

# **KERALA WATER AUTHORITY**



## **ANNUAL ACCOUNTS 2010 - 2011**

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**HEAD OFFICE : JALA BHAVAN, THIRUVANANTHAPURAM - 695 033**

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**SEPARATE AUDIT REPORT OF THE COMPTROLLER & AUDITOR  
GENERAL OF INDIA ON THE REVISED ACCOUNTS OF KERALA WATER  
AUTHORITY FOR THE YEAR ENDED 31 MARCH 2011.**

1. We have audited the attached Balance Sheet of Kerala Water Authority (KWA) as at 31 March 2011 and the Income and Expenditure Account for the year ended on that date under Section 19(3) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 read with Section 29(3) & (4) of the Kerala Water Supply and Sewerage Act, 1986. These financial statements include the individual accounts of 163 units. These financial statements are the responsibility of the Kerala Water Authority. Our responsibility is to express an opinion on these financial statements based on our audit.
2. This Separate Audit Report contains the comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with best accounting practices, accounting standards, disclosure norms etc. Audit observations on financial transactions with regard to compliance with the Laws, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects etc., if any, are reported through Inspection Reports/CAG's Audit Report separately.
3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
4. Based on our audit, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (ii) The Balance Sheet and income & Expenditure Account dealt with by this report have been drawn up in the format approved by the

State Government under Section 29(1) of the Kerala Water Supply and Sewage Act 1986.

- (iii) In our opinion, system of maintenance of books of accounts and other relevant records as required under Section (29) (1) of Kerala Water Supply and Sewerage Act 1986, were wanting in many respects, in so far as it appeared from our examination of such books.
- (iv) We further report the following significant audit observations on financial statements under different heads.

**A. Balance Sheet**

**1 Sources of Funds**

**1.1 Kerala Water Authority Fund**

**1.1.i Reserves and Surplus (Schedule B) - ₹ 79.06 crore**

This represents the value of fixed assets created out of deposit work upto 31 March 2005 (Note No. 1.02). Even though depreciation on these assets were provided for, the amount of reserve equal to depreciation provided for has not been systematically written back to Income and Expenditure Account to nullify the impact of depreciation provision on assets acquired free of cost. Despite this being pointed out in previous years, no adjustment has been made.

**1.2 Kerala Water Authority Loan Fund**

**1.2.i. Unsecured Loans & Deposits (Schedule D) – ₹ 2,552.11 crore**

**1.2.i.a Loan from Govt. of Kerala - ₹ 1,452.64 crore**

This was understated by ₹ 839.13 crore due to conversion of interest bearing State Government Loan into 'interest free fund from Government of Kerala ' on the basis of the budget proposal. The conversion was not authorised by any specific order of the Government in this regard. Though this had been pointed out earlier, no specific government order has been received so far. This has resulted in understatement of Unsecured Loans by ₹ 839.13 crore and overstatement of contributions and grants to that extent.

**1.2.i.b Interest accrued on GOK Loan – ₹ 398.44 crore**

This was understated by ₹ 1,004.81 crore due to interest written back during 2006-07 on the basis of budget speech (2008-09) of the Finance Minister, which had not been separately authorised by Government. Though this had been pointed out earlier, no



government order to this effect has been obtained during the year. As a result, the balance under interest accrued on GOK Loan was understated by 1,004.81 crore with respective understatement of Accumulated Excess of Expenditure over Income.

#### **1.2.i.c Security Deposit – ₹ 120.94 crore**

1.2.i.c.i This includes an amount of Rs. 1.16 crore being security deposits remaining in the accounts for more than eight years without any transaction. As there were no details available and no refund claimed, this should have been written back. Inclusion of security deposit not claimed for a long period as liability, resulted in overstatement of current liabilities with corresponding understatement of other income by ₹1.16 crore.

1.2.i.c.ii Accounts Manual provides that whenever money is received for deposit work, the whole amount received (including centage charge, supervision charge, special deposit etc.) is to be credited to deposit work account instead of crediting to the respective heads of account (as stipulated in the Accounts Manual Vol. III, Chapter V). When work is completed, adjustment entry for transfer of deposit to deposit reserve account and then to the income account is to be made. Scrutiny of work files and connected records and work bills revealed that various ledger accounts under 'Deposit Work – Water Supply & Sewerage' have not been properly maintained. Further, proper adjustment as stated *ibid*, had not been made in the account either at Accounts Rendering Unit (ARU) level or Head Office (HO) level on completion of works/receipt of deposit. Therefore the accumulated balance under deposits account is overstated with corresponding understatement of income. In the absence of proper records, audit could not ascertain and quantify the overstatement of deposit and understatement of income. Despite pointing out earlier, no corrective action had been taken.

## **2. Application of Funds**

### **2.1 Fixed Assets (Schedule E) ₹ 5,664.31 crore**

2.1.i. The physical existence of the above assets could not be ensured in the absence of Fixed Assets Register and physical verification of assets. The above also include cost of pipelines and connected fixtures dismantled during works carried out by other agencies viz., Public Works Department (PWD), Kerala State Transport Project (KSTP) etc. Despite this being pointed out in last audit, no corrective measure is taken.



2.1.ii. **Capital Work in Progress – ₹ 4,289.91 crore**

2.1.ii.a Payments made to contractors in various Divisions on part bill and final bill for works executed, measured and accepted relating to water distribution network, pumping station building, water treatment plant etc., should have been included in capital work in progress. Non-adjustment as such resulted in understatement of the above head and current liabilities to the extent of 26.25 crore.

2.2 **Net Current Assets – ₹ 469.16 crore**

2.2.i. **Current Assets (Schedule G) ₹ 937.48 crore**

2.2.i.a **Inventory – ₹ 86.82 crore**

2.2.i.a.i The above account is understated by ₹ 158.40 crore due to the adjustment of credit balances under various heads of accounts. These credit balances are due to improper accounting of inward and outward of stock at the time of purchase, transfer etc. These include certain credit balances remaining unsettled for more than ten years.

2.2.i.a.ii The value of stores, tools and spares included in the inventory as appearing in the accounts (₹ 79.61 crore) was net of negative balances against various items of materials in the different Divisions. It was observed that the negative balances resulted out of (a) non-transfer of value of stock from Head Office Accounts to divisional stores on its formation (b) erroneous accounting of stores transactions and (c) omissions in accounting of receipts, issues or both. This has not been analysed and adjusted.

2.2.i.b **Sundry Debtors - ₹ 554.52 crore**

2.2.i.b.i The above amount included dues relating to several unidentified connections, disconnected/dismantled connection as well as cases under dispute, on which fines and penalties were increasing month by month. However, individual cases of debtors were not analysed separately for making provisions for doubtful debts. In the absence of proper analysis, adequacy of provision for doubtful debts and impact of non-provision etc., could not be ascertained in audit.

2.2.i.b.ii **LIC loan repayment due from Local Bodies – ₹ 17.61 crore**

This represents the amount shown as dues from Panchayaths, Municipalities, and Corporations pending for more than nine years. Neither any details on the above dues nor any claims preferred



with the Local Bodies are available with the Authority. In the absence of details and non-preferring of claims, chances of recovery are remot and necessary provision should have been made in the accounts. Non-provision as such resulted in overstatement of Current Assets and understatement of provision for bad debts by 17.61 crore.

**2.2.i.b.iii Others - ₹ 0.96 crore**

The above amount includes ₹ 0.42 crores being centage charges and other dues pending recovery for more than 15 years for which no details were available with the Authority. Necessary provision for the above amount should have been made in the accounts. Non-provision as such resulted in overstatement of Current Assets and understatement of provision for bad debts by ₹ 0.42 crore.

**2.2.i.c Cash and Bank Balances - ₹ 391.94 crore**

**2.2.i.c.i Bank and Treasury Balances - ₹ 387.84 crore**

2.2.i.c.i.a This includes ₹ 5.51 lakh being the amount shown as balance at treasury relating to the office of CE (NR), Kozhikode (₹3.194). Project Division, Kollam (₹1,51,229), State Referral Institute for Water Quality (₹558), IPD Division Thalassery (₹18,687) and Water Supply Division, Kannur (₹3,66,161) and Secretary's Unit (₹10,886) for which to treasury pass book or reconciliation statement is produced to audit. Further these balances are lying for years together without incorporating subsequent credit/debit. In the absence of treasury pass book/certificate, authenticity of this balance as on 31.3.2011 and its existence could not be ascertained.

2.2.i.c.i.b In Water Supply Division, Kannur, an amount of ₹25,72,266 is shown as balance in Treasury Personal Deposit, for which no pass book, treasury statements were produced to audit.

**2.2.i.d Other Current Assets - (₹95.79 crore)**

This includes ₹0.41 crore (debit) shown as cash and bank suspense account from 1998 onwards which has not been analysed and adjusted so far.

**2.2.ii Current Liabilities (Schedule H) - ₹468.32 crore**

**2.2.ii.a For Contractors / Supplier - (₹14.10 crore)**

2.2.ii.a.i This includes a debit balance of ₹14.10 crore under the head 'Sundry Creditors - Suppliers'. Reason for the debit balance was mainly due



to accounting of payment to suppliers in the divisions and subdivisions, while stock entries are passed only at Division level. Due to delay/non-accounting of stock, the balance in accounts was not current and unadjusted balance remains for several years.

**2.2.ii.a.ii Control Account Balances ₹ 18.96 crore**

This represents advances paid to suppliers/contractors which has not been adjusted at unit level. These balances were not supported by any party-wise details of supplier/contractor. The test check of certain divisions also revealed that adjustments were not done in this account systematically. Certain amount might be pertained to supplies and services already rendered. The extent of overstatement was not ascertainable, in the absence of relevant records. KWA has not taken any corrective measure on the above despite pointing it out repeatedly.

**B. INCOME AND EXPENDITURE ACCOUNT**

**1. INCOME**

**1.1 Other Non-Operative Income (Schedule O) - ₹ 54.73 crore**

1.1.a This includes ₹ 45.20 crore, being fines and penalties (relating to various units) levied for defaults in remittance of water charges accounted on demand basis. However, Accounts Manual envisaged accounting of fines/penalties on cash basis (i.e., considered as income as and when collected) which is in line with the general accounting concepts of revenue recognition. As a result non-operating income was overstated by ₹ 45.20 crore with respective overstatement of Current Assets (Sundry Debtors – Consumers).

**2 Expenditure**

**2.1 Prior Period Adjustments (Schedule W) – ‘Nil’**

No provision has been made in the accounts towards guarantee commission payable to Government of Kerala (GOK) up to 2007- 08 and for 2009-10 in respect of guarantees given on the loans obtained from LIC of India and HUDCO, as disclosed in the Note No. 1.03. Government had ordered (October 2004) that guarantee commission payable shall not be waived under any circumstances as per specific stipulation under Section 5 of Kerala Ceiling on Government Guarantee Act, 2003. Requests made by the Authority for waiver of guarantee commission were also turned down by Government. Non



provision of guarantee commission tantamount to understatement of excess of expenditure over income by 28.04 crore for previous years, with corresponding understatement of current liabilities.

**C Notes on Accounts for the year ended 31 March 2011**

**Non-disclosure of Accounting Policies**

1. According to the Accounts Manual framed under Regulation 65(F) of the Act, provision for gratuity and pension liability accrued shall be made in the accounts of the Authority, in such manner as may be deemed appropriated by the Authority. But as disclosed under Notes on Accounts (Para 1.07.04) liability towards gratuity and pension is being accounted on cash basis. This is against the provisions of the Accounts Manual.
2. Significant Accounting policies adopted and followed by the Authority is not disclosed in the financial statement.

**D. General**

1. The Quality Control Division of the Authority operated certain account heads represented by account codes '10' and '99' without the sanction of Head Office. As a result, the operation through this account head and consolidation of balance at the time of finalisation could not be ascertained in audit.
2. The value of capital assets and spares donated by the United Nations International Children's Emergency Fund (UNICEF) and Danish International Development Agency (DANIDA) since 1988-89 was not ascertained and incorporated in the accounts till date.
3. The Accounts Manual provides that the accounts shall contain details as such as quantity of clear water produced and sold to domestic and non-domestic consumers, local bodies, individual consumers etc. However, the quantitative details of water produced and sold could not be compiled, as the Authority did not have the accurate information.
4. The Authority is not maintaining a Fixed Asset Register. Moreover, the physical verification of fixed assets has not been conducted since the formation of the Authority. So the accuracy of the balance under fixed assets including depreciation provided could not be ensured.
5. Certain figures are seen included as opening balance in almost all account heads viz., Capital work in progress, Asset Accounts,



Liabilities, Expenditure etc. It was stated by the Authority that these opening balances represent balances prior to 01.04.1998 for which no supporting details are available. Hence, the audit could not verify the correctness of the balances.

### **Impact of revision of accounts**

As a result of revision of accounts for the year 2010-11 at the instance of audit, the excess of expenditure over income increased by 18.76 crores as detailed below :

(₹ in crore)

Particulars	Increase	Decrease	Net Increase/Decrease (-)
Assets	15.06	30.13	-15.07
Liabilities	4.24	0.56	3.68
Expenditure	22.38	2.55	19.83
Income	1.76	0.69	1.07

### **Impact of the comments**

As a result of the comments on the accounts for the year 2010-11, the excess of expenditure over income for the year amounting to ₹ 173.24 crore will be overstated by ₹ 1,094.92 crore as detailed below:

(₹ in crore)

Particulars	Increase	Decrease	Net Increase/Decrease (-)
Assets	206.19	229.07	-22.88
Liabilities	1912.33	840.29	1072.04
Expenditure	1050.88	0	1050.88
Income	1.16	45.2	-44.40

### **E Grants-in-aid**

Out of Grants-in-aid of ₹712.01 crore received during the year 2010-11 and opening balance of ₹ 63.3 crore, the Authority utilised an amount of ₹ 696.77 crore, leaving a balance of ₹ 78.60 crore as on 31 March 2011. Project wise details of grants-in-aid are enclosed in Annexure II.

(v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income & Expenditure Account dealt with by this report are in agreement with the books of accounts, in general.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure I & II to this Audito Report give a true and fair view in conformity with accounting principles generally accepted in India.

In so far as it relates to the Balance Sheet, of the State of affairs of the Kerala Water Authority as at 31 March 2011 and

In so far as it relates to Income & Expenditure Account of the deficit for the year ended on that date.

**For and on behalf of the CAG of India**

**Principal Accountant General (General & Social Sector Audit)  
Kerala, Thiruvananthapuram**

**Place : Thiruvananthapuram**

**Date : 09.01.2015**



## **ANNEXURE I**

### **I. Internal Audit System**

Internal Audit of KWA is conducted by the Internal Audit Wing under the control of Member (Accounts).

The major deficiencies noticed are as follows.

- \* No internal audit manual explaining the mode and procedure is prepared.
- \* As per the Administrative Report 2010-11, there are 12 circle offices, 43 Divisions and 108 Sub Divisions under the regional offices, of which the Internal Audit team had inspected only 7 units.
- \* Audit program and consolidated audit report were not seen prepared.
- \* No follow up action is seen taken on the Reports.

As such audit is of the opinion that Internal Audit coverage does not commensurate with the size and nature of the Authority.

### **II. Adequacy of Internal Control System**

The Internal Control system existing in the Authority is deficient in the following cases:

#### **i. Absence of Bank Reconciliation**

(a) Bank reconciliation was not being carried out systematically by majority of field offices as stipulated in Vol. V, Chapter III – Accounting procedures (E-Clause (6) of Kerala Water Authority Accounts Manual, 1993. Substantial differences were also noticed between bank/cash balance appearing in the bank/cash book and those adopted in the accounts, in respect of few of the Account Rendering Units.

(b) Every unit of the Authority has as a separate bank account as non-operative on which the unit does not have withdrawal power. None of the units or the Head Office reconciles this bank account.

#### **ii. Inadequate accounting information**

(a) Majority of the Account Rendering Units are not maintaining Financial Ledgers so as to get consolidated information.

(b) Subsidiary Ledgers of receivables and payables are also not being maintained by Field Units in the absence of which the correctness of the account balances and status of recovery potential/liability was not ascertained.

(c) Many of the account balances in Trial balances of Divisions/ Sub Divisions were subjected to correction/revision at Head Office without proposing journal entries and without recording the reasons for the corrections/revisions. The revisions made are not being incorporated in the books of accounts of the affected Divisions/Sub-divisions even after finalisation of accounts and therefore the opening balances of control accounts in the unit trial balances are often at variance with balances in Head Office Trial Balance.

- iii. Absence of Stores records and non-conducting of physical verification of inventory. Priced Stores Ledgers were not maintained or kept up to date. Physical verification of stock is also not being carried out on regular basis, and even when verification was conducted, necessary adjustments are not being carried out in the stock records to bring to book the differences noticed and to account the liabilities towards shortages. Inter-Division transfers of stock are also not being accounted and reconciled properly.
- iv. Cash/Bank book balances were not systematically verified and not regularly certified by most of the Divisions.
- v. The revenue records of field units are also not being maintained properly. Many of the Divisions/ Sub-divisions was accounting revenue on the basis of estimates, which were also found to be quite arbitrary in some cases. Extent of revenue, doubtful of realisation was also not being assessed and systematically provided for.

### **III. Physical Verification of Fixed Assets**

Systematic verification of fixed assets is not being conducted and the Fixed Asset Register is pending updation since 31.03.2005.

### **IV Regularity in payment of statutory dues**

The Authority is generally regular in depositing undisputed statutory dues with appropriate authorities except water cess.

**Resident Audit Officer  
Kerala Water Authority**



## ANNEXURE II

<b>GRANTS-IN-AID (Refer Comment No. E of the SAR)</b>							
<b>Project wise details of Receipt and Utilisation of Grants - in - Aid during the year 2010-11</b>							
₹ in crore							
Sl. No	Name of the Project for which grants received or General Grants	Amount of grant brought forward from previous year	Amount of grant received during the year	Total Grant received	Amount utilised during the year	Amount unutilised as on 31-03-2011 carried forward to next year	Remarks i. Target date of the Project. ii. Audit comment on delay etc.
1	ARWSS	1.23	136.76	137.99	134.42	3.57	
2	Tech. Mission	19.58	-	19.58	5.64	13.94	
3	AUWSS	-	-	-	-	-	
4	Others	-	-	-	-	-	
	<b>Total GOI *</b>	<b>20.81</b>	<b>136.76</b>	<b>157.57</b>	<b>140.06</b>	<b>17.51</b>	
5	GOK (P)	42.55	375.53	418.08	356.99	61.09	
6	GOK (NP)	-	199.72	199.72	199.72	-	
	<b>Grand Total</b>	<b>63.36</b>	<b>712.01</b>	<b>775.37</b>	<b>696.77</b>	<b>78.60</b>	

Following amounts taken in accounts not included in GOK/GOI grant shown above

1. ₹6.78crore- SC/ST
2. ₹4.81crore - World Bank Jalanidhi
3. NIL - TRP
4. ₹8.40crore towards DRW and Flood Relief from GOI.
5. ₹ 3.60crore is received from GOI under ARWSP towards support activities.
6. Interest earned out of funds kept in bank account is not considered above.

**Resident Audit Officer**  
**Kerala Water Authority**

# KERALA WATER AUTHORITY

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2011

	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SOURCES OF FUNDS</u></b>			
1 Kerala Water Authority Fund			
a. Contributions & Grants	A	43,81,47,07,784	39,73,09,98,697
b. Reserves & Surplus	B	79,05,53,234	79,05,53,234
2 Kerala Water Authority Loan Fund			
a. Secured Loans	C	3,75,20,58,050	4,76,43,10,775
b. Unsecured Loans & Deposits	D	25,52,10,82,993	21,19,83,34,603
<b>Total</b>		<b>73,87,84,02,061</b>	<b>66,48,41,97,309</b>
<b><u>APPLICATION OF FUNDS</u></b>			
1 Fixed Assets	E		
Gross Block		23,33,11,78,718	23,30,73,59,732
Less: Depreciation Reserve		9,58,71,93,246	9,07,05,27,621
Net Block		13,74,39,85,472	14,23,68,32,111
Capital Work in Progress		42,89,91,43,465	36,33,81,77,599
		56,64,31,28,937	50,57,50,09,710
2 Investments	F	37,25,76,817	33,84,11,299
3 Net Current Assets			
a. Current Assets	G	9,37,47,86,987	8,27,61,59,667
b. Current Liabilities	H	4,68,32,04,394	3,24,84,56,162
		4,69,15,82,593	5,02,77,03,505
4. Loans & Advances	I	1,12,77,19,087	1,23,21,21,447
5 Miscellaneous Expenditure to the extent not Written-off	J	-	-
6 Accumulated Excess of Expenditure	K	11,04,33,94,627	9,31,09,51,348
<b>Total</b>		<b>73,87,84,02,061</b>	<b>66,48,41,97,309</b>

Schedules A to K and Notes 1.01 to 1.09 and 2.04 form an integral part of this Balance Sheet

V.S.Pradeep  
Finance Manager &  
Chief Accounts Officer

T.C. Subran  
Technical Member

Ashok Kumar Singh IAS  
Managing Director

Place: Thiruvananthapuram  
Date : 10/12/2014



# KERALA WATER AUTHORITY

## INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011

	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b>INCOME</b>			
1	Operating Income		
	a. Consumers	L 3,18,98,47,044	2,92,61,83,775
	b. Others	M 38,98,726	2,30,95,029
		3,19,37,45,770	2,94,92,78,804
2	Grants & Subventions - Government of Kerala	1,99,71,80,000	1,67,92,66,400
3	O&M Grant from Government of India	14,03,68,000	15,27,70,000
4	Interest Income	N 7,16,77,427	5,64,80,331
5	Other Non-Operative Income	O 54,73,45,388	62,44,47,426
6	Debtors/creditors written off	S -	-
	<b>Total Income</b>	<b>5,95,03,16,585</b>	<b>5,46,22,42,961</b>
<b>EXPENDITURE</b>			
1	Operating & Maintenance Expenses	P 2,28,41,86,734	2,13,33,29,397
2	Payment & Provision to Employees	3,11,30,24,899	2,80,12,97,941
3	Office expenses	Q 7,84,23,154	8,63,17,839
4	Travelling & Conveyance Expenses	2,18,00,192	2,22,33,175
5	Administrative Expenses	R 2,16,78,633	3,14,62,520
6	Assets and losses written off	T -	-
7	Provision for Doubtful Debts	U -	-
8	Interest on		
	a. Secured Loans	46,48,25,789	52,42,88,062
	b. Government of Kerala Loans	1,54,74,92,000	1,27,11,62,000
	c. GPF	15,66,08,264	14,17,77,526
		2,16,89,26,053	1,93,72,27,588
9	Depreciation	E 51,66,65,626	52,15,56,582
	<b>Total Expenditure</b>	<b>8,20,47,05,291</b>	<b>7,53,34,25,042</b>
10	Transferred to Capital Work-In-Progress	V 52,19,45,427	56,68,76,023
		7,68,27,59,864	6,96,65,49,019
	<b>Excess of Expenditure over Income</b>	<b>1,73,24,43,279</b>	<b>1,50,43,06,058</b>
11	Prior Period Adjustments	W -	(48,64,819)
	<b>Excess of Expenditure over Income after prior period adjustments</b>	<b>1,73,24,43,279</b>	<b>1,49,94,41,239</b>

Schedules L to W and Notes 2.01 to 2.04 form an integral part of this Income & Expenditure Account

V.S.Pradeep  
Finance Manager &  
Chief Accounts Officer

T.C. Subran  
Technical Member

Ashok Kumar Singh IAS  
Managing Director

Place: Thiruvananthapuram  
Date : 10/12/2014



# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - A</u></b>		
<b>CONTRIBUTIONS &amp; GRANTS</b>		
1 Net value of Assets taken over from erstwhile P.H.E.D	4,34,53,27,735	4,34,53,27,735
2 Contribution & Grants from Government of Kerala	23,19,58,85,546	20,28,01,96,546
3 Interest free fund from GOK	8,39,13,01,362	8,39,13,01,362
Less : Amount released to :		
a. Urban L.C.S Schemes	3,65,25,750	3,65,25,750
b. Rural L.C.S Schemes	3,94,97,200	3,94,97,200
c. Kerala Urban Development Project	3,60,00,000	3,60,00,000
	8,27,92,78,412	8,27,92,78,412
4 Contribution & Grants from Government of India	9,39,31,27,999	8,12,33,77,654
Less : Amount released to District Collectors and Kerala Rural Water Sanitation Agency	1,83,49,77,625	1,72,49,77,625
	7,55,81,50,374	6,39,84,00,029
5 Donated capital assets	18,14,530	18,14,530
6 Capital contribution from other sources	43,42,51,187	42,59,81,445
	<b>43,81,47,07,784</b>	<b>39,73,09,98,697</b>
<b><u>SCHEDULE - B</u></b>		
<b>RESERVES &amp; SURPLUS</b>		
Reserve for deposit works	79,05,53,234	79,05,53,234
	<b>79,05,53,234</b>	<b>79,05,53,234</b>
<b><u>SCHEDULE - C</u></b>		
<b>SECURED LOANS</b>		
1 Loan from LIC of India	1,37,56,27,895	1,49,39,97,172
2 Loan from HUDCO	-	-
3 Bank Loan	2,37,64,30,155	3,27,03,13,603
	<b>3,75,20,58,050</b>	<b>4,76,43,10,775</b>
<b><u>SCHEDULE - D</u></b>		
<b>UNSECURED LOANS &amp; DEPOSITS</b>		
1 Loan from Govt of Kerala	14,52,64,00,000	13,56,18,00,000
2 Interest accrued on GOK Loan	3,98,44,33,000	2,46,60,46,000
3 Deposit from local bodies	78,52,89,012	20,30,82,889
4 Security Deposit	1,20,93,68,320	1,12,49,78,290
5 Earnest Money Deposit	1,14,41,352	1,79,34,077
6 Water & Sewerage Connection Deposits	4,45,77,210	3,61,96,753
7 Deposit work-Water Supply & Sewerage	4,50,48,15,534	3,41,88,05,181
8 Other deposits	45,47,58,565	36,94,91,413
	<b>25,52,10,82,993</b>	<b>21,19,83,34,603</b>

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director



SCHEDULE FORMING PART OF BALANCE SHEET AS ON 31-03-2011 (Contd....)

# KERALA WATER AUTHORITY

SCHEDULE OF FIXED ASSETS AS AT 31<sup>ST</sup> MARCH 2011

SCHEDULE - E

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	BALANCE AS ON 01/04/2010	ADDITIONS DURING THE YEAR	DELE TIONS	AS ON 31-03-2011	BALANCE AS ON 01/04/2010	DEPRECIATION UPTO 31-03-2011	CURRENT YEAR	PREVIOUS YEAR
FREE HOLD LAND	1,099,453,814	5,993,491	-	1,105,447,305	-	-	1,105,447,305	1,099,453,814
LEASE HOLD LAND	-	-	-	-	-	-	-	-
LAND DEVELOPMENT EXPENDITURE	74,780,679	92,561	-	74,873,240	-	-	74,873,240	74,780,679
CIVIL WORKS	6,823,177,535	3,019,404	-	6,826,196,939	2,257,565,611	152,691,230	4,415,940,098	4,565,611,324
BUILDINGS	981,052,231	-	-	981,052,231	316,136,814	17,593,394	647,322,023	664,915,417
PLANT AND MACHINERY	1,943,085,728	-	-	1,943,085,728	1,178,723,193	80,482,859	683,879,676	764,362,535
MAINS AND NETWORKS	11,876,779,092	-	-	11,876,779,092	5,042,424,992	249,653,388	6,584,700,712	6,834,354,103
ROADS BRIDGES AND CULVERTS	237,445,864	-	-	237,445,864	112,152,600	5,609,029	119,684,235	125,293,264
VEHICLES	66,869,382	1,117,963	-	67,987,365	56,070,827	880,696	11,035,842	10,748,556
FURNITURE, FIXTURES & OFFICE EQUIPMENTS	204,715,407	13,595,547	-	218,310,954	107,453,584	9,755,030	101,102,340	97,281,824
<b>Total</b>	<b>23,307,359,732</b>	<b>23,818,986</b>	<b>-</b>	<b>23,331,178,718</b>	<b>9,070,527,621</b>	<b>516,665,626</b>	<b>13,743,985,471</b>	<b>14,236,832,112</b>

	CURRENT YEAR (₹)	PREVIOUS YEAR (₹)
GROSS BLOCK OF FIXED ASSETS	23,331,178,718	23,307,359,732
LESS : ACCUMULATED DEPRECIATION	9,587,193,247	9,070,527,621
NET VALUE OF FIXED ASSETS	13,743,985,471	14,236,832,111
ADD : CAPITAL WORK-IN-PROGRESS (ACCOUNT CODE 11)	42,899,143,465	36,338,477,599
<b>Total</b>	<b>56,643,128,936</b>	<b>50,575,309,710</b>

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF BALANCE SHEET (Contd....)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - F</u></b>		
<b><u>INVESTMENTS</u></b>		
Investment for Pension / PF	37,25,76,817	33,84,11,299
<b><u>SCHEDULE - G</u></b>		
<b><u>CURRENT ASSETS</u></b>		
1 Inventory :		
a. Stores, Tools & Spares	79,61,98,914	78,36,38,283
b. Consumables	7,20,05,173	6,84,13,852
c. Others	-	-
	<b>86,82,04,087</b>	<b>85,20,52,135</b>
2 Sundry Debtors :		
a. Consumers		
i. Local bodies dues - water & maintenance charges	2,48,86,27,335	2,77,37,51,227
ii. Domestic, Non-domestic & Industrial dues	2,87,07,75,391	2,17,92,40,535
b. LIC Loan repayment due from Local Bodies	17,61,43,755	17,61,43,755
c. Others	96,08,521	96,08,521
	<b>5,54,51,55,002</b>	<b>5,13,87,44,038</b>
3 Cash & Bank Balances :		
a. Bank & Treasury balances	3,87,84,43,444	3,31,78,00,537
b. Cheques & Bills in transit	-	-
c. Cash on hand	4,09,31,890	1,92,22,367
	<b>3,91,93,75,334</b>	<b>3,33,70,22,904</b>
4 Other Current Assets :		
Inter office & other suspense account balances	(95,79,47,436)	(1,05,16,59,410)
	<b>9,37,47,86,987</b>	<b>8,27,61,59,667</b>

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director



# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF BALANCE SHEET (Contd....)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - H</u></b>		
<b><u>CURRENT LIABILITIES &amp; PROVISIONS</u></b>		
1. Current Liabilities		
a. Sundry Creditors :		
i. Payment to employees	24,87,51,043	22,94,42,582
ii. For expenses	2,18,50,50,692	96,12,78,920
iii. For contractors/suppliers	(14,10,11,102)	(10,75,17,574)
b. Statutory employees deductions :		
i. General provident fund	2,00,72,25,424	1,80,64,80,880
ii. NMR PF	5,48,43,786	5,46,32,019
iii. Others	37,00,133	28,91,322
c. Sales-Tax Collection	45,61,604	1,20,90,396
d. Tax Deducted at Source	1,60,30,627	2,45,16,303
e. Other Current liabilities	8,35,44,978	15,52,06,122
f. Interest Accrued on Loans	3,09,53,424	3,36,16,444
	4,49,36,50,609	3,17,26,37,414
2. Control Account Balances	18,95,53,785	7,58,18,748
	<b>4,68,32,04,394</b>	<b>3,24,84,56,162</b>

### **SCHEDULE - I**

#### **LOANS & ADVANCES**

1 Loans & advances to employees	68,80,025	1,41,65,993
2 Advances for expenses	69,14,705	76,33,565
3 Advances to suppliers / contractors	44,30,78,609	68,61,78,821
4 Revolving fund to Local Bodies	19,44,413	19,44,413
5 Advances - Others	98,07,373	97,85,665
6 Claims recoverable	20,66,33,309	20,59,36,987
7 Contribution Deposit - KSEB	76,03,553	74,15,034
8 Consumer Deposit - KSEB	11,54,67,508	7,89,02,863
9 Deposit with PWD	24,10,94,421	20,29,96,060
10 Deposit with others	8,60,41,543	1,49,08,418
11 Advances for capital expenditure	22,53,628	22,53,628
	<b>1,12,77,19,087</b>	<b>1,23,21,21,447</b>

# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF BALANCE SHEET (Contd....)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - J</u></b>		
<b><u>MISC EXPENDITURE NOT WRITTEN OFF</u></b>		
Miscellaneous Expenses to the extent not written off	-	-
<b><u>SCHEDULE - K</u></b>		
<b><u>ACCUMULATED EXCESS OF EXPENDITURE OVER INCOME</u></b>		
Balance as on the begning of the year	9,31,09,51,348	7,81,15,10,109
Add : Current years excess of expenditure over income	1,73,24,43,279	1,49,94,41,239
	<b>11,04,33,94,627</b>	<b>9,31,09,51,348</b>

V.S.Pradeep  
Finance Manager &  
Chief Accounts Officer

T.C. Subran  
Technical Member

Ashok Kumar Singh IAS  
Managing Director

Place: Thiruvananthapuram  
Date : 10/12/2014



**KERALA WATER AUTHORITY**  
**SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT**  
**AS AT 31<sup>st</sup> MARCH, 2011**

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - L</u></b>		
<b>OPERATING INCOME - CONSUMERS</b>		
1 Operating income - water supply		
a. Domestic Consumers	1,07,20,43,742	1,11,58,64,704
b. Nondomestic Consumers	1,14,32,37,223	84,88,65,419
c. Industrial Consumers	9,65,98,302	12,93,40,560
	<b>2,31,18,79,267</b>	<b>2,09,40,70,683</b>
2 Operating income - Sewerage		
a. Domestic Consumers	2,82,231	9,39,840
b. Nondomestic Consumers	1,23,09,580	1,30,72,136
	<b>1,25,91,811</b>	<b>1,40,11,976</b>
3 Income from local bodies	86,53,75,966	81,81,01,116
	<b>3,18,98,47,044</b>	<b>2,92,61,83,775</b>
<b><u>SCHEDULE - M</u></b>		
<b>OPERATING INCOME - OTHERS</b>		
1 Centage charges	7,34,956	1,90,15,554
2 Storage charges	93,145	2,59,720
3 Supervision charges	19,80,531	18,20,868
4 Miscellaneous recoveries	10,90,094	19,98,887
	<b>38,98,726</b>	<b>2,30,95,029</b>
<b><u>SCHEDULE - N</u></b>		
<b>INTEREST INCOME</b>		
1 Interest on loans & advances	50,06,917	38,32,242
2 Interest on deposits	6,66,70,510	5,26,48,089
	<b>7,16,77,427</b>	<b>5,64,80,331</b>

# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT (Contd...)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - O</u></b>		
<b>OTHER NON-OPERATING INCOME</b>		
1 Income as recoveries	46,59,69,590	54,25,13,612
2 Claims recoverable	60,49,696	31,486
3 Miscellaneous income	7,53,26,102	8,19,02,328
	<b>54,73,45,388</b>	<b>62,44,47,426</b>
<b><u>SCHEDULE - P</u></b>		
<b>OPERATING &amp; MAINTENANCE EXPENSES</b>		
1 Consumption of Stores, Tools & Spares	7,42,29,120	7,20,26,922
2 Consumables	5,69,10,969	4,54,30,607
3 Power charges	1,60,71,24,016	1,54,04,41,952
4 Insurance	8,55,598	8,31,613
5 Other operating expenses	1,77,30,110	2,60,16,134
6 Repairs & Maintenance of water supply	46,15,61,274	37,72,64,626
7 Repair & Maintenance of sewerage	4,54,57,261	5,21,11,046
8 Vehicle maintenance	2,03,18,386	1,92,06,497
	<b>2,28,41,86,734</b>	<b>2,13,33,29,397</b>
<b><u>SCHEDULE - Q</u></b>		
<b>OFFICE EXPENSES</b>		
1 Rent	19,63,210	17,24,866
2 Rates & Taxes	47,83,598	22,05,676
3 Postage, Telegram, Telephone & Telex	95,93,928	99,86,667
4 Printing & Stationery	1,15,95,354	1,16,94,539
5 Exhibition & Publicity	1,11,26,501	1,45,01,181
6 Training & other expenses	27,39,709	1,06,15,373
7 Electricity charges	2,55,08,608	2,56,31,597
8 Other office expenses	1,11,12,246	99,57,940
	<b>7,84,23,154</b>	<b>8,63,17,839</b>
<b><u>SCHEDULE - R</u></b>		
<b>ADMINISTRATIVE EXPENSES</b>		
1 Board meeting expenses	83,063	2,95,043
2 Professional fees	1,12,01,495	1,08,27,794
3 Payment to auditors	45,42,205	56,73,303
4 Bank Charges	2,36,080	17,52,446
5 Other administrative expenses	56,15,790	1,29,13,934
	<b>2,16,78,633</b>	<b>3,14,62,520</b>

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director



# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT (Contd...)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b><u>SCHEDULE - S</u></b>		
<b>WRITE OFFs</b>		
Local Bodies dues written off	-	-
Power charges payable written off	-	-
	-	-
<b><u>SCHEDULE - T</u></b>		
<b>ASSETS WRITTEN OFF</b>	-	-
	-	-
<b><u>SCHEDULE - U</u></b>		
<b>PROVISION FOR BAD &amp; DOUBTFUL DEBTS</b>	-	-
	-	-
<b><u>SCHEDULE - V</u></b>		
<b>TRANSFER OF REVENUE EXPENSES TO CWIP</b>		
Establishment Charges (Share Debit)	41,73,81,629	47,25,55,000
Interest on loan from Fis & Banks	10,45,63,798	9,43,21,023
	<b>52,19,45,427</b>	<b>56,68,76,023</b>
<b><u>SCHEDULE - W</u></b>		
<b>PRIOR PERIOD ADJUSTMENTS</b>		
PPA of Audit fees	-	-
PPA GOK Interest wavier	-	-
PPA of Income	-	(48,64,819)
	-	<b>48,64,819.00</b>

V.S.Pradeep  
Finance Manager &  
Chief Accounts Officer

T.C. Subran  
Technical Member

Ashok Kumar Singh IAS  
Managing Director

Place: Thiruvananthapuram  
Date : 10/12/2014

# KERALA WATER AUTHORITY

## NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

### I. BALANCE SHEET

#### 1.01 CONTRIBUTION AND GRANTS - SCHEDULE: A

Current year	₹ 438147 Lakh
Previous year	₹ 397310 Lakh

Contribution and Grants consists of (i) the investment of the Government in the Authority by way of transfer of net assets on the date of establishment of the Authority. (ii) All contributions and Grants (Plan) received by the Authority from Government of Kerala and Government of India since its formation. (iii) All assets received by way of donations valued at fair market value (iv) all other miscellaneous grants & contributions received from other sources (Capital) and (v) Interest free fund from GOK being the conversion of GOK loan.

Amount released to District collectors for the implementation of Water Supply Schemes to Scheduled Caste/Scheduled Tribes habitations and amount released to Kerala Rural Water Sanitation Agency out of the Government of India Grant is shown as a deduction in the schedule.

As there was no separate release of funds from Government for Low Cost sanitation (LCS) project, an amount equal to the payment made by Kerala Water Authority for LCS Schemes is shown as a deduction in the schedule.

#### 1.02 RESERVES & SURPLUS - SCHEDULE: B

Current year	₹ 7906 Lakh
Previous Year	₹ 7906 Lakh

1.02.1 Works completed for the deposit received up to 31<sup>st</sup> March 2005 have been transferred to 'Reserve for deposit works' as envisaged in the Accounts Manual.

#### 1.03 SECURED LOANS - SCHEDULE: C

Current Year	₹ 37521 Lakh
Previous year	₹ 47643 Lakh

The secured loan represents (i) the balance of the loan availed by local bodies as well as the Kerala State Rural Development Board from LIC of India prior to the formation of the Kerala Water Authority (KWA) and the liability for repayment was transferred to KWA (ii) the outstanding amount of the loan from LIC of India availed by KWA (iii) the balance of loan



availed by the Authority from HUDCO (for the last year) and (iv) the loan availed from banks including the balance outstanding for the loan taken for settling OTS with KSEB. The Government had given guarantee for the LIC/HUDCO loans and no provision has been made towards guarantee commission payable.

- 1.3.01 The security for the loan is mainly given as a charge by way of hypothecation of all KWA's movables (save as except book debts) including movable machinery, machinery spares, tools and accessories present and future pertaining to the projects for which loan is taken subject to the prior charges created and or to be created in favor of the borrowers bank for working capital facilities over the borrower raw materials, semi finished and finished goods consumable stores book debts and such other movables as may be agreed to by the bank. The Government of Kerala guarantees loan taken from LIC/HUDCO. The repayments of bank loans are covered by Escrow facility on the revenue receipts.

#### **1.04 UNSECURED LOANS - SCHEDULE: D**

Current Year	₹ 255211 Lakh
Previous year	₹ 211983 Lakh

- 1.04.1 KWA has requested GOK to convert the amount released for JBIC assisted schemes into interest free fund. As the above is under consideration, interest on GOK loan, amounting to ₹151.84 Crores for the year 2010-11 has been provided.
- 1.04.2 As per the budget speech for the year 2008-09 Government had announced the write-off of the interest accrued and due on GOK loans up to 31-03-2007 and to convert the loan as on 31-03-2007 to interest free fund. Hence KWA had written off ₹1004.81 crore of interest on GOK loan and converted the loan of ₹ 839.13 Crore as an interest free fund during 2006-07. Kerala Water Authority has submitted a request to Government of Kerala for a formal G.O on the same and is being processed by the Government.
- 1.04.3 All the deposit figures stated are subject to reconciliation by individual divisions.

#### **1.05 FIXED ASSETS - SCHEDULE: E**

Current Year	₹ 566431 Lakh
Previous year	₹ 505750 Lakh

- 1.05.1 The value of fixed assets represents (i) The value of fixed assets and capital work in progress vested in and transferred to the Authority amounting to ₹ 42183.00 Lakh and (ii) The additions made by the Authority

since its formation, after providing for depreciation there on.

1.05.2 The fixed assets register has been updated up to the year 2004-05. Action is in progress to update the same for the financial year up to 2011-2012.

1.05.3 The fixed assets of the Authority have been shown in the books of accounts at historical cost.

#### **1.06 CURRENT ASSETS - SCHEDULE: G**

Current Year	₹ 93748 Lakh
Previous year	₹ 82762 Lakh

1.06.1 The stock figures stated are subject to reconciliation with individual divisions.

1.06.2 Closing Stock is valued on FIFO basis.

1.06.3 The current assets include dues from local bodies on account of (i) loans availed from LIC amounting to ₹1761.00 Lakhs and (ii) Water and maintenance charges due from Local Bodies amounting to ₹ 24883.44 Lakhs as stated above.

1.06.4 The sundry debtor's balances have not been reconciled and no provision has been made for doubtful debts.

1.06.5 The reconciliation of bank balances with bank statements is in progress.

1.06.6 The reconciliation of inter office balances is in progress.

1.06.7 The inter office and suspense account balances comprise of the following: Inter office Accounts ₹ 9589.63 Lakhs (Credit) and Cash and bank suspense accounts including accumulated difference in receipts and payment statement for the years 1984-85 to 2010-11 amounting to ₹ 40.94 Lakhs (Debit).

#### **1.07 CURRENT LIABILITIES - SCHEDULE: H**

Current Year	₹ 46832 Lakh
Previous Year	₹ 32485 Lakh

1.07.1 The balance shown under statutory employee's deduction of GPF and NMR-PF is net of advances given to the employees under respective heads.

1.07.2 The GPF and NMR-PF balance had not been reconciled with individual accounts and the same is in progress.



1.07.3 The interest on GPF has been accounted on actual basis upto 1998-99. The interest on GPF and NMR-PF has been provided for the year 1999-2000 at 12% per annum, for the year 2000-01, @ 11% per annum, for the year 2001-02, @ 9% per annum for the year 2002-03 and @ 8% per annum for the years 2003-04 to 2010-11.

1.07.4 The liability because of gratuity and pension to the employees is being accounted on cash basis.

1.07.5 Control account balance of ₹1895.54 Lakh (Credit) represents accumulated balances between control accounts and the concerned WIP /Stores/Sundry debtor's accounts. The amount of ₹1895.54 Lakh (Credit) is the net balance of the control account - collections ₹ 879.97 Lakh (Credit), control account capital expenditure (Materials) ₹ 247.17 Lakh (Debit), and balance under control account capital expenditure Others ₹ 1262.74 Lakh (Credit)

## 1.08 LOANS AND ADVANCES - SCHEDULE: I

Current Year	₹ 11277 Lakh
Previous year	₹ 12321 Lakh

1.08.1 Balances of loans and advances given to the employees together with interest thereon have not been reconciled with the individual accounts.

## 1.09 ACCUMULATED EXCESS OF EXPENDITURE OVER INCOME - SCHEDULE: K

Current Year	₹ 110434 Lakh
Previous Year	₹ 93110 Lakh

The accumulated excess of expenditure over income as on 31/03/2011 is arrived at as follows -

	₹ in Lakh
Excess of expenditure over Income as on 31/03/2010 -	93110.00
Excess of expenditure over income for the financial year 2010-11	17324.00
Excess of expenditure over income As on 31/03/2011 -	110434.00

## II INCOME AND EXPENDITURE ACCOUNT

### 2.01 INTEREST

Current Year	₹ 21689 Lakh
Previous year	₹ 19372 Lakh

This amount includes interest for LIC, and Bank loans amounting to ₹ 4648.26 Lakhs.

## **2.02 DEPRECIATION – SCHEDULE: E**

Current Year	₹ 5167 Lakh
Previous year	₹ 5216 Lakh

Depreciation has been provided for on straight-line method so as to write off 90% of the cost/value of the fixed assets over the estimated useful life of the assets concerned as per the Kerala Water Authority (Depreciation Reserve and its Utilization) Rules 1992.

## **2.03 PRIOR PERIOD ADJUSTMENT:**

Current Year	NIL Lakh
Previous Year	₹ (49) Lakh

Prior period adjustment for the year 2009-10 consists on interest earned from bank relating to prior period.

## **2.04 GENERAL**

- 2.04.1 In order to absorb project overheads on capital works, a transfer of revenue expenditure to capital work-in-progress is made @ 5 % to 12.50 % for schemes on the capital expenditure.
- 2.04.2 Interests on Bank loan have been capitalized during the year. As the schemes undertaken with LIC/HUDCO loan has been commissioned or taken up under new funding, the interest on LIC/HUDCO loan paid during 2010-11 has not been capitalized.
- 2.04.3 Previous year figures have been re-grouped/re-classified wherever necessary.
- 2.04.4 Accounts have been prepared as per the accounting policies specified in the Accounts Manuel.
- 2.04.5 Leave encashment of the employees have been accounted on cash basis.

V.S.Pradeep FCA  
[FINANCE MANAGER  
& CHIEF ACCOUNTS OFFICER]

T.C Subran  
[TECHNICAL MEMBER]

Ashok Kumar Sigh IAS  
[MANAGING DIRECTOR]

Thiruvananthapuram.  
10/12/2014



# **KERALA WATER AUTHORITY**

## **REPLY TO THE SEPERATE AUDIT REPORT ON THE ACCOUNTS OF KERALA WATER AUTHORITY FOR THE YEAR ENDED ON 31-03-2011**

### **COMMENTS ON ACCOUNTS**

#### **A. Balance Sheet as at 31<sup>st</sup> March 2011**

##### **1. Sources of Funds**

##### **1.1 Kerala Water Authority Fund**

##### **1.1.i Reserves and Surplus (Schedule-B) ₹ 79.06 Crore**

Necessary corrections would be made in the accounts of the subsequent years based on the report furnished by the consultant appointed for updating the fixed asset register of Kerala Water Authority from 2005-06 to 2011-12.

##### **1.2 Kerala Water Authority Loan Fund**

##### **1.2.i Unsecured Loans & Deposits (Schedule -D) ₹ 2552.11 Crore**

##### **1.2.i.a Loan from Government of Kerala ₹ 1452.64 Crore.**

The conversion was done based on the budget speech of the Hon'ble Finance Minister for the financial year 2008-09. It is understood that the Government Order on the same is being processed by the Government. Kerala Water Authority has made a formal request for the same to the Government. The same has been disclosed vide notes to accounts. See Note 1.04.2

##### **1.2.i.b Interest accrued on GoK Loan ₹ 398.44 Crore**

Kindly refer to the reply stated above (1.2.a). During the budget speech, the interest portion was also announced to be written off. The Government Order on the same is expected at the earliest.

### **1.2.i.c Security Deposit ₹ 120.94 Crore.**

1.2.i.c.i This is a running balance and the figure mentioned in the audit report is in KWAC. It is the closing balance as at 31/03/1998 of various divisions, which was maintained in the HO. Necessary action has been initiated to write off from the books of accounts as suggested by audit.

1.2.i.c.ii The observation of the audit team is noted. Kerala Water Authority had appointed a consultant for updating the fixed asset register of the authority and the consultant had submitted its report up to 31-03-2005. The entries up to 31-03-2005 have been incorporated in the books of account for the Financial Year 2007-2008. The work for updating the fixed asset register of the authority for the year 2005-2006 to 2011-12 has been started by the consultant. The amount lying under deposit works will be corrected as and when the report of the consultant is received and incorporated. Instructions have been given to all the field offices to strictly follow the procedure as laid down in the accounts manual of the authority regarding the treatment of Deposit Works.

## **2 Application of Funds**

### **2.1 Fixed Assets (Schedule E) ₹ 5664.31 Crore.**

2.1.i. The fixed asset register of the authority have been updated till 31-03-2005 by appointing a consultant for the same. Updating of fixed assets register for the years from 2005-06 to 2011-12 have been entrusted to M/s. Thomas Jacob and company. The Fixed Assets created by the authority which is spread over the breadth and width of the state and under the control of various field offices of Kerala Water Authority. The verification of all the Assets including distribution network is cumbersome and expensive. Hence physical verification at the end of every year is not carried out regularly. Systematic writing off of the cost of the pipe lines and connected fixtures got dismantled during road works etc would be done in the books of accounts in the forthcoming years while incorporating the correction entries suggested by the consultant appointed for updating the fixed asset register and the matters connected with fixed assets.



**2.1.ii Capital Work in Progress (CWIP) ₹4289.91 Crore**

2.1.ii.a Necessary corrections were already made while preparing consolidation of the accounts at head office level and has already been reflected in the accounts.

**2.2 Net Current Assets – ₹ 469.16 Crore**

**2.2.i Current Assets (Schedule G) ₹ 937.48 Crore**

**2.2.i.a Inventory - ₹ 86.82 Crore**

2.2.i.a.i & 2.2.i.a.ii The consultant appointed for updating the Fixed Asset and Analysis of asset related items had submitted the division wise breakup of stock as on 31/03/2005. This balance will be transferred to the Division and the stock position will be updated in the forth coming year's accounts. The consultant have been appointed for updating the fixed asset register and analysis of asset related items for a further period from 2005-06 to 2010-11. As soon as the work is completed, the accounts will reflect the correct balance of stock

**2.2.i.b Sundry Debtors ₹ 554.52 Crore**

2.2.i.b.i Water Authority has not analyzed the demands raised on each individual consumers and given provision for doubtful debt as the Authority assumes that the full dues will be collected. The demand for water charge is raised on monthly based on the Provisional Invoice Card (PIC) /actual consumption. Efforts are taken to trace out the unidentified connections and action would be taken to find the reason for the same remaining as unidentified. Necessary action based on the field reality will be taken and necessary adjustments will be made if so warranted. The creation of provision for bad and doubtful debts in the books is not possible unless the same is not identified on one to one basis.

**2.2.i.b.ii LIC Loan repayment due from Local Bodies ₹ 17.61 Crore**

As the dues are not recoverable, necessary action has been initiated to write off the dues.

### **2.2.i.b.iii Others ₹ 0.96 Crore**

As these are long pending, necessary action will be initiated to write off the dues.

### **2.2.i.c Cash and Bank Balances ₹ 391.94 Crore**

#### **2.2.i.c.i Bank and Treasury Balances ₹ 387.84 Crore**

2.2.i.c.i.a & 2.2.i.c.i.b Necessary directions have already been issued to all the Account Rendering Units to effect periodical reconciliation of cash balances with bank/treasury account after collecting the pass book and to make necessary entries in the books of accounts during the relevant year itself

#### **2.2.i.d Other Current Assets ₹ 95.79 Crore**

Cash suspense was there in the accounts from 1998. This includes a balance of ₹ 129.66 Lakh under KWAC which is set off by corresponding correction entry by TJ98 as well as TJ05 to the tune of ₹ 96.81 Lakh. These two i.e TJ98 and TJ05 represent the entries suggested by the consultant appointed for updation of fixed assets register and related accounts which has been done up to 31-03-2005 only. Consultant have been appointed for updation of fixed asset register up to 31-03-2012 and the balance correction would be made after incorporating the entries suggested by consultant with final report. More over during the year 2009-2010 suspense relating to two offices has been corrected and thus the balance reduced to ₹ 40.94 Lakh (₹ 43.29 Lakh during 2008-09).

### **2.2.ii Current Liabilities (Schedule-H) ₹ 468.32 Crore**

#### **2.2.ii.a For Contractors/Suppliers ₹ 14.10 Crore**

2.2.ii.a.i The updation of the Fixed Assets Register and analysis of asset related items including stock of materials of the Authority up to 31-03-2005 is done by the consultant appointed for the same. The entries as suggested by the consultant have been incorporated in the accounts for the year 2007-08. The Authority has appointed a consultant for updating the Fixed Asset and Analysis of asset related items from the Financial Year



2005-06 to 2011-12. When their report is obtained, the account will be rectified.

**2.2.ii.a.ii Control Account Balances ₹ 18.96 Crore**

The updation of the Fixed Assets Register and analysis of asset related items up to 31-03-2005 is done by the consultant appointed for the same. The entries as suggested by the consultant have been incorporated in the accounts for the year 2007-08. The Authority has appointed a consultant for updating the items from the Financial Year 2005-06 to 2010-11. When their report is obtained, the pertaining to control account will be rectified.

**B INCOME AND EXPENDITURE ACCOUNT**

**1 INCOME**

**1.1. Other Non Operating Income (Schedule O) ₹ 54.73 Crore**

1.1.a The unbilled fines and penalties are accounted on cash basis only as stipulated in the accounts manual. However demand for fines and penalties at the rate of 2% on the unpaid water charges due from non-domestic, industrial consumers are charged monthly on the unpaid water charges as per the Water Supply regulation. The same is raised along with bills and are accounted on due basis similar to water charges.

**2 Expenditure**

**2.1 Prior Period Adjustments (Schedule W) NIL**

The Government has been addressed to waive off the guarantee commission considering the poor financial position of Kerala Water Authority. The fact is also disclosed in the notes to account (Refer 1.03)

**C Notes on Accounts for the year ended on 31-03-2011**

1 According to the accounts manual framed under regulation 65(f) of the act, provision for gratuity and pension liability accrued shall be made in the accounts of the authority in such manner as may be deemed appropriate by the authority. Kerala Water Authority accounts for pension

in cash basis as it alone is practical.

- 2 Significant accounting policies adopted and followed by the authority is disclosed in the notes to accounts wherever necessary.

**D General**

- 1 The observation of audit team is noted. Code 10 and 99 represent scheme codes rather than account code which was wrongly included by the field office in the Trial Balance. While consolidating the accounts at head office level the amounts shown in these codes have been correctly accounted under code 1022.
- 2 Details of donated assets from UNICEF and DANIDA are being collected and the same will be incorporated in the subsequent year's account.
- 3 The quantitative details of water produced and sold were not furnished for want of accurate information in this regard. Efforts are on to accurately ascertain the quantity of water produced and other related aspects, and once it is realistically ascertained, the same would be furnished.
- 4 Fixed Asset Register is maintained through a software and up dated till 31-05 2005. Updating the Fixed Asset Register till 31-03-12 is in progress as the Authority has appointed a Consultant for the updating of the Fixed Asset Register from 01-04-2005 to 31-03-2012. The volume of stock of materials laying in different divisions of Kerala Water Authority is very huge and annual physical verification of all the stores is cumbersome and expensive. Hence physical verification at the end of every year is not carried out regularly. But physical verification is being undertaken by stock verification team during their field inspection and action is being taken for rectifying any surplus/shortages reported.
- 5 Up to the Financial Year 31-03-1998, there was no system of preparing individual trial balance with each ARU's, rather a consolidated Trial Balance was maintained. In order to have a clear picture of the activities which are taking place at each ARU's, the ARU wise trial balance system was introduced w.e.f 01-04-1998 and the balances pertaining to cash, bank and DCB in each ARU's was transferred to their concerned opening



Trial Balance from the single Trial Balance which was maintained till date and the rest of the balances was kept as "KWAC" and as a separate opening Trial Balance. Audit of accounts of the authority is done up to the Financial year 2010-2011. The opening balances taken are from the audited accounts for the year ended on 31-03-1998 when the individual Trial Balance system was introduced.

Audit observation noted. The financial position of the authority does not permit a higher investment for Provident Fund. However, increasing the investment amount will be considered in a later date when the financial position improves since Government of Kerala sanctioned the water tariff revision to KWA.

#### **Impact of the comments**

Comments of the Authority not warranted.

#### **E Grant-in-aid.**

Comments of the Authority not warranted.

Managing Director

## **Reply to Annexure – I**

### **I. Internal audit system.**

The present internal audit wing in Kerala Water Authority is functioning satisfactorily. However based on the comments of the audit party that the internal audit coverage is inadequate and that the same needs to be strengthened, action will be taken to strengthen the unit.

### **II. Adequacy of internal control system.**

- i. (a) & (b) Strict instructions were already given to the field offices to reconcile the bank/treasury accounts/non-operative bank account periodically and pass necessary correction entries by way of Journal Vouchers.
- ii. (a) & (b) The divisions have been instructed to keep the financial ledgers, subsidiary ledgers, journal entries and supporting vouchers up to date.  
  
(c) Instructions have been issued to the divisions to incorporate the corrections/revisions made by the head office, in their books of accounts so that there will not be any difference in the opening balance of the unit trial balance with balance in the head office trial balance. Head office section has been instructed not to make any corrections in the account balances of the divisions/sub divisions without proposing journal entries and recording reasons for corrections.
- iii. The volume of stock of materials laying in different divisions of Kerala Water Authority is very huge and annual physical verification of all the stores is cumbersome and expensive. However, periodical physical verification is being undertaken by stock verification sub divisions of Kerala Water Authority during their field inspection and differences



if any are reported for further action.

When a shortage/loss of stock is reported action is initiated to crystalize the liability. This is a time consuming process. Based on the observation of the audit, concerned divisions are instructed to speed up the process. The inter-divisional transfers of stores are done as per the revised procedure introduced by the Kerala Water Authority to avoid delay. The reconciliation of the inter office materials account is in progress. Moreover the consultant appointed for analyzing the fixed assets and related items of the authority will rectify the inter office transfer of materials on finalization of their work up to 31-03-2012.

- iv. Instructions have been issued to all the field offices to systematically verify the bank/cash balances and to certify the same by the higher authorities periodically.
- v. Action is being taken to computerize the billing and collection of water charge in all the revenue collection centers. Revenue, being water charges due to the authority, is arrived as per the meter reading recorded which is the method followed. There is no estimation of revenue and thus accounting on estimate basis in the books

### **III. Physical Verification of fixed Assets**

- No physical verification of the fixed assets was done, as the same would be cumbersome and expensive. However office equipments, furniture and fixtures, computers etc are physically verified from time to time. Fixed Assets register is being updated from the Financial Year 2005-2006 to 2011-2012 as the work has been entrusted to a consultant.

### **IV. Regularity in payment of statutory dues.**

- No comments of the Authority is warranted.

Managing Director

## FINANCIAL RESULTS

Income from operations for the year 2010-11 amounts to Rs. 381.27 Crores. In addition a non plan grant of Rs. 199.72 Crores was received from Government of Kerala to meet the revenue expenditure and Rs. 14.04 Crores from Government of India to meet the Operation & Maintenance of the completed Accelerated Rural Water Supply Schemes. The revenue expenditure after capitalising the share debit and interest on LIC/HUDCO loan comes to Rs.768.27 Crores leaving a deficit of Rs.173.24 Crores.

Rs in Crores

INCOME AND EXPENDITURE		
INCOME	2010-11	2009-10
Domestic	107.20	111.59
Non-Domestic	114.32	84.89
Industrial	9.66	12.93
Local Bodies	86.54	81.81
Sewerage	1.26	1.40
Other Income	62.29	70.40
	381.27	363.02
O & M Grant from GOI	14.04	15.28
Government of Kerala - Grant	199.72	167.93
	595.03	546.23
EXPENDITURE		
Operation & Maintenance	228.42	213.33
Establishment	311.30	280.13
Office Expenses	7.84	8.63
Travelling	2.18	2.22
Administrative Expenses	2.17	3.15
Interest	216.89	193.72
Depreciation	51.66	52.16
	820.46	753.34
Less : Transferred to CWIP	52.19	56.69
DEFICIT FOR THE YEAR	768.27	696.65
	173.24	150.42
Prior period adjustment	-	(0.48)
	173.24	149.94



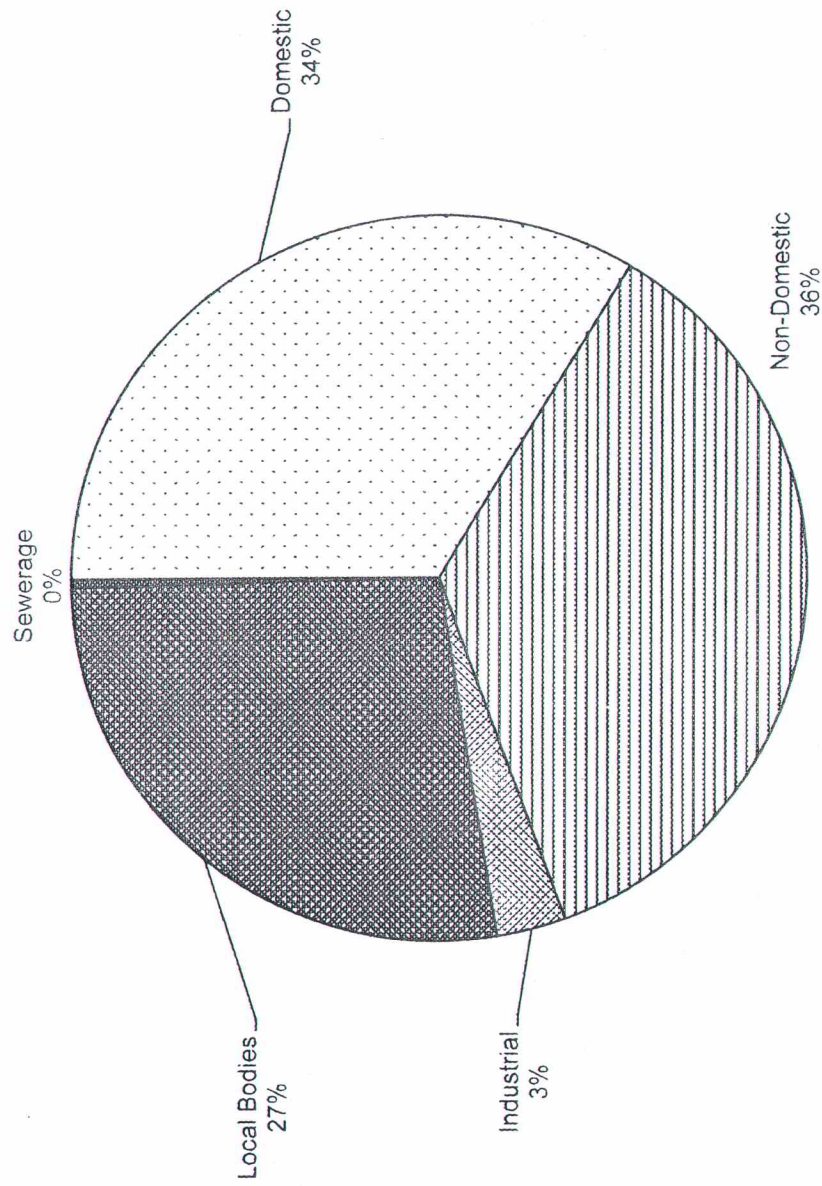
SOURCE AND APPLICATION OF FUNDS		
Source of Fund	2010-11	2009-10
Capital & Reserves	4,460.53	4,052.16
Secured Loans	375.21	476.43
Unsecured loans	2,552.11	2,119.83
	7,387.85	6,648.42
Application of funds		
Fixed Assets	5,664.31	5,057.50
Investment	37.26	33.84
Net Current Assets	469.16	502.77
Loans & Advances	112.78	123.21
Accumulated Excess of Expenditure over Income	1,104.34	931.10
	7,387.85	6,648.42

CAPITAL RECEIPTS	2010-11	2009-10
Grant from GOK		401.67
Loan from GOK	96.46	315.00
Grant from GOI	126.97	141.00
Loan from LIC of India	-	-
Loan from HUDCO	-	-
Loan from Bank		
	223.43	857.67

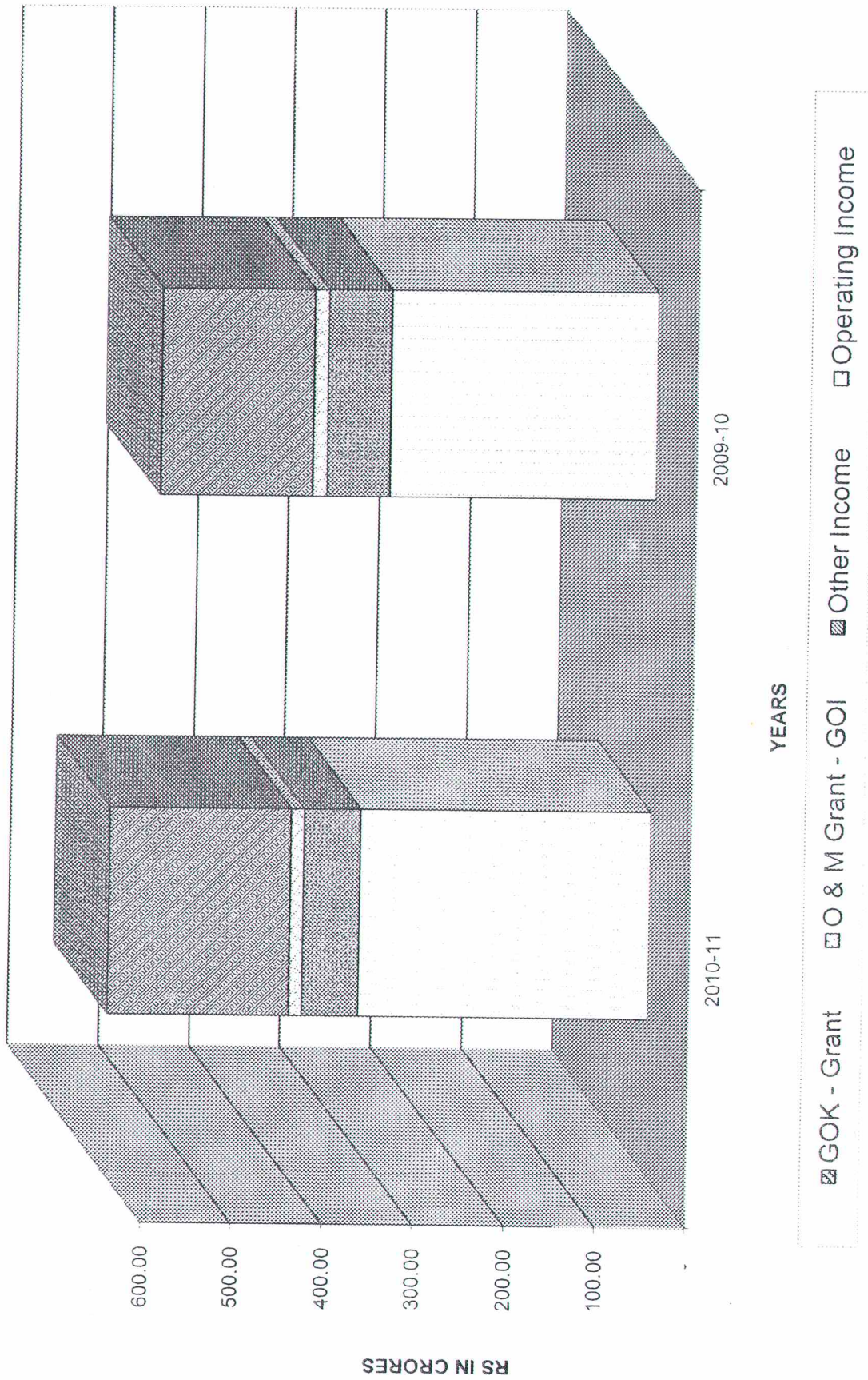
CAPITAL EXPENDITURE	2010-11	2009-10
State Plan Schemes		
UWSS - Matching		
UWSS - Others	1.71	3.05
Completion of ongoing UWSS	11.53	22.65
WSS - Medical Collages		
AUWSS - Matching	25.94	74.69
JBIC	172.91	315.57
NABARD	120.59	190.47
Completion of ongoing RWSS	8.09	0.42
RWSS - Not Eligible ARP		
RWSS - Matching		
RWSS-TEAP		
RWSS - Others	8.47	2.36
NC/PC - State Plan		
TM - Matching	3.41	6.69
Urban - Sewerage	1.21	2.32
Other Schemes	2.94	5.83
	356.80	624.05
Centrally Sponsored Schemes		
ARWSS	131.20	130.09
AUWSS	-	-
TM	8.74	6.91
Other Schemes	0.12	0.12
	140.06	137.12
Outside State Plan Schemes		
UWSS - LIC/HUDCO	8.34	4.67
Deposit Works	13.83	9.00
TRP WSS	18.37	38.53
Others	3.20	5.58
	43.74	57.78
	540.60	818.95



OPERATING INCOME - 2010-11

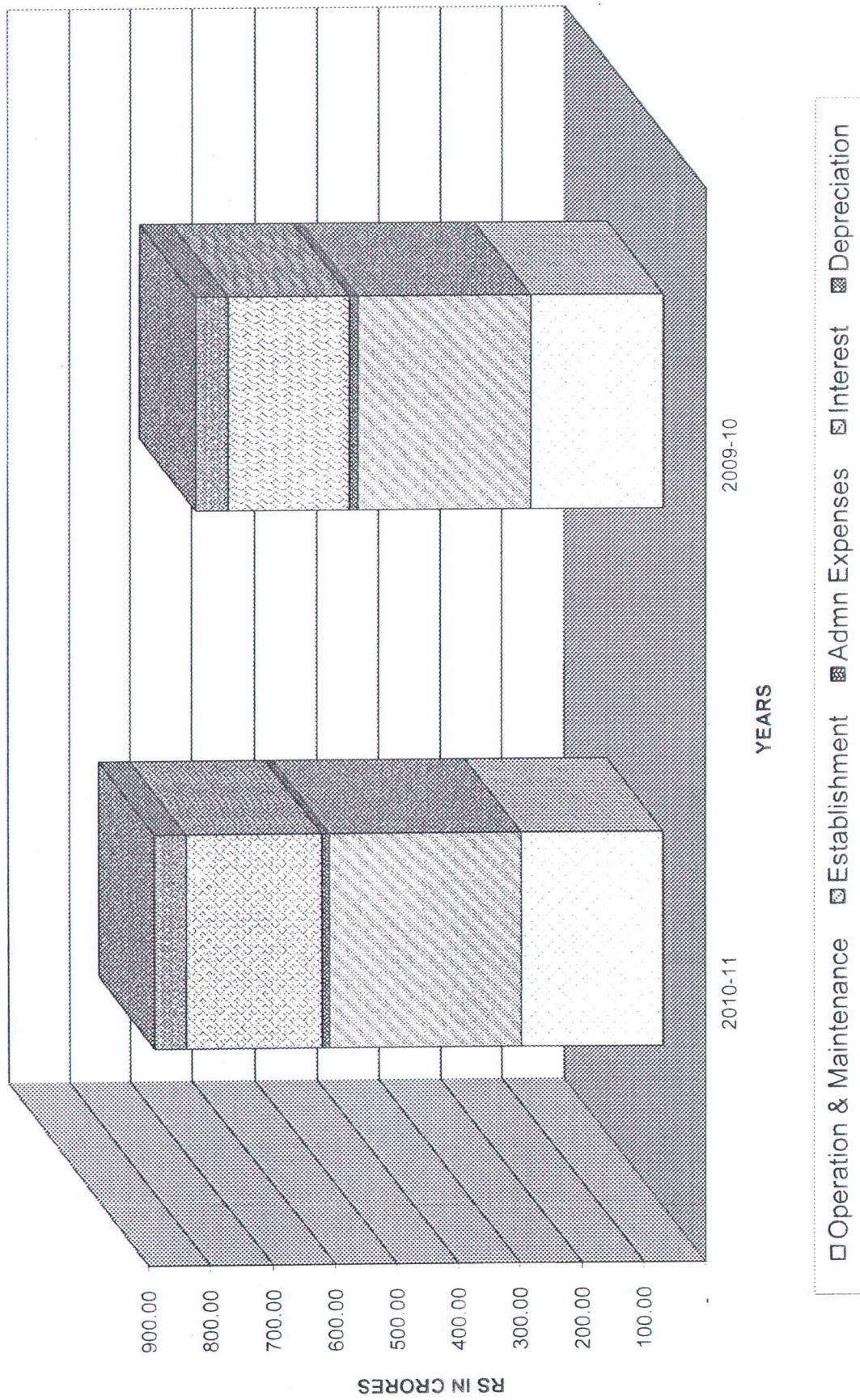


# REVENUE RECEIPTS

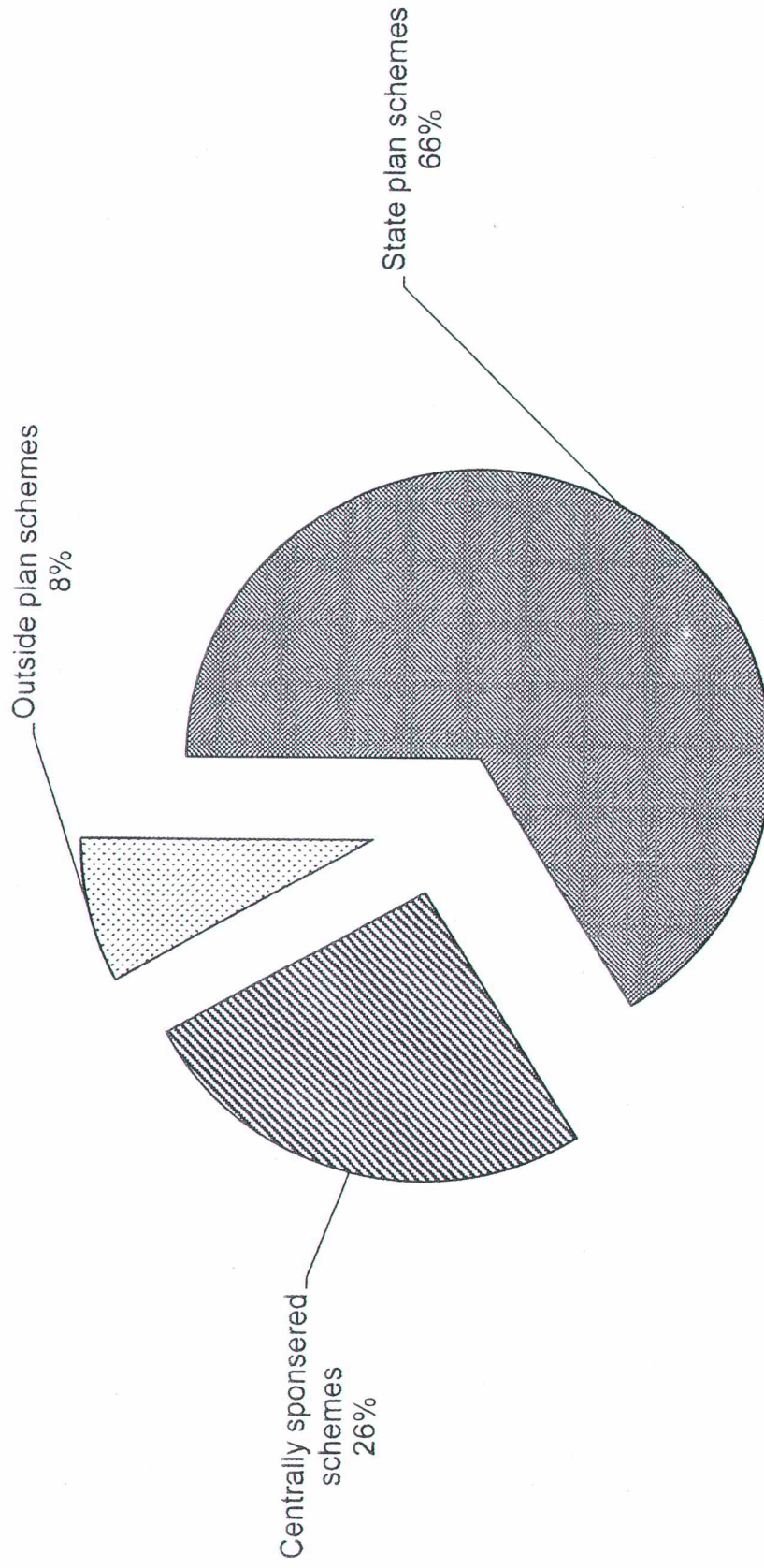




# REVENUE EXPENDITURE



# Capital Expenditure 2010-11



- State plan schemes
- ▨ Centrally sponsored schemes
- ▤ Outside plan schemes



# INCOME AND EXPENDITURE 1984-85 TO 2010-11

