



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
on
Welfare of Building and
Other Construction Workers**



**Government of Karnataka
Report No. 02 of 2025
(Performance Audit - Civil)**

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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.

CHAPTER - I

Introduction

Chapter I: Introduction

1.1 Introduction

Unorganised sector in India: According to Economic Survey Report 2021-22¹, more than 82 *per cent* of the labour force is in the unorganised sector. The unorganised workers suffer from seasonality of employment, lack of formal employer-employee relationship, absence of adequate social security protection and other welfare schemes. Construction workers, who are mostly in the unorganised sector, are a major workforce in nation-building.

Labour welfare comes under the Concurrent List of the Constitution of India. In Karnataka, the Department of Labour plays a pivotal role in ensuring labour welfare and maintaining smooth industrial relations. It enforces labour laws, promotes industrial peace, and implements social security measures. Its activities align with labour policy to protect workers' rights and interests while fostering industrial growth. By nurturing labour resources, it lays the groundwork for comprehensive development and inclusive industrial relations in the State.

The Labour Department extends welfare measures to building and construction workers through the Karnataka Building and Other Construction Workers' Welfare Board² (KBOCWWB – hereinafter referred to as Board). Further, the Department oversees two advisory Boards namely, the Karnataka State Minimum Wages Advisory Board and the Karnataka State Contract Labour Advisory Board, which provide guidance on relevant subjects.

1.2 Legal framework for creation of Boards

The Boards were created in accordance with the Central and State Acts enacted to provide statutory recognition for the Boards.

Government of India (GoI) enacted (August 1996) the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and the Building and Other Construction Workers' Welfare Cess Act, 1996 (Cess Act) to provide safety, health and welfare measures for the benefit of construction workers through levy/ collection of Labour Cess (Cess). The GoI also framed (November 1998) the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Central Rules, 1998 (Rules) and Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules). The Acts *inter alia* mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of Rules thereof by every State Government in exercise of the powers conferred under the Act.

Based on the above Central Acts, Government of Karnataka (GoK) enacted

¹ By the Department of Economic Affairs, Ministry of Finance, Government of India.

² Established in 2007.

Karnataka Building and Other Construction Workers Rules in 2006 to enforce the provisions of the above Acts. It also constituted the Board in January 2007 and issued instructions to execute their functions for collection of cess.

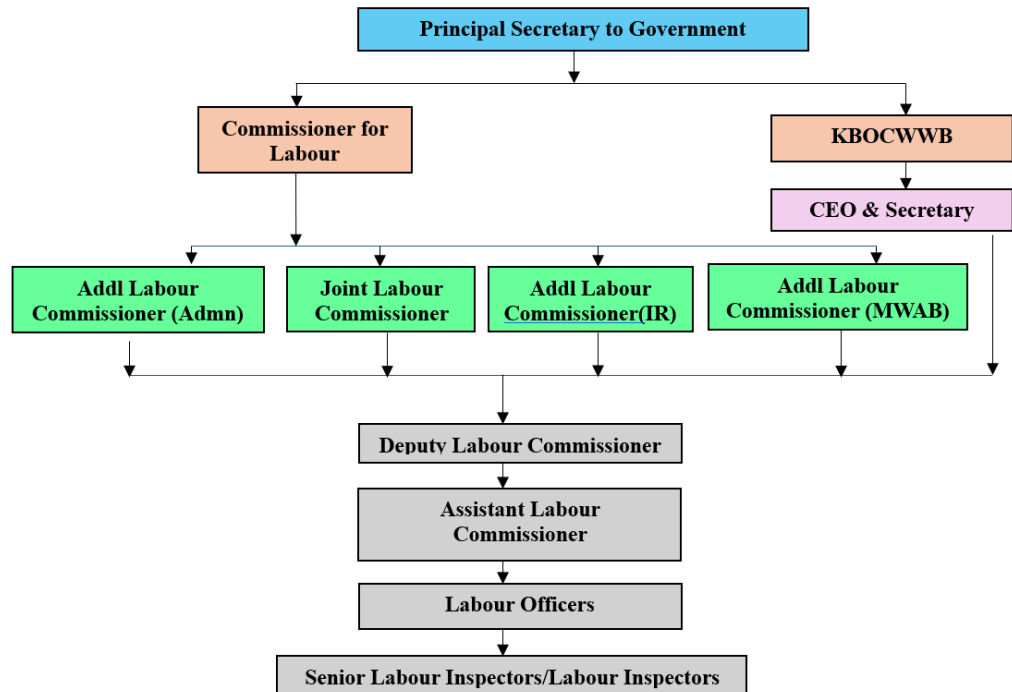
The Board was established with the aim of preventing the exploitation of building and construction workers stemming from their socio-economic status. Its mission extends to securing access to education, healthcare, and a dignified life for both the workers and their families.

1.3 Administration

1.3.1 Organisational Structure

The Labour Department is headed by the Principal Secretary to GoK and is assisted by the Commissioner of Labour. There are five Regional Officers in the Cadre of Deputy Labour Commissioner, 11 Divisional Offices each headed by the Assistant Labour Commissioner, 41 Sub-Divisional Offices each headed by the Labour Officer and 248 Senior Labour Inspector/Labour Inspector at Taluk level. The organisation structure of the Labour Department is given in Exhibit-1.1.

Exhibit-1.1: Organisational Structure involved in implementing Acts/Rules pertaining to the welfare of construction workers in Karnataka



The functions of the Board are governed by a Governing Committee headed/chaired by the State Labour Minister and the Chief Executive Officer (CEO) and Secretary heads the Board. The Board does not have any field offices and the implementation of Board schemes is carried out by the officers of the

Labour Department - Assistant Labour Commissioners (ALC) at the regional level and Labour Officers (LO) at the district. A list of the schemes implemented by the Board is given in **Appendix 1.1**.

District Offices: The Assistant Labour Commissioners and Labour Officers in the districts are responsible for implementing the provisions of the BOCW Act and other Labour Acts.

State 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.

Expert Committee: 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.

1.3.2 Procedure for obtaining the benefits

To avail the benefit, beneficiary must apply to the Board. These applications undergo verification by the Labour Inspector or Senior Labour Inspector before being forwarded to the sanctioning authority as per the scheme guidelines. Upon approval, cash benefits are deposited directly into the beneficiary's bank account. A toll-free helpline is available for anyone to know about the schemes. A beneficiary can get assistance for registration and applying for any scheme. Further, trade unions, associations and non-government organisations are also involved in spreading awareness about the schemes.

1.3.3 Fund Flow of the Board

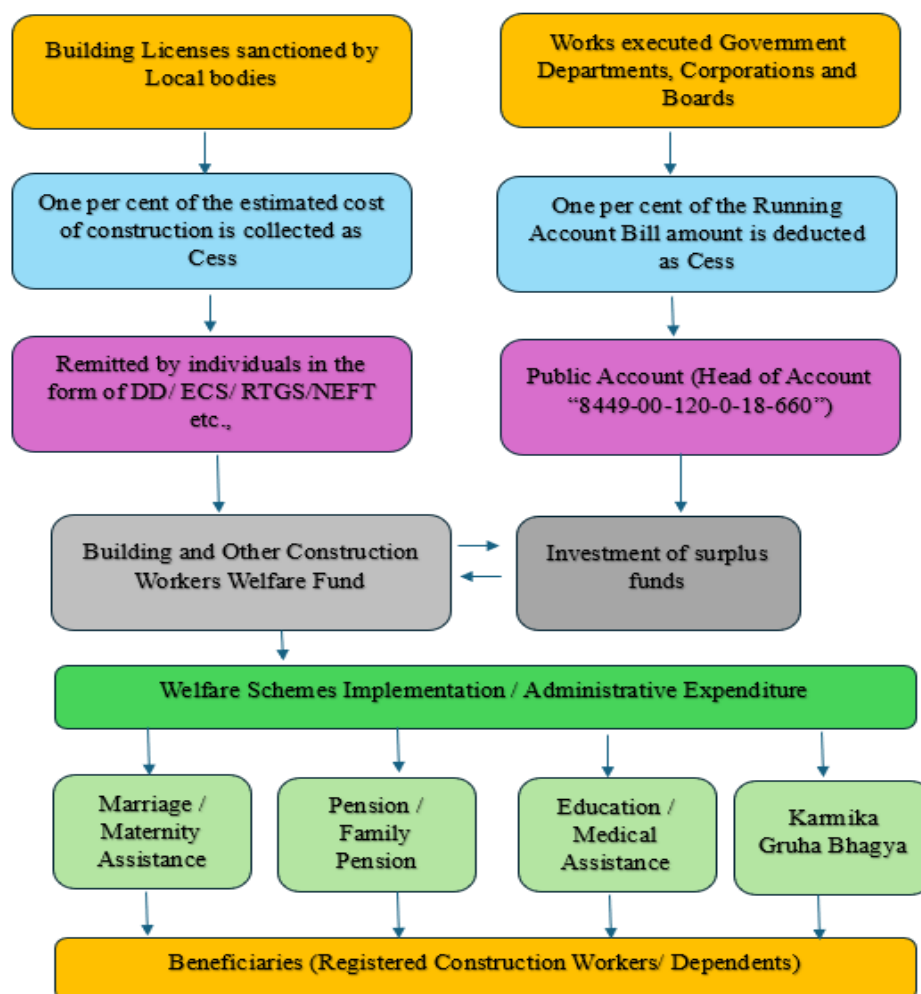
The Act³ prescribes the sources from which the funds are to be obtained to carry out the administrative functions of the Board and for implementation of the schemes. The sources of finance for the Construction Board are discussed below.

- The funds for the Board are collected through a cess levied on the cost of construction incurred by the employers on the building and other construction works provided in the Building and Other Construction Workers' Welfare Cess Act, 1996 (the Cess Act, 1996).

The fund flow for collection and utilisation of cess is given in **Exhibit 1.2**.

³ Section-3 of Karnataka Labour Welfare Fund Act, 1965, Section-4 & 7 of Central Unorganised workers' Social Security Act, 2008, Section-3 of Building and Other Construction Workers' Welfare Cess Act, 1996.

Exhibit 1.2: Fund flow for collection and Utilisation of Cess



1.4 Audit Approach and methodology

This Performance Audit (PA) covering the period 2018-19 to 2022-23 primarily focused on the extent of availability of social security to the labourers with specific reference to registration of establishments and workers, formulation, and implementation of the schemes by the Board established for this purpose.

Audit Objectives:

The Objectives of the PA were to assess whether:

- A mechanism is available for enumeration and registration of all establishments, and for assessment, collection and remittance of cess into the Board's fund; and the fund is managed in an effective, efficient and economical manner.
- Administration and utilization of funds on implementation of welfare schemes by the Boards were efficient and effective and as per the relevant Act and rules framed by the Government of Karnataka and Government of India.

- Government implemented transparent and effective system of monitoring to check evasion of Labour Cess and compliance to health and safety norms by Employers.

Audit Criteria:

The criteria for the PA were derived from:

- (i) Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996.
- (ii) Karnataka Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2006.
- (iii) Building and Other Construction Workers' Cess Act 1996 and Cess Rules, 1998.
- (iv) Karnataka Financial Code.
- (v) Government orders and Circulars issued in this regard.
- (vi) Karnataka Transparency in Public Procurement Act and Rules and
- (vii) Resolutions passed by the Board.

Scope of Audit and Sampling Method:

The offices of the Labour Department at the Divisional level and Sub-Division Level which are responsible for implementation of the schemes of the Board were selected through random sampling method. Three⁴ out of 11 ALC Offices at the Divisional level and six⁵ out of 41 LOs at the Sub-Divisional level were chosen for detailed scrutiny. The Board accounts for 95 *per cent* of the total expenditure among the three Labour Boards in Karnataka.

The schemes implemented by the Board were stratified into three strata based on amount of assistance disbursed of which, 10 welfare schemes⁶ were selected based on Stratified Random Sampling method. A survey of the beneficiaries from each LO was conducted to evaluate the performance of the Board in respect of identification and registration of beneficiaries, scrutiny of their applications, and grievances of the beneficiaries. Further, works related to departments such as PWD, and Urban Local Bodies/Boards/Authorities were also visited for verification of registration of establishment, collection of labour cess and its timely remittance into the Board's account.

Records pertaining to welfare schemes and revenue collection were scrutinized at selected offices, including the Board Head Office and the Commissioner for Labour, Government of Karnataka. Further, data from the portals of *Seva*

⁴ ALC-1 Bengaluru, ALC- Belagavi and ALC-Mangaluru.

⁵ LO-01 Bengaluru, LO-Bidar, LO- Davanagere, LO-Hubballi, LO-Mysuru and LO-2 Belagavi.

⁶ Superannuation Pension, Family Pension, Permanent Disability, Major Medical Assistance, Thayi Magu Sahaya Hasta, Educational Assistance, Tool kit Scheme, Preventive Health Checkup, Karmika Gruha Bhagya, Marriage Assistance.

*Sindhu*⁷, *e-Karmika*⁸ and *e-Shram*⁹ regarding applications, registrations, and beneficiaries was collected and reviewed during Audit.

Audit methodology:

The primary Audit evidence was collected through scrutiny of records, replies to Audit enquiries and copies of documents furnished along with replies by audited entities. Joint Physical Verifications were conducted at construction sites, accident sites and responses were obtained from 324 beneficiaries through questionnaires and from 303 beneficiaries through telephonic survey by calling the beneficiaries' mobile numbers furnished along with the application.

An Entry Conference was held on 07 August 2023 with the Principal Secretary to Government of Karnataka, Labour Department; CEO and Secretary and other officers of the Board to discuss the Audit objectives, scope and methodology. The Exit Conference was held on 01 August 2024 with the Principal Secretary to Government of Karnataka, Labour Department and the CEO and Secretary, Deputy Secretary and Accounts Officer of Board to discuss the Audit findings. The views of the Government have been appropriately included in the draft report.

1.5 Previous Audit Report

A Compliance Audit on Functioning of Karnataka Building and Other Construction Workers' Welfare Board was conducted for the period 2014-15 to 2018-19 and the findings were included in Paragraph 3.1 of the Report of the Comptroller and Auditor General of India (CAG) for the year ended March 2019 (Report No.3 of the year 2020). The para is yet to be discussed by the Public Accounts Committee. The updated status of certain Audit observations that remain unaddressed by the Department are detailed in **Appendix 1.2**.

1.6 Acknowledgment

Audit acknowledges the cooperation extended by the Officers and Staff of Labour Department and the Board during the conduct of this Performance Audit.

⁷ This is an integrated portal developed by the Government of Karnataka. It serves as a one-stop destination for citizens to access various government services and information.

⁸ This portal is developed by Government of Karnataka to enable Registration and Renewal of Establishments under the Karnataka Shops and Commercial Establishments Act, 1961.

⁹ This portal is developed by Ministry of Labour & Employment, Government of India to register and support the unorganised workers by providing them a Universal Account Number (UAN).

1.7 Audit Findings

The Audit findings based on the scrutiny of the records at the Head Office of the Board and the field offices are given in the following chapters:

Section A: Realisation of Labour Cess

- ❖ Chapter 2 – Registration of Establishments and Assessment of Labour Cess.
- ❖ Chapter 3 – Collection and Remittance of Labour Cess.

Section B: Utilisation of Labour Cess

- ❖ Chapter 4: Registration of Workers.
- ❖ Chapter 5: Implementation of Welfare Schemes.
- ❖ Chapter 6: Functioning of KBOCWWB.

SECTION - A

**REALISATION OF
LABOUR CESS**

CHAPTER II

Registration of Establishments

and

Assessment of Labour Cess

Chapter II: Registration of Establishments and Assessment of Labour Cess

Registration of Establishments was sluggish due to inadequate efforts for registration and deficiencies in maintaining database of cess remitting agencies. Lack of uniformity in estimating the cost of construction of buildings while issuing building permits by Local Bodies adversely impacted the assessment of cess.

2.1 Introduction

As per BOCW Act, 1996, all Establishments engaging more than 10 workers in the preceding 12 months are to be registered and every Employer shall apply for registration within a period of 60 days from the date of commencement of work. Registration of Establishments is a crucial factor for ascertaining the details of construction works for which cess must be assessed and collected by Local Bodies and other Agencies. Establishments, including the Employers, are registered through “Labour Online” web portal maintained by the Labour Department. The Senior Labour Inspectors/Labour Inspectors at the Taluk level are the registering officers.

As per section 2 (j) of BOCW Act, Establishments are construction sites belonging to, or under the control of Government, any body, corporate or firm, an individual or association or other body of individuals which or who employs building workers in any building or other construction work. A building constructed by an individual for his own residence, the total cost of construction of which does not exceed ₹10 lakh is exempted.

The assessment, collection and remittance of Labour Cess is made under the provisions of BOCW Act, 1996 and Karnataka BOCW Rules, 2006.

2.2 Non-monitoring of registration of establishments

Section 7 of the Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Act, 1996, in conjunction with Rule 15 of the Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) (Karnataka) Rules, 1996, stipulates the process for registering building or other construction work carried out by an establishment. The establishment is required to apply using Form I¹⁰ for registration to the Registering Authority, accompanied by the prescribed fee. Upon approval, the registered establishment receives a Certificate of Registration in Form II¹¹.

¹⁰ Form I is an application for Registration of Establishments employing building workers, submitted by the employer/construction agency.

¹¹ Form II is a certificate of Registration of Establishments issued by Labour Department.

Rule 17 (3) mandates that every employer before 30 days of commencement or completion of construction work shall submit Form IV¹² to the Inspector having jurisdiction for the area. As per Rule 19 (2), the amount collected for Registration *etc.*, shall be credited to the account of Commissioner of Labour, Bengaluru. Registration of establishments, Certificate of Registration on commencement and completion was issued by the Labour Inspectors of Department of Labour through “Labour Online” portal. The details of advance cess paid, and the estimated cost of construction were also collected in the portal.

Audit observed that the registration of establishments for the Board was done through “Labour Online” portal and the Certificate of Registration issued to the establishments. As the Board did not have the details of Form I, Form II and Form IV *etc.*, relating to registration, Audit obtained the details of Form I from the Labour Commissioner’s office. Form II and Form IV details were not furnished. Audit observed that Labour Commissioner’s office approved 12,870 applications relating to establishment registration and collected ₹1.49 crore as fees.

However, Audit observed lack of effective coordination between the Labour Department and the Board in sharing registration details. Consequently, the details of number of establishments and the cess likely to be collected from them were not collected by the Board from the Department prior to preparation of the budget and expenditure for identifying and implementing the schemes.

The Government stated (August 2024) that action would be taken to obtain the details from the concerned departments and keep on record in future.

2.3 Short/Non-registration of Establishments and Employers

Audit obtained the building plans sanctioned by the local authority, the number of agreements for works entered by work executing agencies like Public Works Department (PWD), Urban Local Body (ULB) *etc.*, in the sampled districts for test check. This data was compared with the number of establishments registered in Form I by the Registering Officer of the Board. It was observed that there were shortfalls in registration of establishments during 2018-19 to 2022-23 in all the test checked Offices as given in **Table 2.1**.

¹² Form IV is a Notice of commencement/completion of building and other construction work to be submitted by the employer.

Table 2.1: Shortfall in registration of establishments during 2018-2023

Sl. No.	Details of Labour Office	Building Plans Sanctioned	Work Agreements executed	Total	Registered as per LO	Shortfall
1	Labour Office, Mysuru	1,277	1,674	2,951	38	2,913
2	Labour Office, Davanagere	5,188	1,311	6,499	4	6,495
3	Labour Office-1, Hubballi	9,242	3,212	12,454	14	12,440
4	Labour Office, Bidar	879	5,404	6,283	19	6,264
	Total	16,586	11,601	28,187	75	28,112

Source: Information obtained from Local Bodies, Public Works Department and the Labour Officers

Considering the minimum fees of ₹2,000 prescribed for Registration, the total registration fee amounting to ₹5.62 crore¹³ was not collected in respect of these unregistered works. In respect of works executed through Government Department, Public Sector Undertakings and other governmental agencies/bodies carrying out any building or other construction work through a contractor, one *per cent* of the amount of the cost approved from the bill at the time of making payment to the contractor shall be deducted. In respect of construction work by local authority, the local authority shall obtain estimated cost of the construction along with the building plans which are submitted for approval and shall collect one *per cent* upfront on the estimated cost. The cess amount collected was required to be remitted to the Board account.

However, as these works/establishments were not registered, the details of cess remitted by them were not available either with Labour Department or the Board.

Further, the Bruhat Bengaluru Mahanagara Palike (BBMP) issued 38,434 building licenses during the years 2016-17 to 2022-23. However, the total number of establishments registered in “Labour Online” portal in Bengaluru since the enactment of the Act in 2007 was 5,022 only (13.07 *per cent*). This shows that the registration of the establishments was not carried out for all the building works. The Board did not obtain the details of registration periodically from the Department. It was also observed that there was no mechanism in place to ascertain that the building plans sanctioned by the local bodies were registered with the Labour Department.

Besides, the Audit observed that 45,495 building contractors carrying on business in Karnataka were registered in the Goods and Services Tax portal as at the end of March 2023. Therefore, it is clear that the number of registrations in the “Labour Online” portal is far less than the actual numbers.

Thus, Audit observed that inability to ensure the registration of establishments and employers led to significant shortfalls in their registration. This, in turn,

¹³ ₹5,62,22,000/- (28,112 x ₹2,000).

hindered effective data sharing with the Board, affecting the monitoring and assessment of cess related to these establishments and employers. As a result, the possibility of establishments and employers evading cess assessment and remittance could not be ruled out.

The State Government stated (August 2024) that the concerned Labour officers were addressed to furnish the details of registration of establishments.

Recommendation 1: The State Government should initiate efforts to strengthen the mechanism for registration of all the establishments in the State.

2.4 Lack of comprehensiveness in database of cess assessment, collection and remittance

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. Hence, Audit found that the Board did not have a comprehensive record/database of cess assessment, collection, and remittances.

Thus, the Board did not have a system to watch the collection and remittance of Labour cess by the departments/agencies through periodical reports/data on the details of constructions permitted/carried out by them.

The State Government stated (August 2024) that the requisite information is awaited from the Labour Commissioner's office.

2.5 Lack of system for assessment of construction cost - method for assessment of Cess not prescribed

Rule 7 of Building and Other Construction Workers Welfare Cess Rules, 1998 specifies that on receipt of information in Form I from the employer, the Assessing Officer (Labour Officer) shall make an order of assessment within a period of six months from the date of receipt of such information. The Assessment order would specify the amount of cess due, cess already paid by the employer or deducted at source and the balance amount payable.

Audit observed that the Board had not established any methodology for assessing officers to calculate the cost of construction. 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. The rates prescribed in the year 2017 were applied to evaluate construction projects completed during the period 2021-22, resulting in lower estimation of construction costs and correspondingly lower cess levies. For instance, in Labour Office-1, Bengaluru, 15 out of 34 test checked cases, the guidance values were significantly lower by ₹35.85 lakh compared to establishments' declared values.

Advance collection of cess is made based on the estimated cost of construction at the prevailing rates while sanctioning the building plans by local authorities and the plan is valid for a period of two years. Therefore, to arrive at the reasonable cost of construction, an assessment methodology should be prescribed by the Boards.

The Government stated (August 2024) that the Board had now initiated action to engage a technically qualified person to guide and also fix up the methodology for assessment of cost of construction.

Recommendation 2: The State Government should ensure that guidelines are framed for estimation of the construction cost of buildings for which building permits are approved.

2.6 Shortfall in conducting assessments

The advance cess collected at the time of building plan approval was based on the estimated cost at the prevailing rates. As per Rule 7 of the Building and Other Construction Worker Welfare Cess Rules, the assessing officer shall make an order of assessment within six months of receipt of information in Form I.

Audit observed significant shortcomings in the assessment process of establishments regarding cess payment. The establishments did not furnish information in Form I and the orders of assessment were not issued in numerous cases. Out of 745 Form I submissions in the test-checked districts, only 698 cases received orders of assessment. This indicates that 47 registered constructions were not assessed for the cess payable by them. Thus, despite submission of Form I, action for assessing and demanding cess was not carried out for these cases.

Further, Audit obtained the details of building plans sanctioned by the urban local bodies, works executed by departments/boards from the respective agencies in the selected districts and compared with the number of works registered with the labour department and the assessments carried out by the Labour Officers. The details are given in **Table 2.2**.

Table 2.2: Building Plans Sanctioned – Registered – Assessed

Sl. No.	Name of the ULB	Building Permits Sanctioned	Establishments Registered	% of coverage (Col. 3 vs Col. 4)	Assessment Orders Passed	% of coverage (Col. 4 vs Col. 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Belagavi	3,989	772	19.35	640	82.90
2	Mysuru	1,277	324	25.37	38	11.73
3	Bidar	832	26	3.12	2	7.69
4	Hubli	9,242	138	1.49	14	10.14
5	Davanagare	5,188	136	2.62	4	2.94
6	BBMP	30,661	5,022	16.38	62	1.23

Source: Building plans sanctioned by ULBs / BBMP, Registration as per Karmika portal¹⁴, Assessment details furnished by respective labour offices

From the above table, it can be seen that there is a shortfall in the registration of establishments and assessment orders issued by the Labour Officers compared to the building permits sanctioned. For instance, the coverage of registered establishments in the six ULBs ranged between 1.49 and 25.37 *per cent*, the coverage being the lowest in Hubli, which was only 1.49 *per cent*. Further, the assessment orders passed ranged between 1.23 and 82.90 *per cent*, with BBMP being the lowest at 1.23 *per cent*.

The information with the local bodies was not utilised by the Labour Officers in assessing the cess payable. This impacts the cess collection and revenue of the Board. Effective coordination with the local bodies and action thereon would make the cess collection efficient and effective.

The Government stated (August 2024) that the Assessing Officers would be intimated to assess all the cases and furnish reports to the Board.

Conclusion

The Board did not maintain a comprehensive database of cess assessing, collecting, and remitting agencies and thus lacked a system to ascertain the quantum and timely assessment of labour cess. Audit found significant shortcomings in registering establishments/employers by the Labour Department in Karnataka, which adversely impacted the scope for data sharing with the Board, thereby hampering the assessment of Labour cess. Audit observed significant shortfall in conducting assessments and the Local Bodies/Authorities responsible for collection of Labour Cess at the time of approving the building permits did not have a system to ensure correctness of the estimated value of the construction.

¹⁴ Karmika Portal was used by the Board for registration of beneficiaries. This Portal is different from the Labour Online Portal which is being used by the Labour Department for registration of establishments. The Portal, however, does not capture details of Building Plans which are available only with the respective ULBs/BBMP.

CHAPTER III

**Collection and Remittance of
Labour Cess**

Chapter III: Collection and Remittance of Labour Cess

The Board did not maintain the system to watch the collection and remittance of Labour Cess. Deficiencies in the system and non-reconciliation of collection and remittance of cess amount resulted in delayed/non-remittance of the collected amount by the Local Bodies/Authorities. 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.

3.1 System of collection and remittance

The Board levies and collects a cess at the rate of one *per cent* on the cost of construction of a building and other construction work from the employer at the time of approval of such building or other construction work by the local authority. In relation to a building or other construction work of the Government or of a Public Sector Undertaking, the cess is deducted at source from the running account bills. The cess collected by the local authority, or the State Government shall be paid to the Board within 30 days of its collection. The payment of cess in advance is subject to a final assessment of the cost of construction.

Audit observed that the Local Bodies/authorities followed three different systems for collection and remittance of Labour Cess:

- Labour Cess amount is collected by the Local Body from the building permit applicant in the form of DD/cheque and the instrument is sent to the Board.
- The building permit applicant is asked to remit the assessed amount of Labour Cess directly into the bank account of the Board.
- Labour Cess amount is collected by the Local Body, credited to its own account, and subsequently, remitted to the Board in lumpsum.

The Government departments like Public Works Department, Irrigation, *etc.*, that carry out construction works, deduct the Labour Cess amount from the bills payable to the contractors and remit it to the Public Account (Head of Account '8449-00-120-0-18-660'). The Commissioner of Treasuries transfers the accumulated balances in the Public Account to the bank account of the Board periodically.

The cess assessing/collecting/remitting agencies are to furnish the details of cess collection to the Board along with a forwarding letter. These details would help the Board to check correctness of assessment and collection and would also facilitate the reconciliation with actual receipt of money in the Board's bank account.

3.2 Deficiencies in the system of collection and remittance of Cess

As already discussed in the preceding Paragraph, cess remitting agencies shall furnish the details of cess collected for building permit approval and cess deducted from construction works. The observations on non-reconciliation of cess amounts and delayed remittance *etc.*, due to system deficiencies are discussed in the succeeding paragraphs.

3.2.1 Absence of Demand Collection Balance details

To verify the payment of cess by registered establishments and assess their dues, the Board should maintain a Demand Collection and Balance (DCB) Statement. The DCB should detail all establishments, and the cess amounts collected from them, serving as a monitoring tool for outstanding balances. However, the Board did not maintain a DCB statement for overseeing cess collection. The Board did not have a system in place to assess the amounts due to it, as a result of which demands were not raised and the cess due for collection could not be ascertained.

Due to non-maintenance of DCB statement, field offices were unable to independently verify cess payments and had to rely on details provided by establishments. During Audit examination of assessment cases in LO-1, Belagavi¹⁵, it was noticed that No Objection Certificates were issued by the office for granting completion certificates by the Belagavi City Corporation. The LO certified that establishments had remitted assessed cess amounts based on provided challans. Thus, there is a gap in information on the amount collected and balance payable. However, upon cross-verification of the challans with Board bank account credits, Audit observed that ₹25.79 lakh from 51 cases had not been received by the Board, indicating incomplete remittance to the Board. The Labour Officers were also unable to ascertain if the total cess had been paid before issuing NOC.

The Government stated (August 2024) that efforts were being made by the Board to integrate the software with other agencies who were liable to pay the cess, thereby enabling the Board to prepare DCB. For this purpose, the Board had proposed to introduce “Cess Tracking and Monitoring Mechanism”, which would soon be made functional.

3.3 Non-realisation of Cess dues – ₹18.12 crore

Rule 5 of the Building and Other Construction Workers’ (BOCW) Welfare Cess Rules, 1998, mandates that the proceeds of the cess collected under Rule 4 must be transferred to the Board within 30 days of collection. A notification by the Government of Karnataka further specifies that all Government departments, Public Sector Undertakings, and other government agencies are required to deduct one *per cent* of the amount from running account bills for building and other construction works and remit it to the Board within 30 days. Further, the Board has issued various circulars/ instructions directing the concerned

¹⁵ Test checked as No Objection Certificate (NOC) was issued only in LO-1 Belagavi.

departments to deposit the collected cess amount promptly through RTGS/NEFT, ensuring compliance with the regulatory framework.

Audit observed that the Board returned total number of 9,654 defective cheques/demand drafts accumulated since 2007-08, amounting to ₹18.12 crore. Among these, 7,139 instruments valued at ₹9.90 crore were returned by the Board to the issuer for reasons such as incorrect recipient name and expired dates, while 2,515 instruments worth ₹8.22 crore were returned by banks due to bounced cheques and non-existent accounts. To address this issue, the Board sent letters to 700 work executing departments and agencies across Karnataka (October 2022), requesting details of cess amounts. However, revised, or rectified instruments were not received in these cases.

The Board 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 the earlier CAG's Audit Report¹⁶.

In the exit conference, the Principal Secretary accepted the Audit observations and stated that the Cheques/DDs pertain to the years 2007-08 onwards and some agencies had reported that the cess was already remitted by them in the subsequent years. However, the verification of the same was difficult.

3.4 Labour Cess remitted by KSDB not traced in the Board bank records

Analysis of data collected in respect of cess collection by various divisions of Karnataka Slum Development Board (KSDB) and their subsequent remittance to the Board during the period 2018-19 to 2022-23 revealed that ₹11.91 crore pertaining to 257 cases, stated to have been remitted through DD/Cheques were not traced in the Board's bank accounts till date (January 2024) and similarly, 21 cases of RTGS worth ₹0.18 crore were also not traced as detailed in **Appendix 3.1**.

The KSDB did not furnish the details of RTGS though called for. The possibility of temporary misappropriation of these funds could not be ruled out. Thus, total amount of ₹12.09 crore (₹11.91 crore plus ₹0.18 crore) stated to have been credited by KSDB, could not be traced to the bank accounts of the Board.

On this being pointed out by Audit, the Government had taken action to trace ₹6.82 crore in the Board's bank statements. Government also stated that action was being initiated to trace the balance amount of ₹5.27 crore by addressing letters to all the divisional officers of KSDB.

¹⁶ Vide Audit Paragraph No. 3.1.5.2. of C&AG's Audit Report No.3 (General and Social Sector) for the year ended 2020.

3.5 Delay in remittance of Labour Cess by BDA

As per section 8 of BOCW Cess Act, if any employer fails to pay any amount of cess within the time specified in the order of assessment, such employer shall be liable to pay interest on the amount to be paid at the rate of two *per cent* for every month or part of a month comprised in the period from the date on which such payment is due till such amount is actually paid.

Audit obtained details of labour cess deducted from bills paid during the year 2022-23 by the Bangalore Development Authority (BDA) and the subsequent remittance made to the Board account. It was observed that the amounts deducted from the bills were not remitted within the prescribed 30-day timeframe as stipulated under Section 9 of the Cess Act. The delay in remittance ranged from 2 to 113 days.

Despite BDA sending deduction and remittance details to the Board, it did not notice the delay in remittance and did not instruct BDA to remit the amount within the specified timeframe. This lack of oversight resulted in prolonged delays in remittance, potentially impacting the timely availability of funds for welfare schemes and regulatory compliance.

The Government stated (August 2024) that it was decided to levy two *per cent* interest on the delayed payments by the cess collecting agencies and a notification was also issued for levy of interest in accordance with the provisions of the Cess Act. The fact, however, remains that the penal provisions were not imposed and cess deducted from the bills continued to remain unremitted beyond the prescribed 30 days.

3.6 Discrepancies in remittance of Labour Cess by Local Bodies/ Authorities

Information regarding the cess collected and remitted by various Government Departments/Boards involved in construction activities for the period from 2018-19 to 2022-23 was obtained by Audit and cross-checked with the details of the cess shown as received by the Board from these agencies.

Audit observed significant discrepancies between the amounts stated as remitted by agencies/Boards and the amounts received by the Board for the period from 2018-19 to 2022-23. For instance, there was a difference of ₹ 92.09 crore in the case of Karnataka Industrial Area Development Board (KIADB), ₹5.27 crore in the case of Karnataka Slum Development Board (KSDB), ₹4.55 crore in the Tumakuru Smart City Limited, ₹2.73 crore in the Shivamogga Smart City Limited, and ₹0.10 crore in Karnataka State Industrial & Infrastructure Development Corporation Limited (KSIIDC).

Audit collected data of labour cess collection and remittance by BMTC for the period 2021-22 and 2022-23 and observed that an amount of ₹6.06 crore though collected much before April 2021 is still retained with BMTC, without being remitted to the Board.

In cases where the cess collecting authorities did not remit the collected labour welfare cess amounts within the stipulated time of 30 days, the possibility of temporary diversion of funds could not be ruled out. Audit observed that though there was a provision for levy of penalty under Section 9 of the Cess Act, no penalty was imposed for non-payment of cess by the employer.

Remittance of cess by the Local Bodies/other agencies was not watched and reconciled by the Board due to the following reasons viz.,

- (i) The Board did not have a comprehensive database of cess collecting/remitting agencies.
- (ii) The Board was unaware of the actual cess amount due, amount collected and remitted.
- (iii) The Board did not appoint an authority to assess the collected cess.

The Board did not maintain a comprehensive database of the work executing agencies/ establishments from whom the labour cess is due to be collected and received every year.

The Government stated (August 2024) that the Board had initiated correspondences with the concerned agencies for reconciliation of the differences in cess.

Recommendation 3: The State Government should direct Board to establish a robust mechanism for maintaining DCB statements and verifying cess payments.

Recommendation 4: 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.

3.7 Other Observations

3.7.1 Non-reconciliation of balances with Treasury accounts

The Labour Cess is deducted at source in respect of the running account bills paid through treasury for the works executed for State Government departments. The amount of cess was accounted for under the Public Account (Head of Account '8449-00-120-0-18-660') in Government Treasury from November 2017. A comment on ₹225.37 crore cess collected during the year 2017-18 and 2018-19 lying in Public Account and not transferred to the Board was included in **Para 3.1.5.1** of C&AG's Report No. 3 for the year 2020. The Board then opened (April 2022) a recipient account in Treasury to transfer the cess accumulated in the Deposit account.

The outstanding amount of labour welfare cess as per VLC data in the office of the Accountant General (A&E), Karnataka and the amounts transferred by the Treasury to the Board Accounts were obtained in Audit and are detailed in **Table 3.1:**

Table 3.1: Details of transactions in Public Account

(₹ in crore)

Period	Amounts credited	Amounts Debited	Net amount due to the Board
As on 31st March 2023	1,275.17	899.32	375.86
For 2023-24 (up to 30 November 2023)	236.07	Nil	236.07
Total	1,511.25	899.32	611.93

Source: VLC data obtained from AG(A&E), Karnataka and Treasury details from Commissioner of Treasuries.

As of November 2023, the outstanding amount under the labour welfare cess account, due to the Board, totalled ₹611.93 crore. However, the Commissioner of Treasuries (CoT) confirmed only ₹339.38 crore as the balance due. This discrepancy resulted in a significant difference of ₹272.55 crore from the CoT's accounted statement. The delay in transfer of amount from the Public Account to Board's fund was also noticed.

This indicates that the reconciliation of amounts received towards labour welfare cess, as well as the timely crediting of these funds to the Board's deposit account was not carried out. This was delayed despite previous Audits highlighting the matter. The risk and possibility of using these funds as temporary cash flow receipts by the State Government could not be ruled out.

The Government stated (August 2024) that action would be taken to reconcile the cess amounts remitted by various departments to treasury. It was also stated that the Board was initiating a mechanism to integrate the *Khajane 2* software with the Board's new software.

Conclusion

In the absence of a system to watch the collection and remittance of Labour Cess, the Board did not exercise any effective control over its sole source of revenue, resulting in instances of incomplete remittance of cess amount by the collecting agencies and bodies. KSDB and BDA collected the cess and retained/belatedly remitted the same to the Board, in violation of Act/Rules. The Board could not ensure the reconciliation of amounts received towards labour welfare cess and timely crediting of these funds to the Board's deposit account. Significant discrepancies were also noticed between the cess amounts reported as remitted by government agencies/Boards and the amounts received by the Board for the period from 2018-19 to 2022-23.

SECTION-B

**UTILISATION OF
LABOUR CESS**

CHAPTER IV

Registration of Workers

Chapter IV: Registration of Workers

The manual as well as the electronic data of registered workers had significant shortcomings. Inaccuracies in capturing vital data such as date of birth, gender of the registered workers compromised the quality of the registration database. Deficiency in identification of eligible construction workers through proper survey resulted in non-registration of significant number of workers. The Board did not initiate effective action to bring the inter-State migrant construction workers under its fold. The data from the *Seva Sindhu* Portal, consisting of 42,50,122 registered beneficiaries was inadequately validated before being entered into the database. Registration and Renewal of beneficiaries on the *Seva Sindhu* portal showed that the employment certificate submitted with the applications lacked employment details. Ineligible workers like tailor, clerk, weaver, and other professions were registered as construction workers and availed benefits.

4.1 Registration of construction workers

As per Section 12 of the BOCW Act, 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.

To ensure effective implementation of the schemes relating to workers benefit, the Board is required to maintain the database of workers and labourers for whom the benefits were to be paid. The Board also needs to conduct periodical updation of the data to ensure that any subscribers/beneficiaries left out are enrolled timely.

4.1.1 Non-allotment of Unique Identification Number

The Ministry of Labour and Employment, Government of India (in pursuance to the Hon'ble Supreme Court Judgement/order in Writ Petition (Civil) 318/2006) issued guidelines/action plan (September 2018) to introduce Unique Identification Number (UIN) to every registered construction worker to upload their complete details on the State portal and National BOCW portal in "read only mode" of the registered worker and their families along with registration and renewal, so that it can be accessed by other States and would help in portability of welfare benefits during migration of workers.

Audit observed that the Board made no efforts to allocate Unique Identification Numbers (UINs) on both the State and National Building and Other Construction Workers (BOCW) portals for construction workers. This failure meant that migrant labourers were unable to access benefits in States other than Karnataka due to the absence of UINs. This is in violation to the guidelines issued by the GoI.

The Government stated (August 2024) that action would be taken to allocate UIN on both State and National portals for the construction workers to enable them to access benefits in the State for migrant workers also.

4.2 Deficiencies in the quality of registration data

4.2.1 Registration of ineligible persons as Construction workers

Section 12 of the Building and Other Construction Workers' (Regulation of employment and Conditions of Service) Act, 1996 and Rule 20 of Building and Other Construction Workers' (Regulation of employment and Conditions of Service) (Karnataka) Rules, 1996 prescribe the conditions for registration of Building and other construction worker as a beneficiary under the Act. An application in Form V along with a certificate of employment and other documents were to be submitted for the purpose. The Registering Officer after scrutiny shall accept the application if the applicant has complied with the provisions of the Act and Rules for registration. Further, as per Rule 20-A, the beneficiary shall submit the pay slip or copy of nominal muster roll as proof of employment in building or other construction works for a minimum period of 90 days in the preceding year.

Audit conducted a scrutiny of randomly selected 399 applications for registration and renewal of beneficiaries available in the "Seva Sindhu" portal and observed that the employment certificate furnished along with the applications did not contain the details of the employment but were accepted by the Registering Officer. The pay roll or muster roll was not furnished for renewal of membership every year. Audit also observed that ineligible workers like tailor, clerk, weaver and other professions were registered as construction workers and availed benefits.

The Board in its 36th meeting (June 2022), decided to form a committee under ALC to identify the ineligible beneficiaries and special drives were also conducted in this regard. However, the details of the ineligible beneficiaries identified, and the action taken on them were not made available to audit. Due to inadequate scrutiny at the time of registration / renewal and while sanctioning the benefits, ineligible beneficiaries continued to avail the benefits meant only for construction workers.

The Government stated (August 2024) that the Board issued circulars (July and August 2023) to ease the renewal procedure by facilitating self -attested employment certificates/pay slips of the construction workers. It was also stated that the Board was taking every step to avoid sanctioning benefits to ineligible beneficiaries.

However, the Board needs to devise a mechanism to identify ineligible beneficiaries without the employment details required under Rule 20-A.

4.2.2 Identity Cards without employment details

Section 13 of the Building and Other Construction Workers' Act, 1996 mandates the Board to issue identity cards to beneficiaries, with employers required to record work details and return them to the beneficiary.

Further, Rule 20(4) of the Karnataka Rules specifies the issuance of identity cards and mandates the creation of smart cards for registered workers. Again,

employers were to maintain employment registers or submit annual returns as stipulated by Rule 22 and Rule 260, respectively. The inclusion of employment details in identity cards, registers, and annual returns was intended to facilitate verification by Registering Officers, enabling the rejection of registrations for ineligible beneficiaries.

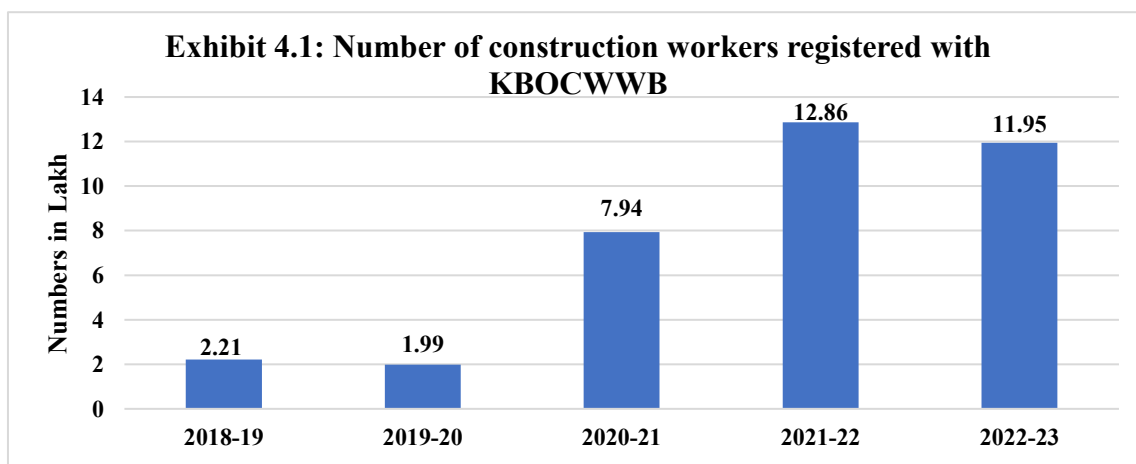
However, employers did not maintain employment registers or submit annual returns as stipulated by Rule 22 and Rule 260, respectively. Further, due to absence of such details in identity cards and the non-maintenance of employment registers and non-submission of annual returns, Registering Officers were unable to verify the information provided by beneficiaries in Employment Certificate applications or renewals. Consequently, incomplete Employment Certificates lacking employment details were accepted in all cases. In the absence of employment details, the registering officer could not ensure whether the beneficiary was involved in building construction work as required under the Rules. This also led to extending of benefits to ineligible beneficiaries in few cases as commented in succeeding paragraphs.

The Government stated (August 2024) that the Labour Officers/Registering Authorities, across the State were instructed to record all the information in the registers and identity cards.

4.3 Analysis of Registration data

4.3.1 Registration details of construction workers in the Board

The details of registered construction workers for the period 2018-23 are given in **Exhibit 4.1**.



Source: Details furnished by KBOCWBB

Audit observed a sudden surge in the registration of the construction workers in 2020-21 and 2021-22 which could be attributable to cash assistance and other benefits released to the registered construction workers during COVID pandemic.

4.3.2 Migration of Beneficiary data

Registration of beneficiaries for the Board was done manually from inception of the Board in 2007. Thereafter in February 2016, the “e-Karmika” portal was introduced for online registration by the Board. The Board migrated (June 2019) to “Seva Sindhu” portal for registration and processing of claims for assistance. The legacy data from the manual entries and from the Karmika portal were not migrated fully into the Seva Sindhu portal as the data of Karmika portal had deficiencies. Consequently, unreliable data got stored in the Seva Sindhu database. Audit analysed the data of 42,50,122 registered beneficiaries obtained from Seva Sindhu portal and found the following discrepancies:

- the age at the time of registration was shown more than 60 years in 1,150 cases.
- the gender column was blank in 3,08,609 cases and
- the date of birth was entered as 20/03/0912, 07/02/0915 *etc.*, which was not a valid date format for registration of a worker.

The data in the Seva Sindhu portal was not validated properly before storing in the database. In view of these discrepancies in the data, the database was found not reliable. As there was no unique number allotted to each beneficiary, chances of duplicate entries in manual forms and in Karmika /Seva Sindhu portal and payments of benefits more than once could not be ruled out.

The Government stated (August 2024) that the discrepancies identified in the procedures for maintaining beneficiary registrations and processing claims would be reviewed, and appropriate actions would be taken to address them.

4.3.3 Differences in the number of beneficiaries furnished by the Board and implementing offices.

Audit collected the details of beneficiaries from the Board and from the implementing offices for the purpose of sampling and beneficiary survey. It was observed that there was difference in the number of beneficiaries between that furnished by the implementing offices and the Board, as shown in the following **Table 4.1**.

Table 4.1: Differences in the number of beneficiaries furnished by the Board and implementing offices

Schemes	No. of beneficiaries as per the selected field offices				No. of beneficiaries for the selected field offices as per Board Head Office				% of variation*
	2020-21	2021-22	2022-23	Total	2020-21	2021-22	2022-23	Total	
Pension	1,354	926	1,062	3,342	1,647	10,764	20,998	33,409	90.00
Disability Pension	4	2	3	9	38	22	46	106	91.51
Family Pension	3	11	19	33	5	56	215	276	88.04
Education assistance	26,294	27,196	4,879	58,369	16,090	37,990	13,099	67,179	13.11
Marriage assistance	3,196	9,167	11,640	24,003	3,956	9,325	16,246	29,527	18.71
Medical assistance	221	470	882	1,573	231	313	932	1,476	-6.57
Thayi Magu Sahaya hasta scheme	22	85	209	316	0	55	187	242	-30.58

Source: Information furnished by the Board and field offices¹⁷

*This has been worked out by comparing the scheme-wise total number of beneficiaries observed in the selected field offices and that of the Board head office.

As seen from the table above, in pension, disability pension and family pension cases, a huge variation which ranged between 88.04 *per cent* and 91.51 *per cent* was observed in the data of number of beneficiaries furnished by the selected field offices and the data available with the Board head office. The inconsistency in the data is indicative of a faulty reporting system and absence of data reconciliation. In the absence of compiled data from Seva Sindhu portal the veracity of the data could not be ascertained in audit.

The Government stated (August 2024) that instructions had been issued to reconcile the data provided by field officers with the Board's Head Office records, scheme-wise, to ensure accurate data maintenance.

4.3.4 Inaction on the findings of Karnataka Evaluation Authority

Karnataka Building and other Construction Workers Welfare Board initiated a study on the "Welfare impact of usage of the Construction Workers' Welfare Board Cess in Karnataka" through Karnataka Evaluation Authority (KEA).

The major findings of the study were that:

- there was no accurate data on the number of construction workers and those who were registered.
- no uniformity in the process of registration of the establishments and collection of cess and no proper process of information sharing between the Board and district offices leading to whole disparity in records.
- the process of registration and renewal was complicated and took 45 days (average time) to complete and there was lack of a formal grievance

¹⁷ Information as per pension related records as furnished by three ALC offices (ALC-1 Bengaluru, ALC- Belagavi and ALC-Mangaluru) and Other Scheme related records as furnished by six Labour Offices (LO-01 Bengaluru, LO-Bidar, LO- Davanagere, LO-Hubballi, LO-Mysuru and LO-2 Belagavi).

redressal mechanism to deal with the problems faced by the construction workers.

The KEA provided (June 2021) recommendations to rectify the shortcomings identified in the study. However, the Board took no corrective action to address the shortcomings.

The Government stated (August 2024) that the shortcomings pointed out in the study report were noted and all the suggestions made in the KEA report were being implemented.

However, Audit observed many lapses in the functioning of the Board, including issues related to the registration of workers and establishments, among others, which are detailed in various chapters of this report.

Recommendation 5: 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.

Conclusion

Despite creation of the Board in 2007, significant shortfalls continued in the registration process of unorganised construction workers. The manual as well as the electronic data of registered workers had significant shortcomings. Deficiency in identification of eligible construction workers through proper survey had resulted in non-registration of significant number of workers and registration of ineligible workers. The Board did not initiate effective action to bring the inter-State migrant workers under its fold.

CHAPTER - V

Implementation of Welfare Schemes

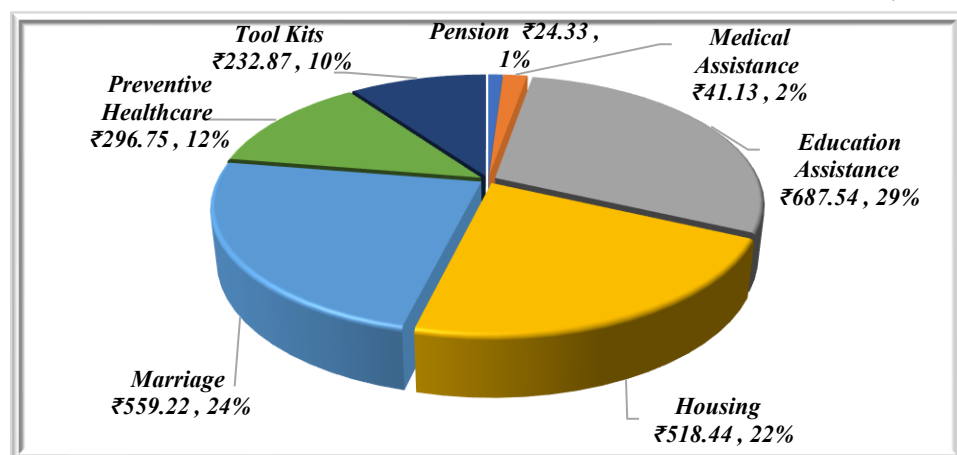
Chapter V: Implementation of Welfare Schemes

Abnormal delays in processing the pension payments deprived the beneficiaries from getting pension benefits. Instances of rejection of pension applications due to non-renewal of subscription during Covid lockdown were noticed. Toolkits were issued to the beneficiaries engaged in different occupations, other than building and construction works. The Board had not prescribed standard procedure for scrutinizing medical bills and significant deficiencies in the scrutiny/certification/settlement of these bills were observed. Instead of calling for tenders as per the KTPP Act and Rules, the Board split the works to circumvent the need for Cabinet approval, resulting in irregular expenditure of ₹258.80 crore in Preventive Health Care Training and Checkup scheme.

The Board implemented 25 welfare schemes which included superannuation pension, family pension, disability pension, medical assistance, educational assistance *etc.*, to the registered construction workers as per the eligibility for each scheme. Ten schemes¹⁸ implemented by the Board were selected on random sampling method for detailed analysis.

Exhibit 5.1: Kind of assistances distributed by the Board

(₹ in crore)



Source: Data furnished by the Board

5.1 Pension Scheme

As per Rule 39 of Building and other Construction Workers (Karnataka) Rules 2006, a building construction worker was eligible for superannuation pension of ₹3000¹⁹ per month after attaining the age of 60 years. The worker should have been a subscriber to the fund for a continuous period of at least three years before turning 60 years and should have paid the subscription fees of ₹50 per year until 60 years. As per Rule 49-C, the time limit for applying for pension is within six months after attaining the age of 60 years. Further, as per rule 21-A (2), if a beneficiary commits default in the payment of contribution

¹⁸ Superannuation Pension, Family Pension, Permanent Disability, Major Medical Assistance, Thayi Magu Sahaya Hasta, Educational Assistance, Tool kit Scheme, Preventive Health Checkup, Karmika Gruha Bhagya and Marriage Assistance.

¹⁹ Increased from ₹2,000 w.e.f. August 2022.

continuously for a period of one year, he/she shall cease to be a beneficiary of the fund. As per Rule 39-A, the spouse of the deceased registered building and other construction worker drawing pension is eligible for family pension which is 50 *per cent* of the pension.

The Board or the field offices could not provide the complete information regarding the number of beneficiaries under the scheme and there were differences/inconsistencies in the data furnished by them as commented in **Para 4.3.3 *supra***. In the absence of reliable data, Audit obtained the number of pension cases from the sampled ALC offices and analysed them by retrieving the applications from the Seva Sindhu portal. In all a total of 4,678 pension applications were furnished by the sampled ALC offices pertaining to the period 2018-23. The observations of Audit on the analysis of these applications are detailed in succeeding paragraphs.

The Government stated (August 2024) that the ALCs would be asked to explain the reasons for rejection of these cases.

5.1.1 Rejection of pension applications for non-renewal of subscription during Covid Lockdown

Due to the nationwide lockdown during the first and second waves of the Covid-19 pandemic, the Government of Karnataka (GoK) waived the annual subscription fee. Additionally, the time limit for submitting applications for benefits was extended in phases from March 2020 to September 2021.

Audit test checked superannuation pension applications in two²⁰ ALCs for the years 2019-2023. Scrutiny of 57 superannuation pension applications rejected by the ALCs, revealed that 20 applications were rejected due to non-payment of subscription continuously.

It was also observed that the period of non-payment ranged from one month to 10 months. Considering the provisions of Rule 21-A (2) *ibid.*, and the relaxation for the COVID-19 period granted by GoK, the rejection of these applications was found to be not in order as the period of non-payment of subscription was less than a period of one year. This deprived the pension amount of ₹3,000 per month to these beneficiaries for their lifetime and family pension to the spouse. The amount of pension lost by these beneficiaries whose applications were rejected worked out to ₹23.10 lakh till December 2023.

In reply, ALC Mangaluru stated that the applications were processed as per the rules and instructions issued by the Board. The reply is not acceptable as the renewal can be made within one year after it is due, and the subscription was waived off by the GoK from 01 August 2020.

²⁰ ALC Mangaluru and ALC Belagavi.

5.1.2 Absence of time limits for sanction of pension

Application for superannuation pension was to be filed by the beneficiary within six months from the date of attaining 60 years. However, no time limit was specified for scrutiny and sanction of the pension. Audit observed that pension was paid from the date of sanction and not from the date of superannuation.

Test check of 77 pension applications in three offices revealed that in 36 cases time taken was 18 months in sanctioning the pension to the beneficiaries. Thus, the beneficiaries were deprived of the pension of ₹3,000 per month and total unpaid pension from the date of superannuation for these 36 beneficiaries works out to ₹8.76 lakh.

Further, denial of pension and opportunity for family pension lost due to delay in sanction was also noticed as detailed in the **Illustration** below:

Illustration:

A registered construction worker attained the age of 60 years on 23 January 2020 as per the details furnished at the time of registration. The beneficiary applied for superannuation pension vide Order No. KB802S210001345 dated 02 July 2021. The Labour Inspector, Kundapura while conducting spot verification on 06 May 2022, reported that the applicant expired on 27 December 2021. Based on the verification report the application was rejected on 17 August 2022 by the ALC, Mangaluru.

Due to delays in sanctioning, the beneficiary did not receive the ₹3,000 monthly pension to which he was entitled. Since superannuation pension was not approved, the beneficiary's spouse was also deprived of the family pension of ₹1,500 per month.

Audit observed that there was no provision in the rules to regulate the pension in such cases. Further, no specific instructions/ circulars were issued by the competent authority to regulate the pension sanction cases if the applicant was deceased before sanctioning the case.

In reply, ALC Mangaluru stated that the case was rejected as per the instructions of the Board. However, supporting documents in this regard were not provided and records made available revealed that LO conducted the inspection of the beneficiary with inordinate delay of six months from application for pension, which ultimately resulted in denial of pension/family pension to the deceased construction worker.

The Government stated (August 2024) that instructions would be issued to process pension applications on top priority and pay the pension/family pension from the date of superannuation or death of the spouse.

Recommendation 6: 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.

5.2 Major Medical Assistance

As per the Central Government Health Scheme (CGHS), medical bills are verified through a process that involves beneficiaries, the wellness centre and the Beneficiary Claim Administrator (BCA). Once the beneficiary submits the claim in a wellness centre where they are registered, the wellness centre verifies the claims against a checklist and are submitted to the BCA for further review of the claims. The claims are then sent for approval and onward payment through the concerned Pay and Accounts Offices.

In Karnataka, though the Board had adopted CGHS rates for settlement of the medical claims, the process of verification of claims as per standardised checklist of CGHS had not been adopted. In Karnataka, a registered construction worker is eligible for assistance of medical expenses for treatment of major ailments. As per Rule 48, the Board shall grant an amount up to rupees two lakh subject to the rates prescribed under CGHS for every application or estimated cost of treatment/operation.

Audit observed significant deficiencies in scrutiny and certifying of medical bills as detailed below:

- **Geographical discrepancies:** In LO-Mysuru, 93 bills amounting to ₹0.20 crore sanctioned during 2018-19 were sent to a doctor 25 km away working in Primary Health Center at Nanjangud, while in LO-Davanagere, 734 bills amounting to ₹2.19 crore sanctioned during 2018-19 to 2022-23 were scrutinized by an agency in Bengaluru which is 250 km away. This raises a concern about the feasibility and efficiency of the verification process given the significant distances involved.
- **Inappropriate certification:** In Davangere the bills for allopathy treatment were certified by an Ayurvedic (BAMS) Doctor which is not appropriate and undermines the validity of the certifications.
- **Non-compliance with documentation:** In LO-Mysuru and LO-Davanagere, it was observed that in 17 out of 72 test checked cases, an amount of ₹4.74 lakh (**Appendix 5.1**) was sanctioned without certificate from the treating Doctor.
- **Delayed settlement of claims:** In three LO²¹, out of 1,233 cases, 851 claims were sanctioned within six months from the date of application and 382 claims were delayed by more than six months. In 283 cases, transfer of the amount to the beneficiary account took more than three months after sanction. Thus, delay in payment of assistance for the

²¹ LO-1 Bengaluru, LO Mysuru an LO Davanagere.

medical expenditure incurred by the beneficiaries affected the objective of the scheme in providing timely assistance.

Non-compliance with mandatory documentation requirements and significant delays in claim settlements further put the beneficiaries at a disadvantage. The verification process adopted as shown in the above examples was irregular.

The Government stated (August 2024) that the observations would be circulated to all the offices to avoid such lapses in future and for speedy settlement of the claims.

5.3 Karmika Gruha Bhagya Yojane

Rule 42 of the Building and Other Construction Workers' Rules, Karnataka 2006, stipulates that a registered construction worker who is at least 45 years old and has rendered 15 years of service is eligible to apply for an advance on their entire beneficiary contribution, up to a ceiling of rupees two lakh. In August 2022, the age criteria were amended to allow workers between the ages of 21 and 50 years to apply. The advance is paid directly to the Government agency implementing housing schemes. The Board is to recover the advance in equal annual instalments over a period of 20 years.

5.3.1 Release of ₹509.80 crore KSDB without obtaining beneficiary list:

Karnataka Slum Development Board (KSDB) sought funds from the Board for construction of houses under Pradhan Mantri Awas Yojana (PMAY) implemented for slum rehabilitation. Under PMAY, houses for rehabilitation of slum dwellers were to be constructed with Central share, State share and beneficiary share. KSDB stated that the amount would be utilized towards beneficiary share for those units which are allotted to the beneficiaries of the Board. Accordingly, the Board released (November 2019) ₹76 crore to KSDB through the Housing Department for implementation of scheme. The KSDB submitted (July 2020) the list of 5,128 beneficiaries to the Board along with utilization certificate for ₹76 crore. It further sought an amount of ₹433.80 crore for the scheme for other districts and the Board released the amount in two instalments during August and September 2022²².

Records revealed that the Board released ₹433.80 crore to KSDB without obtaining the beneficiary list. The Board issued directions (July 2023) to the Labour Officers to verify and ascertain the genuineness of the beneficiaries selected by KSDB. As of December 2023, the Labour Officers had not submitted verification report to the Board.

The Government stated (August 2024) that meetings were conducted with officers of KSDB to obtain further information and the verification reports from the Labour Officers were expected shortly.

²²21,690 beneficiaries (at the rate of ₹2,00,000 per beneficiary).

5.3.2 Irregular selection of beneficiaries

Audit scrutinized 480 cases out of 5,624 beneficiaries furnished by KSDB in test checked Labour Offices and observed that, the Board irregularly granted benefits to 53 under-aged or over-aged beneficiaries, contravening the prescribed guidelines. Further, following discrepancies were observed in the test checked labour offices.

- The Labour cards verified by LO-Davanagere revealed that the details of nine beneficiaries and their family members were not matching with the names of the allottees by the KSDB.
- The details of the agreement signed with the beneficiaries for advance payment and the details of recovery were not available with the Board or with the LO in any of the test checked districts.
- Beneficiary survey conducted at the LO, Davangere office, revealed that a beneficiary received no assistance despite his name appearing in the Board's records and being included by KSDB under the KGB scheme with a registration number.
- In LO-Bidar, out of 1,097 beneficiaries identified by the Board, the Labour Officer (LO) confirmed that only 688 houses were sanctioned, out of which, only 169 houses were handed over to beneficiaries. Further, four beneficiaries were engaged in tailor, clerks, weavers and not in building and other construction works.



Incomplete house under KGBY in Davanagere.

- Joint Physical verification revealed that none of the houses were completed (December 2023). However, as per the KSDB list, these houses were reported to have been completed.

- A scrutiny of Labour cards of the beneficiaries who availed assistance of loan and advances for construction of house under the KGB scheme in the LO-1, Hubballi, LO Davangere and LO Mysuru revealed that in 72 out of 409 cases, the assistance was provided by KSDB in the names of the family members of the registered construction workers instead of the actual registered construction worker.

These findings indicate systemic weaknesses in the verification, monitoring, record-keeping processes and delays in house construction.

The Government stated (August 2024) that it was the responsibility of KSDB to select eligible beneficiaries and obtain the loan documents for recovery of the amount in instalments.

The reply is not acceptable as Board had to ensure that the Board's funds were being utilised for the welfare of its beneficiaries before releasing the amount to KSDB.

5.3.3 Release of ₹8.74 crore to M/s. Rajiv Gandhi Housing Corporation Ltd., without beneficiary details.

The Board released ₹8.74 crore (September 2022) to M/s Rajiv Gandhi Housing Corporation Ltd. (RGHCL) for implementing the Scheme in three²³ Taluks of Haveri District for 437 beneficiaries. However, the Board did not obtain critical information, such as the details of the beneficiaries, the amount recovered, and the construction status of the houses.

In the absence of beneficiary details, Audit could not verify whether the funds have reached the intended recipients. Without information on the construction status, the Board cannot ensure that the housing projects are being completed as planned. This gap makes it difficult to monitor the effectiveness and efficiency of the scheme. Further, the Board's documents did not clearly outline the method for recovering the advances. There is a fundamental flaw in the functioning of the Board wherein the Board gives funds to organisations without any details as to whom the benefits are reaching.

During Exit Meeting Principal Secretary assured to resolve the issue by arranging a meeting with RGHCL.

The Government stated (August 2024) that it is the responsibility of RGHCL to select beneficiaries and recover the instalments from them. It was also stated that the details called for in Audit were not readily available.

The reply is not acceptable as it was imperative for the Board to collect the relevant information about the beneficiaries before releasing the amount to RGHCL.

Recommendation 7: The State Government should direct the Board to verify the eligibility of the allottees/beneficiaries of the housing scheme after all planning and due process is done and also before release of funds to the implementing agencies.

²³Shiggaon, Bankapura and Savanur.

5.4 Preventive Health Care Training and Checkup for the Building & Other Construction Workers in Karnataka

The Board proposed to conduct a Preventive Health Training and Checkup for five lakh registered building construction workers. The proposal was included in the Budget for the year 2020-21 and ₹150 crore was earmarked for this scheme.

5.4.1 Unauthorised expenditure of ₹258.80 crore

The Board sent proposal (July 2020) of Preventive Health Training and Checkup for five lakh registered building construction workers for Cabinet nod as the work cost exceeded ₹10 crore. The proposal was returned by the Finance Department (FD) with direction to prepare a detailed proposal with guidelines for the scheme.

Again, Board proposed (December 2020) to entrust the scheme to three²⁴ agencies directly without following the tender procedure quoting under 4 (g)²⁵ of (KTPP) Act. The proposal was rejected by the Finance Department which sought recorded justification for bypassing the tender process. The Secretary, Labour Department instructed (March 2021) the Board to follow the provisions of KTPP Act for tendering.

The Secretary of the Board (12 April 2021) instead of furnishing detailed justification for 4(g) exemption, sent a fresh proposal to Labour Department to call for tender to empanel the agencies for one year and sought administrative approval to implement the scheme in Dharwad Circle on pilot basis for ₹8.86 crore.

Instead of calling for tenders as per the KTPP Act and Rules and as directed by the Finance Department, the Board decided to split the work into 30 individual projects to circumvent the need for Cabinet approval and called for quotations. The Board approved these projects post facto in June 2022, by quoting the exemption order under Section 4(a)²⁶ provided during the first and second waves of COVID-19 for the supply of food and ration kits to labourers and proceeded to award the split works, thereby avoiding Cabinet approval.

Thus, award of contracts from September 2021 to May 2022 in contravention to the Act/Rules resulted in irregular expenditure of ₹258.80 crore.

The Government stated (August 2024) that the work was entrusted directly as 4(a) exemption was accorded by Government and that there was no contravention of Act / Rules in implementing the scheme.

²⁴ M/s. PCMH, M/s. Hindustan Latex Ltd., (HLL) and M/s. Apollo Clinic.

²⁵ This clause applies for specific procurements as may be notified by the Government from time to time for entrusting works without following open tendering process.

²⁶ This section of KTPP Act grants exemption from calling open tenders for procurement of goods and services during natural calamity or emergency.

The reply is not acceptable, as the exemption under Section 4(a) was granted specifically to address the COVID-19 emergency. The Finance Department had previously returned the proposal for this scheme with instructions to comply with the KTPP Act. Despite this, the scheme was later implemented with the approval of the Labour Department by splitting the work into 30 sub-works of ₹10 crore each, thereby circumventing the need for Cabinet approval.

5.4.2 Lack of transparency in awarding the work

Audit observed several lapses in awarding the work of preventive healthcare scheme to labourers. The instances are brought out below:

- Notifications were placed on different dates for each district on the notice boards of the offices under the Labour Department, calling for quotations allowing seven days to respond. However, the notice was not published in any newspaper or through the e-procurement portal, thereby failing to attract competitive rates.
- The qualification criteria (like NABL accreditation, experience, previous year's turnover *etc.*), for the agencies eligible for participation, EMD *etc.*, were not prescribed in the Notification calling for quotations.
- Exactly three quotations were received for each district. Despite the limited publicity of the notice, quotations were received from agencies based in New Delhi and Mumbai within three days. The quotes were also received from equipment suppliers and agencies without any address or contact details mentioned in their submissions.
- Two unsigned quotations were also taken into consideration for evaluation purposes and two quotations were received even before the date of Notification. The Board, instead of rejecting these invalid quotations, accepted them for comparison and entrusted the work.
- The number of persons to be tested under each Labour Office was fixed at 26,500 or 33,500 to ensure that the total cost of the work remained below ₹10 crore, to avoid Cabinet approval.
- Security Deposit or Earnest Money Deposit, which could be forfeited in the event of failure to start the work after entrustment, was not obtained from the agencies.
- Though there was no provision for advance payments, at the request of the agencies, 50 *per cent* of tender amount was paid as advance (December 2021) without obtaining Bank Guarantee/ security thereby extending undue favour to them.
- In eight cases, the advance amount was disbursed even before the signing of the agreement. Further, the utilization of the advance for the purchase of equipment necessary for the implementation of the scheme was not ensured, as vouchers or other supporting documents were not obtained.

A total of 8,49,084 beneficiaries and their dependents were given preventive health checkup and training and an expenditure of ₹258.79 crore (December 2023) was incurred. Details of beneficiaries who underwent Preventive Health Checkup and Training in 25 Labour Offices were furnished to Audit. Details

of Labour Offices at Koppal, Yadagiri, Shivamogga and Hubballi were not furnished despite repeated reminders.

The Government stated (August 2024) that information about the works were shared with certain organisations working in the health sector, to obtain the rates as per 4(a) exemption and the rates quoted by the agencies could not be verified in detail due to oversight as the work had to be implemented urgently. It was also stated that advance amount was released as per the request of the agencies, with due approval of the Chairman of the Board.

The reply is not acceptable, as the claimed exemption under Section 4(a) does not apply to this scheme. The Finance Department had previously rejected the Board's proposal for a 4(g) exemption and instructed compliance with the KTPP Act. Despite the claimed urgency, the Board took eight months, from August 2021 to March 2022, to issue work orders for all Divisions. The process lacked transparency in awarding these works.

On scrutiny of further records at the Boards headquarters and Labour Offices, Audit observed significant discrepancies as detailed below:

A. Payment for Tests conducted more than once for same person

Audit observed that claims were made by the agencies by showing that the tests were conducted multiple times for the same person using the same name and Labour ID. One individual was reported to have been tested up to 29 times. The total number of duplicate entries found in the list was 1,27,635. The Labour Officers countersigned and forwarded the claims without verifying the details. The amount paid for these duplicate entries works out to ₹37.65 crore (1,27,635 x ₹2,950). The lack of any verification process and the large number of duplicate entries is suggestive of fraud test results.

The Government stated (August 2024) that the possibility of the same person being tested multiple times could be attributed to data entry errors or system glitches.

The reply is not acceptable as the Board made payments for these duplicate entries without proper verification / data validation checks.

B. Unwarranted tests on minors without medical advice

According to the terms and conditions of the agreement tests must be conducted for registered workers and their dependents who are 18 years and older. However, it observed that tests were conducted for 79,280 minors. Neither the LO nor the Board verified that claims for persons under 18 years of age are not payable. The amount thus paid works out to ₹23.38 crore (79,280 persons x ₹2,950 per test).

The Government stated (August 2024) that though the observation was in order, in the interest of social justice, the tests were conducted for ineligible dependents.

The reply is not acceptable, as both the terms of the agreement and the BOCW Act clearly stipulate that the Board's funds must be used exclusively for the benefit of registered beneficiaries and their dependents.

C. Payment of ₹12.71 lakh to ineligible beneficiaries

The data pertaining to the beneficiaries and their dependents from 25 Labour Offices were analysed by adopting a random sample of 8,770 cases (one *per cent*) and Audit observed that the medical team conducted tests on the people who were neither card holders nor their dependents. The Labour Officers did not verify these basic details and payments were made to the agencies. This has resulted in loss to the Board which works out to ₹12.71 lakh (431 cases at ₹2,950 per test).

The Government stated (August 2024) that the documents produced by the workers could not be verified due to rush and to maintain social distancing. It was also stated that the agencies were asked to conduct tests for 300 more workers to compensate the shortfall.

The reply is not acceptable as the tests were stated to have been conducted for the eligible beneficiaries and payments made without verifying the documents furnished.

5.5 Toolkit and Training Scheme

As per Rule 41 of the Building & Other construction workers Rules, Karnataka 2006, a construction worker²⁷ who having registered as a beneficiary is eligible for tool kit not exceeding ₹ 20,000 once during his membership. The Board procured 5,18,867 toolkits of different trades like masonry, painting, plumbing, bar bending, carpentry *etc.*, during the years 2018-19 to 2021-22 and the same were delivered directly to the Labour Offices for onward distribution to the beneficiaries.

A beneficiary should furnish an application in Form XV for receiving the tool kit. The Board did not prescribe any procedure for selection of beneficiaries to receive the tool kits when the number of applications is in excess of the number of tool kits supplied. Applications received in Form XV were not available in the test checked offices.

Scrutiny of records also revealed that out of 62,674 toolkits received in test checked districts 20,771 toolkits²⁸ were issued directly to trade unions and through public representatives instead of issuing to registered beneficiaries. Details of the beneficiaries to whom the kits were issued were not obtained, raising concerns about whether the kits reached eligible recipients.

In LO-2, Belagavi, four out of 20 test-checked beneficiaries were found to be engaged in different occupations, such as agriculture and private company employment, instead of building and construction works. This indicates a failure to properly verify eligibility criteria for receiving benefits.

In LO-Bidar more than one tool kit was issued in 226 cases and in one case even five times. Further, in nine cases beneficiaries were issued toolkits for

²⁷ Masonry, plumbing, carpentry, bar bending and scaffolding, painting, tile laying, electrician, welding, steel fabricating *etc.*

²⁸ LO-1, Bengaluru, Hubli, LO-Mysuru, and LO-2 Belagavi.

different trades²⁹ multiple times by using different Aadhaar numbers. In one instance, a beneficiary with the same Labour card number received toolkits for three different trades by providing different Aadhaar numbers for each case.

The flouting of guidelines in distribution of toolkits is indicative of the complete negligence of the Labour Officers in ensuring that only genuine beneficiaries are the recipients.

The Government stated (August 2024) that the discrepancies would be brought to the notice of the field offices for verification and further action. Due care would be taken to avoid such lapses in future. It was also stated that to ease the supply and delivery of tool kits, the Board decided to float tenders' division wise.

Recommendation 8: The State Government should direct the Board to issue toolkits directly to registered workers and as per the trade registered.

5.6 Marriage assistance scheme

Rule 49 of the Building and Other Construction workers' Karnataka envisage assistance for the First marriage of the registered building or construction worker or his/her dependent children (limited to 2 children). The competent authority shall on an application in Form XXIII submitted by the registered construction worker, sanction a sum of ₹50,000 as an assistance to meet the marriage expenses of the worker or his/her two dependent children.

The Government Order (February 2018) stipulated that 50 *per cent* of the amount shall be in the form of Fixed deposit or Bond (Gruha Lakshmi Bond) for a minimum of three years in the name of the bride and remaining 50 *per cent* through RTGS in the name of the Beneficiary. This condition was amended in May 2020 with a revision to Rule 49(f), which now states that the entire amount shall be transferred to the bank account of the bride.

Audit observed in test checked LOs that out of 1,013 marriage bonds which were issued during 2018-20 under the Marriage Assistance Scheme in 624 cases, the Marriage Bonds were still with the LO, even though they were within the three-year lock in period. Additionally in 45 cases Matured Bonds were not handed over to the beneficiaries and remained with the LOs, thereby depriving financial support to the beneficiaries.

Further, Audit observed that 18 beneficiaries, though engaged in different occupations like business, agriculture and private sector employees *etc.*, were paid marriage assistance, in violation of the rules.

These significant administrative lapses undermine the scheme's effectiveness and compromise the integrity and objective of the scheme.

²⁹ Masonry, Painting, Plumbing, Bar bending, Carpentry.

While accepting the observation during the Exit Meeting Principal Secretary stated that instructions would be issued to Labour Officers for proper implementation of scheme and to recover inadmissible and excess payments if any from the concerned.

The Government stated (August 2024) that the observations would be brought to the notice of the field offices for recovery of the irregularly sanctioned amount.

5.7 Mobile Clinics for urban construction workers

To provide health care facilities to the construction workers and their families working in urban areas, the Chief Minister announced establishment of 10 (2020-21) and 25 (2021-22) mobile clinic units (MCU) at selected workplaces. The short-term tenders were invited (April 2021) for starting three mobile clinics in Belagavi region and clinics commenced operations (December 2021). Quotations were obtained for other four³⁰ regions (December 2021) and the work was entrusted to the agencies³¹ from July 2022.

In respect of 25 clinics announced for the year 2021-22, short term tenders were invited (January 2022) for starting seven mobile clinics in Kalaburagi region and quotations were obtained for other four³² regions and the works were entrusted to the agencies from July 2022.

Scrutiny of records pertaining to tendering and operation of mobile clinics revealed the following:

- The pre-qualification criteria, such as annual turnover and operating at least 10 mobile clinics for any State or Central Government departments in the last three years, were set for agencies participating in the e-Tender. However, these criteria were not applied to agencies shortlisted through quotations. Further, the notice calling for quotations was not widely publicized in any newspaper but was only placed on the notice Boards of the offices.
- As per the terms of agreement, the route of the MCU should be informed in advance to the concerned officials of KBOCW. The details of the number of trips per month, locations visited *etc.*, are to be submitted every month to the monitoring committee headed by DLC. Audit visited the location of the MCU at Bidar, Belagavi and Mangaluru during field visits and observed that the route map of the MCU was not shared with the concerned officials and they were not aware of the location of the MCU.
- The details of the patients along with the labour card details were not entered in the Register.

³⁰ Kalaburagi – 1 clinic; Hassan -2 clinics; Bengaluru Region-I – 2 clinics; Bengaluru Region-II -2 clinics.

³¹ M/s. SCODWES, United Social Welfare Association. Belagavi, Udbhav, Blossom Charitable Trust.

³² Belagavi – 7; Hassan - 4; Bengaluru Region 1-3; Bengaluru Region-II - 4

- The entries in the Patient Register were left blank besides the labour card details of the patient not being entered. Audit team called the mobile numbers entered against the patients in the Register and found that the mobile numbers did not belong to a patient but some unconnected individual.
- As per the objectives of the scheme, the routes were to be decided so that places with more construction activity and clusters having more labour population are covered. However, the routes were decided by the agencies themselves and were approved by the LO. The Mobile Units were visiting only a few villages routinely instead of covering the whole taluk as intended. The MCU were stationed in a common place of the village and not near any construction sites as stipulated in the agreement.
- Audit sought the GPS tracing details of the vehicles as of 29 December 2023 and observed that out of 32 vehicles, five could not be traced due to the GPS login details being unavailable to the Board. According to the work order, eight persons were to be present in each MCU; however, upon verification, one MCU had seven persons, 13 MCUs had six persons, and eight MCUs had five persons. The number of persons in 10 MCUs could not be verified as their contact details were not available with the Board. The logbooks of the vehicles were not obtained and scrutinised by the LO.
- In three MCUs, the Doctor was not present. According to the agreement, if a person is on leave, the agency shall provide a replacement for the clinic. However, in Chikkaballapura MCU, the Doctor was absent for more than 10 days without any replacement being provided. In Mangaluru, the service provider had provided an Ayurvedic doctor instead of an MBBS Doctor.

Despite expenditure of ₹21.26 crore, the Board could not ensure effective functioning of the scheme due to non-monitoring the effectiveness of mobile units.

The Government stated (August 2024) that the details of treatment given to patients were maintained in systems and only minimum details were entered in the Registers for want of sufficient time. GPS would not have worked on account of repair and action had been taken in this regard. The reply also mentioned that the Standard Operating Procedure (SOP) for efficient working of Mobile Clinic Units would be prepared and sent to field offices.

5.8 Mission Mode Project

In July 2020, GoI launched Mission Mode Project (MMP) so that all the construction workers who are registered as beneficiaries avail the entitled benefits without any hassles. The MMP envisages achieving the objectives by State Welfare Boards within three months' time-period. MMP comprised three components, viz., (i) Registration of left-out construction workers, (ii) Renewal and Portability and (iii) Universalisation of Social Security. The component-wise compliance by the Board and Audit observations thereon are given in **Table 5.1**.

Table 5.1: Components of MMP and status of achievement

Sl. No.	Components of MMP	Audit observations
1	Registration of left-out construction workers: Special drive shall be conducted to enroll workers with the help of LBs, NGOs, and Volunteers.	As on March 2022, 42.28 lakh workers were registered with KBOCWWB. But no progress was noticed in registration of inter-State migrant workers.
2	(a) Portability: State Welfare Board shall issue online migration certificate (MC) to the workers migrating to other States.	Not implemented by KBOCWWB.
3	Universalisation of Social Security	
	(a) Health Insurance	Health insurance scheme was not launched as of March 2023.
	(b) Life and Disability Cover	Life and disability assistance is provided to registered workers of KBOCWWB.
	(c) Life-long Pension	GoK adopts its own pension scheme of ₹3,000 per month.
	(d) Subsistence allowance	The Board provided DBT cash assistance of ₹5,000 per person to the registered construction workers during COVID-19 first wave and ₹3,000 per person during second COVID-19 wave. No other subsistence allowance was provided by the Board.

Source: Information furnished by the Board

The budget provision under the Pradhan Mantri Shram Yogi Maandhan (PMSYM), Ayushman Bharat and PMJJBY was made during the period 2018-19 to 2022-23 as detailed in **Table 5.2** below:

Table 5.2: Budget provision under the PMSYM

Name of Scheme	Budget Estimates year wise (₹ in lakh)				
	2018-19	2019-20	2020-21	2021-22	2022-23
PMSYM	0	300	5,400	5,400	500
Ayushman Bharath	0	0	0	500	500
PMJJBY	0	0	5,000	5,000	100

Source: Information furnished by the Board

However, no expenditure was incurred under the above heads until December 2023.

Thus, Audit observed partial implementation of the components of MMP. The Board also did not formulate any specific schemes for overall achievement of the desired objectives as envisaged in the MMP.

The Board accepted the Audit observation and stated (January 2024) that action was being initiated to include the data of migrated workers in the software portal of the GoI. It was also stated that action is now being taken to bring the construction workers under PMSYM, PMJAY and PMJJBY schemes.

Recommendation 9: The State Government should expedite the implementation of the Mission Mode Project to develop more welfare schemes for construction workers and streamline the execution of existing programs.

Conclusion

The Board faced issues with pension applications, including rejections due to non-renewal of subscriptions during the COVID lockdown and a lack of a defined timeline for processing claims. It disbursed huge sums under the Karmika Gruha Bhagya Scheme without obtaining beneficiary list. Toolkits were improperly distributed to beneficiaries in non-construction occupations. The Board further bypassed the KTPP Act by splitting contracts, leading to irregular expenditures.

The Board did not establish a standard procedure for scrutinizing medical bills, leading to significant deficiencies in the review and certification of these bills. Further the Board did not formulate any specific schemes for overall achievement of the desired objectives as envisaged in the MMP.

CHAPTER – VI

Functioning of KBOCWWB

Chapter VI: Functioning of KBOCWWB

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.

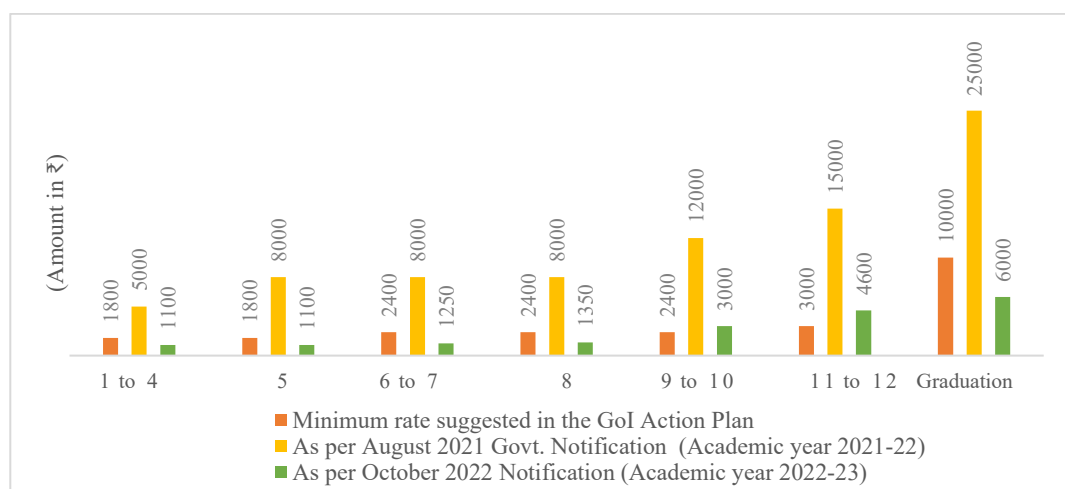
Regular meetings of the Expert Committees would have presented opportunities to deliberate on these issues and issue advisories to facilitate the required interventions in both the schemes.

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 ($\text{₹}25.80 \text{ crore} / 20 \text{ acre} \times 2.30 \text{ acre}$). 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.

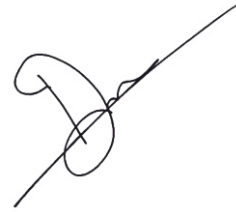
6.3.11 Grievance Redressal Mechanism

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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The**

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Comptroller and Auditor General of India**

Appendices

Appendix -1.1
(Para 1.3.1 Page No.3)
Details of the schemes implemented by Karnataka Building and
Other Construction Workers Welfare Board

Sl. No.	Scheme Name
1	Pension
2	Disability pension
3	Assistance for delivery of a child by a registered woman construction worker
4	Assistance for pre-school education and nutritional support of the child of the registered woman construction worker/Thayi Magu Sahaya Hastha
5	Assistance to meet the funeral expenses of a registered construction worker
6	Assistance for the education of the son or daughter of a registered construction worker
7	Medical assistance Karmika Arogya Bhagya
8	Assistance to a beneficiary in case of accident resulting in death or partial disablement
9	Assistance of medical expenses for treatment of major ailments of a registered construction worker and his/her dependents
10	Assistance for the 1 st marriage of the registered building or construction worker or his/her dependent children
11	Unregistered Workers Benefit
12	Family Pension
13	BMTC Bus Pass
14	KSRTC Student Bus Pass
15	Karmika Gruha Bhagya
16	Shrama Samarthya Toolkit
17	Children care
18	Coaching for KAAS/IAS Exam
19	Preventive Health Care
20	Mobile Clinic
21	Supply of Nutrition Kit
22	Supply of Tab
23	Supply of School Kit
24	Accidental Relief to Unregistered Labour
25	Assistance for Permanent Disability

Appendix 1.2
(Para 1.5, Page No. 6)
Statement showing audit observations that remain unaddressed by the Department in respect of Compliance Audit
(Report No.3 of 2020)

Sl. No.	Reference to paragraph no./ Subject in brief	Observation	Current status	Audit remarks
1.	3.1.4.2 - Registration of ineligible workers as construction workers	The Board began registering MGNREGA workers through KEONICS in July 2017, after the Government of India had withdrawn its earlier directive to do so in February 2017. The Board registered 5.05 lakh workers out of a targeted 12 lakh, despite there being 67.54 lakh workers registered with MGNREGA, of which 32.58 lakh had active job cards. By August 2019, the Board had spent ₹6.42 crore (44% of the total ₹14.45 crore cost) on this registration effort. Due to the poor quality of work by KEONICS, the Board proposed rescinding the registration work, resulting in the ₹6.42 crore expenditure being unfruitful	Special drive for registration of MGNREGA workers and construction workers including printing and issue of smart cards – Unfruitful expenditure of ₹ 8.13 crore The Govt. of Karnataka issued notification no. KaE 384 LET 2016 dated 31/01/2017 to take up the special registration drive based on the GoI instructions. However, despite the withdrawal of the GoI directions in February 2017, the Board took up the work of registration of MGNREGA workers through KEONICS vide work order dated 01/07/2017 (observed in CAG Report No.3 of the year 2020). The said notification of registering MGNREGA workers as construction workers was taken back by the GoK on	The Government of Karnataka (GoK) began registering MGNREGA workers as construction workers in January 2017, three and a half years after the Government of India's (GoI) initial directive in July 2013. Despite the GoI withdrawing this directive in February 2017, GoK proceeded with the project, issuing work orders to KEONICS in July 2017 and spending ₹8.13 crore. GoK withdrew the special registration drive in December 2019, nearly three years after the GoI's withdrawal. KEONICS registered only 420,886 workers and issued smart cards, failing to meet project targets and timelines. Poor project monitoring by the Board and the absence of a liquidated damages clause in the MoU led to wasteful expenditure and undue benefit to KEONICS, resulting in the misuse of ₹8.13 crore in cess funds intended for labour welfare.

Sl. No.	Reference to paragraph no./ Subject in brief	Observation	Current status	Audit remarks
2.	3.1.5.7 - Inadmissible expenditure	as it was spent on registering ineligible workers. <i>Expenditure on acquiring land</i> - Board acquired 128.64 acres of land at a cost of ₹65.80 crore from different government organization like KIADB and eight others for construction of Transit accommodation, Residential School, Karmika Kalyana Bhavana and Skill Centre etc. Land costing ₹51.04 crore (95.64 acres) was to be recouped from the Government organisations as only 33 acres land was to be utilized.	21/12/2019 and the project was to be stopped/cancelled after this. In respect of KIADB blocking up of funds works out to the extent of ₹20.83 crore since 2013. The Board got land allotted in two places subsequently viz., Kittur in Belagavi district and Badanguppe - Kelamballi industrial area in Chamarajanagar at a total cost of ₹5.46 crore and ₹4.58 crore respectively (including additional costs).	The KIADB is yet to allot land in 04 places to the Board despite full payment of land cost having been made during November 2013, resulting in blocking of ₹16.09 crore (end of 2022-23). As regards other Government organisations lands, the Board has corresponded with DC, Koppal for sanction of land/refund of cost paid (₹37.08 lakh).

Appendix 3.1
(Para 3.4, Page No. 17)
Statement showing details of Cess amount sent through RTGS to KBOCWWB
but not accounted in the Bank account

Sl. No.	Amount (₹)	Reference No. (RTGS)	Date of remittance
1	3,76,241	682248	01-03-2023
2	50,886	648313	01-03-2023
3	1,80,358	582377	03-05-2021
4	49,579	582392	01-07-2021
5	99,099	663503	01-10-2021
6	14,217	70568	01-04-2022
7	5,704	76373	06-05-2021
8	5,809	76373	06-05-2021
9	2,049	76389	25-10-2021
10	2,658	76389	25-10-2021
11	76,338	23071	01-06-2022
12	76,338	17526	14-06-2022
13	76,338	11146	23-06-2022
14	76,338	11188	23-06-2022
15	76,338	15659	28-06-2022
16	1,04,936	14330	08-08-2022
17	1,04,936	49296	22-08-2022
18	1,17,969	78976	31-03-2023
19	1,17,969	97445	31-03-2023
20	1,13,594	116548	09-03-2023
21	35,530	116548	31-03-2023
Total	17,63,224		

Appendix 5.1
(Para 5.2, Page No. 30)
Details of case sanctioned under Major Medical assistance in which
Form XXIIA were not enclosed

Sl. No.	Name of beneficiary and Registration ID	Date of application	Date of sanction	Amount sanctioned (₹)	Remarks
1	Rajachari, MYS/car/711/2017	27.04.2018	07.01.2019	8,770	Form XXIIA not enclosed
2	Rajachari	31.03.2018	07.01.2019	5,034	Form XXIIA not enclosed
3	H N Prabhakar Mys/BAR/54/2016-17	02.08.2018	08.01.2019	31,528	Form enclosed but not attested by the Doctor
4	Shiv Raju SLI-2/668/15-16	09.08.2018	10.01.2019	18,303	Form XXIIA not enclosed
5	Umesh LI/HDK/293/1516	10.12.2018	16.10.2019	22,834	Form XXIIA not enclosed
6	Thimmabovi LI/PP/568/17-18	01.12.2018	14.10.2019	56,670	Form XXIIA not enclosed
7	Puttalakshmi SLI-3/503/14-15	18.12.2018	14.10.2019	23,000	Form XXIIA not enclosed, and discharge summary not included except medical bills
8	Chandru CR-5308/15-16	26.06.2018	29.07.2020	10,000	Form XXIIA not enclosed
9	Thimmanna CR-4079/2014	16.04.2018	29.07.2020	27,082	Form XXIIA not enclosed
10	Subanna CR-1293/12-13	02.03.2019	29.07.2020	30,355	Form XXIIA not enclosed
11	Manju Nath CR-1624/12-13	08.05.2019	29.07.2020	32,941	Form XXIIA not enclosed
12	Prema B G CR-36/11-12	30.11.2018	29.07.2020	28,816	Form XXIIA not enclosed
13	Mallesh CR-217/11-12	01.06.2019	29.07.2020	1,24,256	Form XXIIA not enclosed
14	Rajappa Honnalli DAV/MSO/357/18-19	06.02.2019	29.07.2020	11,910	Form XXIIA not enclosed
15	AV Ningappa DVG-5780/10-11	18.05.2018	29.07.2020	16,793	Form XXIIA not enclosed
16	Nagraj A S DAV/HPR/3011/2017-18	17.07.2018	29.07.2020	13,872	Form XXIIA not enclosed
17	Nurulla CR-9880/2016	18.12.2018	29.07.2020	12,037	Form XXIIA not enclosed
	Total			4,74,201	

Appendix 6.1
(Para 6.1.7, Page No. 48)
Construction of Buildings and additional Floors

Sl. No.	Name of work	Amount Released (₹ in lakh)	Date of work order	Due date for completion of work	UC received for in lakh	Name of the agencies	Status of the work
1	Construction of labor office complex in Mandya city	174.23	31.01.2022	31.01.2023	174.27	Nirmithi Kendra	Under progress
2	Construction of Office Building for KBOCWWB in Yellapura taluk, Uttara Kannada district	146.40	18.08.2021	18.02.2022	146.40	Nirmithi Kendra	Completed
3	Construction of compound wall & Interior works of office building in Yellapura taluk, Uttara Kannada district for KBOCWWB	43.93	18.08.2021	18.02.2022	43.93	Nirmithi Kendra	Completed
4	Construction of Office Building for KBOCWWB in Mundgod taluk, Uttara Kannada district	146.40	18.08.2021	18.02.2022	146.40	Nirmithi Kendra	Completed
5	Construction of compound wall & Interior works of office building in Mundgod taluk, Uttara Kannada district for KBOCWWB	43.93	18.08.2021	18.02.2022	43.93	Nirmithi Kendra	Under progress
6	Construction of Labour Welfare Office Building for KBOCWWB in Kumta taluk, Uttara Kannada district	143.90	19.01.2022	19.07.2022	0	Nirmithi Kendra	Under progress
7	Construction of Labour Welfare Office Building for KBOCWWB in Sirsi taluk, Uttara Kannada district.	143.90	19.01.2022	19.07.2022	75.00	Nirmithi Kendra	Under progress
8	Construction of Labour Welfare Office Building for KBOCWWB in Bhatkala taluk, Uttara Kannada district.	143.90	19.01.2022	19.07.2022	50.00	Nirmithi Kendra	Under progress

Sl. No.	Name of work	Amount Released (₹ in lakh)	Date of work order	Due date for completion of work	UC received for in lakh	Name of the agencies	Status of the work
9	Construction of Labour Welfare Office Building for KBOCWVB in Ankola taluk, Uttara Kannada district.	120.00	11.03.2022	11.09.2022	0	Nirmithi Kendra	Under progress
10	Construction of Labour Welfare Office Building for KBOCWVB in Honnavara taluk, Uttara Kannada district.	120.00	21.02.2023	21.08.2023	0	Nirmithi Kendra	Under progress
11	Construction of 2nd floor of Karmika Bhavana at Kalaburgi District.	175.68	25.08.2021	25.08.2022	0	KRIDL	Under progress
12	Construction of Ground Floor, 1st Floor, 2nd Floor at Labour Department Building, Tumkur.	159.90	11.10.2021	11.10.2022	0	KRIDL	Under progress
13	Providing & Fixing of 30kW Solar Power Plant System and Stick-type Structural Glazing with ACP Cladding at Labour Department Building, Tumkur.	140.10	12.10.2021	12.10.2022	0	KRIDL	Not yet started
	Total	1,702.27			679.93		

Appendix 6.2
(Para 6.1.14.3, Page No. 55)
Transit Accommodation – Splitting of Works

Sl. No.	Place of Transit Accommodation	Tender No.	Estimated cost (Amount ₹ in lakh)	Name of Contractor	Date of Work order	Tender amount (₹ in Lakh)
1	Obadenahalli- 1st Phase	KBOCWWB/InD_15/2021-22	930.00	M/s.Builtech Solutions	01.06.2022	786.62 +GST
2	Obadenahalli- 2nd Phase	DOL/BD/2022-23/ WI_ 20	970.40	M/s.Builtech Solutions	18.11.2022	729.22+GST
3	Obadenahalli- 4th Phase	DOL/2022-23/BD/WI_ 32	930.50	M/s.Builtech Solutions	20.03.2023	774.68+GST
4	Shimoga - 1st phase	DOL/2021-22/BD/WI_ 7	998.75	M/s.Ocean Construction India Pvt. Ltd.	06.06.2022	824.26 +GST
5	Shimoga - 3rd phase	DOL/2022-23/BD/WI_ 31	934.50	M/s.Ocean Construction India Pvt. Ltd.	27.03.2023	736.33 +GST
6	Chamarajanagara – 1st Phase	DOL/2022-23/WI_ 19	942.90	Sri Neha Constructions	06.12.2022	744.05+GST
7	Chamarajanagara - 2nd Phase	DOL/BD/2022-23/WI_ 23	981.50	Sri Neha Constructions	10.02.2023	783.11+GST
	Total					5,378.27+GST

Glossary and Abbreviations

Abbreviation	Full form
ALC	Assistant Labour Commissioner
BDA	Bangalore Development Authority
BMTC	Bangalore Metropolitan Transport Corporation
BBMP	Bruhat Bengaluru Mahanagara Palike
BOCW Act	Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996
BOCW Rules	Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2006
BOCW Act	Building and Other Construction Workers' Welfare Cess Act, 1996 (Cess Act)
C&R	Cadre & Recruitment Rules
CBDT	Central Board of Direct Taxes
CGHS	Central Government Health Scheme
CoT	Commissioner of Treasuries
CDMS	Common Database Management System
DCB	Demand Collection and Balance Statement
DD	Demand Draft
DBT	Direct Benefit Transfers
DFB	Director of Factories and Boilers
EMD	Earnest Money Deposit
FD	Finance Department
GST	Goods and Services Tax
GoI	Government of India
GoK	Government of Karnataka
IEC	Information, Education and Communication
KBOCWBB	Karnataka Building and Other Construction Workers' Welfare Board
KEA	Karnataka Evaluation Authority
KIADB	Karnataka Industrial Area Development Board
KLWB	Karnataka Labour Welfare Board
KARNIK	Karnataka Rajya Nirmana Kendra
KRIDL	Karnataka Rural Infrastructure Development Limited
KSDA	Karnataka Skill Development Agency
KSDB	Karnataka Slum Development Board
KEONICS	Karnataka State Electronics Development Corporation Limited
KSIIDC	Karnataka State Industrial & Infrastructure Development Corporation Limited
KSUWSSB	Karnataka State Unorganised Workers' Social Security Board
KTPP	Karnataka Transparency in Public Procurement Act
LO	Labour Officers
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee
MEITY	Ministry of Electronics & Information Technology
MMP	Mission Mode Project

Abbreviation	Full form
MCU	Mobile Clinic Units
NABL	National Accreditation Board for Testing and Calibration Laboratories
NEFT	National Electronic Funds Transfer system
NHAI	National Highways Authority of India
NK	Nirmithi Kendra
NOC	No Objection Certificate
PMAY	Pradhan Mantri Awas Yojana
PM-JAY	Pradhan Mantri Jan Arogya Yojana
PMJJBY	Pradhan Mantri Jeevan Jyoti Bima Yojana
PM-SYM	Pradhan Mantri Shram Yogi Maan-dhan
PWD	Public Works Department
RGHCL	Rajiv Gandhi Housing Corporation Limited
RTGS	Real Time Gross Settlement
SHS&E	Site Health, Safety, and Environment Management
SLAO	Special Land Acquisition Officer
SOP	Standard Operating Procedure
SLMC	State Level Monitoring Committee
TDS	Tax Deducted at Source
TMSHS	Thaayi Magu Sahaya Hastha Scheme
UIN	Unique Identification Number
UAN	Universal Account Number
ULB	Urban Local Body
UCs	Utilization Certificates



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