the Central Provident Fund Commissioner and six regional offices.

In order to bring new establishments which attracted the application of the Act by virtue of its employment strength on completion of infancy period under its purview, the Provident Fund Inspector was required to survey the area or class of establishments. No norms for the number of surveys to be conducted per inspector have been fixed and as a result wide variations in the number of surveys conducted in the regions test checked were noticed. No survey was conducted during 1990-91 in Delhi region and delays in sending survey/investigation reports to the Regional Commissioners were also noticed in four regions.

(Paragraph 7.1)

Delay in issue of orders for coverage of establishments under the Act ranged from one to seven years and more. Delay in coverage might result in denial of benefits to the employees leaving the establishments before their coverage.

(Paragraph 8.1)

The Organisation could not determine the dues to be paid by the defaulting establishments in respect of 17826 cases as on 31 March 1991. Some of the cases were pending for five years and more.

(Paragraph 10.3)

Provident Fund Contributions aggregating to Rs.96.03 and Rs.131.98 crores of un-exempted and exempted establishments respectively were in arrears as on 31 March 1991. Besides, administrative and inspection charges of Rs.3.27 crores, family pension contributions of Rs.10.88 crores, contributions to the Employees Deposit Linked Insurance scheme amounting to Rs.3.50 crores and administrative charges of Rs.1.31 crores respectively were also in arrears as on 31 March 1991.

(Paragraph 10.4(a,b,c,d))

For recovering the arrear contributions from the defaulting establishments 32,403 revenue recovery certificates involving an amount of Rs.112.57 crores were pending as on 31 March 1991 with various district revenue authorities. Year-wise break-up of these cases was not available with the Organisation. Besides, revenue recovery certificates for Rs.9.06 crores and Rs.4.10 crores were also pending as on 31 March 1991 in respect of dues under the Family Pension Scheme and Employees' Deposit Linked Insurance Scheme.

(Paragraph 11)

Delay in levy of damages in the event of default in payment of dues ranging from one to twentyfive years and more was noticed in four regions test checked viz. Delhi, Maharashtra, Tamil Nadu and Uttar Pradesh. Damages totalling Rs.48.34 crores were recoverable from establishments as on 31 March 1991.

(Paragraph 12(1,2))

As on 31 March 1991, 105732 prosecution cases were pending in the courts. Out of these, 27473 cases were pending for more than three years.

(Paragraph 14(1,2))

The credits received at the branches of the State Bank of India were required to be remitted to link branches on the same day which are required to pass on the credits daily to the State Bank of India, Bombay, for crediting to the Investment Account of the Organisation. Test check of 3429 cases of transfer of funds revealed delays in affording credit to the investment account from one to 25 days resulting in loss of interest amounting to Rs.19.99 lakhs to the Organisation during the period April to June 1989.

(Paragraph 16.1)

The Local Head Office of the State Bank of India at Bombay is required to transfer, on each day, the balance in "Investment Account" to the Reserve Bank of India, Bombay, for investment. During 1989-90 and 1990-91, the State Bank of India, Bombay did not transfer the funds to Reserve Bank of India daily resulting in loss of interest of Rs.1.17 crores.

(Paragraph 16.4)

The Boards of Trustees of exempted establishments are required to invest every month within a period of two weeks, the investable funds

from the date of receipt of the contributions. An amount of Rs.49.67 crores remained un-invested for various periods with the Boards of Trustees during 1990-91.

(Paragraph 16.9)

As many as 66,365 Provident Fund claims were pending for settlement as on 31 March 1991. Only 51 to 65 per cent of the claims were settled within the prescribed period of 20 days. Besides, 69977 family pension claims and 4003 claims under employees deposit linked insurance scheme were also pending for settlement as on 31 March 1991.

(Paragraph 17.1)

An amount of Rs.403.08 lakhs paid out of the special reserve fund to subscribers to schemes under certain circumstances remained to be recovered from the employers as on 31 March 1991.

(Paragraph 18)

An amount of Rs.75.59 crores was lying un-claimed with the organisation as on 31 March 1991.

(Paragraph 19)

A huge amount of interest of Rs.2998.45 crores as on 31 March 1991 earned by the organisation is available under "Interest Suspense Account" which has not been distributed to members while closing the annual accounts.

(Paragraph 20.1)

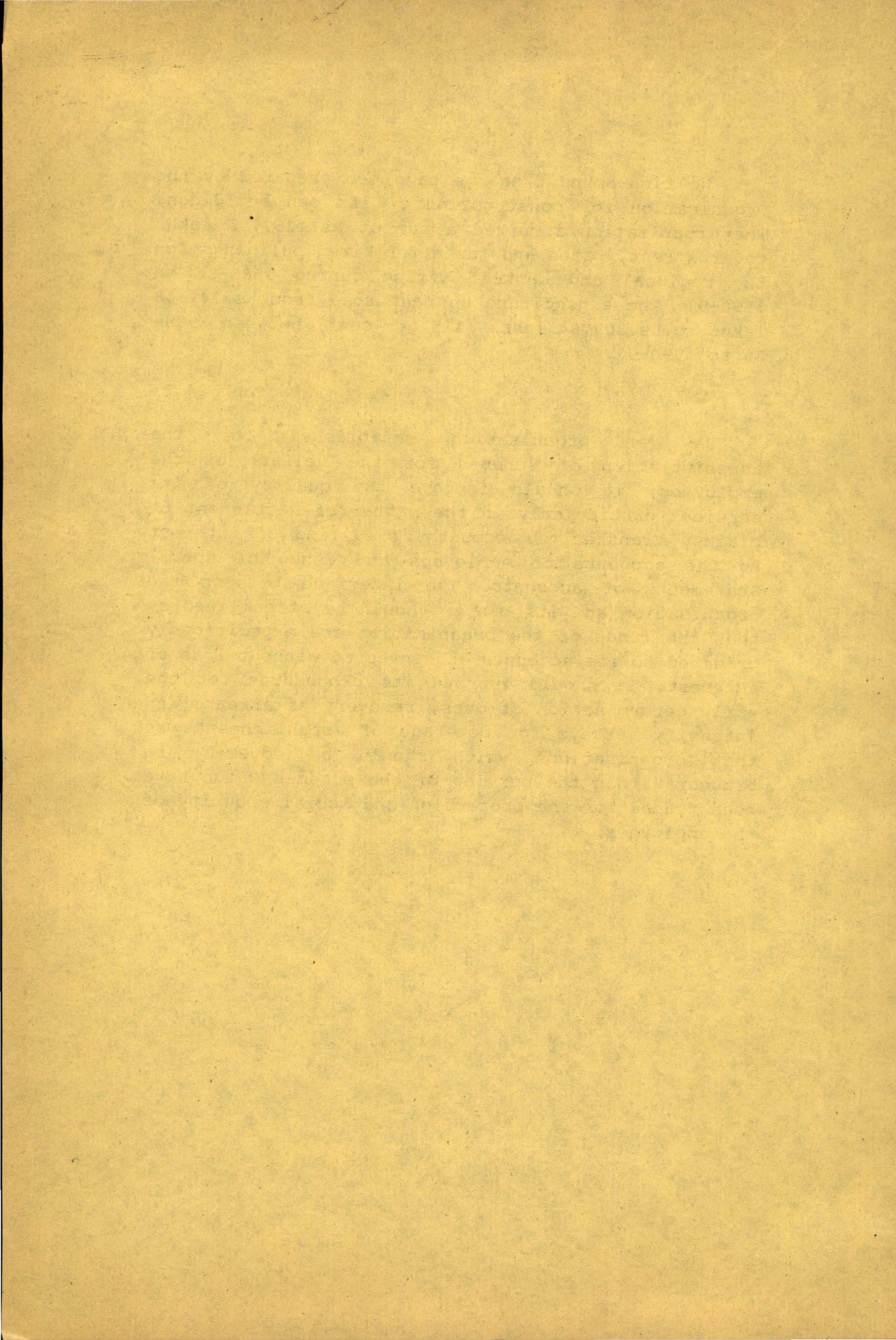
As many as 117.33 lakhs annual accounts statements were pending for issue to the subscribers during the year 1990-91 of which 10.48 lakhs accounts statements were pending for more than four years.

(Paragraph 21.1)

No time-bound programme had been prepared by the Organisation for construction of its own buildings. The Organisation incurred a sum of Rs.1257.55 lakhs towards rent, rates and taxes for hired buildings for the regional and central office during 1985-86 to 1990-91. The expenditure on rent rose from Rs.141.48 lakhs to Rs.303.84 lakhs (115 per cent) between 1985-86 to 1990-91.

(Paragraph 24.3)

As an organisation established for the administration of schemes for the welfare of the employees, it should improve the quality of its services particularly in the matter of settlement of claims, transfer of accounts, crediting of interest to the accounts of employees and issue of annual statements of accounts. The interface between the organisation and its banker should be streamlined so that the funds of the organisation are expeditiously credited to its accounts and invested without loss of interest. It should improve its procedures for the early determination of dues, recovery of arrears and intensify surveys for coverage of establishments so that organisations which should be covered are brought within the purview of the schemes which have been framed for the protection and social security of the employees.



Ministry of Labour

Employees' Provident Fund Organisation

Introduction

1. 'The Employees' Provident Fund and Miscellaneous Provisions Act' was enacted in 1952 to make provision for the future of the industrial workers, the weaker section of the society, and to provide them social security, inculcate among them a spirit of savings and enable them to make provision in their old age for themselves and for their dependants in case of death in harness. In pursuance with this Act 'The Employees' Provident Funds Scheme' was brought into effect from 1 November 1952 extending it to the whole of India except the State of Jammu and Kashmir and the Employees' Provident Fund Organisation (Organisation) was set up to implement this scheme. The Act was amended in 1971 and 1976 to introduce 'Employees' Family Pension Scheme 1971' and 'the Employees' Deposit Linked Insurance Scheme 1976' respectively which were also implemented by the Organisation.

The Act was applicable to factories and other establishments engaged in specified industries/classes of establishments which had completed three years of their existence and employed 20 or more persons. It did not apply to cooperative societies employing less than 50 persons and working without the aid of power. Under the Act, any establishment may seek exemption from the provisions of the statutory provident fund scheme; in the case of exempted establishments a Board of Trustees in the establishment administered the scheme. As on 31 March 1991, 204053 establishments were covered under the schemes with 113.30 lakh subscribers. There were 2933 exempted establishments with 43.77 lakh members.

The table below indicates the contents of the three schemes and the contributions prescribed for

the employees, employers and Government in respect of each.

	Employees' contribution	Employers' contribution	Government contribution
1. <u>Employees' Provident Fund Scheme</u>			
(i) Contribution	6 1/4 per cent to 10 per cent of the basic wages plus dearness allowance	6 1/4 per cent to 10 per cent of the basic wages plus dearness allowance	NIL
(ii) Administrative charges (Un-exempted establishments)	NIL	0.37 per cent of basic wages plus dearness allowance upto September 1986 enhanced to 0.65 per cent from October 1986.	NIL
(iii) Inspection charges (Exempted establishments)	NIL	0.09 per cent of the basic wages plus dearness allowance.	NIL
2. <u>Employees' Family Pension Scheme</u>			
(i) Contribution	1 1/6 per cent of the basic wages plus dearness allowance	1 1/6 per cent of the basic wages plus dearness allowance	1 1/6 per cent of the basic wages plus dearness allowance
(Transferred from Provident Fund to Family Pension Fund at the above rates)			
(ii) Administrative Charges	NIL	NIL	As determined from year to year
3. <u>Employees' Deposit Linked Insurance Scheme</u>			
(i) Contribution	NIL	0.5 per cent of the basic wages plus dearness allowance	0.25 per cent of the basic wages plus dearness allowance
(ii) Administrative charges (Un-exempted establishments)	NIL	0.1 per cent of the basic wages plus dearness allowance, reduced to 0.01 per cent from October 1987.	0.05 per cent of the basic wages plus dearness allowance of the employees reduced to 0.005 per cent from October 1987.
(iii) Inspection charges (Exempted establishments)	NIL	0.02 per cent of the basic wages plus dearness allowance.	NIL

2. *Scope of Audit*

The accounts of the Organisation are audited under Section 5A(7) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 read with Section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The certified accounts together with Audit Report thereon are forwarded annually to the Government for being laid before Parliament.

The present review based on a test-check of the records of the Organisation with special reference to the implementation of schemes from 1985-86 to 1990-91 was conducted during April 1990 to May 1991 in the Office of the Central Provident Fund Commissioner and six regional offices viz. Bihar, Delhi, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh.

The working of the Organisation was also examined by the Estimates Committee in its Seventy Eighth Report (Eighth Lok Sabha), presented to the Lok Sabha in April 1989.

3. *Organisational set-up*

The three schemes were administered by the Central Board of Trustees, a tripartite body consisting of a Chairman, representatives of the Central Government, State Governments, organisations of the employees and employers. The Central Provident Fund Commissioner was in overall charge and assisted the Central Board of Trustees in the administration of the schemes. As on 31 March 1991, there were 16 regional offices of the Organisation in the States and Union Territory of Delhi, each headed by a Regional Provident Fund Commissioner. These regional offices were divided into forty seven sub-regional offices. The scheme provided for constitution of Regional Committees comprising a chairman, representatives of Central Government, employers,

employees and non-official members. There were 18 Regional Committees of the Organisation.

4. Finance and Accounts

An analysis of the income and expenditure of the Organisation is given below. The accounts are compiled on actual basis.

(Rupees in lakhs)						
Income	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1. Receipt by way of administrative charges, inspection charges and penal damages.	2300.55	3119.10	4616.05	5435.21	6098.03	7179.80
2. Interest earned on investment of surplus administrative fund.	411.18	284.85	126.61	111.19	279.50	210.26
3. Receipt from Government and other accounts	860.56	345.63	(-) 75.61	785.41	320.81	2210.86
4. Miscellaneous receipts	91.10	80.61	125.15	143.23	144.18	86.74
Total:	3663.39	3830.19	4792.20	6475.04	6842.52	9687.66
Expenditure	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1. Expenditure incurred on Employees' Provident Fund Scheme	2564.55	3162.66	3857.71	4302.98	4241.58	5092.42
2. Expenditure incurred on administration of:						
(a) Family Pension Fund Scheme	264.83	323.82	406.83	408.80	1238.34	981.67
(b) Employees' Deposit Linked Insurance Scheme	62.94	69.62	96.20	90.87	12.07	61.35
(c) Additional Emoluments (Compulsory Deposit) Scheme	4.10	3.07	4.05	3.03	2.31	1.59
3. Excess of income over expenditure	766.97	271.02	427.41	1669.36	1348.22	3550.63
Total:	3663.39	3830.19	4792.20	6475.04	6842.52	9687.66

5. Accumulation of funds

(a) Family Pension Fund Contribution Account:

The table below shows the receipts into and payments made from the Family Pension Fund during 1985-86 to 1990-91:

(Rupees in crores)

Year	Opening balance	Contributions received		Interest	Other receipts	Total receipts during the year	Payments made to subscribers as benefits	Other Payments	Total Payments	Closing balance
		Employees and Employers	Government							
1	2	3 (a)	3 (b)	4	5	6	7	8	9	10
1985-86	1219.33	153.88	86.66	105.48	0.67	346.69	18.01	1.57	19.58	1546.44
1986-87	1546.44	183.20	146.33	124.87	0.59	454.99	22.75	1.11	23.86	1977.57
1987-88	1977.57	205.10	70.50	160.77	2.57	438.94	34.42	1.61	36.03	2380.48
1988-89	2380.48	244.41	136.70	215.55	2.41	599.07	48.32	2.48	50.80	2928.75
1989-90	2928.75	278.81	146.63	262.69	2.10	690.23	71.00	1.71	72.71	3546.27
1990-91	3546.27	316.83	140.33	317.89	2.09	777.14	99.03	1.08	100.11	4223.30

The accumulations in the contribution account of the Family Pension Scheme increased from Rs.1219.33 crores at the beginning of 1985-86 to Rs.4223.30 crores at the end of 1990-91. The increase in the fund was 246 per cent within a period of six years.

(b) *Employees' Deposit Linked Insurance Scheme*

(i) Contribution account: The accumulated balance of Employees' Deposit Linked Insurance contributions rose by 281 per cent from Rs.264.76 crores at the beginning of 1985-86 to Rs.744.66 crores by March 1991 as shown below:

(Rupees in crores)

Year	Opening balance	Contributions received		Interest	Other receipts	Total receipts	Payments to subscribers	Other payments	Total payments	Closing balance	Percentage of total receipts to total payments
		Employers	Government								
1	2	3 (a)	3 (b)	4	5	6	7	8	9	10	11
1985-86	264.76	28.60	17.99	27.92	0.22	74.73	11.93	0.76	12.69	326.80	589
1986-87	326.80	32.03	16.00	25.82	0.15	74.00	11.30	0.54	11.84	388.96	625
1987-88	388.96	33.83	17.00	31.98	0.11	82.92	11.32	0.93	12.25	459.63	677
1988-89	459.63	36.18	16.86	41.40	0.13	94.57	12.25	0.17	12.42	541.78	761
1989-90	541.78	37.92	20.88	48.72	0.33	107.85	10.87	0.15	11.02	638.61	979
1990-91	638.61	42.24	18.97	57.19	0.19	118.59	12.38	0.16	12.54	744.66	946

While the total annual payments have remained around Rs.12 crores during 1985-86 to 1990-91, the amount of receipts on account of interest alone rose from Rs.27.92 crores during 1985-86 to Rs.57.19 crores during 1990-91.

(ii) Administration account: The accumulated balance in the Administration account of the Employees'

Deposit Linked Insurance Scheme increased by 190 per cent from Rs.57.58 crores to Rs.166.52 crores between 1985-86 and 1990-91 as shown below:

(Rupees in crores)

Year	Opening balance	Administrative/Inspection charges received		Interest	Other receipts	Total receipts	Expenditure on administration	Closing balance	Percentage of total receipts to total payments
		Employers	Government						
1	2	3 (a)	3 (b)	4	5	6	7	8	9
1985-86	57.58	6.91	5.24	7.81	0.18	20.14	1.18	76.54	1707
1986-87	76.54	7.72	3.74	6.73	0.26	18.45	1.12	93.87	1647
1987-88	93.87	7.95	2.00	4.98	0.32	15.25	1.24	107.88	1230
1988-89	107.88	4.61	NIL	11.83	0.14	16.58	1.59	122.87	1043
1989-90	122.87	3.56	1.72	23.85	0.09	29.22	0.66	151.43	4427
1990-91	151.43	3.12	2.93	9.71	0.05	15.81	0.72	166.52	2196

The total receipts were 2196 per cent of the expenditure during 1990-91.

The above analysis would, however, indicate that there is a case for reviewing the need for and extent of Government support to the schemes.

6. Central Board of Trustees and Regional Advisory Committees

6.1 The Central Board of Trustees (CBT) comprised 33 members including the Chairman, appointed by the Central Government, five representatives of the Central Government, fifteen representatives of State Governments, six representatives of the organisations of employers and six representatives of the organisations of employees. The CBT was required to meet atleast twice in each year to transact the business of the Organisation, review the working of the three schemes, give policy directions on all matters and lay down guidelines and targets in various areas of operation.

A review of the participation in the meetings of the CBT held during 1985-86 to 1990-91 showed that not a single meeting was attended by all the members. While 27 members or more attended three meetings and between 20 to 25 members attended seven meetings,

less than 20 members were present in the remaining 8 meetings held during 1985-91. According to the Ministry (April 1992) because of preoccupation, some members failed to attend the meetings and some made request for leave of absence to the Chairman, CBT which was granted by him.

6.2 The Regional Committees were required to meet twice in each financial year. It was noticed that only one meeting was held in Delhi during 1986-87 and 1990-91, and in Punjab during 1988-89 and 1990-91 and no meeting was held in Tripura during 1990-91.

A large number of members also did not attend the meetings. The prescribed notice of 15 days was also not given for holding the meetings. The "Minutes Book" which was a permanent record for recording the minutes of each meeting was not maintained in Delhi region. The Ministry stated, in April 1992, that the Regional Provident Fund Commissioners had been instructed to ensure that the minimum number of meetings as required under the statute were held each year and the Minutes Books maintained.

7. *Identification of coverable establishments*

7.1 In order to bring timely every establishment which attracted the application of the Act by virtue of its employment strength or completion of infancy period, under its purview from the right date of coverage, the Provident Fund Inspector/Enforcement Officer was required to survey extensively the area or class of establishments and prepare a list of coverable establishments with the help of information passed on to him by the Regional Office or obtained from other sources.

The establishment with employment strength of 50 and above and falling under the notified industry or class of establishment but which have not completed infancy period of three years since the date they were set up, are entered in the infancy register.

Such establishments should be visited immediately on the completion of three years of their infancy and examined for the purpose of extension of the Act. If the employment strength exceeds 49 and satisfy other conditions, these are to be brought under the fold of the Act by submitting necessary proposals to the Regional Provident Fund Commissioner. The establishments with employment strength of 49 and below are carried over to a special 'Register of Marginal Establishments' for keeping watch over application of the Act in their cases in future. Whereas in case of establishments employing between 20 to 49 persons, the infancy period was five years.

On the basis of information gathered, during surveys, three separate registers of covered establishments, infant establishments and marginal establishments were to be maintained by the inspector as well as the regional offices.

Region-wise and year-wise surveys/inspections of uncovered establishments carried out by the inspecting staff of the Organisation during the period 1985-86 to 1990-91 as per information furnished by the Organisation were as under:-

Region	Number of surveys/inspections					
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1. Andhra Pradesh	1476	2761	1054	1144	652	75
2. North East	164	213	341	368	423	382
3. Bihar	276	411	1074	1278	1007	1345
4. Delhi	278	997	1046	920	365	Nil
5. Gujarat	3282	3258	3415	1510	2495	3912
6. Haryana	546	678	764	694	967	1020
7. Karnataka	500	902	583	431	624	275
8. Kerala	266	751	199	574	546	463
9. Madhya Pradesh	94	305	107	309	294	253
10. Maharashtra	7974	439	1075	2293	2490	1182
11. Orissa	89	182	353	319	240	216
12. Punjab	477	552	763	922	2600	329
13. Rajasthan	572	683	635	684	689	661
14. Tamil Nadu	1628	2274	3304	2948	2528	5323
15. Uttar Pradesh	266	4653	1384	599	511	972
16. West Bengal	1441	1733	2105	3325	2667	2716
Total	19329	20792	18202	18318	19098	19124

While the total number of surveys/inspections for all the regions fluctuated only marginally during 1985-86 to 1990-91, major variations in respect of some of the regions were noticed e.g. Delhi between 1988-89 and 1990-91, Gujarat between 1987-88 and 1988-89, Maharashtra between 1985-86 and 1986-87 and Uttar Pradesh between 1985-86, 1986-87 and 1987-88. Between 1985-86 and 1990-91, the number of surveys/inspections declined in Andhra Pradesh and Maharashtra. No survey was conducted during 1990-91 in Delhi region. Further, while according to the Central Office, the number of inspections in Uttar Pradesh region during 1986-87 and 1987-88 was 4653 and 1384 respectively, records of the regional office showed that 456 and 479 inspections only were conducted. The Organisation did not intimate the reasons for the wide variations.

7.2 The number of inspections per inspector per month ranged from 0.9 in 1985-86 to 3.80 in 1988-89 in Bihar region and 0.39 in 1985-86 to 1.10 in 1989-90 in Uttar Pradesh region. In Delhi region frequency of surveys could not be ascertained in the absence of relevant records.

7.3 Survey investigation reports were required to be sent to the Regional Commissioners within 7 days. Delay in sending reports ranged from 30 to 90 days in Bihar in 16 cases test-checked, 15 to 20 days in Maharashtra in most of the cases, 15 to 203 days in Tamil Nadu in 19 cases test-checked and upto 90 days and more in Uttar Pradesh in 2474 cases test-checked. The Ministry stated (April 1992) that in Tamil Nadu the delay was beyond the control of the Enforcement Officers and delays in Bihar had been reduced to a maximum of 30 days.

7.4 Registers of infant, marginal and covered establishments required to be maintained by inspectors were not maintained in Delhi and

Maharashtra. These registers were not made available to Audit in Bihar and Punjab. The registers as maintained in the Regional Office, Delhi were not in the prescribed form and did not have vital information like date of setting up of establishment, number of employees, etc. The registers were not reviewed periodically by inspectors in all the regions test checked.

The Ministry stated (April 1992) that in Bihar and Punjab the registers were maintained and reviewed periodically.

7.5 Marginal establishments were required to be visited frequently to check employment strength for their timely coverage. Test check of 74 cases in Delhi region revealed that such establishments were not visited for periods ranging from 2 years to 20 years and more; as many as 29 establishments were not revisited at all. In Uttar Pradesh region Enforcement Officers did not revisit (March 1992) 462 marginal establishments after their first visit conducted between 1963 to 1989.

Out of 605 establishments entered in the register of infant establishments, 117 had outgrown their infancy period and had the requisite strength of employees for coverage but were not covered under the Act. The entries in the registers of covered, marginal and infant establishments maintained by the inspector were not cross-checked with the entries in the parallel registers maintained in the Regional Commissioner's office.

The Ministry stated, in April 1992, that 117 establishments in Uttar Pradesh have been covered from the due date.

The Organisation should review cases of marginal and infant establishment in all regions and ensure that all coverable establishments are brought under

the purview of the schemes without delay by carrying out timely inspections.

8. Coverage of establishments

8.1 *Delay in coverage:* Cases of delay in issue of orders of coverage were also noticed. Such delays ranged from one to seven years and more in 111 out of 186 cases test-checked in Delhi and more than one year in 28 out of 33 cases test-checked in Punjab. In Tamil Nadu, delays of four to seven years and more were noticed in 19 out of 23 cases test checked. In Maharashtra and Uttar Pradesh, such delays ranged from two to three years in 368 and 322 out of 2476 and 2277 cases respectively. No remedial action had been taken to avoid such delays.

The Ministry stated, in April 1992, that delay in coverage did not result in denial of benefits to the employees leaving establishments before coverage. The establishment was required to pay the employers' share of contribution in respect of all the employees with effect from the date they become eligible for membership.

The reply of Ministry is not tenable since it might not be possible to trace all the employees who had left the establishments and make payment of their dues to them.

8.2 *Voluntary coverage:* An establishment not compulsorily coverable under the provisions of the Act could be covered voluntarily by issuing a notification in the Official Gazette with the mutual consent of the employer and the majority of the employees. As on 31 March, 1990 there were 1878 establishments which were covered voluntarily during 1985-86 to 1989-90 in Delhi, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh but notifications in the Official Gazette were not issued.

Year	Delhi	Maharashtra	Punjab	Tamil Nadu	Uttar Pradesh
Prior to 1986-87	71	Not available	7	Not available	7
1986-87	39	--do--	1	199	6
1987-88	52	7	7	376	1
1988-89	125	41	3	342	2
1989-90	90	215	5	282	-
Total	377	263	23 *	1199	16

*(Excludes information regarding Sub-Regional Office, Amritsar)

These cases were pending mainly for want of reports from the area inspectors.

As the provisions of the Act were not legally applicable to such establishments till the issue of gazette notification, the Organisation could not exercise effective control over such establishments. In Delhi region alone, the contributions were not recovered in 37 out of 40 cases test-checked.

The Ministry stated (April 1992) as follows:-

- Prior to 1988 amendment, power to issue notification for voluntary coverage was vested with Central Government and this also caused delay; with the amended provisions the Central Provident Fund Commissioner has been empowered to issue notifications.

- Efforts are being made to issue notifications in all pending cases early.

8.3 *Provisional coverage:* Coverable establishments, where final date of coverage could not be decided, for want of information/records from the establishments, were covered provisionally subject to the verification of necessary information/records. There were 9060 such establishments in the six test-checked regional offices as on 31 March, 1990 for which the date of final coverage had not been decided. Year-wise break-up of 9060 establishments in Delhi,

Maharashtra, Uttar Pradesh and Tamil Nadu regions was as under:

Year	Number of establishments			
	Delhi	Maharashtra	Uttar Pradesh	Tamil Nadu
1985-86	213	70	198	Not available
1986-87	77	226	398	77
1987-88	114	302	336	22
1988-89	1284	657	375	9
1989-90	679	1203	640	80
Total	2367	2458	1947	188

Year-wise break-up of establishments in Punjab (1317) and Bihar (783) was not made available.

The regional officers attributed delay in finalisation of date of coverage to non-submission of reports by inspectors. In Punjab, it was due to non-availability of old records and employers especially in the remote disturbed border areas. In Delhi, test-check of 100 cases showed that the final date of coverage was not decided in seven cases since 1968-69. In Tamil Nadu, out of 188 cases, 33 cases related to handloom cooperative establishments in which final coverage was not insisted upon by the Organisation due to stay order by the High Court; in the remaining cases, reports were awaited from inspectors.

The Ministry stated (April 1992) as follows:-

- Suitable instructions have been issued to finalise the coverage of the provisionally covered establishments and the performance of the regional officers is also being monitored.
- In Tamil Nadu, the delay was due to non-cooperative attitude of the employers to some extent and non-availability of old records.

- Enforcement Officers have been instructed to collect details from Income Tax, Sales Tax Officers etc., to cover establishments finally at the earliest.

9. *Exempted establishments*

The Organisation granted exemption on an application submitted by the establishment subject to specified terms and conditions and subject to such supervision and control as might be prescribed by Government. Exemption once granted was liable to be cancelled for contravention of any of the prescribed conditions and on such cancellation, the establishment would be required to comply with the statutory scheme.

The information regarding the number of applications received for granting exemptions, number of applications disposed of, applications pending for the years 1985-86 to 1989-90, was not furnished by the Organisation (April 1992). Information available in respect of three of the six test-checked regions showed that 100 applications were outstanding as on 31 March 1990; Punjab (13), Maharashtra (33) and Uttar Pradesh (54). Reasons for applications remaining pending were not intimated (April 1992). Delay in granting exemption/relaxation ranged from 6 months to 24 months in Punjab (3 cases test checked) and 37 months to 72 months in Maharashtra (5 cases test checked). The Organisation attributed the delay to deficiencies in documents submitted by the establishments.

The Ministry stated (April 1992) that the delay in granting exemption was due to:-

- Delay in framing certain rules required to be framed by the establishments and that in certain cases, these rules framed in consultation with Income Tax Authorities are found to be contrary to what are prescribed under the Employees

Provident Fund Scheme. They have stated that they have taken up the matter with the Central Board of Direct Taxes to frame rules acceptable to both.

10. *Dues from the employers*

10.1 The employers of the unexempted and the exempted establishments were required to remit to the Organisation every month the prescribed dues on account of contribution, inspection charges, administrative charges etc. Every employer was required to submit a monthly statement showing the total numbers' of employees and subscribers, total amount of wages, members' share as well as employers' share of various funds, administrative charges, inspection charges and dues towards family pension fund and Insurance Fund with full details of remittances made. The statement was to be accompanied with the triplicate challans in support of the remittances made in the State Bank of India.

10.2 *Demand-Collection-Balance Register*: A register called "Demand-Collection-Balance Register" (DCB Register) was required to be maintained by the Organisation to watch the recovery of amounts due. This register would serve as "Receipt" ledger of each establishment and was to be posted on the basis of dues as shown in the statement and triplicate challans after verification.

The entries in DCB Register were to be made immediately on receipt of triplicate copy of challans. To ensure that the remittance shown in the challans agreed with the amount credited in the respective cash book as reported by the cash section through monthly schedule of receipts in each account; entries in the DCB register were to be paired and the credit item number indicated in the relevant column provided in the DCB register. Discrepancies if any, were to be brought to the notice of the cash section.

In Delhi region, the monthly returns received from employers were not verified during 1985-90; consequently, the accuracy of amount due in each account with reference to the number of new subscribers as well as those who had ceased to be under the scheme and the money remitted by employers and other information shown in the statement could not be ensured.

The DCB register was not maintained in the prescribed form in Delhi region and was not maintained properly in Uttar Pradesh and Punjab regions. Columns for information like date on which penal damages statement was prepared and sent to the penal damages cell, damages levy order number and period, outstanding balance of damages to be recovered etc., were not available.

In a large number of cases, entries were not made at all; in Uttar Pradesh region, entries were incomplete since 1981-82 in some cases. In Punjab region, entries regarding amount due and dates of remittances had not been recorded. Entries were not being paired (except in stray cases in Uttar Pradesh region) with the schedule of receipts. Consequently, the accuracy of dues remitted by the employer and actually credited in the respective accounts of the Organisation had not been ensured.

The Demand-Collection-Balance Register is a basic and vital control record to watch the recovery and accounting of amounts due. The Organisation should ensure regular and systematic review of the DCB Registers in all offices and ensure these are maintained properly, in the prescribed form, and the prescribed columns are correctly filled in.

10.3 Determination of dues from employers

The Act empowers the Organisation to determine the amount due from any employer under any of the provisions of the Act and for this purpose conduct

such inquiry as may be deemed necessary. The number of cases in which dues were pending for determination increased by 335 per cent from 5323 cases on 31 March 1986 to 17826 cases on 31 March 1991.

Analysis of the pending cases revealed that some of the cases were pending for five years and more as shown below:-

Period of pendency	Number of cases	Percentage to total
Less than one month	1346	7
1 month to 3 months	5097	29
3 months to 6 months	5229	29
6 months to 1 year	3576	20
1 year to 2 years	1684	10
3 year to 5 years	561	3
over 5 years	333	2

Reasons for non determination of dues were not furnished. In Bihar 252 cases were pending for one to three years, 160 cases for three to five years and 150 cases for more than five years as on 31 March 1991. In Maharashtra 422 cases were pending for more than three years. In Uttar Pradesh, test-check of 20 cases listed for hearing on 5 May 1986 showed that two cases each were decided on 10th and 13th hearing while one case filed in April 1986 had not been decided (January 1991). The main reason for the delay in assessment of dues was non-submission of the outstanding dues by the concerned area enforcement officer on the date of hearing of the case.

10.4 Arrears

(a) Employees Provident Fund: Provident Fund contributions amounting to Rs.96.03 crores relating to 11029 establishments were in arrears up to the end of March 1991 as shown below:-

(Amount: Rupees in crores)

Position as on 31 March	Total contribution due	Contribution received	Contribution in arrears	
			Number of Establishments	Amount
1986	5490.99	5432.69	8593	58.30
1987	6275.49	6203.52	9649	71.97
1988	7133.06	7054.32	10007	78.74
1989	8179.73	8091.46	11461	88.27
1990	9503.54	9404.78	12640	98.76
1991	11126.14	11030.11	11029	96.03

The arrears of contributions due from defaulting establishments rose by 65 per cent from Rs.58.30 crores in 1985-86 to Rs.96.03 crores in 1990-91. Year-wise break up of the arrears was not available with the Organisation. The arrears had increased by 61 per cent in Haryana, 181 per cent in Karnataka, 132 per cent in Bihar, 172 per cent in Gujarat, 300 per cent in Andhra Pradesh, 167 per cent in Rajasthan and 106 per cent in Punjab regions during 1985-86 to 1990-91.

Details of amount of arrears of Provident Fund contributions due, nature/number of establishments against whom arrears were outstanding at the end of March 1991 was as under:-

Type of Establishment	Number of establishments	Amount in arrears
	(In lakhs of rupees)	
i. Establishments under closure	542	851.30
ii. Establishments under liquidation	192	584.10
iii. Recoveries stayed or reconstruction schemes pending before the High Courts	457	967.98
iv. Nationalised establishments	102	1059.53
v. Others	9736	6139.94
Total	11029	9602.85

As per Annual Report of the Organisation for the year 1990-91, the chances of recovery of arrears

amounting to Rs.34.63 crores were remote as defaulting establishments were closed/under closure/under liquidation or in some cases recoveries had been stayed by the courts or the establishment had become sick and had been taken over by the Government.

The Organisation also stated that with a view to giving relief to the defaulting establishments which had become sick, the facility of liquidation of arrears through instalments existed and arrears amounting to Rs.15.54 crores as on 31 March 1990 were covered by the instalment scheme.

In case of arrears due from nationalised establishments, where Commissioners of Payment had been appointed, the Organisation did not have the information whether the claims had been filed within the specified time limit.

The Estimates Committee in their Report dated 25 April 1989 to the Organisation had observed that over the years, the number of defaulters were increasing and arrears recoverable from employers were mounting despite threats of stringent action against them. The Committee, were of the opinion that the initiative taken by the Organisation had not been of much effect to substantially reduce the number of defaults and that the blatant violations of the Act should be severely dealt with. The Committee desired that the enforcement machinery should be revamped and reactivated in realising the arrears and timely action should be taken against those indulging in defrauding the exchequer.

The Ministry stated (April 1992) that prior to July 1990 the recovery of dues was effected through District Revenue Officials and the process was slow. On the recommendations of the Estimates Committee and also for bringing down the arrears, a separate recovery machinery had started functioning from July

1990 and with this, things were expected to improve in the coming years.

(b) Administrative and Inspection charges (Employees Provident Funds): Besides arrears of provident fund contributions, administrative and inspection charges amounting to Rs.3.27 crores in respect of unexempted and exempted establishments were due as on 31 March 1991 as shown below:-

(Rupees in crores)	
Year	Amount
1985-86	1.79
1986-87	1.95
1987-88	2.51
1988-89	2.75
1989-90	3.26
1990-91	3.27

The arrears had risen by 83 per cent from Rs.1.79 crores in 1985-86 to Rs.3.27 crores in 1990-91.

(c) Employees Family Pension Scheme: Contributions amounting to Rs.10.88 crores were in arrears from the employers on 31 March 1991 as detailed below:

(Amount: Rupees in crores)							
Year ending 31 March	Number of establishments covered	Number of subscribers (in lakhs)	Contribution in arrears (Opening Balance)	Contribution due for the year	Total contributions due (col.4+5)	Contributions received (Employees & Employers share)	Contributions in arrears (Closing Balance) (Col.6-7)
1986	1,57,863	86.18	3.91	154.65	158.56	153.88	4.68
1987	1,66,040	92.81	4.68	184.28	188.96	183.21	5.75
1988	1,70,425	94.54	5.75	206.75	212.50	205.10	7.40
1989	1,81,643	99.98	7.40	246.06	253.46	244.41	9.05
1990	1,94,961	103.94	9.05	280.27	289.32	278.81	10.51
1991	2,06,986	122.16	10.51	317.20	327.71	316.83	10.88

The following important information relevant to any satisfactory system was not available:-

- Year-wise break up of the contributions in arrears as at the end of March 1991;
- Broad reasons for these arrears;
- Categories of establishments viz. establishments under closure, under liquidation, nationalised and others involved;
- Information as to whether claims had been filed in time before the Commissioners of payment in cases of nationalised establishments.

(d) Employees' Deposit Linked Insurance Fund: An amount of Rs.3.50 crores was due from the employers as on 31 March 1991 towards their contribution to the Employees' Deposit Linked Insurance Fund as per details given below:

(Amount: Rupees in crores)

Year ended 31 March	Number of establishments	Number of subscribers (in lakhs)	Contributions in arrears (Opening Balance)	Contributions due for the year	Total contributions due (Col.4+5)	Contributions received (employers)	Contributions in arrears (Col.6-7)
1.	2.	3.	4.	5.	6.	7.	8.
1986	1,57,863	132.09	2.10	28.14	30.24	28.60	1.64
1987	1,66,040	138.12	1.64	32.33	33.97	32.03	1.94
1988	1,70,425	138.39	1.94	34.27	36.21	33.83	2.38
1989	1,81,643	142.98	2.38	36.76	39.14	36.18	2.96
1990	1,94,961	146.64	2.96	38.23	41.19	37.92	3.27
1991	2,06,986	157.07	3.27	42.47	45.74	42.24	3.50

In addition, administrative charges amounting to Rs.1.31 crores and Rs.1.18 crores were in arrears from the employers and the Central Government respectively as on 31 March 1991. The position regarding outstanding administrative charges from the employers was as under:

(Rupees in crores)

Year ended 31 March	Arrears (Opening Balance)	Administrative/ inspection charges due for the year	Total charges due	Administrative/ inspection charges received	Charges in arrears (Closing Balance)
1986	0.63	7.78	8.41	6.91	1.50
1987	1.50	6.72	8.22	7.72	0.50
1988	0.50	8.62	9.12	7.95	1.17
1989	1.17	4.61	5.78	4.61	1.17
1990	1.17	3.73	4.90	3.56	1.34
1991	1.34	3.09	4.43	3.12	1.31

While the arrears of contributions rose from Rs.1.64 crores in 1985-86 to Rs.3.50 crores in 1990-91, the arrears of administrative charges rose from Rs.0.63 crore to Rs.1.31 crores during the same period. The increase was 100 and 113 per cent in case of contributions and administrative charges respectively.

Year-wise break up of arrears as on 31 March 1991 was not available with the Organisation. The Organisation did not also have the information regarding category of establishments viz. establishments under closure, liquidation, those nationalised and others from whom the dues in arrears were to be recovered. The Organisation stated, in November 1990, that the arrears were due to financial crisis and industrial sickness of the defaulting establishments.

(e) *Exempted establishments:* Employers of exempted establishments are required to transfer provident fund contributions (employees' and employers') to their respective Boards of Trustees by the 20th day of the following month. They were required to submit, every month, a return showing provident fund contributions due, transferred to the Board and investment made therefrom to the Regional Commissioner.

The number of establishments which failed to transfer the contributions increased from 139 in 1985-86 to 150 in 1990-91 and the amount of arrears increased from Rs.84.24 crores in 1985-86 to Rs.131.98 crores in 1990-91.

(Amount: Rupees in crores)

Year	Arrears at the beginning of the year		Contributions due for the year	Total contribution due	Contributions transferred to Boards	Contributions in arrears at the end of the year	
	Number of Establishments	Amount				Number of Establishments	Amount
1985-86	137	63.92	880.53	944.45	860.21	139	84.24
1986-87	139	84.24	1037.95	1122.19	1023.68	142	98.51
1987-88	142	98.51	1164.07	1262.58	1151.15	166	111.43
1988-89	166	111.43	1405.60	1517.03	1387.47	164	129.56
1989-90	164	129.56	1847.41	1976.97	1845.22	148	131.75
1990-91	148	131.75	2041.72	2173.47	2041.49	150	131.98

West Bengal, Bihar, Haryana, Maharashtra, Gujarat and Uttar Pradesh Regions accounted for a default of Rs.130.36 crores or 99 per cent of the total arrears as on 31 March 1991 of which the West Bengal region alone accounted for highest default of Rs.109.23 crores.

The Organisation stated, in February 1992, that arrears of Rs.26.32 crores were due from establishments under closure, liquidation, establishments where recovery had been stayed by courts or which had become sick and taken over by Government. In these cases, the option available with the Organisation for recovering the dues was limited. As regards arrears of Rs.105.66 crores relating to other establishments, efforts were being made for recovery of dues from them.

The broad classification of defaulting exempted establishments according to their status as on 31 March 1991 was as under:-

(Amount: Rupees in crores)

Establishments	Number of establishments	Amount
Establishments closed	18	4.55
Under liquidation	13	4.05
Establishments where recovery had been stayed by the High courts	17	16.86
Nationalised establishments	6	0.86
Others	96	105.66
	150	131.98

The Organisation did not have information as to whether claims had been filed in time before the Commissioners of Payments where defaulting exempted establishments had been nationalised.

11. Recovery of arrears

Once the dues were determined under the Act and speaking orders were issued to the establishments by the Organisation intimating the amount determined, the employers were required to deposit the dues assessed within a stipulated period. In cases where the employers failed to deposit the dues, the Organisation was empowered to issue Revenue Recovery Certificates to the District Revenue Authorities for recovery of dues as land revenue. At the end of March 1991, 32,403 revenue recovery certificates in respect of Provident fund dues involving an amount of Rs.11,256.65 lakhs were pending with the various district authorities as per year wise details shown below.

(Amount: Rupees in lakhs)

Year	Cases pending at the beginning of the year		Cases issued	Cases decided	Cases pending at the end of the year	
	Number	Amount			Number	Amount
Upto 1985-86	22210	8759.67	5584	4797	22997	9681.30
1986-87	22829*	9681.30	6589	3276	26142	11691.99
1987-88	26142	11691.99	8963	5260	29845	10170.52
1988-89	29845	10170.52	6018	4070	31793	11466.37
1989-90	31793	11466.37	5443	3309	33927	12279.65
1990-91	33927	12279.65	5708	7232	32403	11256.65

* Figures revised by the Organisation.

The number of cases and the amount involved had increased by 41 and 17 per cent respectively between 1985-86 and 1990-91.

Year-wise break up of 32,403 pending cases was not available with the Organisation.

Besides revenue recovery certificates for Rs.9.06 crores and Rs.4.10 crores were also pending as on 31 March 1991 against arrears of Rs.10.88 crores and Rs.4.81 crores under the Family Pension scheme and Employees Deposit Linked Insurance Scheme respectively.

In Delhi Region neither the prescribed record viz. recovery register to watch the progress of the revenue recovery certificates was maintained nor was any follow up action taken. The Regional office stated (October 1990) that recovery machinery of the Organisation had started functioning from 1 July 1990 and all the cases pending with the District Revenue Authorities were being taken back for speedy recovery through its own recovery machinery.

12. Levy of damages: un-exempted establishments

12.1 Levy of damages: In the event of default in payment of dues, the Organisation is empowered to levy and recover damages from the employers computed at the flat rate of 25 per cent per annum on all belated remittances subject to the maximum of the amount in arrears. Immediately on committing a default, a statement of delayed remittances is required to be prepared on the basis of Demand-Collection-Balance register for onward transmission to the Damages Cell to examine the levy of damages. Simultaneously, a note is to be kept in the Demand-Collection-Balance register. In order to watch levy and recovery of damages, a register styled as "Register for watching levy and recovery of damages" is required to be maintained.

In the regions test-checked, the Demand-Collection-Balance registers were not being reviewed every month. Statements of delayed remittances were not being prepared and sent to damages cell except in Tamil Nadu region; consequently, damages were being levied on random basis after obtaining necessary information from the inspectors.

According to the information furnished by the Regional Commissioner Delhi, there were 3118 cases of default up to 1989-90 where damages were required to be levied but were not levied; upto 1985-86; 13 cases, 1986-87; 880 cases, 1987-88; 874 cases, 1988-89; 706 cases and 1989-90; 645 cases.

Test check of 330 cases. (Delhi 152, Uttar Pradesh 36 and Tamil Nadu 142) revealed that the delay in levy of damages/ issue of show cause notices to the employers for levy of damages ranged from 1 to 25 years and more from the date of first default as below:-

Extent of Delay	Number of cases		
	Delhi	Tamil Nadu	Uttar Pradesh
1 to 3 years	2	45	5
3 to 5 years	17	33	1
5 to 7 years	20	28	1
7 to 10 years	20	24	12
10 to 15 years	31	11	12
15 to 20 years	28	1	5
20 to 25 years	28	Nil	Nil
More than 25 years	6	Nil	Nil
	152	142	36

Delay in levy of damages was up to 17 years in Maharashtra region.

In Tamil Nadu, even in cases where statements of delayed remittances were sent by the accounts section, damages were not levied promptly; delays

ranged from 11 to 41 months from the date of receipt of statement in 35 cases test checked.

12.2 Outstanding amounts: Damages amounting to Rs.4834.26 lakhs were recoverable as on 31 March 1991 as per details given below:-

(Rupees in lakhs)

Year	Opening Balance	Amount of damages levied during the year	Total	Amount of damages realised during the year	Balance outstanding
1985-86	2843.78	426.43	3270.21	137.44	3132.77
1986-87	3054.87*	486.30	3541.17	130.78	3410.39
1987-88	3396.29*	770.67	4166.96	169.40	3997.56
1988-89	3997.56	462.79	4460.35	104.47	4355.88
1989-90	4355.88	616.27	4972.15	165.15	4807.00
1990-91	4807.20	456.37	5263.57	429.31	4834.26

* Figures revised by the Organisation.

The amount of outstanding penal damages increased by 70 per cent from Rs.2843.78 lakhs in 1985-86 to Rs.4834.26 lakhs in 1990-91 within a period of six years.

Year-wise break-up of the outstanding amount of penal damages and the number of cases (establishments) involved were not available.

Reasons for non-realisation of outstanding damages and action taken to recover the damages were not intimated. Information regarding the number of cases of outstanding penal damages, where action had not been initiated to realise the damages was not available.

The Ministry stated (April 1992) that the work of recovery of arrears (including damages) which was being handled by the district revenue authorities who did not attach adequate priority to the work, had been taken over by the recovery machinery of the Organisation and things were expected to improve in coming years.

13. *Levy of damages: exempted establishments:*

The Organisation did not furnish information regarding damages levied, recovered and outstanding, recovery of arrears and prosecution cases launched against defaulting exempted establishments. Test check in three of the six Regional Offices indicated as under:-

Delhi: The Demand-Collection-Balance registers were not being reviewed. No lists of defaulting establishments had ever been sent to damages cell for levy of damages. No prosecution case was launched against any exempted establishment.

Tamil Nadu: As on 31 March 1990, two exempted establishments were in default in contributions of Rs.10.67 lakhs. In both cases, facility of payment in instalments was granted.

Uttar Pradesh: The Region did not initiate action for levy of damages against exempted establishments. No recovery certificates had been issued as there were no long outstanding arrears. There were 32 prosecution cases involving Rs.128.82 lakhs; all pending for more than 5 years. No prosecution case was sanctioned during 1985-86 to 1989-90.

There were two cases outstanding where deductions amounting to Rs.33.70 lakhs were made from the wages of the employees where the employers failed to transfer the contribution to the Board of Trustees which invited action under the Indian Penal Code. One case was pending for over 5 years and the other was less than a year old.

14. Prosecution

14.1 To realise arrears from defaulting establishments, the Organisation is empowered to file prosecution cases in criminal courts. Once prosecution is sanctioned by the Regional Commissioner, the complaint should be filed in the Court within seven days. The Inspectors are required to watch the progress of prosecution cases through a special register.

Test check of 806 cases (Delhi 585, Punjab 187 and Tamil Nadu 34) showed that the cases were not filed within the prescribed period. The delay ranged up to 15 months and more as per table given below:

Delay	Number of cases		
	Delhi	Punjab	Tamil Nadu
upto one month	220	87	-
1 to 3 months	185	21	15
3 to 6 months	108	-	19
6 to 9 months	29	9	-
9 to 12 months	26	30	-
12 to 15 months	8	40	-
More than 15 months	9	-	-
Total	585	187	34

14.2 Outstanding prosecution cases: As on 31 March 1991, 105732 prosecution cases were pending in the Courts as shown below:

Year	Opening Balance	Cases launched	Total Cases	Cases decided	Cases pending
1985-86#	37269	5155	42424	2434	39990
1986-87	60379	11131	71510	2940	68570
1987-88	68518*	12515	81033	4998	76035
1988-89	76174*	11853	88027	3854	84173
1989-90	84034*	19510	103544	4923	98621
1990-91	98241*	12553	110794	5062	105732

Only Employees Provident Fund (Information not available with the organisation in respect of Family pension and Employees Deposit Linked Insurance cases)

* Figures revised by the Organisation.

Note: Information regarding the amount involved was not available with the Organisation.

The number of pending cases in respect of Provident Fund had increased by 70 per cent between 1985-86 and 1990-91. The increase in number of pending cases in respect of Family Pension Scheme and Insurance Deposit Linked Scheme was 80 and 132 per cent between 1986-87 and 1990-91 respectively. Bihar, Maharashtra and West Bengal contributed 70 per cent of the total pending cases.

Disposal of prosecution cases was slow. During the period from 1985-86 to 1990-91 only 24,211 cases were disposed of against 72,717 cases launched by the Organisation.

Out of 1,05,732 cases pending on 31 March 1991, 17,476 cases (16 per cent) were pending for one to two years, 17,628 (17 per cent) for two to three years and 27,473 (26 per cent) for more than three years.

Register to watch the progress of prosecution cases was not maintained by the Inspectors in Delhi. In Uttar Pradesh, the dates of sanction of Regional Commissioner were not noted in the register.

Wherever a portion of fine was awarded to the Organisation by the courts as compensation, prompt action was required to be taken to collect the same from the court and to deposit in Employee's Provident Fund. The regional Offices were required to maintain proper records and to submit to the Central Commissioner a quarterly return titled statement showing the compensation awarded by the courts out of fines imposed in prosecution cases launched under the scheme.

The Organisation stated in August and November 1990 that no such return was prescribed and the details of compensation awarded were not maintained in the Central office.

The Ministry stated (April 1992) that large pendency of prosecution in various trial courts can be attributed to large pendency in these courts. 36 Special courts have been set up in West Bengal to deal with Provident Fund cases only and Maharashtra had also agreed to do so. They added that suitable instructions were being issued to avoid delay in filing prosecution cases.

15. Action under the Indian Penal Code

Where deductions were made from the wages of employees by employers and employers failed to remit the contributions, the Organisation was required to take action under Sections 406 and 409 of the Indian Penal Code. There were 7143 such cases, (6651 cases with Police and 492 cases with courts) as on 31 March 1991 as under:-

(Number of cases)

Year	Opening Balance		Cases filed		Cases decided by		Cases pending	
	Police	Courts	Police	Courts	Police	Courts	Police	Courts
1985-86	2584	NA	514	NA	17	NA	3081	NA
1986-87	4259(R)	149	749	191	213	14	4795	326
1987-88	4815(R)	325(R)	865	61	159	14	5521	372
1988-89	5521	372	770	108	125	21	6166	459
1989-90	6166	459	454	39	123	36	6497	462
1990-91	6416(R)	461(R)	319	37	84	6	6651	492

R - Figures revised by the Organisation

The pendency of prosecution cases before the Police authorities as well as the courts was increasing. The amount involved in such cases and the year-wise break up of the number of cases pending as on 31 March 1991 was not available with the Organisation. The Ministry stated (April 1992) that the police accorded higher priority to law and order situation.

16. Banking and crediting of funds

16.1 The State Bank of India receives money in sixteen designated saving bank accounts on account of the Employees' Provident Fund, Family Pension Fund and 'Employees Deposit Linked Insurance' Fund through its branches and sub-offices including its subsidiaries and maintains the accounts. The deposits received from employers were required to be remitted to the link branch on the same day which was to pass on the credits daily to the State Bank of India, Bombay for crediting to the Investment Account of the Organisation. Test check of bank advices/bank statements for the months of April, May and June 1989, received by the Central Office revealed that out of 3492 transactions effected during these months, credit was afforded to the Investment Account the same day only in 63 cases. In the remaining 3429 cases delay in affording credit ranged from 1 to 25

days. This resulted in loss of interest amounting to Rs.19.99 lakhs to the Organisation in these three months in the cases test checked.

The Ministry stated, in April 1992, that the matter had been taken up with the State Bank of India for payment of interest for delay in affording credit to Investment Accounts. The Ministry should ensure that the Organisation reviews all cases of delayed credit (and not merely those pointed out in the test-check conducted by Audit) and insist upon recovery of interest from the State Bank of India. Systems and procedures should be in place to monitor timely credits by the bank on a continuing basis and recovery of interest in the event of delayed credits.

16.2 The Organisation issued instructions, in April 1989 to the regional and sub-regional offices to make special efforts to ensure that all delays in crediting funds by the State Bank of India were monitored and interest claimed wherever admissible from the Bank. A register was required to be maintained in respect of each account showing the amount of interest on account of delay in transfer of funds claimed from the State Bank of India and the amount paid by the latter. No such registers were maintained by the regional offices test-checked. Details of loss of interest due to delay in crediting funds for the years 1985-86 to 1989-90, by the bank were called for by audit. The Organisation intimated in August 1991 that the State Bank of India had agreed for payment of interest on account of delay in crediting the Provident Fund amounts only in respect of the following branches during the period from December 1985 to March 1990:-

(a) Ahmedabad, Bombay, Kanpur, Madras and Delhi from 1 December, 1985 to 30 November, 1987 at the rate of 9 per cent; and

(b) Bombay, Calcutta, Madras, Ahmedabad and Jaipur from 1 December, 1987 to 30 March, 1990 at the rate of 10 per cent.

The Organisation also stated that the bank had paid interest of Rs.6.61 lakhs and Rs.0.49 lakh against the amounts of Rs.112.69 lakhs and Rs.0.83 lakh claimed by West Bengal and Gujarat regions. The information in respect of other regions was not available with the Organisation.

16.3 Debit/credit advices in respect of transactions in various accounts were required to be sent to the Central, regional and sub-regional offices daily by the respective link branches of the State Bank of India. A review/scrutiny of the records of the Central and six regional offices for the years 1985-86 to 1989-90 revealed that the debits/credits advices were not received daily and the banks sent these advices alongwith monthly statements. The Organisation stated, in June 1990, that normally it took one to two months for the banks to send these advices and the banks were requested to send the advices daily. However, no improvement in the procedure for sending various advices and returns was noticed.

A scrutiny of Employees' Provident Fund Account, Staff Provident Fund Account, Family Pension Fund Account and Employees' Deposit Linked Insurance Account as on 31 March, during the years 1986 to 1991 which were required to be maintained by the Central office, revealed that there was difference in receipts and payments in these accounts as indicated below:-

(Rupees in crores)

Year ended 31 March	Employees Provident Fund			Staff Provident Fund			Family Pension Fund			Employees' Deposit Linked Insurance Fund		
	Excess Credit	Excess Debit	Amount in transit	Excess Credit	Excess Debit	Amount in transit	Excess Credit	Excess Debit	Amount in transit	Excess Credit	Excess Debit	Amount in transit
1986	16.40	8.97	7.24	0.04	--	0.10	2.44	0.57	3.39	2.77	0.19	01.86
1987	25.74	11.22	7.80	0.06	--	0.37	2.69	0.71	5.76	3.44	0.91	03.41
1988	35.86	12.90	14.84	0.09	--	0.32	3.87	0.85	7.66	5.90	1.34	03.64
1989	30.84	07.06	13.39	0.25	--	0.57	4.90	0.86	8.01	8.38	0.56	04.01
1990	35.71	08.74	25.64	1.27	--	0.57	6.71	3.23	10.16	18.25	0.92	05.04
1991	87.40	11.30	40.77	1.14	--	0.68	5.85	1.55	17.22	12.27	1.27	06.61

The difference was attributed by the Organisation to erroneous debits/credits given by the bank and regional offices.

16.4 Bombay Local Head Office of the State Bank of India was required to transfer on each day, the balance in "Investment Account" to the Reserve Bank of India, Bombay for investment on behalf of Central Board of Trustees according to the pattern of investment prescribed by Government from time to time. Test check of bank statements for the year 1989-90 and 1990-91 revealed that the State Bank of India, Bombay did not transfer the funds to the Reserve Bank of India daily resulting in loss of interest of Rs.1.17 crores during this period. The Ministry stated in April, 1992 that the amount was retained by the bank for meeting the day-to-day payment and, therefore, there cannot be any actual loss to its subscribers. The retention of money by the Bombay Branch has been discontinued, they added. The contention of the Ministry was not tenable as the amount retained by the bank was huge.

A scrutiny of investments made out of the funds made available to the Reserve Bank of India further revealed that the investment in securities was not in accordance with the approved pattern of investment

during 1985-86 to 1989-90; consequently, the State Governments were deprived of the financial assistance. While the variation was confirmed to Audit no tenable reasons were advanced.

16.5 The Organisation maintained a separate refund account from which payments were made to subscribers on discontinuance of memberships or as advances. The amount to be transferred to the refund account was decided by the Central Provident Fund Commissioner, New Delhi, on the basis of estimates submitted by the regional offices. The requirement was generally not correctly estimated by the regional offices, and the actual disbursements exceeded the funds placed at their disposal resulting in heavy minus balance in this account, as indicated in the table below:

(Rupees in crores)

Sl. No.	Regional office	Ceiling			Actual Disbursement			Excess disbursement		
		1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91
1.	Bihar	12.00	15.60	12.00	11.01	12.61	32.04	-	-	20.04
2.	Delhi	18.00	24.00	18.00	21.50	24.50	82.57	3.50	0.50	64.57
3.	Maharashtra	228.00	242.40	228.00	216.72	210.39	415.47	-	-	187.47
4.	Punjab	17.40	24.72	20.40	17.24	22.85	84.60	-	-	64.20
5.	Tamil Nadu	86.40	104.40	86.40	99.21	96.51	177.47	12.81	-	91.07
6.	Uttar Pradesh	45.96	55.80	45.96	49.41	54.08	104.41	3.45	-	58.45

The Organisation stated that it was a fact that the ceiling limit to draw the amount from this account by Regional offices and sub-Regional offices was fixed by the Central office from time to time taking into account the average payments in the preceding year. However, in cases where unforeseen expenditure was involved, the estimate was on the higher side. The Ministry stated, in April 1992, that the refund account had been abolished from April 1991.

16.6 The balance in the Employees' Family Pension Fund Investment Account and balance in Employee Deposit Linked Insurance Fund Investment Account were

required to be deposited in the State Bank of India, New Delhi who were required to transfer the amount to the Reserve Bank of India, New Delhi, for credit in the Public Account. As would be seen from the following table there were differences (Rs.236.34 crores in case of Employees Family Pension Fund and Rs.231.47 crores in case of Employees' Deposit Linked Insurance Scheme) in the amounts in Public Deposit in the books of the Organisation and those of the Pay and Accounts office (Main Secretariat) Ministry of Labour as on 31 March 1991;

(Rupees in crores)

	Amount of deposit in Public Account as per Organisation as on 31 March 1991	Amount of deposit in Public Account as per PAO Ministry of Labour as on 31 March 1991	Difference
Employees' Family Pension Scheme	4202.26	3965.92	(-) 236.34
Employees' Deposit Linked Insurance Scheme	746.80	978.27	+ 231.47

The Organisation stated, in March 1991 that the actual dates of credit of the amounts transferred to the Public Account were not available as the Ministry was not intimating the same.

The Ministry stated, in April 1992, that the matter had been taken up with the Pay and Accounts Office for reconciliation and its reply was awaited.

16.7 The Organisation invested surplus amount available in Central Administration Account in term deposits of the State Bank of India and other nationalised banks upto January 1989. The investment of surplus money was not regulated by any fixed pattern. The Organisation had investments in fixed

deposits aggregating Rs.95.33 crores, Rs.114.10 crores and Rs.131.55 crores maintained in 32, 33 and 31 bank branches as on 31 March 1986, 1987 and 1988 respectively. The investments also were made for varying periods of maturity for 24, 36, 61 and 63 months.

The Organisation invested Rs.one crore in December 1987 and Rs.10 lakhs in January 1988 in mutual funds schemes. Approval of CBT for investing in mutual funds scheme was not obtained.

From February 1989, surplus funds were required to be invested in Public Account as decided by CBT. It was observed that the balance in Employees Deposit Linked Insurance Surplus Account exceeded Rs.5 lakhs and in the Administration Account exceeded Rs.50 lakhs at the end of each month during 1989-90. As the interest on savings bank was only 5 per cent against the rate of 12 per cent in special deposit account, this resulted in avoidable loss of income. The Organisation stated, in September 1991, that a proper watch was being kept to avoid such excess retention of money with the bank in future.

16.8 Discrepancies in the balances under various funds and assets created therefrom: The credit balances under the heads (1) Employees' Provident Fund (2) Staff Provident Fund (3) Pension-cum-Gratuity Fund and (4) Central Administration Fund, shown on the 'Liabilities' side of the Balance Sheet should tally with the investments, cash balances and other assets created therefrom, but this was not so as is evident from the details of last six years given below:-

(Rupees in lakhs)

Year	Liabilities	Assets	Difference
Employees Provident Fund			
1. 1985-86	601057.64	601064.98	7.34
2. 1986-87	695361.60	695246.71	114.89
3. 1987-88	798578.05	798343.81	234.24
4. 1988-89	925912.51	925961.82	49.31
5. 1989-90	1092303.45	1092226.82	76.63
6. 1990-91	1289690.55	1289736.86	46.31
Staff Provident Fund			
1. 1985-86	626.18	663.29	37.11
2. 1986-87	790.00	783.70	6.30
3. 1987-88	990.61	972.41	18.20
4. 1988-89	1226.81	1229.78	2.97
5. 1989-90	1645.74	1574.11	71.63
6. 1990-91	1967.57	1870.41	97.16
Pension-cum-Gratuity Fund			
1. 1985-86	1014.62	1009.29	5.33
2. 1986-87	1191.90	1186.57	5.33
3. 1987-88	1466.09	1460.76	5.33
4. 1988-89	1756.46	1736.61	19.85
5. 1989-90	2046.72	2041.39	5.33
6. 1990-91	2369.96	2364.64	5.32
Central Administration Fund			
1. 1985-86	4825.31	4868.82	43.51
2. 1986-87	5205.50	5332.01	126.51
3. 1987-88	5923.78	6170.95	147.17
4. 1988-89	7463.05	7646.21	183.16
5. 1989-90	8974.63	9305.06	330.43
6. 1990-91	13047.89	13260.38	212.49

The Organisation stated in October 1990 that accumulations under various funds were transferred to Employees' Provident Fund Investment Account from where all investments were made centrally till 1966-67 and the difference in figures between liabilities and assets was only due to intermixing of funds for the above period. The Organisation also stated that the transactions dated back to the period 1952-53 and onwards for which the records were not traceable.

16.9 Investment (Exempted Establishments): The Boards of Trustees of exempted establishments were required to invest every month within a period of two weeks, the investable funds from the date of receipt of the contributions from the employers in the manner prescribed by Government. The details of amounts which remained un-invested with the Boards of Trustees during 1985-86 to 1990-91 were as under:-

(Rupees in crores)

Year	Number of establishments	Total Amount to be invested	Amount invested	Amount remaining un-invested
1985-86	1218	833.24	810.90	22.34
1986-87	1122	996.47	951.56	44.91
1987-88	425	1215.58	1188.42	27.16
1988-89	976	1361.22	1315.83	45.39
1989-90	484	1923.40	1846.24	77.16
1990-91	NA	2646.91	2597.24	49.67

Delhi and Tamil Nadu Regions stated that the un-invested amounts represented amounts retained for obligatory payments such as loans and final payments and the amount received towards the end of the month which could not be invested before the end of the month. The Ministry did not offer (April 1992) any comments.

17. Settlement of cases/claims

17.1 Provident Fund claims: The claims for final payment were required to be settled within 20 days from the date of receipt. The table below shows the number of claims received, claims settled and claims pending for the years 1985-86 to 1990-91 :-

Year	Opening Balance	Claims received	Claims returned/rejected	Claims due for settlement	Claims settled	Claims pending
1985-86	59,852	6,26,251	1,01,233	5,84,870	5,18,497	66,373
1986-87	66,373	6,57,907	1,09,495	6,14,785	5,48,813	65,972
1987-88	65,972	6,94,719	1,10,596	6,50,095	5,92,002	58,093
1988-89	58,325 *	6,92,150	1,14,844	6,35,631	5,81,360	54,271
1989-90	54,271	6,88,261	1,08,861	6,33,671	5,79,716	53,955
1990-91	53,955	8,24,518	1,13,595	7,64,878	6,98,513	66,365

* Figures revised by the Organisation.

Analysis of cases pending on 31 March 1991 indicated that 56171 cases were pending for periods up to two months and 9451 cases (14 per cent) were pending for two to six months. As many as 685 cases were pending for more than six months of which 58 cases were pending for more than one year.

Only 51 to 65 per cent of claims were settled within 20 days during 1985-86 to 1990-91. The percentage of cases settled within the prescribed period of 20 days had come down from 57 in 1985-86 to 52 in 1988-89 and was only 65 in 1990-91. The time taken in settlement of claims was up to 24 months and more in 960 cases test-checked in Delhi, Maharashtra and Uttar Pradesh as detailed below:-

Delay	Number of cases				
	Delhi	Maharashtra	Uttar Pradesh	Punjab	Tamil Nadu
More than 20 days to 1 month	1	19	Nil	Nil	164
1 to 2 months	13	24	Nil	Nil	21
2 to 3 months	110	15	Nil	13	13
3 to 4 months	107	28	Nil	12	3
4 to 5 months	113	Nil	Nil	6	9
5 to 6 months	79	Nil	Nil	1	8
6 to 9 months	97	Nil	Nil	Nil	5
9 to 12 months	41	Nil	Nil	2	2
1 year to 2 years	44	Nil	2	1	2
More than 2 years	3	Nil	1	Nil	1
	608	86	3	35	228

The register to watch the receipt and timely disposal of claims or the correspondence files were not maintained in Delhi region. In the absence of these records, it was not clear as to how timely settlement of claims could be ensured.

The Organisation stated, in August 1990, that a series of measures had been taken for speedy settlement of claims. The Regional Commissioners had been directed to ensure that the claims were settled

within 20 days. They were directed to get the claims verified by the public relation officer when the claim was submitted and get discrepancies, if any, removed forthwith.

17.2 *Returned cases:* The number of claims returned/rejected rose from 1.01 lakhs in 1985-86 to 1.14 lakhs in 1990-91. The percentage of such claims to the total number of claims received during the year ranged between 14 to 17 during 1985-86 to 1990-91.

Incomplete and defective claims are required to be returned on the same day or the next day to the claimants. In four cases test checked in Maharashtra, claims were returned after a period of 38 days. In Delhi 29 out of 109 cases test checked were returned after more than 30 days; of these four cases were returned after 67, 70, 124 and 224 days.

17.3 *Transfer of accounts:* Application for transfer of accounts should be dealt with promptly and the transfer should be effected within 20 days of the receipt of the application. As many as 17,549 applications for transfer of accounts were pending for disposal as on 31 March 1991 as below:-

Year	Opening balance	Cases received	Total cases due for transfer	Cases returned/rejected	Cases transferred	Balance
1985-86	29,603	1,53,417	1,83,020	12,517	1,32,569	37,934
1986-87	37,934	1,45,411	1,83,345	27,128	1,30,237	25,980
1987-88	25,980	1,62,090	1,88,070	18,311	1,40,890	28,869
1988-89	29,335*	1,62,395	1,91,730	24,695	1,37,167	29,868
1989-90	29,868	1,63,198	1,93,066	25,413	1,41,307	26,346
1990-91	26,346	1,62,788	1,89,134	26,286	1,45,299	17,549

* Figures revised by the Organisation

Region-wise analysis of pending cases as on 31 March 1991 showed that Uttar Pradesh had the highest number of 3876 pending cases followed by Maharashtra with 3572 cases.

The Organisation neither furnished any reasons for delay nor intimated steps taken to reduce the delay.

17.4 Family pension claims

The position regarding outstanding family pension claims from 1986-87 to 1990-91 was as under;

Years	Opening balance	Claims received	Claims returned/rejected	Percentage of returned claims to claims received	Claims settled	Claims pending
1986-87	71675	593987	144135	24	442090	79437
1987-88	78449*	640463	126724	20	523965	68223
1988-89	68480*	710030	134515	19	583819	60176
1989-90	60107*	674837	139017	21	531952	63975
1990-91	63975	795760	145685	19	644073	69977

* Figures revised by the Organisation. Information for 1985-86 was not available with the Organisation.

Out of total pending cases, 1623 cases were pending for six months to one year and 30 cases were pending for more than one year. 19 to 24 per cent of claims were returned.

Family pension claims were required to be settled within 20 days of receipt. The time taken in settlement of claims was up to 24 months or more in 517 cases test-checked in Delhi, Maharashtra and Tamil Nadu as detailed below:-

Delay	Number of cases		
	Delhi	Maharashtra	Tamil Nadu
up to 6 months	284	7	80
6 to 9 months	76		11
9 to 12 months	27	1	7
1 year to 2 years	19		-
More than 2 years	5	-	
Total	411	8	98

In Delhi, the register required to watch the receipt and timely disposal of claims, the correspondence files regarding return of claims etc., were not maintained. Consequently, timely settlement of claims could not be ensured by the Regional Commissioner.

The Organisation did not furnish any reasons for pending claims and delay in settlement of claims.

The Ministry stated (April 1992) that the EDP Cell of the Organisation have formulated a Central Action Plan which covers all areas on settlement of claims and the performance under the Action Plan is being monitored.

17.5 Employees' Deposit Linked Insurance Scheme

The table below shows the number of claims received, settled and outstanding for the years 1985-86 to 1990-91:-

Year	Claims pending (Opening Balance)	Claims received	Claims returned	Claims settled	Settled within 20 days	Settled between 21 to 30 days.	Claims pending
1985-86	6926	31065	14017	17005	8610	8395	6969
1986-87	7702*	32841	13769	18940	10398	8542	7834
1987-88	7781*	33302	13358	21515	11774	9741	6210
1988-89	5572*	31564	14321	17201	7912	9289	5614
1989-90	5614	31517	14095	17653	9991	7662	5383
1990-91	5383	30661	15008	17033	9043	7990	4003

* Figures revised by the Organisation

The Organisation did not furnish any reason for pendency of claims and delay in settlement of claims.

The Ministry stated that the role of the organisation is supervisory in nature and the Board of Trustees have been charged with the task of making prompt settlement. Therefore, they do not have

detailed information regarding number of claims received, (settled and pending).

18. *Special Reserve Fund*

The Organisation constituted a Special Reserve Fund in September 1960 for making payments to the outgoing members in cases where the employers of un-exempted establishments failed to remit the Provident Fund contributions. Initially, the amount of contributions, both employees' and employers' share, was paid out of the fund which was to be recouped by recoveries from the defaulting employers. With effect from March 1965, only employees' share deducted from their wages was to be paid to the outgoing members. The fund was financed out of forfeiture account.

During 1985-86 to 1990-91, an amount of Rs.375 lakhs was transferred to the special reserve fund and Rs.267.57 lakhs were paid to the outgoing members. The amount recovered from the employers was only Rs.3.29 lakhs which was just about one per cent of the payments made out of the fund during the period. The amount due from the employers had increased by 180 per cent between 1985-86 and 1990-91 and an amount of Rs.403.68 lakhs remained to be recovered as on 31 March 1991 as shown below:-

(Rupees in lakhs)						
Year	Opening balance	Amount transferred from Forfeiture Account	Payments made	Total amount recoverable from employers	Amount recovered from employers	Amount to be recovered from employers
1985-86	139.40	-	9.89	149.29	0.71	148.58
1986-87	148.58	125.00	54.71	203.29	0.19	203.10
1987-88	203.10	-	118.82	321.92	1.31	320.61
1988-89	320.61	250.00	23.79	344.40	0.01	344.39
1989-90	344.39	-	39.01	383.40	0.24	383.16
1990-91	383.16	-	21.35	404.51	0.83	403.68
		375.00	267.57		3.29	

Category-wise details of defaulting employers viz Government undertakings, private sector or the

number of employers from whom the amount was to be recovered were not available. Year-wise break up of recoverable amount of Rs.403.68 lakhs was also not available.

The Ministry stated (April 1992) that payment from the reserve fund is related only to the cases where the establishment are under liquidation, closure etc., and therefore, recovery rate of money paid out of the fund will always be low.

19. Un-claimed Deposit Accounts

Provident fund accumulations due for final payment but not claimed for over one year are to be transferred to un-claimed deposit account annually on 31 March of each year. The details of amounts transferred, paid and balance lying un-claimed during the years 1985-86 to 1990-91 were as under:-

(Rupees in lakhs)

Year	Opening balance	Amount transferred	Amount adjusted	Amount lying un-claimed
upto 1985-86	1444.16	199.61	15.18	1628.59
1986-87	1628.59	436.48	26.14	2038.93
1987-88	2038.93	588.89	45.05	2582.77
1988-89	2582.77	1235.55	57.10	3761.22
1989-90	3761.22	3471.23	174.48	7057.97
1990-91	7057.97	610.63	109.60	7559.00

The periodical review of ledger cards was not systematically done in regional offices of Delhi, Maharashtra and Uttar Pradesh. In the regional office Tamil Nadu, at the time of preparation of annual accounts, cases in which contributions for a continuous period of three years were not received were identified for transfer to the un-claimed deposit account.

The Organisation stated, in October 1990, that efforts were being made by Regional Offices to trace the payees. No records in support of the reply was

made available. In Punjab, press advertisements were given in two daily newspapers in the month of September 1988.

The Ministry stated (April 1992) that all regional offices were being asked to ensure systematic review of ledger cards.

20. Interest Suspense Account

20.1 According to the accounting procedure followed by the Organisation, all interest, rent and other income shall be credited or debited, as the case may be, to an account called the "Interest Suspense Account" which would be distributed to the members while closing the annual accounts. It was observed that a huge amount of interest of Rs.2998.45 crores as on 31 March 1991 earned by the Organisation was available under "Interest Suspense Account". The details for the years 1985-86 to 1990-91 were as under:-

(Rupees in crores)					
Year	Amount as per last Balance Sheet	Interest earned during the year	Total	Amount credited to the accounts of subscribers	Balance
upto 1985-86	1225.29	529.02	1754.31	281.43	1472.88
1986-87	1472.88	659.43	2132.31	300.63	1831.68
1987-88	1831.68	801.53	2633.21	754.35	1878.87
1988-89	1878.87	937.73	2816.60	550.57	2266.03
1989-90	2266.03	1108.20	3374.23	626.81	2747.42
1990-91	2747.42	1297.49	4044.91	1046.46	2998.45

The accumulation under "Interest Suspense Account" increased due to substantial arrears in reconciliation of the accounts of the subscribers. No record was maintained in Central Office to indicate the year-wise break up of the accumulated balance of interest amounting to Rs.1700.96 crores which was to be credited to the subscribers account up to March 1991. In Delhi region, the Interest Suspense Account

Registers prescribed for recording the amount of interest charged on account of credit to individual subscribers was not properly maintained; consequently, the particulars furnished to the Central Office every month as well as those exhibited in the annual Regional Balance Sheet were not authentic.

An examination of records in Delhi and Punjab regional offices showed that interest was not credited to a large number of accounts due to non receipt of remittances from the establishments. Interest was not credited during 1989-90 to 2.58 lakhs out of 9.52 lakhs accounts (27 per cent) in Punjab and 1.63 lakhs out of 3.43 lakhs accounts (48 per cent) in Delhi. In addition in Punjab, interest was not credited to 0.85 lakh accounts (9 per cent) due to internal arrears in the Organisation.

The Ministry stated (April 1992) that the accounts were being brought on the computers and the interest suspense account would be cleared to a large extent. They added that instructions had been issued to the Regional Provident Fund Commissioner to maintain the interest suspense account registers properly.

20.2 Declaration of lower rate of interest by exempted establishments: The rate of interest declared by the Provident Fund Organisation in respect of the exempted establishments ranged between 10.15 per cent and 12 per cent for the years 1985-86 to 1990-91.

According to the information furnished by the Organisation (stated to have been based on selected survey conducted during the month of May each year) 819 out of 1449 establishments in 1985-86 (57 per cent), 542 out of 1420 establishments in 1986-87 (38 per cent), 340 out of 1151 establishments in 1987-88 (30 per cent), 399 out of 1547 establishments in

1988-89 (26 per cent), 232 out of 1319 establishments in 1989-90 (25 per cent) and 258 out of 2316 establishments in 1990-91 (11 per cent) had declared lower rates of interest than the statutory rate of interest declared by the Government. The reasons for declaration of lower rates of interest by these establishments were stated to be broadly as under:-

(i) Although conversion facilities are available for switch-over from the low yielding securities to high yielding securities, exempted establishments were unable to take full advantage of the facility because of capital losses to the fund.

(ii) Large amounts were required for settlement of claims/ transfer of Provident Fund accumulations in respect of retiring/out-going members.

(iii) With effect from 1 January, 1990, the forfeiture provisions were deleted from the EPF scheme and the facility of using certain portion of the forfeiture amount for declaring higher rate of interest was no longer available.

(iv) In certain cases there was undue delay in realisation of interest on securities and non-investment of interest not realised reduced the return on investment resulting in lower rate of interest.

21. Annual statement of accounts

21.1 Unexempted establishments: The Organisation was required to send to each member, through the employer, a statement of his account after the close of each financial year latest by 30 September of the following year.

During 1990-91, 162.45 lakh account statements were issued against 279.78 lakh statements to be issued by the end of the year leaving a balance of 117.33 lakh statements. Year-wise break up of pending

statements was not available with the Organisation. Out of total cases in which account statements were not issued, 77.86 lakhs accounts statements were pending due to non-submission of required returns by the employers and the remaining 39.47 lakhs statements were pending for administrative reasons. Detailed position of the account statements for 1985-86 to 1990-91 was as under:-

(Figures in lakhs)

Year	Number of statements required to be issued	Number of statements issued during the year	Number of statements pending for issue								Percentage of pendency
			Due to employer's fault	Adminis- trative reasons	Total	less than one year	1-2 years	2-3 years	3-4 years	More than 4 years	
1.	2.	3.	4(a)	4(b)	4(c)	5(a)	5(b)	5(c)	5(d)	5(e)	6.
1985-86	200.67	109.75	60.20	30.72	90.92	47.77	20.70	10.23	5.97	6.25	45
1986-87	205.94	108.22	63.17	34.55	97.72	47.48	24.83	12.29	6.19	6.93	47
1987-88	270.43	126.28	74.60	69.55	144.15	54.80	35.06	20.67	13.63	19.99	53
1988-89	271.18	123.97	77.82	69.39	147.21	58.99	30.14	21.26	10.08	26.74	54
1989-90	279.55	143.02	76.11	60.42	136.53	55.00	29.10	17.65	12.40	22.38	49
1990-91	279.78	162.45	77.86	39.47	117.33	49.30	25.66	23.66	8.23	10.48	42

Thus, 42 to 54 per cent statements remained pending during the year 1985-86 to 1990-91. As on 31 March 1991, 49.30 lakh statements had not been issued for less than one year, 25.66 lakhs for one to two years, 23.66 lakhs for two to three years, 8.23 lakhs for three to four years and as many as 10.48 lakhs statements had not been issued for more than four years. Out of a total of 117.33 lakhs accounts statements to be issued as on 31 March 1991, Maharashtra and West Bengal accounted for 54 per cent cases with 32.81 lakh accounts statements (28 per cent) and 30.29 lakh accounts statements (26 per cent) respectively which were not issued.

The Organisation stated (August 1991) that the reason for pendency was non-submission of required returns by the employers and that notices had been

issued in newspapers over and above direct communication requesting the employers for submission of returns. The defaulting employers had also been warned of penal action in case of non-submission of returns. The accounts branches in the regional offices had been geared up and the Regional Commissioners had been advised to take action against dealing staff whose performance was below 75 per cent of the norms.

The Estimates Committee in its Report of 25 April 1989 expressed concern over heavy pendency and felt that it was indicative of an unsatisfactory state of affairs in the Organisation. The Committee was of the opinion that the Central office of the Organisation should draw up a time bound plan which should be periodically monitored at an appropriately higher level so as to ensure that annual accounts statements for a particular year were supplied to the subscribers by 30 September of the following year and all arrears were substantially wiped out.

(b) Reconciliation of annual balance with the accounts of the establishments

In order to ensure correctness of figures exhibited in the balance sheet in respect of contributions and all amounts paid to the members in the form of withdrawals, advances etc., with reference to the cash receipts and payments as recorded in the cash books and actually posted in the ledger cards of the members, the Organisation was required to reconcile these figures in a special proforma captioned "Consolidated Balance Compilation statement of the subscribers' annual statement of accounts."

No such reconciliation was being done in the regional office Delhi. It could, therefore, not be ensured that the amounts received by way of contributions and the amounts paid out to the members had been accounted for correctly in the accounts of

the Organisation. Reasons for non-reconciliation of accounts were not intimated (April 1992). The Ministry stated, in April 1992, that instructions had been noted for compliance by Delhi region.

21.2 Exempted establishments

14.74 lakhs statements of accounts for 1990-91, were issued by the exempted establishments against 43.63 lakh statements required to be issued. The detailed position of issue of statements for the years 1986-87 to 1990-91 was as under:-

(Figures in lakhs)

Year	Number of slips required to be issued	Issued	Balance to be issued	Percentage of pendency	Break-up of pendency				
					Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1986-87	53.58	32.01	21.57	40	10.68	4.37	2.79	1.70	2.03
1987-88	49.55	26.11	23.44	47	14.03	5.03	1.87	1.00	1.51
1988-89	96.24	70.78	25.46	26	17.13	4.10	2.08	1.34	0.81
1989-90	44.92	24.70	20.22	45	Information not available with the Organisation				
1990-91	43.63	14.74	28.89	66	26.29	1.05	0.53	0.49	0.53

Information for 1985-86 was not furnished by the Organisation.

The Organisation stated, in September 1991, that pendency was due to the fact that out of 2907 exempted establishments, 148 establishments defaulted in transfer of provident fund dues to their Boards of Trustees. The Ministry did not offer (April 1992) any comments in the matter.

22. Transfer of Provident Fund accumulations from statutory fund to exempted establishment

Consequent upon the grant of exemption to an establishment, the past accumulations were required to be transferred from the statutory fund to the trustees of the exempted establishment.

236 out of 273 cases test-checked in Delhi region were delayed by periods ranging up to one year, and 37 cases were delayed for more than two years against the prescribed time limit of 15 days.

There were delays of up to three years in transferring the past accumulations in four cases test-checked in Delhi region.

The Ministry stated (April 1992) that the establishments generally did not inform in time leading to delay in transfer of Provident Fund accumulation and that necessary steps have been taken to ensure promptness in issuance of past accumulation statements.

The Corporation of Madras was exempted from the Employees' Provident Fund Act and Employees' Family Pension Scheme with effect from 1 August, 1984. The Central Provident Fund Commissioner directed the Regional Provident Commissioner in December 1989 to transfer the past accumulations on the basis of the amounts standing to the credit of the subscribers as on 31 March 1988. Out of Rs.11.70 crores representing Employees' Provident Fund accumulations with interest credited up to 31 March, 1988, a sum of Rs.11.53 crores had been transferred to the Corporation leaving a balance of approximately Rs.17 lakhs to be transferred as on December 1991.

23. *Inspection*

23.1 *Unexempted establishments:* Every establishment covered under the Act was required to be inspected regularly to ensure effective and prompt implementation of the schemes. Inspection of an establishment (exempted or un-exempted) should be conducted at least once in four months.

The norms of inspection for un-exempted establishment were revised in March 1988 and according to the revised norms an establishment

employing less than 100 workers was to be inspected twice while other un-exempted establishments were required to be inspected four times a year.

A minimum of 42 inspections in a month was prescribed to be conducted by an Inspector/Enforcement Officer. The Inspector/Enforcement Officer is required to inspect exempted establishments to ensure compliance with the conditions of exemption. He is required to initiate court proceedings against defaulting employers and to pursue the cases till their finality.

The number of inspections required to be conducted and the number actually conducted during 1985-86 to 1987-88 were as under:

(Number in lakhs)

Year	Number of covered establishments at the beginning of the year	Inspections required to be carried out	Number of Inspections conducted	Shortfall	
				Number	percentage
1985-86	1.54	4.62	2.80	1.82	40
1986-87	1.58	4.74	2.78	1.96	41
1987-88	1.66	4.98	3.12	1.86	37

The shortfall in inspections ranged from 37 to 41 per cent during 1985-86 to 1987-88. The shortfall in inspections for the years 1988-89 and 1990-91 could not be ascertained as the break up of establishments between those employing less than 100 workers and those employing more than 100 workers was not available with the Organisation.

Against the norm of 42 inspections required to be conducted per inspector per month, the number of inspections actually conducted during 1989-90 was as under:

Number of inspections	Number of inspectors	
	1989-90	1990-91
41-45	240	187
31-40	250	393
21-30	200	118
20 and below	10	10

About 66 and 74 per cent of the inspectors did not conduct the prescribed number of inspections during 1989-90 and 1990-91 respectively. The Organisation attributed the shortfall to the following:

- inspectors engaged in court cases,
- inspectors busy in conducting survey of factories for the purpose of coverage,
- closure, strike or lock out of the establishments and
- diversion of inspectors to collect routine returns.

As these were part of the regular prescribed duties of the inspectors the reply of the Organisation was not tenable.

Test check of 561 cases (Delhi 540, Bihar 3, Tamil Nadu 18) revealed that some establishments remained un-inspected for periods ranging from 9 to 60 months as shown below:

Period	Number of establishments		
	Delhi	Bihar	Tamil Nadu
9 to 12 months		-	-
12 to 24 months	213	1	16
25 to 36 months	51	1	2
37 to 48 months	33	-	-
49 to 60 months	25	1	-
Total	322	3	18

Information in respect of Punjab Region was not available. As on 31 March 1990, there were 1635 establishments in Uttar Pradesh which had not been inspected for over 9 months.

Inspection registers of covered establishments were not maintained in the prescribed form in Delhi region. Columns meant for (i) name and address of establishment and (ii) number of employees/subscribers did not find place in the register.

In Tamil Nadu region, a combined register named 'Roster' was maintained. Register of covered establishments and inspection register of covered establishments were not maintained separately in prescribed form.

The Ministry stated (April 1992) as follows:

- In Delhi, delay occurred in inspection where the establishments shifted their Head Offices from one premises to another
- In Bihar region, the establishments could not be inspected due to their closure/lock-out. Disciplinary action was initiated against some enforcement officers for low number of inspections.
- In Tamil Nadu the Enforcement officers have been impressed upon to visit the establishment in time.
- In Punjab, delay occurred in respect of establishments located in sensitive, remote and disturbed areas.

The Estimates Committee observed (April 1989) in its Report that more emphasis should be given on the quality of inspections. The Committee also suggested that in case of doubtful cases and chronically

defaulting establishments, inspections at the level of Regional Commissioner should be conducted to keep the concerned Enforcement Officer more alert and also help the Organisation in strict enforcement of the Act.

23.2 *Exempted establishments:* The Provident Fund Inspector was required to inspect exempted establishments three times in a year to ensure compliance with the prescribed conditions of exemption.

Shortfalls of 7 per cent in Maharashtra, 46 per cent in Punjab and 44 per cent in Uttar Pradesh were noticed. In Delhi 133 out of 135 establishments test-checked had not been inspected for one to four years. In Uttar Pradesh 58 establishments out of 166 had not been inspected during 1989-90; 16 out of these had not been inspected for one to two years as on 31 March 1990. While Uttar Pradesh, Maharashtra, Bihar and Delhi regions did not furnish any reasons for shortfall of inspection, the Regional office Punjab attributed the shortfall in inspection to disturbed conditions in the State.

24. Works

(i) The Organisation purchased land between 1968 to 1990 for 12 regional and sub-regional offices for construction of office buildings and staff quarters. Of these land at 11 places cost Rs.134.48 lakhs; the cost of land at one location had not been decided by the State Government. The construction work was still (February 1992) to be started. This had resulted in blocking of funds of Rs.134.48 lakhs. The Organisation did not forward specific reasons for delay but stated (February 1992) that the matter was under process. The Ministry attributed (April 1992) the delay to various time-consuming steps involved. It is surprising that these should have taken more than 24 years in certain cases.

(ii) The Organisation entrusted the construction of office buildings and staff quarters at Amritsar, Faridabad, Hyderabad, Kota, and Varanasi to the Central Public Works Department (CPWD) during 1985-86 to 1989-90. The Organisation deposited Rs.160.82 lakhs during the years 1987-88 to 1990-91 with the CPWD. The amount of deposit was charged to the final head. The Central office of the Organisation did not monitor the progress of works and no information was available regarding expenditure incurred by the CPWD, amount utilised, amount remaining unutilised, progress of each work etc.

(iii) *Expenditure on rent:* The Organisation incurred expenditure of Rs.1257.55 lakhs towards rent rates and taxes for the offices of the 16 regions and the central office housed in hired buildings during the last six years from 1985-86 to 1990-91. The expenditure on rent rose from Rs.141.48 lakhs in 1985-86 to Rs.303.84 lakhs (115 per cent) in 1990-91.

No time bound programme was framed by the Organisation for construction of its own buildings to minimise the incidence of rent, rates and taxes on hired buildings.

The Estimates Committee in its Report (April 1989) suggested that efforts should be made by the Organisation to put up its own buildings at all regional and sub-regional offices under a time bound programme for effecting substantial saving in expenditure. Action should be initiated for early construction of office buildings at places where land sites had already been acquired.

(iv) *Construction of Calcutta office building:* The Organisation purchased a plot of land measuring 6500 square feet in 1968 for Rs.3.50 lakhs for construction of office building for the Regional office, Calcutta. In July 1984, the Organisation decided to construct the boundary wall and deposited

an amount of Rs.0.51 lakh with the CPWD in October 1984. The CPWD reported in October 1984 that the plot was occupied by some unauthorised persons. The land was got vacated in November 1990 with the help of Government of West Bengal and the boundary wall was erected at a cost of Rs.1.75 lakhs. The land remained unutilised since its purchase resulting in blocking of funds (Rs.3.50 lakhs). Besides, a sum of Rs.0.51 lakh deposited with the CPWD in October 1984 was still (March 1991) to be returned by the CPWD.

(v) *Construction of office building and staff quarters at Indore:* The Organisation purchased a plot of land measuring 4.188 acres at a cost of Rs.0.53 lakh in April 1966 at Indore for construction of a three storeyed office building and 55 staff quarters. An architect was engaged for preparing drawings and designs, planning and supervision to ensure that the work was free from defects and deficiencies. All other activities viz. approval of contractor and rates, preparation of bills etc., were also entrusted to the Architect.

The Architect invited tenders during October 1973 and allotted work of construction to a firm of contractors in April 1974 at an estimated cost of Rs.26.68 lakhs which was raised to Rs.40.45 lakhs due to depth of black cotton soil up to 10 feet, at site of construction.

When the work was nearing completion, major cracks developed in the office building in June 1976 which were attributed by the Architect to unprecedented rains and the work was stopped. A total payment of Rs.42.73 lakhs inclusive of Rs.10.00 lakhs for office building had already been made to the contractors. An expert committee appointed by the Organisation in March 1977 reported in January 1978 that the damages to a great extent were due to inadequate structural designs and advised repairs to the building at an estimated cost of Rs.3.5 lakhs.

The Architect was, however, not traceable. The Organisation ultimately decided in July 1986 to dismantle the Office building and entrusted the work of dismantling to another contractor in May 1989 for Rs.2.17 lakhs. Dismantling work of main building was stated to be complete except for some minor work (June 1991).

The work of construction of staff quarters was again started at 70 per cent and 60 per cent above tendered rates which were further revised to 320 per cent and 300 per cent above tendered rates in respect of civil and electrical works respectively in February 1985. The Municipal Corporation, Indore, refused (February 1988) to permit occupation of the quarters unless the office building was demolished.

Thus, after incurring an expenditure of Rs.55.37 lakhs on office building and staff quarters (including pending claims of Rs.2.58 lakhs) and lapse of a period of more than 14 years, the quarters could not be occupied till June 1991. This had resulted in avoidable expenditure of Rs.49.22 lakhs paid as house rent allowances (Rs.9.45 lakhs) to its employees by the regional office between January 1986 to March 1991 and of rent (Rs.39.77 lakhs) for four hired office buildings for office accommodation. Besides, an infructuous expenditure of Rs.10 lakhs was incurred on dismantled office building which had developed cracks (June 1976). The Ministry stated (April 1992) that the construction has been completed and the allotment letters had since been issued.

25. *Establishment*

(1) *Administrative Inspections:*

The details of administrative inspections required to be conducted and the number actually conducted during the years 1985-86 to 1989-90 were as under:-

Year	Number of inspection required to be conducted	Number of inspections actually conducted	Shortfall	Percentage
1985-86	34	15	19	56
1986-87	38	19	19	50
1987-88	42	23	19	45
1988-89	29	7	22	76
1989-90	16	9	07	44

The shortfall ranged from 44 per cent to 76 per cent. No administrative inspection was conducted in four out of five years during 1985-90 in two regions (Andhra Pradesh and Madhya Pradesh) and in three years in two other regions (Delhi and Kerala). Administrative inspections were not conducted in two years in Gujarat, Madras, Orissa and Punjab during 1985-90. The number of inspections conducted in Maharashtra and Uttar Pradesh was 12 and 8 respectively against 21 and 20 required to be conducted.

The Ministry stated, in April 1992, that administrative inspections of sub-regional offices during 1985-86 to 1988-89 could not be completed due to administrative constraints; from 1988-89 most of administrative inspections of sub regional offices was entrusted to Regional Provident Fund Commissioners incharge of the regions. In Uttar Pradesh, inspections were delayed in some cases in the past but now efforts were being made to conduct the inspections regularly and the administrative inspection of three sub-regional offices could not be conducted due to administrative pre-occupation of the Regional Commissioner.

26. Internal Audit

A permanent Internal Audit Machinery had been working since the inception of the Organisation, in the Central office under the control of Financial Adviser and Chief Accounts Officer with the

responsibility of conducting internal audit of the accounts in the Regional and sub-regional offices of the Organisation.

The Ministry stated, in April 1992, that internal Audit of all regional and sub-regional offices except Shillong and Jalpaiguri sub-regional offices had been completed up to the year 1989-90. Further, the audit of all regional and sub-regional offices for the year 1990-91 had either been completed or provided in the programme up to 31 March 1992.

As on 31 December 1991, 5088 paragraphs (from 1969-70 to 1989-90) were outstanding. The age-wise position of outstanding paragraphs was as under:

Period	Number of outstanding paragraphs	Percentage to total outstanding
More than 15 years	76	1
More than 10 to 15 years	251	5
More than 5 to 10 years	670	13
Between 1 to 5 years	4091	81
Total	5088	100

The Organisation stated, in September 1991, that in most of the paras, the amount of recovery of overpayment involved was Rs.25 to 50 only. In old cases, the subscribers were not traceable and as such the paras were outstanding. In cases, where responsibility had been fixed by the overpayment review committee, efforts were being made to recover the amount.

27. Other points of interest

The following shortcomings/irregularities were noticed in Tamil Nadu Region:

(i) *Excess payment of house rent allowance:* The Organisation adopted slab rate of house rent

allowance as applicable to the Central Government employees with effect from 1 April 1986. However, house rent allowance was paid to employees and officers at the rate of 25 per cent on the revised scale without applying the ceiling limit. Scrutiny of supplementary bills in the regional office revealed that arrears of house rent allowance of Rs.1.88 lakhs were claimed in excess and paid. The actual excess payment of house rent allowance to all the employees and officers of the Regional and Sub-Regional Office was not assessed and recovered (December 1990).

The Ministry stated (April 1992) that necessary steps were being taken to quantify the amount paid in excess and to recover the same from the pay bill for January 1992. However, excess payment of Rs.1.08 lakhs was ordered for recovery in ten equal instalments commencing from February 1992.

Regarding payment of arrears of house rent allowance prior to 1 April 1986, suo moto review was not conducted to assess the overpayment after verification of rent receipts and restricting the allowance to the existing ceiling limit prescribed by the Government. Orders regulating house rent allowance prior to 1 April 1986 were stated to be not available with the Regional and Sub-Regional Offices.

(ii) Excess payment of Productivity Linked Bonus: Productivity linked bonus should be worked out after arriving at day's average wages of each employee by dividing the total wages earned in the financial year by 365. This method was not adopted by the Organisation in 1988-89 resulting in overpayment of bonus of Rs.0.40 lakh to employees who were entitled to bonus less than the maximum admissible under the existing orders. Excess payment made was recovered from pay bills for December 1991. However, all such cases were not reviewed and excess payments worked out and recovered (April 1992).

28. *Summing Up*

Provident Fund contributions amounting to Rs.96.03 and Rs.131.98 crores were in arrears from un-exempted and exempted establishments respectively as on 31 March 1991. Administrative and inspection charges amounting to Rs.3.27 crores were due from defaulting establishments. Contributions of Rs.10.88 crores and Rs.3.50 crores were due from employers towards Family Pension Scheme and Employees Deposit Linked Insurance Fund respectively. In addition, dues were to be determined by the Organisation in 17826 cases as on 31 March 1991.

32403 revenue recovery certificates involving an amount of Rs.112.57 crores were pending with the various district authorities as on 31 March 1991.

Delay in levy of damages on belated payments ranged from one to twenty five years and more in four regions. Damages amounting to Rs.48.34 crores were recoverable from un-exempted defaulting establishments as on 31 March 1991.

In 806 cases in three regions delay in filing prosecution cases against defaulting establishments in courts of law was up to 15 months or more.

In 3429 cases test checked, the delay in affording credit to the investment account ranged from one to 25 days resulting in loss of interest amounting to Rs.19.99 lakhs to the organisation from April to June 1989. During 1989-90 and 1990-91, the State Bank of India, Bombay did not transfer the funds to Reserve Bank of India daily resulting in loss of interest of Rs.1.17 crores. An amount of Rs.49.67 crores relating to exempted establishments remained un-invested with the Boards of Trustees during 1990-91.

As many as 66365 provident fund claims were pending for settlement as on 31 March 1991, some of them for over one year. During 1985-91 only 51 to 65

per cent of the claims were settled within the prescribed period of 20 days. Similar delays in settlement of family pension cases and employees Deposit Linked insurance cases were also noticed.

An amount of Rs.403.68 lakhs paid out of Special Reserve Fund remained to be recovered from the employers as on 31 March 1991. An amount of Rs.75.59 crores was lying un-claimed with the Organisation on this date.

Interest of Rs.2998.45 crores earned by the Organisation was lying under Interest Suspense Account as on 31 March 1991 which was required to be distributed to the members while closing the annual accounts. As many as 117.33 lakhs and 28.89 lakhs annual statements of accounts remained to be issued to the employees of the un-exempted and exempted establishments respectively as on 31 March 1991.

No time bound programme had been prepared by the Organisation for construction of its own buildings. Expenditure on rent of hired office buildings rose from Rs.141.48 lakhs in 1985-86 to Rs.303.84 lakhs in 1990-91.

The Organisation needs to intensify surveys for coverage of establishments and should appropriately follow up the surveys conducted so that all establishments which should be covered are brought within the purview of the schemes which have been framed for the protection and social security of the employees. The Organisation should also streamline its procedures for the expeditious determination of dues from the employers and improve the functioning of machinery for recovery.

The interface between the Organisation and its banker needs to be streamlined so that the funds of the Organisation are expeditiously credited to its accounts and invested without loss of time.

As an Organisation established for the administration of schemes for the welfare of the employees, it should improve the quality of its services, particularly in the matter of settlement of claims, transfer of accounts, crediting of interest to the accounts of the employees and issue of annual statements of accounts.

The accumulations in the contribution account of the Family Pension Scheme increased from Rs.1219.33 crores at the beginning of 1985-86 to Rs.4223.30 crores at the end of 1990-91. The accumulated balance of the Employees Deposit Linked Insurance contributions and the Administration account of the scheme rose by 281 per cent from Rs.264.76 crores to Rs.744.66 crores and 190 per cent from Rs.57.58 crores to Rs.166.52 crores respectively at the beginning of 1985-86 till the end of March 1991. There is a case for reviewing the need for and extent of Government support to the schemes.

B.P. Mathur

(B.P.MATHUR)

Director General of Audit
Central Revenues-I

New Delhi
The

9 SEP 1992

Countersigned

C.G. Somiah

New Delhi
The

(C.G. SOMIAH)
Comptroller and Auditor General of India

14 SEP 1992

ERRATA

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43	8th	Years	Year
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45	1st	information regar- ding received, (settled and pending).	deleted

