

Executive Summary

Chapter 1: Introduction

The Government of India (GoI) enacted (August 1996) the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and the Building and Other Construction Workers' Welfare Cess Act, 1996 (Cess Act) to provide safety, health, and welfare measures for benefit of construction workers through levy/collection of Labour Cess (Cess).

In this regard, Performance Audit was conducted to verify as to whether there was an effective system for registration of Establishments and beneficiaries; Cess assessment, collection and transfer of collected Cess to the fund was efficient; Government prescribed appropriate health and safety norms and could ensure an environment of compliance to those norms by Employers; Government implemented transparent and effective system of inspections to check evasion of Labour Cess and compliance to health and safety norms by Employers; Administration and utilisation of fund on implementation of welfare scheme by the Board was efficient and effective and as per Act and Rules framed by the State Government.

The chapter-wise Audit findings are as follows:

Chapter 2: Planning

After completion of the term of the existing Board in October 2018, State Government constituted (March 2020) the Board with three members i.e., Secretary to Government, Labour, Employment, Training and Factories (LET&F) Department as Ex-officio Member; Commissioner of Labour as Member Convenor; and Welfare Commissioner, GoI, Ministry of Labour & Employment, Labour Welfare Organisation, Hyderabad as Member from GoI. Thus, it was functioning with only three Members contrary to the Rules which stipulated a minimum of eight members including Chairman. Annual accounts of the Board were prepared up to 2018-19 only as of May 2023 (**Paragraph 2.1**). At State level 4,725 applications were received from Establishments against which 4,709 got registered during 2017-22. However, in the selected offices of the test-checked five Districts itself, 8,9489 building plans were approved, out of which only 2,394 Establishments were registered (**Paragraphs 2.2.1 and 2.2.2**). Out of the 14.83 lakh registered workers, 3.34 lakh (22 per cent) workers had not renewed their registration as of June 2023 (**Paragraph 2.3**). Board had not issued identity cards to 48,894 beneficiaries and 62,802 applications were pending for registration (**Paragraph 2.4**). Duplicate registrations of beneficiaries at different places resulted in suspicious double payment of benefits to the same beneficiaries at different locations (**Paragraph 2.5**).

Recommendations

- The Government should establish the Board with requisite Members, to ensure the effective implementation of the BOCW Act and welfare measures for BOC workers.
- The Board should implement a comprehensive registration drive to address the low registration, conduct programs to educate Employers and workers regarding benefit of registration and their entitlements to various scheme benefits.
- Utilisation of Geographic Information System (GIS) mapping/ technology may be prioritized by the Department for effective registration of Establishments as per the provisions of the BOCW Act.

Chapter 3: Cess Assessment, Collection and Remittance

The Board does not have Urban Local Body (ULB)/Pay and Accounts Officer (PAO)-wise details of Cess to be received and the balance due to be received (**Para 3.1**). As per the provisions of Cess Act, ULBs should collect and remit the Labour Cess at the time of approval of plans. Out of ₹164.25 crore collected by the seven sampled ULBs and one Urban Development Authority (UDA) during the period 2017-18 to 2021-22, an amount of ₹59.86 crore only was remitted into account of the Board and the balance of ₹104.39 crore (64 per cent) was lying with the ULBs/ UDA (**Para 3.2.1**). Contrary to the Statutory provisions, the Government issued (August 2010) orders permitting self-assessments. Further, except in cases of complaints and similar matters, no verification was mandated for assessments up to ₹one crore. In the absence of penal provisions, no self-assessments were received by the Assessing Officers from the Establishments (**Paragraph 3.3.1**). In the test-checked Districts, the Department received (2009-22) Vigilance Alert Notes (VAN) regarding Cess evasion of ₹410.99 crore by 452 Establishments. Out of this, the Department had realized ₹99.67 crore only leaving a balance of ₹311.32 crore (76 per cent) (**Paragraph 3.3.2**).

Recommendation

- The Board should establish a centralized data base for tracking Cess amounts due, received and outstanding by duly integrating the data obtained from all the relevant authorities.

Chapter 4: Safety and Health Norms

Department did not ensure that the Establishments have furnished the requisite information about Safety Policy, Emergency Action Plan, formation of Safety Committees and Special medical services as required under the BOCW Rules as Inspection Report proforma submitted by the Inspecting Officers contained the provision for ascertaining safety measures available in respect of fire protection, eye protection and fencing of motor only.

Recommendation

- The Department may devise a mechanism to ensure that safety and health facilities are available at the construction sites as per the provisions of BOCW Act.

Chapter 5: Financial Management

The Board had not prepared budget for the years 2019-20 and 2020-21. Allocation of funds for expenditure on Welfare Schemes was ranging between 26 *per cent* (2017-18) and 53 *per cent* (2021-22) of the estimated receipts (**Paragraph 5.2**). In absence of timely reconciliation with the Banks and monitoring mechanism, the Board had sustained loss of revenue of ₹51.47 crore due to non-realisation of dishonoured cheques/demand drafts as of February 2023 (**Paragraph 5.3**). The Board had incurred an amount of ₹32.43 crore on Advertisements during the period 2017-18 to 2018-19 despite orders of the Hon'ble Supreme Court (August 2015) and Government of India instructions (June 2016) for not incurring Advertisement expenses out of Cess funds (**Paragraph 5.4**). As per the directions (April 2020) of State Government, the Board had remitted an advance amount of ₹1004.82 crore for Covid-19 relief measures to Labour including BOC workers. Out of this, an expenditure of only ₹258.04 crore was incurred (March 2021) on BOC workers (**Para 5.5**). As per the instructions issued (August 2016) by the State Government, the Board had diverted an amount of ₹40.07 crore to the State Sponsored Social Security Scheme and got reimbursed ₹15.50 crore leaving an outstanding balance of ₹24.57 crore as of March,2023 (**Paragraph 5.6**). Upon bifurcation of the State of Andhra Pradesh in June 2014, an amount of ₹191.11 crore was allocated to Telangana Building and Other Construction Workers Welfare Board (TBOCW WB) and the same was deposited in the PD Account of TBOCW WB. The Board had withdrawn an amount of ₹71.72 crore by May 2019 leaving a balance ₹119.39 crore which was not released to the Board as of January 2024 (**Paragraph 5.8**). Andhra Pradesh Building and Other Construction Workers Welfare Board (APBOCW WB) owed an amount of ₹431.94 crore to TBOCW WB. However, the amount had not been realised (January 2024) even after a lapse of nine years (**Paragraph 5.9**). Contrary to BOCW Act provisions, the Board had disbursed during 2018-22, an amount of ₹18.95 lakh to 27 unregistered beneficiaries (**Paragraph 5.10**).

Recommendations

- The Board may ensure that annual accounts are finalised within the specified timelines to provide realistic basis for preparation of Budget of the Board.
- The Board may take immediate steps to set up effective monitoring mechanism to oversee the realization of cheques/DDs within stipulated timelines and initiate appropriate action in the case of the dishonoured cheques.

Chapter 6: Welfare Schemes

Out of total 1,38,908 claims, 83,736 claims were disbursed, 10,125 claims were rejected, and balance 45,047 claims were pending at various levels. However, the information/intimation regarding rejection of claims communicated to the applicants was not on record (**Paragraphs 6.2 & 6.3**). Failure in the verification process led to erroneous disbursements of ₹16.54 lakh to 15 beneficiaries in the test-checked Districts as the same was done without obtaining necessary enquiry reports or with reports issued prior to the date of application (**Paragraph 6.4**). In its meetings, the Board had approved new welfare schemes viz., Life disability pension, Prof. Jayashankar Educational Financial Assistance to the children of workers, Comprehensive Health Scheme for Registered BOC workers etc. However, none of the New Schemes was implemented (**Paragraph 6.7**).

Recommendations

- The Board should integrate the database of ID cards issued duly linking with unique ID to prevent the duplication of claims.
- The Board should have proper mechanism in place to settle the claims within stipulated period and also intimate the beneficiaries reasons for rejection of their claims.

Chapter 7: Monitoring Mechanism and Internal Controls

After the formation of the Telangana State (June 2014), State Advisory Committee (SAC) has not been constituted as of May 2023 i.e., even after lapse of nine years (*Paragraph 7.1.1*). Out of the five test-checked Districts, only in three Districts (Karimnagar, Khammam and Rangareddy) the Coordination Committees at District level were formed. No Committees were formed in Hyderabad and Hanumakonda Districts (*Paragraph 7.1.2*). The Department had not conducted inspections of Establishments as envisaged in the BOCWW Rules. Against 14,530 Establishments earmarked for inspections during the period from 2017-22, only 432 (three *per cent*) inspections of Establishments were conducted. (*Paragraph 7.2*). The absence of a functional Grievance Redressal and Monitoring mechanism in the Board deprived beneficiaries of a vital channel to voice their concerns and seek resolution of their grievances (*Paragraph 7.3*).

Recommendations

- The Government should take action to constitute the State Advisory Committee (SAC) for advising the State Government on matters related to the implementation of the BOCW Act.
- The Government should ensure necessary inspections of Establishments to monitor registration of establishments and collection of Cess amounts and other safety and welfare measures to BOC workers as per norms.
- The Government should take adequate measures to establish a comprehensive Grievance Redressal mechanism to facilitate the smooth delivery of benefits.

Chapter 8: Beneficiary Survey and Joint Physical Verification

Tele survey of 441 beneficiaries (May/June 2023) in selected offices of the test-checked Districts revealed that the beneficiaries were neither aware of the awareness programmes organised by the Department nor were intimated to attend the awareness programmes (*Paragraph 8.1*). As noticed from the Survey conducted by Audit during Joint Physical Verification at work sites of unregistered Establishments, none of the 154 workers working in on-going works was registered as Beneficiary under the Act. (*Paragraph 8.2.2*).

Recommendations

- The Department may conduct awareness programmes to inform beneficiaries about the registration process, benefits of the schemes implemented by the Labour Department.
- The Department may also conduct periodical survey to identify and register all eligible workers under BOCW Act.