

Chapter 3
Budget and Management of
Funds

3 Budget and Management of Funds

The Board is required to prepare the budgets for the forthcoming financial years, under the BOCW Act, and is responsible for identifying beneficiaries, formulating various welfare schemes and allocating funds for implementation of these schemes. The Board is also required to communicate the district-wise allocation of funds, for implementation of various schemes, along with physical targets, to the concerned district authorities.

Audit noticed deficiencies in the preparation of budgets and management of funds, by the Board, as discussed in the succeeding paragraphs.

3.1 Non-preparation of budgets and short utilisation of funds

As per Section 25 of the BOCW Act, the Board is required to prepare its budget, showing the estimated receipts and expenditure, for the next financial year, and forward the same to the State Government and the Central Government.

Audit scrutiny revealed that the Board had not prepared annual budgets, during FYs 2017-18 to 2021-22. Instead, it had approved the estimated costs of welfare schemes to be taken up during the year, on the basis of the estimated number of targeted beneficiaries, under each scheme, for the year. Based on this approval, it had allocated funds, to the responsible authorities. Details of the funds available with the Board, allocation of funds, expenditure incurred and the number of ongoing welfare schemes, during FYs 2017-18 to 2021-22, is given in **Table 3.1**.

Table 3.1: Details of funds available, allocation of funds and expenditure on schemes during FYs 2017-18 to 2021-22

(₹ in crore)

Sl. No.	Financial year	Funds available, as on 1 April	Approved cost of schemes during the financial year	Funds allocated during the financial year [#] (per cent of available funds)	Expenditure during the financial year (per cent of allocated funds)	Number of welfare schemes
1	2017-18	171.67	100.31	86.63 (50)	41.64 (48)	22
2	2018-19	168.94	122.43	152.35 (90)	59.19 (39)	17
3	2019-20	306.88	147.34	105.65 (34)	75.77 ¹⁷ (72)	18
4	2020-21	325.77	157.96	137.89 (42)	62.21 (45)	14
5	2021-22	342.94	185.07	195.24 (57)	102.56 (53)	14
Total			713.11	677.76	341.37 (50)	

(Source: Data provided by the Board)

[#] the figure includes the allocations and savings of the previous financial year

It can be seen from **Table 3.1** that the Board had not taken up welfare schemes, commensurate with the available funds. Further, the Board had not even been

¹⁷ Includes ₹ 46.29 crore incurred on purchase of sarees and cloth for shirt and pants

able to utilise the funds allocated for the implementation of ongoing welfare schemes, and the utilisation had ranged between 39 and 72 *per cent*, during FYs 2017-18 to 2021-22. Short utilisation of funds was mainly due to short-coverage of targeted beneficiaries for granting benefits under different schemes, as seen during test-check of selected schemes (**Paragraph 5.2**).

Thus, the Board had not ensured preparation of annual budgets, as provided under the BOCW Act. The Board had also not approved welfare schemes, commensurate with the availability of funds, and had failed to utilise the funds, which had been allocated for the purpose of providing benefits to the targeted beneficiaries.

While accepting the facts, the Department assured (October 2023) that the proposal for preparation of budget, taking into account the estimated revenue, and reviewing the scope of the ongoing welfare schemes commensurate with the available resources of the Board, would be placed before the SAC and the Board in their forthcoming meeting.

3.2 Non-preparation of Annual Accounts

As per Sections 26 and 27 of the BOCW Act, the Board was required to maintain proper accounts and other relevant records and prepare an annual statement of accounts. The accounts of the Board were required to be audited annually and the Board was to furnish the audited copy of the accounts, to the State Government, together with the Auditor's Report, for being laid before the State Legislature. Rule 293 of the Jharkhand Rules provides for maintenance of an Interest Suspense Account, containing details of all interest, rent and other income realised and profit or losses on investments. In addition, Rules 276 and 277 provide for collection of registration fee and annual contribution from the members of the Fund.

Audit noticed in this regard that:

- The Board had not prepared annual accounts and Interest Suspense Account, during FYs 2017-18 to 2021-22. In the absence of annual accounts, the nature of year-wise receipts and payments, *i.e.* fee receipts, cess collection, administrative expenses, welfare expenses *etc.*, (as reported by the Board, to the State Government/Monitoring Committee of GoI), was not ascertainable. The State Government had also not ensured regular preparation and audit of annual accounts, for laying the same before the State Legislature.
- The members of the Welfare Fund were depositing registration or membership fee in the bank account of the Board and submitting the deposit receipts to the Registration Authorities stationed at the district level. However, the Board had not developed any mechanism to obtain details of such deposit receipts from the field offices, in order to cross-verify the actual receipts with the Bank.

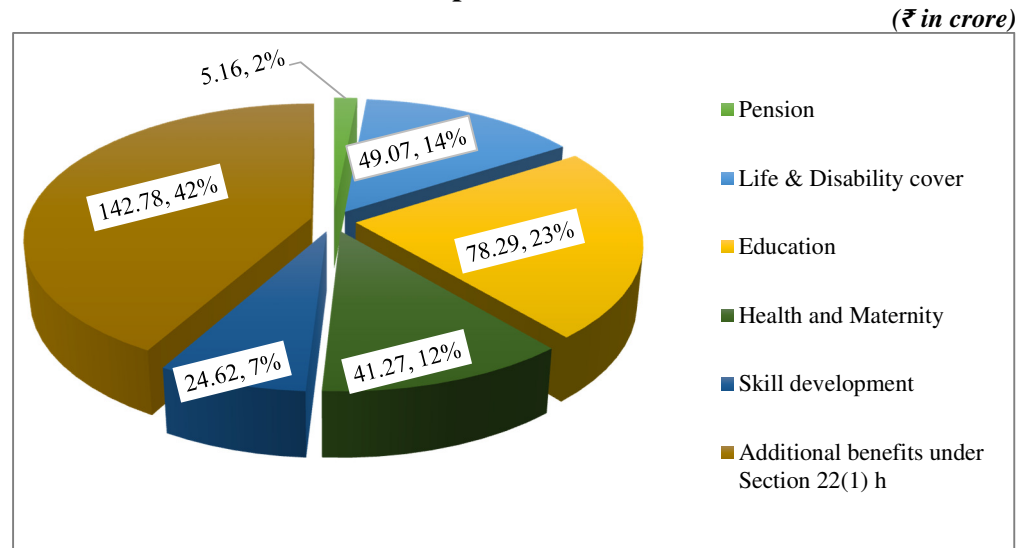
While accepting the facts, the Department stated (October 2023) that a Chartered Accountancy Firm had been appointed, by the Department, for preparation of Annual Accounts of the Board. The firm has prepared accounts for the financial years 2016-17 to 2021-22 and accounts for 2022-23 is under preparation.

3.3 Failure to execute priority functions

Section 22 of the BOCW Act entrusts different types of welfare functions, to the Board. Further, the MWS&AP had focused on prioritisation of seven types¹⁸ of welfare functions, to be given precedence over all other existing benefits. After meeting these priority expenses, the balance funds, if any, were to be utilised on additional benefits.

As shown in **Table 3.1**, the Board had implemented 14 to 22 schemes¹⁹, in each financial year, during FYs 2017-18 to 2021-22. Audit analysed the trends of expenditure on these schemes to assess the prioritisation of functions, as recommended in the MWS&AP, which has been shown in **Chart 3.1**.

Chart 3.1: Trends of expenditure on different functions



(Source: Data provided by the Board)

It can be seen from **Chart 3.1** that the Board had incurred an amount of ₹ 142.78 crore (42 per cent), out of the total expenditure of ₹ 341.18 crore, on

¹⁸ (1) Life and Disability cover (2) Health and Maternity cover (3) Education (4) Housing (5) Skill Development (6) Awareness Programme and (7) Pension.

¹⁹ Schemes for (1) bicycle assistance (2) labour tool-kit assistance (3) sewing machine assistance (4) scholarship to meritorious children (5) medical reimbursement (6) marriage assistance (7) pension (8) family pension (9) orphan pension (10) disability pension (11) maternity benefits (12) *Aam Admi Bima Yojana* (13) funeral assistance (14) medical assistance (15) employment training (16) *Saraswati Yojana* for education of girl child (17) death assistance (18) safety kit scheme (19) *Pradhan Mantri Jeevan Suraksha Bima Yojana* (20) *Pradhan Mantri Jeevan Jyoti Bima Yojana* (21) NPS Scheme and (22) *Sarees/cloth* for shirt and pants distribution.

additional benefits²⁰ and had not taken up any scheme related to two functions, *i.e.* Housing and Awareness, which were to be given priority over additional benefits, as per the MWS&AP. Further audit scrutiny revealed that the Board had not focused on skill development, as employment training programs had been organised in only six out of the 24 districts in the State. Similarly, pension had also not been given much importance, as, out of 10,710 registered workers, attaining the pensionable age, from FY 2017-18 to FY 2021-22, in the four test-checked districts, only 159 workers had been sanctioned pension.

In reply, the Department stated (October 2023) that the ongoing welfare schemes are proposed to be reviewed in the forthcoming meetings of the Board, in view of MWS & AP, so that requirements under Section 22 (1) (a) to 22 (1) (g) are met, before incurring expenditure on additional benefits under Section 22 (1) (h).

The reply is not convincing as the Board had not focused on functions, which were to be prioritised for implementation of the welfare schemes, through the MWS&AP, as directed by the Hon'ble Supreme Court.

Recommendation 4: The Board may prioritise implementation of schemes relating to priority functions, including Housing and Awareness.

3.4 Avoidable deduction of Income Tax

As per Section 18 (2) of the BOCW Act, the Board shall be a body corporate. Further, as per Section 10 (46) of the Income Tax Act, 1961, income arising to a body or authority or board or trust or commission, established or constituted by, or under a Central or State Act, or by a Central or State Government, with the object of regulating or administering any activity, for the benefit of the general public, would be exempted from tax, subject to the condition that the said entity is not engaged in any commercial activity. For this purpose, an application has to be filed before the Commissioner of Income Tax of the area concerned, followed by which the name of entity is to be published in the gazette of GoI, exempting the entity from income tax.

As per the BOCW Act, the Board is a body corporate, constituted under a Central Act, and works for the benefit of workers engaged in construction activities. Audit noticed that the bank had deducted ₹ 91.15 lakh, during FYs 2018-19 and 2019-20, as TDS, against income tax, from the bank account of the Board, operated for the Welfare Fund. The Board had not completed the required formalities, to get itself notified as an entity exempted from levy of Income Tax, even after 12 years of its creation (July 2008). The Board was also not in a position to claim the refund, as it was yet to be notified in the official gazette of GoI, as a tax exempted entity.

²⁰ (1) Bicycle assistance (2) Labour tool-kit assistance (3) Marriage assistance (4) Labour safety kit assistance (5) Sewing machine assistance and (6) Sarees/cloth for shirt pants distribution.

In reply, the Department stated (October 2023) that application for getting the name of the Board notified as an exempted entity under Section 10 (46) of the Income Tax Act 1961 has been submitted (June 2023).

The fact, however, remains that the Board had delayed applying for tax exemption, leading to avoidable deduction of TDS of ₹ 91.15 lakh from the Welfare Fund.

