

EMPLOYEES' PROVIDENT FUND ORGANISATION
FINAL MINUTES OF THE
188th MEETING OF CENTRAL BOARD OF TRUSTEES (EPF)

Meeting: Central Board of Trustees, Employees' Provident Fund

Date: **05.12.2009**

Venue : Employees' Provident Fund Organisation,
Conference Hall, 3rd Floor,
Bhavishya Nidhi Bhawan,
Bhikaiji Cama Place, New Delhi-110 066.

The 188th meeting of the Central Board of Trustees, Employees' Provident Fund was held under the Chairmanship of **Shri Mallikarjun Kharge**, Hon'ble Minister for Labour and Employment and Chairman, Central Board of Trustees (Employees' Provident Fund). Shri Harish Rawat, Hon'ble Minister of State for Labour & Employment was also present as Vice-chairman of the CBT, EPF.

The following members of the Board were present at the Meeting:

<p>Shri Prabhat Chandra Chaturvedi, Secretary to Government of India, Ministry of Labour & Employment Government of India, New Delhi.</p> <p>Shri S.K. Srivastava, Addl. Secretary to the Government of India, Ministry of Labour & Employment Government of India, New Delhi.</p> <p>Shri Rakesh Jain, JS & FA (L&E), Ministry of Labour & Employment Government of India, New Delhi.</p>	<p>Central Government Representatives.</p>
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<p>Dr. Sashank Saxena, Director (Banking) Deptt. of Economic Affairs Ministry of Finance, Govt. of India.</p>	
<p>Shri Bhanwar Lal Principal Secretary, Labour & Employment, Govt. of Andhra Pradesh, Hyderabad.</p> <p>Shri Talleen Kumar, Secretary, Labour Department, Govt. of West Bengal.</p> <p>Shri Subir Kumar, Commissioner (Labour & Employment), Govt. of Rajasthan.</p> <p>Shri T. Pradhan, OSD O/o Resident Commissioner, Govt. of Orissa (Representing Principal Secretary, Govt. of Orissa).</p> <p>Ms. Surina Rajan, Principal Secretary (Labour & Employment), Faridabad, Govt. of Haryana.</p> <p>Shri P.K. Jain, Assistant Labour Commissioner, Govt. of Punjab.</p> <p>Ms. Vatsala Vasudeva, Labour Commissioner, Govt. of Gujarat.</p> <p>Dr. R.M. Agarwal, C.M.O., ESI Scheme, Ghaziabad, Uttar Pradesh (Representing Principal Secretary,</p>	<p>State Government Representatives.</p>

Govt. of Uttar Pradesh)	
Shri Girish Awasthi Shri A.D. Nagpal Shri B.N. Rai Shri M. Jagadiswara Rao Shri Ashok Singh Shri Sankar Saha Shri Nirmal Ghosh Shri D. L. Sachdev Shri Dipankar Mukherjee (representing Shri W.R. Warada Rajan)	Employees' Representatives.
Dr. Ram Tarneja Shri Ravi Wig Shri Sharad S. Patil Shri P. Rajendran Shri Babu Lal Todi Shri Santosh Saraf Shri S.S. Rathi	Employers' Representatives.
Shri K. Chandramouli, Central Provident Fund Commissioner	Member Secretary.

The following officers attended the meeting as special invitee of the Board:;

Dr. B.K. Gairola, Director General, NIC, New Delhi	
Dr. B.N. Shetty, Deputy Director General, NIC, New Delhi	
Shri R.K. Mishra, Technical Director, NIC, New Delhi	

The following members were absent from the meeting:-

Secretary (Labour) Govt. of Assam. Secretary (Labour) Govt. of Bihar. Secretary(Labour) Govt. of Madhya Pradesh. Secretary (Labour) Govt. of Maharashtra. Secretary (Labour) Govt. of Tamilnadu. Secretary (Labour) Govt. of Karnataka. Secretary(Labour) Govt. of NCT of Delhi.	State Government Representatives.
Dr. G. Sanjeeva Reddy	Employees' Representative
Shri J.P. Chowdhary Shri U.K. Dikshit Shri B.P. Pant	Employers' Representative

The Central Provident Fund Commissioner welcomed Hon'ble Minister for Labour & Employment and Minister of State for Labour & Employment, Members of the CBT and Government representatives to the 188th meeting of the CBT, EPF. After brief comments on the efforts of the organisation in the area of Computerization, Human resource management with a view to bring efficiency and productivity in the Organization, he invited Hon'ble Chairman, to initiate the proceedings.

The Chairman began the proceedings by welcoming all the members of the Central Board of Trustees, Employees Provident Fund, Secretary Labour & Employment, senior officers of the Ministry, Central Provident Fund Commissioner, DG NIC, special invitees and officers of EPFO present in the meeting to the 188th Meeting of the Central Board of Trustees, EPF.

He welcomed Shri Prabhat Chandra Chaturvedi as new Secretary, Labour & Employment, as member of the Board and Chairman of the Executive Committee and Shri M. Jagadishwara Rao as member Central Board of Trustees, as a representative of the employees'. He also placed on record deep appreciation of the services of Smt. Sudha Pillai as Secretary, Labour & Employment and Chairperson Executive Committee. He observed that many important decisions were taken during her tenure and she had contributed a lot in piloting the new Computerization Project of EPFO.

At this juncture the Chairman made a mention of the passing away of Shri M.P. Patwardhan an eminent member of the Bhartiya Mazdoor Sangh who had been nominated as member in the Central Board of Trustees as a representative of the employees in the month of July 2009. The members of the Board observed a one minute silence in the remembrance of the departed soul.

He then observed that the Board had been meeting in quick succession and taking important decisions. It had recommended the interest rate for the year 2008-2009 and 2009-2010 in its last two meetings. He observed that the Board was meeting primarily to consider statutory items namely the Draft Annual Report on the work and activities of the Organisation together with Annual Audited Accounts as was

required as per the provisions of Para 74 of the Scheme. He then drew attention of the members to item No.2, 3, 4 & 10 of the agenda. The other important items that required clearance of the Board was the Revised Estimates for the year 2009-10 and Budget Estimates for 2010-2011 and budget for implementation of first phase of Computerization of EPFO in the revised plan for modernization.

He clarified to the members that the Annual Report and the Annual Audited Accounts of the Organisation for the year 2008-2009 have to be considered by the Board in its meeting to be held before 10th December following the year to which it pertains and both the documents have to be laid before the Parliament of India by 20th December 2009. He expressed his happiness that both the documents were ready within the time frame and placed before the Board for adoption. He therefore exhorted the members to quickly deliberate and adopt the same. In his concluding remarks he appreciated the efforts of Shri K. Chandramouli, the outgoing Central Provident Fund Commissioner to convene the important meeting and congratulated him for having taken over as Secretary and Director General in the Department of AIDS Control, Ministry of Health. He then invited the Central Provident Fund Commissioner to introduce the items.

The Central Provident Fund Commissioner thanked Hon'ble Chairman for his kind words. Then with the permission of the Chair he made a suggestion to the Board that the Annual audited accounts at item No.3 may be taken up with revised estimates for 2009-2010 and Budget estimates for 2010-2011 at Item No.4. Thereafter the draft annual report of the Organisation for the year 2008-2009 would be taken up. The house agreed to the suggestion and the CPFC then invited FA & CAO to introduce Item No.3 & 4 first. Thereafter Item no.2 was taken up by the CPFC.

Item No.1: Action Taken Statement in respect of CBT Meetings held upto 04.07.2009.

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 2: Draft Annual Report on the work and Activities of the Employees Provident Fund Organisation for the year 2008-2009.

The CPFC introduced the item to the Board by observing that in accordance with the provisions of para 74 of the Employees Provident Fund Scheme, 1952, the Annual Report on the work and activities of the Central Board and its audited accounts together with the report of Comptroller & Auditor General of India shall be considered by the Executive Committee and shall be placed for adoption at a meeting of the Board to be held before the 10th December following the close of the financial year concerned. The Annual Report and the Annual audited Accounts together with the report of the Comptroller & Auditor General of India, as adopted by the Board, was also required to be submitted to the Central Government not later than 20th of December following the close of the financial year for placing it before the Parliament.

The Draft Annual Report of EPFO for the year 2008-09 was also placed before the Executive Committee, CBT (EPF) in its 67th meeting held on 04.12.2009 and while adopting the report the members of the EC had desired that the same may be placed in the CBT for further discussion.

The CPFC thereafter gave an account of the performance of the organisation as indicated in the relevant chapters in the draft annual report for the year 2008-2009. The brief highlights placed for information of the members were as under:-

- Coverage of establishments: As on 31.03.2009 the total no. of establishments covered both under the unexempted and exempted category stood at 5.73 lakhs. As compared to previous year there was an increase of 40,361 establishments.
- Members enrolled: As on 31.03.2009, the figure stood at 4.71 crores both under the unexempted and exempted sector. There was an increase of 21,52,771 members over the previous year. The growth of membership was

4.79% over the previous year which was the highest in the last three financial years.

- Concentration of membership: The concentration of membership was the highest in Tamil Nadu followed by Maharashtra, Haryana, Karnataka and Andhra Pradesh. The total membership in these five states stood at 55.91%.
- Claims settled during the year: A total of 40.75 lakh EPF claims were settled and total benefits paid were to the extent of Rs.10038.57 crores. A total of 30.69 lakh claims under EPS, 1995 were settled and total benefit paid was to the extent of Rs.3,120.84 crores. During the year 20,455 EDLI claims were settled and a total sum of Rs.48.63 crores was paid. Taking all the claims together the settlement achieved was 93.46% during the year. Nearly 15 lakh claims were settled more over the previous year.
- Annual Statement of Accounts: During the year nearly 5.85 crores account slips were issued out of a workload of 10.11 crores. Nearly 1.91 crore accounts slips were issued more than the previous year.
- Contributions collected: A total of Rs. 28,659.35 crores were collected under the EPF scheme, Rs. 10,482.78 crores under the EPS 1995 and Rs. 368.40 crores under the EDLI scheme as contributions during the year. There was a growth of 24% in contributions collection over previous year in case of unexempted establishments under EPF scheme.
- Arrear management: A sum of Rs. 918.16 crores was recovered during the year with total outstanding arrears of Rs. 2,993.12 crores. A total of Rs.2,206.99 crores for unexempted sector and Rs.786.13 crores for exempted sector was outstanding. The not immediately realizable category of arrears represented 78.58% of the outstanding.
- Rate of interest: During the year 8.5% rate of interest was recommended to the Central Government for crediting to the subscriber accounts.

- Investments: At the end of the year the corpus under all the schemes taken together stood at Rs. 2,58,711 crores.
- Administration Account: A sum of Rs.1828.65 crores was collected during the year as compared to Rs. 1587.71 crores during the previous year.
- Grievance redressal: During the year total grievances received was 21,382 and the Organisation disposed 20,077 grievances with a disposal rate of 93.50%.

The CPFC then placed the report for adoption by the Board.

Shri Sankar Saha drew attention of the house to the recent amendments made in the Employees' Pension Scheme 1995 which was agitating in the minds of the pensioners. He expressed his concern that being a trustee they were answerable to the poor workers. These amendments were carried out unilaterally whereas the pensioners were approaching them with their grievances. He observed that there was a special committee of the Board looking into the pension scheme and he desired that something must be done to protect the interest of the pensioners. Regarding contributions collected he observed that in the process we were ignoring the number of defaults being committed by the establishments by not depositing contributions in respect of the subscribers. He cited the example of contractors who were depositing the first contribution of the contract employees and then disappearing from the scene. He desired that the matter should be accorded attention and EPFO should examine the matter.

The Chairman agreed with the views of Shri Sankar Saha on the defaults made by the establishments and advised the CPFC to examine the issue.

Shri R.A. Wig highlighted the coverage of building and construction employees under the EPF & MP Act. He invited attention to Table 3 on page 4.9 of the report where the building and construction employee accounted for 2.2% of the total members as on 31.3.2009. He observed that he has been highlighting in the past the huge

potential of increase in coverage in this industrial sector itself. He observed that in this industry nearly 4.5 crore workers can be covered. There was a proposal to issue unique identity number to EPF subscribers and there was an assurance to issue such cards to construction workers. As nothing has been done on this front, the same situation prevails. He cited the example of the other schemes of the Govt. of India where enrollment cards have been given to the workers under the Central Schemes being implemented in the rural sectors. He desired similar approach in respect of EPF subscribers.

Shri B.N. Rai agreed with the views of Shri R.A. Wig but he observed that the issue has another perspective. The contractors are not aware of the implications and when the defaults are detected the liabilities under EPF Act takes retrospective effect which the employer was unable to meet. He therefore desired that there must be a way out to deal with the situation.

Shri Ashok Singh observed that the prosecution cases decided was almost NIL as shown in Appendix A-9 of the report. This implied that the interest of the poor workers were not been protected and attention was required to be paid to this area. He further observed that the members can give their comments in writing and seek the comments of the Organisation later. The Annual Report could be adopted with these observations.

Shri A.D. Nagpal observed that since the annual report was an important document which was to be placed before the Parliament there has to be a debate before it was adopted. He then observed that he has been pointing out in the past that the receipts under EDLI Scheme 1976 have been increasing. It was evident from three successive Annual reports for the year 2005-06 onwards that the receipts under this scheme was much more than the outflow with the result that the corpus under the Scheme has been increasing. He has been suggesting increasing the EDLI benefits in the interest of the workers. He was informed at the time of adoption of the last annual report that a report has been submitted by the Actuary appointed for the purpose but till date the benefits have not been enhanced.

The other observations made on the draft Annual Report by Shri A.D. Nagpal were as under:

- Claims settled (unexempted sector): Inviting attention to the figures mentioned at page 1.3, page 21.30, Appendix A-11 and Appendix A-16 (ii) he observed that the claim rejection ratio was very high for both for EPF and EPS claims. He observed that as stated in the last annual report, there was a high cost when a claim is returned by the EPF Office and leads to harassment of subscribers. However, he appreciated that the return ratio for both the categories had come down as compared to the previous year.
- Shortage of manpower: Inviting attention to page 1.5 and 1.6 he observed that there was a shortage of staff to the extent of 32%. While the workload was increasing every year there was still a huge gap between the sanction strength and manpower in position. He desired that urgent steps may be initiated to fill up the posts as it was affecting the claim settlement in many of the offices. Due to shortage of manpower there were instances of claims being settled after six months.
- Provident Fund Arrears (unexempted): Inviting attention to page 1.7, 4.30 and 4.31 he observed that the arrears of PF have been increasing as per data in the three successive reports of the year 2006-07, 2007-08 and 2008-09. He observed that there were many section 7A cases pending and not completed. The default amount did not get included in the arrears otherwise there would be huge increase in the arrears. He desired that special drives may be launched to recover the arrears as has been done in the past and it will be better if it was made a continuous process.
- Regional Committees: Inviting attention to page 2.11, 2.12 and 2.13 he observed that many Regional Committees did not meet even once during the year. He noted that the matter of reconstitution of Regional Committees of Delhi, Gujarat, Kerala, Maharashtra, and Goa was pending for a long time. He further observed that the Regional Committees need to be constituted at

the Central level based on the verified strength of the Central Trade Unions circulated by the Ministry of Labour & Employment.

- EPF Appellate Tribunal: Inviting attention to page 4.38 and 4.54 he observed that the cases pending before the EPF Appellate Tribunal were increasing as per the data contained for the last three years. He desired that urgent steps may be taken to reduce the pendency. He also invited attention to 2383 cases pending before District Consumer Forums and desired to know in how many cases the EPFO was found to be deficient in extending service and the amount of penalty imposed by the Consumer forums.

Shri B.N. Rai agreed with the observations of Shri A.D. Nagpal that the nominations in the Regional Committee, EPF for the States should be based on the verified strength.

Dr. Ram Tarneja complemented Shri A.D. Nagpal for presenting detailed comments on the Annual report for the benefit of the house.

Shri Sharad Patil made two suggestions before the Board. He desired that the benefits under the EDLI Scheme could be merged with the benefits paid under the Employees Pension Scheme 1995. Secondly, every year the Board was facing the situation of adopting both the Audited annual accounts and the Annual report together. He suggested that the Audited accounts could be separated from the Annual report so that proper discussion takes place on them and for adoption in future.

Shri Nirmal Ghosh invited attention to page 4.27 of the report and observed that there were huge EPF arrears of Rs.2206.99 crores. Out of this the unrealizable category accounts for 78.27% which was a cause of worry. This was an area on which the Organization should tread on. Every year similar information was being given in the Annual report in routine manner whereas it was important to indicate an action plan to tackle the issue and realize the arrears. Regarding unique number for EPF subscribers he desired that it need to be implemented in the interest of the workers. He further

observed that there was a need to improve information on non contributory members and desired that the next report should contain information on non contributory accounts also.

Shri S.S. Rathi pointed out that in the small scale sector there was a practice of keeping the apprentice workers on hold for three months before they could start contributing in the Scheme. Regarding settlement of claims and issuance of accounts slips he expressed that the lot of improvement needs to be made as the claims were not settled in a reasonable time frame and slips were not received in time. He desired that the CBT members should be given identity cards. He observed that an action taken report on the observations of the members should also be placed before the Board.

Shri M. Jagadiswara Rao invited attention to page 4.32 of the report and desired that the region-wise breakup of the damages levied on the public sector and private sector establishments may be provided with the action taken by the EPFO and Ministry of Labour & Employment.

Shri Babu Lal Todi desired to know the amount of money lying in the unclaimed deposit over last five years.

The CPFC with the permission of the Chair briefly clarified the observations of the members as under:

Provisioning of manpower:

- Regarding the shortage of manpower, he informed the house that many posts have been filled during the current year which would be reflected in the Annual report to be placed subsequently. He stated that many posts have been filled at the senior management level to improve overall supervision. 6 more zones were created and six posts of Addl. CPFCs were filled.
- All SROs are now being headed by an officer of the RPFC Gr.II level to improve supervision at SROs. Action in this regard has already been initiated.

- All the DPCs in the senior level were completed and posts filled in the Grade of Addl. CPFCs and RPFC-I.
- At the cutting edge level nearly 2000 EOs/AOs were regularized and consequential promotions were made in the lower posts.
- 178 EO/AOs were promoted as APFCs and it was proposed to fill up 405 posts of EO/AO through direct recruitment by the UPSC.
- A massive recruitment exercise to fill up 2683 posts of SSAs was taken up and the written examination was conducted in the month of September 2009 smoothly. These posts would also be filled shortly.
- Having regard to the computerization project, various posts under IS Division were restructured with creation of new posts. The post of Assistant Director(IS), Assistant Programmers and EDP Supervisors were filled up by conducting the DPCs to strengthen the EDP centres in the field offices.
- In the Construction wing there was a huge backlog of vacancies which were being filled up gradually.
- A policy for entitlement of cost for transportation of personal effects of officers having all India transfer liability was framed and orders issued.

Coverage and enrollment drive:

- He observed that the Organisation accords due attention to this vital area and monitors this work area regularly. During the current year in order to improve upon coverage the area jurisdiction of EOs was restored in April 2009 with clear directions to field offices to accord due care that there was no harassment meted out to the employers.
- A special drive for coverage was conducted in the month of August 2009 and nearly 2 lakh members were added. This was a very substantial effort. Continuous efforts at increasing the coverage are being made.

- Regarding the unique number he noted that at present there were lot of centrally sponsored Schemes which had adopted unique numbers and as such the uniqueness had lost significance. However, the Board would learn more from DG, NIC who was also present as special invitee when item no.10 on modernization would be taken up for discussion.
- Regarding the contract employees he agreed that it was a difficult and required more deliberation in the Board.

Computerization:

- He informed the Board that the first phase of the computerization was going on smoothly and much progress has been made.
- The members had expressed their concern regarding delay in settlement of claims and in the first phase focus was on service delivery only.
- Six offices have already been declared live and work was going on in 21 other offices. The claims were being settled on computers and with continuous training of the staff at the cutting edge the settlement of claims on computers would improve drastically.
- Regarding account slips the Board has been generous enough to recommend interest rate early and this would improve issuance of account slips. It was expected that by March 2010 all the pending account slips would be liquidated.
- Regarding return ratio he agreed with the concern that it should be minimized. He clarified that in the new system the claims would be rejected at the initial stage itself which would not cause harassment to the subscribers and also bring down the rejection ratio.

Improvement in statutory functions:

- Regarding Section 7A cases he informed that apart from restoration of area jurisdiction, instructions have been issued to the field offices in October 2009 on

disposal of Section 7A and Section 14B cases and qualitative improvements are expected in their disposal.

- Regarding recovery of arrears under not realizable category he clarified that a majority of the establishments under public sector were not in a position to pay the arrears and the task had become difficult. He acknowledged the members that this was an important area and special attention would be accorded to realization of arrears.
- Regarding court cases he assured that this area would also be accorded attention as desired by the members.

Regarding other observations on Employees Pension Scheme 1995 he requested Addl. Secretary Labour & Employment to apprise the house.

Addl. Secretary, L&E observed that he had recently taken over as the Chairman of the Pension Review Committee. He informed that there were certain harsh realities which the members have to appreciate in order to make the Pension Fund viable. The Committee had held its meeting on 1st December 2009 in which apart from experts, employees' and employers' representative were invited. It has been desired to have another meeting on the issues and the minutes of the meeting would be circulated to all members for inviting suggestions also.

At the instance of Chairman to explain the UCD Account, the FA & CAO clarified that the total accumulations in the UCD Account have been indicated in the Annual Audited accounts which represented the total accumulations at page 11 under Schedule IV. He further clarified that such accounts are now called as inoperative accounts in which contributions were not received for three years in continuity.

With the above deliberations the Draft Annual Report for the year 2008-09 was adopted by the Board.

Item No. 3: Audited Annual Accounts in respect of Employees' Provident Fund Scheme, 1952, Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976 for the financial year 2008-09

The CPFC invited FA & CAO to introduce the item before the Board. FA & CAO introduced the item and observed that in accordance with the provisions of the Para 74 of the Scheme the Annual audited accounts of the Organisation have to be placed first before the Executive Committee alongwith the Audit certificate received from the CAG and then before the CBT. He informed that the certificate was received by EPFO on 26-11-2009 and that the agenda was first placed before the EC in its meeting held on 4.12.2009. The EC had recommended the item to be placed before the CBT for adoption. He mentioned that the Audit report of the CAG together with the comments of the EPFO was given at page 42, 43 and 44. As a new practice, the CAG had issued a management letter on 26.11.2009 citing deficiencies noticed in the accounting records, systems and internal controls which has also been placed on the table of the house. He then requested the members to make their observations before the Accounts were adopted and sent to the Government for placing in the Parliament.

Shri A.D. Nagpal invited attention to item 4 at page 6 of the book regarding Special Reserve fund (recoverable). He observed that in the previous year the budget provision was made for Rs. 63 crores and in the current year it was kept as Rs. 67 crores i.e., enhanced by only Rs. 4 crores. He desired to know what was the quantum distributed to the workers as many mills were closed in the recent years. He appreciated that remittances in transit had shown a sharp decline in the previous year during the current year as indicated at item 6. While further appreciating the decrease in the sundry debits at item 9, he desired that for the amount shown against sundry debits details may be provided. He then referred to the foot note at page 8 of the book wherein huge amount was shown as amount due from employers towards EPF contributions and penal damages and desired to know the action plan to recover them.

Shri B.N. Rai observed that detailed observations have been made by the CAG in their letter dated 26.11.2009 required clarification.

Shri M. Jagdiswara Rao observed that huge sum has been indicated against irregular payments at item C at page 21 of the book which had increased as compared to the previous year and needs to be looked into.

Shri Santosh Saraf observed that he had received the Annual audited Accounts very late and such important items should be circulated well in advance so that fruitful discussion takes place. He further suggested that if the organisation was able to complete its balance sheet by April, 2009 it can be placed before the FIC being a financial matter and thereafter can be sent to the CAG for statutory audit. If possible the draft balance sheet could be circulated to Members in the month of August after the close of the financial year. Regarding the management letter on the deficiencies noticed in the accounting he submitted his written observation which was placed on table. He had made the following observations in his written observations:

- EPFO should follow common formats of Accounts.
- The difference in amount of investment to the tune of Rs.33.73 crores.
- Difference in amount under Special Deposit Scheme with PAO, Ministry of Labour & Employment.
- Not providing details on year wise break up to the auditors on the advances paid for land & building, security deposit and sundry debits.
- Reasons for non reconciliation of difference between receipt & payment account.
- Annual valuation as per Para 32 of EPS 1995 not been conducted for the year 2007-08 and 2008-09.
- Non adequacy of internal audit system and internal control system as noted at page 45 of the audit report.

Dr. Ram Tarneja agreed with the suggestion of Shri Santosh Saraf that finance being a specialized function the Annual Accounts should be first scrutinized by the Finance and Investment Committee of the CBT.

Shri Dipankar Mukherjee observed that as was the practice in the Parliament, there are standing Committees of the Parliament formed for detailed scrutiny of estimates and accounts. He agreed with the views of Shri Santosh Saraf that there could be a separate channel to screen the Annual accounts of the organization as and when required before taking up in the EC or the CBT.

FA &CAO clarified certain observations of the Members as under:

- That the recovery of dues was part of the regular functions of the offices. However, special drive for recovery of dues would be undertaken.
- Regarding the management letter dated 26.11.2009 he clarified it was advisory in nature to the Department to carry out rectification in the accounts and other deficiencies. These observations are being replied to by the EPFO.
- Regarding the details of the sundry debits the same had been given under schedule XXII at page 21 of the book against headings A to E.
- The placement of Annual audited Accounts before EC and then to the CBT was a statutory provision in para 74 of the scheme. However, the suggestion for placing it before FIC could be considered.
- Regarding the adoption of common format of the accounts it was not feasible for EPFO as it was meant for commercial organisations where accounts are being prepared on accrual basis. However, it can be implemented only after computerization in the organisation was completed.
- Regarding the Annual Accounts he clarified that as per the procedure the RPFs in field offices were required to compile their balance sheets individually and get it audited by the Accountant General office. These certified accounts were then received in headquarters. There being 120 field offices, lot of time was taken in

its consolidation and correspondence. The consolidation of accounts needs reconciliation of several accounts maintained by EPFO with statements received from the Banks etc.

The Chairman intervened and accepted the suggestion for placing the Annual Accounts before the Finance and Investment Committee from the next year.

The CPFC observed that the comments of Members would be taken on board and considered. He informed that the observations of the members would be replied to subsequently including the action taken on the comments of the CAG. He then requested the Board to adopt the Annual Audited Accounts for the year 2008-2009.

Secretary (L&E) summed that efforts would be made to compile the Annual Accounts and obtain audit certificate from the CAG office early after sending the annual accounts. The Annual audited Accounts would be placed before the EC and the CBT on time.

With the above deliberations the Annual Audited Accounts for the year 2008-2009 were adopted by the Board.

Item No.4: Revised Estimates for the year 2009-2010 and Budget Estimates for the year 2010-2011 for the Employees Provident Funds Scheme 1952, Employees Pension Scheme, 1995 and Employees Deposit Linked Insurance Scheme, 1976.

The FA & CAO introduced the Item No.4 to the members of the Board. He invited attention of the house to the Revised Estimates for the year 2009-10 and the Budget Estimates for the year 2010-11 in the budget book. The agenda item was also placed before the 97th meeting of the FIC held on 01.12.2009 and its was recommended that it may be placed in the CBT for wider discussion. He then presented the highlights of the income and the expenditure before the Board. He drew attention to the budget

summary and the time series of income and expenditure during the last four years to the Members. He also explained the reasons for variation under the income and expenditure heads.

Some of the Members observed that they had not received the Budget Book in time. The CPFC assured that all care would be taken in future to forward the copy of Budget Book well in advance.

Shri B.N. Rai, observed that there were variations in items other than heads of expenditure relating to salary and day to day administration. He desired that there was a need to fix a limit of variation in estimates on other items and that this may be recorded. He also desired that there must be appropriate foot note under each head where wide variations are made.

The CPFC clarified that during the current financial year, arrears payment of 60% has been made to all the Officers and Staff of EPFO. In addition to it, provision has also been made for implementation of Computerisation Project. Budget Estimates was only an estimate and Revised Estimates was being prepared based on the actuals incurred in the first half of the financial year. Hence, defined percentage of variation could not be maintained in estimation. Further, only those heads under which budget variation exists has been explained being an exception.

Shri Dipankar Mukherjee, drew attention to the errata given with the Budget Book. He pointed out that there were corrections indicated as typographical error whereas there was change in the figure. For instance under the head 'Overtime Allowance' the amount of Rs.207.23 Lakh had been corrected as Rs.4.66 Lakh in the errata. He desired to know whether it was typographical error or due to wrong estimation.

The FA & CAO clarified that it was not due to wrong estimation but incorrect entries made in the tabulation leading to erroneous amount. Regarding the foot note

for variation the same has been indicated under each table and a separate explanatory note has been given at page 6 & 7 of the budget book.

After the deliberations, the Revised Estimates for the year 2009-10 and Budget Estimates for the year 2010-11 as contained in the memorandum was approved by the Board.

Item No.5: Relaxation in Investment Guidelines for Investments in Lower and Upper Tier Bonds issued by the Public sector Banks.

After brief discussion, the proposal contained in the memorandum was approved by the Board.

Item No. 6: Extension of Tenure of Engagement of CRISIL as Consultant for professionally assisting in Performance Evaluation of Portfolio Managers of EPFO by another year from 17.09.2009 to 30.09.2010.

After brief discussion, the proposal contained in the memorandum was approved by the Board.

Item No. 7: Relaxation in Investment Guidelines for Investments in Government Guaranteed Instruments.

After brief discussion, the proposal contained in the memorandum was approved by the Board.

Item No. 8: Pattern of Investment notified by the Ministry of Finance on 14.08.2008.

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 9: Adoption of Investment Management Manual of EPFO.

The item was taken note of by the Board.

Item No. 10: 'Modernization project' implementation in all the offices of Employees' Provident Fund Organization (EPFO) – current status, developments and budgetary requirements for full implementation of first phase of the project.

The CPFC introduced the items and provided a brief background for the members. He explained that the project was started in 2008 with the collaboration of NIC. The project has been conceived in 2 phases where the first phase concentrates on delivering customer oriented services viz. settlement of claims and issuance of accounts slips. The second phase would work towards centralization of operations and transactions and provide anytime-anywhere services. In the first phase of the project the data would be migrated on 'as-is where-is' basis from the legacy system to the new system and provide for corrections as we go ahead. In fact one of the prime reasons that the earlier project did not work was because it depended on cleaning the data first. The target in the first phase was to settle claims in 7-10 days initially and finally within 3-5 days. In the second phase issues of SSN and double entry accounting system would be addressed. The board had approved the implementation plan for the project in its 182nd meeting held on 17-Apr-08 and had approved an initial indicative cost of Rs 15 crore for the project. The Chairman, CBT was authorized to sanction any additional expenditure on the project. The board had also authorized the use of NICSI/NIC rate contracts and the release of advance payments to them for the project implementation

purposes. Since the approval granted by the board a lot of activities had been carried out and several milestones have been achieved. MoU has been signed with NIC and a joint development team of NIC and EPFO has been working on the project. The application software for the project has been developed and tested at Karnal and the office has subsequently gone live. In Karnal all the officials are working on computers and comfort level has increased day by day. The IT infrastructure has been procured for 27 offices and out of these, 5 offices are working under the new system in full production environment. These live offices include large offices like Delhi and Hyderabad. The issues with the application have been sorted out and by and large no major glitches are anticipated while implementing in other offices.

In order to ensure success of the project a massive training exercise has been carried out with NATRSS as the nodal agency. Senior personnel and technical resources have been trained at NATRSS and they have subsequently trained other people at ZTI and other offices. Almost 4000 persons have been trained and by March training would cover all employees of EPFO.

The application is running in production environment at 5 offices and has stabilized and by the end of December another 13 offices are expected to go-live. The remaining offices would go-live by first week of Jan '10. He also informed the board that the project has been reviewed by the Cabinet Secretary and the project figures in the mission mode projects of the government.

Shri. Dipankar Mukherjee observed that there was wide variation in the cost of the project from Rs 15 crore to Rs 96 crore. He felt that the reasons for the variation in the cost of the project had not been presented with the required details. It was explained that the reasons for the variation in the costs had been explained at page 113 of the Agenda Book-II. Shri Mukherjee stated that he had read the reasons mentioned but felt that item wise details of the increase in costs and the reasons for each should have been indicated. He felt if the project requirements assessment made at the time of commencement of the project had undergone major changes then the parameters of

the new project should have been stated. He desired that the variation in the project cost should be brought out on a 'cost-plus' basis for each item of the project.

Shri A.D. Nagpal stated that the Board had given approvals for the project whenever the same had been asked. He said that principally it was an agreed position that computerization should take place in EPFO and sanctioning the budget for computerization should be agreed to but he wanted to be assured that in the five offices that have gone live all the modules are working, the claim settlement time is achieved and it is financially safe software.

Director General, NIC (DG-NIC) addressing the board stated that when the initial requirements for the project were being worked out last year, they had very little knowledge of the working of EPFO and the condition of the existing systems. Since that time much has happened and the application software has been developed and implemented in Karnal. Considering the fact that the application handled financial transactions an independent Third Party Audit from the Software Testing and Quality Control (STQC) unit of the Department of Technology, Ministry of Information Technology and Communications, Government of India has been planned. As decided in the Apex Committee, the Third Party Audit would take place after the implementation stabilizes in the initial five offices.

DG-NIC further added that since the completion of the software and the implementation in five offices in production mode, the sizing of the hardware requirement has been completed. The sizing takes into account the entire requirements of the first phase. Due care had been taken to keep the costs to the barest minimum and the suggestion of open source database was accepted on the principle that wherever costs can be reduced it must be done. He stated that normally absorption of technology by organisations is slow, but in the case of EPFO due to efforts of the CPFC the acceptance for the project was substantially high among staff and officers. He was pleased with the absorption level of the new system in EPFO and the fact that ownership had been taken by the EPFO employees. He also informed the board that web modules were ready by which members would be able to see their account balances and claim

status over the internet. On the issue of the Unique ID that had come up during discussion on another agenda he informed that a national UID authority had been set up which is working on the unique ID(UID) for citizens and EPFO should associate with it as a registering agency. The national UID scheme provides for capturing data of individuals with biometrics for ensuring uniqueness. The timeframe for the national project is 18 months and DG-NIC hoped that within this timeframe it would be possible to issue the unique numbers to EPF members. DG, NIC assured the Board that NIC as an organ of the Government was committed to the project and its successful implementation.

Shri B.N. Rai and Shri Shankar Saha wished to know whether any timeframe has been determined for the UID for EPF members and wanted a road-map to be placed before the board.

Shri D.L. Sachdev wished to know the actions taken against SISL and remarked that in the present project we are being given commitments by NIC and whether success can be gauged from these commitments. Minister of State and vice chairman clarified that the dispute with SISL is to be settled through arbitration proceedings which were going on.

With these discussions the Board approved the agenda as proposed.

Item No. 11: Delegation of Financial / Administrative power by Central Provident Fund Commissioner.

The proposal contained in the agenda was noted by the Board.

Item No. 12: Introduction of New Schedule Head for Coverage of Contract Workers of Municipal Corporations/Committees.

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 13: List of ineligible request for waiver of damages rejected by Central Provident Fund Commissioner.

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 14: Agenda Note on increase in wage ceiling and Abolition of Schedule Head for the purpose of Coverage of establishment under the EPF & MP Act, 1952: Recommendation no. 75 and 80 of 39th Report of Parliamentary Standing Committee on Labour on Employees' Provident Fund Organisation – Employees' Provident Fund Scheme, 1952.

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 15: Request for waiver of damages in respect of M/s. Dima Tea Estate (WB/JPG/1432).

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 16: Request for waiver of damages in respect of M/s Gujarat State Road Transport Corporation Ltd.

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 17: Request for Waiver of damages under section 14B of the Act – M/s Hindustan Antibiotics Ltd. (MH/1459).

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 18: Request for Waiver of damages under section 14B of the Act – M/s. Siddhartha Super Spinning Mill (HP/10429).

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 19: Request for Waiver of damages under section 14B of the Act– M/s. Heavy Engineering Corporation Limited (JH/1465).

The agenda item was not taken up due to paucity of time and hence deferred.

Item No. 20: Grant of Exemption under Section 17 of the EPF & MP Act - 1952 by Appropriate Government.

The agenda item was not taken up due to paucity of time and hence deferred.

The meeting ended with vote of thanks to the Chair.

Minutes Confirmed.

**(Mallikarjun Kharge)
Minister of Labour & Employment &
Chairman, Central Board of Trustees, EPF.**

Date:

Annexure – 'A'

List of the officers of the Ministry of Labour & Employment and Employees' Provident Fund Organisation, who were present in the 188th meeting of the Central Board of Trustees (EPF) held on 05.12.2009.

1. Shri S.K. Verma, Director, Ministry of Labour & Employment.
2. Shri Abhay Kumar Singh, FA & CAO.
3. Shri Rajeev Kumar, Chief Vigilance Officer.
4. Shri B.K. Panda, Addl. CPFC(IS).
5. Shri V.P. Ramaiah, Addl. CPFC (HR).
6. Shri Ajit Kulshrestha, Addl. CPFC (CSD).
7. Shri K.C. Pandey, Director(NATRSS).
8. Shri Rajesh Bansal, Addl. CPFC (Pension).
9. Col. P.K. Chaturvedi, Chief Engineer.
10. Shri R.K. Kukreja, RPFC (HRM).
11. Shri Shankar Pathak, Director (Recovery).
12. Shri P.U. Kulkarni, RPFC (Pension).
13. Shri S. Deb, RPFC (Compliance).
14. Shri K.L. Goyal, RPFC (IMC).
15. Shri R.K. Singh, RPFC (F&A).
16. Shri Shyam Sunder, Director (Audit).
17. Shri Chandramauli Chakraborty, RPFC (IS).
18. Shri V. Ranganath, RPFC (Investment).
19. Shri Rajeev Bisht, RPFC(IMC)
20. Shri Saurabh Jagati, RPFC (Exemption).
21. Shri Subash Sharma, RPFC(ASD).
22. Shri Sanjay Bisht, RPFC (Conference).
23. Ms. Nidhi Singh, RPFC (IMC).
24. Shri Brajesh Mishra, RPFC (IMC).
25. Shri Vishal Agarwal, APFC (Conference).
26. Shri J.C.Thukral, APFC (ASD).

Minutes Confirmed.

**(Mallikarjun Kharge)
Minister of Labour & Employment &
Chairman, Central Board of Trustees, EPF.**

