

Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2023 has been prepared for submission to the Governor of Karnataka under Article 151 (2) of the Constitution to be tabled in the State Legislature.

The Report covering the period 2018-23 contains the results of Performance Audit of “Welfare of Building and Other Construction Workers”.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive summary

Why we did this audit?

The Department of Labour plays a crucial role in ensuring labour welfare and maintaining smooth industrial relations which is essential for the uninterrupted operation and growth of industries within the State. The Department's activities are closely aligned with labour policies that prioritize the protection of workers' rights and interests. By nurturing labour resources through skill development, training programs, and various welfare initiatives, the Department lays the foundation for comprehensive economic development. The Labour Department extends its welfare measures to building and other construction workers through a Board *viz.*, Karnataka Building and Other Construction Workers' Welfare Board (KBOCWWB – hereinafter referred to as Board), which is tasked with implementing welfare schemes and initiatives that enhance the quality of life for construction workers. The welfare initiatives include educational scholarships for workers' children, healthcare facilities, housing schemes, and recreational activities.

The Performance Audit (PA) on Welfare of Building and Other Construction Workers was undertaken with reference to the provisions of various Labour Acts enacted in the State to ensure that the Board is functioning optimally, fulfilling their mandates, and effectively contributing to the overall welfare and social security of the Building and Construction Workers.

What we found?

The Board had not established any methodology for assessing officers to evaluate construction costs. Consequently, officers resorted to using rates determined by the Central Valuation Committee of the Stamps and Registration Department, intended for guidance value calculations during registration processes. Further, the Board could not ensure the reconciliation of amounts received towards labour welfare cess and the timely crediting of these funds to the Board's deposit account. Significant discrepancies were also noted between the cess amounts reported as remitted by Government Agencies/Boards and the amounts received by the Board.

(Paragraph 2.5)

The Board returned a total number of 9,654 defective cheques/demand drafts accumulated since 2007-08, amounting to ₹18.12 crore. The Board also did not establish a monitoring mechanism to track returned cheques and demand drafts, as well as to ensure the proper accounting of the Cess collected from these instruments, though the issue was already pointed out by Audit in an earlier CAG Report of 2020.

(Paragraph 3.3)

The Board was yet to trace remittances of ₹5.27 crore (as of August 2024) from Karnataka Slum Development Board (KSDB).

(Paragraph 3.4)

There were significant discrepancies between the amounts stated to have been remitted by agencies/boards and the amounts received by the Board for the period from 2018-19 to 2022-23. Scrutiny of records revealed that though an amount of ₹ 6.06 crore being labour cess was collected by BMTC, it had not been remitted and was fully retained by BMTC for more than two years.

Further, the Board did not have a comprehensive database of cess-collecting/remitting agencies and neither was it aware of the actual cess amount due, amount collected and remitted. The Board did not appoint any authority to assess the collected cess.

(Paragraph 3.6)

The data from the Seva Sindhu Portal, consisting of 42,50,122 registered beneficiaries was inadequately validated before being entered into the database. The application submitted for registration and renewal of beneficiaries on the Seva Sindhu portal showed that the employment certificate lacked employment details, however the same were accepted. As a result, ineligible workers like tailor, clerk, weaver, and other professions were registered as construction workers and availed benefits.

(Paragraphs 4.2.1 and 4.3.2).

The Board implemented 25 welfare schemes which included superannuation pension, family pension, disability pension, medical assistance, educational assistance, housing scheme *etc.*, to the registered construction workers as per the eligibility for each scheme. In respect of pension scheme, there was no provision in the rules to regulate pension in cases where workers expired after submission of application for superannuation pension.

(Paragraph 5.1.2)

The Board released ₹433.80 crore to KSDB and ₹8.74 crore to M/s. Rajiv Gandhi Housing Corporation Ltd. for housing scheme without obtaining the beneficiary list/details. In respect of KSDB, though the Board issued directions to the Labour Officers to verify and ascertain the genuineness of the beneficiaries selected by the agencies, they did not furnish the verification reports.

(Paragraphs 5.3.1 and 5.3.3)

The Board split works under “Preventive Healthcare Training and Check-up” scheme into 30 individual projects to circumvent the need for Cabinet approval and called for quotations instead of going for open tendering. The exemption order under Section 4(a) of KTPP Act provided during the first and second

waves of COVID was misinterpreted and Board proceeded to award the split works, resulting in irregular expenditure of ₹258.80 crore.

(Paragraph 5.4.1)

Payments were made to unregistered workers or their dependents under social welfare schemes, violating the amended Act/Rule provisions. In the implementation of the Mobile Clinic Units (MCU) scheme, there was a lack of transparency in awarding the contracts and the absence of pre-qualification criteria for agencies. Further, inadequate communication and record-keeping, limited coverage, and non-compliance with staffing requirements were observed. These issues impacted on the effectiveness and objectives of the MCUs in treating urban construction workers.

(Paragraph 5.7)

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 including investments in Fixed Deposits stood at ₹12,535.54 crore. Since 2021-22, there has been a significant improvement in expenditure, resulting into less savings.

(Paragraph 6.1.3 and 6.1.1)

The Board has not established an Internal Audit Wing to ensure compliance with prescribed rules and proper maintenance of registers and has not initiated any Social Audit activities to enhance the effective implementation of the BOCW Act, despite more than five years passing since the amendment to the Building and Other Construction Workers (BOCW) Rules and issue of directives from the Supreme Court. The State Level Monitoring Committee has not convened a single meeting since its establishment, violating directives from both the Supreme Court and the Government of Karnataka.

(Paragraphs 6.3.1, 6.3.4, and 6.3.5)

The Board functioning under Labour Department did not fulfil the mandatory requirement of convening meetings at least four times every year resulting in delayed deliberation of important issues, decision making and effective implementation of welfare schemes.

(Paragraph 6.3.2)

Though the rate of 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.

(Paragraph 6.3.7)

What CAG recommends:

- *The State Government should initiate efforts to strengthen the mechanism for registration of all establishments in the State.*
- *The State Government should ensure that guidelines are framed for estimation of the construction cost of buildings for which building permits are approved.*
- *The State Government should impose penalty in accordance with the relevant provisions of the Cess Act on the employers for delayed remittance of Cess to the Boards.*
- *The State Government should direct the Board to coordinate with the establishments to ensure the coverage and registration of all eligible workers, including inter-State migrant construction workers at registered construction sites through a comprehensive survey.*
- *The State Government should direct the Board to ensure that pension is processed in a timely manner from the date of superannuation. The Board may also be directed to issue specific guidelines for regulating the pension in cases where applicant(s) are deceased before the finalisation of the pension.*
- *The State Government should expedite the implementation of the Mission Mode Projects to develop more welfare schemes for construction workers and streamline the execution of existing programs.*
- *The State Government should implement stricter controls and verification processes to ensure that DBT payments are made only to eligible beneficiaries.*
- *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.*

Best Practices

The COVID pandemic, an unseen emergency, required rightful intervention for the distressed labourers. During the lockdown, the labourers faced numerous challenges including restricted mobility, loss of income, and difficulties in accessing essential services. Recognizing the hardships endured by labourers, the Karnataka Building and Other Construction Workers' Welfare Board implemented various relief measures such as supply of cooked food and dry food ration kits, disbursement of cash assistance through DBT, provision of temporary accommodation in marriage halls *etc.*, by spending ₹2,070 crore (both COVID waves), which benefitted more than 20 lakh construction workers in the State. The Board was also instrumental in ensuring the smooth functioning of the labour - telephone help line to assist the labour workforce across Karnataka during the COVID pandemic. A significant measure implemented by the Board (during August 2020) was waiving off the subscription fees in respect of 38.75 lakh construction workers (registration - 22.76 lakh plus renewal - 11.07 lakh) and the waiver continues till date to benefit them.