



Employees' Provident Fund Organisation issues FAQs on its Inspection Policy

Background

In June 2014, the Employees' Provident Fund Organisation (EPFO) issued a circular¹ with regard to its inspection scheme. In order to simplify business regulations, a transparent inspection policy with relevant norms and criteria was formulated for ensuring accountability, transparency and for minimising frequent inspections of the same unit.

The circular laid down the objectives of the inspection scheme which also included the criteria of inspections and methodology to be followed in this regard.

In the above context, EPFO has now issued Frequently Asked Questions² (FAQs) on its inspection policy.

Highlights of the FAQs

The FAQs on the inspection policy released by the EPFO addresses following issues:

- The establishments would be inspected as per the inspection policy of the EPFO which was circulated vide circular dated 26 June 2014.
- For the first year of setting up of the Start-ups, such establishments may not be inspected under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act).
- Start-ups may be asked to submit an online self-declaration instead. From the second year onwards, up to five years from the setting up of the unit, such start-ups may be taken up for inspection only when very credible and verifiable complaints of violation is filed in writing and the approval has been obtained from the Central Analysis and Intelligence Unit (CAIU).

- The different types of inspection under the policy formulated by EPFO are as follows:
 - Mandatory inspection
 - Inspection can be conducted in cases forwarded through CAIU of EPFO
 - Optional inspection
- The different criteria under which establishments can be selected for inspection:

Mandatory inspection

- All establishments registered on Electronic Challan Cum Return (ECR) portal which are not marked as closed and not complying
 - Establishments reported for closure
- Optional inspection

In the following cases, the inspections would be generated through computer taking into account the drop in remittance/ membership as compared to last quarter as per following parameters:

- Remittance drop in excess of INR10,000 and 15 per cent (weightage of 1:1) (40 per cent)
- Membership drop in excess of 50 members and 15 per cent (weightage of 1:1) (40 per cent)
- All other units (20 per cent)

Further, it is mentioned that normally an establishment may be selected for inspection only once in a year.

¹ EPFO Circular - http://www.epfindia.com/site_docs/PDFs/Circulars/Y2014-2015/MIS_WebPortal.pdf

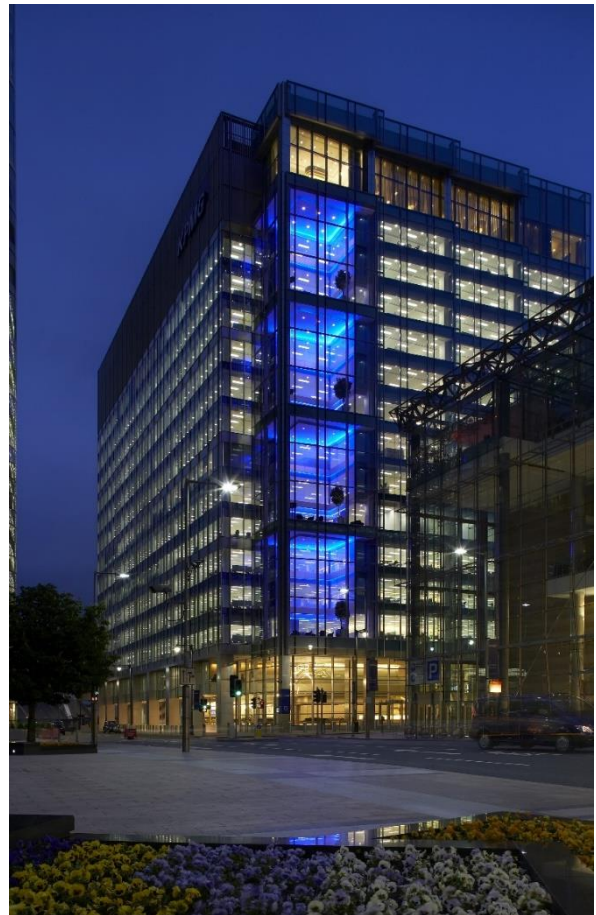
² EPFO Circular - http://www.epfindia.com/site_docs/PDFs/Circulars/Y2017-2018/CAIU_FAQ_InspectionPolicy_13502.pdf

Accessed on 17 October 2017

- The FAQs also state that the inspection report will not be available on the website. However, the inspection report can be provided on demand of the complainant subject to the exclusion as prescribed under the Right to Information Act, 2005 (RTI Act).
- In case any establishment which is found to have been violating the rules and regulations under the EPF Act, suitable action as prescribed under the EPF Act and the Schemes framed thereunder may be taken against such establishment.

Our comments

The organisations covered under the EPF Act should review their provident fund compliances (including compliance in respect of International Workers) to make sure that the same aligns with the EPF Act.



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