

Chapter-V

LABOUR DEPARTMENT

Functioning of Punjab Labour Welfare Board

5.1 Introduction

The Government of Punjab (GoP) enacted the Punjab Labour Welfare Fund Act (the Act) in July 1965 with the aim to provide for a Labour Welfare Fund dedicated to finance the activities for the welfare of labour. The provisions¹ of the Act are applicable to (i) a factory; (ii) a motor omnibus service; or (iii) any establishment² which had been employing on any working day during the preceding twelve months more than twenty persons.

The Government of Punjab, as mandated under Section 4 of the Act, constituted³ Punjab Labour Welfare Board (Board) for administering the Labour Welfare Fund and for performing such other functions as are assigned to it under the Act; and notified (April 1966) Punjab Labour Welfare Fund Rules, 1966 (PLWF Rules) in exercise of the powers conferred under Section 27 of the Act.

The Board, under Section 3(2) of the Act, is entrusted with the administration of the Fund. The Fund includes (i) all fines realized from the employees; (ii) unpaid accumulations transferred to the Fund⁴; (iii) grants & subsidies to the Board; (iv) any funds transferred; and (v) contributions received from both, the employees and the employers⁵.

As per Section 10 (1) of the Act, the Fund shall vest in, and be held and applied by, the Board as trustees and utilized by the Board to defray the cost of carrying out measures, which may be specified by the State Government from time to time to promote the welfare of the labour and of their dependents in the area of education, community necessities, sports, recreation, subsidiary occupations for women and unemployed persons, administrative expenses, salaries and allowances and such other objects as would, in the opinion of the State Government improve the standard of living and ameliorate the social conditions of labour. Furthermore, Sections 12 and 27(2)(f) of the Act, in conjunction with

¹ Specified under Section 2(4) of the Act.

² Any establishment, including a society registered under the Societies Registration Act, 1860, and charitable or other trust, which carries on any business or trade, or any work connected therewith or ancillary thereto and has been employing on any working day during the preceding twelve months more than twenty persons.

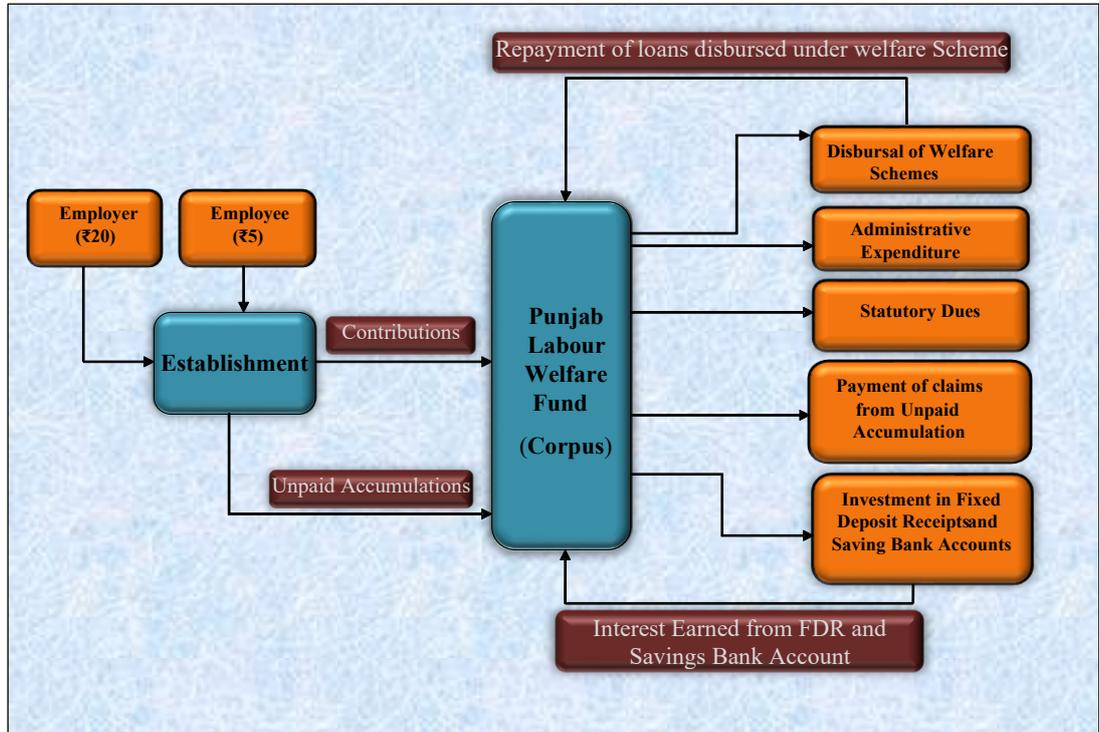
³ The date of constitution of Board was not available, however, the first Board meeting was held in December 1973.

⁴ Section 9 (9) of the Act provides that the unpaid accumulations remaining unclaimed for over four years from the date of first notice, be deemed to be transferred to and become part of the Fund.

⁵ Added to the Fund by inserting sub Section (g) under Section 3(2) in the Act. Moreover, section 9-A was inserted (amended December 2014), stipulating that every employee shall contribute five rupees *per* month, and every employer shall contribute twenty rupees *per* month for each such employee to the Fund. The responsibility for depositing these contributions was assigned to the employer.

Rule 18 of the PLWF Rules, mandate that any portion of the Fund not immediately required for the purposes of the Act shall be invested by the Board in fixed deposits or a Savings Bank Account and the interest earned thereon becomes part of the Fund.

A fund flow chart is exhibited below:

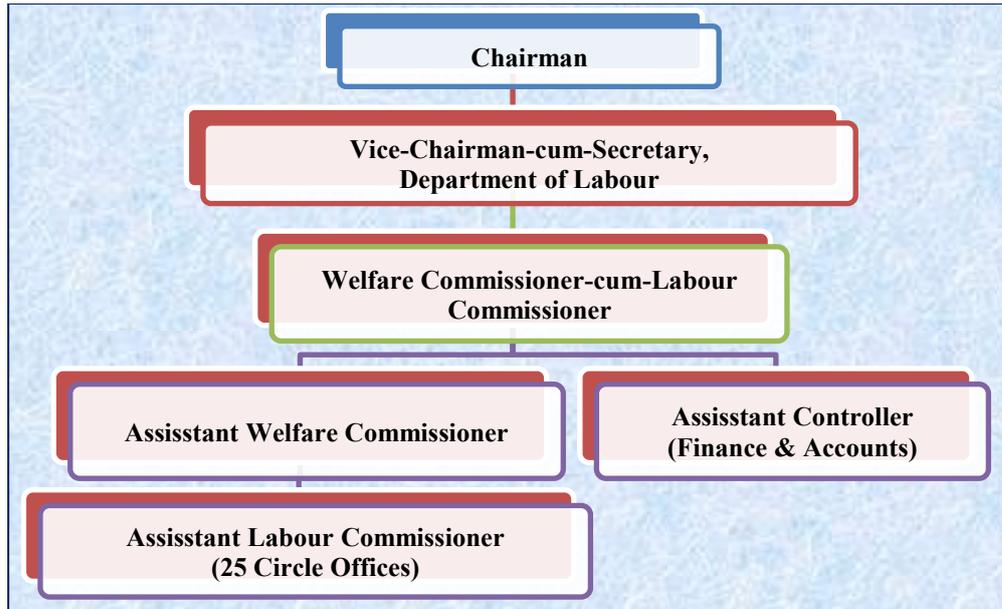


Source: Departmental records

5.2 Organisational Structure

Section 4 of the Act, read with Rule 8 of the PLWF Rules stipulates that the Board shall consist of eighteen members, out of which, six shall be representatives of employers, six of employees and six independent members appointed by the Government. In addition, the Chairman is appointed through a formal notification and the Principal Secretary to the Government of Punjab, Department of Labour (Department) acts as the Vice-Chairman of the Board. As per Section 7 of the Act, the term of office of a member of the Board shall be three years commencing on the date on which his nomination is notified in the official Gazette.

The organisation structure of the Board is as follows:



Source: Departmental records

To oversee the management and operations, the Board has 25 circles spread across Punjab and each circle office is headed by an Assistant Labour Commissioner (ALC) who is assisted by a Labour Inspector. Both were regular staff of the Department of Labour, Government of Punjab, but were performing additional duties in the Board. The Board has appointed Computer Operators to carry out the work of the Board at circle offices.

An entry conference was held on 6 July 2023 with the Board, wherein audit objectives, scope, criteria, audit sample were discussed and an exit conference was held on 16 February 2024 wherein audit findings were discussed.

5.3 Audit Objectives

Audit objective was to assess whether:

- analysis of the beneficiary base was done to evaluate and realize the contributions and steps were taken by the Board to expand the beneficiary base;
- implementation of Welfare Schemes was carried out in accordance with their specific guidelines within a reasonable timeframe, and with a focus on ensuring ease of application for beneficiaries;
- funds were utilized in accordance with the provisions of the Punjab Labour Welfare Fund Act 1965, Punjab Labor Welfare Fund Rules 1966 and Punjab Financial Rules; and
- effective monitoring and internal controls were implemented.

5.4 Audit Scope and Methodology

Audit was conducted between May 2023 and September 2023 by test checking the records for the period from April 2020 to March 2023 of the Welfare Commissioner of the Board and of seven⁶ circle offices selected out of 25 circle offices by Stratified Random Sampling with Proportional Allocation through IDEA⁷. In addition, a beneficiary survey was conducted by selecting 350 beneficiaries from 35 establishments⁸ at the rate of five establishments⁹ from each circle and, 10 beneficiaries from each establishment on judgmental basis.

5.5 Audit Criteria

The audit criteria were mainly derived from the following sources:

- Provisions of the Punjab Labour Welfare Act 1965 and Punjab Labour Welfare Fund Rules 1966;
- Punjab Financial Rules;
- Terms and conditions of the various Welfare Schemes;
- Agenda and minutes of meetings of the Board; and
- Instructions/guidelines of the State/Central Government and Circulars.

Audit Findings

Audit observed governance deficiencies within the Board, particularly in managing the beneficiary base and the Welfare Fund, assessing and collecting unpaid accumulations, overseeing employees' and employers' contributions, implementing Welfare Schemes, establishing monitoring mechanisms, and digitizing operational functions, as detailed in the subsequent paragraphs.

5.6 Lack of Awareness

Information, Education and Communication (IEC) activities are crucial for successful implementation of the Labour Welfare Schemes, which includes, *inter alia*, raising awareness, to ensure that information reaches all eligible beneficiaries, educates them about their entitlements so that all can have equal access to Welfare Schemes. The Board in its 53rd meeting discussed (June 2020) that various schemes were being run by the Board but due to lack of publicity, the workers were not fully aware of these schemes. Thereafter, the Board decided to conduct IEC activities and the Assistant Welfare Commissioner (AWC) of the Board was entrusted with the responsibility of preparing a

⁶ (i) Ferozepur; (ii) Hoshiarpur; (iii) Jalandhar-3; (iv) Ludhiana-4; (v) Moga; (vi) Patiala; and (vii) Sangrur.

⁷ Interactive Data Extraction and Analysis Software

⁸ The term 'establishments' refers to entities as defined under Section 2(4) of the Act.

⁹ Four contributing establishments and one defaulter establishment.

detailed road map to carry out the publicity activities in circle offices of the Board with the help of an agency empaneled by the Department of Information and Public Relations (DIPR).

5.6.1 Non-conducting of IEC Activities

Audit observed (September 2023) that despite passing the resolution and having an approved budget of ₹ 7.00 lakh¹⁰ during 2020-2023, the Board did not incur any expenditure on IEC activities due to non-finalisation of the detailed road-map by AWC.

During beneficiary survey of 350 workers conducted in 35 establishments registered with the Board, the shortcomings noticed in the awareness of Welfare Schemes among establishments and workers were as under:

- As many as 36 *per cent* of the workers (126 workers) and 11 *per cent* of the establishments (three of the 28 contributing establishments) were not aware of the Welfare Schemes of the Board;
- 45 *per cent* of workers (158 workers) came to know about the Welfare Schemes through their establishments or any other sources; and
- Only 19 *per cent* of the workers (66 workers) came to know about the Welfare Schemes through the Board.

The Board replied (February 2024 and November 2024) that pamphlets exhibiting information on Welfare Schemes in Hindi and Punjabi languages had been circulated to the factories and circle offices through e-mails. The ALCs of all circles were instructed (February 2023) to organize seminars aimed at enhancing outreach and awareness. Accordingly, the field offices conducted (September 2024) seminars and informational pamphlets were distributed to the establishments for displaying at prominent locations. The Board further stated that the development and implementation of audio/video materials was delayed due to COVID-19. However, it assured that this issue will be addressed in the upcoming Board meeting for appropriate action.

The Government reiterated (September 2024) that direction to display details of the Welfare Schemes at prominent places had been issued and the Department was also arranging seminars in circles to create awareness among the workers. The progress was being monitored weekly.

The reply of the Board was not satisfactory as a significant number of workers remained unaware of Welfare Scheme benefits due to inaction on the part of the Board for not developing any audio/video material in consultation with DIPR for about four years and despite having budget provisions.

¹⁰ 2020-21: ₹ 3.00 lakh, 2021-22: ₹ 2.00 lakh and 2022-23: ₹ 2.00 lakh.

5.6.2 Disparity in Distribution of Welfare Benefits Relative to Contributions and Number of Workers

During 2022-23, in the test-checked circle offices, benefits under the Welfare Schemes were extended to 1636 applicants (0.23 per cent of 7.16 lakh contributing workers) working in 83 establishments. The circle-wise receipt of contributions and distribution of benefits is exhibited in **Table 5.1**.

Table 5.1: Receipt of contribution and distribution of benefits under welfare schemes during 2022-23

(Amount in ₹)

Name of Circle	Benefits distributed			Distribution of benefits (in per cent)	Contributions received			Receipt of contributions (in per cent)
	Establi- shments	Workers	Amount		Establi- shments	Workers*	Amount	
Hoshiarpur	12	562	1,05,58,000	28.43	243	30,724	46,87,600	16.42
Patiala	13	145	48,77,000	13.13	425	30,222	47,45,775	16.63
Sangrur	26	823	1,53,26,172	41.26	395	39,738	61,26,600	21.47
Ludhiana-4	17	75	43,03,000	11.59	889	64,411	1,02,44,775	35.90
Moga	7	13	8,44,000	2.27	125	8,521	13,44,900	4.71
Jalandhar-3	7	16	9,33,000	2.51	98	7,746	11,97,900	4.20
Ferozepur	1	2	3,00,000	0.81	32	1,101	1,91,775	0.67
Total	83	1,636	3,71,41,172	100.00	2,207	1,82,463	2,85,39,325	100.00

Source: Departmental data

* Minimum contribution paid during the year has been considered to work out the number of workers.

Audit analysis of the beneficiaries who received the benefits of welfare schemes during 2022-23 in the test-checked circle offices disclosed inconsistencies between contribution received and benefits availed under Welfare Schemes both circle-wise and establishment-wise, as detailed under:

- Of 1636 beneficiaries, 1,385 (84.66 per cent) were from two circles only i.e., Sangrur (50.31 per cent) and Hoshiarpur (34.35 per cent). Audit noticed concentration of benefits in two circles only (Sangrur and Hoshiarpur), which constituted 69.69 per cent of the total benefits to 45.78 per cent establishments (38 out of 83 establishments). On the other hand, the remaining 30.31 per cent of the benefits were availed by the remaining 45 establishments (54.22 per cent) as detailed in the table above.
- Despite registration of majority of establishments/ workers with Ludhiana-4 circle office and contributing 35.90 per cent of the total contribution to the Fund, the financial assistance of 11.59 per cent was extended to only 4.58 per cent of the beneficiaries.
- Contrary to this, the establishments registered with Sangrur circle office despite contributing only 21.47 per cent to the Fund, availed the highest i.e., 41.26 per cent of the total financial assistance under various Welfare Schemes.

Audit further observed that out of the 83 establishments, 62.80 per cent (₹ 2.33 crore) of the total benefits distributed under various Welfare Schemes, among test-checked circle offices, were availed by the workers of 10 establishments only.

The Government replied (September 2024) that the Board had been continuously making efforts to increase IEC activities to create awareness amongst the workers so that the benefits could be given to maximum number of workers. Further, with regard to uneven percolation of benefits of Welfare Schemes across circles, Government attributed (September 2024) this disparity to higher number of employees in Sangrur and Hoshiarpur circles. The reply was not satisfactory as Ludhiana-4 circle had a significantly higher number of workers and contribution than Sangrur and Hoshiarpur circles.

However, with regard to percolation of benefits to top 10 establishments, the Government again attributed it to more employees in those establishments. Whereas, factually there were only 9.31 per cent workers in these 10 establishments who contributed only 8.94 per cent of the contribution but availed 62.80 per cent of the benefits.

Thus, the analysis *ibid*, clearly highlights lopsided IEC activities conducted by the Board which not only resulted in an uneven awareness of Welfare Schemes as indicated by the accessibility and concentration of benefits within limited circles, but also showed a skewed distribution within those circles to limited establishments.

5.7 Deficient Control over Contribution and Registration of Establishments

(i) Lack of effective monitoring mechanisms for contributions to the Welfare Fund

Under Section 9-A of the Act, the eligible establishments¹¹ are required to contribute¹² to the Fund. Employers are required to pay both, their own contributions and their employees' contributions by October 15 for the April-September period and by April 15 for the October-March period annually. Defaults occur when registered establishments miss these deadlines, affecting compliance and the Fund's financial health.

As per the information provided by the Government, there was no provision for the formal registration of establishments with the Board. However, the contributing and the defaulting establishments in the Board's data-sets were categorized as registered.

¹¹ Defined in Section 2(4) of the Punjab Labour Welfare Fund Act, 1965.

¹² Government of Punjab revised (December 2014) the rate of contribution as "five rupees" for employees and "twenty rupees" for employers per employee per month.

As of 31 March 2023, the Board had 15,707 registered establishments (excluding 140 duplicate establishments¹³), comprising 8,004 contributing and 7,843 defaulting establishments. The details thereof are exhibited in **Table 5.2(a)**.

Table 5.2(a): Details of registered establishments of the Punjab Labour Welfare Board during 2020-2023

Year	Contributing Establishments	Defaulting Establishments	Duplicate Establishments	Establishments excluding duplicate
1	2	3	4	5 (2+3-4)
2020-21	8,891	7,209	16	16,084
2021-22	8,876	7,336	70	16,142
2022-23	8,004	7,843	140	15,707

Source: Departmental data

As can be seen from **Table 5.2(a)**, contributing establishments constantly decreased and conversely defaulting establishments exhibited an increasing trend during 2021-2023.

Further, the year-wise status of establishments that discontinued contributing to the Fund during the succeeding year are detailed in **Table 5.2(b)**.

Table 5.2(b): Details of establishments discontinued contribution and added during 2021-2023

Year	Contributing establishments from previous year	Establishments discontinued contribution during the year	Establishments added to contribute during the year	Net contributing establishments during the year
2021-22	8,891	1,624	1,609	8,876
2022-23	8,876	2,189	1,317	8,004

Source: Departmental data

Throughout these years, the number of defaulting establishments consistently exceeded the number of new contributing establishments.

The Act or PLWF Rules did not have provisions deterrent to prevent establishments from defaulting. As such, the Board lacked the authority to enforce regular contributions to the Fund and could not effectively control establishments to prevent default.

The Board stated (February 2024) that instructions had been issued (between October 2023 and February 2024) to circle offices to pursue defaulting establishments, and assured the implementation of a digital mechanism to monitor defaulting and eligible establishments for contribution to the Fund. Strengthening the Board’s response, the Government intimated (September 2024) that a dashboard had been developed and would be utilised for effective

¹³ ‘Duplicate establishments’ refer to such establishments that appear in both the datasets provided by the Board i.e., of contributing establishments and the defaulting establishments during a year.

monitoring and appropriate action. It was also highlighted that the operations of many establishments were severely impacted by the COVID-19 pandemic, resulting in delays in depositing Fund contributions. Moreover, the report of the Committee consisting of three members i.e., Deputy Director of Factories, Assistant Welfare Commissioner and Legal Assistant appointed (January 2023) to amend Act/Rules also suggested (May 2023) some deterrent provisions to stop establishments from defaulting. The Board also assured (November 2024) to bring out a policy for taking deterrent measures.

Even though a list of defaulting establishments was being generated through the dashboard developed by the Board, the mechanism to ensure regular contributions to the Fund by the defaulting establishments was yet to be put in place (as of November 2024). Further, the deterrent measures to stop establishments from defaulting as suggested by the Committee were yet to be implemented (June 2025).

(ii) *Lack of oversight on registration of Establishments*

As per the Section 2 (4) of the Act, all establishments i.e., (i) a factory; (ii) a motor omnibus service; or (iii) any establishment, including a society registered under the Societies Registration Act, 1860, and charitable or other trust, which carries on any business or trade or any work connected therewith or ancillary thereto and has been employing on any working day during the preceding twelve months, more than twenty persons, comes under the purview of the Board and contributes to the Fund.

For establishments with 20 or more employees, registration with Employees' Provident Funds Organisation (EPFO) was a legal requirement under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. Considering the similar eligibility criteria for an establishment to come under the purview of the Board, 5,649 establishments¹⁴ covered by EPFO in five districts¹⁵ (September 2023) as of 31 March 2023, were compared with the 8,234 establishments contributing/defaulting across the same five districts in PLWF. Audit analysis of both the equalised datasets showed only 504 common establishments (nine *per cent*). Consequently, 5,145 eligible establishments in these five districts remained outside the Board's purview.

This is indicative of the fact that the Board had no mechanism to bring the eligible establishments within the purview of the Board. Addressing this issue is crucial for the Board to expand its coverage and ensure that more workers

¹⁴ To clean and equalize the data, the establishments registered at Chandigarh and closed establishments were excluded to arrive at 5,649 establishments.

¹⁵ The districts *viz.* i) Fatehgarh Sahib; ii) Ludhiana; iii) Patiala; iv) Rupnagar; and v) SAS Nagar falling under Chandigarh Region of the EPFO were considered for analysis.

can benefit from its Welfare Schemes. Further, the Board also did not have a system to issue unique identification numbers to the workers.

The Board, while admitting the audit observation, stated (February 2024) that circle offices have been instructed to consider the establishments registered with the EPFO to broaden the beneficiary base and proposed to generate unique identification number of each applicant in the portal. The Government while asserting (September 2024) that registration was a continuous process and the Board continuously strives to broaden the base to maximize benefit of welfare schemes to more workers, intimated that the Department of Labour was issuing notices after obtaining list from EPFO.

The Government further intimated (September 2024) that the Aadhar Number of the workers of registered establishments were treated as the Unique Identification Number (UIN). However, audit noticed that, only the Aadhar number of beneficiaries of welfare schemes was verified through the e-Labour portal, and the Aadhar details of every contributing worker remained uncaptured in the dashboard. Consequently, the introduction of individual worker identification through UIN was yet to be effectively implemented.

However, final action regarding covering all the establishments was still awaited (November 2024).

5.8 Governance and Accountability

Governance and accountability are foundational pillars of effective administration, essential for the efficient delivery of public services and achieving collective societal objectives.

5.8.1 Shortfall in Conducting Meetings and Abnormal Delay in Reconstitution of Dissolved Board

(i) Rule 10 of the PLWF Rules provides that the Board shall meet at least once every quarter and as often as may be necessary to transact its business. As per Section 7 (1) of the Act, the term of office of a member of the Board shall be three years commencing from the date on which member's nomination is notified in the official Gazette.

Audit noticed (July 2023) that the Board conducted only two meetings¹⁶ against the prescribed at least 11 meetings between 1 April 2020 to 31 March 2023 as the Board was dissolved on completion of three years' term in December 2022. This led to a shortfall of nine meetings (82 *per cent*).

The Board stated (February 2024) that the meetings for the period 2020 to 2022 were conducted as per convenience of the Chairman and members and prevailing of COVID scenario. The Board further assured that once the Board

¹⁶ 53rd meeting on 10 June 2020 and 54th meeting on 30 November 2022.

is formed, it would make every effort to hold Board meetings in accordance with the PLWF rules.

The reply of the Board was not satisfactory, as the Board did not comply with the PLWF Rules which were essential for proper governance. Though during this period COVID pandemic restricted physical meetings, online meetings were also not resorted to. Even in the immediate previous period of three years i.e., April 2017 to March 2020, when there were no COVID restrictions, the Board followed the same trend and convened only two meetings¹⁷ against the requirement of 12 meetings.

The Government stated (September 2024) that the Board was reconstituted in March 2024. However, due to the Code of Conduct for the Lok Sabha elections in effect from 16 March 2024 to 6 June 2024, no meetings could be held. It was added that the absence of Board meetings had not impacted the operations adversely, as the Welfare Commissioner, Punjab was authorised to approve the schemes and disburse the funds.

(ii) Audit further observed that the process for reconstitution of the Board was initiated in June 2022 i.e., six months prior to completion of the existing Board tenure but it took 21 months¹⁸ till March 2024 for reconstitution of the Board. No Board meeting was convened as the Board so constituted lacked the prescribed 18 members for want of appointment of six representative members of employers. As such, due to non-existence of the complete Board and non-convening of meeting, the agenda items as detailed below remained unaddressed for longer than necessary. These included items which were discussed in the Board's last meeting of 30 November 2022 and were pending finalisation:

- Revision of maps of Model Welfare Centre, SAS Nagar (MWC) for approval of GMADA to recover pending rent from the occupiers (BOCW Board and Department of Labour) of this MWC constructed by PLWB using its own funds.
- Formation of Committee of Officers from the Department of Labour for revision in provisions of the Act/Rules and for restructuring of staff¹⁹ along with revision in service bye-laws with a timeline of three months to submit its report.

The Government, while agreeing to the pending issues, assured (September 2024) that Action Taken Report on these agenda items would be placed in the next Board meeting to address the issues mentioned, *ibid*.

¹⁷ 51st meeting on 2 July 2018 and 52nd meeting on 26 February 2019.

¹⁸ The Department asked the Board to resubmit the nominations for each nominee in March 2023 and Board resubmitted it in August 2023.

¹⁹ A three-member Committee was constituted on 18 January 2023 for restructuring of the staff and revision of service byelaws with a timeline of three months to submit its report, which was reconstituted on 26 May 2023 but report of the Committee was still awaited (August 2024).

The trend of not convening even a single meeting in a quarter reflects lack of commitment by the Board to ensure effective governance through regular business transactions. The absence of regular meetings impacted the Board's performance and accountability, as detailed in the succeeding paragraphs.

5.8.2 Infructuous Inspections and Significant Shortage of Inspections

Section 15 of the Act, read with Rule 19 of PLWF Rules, provides that the Labour Welfare Inspector may enter at any premises for carrying out the purposes of this Act *viz.* to inspect records in connection with the sums payable into the Fund and shall have the power to require any employer to produce any document required for his inspection. Further, the Labour Inspectors were also entrusted with the responsibility of verifying the credentials of applications under Welfare Schemes and inspecting compliance with the Act at registered establishments.

Audit observed (June 2024) that though there was only one sanctioned post of Labour Welfare Inspector in the Board, yet it remained vacant during the period covered under audit (2020-23). It was further observed that Labour Inspectors of the Department of Labour, while working for PLWB in addition to their own duties in the Department had conducted 2,099 inspections²⁰, of which 1,053 inspections conducted in 2022-23 was the highest number of inspections among three years covered under audit. Given the current capacity and inspection rate, the Board would require approximately 15 years to complete a single inspection cycle for all 15,707 registered establishments, thereby defeating the vary purpose of inspections.

Scrutiny of the Inspection Reports submitted by the Labour Inspectors showed that nothing about the name of the establishment inspected, sums payable into the Fund, default by the establishment in paying contribution, unpaid accumulation not deposited by the establishment, the documents inspected to verify the compliance of Punjab Labour Welfare Fund Act, 1965 was mentioned. Only the figures of amounts received at the beginning of the month, during the month and its total were shown in the Inspection Report, which, on their own, did not provide any useful information to the Board. Audit further noticed that contents of Inspection Reports were never discussed in any Board meeting.

The Government assured (September 2024) to get the inspections conducted timely through e-Labour portal using a revised proforma and reviewed by both – the Department of Labour and the Director of Factories, Punjab. Further, the Board added (November 2024) that the new proforma had been finalised and inspections were being carried out in new proforma.

²⁰ 250 inspections in 2020-21, 796 in 2021-22 and 1,053 in 2022-23.

Audit observed that the new proforma captures only the details of the contribution deposited along with the corresponding date. However, details of workers and unpaid accumulations remained unreported. Further, the reasonable time-frame in which all the establishments would be inspected was also not intimated to Audit.

5.9 Human Resources

(i) Shortage of Staff

Section 17 of the Act empowers the Board to appoint the necessary clerical and executive staff financed from the Fund to carry out and supervise the activities.

Audit noticed (August 2023) that against the sanctioned strength of 52²¹ officers/officials in the Board, the men in position as of September 2024 were only 38, thereby having a shortage of 14 officers/officials (27 per cent). The post-wise sanctioned strength and the men in position (September 2024) has been shown in **Table 5.3**.

Table 5.3: Men-in-position *viz-a-viz* shortage of staff in the Board

Posts	Source of staff	Sanctioned posts	Men-in-position
Assistant Welfare Commissioner	Additional charge to the officers from Department of Labour	1	1
Assistant Controller (F&A)		1	1
Accountant-cum-cashier		1	1
Superintendent		1	1
Labour Welfare Inspector	Regular staff of the Board	1	0
Senior Assistant		4	0
Stenographer		1	0
Junior Assistant/Clerks		10	4
Account Assistant	Outsourced staff of the Board	1	0
Assistant		1	1
Computer Operators		30	29
Total		52	38

Source: Departmental data

As is evident from **Table 5.3**, all the key posts at Head Office, such as Assistant Welfare Commissioner, Assistant Controller (Finance & Accounts), Accountant-cum-Cashier, Superintendent were held by the regular staff of Department of Labour on an additional charge basis. Besides the post of Labour Welfare Inspector was vacant.

In the absence of sanctioned posts of Assistant Labour Commissioner and Labour Welfare Inspector in the circle offices, these were manned by the officers of the Department of Labour on an additional charge basis. These

²¹ Excluding posts of Daftri-cum-machineman (1); Driver (1); Mali-cum-chowkidar (1); and Peon (3).

officers were conducting primary scrutiny of applications received under Welfare Schemes run by the Board, in addition to performing their regular functions mandated by the Department of Labour.

The Board stated (February 2024) that the matter for recruitment of 53 Inspectors in the Department had already been taken up with the Subordinate Service Selection Board and an advertisement in this regard had been issued. It was added (August 2024) that the Board had resolved in April 1974, not to recruit its independent staff due to paucity of funds. Rather it had been decided to incentivise the Labour Inspectors of the Department of Labour already notified to work as Inspector under PLWF Act.

Audit is of the view that the Board's decision made 50 years ago may no longer be fully aligned with the current context, especially considering the unspent balance of ₹ 94.71 crore as of 31 March 2023. Moreover, the Board had itself felt the need and constituted a Committee in January 2023 for restructuring of its staff.

The Government stated (September 2024) that 72 *per cent* strength of the Board including outsourced staff is normal for the Government Departments. But at the same time, it assured to consider appointment of regular staff after receipt of report of the Committee appointed for updating the service bye-laws.

This shortage of regular staff coupled with non-availability of Labour Inspectors led to delay/non-processing of applications for extending the benefits of welfare schemes to eligible workers, as discussed in **Paragraph 5.11.1**.

Further, the shortage also resulted in non-finalisation of annual accounts and non-maintenance of Board's cashbook with ancillary records on a day-to-day basis as discussed in **Paragraph 5.13 and 5.14**.

(ii) *Non-restructuring of the staff and revision of service byelaws*

The Board recognised (November 2022) that over time, the role and requirements of the Board have evolved, necessitating changes in its structure. Maintaining operations and infrastructure in today's digital age requires specialized skills from the commerce and information technology sectors.

Accordingly, a three-member Committee of the officers of Department of Labour was constituted in January 2023 for restructuring of the staff and revision of service bye-laws with a timeline of three months to submit its report. There was no Board in existence to monitor the progress of the Committee. As such, without submission of any report by the Committee, it was reconstituted on 26 May 2023. However, despite the passage of 22 months since the formation of the initial Committee, its report was still awaited (November 2024). It was also observed that despite requirement of specialized skills, the Board

had not conducted any training nor developed any programs with a view to build required capacity of the existing staff.

The Government assured (September 2024) that upon receiving the Committee's report, necessary steps would be taken to implement the recommendations of the Committee and recruitment of permanent staff in the Board.

The significant shortage of staff in important posts coupled with absence of capacity building programs hampered the Board's ability to discharge its duties efficiently which adversely affected the Board's performance.

5.10 Management of Unpaid Accumulations

The Board, under Section 3(2) of the Act, is entrusted with the administration of the Fund. Rule 4 of the PLWF Rules mandates the Welfare Commissioner to issue notice to employers, to pay portion of fines realized from the employees or unpaid accumulations²² that have not been paid. The employer must comply with this notice within 14 days of its receipt. Every employer, as mandated under Rule 22 of PLWF Rules, must maintain: (a) a register of wages in Form-A; and (b) a consolidated register of unclaimed wages/fines in Form-B. Employers are required to send an extract from the register in Form-B for the previous year to the Welfare Commissioner by 31st January each year.

As required under Section 9(3) of the Act, after receipt of unpaid accumulations, the Board shall invite employees' claims by:

- a) posting a notice at the establishment;
- b) publishing in the Official Gazette and in two widely circulated newspapers in State's regional languages; and
- c) repeat the publishing in June and December every year for three years from the date of receipt of unpaid accumulations.

As per Section 9(5) of the Act, if a claim by the workers for any payment due to them is received whether in answer to the notice or otherwise within a period of four years from the date of first publication of the notice in respect of such claim,

- a) where the amount of claim so received is equal to the amount deposited by the Management with the Board, the amount of the claim shall be paid by the Board to the employee concerned; and
- b) in any other case, the Board shall transfer such claim to the Authority appointed under section 15 of the payment of Wages Act, 1936, having jurisdiction in the area in which the establishment is or has been situated

²² "Unpaid Accumulations" means all payments due to the employees but not made to them within a period of the commencement of this Act, including the wages, bonus and gratuity legally payable.

and the Authority shall proceed to adjudicate upon and decide, such claim.

If no claim is made within the specified time or if a claim is refused and upheld on appeal, such unpaid accumulations are transferred to the State as *bona vacantia* as stipulated in Section 9 (9) of the Act and become part of the Fund.

Audit noticed (June 2024) that:

- The Board had no system in place to ensure the submission of Form-B by the establishments. Even the Labour Inspectors had not mentioned anything about Form-B in their Inspection reports as discussed in **Paragraph 5.8.2**. Moreover, between 2020 and 2023, none of the 15,707 establishments submitted Form-B. In the absence of Form-B, the Board could not determine the amount of unpaid accumulations lying with the establishments. However, it had received ₹ 1.11 crore²³ through offline/online mode. Of this, ₹ 81.78 lakh was received via cheques (offline), but no worker-wise details were provided. While contributing via online mode, the establishments attached lists of workers showing unpaid accumulations aggregating to ₹ 145.95 lakh. Detailed analysis disclosed that by eliminating duplicate entries from the list of the workers, actual unpaid accumulations worked out to ₹ 62.45 lakh only, of which only ₹ 28.96 lakh was deposited in the Boards' account by the establishments, thereby leaving a balance of ₹ 33.49 lakh un-deposited. Further, the Board had not reconciled the online receipts of unpaid accumulations with the Bank, as discussed in **Paragraph 5.14**.
- The Board did not even maintain (September 2023) establishment-wise and worker-wise ledgers of unpaid accumulations received, which necessitated the Board to rely on external sources i.e., on the establishments' self-certification and the data with National Informatics Centre (NIC) while processing the claims; thus, increasing the risk of undetected incorrect payments.
- Since no ledgers were maintained, the Board, was also not in a position to circulate notices to invite claims of unpaid accumulations as required under Section 9 (3) of the Punjab Labour Welfare Fund Act, 1965. This lack of action resulted in very low receipt of claims of only 0.29 *per cent* (₹ 32,560) of the total receipts from workers.
- The Board was not even aware of the fact that unpaid accumulations not claimed within four years from the first notice will become part of the Welfare Fund. As a result, according to the trial balance for 2019-20, ₹ 1.83 crore of unpaid accumulations remained un-transferred to the Welfare Fund.

²³ Offline mode through cheques: ₹ 81.78 lakh (₹ 48.25 lakh in 2020-21, ₹ 6.16 lakh in 2021-22 and ₹ 27.37 lakh in 2022-23); and Online through portal: ₹ 28.96 lakh (₹ 2.54 lakh in 2020-21, ₹ 20.84 lakh in 2021-22, and ₹ 5.58 lakh in 2022-23).

The Board acknowledged (September 2023) its lack of knowledge about Form-B, while the Government confirmed (September 2024) the creation of a dashboard on the e-Labour portal and assured compliance with the Act/Rules, including maintaining of ledgers. Regarding claims, the Board promised (November 2024) to publish newspaper advertisements and the Government assured refunding of unclaimed accumulations after verifying deposit of unclaimed accumulations with the bank statements. Both the Government and the Board agreed to transfer unclaimed amounts to the Welfare Fund after reconciliation.

The reply did not address the issue of non-receipt of requisite Form-B required to determine the actual amounts of unpaid accumulations lying with the establishments. Non-circulation of unpaid accumulations through advertisement deprived the workers of claiming their unpaid dues. The non-transfer of lapsed/unclaimed 'unpaid accumulations' to the Fund resulted in understatement of the Board's income and an overstatement of its liabilities.

5.11 Implementation of Welfare Schemes

Section 10 of the Act provided that the moneys in the Labour Welfare Fund shall be utilized by the Board to defray the cost of carrying out measures, which may be specified by the State Government from time to time to promote the welfare of labour and of their dependents. In this effort, the Board was implementing 10 schemes for the welfare of the workers of the registered establishments offering financial benefits ranging from ₹ 800 to ₹ 2.00 lakh to be met from the Welfare Fund.

To avail benefits of the Welfare Schemes, the applications of workers are forwarded by the concerned registered establishments to the Board. Applications are scrutinised by the Labour Inspector and the Assistant Labour Commissioner at circle office and by Assistant Welfare Commissioner at HQs level. Upon meeting all the requirements of the schemes and approval of the Labour Welfare Commissioner, the amount admissible under the Welfare Scheme is transferred into the bank account of beneficiary.

Prior to digitization in August 2019 and receiving applications online, applications for availing benefits under the Welfare Schemes were received offline by the Board.

Audit noticed (June 2024) that during 2020-23, against 21,479 applications²⁴, benefit of welfare schemes valuing ₹ 26.69 crore were extended to 10,238²⁵ eligible beneficiaries.

²⁴ 5,039 offline applications, 317 pending online applications (as of 1 April 2020) and 16,123 new online applications.

²⁵ 5,039 offline applications and 5,199 online applications.

Of these 10,238 applications, 5,039 applications were received through offline mode (prior to April 2020) and 5,199 applications were received online through e-Labour portal. Of this, benefits amounting to ₹ 10.20 crore were provided to 4,417 beneficiaries in the test-checked circle offices. The details thereof are shown in **Table 5.4**.

Table 5.4: Statement showing applications received (online & offline) and benefits provided thereagainst under welfare schemes during 2020-23

(Amount in ₹)

Name of the Scheme	Online applications received	Benefits provided		Benefits extended	Percentage to total
		Online	Offline		
Ex-Gratia	357	125	72	3,11,70,000	30.57
Shagun	250	59	87	45,26,000	4.44
Stipend	5,509	2,024	2,010	6,54,37,000	64.17
Funeral	91	25	0	5,00,000	0.49
General Surgery & Dangerous Disease	45	2	4	2,34,504	0.23
Maternity	34	0	0	0	0.00
Spectacles, Dental and Hearing aids	18	1	1	1,600	0.00
Mentally ill or disabled children	7	5	0	1,00,000	0.10
LTC	48	2	0	4,000	0.00
Loan	69	0	0	0	0.00
Total	6,428	2,243	2,174	₹ 10,19,73,104	100.00

Source: Departmental data

As is evident from **Table 5.4**, during 2020-23 in the test-checked circles:

- the Board was able to process only 34.89 per cent of online applications for payment of financial assistance;
- under two schemes viz. interest-free loan scheme and maternity scheme no benefit was provided to the applicants. Reasons thereof are discussed in **Paragraphs 5.11.2 and 5.11.3**;
- under four schemes namely - i) General Surgery & Dangerous diseases, ii) Spectacles, Dental and Hearing aids, iii) Mental illness or disabled children and iv) LTC Scheme, benefits of ₹ 3.40 lakh (0.33 per cent) were provided to only 15 beneficiaries; and
- as regards the remaining four schemes, major payments of ₹ 6.54 crore (64 per cent) were made to 4,034 beneficiaries under Stipend scheme, followed by ₹ 3.12 crore (31 per cent) disbursed to 197 beneficiaries under Ex-gratia scheme, ₹ 0.45 crore (4 per cent) were disbursed to 146 beneficiaries under Shagun scheme and ₹ 0.05 crore (0.5 per cent) were disbursed to 25 applicants under Funeral scheme.

The observations noticed by the audit while examining all the 4,417 applications wherein benefits were provided to the workers during 2020-23 under different Welfare Schemes are discussed in the succeeding paragraphs.

5.11.1 Inordinate Delay in Processing of Applications

The Board received applications from workers under various Welfare Schemes through online/offline mode. As the Board did not set any specific time limit for processing the applications, there had been laxity in disbursing financial assistance to the applicants.

Audit noticed (September 2023) that financial assistance of ₹ 10.20 crore was extended to 4,417 applicants in the test-checked circles during 2020-2023. Further scrutiny of 4,417 applications²⁶ revealed that only 52 applications were processed within 180 days²⁷ for payment and in the remaining 4,346 applications (98.39 per cent), financial assistance was delayed ranging between five and 1,199 days beyond 180 days. These delayed applications also include the applicants seeking relief under Funeral/Cremation Scheme (25 applications) and General Surgery Scheme– treatment of dangerous disease schemes (two applications). The significantly low number of applicants benefitting from Welfare Schemes and the extensive delays in processing was attributable to the following factors:

- Applications requiring clarifications or additional documentation were often returned to the applicants. Despite having captured mobile numbers and subscribing to SMS services, the Board did not utilise these and applicants remained uninformed till getting information from other sources, which led to delay in processing of applications.
- Applications were found to have been submitted for the same benefit/scheme more than once without closure of existing application. Audit observed that due to inability of e-Labour portal to restrict the applicants from applying for the same scheme till the closure of existing application to which a unique reference was allotted, more than one application was received for the same benefit from the same applicant. Addressing this issue could have reduced the staff's burden of processing the applications afresh and the number of pending applications.
- In the absence of sanctioned posts of Labour Welfare Inspectors in the circle offices, who were primary in the hierarchy to process the

²⁶ Includes 19 cases for which record was not provided to audit.

²⁷ Referring to the judgment of the Hon'ble Supreme Court in the case of 'The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 2006' (CWP no. 318 of 2006), wherein the Hon'ble Court ordered that the benefits under the BOCW Act have to be extended to the beneficiaries preferably within six months. Punjab Labor Welfare Board is sister concern under Department of Labour, GoP like BOCW and runs similar schemes for the welfare of labour.

applications, the Board was relying upon the pre-occupied²⁸ Labour Inspectors of the Department of Labour which led to inevitable processing delays. Moreover, other key posts in the hierarchy, such as Assistant Labour Commissioner, Superintendent, Assistant Welfare Commissioner and Assistant Controller (Finance & Accounts) were also manned by Department of Labour on additional charge. The Board had not fixed processing timelines for each level in the hierarchy, thereby resulting in processing delays dependent on convenience of individual officer rather than on standardized efficiency.

The Government stated (September 2024) that the delay during processing included the time taken by the applicant to address observations. Field officers have been instructed to resolve pending applications within one month, and a dashboard has been created to monitor processing delays at the HQ level. Additionally, the NIC has now developed a portal feature that allows applicants to check the status of their welfare scheme applications using their mobile number or Aadhaar number.

The Board stated (November 2024) to have taken corrective action such as SMS services, dashboard for monitoring of pending applications at HQ as well as field level, provision on the portal for applicant to monitor his application status, edit option for the applicant to remove objections and issued directions for fixing time limit of one month at field level. However, the timelines for processing of applications at different levels of HQs office were yet to be fixed and appointment of regular staff and Board's own Labour Welfare Inspectors were also pending. The Board also stated that agenda to fix the timelines for processing of applications will be placed in the next Board meeting.

5.11.2 Inefficient Implementation Leading to Denial of Loan Benefits and Non-maintenance of Ledgers

As per the provisions of the Loan scheme, interest-free loans ranging from ₹ 1,000 to ₹ 50,000 were admissible to eligible beneficiaries on the guarantee of employer for purchase of various items²⁹. The establishment was also responsible for effecting recovery from the salary of the beneficiary and forward it to the Board. The recovery period ranged between 12 and 30 months. For monitoring the recovery of loans, worker-wise and establishment-wise loanee ledgers should have been maintained by the Board to ensure the actual amount recoverable from the loanees. However, deficiencies were noticed in implementation of the Loan scheme, as detailed in succeeding paragraphs:

²⁸ As has been discussed in **Paragraph 5.9 (i)**.

²⁹ Computer, Television, Bicycle, Sewing Machine, Fan, Wheat Loan, Motorcycle/Electronic Scooty, Fridge Loan and Loan for daughter's marriage.

(i) Denial of benefits of Loan Scheme

During 2020-2023, the Board received 188 loan applications (online) from all the circles, of which the Board did not approve even one and kept all the applications pending.

Audit (September 2023) of the applications received in the test-checked circle offices revealed that 69 applications were received to avail the financial assistance under Loan scheme during 2020-2023. However, benefits under this scheme were not provided to even a single beneficiary. The details thereof were as under:

- Though 25 applications amounting to ₹ 11.23 lakh were verified by the circle offices and submitted to Headquarters office, these were pending without any objection for 333 to 995 days (as of 31 March 2023); and
- Of the remaining 44 applications, five applications involving financial assistance of ₹ 2.30 lakh were kept pending at circle offices for 595 to 679 days for want of required documents, however, the objected documents were found already attached with the applications. The remaining 39 applications were awaiting removal of objection by the applicants.

The Government attributed (September 2024) the non-sanctioning of loan applications to challenges in recovering the outstanding loans. It was assured that an agenda would be presented in the forthcoming Board meeting to streamline the interest-free loan scheme. Payments under this scheme had been pending and the reply assured to take appropriate action once a decision was made. The reply of the Government was not satisfactory as recovering loan became a challenge due to the Board's failure to maintain individual loanees' ledgers (as discussed in the succeeding paragraph). As a result, the Board was unable to ascertain the outstanding loan amounts against individual borrowers. Moreover, the Board also did not initiate recovery of pending loans through their respective establishments, which were also responsible for effecting recovery from the salary of the beneficiary and remitting it to the Board.

Thus, despite having no objection to the 30 applications and availability of sufficient funds with the Board, intended benefits of the scheme were not extended to the beneficiaries due to the reasons attributable to the Board.

(ii) Non-maintenance of subsidiary ledgers

Audit of the records revealed (September 2023) that loanee-wise subsidiary ledgers were not maintained by the Board, due to which it was not possible for the Board to ascertain the amount of loan and repayment by the loanees there against. The absence of vital records affected the chances of pursuance by the Board for recovery of the loan in the case of default.

The consolidated loan sheet prepared from the trial balances disclosed an outstanding loan amount of ₹ 0.65 crore as of August 2023, which was already overdue as it pertained to the loans disbursed more than 30 months ago.

The Board stated (September 2023) that the directions had been issued to the circle offices for recovering the outstanding amount of ₹ 0.65 crore and assured preparation of establishment-wise and worker-wise loan ledgers to make efforts for recovery of the pending amount.

The Government stated (September 2024) that records were being checked/reconciled by the Committee constituted as per the directions of Secretary, Department of Labour. Consequent upon receipt of report from the Committee, the ledgers would be maintained in Tally software.

5.11.3 Inconsistent Provisions Denied Benefits of Maternity Scheme

As per the provisions of the scheme, a grant of ₹ 21,000/- per child was admissible to female workers at the time of birth for up to two children, provided the application for availing this benefit is submitted three months prior to or after the birth of the child. However, the application was to be submitted along with the birth certificate of the child.

Audit observed (July 2024) that under this scheme, only 34 applications were received in the test-checked circle offices during 2020-2023, the details thereof are exhibited in **Table 5.5**.

Table 5.5: Status of applications received under Maternity scheme

Gender of the applicant	Approved	Rejected	Objection raised	Pending	Total
Male	0	3	16	4	23
Female	1	0	4	6	11

Source: Departmental data

Audit analysis of the applications under Maternity scheme is as under:

- Out of 34 applications, 23 were submitted by male applicants, to whom benefit under this scheme were not admissible. The e-Labour portal was also not developed to automatically reject the applications of male applicants.

After being pointed out by audit, the Government redirected (September 2024) the applications of male applicants to their respective establishments, instead of showing them as pending at the Board level. Further, the Board admitted (November 2024) that the applications of male applicants were processed inadvertently and intimated that the e-Labour portal has now been updated with necessary checks to automatically reject applications submitted by male applicants.

- A condition of the scheme mandates that the applicants shall submit their application along with a birth certificate whereas another condition permits the applicant to submit their application up to three months before the child's birth. Thus, the requirement of child's birth certificate

contradicts the provision of allowing the submission of applications three months prior to the child's birth. Consequently, the period allowed for applying before the birth of the child cannot be utilized under these conditions. This contradiction was substantiated with the fact that none of the 11 applications were submitted in the permissible period of three months prior to the birth of the child;

The Government agreed to the audit observation and assured (September 2024) to amend the condition of the Maternity Scheme, after approval in the next Board meeting, to allow submission of application within six months after the birth of the child.

- Applications of six female workers were accepted even after the lapse of stipulated period of three months from the date of birth of child, which should have been rejected as per provisions of the scheme;
- Of the six pending applications, abnormal delay ranging between 309 and 579 days beyond the maximum permissible 180 days was noticed in processing of four applications up to 31 March 2023; and
- Despite taking 260 days for granting approval to single application, the beneficiary did not receive the benefit as of 31 March 2023.

The Government replied (September 2024) that the National Informatics Centre (NIC) was working on creating checks and balances to remove these issues from the portal. The Board further intimated (November 2024) to have carried out necessary checks in the portal. However, the Board only introduced the check to reject the applications of male applicants, the check to reject the applications received beyond permissible time frame was yet to be added on e-Labour portal (November 2024).

Thus, due to inconsistent provisions of the scheme coupled with inherent delayed processing, the benefit of the scheme could not be availed by any of the applicants during 2020-2023 in seven selected circles.

5.11.4 Irregularities in Welfare Schemes

5.11.4.1 Stipend Scheme

Under the Stipend scheme, financial support to workers for the children's education is offered. Consequent upon revision (26 February 2019), the workers with at least two years of regular service were eligible to get stipend for only up to two children. The stipend amount ranged from ₹ 2,000 to ₹ 70,000, depending on the child's education level i.e., from Class 1 to Post-graduation subject to passing last class.

In the test-checked circles, during 2020–23, the Board provided benefits amounting to ₹1.51 crore under the Stipend Scheme to 826 applicants who had applied prior to the scheme’s revision. Additionally, 3,208 applicants who applied after the revision received benefits totaling ₹ 5.03 crore. The analysis of these applications is discussed as under:

- (i) Benefit of the Stipend scheme amounting to ₹ 3.79 lakh was extended in violation of the condition of the scheme to 26 beneficiaries who on the date of application had not rendered regular service of two years. Of these, 11 beneficiaries were short of two years of service even on the date of payment. It was observed that the Board had objected to or even outrightly rejected similar other cases.

In the absence of in-built validation check on e-Labour portal, the portal accepted five online applications, wherein two years’ regular service of the applicant was not completed.

The Board stated (February 2024) that the date of joining was not precondition to the scheme, however, while granting the benefit, the period of two years’ for contributions was being checked. The reply was contradictory because no worker was able to contribute to the Fund for two years without having completed at least two years of regular service.

The Government stated (September 2024) that permission of the Board would be sought in the next Board meeting viz. i) to amend this condition of two years continuous service; and ii) to grant ex-post facto approval in those cases where the workers were short of two years’ service but were given the benefit of the scheme. However, such retrospective regularization may affect the principle of compliance and could set a precedent that potentially weakens the integrity of the scheme’s implementation and the credibility of oversight mechanisms.

- (ii) Stipends amounting to ₹ 0.99 lakh were granted to nine beneficiaries twice for the same child for pursuing studies in the same class.

The Board admitted (February 2024) the same and stated that the amount of ₹ 0.89 lakh had been recovered from eight workers/beneficiaries, while one beneficiary had expired. The Government further stated (September 2024) that in the remaining one case, recovery is not possible due to the worker’s death, and a proposal would be presented in the Board meeting to write off this recovery.

- (iii) The financial assistance of ₹ 0.66 lakh was provided to three children of five beneficiaries for the same academic session in violation of the provisions of the Scheme which provided stipend for up to two children

only. This implies that the Board and the e-Labour portal lacked provisions, such as Aadhar-based authentication to detect such cases.

The Government stated (September 2024) that recovery in these cases had been initiated and the Board had recovered an amount of ₹ 0.27 lakh (November 2024) in two cases, leaving three cases pending. With regard to Aadhar-based authentication, the Board reported (November 2024) that it had been implemented.

- (iv) The provisions in the scheme are ambiguous for the workers who have more than two children as the scheme remained silent about the fact as to which two children would be entitled for the benefit. For instance, in eight cases benefit of ₹ 0.93 lakh³⁰ was extended for three children in different academic sessions.

The Government assured (September 2024) to review the conditions related to the Stipend scheme in the Board's next meeting.

These discrepancies indicate the absence of standardised scrutiny and lack of internal control mechanisms in the Board. The benefits of ₹ 0.06 crore provided to 69 beneficiaries, were in violation of the conditions specified under the Stipend scheme.

5.11.4.2 *Shagun Scheme*

Under the Shagun scheme, financial assistance of ₹ 31,000 is extended to the eligible beneficiary for marriage of up to two daughters or for self in case of female worker on providing of registered marriage certificate. During 2020-2023, 146 workers were extended the benefit of the scheme in the test-checked circles.

Audit of records of 146³¹ beneficiaries revealed that the Board provided financial assistance of ₹ 18.29 lakh to 59 beneficiaries (40 *per cent*) without obtaining the registered marriage certificate, in contravention of the provisions of the scheme.

The Board stated (February 2024) that the certificate issued by religious institutions that had solemnized the marriage was taken into consideration and in view of hardships in registering marriages, the Board would examine to waive the requirement of registered marriage certificate.

The reply of the Board was not satisfactory as submission of the registered marriage certificate was mandated by the Board itself and nothing about relaxation in the conditions has so far been passed in any Board meeting.

³⁰ To be on the conservative side, the amount of stipend extended to the youngest child is considered irrespective of the academic session.

³¹ Record in respect of two beneficiaries were not provided to the audit.

The Government stated (September 2024) that the agenda would be placed in the next Board meeting to review the conditions related to non-requirement of registered marriage certificate and post-facto approval would be taken for cases approved without registered marriage certificate.

This reply was not acceptable as waiving the requirement of registered marriage certificate is a risk-prone intervention with potential for fraud.

5.12 Non-implementation of Increase in Employers Contribution

The Board decided to take several decisions³² in 2015-16, necessitating additional expenses from the Fund for their implementation. To cover these costs, the Board in its meeting (July 2018), decided to increase employer contribution from ₹ 20 (fixed in December 2014) to ₹ 25 *per month per* worker.

Audit noticed (September 2023) that no action had been taken to implement the decision to increase the employers' contribution. However, without ensuring implementation of this decision, this item was removed from the agenda of next meeting held on 26 February 2019. Consequently, despite the decision, no notification was issued to amend the PLWF Rules, and the contribution rates remained unchanged.

Audit further observed that the total contributions received in the Fund during 2020-23 amounted to ₹ 66.45 crore³³. Had the Board enforced the enhancement in employers' contribution, as was decided, an additional revenue of ₹ 12.72 crore³⁴ would have been added to the Fund.

The Board acknowledged these findings and assured (February 2024) that the matter would be taken up in the next Board meeting for final decision about enhancement of contribution from employer. The Board after dissolution in December 2022 was re-constituted in March 2024, but had not convened any meeting so far (November 2024).

Moreover, a Committee (January 2023) was constituted to recheck the provisions of the Act and PLWF Rules which recommended (May 2023) to increase the contribution of employee and employer to ₹ 20 and ₹ 80 *per month per* worker, respectively. However, no action to implement recommendations of the Committee to increase contribution was taken so far (November 2024).

³² Reimbursement up to ₹ One lakh for treatment of critical diseases and up to ₹ 20,000/- for general surgery was approved in 49th meeting of the board dated 14 October 2015. Stipend started from 6th class w.e.f. 1 April 2016 instead of from 9th class and stipend rates were also increased from ₹ 21,000 to ₹ 31,000. In addition, ₹ 20,000 were approved for funeral in 50th meeting of the Board was held on 2 February 2016.

³³ Online contribution of ₹ 63.58 crore and Offline contribution of ₹ 2.87 crore.

³⁴ Calculated by eliminating the offline contributions of ₹ 2.87 crore, as the veracity of the data, as to whether these were only the contributions, could neither be verified by the Board, nor were such records produced to audit to verify the same.

The Board stated (November 2024) that the non-issuance of the notification and lack of implementation of the recommendations were due to a fraud incident within the Board detected in March 2019. As a result, several officials were suspended or dismissed, and relevant records were seized by the Vigilance Department, which significantly hindered the Board's ability to proceed with the decision. Consequently, the decision remained unimplemented as of November 2024. The Board's response was not convincing, as it remains unclear how the fraud detected in March 2019 could have influenced the decisions made during the meeting held in February 2019.

Thus, the Board exhibited a lack of due diligence in implementing its decision to increase contribution despite a lapse of more than six years, which implies that the Board did not have an effective follow-up system in place to monitor the execution of its own resolution.

5.13 Accounts and Audit

Rule 5 of the PLWF Rules read with Section 3(3) of the Act prescribes that the accounts of the Fund shall be prepared and maintained by the Accounts Officer of the Board and audited by the Accountant General once a year.

5.13.1 Incomplete and Delayed Accounts

Audit noticed (July 2023) that the Board had prepared its accounts only up to 2017-18, however, due to non-maintenance of General Ledger as in previous years and non-reconciliation of figures shown in the Balance Sheet with the Trial Balance, the accounts for the year 2017-18 were returned by the Principal Accountant General (Audit) for want of complete basic record of the Board, which were yet to be re-submitted. The accounts for the subsequent years i.e., from 2018-19 to 2022-23 were not submitted by the Board.

The Government stated (September 2024) that the accounts for 2018-19 to 2022-23 had been finalised, which would be submitted for Audit after the approval of the Board/Chairman. The reply was silent about finalisation of accounts for 2017-18 that was returned by Audit for want of complete basic records.

Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and it is important to urgently prepare the pending accounts from 2017-18 onwards to ensure compliance with statutory audit requirements.

5.13.2 Non-compliance to Audit Notes

As per the Rule 5 of the PLWF Rules, the Welfare Commissioner shall be responsible for the disposal of the Audit Notes³⁵.

³⁵ Audit Notes are the Inspection Reports issued by the office of Principal Accountant General after conducting Compliance Audit of the Board.

Audit noticed (June 2024) that the Board did not take cognizance of the pending Audit Notes. As of January 2024, 34 Audit Notes of six years involving money value of ₹ 16.92 crore had not been complied with. The year-wise breakup is given in **Table 5.6**.

Table 5.6: Details of outstanding Audit Notes

Period of audit	Outstanding Audit Notes (in number)	Amount involved (₹ in lakh)
2010-11	1	9.43
2013-14	3	770.00
2014-15	2	161.27
2016-18	5	24.88
2018-20	15	722.75
2020-23	8	3.97
Total	34	1,692.30

Source: Departmental data

The long pending Audit Notes awaiting compliance indicate a non-serious approach of the Board towards financial accountability and lack of consideration to audit recommendations.

The Board stated (August 2024) that reply to the Audit Notes for the period 2020-2023 was being prepared. For the period 2010-11 to 2018-2020, it was submitted that due to various reasons³⁶ the record got misplaced, as such, the replies to the audit notes would be prepared after the records are traced.

Reply of the Board was not satisfactory as the replies to the Audit Notes should have been given on time. Further, the audit for the period 2018-2020 was conducted in January 2023 and the maximum Audit Notes were framed on the basis of available records. As such, it was not right to say that records were not traceable.

The Government assured (September 2024) that final replies of the outstanding Audit Notes would be submitted to Audit after proper examination of records. Thus, the lack of timely action on Audit Notes raises concerns about the Board's governance and financial management practices.

5.13.3 Non-submission of Annual Reports and Audited Statements

Rule 21 of the PLWF Rules read with Section 27(2) (k) of Punjab Labour Welfare Fund Act, 1965 stipulates that the Board shall within three months of the date of closing of each financial year, submit to the State Government for approval an audited statements of Receipt and Expenditure together with an Annual Report giving a detailed account of its activities conducted during the year.

³⁶ Shifting of office premises from Chandigarh to Mohali in 2018, detection of fraud in 2019, and Vigilance enquiry.

Audit noticed (July 2023) that as of March 2023, the Board had submitted the Annual Reports along with audited statements only up to the year 2002-03 to the State Government and the Annual Reports along with audited statements for the years 2003-04 to 2005-06 were under process with the Administrative Department. However, the Annual Reports and the audited statements with effect from 2006-07 were yet to be prepared.

The Government stated (September 2024) that Annual Reports were being prepared. However, the reasons for non-finalisation of Annual Reports along with audited statements since 2003-04 and their submission to the State Government for approval were not intimated.

Thus, the non-compliance with the timely submission of Annual Reports and audited accounts deprived the Government of the opportunity to obtain updated financial information and insights into the Board's functioning for nearly 20 years.

5.14 Non-maintenance of Cash Book and Non-reconciliation of Receipts

Section 3(3) of the Act read with Rule 5 of the PLWF Rules requires that the accounts of the Fund shall be prepared and maintained by the Accounts Officer of the Board in such manner as may be prescribed by the Board with the approval of the State Government and shall be audited by the Accountant General, once a year.

Further, Rule 2.2 of Punjab Financial Rules (Volume-I) prescribes that every officer receiving money on behalf of the Government should maintain a Cash Book and enter all monetary transactions as soon as they occur. The Government Officer responsible for handling Government funds must ensure that payments made to the Bank are properly recorded. Before attesting any receipts, the officer should compare the Bank receipts with the entries in the cash book to confirm that the funds were actually deposited. By the 15th of each month, the officer must obtain a consolidated receipt for all remittances made in the previous month and verify it against the cash book entries.

(i) Audit noticed (September 2023) that the Board was maintaining cash book prior to February 2019 but stopped recording monetary transactions thereafter in contravention to provisions *ibid*. As such no cash book was found maintained during the period 2020-2023. The Board also did not prepare the Bank Reconciliation Statement (BRS) to reconcile (September 2023) its receipts and payments with the Bank during 2020-2023.

The Government while acknowledging the fact stated (September 2024) that in future cash book/day book would be generated from Tally software on daily

basis and got signed by the DDO and Deputy Controller Finance & Accounts at the end of the month as per the Punjab Financial Rules.

Though the Board submitted (August 2024) the BRS, but it did not consider the cheques not encashed to reconcile the difference between the Bank and the cashbook. The Board admitted (November 2024) that accounts were based on the bank statements itself. In such a scenario, the purpose of preparing BRS was defeated.

(ii) Audit further observed (June 2024) that the Trial Balance of the Board exhibited receipts of ₹ 71.96 crore as contributions to the Fund during 2020-2023, however, the Board received aggregated amount of ₹ 66.45 crore³⁷ on account of offline/online contribution in the Fund. Thus, reconciliation of this difference of ₹ 5.51 crore was necessary to ensure consistency between the records. But the Board did not take the cognizance of this difference and made no efforts to reconcile it.

The Government stated (September 2024) that reconciliation for the period from December 2021 to August 2023 was done and no difference was found. However, upon seeking the reconciliation statement, the Board intimated (November 2024) that to reconcile the differences between bank and portal data some necessary changes in portal at NIC level were awaited and assured to submit reconciled statement shortly.

Above shows that the Board did not realise the risk associated with non-reconciliation and non-preparation of records such as Cash Book and BRS especially when the Board for the same negligence had already suffered fraudulent withdrawals of ₹ 2.83 crore from Welfare Fund that came to the notice of the Board in March 2019 which were still under investigation with Department of Vigilance, Government of Punjab. Thus, the prolonged period of non-reconciliation and lack of prescribed accounting procedures raises concerns on accountability and poses a significant risk of fraudulent activities in the Board.

5.15 Conclusion

A significant number of workers remained unaware of the benefits available under the Welfare Schemes due to the Punjab Labour Welfare Board's inaction in developing audio and video awareness materials, despite adequate budgetary provisions for the same. The Board lacked a mechanism to bring the eligible establishments within its purview and did not have system to issue unique identification numbers to the registered workers. The Board had not established a mechanism to ensure regular contributions to the Fund by defaulting establishments, nor had it implemented deterrent measures to prevent further defaults. This inaction contributed to an increase in the number of defaulting

³⁷ Online contributions of ₹ 63.58 crore received through e-Labour portal and offline contributions of ₹ 2.87 crore received through cheques.

establishments. Frequent shortfalls in the Board meetings highlighted a lack of commitment and delayed critical decisions on contribution rates, service by-laws, and the Board rules/regulations. The shortage of Labour Welfare Inspectors forced the Board to rely on Labour Department Inspectors, whose inspections were inadequate and ineffective. Insufficient staff delayed the processing of welfare benefit applications and preparing annual accounts. Additionally, the Board was unaware of actual amount of unpaid accumulations, lacked worker-wise records, and did not transfer lapsed unpaid accumulations to the Welfare Fund. Processing of applications exhibited delays, deficiencies, and inconsistencies with significant issues in the digital transition to e-Labour portal, while ambiguous regulations led to denial of benefit to some and exploitation by others. The annual accounts of the Board for the years 2017-18 to 2022-23 were not submitted for audit. Further, the Board has stopped maintaining cash book after February 2019 and has also not prepared the Bank Reconciliation Statement. These lapses raise serious concerns regarding financial accountability and significantly increase the risk of mismanagement and potential fraudulent activities within the Board.

5.16 Recommendations

For enhancing the efficiency and effectiveness of the Board's operations and welfare schemes, the Board may:

- *establish robust system to improve monitoring of contribution, defaults and unpaid accumulation;*
- *register all establishments coming under purview of the Board to provide benefits to the workers of these establishments;*
- *address delays, deficiencies, and inconsistencies in application processing, and rectify issues with the e-Labour portal;*
- *modify / clarify the provisions of the schemes to prevent both denials and exploitation of benefits of schemes;*
- *conduct comprehensive awareness campaigns to ensure all workers are informed about available welfare schemes;*
- *increase the frequency of Board meetings to ensure timely decisions and continuity and ensure effective and sufficient inspections;*
- *implement stringent measures to maintain cashbooks, conduct regular bank reconciliations, address audit notes promptly, and*
- *finalise Annual Accounts for the years 2017-18 to 2022-23 and prepare/submit Annual Reports for the years 2003-04 onwards.*

