

CHAPTER – VI

Functioning of KBOCWWB

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Against a budget provision of ₹10,154.45 crore during the period 2018-19 to 2022-23, the expenditure incurred during the above period was ₹6,198.34 crore. The total payment/expenditure including investment made in Fixed Deposits stood at ₹12,535.54 crore. Since 2021-22, there has been a significant improvement in expenditure, resulting into less savings. Despite executing works in the same premises and of similar nature, the Board issued separate work orders on the same day to circumvent the transparency Act/ Rules. IT equipment and services worth ₹73.55 crore were procured from KEONICS by issuing separate work orders to stay within the maximum limit stipulated in the 4(g) exemption. The Board entrusted seven projects for "construction of transit accommodation" worth ₹53.78 crore *plus* GST to various contractors by keeping the estimated cost under ₹10 crore to avoid Cabinet approval. Payments of ₹1.56 crore were made to unregistered workers or their dependents under social welfare schemes, violating the amended Act/Rule provisions. 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 the Board

The Board's funds were primarily composed of contributions from beneficiaries, the amount of labour cess received from various agencies by the Board, and the accumulated interest on funds held in bank accounts. These funds were intended to cover the expenses incurred by the Board in fulfilling its functions. As per Section 24(3) of the Act, 1996, administrative expenses were not to exceed five *per cent* of the total expenses each year. Moreover, the provision stipulated that at least 95 *per cent* of the funds should be allocated for the benefit of construction workers. The Receipts and Payments of KBOCWWB for the period 2018-19 to 2022-23 are detailed in **Table 6.1** below:

Table 6.1: Receipts and Payments of the Boards during 2018-19 to 2022-23

(₹ in crore)

Year	Opening Balance	Receipts				Total Receipts	Payments			Total Payments	Closing Balance
		Labour Cess	Interest	Other receipts	FD matured amount		Scheme	Admin & Other expenses	Other Expenditure		
2018-19	239.02	885.31	374.97	3.45	--	1502.75	161.95	16.07	1031.97*	1209.99	292.76
2019-20	292.76	911.16	583.87	64.51	4517.40	6369.70	234.75	17.26	54.59	306.60	6063.10
2020-21	6063.1	691.80	113.48	10.15	--	6878.53	1083.88	25.57	5745.37*	6854.82	23.71
2021-22	23.71	1441.15	258.87	35.40	429.68	2188.81	1997.43	56.73	--	2054.16	134.65
2022-23	134.65	1030.77	201.44	23.90	856.86	2247.62	2076.49	33.49	--	2109.97	137.64
Total		4960.19	1532.63	137.41	5803.94	19187.41	5554.50	149.12	6831.93	12535.54	

Source: As furnished by the Board

*The amount includes Fixed Deposits made during the said years out of available funds.

The Board had accumulated funds amounting to ₹6,398.26 crore in Fixed Deposits as of 31 March 2023.

6.1.2 Non-estimation of 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.

As discussed in detail in Chapter III, the Local Bodies, and other agencies, responsible for collection and remittance of the cess amount, did not furnish the details to enable the Board to reconcile whether the cess assessed and collected were remitted correctly.

Audit noticed that the Board could not estimate the anticipated collection of Cess amount to ensure that the amount actually being collected is fairly accurate with reference to the estimated collection. Non-estimation of 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 and huge savings were observed as discussed below:

6.1.3 Significant savings observed in Budgetary Provision of the Board

Section 25 of the BOCW Act stipulated that the Board would prepare the Budget for the next financial year showing the estimated Receipts and Payments and submission of the same to the Government of Karnataka and Government of India. The details of budget, expenditure and savings during the 2018-19 to 2022-23 are detailed in **Table 6.2** below.

Table 6.2: Details of budget, expenditure and savings

(₹ in crore)

Year	Budget for Admin expenses	Budget for welfare schemes	Total Budget Provision	Admin expenses	Expr. on welfare schemes	Total expr.	Savings	Saving against total budget provision (%)	Saving against budget for welfare schemes (%)
2018-19	42.25	1,436.47	1,478.71	22.87	214.37	237.24	1,241.47	83.96	1,222.09 (85.07)
2019-20	60.23	1,109.77	1,170.00	17.91	189.20	207.71	962.29	82.29	920.57 (82.95)
2020-21	61.87	2,129.76	2,191.63	23.56	1,138.24	1,161.80	1,029.83	46.99	991.52 (46.55)
2021-22	60.90	2,608.00	2,668.90	47.81	2,174.53	2,222.34	446.56	16.73	433.47 (16.62)
2022-23	34.36	2,610.85	2,645.21	33.39	2,336.40	2,369.79	275.42	10.41	274.45 (10.51)
Total	259.61	9,894.85	10,154.45	145.54	6,052.74	6,198.28	3,956.17		

Source: Data furnished by the Department

During the years 2018-19 to 2022-23, a total budget of ₹10,154.45 crore was allocated, but only ₹6,198.28 crore was spent, resulting in substantial savings of ₹3,956.17 crore. The average budget provision for welfare schemes for five years was ₹1,978.97 crore whereas the average expenditure on the welfare schemes was ₹1,210.55 crore. However, the percentage of savings which was 83.96 in 2018-19 significantly improved to 10.41 in 2022-23.

The Board replied that the provisional budget is prepared by enhancing some percentage of both the receipts and expenditure, then, got approved by the Board and submitted to GoK, after changes, for final approval. Further, the savings in 2018-19 and 2019-20 were due to non- receipt of claim applications from the beneficiaries. It was also stated that the Board did not seek the requirement from the district authorities but prepared the centralized budget since all the data required for budget preparation are available at Board head office. The Government did not furnish any reply to this observation on budgetary processes and huge savings thereof.

The reply of the Board has to be seen in light of the fact that realistic requirement needs to be ascertained for appropriate incorporation in the budget estimate to make the budget more realistic and for ensuring better utilization of the funds.

6.1.4 Accumulation of investable surplus funds

The expenditure of the Board 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 2023, the Board held fixed deposits of ₹5,900 crore in non-callable deposits and ₹ 498 crore in callable fixed deposits, which had accumulated over the years. The amount kept in FDs during the Audit period was ₹6,337 crore in 2018-19 which increased to ₹6,398 crore as of March 2023, an increase of ₹61 crore. The issues noticed in the investment of surplus funds are discussed below:

Present investment procedure: Rule 36 of the BOCW Karnataka Rules, 2006, amended from time-to-time states that the “all monies belonging to the Board shall be invested in the nationalised banks” (November 2017). Accordingly, the Board invested the surplus funds in FDs in nationalised banks in Karnataka and received interest of ₹1,442.15 crore during the period 2018-23 (**Table 6.3**).

Table 6.3: Interest received by the Board during 2018-2023

(₹ in crore)

Year	FD with Bank as on 31 March	FD Interest received
2018-19	6,337.29	369.08
2019-20*	1,819.88*	560.71
2020-21	7,533.24	74.61
2021-22	7,195.15	240.87
2022-23	6,398.26	196.88
Total		1,442.15

Source: Annual Accounts and details furnished by the Board

* Non renewed FD amount transferred to SB account.

6.1.5 Non-constitution of Investment Committee

The Government of Karnataka issued (August 2018) guidelines for investment of surplus funds by Boards/Corporations/Local Bodies/Authorities and Autonomous Bodies *etc.* The availability of surplus funds should be worked out based on sound cash flow estimates, working capital requirements, execution of projects, and other foreseeable demands. Total outstanding investment in any

particular bank (including all branches) shall not exceed ₹500 crore in a year or five *per cent* of the net worth whichever is lower. The circular also prescribed criteria for investments in Karnataka Government securities. The Board was to constitute an internal Investment committee and delegate the powers regarding the investment of surplus funds. The committee was to submit quarterly report on investment and its yield and violation/irregularities in the investment to the Board.

During the Audit period, the Board invested surplus funds of more than ₹6,000 crore (more than 80 *per cent*) in Fixed Deposits in banks by calling e-tenders. Though the Board prepares annual budget for its activities and is aware of the surplus funds available for investment, an investment committee for recommending timely decisions for effective utilization of the surplus funds was neither constituted nor efforts made to investing the excess funds in Karnataka Government Securities.

Audit observed that due to non-constitution of investment committee, the investment of surplus funds was not as per norms and there were instances of funds having been invested in three different banks, by breaching the limit of ₹500 crore³³, in violation of the conditions specified in the GoK circular.

The Board replied that an investment committee was formed in 2017-18 under the orders of Secretary of the Board (January 2018) and the Government of Karnataka constituted “Tender Inviting Committee” (February 2023), headed by the Joint Secretary and five other members, who also did the work of scrutinising the tenders/sealed quotations in case of investment of surplus fund as per the guidelines issued by the Board from time to time and same committee is taking timely decision on the investment of surplus funds.

Reply is not acceptable, as the Board did not provide details of the Investment Committee, which was reportedly formed in 2017-18, nor did it disclose the decisions or recommendations made by the committee regarding the investment of surplus funds as required under GoK order. The reply also does not clarify whether the committee is still active and omitted a response about the investment of amounts exceeding ₹500 crore in the three banks, contrary to the stipulation in the GoK circular.

Recommendation 10: In view of substantial investible funds available with the Board, the State Government may consider directing the Board to constitute an internal investment committee in adherence to the guidelines.

6.1.6 Avoidable payment of TDS/Income Tax

The Board is registered (September 2008) as ‘Charitable Trust’ under Section 12A read with Section 12AA(1)(b)(i) of the IT Act, 1961.

³³ During 2022-23, the following amounts were invested: ₹600 Crore in Bank of Baroda; ₹1,500 Crore in Canara Bank and ₹1,700 Crore in Union Bank of India.

The provisions of Section 11 to 13 of Income Tax Act, 1961 (IT Act, 1961), prescribe several conditions to be satisfied by an entity registered as 'Charitable Trust' under Section 12A of the IT Act, 1961. Further, an entity, eligible for exemption under Section 10(46) is notified by the Central Government and granted exemption, effective for a period of five years. On expiry of the notified period, exemption could be renewed by filing application afresh.

The Board got exemption under 10(46) of the IT Act from Ministry of Finance (GoI) (March 2023) for the financial years 2020-21 (01 June 2020 to 31 March 2023), and 2021-22 to 2024-25. Since the Board was exempted from payment of TDS/Income tax for the above periods, the TDS amounts are required to be refunded by the IT department, however following are the cases where the Board failed to obtain exemption from the IT department.

- TDS by banks for the financial years 2012-13 to 2018-19, totalling ₹582.75 crore, are under dispute and pending before the CIT and the Karnataka High Court.
- The CBDT informed the Board in September 2019 that, as it is registered under Section 12AA, it is not eligible for exemption under Section 10(46) for previous years. It is important to note that the restriction under Section 10(46) was introduced in the Finance Act of 2014, effective from April 1, 2015, while Section 10(46) itself was introduced in November 2011, long before the imposition of this restriction. Therefore, the Board should have obtained exemption under Section 10(46) between November 2011 and March 2015, as was done by the West Bengal BOCW Board.

The Board stated that it had sought (June 2023) exemption with retrospective effect from Central Board of Direct (CBDT), Ministry of Finance and the cases are still pending with court. The Government had not furnished any reply to this observation.

6.1.7 Inadmissible expenditure - ₹17.02 crore

Sections 22 and 24 of the BOCW Act, 1996, mandated that at least 95 *per cent* of the funds should be utilised for the benefit of construction workers. Hon'ble Supreme Court of India directed (August 2015) that the Labour Cess funds should not be used for creation of capital assets for the Boards and any expenditure on land and buildings were to be incurred out of Government funds. The GoI pursuant to the said order of the court reiterated (June 2016) that welfare funds should not be used for any purpose other than for welfare of construction workers and their families exclusively.

The Government of India clarified (July 2017) that States could use cess funds to purchase land for constructing transit accommodation for labourers, provided it was for proactive measures like labour sheds, mobile toilets, and crèches. However, any violations required immediate corrective actions, with funds spent unlawfully to be recouped to welfare funds and reported to the Central Government.

Audit observed that the Board spent ₹17.02 crore during 2020-21 and 2021-22 on construction of buildings and additional floors in the premises of Labour Offices across various districts as detailed in **Appendix 6.1**. These funds were disbursed to M/s. Nirmithi Kendra and M/s. KRIDL from the Labour Cess Fund. However, the Board failed to recoup the said amount to the fund.

The Government stated (August 2024) that to enable the officers and staff in discharging their duties properly and without much inconvenience, construction/extension of office buildings and compound walls *etc.*, were necessary and the same works were taken up with the approval of the Board.

The reply is not acceptable, as using Board funds to construct additional floors in labour office buildings contravenes the Supreme Court's directives (August 2015). The construction of labour offices should be financed by the Government, not through cess funds. Welfare funds are meant solely for the benefit of construction workers and their families. The Board is yet to recoup the funds utilized from the welfare fund.

**6.1.8 *Development of Common Database Management System (CDMS)*
*- unwarranted expenditure - ₹9.45 crore***

The Board took up the registration of the beneficiaries and processing of benefit claims through manual registration and subsequently, developed “Karmika” portal (February 2016) for online registration and migrated to “Seva Sindhu” (June 2019) a portal of e-Governance Department, GoK.

M/s. Global ITeS Pvt. Ltd., a private limited company, submitted a proposal (November 2020) for building a database of construction and un-organized workers called “Common Database Management System for Workers” to the Board which included development of web portal and mobile application, carrying out the functions from registration to processing the claims and preparation of monthly reports. The project aimed to cover the schemes and functions of the three Boards under the Labour Department. The Board approved the project proposal within three days of submission at a cost of ₹8.21 crore. The Board entrusted (January 2021) work for ₹8.01 crore to the agency duly claiming exemption under 4(g) of KTPP Act for open bidding. The project was to be completed in nine months with a three-month stabilization period and included a warranty period of 12 months. The Board launched (October 2023) the portal after a delay of about 26 months and payment of ₹6.41 crore excluding GST was made (December 2023) to the agency.

The Ministry of Electronics & Information Technology (MEITY) had issued Guidance notes for preparation of request for proposals and selection of implementation agencies for software procurement. The guidelines specifically highlighted the conditions to be followed when a government agency receives an unsolicited proposal through the Swiss Challenge System³⁴. The proposal

³⁴ The Swiss Challenge method is a bidding process that allows private players to secure government contracts. In this method, a private entity can independently propose a plan for the development of an infrastructure project, including exclusive Intellectual Property Rights, without prior Government instruction. The Government then invites other parties to submit counter-bids, allowing the original proposer the right to match the best offer.

submitted by M/s.Global ITes Pvt. Ltd., was not evaluated by the Board in accordance with the MEITY guidelines. Consequently, the single proposal of the agency was accepted through negotiations without assessing the competitive prices in the open market.

A review of the records revealed the following further observations:

In October 2020, the Ministry of Labour and Employment, Government of India, informed all State Governments about the implementation of a National Common Database for the registration and delivery of social security and welfare schemes, as directed by the Supreme Court of India. Although the National Common Database was initially scheduled to launch in May 2021, it was ultimately launched in August 2021. Despite this, the Board did not assess the functionalities of the Government of India's National Common Database, which was still under development, before considering and accepting M/s. Global's proposal for a new database.

No discussions were held with other Boards of the Labour Department viz., Karnataka Labour Welfare Board (KLWB) and Karnataka State Unorganised Workers Social Security Board (KSUOWSSB) or with the vendor to ensure that the proposal addressed all current and future requirements of the user departments. KLWB and KSUOWSSB had their own common database, and as such withdrew from the project, resulting in a reduction in the scope of work.

The Software License Agreement did not allow the Board to modify, adapt, or integrate the software with other programs, leaving the Board perpetually dependent on the vendor for the software's continued use. It was also observed that license fee of ₹1.42 crore was paid before the project's completion. Out of the agreed amount of ₹8.01 crore, an up-to-date payment of ₹6.41 crore was made to the agency as of December 2023.

Despite the availability of free services on the Seva Sindhu portal (hosted by the e-Governance Department) and the e-Shram portal (launched in August 2021 by the Government of India), the Board took a hasty and unwarranted decision to invest in its own software at a cost of ₹9.45 crore (₹8.01 crore plus 18 *per cent* GST) along with annual maintenance charges. This decision was made without conducting a user requirement analysis or obtaining competitive quotes. Further, the failure to invite competitive bids resulted in a lack of transparency in awarding the contract and a violation of MEITY guidelines.

The Government stated (August 2024) that the Board did not follow the MEITY procedure because it was a lengthy process and the Board prioritised launching the portal quickly to streamline its functions. It further stated that new software was necessary due to issues with Seva Sindhu and that a decision had been made to adjust the payment ratio, with 80 *per cent* funded by the Board and 20 *per cent* by other Boards.

The reply is, however, silent about not accepting the GoI proposal for a common database for registration and delivery of welfare schemes.

6.1.9 Multiple-payment of Direct Benefit Transfers (DBT) to the beneficiaries during COVID-19 - ₹59.32 crore

During COVID-19 first wave, the DBT payments were made to the registered construction workers through three modes of payment. The Board furnished data of 16,46,236 beneficiaries to Audit as against 16,48,431 beneficiaries to whom payments were made. The details of payments made as per the data furnished are detailed in **Table 6.4** below:

Table 6.4 Details of the DBT payments made

(₹ in crore)

Mode of Payment	Total Transactions	Amount transferred
NEFT by Board	1,42,091	71.05
NEFT by District Labour Officers	4,91,184	245.59
DBT	10,12,961	506.48
Total	16,46,236	823.12

Source: Information furnished by the Board

Due to incomplete data, the genuineness of payments made to 2,195 beneficiaries (beneficiary IDs: 1648431-1646236), amounting to ₹1.10 crore, could not be verified during Audit.

An analysis of the data provided by the Board revealed that 2,27,231 transactions were conducted multiple times using the same bank account number. Further, 1,08,568 beneficiaries received benefits multiple times through various payment methods, including DBT, NEFT, and LOs, or through a combination of these methods. After considering one payment as a genuine DBT to the beneficiary, Audit identified 1,18,643 repetitive transactions, resulting in excess payments amounting to ₹59.32 crore.

The Government stated (August 2024) that complete details were not available to verify the discrepancies and action would be taken to verify the same after obtaining the requisite data from the banks.

Recommendation 11: The State Government should implement stricter controls and verification processes to ensure that DBT payments are made only to eligible beneficiaries.

6.1.10 Diversion of Cess funds for construction of building - ₹10.44crore

The Ministry of Labour & Employment, Government of India, directed (June 2016) the State Governments and UTs not to spend the cess fund for construction of buildings for schools, hospitals, training centres *etc* or for any purpose other than for welfare of BOCW workers and their family exclusively. It was also emphasised that in case of any violation, immediate corrective steps should be taken and the fund so spent should be recouped in the BOC Workers' Welfare Cess Fund and intimate GoI in this regard.

The Kalyana Suraksha Bhavana building in ITI compound, Dairy circle, Bannerghatta road, Bengaluru, housing the Construction Board and other Boards was constructed at a cost of ₹13.44 crore using the cess funds (₹10.44

crore) and contribution from the department of Factories and Boilers (₹3.00 crore). Thus, the labour Cess funds were utilized for construction of buildings, including the interior works amounting to ₹10.44 crore and is required to be recouped from the State funds.

Further, the Board allotted (January 2016), office spaces to Karnataka State Unorganized Workers' Social Security Board (KSUWSSB); Karnataka Skill Development Agency (KSDA) and International Migration Centre - Karnataka (IMC-K) on lease rental basis. A section on the ground floor is leased to Canara Bank branch with a lease agreement (March 2022) for ten years, with an initial monthly rent of ₹5000 for the first five years, to be enhanced to ₹5,750 per month for the subsequent five years.

Audit observed that the Board did not enter into any agreements till date, with the occupants of the building except Canara bank and no rent has been recovered from the tenants. The rental arrears due in this regard are detailed in **Table 6.5**.

Table 6.5: Details of rent due from the occupants of Kalyana Suraksha Bhavana

(₹ in crore)

Sl. No.	Name of the Occupants	Period	Total
1	Joint Secretary, KSUWSSB	October 2016 to March 2023 (266375 X 78 months)	2.08
2	Karnataka Skill Development Authority	July 2020 to March 2023 (120568 X 33 months)	0.40
3	International Migration Centre for workers– Karnataka	October 2019 to March 2023 (125878 X 42 months)	0.53
	Total		3.01

Source: Details furnished by the Board

The Government stated (August 2024) that lease agreements were not entered into with the three occupants since all the three were Government departments and also stated that the Board would pursue the matter urgently and issue necessary orders.

The reply is not acceptable because it is imperative to note that the labour welfare fund was utilized for the construction of the building and the revenue generated out of it needs to be remitted back to the fund.

6.1.11 Non-receipt of Utilization Certificates (UCs)

The Board released funds to various agencies for different kinds of activities but failed to receive Utilization Certificates for an amount of ₹21.26 crore as detailed in **Table 6.6** below:

Table 6.6: Details of non-receipt of UCs*(₹ in crore)*

Sl. No.	Particulars/ Name of Agency	Purpose	Amount released	UCs submitted	UCs not submitted	Period of delay (till Jan 2024)
01.	Nirmithi Kendra and KRIDL	Construction of new buildings and additional floors in Labour Department building offices	17.02	6.80	10.22	More than 12 months
02.	KRIDL	For the construction of second floor of Labour Department building in Kalaburgi district	1.76	Nil	1.76	More than two years
03.	Labour Department	For installing of IEC plan for Labour Department	0.20	Nil	0.20	More than five years
04	Karnataka Rajya Nirmana Kendra (KARNIK)	Shrama Samarthya Yojane	17.97	5.77	9.08	More than five years
	Total				21.26	

Source: Details furnished by the Board

As could be seen from the table above, UCs amounting to ₹9.28 crore were pending for more than five years.

The Government stated (August 2024) that the Board is initiating effective action to obtain the UCs from the concerned agencies/departments.

6.1.12 Blocking of ₹9.08 crore with Karnataka Rajya Nirmana Kendra (KARNIK)

The Board released an amount of ₹17.97 crore in three instalments³⁵ to the Chief Executive Officer, KARNIK under Shrama Samarthya Scheme for training-cum-toolkits program for construction workers. Audit observed that the agency claimed to have expended ₹5.77 crore towards the scheme and submitted Utilization Certificates for the same but failed to furnish the details of training imparted; number of construction workers trained *etc.* Hence, in the absence of these details, Audit could not ensure the correctness of the amount spent. Further, M/s Karnik refunded ₹3.12 crore³⁶ out of the funds released but, the balance amount of ₹9.08 crore is blocked up with the agency for more than five years.

The Government stated (August 2024) that the UCs were not submitted for ₹9.08 crore but furnished details of training imparted.

³⁵ March 2018, July 2018 & June 2019.

³⁶ ₹0.95 crore January 2022, ₹0.22 crore November 2022 & ₹1.95 crore July 2023.

However, the reply cannot be accepted since the details of training imparted to construction workers were not furnished to Audit.

Recommendation 12: The State Government should instruct the Board to monitor the activities of the line agencies and establish protocols to ensure timely utilization of funds and prevent parking of funds with agencies.

6.1.13 Blocking of ₹1.40 crore with Karnataka Rural Infrastructure Development Limited (KRIDL)

The Board released ₹1.40 crore (December 2021) to Karnataka Rural Infrastructure Development Limited (KRIDL) for the work of “Providing & Fixing of 30KW Solar Power Plant System and Stick-type Structural Glazing with ACP Cladding” at Labour Department Building, Tumakuru.

Though the estimated cost of the work was ₹1.40 crore, the Board released the full amount to KRIDL without waiting for work progress reports. Despite the estimated completion date being October 2022, KRIDL had not commenced the work even after two years from the date of fund release. This delay has resulted in the blocking of Board’s funds with KRIDL, undermining the intended purpose of the allocation.

The Government stated (August 2024) that the matter would be escalated to a higher level and get the amount refunded with interest and also get the work completed at the earliest by any other agency.

6.1.14 Irregularities in awarding of contracts

6.1.14.1 Splitting of works to avoid approval of higher authorities

Nirmithi Kendra (NK) and Karnataka Rural Infrastructure Development Limited (KRIDL) were awarded exemption by GoK for executing construction works up to rupees two crore under section 4(g) of KTPP, Act -1999.

Thirteen construction works involving buildings and additional floors of the Labour Office complexes in various districts across Karnataka were entrusted to NK and KRIDL. Out of these, two works were entrusted by splitting the works into four works to avoid approval of higher authorities as detailed in **Table 6.7** below:

Table 6.7: Details of splitting of works of similar nature

(₹ in crore)

Sl. No.	Name of the work	Estimated cost	Amount Released	Date of Work Order	Due date for completion	Name of the agency	Status of the works
1.	Construction of Office Building for the Board in Yellapura taluk, Uttara Kannada district	2.00	1.46	18.08.2021	18.02.2022	Nirmithi Kendra	Completed on 25.10.2023 (18 months delay)
2.	Construction of compound wall &	0.60	0.44	18.08.2021	18.02.2022	Nirmithi Kendra	Completed on

Sl. No.	Name of the work	Estimated cost	Amount Released	Date of Work Order	Due date for completion	Name of the agency	Status of the works
	Interior works of office building of the Board in Yellapura taluk, Uttara Kannada district						25.10.2023 (18 months delay)
3.	Construction of Office Building for the Board in Mundgod taluk, Uttara Kannada district.	2.00	1.46	18.08.2021	18.02.2022	Nirmithi Kendra	Completed on 18.11.2023 (19 months delay)
4.	Construction of compound wall & Interior works of office building of the Board in Mundgod taluk, Uttara Kannada district.	0.60	0.44	18.08.2021	18.02.2022	Nirmithi Kendra	Completed on 11.06.2024 (26 months delay)
	Total	5.20	3.81				

Source: Details furnished by the Board

Despite the work with an estimated amount of ₹2.60 crore each being executed in the same premises and of similar nature, the Board issued separate work orders on the same day to avoid the tendering process and ensure compliance with the exemption limits of ₹ 2.00 crore. This action indicated granting of undue favor to the implementing agencies.

The Government stated (August 2024) that the works were entrusted to avoid the lengthy process of tendering to save time and early completion of the works.

The reply is not acceptable since the direct entrustment by splitting the works did not result in early completion in all the cases as detailed in the table above.

6.1.14.2 Split purchases from KEONICS

The Government of Karnataka exempted KEONICS from tendering process under 4(g) clause of KTPP Act-1999 for procurement of Goods and Services and specified the maximum limit per procurement of goods and services.

During the Audit period, IT equipment and services worth ₹73.55 crore were procured from KEONICS by issuing separate work orders to ensure the procurement within the maximum limit stipulated in 4(g) exemption notification as detailed in **Table 6.8**.

Table 6.8: Details of procurement of IT Equipment by KEONICS

Type of Procurement	Year	Max Limit Per Procurement	No. of Work orders	Amount (₹ in crore)
Computers, UPS and Printers	2020-21	1 crore	7	5.87
Installation of Networking and Electrical Items	2021-22	1 crore	24	18.95
Purchase of Tabs	2022-23	1 crore	41	34.90
Human resources (Data Entry Operators)	2022-23	10 crores (per annum)	-	13.83
Total				73.55

Source: Details furnished by the Board

Splitting the purchase orders for both equipment and service procurement gave an undue advantage to KEONICS and resulted in the Board losing out competitive procurement rates and compromising the integrity of the procurement process.

The Government stated (August 2024) that the purchase orders were placed on KEONICS for early supply and delivery of the equipment since KEONICS had 4(g) exemption. It was also stated that the Board has now initiated action to issue orders by following the tender procedure.

6.1.14.3 Avoidance of Cabinet approval

The Government of Karnataka circular (November 2021) stipulated that Administrative Approval should be obtained from the Cabinet for works with estimated cost exceeding ₹10 crore. The Board entrusted seven works of “construction of transit accommodation” worth ₹53.78 crore plus GST (tender amount) to various contractors by restricting the estimated cost within the ₹10 crore limit to avoid cabinet approval, which is irregular and in violation of the Government directives. Though all the works involved were similar in nature, the Board split the works and issued separate work orders as detailed in **Appendix 6.2**.

By splitting of works and issuing of separate work orders by the Board, scrutiny at higher levels was avoided by circumventing the rules.

The Government stated (August 2024) that the works were entrusted to different agencies to complete the same at the earliest and also provide accommodation to the beneficiaries and not with an intention to avoid the Cabinet approval.

The reply is not acceptable, as the direct entrustment by splitting the works did not lead to early completion, as all the works remain incomplete till date of Audit (July 2024).

6.1.14.4 Calling short term and acceptance of single tender

Rule 17 of KTPP Act, 2000 specified the minimum time for submission of tenders for works costing more than ₹2.00 crore as 60 days. Any reduction in the time stipulated must be specifically authorized by an authority superior to the Tender Inviting Authority for reasons to be recorded in writing. This reduced time shall not be less than seven days. Further as per GoK instructions, if there is a single bidder, the first choice should be to cancel the tender and re-tender and single bid cases shall be accepted only in exceptional circumstances.

The Board invited a short-term tender on February 21, 2022 for the supply and delivery of electrician tool kits, with estimated cost of ₹9.73 crore within the jurisdiction of ALC Kalburagi, allowing only 16 days for responses. Despite receiving a single bid for ₹10.10 crore, the Board awarded the contract to this agency and issued a Letter of Acceptance in April 2022 for the supply and delivery of 14,514 electrician tool kits. This action violated the provisions of the KTPP Act and the relevant circular, undermining fair participation of bidders and competitive rates.

The Government stated (August 2024) that the electrician kits were urgently required and hence, the single tender was accepted.

The reply is not acceptable since there was no recorded justification for accepting the single tender. The Government should direct the Board to fix accountability on the officials responsible for violation of the extant Rules.

6.1.15 Irregular Payment of benefits to Unregistered Workers – ₹1.56 crore

The Board was established (2007) to provide Social Welfare Schemes for the registered construction workers. Section 22 of the BOCW (Regulation of employment and Conditions of Service) Act, 1996 stipulates that the Board shall utilize the funds for providing assistance to registered construction workers only.

In November 2017 the BOCW (Regulation of Employment and Conditions of Service) (Karnataka) Rules, 1996 underwent a modification where Rule 47 -A which previously provided assistance to the dependents of the unregistered building workers, was omitted through issue of revised notification³⁷. Consequently, unregistered workers or their dependents were not eligible to receive any assistance from the Board.

Audit observed that the Board made (September 2021 to May 2022) payments of ₹1.56 crore to 71 unregistered workers/their dependents during the Audit period, in gross violation of the amended Act/Rule provisions.

The Government stated (August 2024) that the amounts were released to unregistered workers based on the claim applications received and released the

³⁷ Rule 47-A omitted by notification No. LD271LET 2017, dated 13.11.2017, w.e.f 15.11.2017.

benefits on humanitarian grounds. It was also stated that IEC activities were taken up through different modes.

The reply is not acceptable, as the action violated the modified provisions of the Rules and led to the Board extending benefits to unregistered workers. As a result, many eligible construction workers remained unregistered and missed out from availing benefits of scheme.

6.2 Human Resource Management

6.2.1 Inadequate Human Resources

Adequate manpower is essential for the successful implementation of any project or scheme and the smooth functioning of institutions. The Supreme Court issued directives (January 2010) to all states, mandating the formation of Welfare Boards with an ample complement of full-time staff within three months. The Board and District offices consisted of officials on deputation from Labour, State Accounts and Finance Department of GoK. The Board appointed officials and contract workers and operated with most outsourced staff who are not appointed on a regular basis. The details of working strength of the Board are detailed in **Table 6.9**.

Table 6.9: Staff position of the Board for the period 2018-19 to 2022-23

Name of the Post	March 2019	March 2020	March 2021	March 2022	March 2023
Board Officers (on deputation from Govt. departments)	10	8	16	19	20
Board Officials (Direct Contract)	3	3	5	5	4
Officials working in Board (Outsourced)	51	70	73	82	79
Security staff in Board (Outsourced)	7	7	8	8	8
Executives working in District offices (Outsourced)	50	52	59	53	53
Data Entry Operators in District offices (Outsourced)	209	343	293	397	405
Total	330	483	454	564	569

Source: Details furnished by the Board

As per the instructions (March 2019) of the Government of Karnataka, all the Departments, Boards, Corporations *etc.*, should obtain approval of the Finance Department to fill up the vacant posts through outsourced staff except Group D, Typist/DEO and Drivers. It was directed to cancel posts for which no sanction has been granted but are currently filled through outsourcing. However, Audit observed that no formal approval from the Finance Department for the recruitment of outsourced staff and the different designations was obtained.

Following are the concerns associated with outsourcing staff:

- The Cadre & Recruitment (C&R) Rules of Board were approved in June 2020 after a delay of over 13 years from the formation (January 2007)

of the Board. Despite the approval of the C&R Rules, the prolonged delay in filling regular posts had compelled the Board to appoint staff on an outsourced basis. The absence of regular staff poses risks in the handling of financial matters, confidential matters and raises accountability issues.

- The staff disposition statement highlights a concerning disparity as out of the 643 sanctioned posts, which include 35 positions to be filled through deputation from other departments, a staggering 574 posts are outsourced. Further, no training has been imparted to these outsourced staff members to date to equip them for their office responsibilities. Twelve out of the approved 35 deputation posts remain vacant, further worsening staffing deficiencies.
- The designations of outsourced posts except security guards working for the Board, including in district field offices are not as per the sanctioned posts approved in C&R Rules as outsourced staff were given different designations such as desk officer, assistant desk officer, social media promoter *etc.*, which did not find a place in the approved C&R rules.

The Government stated (August 2024) that the Board is functioning with outsourced staff and action has been initiated to recruit personnel for certain posts through Karnataka Examination Authority as per the directions of GoK and is expected to be completed early.

6.2.2 *Non-conduct of inspections of establishments by Labour Inspectors*

Section 43 of the BOCW Act, 2006, grants Labour Inspectors the authority to enter construction sites during reasonable hours. They may be accompanied by appropriate assistants, including government employees or representatives from local or public authorities. The primary purpose of these inspections is to review registers, records, and notices required under the Act, ensuring compliance with safety regulations. Inspectors are also empowered to take necessary actions to prevent accidents on-site.

In Karnataka, since there were no officers in the Board designated for inspections, the work of inspection had been entrusted to the Senior Labour Inspectors and Labour Inspectors of the Labour department who are the field officers under the respective District Labour Officers. However, Audit observed in the selected field offices that the Labour Inspectors had not conducted any inspection of the establishments to ensure that the safety and health measures were in place for the labourers on those sites during the period 2018-19 to 2022-23.

In the absence of production of inspection reports and details of inspection conducted, correctness of registered beneficiaries and registration of establishments could not be assessed in Audit. Provision of welfare facilities as well as ensuring the safety norms during construction activities could not be assessed by Audit in the absence of Inspection reports. An instance showcasing the Department's laxity in conducting inspections led to the tragic loss of two construction workers' lives as illustrated below:

Illustration

As per Government of Karnataka Notification issued in July 2021, projects exceeding ₹25 crore were required to undergo inspections by the Director of Factories and Boilers (DFB) for verifying compliance with health and safety regulations outlined in Rules 50 to 251 of the Building and Other Construction Workers (Regulation of Employment and Service Conditions), Karnataka Rules, 2006. However, it was noticed that Inspectors of the DFB were only conducting inspections in response to specific cases or complaints received. An under-construction building with a total cost of ₹336.25 crore, situated at Yeshwanthpura Industrial Area, Tumkuru Road, Bengaluru, falls under the jurisdiction of the Labour Officer - 01, Bengaluru. Construction on this project began in January 2020. Surprisingly, until September 2023, inspectors from the department had never conducted any inspections to ensure compliance with health and safety standards. However, following a telephonic complaint regarding an accident in the site, the jurisdictional inspector (Assistant Director) inspected the project on September 11, 2023.

During a joint physical inspection (September 2023) at the project site, Audit observed that the Site Health, Safety, and Environment Management (OHS&E) Committee, in a meeting held on August 31, 2023, had noted the unsafe condition of the scaffold inside the lift shaft. Water logging within the lift area had caused rusting at the scaffold base, rendering it unstable and prone to collapse. Despite the committee's recommendation to rectify these issues by September 5, 2023, the construction agency failed to comply promptly and continued with construction work. Tragically, this negligence resulted in a fatal accident at the T2 lift shaft on September 9, 2023, claiming the lives of two construction workers. Periodical inspections and a mechanism for enforcement of guidelines would provide a safe and conducive environment for workers.

Audit also sought the reply from the Department of Factories and Boilers in this regard wherein it was stated that the Department was entrusted with the enforcement of the provisions relating to safety and health in construction projects costing above ₹25 crore and there was no mandate on the number of inspections under the BOCW Act. However, the Department had fixed a target of 12 inspections for a year for each of the 37 divisional offices in the State. The Department also stated that the data on projects costing more than ₹25 crore was not shared by the agencies registering the projects, granting plan approval, or collecting labour cess. Due to non-availability of the data, the inspections are conducted randomly or only when information is received either from the construction agency or any other complaints received such as accidents or death.

Above narratives indicate lack of co-ordination among the Labour Commissionerate, authorities approving the building plans, the Board and department of Factories and Boilers etc., in ensuring timely inspections of construction projects.

The Government stated (August 2024) that action would be taken at the earliest, to comply with the short comings for want of regular staff.

Recommendation 13: The State Government should direct the Board to ensure that the provisions of the Act relating to inspections at work sites are enforced stringently for the safety and health of the construction workers.

6.3 Monitoring

6.3.1 Lack of Internal control measures in the Board

Internal control is an essential part of an organization for the purpose of ensuring that the institution functions as per plan towards the achievement of organizational objectives, fulfilment of accountability, compliance to rules and regulations while disposing the services and safeguarding assets, resources *etc.* With a view to improving the overall quality of the work and reducing errors/irregularities, there should be an internal audit system in all the Govt. organizations/Boards/authorities. Further, Internal Audit is also responsible for examining and evaluating the level of compliance to the prescribed Act/rules and departmental procedures. The Board implements various welfare schemes through the field offices at Assistant Labour Commissioners (ALC) and Labour Officers level. The applications are processed at the field level and the amounts released by the Board to the implementing officers for onward credit to the beneficiaries' accounts.

Audit observed that the annual scheme expenditure for 2018-19 to 2022-23 was ₹1,580 crore per year except for 2019-20 wherein it was ₹289 crore. However, the Board has not constituted its own Internal Audit Wing to ensure the compliance to prescribed rules and maintenance of proper watch registers at the Board level as well as field level offices but appointed Chartered Accountants to conduct the internal audit in the Board as well as the field offices, since 2019-20. No internal audit was conducted in the earlier years.

The following deficiencies were noticed as a result of inadequate internal control measures within the Board.

- Non maintenance of consolidated registers for advances, EMD/Security Deposit Register, watch register for NEFT returns *etc.* The said registers were only maintained individually in certain sections (Technical and Accounts).
- Register for fixed assets of the Board and details of movable/immovable assets at field offices were not maintained. Annual physical verification of stores and stock and Board assets was not done.

Urgent measures must be taken to establish an Internal Audit Wing to oversee the effective implementation of the provisions of the Act and rules. This step is crucial to ensure the proper utilization of cess funds for their intended purposes.

The Government stated (August 2024) and acknowledged the Board's shortcomings in its internal audit processes, attributing them to a shortage of manpower. It was also stated that the Register for Board's fixed assets is maintained partly manually and partly in system and the physical verification of stores and stocks was conducted up to March 2022 and action would be initiated to maintain the mandatory registers.

6.3.2 Shortfall in conducting Board meetings

According to Rule 28(1) of the BOCW Karnataka Rules, 2006, the Board must convene at least four meetings within a financial year. Out of these, a minimum of three meetings should take place before the conclusion of the calendar year, with one of them dedicated to formulating the Budget Estimates for the upcoming financial year.

Audit observed that the Board did not fulfill the mandatory requirement of convening meetings at least four times every year, as detailed in **Table 6.10**:

Table 6.10: Details of Board meetings held during the period 2018-2023

Sl. No.	Financial Year	Minimum meetings to be held	KBOCWBB	
			No. of meetings actually held	Shortfall
1	2018-19	4	2	2
2	2019-20	4	2	2
3	2020-21	4	3	1
4	2021-22	4	3	1
5	2022-23	4	6	-

Source: Information furnished by the Board

Non conduct of Board meetings as mandated in the Act/Rules, resulted in delayed deliberations of important issues; decision making and effective implementation of welfare schemes.

The Government stated (August 2024) that the shortfall in conducting Board meetings was due to the busy schedule of the chairperson and other members, besides due to COVID 19 pandemic and effective measures would be taken in future to conduct Board meetings as prescribed under the Act and Rules.

6.3.3 Functioning of Advisory Committee

As per Rule 12 of the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Karnataka Rules, 2006, the State Advisory Committee shall meet at such places and at such times as may be decided by the Chairperson of such Committee and it shall meet at least once in six months.

Audit observed that the State Government notified the formation of the Advisory Committee during November 2019. However, the members were not selected for the committee and never met till date. The objectives of forming the committee could not be achieved as the meetings were not conducted.

The Government accepted (August 2024) the omissions pointed out by Audit in non-selection of members to the advisory committee.

6.3.4 Non-conduct of Social Audit and Quality Control

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.

Rule 37-B of the Building and Other Construction Workers (BOCW) Rules, Karnataka 2006, stipulates that the Board must establish its own mechanism for conducting Social Audits and ensuring quality control. This mechanism should involve engaging one or more qualified consultancies, Chartered Accountant firms, or NGOs with appropriate experience in this domain. Further, the Hon'ble Supreme Court of India also issued a directive (March 2018), to the State Governments to conduct Social Audits on implementation of the Building and Other Construction Workers (BOCW) Act. This directive aims to enhance future implementation of the BOCW Act, ensuring greater effectiveness and meaningful outcomes.

Audit observed generally declining trend³⁸ in the provision of funds by the Board towards Social Audit in its annual budgets. Despite a lapse of more than five years since the insertion of the amendment to the BOCW rules and the directives issued by the Supreme Court, the Board has not initiated any Social Audit activities.

The Government accepted (August 2024) the observation and stated that the modalities for conducting Social Audit by empanelment of agencies by the Board is under progress.

6.3.5 Non-Functioning of State Level Monitoring Committee

As per the directives of the Supreme Court (March 2018), a State Level Monitoring Committee (SLMC) was established in May 2018, comprising seven appointed members under the leadership of a chairperson. The primary objective of the SLMC was to oversee the operations of the Construction Board, ensuring the prompt disbursement of benefits to registered construction workers and pensioners, and to ensure compliance with the directives issued by the Government of India and the Supreme Court. It was mandatory for the SLMC to convene monthly meetings to fulfil its obligations effectively.

Audit observed that the SLMC did not convene a single meeting since its establishment, thereby violating the directives issued by both the Supreme Court and the Government of Karnataka. This undermined the core purpose of establishing the SLMC, which was meant to provide an effective monitoring mechanism to the Construction Board's operations. The issues of non-settlement of benefits and delays were therefore not monitored by the committee.

The Government stated (August 2024) that SLMC meetings could not be

³⁸ ₹10 crore in 2019-20; ₹1.00 crore in 2020-21; ₹ 4.55 in 2021-22 and ₹1.25 crore in 2022-23.

convened since beginning due to unavailable circumstances and arrangements are being made to convene the meeting on a monthly basis as per provisions.

6.3.6 Expert Committee meetings not conducted regularly

Section 5 of the BOCW Act empowers the Government to establish one or more Expert Committees comprising individuals with specialized qualifications in building or other construction work. These committees are to advise the Government on the formulation of rules under this Act. Further, the Honourable Supreme Court directed (March 2018) all States to constitute Expert Committees and formulate statutory rules under Section 62 of the BOCW Act.

The Government of Karnataka constituted an Expert Committee in March 2024, comprising 12 members from various fields. However, the notification did not specify the tenure or the minimum number of meetings to be held annually by the Committee.

Non-holding of meetings among the nominated experts tasked with advising the Government/Board on rule-making under the Act undermines the fundamental purpose of establishing the committee. Consistent meetings and counsel are essential for the Board to gauge the evolving requirements of construction workers, devise relevant regulations, and efficiently execute welfare initiatives.

Audit observed the following issues in scheme provisions and implementation like:

- The "Thaayi Magu Sahaya Hastha Scheme" (TMSHS), initiated in April 2018, and the "Maternity scheme," established since the inception of the Board, were operated independently without any integration despite both aimed at supporting new mothers and treated as separate schemes without being linked.
- Separate applications were required for both schemes from women construction workers. However, concerning the TMSHS, these women labourers were not adequately informed about the necessity to reapply annually (for a period of three years) to access benefits under the scheme. Audit findings revealed distinct sets of beneficiaries over the three-year period for both the TMSHS and maternity schemes. This suggests that a significant portion of beneficiaries of the maternity scheme did not utilize the TMSHS scheme and vice versa.
- Rule 43A (TMSHS) stipulated that assistance is provided until the child reaches three years of age, encompassing pre-school education and nutritional support. However, pre-school education typically begins after the age of three. Additionally, the provision of nutritional support to the child until three years of age was limited solely to registered women construction workers and was not extended to the spouses of registered male construction workers.
- Similarly, in the case of educational assistance, the Board revised rates of assistance from time to time and for the period 2022-23, reduced the rate of assistance, much below the rates prescribed in the Model Action Plan/directions of GoI.

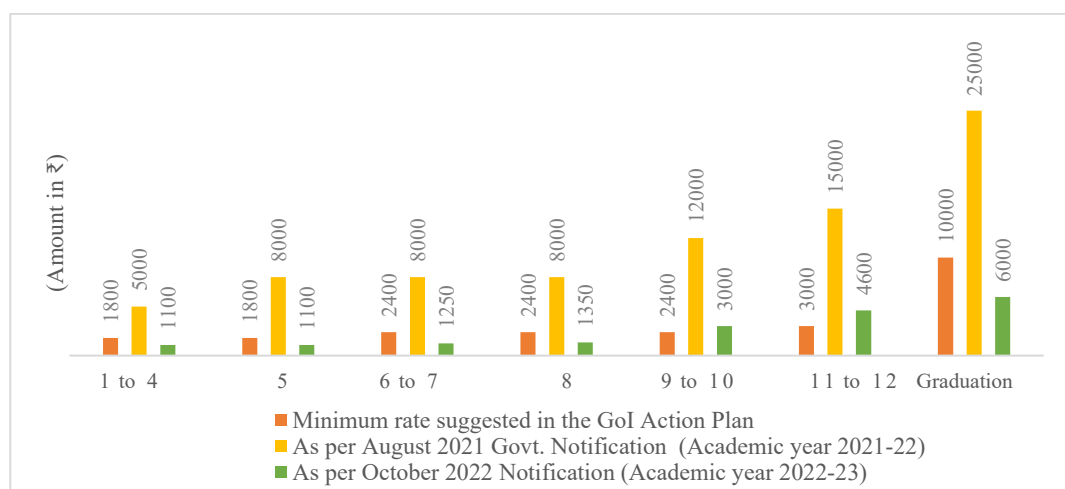
Regular meetings of the Expert Committees would have presented opportunities to deliberate on these issues and issue advisories to facilitate the required interventions in both the schemes.

The Government stated (August 2024) that steps were being taken to nominate members to the Expert Committee and regular meetings would be conducted after the constitution of the committee.

6.3.7 Non-compliance with the Guidelines/action plan of GoI – Educational assistance.

The GoI issued guidelines (September 2018) of Model welfare scheme for building and other construction workers and action plan for strengthening implementation machinery wherein the minimum rate of educational assistance to be implemented by all the State Boards was suggested. The details of educational allowance paid by the Board are depicted in **Chart 6.1**.

Chart 6.1 Details of Education Allowance paid



Source: Details furnished by the Board

Though the rate of the educational assistance paid by the Board during 2021-22 was far higher than the minimum prescribed by the GoI Action Plan, the Board arbitrarily reduced (October 2023) the rates of assistance for the academic year of 2022-23, in contravention to the Model Action Plan/guidelines of the Government of India.

The Government stated (August 2024) that the scholarship rate was reduced to enable the implementation of all the other welfare schemes in an equitable manner. Further, steps are being taken to reissue the notification to bring the rates as prescribed in the model welfare scheme.

The reply is not acceptable, as the Board did not comply with the rates prescribed by the Government of India even before the reduction, instead approving higher amounts of assistance. The sudden and drastic reduction in the rate of assistance has caused significant hardship for construction workers. It is imperative that the Board ensures adherence to the minimum rates set by the Government of India and does not fall below these standards.

6.3.8 Non-maintenance of mandatory registers and non-furnishing of returns by registered establishments

Rule 258 of BOCW, Karnataka Rules, 2006, stipulates the maintenance of a register by every employer in Form XXXV which contains the details of the building workers employed and the period of work in his registered establishment. Further, Rule 259 (9) states that register, record or notice maintained under the Act, shall be produced by the employer concerned on demand before the Labour Inspector and annual return in Form XLV shall be submitted to the registering officer under Rule 260.

During joint physical inspections conducted at various sites, Audit observed that the prescribed registers were not maintained, and the establishments did not furnish annual returns as required by regulations. This lack of maintenance and submission of mandatory documentation hindered the Board's ability to accurately assess the number of employees engaged in these establishments on a yearly basis. Consequently, the Board's oversight of safety and health aspects concerning construction workers, as outlined in the Act/rules, was compromised.

The Government stated (August 2024) that the ALCs and Labour Officers were instructed to maintain the mandatory registers under intimation to the Board head office.

6.3.9 Non-monitoring of Board properties - Loss of Board land measuring 2.30 acre at Obadenahalli

The Karnataka Industrial Area Development Board (KIADB) allotted 20 acre of land (July 2014) in Plot No.1 in residential area of Obadenahalli Industrial Area, Doddaballapura, Bengaluru Rural District to the Board for “Construction Academy/Koushalya Academy” at a total cost of ₹25.80 crore. The payment was made to KIADB in November 2013 and land was handed over to the Board in January 2015.

During Joint Physical Inspection (December 2023) of the construction site at Obadenahalli, Audit observed that the Board was in possession of land only to the extent of 17.70 acre though the total land allotted was 20 acre. It was ascertained that 2.30 acre of land was acquired by the National Highways Authority of India (NHAI) during the construction of the road. The actual dates of acquisition of the said land by NHAI and compensation receivable for the said land were not forthcoming from the files. Based on the payment made to KIADB, the cost of 2.30 acre works out to ₹2.97 crore (₹25.80 crore/20 acre X 2.30 acre). The Board did not initiate correspondence/action with the NHAI/KIADB authorities regarding compensation for the land so acquired.

Despite the allocation of land for constructing the Academy, the Board proceeded with building transit accommodation without securing approval for deviating from the original plan. Further, the Board could not adequately monitor its properties, resulting in the loss of 2.30 acre of land, for which no compensation has been received to date.

The Government stated that the Special Land Acquisition Officer (SLAO) of National Highway of India (NHAI) had not issued any notice about land acquisition to KIADB or KBOCWWB. It was also acknowledged that the encroachment of Board land was realised only during spot inspection with the Audit party. It has now been decided to conduct accurate measurement of land and pursue the compensation process.

The absence of any information on such a vital aspect constitutes neglect on the part of the Board authorities.

6.3.10 Information, Education and Communication (IEC) 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 the BOCW scheme being implemented by the Board.

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

- Awareness campaigns through posters/wall writings/SMS/social media/TV talk shows/Toll Free/Helplines/Portals/Apps *etc.*
- Establishing adequate helpdesks and publicising the contact numbers of officials, authorities, and offices of the Board, ALCs/LOs *etc.*, at prominent places.
- The Urban Local Bodies, Gram Panchayats and Gram Sabhas should be involved in conducting awareness programs including awareness camps.

Audit observed that an annual IEC plan was not formulated every year and the above-mentioned IEC activities were not carried out except creating a toll-free number and conducting few awareness camps and IEC activities such as bus branding, auto branding *Etc.*, Implementing a proper IEC plan would not only increase the coverage of construction workers but would also help to improve the Cess collections.

The Government is yet to offer any reply on this observation (December 2024).

6.3.10.1 Unfruitful expenditure on Kiosks – ₹0.57 crore

To promote awareness about the welfare schemes to the public and labourers the Board decided to install interactive kiosks³⁹ under the IEC activities. Work orders were issued (May 2022) to M/s. Marketing Communication and Advertising *Ltd.*, amounting to ₹0.57 crore, with stipulation to install within 90 days of the work order.

The agency delivered (November 2022) 10 touch screen kiosks and installed in eight BBMP offices in Bengaluru; one in Karmika Bhavan building (Labour Commissioner's office) apart from the Board head office.

³⁹ A computer terminal featuring specialized hardware and software that provide access to information.

Records revealed that although the Board withheld ₹60,000 (plus 18 per cent GST) per kiosk for annual maintenance over two years, stipulating that 50 per cent of this amount would be released after the first year pending satisfactory work, they released ₹0.48 crore in December 2022. However, within a year, the kiosks across Bengaluru became dysfunctional.

Audit conducted a joint physical verification (December 2023/March 2024) of these touch screen kiosks installed in the Board HO and Karmika Bhavana and observed that the kiosk in Board HO was completely switched off and the system in Karmika Bhavana building was only displaying the schemes continuously and system was not interactive. It was also ascertained from the files that the kiosks in eight BBMP offices across Bengaluru were also not functioning for more than 30-40 days (December 2023) due to software issues.



Idle Kiosk at BBMP office, M.G. Road, Bengaluru

The agreement provided for maintenance of both the hardware and software for a period of two years from the date of installation, however the agency could not ensure continuous functioning, rendering the expenditure of ₹0.57 crore on these kiosks unfruitful.

The Government stated (August 2024) that during joint inspection, it was observed that certain computer systems (kiosks) had become dysfunctional due to incorrect operation by the public. It was also stated that the Board had now initiated action to check all the computers and arrange to bring them to working conditions.

This has become an instance of unfruitful expenditure although the motive was to benefit the workers.

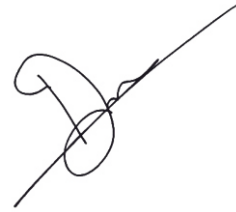
6.3.11 Grievance Redressal Mechanism

A grievance redressal mechanism is essential in every beneficiary-oriented scheme so as to ensure proper and timely delivery of services to the intended beneficiaries in a transparent manner. The grievance redressal mechanism of the Board was reviewed, and it was observed that the Board had a toll-free helpline number in association with the other Boards under the Labour department. The toll-free number has people working in two shifts and are able to communicate the details of schemes in response to the queries and wherever, the toll-free team is not able to handle or convincingly resolve the query, the same is passed on to the Labour inspectors working in the Board.

Audit observed that the existence of the toll-free number for labourers' grievance redressal was not publicised widely to benefit the labourers of different structures, coming under the purview of the three Boards of the Labour department.

Conclusion

Against a budget provision of ₹10,154.45 crore during the period 2018-19 to 2022-23, the expenditure incurred during the above period was ₹6,198.34 crore. The total expenditure / payment including investment in fixed deposit stood at ₹12,535.54 crore. Since 2021-22, there has been a significant improvement in expenditure, resulting into less savings. Despite executing works in the same premises and of similar nature, the Board issued separate work orders on the same day to circumvent the tendering process and comply with exemption limits. There was no internal control mechanism in the Board and the Board meetings were not held as required; Committees such as Advisory Committee, Expert Committees *etc.*, did not function properly. Inspections of construction projects were not taken up timely and the Board did not effectively co-ordinate with the other functional wings of the Labour department.



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