
Chapter – II
Compliance Audit Paragraph

Panchayat Raj and Rural Development Department

2.1 Delayed remittances resulted in avoidable expenditure

Failure of the Society for Elimination of Rural Poverty (SERP) in remitting Provident Fund Contributions on time resulted in avoidable expenditure of ₹1.67 crore, besides incurring liability of ₹0.19 crore on pending damage charges and interest

As per the provisions of Employees' Provident Funds and Miscellaneous Provisions Act 1952, the recoveries effected by the employer from the wages of employees on account of Provident Fund (PF) have to be remitted to the Fund Commissioner within 15 days after the end of the month. Failure to remit such recoveries within the prescribed time attracts damage charges ranging from 5 per cent (for delays less than two months) to 25 per cent (for delays for six months and above) along with interest at the rate of 12 per cent per annum.

Scrutiny (December 2014) of records of Society for Elimination of Rural Poverty¹ (SERP), Andhra Pradesh relating to recovery and remittance of PF contributions revealed that the Fund Commissioner issued (May 2011 to February 2015) notices amounting to ₹1.86 crore for delays in remittance of contributions as detailed in *Appendix 2.1*. As against the demand, an amount of ₹1.67 crore was paid (June 2012 to December 2014) to Fund Commissioner towards damage charges and interest.

Chief Executive Officer, SERP stated (August 2015) that damage charges were attracted due to decision (July 2009) of SERP Council to implement Employees' Provident Fund (EPF) scheme to all the SERP employees on par with Fixed Tenure Employees (FTE) retrospectively from 01 January 2008 instead of 01 April 2008. Reply is not acceptable as the date of remittance becomes due from the actual month of recovery, and is not dependent on any decision of SERP. SERP had, in fact, been defaulting in remitting recoveries for the period from November 2002 to April 2014, long before the decision regarding FTE was taken in 2009.

Thus, failure of authorities of SERP in remitting Provident Fund Contributions on time resulted in avoidable expenditure of ₹1.67 crore and committed liability of ₹0.19 crore on the pending damage charges and interest.

¹ Established (2000) by the State Government as a sensitive support structure to facilitate poverty reduction through social mobilization and improvement of Livelihoods of rural poor. District Project Monitoring Unit (DPMU) and Tribal Project Monitoring Unit (TPMU) implements the programmes of SERP in districts and tribal areas respectively

