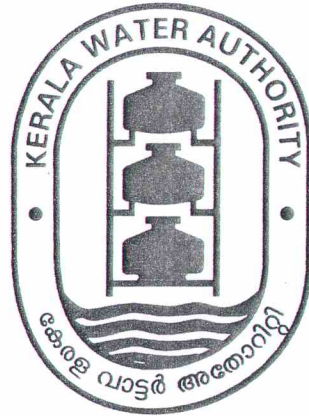


# KERALA WATER AUTHORITY



## ANNUAL ACCOUNTS 2013-14

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HEAD OFFICE: JALA BHAVAN  
THIRUVANANTHAPURAM-695033

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**SEPARATE AUDIT REPORT OF THE COMPTROLLER & AUDITOR  
GENERAL OF INDIA ON THE ACCOUNTS OF KERALA WATER AUTHORITY  
FOR THE YEAR ENDED 31 MARCH 2014**

1. We have audited the attached Balance Sheet of Kerala Water Authority (KWA) as at 31 March 2014 and the statement of Income and Expenditure Account for the year ended 31 March 2014 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 168 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 Sewerage 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 as at 31 March 2014**

**1 Sources of Funds**

**1.1 Kerala Water Authority Fund**

**1.1.1 Reserves and Surplus (Schedule B) – ₹ 350.18 crore.** This represents the value of fixed assets created out of deposit work up to 31 March 2005 (Note No. 2.03). Even though depreciation on these assets were provided for, the amount of reserve equal to depreciation provided for has not been systematically accounted in Income and Expenditure Account to nullify the impact of depreciation provision on assets acquired free of cost. Though this has been brought to the notice of the Authority (from 2007-08), no adjustment has been made in the Accounts so far.

**1.2 Kerala Water Authority Loan Fund**

**1.2.1 Unsecured Loans & Deposits (Schedule D)**

**1.2.1.1 Loan from Govt. of Kerala – ₹ 2,135.55 crore** This was understated by ₹ 839.13 crore due to conversion of interest bearing State Government loan in to 'interest free fund from Government of Kerala' on the basis of the budget proposal (2008-09). The conversion was not authorised by any specific order of the Government. Though this had been brought to



the notice of Authority previously, no specific Government Order has been furnished. This has resulted in understatement of Unsecured Loans and Deposits by ₹ 839.13 crore and overstatement of Contributions and Grants to that extent.

**1.2.1.2 Interest accrued on GOK Loan – ₹ 971.08 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 brought to the notice of the Authority in the previous years also, no specific Government Order has been furnished. As a result, the balance under interest accrued on GOK Loan was understated by ₹ 1,004.81 crore with corresponding understatement of Accumulated Excess of Expenditure over Income.

**1.2.1.3 Security Deposit – ₹ 195.58 crore**

*i* This includes an amount of ₹ 1.16 crore being security deposits remaining in the accounts for more than ten 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 by ₹ 1.16 crore with corresponding understatement of Other Income to that extent.

*ii* *As per Note No.6 of the Contract Agreement, the amount of Security Deposit shall be 5 percent of the probable amount of contract rounded off to the next higher unit of ₹ 50/- and shall be deposited in cash currency notes, Treasury Challans or cheques drawn on a recognised bank with Offices in the Kerala State.* Fixed Deposits in the name of the Executive Engineer of KWA (Head Works Division, Aruvikkara) amounting to ₹ 0.06 crore were accepted as Security Deposit from various contractors. This was in violation of Note No.6 of the Contract Agreement. Moreover, these Fixed Deposits were neither accounted in the Fixed Deposit Register nor in the Annual Accounts for the year ended 31 March 2014. Non accounting of the same has resulted in understatement of Current Assets by ₹ 0.06 crore and corresponding understatement of KWA Loan Fund to that extent.



#### 1.2.1.4 Earnest Money Deposit – ₹ 10.73 crore

This does not include ₹ 0.17 crore being the Earnest Money Deposit received from various contractors in the form of Demand Draft/Bankers Cheque as on 31 March 2014. The receipt and payment of EMD were neither accounted in the Cash Book nor recorded in the Books of Accounts. Non accounting of the same has resulted in understatement of KWA Loan Fund to the extent of ₹ 0.17 crore and corresponding understatement of Current Assets to that extent (Public Health Division, Thrissur – ₹ 12.58 lakh, Public Health Sub Division, Sulthan Bathery – ₹ 1.02 lakh, Public Health Sub Division, Kalpetta – ₹ 0.28 lakh & Water Supply Division, Attingal – ₹ 3.54 lakh).

#### 1.2.1.5 Deposit Work – Water Supply & Sewerage – ₹ 836.87 crore

As per Chapter IV of the Accounts Manual Vol. IV, the assets that are capitalised shall be transferred from Capital Work in Progress to Fixed Assets. As per Chapter V of the Accounts Manual Vol. III, 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 and when the work is completed adjustment entry for transfer of deposited amount is to be made in the Deposit Reserve Account. However, on review of records the same has not been done in the following cases.

- i. This includes Capital works amounting to ₹ 3.64 crore completed under Package I of Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) on 17.05.2013 which was not transferred to Reserve for deposit works and the value of the work completed has not been capitalised. This has resulted in overstatement of 'Deposit Work Water Supply & Sewerage' and 'Capital Work in Progress' by ₹ 3.64 crore with corresponding understatement of Fixed Assets as well as Reserve for deposit works by ₹ 3.64 crore (Public Health Division, Thrissur).
- ii. The above amount includes ₹ 17.94 crore being deposit received for MLA/MPLAD works in respect of 86 works during the period 2012-13 & 2013-14. The works were all completed at a total cost of ₹ 1.30 crore including Centage Charge of ₹ 0.15 crore. The balance fund was not transferred to Reserve for Deposit works and the value of the work completed has not been capitalised. This has resulted in overstatement of 'Deposit Work Water Supply & Sewerage' and 'Capital Work in Progress' by ₹ 1.30 crore and ₹ 1.15 crore respectively

with corresponding understatement of Fixed Assets as well as Reserve for deposit works by ₹ 1.30 crore. Operating Income – Others – Centage charges is also understated by ₹ 0.15 crore (Public Health Division, Sulthan Bathery).

iii. This includes:

- ₹ 0.30 crore being the value of Fixed Assets created through works completed with deposits received from Thrissur Corporation during the period 2012-13 & 2013-14 (Public Health Division, Thrissur).
- ₹ 18.75 crore being the value of Fixed Assets created by way of works completed under UIDSSMT – WSS to Malappuram and Perinthalmanna Municipalities.
- ₹ 1.50 crore being value of Fixed Assets created by way of works completed against deposits received from Local Bodies excluding Malappuram Jilla Panchayath during the period 2012-13 & 2013-14.
- ₹ 0.91 crore being the value of Fixed Assets created by way of works completed against deposits received from Malappuram Jilla Panchayath during the period 2012-13 & 2013-14 (Public Health Division, Malappuram). Non transfer of the above Deposit to Deposit Reserve Account has resulted in overstatement of Deposits by ₹ 21.46 crore with corresponding understatement of Deposit Reserve Account. This is only illustrative and not exhaustive.

## 2 Application of Funds

### 2.1 Fixed Assets (Schedule E) – ₹ 3,393.61 crore

The physical existence of the above assets could not be ensured in the absence of Fixed Asset Register and physical verification of assets. The amount includes 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.

### 2.2 Net Current Assets

#### 2.2.1 Current Assets (Schedule G)

### 2.2.1.1 Sundry Debtors – ₹ 581.18 crore

The above amount included dues relating to several unidentified connections, disconnected/dismantled connections 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.

#### 2.2.1.1.1 Consumers – Domestic, Non domestic & Industrial dues – ₹ 438.34 crore

There was difference between amount receivables as per Demand, Collection and Balance (DCB) statement and as per accounts as shown below:

Sl. No.	Class of consumer	Amount accounted ₹	Amount in DCB ₹	Difference ₹
1	Domestic	5,87,48,728	5,20,98,926	66,49,802
2	Non Domestic	6,11,14,676	3,92,44,284	2,18,70,392
3	Industrial	59,770	3,22,827	(-) 2,63,057
	<b>Total</b>	<b>11,99,23,174</b>	<b>9,16,66,037</b>	<b>2,82,57,137</b>

The difference has not been reconciled.

#### 2.2.1.1.2 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 10 years. Neither any detail 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 is remote and hence necessary provision should have been made in the accounts. Non provision had resulted in overstatement of Current Assets by ₹ 17.61 crore and corresponding understatement of provision for bad debts to that extent.

#### 2.2.1.1.3 Others – ₹ 0.96 crore

The above amount includes ₹ 0.42 crore being Centage Charges and other dues pending recovery for more than 17 years for which no details were available with the Authority. Hence, necessary provision for the above amount should have been made in the accounts.



Non provision had resulted in overstatement of Current Assets by ₹ 0.42 crore with corresponding understatement of provision for bad debts to that extent.

## B General

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.

Certain figures are seen included as opening balance in almost all account heads viz., Capital Work in Progress, Assets, Liabilities, Expenditure etc. It was stated by the Authority that these opening balance represent balances prior to 01.04.1998 for which no supporting details are available. Hence, audit could not verify the correctness of the balance.

## C Impact of revision of accounts.

As a result of revision of accounts for the year 2013-14 at the instance of audit, the excess of expenditure over income increased by ₹ 238.44 crore as detailed below:

Particulars	(₹ in crore)		
	Increase	Decrease	Net Increase/ Decrease (-)
Assets	916.97	1,147.88	(-)230.91
Liabilities	271.13	263.59	7.54
Expenditure	250.37	0.20	250.17
Income	11.73	0	11.73

### Impact of the comments

As a result of the comments on the accounts for the year 2013-14, Assets will be increased by ₹ 987.16 crore, Liabilities by ₹ 1,003.88 crore and excess of expenditure over income for the year amounting to ₹ 687.67 crore will be overstated by ₹ 16.72 crore as detailed below:

Particulars	Increase	Decrease	(₹ in crore) Net Increase/ Decrease (-)
Assets	1,016.98	29.82	987.16
Liabilities	1,877.57	873.69	1,003.88
Expenditure	18.03	0	18.03
Income	1.31	0	1.31

**D** Out of Grant in aid of ₹ 1,016.62 crore received, ₹ 86.10 crore is the opening balance. The Authority has utilised an amount of ₹ 948.63 crore, leaving a balance of ₹ 67.99 crore as on 31 March 2014. Project wise details of grants-in-aid are in Annexure II enclosed.

**(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, said financial statements read together with the Notes on Accounts, and subject to the significant matters stated above and Annexure I & Annexure II to this Audit Report **does not give a true and fair view** in conformity with accounting principles generally accepted in India and especially in view of item numbers 1.2.1.1, 1.2.1.2 of this Report.

a. In so far as it relates to the Balance Sheet of the State of affairs of the Kerala Water Authority as at 31 March 2014 and

b. 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**

**Place: Thiruvananthapuram**  
**Date: 09.09.2016**

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

## ANNEXURE I

### I. Internal Audit System

Internal Audit of KWA is conducted by the Internal Audit Wing under the control of Finance Manager and Chief Accounts Officer in charge of Accounts Member.

The major deficiencies noticed are as follows:

- Internal Audit Manual explaining the mode and procedure to be followed has not been prepared by the Kerala Water Authority,
- The Internal Audit Wing is under the control of the Finance Manager and Chief Accounts Officer instead of under the direct control of the Chief Executive of the Authority,
- As on 31 March 2014, Kerala Water Authority had three Regional Offices viz., Northern Regional Office at Kozhikode, Central Regional Office at Kochi and Southern Regional Office at Thiruvananthapuram comprising of 11 Circle Offices, 45 Divisions, 112 Sub Divisions and 242 Sections. Out of which the Internal Audit team had inspected only 20 Units during the year 2013-14. No Audit Plan, programme and audit reports were seen prepared.
- As such audit is of the opinion that Internal Audit coverage does not commensurate with the size and nature of the Authority.

Action may be taken to clear the backlog in conducting the Internal Audit.

### II. Adequacy of Internal Control System

The Internal Control system in the Authority is deficient in the following areas:

#### 1. Absence of Bank Reconciliation

- (a) Bank reconciliation is not being carried out by majority of field offices as stipulated in Vol. V, Chapter III – Accounting Procedures – (E) 6 of Kerala



Water Authority Accounts Manual, 1993. In some Account Rendering Units substantial differences are noticed between Bank/Cash balance appearing in the Bank/Cash book and those adopted in the Accounts.

- (b) Each Account Rendering Unit of the Authority has a separate non operative Bank Account on which the Unit does not have withdrawal power. The balance in the non - operative Account has not been reconciled so far.

## **2. Inadequate accounting information**

- (a) The Account Rendering Units are not maintaining Financial Ledgers. Hence Audit could not ensure the correctness of the item wise balances.
- (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 could not be ascertained.
- (c) Many of the account balances in Trial balances of Divisions/Sub Divisions are altered/ revised at Head Office without proposing journal entries and without recording the reasons for the alteration/revision. The revisions made are not being incorporated in the books of accounts of the concerned Divisions/Sub Divisions even after finalising accounts. As a result, the opening balances of control accounts in the Unit trial balances are often at variance with the balances in Trial Balance considered for preparation of consolidated Accounts at the Head Office.
- (d) Divisions are neither maintaining registers nor separate ledger accounts for monitoring the Retention Money from Contractors. Hence, Audit could not ensure the veracity of the amount (Head Works Division, Aruvikkara, Public Health Division, Malappuram).

## **3. Absence of Stores records and physical verification of inventory.**

Priced Stores Ledgers are not maintained or kept upto date. Physical verification of stock is also not being carried out on regular basis. Hence in majority of Account Rendering Units the stocks are having negative balances (Credit balances). Inter-Division transfers of stock are also not being accounted and reconciled properly.

**4. Cash book**

Cash book balance are not physically verified and the certificates of verification by the Competent Authority are not recorded in the Cash Book in most of the Divisions.

**5. Revenue records**

The revenue records of field units are also not being maintained properly. Many of the Divisions/Sub Divisions are accounting revenue on the basis of estimates, which are also found to be quite arbitrary in some cases. Extent of revenue, doubtful of realisation are also not being assessed and systematically provided for.

**6. Interest on GPF**

Due to non maintenance of individual records connected with GPF, no interest has been provided on GPF subscriptions made during 2013-14.

**III. Physical Verification of Fixed Assets**

Physical verification of Fixed Assets has not been conducted. Hence audit could not ensure the actual existence of the Assets. The Fixed Asset Register is pending updation since 31.03.2012.

**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**

**GRANTS-IN-AID (Refer Comment No. D of the SAR)**

**Project wise details of Receipt and Utilisation of Grants - in - Aid during the year 2013-14**

₹ 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	Interest / Others	Total Grant received /Funds available	Amount utilised during the year	Amount un utilised as on 31-03-2014 carried forward to next year	Remarks	
1	NRDWP Tech. Mission	77.05	209.65	2.70	289.40	270.04	19.36		
2	Earmarked Schemes	-	2.39	-	2.39	0.38	2.01		
3	AUWSS	-	-	-	-	-	-		
4	Others	-	-	-	-	-	-		
	<b>Total GOI</b>	<b>77.05</b>	<b>212.04</b>	<b>2.70</b>	<b>291.79</b>	<b>270.42</b>	<b>21.37</b>		
5	GOK (P)	9.05	517.13	-	526.18	479.56	46.62		
6	GOK (NP)	-	198.65	-	198.65	198.65	-		
	<b>Grand Total</b>	<b>86.10</b>	<b>927.82</b>	<b>2.70</b>	<b>1,016.62</b>	<b>948.63</b>	<b>67.99</b>		

Resident Audit Officer  
Kerala Water Authority



# KERALA WATER AUTHORITY

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2014

	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	57,471,044,544	52,215,247,230
b. Reserves & Surplus	B	3,501,843,848	790,553,234
2 Kerala Water Authority Loan Fund			
a. Secured Loans	C	1,534,932,375	2,286,246,568
b. Unsecured Loans & Deposits	D	45,634,352,857	39,713,415,745
<b>Total</b>		<b>108,142,173,624</b>	<b>95,005,462,777</b>
<b><u>APPLICATION OF FUNDS</u></b>			
1 Fixed Assets	E		
Gross Block		47,984,620,009	36,992,969,410
Less: Depreciation Reserve		14,048,514,602	11,016,467,918
Net Block		33,936,105,407	25,976,501,492
Capital Work in Progress		44,930,007,342	46,373,763,674
		78,866,112,749	72,350,265,166
2 Investments	F	471,005,551	429,656,272
3 Net Current Assets			
Current Assets	G	12,160,138,771	10,535,710,683
Less : Current Liabilities	H	9,733,121,092	7,857,494,474
		2,427,017,679	2,678,216,209
4. Loans & Advances	I	2,472,293,496	2,518,307,896
5 Miscellaneous Expenditure to the extent not Written-off	J	-	-
6 Accumulated Excess of Expenditure over Income	K	23,905,744,149	17,029,017,234
<b>Total</b>		<b>108,142,173,624</b>	<b>95,005,462,777</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.Raveendran  
Technical Member

Patil Ajit Bhagwatrao IAS  
Managing Director

Place: Thiruvananthapuram

Date 21/05/2016

## KERALA WATER AUTHORITY

### INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2014

	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b>INCOME</b>			
1 Operating Income			
a. Consumers	L	3,946,204,349	3,273,885,784
b. Others	M	20,816,228	16,423,399
		3,967,020,577	3,290,309,183
2 Grants & Subventions - Government of Kerala		1,986,490,000	2,286,604,254
3 O&M Grant from Government of India		306,485,000	368,471,000
4 Interest Income	N	170,197,904	160,626,218
5 Other Non-Operative Income	O	355,356,968	575,428,599
6 Debtors/Creditors written off	S	(823,547)	-
<b>Total Income</b>		<b>6,784,726,902</b>	<b>6,681,439,254</b>
<b>EXPENDITURE</b>			
1 Operating & Maintenance Expenses	P	2,789,776,095	2,478,259,033
2 Payment & Provision to Employees		5,418,319,048	4,675,869,690
3 Office expenses	Q	135,101,614	86,633,003
4 Travelling & Conveyance Expenses		34,962,676	25,551,903
5 Administrative Expenses	R	70,853,484	54,007,993
6 Assets and losses written off	T	-	-
7 Provision for Doubtful Debts	U	-	-
8 Interest on			
a. Secured Loans		254,030,486	309,364,393
b. Government of Kerala Loans		2,197,285,000	2,086,410,000
c. GPF		250,629,631	213,027,488
		2,701,945,117	2,608,801,881
9 Depreciation	E	994,588,016	785,740,537
<b>Total Expenditure</b>		<b>12,145,546,050</b>	<b>10,714,864,040</b>
10 Transferred to Capital Work-In-Progress	V	596,564,590	508,483,607
		11,548,981,460	10,206,380,433
<b>Excess of Expenditure over Income</b>		<b>4,764,254,558</b>	<b>3,524,941,179</b>
11 Prior Period Adjustments	W	2,112,472,357	125,822,781
<b>Excess of Expenditure over Income after prior period adjustments</b>		<b>6,876,726,915</b>	<b>3,650,763,960</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.Raveendran  
Technical Member

Patil Ajit Bhagwatrao IAS  
Managing Director

Place: Thiruvananthapuram  
Date 21/05/2016



# KERALA WATER AUTHORITY

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2014

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b>SCHEDULE - A</b>		
<b>CONTRIBUTIONS &amp; GRANTS</b>		
1 Net value of Assets taken over from erstwhile P.H.E.D	4,345,327,735	4,345,327,735
2 Contribution & Grants from Government of Kerala	33,457,641,032	28,939,864,302
3 Interest free fund from GOK	7,132,251,632	8,391,301,362
Less : Amount released to :		
a. Urban L.C.S Schemes	36,525,750	36,525,750
b. Rural L.C.S Schemes	39,497,200	39,497,200
c. Kerala Urban Development Project	36,000,000	36,000,000
	7,020,228,682	8,279,278,412
4 Contribution & Grants from Government of India	14,484,390,037	12,676,023,826
Less : Amount released to District Collectors and Kerala Rural Water Sanitation Agency	2,287,638,873	2,472,377,625
	12,196,751,164	10,203,646,201
5 Donated capital assets	1,814,530	1,814,530
6 Capital contribution from other sources	449,281,401	445,316,050
	57,471,044,544	52,215,247,230
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
Reserve for deposit works	3,501,843,848	790,553,234
	3,501,843,848	790,553,234
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
1 Loan from LIC of India	1,029,944,123	1,143,571,275
2 Loan from HUDCO	-	-
3 Bank Loan	504,988,252	1,142,675,293
	1,534,932,375	2,286,246,568
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS &amp; DEPOSITS</b>		
1 Loan from Govt of Kerala	21,355,484,580	19,418,772,580
2 Interest accrued on GOK Loan	9,710,818,000	7,546,222,000
3 Deposit from local bodies	3,682,928,770	2,264,053,913
4 Security Deposit	1,955,767,971	1,705,245,231
5 Earnest Money Deposit	107,319,112	93,857,825
6 Water & Sewerage Connection Deposits	74,919,990	67,290,191
7 Deposit work-Water Supply & Sewerage	8,368,685,332	8,144,219,413
8 Other deposits	378,429,102	473,754,592
	45,634,352,857	39,713,415,745

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director



SCHEDULE FORMING PART OF BALANCE SHEET AS ON 31-03-2014 (Contd....)

## KERALA WATER AUTHORITY

SCHEDULE OF FIXED ASSETS AS AT 31<sup>st</sup> MARCH 2014

DESCRIPTION	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	BALANCE AS ON 01/04/2013	ADDITIONS DURING THE YEAR	ASSETS CAPITALISED 2005-2012 TJ	AS ON 31-03-2014	BALANCE AS ON 01/04/2013	DEPRECIATION	PRIOR PERIOD DEPRECIATION	DEPRECIATION UPTO 31-03-2014	CURRENT YEAR	PREVIOUS YEAR
FREE HOLD LAND	1,106,507,305	12,865,236	629,412,983	1,748,785,524	-	-	-	-	1,748,785,524	1,106,507,305
LEASE HOLD LAND	-	-	-	-	-	-	-	-	-	-
LAND DEVELOPMENT EXPENDITURE	74,873,240	-	-	74,873,240	-	-	-	-	74,873,240	74,873,240
CIVIL WORKS	14,738,545,802	132,652,989	2,205,826,625	17,077,025,426	2,941,541,931	356,555,468	755,522,508	4,053,619,907	13,023,405,519	11,797,003,871
BUILDINGS	2,114,997,673	-	-423,789,373	1,691,208,300	369,007,576	30,981,526	48,035,251	448,024,353	1,243,183,947	1,745,990,097
PLANT AND MACHINERY	1,993,396,995	20,828,564	1,498,065,381	3,512,290,940	1,454,568,869	140,959,717	420,301,524	2,015,830,110	1,496,460,830	538,828,125
MAINS AND NETWORKS	16,272,773,226	188,113,000	6,662,301,856	23,123,188,082	5,916,331,156	438,264,535	793,723,080	7,148,318,771	15,974,869,311	10,356,442,070
ROADS BRIDGES AND CULVERTS	285,092,333	-	56,731,741	341,824,074	130,332,687	9,415,514	20,104,699	159,852,900	181,971,174	154,759,646
VEHICLES	109,983,542	2,067,856	23,558,360	135,609,758	63,288,404	6,734,713	6,901,656	76,924,773	58,684,985	46,686,138
FURNITURE, FIXTURES & OFFICE EQUIPMENTS	296,799,294	13,147,532	-30,132,161	279,814,665	141,397,295	11,676,544	-7,130,051	145,943,788	133,870,877	155,401,969
<b>Total</b>	<b>36,992,969,410</b>	<b>369,675,187</b>	<b>10,621,975,412</b>	<b>47,984,620,009</b>	<b>11,016,467,918</b>	<b>994,568,017</b>	<b>2,037,458,667</b>	<b>14,048,514,602</b>	<b>33,936,105,407</b>	<b>25,976,501,492</b>

	CURRENT YEAR (₹)	PREVIOUS YEAR (₹)
GROSS BLOCK OF FIXED ASSETS	47,984,620,009	36,992,969,410
LESS : ACCUMULATED DEPRECIATION	14,048,514,602	11,016,467,918
NET VALUE OF FIXED ASSETS	33,936,105,407	25,976,501,492
ADD : CAPITAL WORK-IN-PROGRESS (ACCOUNT CODE 11)	44,930,007,342	46,373,763,674
<b>Total</b>	<b>78,866,112,749</b>	<b>72,350,265,166</b>

Finance Manager &amp; 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>SCHEDULE - F</b>		
<b>INVESTMENTS</b>		
Investment for Pension / PF	471,005,551	429,656,272
<b>SCHEDULE - G</b>		
<b>CURRENT ASSETS</b>		
1 Inventory :		
a. Stores, Tools & Spares	791,831,985	780,598,984
b. Consumables	109,239,287	86,704,540
c. Others	-	-
	<b>901,071,272</b>	<b>867,303,524</b>
2 Sundry Debtors :		
a. Consumers		
i. Local bodies dues - water & maintenance charges	1,242,615,725	938,175,339
ii. Domestic, Non-domestic & Industrial dues	4,383,433,358	4,075,917,810
b. LIC Loan repayment due from Local Bodies	176,143,755	176,143,755
c. Others	9,605,532	9,605,532
	<b>5,811,798,370</b>	<b>5,199,842,436</b>
3 Cash & Bank Balances :		
a. Bank & Treasury balances	5,854,305,878	5,121,100,879
b. Cheques & Bills in transit	-	-
c. Cash on hand	20,327,052	6,597,312
	<b>5,874,632,930</b>	<b>5,127,698,191</b>
4 Other Current Assets :		
Inter office & other suspense account balances	(427,363,801)	(659,133,468)
	<b>12,160,138,771</b>	<b>10,535,710,683</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>SCHEDULE - H</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>1 Current Liabilities</b>		
a. Sundry Creditors :		
i. Payment to employees	311,518,564	277,016,943
ii. For expenses	6,060,193,556	4,370,861,765
iii. For contractors/suppliers	(60,680,437)	(108,900,824)
b. Statutory employees deductions :		
i. General provident fund	2,987,918,084	2,691,638,006
ii. NMR PF	56,476,012	56,358,532
iii. Others	(7,595,971)	(4,835,724)
c. Sales-Tax Collection	30,033,529	49,346,454
d. Tax Deducted at Source	(10,285,985)	2,241,084
e. Other Current liabilities	420,324,100	406,953,904
f. Interest Accrued on Loans	71,768,449	22,864,350
	9,859,669,901	7,763,544,490
<b>2 Control Account Balances</b>	(126,548,809)	93,949,984
	9,733,121,092	7,857,494,474
<b>SCHEDULE - I</b>		
<b>LOANS &amp; ADVANCES</b>		
<b>(i) Loans</b>		
1 Loans & advances to employees	(3,969,269)	-102,118
<b>(ii) Advances</b>		
1 Advances to suppliers / contractors	1,428,408,621	1,328,165,154
2 Advances for expenses	24,418,087	21,209,762
3 Revolving fund to Local Bodies	1,908,803	1,944,413
4 Advances - Others	11,401,823	11,116,136
5 Claims recoverable	210,091,802	209,512,742
6 Contribution Deposit - KSEB	5,524,501	10,414,527
7 Consumer Deposit - KSEB	162,554,326	126,431,752
8 Deposit with PWD	501,002,943	683,423,173
9 Deposit with others	89,798,231	85,038,727
10 Advances for capital expenditure	41,153,628	41,153,628
	2,472,293,496	2,518,307,896

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>SCHEDULE - J</b>		
<b>MISC EXPENDITURE NOT WRITTEN OFF</b>		
Miscellaneous Expenses to the extent not written off	-	-
<b>SCHEDULE - K</b>		
<b>ACCUMULATED EXCESS OF EXPENDITURE OVER INCOME</b>		
Balance as on the begning of the year	17,029,017,234	13,378,253,274
Add : Current years excess of expenditure over income	6,876,726,915	3,650,763,960
	<b>23,905,744,149</b>	<b>17,029,017,234</b>

V.S.Pradeep  
Finance Manager & Chief Accounts Officer

T.Raveendran  
Technical Member

Patil Ajit Bhagwatrao IAS  
Managing Director

Place: Thiruvananthapuram

Date 21/05/2016

# KERALA WATER AUTHORITY

## SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT

AS AT 31<sup>ST</sup> MARCH, 2014

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<b>SCHEDULE - L</b>		
<b>OPERATING INCOME - CONSUMERS</b>		
1	Operating income - water supply	
	a. Domestic Consumers	1,225,943,565
	b. Nondomestic Consumers	1,147,271,562
	c. Industrial Consumers	103,599,855
		3,050,415,684
2	Operating income - Sewerage	
	a. Domestic Consumers	1,267,889
	b. Nondomestic Consumers	2,769,599
		3,626,575
3	Income from local bodies	793,033,314
		3,946,204,349
<b>SCHEDULE - M</b>		
<b>OPERATING INCOME - OTHERS</b>		
1	Centage charges	12,407,267
2	Storage charges	71,595
3	Supervision charges	1,102,404
4	Miscellaneous recoveries	2,842,133
		20,816,228
<b>SCHEDULE - N</b>		
<b>INTEREST INCOME</b>		
1	Interest on loans & advances	4,003,135
2	Interest on deposits	156,623,083
		170,197,904

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 - O</u></b>			
<b>OTHER NON-OPERATING INCOME</b>			
1	Income as recoveries	246,365,869	491,316,945
2	Claims recoverable	50,507	86,725
3	Miscellaneous income	108,940,592	84,024,929
	<b>355,356,968</b>	<b>575,428,599</b>	
<b><u>SCHEDULE - P</u></b>			
<b>OPERATING &amp; MAINTENANCE EXPENSES</b>			
1	Consumption of Stores, Tools & Spares	44,444,430	32,936,810
2	Consumables	46,044,352	59,185,581
3	Power charges	2,220,945,733	1,840,006,412
4	Insurance	1,622,679	1,018,770
5	Other operating expenses	15,477,030	9,328,914
6	Repairs & Maintenance of water supply	378,002,052	503,215,394
7	Repair & Maintenance of sewerage	57,759,440	10,332,370
8	Vehicle maintenance	25,480,379	22,234,782
	<b>2,789,776,095</b>	<b>2,478,259,033</b>	
<b><u>SCHEDULE - Q</u></b>			
<b>OFFICE EXPENSES</b>			
1	Rent	1,598,965	1,827,923
2	Rates & Taxes	16,262,148	13,532,353
3	Postage, Telegram, Telephone & Telex	12,904,670	10,826,309
4	Printing & Stationery	14,368,936	12,990,699
5	Exhibition & Publicity	17,567,358	12,057,860
6	Training & other expenses	9,474,340	5,592,055
7	Electricity charges	36,465,845	15,874,920
8	Other office expenses	26,459,352	13,930,884
	<b>135,101,614</b>	<b>86,633,003</b>	
<b><u>SCHEDULE - R</u></b>			
<b>ADMINISTRATIVE EXPENSES</b>			
1	Board meeting expenses	118,927	236,949
2	Professional fees	64,305,754	40,359,058
3	Payment to auditors	4,949,268	5,659,989
4	Bank Charges	470,325	378,395
5	Other administrative expenses	1,009,210	7,373,602
	<b>70,853,484</b>	<b>54,007,993</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>SCHEDULE - S</b>		
<b>WRITE OFFs</b>		
Local Bodies dues written off	-	-
Consumers Written Off - OTS	(823,547)	-
	<b>(823,547.00)</b>	-
<b>SCHEDULE - T</b>		
<b>ASSETS WRITTEN OFF</b>		
	-	-
<b>SCHEDULE - U</b>		
<b>PROVISION FOR BAD &amp; DOUBTFUL DEBTS</b>		
	-	-
<b>SCHEDULE - V</b>		
<b>TRANSFER OF REVENUE EXPENSES TO CWIP</b>		
Establishment Charges (Share Debit)	544,225,000	436,169,000
Interest on loan from Fis & Banks	52,339,590	72,314,607
	<b>596,564,590</b>	<b>508,483,607</b>
<b>SCHEDULE - W</b>		
<b>PRIOR PERIOD ADJUSTMENTS</b>		
PPA of Depreciation	2,037,458,668	125,831,000
PPA of Other Income	(134,497,416)	-
PPA Rates & Taxes - Water Cess	22,008,231	-
PPA Repairs & Maintenance WSS	187,502,874	-
PPA Bank Charges	-	139,228.00
PPA of Miscellaneous Income	-	(147,447)
	<b>2,112,472,357</b>	<b>125,822,781</b>

V.S.Pradeep  
Finance Manager & Chief Accounts Officer

T.Raveendran  
Technical Member

Patil Ajit Bhagwatrao IAS  
Managing Director

Place: Thiruvananthapuram  
Date 21/05/2016

# KERALA WATER AUTHORITY

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014

### 1. NATURE OF OPERATION

Kerala Water Authority was established on 1<sup>st</sup> April 1984 as an autonomous body of Government of Kerala by converting the erstwhile Public Health Engineering Department, for the development and regulation of water supply and waste water collection and its disposal in the State of Kerala and for matters connected therewith through a legislation called “The Kerala Water Supply and Sewerage Act, 1986” w.r.e.f 01.03.1984. Water Authority implements Water Supply Schemes in the State with the Grant-in-aid of State Government as well as the Central Government. It also implements Water Supply Schemes for other Departments/Bodies on Deposit works basis. Water Authority collects water charges at the tariff rates fixed by the State Government from the consumers for the supply of potable water.

### 2. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE ACCOUNTS.

#### 2.01 BASIS OF ACCOUNTING AND PREPERATION OF FINANCIAL STATEMENTS:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India and as per the accounting policies specified in the Kerala Water Authority Accounts Manuel. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements is consistent with those followed in the previous years.

#### 2.02 GRANT-IN-AID.

2.02.1 Kerala Water Authority receives Grant in aid from the Government of Kerala as well as from Government of India for the implementation of Water Supply/Sewerage Schemes in the State, towards meeting the establishment expenditure and operation & maintenance expenditure.



2.02.2 The Grant in aid received under plan schemes is booked as Contributions and Grants which form part of the Kerala Water Authority Fund. The Grant in Aid received under non-plan is recognized as income for the year and is shown in the Income & Expenditure Account. As per the NRDWP guidelines, 15% of the total amount received from Government of India towards implementation of the Schemes (Programme funds) have been recognized as income and is shown in the Income & Expenditure Account. Interest earned on the bank account maintained for keeping the NRDWP funds have been treated as funds received from Government of India as per the guidelines.

2.02.3 During the financial year the total amount of Grant in Aid received is detailed as follows.

				₹ in Crore
Sl. No.	Source (including OB)	Amount	Plan/ Non Plan	Expenditure
1	Government of Kerala	517.13	Plan	479.56
2	Government of Kerala	198.65	Non Plan	198.65
3	Government of India	214.74	Plan	270.42

The total amount shown as received from Government of India ₹ 214.74 Crore include ₹ 2.70 Crore being interest earned. An amount of ₹ 30.65 Crore being 15% of the programme funds have been transferred to income and expenditure account as per NRDWP guidelines.

2.02.4 Contribution and Grants Schedule-(A)

2.02.4.1 This 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.

2.02.4.2 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.



2.02.4.3 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.

### 2.03 RESERVES & SURPLUS.

The Accounts Manual envisages for transfer of deposit received against water/sewer deposit works to “reserve for deposit works” on effective completion of such works which are not handed over to the depositors. Works completed under the deposit received up to 31<sup>st</sup> March 2012 have been transferred to ‘Reserve for Deposit Works’ as the updation of fixed assets register and analysis of asset related items including deposit works are done up to 31-03-2012.

### 2.04 SECURED LOANS.

2.04.1 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 was made towards guarantee commission payable to the Government up to the FY 2007-08 & for the FY 2009-10. This has been incorporated in the books for the FY 2012-13.

2.04.2 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.

### 2.05 UNSECURED LOANS

2.05.1 Kerala Water Authority has requested Government of Kerala [GoK] to convert the amount released for JBIC assisted schemes into interest free fund. As the above is under consideration, interest on Government of Kerala loan, amounting to ₹ 216.46 Crore for the year 2013-14 has been provided.

2.05.2 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 Government of Kerala loan and converted the loan of ₹ 839.13 Crore as an interest free fund during 2006-07. Government have already issued orders for conversion of loan of ₹ 126.38 Crore as Grant vide GO (Rt.) No.260/2008/WRD Dated 27-02-2008. Kerala Water Authority has submitted a request to Government of Kerala for a formal GO on the balance amount for conversion as interest free funds and the same is under process by the Government.

2.05.3 All the deposit figures stated are subject to reconciliation by individual divisions.

## 2.06 **FIXED ASSETS**

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

2.06.2 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.

2.06.3 The fixed assets register has been updated up to the year 2011-12. Action is in progress to update the same for the financial from 2012-2013. The expenditure incurred towards Water Supply Schemes/Sewerage Schemes are first booked as Capital Work in Progress and on successful commissioning of the schemes, the same is transferred to corresponding fixed assets. The analysis and updation of fixed assets register and asset related matters is done up to 31-03-2012 only, the capitalization of assets created and commissioned up to 31-03-2012 only have been capitalized. Action is in progress to update the same. Various Schemes Commissioned during the year 2005-06 to 2012-13 amounting to ₹ 2408.31 Crore have been transferred from Capital Work in Progress to Fixed Assets i.e fully done up to 31-03-2012 amounting to ₹ 1923.82 Crore and ₹ 484.49 Crore for the year 2012-2013.

2.07 **Investment for pension/GPF** represents money kept in Fixed Deposits with District treasury and State Bank of Travancore. It include interest accrued but not due as on 31-03-2014 amounting to ₹ 82.01 Lakh.

## 2.08 **CURRENT ASSETS**

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



- 2.08.2 Closing Stock is valued on FIFO basis.
- 2.08.3 The current assets include dues from local bodies on account of loans availed from LIC amounting to ₹ 1761.44 Lakh.
- 2.08.4 The sundry debtor's balances have not been reconciled and no provision has been made for doubtful debts.
- 2.08.5 The reconciliation of bank balances with bank statements is in progress.
- 2.08.6 The reconciliation of inter office balances is in progress.
- 2.08.7 The inter office and suspense account balances includes the following:

Inter office Accounts ₹ 2334.37 Lakh (Credit) and Cash and bank suspense accounts including accumulated difference in receipts and payment statement for the years 1984-85 to 2013-14 amounting to ₹ 4.99 Lakh (Credit).

## 2.09 CURRENT LIABILITIES

- 2.09.1 The balance shown under statutory employee's deduction of GPF and NMR-PF is net of advances given to the employees under respective heads.
- 2.09.2 The GPF and NMR-PF balance had not been reconciled with individual accounts and the same is in progress.
- 2.09.3 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, @ 11.00% per annum, for the year 2001-02, @ 9% per annum for the year 2002-03 @ 8% pa for the years 2003-04 to November 2011, 8.60% p.a for the period from December 2011 to March 2013 and 8.70% p.a from April 2013.
- 2.09.4 The liability because of gratuity and pension to the employees is being accounted on cash basis.
- 2.09.5 Control account balance of ₹ 1265.49 Lakh (Debit) represents accumulated balances between control accounts and the concerned WIP/Stores/Sundry debtor's accounts. The amount of ₹ 1265.49 Lakh (Debit) is the net balance of the control account - collections ₹ 140.15 Lakh (Credit), control account capital expenditure (Materials) ₹ 22.51 Lakh (Debit), and balance under control account capital expenditure Others ₹ 1383.13 Lakh (Debit)



2.09.6 The details of receipt of non cash securities including security pledged in the form of FD's etc and bank guarantee are recorded in register of securities maintained in form FA6 as stipulated in the Accounts manual and is not incorporated in accounts since there is no cash flow.

## 2.10 **LOANS AND ADVANCES**

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

## 2.11 **REVENUE RECOGNITION.**

2.11.1 Revenue from Water Charges is recognized immediately on rising of bills and necessary provisional income is included in respect of water supplied and ascertained but remaining unbilled.

2.11.2 Fines and penalties are considered as income, as and when collected.

2.11.3 Grants and Subventions received towards meeting establishment, operation and maintenance expenditure have been considered as income of the year, based on actual receipt.

2.11.4 Interest on bank account/bank FD's are booked on accrual basis.

2.11.5 No provision for bad and doubtful debts is provided for in the books of accounts for the year.

## 2.12 **INTEREST EXPENDITURE.**

2.12.1 This includes interest for loan taken from LIC and Bank loans amounting to ₹ 2540.30 Lakh. Interest on Government of Kerala Loan include interest due on Government loans, Guarantee Commission paid to Government and rupee equivalent of funds due from Central Government to State Government.

## 2.13 **DEPRECIATION**

2.13.1 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.

2.13.2 The total amount of depreciation reserve created amounting to ₹ 140485.15 Lakh include depreciation of ₹ 5009.23 Lakh provided on Fixed Assets created out of Deposit works up to 31-03-2012.

## 2.14 PRIOR PERIOD ADJUSTMENT

2.14.1 Prior period adjustment for the year 2013-14 includes the depreciation pertain to schemes commissioned during the year 2005-2006 to 2011-12 and transferred from capital work in progress to fixed assets amounting to ₹ 20374.58 Lakh. It also include the water cess payable for the years 2007-2008 to 2012-2013 amounting to ₹ 220.08 Lakh and operation and maintenance charges amounting to ₹ 1875.03 Lakh

## 2.15 GENERAL

2.15.1 In order to absorb project overheads on capital works, a transfer of revenue expenditure to capital work-in-progress is made @ 05 % to 12.50 % for schemes on the capital expenditure.

2.15.2 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 2013-14 has not been capitalized.

2.15.3 Previous year figures have been re-grouped/re-classified wherever necessary.

2.15.4 Leave encashment of the employees have been accounted on cash basis.

2.15.5 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/gratuity in cash basis as this alone is practical.

**V. S. Pradeep**  
[Finance Manager &  
Chief Accounts Officer]

**T. Raveendran**  
[Technical Member]

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# KERALA WATER AUTHORITY

## REPLY TO THE SEPARATE AUDIT REPORT ON THE ACCOUNTS OF KERALA WATER AUTHORITY FOR THE YEAR ENDED ON 31-03-2014

### COMMENTS ON ACCOUNTS

#### A. Balance Sheet.

#### 1. Sources of Funds

#### 1.1 Kerala Water Authority Fund (Schedule –B)

#### 1.1.1 Reserves and Surplus ₹ 350.18 Crore

The same have been disclosed vide Para No.2.13.2 to statement on significant accounting policies and notes on the accounts.

#### 1.2 Kerala Water Authority Loan Fund

#### 1.2.1 Unsecured Loans & Deposits (Schedule –D)

#### 1.2.1.1 Loan from Government of Kerala ₹ 2135.55 Crore

The conversion of loan as on 31-03-2007 ₹ 839.13 Crore to interest free fund was done based on the budget speech of the Hon'ble Finance Minister for the financial year 2008-09. Government have already issued orders for conversion of loan of ₹126.38 Crore (period from 1986-87 to 1996-97) as Grant vide GO (Rt.) No.260/2008/WRD Dated 27-02-2008. Based on the Government Order, the same have been transferred to Grant in aid and for the balance amount ₹ 713.23 Crore (balance as per AG) Kerala Water Authority has made a formal request to the Government. It is understood that the Government Order on the same is being processed and the same has been disclosed vide notes to accounts. See paragraph number 2.05.2 to statement on significant accounting policies and notes on the accounts.

#### 1.2.1.2 Interest accrued on Government of Kerala Loan ₹ 971.08 Crore

Kindly refer to the reply stated above (1.2.1.1). During the budget speech, the interest portion was also announced to be written off. The Government order on the same is expected. This has been disclosed vide notes to accounts. See paragraph number 2.05.2 to statement on significant accounting policies and notes on the accounts.



### **1.2.1.3 Security Deposit ₹ 195.58 Crore.**

- i. This is a running balance and the figure mentioned in the draft audit report is in KWAC. It is the closing balance as at 31-03-1998 of various divisions, which was maintained in the Head Office. Necessary action has been initiated to write off from the books of accounts as suggested by audit.
- ii. Earnest Money Deposit collected during the initial stages of tendering process from the successful bidder is converted as security Deposit after awarding the work. Receipt of E.M.D as well as SD in the form of DD/Bankers Cheques/FD's are properly incorporated in the registers maintained as stipulated in the accounts manual.

### **1.2.1.4 Earnest Money Deposit ₹ 10.73 Crore.**

EMD is collected during the initial stages of tendering process from all the bidders irrespective of their bid. After the bids are opened and tenders are finalized, the EMD of unsuccessful bidders are returned as it is. Since this process takes few months to conclude, EMD in the form of DD / Bankers Cheques are accepted. The same is properly incorporated in the registers maintained as stipulated in the accounts manual.

### **1.2.1.5 Deposit Work Water Supply & Sewerages - ₹ 836.87 Crore**

Transfers of deposit works to reserves for deposit works were done up to 31-03-2012 only as disclosed in the Notes to accounts and significant accounting policies Para No.2.03 and 2.06.03.

- i, ii & iii Transfer of deposit works to reserves for deposit works were done up to 31-03-2012 only. Water Authority had appointed a consultant for updating the fixed assets register and analysis of assets related matters including deposit works for the period from 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2012 and the report submitted by the consultant together with entries for transfer of transfer of deposit money for deposit works to reserves for deposit works pertaining to the works completed up to 31-03-2012 in Kerala Water Authority have been incorporated in the annual accounts amounting to ₹ 271.09 Crore. Action is in progress to appoint the consultants to update the fixed assets register and analysis of assets related matters including deposit works for the period from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2016. Transfer of capital work in progress to Fixed Assets and that of Deposit works to Reserves for the period from 01-04-2012 onwards would be done in the forthcoming years on receipt of the consultant's report.

## 2 Application of Funds

### 2.1 Fixed Assets Gross Block (Schedule E) ₹ 3393.61 Crore.

Kerala Water Authority had appointed a consultant for updating the fixed asset register of the authority and the consultant has now submitted its report up to 31-03-2012 and incorporated in the annual accounts. While doing the same, necessary provision has been given for the cost of pipes and connected fixtures dismantled during works carried out by other agencies i.e PWD, KSTP, etc.

### 2.2 Net Current Assets

#### 2.2.1 Current Assets (Schedule G)

##### 2.2.1.1 Sundry Debtors ₹ 581.18 Crore

Water Authority has not analyzed the demands raised on each individual consumer 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.

##### 2.2.1.1.1 Consumers – Domestic, Non-Domestic & Industrial Dues – ₹ 438.34 Crore

This is due to the inclusion of the arrears of revenue including the OTS given earlier in the DCB which is written off by the authority as a part of O-T-S to various consumers. More over the opening balances as per DCB is carried forward without giving effect to the OTS reduction in opening balances and in the books of accounts of the authority, the same have been taken and entries are made. The balance as per accounts is correct since demand and collection is properly accounted during the year after the OTS and opening balances as per accounts for the year 2013-14 is correctly taken.

##### 2.2.1.1.2 LIC Loan repayment due from Local Bodies ₹ 17.61 Crore

As pointed out by Audit, as the dues are not recoverable, necessary action has been initiated to write off the dues.



### 2.2.1.1.3 Others ₹ 0.96 Crore

As pointed out by Audit, as these are long pending, necessary action will be initiated to write off the dues.

#### **B General**

The Details of donated assets from UNICEF and DANIDA are being collected and the same will be incorporated in the subsequent year's account.

Up to the Financial Year 31-03-1998, there was no system of preparing individual trial balance with each ARU's; rather a consolidated TB 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 TB from the single TB which was maintained till date and the rest of the accounts was kept as "KWAC" and as a separate Trial Balance. The balances shown are the balances in the accounts for the year 1998 and audited by AG.

#### **C Impact of Revision of Accounts and Impact of the Comments.**

Comments of the Authority not warranted.

- D** As per the detailed replies given for Para No.1.2.1.1, 1.2.1.2 Kerala Water Authority has done earnest effort to complete the accounts so as to give a true and fair view of its state of affairs for the financial year. Kerala Water Authority has made a formal request to the Government for the conversion of loan as interest free funds and for waiver off interest there on as announced in the budget speech and it is learned that the same have been approved by the Government pending receipt of an order in this regard.

Managing Director

### REPLY TO ANNEXURE – I

#### **I. Adequacy of 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.**

### **1. Absence of Bank Reconciliation.**

- (a) & (b) Strict instructions were already given to the field offices to reconcile the bank/treasury accounts including non operative account periodically and pass necessary correction entries by way of JV's.

### **2. Inadequate Accounting Information.**

- (a), (b) & (c) The divisions have been instructed to keep the financial ledgers, subsidiary ledgers, journal entries and supporting vouchers up to date. 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. Moreover, during the FY 2011-2012, 2012-2013 and 2013-14 have been consolidated at Head office by adding the "*ARU wise during the year transactions*" to the consolidated closing balance of previous year (balance after audit)" so as to avoid omissions to in the closing balances as pointed out by AG. This system will continue till the Accounts are current.
- (d) Retention Registers maintained at all the Account Rendering Units of Kerala Water Authority are updated and reflects the actual balance outstanding as on date.

### **3. Absence of Stores, records and physical verification of Inventory.**

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.

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 have suggested rectification entries up to 31-03-2012 and have been incorporated in the revised Accounts.

**4. Cash Book**

Necessary directions have already been issued to all the Account Rendering Units to do periodic physical verification of balances as per cash book and to affix certificate of verification of the competent authorities.

**5. Revenue records**

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 no accounting on estimate basis in the books. The revenue which is written off by way of OTS is properly accounted as and when it occurs. Provisions for doubtful debts are not normally provided.

**6. Interest on GPF**

The interest on GPF transactions for the year 2013-2014 is already provided in the books of accounts for the year 2013-2014.

**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 updated till 2011-2012 by the consultant appointed by Water Authority. Action is in progress to appoint the consultants to update the fixed assets register and analysis of assets related matters for the period from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2016.

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

Water Cess have been assessed and remitted up to 2012-2013. Action is in progress to remit the water cess for the financial year 2013-14 onwards.

Managing Director

## FINANCIAL RESULTS

Income from operations for the year 2013-14 amounts to ₹ 449.26 Crores. In addition, a non plan grant of ₹ 198.65 Crores was received from Government of Kerala to meet the revenue expenditure and ₹ 30.65 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/Bank loan comes to ₹ 1154.90 Crores leaving an excess of expenditure over income ₹ 687.59 Crores.

### INCOME AND EXPENDITURE

₹ in Crores

INCOME	2013-14	2012-13
Domestic	137.95	122.59
Non-Domestic	155.04	114.73
Industrial	12.05	10.36
Local Bodies	89.22	79.30
Sewerage	0.36	0.40
Other Income	54.64	75.25
	449.26	402.63
O & M Grant from GOI	30.65	36.84
Government of Kerala - Grant	198.65	228.66
	678.56	668.13
EXPENDITURE	2013-14	2012-13
Operation & Maintenance	278.98	247.82
Establishment	541.83	467.58
Office Expenses	13.51	8.66
Travelling	3.50	2.56
Administrative Expenses	7.09	5.40
Interest	270.19	260.88
Depreciation	99.46	78.57
	1,214.56	1,071.47
Less : Transferred to CWIP	59.66	50.85
	1,154.90	1,020.62
Excess of Expenditure over Income	476.34	352.49
Prior period adjustment	211.25	12.58
Excess of Expenditure over Income after prior period adjustment	687.59	365.07



## SOURCES AND APPLICATION OF FUNDS

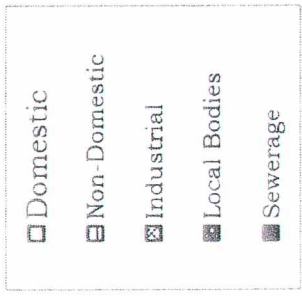
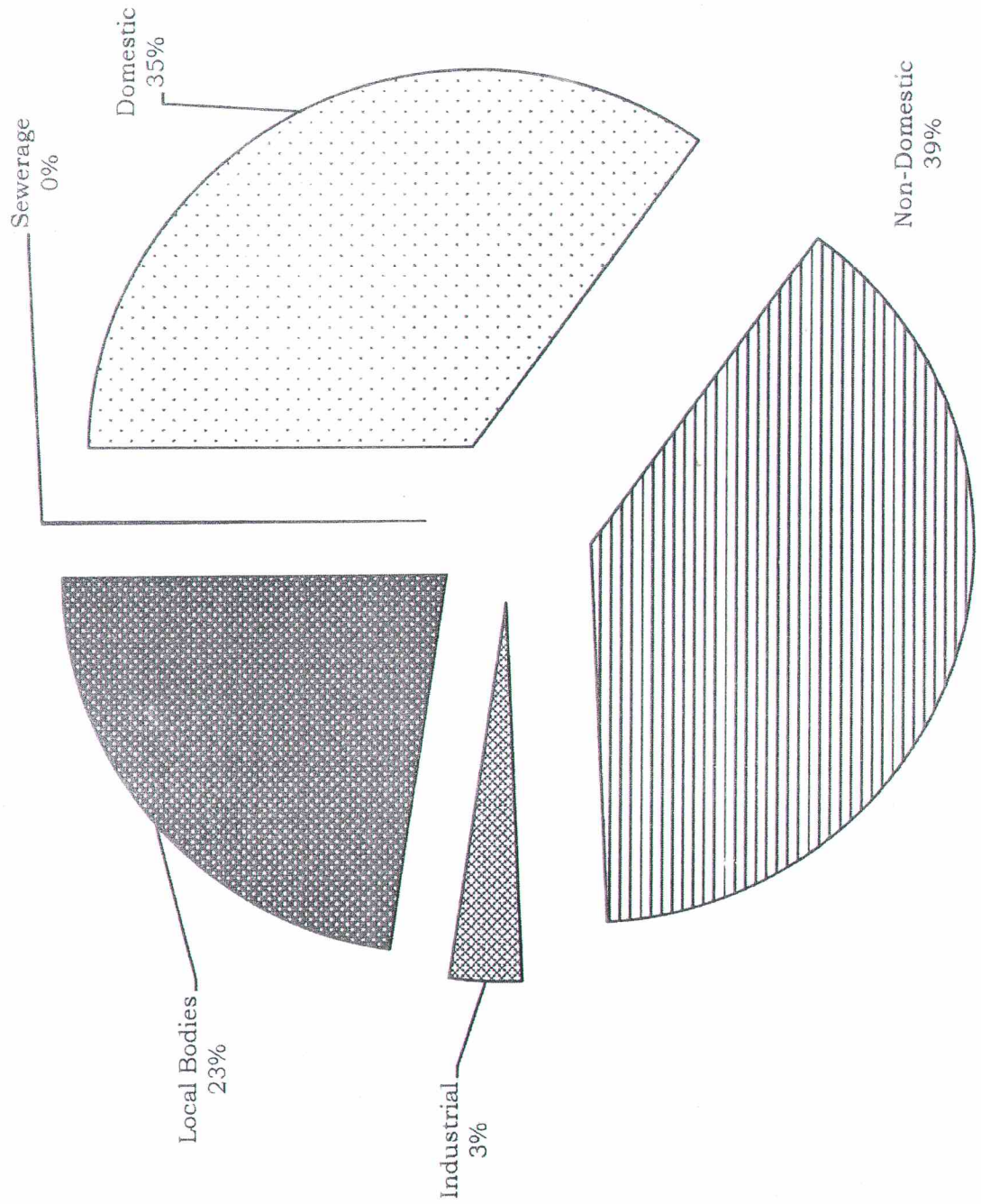
₹ in Crores

Source of Fund	2013-14	2012-13
Capital & Reserves	6,097.29	5,300.58
Secured Loans	153.49	228.62
Unsecured loans	4,563.43	3,971.34
	<b>10,814.21</b>	<b>9,500.54</b>
Application of funds	2013-14	2012-13
Fixed Assets	7,886.61	7,235.02
Investments	47.10	42.97
Net Current Assets	242.70	267.82
Loans & Advances	247.23	251.83
Accumulated Excess of	2,390.57	1,702.90
Expenditure over Income		
	<b>10,814.21</b>	<b>9,500.54</b>
CAPITAL RECEIPTS	2013-14	2012-13
Grant from Government of Kerala	325.87	335.55
Loan from Government of Kerala	191.26	256.91
Grant from Government of India	204.32	212.37
	-	-
	-	-
	<b>721.45</b>	<b>804.83</b>

₹ in Crores

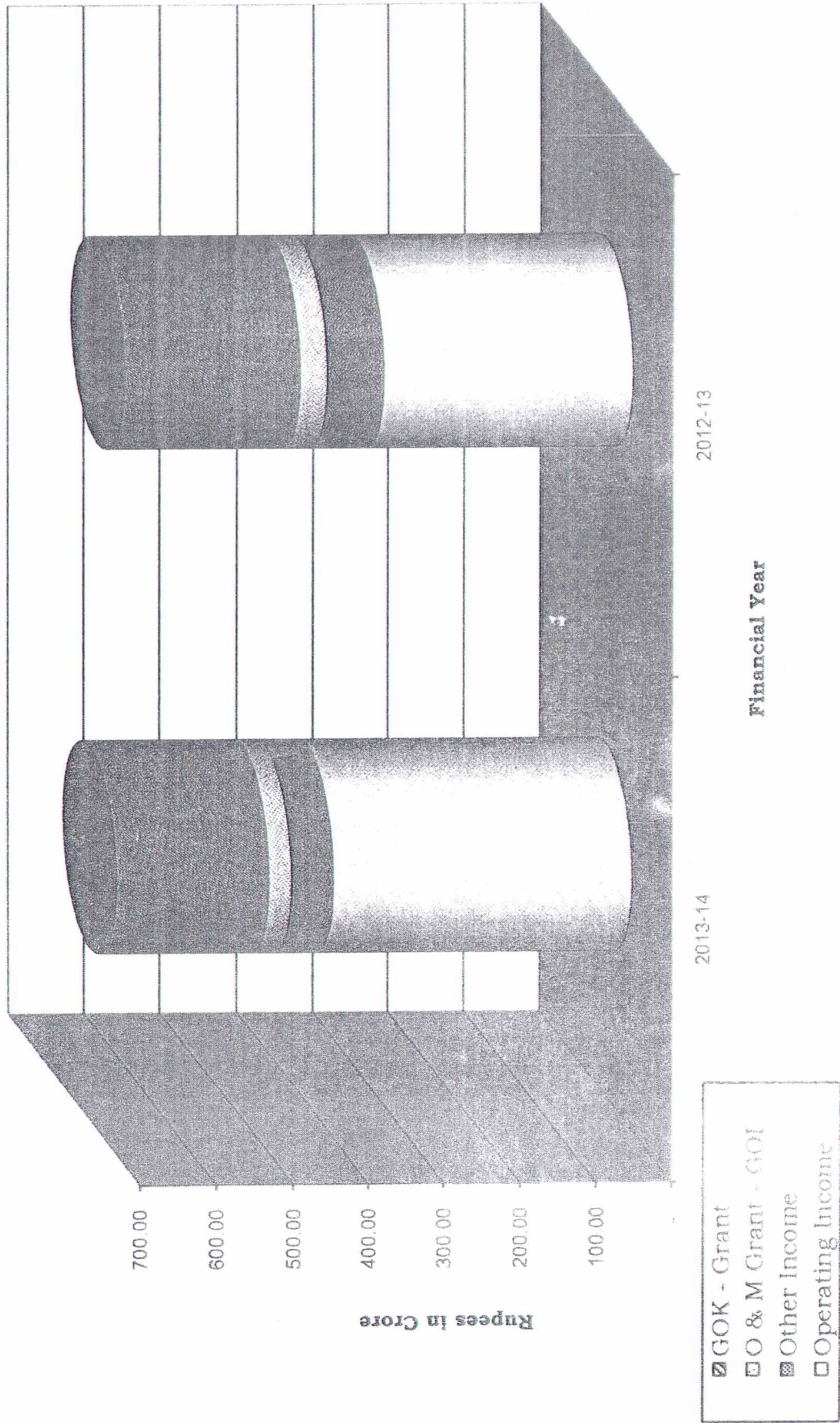
<b>CAPITAL EXPENDITURE</b>	<b>2013-14</b>	<b>2012-13</b>
<b>State Plan Schemes</b>		
Rural WSS - Improvements	7.67	6.31
UWSS - Others	5.57	4.58
Completion of ongoing UWSS	18.06	31.04
WSS - Medical Collages	-	0.39
AUWSS - Matching	9.85	-
ARWSS	27.25	32.88
JBIC	179.39	264.38
NABARD	84.28	106.22
Completion of ongoing RWSS	3.61	6.49
RWSS - New	36.06	48.92
Renovation of Existing Civil Structure	3.11	1.34
DRW	13.75	-
RWSS - Others	72.07	87.66
SARK 2010-11	6.85	1.79
TM - Matching	-	10.47
Urban - Sewerage	3.15	5.02
Other Schemes	8.89	5.56
	479.56	613.05
<b>Centrally Sponsored Schemes</b>		
ARWSS	221.03	181.17
AUWSS		-
TM	10.22	20.85
Other Schemes	8.51	8.54
	239.76	210.56
<b>Outside State Plan Schemes</b>		
UWSS-LIC/HUDCO/Bank Loan	0.00	0.74
Deposit Works	28.20	37.07
TRP WSS	0.38	2.02
Others	4.52	0.61
	33.10	40.44
	752.42	864.05

# Operating Income for 2013-14

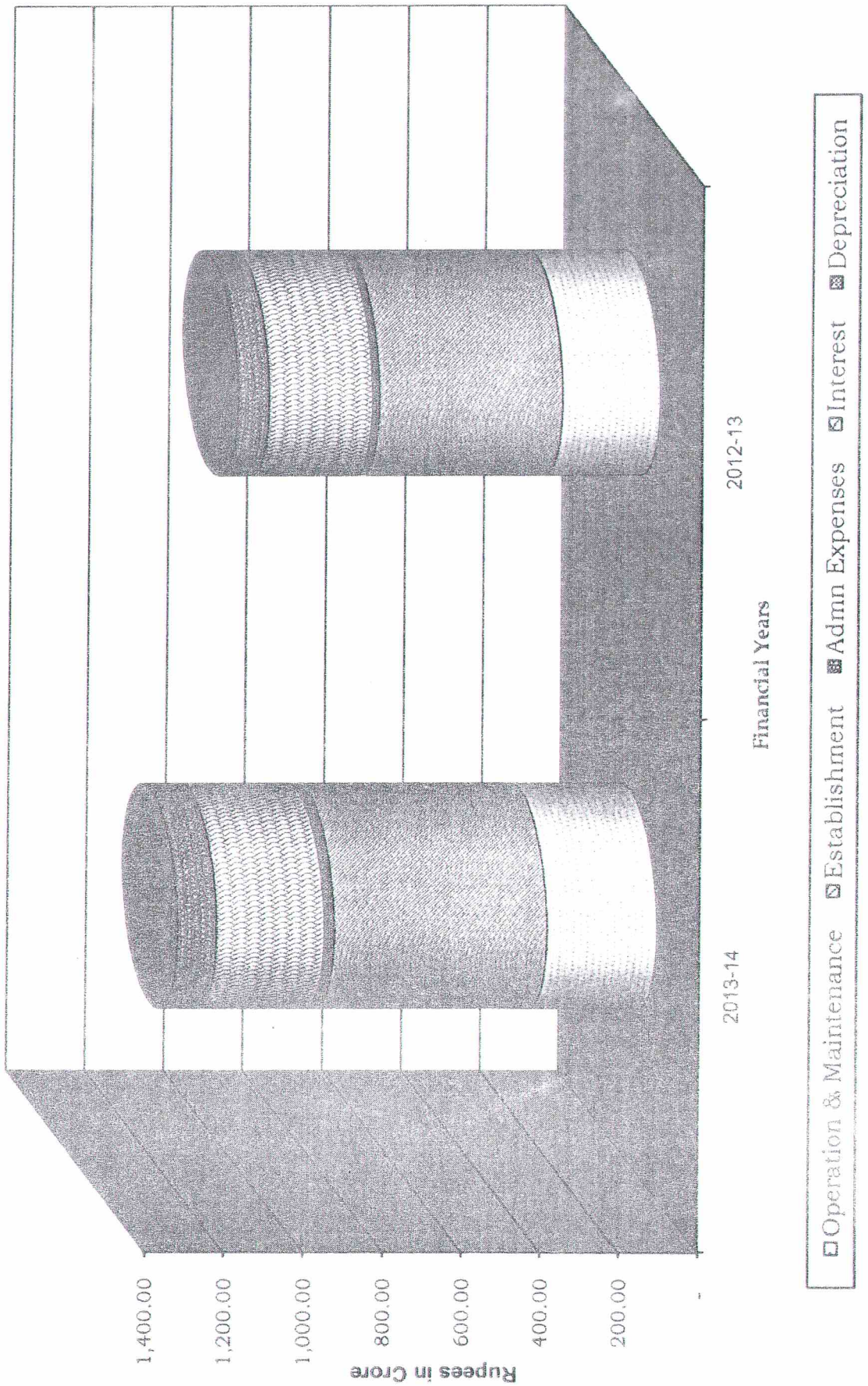




# Revenue Receipts for 2013-2014



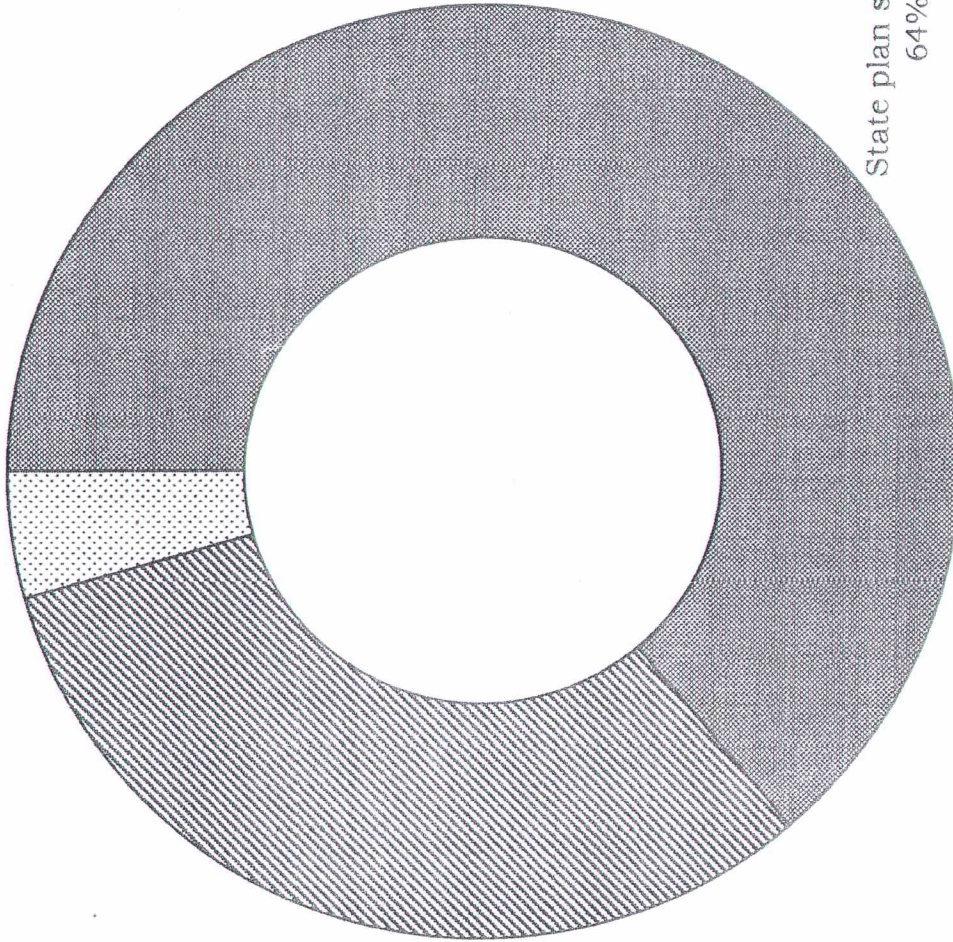
### Revenue Expenditure for 2013-2014





# Capital Expenditure for 2013-14

Outside plan schemes  
4%



Centrally sponsored schemes  
32%

- State plan schemes
- Centrally sponsored schemes
- Outside plan schemes

State plan schemes  
64%



**Income & Expenditure 2000-01 to 2013-14**

