

EXECUTIVE SUMMARY

Why we did this audit?

The Kerala Building and Construction Workers' Welfare Board (the Board) was formed in 1990, to provide welfare assistance to the construction workers in the State of Kerala. Welfare schemes executed by the Board include assistance to the workers in the case of accidents, payment of pension to those who completed the age of 60 years, sanctioning of loans and advances for construction of houses, payment of premia for group insurance schemes of beneficiaries, giving financial assistance for the education of children, meeting medical expenses for treatment of major ailments, granting maternity benefits to female beneficiaries and provision and improvement of such other welfare measures and facilities as may be prescribed.

The Performance Audit (PA) on the Welfare of Building and Other Construction Workers aimed at assessing the efficacy of activities initiated by the Government/ Board for the welfare of building and other construction workers and effective management of collection, assessment and utilisation of cess for carrying out welfare activities of these workers. The findings of the PA have been grouped under Section I on Realisation of Labour Cess and Section II on Utilisation of labour Cess.

What we found?

Details of all establishments which employ building workers were not entered in Labour Commissionerate Automation System (LCAS), a registration portal. Only 10,113 establishments across the State were entered in the LCAS as on March 2023. The Advanced Information Interface System (AIIS) database system for the beneficiaries was not fully utilised by the Board to keep proper records of the beneficiaries. Of the total 7,312 buildings constructed in the selected Local Self Government Institutions (LSGIs) which were eligible for assessment, the Taluk offices under Revenue Department collected details of 4,294 buildings only. Of these 4,294 buildings, the details of only 679 buildings were seen entered in LCAS. There was delay ranging from one to five years in conducting assessment of cess in 282 cases.

The Labour Department failed to accrue interest of ₹11.39 crore due to delays in cess payments across 1,319 cases, with delays extending up to four years. Additionally, cess amounting to ₹1.56 crore, collected by various authorities, was incorrectly credited to the Restructuring and Internal Audit Board (RIAB). Of this, ₹84.87 lakh remains to be transferred back to the Board.

Among the 2,82,998 buildings assessed for cess collection by the Labour Department in the State, payments were realised for only 1,26,446 buildings (44.68 *per cent*). This resulted in a shortfall of cess collection amounting to ₹542.17 crore (53.83 *per cent*). In selected districts, the Board exceeded the one

per cent limit in payment of ₹1.66 crore as staff salaries and postage expenses to the Labour Department.

In five test-checked PH Divisions of the Kerala Water Authority, cheques/ DDs for cess totalling ₹48.52 lakh were not deposited into the Board's account.

There was no central repository for tracking the number of beneficiaries and expenditure related to the various welfare schemes administered by the Board in the State. Due to the lack of a centralized data system at the State office, the Board relied on information collected from District Offices to determine fund requirements for implementing district-level schemes.

Applications for various welfare benefits including pensions, marriage assistance, support for illness, fatal diseases, maternity benefits, death benefits, scholarships and cash awards were pending due to insufficient funds. Irregularities were observed in the disbursement of COVID-19 benefits due to unreliable beneficiary data.

Limited awareness among construction workers led to under-registration under the scheme, with registration often based on Trade Union certificates. Migrant workers in the State were not registered under the Act, depriving them of its benefits. Furthermore, the Department failed in enforcing safety regulations at worksites, even after accidents or incidents.

District Labour Offices lacked a system to monitor the receipt of Form IV from employers or to enforce fines as required by regulations. The Board's cash balance steadily declined from ₹910.06 crore in March 2019 to ₹135.16 crore in March 2023. The disbursal of welfare benefits also showed a decreasing trend since 2020-21. This consistent drop in cash reserves over the five-year audit period indicated that annual expenditures had been funded from the Board's cash reserves, leading to significant depletion and necessitating additional loans.

There were delays ranging from 11 to 24 months in submitting the Board's accounts to the Accountant General for audit. Out of the ₹10 crore corpus fund allocated for the Migrant Workers' Welfare Fund, only ₹1.69 crore was spent on workers' welfare between 2018-19 and 2022-23. Audit noticed inadequacies in the constitution as well as functioning of advisory bodies. Statutory State Advisory Committee was not constituted within the stipulated period and the Expert committee was not convened with adequate participation. In the districts test-checked, Labour Officers did not conduct the prescribed number of monthly inspections as mandated by the Labour Commissioner. The grievance redressal mechanism did not function effectively as envisaged.

What CAG recommends:

- *The Government should ensure that all establishments are registered and brought under the cess net by the Board, so as to enable broad based assessment of cess.*

(Recommendation 1)
- *The Government should ensure that an effective data validation system is enforced thereby making the database self-contained so that details on all cess remitting institutions/ establishments are correctly captured.*

(Recommendation 2)
- *The Government should ensure that details of all constructions permitted by LSGIs are collected and captured in the LCAS software, so that correct assessment of cess can be made by the Government.*

(Recommendation 3)
- *The Government should direct the LSGIs to develop a robust mechanism for ensuring that cess assessments are correctly made and initiate efforts for prompt collection of cess.*

(Recommendation 4)
- *The Government should direct the Board to strengthen its internal control mechanism to check leakage of revenue and also to ensure that cess due from all possible sources is realised.*

(Recommendation 5)
- *The Government should ensure that the Board maintains a database of beneficiaries with complete details of benefits availed, complete banking details, etc. thereby facilitating adherence to eligibility criteria for financial assistance.*

(Recommendation 6)
- *The Government should ensure that the Board incorporates multiple verification levels to ensure genuineness of membership forms issued by Trade Unions so as to safeguard the transparency of registration process.*

(Recommendation 7)
- *The Government should ensure that the Board conducts adequate campaigns and advertisements to increase awareness amongst workers about procedures of registration, and its benefits in the form of various welfare schemes.*

(Recommendation 8)
- *The Government should ensure that as the funds for annual expenditure of the Board were being sourced out of its cash reserves, the Board should step up the rate of cess collection on war foot basis so that recourse to borrowings can be avoided.*

(Recommendation 9)

- *The Government should ensure that required number of inspections of establishments are conducted as prescribed in the Act and Rules and that deficiencies in grievance redressal system are rectified.*

(Recommendation 10)

- *The Government should ensure that utmost priority is given to the safety of workers in construction sites. Officials responsible for oversight in the adherence to safety norms by the establishments may be held accountable.*

(Recommendation 11)