

Chapter-6
Governance and Management Issues

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Before implementation of BOCW Schemes, the Board will draft projected income and expenses and present its budget to the Government for approval. Adequate personnel are to be assigned by the Board to ensure effective enforcement of the BOCW Act and its accompanying regulations. However, Audit revealed several deficiencies, including unauthorized spending, lack of financial audits, inadequate accounting practices and insufficient human resources.

6.1 Receipt and Expenditure of cess

As per information provided by the UKBOCW Welfare Board, details of receipt and expenditure of cess and its investment during 2017-22 are given in **Table-6.1**.

Table-6.1: Details of receipt and expenditure

Year	Opning Balance	Receipt	Investment	Expenditure	Closing Balance
2017-18	50.31	82.06	5.15	37.84	89.38
2018-19	89.38	127.20	23.18	90.96	102.44
2019-20	102.44	153.67	0.02	191.04	65.05
2020-21	65.05	225.66	20.07	196.92	73.72
2021-22	73.72	163.97	0.07	90.33	147.29
Total		752.56	48.49	607.09	

(₹ in crore)

Source: UKBOCW Welfare Board.

The Board maintained this information in an Excel sheet, however, the Audit was unable to verify/reconcile it due to the absence of bank statements¹ and other pertinent documents.

6.2 Budget, Accounts and Audit

6.2.1 Budget expended without sanction

As per Section 25 of the BOCW Act, the Board shall be responsible for submission of annual budget to Government for sanction.

Audit noticed that Board did not prepare and submit its budget showing estimated receipt and expenditure for the next financial year between 2017-18 and 2021-22 to the State Government. Consequently, Board spent ₹ 607.09 crore between 2017-18 and 2021-22 without sanction of the Government. It was also noticed that no mechanism was devised to assess the cess receivable. The physical and financial targets of the schemes were also not fixed.

The Board replied (November 2023) that in future, budget will be expended after approval from the Government.

6.2.2 Improper maintenance of Books of Accounts

As per Section 27 (1) of the BOCW Act, The Board shall maintain proper accounts and other relevant records.

¹ As per excel sheet provided by the Board, total 15 to 28 bank accounts were being maintained by the Board during 2017-22 for cess transactions.

Audit noticed that UKBOCW Welfare Board did not prepare and maintain Asset accounts, Investment accounts, Cash book, Register of Cheque issued, Register of Valuables, Bank reconciliation statement and other relevant records. These are mandatory for proper maintenance of accounts. Due to improper maintenance of accounts, a true and fair view of the financial position could not be ascertained.

During the scrutiny of records of the Board, it was observed that all types of receipts had been clubbed under the receipt of cess without categorization. Also, the Board did not carry out reconciliation of the financial statements.

Further, an account of Oriental Bank of Commerce (A/c No 6902191017628) was being maintained by the Board for the receipt and expenditure of cess fund. In the scrutiny it was found that as per the excel sheet of the bank account for the year 2020-21 maintained by the Board, the closing balance showed ₹ 1.24 crore, while as per calculation closing balance should have been ₹ 9.34 crore. Thus, an amount of ₹ 8.10 crore was missing, which could not be verified due to unavailability of authorised bank statement of the account.

In the Exit Conference (October 2023), the Secretary of the Labour Department stated that it is a matter of concern, and it would be examined. Necessary action would be taken in case of any financial irregularity.

Upon reviewing the matter, the Secretary (July 2024) provided documents, which clarified that the discrepancy arose due to lack of reconciliation and improper record maintenance. With the records and now updated bank passbook, the discrepancy has been resolved. The fact confirms that the Board neither maintained records properly nor carried out the reconciliation with the bank.

6.2.3 Annual accounts

According to Section 26 of the BOCW Act, an annual account should be prepared and periodically furnished to the State and Central Government. During scrutiny, it came to light that no annual accounts had been prepared and furnished to the State and Central Government since the inception of the Board.

The Board admitted the facts (May 2023) in its reply and stated that in future annual account will be maintained in prescribed format.

6.2.4 Accounts were not audited

The Accounts of the Board shall be audited by the Comptroller and Auditor-General of India annually as per Section 27(3) of the BOCW Act. Board did not furnish its accounts to the office of Comptroller and Auditor General of India since establishment (2005). Subsequently, Accounts of the Board were not audited, which indicates breach of provisions of the Act.

In the exit conference (October 2023) Secretary, UKBOCW Welfare Board accepted the facts and assured necessary action in future.

6.2.5 Social Audit not conducted

As per point 75 of the directions of the Hon'ble Supreme Court², it would be worthwhile and relevant for the State Governments and the Welfare Boards in every

² WP (c) No.318 of 2006 on 19 March 2018.

State and Union Territory to conduct a social audit. No records were provided by the Board regarding social audit conducted in respect of implementation of the BOCW Act in Uttarakhand.

The Board replied (November 2023) that social audit will be conducted as per the Hon'ble Supreme Court order.

6.3 Irregular Expenditure

6.3.1 Irregular expenditure of ₹ 28.61 crore on GIS³ Survey

During the scrutiny of records, it was observed that Secretary, UKBOCW Welfare Board signed two MOUs with M/s TCIL Ltd. on 07 September 2018 and 13 December 2019 worth ₹ 33.45 crore for assessment and facilitation of collection of cess in four districts⁴ from 2005 to 2018 through GIS survey. Payment of ₹ 28.61 crore was made to M/s TCIL Ltd. for said work. On review following deficiencies were noticed:

- i. Assessment and collection of cess were to be done by the authorities⁵ (as depicted in Table-1.1) notified under the BOCW Act and not by the UKBOCW Welfare Board. Accordingly, award of assessment and collection work to M/s TCIL was out of purview of the Board.
- ii. It was also noticed that expenditure of ₹ 28.61 crore on aforesaid work was incurred without approval of the Government. Rule 291 of UKBOCW Rule 2005 provides that the fund shall not, without the previous approval of Government, be expended for any purpose other than those mentioned in the BOCW Act and the Rules.
- iii. **GIS Survey within development authorities' limits:** Scope of work included GIS survey of area within the jurisdiction of development authorities. Since development authorities already had data of building plans and constructions within their area so the work of GIS survey within limits of development authorities was redundant.
- iv. **Mandatory data not obtained in GIS Survey:** As per MOU, information including Construction date was to be provided by M/s TCIL Ltd. in the prescribed format. However, as per sample database provided by the Board, construction date was not captured for assessment and collection of cess for the period between 2005 and 2018. Therefore, it was not possible to calculate reasonable cost of construction in the absence of construction date as Consumer Price Index (CPI) changes over time.

The Board replied (November 2023) that after GIS Survey, challans/notices were issued to concerned Project/Establishment and persons by cess collector and assessment officers. Recovery was in progress as per the cess Act and

³ Geographical Information System (GIS) are computer based tools to capture, store, analyze and interpret geographical data.

⁴ Haridwar, Dehradun, Nainital & U S Nagar.

⁵ For collection and assessment of cess, cess collector and assessment authorities were notified by the Uttarakhand Government.

Rules. Reply is not acceptable because the aforesaid exercise was out of the purview of the Board and carried out without approval of the Government. Further, recovery details were also not furnished by the Board.

6.3.2 Wasteful expenditure on Identity Card

As per Section 13 of BOCW Act, every registered worker must be provided with an identity card (ID) by the Board including his photograph duly affixed thereon and with enough space for entering the details of the building or other construction work done by him.

During scrutiny of records Audit noticed that the registered beneficiaries' identity cards were incomplete and did not contain record of their prior construction work. In absence of details of previous construction work, the eligibility of beneficiary could neither be identified nor cross-verified (as discussed in point (i) of *paragraph 2.2.1*). Further Audit noticed that during 2017-18, ID cards were issued in the form of plastic card where no space was provided to fill up the work and scheme related data. As a result, expenditure incurred on procurement of plastic ID cards worth ₹ 78.95 lakh was a wasteful expenditure.

The Board accepted the facts and replied (May 2023) that plastic card was not as per rules.

6.4 Rules framed against the spirit of the Act

6.4.1 Inconsistency of Rules with the spirit of BOCW Act

Section 12 (1) of the BOCW Act states that every building worker who has completed 18 years of age, but has not completed 60 years of age, and who has been engaged in any building or other construction work for not less than 90 days during the preceding 12 months shall be eligible for registration as a beneficiary under this Act. Also, Section 16 (1) of the Act states that a building worker who has been registered as a beneficiary shall, until he attains the age of 60 years, contribute to the fund at such rate per month, as may be specified by the Government. Further, Section 17 of the Act states that if a beneficiary has not paid his contribution under 16 (1) for a continuous period not less than one year, he shall cease to be a beneficiary.

However, as per the Rules framed by the Government of Uttarakhand (February 2015), a construction worker has to pay contribution once in three years. If worker fails to pay contribution before the lapse of three years, he will be ceased to be a beneficiary. Further, his registration may be renewed if he paid his contribution for next three years with a late fee of ₹ 10.

The Act was framed with monthly contribution and annual monitoring of subscription so that it could be assured that the worker is regularly engaged in construction work. However, by making this subscription for the three years such monitoring was defeated. Hence, the said Rule was inconsistent with the BOCW Act.

No reply was furnished by the Board.

6.4.2 Government Order (GO) inconsistent with the Act

According to Uttarakhand GO (December 2016), a cess was to be collected for both residential and non-residential works having construction cost more than ₹ 10 lakhs.

However, as per section 2(j) of the BOCW Act, cess was also to be collected from non-residential works less than ₹10 lakhs. Hence, the said GO was inconsistent with the BOCW Act. As a result, there was less collection of ₹ 6.49 lakhs⁶ as cess in test checked Development Authorities during 2018-22.

The Board replied (November 2023) that the aforesaid GO is being reviewed, updated order will be forwarded to audit.

6.5 Limited Resources of Manpower

Human Resource Management is necessary for the successful implementation of any project/scheme and to maximize the efficiency of the overall organization.

To enforce the BOCW Act and Welfare Cess Act, the Labour Department has assigned Deputy Labour Commissioner (DLC), Assistant Labour Commissioner (ALC) and Labour Enforcement Officer (LEO). Person in position in these posts are listed in **Table-6.2**.

Table-6.2: Details showing filled posts in the Labour Department in the state

Details of posts in the Labour Department for enforcement of BOCW Welfare scheme						
Post	Sanctioned post	2017-18 PIP ⁷	2018-19 PIP	2019-20 PIP	2020-21 PIP	2021-22 PIP
DLC/ALC	16	14	14	14	11	11
LEO	32	14	14	14	14	11
Total (per cent)	48 (100)	28 (58)	28 (58)	28 (58)	25 (52)	22 (46)

Source: Departmental data.

As can be seen, 42 to 54 *per cent* posts were continuously vacant, which impacted the registration of establishments, registration of construction workers and implementation of the schemes.

Further, UKBOCW Welfare Board had no organizational structure indicating the level of posts and their mode of recruitment to implement the welfare scheme in the State. Still further, the UKBOCW Welfare Board had uneven human resources during 2017-22 as shown in **Table-6.3**.

Table-6.3: Structure of uneven human resource of UKBOCW Welfare Board

Year	Persons posted at UKBOCW Welfare Board
2017-18	15
2018-19	21
2019-20	34
2020-21	40
2021-22	19

Source: Departmental data mentioned in Appendix-6.1.

Deficient and uneven human resources impacted the efficient functioning of the UKBOCW Welfare Board.

In Exit Conference (October 2023), Secretary, UKBOCW Welfare Board stated that working on organizational structure of the Board is under process. Secretary, UKBOCW Welfare Board further added that DLC/ALC and LEO posts are commissioned posts of the Labour Department.

⁶ As per the covered area of non-residential 62 works of DDA US Nagar (₹ 4.02 lakh) and 31 works of MDDA (₹ 2.47 lakh).

⁷ Person in position (PIP).

6.6 Ineffective Grievances redressal system

Uttarakhand Government order (February 2019) specified 36 days⁸ time limit for resolving public complaints. The CM helpline portal was created for redressal of complaints. It was observed that none of the 10 test checked complaints were resolved. Complaints were closed without resolution after 83 to 966 days from date of complaint as depicted in **Table-6.4**.

Table-6.4: Details of randomly selected complaints

Sl. No.	Complaint			Duration of closure (in days)	Redressal Status
	No.	Nature	Received on		
1.	86511	Financial Assistance not received	14.07.2020	14.06.2022	700
2.	85608		10.07.2020	01.10.2020	83
3.	83314		04.07.2020	29.11.2020	148
4.	83211		03.07.2020	26.12.2020	176
5.	47045		29.12.2019	29.08.2020	244
6.	44716		12.12.2019	25.06.2022	926
7.	55785		22.02.2020	23.04.2022	791
8.	97012		11.08.2020	30.06.2022	688
9.	103706		05.09.2020	29.06.2022	662
10.	39009		02.11.2019	25.06.2022	966

Source: UKBOCW Welfare Board.

On this being pointed out, the Board replied (May 2023) that delay occurred due to shortage of staff. The reply is not tenable as no complainant was provided due benefit even after 83 to 966 days from date of receiving complaint. Thus, purpose of CM Portal was defeated with the inaction of the Board.

6.7 Non-functional Committees

As per Rule 253 of UKBOCW Rule 2005, the Board shall ordinarily meet once in two months. Similarly, Rule 20(1) provides that the State Advisory Committee shall meet at least once in six months. As per Section 4(1) of the BOCW Act Advisory Committee will advise the State Government on such matters arising out of the administration of this Act as may be referred to it.

Records revealed that both the constituted bodies i.e., Board and State Advisory Committee had not conducted regular meetings which was against the provisions of the BOCW Act.

In Exit Conference (October 2023), Secretary, Department of Labour stated that the Board would hold regular meeting as per the Act.

6.8 Other Issues

6.8.1 Irregular expenditure on Workers Facility Centre

UKBOCW Welfare Board had entered into an agreement (August 2019) with M/s ITI Ltd. for opening of Workers Facility Centre (WFC) at different locations at a cost of ₹ 2,18,300 per month per WFC. These WFC were engaged for providing services like fresh registration, renewal of worker's registration, receipt and uploading of beneficiary applications on the portal and printing of the BOCW worker's Identity cards. An amount of ₹ 13.61 crore was paid to M/s ITI Ltd. during October 2019 to January 2023 for running 19 WFCs.

⁸ Total days for redressal from L-1 to L-4 are 36 days (15+7+7+7).

On review, Audit observed following deficiencies /financial irregularities:

- i. M/s ITI Limited was originally empanelled solely for information technology related projects following evaluation and approval from the Government of Uttarakhand. However, the Board nominated M/s ITI Ltd. for the establishment of the WFC, a task unrelated to Information Technology. This action also contravened Rule 35 of the Uttarakhand Procurement Rules 2017, which stipulates that procurement exceeding ₹ 2.5 lakh must be conducted via e-procurement through www.uktenders.gov.in portal. As a result, payment of ₹ 13.61 crore to M/s ITI Ltd. without resorting to e-procurement was irregular.
- ii. The Board approved 60 *per cent* advance to M/s ITI Ltd. against permissible limit of 40 *per cent* under the Rule 18(2) (b) of the Uttarakhand Procurement Rules.
- iii. M/s ITI Ltd. was relieved from the primary task of worker registration. However, M/s ITI Ltd. was paid according to original payment conditions which included worker registration. This resulted in undue benefit to M/s ITI Ltd.
- iv. Payments were made without assurance of service quality as the Board did not devise any mechanism to monitor quality of services rendered at WFCs.
- v. Out of 19 WFCs, 11 were not established within scheduled period of two months of the date of the agreement and became operational with a delay of 25 to 749 days. As a result, payment of ₹ 91.68 lakh for non-operational period of 11 WFCs was an undue benefit to the contractor as detailed in **Appendix-6.2**.
- vi. An AMC for the maintenance of UKBOCW Welfare Board software, named Labour Management Information System (LMIS), was carried out since December 2015 through M/s MARG Software Solution, which was renewed on yearly basis. The validity of this agreement was expiring in December 2019. Meanwhile, the Board entered into a new agreement⁹ (22 August 2019) with M/s ITI Ltd., through which the AMC of the LMIS was handed over to M/s ITI Ltd. for a period from October 2019 to September 2024. Audit noticed that on 04 March 2020 the Board had paid an amount of ₹ 3.95 lakh against AMC to M/s MARG Software Solution for the period from December 2019 to December 2020, even after entering a new agreement with M/s ITI Ltd., which reflects a repetition of payment for the same service. An additional burden of ₹ 3.95 lakh incurred because of the Board's negligence.

During Exit Conference (October 2023), Secretary, Department of Labour stated that it is a matter of concern and it would be examined and if irregularities found necessary action would be initiated.

6.9 Discharge of mandated roles and responsibilities

The details of mandated roles & responsibilities and status of their discharge are provided below in **Table-6.5**.

⁹ Specification of costs in the agreement were domain, web hosting, software for data entry and other charges of old customized LMIS software AMC. This agreement was for five years, period starting from October 2019 to September 2024.

Table-6.5: Details of mandated roles and responsibilities

Authority/Body	Mandated Roles and Responsibilities	Whether discharged?	Audit observations
UKBOCW Welfare Board	Implementation of Welfare Measures Administration of fund	Partially	<ul style="list-style-type: none"> ➤ Implementation of scheme was deficient owing to excess payment, benefits without ensuring eligibility, delay in delivery of benefits and without using DBT, irregular procurement and distribution of articles instead of social security welfare measures while no one was benefitted under pension and disability scheme. <i>(Para 5.2.1 to 5.2.8)</i> ➤ Administration of fund was poor as it included irregularities such as budget expended without sanction, improper maintenance of books of accounts, accounts were not submitted and audited as well. <i>(Para 6.2.1 to 6.2.4)</i>
Deputy/Assistant Labour Commissioner, Labour Department	Registration of establishment	No	Registration authorities failed to discharge their responsibility effectively as only one out of 17,655 establishments were found registered in test checked entities. <i>(Para 2.1.1)</i>
Labour Commissioner Deputy/Assistant Labour Commissioner, Labour department	Inspecting authority	No	Enforcement was very weak because no inspection was conducted in district Dehradun while only 16 inspections were conducted in U S Nagar. Further, poor working conditions, health and safety norms were noticed during joint inspection of 19 work sites. <i>(Para-4.3 and 4.5)</i>
Deputy/Assistant Labour Commissioner Labour Enforcement Officer	Registration of building & other construction workers	Partially	Registration of beneficiaries is being done but includes instances of inclusion of ineligible workers, exclusion of eligible workers and absence of mechanism for registration of migrant workers. <i>(Para-2.2.1 to 2.2.3)</i>
Secretary, Development Authority	Cess collector	Partially	Lack of efforts from cess collecting authority led to non-collection of cess, short collection of cess, cess not transferred timely to Welfare Board and cess collection based on outdated rates. <i>(Para-3.1)</i>
Executive Engineer, Working Agencies	Cess deductor	Partially	In one out of 20 test checked cases, ₹ 31.01 lakh amount of cess was not deducted. <i>(Para-3.1.4)</i>
Deputy/Assistant Labour Commissioner, Labour Department Secretary, Development Authority	Cess assessing authority	No	Assessment was very low as only 16 assessments were carried out in district Dehradun while no assessment was carried out in U S Nagar. Further, cess assessment was short, inaccurate and recovery of ₹ 6.96 crore was still pending. <i>(Para-3.4.1,3.4.2 and 3.4.4)</i>

6.10 Conclusion

The Board failed to ensure the annual auditing and submission of its accounts to the Government. Despite the obligation to formulate an annual budget for each financial year, outlining the projected receipts and expenditures and submitting it to the

Government, the Board failed to fulfil this requirement throughout the coverage period from 2017-18 to 2021-22. Inadequate staffing at both the Board and district offices of the Labour Department, coupled with insufficient monitoring at the Board level, significantly contributed to the ineffective execution of welfare schemes.

6.11 Recommendations

Following recommendations may be considered:


1. *The UKBOCW Welfare Board should submit its annual accounts in a timely manner and ensure to get them audited;*
2. *The ID cards issued by the Board to registered workers should contain Unique Identification Number integrated with Aadhaar linked bank account to facilitate effective delivery of welfare measures;*
3. *The Government should initiate suitable action against officials who failed to discharge mandated roles and responsibilities in accordance with the Acts and rules made thereunder;*
4. *The Government should ensure proper reconciliation of the financial statements of the Board and fix the responsibility for financial irregularities due to non-reconciliation of transactions between the Bank and the Board.*

Dehradun
The 16 November 2024


(PRAVINDRA YADAV)
Principal Accountant General (Audit),
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Countersigned

New Delhi
The 23 November 2024


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

