

Chapter 5

Financial Management

5.1 Source of Funds

Section 24 of the BOCW Act, 1996 stipulates that the Building and Other Construction Worker's Welfare Fund (Fund) shall be constituted by the Board by crediting the Fund with (i) any grants and loans made to the Board by the Central Government, (ii) all contributions made by the beneficiaries and (iii) all sums received by the Board from such other sources as decided by the Central Government.

As per provisions of the BOCW Cess Act, Cess should be levied²³ and collected by the Department of Labour through various Authorities viz., PAOs, Local Bodies and Development Authorities. Advance Cess collection through a Local Authority where an approval of such building or other construction work is accorded by the Local Authority, was also mandatory. State Government issued (December 2009) directions to collect one *per cent* of Cess on the estimated cost of construction by the Local Bodies/Authorities at the time of approval of building plans and one *per cent* of Cess on the cost of construction from the bills paid by all the Drawing and Disbursing Officers (DDOs) to the contractors in respect of Government works. The Cess so collected by the respective authorities was to be remitted to the Board within 30 days of its collection. The Cess constitutes primary source of funds to the Board. Details of Cess collections and other receipts during 2017-22 are given in **Table-5.1**.

Table-5.1: Details of the Cess Collections and Other Receipts for the period 2017-22

(₹ in crore)

Year	Total receipts	Cess collected	Other Receipts ²⁴	Percentage of Cess collected on Total Receipts
2017-18	444.32	422.75	21.57	95%
2018-19	703.84	556.04	147.80	79%
2019-20	660.42	537.61	122.81	81%
2020-21	468.57	396.52	72.05	85%
2021-22	667.35	571.73	95.62	86%
Total	2944.5	2484.65	459.85	84%

Source: Information furnished by the Board

²³ At a rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by the employer

²⁴ Other Receipts include registration, renewal fee, interest on SB accounts, interest on FDs invested.

5.2 Preparation of Budget and Utilisation of Funds

As per Section 25 of the BOCW Act, the Board should prepare its Budget for every financial year in the prescribed proforma, showing the estimated receipts and expenditure of the Board and forward the same to the State and the Central Government.

The Fund should be used for meeting (i) expenses of the Board in discharge of its functions, (ii) salaries, allowances and other remuneration of the Members, Officers, and other Employees of the Board and (iii) expenses on objectives and for purposes authorised by the BOCW Act. Year-wise details of Budget Estimates and Expenditure incurred during the period 2017-22 are given in **Table-5.2**.

Table-5.2: Budget of the Board

(₹ in crore)

Year	Opening Balance	Budget		Actual		Savings with reference to (w.r.t) estimated expenditure and actuals (percentage w.r.t provisions)
		Estimated Receipt	Provision for Expenditure (% of Receipt)	Receipt (% of Estimated receipt)	Expenditure (% of Provision of expenditure)	
		A	B	C	D	(B-D) *100/B
2017-18	699.36	431.16	110.10 (26)	444.32 (103)	80.53 (73)	29.57 (27)
2018-19	1003.57	541.76	230.34 (43)	703.84 (130)	136.00 (59)	94.34 (41)
2019-20	----	No Budget Estimates	194.62*	660.42	150.48 (77)	44.14 (23)
2020-21	----		188.76*	468.57	127.32 (67)	61.46 (33)
2021-22	2365.70	619.06	330.20 (53)	667.35 (108)	200.70 (61)	129.50 (39)

Source: Information furnished by the Board

*Information furnished by the Board as per tentative allocations made by COL.

Audit observed the following:

- Though budget was required to be prepared every year, Board had not prepared the budget for the years 2019-20 and 2020-21.
- As per the above data, allocation of funds for expenditure on Welfare Schemes and Administrative expenditure was ranging between 26 per cent (2017-18) and 53 per cent (2021-22) of the estimated receipts.
- Of the allocated budget provisions of expenditure, the actual expenditure on Welfare Schemes and Administrative expenditure as compared to the budget provisions ranged between 59 per cent (2018-19) and 73 per cent (2017-18).
- Savings from the budgeted expenditure ranged between 23 per cent (2019-20) and 41 per cent in 2018-19.

Special Chief Secretary in his response stated (March 2023) that the annual budgets for the financial years 2017-18, 2018-19 and 2021-22 of the Board were approved in the respective

Board meetings. The Board stated that budget was not prepared in 2019-20 due to absence of governing body of the Board and in 2020-21 it was not prepared due to Covid-19 lock down. The expenditure in respective years was incurred with approval of the Commissioner of Labour. It was also assured by the Board that ratification of the tentative budget approved by the Commissioner would be effected later after constitution of the Board.

No specific reply was furnished by the Board regarding shortfall in expenditure against budget provisions.

5.3 Non-realisation of Cheques - ₹51.47 crore

As per the Government Instructions (December 2009), the Cess amount is to be received by the Board from the Construction Establishments, ULBs and other Departments through online or by means of a cheque/demand draft. In some cases, the payments are routed through concerned Cess Assessing and collecting Authorities. As per the codal provisions, DDO should maintain a Register of Valuables for recording the list of cheques or DDs received by them. Further, as per the accounting provisions, the Cess received in the form of Cheques / Drafts should be deposited in the bank account within the time²⁵ prescribed by the Reserve Bank India. In case they are not presented for collection within three months, they would become invalid/time barred. In such cases they were to be revalidated or a new cheque must be obtained from the concerned person who had issued the cheque. Scrutiny of records revealed the following:

- **Absence of Register of Valuables:** The Board had not maintained the Register of Valuables which was crucial for recording details of Cheques and Demand Drafts received by the Board.
- **No Reconciliation Mechanism:** The Board lacks a mechanism to reconcile collected Cess, identify outstanding amounts, and address defaulters for recollection of dishonoured cheques/time-barred drafts received by the Board.
- **Dishonoured Cheques/Time barred DDs:** It was observed from the Bank Statement of February 2023 of the Board that there were 339 dishonoured cheques/time barred DDs totalling ₹51.47 crore lying with it which were accounted as receipts.

Year-wise details of dishonoured cheques/time-barred DDs are given in **Table-5.3**.

Table-5.3: Details of Cheques/DDs Returned by Banks during 2017-22

(₹ in crore)

Year	Number of Cheques/DDs	Amount
Prior to 2017-18	11	0.40
2017-18	89	1.26
2018-19	4	3.25
2019-20	94	43.32
2020-21	102	1.84
2021-22	39	1.40
Total	339	51.47

Source: Information furnished by the Board

²⁵ Three months (instead of six months as earlier) from the date of issue of such instrument w.e.f April 2012

As seen from Table-5.2, it was observed that out of ₹51.47 crore of dishonoured Cheque and time barred Demand Drafts, ₹43.32 crore (84 *per cent*) pertains to the year 2019-20 only, while ₹4.91 crore (10 *per cent*) pertains to the prior period (up to March 2019) *i.e.*, older than four years, which indicates inaction on the part of Board for revalidation of dishonoured cheques.

The Board replied (January 2024) that the reconciliation process with regard to the dishonoured cheques was still under process.

It is evident that the Board had not ensured realisation of the Cheques/Demand Drafts within timelines specified which resulted in loss of revenue of ₹51.47 crore.

5.4 Irregular Expenditure on Advertisements

In pursuance of the Honourable Supreme Court order (August 2015), the Government of India, Ministry of Labour and Employment had instructed (June 2016) that the expenditure incurred on advertisements from the Cess amount collected was inappropriate and directed that the amount spent be recouped to the Welfare Fund. Standing Committee on Labour in its Thirty Eighth Report (July 2018) relating to “Cess funds and their Utilisation for Workers’ Welfare” had given directions to the effect that such States/UTs which had incurred expenditure on Advertisements from the BOCW Cess fund be identified and the amount incurred on advertisements be verified and deposited with the respective State Welfare Boards.

Scrutiny revealed that the Board had incurred an amount of ₹32.43 crore²⁶ on advertisements during the period 2017-19. Due to non-preparation of annual accounts for the years 2019-22 and non-furnishing of the required information, expenditure incurred towards Advertisements in contravention of the Honourable Supreme Court Judgement could not be verified. Information on recoupment to the fund was also not furnished.

The Board stated (January 2024) that it did not have any separate revenue source from the Consolidated fund of India/State for administrative expenses on creation of awareness programmes about the workers registration, welfare schemes and that the advertisement in print and electronic media was essential to disseminate knowledge about the welfare schemes to the BOC workers.

Audit is of the considered opinion that the expenditure on creating awareness should be out of funds provided by the State Government and should not be utilised from fund meant for the welfare of BOC Workers as per the directions of the Honourable Supreme Court.

5.5 Diversion of BOCW funds during COVID

As per Section 22 of the Act, the Board may grant loan or subsidy to a Local Authority or an Employer in aid of any scheme approved by the State Government for purpose connected with the welfare of BOC workers. Further, as per orders (June 2016) of GoI and

²⁶ 2017-18: ₹ 11.53 crore, 2018-19: ₹ 20.90 crore

in keeping with directives (March 2018) of the Honourable Supreme Court, the Cess collected was to be utilised only for the purpose of the welfare of beneficiaries.

Contrary to the provisions, for distribution of ₹ 1500 (white ration card holder) as cash and 12 kg of rice to each labourer including building and other construction workers during COVID-19, as per the orders (15 April 2020 and 20 April 2020) of Finance Department of the Government, an advance amount of ₹1004.82 crore in two²⁷ instalments was remitted to the Government by the Board under the Head of Account 8121-‘General and Other Reserve fund’. To remit this advance amount requested for by the Government, the Board had raised loans from the National banks against its Fixed deposits in those banks as per details given in **Table-5.4**.

Table 5.4: Details of source of funds

(₹ in crore)	
Particulars	Amount
Loan obtained from Bank of Baroda, Punjab National Bank & Union Bank	909.00
Internal resources drawn from SB A/c	95.82
Total	1004.82

Source: Information furnished by the Board

Scrutiny of records revealed the following.

- As seen from the expenditure particulars furnished by the Civil Supplies Department to the Board, an amount of ₹258.04 crore only was incurred as of March 2021 on registered BOC workers. However, Civil Supplies Department had not furnished the Utilisation Certificates (UCs) along with the required data of beneficiaries for the above expenditure incurred. Also, the unutilised amount of ₹746.78 crore was not refunded to the Board as of January 2023.
- The Board without seeking clarification from the Government either regarding the nature of the advance or regarding exact amount of advance demanded for BOC workers had taken a loan of ₹909 crore by pledging the fixed deposits and paid the interest of ₹8.18 crore on the loan up to March 2022. This had resulted in non-reimbursement of diverted funds of the Board to the extent of ₹746.78 crore by the State Government. Audit could not ensure as to whether the funds were completely utilised for BOC workers or for any other purpose against the provisions of BOCW Act.
- The Board replied (January 2024) that the amount was released and deposited into the Treasury as per the instructions of the State Government and stated that efforts are being made to reconcile with the Civil Supplies Department.

²⁷ In response to first reference UO Note orders dated 15.04.2020 - ₹334.94 crore and in response to Second reference UO Note orders dated 20.04.2020 - ₹669.88 crore

When the matter was brought to the notice of the Government in Labour Department, it was assured that reconciliation of expenditure would be done with Civil Supplies Department and the balance funds will be refunded.

5.6 Diversion of Labour Cess

As per Section 11 of BOCW Act, the Board funds are to be utilised for the welfare of BOCW workers only. The Labour Department of Telangana was implementing a Social Security scheme for Transport drivers/ Home Guards/Working Journalists in Telangana State. Under the scheme, an accidental insurance coverage of ₹Five lakh were to be provided to the beneficiary through Insurance company. Central Government vide its instructions (June 2016) had instructed that Funds available with the Welfare Boards shall not be utilised by the State for any other purpose other than for the welfare of Building workers and their families.

In this regard, State Government had issued (August 2016) instructions to release the premium amount from the Board's funds on reimbursement basis. Accordingly, the Board had released a total amount of ₹40.07 crore (including the outstanding Balance of ₹11.13 crore pertaining to period prior to April 2017) up to March 2023 to the Commissioner and got reimbursement of ₹15.50 crore leaving an outstanding balance of ₹24.57 crore to be still reimbursed.

The Board replied (January 2024) that the Department of Labour, Telangana had settled the advance amount. Reply of the Board is not acceptable as an amount of ₹24.57 crore was yet to be reimbursed. However, documentary proof in support of this claim had not been produced to Audit. Thus, contrary to the provisions of the Act, the Board had diverted the funds for a scheme implemented by the State Government not related to BOC workers.

5.7 Parking of funds in Savings Accounts of Nodal Offices

The Board, for disbursement of relief to beneficiaries prior to August 2019, had released the amounts to the Nodal Officers i.e., DCLs. Upon introducing (August 2019) the Centralised Payment System, the Board had issued instructions to the Nodal Officers to remit the unspent amounts under welfare schemes lying in their bank accounts along with the Utilisation Certificates.

Scrutiny of records revealed the following:

- An amount of ₹6.41 crore was parked (as of March 2023) in the savings accounts of Nodal officers in all districts despite the Board's instructions (February 2022) for remittance of unspent amounts.
- In three test-checked Districts viz., Karimnagar, Hanumakonda and Hyderabad, an amount of ₹80.80 lakh²⁸ was lying with the Nodal Officers without surrendering the amount to the Board even after four years i.e., May/June 2023 of the issue of the instructions.

²⁸ DCL Karimnagar ₹73.31 lakh (June 2023) and DCL Hanumakonda ₹3.51 lakh (May 2023) and DCL Hyderabad ₹3.98 lakh (May 2023)

The Board replied (January 2024) that action would be taken to reconcile the accounts of Nodal Offices for refund of unspent balances. Thus, in absence of monitoring of the balances available with Nodal Officers by the Board the funds were kept outside the BOCW welfare fund.

5.8 Blockage of funds in PD account and non-crediting of Interest

Upon bifurcation of the State of Andhra Pradesh in June 2014, a total of ₹458.53 crore of erstwhile Andhra Pradesh Building and Other Construction Workers Welfare Board (APBOCWW) Board was available in the Interest-Bearing Personal Deposit (PD) Account²⁹. Out of this amount, ₹191.11 crore was allocated to Telangana and the same was deposited in the PD Account of TBOCWWB, as per AP Reorganisation Act, 2014. In October 2014, the Government of Telangana permitted the utilisation of 50 *per cent* of Telangana's share amounting to ₹95.56 crore, starting from December 2014. The Board had withdrawn an amount of ₹71.72 crore by May 2019 leaving a balance of ₹119.39 crore. The PD account was not operated since 2019, which resulted in idling of funds. In August 2017, the Honourable Supreme Court while disposing off the contempt petition (C) No.52/2013 had ordered all the State Governments to transfer the amounts to the concerned Welfare Boards preferably within two weeks of the date of the order. It was also specifically ordered (June 2016) that the funds available with the Welfare Boards shall not be utilised by the States other than for the welfare of Building workers and their families.

Despite the clear instructions of Honourable Supreme Court, the Government had retained an amount of ₹119.39 crore with itself and had not released the same to the Board. Further in terms of Government order (January 2012) the Government was liable to pay interest at the rate of nine *per cent* on the amounts in the PD account till it is completely paid.

The Board replied (January 2024) that the matter would be taken up with the authorities concerned for transfer of funds to the Board.

5.9 Outstanding dues from APBOCWWB

Scrutiny of Annual accounts of the Board revealed that after bifurcation of the State, an amount of ₹431.94 crore was to be received from the Andhra Pradesh Building and Other Construction Workers Welfare Board (APBOCWWB) which had not been realised by the Board till January 2024.

The Board replied (January 2024) that the matter was already taken up at Government level between the two States and final result of action taken will be intimated to Audit.

Thus, the Board was deprived of ₹431.94 crore even after lapse of nine years since State's bifurcation for utilisation of the same on BOC workers welfare.

When the issue of non-receipt of the amount from APBOCWWB was brought to the notice (June 2023) of the Government, no response was furnished (April 2024).

²⁹ PD account (No.309) under the Head of Account ie.,8342-Other Deposits;120-Misc. deposits; SH (09)-Deposits of Building & Other Construction Workers Welfare Board

5.10 Utilisation of funds for Unregistered workers

Under Section 2(b) of BOCW Act 1996, "beneficiary" means a Building Worker registered under Section 12. Further, Section 11 of the Act enunciates that every Building Worker registered as a beneficiary under this Act shall be entitled to the benefits provided by the Board from its Fund under this Act.

Contrary to the above provisions, the then Government of Andhra Pradesh had issued (November 2011) instructions for financial assistance from funds of the Board to the family of deceased unregistered worker who died in accidents at worksite during the course of employment. Accordingly, the Board had disbursed during 2018-22, an amount of ₹18.95 lakh to 27 unregistered beneficiaries.

The Board replied (January 2024) that as per the orders of the Government, the payments were made in fatal accident cases of 'unregistered workers' at work site. Reply was not acceptable as; such payments were beyond the Act provisions.

Thus, failure of the authorities in registering all the BOCW workers deprived the unregistered workers of actual benefit (₹6,00,000) in case of accidents and they were provided meagre assistance of ₹50,000 only.

5.11 Non-release of benefits to eligible beneficiaries

During the scrutiny of records of DCL, Khammam, Audit observed the following:

- During the year 2018-19, an amount of ₹0.25 crore relating to failed transactions of the amounts paid to beneficiaries was received back to the bank account of DCL, Khammam due to various reasons.
- DCL, Khammam utilised the amount from the bank reversals for honouring claims of other beneficiaries without approval of the Board, instead of making efforts to obtain the required information from the beneficiaries whose transaction failed and crediting the amount due to them in their accounts.

This resulted in deprivation of benefits to the beneficiaries whose transactions failed.

DCL, Khammam replied (April 2023) that efforts would be made to identify those beneficiaries. Reply of the Board regarding failed transactions and action taken to credit the amounts to eligible beneficiaries is awaited (April 2024).

5.12 Conclusion

The Board had not prepared budget for the years 2019-21. 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. In the absence of monitoring mechanism and timely reconciliation with the Banks, the Board had sustained loss of revenue of ₹51.47 crore due to not presenting the dishonoured cheques/demand drafts after getting them re-validated. The Board had incurred an amount of ₹32.43 crore on Advertisements during the period 2017-19 despite orders of Hon'ble Supreme Court (August 2015) and Government of India instructions (June 2016) for not incurring Advertisement expenses

out of Cess funds. As per the directions (April 2020) of State Government, the Board had advanced an amount of ₹1004.82 crore for Covid-19 relief measures to Labour including BOC workers. Out of this, an expenditure of ₹258.04 crore was incurred (March 2021) on BOC workers and the balance of ₹746.78 crore was not returned to the Board as of January 2023. The Board had diverted an amount of ₹40.07 crore to the State Sponsored Social Security Scheme. Out of this ₹15.50 crore was reimbursed leaving an outstanding balance of ₹24.57 crore as of March 2023. 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 (TBOCWWB) The Board had withdrawn an amount of ₹71.72 crore by May 2019 leaving a balance of ₹119.39 crore, which was not released to the Board (January 2024). APBOCWWB owed an amount of ₹431.94 crore to TBOCWWB. An amount of ₹6.41 crore was parked (as of March 2023) in the saving accounts of Nodal officers despite the Board's instructions for remittance of unspent amounts.

5.13 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.

