
Performance Audit

Chapter II
Performance Audit on
‘Welfare of Building and other
Construction Workers’

Labour, Factories, Boilers and Insurance Medical Services Department

Performance Audit on 'Welfare of Building and other Construction Workers'

Summary

Audit was conducted in the offices of Secretary & Chief Executive Officer of A.P. Building and other Construction Workers Board, Commissioner of Labour and in sampled four DCL offices, four Municipal Corporations, four Municipalities and eight Engineering divisions in four districts from December 2022 to June 2023 covering the period 2017-18 to 2021-22. During the scrutiny of records, audit noticed that:

- *Robust mechanism was not evolved to identify the eligible workers to get registered and renewed to extend the entitled benefits.*
- *Out of the yearly income earned, the amount spent on welfare schemes decreased from 25.12 to 0.53 per cent over the period 2017-18 to 2021-22.*
- *The welfare schemes were not implemented after March 2020. The welfare scheme claims of BOC workers were not honoured completely and percentage of claims pending with the Department was in increasing trend from 0.26 to 100 during 2017-22 which resulted in denial of benefit under welfare schemes of the Board to the needy workers.*
- *Annual accounts were not prepared, maintained and audited timely.*
- *The differences in the PD accounts as per the Annual accounts of Government with that of Board ranged from ₹13 crore to ₹205.22 crore during the period 2017-18 to 2021-22. Less balance in the PD accounts as per the accounts of the Board requires reconciliation.*
- *No mechanism was evolved to ensure that the cess collected by line Departments such as Municipal Administration Department, Engineering divisions etc., is properly accounted for and transferred to the Board accounts.*
- *Department had not conducted any online or physical inspections on establishments.*
- *Board funds diverted as loans and advances for other purposes at the behest of the State Government were not reimbursed.*

2.1 Introduction

Building and other construction workers are one of the most numerous and vulnerable segments of the unorganised labour characterised by their inherent risk to the life and limb of the workers. The work is also characterised by its casual nature, temporary relationship between employer and employee, uncertain working hours, lack of basic amenities and inadequacy of welfare facilities.

To safeguard the workers from uncertainties, Government of India considered necessary to constitute Welfare Boards in every State to provide and monitor social security schemes and welfare measures for the benefit of building and other construction workers. For the said purpose, 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 the benefit of construction workers through levy/ collection of Labour Cess (Cess). 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.

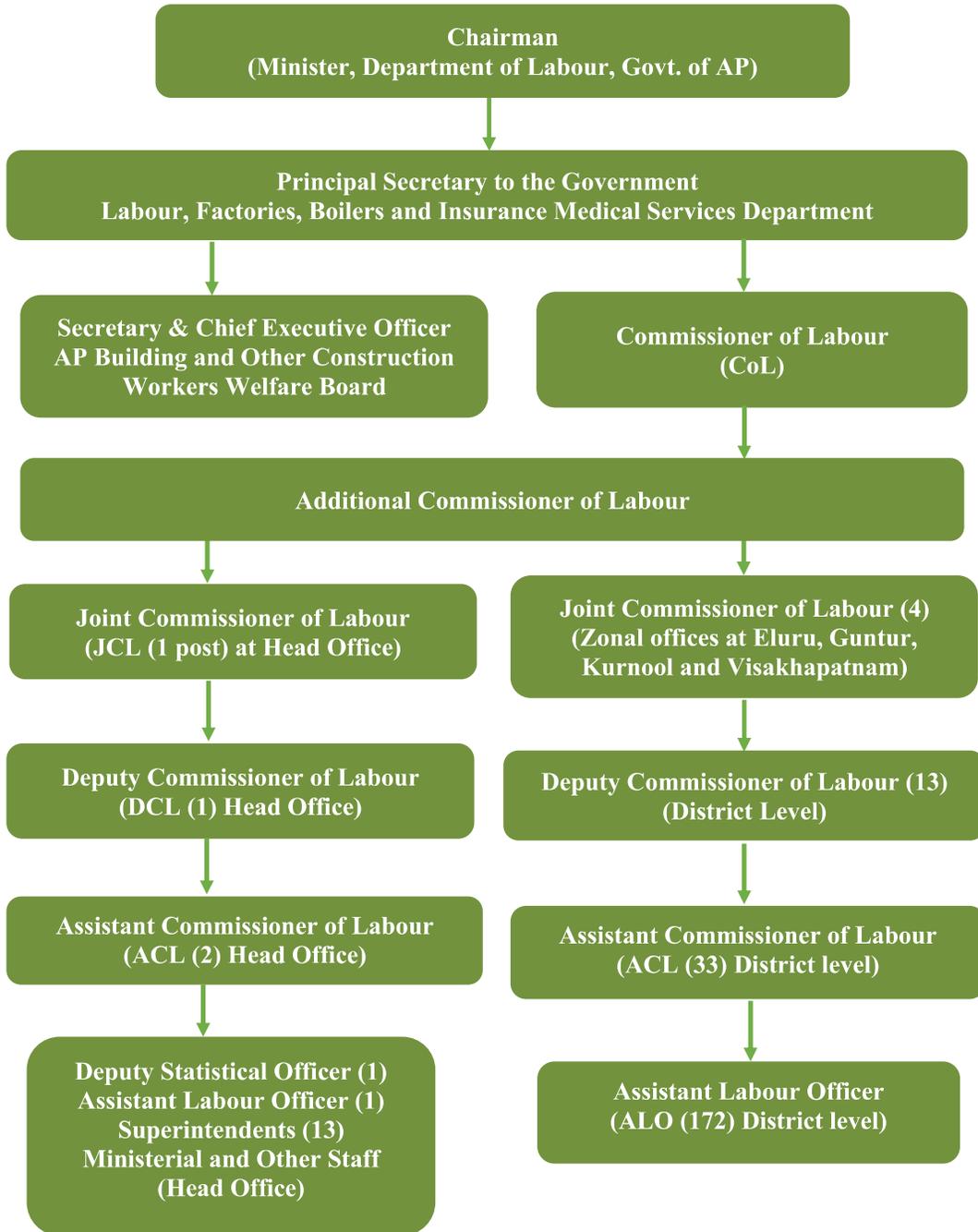
Based on the above Central Act, Government of Andhra Pradesh framed AP Building and Other Construction Workers Rules thereunder in the year 1999 to enforce the provisions of the Act *ibid*. It also constituted the Andhra Pradesh Building and Other Construction Workers Welfare Board (the Board) in April 2007 and issued instructions for assessment (January 2009) and collection (December 2009) of Cess.

2.2 Organisational Set-up

To oversee the implementation of the Act, the State Government had appointed officers of Labour Department as Registering Officers and Cess Collectors from the rank of Commissioner of Labour (CoL) to the rank of Assistant Labour Officers (ALO) as Assessing Officers from the rank of CoL to Assistant Commissioner of Labour (ACL) under the Cess Act.

The Minister of Labour, Factories, Boilers & Insurance Medical Services in the State is the *ex-officio* Chairman of the Board. The Board consists of Commissioner of Labour (CoL) who acts as the Secretary & the Chief Executive Officer (CEO) of the Board; Additional Commissioner of Labour as Advisor who is assisted by the Deputy Commissioners (DCLs), Assistant Commissioners (ACLs) and Assistant Labour Officers (ALOs) at Head office and District levels to monitor/ implement the welfare schemes and general administration. There are 13 district offices headed by DCL wherein collection of Cess as well as registration of construction workers are made. The organisational structure of the Board is shown in **Chart 2.1**.

Chart 2.1: Organisational Structure



2.3 Audit Objectives

The Performance Audit (PA) was conducted to ascertain whether –

- the rules notified by the Government under the Act are consistent with the spirit of the Acts
- there was effective system for registration of establishments and beneficiaries
- assessment, collection and transfer of Cess to the fund was efficient
- the Government prescribed appropriate health and safety norms
- the Government implemented transparent and effective system of inspections to check evasion of labour cess and compliance to health and safety norms by employers and
- the administration and utilisation of funds on implementation of welfare schemes by the board was efficient and effective as per act and rules framed by the State Government.

2.4 Audit Criteria

The audit objectives were benchmarked against the following sources:

- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
- The Occupational Safety, Health and Working Conditions Code, 2020
- Building and Other Construction Workers Cess Act 1996 and Cess Rules, 1998
- State Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 1999
- State Financial Rules
- Resolutions passed by the Board.
- Inspection Policy notified by State Government

2.5 Audit Scope and Methodology

The Performance Audit was conducted between December 2022 and June 2023 pertaining to the period from Financial Year (FY) 2017-18 to FY 2021-22. Audit test checked the records of the Labour Department, Board, and unit offices (JCL/ DCLs) in four districts⁸ selected by Probability Proportional to Size Without Replacement method based on circle wise collection and expenditure incurred on welfare schemes as the size measure; two Urban Local Bodies (ULBs)⁹ *i.e.*, one Municipal Corporation and one Municipality in each selected district; two Engineering Divisions with highest expenditure on works among R&B, Public Health, Panchayat Raj, Rural water supply & sanitation and Irrigation Divisions¹⁰ in the selected districts.

⁸ East Godavari, Guntur, Visakhapatnam and West Godavari

⁹ Rajahmundry and Pithapuram in East Godavari; Guntur and Narasaraopet in Guntur; Visakhapatnam and Narsipatnam in Visakhapatnam; and Eluru and Tanuku of West Godavari districts.

¹⁰ R&B, Kakinada of East Godavari; R&B Guntur and Tenali in Guntur; R&B Marripalem in Visakhapatnam; and PIPLMC, Tuni of East Godavari; PIPLMC, Yelamanchili of Visakhapatnam; PIPRMC, Kovvur and PIPHW Division, Polavaram of West Godavari districts.

Beneficiary survey of 100 registered construction workers in sampled districts was also conducted. Entry conference was held with the Secretary and Chief Executive Officer of the Board on 22 May 2023 wherein the Audit Objectives, Scope & Methodology of audit were explained. The draft Audit Report was forwarded (August 2023) to the Principal Secretary to the Government, Labour Department, requesting their views on the audit observations. The Exit conference was held with the Department on 12 February 2024. Replies from the Government were received (16 May 2024) and the same have been suitably incorporated in the report.

Audit Findings

2.6 Consistency between BOCW Acts, Rules and Registration/ Renewals of Establishments and Workers

2.6.1 Adoption of the Occupational Safety, Health and Working Conditions Code, 2020

The Occupational Safety, Health and Working Conditions Code, 2020 (OSHWCC) came into effect in September 2020. As per section 135 (1) of the code, the State Government may, subject to the condition of previous publication and by notification, make rules for carrying out of the provisions this code. As per section 143 (1) (m) of the Code, the Building and Other Construction Workers (Regulation of employment and conditions of service) Act, 1996 stood repealed. Further the corresponding provisions of this code with the previous Act/ Rules shall remain in force to the extent they are not contrary to the provisions of this code.

Audit noticed that the State Government has not made rules for carrying out the provisions of OSHWCC,2020. As per the new code, the State Government shall constitute a Board to be called the State Occupational Safety and Health Advisory Board (SOSHAB) and the Building and Other Construction Workers welfare board has been subsumed in the SOSHAB. It was further noticed that stipulated conditions under the purview of the new Code for total cost of work, definitions of establishment, appropriate Government, procedure for registration of establishment, revoking of the registration of establishment, number of safety officers in every establishment *etc.* in the BOCW Act, 1996 are inconsistent with the code. The difference between these two are detailed in **Appendix 2.1**.

2.6.2 Adherence to BOCW Acts and Rules issued for registration of construction workers by the Board

Section 14 of BOCW Act 1996 stipulates that (1) A building worker who has been registered as a beneficiary under this Act shall cease to be as such when he attains the age of 60 years or when he is not engaged in building or other construction work for not less than 90 days in a year. Further, as per Section 33(A) (2) of the rules, application of registration shall be made together with the certificate of employment issued by authorised persons or authorities.

It was observed that the condition of engagement in construction works for a minimum of 90 days was not checked by the Board as it did not insist on production of certificate of employment for registration.

The Board replied that there was no such requirement to produce the certificate of employment as it is not mandatory, as per the Act or Rules. It was further stated that a self-declaration certificate/ certificate from the local officer like Village Revenue Officer (VRO)/ Ward Secretary confirming that the worker relates to the trade was enough for further renewal of registration.

The reply is not acceptable as the Board has to verify the employability of the worker in the prescribed register maintained by the employer and check the certificate of employment issued by authorised authorities.

Thus, there is no assurance on ineligible beneficiaries being registered, as the Board is unaware of the Act/ Rule provisions.

2.6.3 Implementation of social security schemes as per guidelines of Model Welfare Scheme

The Director General (Labour Welfare) Government of India, Ministry of Labour & Employment has framed Model Welfare Schemes (MWS) in pursuant to the directions (4th July 2018) of the Hon'ble Supreme Court for providing social security benefits of MWS to the construction workers.

- **Maternity Cover-** As per MWS, the State BOCW Board has to provide Paid maternity leave to registered construction workers ranging from 90 days to 26 weeks for up to two deliveries.

The Commissioner of Labour stated (January 2023) that the State Board has not made any such provision to female workers.

- **Education-** As per MWS, a minimum financial assistance for education of wards of the beneficiaries should be given per child per annum, *i.e.*, Class 1 to 5 at the rate of ₹1,800; Class 6 to 10 at the rate of ₹2,400, Class 11 to 12 at the rate of ₹3,000, Graduation courses at the rate of ₹10,000, ITI/Vocational course/Professional Course at the rate equivalent to annual fee of Government institutes/colleges. The above benefits will be in addition to any other benefit received from any Government Scheme in this regard.

The Commissioner of Labour stated (January 2023) that BOCW Board has not made any provision in their budget for extending financial assistance in this regard.

- **Pension-** As per MWS, the State BOCW Board should provide pension to workers registered for a minimum of 10 years.

The Commissioner of Labour stated (January 2023) that the BOCW Board has not framed any pension scheme.

The Labour Department did not extend the social security benefits to the construction workers as per Model Welfare Schemes formulated by Ministry of Labour and Employment in pursuant of Hon'ble Supreme Court directions.

Recommendation 2.1: Board should frame modalities in line with Model Welfare Scheme to extend desired Social Security benefits to registered construction workers.

2.6.4 Constitution of Board and Committees by State Government

An institutional mechanism is essential for successful implementation of a scheme/ programme and to achieve the intended objectives. It envisages participation of relevant authorities of State/District for effective planning and implementation of schemes/ programmes. As per Section 18(1) of the BOCW Act, every State Government has to constitute the State Workers Welfare Board¹¹.

In Andhra Pradesh, the Andhra Pradesh Building and Other Construction Workers Welfare Board was initially constituted in April 2007 with the Labour Minister as the *ex-officio* Chairman with other members¹² to oversee the implementation of welfare schemes relating to BOCWs, State Advisory Committee (June 2007) to advise the Government on the matters arising out of the administration of the Act and District Welfare Committees (November 2015) to identify BOCWs and their registration/ renewal to extend the benefits. Further, GoAP brought Cess Rules¹³, 2009 for collection of cess (one *per cent* on the cost of construction) from the employers undertaking Building or Other Construction Work for implementation of welfare measures for the construction workers who are registered as beneficiaries.

The term of a Board is three years from the date of publication of notification in the Gazette. However, after the completion of the initial term of three years (August 2010), the Board was belatedly constituted only in September 2015¹⁴ and thereafter in July 2021, after a lapse of two and three years respectively.

Thus, during the periods April 2010 to August 2015 and October 2018 to July 2021, the Secretary and Chief Executive Officer (Commissioner of Labour) discharged the functions in the absence of Board.

In the absence of Board, the budget estimates were not prepared to plan for yearly expenditure for welfare of labour, there was no control over the expenditure as there were instances of excess/improper expenditure *viz.*, publicity/advertisement expenses. Further, annual audit reports showing the proper account of receipts were not prepared.

Board was not in existence during October 2018 to July 2021 and the functions of Board was discharged by Secretary and Chief Executive Officer.

2.6.5 State Advisory Committee

As per Section 4 of the BOCW Act, 1996, the State Government was required to constitute a State Advisory Committee (SAC) to advise them on matters arising out of the administration of the Act. The SAC was to conduct meetings at least once in six months. The SAC consists of a Chairperson appointed by the State Government, two members of

¹¹ The Board shall consist of a Chairperson, a person to be nominated by the Central Government and other members, not exceeding fifteen as may be appointed by the State Government. Board shall include an equal number of members of the employers and the builder's workers and at least one member shall be a woman

¹² Special Chief Secretary/ Principal Secretary of Labour Department as *ex-officio* Member; Commissioner of Labour Department (Member Convenor); two Members each representing workers and employers' group; and a member representing the Government of India

¹³ G.O Ms.No. 111 & 112 of LET&F Dept. dated 15/12/2009

¹⁴ GO Ms. No.17, LET&F (Lab-II) Dept. dated 04/09/2015

the State Legislature, one member from Government of India, Chief Inspector and CoL as *ex-officio* member, seven to eleven nominees of the State Government representing employers, construction workers, etc.

Audit noticed that SAC was constituted in June 2007 after 11 years of introduction of the Act. However, SAC met only twice in its three years tenure up to 2010. Thereafter, SAC was reconstituted in June 2016 and only two meetings were held prior to completion of its tenure in June 2019. The SAC has not been constituted since July 2019 to date.

Thus, for the period July 2019 to June 2021, there was no Board and also SAC to provide advice on matters of administration of the Act provisions.

Commissioner of Labour stated¹⁵ that proposals for constitution of SAC was submitted to Government on 25 July 2023 and 13 February 2024 and the matter was still under consideration of Government. Government accepted (16 May 2024) the audit observation.

Thus, at the apex level the designated Governing Bodies were not in existence.

2.6.6 District Level Coordination Committee

GoAP constituted¹⁶ (September 2009) District Level Coordination Committees (DLCCs) for the purpose of Cess collection under the Cess Act, with the DCL of the District as the Member Convener. The Member Convener of DLCC was to send the progress report relating to the Collection of Cess to the Government through the Commissioner of Labour (CoL) every month which shall be received by the Government on 10th of every succeeding month.

Audit noticed that the monthly progress reports were submitted to the Government by the Member Conveners *i.e.*, Deputy Commissioner of Labour (DCL) of only three districts, East Godavari, West Godavari and Krishna during 2017-18 to 2021-22. The other DCLs of 10 districts did not furnish the monthly progress reports.

Hence, the Commissioner of Labour (CoL) was not aware of the collections on monthly basis *i.e.*, the total receipt/collection of cess due to non-submission of monthly progress reports by the ten DCLs.

Government accepted the audit observation and stated that the CoL had instructed¹⁷ the DCLs to conduct the DLCC meetings regularly and submit the progress reports on cess collection on 5th of every month and the records at district level on assessment of cess collection to be updated and maintained to prepare demand collection balance statements and coordinate with the cess collecting authorities for remittance of collected cess. However, documents or records were not furnished to ensure the action taken as stated in the reply.

¹⁵ in the Exit Conference on 12 February 2024

¹⁶ vide G.O.Ms.No.84, LET&F (Lab-II) Dept. dt 16/09/2009

¹⁷ Circular Memo No. J/1460/2023, dated 30 November 2023

2.7 Registration of establishments and beneficiaries

As per Section I (4) of BOCW Act, 1996, the Act is applicable to every establishment which employs or had employed on any day of the preceding twelve months, ten or more building workers in any building or other construction work. For this purpose, the building workers employed in different relays in a day either by the employer or the contractor shall be considered in computing the number of building workers employed in the establishment.

Section 7 of the BOCW (Regulation of Employment and conditions of service) Act, 1996¹⁸ stipulates that every employer undertaking construction work has to submit an application to the Registering Officer for registration of establishment within 60 days from commencement of work.

In order to assess the status of establishments registered with the Registering Officer, it was requested from CoL to furnish the methodology adopted for registration and number of establishments registered for the audit period.

The CoL replied (January 2023) that the district wise number of registered establishments and beneficiaries for the period 2017-18 to 2019-20 would be obtained from the districts. Further, as of March 2022, a total of 15,335 establishments were registered in the State under this Act.

The reply indicates that the Department had not evolved any methodology to strictly implement the Act provisions of mandatory registration of establishments employing more than 10 construction workers thereby depriving the workers from availing legitimate welfare schemes.

Government replied (15 May 2024) that according to A.P (Issuance of Integrated Registrations and furnishing of Combined Returns under various Labour Laws by Certain Establishments) Act, 2015, the employer/occupier himself should register their construction establishments through mee-seva portal or online. As of March 2024, total of 19,489 establishments were registered under the act through mee-seva.

Though Government facilitated for registration by employers through mee-seva, the methodology adopted to adhere Act provisions for registration of establishment within 60 days from commencement of work was not available.

2.7.1 Registration and renewal of workers

As per the Section 12 of the BOCW (Regulation of Employment and Conditions of Service) Act, 1996, every building worker who has completed 18 years of age and not completed 60 years and has been engaged in any building or other construction work for not less than 90 days during the preceding twelve months, shall be eligible for registration as a beneficiary/worker under the Act.

The construction worker would be registered with the board by paying a registration fee of ₹50 and an annual membership fee of ₹12 or ₹60 for five years to the concerned Assistant

¹⁸ the act was repealed and replaced with new Act No.37 of 2020 'The Occupational Safety, Health and Working conditions Code, 2020'

Labour Officer. Thereafter, the renewal of registration shall be done by the worker. If a beneficiary defaulted on payment of contribution for a continuous period of not less than one year, he would cease to be a beneficiary of the fund.

Audit noticed that the Department had not formulated any procedure to identify the deserving workers to get registered with the Board to make them avail the eligible benefits extended under the Act and get renewed their registrations periodically. Departmental responses to audit questionnaires indicated that no survey was conducted to assess or identify the number of eligible beneficiaries in the State, due to which registration of the eligible construction workers was not ensured and number of eligible workers to be registered was also not known.

Thus, no procedure was formulated to identify the eligible workers to get registered with the Board to avail the entitled benefits extended under the Act and get renewed the registration periodically.

In four test checked districts¹⁹, out of 7,34,345 registered workers of age between 18 to 60 years, 6,13,856 workers who were due for renewal had not renewed their registrations as of February 2024 as shown in **Table 2.1**.

Table 2.1: Statement showing number of workers registered, renewed and not renewed

Name of the District	No. of workers registered	No. of Workers renewed	No. of workers not renewed/ due for renewal
East Godavari	2,32,989	23,477	2,09,512
Guntur	2,29,891	35,624	1,94,267
Visakhapatnam	1,51,105	32,143	1,18,962
West Godavari	1,20,360	29,245	91,115
Total	7,34,345	1,20,489	6,13,856

Source: Information furnished by department.

Thus, institutional mechanism to cover all eligible workers to get identified and registered/renewed, was not formulated for the effective implementation of the welfare schemes.

The Commissioner of Labour replied (January 2023) that awareness programmes were being conducted in Mandals and District level for registration and renewal of registration. Further, it was replied that district wise details of renewal membership of registered labour for the period 2017-18 to 2019-20 would be obtained from the districts.

The Department had not evolved any institutional mechanism or methodology to strictly implement the Act provisions of mandatory registration of establishments employing more than 10 construction workers, to cover all eligible workers to get identified and registered/renewed with Board for availing legitimate welfare schemes.

Government replied (15 May 2024) that the Board had given directions to JCL/DCL/ACL and other authorities at district level to conduct regular awareness campaigns and facilitate registration of workers from time to time through video conferences, teleconferences etc. and instructions were issued from time to time to the Registering Officers to visit work

¹⁹ East Godavari, Guntur, Visakhapatnam, and West Godavari

sites and labour addas and take steps to get the workers registered as beneficiaries with the board through online registration and renewal the registrations by themselves through the portal and as on March, 2024, there were 20,09,309 workers registered with the Board.

Reply is not acceptable as it was not supported by any evidence to substantiate the reply.

2.7.2 Functioning of website

GoAP directed²⁰ (August 2010) the Board to launch a dynamic interactive web portal for registration of the establishments, workers, collection of cess, accounting of the claims and settlement of benefits to BOC workers in order to achieve complete transparency and accountability in the functioning of the Board.

A work order was issued (June 2016) by APB&OCWW Board to NIC for developing 'Nava Nirmana Karmikulu', an End to End Online and Mobile Applications for the Board at a cost of ₹1.08 crore with a condition to complete the work within three months. An initial advance of ₹27 lakh was released (June 2016) to NIC for commencement of work and an amount of ₹27 lakh was released subsequently after two years (June 2018).

We observed that the project remained incomplete as of May 2023 and reasons for stoppage of work by NIC and further correspondence made in this regard were not forthcoming from the records produced to audit.

During Exit Conference, the Commissioner of Labour stated that the Department would conduct meeting with NIC and try to complete the modules.

Thus, despite incurring an expenditure of ₹54 lakh, the End to End Online and Mobile Applications was not developed to have real-time information on registration of the establishments, workers, collection of Cess, accounting of the claims and settlement of benefits to the BOC workers.

Government replied that the web portal "Nava Nirmana Karmikulu (<https://apbocwwb.ap.nic.in/>)" developed by NIC Vijayawada, was working at present and endorsed the departmental reply that the welfare schemes were kept in abeyance by the Government. It was further stated that the Department was unable to provide acceptance test to the NIC, for further development of the welfare scheme modules and after revival of the welfare schemes, by the Andhra Pradesh Building and Other Construction Workers Welfare Board (APBOCW WB), the portal would be operationalised.

Recommendation 2.2: Government should formulate standard operating procedures or develop end to end online application to identify all establishments and eligible Building and Other Construction Workers to register to avail the benefits of the welfare schemes. Board should maintain a database of registered establishments and employers along with data on number of workers employed by each of them.

²⁰ G.O Ms. No.69 date 03/08/2010 of Labour Employment Training and Factories (LAB.IV) Department

2.8 Assessment, collection and transfer of Cess

As per provisions of Cess Act, the major source of revenue for the Board is levy²¹ and collection of Cess. The Cess levied is to be mandatorily collected (one *per cent* on the cost of construction) from employer of a building or other construction work of Government or of a Public Sector Undertaking or advance cess collection through a local authority where a building plan approval of such building or other construction work by such local authority is done. In addition, the registration fee and renewal of member subscription from workers is a minor source of revenue.

2.8.1 Income and expenditure of the Board

The Board's fund includes cess collections and accumulated interest on funds in bank accounts. The fund shall be utilised for meeting administrative expenses of the Board in discharge of its functions and for implementation of welfare schemes for the benefit of workers. The Income and Expenditure of the Board for the period from 2017-18 to 2021-22 are given in **Table 2.2** and the trend is depicted in **Chart 2.2**.

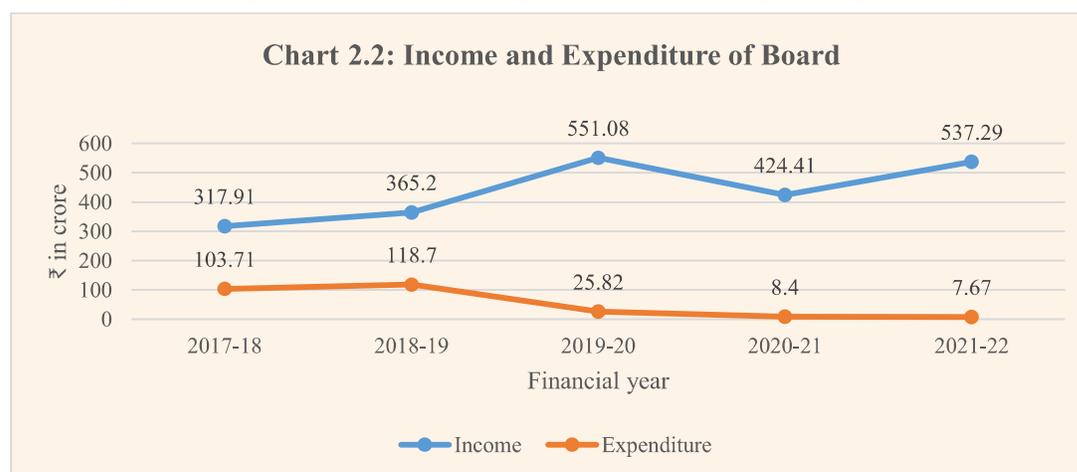
Table 2.2: Income and Expenditure of the Board for the period 2017-22

(₹ in crore)

Year	Opening balance	Income			Expenditure				Closing balance
		Cess collected	Other receipts*	Total	Administrative expenses	Welfare schemes (percentage out of total income)	Publicity charges	Total	
2017-18	1,387.04	268.09	49.82	317.91	5.10	79.87(25.12)	18.74	103.71	1,601.24
2018-19	1,601.24	329.11	36.09	365.20	5.25	60.69(16.61)	52.76	118.70	1,847.74
2019-20	1,847.74	506.40	44.68	551.08	3.31	22.50 (4.08)	0.01	25.82	2,373.00
2020-21	2,373.00	365.60	58.81	424.41	4.55	3.31 (0.77)	0.54	8.40	2,789.00
2021-22	2,789.00	486.09	51.20	537.29	4.81	2.85 (0.53)	0.01	7.67	3,318.62
Total		1,955.29	240.60	2,195.89	23.02	169.22	72.06	264.30	

Source: Departmental records

*other receipts include Registration fee, member subscription, interest on Fixed Deposit Receipts, etc.



²¹ at a rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by the employer

Board stated that Government²² had instructed (March 2020) to keep the welfare schemes in abeyance to avoid duplication of benefits since the State Government was implementing similar schemes through other Departments.

During beneficiary survey of 50 beneficiaries done telephonically (whose application for sanction of welfare schemes was pending), the beneficiaries expressed that the welfare schemes implemented by State Government and other Departments were not extended and also the welfare schemes of Labour Department were not received.

Out of the total income realised, the amount spent on welfare schemes decreased from 25.12 to 0.53 *per cent* over the period 2017-18 to 2021-22. Further, as per section 24 (2) (C) of BOCW Act 1996, no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five *per cent* of its total expenses during that financial year. It was however observed that administrative expenditure to total expenditure during the period 2019-20 to 2021-22 ranged from 13 *per cent* to 63 *per cent*. Thus, the Board failed to limit the administrative expenditure to five *per cent* of the total expenditure during the years 2019-20 to 2021-22.

Government has endorsed the Board reply, that the APBOCWW Board had addressed the Government for revival of the schemes implemented by the Board.

However, the fact remains that the Building and Other Construction Workers were deprived the benefit of welfare schemes from 2020-21 to 2021-22.

2.8.2 Preparation of Annual Budget and submission of annual reports to the Government

The Secretary of the Board shall cause the budget estimates of the fund laid before the Board by 31st January every year and the Board would approve the budget before 15th of March. The details of all immovable and movable assets of the Board including the bank deposits, expenditure incurred on welfare schemes, administration and other sub-heads against the current years approved budget and a detailed progress report on the functioning of the Board during the current year shall be placed before the Board as annexure to the Budget. Thereafter, the budget copies shall be forwarded to the Central Government and State Government.

Scrutiny of the records revealed that:

- (a) The annual budget prepared for the period 2017-18 and 2018-19 was approved by the Board. The Budget for the period 2019-22 was not prepared.

Department stated (February 2024) that Budgets for the remaining period 2019-20 to 2021-22 were not prepared due to Reorganisation of the State, and shifting of the Board from Telangana to Andhra Pradesh and Covid-19 pandemic.

²² Memo No.3404968/Labour.II/A3/2020 of Labour, Factories, Boilers & Insurance Medical Services (LFB&IMS) Department dated 26/3/2020

Audit noticed that the budget figures were retrospectively prepared by the Board in 2023 for the period 2019-22 instead of yearly basis as envisaged in the APBOCW Rules 1999.

- (b) The Secretary of the Board shall prepare an Annual Report in a descriptive form explaining all the welfare and other activities of the Board during the Financial Year and submit the same to the Central and State Governments along with the Auditor's Report and Balance Sheet, duly approved by the Board, before 15th July of the succeeding Financial Year.

Audit noticed that the Annual Reports highlighting all the welfare and other activities of the Board during the Financial Year for the period 2017-18 to 2021-22 were not submitted to the Central/ State Governments, as the internal audit by the Chartered Accountant was conducted only in May 2023.

Thus, the yearly activities of Board were not brought to the notice of the Government to suggest any action for welfare of labour.

- (c) Cess received from the building and other construction work establishments (both from the public and private sectors), Registration fee, member subscription and interest on Fixed Deposit Receipts, etc., are the sources of funds. The allocation, release and expenditure of funds towards implementation of welfare schemes during the period 2017-22 is as indicated in **Table 2.3** and the trend is depicted in **Chart 2.3**.

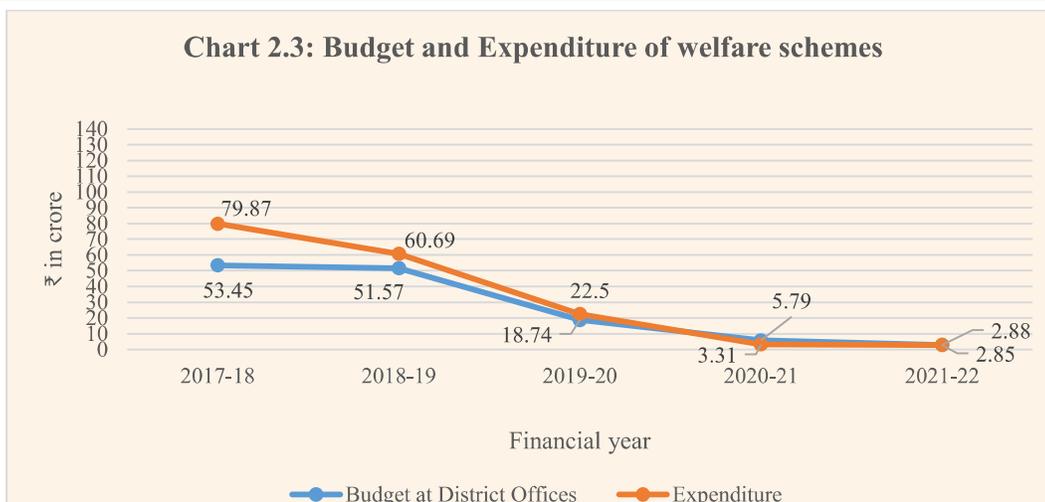
Table 2.3: Allocation, release, and expenditure of funds on welfare schemes

(₹ in crore)

Year	Budget allocated	Budget released to District Offices	Expenditure incurred	Excess (-) / Saving (+)
2017-18	53.45	53.45	79.87	(-) 26.42
2018-19	51.57	51.57	60.69	(-) 9.12
2019-20	18.74	18.74	22.50	(-) 3.76
2020-21	5.79	5.79	3.31	2.48
2021-22	2.88	2.88	2.85	0.03
Total	132.43	132.43	169.22	

(Source: information provided by the Department)

the figures differ from State Finance Audit Report (SFAR) for the year ended 2022 as pre-audited figures were adopted in SFAR.



It could be seen from the above that during the period 2017-20, expenditure in excess of budget provision was made towards welfare schemes. There was huge excess expenditure of about 50 per cent more than the funds provided during 2017-18. Similarly, during 2018-19 there was excess expenditure of about 17 per cent over the funds released.

During Exit Conference, the Commissioner of Labour stated (February 2024) that Board was not in existence during 2018-21, the accounts for the period were completed and the Board had approved the accounts.

2.8.3 Audit of Accounts of Board

As per Section 33 (C) (8) of APBOCW Rules, 1999, the Board shall maintain proper accounts and other relevant records and prepare annual statement of accounts including statements of Income and Expenditure and Balance Sheet, in such form as may be notified by the Government in consultation with the Comptroller and Auditor General of India. Further, the accounts of the Board fund shall be maintained by the Secretary of the Board and to be audited by the Comptroller and Auditor General of India.

Audit noticed that Cash book and cash flow statements are the pre-requisites for preparation of annual statement of accounts and were not maintained by the Board. Reconciliation of cash balances with bank was also not carried out by the Board.

The Annual Reports highlighting all the welfare and other activities of the Board during the Financial Year for the period 2017-18 to 2021-22 were not submitted to the Central/ State Governments, as the internal audit by the Chartered Accountant was conducted only in May 2023.

Government replied (15 May 2024) that the Cash books, Receipts and Expenditure statements including reconciliation of bank accounts have been completed and final accounts for the years 2014-15 to 2022-23 were prepared and produced to audit.

Further, as annual accounts were not prepared, maintained and audited timely, the financial position of the board could not be known immediately at the end of the respective accounting year to prevent, detect errors and frauds.

Recommendation 2.3: The Board may ensure that the annual accounts are prepared in a timely manner, after carrying out the required checks and balances.

2.8.4 Maintenance of Personal Deposit Account

The Secretary & Chief Executive Officer of the Board operates the Personal Deposit (PD) Account meant for credit of labour cess. Cess collected as a deduction from the work bills of the agencies gets credited to the Head of Account 8443-00-116-01-09-001-001.

We observed that Cash Books subsidiary to this head were not maintained in the Board. As such the Board was unaware of credits to its account and the payee details. In the absence of any accounting mechanism to record the payee details, the Board was unable to identify the source of remitted cess.

The Board replied (January 2023) that the labour cess collected as a deduction from the work bills of the works Departments²³ is credited to the PD account. In the PD account statement, only the bill number is mentioned, and it is not possible to segregate and provide the Department wise cess collection report. Though the Board had received Cess proceeds deposited by the establishments/ employers/ Cess collecting authorities, they had not correlated the Cess proceeds with Cess depositing authorities to trace the BOC works from which these cess proceeds had originated, with a view to ensure the concerned establishments/ employers/ BOC workers, were duly registered with the Board.

Audit further noticed that the PD account balances as per the audited accounts of the Board substantially varied with that of the State Government accounts as stated below in **Table 2.4**.

Table 2.4: Difference in PD account balances

(₹ in crore)

Year	Closing balance of PD account as per Government Accounts	Closing balance of PD account as per Annual Accounts of Board	Difference
2017-18	272.94	67.72	205.22
2018-19	237.10	67.72	169.38
2019-20	288.72	275.72	13.00
2020-21	372.04	343.37	28.67
2021-22	479.73	434.85	44.88

(Source: Government Accounts and Departmental records)

The differences in the PD accounts as per the Annual accounts of Government with that of Board ranged from ₹13 crore to ₹205.22 crore during the period 2017-18 to 2021-22. Less balance in the PD accounts as per the accounts of the Board requires reconciliation at the earliest. The Board needs to develop a mechanism to ascertain the source of cess amount, cess receivable and actually received.

Thus, non-maintenance of the details of payees including cost of work done, cost of constructions taken up deprives the Board to know the demand of cess collectable, collected and balances due. Further, in the absence of accountability for maintenance of PD Accounts, possibility of fraud and/ or misappropriation of these funds cannot be ruled out.

Government endorsed (15 May 2024) the reply of the Board that in respect of revenues credited to PD account of the Board, account statement was available in Comprehensive

²³ R&B, Panchayat Raj, Irrigation, CDMA and CRDA

Financial Management System (CFMS) and the department wise cess remittances to PD account were not available in CFMS. Further, Government added that the Board had initiated a proposal for integration of Comprehensive Financial Management Systems with APBOCWWB to get full details of transactions on real time basis and this proposal would identify the source that remitted the cess.

2.8.5 Non/short levy of Cess on building plan approvals

As per Section 9 of BOCW Welfare Cess Act, 1996 (Act 28 of 1996), if any amount of cess payable by any employer under Section 3 is not paid within the date specified in the order of assessment made under Section 5, it shall be deemed to be in arrears and the authority prescribed in this behalf may, after making such inquiry as it deems fit, impose on such employer a penalty not exceeding the amount of cess.

We observed in Greater Visakhapatnam Municipal Corporation (GVMC) that Cess was not levied under the provision of Section 3 (1) of the Cess Act while approving building plan in one case (2017) where the cost of construction was ₹53.94 crore and the cess at one *per cent* collectable was ₹53.94 lakh and interest and penalty thereon.

Further, it was also observed that there was short collection of cess of ₹3.61 crore in respect of five building plan approvals (Cess collectable: ₹4.60 crore - cess collected: ₹0.99 crore) during 2017-22.

We observed that during 2017-22, Pithapuram Municipality did not deduct Cess on ₹9.05 crore pertaining to 177 work bills at one *per cent* amounting to ₹9.05 lakh.

Thus, there were instances of non-collection and short collection of Cess of ₹4.24 crore in two test checked²⁴ ULBs.

Government replied (15 May 2024) that instructions were issued to the plan approval authorities on collection of labour cess. Further Government stated that in respect of work bills the respective bill passing authorities were requested to strictly enforce the recovery of labour cess at prescribed percentage and remittance of the same to the board without any delay.

2.8.6 Short levy of Labour Cess on work bills

In test checked units of Six Engineering divisions and GVMC, we observed that in 38 work bills there was short collection of Cess during the period 2017-18 to 2021-22 as given in **Table 2.5**.

²⁴ GVMC, Pitapuram Municipality

Table 2.5: Short Collection of Labour Cess in Engineering divisions and GVMC

Sl. No.	Name of the test checked offices	Number of works/ building plans	Cess collectable (₹)	Cess collected (₹)	Short collection (₹)
1	EE, PIPLMC, Tuni	2 works	14,36,011	12,68,442	1,67,569
2	EE, R&B, Kakinada	6 works	42,08,789	40,69,825	1,38,964
3	EE, PIPLMC, Yelamanchili	4 works	39,65,830	36,14,608	3,51,222
4	EE, PIPRMC, Kovvur	1 work	2,21,865	2,04,905	16,960
5	EE, PIPHW Division-I, Polavaram	3 works	48,99,43,793	47,57,44,546	1,41,99,247
6	ULB, Visakhapatnam	21 works	14,27,519	13,69,714	57,805
7	EE, R&B, Marrlipalem, Vizag	1 work	9,51,667	9,24,601	27,066
Total		38	50,21,55,474	48,71,96,641	1,49,58,833

Source: Departmental records

Thus, out of ₹50.22 crore to be collected only ₹48.72 crore was collected resulting in short collection of labour Cess of ₹1.50 crore.

The test checked Engineering divisions replied that the short collection would be collected in future work bills while GVMC did not furnish reply.

Board requested the Government that work bills processed through CFMS may be monitored by Pay and Accounts Officers of Works Divisions, non-CFMS/non-PAO by respective agencies and controllers of examinations and finance officers of local bodies by the Director of State Audit. Government endorsed the same reply without specifying the action at their end.

2.8.7 Remittance of Cess collections by Commissioner and Director of Municipal Administration

As per Section 3(3) of the Cess Act, the proceeds of Cess collected under sub-section 2 shall be paid by the local authority or the State Government collecting the Cess to the Board after deducting the cost of collection of such Cess not exceeding one *per cent* of the amount collected.

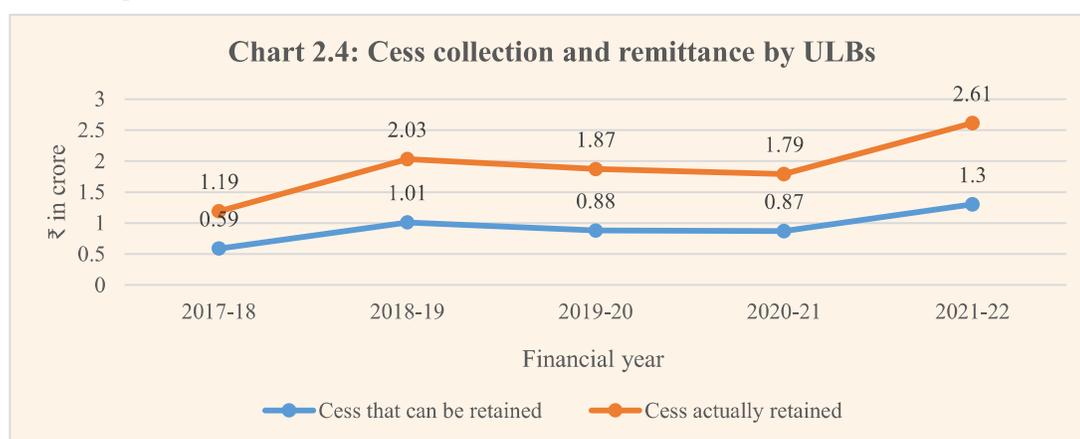
During the period 2017-18 to 2021-22, Commissioner and Director of Municipal Administration (CDMA) collected ₹466.11crore²⁵ towards Cess (being part of Building permission fee) on Building Constructions that took place within the jurisdiction of Urban Local Bodies (ULBs) in the entire State as given in **Table 2.6** and the trend is depicted in **Chart 2.4**.

²⁵ cess collected ₹466.11 crore – remitted ₹269.50 crore = balance retained ₹196.61 crore (₹187.12 crore for cess+₹9.49 crore for charges). Balance to be remitted.

Table 2.6: Statement showing cess collection and remittance by ULBs
(₹ in crore)

Year	Labour cess collected	99% cess to be remitted to Board	Cess remitted to Board	Difference (2)-(3)	1% cess can be retained (1) x 1/100	Cess retained by CDMA	Difference (6)-(5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2017-18	59.33	58.73	6.87	51.86	0.59	1.19	0.60
2018-19	101.25	100.24	8.67	91.57	1.01	2.03	1.02
2019-20	88.33	87.45	41.16	46.29	0.88	1.87	0.99
2020-21	87.48	86.61	85.69	0.92	0.87	1.79	0.92
2021-22	129.72	128.42	127.11	1.31	1.30	2.61	1.31
Total	466.11	461.45	269.50	191.95	4.65	9.49	4.84

Source: Departmental records



Audit noticed that:

- (i) As per Cess Act, the cost of collection of Cess shall not exceed one *per cent* of the cess collected.

However, the Board entered (December 2018) into a Memorandum of Understanding with CDMA for collection of administrative charges at two *per cent* on the cost of building plan approvals and work bills instead of one *per cent* as per the provisions of the Act.

Thus, Board had entered into agreement with CDMA in deviation to the Act provisions.

- (ii) It could be seen from the above table that instead of collecting administrative charges towards collection of cess at one *per cent* of total cess (₹466.11 crore) i.e., ₹4.66 crore, CDMA had retained ₹9.49 crore i.e. 2.04 *per cent* towards Cess collection/administrative charges. Thus, there was excess collection of administrative charges of ₹4.84 crore during 2017-22. Further, CDMA had not transferred the eligible Cess amount of ₹461.45 crore (99 *per cent* of ₹466.11 crore) and transferred only ₹269.50 crore to the Board, retaining the balance of ₹191.95 crore.

The Board did not furnish records supporting the efforts made for recollecting the Cess dues and excess Cess retained by CDMA.

During Exit Conference, the Commissioner of Labour stated that the observation was taken to the notice of CDMA and response is awaited.

The Cess Act allows cost of collection of cess not exceeding one *per cent* of the cess collected. However, Department allowed the Municipal Administration Department to collect cost of collection at two *per cent* thereby sustained a loss of ₹4.84 crore during 2017-22.

Government endorsed the reply of the Board that the Board had addressed a letter to CDMA requesting for transfer of pending dues to the APBOCWWB immediately and instructions were issued to the field officers to contact respective urban local bodies (ULBs) for obtaining the details of Cess deducted at source and persuade the ULBs to remit the cess retained by the ULBs. Further with respect to ₹9.49 crore retained by CDMA towards administrative charges for cess collection, *i.e.*, two *per cent* of Cess collection as against the actual provision of one *per cent* as per the act, it was stated that the Government had taken a decision to cancel the MoU and allow CDMA to retain only one *per cent* of cess collected towards cess collection charges and a letter was addressed to CDMA informing the cancellation of MoU and requested to remit the excess amount retained as administrative charges to the Board.

Compliance to Government orders *i.e.* remittance of excess collection of administrative charges of ₹4.84 crore during 2017-22 is awaited.

Recommendation 2.4: Board should evolve a mechanism to ensure that the Cess collected by the line departments is properly accounted for and transferred to the Board accounts.

2.8.8 Fixed Deposits

As per AP Reorganisation Act, 2014, the Board was not included either in IX Schedule (list of Government Companies and Corporations) or in X Schedule (list of training institutions/centres). However, Section 52 of A.P Reorganisation Act, 2014 specifies that the funds of Board are to be apportioned between the successor states AP and Telangana on the population basis in the ratio of 58.32 *per cent* and 41.68 *per cent* respectively.

After the commencement of the reorganisation, there was a total of ₹976.77 crore in Fixed Deposit Receipts (FDRs) with the former Board, to be divided between two States. The share of AP Board was ₹569.65 crore and Telangana Board was ₹407.11 crore. Out of ₹569.65 crore, ₹244.59 crore was withdrawn by AP Board. Subsequently, in October 2018, the Telangana Board has frozen debit transactions related to the FDRs amounting to ₹325.06 crore and ₹405.94 crore in respect of AP Board and Telangana Board respectively resulting in locking of funds in commercial banks. As a result, the funds intended for the welfare of BOC workers in both States remain parked in banks without resolution/settlement.

The Board stated that the Telangana Board had addressed a letter to all the Banks to freeze the FDs of the Board in the year 2014 and FDs would be released once both the State

Governments come to mutual agreement on bifurcation of the funds and address the Banks with a request to release the FDs.

Government replied that necessary action for sharing of assets by the BOCWW Boards of both Andhra Pradesh and Telangana was in progress.

2.9 Provision of Safety and Welfare measures in Establishments

As per Sections 34 to 37 of APBOCW Rules, 1999, the work establishment/ contractor is required to provide safety and other welfare measures at the work site such as Canteens, First-aid facilities, Ambulance, Housing accommodations for workers *etc.* and obtain a registration certificate from the Registering Officer of the Labour Department. As per the conditions of the works agreements the contractor shall submit to the Engineer-in-Charge (EE), the number of several classes of labour employed by the contractor on the site, from time to time, and such other information as the EE (Engineering Divisions) may require.

However, the EEs in the test checked works divisions²⁶ stated that though they physically inspect and monitor the progress of works, the contractors did not submit reports regarding registration of workers and safety/welfare measures taken for the BOC workers. The EEs further stated that the aspects of registration of establishments, their workers and taking up of safety and welfare measures were looked after by officials of Labour Department.

Thus, as officials of Labour Department had not visited work establishments and reports were not submitted by the contractors to either the EE or the DCL, the BOC workers were at risk of being deprived of adequate safety and welfare measures.

Government replied that the employer *i.e.* work executing authority as well as the contractor had the responsibility to ensure the safety and health of building and other construction workers. Rule provisions ensured the responsibility of the employer for implementation of these provisions. Government further stated the departmental inspecting authorities²⁷ will visit the construction establishments from time to time and ensure to provide safety, health and welfare measures to the building workers.

The reply of the Department that the employer/contractor was responsible, is not acceptable in view of Government orders²⁸ that ALOs, ACLs, DCLs, JCLs, AdCLs and CoLs were responsible for ensuring provisions of Safety, Health and Welfare measures for the BOCWs.

2.10 Conduct of Inspections

As per Government orders (February 2016 and May 2016)²⁹, manual inspections of establishments shall be carried out in case of need only on the orders of Courts / Government or specific written instructions of the Commissioner of Labour. Further the inspecting officers shall take up online inspection of establishments as allocated by the

²⁶ Engineering divisions (R&B Guntur, Tenali, Kakinada and Murrupalem (Visakhapatnam), Polavaram Irrigation Projects @ Tuni, Kovvur, Polavaram and Yelamanchili)

²⁷ Assistant Labour Officer, Assistant Commissioner of Labour, Deputy Commissioner of Labour, Joint Commissioner of Labour, Additional Commissioner of Labour, Commissioner of Labour

²⁸ G.O.Ms.No.37 dated 06 June 2008 LET&F (Lab.IV) Department

²⁹ G.O.Ms No 27 of LET&F (Lab.II) Deptt. Dt. 31/05/2016

system on daily basis as per Government orders (2016³⁰) to provide ease of compliance of Laws by the industry while protecting the interest of the workers. The information about the online inspection shall be publicised by placing it on the web site of the department to bring awareness to the employer to comply with the statutory provisions without physical touch point.

We observed that no inspections were carried out during the period of audit 2017-22 and therefore compliance with the provisions of the Act by various establishments was not ensured by the Labour Department/ Board.

Commissioner of Labour attributed non-conduct of inspections to provisions of Ease of Doing Business (EoDB) policy in which inspections were to be carried out by way of online random allocation of units to the inspecting officers and that software which was used for a period during 2018-19 did not work thereafter. The Department would try to put into operation a procedure that facilitates inspection on random basis.

The reply is not tenable, as the inspecting officers have to take up online inspection of establishments as allocated by the online system on daily basis as per Government orders to provide ease of compliance of Laws by the industry while protecting the interest of the workers.

The conduct of inspections would curb the evasion of Cess payments by establishments, there would be proper accountal of cess without any omissions and more over inspections of construction sites would allow the Department to have first-hand information on construction workers whether registered or not to take appropriate action.

Government replied (15 May 2024) that online inspection system and online inspection portal were launched vide GO Ms. No.27 of LET&F (Lab.II) Department dated 31 May 2016 by Government of Andhra Pradesh to ensure simplification, transparency and accountability of inspections. Further Government stated that the officials of the Labour Department were instructed not to conduct³¹ any physical inspections without permission from the HOD.

The reply of the Government indicating that there are no restrictions for online inspections and for conducting physical inspection permission from the HoD is a prerequisite. However, the department had not conducted any online or physical inspections during the period which is against the provisions of the Act.

Recommendation 2.5: Department should conduct regular inspections to bring all eligible establishments/ construction works under ambit of Labour Cess.

2.11 Administration and utilisation of fund on implementation of welfare schemes

2.11.1 Implementation of Schemes

The State Government originally launched (between 2010 to 2018) 14 labour welfare schemes. Out of this, only 10 schemes are being implemented and three schemes viz., Vocational training to workers/ dependents, National Pension System (NPS Lite) 2010

³⁰ G.O.Ms.No.9 of LET&F (Lab.II) Deptt. Dt.27.02.2016

³¹ Memo No. EoDB/Instructions/2021 of Spl. CoL. AP. VJA dated 22 June 2021

(Swavalamban) and Atal Pension Yojana and Providing artificial limbs and other appliances to disabled workers were not implemented during 2017-22.

The details of number of welfare scheme claims received, settled, rejected and pending during the period 2017-18 to 2021-22 is shown in **Table 2.7**.

Table 2.7: Statement showing year wise number of welfare scheme claims received, settled, rejected, and pending

Year	Number of Claims received	Number of Claims		
		Settled	Rejected	Pending (<i>per cent</i>)
2017-18	18,041	16,655	1,338	48 (0.27)
2018-19	29,566	28,261	579	726 (2.46)
2019-20	20,297	9,146	1,873	9,278 (45.71)
2020-21	10,666	218	1,938	8,510 (79.79)
2021-22	7,520	0	0	7,520 (100.00)
Total	86,090	54,280	5,728	26,082

Source: Reply from the Department

We observed that out of 86,090 claims received, 26,082 claims were pending with the Department. The *per cent* of claims pending with the department is in increasing trend from 0.26 *per cent* to 100 *per cent* for the period 2017-18 to 2021-22. The scheme wise details of the above table are shown in **Appendix 2.2**.

Board stated (February 2024) that Government had directed to keep the Board welfare schemes in abeyance till all the schemes of the Government were streamlined to avoid duplication of benefits under Navaratnalu³² and hence claims received under various schemes were not processed. Further, the Board submitted proposals to the Government with a request to issue permission for revival and implementation of the remaining welfare schemes and orders from the Government are awaited.

The reply of the Board is not acceptable as the welfare schemes of Board were not duplication of the schemes covered under Navaratnalu except Marriage Gift covered under YSR Kalyanamasthu, Fatal Accidental Relief, Permanent Disability Relief and Natural Death covered under YSR BIMA. Further, in a joint telephonic survey³³ of 50 pending claim applicants in DCL, Eluru, the consolidated response revealed that the beneficiaries were not extended the entitled benefits of labour welfare schemes either by labour welfare Board or under Navaratnalu.

During Exit Conference, the Commissioner of Labour replied that the Government was addressed from time to time for implementation of the schemes.

Thus, decision to avoid duplication of benefits by Government has resulted in denial of welfare to needy workers.

The welfare scheme claims of BOC workers were not honoured completely and percentage of claims pending with the Department was in increasing trend from 0.26 to 100 during

³² nine welfare schemes implemented by the State Government

³³ with departmental officials

2017-22 which resulted in denial of benefit under welfare schemes of the Board to the needy workers.

Government did not give specific reply.

2.11.2 Cess amounts granted as loan/ advance on reimbursement basis to Government

Hon'ble Supreme Court ordered³⁴ (September 2015) all the State Governments and Union Territory Administrations not to spend the cess fund for construction of buildings for schools, hospitals, training centres, labour shed-cum night shelter, waiting hall, hostels, etc., or for any purpose other than for welfare of BOC workers and their families exclusively.

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, in view of the directives (2015) of Hon'ble Supreme Court, as per orders³⁵ of GoI, the Cess collected is to be utilised only for the purpose of welfare of beneficiaries.

Audit noticed that during the period April 2017 to June 2021, the Board was not in existence. During this period the State Government had utilised the Board funds amounting to ₹2,332.98 crore for purposes other than welfare of BOC workers in contravention to Hon'ble Supreme Court orders. The Funds were utilised towards various payments viz., State share for the centrally sponsored schemes worth ₹1,256.65 crore, payment of publicity charges ₹7.01 crore, payment of premium for Insurance Policy of ₹1,069.30 crore etc., with a clause of either repayment or reimbursement to the Board by the Government. The utilisation of Board's funds for other purposes included:

- An amount of ₹382.72 crore was remitted to Government on reimbursement basis to the Society for Elimination for Rural Poverty (SERP) towards top-up extended as State component under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) -YSR Bima convergence scheme in the interest of dependent families of the deceased un-organised workers, Printing of YSR Bima Cards and settlement of claims for the natural and accidental death cases during the period from 2018 to 2021 on reimbursement.

Out of ₹382.72 crore, ₹95.77 crore was reimbursed by SERP to Board between July 2021 and August 2022, leaving a balance of ₹286.95 crore yet to be refunded.

- An amount of ₹7.01 crore was remitted to the Government (September 2016) towards publicity charges under Chandranna Bima Scheme to the insurance companies (LIC/OIC) as advance payment on behalf of Government.

Even after a lapse of six years, the funds were not remitted to Board by GoAP.

- An amount of ₹333.91 crore was remitted to the Government on reimbursement basis to the Director of Grama Ward/ Ward Volunteers and Village/Ward Secretaries towards

³⁴ Hon'ble Supreme Court Directives in WP (C) No.318/2006 and orders dated 21/8/2015 & 4/9/2015

³⁵ No.Z/20011/08/2014-BL of Ministry of Labour & Employment dt.7/6/2016

payment of Natural Death claims and Natural Death Relief under YSR Bima Scheme to beneficiaries not covered by the Labour, Factories, Boilers and Insurance Medical Services (LFB&IMS) Departments, during the period from April 2022 to December 2022.

However, even after a lapse of two years, the advance amount was not recouped to the Board.

- An amount of ₹903.08 crore was remitted (2016-22) to Government as advance on reimbursement basis towards payment of premium to Life Insurance Companies in respect of all unorganised workers in the age group of 18-70 years who were eligible to be enrolled. Additional members of the un-organised workers enrolled through Praja Sadhikara Survey under Chandranna Bima Scheme, extension of policy premium under PMJJBY-YSR Bima Scheme, premium for enrolling all the construction workers who are essentially in the Un-organised Sector under the convergence scheme (3rd year PMJJBY- Chandranna Bima Scheme), premium for the newly enrolled eligible workers and enrolment of leftover eligible unorganised workers.

Despite lapse of seven years the funds were not recouped to the Board.

- An amount of ₹22.40 crore was remitted to Government on reimbursement basis for payment to National Insurance Company Limited, Vijayawada, to cover 1.41 crore beneficiaries in the age group of 18-70 years, to ensure payment of ₹five lakh/ ₹three lakh under Group Janatha personal accidental policy under YSR Bima Scheme for the year 2020.

Despite lapse of four years the funds were not recouped to the Board.

- An amount of ₹231.49 crore was remitted (September 2016 to July 2022) to Government on loan basis/ advance towards payment of premium³⁶ under Bhima Scheme to the Oriental Insurance Company Limited.

However, the amount was not refunded to Board as of March 2023.

- An amount of ₹3.07 crore was remitted to Government for payment to the United Insurance Company Limited (UICL) towards premium for Accident Death under PMSBY for the age group of 60 to 70 years policy holders for the year 2018. Despite lapse of six years, the funds were not refunded to Board.
- An amount of ₹113.30 crore was remitted to Government for payment to the M/s United Sompo General Insurance Company Ltd towards premium for Group accidental insurance Policy covering 1.32 crore Primary Bread Earners of BPL families under YSR Bima Scheme for the year August 2018 on reimbursement basis. Despite lapse of four years the funds were not recouped to the Board.

³⁶ additional premium for Chandranna Bima Scheme to cover additional member of the unorganised workers enrolled through Praja Sadhikara Survey, two crore unorganised workers in the age group of 18-70 years eligible to be enrolled under the Chandranna Bima Scheme and premium under Group Insurance Policy covering 1.21 crore Primary Bread Earners of BPL families for accidental death/ total disability under YSR Bima Scheme

- An amount of ₹336 crore was remitted to the Government for YSR Bima Fund/ SERP account towards premium for PMJJBY, PMSBY Schemes and Funeral Charges during the period October 2020 to June 2022 on reimbursement basis. Despite lapse of three years the funds were not recouped to the Board.

The funds worth ₹2,237.23 crore given on reimbursement or on repayment basis remained unrealised by Board and not recouped by the Government as of March 2023.

During Exit Conference, the Commissioner of Labour stated (January 2024) that the issue of reimbursement of advances was brought to the notice of the Finance Department.

Audit observed absence of any terms and conditions for expenditure relating to loan and advances such as rate of interest, number of instalments *etc.*, disbursed to SERP, Director of Grama Ward/ Ward Volunteers and to the Government of Andhra Pradesh. Transferring of funds from Board's income directly for incurring expenditure under various schemes of the State Government, may lead to escape of Legislative scrutiny through the Appropriation Account mechanism.

Contrary to the provisions of the Act and directives of Hon'ble Supreme Court, the Board funds were utilised for purposes other than welfare of BOC workers. The cess amounts granted as loan and advances on reimbursement basis to Government was not recouped to the Board account.

Government endorsed (15 May 2024) the reply of the Board that the funds were transferred to the Government on reimbursement basis only for specified purposes.

Recommendation 2.6: Board should ensure that the diverted funds are recouped immediately and Cess is utilised exclusively for the welfare of beneficiaries.

2.11.3 Utilisation of Board funds for other purpose

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, in view of the directives (2015) of Hon'ble Supreme Court, as per orders³⁷ of GoI, the Cess collected is to be utilised only for the purpose of welfare of beneficiaries.

Audit noticed that:

- (i) An amount of ₹72.16 crore was utilised towards publicity/ advertisement charges of the welfare schemes and an amount of ₹0.11 crore was utilised towards tour expenses of the delegates for attending the 106th session of International Labour Conference at International Labour Organisation, Geneva which is contrary to the provisions of the Act.
- (ii) The Board utilised ₹14.32 crore for construction (February 2017) of Training Centre with hostel facility at Kuppam, Chittoor district by National Academy of Construction (NAC) at a cost of ₹13.83 crore and construction (October 2017) of Karmika

³⁷ No.Z/20011/08/2014-BL of Ministry of Labour & Employment dated 07/06/2016

Sankshema Bhavan at Ramagiri, Ananthapuramu district at a cost of ₹0.49 crore out of the Cess collections. Thus, utilisation of Cess fund for construction of buildings was contrary to the orders of GoI and directives of Hon'ble Supreme Court mentioned *supra*.

Government endorsed (15 May 2024) the reply of the Board that the funds were transferred to the Government on reimbursement basis only for specified purposes.

In the absence of any time frame for reimbursement, Board needs to address the Government to remit the funds at the earliest.

2.11.4 Supply of Tool Kits

The Board in its 15th meeting passed a resolution to procure one lakh toolkits to construction workers who were imparted with skill upgradation training in trades of Masonry, Electrical and Plumbing. Initially the Board had identified (August 2017) 88,469 workers trained in the said trades through National Academy of Construction (NAC) Centres at district levels. The Board procured (October 2018) 99,996 tool kits for the trained BOC workers of Masonry, Electrical and Plumbing trades at a total cost of ₹28 crore³⁸ with a view that more number of trainings would be conducted subsequently and the purchased toolkits could be distributed to the trained workers as and when the training is completed. Further, the Government advised the Commissioner of Labour (CoL) to distribute the balance tool kits to those workers who were trained by the Board or who were presently doing skilled jobs and preference may be given to those with five years of registration seniority.

Audit noticed that about 4,133 tool kits worth ₹1.06 crore³⁹ were not distributed and were lying idle with DCLs. Thus, number of trained and eligible workers and to be trained workers was not enumerated prior to procurement of tool kits.

Government replied that a total of 98,333 tool kits were only received by the Deputy Commissioners of Labour in the State and out of which 94,017 tool kits were distributed to the eligible BOC workers and the remaining 4,316 were yet to be distributed to the eligible workers in future trainings.

Thus, purchase of kits in excess of their requirement had infringed the canons of financial propriety.

2.11.5 Sanction of disability relief

The Board issued⁴⁰ (December 2010) guidelines for processing of claims for total permanent disability/ partial permanent disability relief to Building & Other Construction (BOC) workers who met with an accident at construction site. The DCL shall decide the percentage of disability and eligibility of benefit to be given under the scheme 'Relief for Total Permanent Disability/ Partial Permanent Disability' based on the medical certificate produced by the beneficiary. The rates of relief are as under:

³⁸ at a cost of ₹2,550 for Masonry kit, ₹2,523 for Electrical kit and ₹2,687 for Plumbing kit

³⁹ 156 masonry kits at ₹2,550 + 3,010 electrical at ₹2,523 + 967 plumbing at ₹2,687

⁴⁰ Memo No.C1/4402/09 of the Board dt.22/12/2010

i)	Total Permanent Disability	-	₹ Five lakh
ii)	50 per cent and above Partial Permanent Disability	-	₹ One lakh
iii)	26 to 49 per cent Partial Permanent Disability	-	₹50,000
iv)	Up to 25 per cent to Partial Permanent Disability	-	₹25,000

We observed that DCL, Visakhapatnam sanctioned relief in excess of the rates prescribed in 13 claims and paid an amount of ₹20.58 lakh proportional to the disability percentage instead of the scale prescribed as shown in **Table 2.8**.

Table 2.8: Statement showing the excess sanction of disability relief

Sl No.	Name of the Beneficiary (Sri/Smt.)	Percentage of disability	Relief to be sanctioned as per percentage of disability (₹)	Amount sanctioned (₹)	Excess amount sanctioned (₹)
1	Manthina Lakshmana Rao	53	1,00,000	1,06,000	6,000
2	D.Appala Raju	40	50,000	3,64,847	3,14,847
3	Dabbada Venkata Ramana	50	1,00,000	2,50,000	1,50,000
4	Pasila Subba Rao	60	1,00,000	3,00,000	2,00,000
5	Nakka Ramu	60	1,00,000	3,00,000	2,00,000
6	Isarapu Musaliah	45	50,000	90,000	40,000
7	Pathalam Eswara Rao	60	1,00,000	3,00,000	2,00,000
8	Singampalli Atchimnaidu	60	1,00,000	1,20,000	20,000
9	Ganji Kodanda	70	1,00,000	1,40,000	40,000
10	Nakka Yerriah	75	1,00,000	3,62,500	2,62,500
11	Isarapu Paidi Babu	50	1,00,000	2,50,000	1,50,000
12	Chukka Surya Narayana	70	1,00,000	3,50,000	2,50,000
13	Pilla Gopi	65	1,00,000	3,25,000	2,25,000
Total amount excess paid			12,00,000	32,58,347	20,58,347

Source: departmental records

Government endorsed the reply of the Deputy Commissioners of Labour, Visakhapatnam that the sanction of Disability Relief claims would be scrutinised/reviewed and action would be taken for refund of the excess amount from the beneficiaries.

2.11.6 Processing of Maternity Benefit claims

Maternity Benefit Scheme⁴¹ was introduced (July 2010 and October 2013) by the Government for the registered women workers. The scheme is also applicable to the wife of male building workers and also for two daughters of any registered building worker, male or female. The claimant shall submit the claim to the jurisdictional Assistant Labour Officer (ALO)/Assistant Commissioner of Labour (ACL)/Deputy Commissioner of Labours (DCL) within one month from the date of delivery. The ALO/ACL shall conduct enquiry and submit his report to the DCL within seven days. In case the application is found defective, or any documents are missing, the DCL shall return the claim to the claimant within seven days for resubmission, duly rectifying the defects within a week. The DCL shall, then, approve the benefit within a week and forward the claim to the Board for release of benefit. The Board shall release the benefit to the beneficiary's bank account

⁴¹ G.O.Ms.No.62 and 50 of LET&F (Lab.IV) Deptt. Dt.27/07/2010 and 29/10/2013, respectively.

through the DCL within seven days. Thus, the entire process shall be completed within a month from the date of receipt of claim approximately.

We observed in DCL Office, Kakinada that in the case of 26 Maternity Benefit claims there were abnormal delay in processing of claims. In eight out of 26 cases, the delay at ALO level ranged from 11 to 194 days. In 12 cases the delay at DCL level, ranged from 28 to 451 days. In four cases though the claims were submitted to DCL without delay, they were sanctioned after 200 days.

Further, delays in processing of claims were also observed in DCL Offices Kakinada, Eluru and Visakhapatnam as shown in **Table 2.9**.

Table 2.9: Statement showing the delay in processing of Maternity benefit claims

Name of the Office	No. of claims	Delay at ALO/ ACL level	Delay at DCL level	Delay in transferring of benefit
DCL Eluru	26	One to 16 days	8 to 322 days	15 to 110 days
DCL Visakhapatnam	18	5 to 146 days	8 to 49 days	14 to 145 days
DCL Kakinada	26	11 to 194 days (eight cases)	28 to 451 days (12 cases)	after 200 days (four cases)

Source: Departmental records

Deputy Commissioner of Labour (DCL), Kakinada attributed delay in submission of claims to the Board to filing of large number of applications, time taken for scrutiny and in majority of the claims, non-submission of the required documents and their return and resubmission with delay by the claimants. Similar reasons were stated by the other DCLs also and assured to speed up the processing of claims within the time prescribed.

Government endorsed the reply of the Board that the delay in processing of claims regarding Maternity Benefits was only because of the scrutiny of the documents and verifying records submitted by the beneficiaries but not intentional.

The fact remains that delayed benefit would cause hardship to the beneficiaries and deny timely help as there were instances of inordinate delay in processing of the claims.

2.11.7 Non-conduct of appropriate checks- Double payment to beneficiaries

- We observed in Deputy Commissioner of Labour (DCL), Visakhapatnam that maternity benefit was extended twice to the same beneficiary. A registered beneficiary whose child was born on 18 June 2018 submitted the first claim on 06 August 2018 with a copy of Delivery Certificate. The claim was forwarded by Assistant Commissioner of Labour (ACL) on 11 September 2018 and the benefit of ₹20,000 was credited to her account on 08 October 2018. The same beneficiary submitted the similar claim in duplicate copy on 06 December 2018 by enclosing similar documents as second delivery. The claim was forwarded by the ACL on 25 January 2019 and the benefit was credited to her account on 20 March 2019.

DCL, Visakhapatnam stated that the claim would be scrutinised or reviewed and action would be taken for recovery of excess claim from the beneficiary.

- As per Government orders⁴² Funeral expenses of ₹20,000 can be paid to the nominee of deceased BOC worker. In DCL, Visakhapatnam, we observed that funeral expenses claim was submitted on 04 July 2019 by a family member of a registered worker who died on 27 May 2019. The funeral expenses benefit of ₹20,000 was credited to nominee on 19 October 2019. However, funeral expenses benefit of ₹20,000 was again credited to the beneficiary's same account on 25 October 2019 without any claim by beneficiary.

DCL, Visakhapatnam stated that the claim would be scrutinised or reviewed, and action would be taken for recovery of excess claim from the beneficiary.

Government endorsed the reply of the Board that the Deputy Commissioners of Labour, Visakhapatnam, stated that the double payment of Maternity Benefit would be scrutinised /reviewed and action would be taken for recovery of excess Maternity Benefit claim from the beneficiary.

⁴² G.O.Ms.No.5 of LET&F (Lab.IV) Deptt. Dt.04.02.2016