

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) with the aim to provide safety, health, and welfare measures for benefit of construction workers through levy/ collection of Labour Cess (Cess). The GoI also framed (November 1998) the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Central Rules, 1998 (Rules) and Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules). The Act *inter alia* mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of Rules thereof by every State Government in exercise of the powers conferred under the Act.

Based on the above Central Act, the Government of Andhra Pradesh framed Andhra Pradesh Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 1999. It also constituted (April 2007) the Andhra Pradesh Building and Other Construction Workers Welfare Board (the Board) and issued (December 2009) instructions regarding implementation of the Act and Rules. After formation (June 2014) of Telangana State, the Telangana Building and Other Construction Workers Welfare Board (TBOCWWB) was constituted (September 2014) and the Rules framed by the erstwhile State of Andhra Pradesh were adopted (December 2015) by the Government of Telangana.

As per provisions of the Cess Act, the Labour Department shall levy and collect Cess at the rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction (excluding land cost) in relation to a building or other construction work of a Government or of a Public Sector Undertaking. In respect of other buildings, advance collection of Cess through a Local Authority where an approval of such building or other construction work by such Local Authority was mandatory, must be made and remitted to the Board. The Cess so received by the Board was required to be spent for the welfare of construction workers through various schemes.

1.1 Organisational Setup

The Special Chief Secretary, Labour, Employment, Training and Factories Department (LET&F) is the head of the Department. Functions of the Department are delivered by Commissioner of Labour (COL) with assistance of Joint Commissioners of Labour (JCL), Deputy Commissioners of Labour (DCL), Assistant Commissioners of Labour (ACL), Assistant Labour Officers (ALO) and other Ministerial Staff. Secretary & Chief Executive Officer (CEO) is the Head of Building and Other Construction Workers Welfare Board.

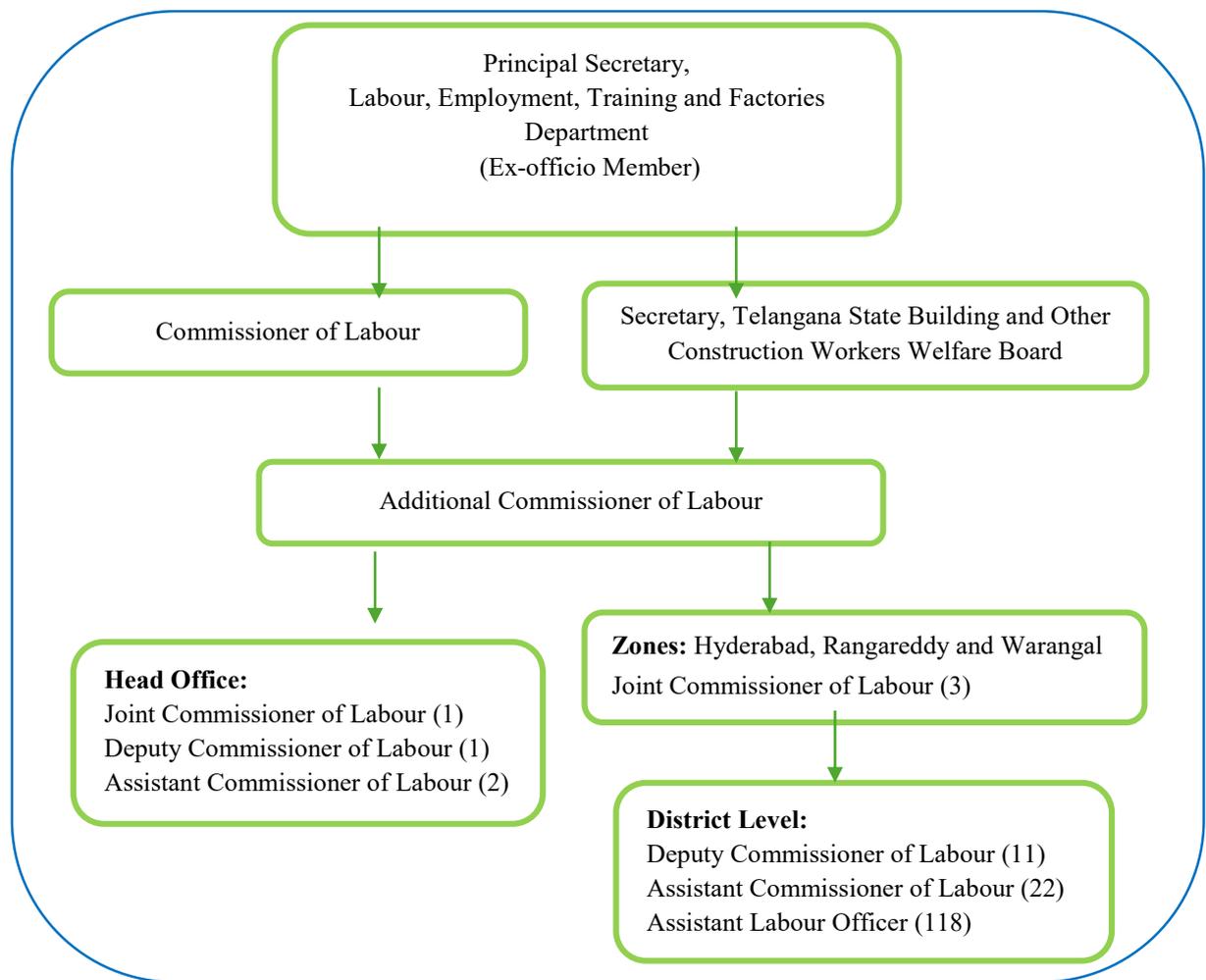
As per the provisions of the Cess Act, the State Government had appointed Officers of Labour Department as Registering Officers and Assessment Officers for registration of Establishments for the purpose of collection of Labour Cess. The Board does not have

separate cadre of officials for implementation of BOCW Act. Officials of the Labour Department perform functions of the Board.

The Board shall consist of a Chairperson, a person to be nominated by the Central Government and such number of other members, not exceeding fifteen, as may be appointed to it by the State Government. As per Section 19 of the BOCW Act, the Board shall appoint a Secretary and employees as it considers necessary for the efficient discharge of its functions under this Act.

The organisational set up has been depicted in the **Chart-1.1**

Chart-1.1: Organisational Setup of Labour Department and BOCW Board



Source: Information furnished by the Department of Labour

1.2 Framework for Administration and Management of Labour Cess

The framework for administration and management of Labour Cess in the State is divided into three tiers viz., Central, State and District. Other stakeholders who play crucial roles include Local Bodies, Establishments, Development Authorities, Pay and Accounts officers (PAO) etc., The roles and responsibilities of the stakeholders involved in implementation of the BOCW Act, Cess Act are given in **Table-1.1**.

Table-1.1: Statement of Roles and Responsibilities of stakeholders in implementation of BOCW Act

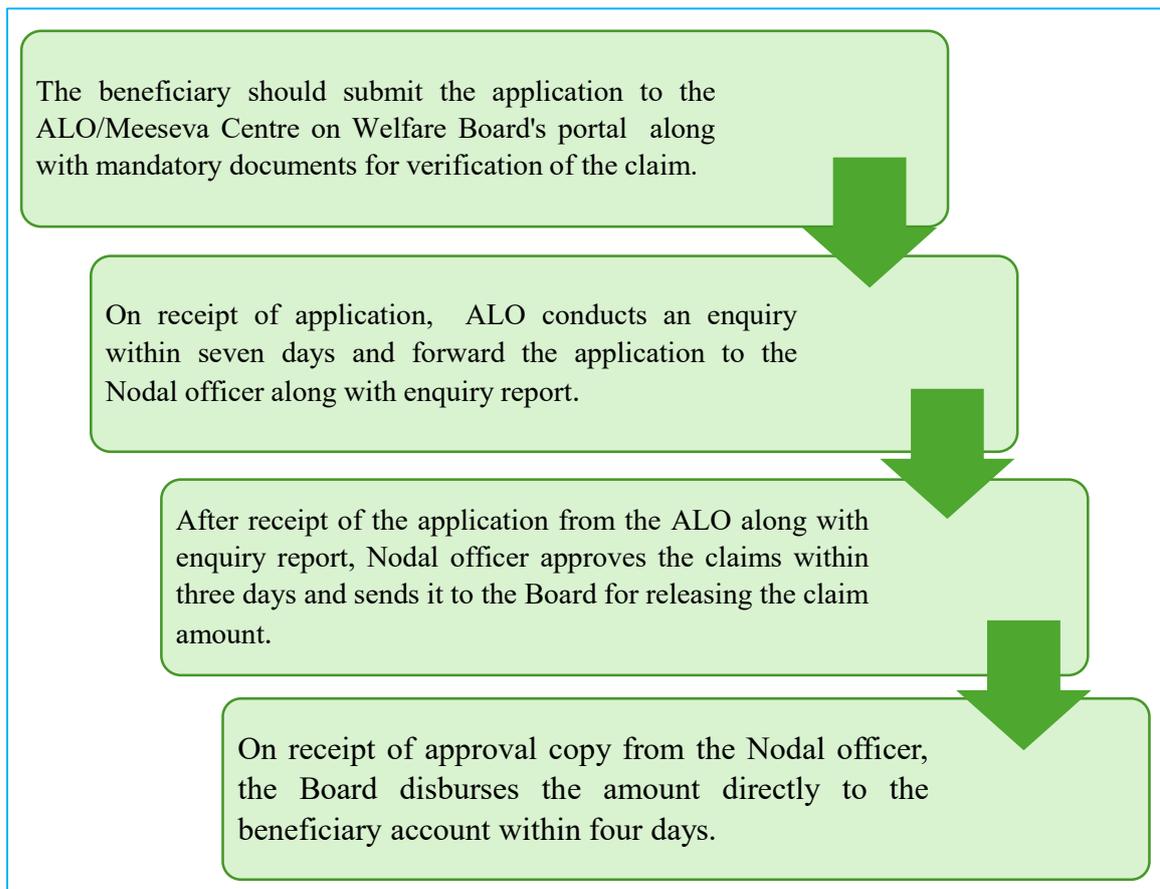
Stakeholder	Roles and Responsibilities
Central Government	Nominate a member to the State Board.
State Government	Nominate Chairman and the members to the Board, approve the Policy framed by the Board, and monitoring the implementation of the Act.
Labour Department	Responsible for registration of Establishments, inspection of Establishments, assessment, and collection of Cess.
Building and Other Construction Workers Board	Appointment of Secretary; responsible for administration and investment of funds, registration of workers as beneficiaries, Issue of ID Cards, formulation of schemes and ultimate disbursement of benefits to the beneficiaries.
Local Bodies and Urban Development Authorities	Responsible for advance collection of Cess at the time of approval of Building Plans and deduction of Cess from payment of works bills; and transfer the collected Cess amount to the Board.
Pay & Accounts officer (Works)	Responsible for deduction of Cess from the Government works bills at source before making final payment to contractors and remittance to the Board.

Source: BOCW Act (R&C)1996, BOCWW Cess Act, 1996 and Government Orders (December 2009)

1.3 Procedure for claiming the Benefits

Procedure for claiming the benefits is depicted in **Chart-1.2**.

Chart-1.2: Processing of Claims



Source: Circular instructions issued (July 2019) by the Board

1.4 Audit Framework

1.4.1 Audit Objectives

The Performance Audit (PA) was conducted with the objective of assessing 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 had prescribed health and safety norms and ensured compliance to those norms by the Employers.
- Government had 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 Cess on implementation of the welfare schemes by the Board was efficient and effective and as per the Act and Rules framed by the State Government.

1.4.2 Audit Criteria

The criteria for the Performance Audit were sourced from the following:

- ✓ Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
- ✓ State Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 1999
- ✓ Building and Other Construction Workers Cess Act, 1996 and Cess Rules, 1998
- ✓ State Financial Rules
- ✓ Guidelines of various schemes implemented by the Board.
- ✓ Resolutions passed by the Board from time to time
- ✓ Inspection Policy notified by State Government.

1.4.3 Audit Scope and Methodology

The Performance Audit on Welfare of Building and Other Construction Workers was conducted during April 2023 to June 2023 covering the period from April 2017 to March 2022. Audit methodology included scrutiny of records, Joint Physical Verification, and Beneficiary Survey, wherever necessary. An Entry Conference was held on 17 January 2023 with the Special Chief Secretary, Labour, Employment Training and Factories Department and Secretary & CEO of the Board, Director of Works & Accounts wherein the Audit Objectives, Audit Criteria, Scope and methodology, Period of Audit were explained.

The offices covered in Audit include (i) Telangana Building and Other Construction Workers Welfare Board (TBOCWW) (ii) Labour Department, (iii) Urban Local Bodies (ULBs) including Hyderabad Metro Development Authority (HMDA), (iv) Pay & Accounts Offices (Works and Projects). Audit selected five¹ Districts from 33 Districts in

¹ Hyderabad, Karimnagar, Khammam, Rangareddy and Hanumakonda (erstwhile Warangal Urban)

the State with maximum Gross State Domestic Product (GSDP) as criteria. Two offices from Labour Department, two ULBs² and PAO office in each District were selected for test check of records as indicated in **Table-1.2**.

Table-1.2: List of sampled Offices

District	Auditee Unit	ULBs	PAO(W&P)
Hyderabad	Joint Commissioner of Labour, Hyderabad	Greater Hyderabad Municipal Corporation	PAO Hyderabad
	Deputy Commissioner of Labour-II, Hyderabad	Hyderabad Metro Development Authority	
Karimnagar	Deputy Commissioner of Labour, Karimnagar	Karimnagar Municipal Corporation	PAO Karimnagar
	Assistant Commissioner of Labour, Karimnagar	Choppadandi Municipality	
Khammam	Deputy Commissioner of Labour, Khammam	Khammam Municipal Corporation	PAO Khammam
	Assistant Commissioner of Labour, Khammam	Wyra Municipality	
Rangareddy	Joint Commissioner of Labour, Rangareddy	Bandlaguda Jagir Municipal Corporation	PAO Rangareddy
	Deputy Commissioner of Labour, Rangareddy	Turkayamjal Municipality	
Hanumakonda	Joint Commissioner of Labour, Warangal	Greater Warangal Municipal Corporation	PAO Hanumakonda
	Deputy Commissioner of Labour, Hanumakonda	Parakala Municipality	

For Joint Physical Verification, eight Establishments³ were selected from each District. For Beneficiary Survey, 441⁴ beneficiaries were selected⁵ in the five sampled Districts and Tele-Survey was conducted with those beneficiaries. Besides, 154⁶ workers were also surveyed during Joint Physical Verification at work sites of selected unregistered establishments to ascertain the details of registration of workers and provision of welfare measures to the workers.

1.5 Acknowledgement and Constraints

Audit acknowledges the cooperation and assistance extended by the Labour Department, the Board and test-checked ULBs/UDA, PAOs (Works and Projects) in conducting the Performance Audit.

However, the extent of support as envisaged was not received in respect of data relating to building plan approvals maintained in DPMS⁷ module by Khammam, Karimnagar, Bandlaguda Jagir Municipal Corporations; Turkayamjal, Wyra and Choppadandi Municipalities.

² One Corporation and one Municipality in four districts: one Corporation and one Urban Development Authority in Hyderabad

³ four registered Establishments were selected by Stratified Random Sampling Method, and four unregistered Establishments were selected by Random Sampling Method from the available building plan approval data of Municipalities

⁴ Hyderabad (90); Karimnagar (90); Khammam (90); Rangareddy (80) and Hanumakonda (91)

⁵ through Stratified Sampling method in respect of welfare schemes @ maximum 15 applications for each welfare scheme

⁶ Hyderabad (07), Karimnagar (41), Khammam (17), Rangareddy (21) and Hanumakonda (68)

⁷ Development Permission Management System

