

CHAPTER VI
FUNCTIONING OF
TNCWWB

CHAPTER VI

FUNCTIONING OF TNCWWB

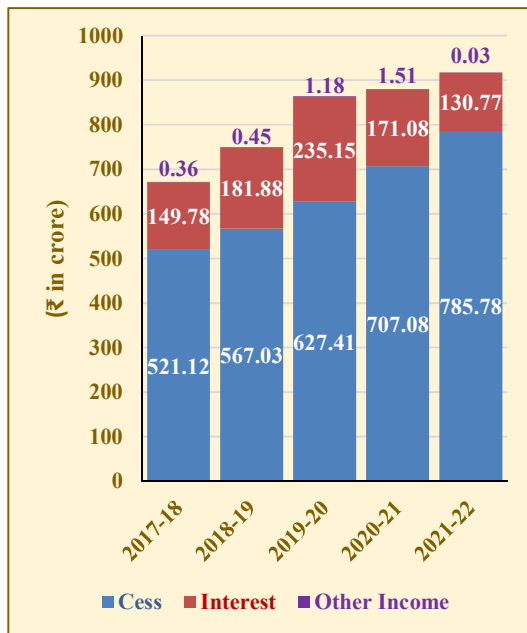
Non-preparation of budget during 2017-22 by TNCWWB impacted its financial management. Imprudent investment strategy had resulted in short realisation of interest on the investment of surplus funds. Inadmissible expenditure by TNCWWB caused an increase in the administrative expenditure, which exceeded the ceiling of five *per cent*. Defective/belatedly received Demand Drafts from Cess Remitting Agencies were not revalidated resulting in loss of large sums of money.

6.1 Financial Management

6.1.1 Receipts and Payments of TNCWWB

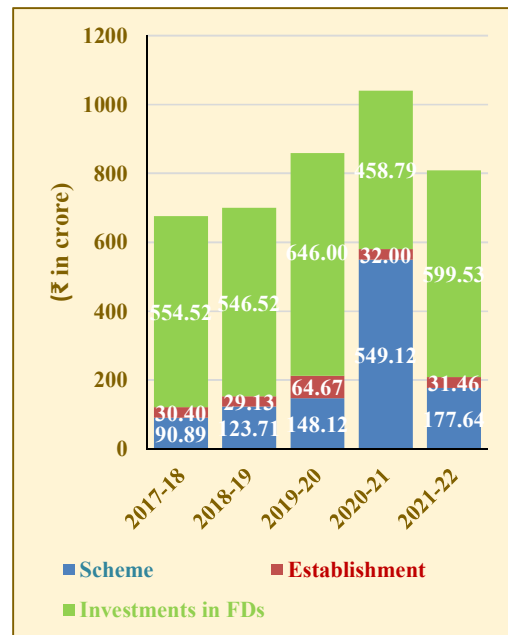
The receipts and payments of TNCWWB, for the period 2017-22, are given in Exhibits 6.1 and 6.2. A detailed statement of receipts and payments is given in Table 1.1.

Exhibit 6.1: Receipts for the period 2017-22
(₹ in crore)



(Source: Data furnished by the TNCWWB)

Exhibit 6.2: Payments for the period 2017-22
(₹ in crore)



Audit observed that during 2017-22, TNCWWB consistently made an average surplus of 69 *per cent* of receipts (₹561 crore) every year and the same was invested in Fixed Deposits (FD). The FDs at the beginning of Audit period was ₹1,360 crore and with an increase of ₹2,810 crore during 2017-22, the FDs position as of March 2022 was ₹4,170 crore.

6.1.2 Failure to estimate Labour Cess collection

Estimation of Labour Cess collection is a prerequisite for monitoring accurate collection of the due amount from all Establishments involved in construction of buildings. Audit observed that estimation of the anticipated collection was possible as the data on building plan approvals are available with the local bodies and the data on major government projects like roads, dams, etc., are available with the respective departments.

TNCWWB, however, did not estimate the anticipated collection of Cess amount so as to ensure that the amount actually being collected is fairly accurate with reference to the estimated collection. Failure to estimate the Labour cess collection had contributed to the deficiencies in the system of collection and remittance, such as non-collection, short-collection, non-remittance and misappropriation of Labour Cess, which have been commented in **Chapter III**. Further, non-estimation of Labour Cess collection had impacted preparation of budget as discussed in **Paragraph 6.1.3**.

6.1.3 Preparation of Budget

As per Clause 4(9)(b) of the TNCWWB Scheme, the TNCWWB has to prepare its annual budget and get it approved by the Board. Audit noticed that TNCWWB did not prepare the budget during 2017-22. Non-preparation of budget for 2017-22 resulted in non-assessment of surplus funds for making sound investment decisions, non-recovery of rent receivable from integrated complexes, incurring of entire administrative expenses of district offices by TNCWWB without recovery from other 17 Boards etc., as discussed in the succeeding paragraphs.

TNCWWB stated (September 2022) that budget was not prepared due to uncertainty in collection and remittance of Cess by the Local Bodies/other Agencies and in assessing the scheme assistances preferred by the construction workers. The reasons stated were not acceptable, as the receipts and payments could be reasonably estimated using previous year data and other factors.

GoTN replied (February 2023) that based on the Audit observations, a tentative Budget Estimate was prepared for the year 2022-23 and approved by the Board in its 36th Board Meeting held on 05 July 2022. Audit observed that the action taken was a positive step, but the system needs to be streamlined by preparing the budget based on inputs by field level officers.

6.1.4 Audit of Accounts of TNCWWB by CAG of India

As per Section 27 of BOCW Act enacted by GoI, the accounts of TNCWWB shall be audited by the CAG of India. However, GoTN, while notifying TNBOCW Rules, did not incorporate Section 27 of BOCW Act to enable audit of accounts by CAG. As a result, there is no provision to audit the accounts of TNCWWB. Later in January 2010 and in February 2012, Hon'ble Supreme Court issued directions to GoI and all State Governments/UTs on various measures to be taken up, which include audit by CAG, as stated below:

“(i) The CAG should audit the entire implementation of the Act and use of the funds (18 January 2010); (ii) All State Welfare Boards shall be subjected to audit by the CAG within two months from today. All states/UTs and State Boards to initiate the process and ensure its completion under provisions of Section 27 of the Act (07 February 2012).”

Pending amendment of TNBOCW Rules by GoTN, based on Hon'ble Supreme Court directions, Audit was taken up by CAG in November 2011. Since then, Accounts of TNCWWB have been audited for the period 2007-08 to 2021-22. Concurrently, the matter was taken up with the Government by Principal Accountant General (PAG) (Audit-I), Tamil Nadu in July 2013, April 2017, September 2021 and January 2023 for making suitable amendments as per Hon'ble Supreme Court directions.

GoTN replied (December 2021) that GoI has enacted Occupational Safety, Health and Working Conditions Code, 2020 by subsuming 13 labour enactments including BOCW Act and GoI might repeal BOCW Act. GoTN further requested (December 2021) the Principal Accountant General to take up Audit under Section 20(2) of CAG's (DPC) Act.

Audit observed that as of now, despite a lapse of 10 years after the issuance of directions by Hon'ble Supreme Court to GoTN to initiate process under Section 27 of BOCW Act, amendment was not made (February 2023) in TNBOCW Rules to facilitate CAG's audit. CAG audits TNCWWB by way of an entrustment under Section 20(2) of CAG's (DPC) Act, rather than under the strength of a statutory provision as envisaged in BOCW Act.

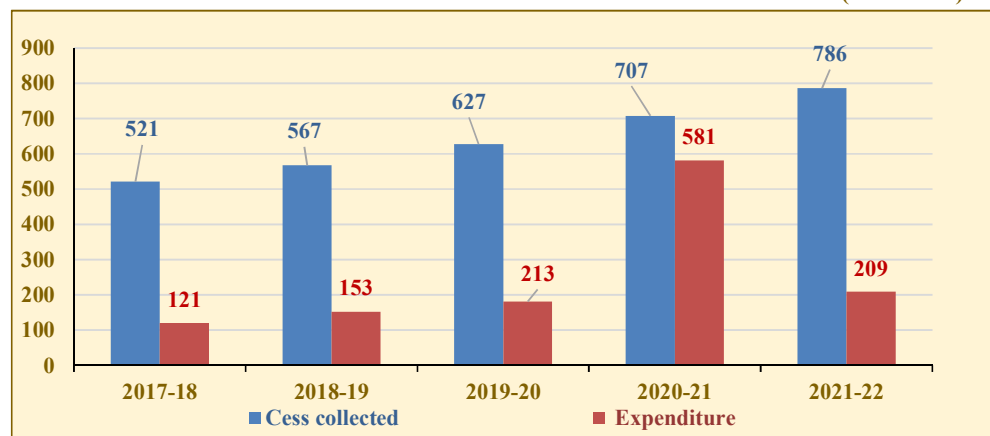
During the Exit Conference, the ACS to Government directed Secretary, TNCWWB to propose suitable provisions in State Act/Rules for taking up audit by CAG.

6.1.5 Imprudent Fund Management - loss of interest ₹309 crore

Accumulation of investable surplus funds: The expenditure of TNCWWB on various welfare assistance schemes for the construction workers and other administrative expenditure is met from Cess collections and interest receipts. As on 31 March 2022, TNCWWB had a deposit of ₹4,170 crore, which had accumulated over the years. The amount kept in FDs during the audit period had increased from ₹1,360 crore in April 2017 to ₹4,170 crore as of March 2022, an increase of ₹2,810 crore. The Cess collection and scheme expenditure for 2017-22 are compared in **Exhibit 6.3**.

Exhibit 6.3: Comparison of Cess collection and expenditure during 2017-22

(₹ in crore)



(Source: Details furnished by TNCWWB)

It is noticed that Cess collection alone (excluding interest receipts) was consistently more than the expenditure on welfare schemes and administrative expenditure of TNCWWB. The average surplus was around ₹561 crore each year. Therefore, it is imperative that TNCWWB need to make prudent decisions relating to investments. The issues noticed in the investment of surplus funds is discussed below:

Present investment procedure: There is no defined investment policy for TNCWWB and as per the Board’s resolution dated 05 January 1996, the fund has to be invested only for one year FD in the Banks and three years FDs with Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFDCL). Accordingly, TNCWWB invested surplus amounts into FDs with Nationalised Banks for one year and TNPFDCL for three years, as given in **Appendix 6.1** and received an interest of ₹792.92 crore during the period 2016-22 (**Table 6.1**).

Table 6.1: Interest received by TNCWWB during 2016-22

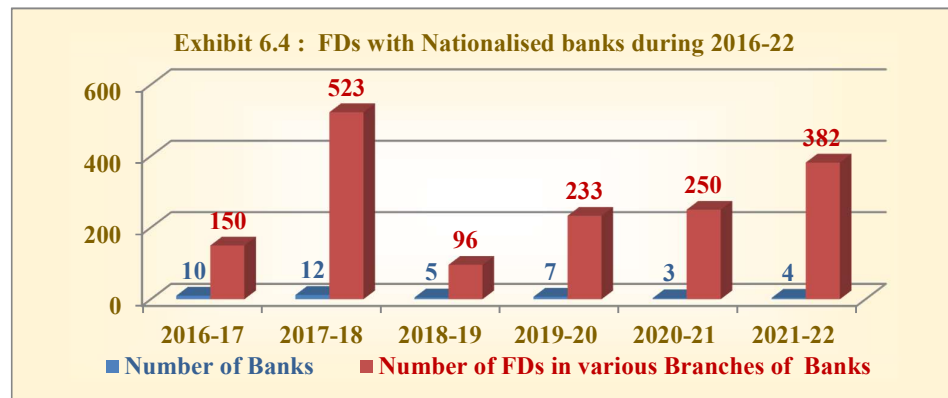
(₹ in crore)

Year	FD with Bank as on end of March	Interest received	FD with TNPFDCL as at the end of March	Interest received
2016-17	747.80	52.12	611.92	85.27
2017-18	1,547.20	94.73	367.03	77.17
2018-19	2,323.70	96.24	142.05	45.03
2019-20*	2,566.75	219.84	545.00	Nil
2020-21*	2,720.54	122.52	850.00	Nil
2021-22	3,320.07	585.45	850.00	207.47
	(as of 31/03/2022)		(as of 31/03/2022)	
FD as of 31/03/2022 (₹3,320.07 + ₹850)				4,170.07
Total Interest received during the period 2016-22 (₹585.45 + ₹207.47)				792.92

* The FDs were placed for three year period, hence interest not received.

(Source: Annual Accounts and details furnished by TNCWWB)

Further, Audit noticed that the FDs are invested in many branches of banks all over Tamil Nadu. Number of banks and their branches wherein FDs were made during 2016 - 22, are given in **Exhibit 6.4**.



(Source: Details furnished by TNCWWB)

The number of banks in which FDs made were three to 12 during 2016-22; but the number of FDs with various branches of banks were ranging from 96 to 523 in a year. As the rate of interest offered by a bank remained the same in all its branches at a given point of time, there was no need for making FDs in different bank branches all over the State. This would make the process cumbersome besides being unsafe in handling these instruments.

Imprudent investments: As discussed in the foregoing sub-paragraphs, large sums are kept in FDs with TNPFDCL and Nationalised banks, and about ₹200 crore is retained in Current Account/Savings Bank Account, to meet immediate expenditure requirements.

Audit observed that:

- The percentage of surplus funds invested in TNPFDCL ranged from 6 to 45 *per cent* during 2016-22. TNCWWB did not have a policy on the percentage of surplus funds to be invested in TNPFDCL, which yields 1.52 *per cent* to 3.8 *per cent* higher interest than Nationalised banks.
- It is a normal procedure for educational institutions like IIT Madras to invest their surplus funds in long term Government Bonds [Tamil Nadu State Development Loans (SDL)]. TNCWWB did not probe such long-term options but kept investing in one year bank FDs.
- The average monthly outgo on schemes and administrative expenditure during 2021-22 was around ₹10 crore to ₹18 crore. As such, Audit considered it imprudent to keep around ₹200 crore in Current Account throughout the Audit period.

Audit calculated that TNCWWB incurred an estimated interest loss of ₹309 crore due to imprudent investment, as given in **Appendix 6.2**. The calculation was based on a more prudent investment basket as suggested below:

- (i) Fund required for three months expenditure (Scheme and establishment excluding extraordinary expenses like COVID) plus 10 *per cent* of previous year's expenditure to be kept in Current Account for contingency.
- (ii) Fund required for one year of schemes and administrative expenditure of previous year plus 10 *per cent* in bank FD with one year maturity.
- (iii) One third of the balance fund to be invested in three-year FDs with TNPFDCL and the balance funds in Government bonds like SDL, etc.

GoTN replied (February 2023) that as per Audit suggestion, the rate quotes for the investment amount of ₹10 crore, ₹25 crore and ₹50 crore for the period of one, two and three years have been called for from all the five Nationalised banks and invested in the Bank quoting the highest rate quote on the day of investment for minimising the number of FDs.

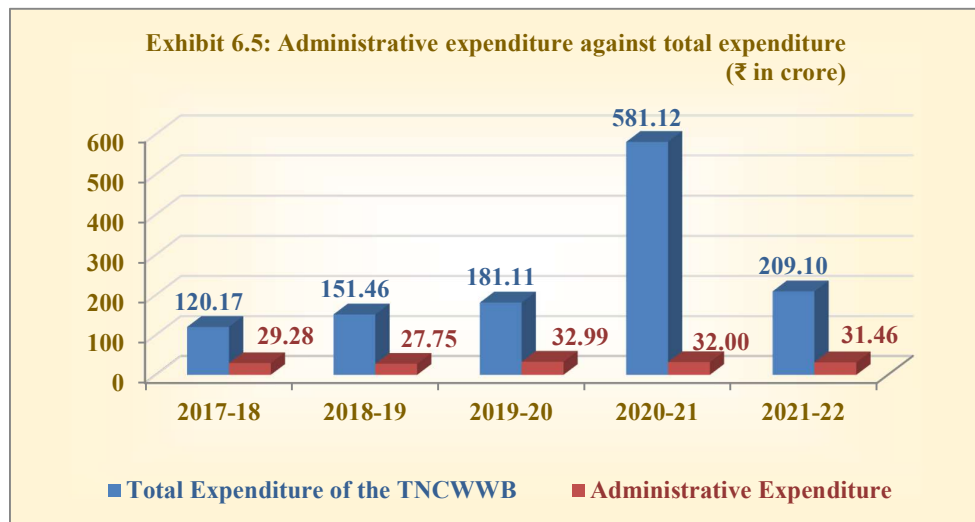
Non-constitution of Investment Committee: The current system of investment involves making FDs for one year in Nationalised banks and three-year FDs in TNPFDCL. TNCWWB did not have an Expert Investment Committee or similar arrangement to decide on the investments. Thus, the

present system lacks transparency and accountability as the selection of Banks for FDs were limited to Canara Bank, Union Bank of India, Bank of India and Indian Bank in which TNCWWB has current accounts. Further, some of the prominent Nationalised banks such as State Bank of India, Punjab National Bank, Bank of Baroda, Central Bank of India, Indian Overseas Bank, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank were kept out of the selection process during 2020-21 and 2021-22.

GoTN replied (February 2023) that necessary steps will be taken to address this issue.

6.1.6 Administrative expenses in excess of the ceiling

As per the directions of the Hon'ble Supreme Court (March 2018), the administrative expenditure of Welfare Boards should not exceed five *per cent* of its total expenditure. Audit scrutiny revealed that the administrative expenditure exceeded five *per cent* of the total expenditure in all five years (2017-22) as given in **Exhibit 6.5**.



(Source: Data furnished by the TNCWWB)

Despite clear instructions by the Hon'ble Supreme Court on various occasions, TNCWWB continued to incur excess expenditure, which included inadmissible expenditure on administering schemes implemented by 17 other Welfare Boards, as discussed in the succeeding paragraphs.

TNCWWB replied (December 2022) that there is no such provision in the State Act/Rules. The reply established that TNCWWB was not only violating the orders of the Hon'ble Supreme Court, but also had no intention to bring down the administrative expenditure.

6.1.7 Inadmissible administrative expenditure incurred for other Boards not refunded - ₹60.87 crore

The ACL-SSS at 40 district offices are involved in registration/renewal and providing scheme assistances of all 18 Boards (**Appendix 1.1**) functioning under LW&SDD. Administrative control of these 18 Boards is handled by Secretaries of two Boards *viz.*, TNCWWB and TN Manual Workers Welfare Board (for other 17 Boards). The officials at these district level offices are

TNCWWB employees, deputationists from LW&SDD and Finance Departments and workers on daily wages. The work allocation for these officials at each district offices are registration/renewal and processing the claims of the beneficiaries on various types of assistances provided not only by TNCWWB but also by other 17 unorganised workers Boards coming under TN Manual Workers Welfare Board.

The expenditure at the district offices were of two categories - one for the scheme and one for administrative expenses and the sharing pattern for such expenditure is given in **Table 6.2**.

Table 6.2: Expenditure shared between TNCWWB and TNMWB

Type of expenditure	TNCWWB	TNMWB
Scheme assistance	Borne by TNCWWB for its registered workers	Borne by TNMWB for its registered workers
Administrative expenses	Fully borne by TNCWWB	No Administrative expenses is borne by TNMWB. (Only negligible portion of expenditure such as Broadband charges (at 20:80 by TNMWB and TNCWWB) and vehicle maintenance (100 per cent) are shared by TNMWB)

(Source: TNCWWB records)

Audit found that the number of registered workers of TNCWWB and TNMWB as on 31 March 2022 was 19.30 lakh (51 per cent) and 18.76 lakh (49 per cent) respectively. The workload for the two Boards, based on scheme assistance provided for the five-year period, is given in **Table 6.3**.

Table 6.3: Comparison of Boards for assessing the workload of 40 ACL-SSS offices at districts

Board	TNCWWB		TNMWB (17 welfare Boards)		Total	
	Beneficiaries (Numbers in lakh)	Amount (₹ in crore)	Beneficiaries (Numbers in lakh)	Amount (₹ in crore)	Beneficiaries (Numbers in lakh)	Amount (₹ in crore)
2017-18	1.93	90.08	2.30	84.29	4.23	174.37
2018-19	1.94	111.63	2.46	84.16	4.40	195.79
2019-20	1.78	118.73	2.78	141.75	4.56	260.48
2020-21	0.42	150.08	1.82	197.66	2.24	347.74
2021-22	1.52	161.20	2.54	137.82	4.06	299.02
Total	7.59	631.72	11.90	645.68	19.49	1,277.40
Percentage	39	49	61	51	100	100

(Source: Policy Notes 2018-19 to 2022-23)

As may be noticed from **Table 6.3**, the number of beneficiaries and the amount of scheme assistance to beneficiaries for the two Boards are roughly equal and hence the administrative expenditure should have been shared proportionately or equally between TNCWWB and TNMWB. As a result of non-sharing of expenditure with TNMWB, TNCWWB incurred an excess expenditure of ₹60.87 crore, as detailed in **Appendix 6.3**.

Audit observed that incurring of expenditure for other Boards was against the objectives of the TNCWWB and in violation of Hon'ble Supreme Court instructions. Further, had the excess expenditure been recovered from TNMWB, the administrative and other expenditure of TNCWWB during 2017-22 could have been reduced from 12.35 *per cent* to 7.45 *per cent* of total expenditure.

GoTN replied (February 2023) that the TNCWWB's proposal (December 2022) to bear 75 *per cent* of the administrative expenses incurred by the District ACL-SSS Offices was under consideration.

The reply is an admission of GoTN in burdening TNCWWB with administrative expenditure of the other 17 Boards. The reply, however, lacks justification as there was no basis for the proposal to bear only 25 *per cent* of the administrative expenditure pertaining to 17 other Boards instead of 50 *per cent*.

6.1.8 Avoidable income tax demand of ₹396 crore

TNCWWB was registered as a Charitable Trust (December 2003) under Section (u/s) 12AA of the Income Tax Act, 1961 (IT Act) and exemption applicable to charitable institutions was obtained. Later, Section 10 (46) was introduced in June 2011 which is more relevant to the TNCWWB's activities and unlike Section 12AA, u/s 10 (46), total exemption is available to specified income arising to a Body or Authority or Board or Trust or Commission constituted by the Central/State Government, with the object of regulating or administering any activity for the benefit of the public. Under this section, IT exemption was given to West Bengal BOCW Board from 2011-12.

In November 2017, TNCWWB applied for exemption u/s 10(46) of IT Act. However, approval was denied (December 2017) by IT Department stating that the approval u/s 10 (46) of the Act shall not be applicable to an entity which had already been granted registration u/s 12AA of the Act and the said registration was continued to be in force.

Subsequently, in the Finance Bill 2020-21, it was notified that even a Trust, which was registered u/s 12AA, can apply for exemption u/s 10(46) of the IT Act with effect from 01 June 2020. A demi-official letter was sent through the Chief Secretary of the Government to the Chairperson of the Central Board of Direct Taxes, New Delhi to revive the application already submitted by TNCWWB and grant exemption u/s 10 (46) of the IT Act. Exemption u/s 10(46) of the IT Act was later granted in April 2022 with effect from June 2020 only.

The Labour cess collected was incorrectly taken to corpus fund in the Balance Sheet instead of treating it as regular income in the Income and Expenditure account. This incorrect accounting treatment had been regularly commented in the Separate Audit Reports issued from the year 2012-13. IT Department contested that the incorrect treatment was intended to avail the income tax benefit u/s 12AA and stated that the Cess collection was not voluntary and thus exemption u/s 12AA is not applicable. Therefore, the IT Department issued

demand notice to TNCWWB for ₹170.53 crore and ₹225.53 crore for the Assessment Years (AY) 2017-18 and 2018-19 respectively. TNCWWB paid a deposit amount of ₹31.68 crore (adjusting TDS receivable of ₹3.03 crore *plus* interest), being the 20 *per cent* of the disputed amount (₹170.53 crore x 20 *per cent*) for the AY 2017-18 in February 2020 to IT Department for filing appeal against the above order.

The failure of the TNCWWB to get registered u/s 10(46) of IT Act in time and obtain exemption resulted in:

- (i) Avoidable tax liability of ₹396 crore for AY 2017-18 and 2018-19.
- (ii) Locking up of deposit amount of ₹34.71 crore for more than two years.
- (iii) Loss of interest of ₹8.97 crore for the deposit amount of ₹31.68 crore (excluding TDS amount which is separately commented in **Paragraph 6.1.9**).

TNCWWB replied (December 2022) that only after the introduction of Finance Bill 2020-21, the exemption u/s 10(46) was available for those who have already claimed exemption u/s 12AA.

The reply is not tenable as the above restriction was imposed only in Finance Act 2014 (with effect from 01 April 2015). Section 10(46) was introduced in November 2011 itself i.e. long before the introduction of above restriction. Hence, TNCWWB could have obtained exemption u/s 10(46) between November 2011 and March 2015, like West Bengal BOCW Board.

Subsequently, GoTN replied (February 2023) that TNCWWB has issued work order (November 2022) to its Chartered Accountants to obtain exemption u/s 10(46) of the IT Act retrospectively from the financial year 2015-16 to 31/05/2020. Results of the action taken by TNCWWB is awaited (March 2023).

6.1.9 Avoidable locking up of funds with Income Tax Department ₹9.57 crore resulting in loss of interest ₹2.37 crore

During 2016-22, interest income of TNCWWB was exempted u/s 12AA of the IT Act till June 2020 and thereafter u/s 10(46) of the IT Act.

TNCWWB is regularly investing its surplus funds every year with Nationalised Banks and TNPFDCL. Exemption certificates were communicated to all banks by the TNCWWB for non-recovery of Tax Deducted at Source (TDS) on FD interest. However, during the period from 2016-17 to 2021-22, TDS amount of ₹11.69 crore was deducted by some of the banks²⁷ and a refund of ₹2.12 crore was received from IT Department. A sum of ₹9.57 crore is still pending as of March 2023 and to that extent TNCWWB funds were locked up as given in **Table 6.4**.

²⁷ Branches of Canara Bank, Syndicate Bank, Union Bank of India, Punjab National Bank and Tamil Nadu Power Finance Corporation.

Table 6.4: Locking up of TDS with Income Tax Department and loss of interest

(₹ in crore)

Year	2017-18	2018-19	2020-21	2021-22	Total
TDS yet to be received from IT Department ²⁸	3.04	1.12	0.22	5.19	9.57
Investment month	April 2018	April 2019	April 2021	April 2022	
Interest rate as per SDL (half yearly basis)	8.28	8.37	6.73	7.24	
Period of investment (in years)	5	4	2	1	
Interest loss (Up to March 2023)	1.53	0.43	0.03	0.38	2.37

(Source: Audit working of records furnished by department)

Audit worked out the loss of interest due to locking up of funds with the IT Department as ₹2.37 crore. As TNCWWB invested multiple FDs (an average of 250 FDs per year) with various branches of Nationalised banks all over Tamil Nadu, there was laxity on the part of TNCWWB in monitoring TDS recovery by the branches of above-mentioned banks.

During the Exit conference, the ACS to Government stated that action is being taken to limit the number of FDs and the number of bank branches, in which FDs are deposited, for proper monitoring of incorrect deduction of TDS.

6.1.10 Unencashed time-barred/returned DDs - loss of revenue - ₹13.47 crore

Labour cess is remitted into the bank account of TNCWWB by various Local Bodies, Government institutions, PSUs and individuals through DDs or ECS.

The scrutiny of Cess collection through DDs revealed that 25,665 DDs (₹36.56 crore) had been sent by TNCWWB for revalidation/issue of fresh DDs, out of which 11,360 DDs worth ₹13.47 crore were yet to be received back as of March 2023, as detailed in **Table 6.5**.

Table 6.5: Unencashed time-barred/returned DDs

(₹ in crore)

Year	Number of DD's returned	Value of DDs	Number of DDs revalidated	Value of DDs revalidated	DDs to be received back	Value of DDs pending
Up to 2016-17	15,371	13.00	8,904	7.34	6,467	5.66
2017-18	2,570	4.16	1,092	2.21	1,478	1.95
2018-19	2,197	2.72	833	1.17	1,364	1.55
2019-20	1,558	5.03	1,127	4.09	431	0.94
2020-21	2,216	6.78	1,326	4.95	890	1.83
2021-22	1,753	4.88	1,023	3.34	730	1.54
Total	25,665	36.57	14,305	23.10	11,360	13.47

(Source: Information furnished by TNCWWB)

²⁸ TDS was not deducted for 2016-17 and 2019-20.

GoTN replied (February 2023) that action (grouping of pending DDs Local Body wise/Government Agencies-wise/Bank-wise) has been initiated to take up the matter to the next higher authority concerned.

Audit observed that delay in receipt of DDs from Local Bodies and defective DDs were the main reasons for this issue which had resulted in loss of ₹13.47 crore.

6.1.11 Loss of revenue due to non-fixing of rent - ₹31.41 crore

TNCWWB funds of ₹44.24 crore were diverted, in violation of TNCWW scheme guidelines and the directions of Hon'ble Supreme Court, for construction of 19 Integrated Labour Complexes to house Government offices. This was also commented in the CAG's Audit Report²⁹ for the year ended March 2018. Construction of office buildings to accommodate various Labour offices, including TNCWWB office, at 19 districts with TNCWWB funds on Government land without transferring title to TNCWWB was highlighted in the Audit Report.

During Audit scrutiny, LW&SDD agreed (November 2021) for the payment of rent by other offices of LW&SDD, which had been occupying the 19 integrated complexes, in accordance with the area of occupation after fixing rent in consultation with PWD.

Audit observed that, even after a lapse of three years of occupation by other offices, the PWD rent is not yet assessed and fixed for the 19 buildings and no rent was collected by TNCWWB. Audit worked out loss of revenue due to non-collection of rent based on the rent assessed by PWD at two Integrated Labour Complexes, one at Virudhunagar (Municipal Area - Rent per sq.m - ₹114) and the other at Tiruchirappalli Corporation Area - Rent per Sq.m - ₹304). The approximate loss due to non-assessment and collection of rent till March 2023 was ₹31.41 crore, as detailed in **Appendix 6.4**.

GoTN replied (February 2023) that this issue was under consideration.

6.1.12 Unfruitful administrative and maintenance expenses on dormitories at Thaiyur and Ezhichur - ₹1.80 crore

A Paragraph on two dormitories at Ezhichur and Thaiyur, constructed by TNCWWB at a cost of ₹31.66 crore, to provide temporary accommodation for construction workers lying idle as of October 2021 has been included in the CAG's Compliance Audit Report³⁰ for the year ended March 2021. In January 2022, GoTN had replied that due to COVID 19, the Government is keeping these dormitories as reserve centres for treatment facilities or boarding facility for Chennai and Chengalpattu districts and the centres would be used once the pandemic was over. In the meanwhile, TNCWWB had incurred a sum of ₹1.80 crore as administrative and maintenance expenditure³¹ from their respective date of taking over from PWD up to March 2023.

²⁹ Paragraph No. 3.3.2 of Report No 1 of 2020-General & Social Sector Audit, GoTN.

³⁰ Paragraph No 3.2.1 of Report No. 7 of 2022 – Compliance Audit, GoTN.

³¹ Ezhichur ₹0.96 crore from June 2019 to March 2023 and Thaiyur ₹0.84 crore from April 2020 to March 2023.

In December 2022, Audit undertook Joint Physical Verification, with the ACL-SSS, Kancheepuram for Ezhichur and ACL-SSS, Chengalpattu for Thaiyur, to ascertain the latest position regarding utilisation of two dormitories. The Joint Physical Verification revealed that despite incurring administrative and maintenance expenditure of ₹1.80 crore after taking over of the dormitories by TNCWWB, the dormitories were kept unoccupied as of March 2023, rendering the maintenance expenditure unfruitful. (Exhibits 6.6 and 6.7).

Exhibit 6.6: Dormitory at Thaiyur, Chengalpattu District



Exhibit 6.7: Dormitory at Ezhichur, Kancheepuram District



(Source: Joint Physical Verification with TNCWWB officials)

GoTN replied (February 2023) that a proposal for using the dormitory at Thaiyur for imparting skill training to the construction workers is under process. Audit observed that the objective of the dormitories was not achieved due to poor planning.

6.1.13 Delay in rolling out of Integrated Application Software

In July 2016, GoI accorded approval for development of an Integrated Application Software at a cost of ₹1.05 crore. The key objectives of the Project were to enable online approval of registration, renewal, claims etc, to provide Management Information System Reports and to provide for online Cess collection.

Delays and other issues noticed in rolling out of the Integrated Application Software are discussed below:

(i) TNeGA informed (September 2016) that the development of software for online services would be implemented as part of e-District project and later informed (February 2017) that they could be rolled out only through e-Sevai centres and not through Web portal of the Boards. Hence, it was decided to take up the task of development of Software through Web portal as a separate task. Accordingly, a Letter of Authorisation was issued in September 2019 to a System Integrator to take up the work and the services were made available from 19 June 2021.

(ii) The Integrated Application Software did not cater to the requirement of online collection of Cess, as originally envisaged.

During the Exit Conference, the ACS to Government stated that Accounts and Cess modules were under implementation.

6.2 Human Resource Management

TNCWWB and District offices consisted of the officials on deputation from LW&SSD and Finance Department, TNCWWB appointed officials and contract workers. The sanctioned strength, Persons-in-position (PIP) and vacancy position of TNCWWB and District offices are given in **Table 6.6**.

Table 6.6: Sanctioned Strength, PIP and vacancy position at TNCWWB

Employees	Sanctioned	PIP	Vacant
On Deputation	15	14	1
Appointed by TNCWWB	28	4	24
Contract posting (Personal Secretary to Chairman)	1	1	0
Total	44	19	25
At ACL-SSS district offices	470	240	230
Grand Total	514	259	255

(Source: Data furnished by TNCWWB)

6.2.1 Excess recruitment of contractual staff

In addition to the above, staff on daily wages were employed in TNCWWB (38 numbers) and ACL-SSS offices (534 numbers). Cadre-wise sanctioned strength is mentioned in **Appendix 6.5**. Audit scrutiny revealed that:

- In TNCWWB, as per sanctioned strength, there is a shortage of 24 persons in the Junior Assistant/Data Entry Operator cadre and in district ACL-SSS office, there is a shortage of 230 officials.
- In TNCWWB, 24 persons and in district ACL-SSS offices, 452 persons are employed on daily wages in the cadre of Junior Assistant/Data Entry Operator. There was an excess of 222 contract workers being operated over and above the sanctioned strength.
- The district offices look after the functions of 17 boards in addition to TNCWWB.

- It was also noticed that the approval of TNCWWB was not obtained for the engagement of daily wages. The last approval was made in October 2007.

Against vacancies, a greater number of persons were recruited on contract terms. TNCWWB did not obtain approval/ratification for the excess operation of posts from its Board/GoTN since October 2007.

GoTN replied (February 2023) that ratification for the excess operation of post will be placed before the Board and then submitted to the Government. The reply was silent on filling up of vacancies and the reasons for excess staffing through hiring of daily wage staff.

6.2.2 Non-appointment of Inspectors

Section 16 of the TNMW Act and Rule 23 of TNMW Rules enables appointment of Inspectors for field level monitoring which could help to avoid the issues in registration of establishments and workers, which are pointed out in **Chapter III**. Non-appointment of Inspectors was also pointed out in CAG's Audit Report for the year ended March 2013. TNCWWB, however, had not appointed any Inspectors in the field. On being pointed out, TNCWWB replied that a proposal has been sent (November 2022) to Government for appointing Inspectors.

Due to failure in monitoring by establishment level Inspectors, survey could not be conducted for registration of workers and no system existed for watching of Cess collection.

Other issues such as refund of Cess, wrong remittance of Cess into Government account, non-reimbursement of expenditure by 17 Boards, non-receipt of rent, obtaining data on employer/workers from DISH, etc., could have been addressed to the benefit of TNCWWB by appointing Inspectors.

6.3 Monitoring

6.3.1 Deficiencies in Internal Control Mechanism

The following deficiencies in internal control mechanism were noticed:

- There is no reconciliation of Cess collected from different offices due to non-furnishing of details of remitters. As a result, TNCWWB could not properly issue receipts for the Cess amount received.
- There are two separate entities involved in registration of establishments and registration of construction workers viz, DISH for registering establishments and TNCWWB for registration of construction workers. There was no co-ordination between the two institutions, as discussed in **Chapter III**.
- TNCWWB did not have a system for Internal Audit.
- There was no system for analysis of registration and scheme assistance data. This had resulted in payments made to ineligible persons, as discussed in **Chapter V**.

- TNCWWB is providing funds to various programmes such as MHCs, TAC, Training programme by Skill Development Corporation, Amma Canteen, etc. In such cases, no MoU was entered with them for proper execution and periodical rendering of UCs, audited accounts and reports on physical and financial progress.

GoTN accepted (February 2023) the Audit observations and stated that necessary steps would be taken to address the issues highlighted by Audit. Results of the action taken are awaited (March 2023).

6.3.2 State Advisory Committee

State Advisory Committee was constituted in 2014 and reconstituted again only in November 2022. The non-official members of State Advisory Committee, who were to be nominated every three years, were not nominated during the period of eight years (2014-2022). During 2017-22, only one meeting was conducted (November 2020) as against prescribed 20 meetings, resulting in non-discharge of the mandated functions as contemplated in the TNMW Act.

6.3.3 Monitoring by the Expert Committee

As per Section 5 of BOCW Act, the Government may constitute one or more Expert Committees consisting of persons specially qualified in building or other construction work for advising Government for making Rules under this Act. Hon'ble Supreme Court has also directed (March 2018) all States to constitute Expert Committee and frame statutory Rules under Section 62 of the BOCW Act.

In pursuance of the above Section, an Expert Committee was constituted in August 2017 and the committee has to meet once in six months. The term of the Committee was fixed as three years. Since the constitution of Expert Committee, only one meeting was conducted (on 07/08/2017) and the term of the committee also expired in August 2020.

GoTN replied (February 2023) that action was being initiated for re-constitution of Expert Committee.

6.3.4 Functioning of District Monitoring Committees

Government had issued (September 2015 and January 2019) orders for establishment of District Monitoring Committees (DMC) headed by the District Collectors, for monitoring the timely disbursement of benefits to the registered workers and pensioners. The functions of the Committee include monitoring all aspects of the function of TNCWWB at district level.

GoTN had established DMCs at district level in all the sampled districts and were to meet every month. Test check of sampled districts revealed that, as against 12 meetings to be conducted every year, an average of one meeting was only conducted, as given in the **Table 6.7**.

Table-6.7: DMC meetings conducted in the sampled districts for 2017-22

Sl. No.	District	2017-18	2018-19	2019-20	2020-21	2021-22	Total	Percentage to target
1	Chennai	3	3	1	1	0	8	13
2	Cuddalore	3	3	3	0	0	9	15
3	Dharmapuri	0	0	0	0	0	0	0
4	Dindigul	2	3	1	0	0	6	10
5	Kanniyakumari	5	3	1	0	1	10	17
6	Kancheepuram	1	2	2	0	0	5	8
7	Salem	0	0	1	1	0	2	3
8	Tiruchirappalli	2	1	1	0	0	4	7
9	Tirunelveli	3	3	1	0	0	7	12
10	Tiruvannamalai	4	3	1	1	0	9	15
	Total meetings	23	21	12	3	1	60	10

(Source: Details furnished by ACL-SSS district offices)

The meetings in a year ranged from NIL (Dharmapuri) to a maximum of five (Kanniyakumari) and the average for 10 sampled districts ranged from NIL (Dharmapuri) to 17 per cent (Kanniyakumari).

Audit observed that the poor functioning of DMCs had contributed to non-addressing of the delays in extending scheme benefits to eligible workers, as commented in **Chapter V**.

GoTN replied (February 2023) that all the District Collectors were directed (February 2023) to convene DMC meetings periodically and closely monitor the Scheme.

6.3.5 Information, Education and Communication activities

The Information, Education and Communication (IEC) strategy aims to create awareness and disseminate information on various provisions of the Act/Rules and various welfare measures available under TNCWW scheme being implemented by TNCWWB/DISH/Department.

The following IEC activities are suggested in the MMP framed by GoI:

- (i) Awareness campaigns through Posters/wall writings/SMS/social media/TV talk shows/Toll Free/Helplines/Portals/Apps.
- (ii) Establishing sufficient number of Helpdesks and publicising the contact numbers of officials, authorities and offices of TNCWWB, ACL-SSS, Officials of DISH, etc. at prominent places.
- (iii) The Urban Local Bodies, Gram Panchayats and Gram Sabhas should be involved in conducting awareness programs including awareness camps.

TNCWWB did not formulate any annual IEC plan and as a result, it did not carry out IEC activities during 2017-22. The above-mentioned IEC activities were not carried out except creating a toll-free number and conducting few awareness camps.

During a check of sampled district offices, Audit noticed that in 9 out of 10 districts, awareness camps were not conducted except Tiruvannamalai, where 30 camps were conducted, and 2,451 workers registered. During audit of

sampled Local Bodies, Audit noticed that the LBs and contractors did not even know about DISH, who is the registering authority for establishments and employers.

Implementing a proper IEC plan would not only increase the coverage of construction workers but also improve the Cess collections.

GoTN replied (February 2023) that the issue was under consideration.

6.3.6 Social Audit

Social Audit is an assessment of how well a Programme, Project or Activity is performing from the beneficiary point of view. Social Audit focusses more on issues such as awareness, physical verification, grievance redressal and feedback about the programmes.

The Hon'ble Supreme Court, in March 2018, directed that all State Governments and Union Territories should conduct Social Audit by adopting CAG's guidelines for conducting Social Audit so that there is a better and meaningful implementation of BOCW Act.

Audit noticed that no Social Audit has been conducted so far.

TNCWWB replied (October 2022) that comments for a framework for implementation of Social Audit was submitted to the Commissioner of Labour in 2020. Audit observed that even after a delay of more than four years, the directions of Hon'ble Supreme Court were not complied with.

6.3.7 Grievance Redressal Mechanism

A grievance redressal mechanism is essential in every beneficiary-oriented scheme so as to ensure the proper and timely delivery of services to the intended beneficiaries in a transparent manner. The grievance redressal mechanism of DISH and TNCWWB were reviewed, and the following observations are made.

DISH: Grievances of workers pertaining to the provisions under BOCW Act were directly received by DISH office or through 'Mudalvarin Mugavari' (CM Helpline) portal or through GoI's CPGRAMS³² portal.

DISH stated that 101 complaints were received, and suitable action were taken to resolve the complaints by inspecting the construction sites. However, as DISH did not maintain nor provide the details of such complaints, Audit could not verify whether the complaints were resolved in time to the satisfaction of complainants.

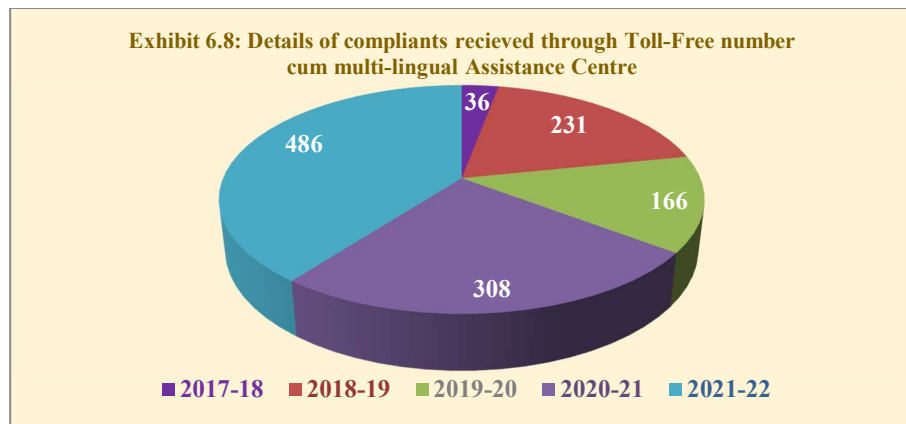
TNCWWB and District offices: TNCWWB did not produce the registers/records of complaints received and action taken thereof. Audit noticed that there was no separate Grievance Redressal Mechanism in place, either at TNCWWB or at district offices. However, TNCWWB replied (December 2022) that DMCs have been established at all districts to resolve complaints every month.

³² Centralised Public Grievance Redress and Monitoring System.

Audit observed that grievance redressal was not a prescribed function of DMCs and DMCs were not very active, as discussed in **Paragraph 6.3.4**. Further, ACL-SSS had not maintained proper records to receive, record and resolve the complaints lodged by individuals.

6.3.8 Functioning of Toll-Free number cum multi-lingual Assistance Centre

A toll-free number cum multi-lingual Assistance Centre (1800-425-2650) was functioning with effect from 04 August 2017. The Centre initially commenced functioning with three phone attendants who could handle calls in Tamil, Telugu and Hindi. However, only one attendant was retained as no calls were received in Hindi and Telugu. The details of complaints received are detailed in **Exhibit 6.8**.



(Source: Details furnished by Tamil Nadu Academy of Construction)

The toll-free numbers were providing only information about the scheme benefits. Complaints/grievances, if any, were requested to be made with the concerned ACL-SSS offices. This system did not address the complaints of the workers.

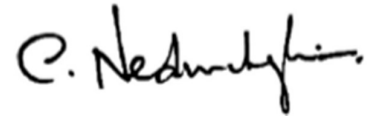
GoTN replied (February 2023) that an ‘Online Grievance redressal module’ has been launched with effect from 27 October 2022 for the redressal of complaints from the Unorganised Welfare Board Workers regarding Registration, Renewal and Welfare Scheme Assistances. Audit, however, reiterates that TNCWWB did not maintain any data/record on disposal of grievances, and hence the online system could not be considered effective.

6.4 Conclusion

Non-preparation of budget during 2017-22 impacted the financial management of TNCWWB. Imprudent investment strategy had resulted in short realisation of interest on the investment of surplus funds. Inadmissible expenditure by the Board caused increase in the administrative expenditure, which exceeded the ceiling of five *per cent*.

6.5 Recommendations

- Government should direct TNCWWB to collect inputs about the contractors carrying out construction works and estimate the annual Labour Cess collection due to it. This should help TNCWWB to monitor the actual collection with reference to the estimates.
- Government should direct TNCWWB to formalise its investment policy after an in-depth analysis of cash flow.
- Government should immediately stop the practice of making TNCWWB bear the entire administrative cost of all other Boards and ensure adherence to the directions of the Hon'ble Supreme Court to incur only five *per cent* of the total scheme expenditure as administrative cost.
- Government should fix responsibility on the officials responsible for the loss due to delay in presenting of Demand Drafts into TNCWWB's bank account.



(C. NEDUNCHEZHIAN)

Principal Accountant General (Audit-I),
Tamil Nadu

Chennai
The 07 May 2024

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 10 May 2024