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Provident Fund – Inspection – When & How - FAQ

The Employees' Provident Fund Organisation (EPFO) has issued a Standard Operating Procedure (SOP) for conducting inspections of establishments in a transparent and accountable manner. It provides outlines the purpose of inspections, the scope, and the inspection process.

The SOP aligns with the EPF & MP Act, 1952, and the ILO Labour Inspection Convention, 1947 (No. 81), which emphasize the need for inspections in workplaces.

The focus is on establishments mandatorily covered under Section 1(3) of the EPF & MP Act, 1952.

Standard Operating Procedure For Inspection of Establishments Employees' Provident Fund Organisation Bhavishya Nidhi Bhawan, 14, Bhikaji Cama Place, New Delhi – 110066.

1 Purpose

- 1.1** The purpose of this document is to formalize the mechanism of inspections conducted in EPFO in accordance with the mandate given vide circular No. MIS-2(4)CAIU/Web Portal/2014-15/ dated 26/06/2014 through a transparent and accountable system based on data and evidence.
- 1.2** It aims to promote fairness and ease of compliance for employers while effectively protecting worker's social security rights keeping in view EPFO's priorities and the provisions of ILO C-81.
- 1.3** The section 13 of the EPF & MP Act, 1952, (hereinafter referred to as "the Act") provides for inspections of establishments which can be conducted by officers of the organization notified as Inspectors by appropriate Government in the Official Gazette.
- 1.4** India ratified ILO's Labour Inspection Convention, 1947 (No. 81) in 1949. As per article 12 of this convention: i. An inspector shall be empowered to enter freely and without previous notice at any workplace liable to inspection. ii.

An inspector shall notify the employer or his representative of their presence on the occasion of an inspection visit.



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- 1.5 This Standard Operating Procedure (SOP) for inspection in EPFO aims to streamline the inspections by making them more systematic, based on a technology enabled methodology of identification which is transparent and objectively determined. Moreover, it also aims to promote self-compliance by Periodic Desk Reviews and to layout a well-defined priority structure of the establishments to be selected for physical inspection, considering the limited human resources for conducting large number of physical inspections every month.

2 Introduction

- 2.1 The conditions under which Social Security administration/compliance and inspection systems operate have changed dramatically over the last few decades. This change is mainly necessitated by the technological, economic, and political developments and the ramifications of globalization. The technology based social security compliance strategies, aim to better respond to the demands of evolving labour markets and to ensure implementation of good governance measures.
- 2.2 Inspection of establishments is necessary to address and rectify the issue of poor compliance with the law. Inspections ensure that monitoring mechanisms are in place and defaulting establishments undergo timely verification to meet their compliance obligations. It is to enforce protective legislation and promote labour welfare and ease of living.

3 Scope

- 3.1 The scope of the SOP for inspection is to standardize the process of periodic review of establishments, to identify likely defaulting establishments, to create a seamless process of inspection, thus enhancing the coverage and ensuring effective social security for employees through better compliance.
- 3.2 The broad scope is as follows: –
- i. To standardize the process of periodic Desk Review of establishments.
 - ii. To identify likely defaulting establishment.
 - iii. To nudge the establishments to regularize their compliance.
 - iv. To establish the parameters through which defaulting establishments will be identified for physical inspection.
 - v. To prioritize and select the number of establishments for physical inspection on a month to month basis as per the available human resources.
 - vi. To identify cases for initiating proceedings for determination of dues under section 7A of the Act as per guidelines issued by Head Office from time to time.



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- 3.3 The companies which are automatically allotted PF code by MCA portal but are not yet required to comply would be identified and dealt separately. The focus would be on the establishments mandatorily covered under Section 1(3) of the Act.

4 Periodic Desk Review of Establishments

- 4.1 Each field office shall undertake a Desk Review of all the establishments (which are not marked as “closed”) within their jurisdiction, at least once in a year.
- 4.2 Each Dealing Assistant entrusted with this task will review at least 10 establishments every week and submit the review report through e-office to the concerned Section Supervisor who, after recording his observations, will submit it to the Circle Officer. The role and responsibility matrix for periodic desk review is detailed in Annexure A.
- 4.3 While the above exercise will form the precursor of default management, it will also feed into the intelligence for “nudge and watch” as well as physical inspection in a systemic manner as explained in following para.

5 Procedure

- 5.1 There would be three step procedures for inspection which are as following: i. Step1: Nudge & watch ii. Step2: E-verification iii. Step3: Physical Inspection

5.2 Step I: Nudge and Watch

In step1, likely defaulters would be identified through parameters such as non-filing of ECR, variations in ECR, intelligence from periodic desk review and other sources etc. This information is received from an IT tool and all such establishments will be nudged by touch points such as e-mails, SMS and Pop Up in Employer Portal to remit the dues followed by weekly SMS and E-mail Reminders. The establishments that file ECR and remit the dues will be out of defaulter’s list for that wage month. ii. The IT tool will continue to nudge till the end of second month of default also. However, every such ‘nudge and watch’ will also be recorded in establishment master and will form a part of the e-file during Periodic Desk Review. The process flow for ‘nudge and watch’ is detailed in Annexure B.



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5.3 Step 2: e-Verification

The 'nudge and watch' in step 1 will continue till the end of 3rd month. At the same time, if default is continued, at the start of third month, e-Verification system will be automatically deployed in the Employer Login, requesting the employer to declare and remit Dues or declare Closure (Temporary or Permanent), as the case may be, within 30 days.

In case of closure of the establishment, date of exit of employees shall be marked by employer in the portal in accordance with para 36(2)(b) of the EPF Scheme 1952.

Thereafter, a confirmation would be taken from employee using a system-based mechanism about his exit date. In case dispute is raised by employee within due date (i.e. within e-Verification period of 30 days), the establishment would be added in list for next step of physical inspection, otherwise establishment would be marked closed.

If response is received after due date (i.e. after end of e-Verification period), then response would be recorded in complaint portal for further action.

The establishment, which responds to the notice of the e-Verification either declaring closure details without any dispute from employees on date of exit or declaring and remitting dues would be out of defaulters list for that wage month.

Remaining establishments will be added to the pool of establishment to be selected for physical inspection in step 3.

5.4 Step 3: Physical Inspection

At the start of the 4thMonth, an e-SCN for inspection u/s 13 of the Act will be deployed in employer login to the identified establishments as per priority matrix. Employer will upload the required documents within 7 days. The remaining defaulters which have not come into the priority list will remain in the pool of establishment to be selected for physical inspection till it sets right the default for which it was selected or a physical inspection is done.

The authority competent to assign inspection on Shram Suvidha Portal (SSP) of Ministry of Labour & Employment (designated as 'Regional Head' on SSP) will mark unavailability of Inspectors. List of establishments from para 5.4(i) would now be visible to Field office on the Unified Portal.



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In case, an inspector becomes unavailable after the system-based selection of inspection, Regional Head may assign such inspection to another inspector and update the same in Unified Portal.

For larger quantum of likely default, Regional Head may depute a squad of Inspectors and record the same in Unified Portal. On the basis of this list of establishments and deputed official as per system, Regional Head will assign inspection for the establishment through Shram Suvidha Portal without sharing the date of inspection with establishment.

After assignment of inspection, it shall be completed within five working days and spot inspection report shall be uploaded on Unified Portal immediately on completion of inspection. Copy of e-SCN, response of employer along with uploaded documents and spot inspection report with inputs from Inspector will be included in inspection report.

The Inspection report will be uploaded on SSP as well as unified portal within stipulated time as per SSP norms. An illustrative format of inspection report to be filled online is given in Annexure C.

The inspection report as submitted on SSP shall be exported as a pdf file from unified portal by inspecting official and submitted in e-office to circle officer. The corresponding-receipt number of e-office would be recorded in Unified Portal. 5.5 Inspection Report and the follow up action:

The inspection report will also be visible to the employer through employer login on Unified Portal. The establishment would be intimated through an email along with copy of inspection report in attachment that it can access inspection report on employer login of Unified Portal also and has been given 15 days' time to comply with the findings of the inspection report.

In case the establishment complies with the inspection report and remits dues, system will verify it in Unified Portal and in case of full compliance, the case will be closed. The establishment will have the option to submit response to the report in Unified Portal login.

In addition to action as per Inspection report, in case of non-production of records by the establishment, the report of inspecting official will be sent to circle officer through e-office for processing of filing prosecution against the establishment under section 14 of the Act.



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Response of the employer against the notification of inspection report will be recorded in unified portal along with e-receipt number. There may be six scenarios as listed below for the response of the Establishment to the Inspection Report and corresponding action will be taken as given in the following table:

1. Fully agree and remit dues
2. Fully agree but doesn't remit dues
3. Partly agree and remit agreed dues
4. Disagrees
5. Doesn't respond at all
6. Does not provide documents for verification during physical inspection

Response of Establishment and action by office after Physical inspection

Scenario & Action	Establishment's Response to the calculated dues as per the Inspection Report after physical inspection		
	Fully agrees and remit dues (scenario 1)	Fully/Partly agrees and does not remit full dues (scenario 2 & 3)	Disagrees/No response (scenario 4,5,6)
Action for Establishment	Establishment complies and remits dues within 15 days and submits response to the report with payment details in Unified Portal	Establishment agrees/remits the undisputed part of dues and submits response in unified portal and uploads its comments along with supporting documents (if any) for the disputed part.	Establishment submits response (with disagreement) to the report in Unified Portal and uploads its comments along with supporting documents (if any) or no response
System check	System will verify payment in Unified Portal.	System will verify part payment(if any) in Unified Portal, and for the disputed/unpaid part of dues, Inspection report with documents submitted by the establishment would be sent to e-proceedings portal for determination of dues/applicability dispute (as the case may be) in accordance with section 7A of the Act.	The inspection report with details of dues would be automatically sent to e-proceedings. portal for determination of dues/applicability dispute (as the case may be) in accordance with section 7A of the Act.
Field office	In case of full compliance, the case will be closed. If full dues are not remitted, proceedings u/s 7A/7Q/14/14B of the Act and/or proceedings u/p26B of the EPF Scheme (as the case may be) shall be initiated.	Proceeding u/s 7A/7Q/14/14B of the Act for disputed part of inspection report or proceedings u/p 26B of the EPF Scheme (as the case may be) shall be initiated.	Proceeding u/s 7A/7Q/14/14B of the Act as per the inspection report and/or proceedings u/p 26B of the EPF Scheme (as the case may be) shall be initiated.



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6. Method of identification of defaulting Establishment: 6.1 The parameters for identification and prioritization of defaulting establishments for physical inspection will be as per the inspection scheme of EPFO. However, since defaulting establishments are much larger in numbers within those parameters, a Priority Matrix' will be decided on the basis of a mathematical formula by committee of CAIU, HO. Among other indicators as may be included in such formula, priority may be given to bigger defaulters keeping in view quantum of default in terms of remittances and number of employees. The number of physical inspections will be decided considering the available human resources at field offices. 6.2 The committee for "Priority matrix" shall consist of following officers: i. ACC (CAIU, HO) ii. Senior most ACC, ZO iii. Concerned RPFC-I, CAIU, HO Concerned RPFC-II of CAIU, HO shall be the convener of the meetings held by the said committee. The "Priority Matrix" will be dynamic in nature and to be reviewed every six months by the said committee. The review report along with recommendations will be submitted by the committee to ACC (HQ), CAIU for approval, if any change is proposed. The decision of ACC (HQ) will be under intimation to CPFC. 6.3 There would be two types of parameters : A. ECR based parameters: ii. period (months) of default and quantum of probable default (number of active UANs), iii. number and/or percentage of UANs for which No return or contribution (without NCP) received iv. number and/or percentage of UANs for which incomplete return or part contribution received (eg. only employees share deposited) v. variation in membership iv. variation in contribution amount vi. compliance starting status after date of registration(New coverages) B. Non-ECR parameters such as: i. Complaints against establishment, ii. Inputs from other agencies (ESIC, GST, Income tax etc.), iii. Inputs from data-analytics, suspected fraudulent establishments flagged by FIA iv. Inputs from wage analysis v. VIP references. vi. Establishments reported for closure 6.4 The format of E-Show Cause Notice (E-SCN) along with list of documents required for different causes of inspection is given in Annexure D. 6.5 The Terms/Acronyms/Abbreviations are given in Annexure E. 7. Roles and responsibilities Roles and responsibilities are given in Annexure G. 8. Monitoring mechanism 8.1 The periodic desk review of establishments has to be monitored at the level of Officer in Charge of the field office on a weekly basis and reviewed by Zonal office on fortnightly basis. Further, CAIU, HO would review the progress on monthly basis in this regard. 8.2 Periodic reports from Field offices and online portal on progress/status of inspections would be displayed in dashboards of ZO and CAIU, HO. 8.3 Review of Priority Matrix every six months by the standing committee 8.4 The Design of various Dashboards for Monitoring and Reporting are given in Annexure F. 9. Modifications/Amendments in SOP 9.1 The CPFC may modify or amend this SOP. 9.2 The ACC (HQ), CAIU, HO may modify or amend any annexure of this SOP. 9.3 The ACC(HQ), CAIU, HO may modify or amend the Priority Matrix on the recommendation of the standing committee constituted for review.



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9.4 The ACC, CAIU, HO may modify or amend Software Requirement Specifications for this SOP along with format of inspection report. 10. Power to remove difficulties If any difficulty arises in giving effect to this SOP, Central Provident Fund Commissioner (CPFC) may issue such instruction or clarification as appear to be necessary or expedient for the removal of the difficulty. 11. Conclusion It is noteworthy that under the evolving labour conditions globally, social security administration and inspection systems have gained a newfound significance. In this context, EPFO aims to formulate and conduct its inspection scheme with a larger objective of incentivizing establishments to be compliant with the Act and maximizing clarity of operations. This SOP clearly defines parameters, procedures, and process flow to inspect the establishments, thus ensuring transparency as well as optimum utilization of available human resources and increasing ease of compliance for employers and protection of workers' rights. This SOP, thus, promotes self-compliance enabling a paradigm shift from enforcer to enabler, while at the same time establishes a robust mechanism to detect defaults in time and ensure inspections in a systematic and transparent manner.