113th Meeting of the
FINANCE INVESTMENT AND AUDIT COMMITTEE

[CENTRAL BOARD OF TRUSTEES, EMPLOYEES' PROVIDENT FUND]

On
23-06-2014 at 3:00 PM

Venue:
Conference Hall, 3rd Floor
HO, EPFO
Bhikaiji Cama Place, New Delhi
EMPLOYEES' PROVIDENT FUND ORGANISATION

AGENDA BOOK
113th Meeting of the Finance Investment & Audit Committee, CBT, EPF

Date: 23-06-2014

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Item No.1:- Confirmation of the Minutes of the 112th meeting of the Finance Investment & Audit Committee held on 28.04.2014 at EPFO, Head Office, New Delhi.

Minutes of 112th meeting of Finance Investment and Audit Committee held on 28.04.2014 were circulated vide letter No Invest.1/(112th Mtg.)/FIAC/2014/1750 dated 6.05.2014. Copy of the minutes is enclosed as Annexure – 1 of this item.

Minutes may be taken as confirmed.
Minutes of the 112th meeting of Finance Investment & Audit Committee
held on 28.04.2014

1. The 112th meeting of the Finance and Investment Committee, Central Board of Trustees,
Employees’ Provident Fund was held at 12:00 Noon on 28.04.2014 at EPFO, Head office,
New Delhi.

2. The following were present in the meeting:

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<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
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<tr>
<td>a.</td>
<td>Shri K.K. Jalan</td>
<td>Chairman, Finance Investment &amp; Audit Committee (FIAO), CBT, EPF and Central Provident Fund Commissioner, Employees’ Provident Fund Organisation, Head Office.</td>
</tr>
<tr>
<td>b.</td>
<td>Ms. Meenakshi Gupta</td>
<td>Joint Secretary &amp; Financial Advisor, MOL&amp;E</td>
</tr>
<tr>
<td>c.</td>
<td>Ms. Sameera Saurabh</td>
<td>Joint Secretary (Social Security), MOL&amp;E</td>
</tr>
<tr>
<td>d.</td>
<td>Dr. G. Sanjeeva Reddy</td>
<td>Member, CBT, EPF (Employees’ Representative)</td>
</tr>
<tr>
<td>e.</td>
<td>Shri J.P. Chowdhary</td>
<td>Member, CBT, EPF (Employers’ Representative)</td>
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<tr>
<td>f.</td>
<td>Dr. Shashank Saksena,</td>
<td>Domain Expert, Director(MOF) (Representative of Sh. Anup Wadhawan, Joint Secretary, I&amp;P, DFS, MOF)</td>
</tr>
<tr>
<td>g.</td>
<td>Shri Sanjay Kumar</td>
<td>Convener and FA &amp; CAO, EPFO</td>
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</table>

3. The following members could not attend the meeting:

a. Dr. G. Sanjeeva Reddy Member, CBT, EPF (Employees’ Representative)
b. Dr. Ram S. Tarneja Member, CBT, EPF (Employers’ Representative)

4. The following officers were in attendance:

a. Ms. Mridula Ghai, Director (Audit)
b. Shri Sanjy Kumar RPFC-(F&A, Investment)
c. Shri Manoranjan Kumar, RPFC-II (Investment)
d. Shri Ajay Kumar, RPFC-II (IMC)
e. Shri Vishall Agarwal, RPFC-II (IMC)
5. The Chairman welcomed all the members and officers present in the meeting.

6. The Agenda wise discussions are recorded below:

**Item No.1:- Confirmation of the Minutes of 111th Meeting of the Finance and Investment Committee held on 27.03.2014 at EPFO, Head Office, New Delhi.**

The minutes were confirmed.

**Item No.2:- Actions taken on the recommendations of the 111th meeting of Finance & Investment Committee held on 27.03.2014.**

The Committee took note of the Action Taken Report.

**Item No.3:- Additional investment guidelines for new pattern of investment (decided in 202nd meeting of CBT).**

(i) FA & CAO introduced the agenda item to the Committee. A presentation titled "Challenges before EPFO in generating better rate of return" was made by FA & CAO before the Committee. The presentation contained the following proposals;

(a) **To remove the following conditions for investment in bonds of dual AAA private companies laid down by 201st CBT held on 25.02.2013;**

   a. Listed companies.
   b. Continuously made net profit during last 5 years.
   c. Minimum positive net worth of Rs.3000 Cr.
   d. Continuously paid minimum dividend during last 5 yrs.

(b) **To increase the basket for Private Category by allowing investments in bonds of dual AA+ rated private companies with following conditions;**

   a. Maximum investment Limit as 20% of net-worth.
   b. Maximum tenure of 5 years.
113th FIAC Meeting

c. Covenant for stepping up of interest in case of downgrade by one notch by the rating agency.
d. In case of downgrade by more than one notch by both the rating agencies, EPFO can use option to redeem the bond (PUT option).

(ii) Sh. Shashank Saksena, Director (MoF) suggested that condition of tenure of 10 years may also be removed.

(iii) On the query of Sh. Prabhakar Banasure that how many more private companies will qualify for investment of EPFO on approval of above proposal of relaxation for investment in bonds of dual AAA private companies, FA & CAO informed that if proposal is approved, the basket of AAA private companies that may qualify for the purpose would increase to about 66 from 16.

(iv) Sh. J. P. Chaudhary suggested that since the matter involved risk and return on investments of EPFO, it should be brought before the CBT for consideration and approval for which a separate meeting of the CBT may be called for deliberating solely on investment issues.

(v) Ms. Meenakshi Gupta, JS & FA, MoL&E suggested that the Expert Committee to be headed by Shri Kaul formed for analyzing various items on investments and giving recommendations on them may also be assigned the task of examining the issue of further relaxation in private category and its suggestions / recommendations may be placed before the FIAC / CBT.

(vi) Chairman FIAC suggested that since the wage limit may get increased to 15,000 for which notification is awaited, this call for relaxation for investment in private category would have to be taken by the FIAC sooner than expected and accordingly requested the members to approve the item.
113th FIAC Meeting

(vii) The Committee decided to recommend the item to the CBT for consideration and approval of both the proposals as mentioned above with the observation that if the Expert Committee to be headed by Shri Kaul formed for analyzing various items on investments and giving recommendations on them shall also examine and give recommendations on this item as well, its suggestions specific to this item may also be placed before the Board alongwith the main agenda.

Item No. 4:- Finalisation of MoU with NTPC for subscription to the bond issuance for next 3 years.

FA & CAO introduced the agenda item to the Committee. After detailed discussions, the Committee decided to recommend the following to the CBT for approval;

a. To approve the proposal of NTPC as contained in the Agenda.

b. To constitute a PSU Cell within IMC as proposed in the Agenda.

c. To delegate the power of signing the agreement with any PSU to the CPFC who is also the Chairman, FIAC.

Item No. 5: Proposal for borrowing of funds for participation in primary auctions of Government Securities and Corporate bonds.

FA & CAO introduced the agenda item to the Committee. It was informed to the members of the Committee that similar item of borrowing from CBLO for participation in primary auction of Government securities and SDL by RBI had already been approved by the CBT, EPF in its 200th Meeting held on 07th August, 2012. However, due to certain operational issues the borrowing from CBLO could not be done till date.

The Committee after detailed discussion decided to recommend the item to the CBT for approval.

_The Meeting ended with vote of thanks to the chair._
### Item No: 2 Action Taken Statement in respect of 112th meeting of Finance & Investment Committee held on 28.04.2014.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Decisions/Directions of FIC</th>
<th>Action Taken</th>
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<tr>
<td>3.</td>
<td><strong>Additional Investment Guidelines for New Pattern of Investment 2013</strong>&lt;br&gt;The Committee after detailed discussion decided to recommend the item to the CBT for consideration and approval. It is further observed that the Expert Committee to be headed by Sh. Kaul formed for analyzing various items on investment and giving recommendation on them shall also examine this item and give its recommendations. Its suggestions specific to this item may also be placed before the Board alongwith the main agenda.</td>
<td>Item will be placed before the ensuing meeting of CBT.</td>
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<td>4.</td>
<td><strong>Finalisation of MoU with NTPC for subscription to the bond issuance for next 3 years.</strong>&lt;br&gt;After detailed discussion, the Committee recommended the following to the CBT for approval;</td>
<td>Item will be placed before the ensuing meeting of CBT.</td>
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<tr>
<td></td>
<td>I. To approve the proposal of NTPC as contain in the Agenda.</td>
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<td></td>
<td>II. To constitute a PSU Cell within IMC as proposed in the Agenda.</td>
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<td></td>
<td>III. To delegate the power of signing the agreement with any PSU to the CPFC who is also chairman of FIAC.</td>
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<tr>
<td>5.</td>
<td>Proposal for borrowing of funds for participation in primary auctions of Government Securities and Corporate bonds.</td>
<td>Item will be placed before the ensuing meeting of CBT.</td>
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<td>The Committee after detailed discussion decided to recommend the item to the CBT for approval.</td>
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113th FLAC Meeting

Item No.3: Challenges in investment of EPFO fund in the changed economic scenario.

A power point presentation will be made in the meeting.
113\textsuperscript{th} FIAC Meeting

Item No 4: Appointment of Consultant for Selection of Portfolio Managers, Custodian and Concurrent Auditor and Performance Evaluation of Selected Portfolio Managers.

1. The Central Board of Trustees, EPF in its 202\textsuperscript{nd} Meeting held on 13.01.2014 gave its approval for constitution of a five members Committee to carry out the process of selection of Consultant from among the credit rating agencies registered with SEB.

2. The Committee prepared the Request for Proposal and sent the same to the six credit rating agencies registered with SEBI. The same was also posted on website of EPFO. The interested parties were given four weeks time to send in their bids i.e. Pre Qualification, technical bid and financial bids till 11:30 A.M. of 9\textsuperscript{th} May, 2014. Three bids were received by the office within the stipulated time pertaining to following Credit Rating Agencies:

(i) M/s. CRISIL Ltd
(ii) M/s. CARE
(iii) M/s. Brickwork Ratings

3. The Committee met on 12\textsuperscript{th} May, 2014 at 11:30 a.m. onward as per the schedule for opening of the bids received in the office. The representatives of all the bidders were present for opening of bids. The bids submitted by M/s. Brickworks Ratings and M/s. CARE were not in the prescribed format and were accordingly, liable for rejection on technical grounds of not adhering with the procedure for submission of bids as was prescribed in the RFP. However, in order to have wider participation in the bidding process and give fair chance to all bidders, the Committee decided to consider their bids with certain conditions as detailed in the minutes of the Meeting held on 12\textsuperscript{th} May, 2014 placed at Appendix 1.

4. Thereafter, the Pre-Qualification (PQ) bids were opened in the presence of the representatives of all the three bidders. There were seven PQ criteria which were all to be fulfilled by the bidders. Bidders fulfilling all the PQ criteria became eligible for opening of their technical bids followed be opening of financial bids if found technically qualified. All three CRAs were evaluated by the Committee one by one on PQ criteria and
thereafter results tabulated. Since each bidder had to qualify on each of the seven PQ criteria, the criteria subsequent to first disqualification was not evaluated by the Committee. After the evaluation of the PQ bids of all the bidders, two of them were disqualified on Pre-Qualification stage for failing to qualify on one of the PQ criteria as mentioned in the Comparative Statement of pre-qualification bid prepared and signed by all the five Members of the Committee.

5. Accordingly, the technical bid of the only pre-qualified participant i.e. M/s. CRISIL was opened and technically evaluated by the Committee on each of the parameters prescribed in the RFP. As mentioned in the RFP, M/s. CRISIL also made a presentation on the parameter for ‘Approach and Methodology to be followed for Execution of Assignment’ before the Committee.

6. The Committee was of the unanimous opinion that M/s. CRISIL was the technically qualified for carrying out the assignment successfully as it has secured 58 marks out of 80 against the minimum requirement of 48 marks and hence financial bids of M/s. CRISIL could be opened. The financial bid of the CRISIL was opened and the following rates were quoted for the works to be done:

<table>
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<tr>
<th>Sl. No.</th>
<th>Activity to be carried out</th>
<th>Period of Engagement</th>
<th>Consultancy Fee (In Rs.)</th>
<th>Total (In Rs.)</th>
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<tbody>
<tr>
<td>1</td>
<td>Preparation of Expression of Interest (EoI) and Request for Proposal (RFP) and in evaluating the Technical and Financial Bids for appointment of Portfolio Managers, Custodian &amp; Concurrent Auditor.</td>
<td>1</td>
<td>32,00,000</td>
<td>1 * 32,00,000 = 32,00,000</td>
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<td>(ONE TIME EXERCISE)</td>
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<td>2</td>
<td>Monitoring the performance of the</td>
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<td>24,00,000</td>
<td>3 * 24,00,000</td>
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<td>selected Portfolio Managers,</td>
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<td>Strengthening of in-house</td>
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<td>Investment Monitoring Cell</td>
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<td>(IMC) of EPFO and training</td>
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<td>the officials on investment</td>
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<td>procedure and practices from</td>
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<td>time to time and Providing</td>
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<td>research based assistance</td>
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<td>to EPFO.</td>
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(RECURRING EXERCISE)

| TOTAL                      | 1,04,00,000 |

7. The Committee decided to recommend to the Central Board of Trustees, EPF the name of M/s. CRISIL for appointment as Consultant for the assignment as mentioned in the RFP on its quoted fee.

8. In view of the above, the FIAC may recommend the name of M/s. CRISIL Ltd. for appointment as Consultant for selection of Portfolio Managers, Custodian and Concurrent Auditor and performance evaluation of selected Portfolio Managers. However, keeping in view of the paucity of time and importance of the matter, it is suggested that the FIAC may recommend the name of M/s. CRISIL Ltd. for appointment as Consultant to the Chairman, CBT for approval and the matter may be placed in the next Meeting of CBT for information/ratification.

_The agenda is placed before the Committee for approval of Para 8 above._
To,

Dr. G. Sanjeeva Reddy,
President,
Indian National Trade Union Congress,
6/8, Leigh Barketpure,
Hyderabad-500 027.

Sh. Sharad Patil,
Secretary General, (CIE)
Employees’ Federation of India,
204, Joanna, 10, Manual Gonsalves Road,
Bandra (West)
Mumbai-400 050.

Subject: Minutes of the Third Meeting of the Committee for Appointment of Consultant for the Selection of Portfolio Managers, Custodian, Concurrent Auditor and Performance Evaluation of the Portfolio Managers.

Sir,

I am directed to forward herewith the Minutes of the Third Meeting of Committee for Appointment of Consultant for the Selection of Portfolio Managers, Custodian, Concurrent Auditor and Performance Evaluation of the Portfolio Managers held on 12th May, 2014 signed by EPFO representatives and concurred through email by Dr. G. Sanjeeva Reddy and Sh. Sharad Patil (copy of emails enclosed) for perusal and record.

Yours sincerely,

Regional P. F. Commissioner-II (IMC)

Endorse:- As above

Fax/Speed Post
Fax: 011-26063248
Fax: 011-3618723

Employee Provident Fund Organisation
(Ministry of Labour, Govt. Of India)
Head Office
Pashupati Nagar, 14 - 15th Floor, A-3 Sector, Gurgaon - 110034
Bhavishya Nidhi Bhawan, 14- Dhikajli Cama Place, New Delhi - 110066
www.epfindia.gov.in/www.epfindiae.gov.in

File no. HO/IMC/116/AOC/2013/42897 to 4293

Dated: 17 June 2014
Copy to:

1. FA & FAO, EPFO
2. Director (Audit)
3. RPFC-I (IMC)

Regional P. F. Commissioner-III (IMC)

(Vishal Agarwal)

ISSUED
Minutes of the Third Meeting of the Committee for Appointment of Consultant for Selection of Portfolio Managers, Custodian and Concurrent Auditor and Performance Evaluation of the Portfolio Managers, held on 12th May, 2014 at EPFO Head Office, New Delhi.

The Third Meeting of the Committee was held on 12th May, 2014 from 11:30 A.M. onwards in the Conference Room, 3rd Floor, EPFO Head Office, New Delhi. The purpose of this Meeting was to open and evaluate the bids received from CRAs for appointment as Consultant.

All the members as follows were present in the Meeting:

1. Dr. G. Sanjeeva Reddy, CBMT Member, Member, Employees' Representative
2. Shri Sharad Patil, CBMT Member, Member, Employers' Representative
3. Shri Sanjay Kumar, FA & CAO, Member, EPFO
4. Ms. Mridual Ghat, Director (Audit), Member, EPFO
5. Shri Sanjay Kumar, RPFC-I (IMC), Member, EPFO

The officers of Investment / IMC, i.e. Shri Manoranjan Kumar, RPFC-II, Shri Ajay Kumar, RPFC-II and Shri Vishal Agarwal, RPFC-II and concerned officials of IMC Section were also present to assist the Committee in the exercise.

The FA & CAO welcomed all the members to the Third Meeting of the Committee. He informed that the two letters with reference to the RFP documents were received from CRAs. While in the first, M/s. CRISIL Ltd. had sought certain clarifications on RFP documents, in the second, M/s. Brickworks Ratings has requested to relax clause 11.b of the RFP i.e. Bidder should have minimum ten years of experience of operation in India. With reference to the first, the Committee was informed that the clarification had been issued to all CRAs which was taken note of by the Committee. With reference to the representation from Brickworks seeking relaxation in Clause 11.b, FA & CAO observed that since relaxation sought came under the domain of the Committee, no reply has been sent and requested the Committee to decide the same. The
Committee perused the representation and heard views of the representative of M/s. Brickworks Ratings. Thereafter, the Committee had a detailed discussion after which it was decided that since the clause was there in the last RFP for selection of consultant also and there must be some minimum benchmark in experience as the present assignment required not only technical expertise but also sufficient experience in the relevant area of consultancy, it would not be appropriate to relax the said condition at this stage. The representative of M/s. Brickworks Ratings was informed of the decision of the Committee.

In total 3 bids were received from CRAs namely M/s. Brickworks Ratings, M/s. CARE and M/s. CRISIL and the representatives of all the bidders were present for opening of bids whose attendance was taken on record. The main envelopes containing the bids of all the 3 bidders were opened in presence of all. The bids of M/s. Brickworks Ratings and M/s. CARE were not submitted in three separate envelopes with proper superscription of the type of bid on the top of each envelope as prescribed clearly at Para 23 of Page 11 of the RFP (that was read out from RFP for information of all present) and were accordingly, liable for rejection on technical grounds of not adhering with the procedure for submission of bids as was prescribed in the RFP. However, the representatives of M/s. Brickworks Ratings and M/s. CARE requested the Committee that their bids might not be rejected on this ground as they knew the type of bid kept in each envelope and if opportunity was given to them, they could super-scribe the type of bid on top of each of them correctly. Accordingly, in order to have wider participation in the bidding process and to give fair chance to all bidders, the Committee decided to consider their bids with the condition that since the technical and financial bids of only those bidders were to be opened who qualified PQ and technical stage respectively as per the procedure given in the RFP, their representatives should give written acceptance that if after opening of the envelope, the bids were not in prescribed format or some other type of bid other than that super-scribed on top is opened, the same shall be liable for rejection. The representatives of both Brickworks and CARE gave their written acceptance on the back of the envelope to that effect and were accordingly, allowed to super-scribe the envelopes.

Thereafter, the Pre-Qualification (PQ) bids were opened in the presence of the representatives of all the three bidders. There were seven PQ criteria which were all to be fulfilled by the bidders so as to be eligible for opening of their technical bids followed by opening
of financial bids if found technically qualified. The standing on each of the seven criteria of all three CRAs was evaluated by the Committee one by one and thereafter tabulated. Since each bidder had to qualify on each of the seven PQ criteria, the criteria subsequent to first disqualification was not evaluated by the Committee. After the evaluation of the PQ bids of all the bidders, it was observed by the Committee that while M/s. Brickwork Ratings could not fulfill PQ Criteria 2 i.e. The Credit Rating Agency should have minimum 10 years of operations in India in the field of ratings, M/s. CARE did not submit documentary proof in respect of PQ Criteria 3 i.e. The Bidder should have never been disqualified by SEBI (on which the Committee took a lenient view duly observing that if found qualified for the assignment after completion of the bidding process, M/s. CARE would submit the prescribed affidavit in time bound manner to which its representative agreed) and further could not qualify PQ Criteria 5 i.e. The bidder should be experienced in evaluating performance of investment portfolio / investment portfolio managers as per the information given in PQ bid. M/s. CRISIL fulfilled all the PQ criteria whereas M/s. Brickworks Ratings and M/s. CARE were disqualified on Pre-Qualification stage for failing to qualify on one of the PQ criteria as mentioned in the Comparative Statement of pre-qualification bids which was prepared and signed by all the Five Members of the Committee (enclosed as Annexure 'A').

Accordingly, it was decided to proceed with opening of the technical bid of only one such bidder which had pre-qualified the bidding process. On this point, Director (Audit) observed that since only one party has pre-qualified after evaluation of PQ, the Committee might consider inviting fresh bids in order to give wider participation to the prospective bidders. It was clarified by FA & CAO that each of the 6 CRAs recognized by SEBI was individually informed of the process. There was absolutely no probability that any of the prospective bidders was unaware of the bidding process. Secondly, the pre-qualification criteria followed in this bidding process were either identical to or relaxed than the technical criteria fixed while selecting the consultant for the similar work in 2011. Out of 7 pre-qualification criteria, while criteria 1, 2, 3, 4 and 7 were identical to the technical criteria adopted for selection of the Consultant in 2011, criteria 5 and 7 were made more liberal in order to generate wider participation. If the Committee went by technical evaluation adopted for selection of the consultant last time, qualification to each technical criteria was individually analyzed, in other words, the technical criteria evaluated by
the Committee in the last bidding process were also treated as mandatory and pre-qualificatory in nature. The process of selection of consultant this time was aligned to the process prescribed by the Department of Expenditure, Ministry of Finance for selection of Consultants to the maximum possible extent. It was further added that the role of the Consultant was much more than work of a credit rating agency as it not only involved selection of appropriate portfolio managers but also evaluation of their performance on periodical basis, rendering training and providing research based assistance. The conditions prescribed have to take into account the experience of the CRAs in executing assignment of similar nature.

Dr. Sanjeeva Reddy observed that proper communication was given to each of the prospective bidder not only through e-mail and website but also through speed post. Telephonic acknowledgement of receipt of RFP was also confirmed from each CRA. Therefore, it was clear that reasonable opportunity and sufficient notice (of four weeks) were given to all the prospective bidders. So he suggested to proceed with opening of technical bid of the pre-qualified bidder.

Shri Sharad Patil also endorsed the views of the FA & CAO as well as Dr. Sanjeeva Reddy. He also emphasized that quality of the Consultant had wider ramification in the subsequent process of selection of Portfolio Managers as well as evaluation of their performance in Fund Management. Therefore, the conditions as agreed by the Committee for pre-qualification and technical evaluation should not be compromised. He further added that sufficient opportunity had been given to all the prospective bidders which, apart from the 3 bidders, others have opted not to avail and the process could not be derailed merely because some prospective bidder(s) had not shown interest in the assignment and had accordingly not applied. Therefore, there was no reason for not going ahead with the process further.

Accordingly, as stipulated in the RFP, the technical bid of the only pre-qualified bidder i.e. M/s. CRISIL was opened and technically evaluated by the Committee on each of the parameters. As mentioned in the RFP, M/s. CRISIL also made a presentation on the parameter for "Approach and Methodology to be followed for Execution of Assignment" before the Committee. A copy of the same was also kept in file for record. The final score obtained by M/s. CRISIL on each of the parameters was as under:
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<tr>
<th>Sl. No.</th>
<th>Particular</th>
<th>Maximum Score</th>
<th>Score by the Committee</th>
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<tbody>
<tr>
<td>1.1</td>
<td>Experience in selection of pension / provident funds managers (No of assignments completed and No of clients) (Bidder should submit letter of award/appointment letter/copy of agreement/Satisfactory completion letter as documentary proof for these assignments)</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>1.2</td>
<td>Experience in evaluation of performance of pension / provident funds managers [(a) No of years of experience, (b) No of clients and (c) size of assets managed by clients] (Bidder should submit letter of award/appointment letter/copy of agreement/Satisfactory completion letter as documentary proof for these assignments for (a) &amp; (b) AND self attested declaration for (c))</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>1.3</td>
<td>Experience in designing and creation of benchmarking indices for evaluation of performance of investments in Govt. Securities and Corporate Bonds and/or Equities. (No of years of experience, No of Clients, No. of Indices) (Bidder should submit the list of indices that are outstanding in the public domain)</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>1.4</td>
<td>(a) Experience in handling assignments / projects in the current Financial year and previous Financial years (FY 2010-11, 11-12 &amp; 12-13) for Financial Sector regulators – in India (Bidder should submit letter of award/appointment letter/copy of agreement/Satisfactory completion letter as documentary proof for these assignments)</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(b) Experience as Member on the committees set up by Financial Sector Regulators (SEBI/RBI/IRDA/PFRDA etc.) and Industry Bodies (Bidder should submit the names of the Committees and representatives on those Committees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Profile of Team Leader and relevant experience</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>2.2</td>
<td>Profile of the Team and relevant experience</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>Approach and Methodology to be followed for execution of assignment Project Plan and Timeline</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>80</strong></td>
<td><strong>58</strong></td>
</tr>
</tbody>
</table>

The Committee was of the unanimous opinion that M/s. CRISIL was technically qualified for carrying out the assignment successfully as it had secured 58 marks out of 80 against the minimum requirement of 48 marks and hence financial bids of M/s. CRISIL could be opened.
Accordingly, the financial bid of M/s. CRISIL was opened by the Committee. The following rates were quoted for the works to be done:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Activity to be carried out</th>
<th>Period of Engagement</th>
<th>Consultancy Fee (In Rs.)</th>
<th>Total (In Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Preparation of Expression of Interest (EoI) and Request for Proposal (RFP) and in evaluating the Technical and Financial Bids for appointment of Portfolio Managers, Custodian &amp; Concurrent Auditor. (ONE TIME EXERCISE)</td>
<td>1</td>
<td>32,00,000</td>
<td>1 * 32,00,000 = 32,00,000</td>
</tr>
<tr>
<td>2.</td>
<td>Monitoring the performance of the selected Portfolio Managers, Strengthening of In-house Investment Monitoring Cell (IMC) of EPFO and training the officials on investment procedure and practices from time to time and Providing research based assistance to EPFO. (RECURRING EXERCISE)</td>
<td>3</td>
<td>24,00,000</td>
<td>3 * 24,00,000 = 72,00,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,04,00,000</strong></td>
</tr>
</tbody>
</table>

It was felt by the Committee that the consultancy fee quoted by the bidder was on the higher side considering the fact that the total fee on the last occasion was Rs. 61,00,000/-. Accordingly, the representatives of the bidder i.e. M/s. CRISIL were called to seek clarification on the financial bid vis-à-vis the Scope of Work and Terms of Reference mentioned in the RFP. It was clarified by the bidder that not only the prices had increased significantly in the last three years, but also since scope of work has increased in both one time exercise (as they have to carry out the task of selection of not only portfolio managers but also Custodian and Concurrent Auditor) as well as recurring exercise (as they have to impart training and provide research based assistance to EPFO in addition to the scope in the last mandate), the higher fee has been quoted. The fact was considered by the Committee and was found reasonable. Accordingly, the quoted fee was accepted with the observation that if appointed, the selected Consultant would
have to render training for at least 2 days in each half of calendar year to the officers / officials of EPFO as per the requirement of EPFO to which the bidder agreed.

Accordingly, the Committee decided to recommend to the Central Board of Trustees, EPFO, the name of M/s. CRISIL for appointment as Consultant for the assignment as mentioned in the RFP on its quoted fee and above observation.

The meeting ended with thanks to all.

Ms. MRIDULA GHAI, DIR. (AUDIT)  
SANJAY KUMAR, RPFC-1 (IMC)

SANJAY KUMAR, FA & CAO

-sd-
Dr. G. SANJEEVA REDDY, CBT MEMBER

-sh-
SHARAD PATIL, CBT MEMBER

20
Comparative Statement of Pre-qualification bid for appointment of Portfolio Managers, Custodian and External Concurrent Auditor.

<table>
<thead>
<tr>
<th>S.no</th>
<th>Criteria</th>
<th>Documents required</th>
<th>Brickworks</th>
<th>CARE</th>
<th>CRISIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Credit Ratings Agency should be duly registered with SEBI.</td>
<td>A copy of the Registration Certificate to that effect must be enclosed</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2.</td>
<td>The Credit Rating Agency should have minimum 10 years of operation in India in the field of ratings</td>
<td>Relevant documents evidencing the period of operation, such as Certificate of Commencement of Business, Certificate of incorporation, Service Tax registration etc. must be enclosed</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3.</td>
<td>The Bidder should have never been disqualified by SEBI</td>
<td>The Bidders should enclosed an affidavit on Rs. 100/- Stamp Paper to the effect that they were never disqualified by SEBI.</td>
<td>-</td>
<td>No</td>
<td>documentary Proof</td>
</tr>
<tr>
<td>4.</td>
<td>The Bidder should have profit track record for last 5 years.</td>
<td>The Bidder will need to submit copies of Balance Sheet and P&amp;L Statement duly certified by CA for the last five years.</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5.</td>
<td>(a) The bidder should be experienced in selection of Investment portfolio managers. Or (b) the bidder should be experienced in</td>
<td>(a) The documentary proof of completion of works of selection of investment portfolio managers, such as Satisfactory Completion Letter must be enclosed.</td>
<td>-</td>
<td>NO</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td><strong>evaluating performance of investment portfolio / investment portfolio managers</strong></td>
<td><strong>proof of experience in evaluating performance of investment portfolio managers such as mandate letter/ work order/ letter of award/ appointment letter/ copy of agreement/ satisfactory completion letter/ press release/ report must be enclosed.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>The bidder should have in-house expertise in rating of financial instruments or valuation of financial instrument of designing and creation of benchmark indices.</td>
<td>The documentary proof, such as mandate letter/ work order/ letter of award/ appointment letter/ copy of agreement/ Satisfactory completion letter/ press release/ report must be enclosed.</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>The bidder should have minimum on-roll staff of 20 people working in the area of funds research, valuations and indicics. Out of these, at least 10 should be financial analysts.</td>
<td>Appropriate supporting undertaking / certificate from the Head of HR or Company Secretary specifically certifying that as on the date of RFP, the bidder has a minimum staff of 20 people working in the area of funds, research, valuations and indicics and out of these, at least 10 are financial analysts with minimum qualification of MBA/ CA/ CFA/ post graduate degree in finance.</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Each bidder had to qualify on every PQ criteria, the criteria subsequent to first disqualification was not evaluated.

The technical & financial bids of the CARE and Brickworks not opened as they failed to qualify the Pre Qualification (PQ) criteria.

SANJAY KUMAR, APFC-I (IMC)
(Signed)

Ms. MRIDULA GHAI (DIR. AUDIT)
(Signed)

SANJAY KUMAR, FA & CAO
(Signed)

Dr. G. SANJEEVA REDDY, CBT MEMBER
(Signed)

SHARAD PATIL, CBT MEMBER
(Signed)
Dear Sir,

Thank you very much for sending the Minutes of the Third Meeting of the Committee for Appointment of Consultant for Selection of Portfolio Managers, Custodian and Concurrent Auditor and Performance Evaluation of the Portfolio Managers, held on 12th May, 2014 at EPFO Head Office, New Delhi.

I hereby confirm and you may kindly obtain the signature during my next visit to Delhi.

Sincerely,

G. Sanjeeva Reddy
President INTUC
Dear Vishal,

I do likewise. Tks n bds rgs. Sharad Patil.

[Quoted text hidden]
Item No.5: Delegation of power to FA & CAO for approval of payment to Fund Managers, Custodian, Consultant and External concurrent auditor.

Administrative approval and financial sanction to incur the following expenditure have been given by CBT in its 191st, 195th and 196th meeting.

<table>
<thead>
<tr>
<th>Service</th>
<th>Rate of Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fund Manager</td>
<td></td>
</tr>
<tr>
<td>a. SBI</td>
<td>0.01%</td>
</tr>
<tr>
<td>b. I Sec PD</td>
<td>0.0003%</td>
</tr>
<tr>
<td>c. HSBC</td>
<td>0.0036%</td>
</tr>
<tr>
<td>d. Reliance AMC</td>
<td>0.0004%</td>
</tr>
<tr>
<td>2. Custodian of Securities</td>
<td>0.0000001%</td>
</tr>
<tr>
<td>3. Consultant for fund management</td>
<td>16 Lakh (+ 15 Lakh per annum)</td>
</tr>
<tr>
<td>4. External Concurrent Auditor</td>
<td>1 Lakh per month</td>
</tr>
</tbody>
</table>

On receipt of the invoices from them, the proposal is put up again to CPFC for approval before making payments though these approvals. The process for approval is more or less a routine, in view of the decision already taken by CBT.

The process consumes extra time, which may be avoided if this power is delegated to FA & CAO.

The proposal is also in line with the latest instructions of the Govt. of India which desires reduction in the level of decision making authorities in any administrative process in order to achieve better efficiencies in the administration and management of the affairs of the government.

In view of the above, it is proposed to delegate power to approve and authorise periodical payment to FA & CAO for making payment for the following services at the rates already approved by CBT:

- Fund Manager,
- Custodian of Securities,
- Consultant for fund management,
- External Concurrent Auditor

113th FLAC Meeting
The Agenda item is put up before FIAC for consideration and recommendation to Central Board of Trustees, Employees Provident Fund for its approval.
Item No.6: Note on status of Accounts in EPFO and initiatives taken to improve upon the same.

To be circulated separately.
Item No. 7: Migration of EPFO's accounts to Double Entry accounting system.

A. Approval for approach for migrating to Double Entry Book Keeping.
B. Engaging Institute of Chartered Accountants of India, Accounting Research Foundation (ICAI, ARF) as a consultant for the above process.

In its 78th meeting held on 5th March, 2014 EC, CBT while discussing item No. 3 on the Revised Estimates for Financial Year 2013-14 and Budget Estimates for 2014-15 had also directed EPFO to adopt Double Entry accrual based accounting by the end of current Financial year 2014-15.

Considering the size of the Organisation particularly to the amount of funds being managed by EPFO and also the number of members to the different Funds, it was decided to evaluate the work involved with the help of professional organization. Accordingly, Accounting Research Foundation of Institute of Chartered Accounting of India (ICAI ARF) which is an Apex Body for evolving accounting practices in India was approached to give broad level road map/approach for undertaking the task of migration to Double Entry Accounting System.

An Agenda Item on progress on migration to the Double Entry Accounting system was also placed in 111th FIAC held on 27-03-2014, informing the FIAC that due to complexity of issues involved ICAI ARF has been approached and preliminary roadmap for the task to be undertaken will be placed before FIAC as and when it is received.

Several rounds of discussions were held with the team of ICAI, ARF both at the Head Office level and also at the level of RO and SROs. On 16-05-2014 a technical approach note/high level road map was submitted by ICAI ARF (Annexure-I). On the same day, a meeting was convened by CPFC calling the Commissioner Finance and D.D. Finance from ESIC to
understand the strategy to be adopted for implementation. A separate paper for discussion relating to the sequential steps on implementation was also presented by ICAI ARF which is placed at Annexure-II. The minutes of the meeting is placed at Annexure III.

On the basis of the approach paper and strategy for implementation as presented by Accounting Research Foundation, it was desired that Accounting Research Foundation may submit a final proposal on the approach paper including the cost of preparatory work and roll out of implementation of Double Accounting System till pilot stage. Accordingly, a letter has been received from Accounting Research Foundation which is placed at Annexure IV.

A separate presentation on this agenda item is also being made by ICAI ARF.

Proposal:

a) On the basis of approach paper, implementation road map and presentation made by Accounting Research Foundation, FIAC may approve the broad level approach for migration to Double Entry Accounting System.

b) The Committee may approve and recommend Accounting Research Foundation of Institute of Chartered Accountant of India as Consultant for the above work.

c) The Committee may recommend the constitution of a Sub-Committee for finalization of terms of reference and final negotiation of the rate for proposed preparatory work by Accounting Research Foundation.
PILOT STUDY ON ACCRUAL ACCOUNTING
EMPLOYEE PROVIDENT FUND ORGANISATION
TECHNICAL APPROACH NOTE / HIGH LEVEL ROADMAP

ICAI Accounting Research Foundation
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Technical Approach

1. Introduction & Background

The Employee Provident Fund Organization (EPFO) has approached the ICAI Accounting Research Foundation (ICAI ARF) to support for the implementation of Pilot Project of Accrual Based Double Entry Accounting System. On the basis of the EPFO communication, the ICAI ARF, a company registered u/s 25 of the Companies Act, 1956 and promoted by the Institute of Chartered Accountants of India (ICAI) decided to take up the said project with EPFO.

Accordingly, a familiarization meeting between Sr. Officials of EPFO with the ICAI ARF Team was held at Bhikaji Kama Place, New Delhi on 27th March 2014. ICAI ARF Team thereafter undertook a field visit to the Office of the _____________ on ____________, with an aim to understand the following key aspects of the Existing Accounting Systems at EPFO:

- The Current Accounting Procedures and Practices;
- Flow of Accounting Transactions at the Pilot Sites; and
- All Related Intricacies and Peculiarities.

This Approach Note has been prepared with the key objective to provide a structured approach and direction to the proposed engagement based upon initial interactions and discussions with Sr. Officials at EPFO; observations and review by ICAI ARF Team. This Approach Note highlights:

a. The basic understanding of the ICAI ARF Team of the various aspects of the present accounting system that will be required to be addressed as a part of the proposed project on migration to double entry based accounting system at EPFO. However, it is indicative in nature and shall be further updated basis follow up discussions on the Areas Requiring Further Clarity from EPFO (refer Annexure ‘1’);

b. Scope of the Proposed Pilot Study Project including identification of the activities against each deliverable;

c. Proposed methodology to be adopted by the ICAI ARF Team in the performance of the identified activities;

d. Project Deliverables required to be submitted under the proposed engagement;
e. Timelines of submission of each deliverable. However these timelines be considered as 'initially proposed timelines'. The same are subject to revision basis the follow up discussions; and change in the scope of assignment;

f. Role & Responsibilities of ICAI ARF in terms of the each identified activity;

gh. Role & Responsibilities of EPFO against each identified activity and the support to be provided thereof;

h. Details of Pre-requisites against each identified activity; and

i. Internal dependencies within Identified Activities.
Annexure 1
Technical Approach Note / High Level Roadmap for Pilot Study on Accrual Accounting - EPFO
May 2014

2. Scope of Work

Based upon initial interactions; and discussions with Senior Officials of EPFO, ICAI-ARF has envisaged the scope of the proposed pilot study as discussed hereunder:

a. Assess the ‘As Is’; and perform gap analysis from ‘To Be’ perspective including the review of related regulatory/statutory requirements for smooth transitions into Accrual Based Double Entry Accounting System.

Under this activity, the ICAI ARF Team is expected to design the ‘To Be’ projected scenarios to identify the gaps with the existing “As Is” state of affairs, which shall have to be addressed in terms of the iterative exercise.

Further during this phase ICAI ARF Team will also perform a Review of Accounting Tree; and Overall Reconciliation Controls over Receipts / Collection and Payment / Withdrawal accounting streams at both the Establishment Level and at Employee Level to assess the adequacy and operative effectiveness of internal controls over accounting of financial transactions in respect these key activities areas.

b. Develop Appropriate Accounting Policies to determine, identify and design most suitable approach of Accrual Accounting to be adopted on the basis of the uniqueness of the accounting transactions at EPFO; and considering the regulatory obligation and practicability aspects in due consultation with management;

c. Categorization; Grouping and Sub-grouping of Assets and Liabilities; and Revenue and Expenditure in due consultation with EPFO;

d. Designing of formats for capturing data for drawing Opening Balance Sheet;

e. Restructuring of Chart of Accounts;

f. Determination and valuation of fixed assets (other than intangible assets), current assets, investments, long term liabilities, current liabilities and net worth as on opening balance sheet date;

g. Designing and implementation of MIS Formats (to be taken up separately);

h. Selection and implementation of accounting procedures includes the followings:

- Transaction Procedures;
- Budget Preparation and Execution Procedures;
- Period End Procedure (at the level of ZO/RO/SRO);
Reconciliation Procedures; and
Inter RO Transaction Procedures
In case of ZO/HO related accounting aspects dealt with at the EPFO the way-forward accrual based accounting mechanism will be recommendatory only

i. Preparation of Fixed Assets Register as on date of Opening Balance Sheet and periodic updation of fixed assets register*

j. Preparation of Opening Balance Sheet*

k. Preparation of periodic financial statements*; and


*Limited to the Pilot Site only
3. Methodology

The proposed pilot study for the implementation of Accrual Based Double Entry Accounting System in the EPFO, wherein the Office of RO, Delhi South at Dwarka, Delhi, of EPFO is identified as the Pilot Site (to reconfirm regarding the independent accounting center status at SRO, Dilshad Garden), is divided into specific steps in which it will be carried out. The scope also includes all pilot site related accounting aspects; and the accounting policy matters that are dealt with centrally at the EPFO Head Quarter. These implementation steps will be designed taking into consideration best accounting practices namely Indian Government Financial Reporting Standards (IGFRS) issued by GASAB; Accounting Standards issued by Institute of Chartered Accountants of India (ICAI); and Standards Issued by IPSAS board for Government Accounting.

The methodology shall be designed to ensure that all activities focuses on EPF, EPS and EDLI Main Accounts related aspects on priority as compared to their respective administration accounts.

The implementation steps are enumerated as under:

a. Assess / Examine

The very first step of the pilot study refers to the performance of an Assessment of the ‘As Is’ scenario in respect of accounting system at the pilot site. This implies an in-depth review of the present accounting tree and identification of the internal relationships of the accounting streams between various subsystems. Further the existing policies and procedures in practice, as applied and followed at the pilot site would also be a focus area with an aim to identification of any undefined or fuzzily defined factors and parameters requiring clarity at this stage.

b. Evaluation and Analysis (E&A)

During the E&A Stage, the pilot study shall focus designing of the projected scenarios, basis ‘To Be’ for identification of gaps / improvement areas from migration to accrual accounting perspective. All this noted gaps and improvements areas shall form part of the pilot study and addressed during the designing the implementation module. Evaluating the effectiveness of the existing system and the probable impact of changes shall also form part of this stage.

c. Envisaging & Designing (E&D)

The third stage is of E&D. During this phase ICAI ARF team will design / develop a model for changeover, with specific regard to all the issues which would have been identified during the E&A phase. The E&D phase will consider; incorporate...
and address all the steps that would be needed to take the system through the transition phase. During this stage all specific issues with regard to prospective MIS designs will also be addressed. The proposed module will be tested by the ICAI ARF Team along with the EPFO Team.

d. Implementation

The Implementation stage of the study will commence after the E&D Stage. This stage is the actual implementation stage when on the basis of the output of the rollout process the envisaged structure will be updated appropriately. Major activities in this stage shall include putting the building blocks of the new system in place; running the new system under close monitoring and supervision and taking care of cultural constraints ensuring a smooth migration.

e. Ensuring / Sustainability

This Stage follows Implementation Stage. Activities under this stage are designed to ensure Sustainability of the new system. During this stage training of the trainers, on-site personnel etc. is carried out along with development of various manuals and guidance documents etc. Furthermore the ensuring stage shall also include the staff training programs to be conducted at Regional / Sub-Regional level. The initial Staff Training Programs addressing accrual accounting aspects of all business cycles are essential to future sustainability of this project.

Methodology Diagram
4. Project Deliverables

Based upon initial understanding of scope of proposed engagement, ICAI ARF has envisaged following deliverables for the pilot study:

a. Comprehensive Scope Evaluation Report (CSER);
b. Restructured Chart of Accounts;
c. Fixed Asset Register*;
d. Opening Balance Sheet*;
e. MIS Formats;
f. Preparation of Annual Financial Statements for the Transition Period*;
g. Strengthening and capacity building;
i. Accounts Manual;
j. Internal Audit Manual; and
k. Training Manual

*Limited to Pilot Sites only

The above stated deliverables are described in more details as under:

A. Comprehensive Scope Evaluation Report (CSER)

Comprehensive Scope Evaluation Report (CSER) or Inception Report shall address the task of bringing together in detailed manner all the components of the existing system, identify the gaps that exist in the present system, the impact of those gaps on the transparency of the system, and the extent of prudence and propriety of the existing system.

The key aspects addressed in the CSER are summarized hereunder:

a. The CSER shall be designed to address the task of bringing together in a detailed manner all the components of the existing system and the extent of prudence and propriety of the existing system.

b. The CSER will include a Review of Accounting Tree; and Overall Reconciliation Controls over receipts / collection and payment / withdrawal accounting streams at both the Business Entity Level and at Employee Level to assess the effectiveness of internal controls over accounting of financial transactions in respect these key activities areas.

c. Development and Selection of Appropriate Accounting Policies to determine identify and design most suitable approach of Accrual Accounting to be adopted on the basis the uniqueness of the accounting transactions at EPFO;
and considering the regulatory obligation and practicability aspects in due consultation with management;

d. CSER shall present detailed description of the accounting system for the recording and processing of Collections and Withdrawals and capital expenditure;

e. CSER shall include detailed internal organization chart of the Collections, Withdrawals, Administration, Budget, and Accounting ROs;

f. CSER shall provide level of verification and checking of accounting transaction related data within the organization;

g. CSER shall identify the gaps that exist in the present system, and the impact those gaps might have on the proposed double entry accounting system; and

h. CSER shall outline the changes required in the present system and method of implement of changes for the implementation of accounting reforms.

B. Fixed Asset Register

(FAR shall be limited to the Office of the ____________________________) 

One of the most important steps in the process of implementation of accrual based double entry system is identification and accounting of Fixed Assets. As per the current practice in EPFO capitalizes only the land and building and all other capex are treated as expense in the year in which they are paid.

The accounting for Fixed Assets being a policy matter will be dealt with in due consultation with management as the migration to accrual accounting requires building up FAR of the organization.

The Fixed Assets Register (FAR) shall provide details of all fixed assets of the RO. The FAR shall be comprehensive single record of all information necessary about each physical assets and these record will form part of general ledger accounting system. The FAR shall provide the information to manage the asset and this information will be the basis for knowing the investment in assets and will help in planning for further investments in future. Date of purchase/acquisition of asset will also be identified which will help in determining the age of asset. FAR will also gives information about location of the asset in the organization. The said exercise of compilation of FAR shall also cover:

a. Validation, verification, assessment and valuation of all fixed assets owned by the RO. This would include own and leased assets, e.g., land (freehold, leasehold, encroached); parks; gardens; buildings (office, staff quarters etc); machinery and
equipment; vehicles (heavy vehicles and light vehicles); furniture and fixtures and any other fixed and tangible assets owned by way of any title by the RO;

b. Validation, verification, assessment and valuation of intangible fixed asset (if any);

c. Validation, verification, assessment and valuation for Capital Works in Progress of the RO as on date of reporting; and

d. Review of existing fixed asset inventory record and past financial year transactions to segregate capital items and identify likely heads of account for the Balance Sheet.

Methodology to be adopted for the compilation the Fixed Assets Register (FAR) is explained below in brief:

a. Identification of Fixed Assets:
   The first step of the process of compilation of Fixed Assets Register is identification of all the fixed assets owned by RO including leased assets under the control of RO. The identification of assets will be based on the physical verification and from the past records which is best available for capturing the asset details. After identification the assets shall be classified into various categories on the basis of some common features and that will be used in chart of accounts and in financial statements;

b. Verification of Fixed Assets:
   After identification of fixed assets, next step is the physical verification of assets. The process has already been discussed in detail in the preceding paras.

c. Assessment of Value of Fixed Assets on date of opening Balance Sheet:
   After identification and verification of fixed assets, next step is to find out the value of fixed assets as on the date of opening balance sheet.

d. Finalization of Accounting Policies relating to Fixed Assets:
   This includes finalization of depreciation policy; useful life of assets and other accounting issues relating to compilation of fixed assets;

e. Compilation of Fixed Assets:
   After completion of steps (a) to (d) above final step is to compile the Fixed Assets Register (FAR) as on reporting date.

EPFO shall be responsible for the initial identification of fixed assets and providing relevant information to ICAI ARF thereto.
C. Chart of Accounts (CoA)
The present Chart of Account (CoA) as approved by CGA shall be required to be restructured to incorporate new accounting heads as required based upon implementation of accrual based double entry accounting system. The said exercise shall be carried out taking into consideration the process adopted by ICAI ARF during its various similar type assignments.

D. Opening Balance Sheet (OBS)
(OBS is limited to Pilot Sites only)
Opening Balance Sheet shall be prepared so as to assess the actual state of affairs on specified date. For the said purpose all the assets and liabilities as on reporting date shall be assessed and the difference between assets and liabilities on date of reporting shall be taken to capital fund. The exercise of compilation of Opening Balance Sheet (OBS) shall also require carrying out some additional activities as per the scope of assignment. The said activities broadly include:

- Reconciliation of amounts receivables/recoverable (collections under various schemes, administrative charges, interest on deposits, loans and advances etc.);
- Reconciliation of amounts payable to Subscribers (under various schemes), supplier, contractors, employees (excluding actuarial valuation of terminal liabilities) etc. and obtaining confirmation of balances;
- Assessment of contingent liabilities;
- Preparation of Bank Reconciliation and Other reconciliation as on reporting date;
- Identification of pre-paid expenses, outstanding expenses, outstanding income and any income which is received in advance;
- Reconciling the investments in bonds xxxxxx, xxxxxx, xxxxx, etc. and determining the amount of accrued interest. Obtain balance confirmation from institutions holding deposits on behalf of RO;
- Identification of any grant received for specific projects, and the work done till date; pending balance if any;
- Providing support and advice to RO staff to pass opening entries as on 1st April 20XX to bring the balances into Books of Account; and
- Provide a management analysis report on the methodology followed in preparing the opening balance sheet with comments, observation, and limitations, if any.
E. Management Information System (MIS) Formats

MIS is an important part of effective accounting system. ICAI ARF project team shall design various MIS formats and will also train the human capital of RO in capturing of information in MIS formats. ICAI ARF project team shall also design and implement various other formats of books of accounts, records and registers required to be maintained by the RO under the new system of accounting.

F. Periodic Financial Statements
(Limited to the Pilot Sites only)

ICAI ARF shall prepare the periodic financial statements for the transition period. The said exercise of preparation of periodic financial statements shall also require the team of ICAI ARF to provide assistance to EPFO in the following activities:

a. Reconciliation of receivables and collections from the period;
b. Reconciliation of advances;
c. Reconciliation of loans received (borrowings), if any;
d. Reconciliation of loans given to others;
e. Annual Provisioning for Fixed Asset with regard to Depreciation
f. Annual Provision for doubtful recoveries/recoverable/debts;
g. Provisioning of unrealized receivables on annual basis;
h. Closing of Ledger accounts on annual basis; and
i. Accrual of interest on investments and loan to employees on annual basis.

G. Strengthening and Capacity Building Initiatives

Strengthening and capacity building of human capital of the RO for the sustainability of Accrual Based Double Entry Accounting System is one of the most important steps of implementation of accounting reforms.

Building up of human capital has always remained an enigma; a process much talked about and manifesting itself in varied forms. The present staffing pattern in the RO will require strengthening to support the proposed new system’s effective implementation; following scientific developmental policies for competency improvement in the existing human-ware and systems assumes a critical dimension. The process of reforms will not be complete without ensuring a situation in which the required skill set, behavioral patterns, public dealing skills and exposure norms in the
work profile is compulsorily made a part of the overall process of organizational development. The process of strengthening and capacity building shall broadly cover:

a. Reviewing the existing accounting system;

b. Clarifying the proposed roles and responsibilities of accounting officials;

c. Preparing a strategy paper to include recommendations for the development of systems;

d. Preparing a training and capacity development material (Training Manual) to support the new accounting model;

e. Training core accounts trainers/resource persons in each sites of organization; and

f. Carrying out the training; and establishing on-the-job support systems.

g. Organizing training for capacity building and sustainability under new system of accounting at regional level to cover the accounting personals of all the 26 circle offices

h. Inculcating the requisite technical skill set by understanding the core dimensions to handle transition in the frame work of accounting;

i. Inculcating the skill to handle technology for a speedy interface with the work related issues; and

j. Causing attitudinal change by making the personnel more focused and adept at problem solving skills.

H. Accounts Manual

Accounting Manual shall broadly cover the following:

a. General Accounting Procedure including guidance for drawing opening balance sheet and financial statements for succeeding years;

b. Significant Accounting Principles;

c. Codification structure and chart of accounts and General Principles supporting to IT enabled accounts;

d. Procedure details with recommendations of books/registers to be maintained;

e. Forms/formats for books of accounts, registers and other subsidiary record;
f. Accounting procedures in terms of Reconciliation procedure, Internal Control Procedure, Year End Procedures; and

g. Formats for periodical/annual financial statements.

I. Training Manual

Training Manual will be reference document for training to staff of RO. It will serve as a background material for day to day accounting of transactions. Training Manual shall broadly cover:

a. Accounting Reforms and Transition to Accrual Accounting;

b. Capacity Building sustainability Procedures;

c. Organizational Development (OD) Intervention;

d. Human Resource Planning Process; and

e. Training Modules.

J. Internal Audit Manual

The audit manual shall fulfil the following requirements and serve as a:

a. Ready handbook of practical guidance to the Officers undertaking audit of the RO in attaining and developing their technical skill and job efficiency so as to maintain a high standard in performance of audit function;

b. Codified handbook of ROal instructions relating to accounts and audit;

c. Ready reference book to auditors and also to those who are responsible for maintenance of accounts; and

d. It will help in improving the quality and standard of audit.
5. Project Timeline

ICAI ARF proposes to complete the whole assignment in XXX weeks. The whole of the assignment is divided into three key objectives outlined hereunder:

A. Objective 1:

It represents the activities that will be required to be carried out in the initial/startup stage of the assignment. All these activities covered under objective 1 are one time activities.

B. Objective 2:

It represents the process of compilation of annual financial statements for the transition period. All the activities covered under objective 2 shall be regular ongoing activities to be carried out during the whole assignment and shall also include Non ZO/RO Accounting aspects dealt with at EPFO Head Quarter and their treatment under Accrual Accounting System.

C. Objective 3:

It represents Phase 1 of Post Pilot Study Sustainability and Capacity Building initiatives for the strengthening of the new system of accounting. Under the Sustainability and Capacity Building initiatives, ICAI ARF shall take up the task of organizing training programs for accounting personnel of EPFO at its regional levels. The scheduling; management and associated financial aspects are elaborated in the detailing of objective para below.

Detailing of objective activities and expected completion timelines.

A. Objective 1

The Objective 1 is divided in 7 (Seven) phases and is expected to be completed in XX Weeks. The performance in respect of phase 3 and phase 4 relating to identification and recording of fixed assets will depend upon the Fixed Assets Policy that will be framed by the EPFO going forward. Time period of each phase; and activities to be performed have been discussed in detail hereunder. However the time schedule of each phase is subject to timely availability and submission of information as and when required by all/any of the information/ accounting center(s). In case of delays in submission of information, any or all phase(s) may take more time than that mentioned against each phase:

Phase 1: Inception Report (End of XX Week)
Annexure 1
Technical Approach Note / High Level Roadmap for Pilot Study on Accrual Accounting - EPFO
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Activities under this phase include:

a. Assessment of existing system and requirements including the review of legislative framework with reference to existing laws for smooth transition to accrual based double entry accounting system in new format of accounts as prescribed. During this Stage, the team will direct their attention specifically to the application of methodology to identify the projected scenarios and to locate the gaps with the existing state of affairs, which shall have to be addressed in terms of the iterative exercise;

b. Business Process re-engineering with reference to accrual system of accounting;

c. Categorization, grouping and sub-grouping of assets and liabilities;

d. Submission of Comprehensive Scope Evaluation Report (Inception Report);

e. Organizing necessary training program(s) for Human Capital of RO to sensitize in accrual based double entry accounting system as per new format;

f. Organizing orientation programs for senior officials as and when required.

Phase 2: Finalization of Significant Accounting Policies (End of XX Week)

Phase 2 shall be most important phase of whole assignment where all the significant accounting policies specially related to depreciation; threshold limit for capitalization of assets; accounting of employee related transactions; revenue recognition; contingent liabilities etc. shall be finalized.

Finalization of major accounting policies in the initial phase of assignment has been planned in order to prevent the delays in the implementation that occurs in absence of clear accounting policy.

Phase 3: Updation of Inventory of Fixed Assets and Introduction of new formats for capturing data relating to Assets and Liabilities (End of XX Week)

Activities under this phase shall be carried out jointly with the officials of EPFO. The identification of assets shall be carried out by EPFO officials only. The said identification of fixed assets may be carried out on the basis of registers, records, books of account, etc. The Team of ICAI ARF shall carry out following tasks during this phase:

a. Review of existing fixed asset inventory record and past financial year transactions to segregate capital items;
b. Introduction of new formats for capturing data relating to Fixed Assets and getting them filled by concerned staff;

c. Verification of data submitted with the help of staff of EPFO;

d. Classification of data as per classification criteria finalized under phase 1 above;

e. Introduction of new formats for capturing data relating to Assets and Liabilities (Other than that covered under point i. above) for drawing ‘Opening Balance Sheet’ and getting them filled by concerned staff;

f. Organizing necessary training program(s) for Human Capital of RO:

i. To sensitize in accrual based double entry accounting system as per new format; and

ii. To train them to fill the formats for capturing information to draw ‘Opening Balance Sheet’; and

g. Organizing orientation programs for senior officials as and when required.

Phase 4: Compilation of Fixed Assets Register (End of XX Week)

Activities under this phase include:

a. Finalization of accounting policies including valuation norms for fixed assets accounting;

b. Validation, verification, assessment and valuation of all fixed assets owned by the RO. This would include own and leased assets, e.g., land (freehold, leasehold, encroached); parks; gardens; buildings (office, staff quarters etc); machinery and equipment; vehicles (heavy vehicles and light vehicles); furniture and fixtures and any other fixed and tangible assets owned by way of any title by the RO;

c. Validation, verification, assessment and valuation of intangible fixed asset (if any);

d. Validation, verification, assessment and valuation for Capital Works in Progress of the RO as on date of reporting;

e. Review of existing fixed asset inventory record and past financial year transactions to segregate capital items and identify likely heads of account for the Opening Balance Sheet purposes.

f. Compilation of fixed assets register;
Annexure 1

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May 2014

g. Organizing necessary training program for Human Capital of RO on Fixed Assets Accounting; and

h. Organizing orientation programs for senior officials as and when required.

Phase 5: Restructuring of Chart of Accounts (End of XX Week)

Activities under this phase include:

a. Restructuring of Chart of Accounts;

b. Organizing necessary training program for Human Capital of the RO on Chart of Accounts; and

c. Organizing orientation programs for senior officials as and when required.

Phase 6: Opening Balance Sheet (End of XX Week)

Activities under this phase include:

a. Drawing 'Opening Balance Sheet';

b. Organizing training programs for Human Capital of RO (As and when required); and

c. Organizing orientation programs for senior officials as and when required.

Phase 7: Manuals and Formats (End of XX Week)

Activities under this phase are as below:

a. Preparation of MIS formats;

b. Preparation of Accounts Manual;

c. Preparation of Training Manual; and


B. Objective 2

Objective 2 shall cover the process of compilation of annual financial statements for the transition period. All the activities covered under objective 2 shall be regular ongoing activities to be carried out during the whole assignment. This objective will run simultaneously with Objective 1. Under Objective 2 it is proposed to submit first draft Annual Financial Statements of Transition period by the end of XX Week and Updated Annual Financial Statements of Transition Period by the end of XX Week.
Annexure 1

Technical Approach Note / High Level Roadmap for Pilot Study on Accrual Accounting - EPFO

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provided RO submit the comments on draft Annual Financial Statements on time. Further the draft of the concept note on the accounting treatment of non-circle accounting transaction dealt with at the EPFO Head Quarter will also be provided by the end of the XX Week. Major Activities to be performed under Objective 2 include:

a. Capturing of accounting transactions, vouching and reconciliation of data for preparation of Annual Financial Statements;

b. Updating Assets Inventory Register and Books of accounts

c. Preparation of Month-end Trial Balance; and

d. Compilation of Annual Financial Statements.

e. Accrual based accounting treatment of non-circle accounting transaction dealt with at the EPFO Head Quarter

C. Objective 3

Objective 3 addresses the future sustainability aspects of the proposed engagement. It is imperative that Post Pilot Study Sustainability and Capacity Building initiatives are planned and undertaken systematically across all zones of EPFO with an objective to support pan-India implementation and strengthening of the new system of accounting. Under the Sustainability and Capacity Building initiatives, ICAI ARF shall take up the task of organizing training programs for accounting personnel of EPFO at its regional level.

The scheduling and management aspects of this objective shall be detailed in due consultation with the EPFO in an ongoing manner. As discussed and agreed EPFO presently plans to hold XXXXX such Three Day Regional Training Sessions / Programs across all ROs with participants level not exceeding forty at each session / program. ICAI ARF shall be responsible to provide Faculty Support and Training-kit & Background Material only. All other costs of hosting the session / programs including participants travel, boarding, lodging, refreshments during the session, venue, on-site support with a local program co-coordinator shall be borne by the EPFO. The proposed fee accordingly includes for XXXXX such sessions / programs only and any additional session / program will be charged at Rs. XXXXXX per program (plus taxes as applicable).
6. Roles and Responsibilities

A. General Roles and Responsibilities

i. ICAI Accounting Research Foundation

a. To clearly lay out an action plan and implement the same;

b. To arrange, monitor and supervise the resources needed for each part of the action program;

c. To provide onsite support, advisory and guidance;

d. To help the Group of Facilitators in their own appointed tasks which is primarily to oversee the performance of the Project Team in discharge of its obligations as highlighted within this document;

e. To prepare and present the needed reports and technical documents;

f. To handhold the program from beginning to end; and

g. To provide a clear training strategy with the details of various training programs and other measures for sustainability of the proposed changes in the accounting system and to conduct all training programs, workshops and meetings etc. as may be required.

ii. Employee Provident Fund Organization (EPFO)

a. To identify the change agents (significant persons within the existing system) who will -

i. Take the role of (a) linking outputs of the accrual accounting system to inputs from the existing system, and (b) pointing out where the outputs do not have corresponding inputs from the existing system;

ii. Determine the changes that are to be made at the ground level in order to create the input source for (b) above;

iii. Take upon themselves the responsibility of introducing small changes first, and then bigger ones as may be required so that the system as a whole is not disturbed, but at the same time, start producing all the planned outputs;

iv. Act as reviewers as well as precedent setters to each other;
v. Take the role of propagating the advantages that are obviously derivable from the changes introduced; and

vi. Take the role of generating ideas, designing formats that are practical and implementable within the Government context, and make suggestions on procedural changes to be brought in for improving MIS and budget formulation.

b. To ensure the availability of all the infrastructural support to the team of ICAI ARF. It shall include fully furnished air-conditioned room(s), computers including printers, internet facility, telephone facility etc. The EPFO shall be responsible for ensuring the availability of all the infrastructural support for organizing the training programs during the execution of the Project. It includes availability of conference halls, computers, projectors and all the necessary support for effective execution of training programs.
## B. Activity Based Roles and Responsibilities

<table>
<thead>
<tr>
<th>No.</th>
<th>Stage of Study</th>
<th>Role of ICAI ARF</th>
<th>Role of EPFO</th>
<th>Remarks(s)</th>
</tr>
</thead>
</table>
| 1   | Assess / Examine | - To examining the 'as is' situation in EPFO.  
- To review of the current accounting system including various subsystems within the current system and identifying the linkages between the various subsystems, understanding the policies and procedures in practice under the current accounting system.  
- To direct attention towards developing a detailed 'site map' of the situation with stress on identifying undefined or fuzzily defined factors and parameters. | - To provide all the necessary information and clarifications on various issues as may be required by the project team of ICAI ARF. |  |
| 2   | Evaluation & Analysis | - To identify the projected scenarios and to locate the gaps with the existing state of affairs, which shall have to be addressed in terms of the iterative exercise.  
- To evaluate the effectiveness of the existing system through measures of parameter-wise importance, and the probable impact of changes shall also form part of this stage. | - To provide all the necessary information and clarifications on various issues as may be required by the project team of ICAI ARF. |  |
| 3   | Envisaging & Designing | - To develop a model for changeover, with specific regard to all the issues which would have been identified during the evaluation phase. Designing the new model will be done, keeping in mind the steps that would be needed to take the system through the transition phase. During this stage specific issues with regard to MIS will also be addressed. | - To provide all the necessary information and clarifications on various issues as may be required by the project team of ICAI ARF;  
- To finalize the policy issues such as relating to timing and place of revenue recognition; depreciation policy; threshold limit for the capitalization of fixed assets; accounting of employee related transactions and terminal |  |
**Annexure 1**

Technical Approach Note / High Level Roadmap for Pilot Study on Accrual Accounting - EPFO

May 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>benefits of employee etc in consultation with the team of ICAI ARF;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>To ascertain the cultural viability of the model of changeover finalized for implementation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To carry out the identification of fixed assets of the RO.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To provide all the necessary information and clarifications on various issues as may be required by the project team of ICAI ARF;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To provide the comments and suggestions on deliverables submitted within the prescribed time.</td>
</tr>
<tr>
<td>4</td>
<td>Implementation</td>
<td>To execute the model designed in the envisaging stage. This stage is actual implementation stage when the results of the iterative process will be progressively integrated into the envisaged structure. Major activities in this stage shall include putting the building blocks of the new system in place, running the new system under close monitoring and supervision and taking care of cultural constraints.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To ensuring the availability of all the infrastructural support for organizing the training programs during the execution of the Project. It includes availability of conference halls, computers, projectors and all the necessary support for effective execution of training programs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To ensure that participants of all the training programs, conference, workshops, technical meetings etc. attend the same, and to issue administrative orders in this regard, if deemed necessary.</td>
</tr>
<tr>
<td>5</td>
<td>Ensuring / Sustainability</td>
<td>To ensure Sustainability of new system. During this stage training of trainers, on-site personnel etc is carried out along with development of various manuals and guidance documents etc.</td>
</tr>
</tbody>
</table>

(Draft Copy for Discussion)
7. Project Management Office Structure

Continuous and ongoing monitoring of the progress of all the planned activities; identification of challenges and roadblocks, timely resolution, resource alignment, effective review mechanism are the keys to successful; effective and timely completion of any project.

ICAI ARF proposes to set up a Project Management Office Structure (PMO) in place immediately at the start of the project. The PMO structuring and working shall be mutually agreed by ICAI ARF and EPFO.

PMO shall support weekly project progress review and act as a communicator of the agreed actionable addressing each issue highlighted during the Weekly Review Meetings.
# Annexure 1

## Key Internal Control and Accounting Issues

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Elements of Financial Statements</th>
<th>Current Accounting Practices</th>
<th>Accounting Practices Under accrual System/ Accounting</th>
<th>Remarks</th>
<th>Numbers of Violation</th>
<th>Estimated time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Completeness</td>
<td>An overview during the Field Visits highlight limited existence and effectiveness</td>
<td>All stated controls will form part of the proposed accrual accounting system wherever applicable.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Accuracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Existence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Valuation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>Presentation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## 2. Reconciliation Controls

| 2.1    | Global Reconciliation Framework under various Schemes |                             |                                                     |         |                      |                         |
| 2.2    | Collections                                      | No Separate Reconciliation exercise performed | Periodic Reconciliation of key streams will form part of the new system |         |                      |                         |
| 2.3    | Withdrawals                                      |                             |                                                     |         |                      |                         |

## 3. Review / Analysis - On regular basis

| 3.1    | Inoperative Accounts                          |                             |                                                     |         |                      |                         |
| 3.2    | Suspense Accounts                              | To be Confirmed at HO       |                                                     |         |                      |                         |
| 3.3    | Negative Balances                              |                             |                                                     |         |                      |                         |
| 3.4    | Any Other Unexplained Balance / Account        |                             |                                                     |         |                      |                         |
### 4. Employees Related Transactions

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Financial Statements</th>
<th>Current Accounting Practices</th>
<th>Accounting Practices under accrual system of accounting</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Salary</td>
<td>Booked on Cash basis i.e. at the time of actual payment.</td>
<td>Liability on account of salary as on 31st March of the FY will be calculated under accrual system of accounting.</td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Leave Salary Contribution for EPFO Employees</td>
<td>Booked on Cash basis i.e. at the time of actual payment.</td>
<td>Liability as on 31st March of the FY will be calculated under accrual system of accounting.</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Pension Contributions</td>
<td>Booked on Cash basis i.e. at the time of actual payment/receipt of contribution.</td>
<td>Liabilities as on 31st March of the FY will be calculated under accrual system of accounting.</td>
<td></td>
</tr>
<tr>
<td>4.4</td>
<td>PF</td>
<td>Booked on Cash basis i.e. at the time of actual payment/receipt of PF subscription.</td>
<td>PF subscription Liabilities as on 31st March of the FY will be calculated under accrual system of accounting.</td>
<td></td>
</tr>
<tr>
<td>4.5</td>
<td>Loans To Employees</td>
<td>a. Accounted on cash basis; b. Total receivable as on 31st March of the FY is not ascertained; c. Interest received is books on actual receipts basis without taking into account interest receivable.</td>
<td>Liabilities as on 31st March of the FY will be calculated under accrual system of accounting.</td>
<td></td>
</tr>
</tbody>
</table>

### 5. Administrative Expenditures

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Financial Statements</th>
<th>Current Accounting Practices</th>
<th>Accounting Practices under accrual system of accounting</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>General Administrative Expenditures</td>
<td>Booked on Cash basis i.e. at the time of actual payment.</td>
<td>Liabilities as on 31st March of the FY will be calculated under accrual system of accounting.</td>
<td></td>
</tr>
<tr>
<td>5.2</td>
<td>Repair and Maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3</td>
<td>Minor Works</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Technical Approach Note / High Level Roadmap for Pilot Study on Accrual Accounting - EPFO

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#### 5. Contingencies

5.5 Hiring of Consultancies

5.6 Outsourcing related Expenditures

5.7 Contingencies

### 6. Assets

6.1 Fixed Assets

- Fixed Assets register is maintained on historical cost however:
  - a. No depreciation is calculated; and
  - b. WDV at the end of financial year is not calculated

- Under accrual system of accounting following additional tasks will be required to be done:
  - a. Finalization of depreciation policy;
  - b. Fixation of Threshold limit;
  - c. Computation of WDV as on 31<sup>st</sup> March of FY.
  - d. Compilation of FAR.

6.2 Current Assets, Loans and Advances

- Accounting is done on cash basis

- Balances of Current Assets, Loans and Advances as on 31<sup>st</sup> March of FY will be calculated under accrual system of accounting.

### 7. Liabilities

7.1 Long Term Liabilities

- Liabilities are not booked as accounting is done on cash basis

- Long Term Liabilities as on 31<sup>st</sup> March of FY will be calculated under accrual system of accounting.

7.2 Current Liabilities

- Liabilities are not booked as accounting is done on cash basis

- Current Liabilities as on 31<sup>st</sup> March of FY will be calculated under accrual system of accounting.
PILOT STUDY PROJECT ON
IMPLEMENTATION OF DOUBLE ENTRY BASED ACCRUAL ACCOUNTING
SYSTEM

EMPLOYEES PROVIDENT FUND ORGANISATION

Agenda Points for Discussions

ICAi Accounting Research Foundation
Annexure - II

Agenda Points for Discussions on Implementation Strategy

A.1. Roll-out Steps under the Pilot Site Approach

a) Team Identification
b) i. Mapping of entry flow “as it is”
   ii. Books of accounts being maintained
c) Identification of gap in control
d) i. Defining “as should be”
   ii. Books of accounts to be maintained
e) Evolution of accounting policy for accrual based system for EPFO
f) Format of presentation of accounts to be finalized and approval of C&AG, if required.
g) Transformation is initiated at the Pilot-site (PS) and also at HO*
h) Initial implementation / rollout
i) During Implementation Resource Training and Capacity Building at PS
j) UATs are performed at PS
k) Stabilization of PS
l) Resource readiness across Entire Business
m) Roll-out across the Business Universe

*Limited to addressing key accounting transactions dealt with at HO level only and for all Accounting Policies related matters
A.2. Roll-out Steps under the Global Approach

a) Transformation is initiated from HO
b) Formation of the Core Team at HO
c) Identifying all key accounting transactions dealt with at HO level
d) Addressing all Accounting Policies related matters
e) Pre-launch sensitization; training and identification of internal location-wise resources / implementation-owner
f) Initial implementation / rollout
g) During Implementation Resource Training and Capacity Building
h) UATs are performed at HO
i) Improvements / gaps identification
j) Stabilisation review
Agenda Points for Discussions on Implementation Strategy

B. Policy Formations:
   
a) Accrual Accounting treatment for the initial 1st Financial Year
b) Accrual Accounting treatment on continuous basis
c) Fixed Asset Policy
d) Actuarial Valuation of liabilities under EPS (to be discussed)
e) Clarity Notes on all specific accounting issues as identified during implementation

C. Core Team to address Strengthening of Internal Control Framework over Accounting Transactions

D. Accounting Centre – wise Trial Balance / Balance Sheet Approach (to be discussed)
Minutes of the meeting held with ICAI ARF Team on Migration of EPFO’s Account to Double Entry Accounting System on 16th May 2014 at 12.30 P.M. at EPFO Offices, Bhikaji Kama Place, New Delhi

Present:

1. EPFO
   a) Sh. K. K. Jalan, CPFC
   b) Sh. Sanjay Kumar, FA & CAO
   c) Sh. Sanjay Kumar RC, F&A
   d) Sh. Manoranjan Kumar RC-II, Investment

By Invitation
   a) Sh. S.K.G. Rahate, FC, ESIC
   b) Sh. Hemant Pandey, Dy. Director (Finance), ESIC

2. ICAI ARF
   a) CA. Jagdish Kapoor, Sr. Consultant
   b) Mr. Vikas Sharma, Officer

The meeting was held in pursuance of the decision taken in the meeting held on 5.5.2014. The meeting was to discuss the way-forward in respect of the Proposed Pilot Study Project on Migration to Double Entry based Accounting System. The draft copy of the Technical Approach Note / High Level Roadmap duly realigned by ICAI ARF following the last meeting held on 5th May 2014 and their subsequent field visits to RO Delhi South and SRO Laxmi Nagar was considered in the meeting. A copy of the Note on Agenda Points for Discussions, as mailed by ICAI ARF, was also placed on the table.

The following matters were discussed during the meeting:

1. Sharing of Experience on Migration to Double Entry Accounting System at ESIC

CPFC welcomed Mr. S.K.G Rahate, Financial Commissioner, ESIC and Mr. Hemant Pandey, Dy. Director (Finance, ESIC) and invited to share the ESIC experiences in respect of migration of accounting system. The facts as shared by Mr. Rahate and Mr. Pandey are noted as under:

i. It is feasible to migrate the accounts on Double entry system however planning and execution should be spread over a year. They explained that time was one of the main constraint in their case.

ii. It was noted by Mr. Pandey that Computerisation of EPFO may be more complex as it will require ledger and sub ledger reconciliation as funds in PF are being maintained in individual A/c.

iii. Pre migration / rollout training sessions were held in the initial six months.

iv. A seven days training session was for the Core Team through support of Institute of Cost Accountant.

v. The migration exercise was undertaken completely on in-house basis.

vi. All accounting centres were taken up at one go.

vii. Point of accrual was decided by the internal committee.
viii. Dead stock register was prepared taking a cut off date to account fixed assets.
ix. The actual migration work was started in the month of January 2012 and the first quarter was closely supervised to improve and perfect the MIS at all locations.
x. All accounting policies and chart of account were also designed and approved internally.
xii. The key activities were undertaken on a parallel note i.e. drafting of training manual and training sessions, designing of accounting policies and chart of accounts and development of MIS formats.
xiii. Manpower / skill set challenges were not significant.

2. Exchange of views on Agenda Items

The CPFC while expressing his views referring to the Technical Approach Note / High Level Roadmap suggested that the team should first agree on to the approach to be followed. For this ESIC experiences and the uniqueness of the EPFO accounting in its role as the custodian of the subscriber funds should be considered.

The Key Concern Areas as highlighted by FA & CAO are as under:

i. Documentation of current accounting scenario on “As Is” basis.
ii. Review of internal controls over financial transactions
iii. Identification of gaps in current accounting system on “To Be” basis.
iv. Documentation of accounting policies commenting of each point of accrual and its possible treatment in the process, the help of ESIC may be taken as they have decided on point of accruals in similar accounting environment.
v. EPFO may examine Adoption of hybrid framework (accrual plus cash basis) and the relevant policy notes
vi. CAG’s prior approval requirement in respect of format of accounts
vii. Training Framework.
viii. Aspects related to global reconciliation of collections and withdrawals.

While discussing over the aforesaid issues Mr. Kapoor suggested that EPFO needs to decide whether it wants to adopt a pilot site approach or a global approach as the entire way – forward approach will then be required to be re-aligned accordingly. FA & CAO suggested for taking pilot and global approach together in one financial year. Pilot may, therefore be taken up in the beginning of the year.

The DD (Finance) suggested that reconciliation of Sub-Ledgers in EPFO would be a challenging task, similar to the PSU Banks when they migrated on total computerised system.

It was also shared by ICAI ARF that the accounting structure wise there is no difference between RO and SRO as both manage their accounts independently. There exists the
relationship only from administrative supervision perspective. Further ICAI ARF also shared that the key accounting aspects attracting accrual accounting are addressed at HO only i.e. Payment of Interest, Investments etc. apart from all the accounting policies matters. In view of the same, for any migration to the accrual accounting would necessarily cover the HO as well.

CPFC also expressed that Account of EPFO may also be complex in view of existence of large no. of inoperative account.

The CPFC viewed that ICAI ARF should conduct a comprehensive pilot study, as Phase I exercise. This should be done at select locations addressing all accrual accounting related aspects in line with the discussions held today and the issues as noted above and submit a report as deliverable. The select locations identified for this study were noted as Regional office Delhi North, SRO Noida office and HO. The objective of the study will be to design the strategy for EPFO to migrate its accounting system to a Double Entry-based Accounting System.

CPFC asked whether ICAI ARF can be assigned the task of implementation on nomination basis or any other body can be engaged. Mr. Jagdish Kapoor informed that in the latest case Department of Telecom, GOI has assigned this task to ARF on nomination basis.

Action points:

On the basis of the presentation made by ICAI ARF, experience sharing by ESIC and the deliberations in the meeting, the following decisions were taken for action:-

i) Submission of final proposal by ICAI ARF: ICAI ARF is to submit a final approach paper on the basis of the discussion along with expected time line for completion of each activity. The cost of preparatory work and roll out of the implementation of double entry accounting system till pilot stage shall also be submitted in next 2-3 days.

ii) Identification of Pilot sites: It was tentatively decided that SRO, Noida and Regional office, Delhi North will be Pilot sites for development of the process and implementation. Notification to this effect is to be made by RC(FA), Head Office.

iii) Constitution of a Committee to assist ICAI ARF and to lead implementation at the Pilot site, the team is to be constituted from among the officers posted in the Pilot offices along with few experienced officers who have sufficient knowledge of accounts in EPFO. The list is to be finalized by RC(FA), Head Office after taking approval of CPFC.

iv) Approval of appointment of ICAI ARF for consultant for the process: On the basis of the submitted proposal of ICAI ARF, the Finance Division will prepare an Agenda Item to be submitted for consideration and approval of appropriate authority.
Dear Sirs,

Greetings !!!

Per reference to our last meeting held on May 16, 2014 at the EPFO Offices on the quoted subject matter and our subsequent telephonic discussions.

Please find attached a Draft for Discussion Copy of the proposed MoU between ICAI ARF and EPFO. Once negotiated and frozen in all aspects the final copy of the MoU along with cost estimates will then be placed for sign-off purposes as per the internal process.

As also informed a meeting is scheduled on June 27, 2014 for making a presentation and we would like to hold interactive discussion over the same as per mutual convenience at the earliest.

Best regards,

Jagdish Kapoor FCA
ICAI Accounting Research Foundation (ICAI ARF)
Mobile: +919910301510 & +918130494944 L/line: 0091 120 3045900 ext. 860
www.icaiarf.org
Memorandum of Understanding

ICAI Accounting Research Foundation

&

Employees Provident Fund Organization (EPFO)
Ministry of Labour & Employment, Government of India

ICAI Accounting Research Foundation

(Draft Copy for Discussion)
Memorandum of Understanding - ICAI ARF & EPFO

Annexure IV

May - 2014

Draft for discussion copy

This Memorandum of Understanding (MoU) is made on __________ at ________________

between

ICAI Accounting Research Foundation, a company registered u/s 25 of the Companies
Act, 1956 having its registered office at ICAI Bhavan, Indraprastha Marg, New Delhi
110002 hereinafter referred to as "ICAI ARF" which expression shall mean and includes
its successor, assignee, representatives etc. on the one part

And

Employees Provident Fund Organization (EPFO), Ministry of Labour and
Employment, Government of India having its office at Bhikaji Kama Place, New Delhi
110003 to be referred as "EPFO" wherever necessary which expression shall mean and
includes its successor, assignee, representatives etc. on the other part.

The ICAI ARF and EPFO both shall collectively be referred as "Parties" and
individually as "Party" wherever necessary.

By this MoU the parties

ICAI ARF on one part and

EPFO, Ministry of Labour and Employment, GoI on the other part

have decided to cooperate; collaborate and further agrees as under:

1. EPFO plans to migrate its present accounting system to Double Entry based Accrual
   Accounting System and has invited ICAI ARF to undertake and perform a Pilot
   Study Project to share it expertise and extends its support to EPFO in its said
   initiative.

This Memorandum of Understanding is based on:

(a) The proven capacity and expertise of the ICAI ARF in terms of its ability to
    assure needed expertise for the proposed Pilot Study Project as well as for the
    general purpose as required, from time to time;
Memorandum of Understanding - ICAI ARF & EPFO

Annexure IV

May - 2014

(b) The understanding of the EPFO of ICAI ARF's effectiveness and requisite expertise to support EPFO in support areas as identified and elaborated in the said Annexure "A"; and

(c) A shared understanding that the initiative in terms of the support areas, as identified for Pilot Study Project now to be undertaken by the ICAI ARF at EPFO will require the highest order of technical knowledge and skills need to be employed on the Proposed Pilot Study Project from the very beginning.

Article 1: Roles and Responsibilities

Article 1.1: Role and Responsibilities of ICAI ARF

1.1.1. ICAI ARF agrees to be responsible for the performance of the Proposed Pilot Study Project.

1.1.2. ICAI ARF will submit a draft version of the deliverable, in line with Annexure "A", to the assigned / designated Sr. Officials of EPFO for internal discussion and acceptances and to share their feedback views / suggestions for further improvements, if any, within a pre-defined and agreed timeframe.

1.1.3. ICAI ARF shall release the final version of the deliverable after due consideration of the feedback views / suggestions made by the EPFO Officials and effect changes wherever appropriate.

Article 2.2: Role and Responsibility of EPFO

2.2.1. The EPFO will be responsible to see that all information and inputs, as sought for by ICAI ARF, pertaining to any support areas forming part of the Pilot Study are made available timely. Further the EPFO will also facilitate the discussions with the concerned EPFO official as may also be sought for by ICAI ARF for the project purposes from time to time. EPFO may suggest the notice period that it will require from ICAI ARF in this regard. EPFO will further ensure that the notice period so suggested is reasonable and does not result in any unreasonable delays in performance on the part of ICAI ARF.
2.2.2. The EPFO will be responsible for printing of the deliverable; and presentation of technical material and participants' kits for the conference, workshops, technical meetings etc. that may be required to be held during the performance of the pilot study.

2.2.3. The EPFO will also be responsible to ensure that the officials of EPFO have the necessary cooperation and support from their respective offices and it will further arrange for a site office for ICAI ARF at each identified pilot site, with space for a project team of 3, with minimum basic facilities i.e; intercom/telephone connectivity, printer, storage space, etc.

2.2.4. The EPFO will be responsible for assuring timely and meaningful feedback from the supervisory management of the identified pilot sites/units. The timelines in this regard may be mutually agreed upon separately.

Article 2.3: Matters which shall lie with both the parties

2.3.1. Both the parties agree to notify each other of their respective Nodal Officer with 2 days of the signing of the MoU. The names of the Nodal Officer can be shared verbally/telephonically and can be ratified through the subsequent written communication within the period of 7 day. Nodal Officers, so nominated, shall be responsible to facilitate the effective performance of their respective teams.

2.3.2. Both the parties agree that without specific and express approval from the EPFO, no part of this assignment shall be publicly communicated by any means, except for such matter which is found important for communication in Seminars having regard to the academic content thereof or otherwise than in accordance with the law. In former cases, the identity of the units shall be withheld and the prior approval of the EPFO will be taken.

2.3.3. It is understood by both the parties that an exercise as envisioned at EPFO may require support and handholding even after the pilot study has been formally declared completed. A view on the way-forward approach on such a necessity shall be taken jointly, before the scheduled completion of the Pilot Study.
2.3.4. Any clarifications arising out of this MOU or any material changes desired in this document shall be mutually discussed and agreed upon.

Article 2: Deliverables

The deliverable of the proposed Pilot Study Project is as stated in the Annexure “A”.

Article 3: Fees/Consideration:

ICAI ARF considered the Pilot Study as critical step for designing a strategy for migrating to double entry based accounting system at EPFO in line with the scope of the study as elaborated in the attached Annexure A. The fee/consideration for the pilot study is more intended to meet the estimated costs as per mutual agreement between EPFO and ICAI ARF.

ICAI ARF will charge a sum of Rs. 43.20 lacs plus all applicable taxes; and Rs. 1.00 lac per month plus all applicable taxes (on fixed monthly basis) against administrative and contingencies expenses. In case of any outstation visit or travel for any project related matter the complete travel; boarding and lodging costs shall be directly borne by the EPFO. The resources shall operate from the ICAI ARF Offices and EPFO’s Offices on need basis as the case may be. Further all costs of holding any workshop/seminar and the printed material for the same purposes shall be directly borne by EPFO.

Fees/consideration shall be paid by the EPFO as under:

- On the signing of the MoU: 30%
- 30 days from the commencement of the study: 25%
- On the submission of the initial draft: 25%
- On the submission of final copy: 20%

*The out of pocket expenses shall be claimed on monthly basis and are not included in the above.

All payments shall be released by EPFO within a period of 15 days from the date of invoice by the ICAI ARF.

Article 4: Timelines

The delivery timelines of this Pilot Study Project are as under:
Memorandum of Understanding - ICAI ARF & EPFO

May - 2014

Annexure IV

- Completion of Field Work; 5 to 6 weeks
  (Information gathering and data compilation)

- Preparation & release of Draft Report -2 weeks
- Discussions on the Draft Report 2 weeks
  (Including addressing of feedback views,
   comments and suggestions)
- Preparation & release of Final Report 2 weeks

*The above timelines indicative and are subject to timely availability of relevant information during the field work and it does not include the time taken by management in sharing its feedback views, comments and suggestions on the draft report.

Article 5: Authorities
The xxxxxxxxx of the ICAI Accounting Research Foundation and the xxxxxxxxx of EPFO are the authorized signatories for the purpose of the signing of this MOU.

Article 6: Others

THE PARTIES FURTHER AGREE AND COVENANT THAT

a. For any material changes desired in this MOU the same shall be mutually discussed and agreed upon in writing between both the parties before being acted upon.

b. Communication of Notice

In case of ICAI ARF

Mr. .................,
ICAi Accounting Research Foundation,
ICAi Bhawan, Inderprastha Marg,
New Delhi – 110002

In case of EPFO

..........................
..........................
..........................
c. Force Majure
The several obligations to be performed by both the parties herein are subject to the usual force majeure clauses and factors and acts beyond the control of parties, such as acts of God, war, aggression, civil commotion, breakdown of constitution or political machinery, strike, natural calamities, storms, cyclones, epidemics etc.

d. Termination
This MOU shall stand terminated on the expiry of the duration / or submission of deliverables by ICAI ARF as agreed hereinabove. However, it can be extended further on the basis of mutually agreed terms and conditions that shall be applicable for the extended period.

Provided that any party may terminate this MoU by giving a 30 days prior written notice to the other party without assigning any reason for the same.

Provided further this MoU may be terminated by any party by giving a 15 days prior written notice to the other party in case of material breach of any of the terms and conditions of this MoU.

Provided further that ICAI ARF shall be compensated by EPFO for its time and efforts on pro-rata basis in the event of pre-mature termination of MoU by EPFO.

e. Arbitration
That in case of any dispute or difference in relation to the meaning or interpretation of this MOU, the same shall be referred to Arbitration. Each party shall nominate one arbitrator and the two nominated arbitrators shall nominate a Presiding Officer. In case of difference between the two arbitrators, the matter shall be referred to the Presiding Officer for resolution. The Arbitration and Conciliation Act, 1996 shall be applicable. The seat of arbitration shall be at New Delhi. The language of arbitration shall be English. The award of the arbitrator shall be final and binding. The Cost of Arbitration shall be borne equally by the parties.

f. Jurisdiction
Subject to the arbitration agreement contained herein, any dispute between the parties arising out of this MOU shall be subject to the jurisdiction of the Courts at Delhi only.

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AT NEW DELHI ON THIS ____DAY OF ____________, 2014.

Authorized Signatory
for EPFO

Authorized Signatory
for ICAI ARF

Witnesses

1.
2.

1.
2.
Employees Provident Fund Organization
Ministry of Labour and Employment, Government of India
Pilot Study Project at Employees Provident Fund Organization (EPFO)

ICAI Accounting Research Foundation
# ICAI Accounting Research Foundation
## Pilot Study Project
### Employees Provident Fund Organization (EPFO), Ministry of Labour and Employment, Government of India

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| **1. Gaining an in-depth understanding of “As Is” in respect of:** | **1. Identification of Pilot Sites**  
(already identified as RO-Delhi North and SRO-Noida and Head Office) | **2. Communicate and Collect data and information at Pilot Sites and HO** | **RO, Delhi North; SRO Noida and Head Office** |
| i. All Accounting Streams |   |   | Total say around 2.5 / 3 Months required for the proposed Pilot Study |
| ii. Accounting Policies as followed |   |   |   |
| iii. Financial Controls over Accounting Transactions |   |   |   |
| iv. Adequacy of High-level MIS |   |   |   |
| **2. Develop “To Be” Scenario from migration to accrual accounting purposes.** | **3. Perform Proposed Activities**  
Report on Migration Strategy at EPFO - Cash to Accrual Accounting |   |   |
| **3. Identification of gaps between “As Is” and “To Be” in all quoted areas in 1 above.** | **4. Discuss and agree over on the understanding of all noted critical issues with EPFO team.** |   |   |
| **5. Analyze and evaluate Pilot Study outputs from designing of the Migration Strategy perspective.** |   |   |   |

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**EPFO - Identification of Support Areas - Draft for Discussion Purposes**  
**Page 9 of 12**
Item No 8: Acceptance of proposal of PICUP for Settlement of dues.

EPFO had received Rs. 1.24 Crore of Bonds of Pradeshiya Industrial & Investment Corporation of U.P. Ltd. (PICUP) from various Exempted Trusts. The bonds were guaranteed by the state Government of Uttar Pradesh. PICUP is a state public sector undertaking of U.P Government.

PICUP had defaulted in payment of periodical coupon amount and redemption proceeds due on bonds, since 2004. SBI being portfolio manager of EPFO had followed up the matter with PICUP by periodically writing letters and thereafter legal notice was served on it. The invocation of Government guarantee was not honored by the state government. Later PICUP had submitted a proposal for acceptance of principal amount only and for waiver of interest due which was not accepted by EPFO.

A Writ Petition No. 1759 of 2011 against the Govt. of U.P was filed in the Hon'ble High Court of Judicature at Allahabad, Lucknow Bench. The Hon'ble Court has issued an interim order on 22.02.2011 directing PICUP to pay the principal amount to the petitioner within a maximum period of six month, which EPFO shall accept without prejudice to the rights of either party to the writ petition. Accordingly, PICUP has remitted the amount of RS.1.24 Crore by a demand draft dated 31.03.2011. Thereafter, the matter is pending in the High Court and no effective hearing has taken place ever since.

While the case is still pending, PICUP showed their interest for amicable out of the court settlement in this case. In this regard a meeting was held with their Deputy Managing Director on 24.03.2014 & 25.03.2014. Thereafter PICUP has sent a proposal for settlement of the dues (Annexure 1).

In the proposal PICUP has submitted that 489 Bond investors out of 522 have already settled their dues/claims at principal amount as full and final. They have also waived the entire interest dues on their investment.

It has further been informed that the financial health of the corporation has not improved and the core activity of lending has been stopped by the Corporation since 2002. Government has directed them to settle only 25% of claim of interest with EPFO from the date of default to the
date of payment of Principal Amount i.e. upto 31.3.2011. In their proposal they have further offered the interest rate only at simple interest.

It may also be pointed out that there is difference of approach in calculation of interest between SBI and PICUP. As per SBI calculation the total dues was Rs. 1; 94, 19,256 till 31.10.2011. The amount will further increase if it is calculated up to date. SBI has calculated overdue interest @ 2% higher than the coupon rate which is about 13%.

On the other hand, PICUP has furnished documents showing that coupon rate was reduced to 10% and 11% which was accepted by the Exempted Trusts from where the bonds were transferred to EPFO. Further PICUP has calculated total interest only up to 31.3.2011 i.e. date of payment of principal amount. Thus as per their calculation total interest dues is Rs. 1,13,59,765. As they offer to pay only 25% of the interest amount, the amount comes to Rs. 28,39,941 only.

FIAC may accept the offer of PICUP and settle the claim as full and final by accepting Rs. 28,39,941, after due verification of the mathematical accuracy of calculation and verification of the coupon rate of the bond by team of RC (F&A) and, DGM of SBI on the principles of the offer of settlement as outlined above.

Alternatively, outcome of the case pending in the Hon'ble High court may be awaited.

The proposal is placed before FIAC for consideration and its approval for placing before CBT, EPF with appropriate recommendation..
Ref. No.: RMC/LEGAL/1/Vol.II 4125 Dated: March 28, 2014

BONDHOLDER NO: G7-99-II-245, G7-2000-III-25, G7-2002-I-034 & G7-2002-II-036

Mr. Manoranjan Kulkarni,  
Regional P.F. Commissioner-II (Invest.),  
Employees Provident Fund Organization,  
(Ministry of Labour & Employment, Govt. of India),  
Bhavishya Nidhi Bhawan,  
11, Bhikaiji Cama Place,  
NEW DELHI – 110 066.

In reference to your letter no. Invest. 1/1(125)/04/UP PICUP & UP SFC dated 30 Jan., 2014 and the discussion held with you in your office on 24 & 25.3.2014 on amicable settlement of interest dues only. (As Principal amount of Rs. 124.00 lakhs already paid to you on 31.03.2011), out of Court.

As discussed, the consent letters to reduce rate of interest from coupon rate of interest to 10% & 11% by the earlier Bond Holders (investors) namely (i) M/s. MCF Mangalore Chemicals & Fertilizers Limited Employees Provident Fund, PANAMBUR, MANGALORE (KARNATAKA) from 13% (ii) and M/s. MCF Mangalore Chemicals & Fertilizers Limited Employees Provident Fund, PANAMBUR, MANGALORE (KARNATAKA) from 13% and (iii) M/s. NGEF Employee Provident Fund, Bangalore from 13.40%, are enclosed as Annexure-I, II & III respectively for your kind perusal.

I had explained during the meeting that considering the adverse financial health of the Corporation i.e., accumulated losses & negative net worth, (as on 31.03.2013 Rs. 350.84 crores and negative net worth Rs. 189 crores), so far, as many as 489 Bond investors (out of 522) (which constitute around 94% of investors) have already settled their dues/claims at principal amount invested as full and final settlement. They have waived the entire interest due/to be due on their Bond investments. Such Bondholders comprise of Central/State PSUs, Individuals, Corporate Houses, Trusts, Nationalized Banks/RRBs etc. The investors who have thus settled their Bond investment with PICUP are predominantly of EPF/ PF category. (The list of such Bondholders is enclosed for perusal).
It was also informed that the Corporation's financial health has not yet improved and the core activity of lending has been stopped by the Corporation since F.Y. 2002. However, in the earnestness to settle with the few remaining investors like yours, the Government has directed us to settle your simple interest dues also which is accrued from the date of default to the date of Principal Amount paid to you i.e. upto 31.3.2011. Since on my request you were not agreeable to settle at principal & had desired an offer in writing for consideration of your Competent Authority for decision, we hereby offer you to pay 25% of the total accrued simple interest as a special case with in a month from the date of your consent letter which works out to Rs.28,39,941/- as full & final settlement. A calculation sheet at annexure –IV is enclosed as per revised agreed rate of interest agreed by the original Bondholders.

Kindly give your consent as the above offer so that after necessary approvals from our competent authority, an amount of Rs.28,39,941/- can be paid to you as full & final settlement with the condition to withdraw the Court Case.

Thanking you,

Encl. As above.

Yours faithfully,

[Signature]
Dy. Managing Director

27/3/2019

1. As per the decision taken in 196th meeting of Central Board of Trustees (CBT), EPF held on 20.07.2011, M/s Chandabhoy & Jassoobhoy, Chartered Accountants, Mumbai was appointed as External Concurrent Auditor (ECA) for Portfolio Managers of EPFO for a period of three years. In the meeting the Board had decided that the performance of the Auditor would be reviewed after one year and further extension would be given after assessing the performance on a yearly basis.

2. As per the agreement entered into between CBT, EPF and the ECA M/s Chandabhoy & Jassoobhoy, the tenure of the ECA commenced on 1st November 2011 for a period of three years. The tenure of ECA was coterminous with the tenure of fund managers of the CBT, EPF, who were appointed for the same period. Therefore, performance of the ECA was evaluated for the period 1.11.2011 to 31.10.2012 on the parameters of duties and responsibilities along with the qualification criteria stated in the request for proposal (RFP) document issued at the time of inviting tender. The evaluation report was put up in the 201st meeting of CBT held on 25.2.2013. On account of satisfactory performance of M/s Chandabhoy & Jassoobhoy, Chartered Accountants, the CBT decided to extend the tenure of the ECA till 31.03.2014.

3. It was also decided in the CBT meeting that the next annual performance review of the ECA may be done for the period from 01.11.2012 to 31.03.2014.

4. Therefore performance of the ECA has been evaluated for the period 1.11.2012 to 31.03.2014 on the parameters of duties and
responsibilities along with the qualification criteria stated in the request for proposal (RFP) document issued at the time of inviting tender. The evaluation report is placed at Annexure – I.

5. As reflected in the performance evaluation report, the work of the ECA has been satisfactory. Therefore, the ECA, M/s Chandabhoy & Jassoobhoy may be given extension for the period from 1st April 2013 to 31st October 2014.

The item is placed for consideration of FIAC and recommendation to CBT, EPF.
# PERFORMANCE EVALUATION OF EXTERNAL CONCURRENT AUDITOR (ECA)
M/S. CHANDAYBHOY AND JASSOOBHOY
FOR THE PERIOD 1.11.2012 TO 31.03.2014

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Duties and Responsibility of External Concurrent Auditor</th>
<th>Performance of ECA M/s. CHANDAYBHOY AND JASSOOBHOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ensure that the audit is to be conducted by a team consisting of one leader and at least two staff personnel. The leader of the team should be a qualified chartered accountant with at least three years experience in the field of Portfolio Audit. The audit should be carried out under direct supervision of a Partner of the chartered accountant firm if the leader of the Team is not a Partner of the Chartered Accountant firm.</td>
<td>Yes. The audit team always consists of one chartered accountant and two semi qualified personnel. Further the audit is carried out under direct supervision of a Partner of the Firm.</td>
</tr>
<tr>
<td>2</td>
<td>Ensure that they are not engaged for audit of the same fund manager(s) of EPFO for any purpose other than the terms of reference contained in this RFP.</td>
<td>The audit firm is not engaged in the audit of the same fund managers of EPFO.</td>
</tr>
<tr>
<td>3</td>
<td>Ensure, to the best possible extent, that the team leader appointed to conduct the audit should continue in his role till the completion of the assignment. For any reason, if there is a change in the team leader appointed to conduct the audit, the same should be intimated to EPFO immediately.</td>
<td>Yes the same has been complied with.</td>
</tr>
<tr>
<td>4</td>
<td>Reconcile the Funds flow and Bank Accounts of EPFO with the Portfolio Manager(s) on a monthly basis.</td>
<td>Yes the same has been done on monthly basis.</td>
</tr>
<tr>
<td>5</td>
<td>Check the MIS from custodians of securities and report exceptions, if any, on an immediate basis.</td>
<td>Yes, the same has been checked and complied with.</td>
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</tr>
<tr>
<td>6</td>
<td>Check the receipt of data and MIS from Portfolio Managers and report any exceptions to EPFO.</td>
<td>Yes, the same has been checked and complied with.</td>
</tr>
<tr>
<td>7</td>
<td>Check the daily transactions with the market data and report deviations.</td>
<td>Yes, the same has been checked and complied with.</td>
</tr>
<tr>
<td>8</td>
<td>Check the Credit ratings of the Investments on a daily basis and report any downgrades or negative watch/outlook immediately.</td>
<td>Yes, the same has been checked and complied with.</td>
</tr>
<tr>
<td>9</td>
<td>To examine and verify whether the fund managers have followed the investment pattern, investment guidelines and the terms of agreement entered into between EPFO and the fund managers.</td>
<td>Yes, the same has been checked and complied with.</td>
</tr>
<tr>
<td>10</td>
<td>To scrutinize the investment transactions made by the portfolio managers on day-to-day basis to ensure that the same are as per the pattern as well as the guidelines issued by the CBT, EPF. Also to point out wherever deviations have been made.</td>
<td>Yes, the same has been checked and complied with.</td>
</tr>
<tr>
<td>11</td>
<td>To examine the investments made from time to time to ensure that the portfolio manager could get maximum return possible on our funds. Also the investment of CBT, EPF funds in TDRs of the banks under same management group may be examined carefully.</td>
<td>Yes, the same has been checked and complied with.</td>
</tr>
<tr>
<td>12</td>
<td>To verify whether the interest and maturity proceeds are collected promptly and re-invested as per the provisions made in the Pattern</td>
<td>Yes, the same has been checked and complied with and exceptions (if any) are reported.</td>
</tr>
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<tr>
<td>of Investment. Also to point out delays, if any, and the causes for such delay.</td>
<td></td>
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</tr>
<tr>
<td>To verify whether the incentives, wherever receivable from the institutions, are collected promptly and invested as per the prescribed pattern/guidelines.</td>
<td>Yes, the same has been checked and complied with and exceptions (if any) are reported.</td>
<td></td>
</tr>
<tr>
<td>To bring out cases of undue delay in the receipt of incentives.</td>
<td>Yes, the same is reported.</td>
<td></td>
</tr>
<tr>
<td>To verify, from the daily transaction details, whether the charges are levied correctly by the Portfolio Manager as per the terms and conditions and to report excess charges levied by Portfolio Manager on account of splitting up of investment deals.</td>
<td>Yes, the same is verified and complied with.</td>
<td></td>
</tr>
<tr>
<td>To verify whether the capital was invested promptly. If the Capital remained un-invested for a significant period, then to verify whether income/capital gain on delayed investments has out-weighed pre-investment income/capital loss together with income for un-invested period.</td>
<td>Yes, the same is verified and complied with.</td>
<td></td>
</tr>
<tr>
<td>To verify whether proper records have been maintained in respect of all transactions and contracts and to ascertain whether the records are correctly and timely updated.</td>
<td>Yes, the same is verified and complied with.</td>
<td></td>
</tr>
<tr>
<td>To verify whether all shares, securities, debentures and other investments have been held in the name of Central Board of Trustees, Employees' Provident Fund.</td>
<td>Yes, the same is verified and complied with.</td>
<td></td>
</tr>
<tr>
<td>To verify whether there is a reasonable system of authorization at proper levels and there are</td>
<td>Yes, the same is verified and complied with.</td>
<td></td>
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</table>

Annexure I
<p>| | |</p>
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<tr>
<td><strong>Annexure I</strong></td>
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<tr>
<td><strong>adequate system of internal controls commensurate with quantum and value of investment transactions.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>20 To verify whether adequate records are kept in support of each investment decision.</strong></td>
<td>Yes, the same is verified and complied with.</td>
</tr>
<tr>
<td><strong>21 To ascertain whether the Investments have always been made at the optimal market rate. The ECA will look into the price on the date of investment and check the proportion of investment closer to lowest, medium and highest rates.</strong></td>
<td>Yes, the same has been checked and complied with and exceptions (if any) are reported.</td>
</tr>
<tr>
<td><strong>22 To verify whether investments are made at the highest available yield for the particular period of maturity.</strong></td>
<td>Yes, the same has been checked and complied with and exceptions (if any) are reported.</td>
</tr>
<tr>
<td><strong>23 To comment on internal control mechanism, whether the systems are adequate to avoid any internal frauds. If not, suggest a suitable mechanism after discussing the matter with the Portfolio Manager concerned.</strong></td>
<td>Yes, internal control mechanism / system is adequate to avoid any internal frauds.</td>
</tr>
<tr>
<td><strong>24 To examine whether the Portfolio Manager has taken steps to rectify the deficiencies pointed out from time to time.</strong></td>
<td>Yes the same is verified.</td>
</tr>
<tr>
<td><strong>25 To bring out any other point, which comes to notice of ECA during the course of audit.</strong></td>
<td>Reported if any, in monthly concurrent audit reports.</td>
</tr>
<tr>
<td><strong>26 Special care shall be taken to examine the cases of tax deducted at source and the receipt of refund for the same or the receipt of TDS certificates in Form 16-As for those cases. The details may be worked out for the cases in respect of which no refunds or TDS certificates have been received.</strong></td>
<td>Yes, the same has been done and complied with.</td>
</tr>
</tbody>
</table>
### Annexure I

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Qualification of ECA</th>
<th>Status of the ECA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The name of the Partnership Firm should be registered with the ICAI</td>
<td>Chandabhoy &amp; Jassoobhoy Chartered Accountants Mumbai</td>
</tr>
<tr>
<td>2</td>
<td>There must be at least FIVE (5) Qualified Chartered Accountants working as full-time Partners</td>
<td>Yes, the firm has 6 (six) full time partners as on date.</td>
</tr>
<tr>
<td>3</td>
<td>The firm must have at least FIFTEEN (15) other accounting staff members (including qualified chartered people)</td>
<td>Yes, the firm has around 50 - 55 other accounting staff members (including qualified chartered people)</td>
</tr>
</tbody>
</table>

27 The auditors have to ensure that all the guidelines/circulars issued by the Government/CBT, EPF from time to time are followed and the various points mentioned in the scope of audit mentioned above are looked into.

Yes, the same has been looked into and all the guidelines / circulars issued by CBT, EPF from time to time are followed.

28 The Audit Report shall also cover shortcomings in the existing set up, which are to be taken care of by issuing suitable guidelines.

Reported if any, in monthly concurrent audit reports.

29 The concurrent audit needs to be carried out and Report submitted to the EPFO on a monthly basis.

Yes, the same has been complied with.

30 In Audit Reports, audit observations regarding Pension Fund, Provident Fund, EDLI Fund, EPF Staff Provident Fund, EPF Staff Pension and Gratuity Fund, etc., should be categorized separately as separate accounts are maintained by EPFO. Concurrent Audit report on Pension fund shall be bound separately and a consolidated report on all other funds shall be bound separately for submission to EPFO.

Yes, the same has been complied with.
<table>
<thead>
<tr>
<th></th>
<th>staff members in addition to the Partners</th>
<th>accountants) in addition to the Partners.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>The Firm must have registered with the ICAI on or before 01 April 2000</td>
<td>The firm was registered on 17.12.1925</td>
</tr>
<tr>
<td>5</td>
<td>The Firm must have experience of at least FIVE (5) years in audit on (Concurrent Basis) of the accounts of Portfolio Managers having turnover of not less than Rs.5000 Crores</td>
<td>The firm has more than 10 years' experience in the audit of accounts of portfolio managers having turnover of more than Rs. 5000 crores.</td>
</tr>
<tr>
<td>6</td>
<td>The Firm / any partner should not have been convicted by a court of law or indictment / adverse order passed against the firm / any partner in similar activities during the past FIVE (5) years i.e. from 01 April 2006 till date. A declaration on affidavit to this extent shall be furnished duly signed by the Managing Partner of the Firm in the Technical Bid. The affidavit should be attested by a Notary Public/Magistrate.</td>
<td>The Firm and none of its partner have been convicted by a court of law or indictment / adverse order passed against the firm / any partner in similar activities during past five years.</td>
</tr>
</tbody>
</table>
Item No 10: Extension of tenure to the Custodian M/s Standard Chartered Bank till 31.10.2014 after their performance evaluation from 1.11.2012 to 31.03.2014.

1. As per the decision taken in 196th meeting of Central Board of Trustees (CBT), EPF held on 20.07.2011, M/s Standard Chartered Bank, Mumbai was appointed as custodian of EPFO securities for a period of three years. In the meeting the Board had decided that the performance of the custodian would be reviewed after one year and further extension would be given after assessing the performance on a yearly basis.

2. As per the agreement entered into between CBT, EPF and the custodian M/s SCB the tenure of the custodian commenced on 1st November 2011 for a period of three years. The tenure of the custodian was coterminous with the tenure of fund managers of the CBT, EPF, who were appointed for the same period. Therefore, performance of the custodian was evaluated for the period 1.11.2011 to 31.10.2012 on the parameters of duties and responsibilities along with the qualification criteria stated in the request for proposal (RFP) document issued at the time of inviting tender. The evaluation report was put up in the 201st meeting of CBT held on 25.2.2013. On account of satisfactory performance of SCB, the CBT decided to extend the tenure of the Custodian till 31.03.2014.

3. It was also decided in the CBT meeting that the next annual performance review of the custodian may be done for the period from 01.11.2012 to 31.03.2014.

4. Therefore performance of the custodian has been evaluated for the period 01.11.2012 to 31.03.2014 on the parameters of duties and responsibilities along with the qualification criteria stated in the request for proposal (RFP) document issued at the time of inviting tender. The evaluation report is placed at Annexure-I.
5. The performance has been evaluated on the basis of daily reports received from the Custodian, M/s SCB. The Investment Division of EPFO maintains records of all the accounts related to investment corpus and there has not been any noted deviation from the duties and responsibilities assigned to SCB. Information received from the four Portfolio managers of EPFO also provide independent input for evaluation of functioning of the custodian. There has been no noted deviation during the period under review.

6. As reflected in the performance evaluation report, the work of the custodian has been satisfactory. Therefore the custodian M/s SCB may be given an extension for the period from 1st April 2014 to 31st October 2014.

*The item is placed for consideration of FIAC and recommendation to CBT, EPF.*
PERFORMANCE EVALUATION OF CUSTODIAN
M/S. STANDARD CHARtered BANK
FOR THE PERIOD 1.11.2012 TO 31.03.2014

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Duties and Responsibility of Custodian</th>
<th>Performance of Custodian M/s. Standard Chartered Bank (SCB)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>To collect and receive any income and other payments and distributions made by the issuer of Securities, for the account of the CBT, EPF and in the absence of contrary instructions credit the non monetary distributions to the Custody account or the monetary distributions to the Saving Account as the case may be.</td>
<td>All monetary income, other payment and distributions made by the issuer of Securities are credited to the respective saving accounts of CBT, EPF. Interests on Corporate Bonds are credited to the NG cash accounts and Interests on Government of India Securities are credited to the G-Sec pool account of the respective portfolio managers/CBT, EPF. However in case of GOI securities assigned to SBI, interest on GOI securities are credited to the Cash account of CBT, EPF maintained directly with RBI and managed by SBI. All non-monetary income, other payment and distributions are credited to the respective depository account of portfolio managers/CBT, EPF maintained with SCB.</td>
</tr>
<tr>
<td>2</td>
<td>To take all/any action necessary and proper in connection with the receipt of income and other payments and distributions referred above, including without limitation the presentation of coupons and other interest items.</td>
<td>SCB as Custodian is taking all necessary actions in connection with receipt of income and other payments.</td>
</tr>
<tr>
<td>3</td>
<td>To receive and hold for the account of the CBT, EPF all/any moneys arising out of or in connection with the Property whether as a result of it being called or redeemed or otherwise becoming payable and credit the same to the Saving Account.</td>
<td>All funds received on account of call/put option made by the issuer/client of Securities or on account of redemption are credited to the respective saving accounts of CBT, EPF.</td>
</tr>
<tr>
<td>4</td>
<td>To take all/any action necessary and proper in connection with the receipt of the moneys referred above, including without limitation the presentation for payment of any Property becoming Entitlements on account of PUT/CALL/Redemption proceeds are system generated by the Custodian. Expected PUT/CALL/Redemption proceeds are followed up with issuer and intimated to the</td>
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<td><strong>Annexure I</strong></td>
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<tr>
<td><strong>payable as a result of being called or redeemed or otherwise becoming payable and the endorsement for collection of cheques, drafts and other negotiable instruments</strong></td>
<td><strong>client in report sent on one working day prior to the pay date.</strong> Upon receipt of PUT/CALL/Redemption proceeds, the same are credited to the respective saving account of CBT,EPF. Wherever required, the securities are surrendered/handed-over/discharged to the issuer and the proceeds are credited to the respective saving account of CBT,EPF.</td>
<td></td>
</tr>
<tr>
<td><strong>5</strong> To receive and hold for the account of the CBT,EPF, the Securities received by the Custodian as a result of reorganization, consolidations, conversions, capitalisation of reserves, and the like issued with respect to any Securities held by it hereunder.</td>
<td><strong>SCB receives and follow up with the company to collect new securities if characteristic have changed due to reorganization, consolidations, conversions, capitalisation of reserves. Please note that CBT, RPF does not invest in equity where this type of even is common.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>6</strong> To exchange interim or temporary receipts for definitive Securities, and old or over stamped certificates for new certificates.</td>
<td><strong>SCB facilitate the exchange of interim or temporary receipts, generally received in debt securities as letter of allotment (LOA) for definitive securities. The securities are now available in electronic format and issuer arranges to issue securities in definitive form only.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>7</strong> To deliver any security cash and/or any other property belonging to CBT,EPF which has been sold after confirmation from CBT EPF and/or make payment for, and receive Property purchased on behalf of CBT, EPF, provided however that the Custodian will deliver Property only after receipt of payment for sale transactions and/or make payment only after receipt of Property for purchase transactions unless instructed to the contrary or is required by prevailing rules, operating procedures and regulations on any relevant stock exchange, clearance system, depository to do otherwise but with a simultaneous intimation to the EPF/CBT.</td>
<td><strong>SCB ensures that no securities are sold by the portfolio managers unless &amp; until proper instructions are received from CBT,EPF. However, for every sale SCB ensures that securities are released only after receipt of funds and/or securities are released prior to the receipt of funds only to the Clearing Corporation of the exchanges and/or where securities (GOI SEC) are debited directly by the Reserve Bank of India.</strong></td>
<td></td>
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### Annexure I

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<tr>
<th>8</th>
<th>To deal with rights, or public issues, warrants and other similar interests offered or received by the Custodian.</th>
<th>SCB as custodian acts on the instruction received by the CBT, EPF or Portfolio Managers for any voluntary corporate actions where instruction is required. The Rights/warrants are more common in equities where CBT, EPF does not invest.</th>
</tr>
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<tr>
<td>9</td>
<td>To deliver such Securities to the issuer thereof or its agent when Securities are called, redeemed, cancelled retired or otherwise become payable and to receive payment thereof.</td>
<td>Wherever require, the securities are surrendered/handed-over/discharged to the issuer and the proceeds are credited to the respective saving account of CBT, EPF.</td>
</tr>
<tr>
<td>10</td>
<td>To deliver such Securities for exchange for a different number of Securities or certificates representing the same aggregate face value; or conversion pursuant to any plan of merger, consolidation, Custodianpitalisation, reorganization or readjustment of the Securities by the issuer of such Securities; or pursuant to provision for conversion contained in such Securities; provided that, in any such case, the new Securities and cash, if any, are to be delivered back to the Custodian.</td>
<td>SCB as custodian acts on the instruction received by the CBT, EPF or through the Portfolio Managers for any voluntary corporate actions where instruction is required. SCB would act as custodian and do the needful to collect the funds or securities for any voluntary corporate action.</td>
</tr>
<tr>
<td>11</td>
<td>To surrender warrants, rights or similar Securities and receive back the delivery of new Securities. Except as provided herein, to deliver or dispose of the Property only as may be specified by Instructions and supported by confirmation from CBT EPF.</td>
<td>SCB as custodian act on the instruction received by the CBT, EPF or Portfolio Managers for any voluntary corporate actions where instruction is required. The Rights/warrants are more common in equities where CBT, EPF does not invest.</td>
</tr>
<tr>
<td>12</td>
<td>Except as may be otherwise provided herein, the Custodian shall make, or cause its agent to make, payments from the Saving Account only on specific Instructions</td>
<td>SCB acts on Port Folio Manager's instructions for debiting the saving account only for the following types of transactions: 1) Primary / Secondary market Trade Instructions 2) Transfer Instructions for movement of funds within the accounts 3) Payment of CCIL charges / Margin Placement Other than the above, SCB takes specific</td>
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<td>instructions from CBT,EPF to make the payments.</td>
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<tr>
<td>13</td>
<td>For the purchase of Property for the account of the CBT,EPF and or crediting of the Property to the Custody Account(s) / Depository Account(s) of the CBT, EPF</td>
<td>Same as above</td>
</tr>
<tr>
<td>14</td>
<td>For payments to be made in connection with the conversion, exchange or surrender of Property held in the Custody Account</td>
<td>SCB as custodian acts on the instruction received by the CBT,EPF or Portfolio Managers for any voluntary corporate actions where instruction is required.. SCB would act as custodian and do the needful to collect the funds or securities for involuntary corporate action.</td>
</tr>
<tr>
<td>15</td>
<td>The Custodian shall arrange on written request by the CBT,EPF for registration of Property with the issuer or its agent in the name of CBT EPF, provided such registration is permissible under prevailing laws</td>
<td>SCB has acted on CBT,EPF's instruction for sending the physical securities for registration with the Issuer.</td>
</tr>
<tr>
<td>16</td>
<td>The Custodian shall furnish to the CBT,EPF a daily statement of cash and a daily/ weekly statement of Securities held by the Custodian in a mutually agreed format, before the close of the next day and within two days after the end of each such week respectively and additionally such other statements or reports that the CBT,EPF may request. It shall be obligatory for the Custodian to provide all information, reports or any explanations sought by the CBT,EPF, at such frequency and in such formats as mutually agreed, and/or the Auditor of the CBT,EPF for the purpose of audit and for physical verifications and reconciliation of Securities belonging to the CBT, EPF so long as necessary information is available with the Custodian to prepare and provide such other additional statements or reports.</td>
<td>SCB sends the requisite reports to CBT, EPF on daily basis, weekly basis, monthly basis and as and when required by CBT, EPF.</td>
</tr>
<tr>
<td>17</td>
<td>The Custodian may supply to the CBT, EPF from time to time operating procedures which shall govern the day to day operations of the Custody Account and the Saving Account. Such operating procedures, may be amended by from time to time by mutual consent between the Custodian and the CBT, EPF.</td>
<td>Custodian has provided the operating process to CBT, EPF and in quarterly review with the Portfolio Managers, they present themselves to receive feedback from the PMs and CBT, EPF to further fine tune their processes.</td>
</tr>
<tr>
<td>18</td>
<td>The CBT, EPF reserves the right to call for information and exercise such other rights which under these presents is exercisable by the CBT, EPF by giving an intimation to the Custodian to that effect.</td>
<td>SCB provides all the information as and when requested by CBT, EPF</td>
</tr>
<tr>
<td>19</td>
<td>The Custodian shall allow the CBT, EPF, withdrawal of all or any part of the Property in the Custody Account and/or the Saving Account.</td>
<td>SCB holds the securities and cash on behalf of CBT, EPF and the securities and cash are made available to CBT, EPF.</td>
</tr>
<tr>
<td>20</td>
<td>Delivery of any Property other than the CBT, EPF and the securities and cash are made within reasonable time at such locations as the parties hereto may agree.</td>
<td>The custodian delivered the securities as and when required us their reasonable time.</td>
</tr>
<tr>
<td>21</td>
<td>The Custodian shall arrange an adequate insurance cover for the entire Property belonging to the CBT, EPF, the details of which shall be submitted to the CBT, EPF.</td>
<td>SCB has taken an adequate insurance cover from AON and renews the policy yearly. The cover for Crime includes:</td>
</tr>
</tbody>
</table>
- Fidelity
- Physical loss
- Forged Instruments
- Extortion
- Computer & Telephonic Misuse

The cover for Civil Liability includes:

Claims made against Standard Chartered Bank for Civil Liability arising from the provision or the failure to provide Services. |
| 22 | The Custodian shall be responsible for following up with the issuers of | Standard Chartered has good checks and processes where by issuers of securities are |
In the eventuality of default or late payment of interest and/or maturity proceeds, SCB interacts with concerned issuer or its registrar and make formal demand of interest for late payment. The factual information is also gathered by engaging the concerned Banks (who have issued payment instrument, receipt of payment instructions, technical issues if any faced by them for processing electronic payments through RTGS/NEFT etc). The detailed note in the facts is shared with EPFO including recommendation to initiate legal proceedings etc.

In consultation with EPFO, law firm / Counsel is appointed to initiate legal proceedings including representing EPFO's interest in the court proceedings.

### Qualification of Custodian

<table>
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<tr>
<th>Sl. No.</th>
<th>Qualification of Custodian</th>
<th>Status of the Custodian</th>
</tr>
</thead>
</table>
| 1       | Custodian should be registered with SEBI and RBI and the registration should be valid on the date of application | SEBI: Standard Chartered Bank (SCB) is registered with SEBI  
RBI: Standard Chartered Bank is licensed under section 22(1) of the Banking Companies Act, 1949 to carry out banking in India by the Reserve Bank of India |
<p>| 2       | Applicant should have more than 5 year experience in providing custody services. | Standard Chartered Bank (SCB) started its custodial services activities in 1998 in India and has a experience of over 15 years |
| 3       | Custodian should have more than Rs. 1,00,000 crores total Assets Under Custody (AUC) as on 31-3-2011. | Standard Chartered Banks Total Assets under Custody as on 31-3-2014 was Rs. 419,221 crores. |</p>
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<tbody>
<tr>
<td>4</td>
<td>Should be having at least Rs. 50,000 Crores of Debt Assets Under Custody as on 31-3-2011</td>
<td>Standard Chartered Banks total Debt Assets under Custody as on 31-3-2014 was Rs. 296,426 crores</td>
</tr>
<tr>
<td>5</td>
<td>Should be able to offer custodial services, settlement services and reporting thereof for all type of eligible securities i.e. Corporate Bonds, Government Securities (through SGL/CSSL), Bank FDRs, CBLO or any other securities in which CBT, EPF may transact in future as prescribed by the Government.</td>
<td>SCB provided clearing and settlement services to all type of eligible securities Corporate Bonds, Government Securities (CSGL), Bank FDRs, CBLO or any other securities in which CBT, EPF may transact in future as prescribed by the Government.</td>
</tr>
<tr>
<td>6</td>
<td>Should have a system which can generate consolidated MIS reports as required by EPFO which should include reports on all eligible securities. The reports should be system generated</td>
<td>SCB provides system generate reports to CBT, EPF as per the requirement.</td>
</tr>
<tr>
<td>7</td>
<td>Capability to develop a new system for catering to automation and straight through processing and reporting requirements of EPFO.</td>
<td>SCB has source code of system provide them flexibility for development and automation of system as per the requirement.</td>
</tr>
<tr>
<td>8</td>
<td>Flexibility in the system to provide any new reports required by EPFO.</td>
<td>System of SCB is flexible enough to provide any new report required by EPFO.</td>
</tr>
<tr>
<td>9</td>
<td>Scalability in system to handle large volumes</td>
<td>SCB has capability in the system to hand large volume.</td>
</tr>
</tbody>
</table>
| 10 | Adequate insurance to cover any liability that may arise. | SCB has taken an adequate insurance cover from AON and renew the policy yearly. The cover for Crime includes:  
- Fidelity  
- Physical loss  
- Forged Instruments  
- Extortion  
- Computer & Telephonic Misuse |

The cover for Civil Liability includes:
### Annexure I

<table>
<thead>
<tr>
<th></th>
<th>Claims made against Standard Chartered for Civil Liability arising from the provision or the failure to provide Services.</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Should have functional offices at Mumbai &amp; Delhi having responsible officials.</td>
</tr>
<tr>
<td></td>
<td>Yes, SCB has functional offices in Delhi and Mumbai.</td>
</tr>
<tr>
<td>12</td>
<td>Any conviction by a Court of Law or indictment/adverse order by a regulatory authority that casts a doubt on the ability of the applicant to provide Custodial and other related services.</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>13</td>
<td>The Custodian of EPFO should be different from Banker and/or Fund Manager of EPFO. However EPFO reserves its right to allow the Custodian of EPFO work as Banker and/or Fund Manager of EPFO.</td>
</tr>
<tr>
<td></td>
<td>SCB is providing custody services to CBT,EPF and have opened only operational accounts for CBT,EPF for settlement of trades.</td>
</tr>
</tbody>
</table>


**Item No 11: Scheme of audit in EPFO**

**Methodology For Internal Audit**

The internal audit has been working for decades without a proper codified methodology for its various activities. There was no internal audit plan drawn well in advance for the ensuing year, no prescribed procedure for selection of areas to be audited, no procedure for dropping of internal audit paras, no procedure for using the audit data to improve systems or streamline processes.

The working of the Audit wing was reviewed and it was felt that there was an urgent need to put in place systems for the various activities of the audit wing. These systems were to be built around the role assigned to the audit wing by the Executive Committee.

The role of Internal Audit is to identify systemic weaknesses/bottlenecks and to help design timely interventions in order to prevent any loss to the fund held in trust on behalf of the subscribers. As per the Mandate given by Executive Committee in its 56th meeting while expanding, the Audit Wing, the audit wing was to conduct a much more vigilant and fast paced audit at shorter intervals focusing on process audit in which each and every process is audited in its entirety. The audit wing was also to ensure the quality of data during the migration from Manual to Computerized system. This work needs to be done diligently in order to build robust computerized database and fool proof processes.

**Annual Audit Plan**

In order to ensure optimal utilization of the audit manpower to achieve organizational objectives it is important to have an annual audit plan. This plan shall be drawn up jointly by the FA & CAO and ACC (Audit)/Director (Audit) by 15th February every year. This plan shall clearly detail the core areas for audit during the year. It shall clearly specify the priorities in terms of the offices to be audited and the areas to be covered. The plan shall take into account the human resource available at the disposal of the audit wing, the focus areas of the organization, the main
bottlenecks that require special attention, targets set by the organization and any special needs in view of frauds detected etc.

**Procedure For Dropping Of Audit Paras**

The deficiencies pointed out by the Internal Audit Party must be removed without fail and this is required to be monitored closely. In this context the procedure followed for dropping of Internal Audit Paras assumes utmost importance. In order to focus on this a system of Committees for dropping of Internal Audit Paras has been devised. The Audit Paras raised by the Internal Audit Party is proposed to be divided into three categories as follows.

- Category 'A'
- Category 'B'
- Category 'C'

**Category 'A'**

Category 'A' shall contain the Internal Audit Paras relating to the following:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sanction of the Competent Authority does not exist.</td>
</tr>
<tr>
<td>2</td>
<td>Violation of MAP.</td>
</tr>
<tr>
<td>3</td>
<td>Snags in Software</td>
</tr>
<tr>
<td>4</td>
<td>Fraud</td>
</tr>
<tr>
<td>5</td>
<td>Cash Book Reconciliations</td>
</tr>
<tr>
<td>6</td>
<td>Negative Balances</td>
</tr>
<tr>
<td>7</td>
<td>Erroneous Debit/Credit</td>
</tr>
<tr>
<td>8</td>
<td>Overpayment more than Rs. 20,000/-</td>
</tr>
<tr>
<td>9</td>
<td>Pre-ponement/postponing of Coverage</td>
</tr>
<tr>
<td>10</td>
<td>Delay in conclusion of 7A/14B/7Q cases for more than 2 years.</td>
</tr>
<tr>
<td>11</td>
<td>Balance Sheet errors and omissions</td>
</tr>
<tr>
<td>12</td>
<td>Un due delay in finalization of Pension claims.</td>
</tr>
<tr>
<td>13</td>
<td>TA/DA/LTC/ up to Rs. 20,000</td>
</tr>
<tr>
<td>14</td>
<td>Dummy Accounts</td>
</tr>
<tr>
<td>15</td>
<td>Interest on Belated credits</td>
</tr>
<tr>
<td>16</td>
<td>Stale Cheques</td>
</tr>
<tr>
<td>17</td>
<td>Irregularities in the procedure for transfer of fund from Contribution Account to Investment Account</td>
</tr>
<tr>
<td>18</td>
<td>Review of minutes of Over Payment Review Committee.</td>
</tr>
<tr>
<td>19</td>
<td>Pension Reconciliation PPO wise/Bank wise.</td>
</tr>
</tbody>
</table>
20. Time taken in claim settlement
21. Non recovery of arrear demand/Non recovery of current demand
22. Residual balances in Form 24
23. Irregularities in Annual statement of Accounts
24. Excess/unauthorized debit service charges by SBI

As these subjects impact the vital systems of the Organisation, have huge financial implications and are of a global nature, these Internal Audit Paras shall be dropped by the following Committees:

C.P.F.C. Chairperson
F.A & CAO Member
Joint Secretary Level Officers Member

Category 'B'

Category 'B' shall contain Internal Audit Paras related to the following

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>TA/DA/LTC/ more than Rs. 5,000/- but less than Rs. 20,000</td>
</tr>
<tr>
<td>2.</td>
<td>Delay in conclusion of 7A/14 B/7Q of more than 1 year but less than 2 years.</td>
</tr>
<tr>
<td>3.</td>
<td>Pay Fixation/MACP/ACP.</td>
</tr>
<tr>
<td>4.</td>
<td>Stepping up of pay.</td>
</tr>
<tr>
<td>5.</td>
<td>Over payment more than Rs. 5,000/- to Rs. 20,000/</td>
</tr>
<tr>
<td>6.</td>
<td>Delay in notification of Coverage u/s 1 (4)</td>
</tr>
<tr>
<td>7.</td>
<td>Misuse of Powers by the Officers/Staff.</td>
</tr>
<tr>
<td>8.</td>
<td>Review of Budget Control Register</td>
</tr>
<tr>
<td>10.</td>
<td>Irregularities in seniority lists.</td>
</tr>
<tr>
<td>11.</td>
<td>Irregularities in re appropriation of Funds</td>
</tr>
<tr>
<td>12.</td>
<td>Violation of GFR</td>
</tr>
<tr>
<td>13.</td>
<td>Pay anomaly.</td>
</tr>
<tr>
<td>14.</td>
<td>Difference in name in Form 9 &amp; 24</td>
</tr>
<tr>
<td>15.</td>
<td>Non maintenance of Cash Books</td>
</tr>
<tr>
<td>16.</td>
<td>Double Ledger Card</td>
</tr>
<tr>
<td>17.</td>
<td>Incorrect approval of Family Pension</td>
</tr>
<tr>
<td>18.</td>
<td>Non Inspection since coverage</td>
</tr>
<tr>
<td>19.</td>
<td>Non obtaining utilization certificates in case of withdrawal under Para 68 B</td>
</tr>
<tr>
<td>20.</td>
<td>Non liquidation of old differences and other irregularities in the Cash Book of various EPF Accounts.</td>
</tr>
<tr>
<td>21.</td>
<td>Irregularity in settlement of EDLI cases</td>
</tr>
</tbody>
</table>
22. Non maintenance of speed post reconciliation/ordinary post reconciliation account.
23. Discrepancies in maintenance of Form 9.
24. Non confirmation of credit position of Cheque/DDs deposited in SBI.
25. Sanction not taken from the Competent Authority.
26. Irregularity in Reconciliation of Form 24.
27. Non maintenance of DCB Register
28. Non maintenance of Register for Withdrawal
29. Non maintenance of Scroll Inward Register
30. Non maintenance of Register for Returned Money Order & Intimation
31. Non maintenance of Register of Undisbursed Money Order
32. Non maintenance of Cheque cancellation Register
33. Non maintenance of Investment Register Public Account
34. Non maintenance of Register of Securities
35. Non maintenance of Overpayment Register
36. Non maintenance of Transfer Out Register
37. Non maintenance of Transfer in Register
38. Non maintenance of Incumbency Register
39. Non maintenance of Register of Inspection Charges
40. Non maintenance of Special Reserve Fund Register
41. Non maintenance of Register of rejected/returned claims
42. Non maintenance of Stock Register of assigned Insurance Policies
43. Non maintenance of Month wise Automatic Payment Register of Insurance Policies
44. Non maintenance of Housing withdrawal-compliance watching register
45. Non maintenance of Valuable Document Register
46. Non maintenance of Part Payment Register
47. Non maintenance of Undisbursed Pay Register
48. Non maintenance of Unclaimed Deposit Account Register
49. Non maintenance of Contingent Register
50. Non maintenance of Care-Taking Register
51. Non maintenance of Cash Book Cash (1,2,10,21,22)
52. Non maintenance of Cash Book Bank
53. Non maintenance of Scroll Inward Register
54. Non maintenance of Previous accumulation Register
55. Non maintenance of Despatch Register (Postal)
56. Non maintenance of Inspection Register
57. Non maintenance of Marginal Establishment Register
58. Non maintenance of Register of Un posted items

As these issues impact the system that are critical and require urgent attention, these may be examined and dropped by the following Committee
### Category ‘C’

Category ‘C’ shall handle paras related to the following:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Non maintaining of Registers.</td>
</tr>
<tr>
<td>2</td>
<td>TA/DA/LTC/ Overpayment upto Rs. 5,000/-</td>
</tr>
<tr>
<td>3</td>
<td>Arithmetical calculations Mistakes</td>
</tr>
<tr>
<td>4</td>
<td>Overwriting or alterations</td>
</tr>
<tr>
<td>5</td>
<td>Non availability of Sanctioned strength</td>
</tr>
<tr>
<td>6</td>
<td>Non maintenance of Incumbency Register.</td>
</tr>
<tr>
<td>7</td>
<td>Improper Maintenance of all types of Registers.</td>
</tr>
<tr>
<td>8</td>
<td>Non submission of adjustment bills in case of TA/DA/LTC.</td>
</tr>
<tr>
<td>9</td>
<td>Use of Improper formats.</td>
</tr>
<tr>
<td>10</td>
<td>Delay in 7 A/14 B/7Q cases upto one year</td>
</tr>
<tr>
<td>11</td>
<td>Monitoring of punctuality</td>
</tr>
<tr>
<td>12</td>
<td>Levy of Surcharge due to delayed payment of bills.</td>
</tr>
<tr>
<td>13</td>
<td>Overpayment upto Rs. 5,000/-</td>
</tr>
<tr>
<td>14</td>
<td>Improper accounting of Leave</td>
</tr>
<tr>
<td>15</td>
<td>Non submission of Tour Programme/Tour Diary</td>
</tr>
<tr>
<td>16</td>
<td>Overpayment of Children Education Allowance</td>
</tr>
<tr>
<td>17</td>
<td>Improper documentation in case of grant of various advances to staff.</td>
</tr>
<tr>
<td>18</td>
<td>Incomplete documentation after advance granted.</td>
</tr>
<tr>
<td>19</td>
<td>Non monitoring of recovery advances.</td>
</tr>
<tr>
<td>20</td>
<td>Misuse of Office Vehicles</td>
</tr>
<tr>
<td>21</td>
<td>Improper maintenance of Service Books.</td>
</tr>
<tr>
<td>22</td>
<td>Non submission of Insurance policy in HBA cases</td>
</tr>
<tr>
<td>23</td>
<td>Recovery of License fee.</td>
</tr>
<tr>
<td>24</td>
<td>Annual physical verification of stores/Stock/Dead Stock.</td>
</tr>
<tr>
<td>25</td>
<td>Non verification of fixed assets.</td>
</tr>
<tr>
<td>26</td>
<td>Non maintenance of Service Book Register</td>
</tr>
<tr>
<td>27</td>
<td>Non maintenance of Staff Pension Register</td>
</tr>
<tr>
<td>28</td>
<td>Non maintenance of Advance Register</td>
</tr>
<tr>
<td>29</td>
<td>Non maintenance of LTC Register</td>
</tr>
<tr>
<td>30</td>
<td>Non maintenance of TA/TTA Register</td>
</tr>
<tr>
<td>31</td>
<td>Non maintenance of Building Maintenance Register</td>
</tr>
<tr>
<td>32</td>
<td>Non maintenance of Petty Cash Register</td>
</tr>
<tr>
<td>33</td>
<td>Non maintenance of Medical Register</td>
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<td>---</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>34.</td>
<td>Non maintenance of SPF Annual Accounts Register</td>
</tr>
<tr>
<td>35.</td>
<td>Non maintenance of Budget Register</td>
</tr>
<tr>
<td>36.</td>
<td>Non maintenance of Stock Register</td>
</tr>
<tr>
<td>37.</td>
<td>Non maintenance of Dead Stock Register</td>
</tr>
<tr>
<td>38.</td>
<td>Non maintenance of Telephone Register</td>
</tr>
<tr>
<td>39.</td>
<td>Non maintenance of Log Book Register</td>
</tr>
<tr>
<td>40.</td>
<td>Non maintenance of Liveries Register</td>
</tr>
<tr>
<td>41.</td>
<td>Non maintenance of Log Book (Generator)</td>
</tr>
<tr>
<td>42.</td>
<td>Non maintenance of Computer Register</td>
</tr>
<tr>
<td>43.</td>
<td>Non maintenance of Tax deducted Register</td>
</tr>
<tr>
<td>44.</td>
<td>Non maintenance of Staff quarter Allotted Register</td>
</tr>
<tr>
<td>45.</td>
<td>Non maintenance of Register for files</td>
</tr>
<tr>
<td>46.</td>
<td>Non maintenance of Work Diary Register</td>
</tr>
<tr>
<td>47.</td>
<td>Non maintenance of Reminder Register</td>
</tr>
<tr>
<td>48.</td>
<td>Non maintenance of Festival Advance Register</td>
</tr>
<tr>
<td>49.</td>
<td>Non maintenance of Pension Disbursement Register</td>
</tr>
<tr>
<td>50.</td>
<td>Non maintenance of Staff Pension Register</td>
</tr>
<tr>
<td>51.</td>
<td>Non maintenance of GIS Register</td>
</tr>
<tr>
<td>52.</td>
<td>Non maintenance of Staff Car Maintenance Register</td>
</tr>
<tr>
<td>53.</td>
<td>Non maintenance of Fire Fighting Equipment Register</td>
</tr>
</tbody>
</table>

The Internal Audit Paras in the above Category shall be dropped by the following Committee:

- R.P.F.C. (F & A) Chairman
- R.P.F.C. (HRM) Member
- R.P.F.C. II (ASD) I Member

Further, all the Audit Paras will first be scrutinized by the Audit Wing. They shall be sent to the different Committees after due examination and comments of the Audit Wing.

**Power to Categorize Audit Paras**

In case any ambiguity arises in relation to the categorization of a particular audit para, it shall be sorted out by Director (Audit)/ACC(Audit) with the approval of CPFC. On the basis of the experience of handling such ambiguous cases, the classification of the audit paras in to Category 'A', 'B' and 'C' will be reviewed and an amendment if any in the categorization will be placed at least annually before FIAC.
Annual Report to FIAC on the Working of the Audit Wing

The annual report of the activities of Internal Audit wing shall be placed before FIAC for its consideration and necessary guidance.

The agenda is placed before the Finance, Investment & Audit Committee for consideration.
Item No.6: Note on status of Accounts in EPFO and initiatives taken to improve upon the same.

Accounts in EPFO are maintained as per the provisions of Section 5(5) and 5(6) of the EPF & MP Act, 1952. As per these provisions, the Central Board shall maintain proper accounts of its income and expenditure in such form and in such manner as the Central Government may, after consultation with the Comptroller and Auditor-General of India, specify in the Scheme. The accounts of the Central Board shall be audited annually by the Comptroller and Auditor-General of India and any expenditure incurred by him in connection with such audit shall be payable by the Central Board to the Comptroller and Auditor-General of India.

Para 55 of the EPF Scheme provides that the Central Board shall maintain proper accounts of its income and expenditure, including its administrative accounts, in Form 10, and the balance sheet in Form 11. The accounts shall be prepared for the financial year and the books shall be balanced on the 31st March each year.

Accounts of EPFO are maintained in single entry system of accounting. Traditionally the Government Accounts are maintained in this system only. Under this system, while for certain transactions both the aspects (debit and credit) are recorded, for others only one aspect is recorded and some transactions are even ignored.

Due to this system, accounts of EPFO suffer from following disadvantages:

- **Fixed Assets (excluding Land & Building)** are not being reflected as Capital Asset instead they are booked as revenue expense. So Fixed Assets are being understated in the financials.
- **Depreciation is not charged on Building**
- **Current Assets** are not being reflected in the Books
- Interest accrued but not due on Investments is not recognized in Books which result in understatement of Income.
- Sundry Debits/Suspense debits are not reconciled
- Reconciliation of balances in PF Members accounts with the total liabilities shown in Balance Sheet under “Employees’ PF Account” not done.
- Amounts received are not classified correctly as in case of partial deposit of dues after court orders.
- SRF fund is not reconciled. Its utilization & recovery is not properly reflected in the financials.
- Interest Suspense Account is not properly reconciled which sometimes results in overdrawal of Interest.
- Staff PF/Pension Fund: Liabilities are not matched with the respective Investments.
- C&AG report negative comments on our Financial Statements.
- Lack of reliable Information/MIS for Management to take timely decisions.
- Organization is more susceptible to Financial Frauds
- Proforma of Annual Accounts of the Organisation are not as per the generally accepted accounting principles- Receipts and Payments need not be the part of Annual Accounts.

Initiatives taken to improve the accounts are as follows:

- Integration of all India accounting data in a computerized environment.
- Exploring option of assigning permanent unique account number by shifting subscriber based number.
- Preparatory work to shift accounts to double entry accounts have been initiated.
• Controlling and cleansing the inoperative accounts. The quantification of inoperative accounts has been gradually moved from a manual environment to an IT assisted system. Thus, it has been possible to bring down the total inoperative amount from Rs. 35,621.25 crore to Rs. 26,496.61 crore during the last financial year.

• A drive has been launched for clearance of negative balance. As a result, a total of 4.36 Lacs accounts with negative balance of Rs. 597.79 crores (as on 31.03.2014) has been brought down to 3.93 Lacs accounts with negative balance of Rs. 358.99 crores (as on 13.06.2014). The negative balances are by and large accounting errors.

• CCPAP (Corporate Cheques Payable at Par) module of SBI for payment to beneficiaries is at trial run stage at Delhi (South) office. Under this module the contents of cheque such as Name, Bank A/c No. and amount shall be uploaded on the SFTP server of SBI before dispatch of cheques. This will be useful for prevention of frauds on account of presentation of fake cheques or tampering of cheques.

• Sweep transfer of day end balance of EDLI A/c No. 21 at all field offices has been started w.e.f. 13.06.2014. A centralized “Pull-Push mechanism” is being operated by SBI, Mumbai to pull all credit balance or alternatively push debit balance at the end of the day. It will help in timely investment of surplus amount at field offices and will ensure that fund is not left idle. NFMS had been implemented in A/c No. 1 and 10 in 2005.

• The Internet banking facility for making payment by employers through other banks is at development stage with SBI. The service charges payable to SBI on collection through Internet Banking has been reduced from Rs. 3.00 per thousand to Rs 2.50 per thousand rupees.
Errata to Item No. 11: Scheme of audit in EPFO

On page no. 101 of agenda booklet, point no 13 of category 'A' should be written as "TA/DA/LTC more than Rs. 20,000" in place of "TA/DA/LTC upto Rs. 20,000".