

KERALA WATER AUTHORITY



ANNUAL ACCOUNTS 2014-15

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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 2015.

We have audited the attached Balance Sheet of Kerala Water Authority (KWA) as at 31 March 2015 and the Income and Expenditure Account for the year ended 31 March 2015 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 162 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 & 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 and 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

1. Sources of Funds

1.1 Kerala Water Authority Fund

1.1.1 Reserves and Surplus (Schedule B) Rs.3,50,18,43,848

This represents the value of fixed assets created out of deposit work upto 31 March 2005 (Note No.2.03). Even though depreciation on these assets was provided for, the amount of reserve equal to depreciation provided for has not been accounted as income in the Income and Expenditure Account. Though this has been brought to the notice of the Authority in the previous audit reports, 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) Rs.51,00,75,66,219

1.2.1.1. Security Deposit Rs.2,17,87,91,579

This includes an amount of Rs.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 Rs.1.16 crore with corresponding understatement of Other Income to that extent. Though this has been brought to the notice of the Authority in the previous audit reports, no adjustment has been made in the accounts so far.

2. Application of Funds

2.1 Fixed Assets (Schedule E) Rs.86,44,79,26,997

2.1.1 Gross Block Rs.52,05,39,38,490

The fixed asset register has been updated only up to 31.3.2012. As per the notes on accounts (2.06.3), in the year 2014-15, Rs.484.49 crore and Rs.170.66 crore have been transferred from Capital Work in Progress to Fixed Assets for the years 2012-13 and 2013-14 respectively. For the year 2014-15, an amount of Rs.235.23 crore has been transferred. In the

absence of maintenance of Work Register (in Form FA1) in complete form by divisions and in the absence of the updated Fixed Assets Register, the correctness of the value of Fixed Assets as on 31 March 2015 and the depreciation could not be confirmed.

2.2 Net Current Assets

2.2.1 Current Assets (Schedule G) Rs.12,75,21,37,332

2.2.1.1 Sundry Debtors Rs.7,25,34,29,551

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 on increase. However individual cases of debtors were not analysed separately for making provisions for doubtful debts. Reference is invited to note No.2.08.4 wherein it is stated that the sundry debtors balances have not been reconciled and no provision has been made for doubtful debts. Further, the demand on consumers and corresponding debtors are accounted based on arbitrary estimates in many units. In the absence of provisions for doubtful debts and the method of arbitrary estimation adopted for accounting of demand, the correctness of the amount of current Assets could not be ascertained in audit.

2.2.1.1.1. LIC loan repayment due from Local Bodies Rs.17.61,43,755

This represents the amount shown as dues from Panchayaths, Municipalities and Corporations pending for more than 10 years. Neither the details of 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 remote and hence necessary provision should have been made in the accounts. Non-provisioning had resulted in overstatement of Current Assets by Rs.17.61 crore and corresponding understatement of provision for bad debts.

2.2.1.1.2. Others Rs.96, 76,282

The above amount includes Rs.0.42 crore being Centage Charges and other dues pending recovery for more than 18 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-provisioning had resulted in overstatement of Current Assets by Rs.0.42 crore with corresponding understatement of provision for bad debts.

2.2.1.2. Cash & Bank Balances

2.2.1.2.1. Bank & Treasury balances Rs.4,51,28,39,089

- (a) The above includes balances in various Treasury/Bank accounts maintained and operated by the FM & CAO at KWA Head Office as shown below:

Sl. No.	Bank A/c	Balance as on 31.03.2015 (Rs.)
1	Federal Bank, Pattom (8962)	5,000
2	SBI, Althara (8329)	85,89,61,599
3	SBT Deposit Works (5320)	11,41,91,276
4	SBT EMD (0696)	3,44,14,775
5	SBT Escrow (0535)	2,40,74,467
6	SBT Establishment (5443)	28,62,08,084
7	SBT GPF (5342)	3,62,611
8	SBT Jalanidhi (0518)	3,53,690
9	SBT JICA (1694)	14,84,601
10	SBT NABARD (1650)	68.75.896
11	SBT NOP (5576)	1,83,25,232
12	SBT Online Collection (3449)	5,755
13	SBT Pension (4822)	1,57,111
14	SBT State Plan (7388)	5,56,66,660

In order to keep track of the transactions in these accounts only Cheque Memo Register is being kept at HO. The FM & CAO is not maintaining Cash Book. However, it is prescribed in the KWA Accounts Manual 1993, Vol. V- Cash and Funds accounting that “Cash Book in Form CB 8 shall be maintained at all Account Rendering Units (ARUs) and Sub-divisions”. The Head Office Finance Wing is an ARU having a location code of 5000.

- (b) Bank & Treasury balances Rs.4,51,28,39,089 includes the following accounts balances at HO for which no supporting documents (CMR, Bank statements and Bank reconciliation statements) were furnished to audit:

Sl. No.	Particulars	Balance as on 31.03.2015 (Rs.)
1	Treasury P D A/c	3,56,959.00
2	Syndicate Bank A/c	1,86,771.28
3	SBT Current A/c Kowdiar Branch (11 Sbt 5543)	0

(c) Bank & Treasury balances Rs.4,51,28,39,089 does not include an amount of Rs.1,00,000 out of a total amount of Rs.2,11,00,000 issued vide Cheque no.026283 on 03.03.2012 which has not been presented in the Bank (A/c no.1694 SBT JICA SB at Kowdiar branch) till 31.03.2015 as shown in the Bank Reconciliation Statement. The non-reversal of the time barred Cheque has resulted in understatement of Bank & Treasury balances by Rs.1,00,000.

(d) Bank & Treasury balances Rs.4,51,28,39,089 include interest accounted (through JV P19) Rs.7,800 to reconcile the net difference between unidentified figures (Rs.1,00,000-debit and Rs.1,07,800-credit) in the Bank Statement of A/c No.67153706069 maintained by the Sub-Division, Kalamasseryat SBT, Kalamassery Branch. Since the Sub-Division failed to identify and adjust the above figures, the correctness of interest credited Rs.7,800 could not be confirmed.

(e) Bank & Treasury balances Rs.4,51,28,39,089 includes the balance in Treasury Account Rs.14,40,712 as on 31.03.2015 at P H Division, Kochi. However, no records relating to the balance in the Treasury Account was available at the Division.

(f) In WW Central Sub Division, Vellayambalam, Thiruvananthapuram the monthly closing for the months January 2015, February 2015 and March 2015 had not been done in cash book. The monthly closing for the period from April 2014 to December 2014 in cash book was not attested by the Head of Office (Assistant. Executive Engineer). Certificate of physical verification of cash was also not recorded in April 2014, December 2014, January 2015, February 2015 and March 2015 in the cash book.

Monthly closing from April 2014 to December 2014 is attested subsequently by Assistant Executive Engineer. Certificate of physical verification of cash and bank balance in April and December 2014 was also found recorded subsequently.

(g) The bank statements in support of the bank reconciliation statements for the period 2014-15 were not produced to audit by WW Central Sub-division, Thiruvananthapuram. Further, the cash book was not closed as on 31 March 2015. Hence the correctness of cash/bank balances could not be confirmed.

2.2.1.3. Other Current Assets**2.2.1. 3.1. Inter office & other suspense account balances Rs.4,80,42,813**

(a) The above is net of debit and credit balances in various inter office control accounts

as follows:

Sl. No.	Account Head	Opening Balances Dr(+)/ Cr(-)	Current Year (Net of Dr(+)and Cr (-))	Net closing Balances (Rs.)
1.	9111- IOA- stock of stores	-119006	0	-119006
2.	9112- IOA -Tools and spares	-374366	0	-374366
3.	9113- IOA -Consumables	-43781	0	-43781
4.	9122-IOA -Vehicles	+408204	0	+408204
5.	9123-IOA-Furniture, Fixtures, Fittings & Office equipments	+9231945	-152590	9079355
6.	9124- IOA- IPD Expenses	+25250	0	+25250
7.	9129- IOA -Capital Expenditure- Others	-1821504	50490	-1771014
8.	913	+543404	0	+543404
9.	9131-IOA-Cash	-9733136	-1190	-9734326
10.	9132-IOA-Banks/Treasury- Drawing A/c	-233437605	+936466269	+703028664
11.	9133- Treasury A/c	-91272745	0	-91272745
12.	9134-Bank-Non-Operative A/c	-63167401	-487913806	-551081207
13.	9135-Head Office OB	-40994449	0	-40994449
14.	9139-Contra	-34660324	26957441	-7702883
15.	914	+214290	0	+214290
16.	9141-IOA-Other Expenses	+2310568	0	+2310568
17.	9142-IOA-Other Income	-4840234	0	-4840234
18.	9143-IOA-Other Liabilities	-173653	0	-173653
19.	9145-Head Office OB debit	+41039790	0	+41039790
20.	999A Cash and Bank Suspense	-499048	0	-499048
	Total	-427363801	475406613	48042813

Since all these are inter office accounts, there should not be any balance in these accounts. However, the net debit balance Rs.4,80,42,813 of the above accounts is added to the current assets. Hence, the value of current assets accounted are not correct.

(b) As per KWA Accounts Manual – Volume – V, Cash and Funds Accounting, Chapter – II, Operating Systems and Procedures, (E) – Banking, Paragraph – 6, Division/Sub-division shall maintain a “Control Register – Non-operating Account” in Form CB-14 wherein the details of deposits into non-operative account shall be recorded. Also, the details of transfers effected to the head office shall be recorded based on advice received from bank. As per (F) Fund Transfer, Paragraph – 3, a Schedule of transfers effected during the month shall be sent by the units to the head office along with monthly accounts. Head office shall on receipt of such schedule, record the details of transfers effected in Non-operative Transfer Register in Form CB-32. Details of fund utilized shall also be recorded in that register and hence the balance shall be ascertained.

As per Chapter - III – Accounting Procedures, (F) Fund Transfer, Paragraph – 3, Non-operative Account, Transfer of fund from Sub-division/Divisions to Head office through Non-operative Bank Account shall be accounted in the cash book (payment side in the Divisions/Sub-divisions book and receipt side in the Head Office books) under the head IOA – Banks Non-operative (Account Code 9134).

It is seen that the prescribed procedural control through Non-operative Transfer Register in Form CB-32 and accounting controls through cash book for receipt under IOA – Banks Non-operative (Account Code 9134) was not exercised by the Head Office. In the absence of this, the amount transferred and accounted by Divisions/Sub-divisions under Account Code 9134 was not reconciled by the Head Office.

The audit observed a shortage of Rs.2,31,11,103 in receipt at Head Office as against the amount accounted as transferred by Divisions/Sub-divisions as follows:

Division.	Source	9134-Credit
PH DN KADUTHURUTHY	From consolidation JV	24031168.00
PROJ DN MATTANNUR	From consolidation JV	713250.00
PROJ DN KANNUR	From consolidation JV	1352214.00
W S DN KANNUR	From consolidation JV	185666447.00
PH CIR KANNUR	From consolidation JV	217000.00

PROJ DN PALAKKAD	From consolidation JV	1038409.00
PROJ DN MALAPPURAM	From consolidation JV	427557.00
PH CIR PALAKKAD	From consolidation JV	3170000.00
PH DN MUVATTUPUZHA	From consolidation JV	96160166.00
PH DN MALAPPURAM	From consolidation JV	82143663.00
UIDSSMT Pro Dn ALAPPUZHA	From consolidation JV	247.00
PH CIRCLE, KOCHI	From consolidation JV	187733.00
PROJ DN KOZHIKODE	From consolidation JV	2954742.00
QC TVM	From consolidation JV	1667199.00
W S DN ATTINGAL	From consolidation JV	63083148.00
HW Dn ARUVIKKARA	From consolidation JV	48318089.00
SECRETARY KWA HO	From consolidation JV	1398118.00
PROJDNKOTTAYAM	From consolidation JV	399899.00
PH DN ALAPPUZHA	From consolidation JV	231696232.00
PROJ DN ADOOR	From consolidation JV	405000.00
PH CIR MUVATTUPUZHA	From consolidation JV	951691.00
PROJ DN PIRAVOM	From consolidation JV	151063.00
PROJECT DN TVPM	From consolidation JV	16496.00
CE NORTHERN REG	From consolidation JV	15000.00
PROJ DN KATTAPANA	From consolidation JV	1145000.00
PH DN KOTTARAKKARA	From consolidation JV	43200293.00
PH DN KOTTYAYAM	From consolidation JV	83068756.00
PH DN THIRUVALLA	From consolidation JV	108907925.00
PH DN TRIVANDRUM	From consolidation JV	850214320.00
PH DN KOLLAM	From consolidation JV	181416181.00
SE PHC KOTTYAM	From consolidation JV	693850.00
PH DN PATHANAMTHITTA	From consolidation JV	106704801.00
S C PHC TVPM	From consolidation JV	179565.00
PHC KOLLAM	From consolidation JV	90000.00
PH CIR KOZHIKODE	From consolidation JV	585000.00
QC DN KKD	From consolidation JV	7773232.00
CENTRAL REGION. KOCHI-11	From consolidation JV	160128.00
PH DN THODUPUZHA	From consolidation JV	43013195.00
PROJ DN PERUMBAVOOR	From consolidation JV	1374325.00
SEWERAGE DN PATTOOR	From consolidation JV	5316183.00
WS DIVISION NEYYATINKARA	From consolidation JV	81478075.00
PH DN IRIJALAKUDA	From consolidation JV	144174714.00
PH DN ALUVA	From consolidation JV	143313280.00
PH DN KOZHIKKODE	From consolidation JV	169685111.00
PH DN VADAKARA	From consolidation JV	35682353.00
PH DN KOCHI	From consolidation JV	415689813.00
THRISSUR CIRCLE	From consolidation JV	296103.00
JNNRM PROJECT CIRCLE KOCHI	From consolidation JV	42381.00
Q C KOCHI	From consolidation JV	3623629.00
PH DN PALAKKAD	From consolidation JV	184253226.00
PH DN KASARAGOD	From consolidation JV	38826880.00
PH DN SHORNUR	From consolidation JV	75442833.00
PH DN SULTHANBATHERY	From consolidation JV	34026383.00

PH DN EDAPPAL	From consolidation JV	46534937.00
PH DIVISION TRISSUR	From consolidation JV	134918331.00
WS DN KOCHI	From consolidation JV	273630836.00
PRO DN KOLLAM	From consolidation JV	600000.00
KALOOR SUB-DIVISION	From Individual TB	89593664
NATTIKA SUB-DIVISION	From Individual TB	10075000
Correction Entries	From JV	47124543
Less:Correction Entries		-52940648
Total		4056078729
Amount received at HO Finance Wing:		
SBT Kowadiar Current Account 57047025576		2665801987
Federal Bank Pattom Current Account 3740100048962		391820052
SBT Kowadiar Escrow Account 67081620535		946089081
SBT Kowadiar Online Collection Account 67110803449		29256506
Total Amount Received		4032967626
Difference		2,31,11,103

The above shortage in receipt of funds accounted under the head for fund transfer through non-operative account (9134) was not reconciled.

2.2.2. Current Liabilities (Schedule H)Rs.12,21,07,15,564

2.2.2.1. Sundry Creditors

2.2.2.1.1. For contractors/suppliers Rs.(6,06,25,791)

The above represents debit balance against liability to suppliers. Since there cannot be a debit balance for liability to suppliers, the above balance is incorrect.

As per the stated accounting policy, the Authority follows accrual basis of accounting. However the Authority has not accounted the liability in respect of works completed and certified prior to 31st March 2015 and pending for payment as on 31.03.2015. Since the Authority is not passing JVs for CWIP/ Assets and Repairs and Maintenance as and when work is completed/certified, the actual amount of current liability, work in progress/ assets and repairs and maintenance not accounted as on 31st March could not be ascertained.

2.2.2.2. Statutory employees deductions

2.2.2.2.1. General Provident Fund Rs.3,25,90,54,323

Reference is invited to the Note No. 2.09.2 wherein it is stated that the GPF balance had not been reconciled with individual accounts and the same was in progress. In the

absence of reconciliation between the ledger balance of GPF account with the individual accounts, the correctness of the liability under the above head could not be confirmed. Audit has no assurance that Authority has made investments commensurate with the liability on account of Provident Fund.

2.2.3. Control Account Balances-Rs.(10,50,67,277)

The above includes an amount of Rs.11,04,11,141 debit under the head Control Account -Capital Expenditure -Others (Account code 9219). This includes an opening balance of Rs.13,83,12,873 debit. The balance in this account should have been adjusted against Capital Work In Progress after reconciling the figures in respect of various Accounts Rendering Units. This resulted in understatement of Current Liabilities and understatement of Capital Work In Progress.

2.3. Loans & Advances (Schedule I) Rs.1,27,21,48,502

2.3.1. Advances to suppliers/contractors Rs.70,41,28,320

As per the KWA Accounts Manual Volume – IV, Works and Fixed Assets Accounting, Chapter – IV, Accounting Procedures, B – Execution of Scheme/Work, Paragraph 1.5.1, the Division Office shall on monthly basis extract the abstract of Work Register and forward to the Head Office. As per Chapter- IV, Accounting Procedures, C-Accounting at Head Office, based on the Monthly Abstract of work register, Capital Work-in-progress (Account codes from 1111 to 1189, as the case may be) shall be debited by crediting the Sundry Creditors – Contractors to the extent of contract charges, Control Account Capital Expenditure (Material Account Code 9212) to the extent of departmental material component, Casual Labour Wages (Account Codes 3351, 3352 and 3359) to the extent of such charges and Control Account – Capital expenditure (others) (Account Code 9219) – to the extent of such charges.

In the case of Maintenance Contracts, the Maintenance expenses (Account Code 3211 to 3229 as applicable) shall be debited by crediting Sundry Creditors – Contractors (Account Code 2811)

However, in a test check of records at Divisions, it is seen that there were omissions in following the above accounting procedure for Capital-Work-in- Progress/Operating and Maintenance Expenses and Sundry Creditors – Contractors at WS Division Kannur, PH Division Thiruvananthapuram, PH Division Palakkad and WS Division Kochi. Due to this, when payment was released to the contractors, the account 2811 showed debit balances. The net balance of Rs.53.19 crore under 2811(Account code) was included under Advances to

Suppliers/Contractors under the head Loans and Advances. This resulted in overstatement of Advances to Suppliers/Contractors under the head Loans and Advances (Schedule –I) and understatement of Capital Work-in-progress/ operating and maintenance Expenses.

The impact of such omission for the KWA as a whole comes to Rs.102.55 crore for the year 2014-15. The break-up of such omission in accounting between Capital-Work-in-Progress and Repairs and maintenance could not be ascertained in the absence of relevant information under Abstract of Work Register (FA 11) and Register of Maintenance Contract Charges (FA 19). Further, there was an opening debit balance of Rs. 52.75 crore under the head 2811 which has not been reconciled.

B. Income & Expenditure Account for the year ended 31st March 2015

1. Income

1.1. Operating Income

1.1.1. Consumers (Schedule L) Rs.5,55,26,40,218

1.1.1.1 Water Supply

(a) The above includes income from (a) domestic consumers Rs.1,93,15,64,512,(b)non-domestic consumers Rs.2,17,51,06,146 and (c) industrial consumers Rs.14,45,35,059. These include water supply charges respectively Rs. 14293.69 lakh (Account head 6111-Domestic), Rs.19810.43 lakh (Account head 6211-Non-domestic) and Rs.1332.89 lakh (Account head 6411-Industrial) in respect of 27 divisions.

However, in respect of eight divisions, the amount of demand raised on the consumers as per the Demand-Collection-Balance (DCB) Report from the billing system (e-Abacus) varies from the amount accounted as income. The amount of demand as per the Accounts is Rs. 6053.58 lakh (Domestic) Rs.7628.77 (Non-domestic) and Rs.723.04 (Industrial) whereas as per DCB report, the amounts are respectively Rs.4735.44 lakh, Rs.4404.08 lakh and Rs.282.39 lakh as follows:

Sl. No.	Name of PH/WS Division	Demand (Rs.in lakh) from Domestic (D), Non-domestic (N) and Industrial (I) as per					
		DCB statement from e-Abacus (Water Charges + Change in Demand)			Income & Expenditure Account		
		D	N	I	D	N	I
1.	Alappuzha	295.89	78.17	5.15	793.97	136.31	139.93
2.	Aluva	343.25	223.41	16.40	654.04	976.52	122.36

3.	Kollam	277.47	20.86	9.76	828.24	264.59	60.74
4.	Kottayam	253.33	557.73	4.20	682.8	997.75	12.4
5.	Muvattupuzha	156.82	88.04	0.02	383.04	173.34	0
6.	Palakkad	355.14	392.57	124.80	945.63	968.03	185.06
7.	Kochi	2032.59	2582.41	59.18	1765.86	3444.47	54.46
8.	Kochi	1020.95	460.89	62.88	0	667.76	148.09
	Total	4735.44	4404.08	282.39	6053.58	7628.77	723.04

In respect of the other 19 Divisions, the DCB report is not available for the period 2014-15 from the billing system (e-Abacus). The manual revenue records of the divisions do not provide for the total demand under each category of consumers based on the actual demand raised on individual consumers. In a test check of accounting records at sub-divisions, it is seen that the vouchers supporting accounting of above revenue were based on arbitrary estimates. In the circumstances the veracity of the revenue accounted namely water supply charges Rs.14293.69 lakh (Account head 6111-Domestic), Rs.19810.43 lakh (Account head 6211-Non-domestic) and Rs.1332.89 lakh (Account head 6411-Industrial) could not be assured.

(b) The 'Operating Income' includes income from (a) domestic consumers Rs.1,93,15,64,512, (b) non-domestic Consumers Rs.2,17,51,06,146 and (c) industrial consumers Rs.14,45,35,059. These include meter hire/service charges and surcharge respectively Rs.405.14 lakh (Account head-6115-Domestic), Rs.620.63 lakh (Account head 6215-Non-domestic) and Rs.4.36 lakh (Account head-6415-Industrial) in respect of various divisions.

However, the amount in respect of the above heads of demand raised on consumers as per the DCB report from billing system (e-Abacus) varies from these figures as shown below:

Sl. No.	Name of PH/WS/HW Division	Demand (Rs.in lakh) from Domestic (D), Non-domestic (N) and Industrial (I) as per					
		DCB statement from e-Abacus (Service Charges + Meter Rent +Surcharge)			Income & Expenditure Account		
		D	N	I	D	N	I
1.	Alappuzha	33.98	24.80	0.47	23.67	0.93	0.16
2.	Aluva	19.96	10.90	0.01	19.96	10.90	0.01
3.	Kollam	21.98	8.76	0.05	21.98	8.76	0.05
4.	Kottayam	14.37	37.43	0.26	14.37	37.43	0.26
5.	Muvattupuzha	9.92	3.24	0.00016	4.86	0.31	0
6.	Palakkad	16.42	15.13	0.03	12.30	397.27	0.21
7.	PHKochi	160.44	123.84	1.93	160.44	123.84	1.93
8.	WSKochi	100.13	39.25	2.00	24.00	10.39	1.58

9.	Malappuram	0	0	0	7.68	0.46	0.00052
10.	Attingal	0	0	0	5.61	0.30	0.00156
11.	Aruvikkara	0	0	0	4.48	0.29	0.00056
12.	Kottarakara	0	0	0	2.23	0.25	0.00216
13.	Thiruvalla	0	0	0	4.07	6.08	0.00158
14.	Trivandrum	0	0	0	56.48	20.46	0.14
15.	Thodupuzha	0	0	0	5.38	1.02	0.00182
16.	Neyyattinkara	0	0	0	11.55	0.56	0.00632
17.	Irinjalakuda	0	0	0	11.24	0.47	0.00544
18.	Kasargod	0	0	0	3.76	0.50	0.00240
19.	Edappal	0	0	0	3.97	0.20	0.00043
20.	Thrissur	0	0	0	7.11	0.21	0.00090
	Total	377.2	263.35	4.75016	405.14	620.63	2.25

In respect of 19 Divisions, the DCB report is not available for the period 2014-15 from the billing system (e-Abacus). The manual revenue records of the divisions do not provide for the total demand under each category of consumers based on the actual demand raised on individual consumers. In a test check of accounting records at sub-divisions, it is seen that the vouchers supporting accounting of above revenue was based on arbitrary estimates. In the circumstances the veracity of the revenue accounted namely meter hire/service charges and surcharge respectively Rs.405.14 lakh (Account head-6115-Domestic), Rs.620.63 lakh (Account head 6215-Non-domestic) and Rs.2.25 lakh (Account head-6415-Industrial) in respect of various divisions could not be assured.

1.2. Other Non-Operative Income (Schedule O) Rs.56,10,81,383

1.2.1. Income as Recoveries-Rs.45,71,08,408

As per the paragraph 2.11.2 of the Significant Accounting Policies and Notes on the Accounts for the year ended 31st March 2015, fines and penalties (Account code-7211) are considered as income as and when collected (cash basis). However, it is seen that fines and penalties from consumers are accounted on accrual basis in ARUs. The impact of such accounting in contradiction to the stated accounting policy comes to Rs. 56,22,40,760 in five Divisions test checked as follows:

PH Divisions	Accrual based accounting of fine/penalty from consumers
Kannur	54,35,234
Palakkad	4,46,32,163
Kochi PH	8,23,46,846
Kochi WS	1,66,03,793
Thiruvananthapuram PH	41,32,22,724
Total	56,22,40,760

This resulted in overstatement of revenue and overstatement of current assets by Rs.56,22,40,760.

Further, all the amounts collected from consumers including fines/penalties are accounted by debiting current assets (cash/bank) account and crediting the collection control account 9211. Since one single control account is operated for accounting collection of all revenues from consumers (i.e. revenue to be accounted on accrual basis and revenue to be accounted on cash basis), the amount of revenue collected by way of fines and penalties are not separately available in the accounting system. Hence the amount of revenue to be accounted on cash basis in respect of fines/penalties collected could not be quantified.

2. Expenditure

2.1. Interest on

2.1.1 . GPF Rs.22,35,08,589

The above was not the aggregate of the actual interest accrued on individual PF accounts during the period 2014-15. Hence the expenditure under interest on GPF Rs. 22,35,08,589 is not correct. Since the GPF accounts of all the employees are not updated till 2014-15 by including contributions and interest thereon the impact of the above on expenditure and liabilities could not be quantified.

C. General

(a) The authority incorporates the current year transactions of the Account Rendering Units (ARUs) through journal at Head Office (HO). The consolidated opening balances of each heads of account are retained in the books of Head Office. The ARU wise break-up of the opening balances maintained at HO is not available. The impact of JVs passed at HO is not incorporated in the accounts of ARUs. Hence the correctness of opening and closing balances of various heads of accounts of each ARU and of the consolidated accounts could not be confirmed.

(b) In a test check of accounting records of Divisions, it is seen that work order wise and scheme wise list in support of Capital Expenditure (Form FA 11) and Repairs and Maintenance (Form FA 19) is not kept separately as prescribed by Vol. IV 'Works and Fixed

Assets Accounting' of the KWA Accounts Manual. In the absence of the above the correctness of the classification of work expenditure into Revenue (repairs and maintenance) and Capital (CWIP/Assets) could not be confirmed.

(c) 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.

D. Impact of the revision of accounts

The impact of the revision of accounts for the year 2014-15 at the instance of Audit is as follows:

(Rs. in crore)

Particulars	Increase	Decrease	Net Increase / Decrease (-)
Assets	206.39	168.11	38.28
Liabilities	0.46	8.81	-8.35
Expenditure	39.73	21.08	18.65
Income	65.29	0	65.29

Impact of the Comments

The impact of the Comments on accounts for the year 2014-15 is as follows:

(Rs. in crore)

Particulars	Increase	Decrease	Net Increase / Decrease (-)
Assets	11.05	74.25	-63.20
Liabilities	11.05	1.16	9.89
Expenditure	18.03	0	18.03
Income	1.16	56.22	-55.06

E. Grants in aid

Out of Grants in aid of Rs.642.98 crore (Rs.641.59 crore received during the year, Rs.0.08 crore interest and Rs.1.31 crore recouped), Rs.127.60 crore is the opening balance. The Authority had utilised an amount of Rs.748.53 crore, leaving a balance of Rs.22.05 crore as on 31 March 2015. Project wise details of grants-in-aid are in Annexure II enclosed.

(v) In our opinion and to the best of our information and according to the explanations given to us, the financial statements read together with the notes on accounts and subject to the

significant matters stated above and Annexure-I and II to this Audit Report *does not give a true and fair* view in conformity with the accounting principles generally accepted in India and especially in view of the following items in the Balance Sheet of the state of affairs of the Kerala Water Authority as at 31 March 2015 and the Income and Expenditure Account of the deficit for the year ended on that date.

- A. Balance Sheet: Para Nos. 2.1.1, 2.2.1.1, 2.2.1.2.1(a), 2.2.1.3.1(a), 2.2.2.1.1, and 2.3.1
- B. Income and Expenditure Account : Para Nos. 1.1.1.1(a) and 1.2.1

For and on behalf of the Comptroller and Auditor General of India

Accountant General

Place: Thiruvananthapuram

Date: 03.2020

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 2015, Kerala Water Authority had Head Office, Chief Engineer's Office(JICA), Chief Engineer's Office(WASCON),three Regional Offices viz., Northern Regional Office at Kozhikode, Central Regional Office at Kochi and Southern Regional Office at Thiruvananthapuram comprising of 14 Circle Offices, 45 Divisions, 97 Sub Divisions and 215 Sections. The internal audit team has inspected only 19 units during the year 2014-15. No audit plan, programme and audit report 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.
- (e) The Accounts Manual provides that the accounts shall contain details such as quantity of clear water produced and sold to domestic and non domestic consumers, Local Bodies, industrial consumers etc. However, the quantitative details of water produced and sold could not be compiled as the Authority did not have the accurate information.
- (f) The monthly accounts of Head Office do not include information regarding Finance wing.
- (g) The Head Office is not maintaining an accurate list of subdivisions resulting in the omission of subdivisions while consolidating the Accounts. In many subdivisions, accounting information is incomplete.

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

Priced Stores Ledgers are not maintained or kept up to date. Physical verification of stock is also not being carried out on regular basis. Hence in many 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 balances are not physically verified and the certificates of verification by the Competent Authority 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 arbitrary estimates. Extent of revenue, doubtful of realization is also not being assessed and systematically provided for.

6. Interest on GPF

GPF accounts of Individual employees are not made up to date. Hence the interests on GPF provided are based on estimate.

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.

The inter office control accounts including control account for transfer of current assets and fixed assets are not reconciled.

IV. Regularity in payment of statutory dues

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

Annexure II

GRANTS – IN -AID									
Project wise details of Receipt and Utilisation of Grants – in – Aid during the year 2014-15									
									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	Audit Disallowance recouped	Total Grant received/Funds available	Amount utilized during the year	Amount unutilized as on 31.03.2015 carried forward to next year	Remarks i.Target date of the Project ii. Audit comment on delay etc.
1.	NRWDP and Tech Mission	19.36	124.10	0.08	1.31	144.85	134.94	9.91	
2.	Earmarked Schemes	2.01				2.01	0.60	1.41	
3.	AUWSS								
4.	Others								
	Total GOI	21.37	124.10		1.31	14.86	135.54	11.32	
5.	GOK (P) State Plan	60.01	233.38			293.39	278.43	14.96	
	JICA	46.22	50.00			96.22	104.86	(8.64)	
6.	GOK (NP)		225.16			225.16	225.16		
7.	LAC-ADF and others		8.95			8.95	4.54	4.41	
	Total GOK	106.23	517.49		623.72	612.99	10.73		
	Grand Total	127.60	641.59	0.08	1.31	770.58	748.53	22.05	

KERALA WATER AUTHORITY

BALANCE SHEET AS AT 31st MARCH 2015

	Schedule Reference	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)	
SOURCES OF FUNDS				
1	Kerala Water Authority Fund			
	a. Contributions & Grants	A	61,032,874,155	57,471,044,544
	b. Reserves & Surplus	B	3,501,843,848	3,501,843,848
2	Kerala Water Authority Loan Fund			
	a. Secured Loans	C	918,197,297	1,534,932,375
	b. Unsecured Loans & Deposits	D	51,007,566,219	45,634,352,857
	Total		116,460,481,519	108,142,173,624
APPLICATION OF FUNDS				
1	Fixed Assets	E		
	Gross Block		52,053,938,490	47,984,620,009
	Less: Depreciation Reserve		15,091,760,617	14,048,514,602
	Net Block		36,962,177,873	33,936,105,407
	Capital Work in Progress		49,485,749,124	44,930,007,342
			86,447,926,997	78,866,112,749
2	Investments	F	472,215,765	471,005,551
3	Net Current Assets			
	a. Current Assets	G	12,752,137,332	12,160,138,771
	b. Current Liabilities	H	12,210,715,564	9,733,121,092
			541,421,768	2,427,017,679
4.	Loans & Advances	I	1,272,148,502	2,472,293,496
5	Miscellaneous Expenditure to the extent not Written-off	J	-	-
6	Accumulated Excess of Expenditure over Income	K	27,726,768,487	23,905,744,149
	Total		116,460,481,519	108,142,173,624

Schedules A to K and significant accounting policies and notes on the accounts 2.01 to 2.10 form an integral part of this Balance Sheet

Shijith. V
Finance Manager & Chief Accounts Officer(1c)

Technical Member

Dr. A. Kowsigan.IAS
Managing Director

Place: Thiruvananthapuram
Date : 20.11.2019

KERALA WATER AUTHORITY

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2015

	Schedule Reference	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)
INCOME			
1 Operating Income			
a. Consumers	L	5,552,640,218	3,946,204,349
b. Others	M	26,360,435	20,816,228
		5,579,000,653	3,967,020,577
2 Grants & Subventions - Government of Kerala		2,251,614,000	1,986,490,000
3 O&M Grant from Government of India		165,864,000	306,485,000
4 Interest Income	N	200,289,264	170,197,904
5 Other Non-Operative Income	O	561,081,383	355,356,968
6 Debtors/Creditors written off	S	-2,923,650	(823,547.00)
Total Income		8,754,925,650	6,784,726,902
EXPENDITURE			
1 Operating & Maintenance Expences	P	3,116,430,765	2,789,776,095
2 Payment & Provision to Employees		5,940,740,145	5,418,319,048
3 Office expenses	Q	153,203,551	135,101,614
4 Travelling & Conveyance Expenses		36,312,081	34,962,676
5 Administrative Expenses	R	64,866,729	70,853,484
6 Assets and losses written off	T	-	-
7 Provision for Doubtful Debts	U	-	-
8 Interest on			
a. Secured Loans		130,956,144	254,030,486
b. Government of Kerala Loans		2,391,197,000	2,197,285,000
c. GPF		223,508,589	250,629,631
		2,745,661,733	2,701,945,117
9 Depreciation	E	1,043,246,015	994,588,016
Total Expenditure		13,100,461,019	12,145,546,050
10 Transferred to Capital Work-In-Progress	V	708,665,543	596,564,590
		12,391,795,476	11,548,981,460
Excess of Expenditure over Income		3,636,869,826	4,764,254,558
11 Prior Period Adjustments	W	184,154,512	2,112,472,357
Excess of Expenditure over Income after prior period adjustments		3,821,024,338	6,876,726,915

Schedules L to W and significant accounting policies and notes on the accounts 2.12 to 2.14 form an integral part of this Income & Expenditure Account

Shijith. V

Finance Manager & Chief Accounts Officer(I/c)

Technical Member

Dr. A. Kowsigan.IAS

Managing Director

Place: Thiruvananthapuram

Date : 20.11.2019

KERALA WATER AUTHORITY
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2015

	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)
<u>SCHEDULE - A</u>		
CONTRIBUTIONS & GRANTS		
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	35,991,034,032	33,457,641,032
3 Interest free fund from GOK	7,132,251,632	7,132,251,632
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	7,020,228,682
4 Contribution & Grants from Government of India	15,471,063,761	14,484,390,037
Less : Amount released to District Collectors and Kerala Rural Water Sanitation Agency	2,245,875,986	2,287,638,873
	13,225,187,775	12,196,751,164
5 Donated capital assets	1,814,530	1,814,530
6 Capital contribution from other sources	449,281,401	449,281,401
	61,032,874,155	57,471,044,544
<u>SCHEDULE - B</u>		
RESERVES & SURPLUS		
Reserve for deposit works	3,501,843,848	3,501,843,848
	3,501,843,848	3,501,843,848
<u>SCHEDULE - C</u>		
SECURED LOANS		
1 Loan from LIC of India	917,075,278	1,029,944,123
2 Loan from HUDCO	-	-
3 Bank Loan	1,122,019	504,988,252
	918,197,297	1,534,932,375
<u>SCHEDULE - D</u>		
UNSECURED LOANS & DEPOSITS		
1 Loan from Govt of Kerala	21,889,005,580	21,355,484,580
2 Interest accrued on GOK Loan	12,060,770,000	9,710,818,000
3 Deposit from local bodies	3,879,095,951	3,682,928,770
4 Security Deposit	2,178,791,579	1,955,767,971
5 Earnest Money Deposit	61,571,754	107,319,112
6 Water & Sewerage Connection Deposits	99,651,271	74,919,990
7 Deposit work-Water Supply & Sewerage	9,512,120,365	8,368,685,332
8 Other deposits	1,326,559,719	378,429,102
	51,007,566,219	45,634,352,857

Finance Manager & Chief Accounts Officer(I/c)

Technical Member

Managing Director

SCHEDULE FORMING PART OF BALANCE SHEET AS ON 31-03-2015 (Contd....)

KERALA WATER AUTHORITY

SCHEDULE OF FIXED ASSETS AS AT 31st MARCH 2015

SCHEDULE - E

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	BALANCE AS ON 01/04/2014	ADDITIONS DURING THE YEAR	AS ON 31-03-2015	BALANCE AS ON 01/04/2014	DEPRECIATION	DEPRECIATION UPTO 31-03-2015	CURRENT YEAR	PREVIOUS YEAR
FREE HOLD LAND	1,748,785,524	-	1,748,785,524	-	-	-	1,748,785,524	1,748,785,524
LEASE HOLD LAND	-	-	-	-	-	-	-	-
LAND DEVELOPMENT EXPENDITURE	74,873,240	-	74,873,240	-	-	-	74,873,240	74,873,240
CIVIL WORKS	17,077,025,426	2,611,435,913	19,688,461,339	4,053,619,907	399,665,551	4,453,285,458	15,235,175,881	13,023,405,519
BUILDINGS	1,691,208,300	39,667,082	1,730,875,382	448,024,353	24,138,270	472,162,623	1,258,712,759	1,243,183,947
PLANT AND MACHINERY	3,512,290,940	578,281,000	4,090,571,940	2,015,830,110	155,566,388	2,171,396,498	1,919,175,442	1,496,460,830
MAINS AND NETWORKS	23,123,188,082	804,955,989	23,928,144,071	7,148,318,771	437,219,212	7,585,537,983	16,342,606,088	15,974,869,311
ROADS BRIDGES AND CULVERTS	341,824,074	25,629,000	367,453,074	159,852,900	8,547,161	168,400,061	199,053,013	181,971,174
VEHICLES	135,609,758	1,451,079	137,060,837	76,924,773	6,796,507	83,721,280	53,339,557	58,684,985
FURNITURE, FIXTURES & OFFICE EQUIPMENTS	279,814,665	7,898,418	287,713,083	145,943,788	11,312,926	157,256,714	130,456,369	133,870,877
Total	47,984,620,009	4,069,318,481	52,053,938,490	14,048,514,602	1,043,246,015	15,091,760,617	36,962,177,873	33,936,105,407

	CURRENT YEAR (₹.)	PREVIOUS YEAR (₹.)
GROSS BLOCK OF FIXED ASSETS	52,053,938,490	47,984,620,009
LESS : ACCUMULATED DEPRECIATION	15,091,760,617	14,048,514,602
NET VALUE OF FIXED ASSETS	36,962,177,873	33,936,105,407
ADD : CAPITAL WORK-IN-PROGRESS [ACCOUNT CODE 11]	49,485,749,124	44,930,007,342
Total	86,447,926,997	78,866,112,749

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 `)
<u>SCHEDULE - F</u>		
<u>INVESTMENTS</u>		
Investment for Pension / PF	472,215,765	471,005,551
<u>SCHEDULE - G</u>		
<u>CURRENT ASSETS</u>		
1 Inventory :		
a. Stores, Tools & Spares	822,352,246	791,831,985
b. Consumables	109,315,431	109,239,287
c. Others	-	-
	931,667,677	901,071,272
2 Sundry Debtors :		
a. Consumers		
i. Local bodies dues - water & maintenance charges	1,517,730,789	1,242,615,725
ii. Domestic, Non-domestic & Industrial dues	5,549,878,725	4,383,433,358
b. LIC Loan repayment due from Local Bodies	176,143,755	176,143,755
c. Others	9,676,282	9,605,532
	7,253,429,551	5,811,798,370
3 Cash & Bank Balances :		
a. Bank & Treasury balances	4,512,839,089	5,854,305,878
b. Cheques & Bills in transit	-	-
c. Cash on hand	6,158,202	20,327,052
	4,518,997,291	5,874,632,930
4 Other Current Assets :		
Inter office & other suspense account balances	48,042,813	(427,363,801)
	12,752,137,332	12,160,138,771

Finance Manager & Chief Accounts Officer(1/c)

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)
<u>SCHEDULE - H</u>		
<u>CURRENT LIABILITIES & PROVISIONS</u>		
1 Current Liabilities		
a. Sundry Creditors :		
i. Payment to employees	357,146,393	311,518,564
ii. For expenses	8,250,758,857	6,060,193,556
iii. For contractors/suppliers	-60,625,791	(60,680,437)
b. Statutory employees deductions :		
i. General provident fund	3,259,054,323	2,987,918,084
ii. NMR PF	56,356,854	56,476,012
iii. Others	-13,997,389	(7,595,971)
c. Sales-Tax Collection	27,360,951	30,033,529
d. Tax Deducted at Source	-24,275,911	(10,285,985)
e. Other Current liabilities	377,331,978	420,324,100
f. Interest Accrued on Loans	86,672,576	71,768,449
	12,315,782,841	9,859,669,901
2 Control Account Balances	-105,067,277	(126,548,809)
	12,210,715,564	9,733,121,092
<u>SCHEDULE - I</u>		
<u>LOANS & ADVANCES</u>		
1 Loans & advances to employees	-7,998,889	(3,969,269)
2 Advances for expenses	23,977,825	24,418,087
3 Advances to suppliers / contractors	704,128,320	1,428,408,621
4 Revolving fund to Local Bodies	1,908,803	1,908,803
5 Advances - Others	10,754,071	11,401,823
6 Claims recoverable	209,583,309	210,091,802
7 Contribution Deposit - KSEB	6,042,498	5,524,501
8 Consumer Deposit - KSEB	175,321,519	162,554,326
9 Deposit with PWD		501,002,943
10 Deposit with others	91,514,075	89,798,231
11 Advances for capital expenditure	56,916,971	41,153,628
	1,272,148,502	2,472,293,496

Finance Manager & Chief Accounts Officer(1c)

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)
<u>SCHEDULE - J</u>		
<u>MISC EXPENDITURE NOT WRITTEN OFF</u>		
Miscellaneous Expenses to the extent not written off	-	-
<u>SCHEDULE - K</u>		
<u>ACCUMULATED EXCESS OF EXPENDITURE OVER INCOME</u>		
Balance as on the begning of the year	23,905,744,149	17,029,017,234
Add : Current years excess of expenditure over income	3,821,024,338	6,876,726,915
	<u>27,726,768,487</u>	<u>23,905,744,149</u>

Shijith. V
Finance Manager & Chief Accounts Officer(1/c)

Technical Member

Dr. A. Kowsigan.IAS
Managing Director

Place: Thiruvananthapuram
Date : 20.11.2019

KERALA WATER AUTHORITY

SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT

AS AT 31st MARCH, 2015

	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)
<u>SCHEDULE - L</u>		
OPERATING INCOME - CONSUMERS		
1 Operating income - water supply		
a. Domestic Consumers	1,931,564,512	1,379,492,608
b. Nondomestic Consumers	2,175,106,146	1,550,380,021
c. Industrial Consumers	144,535,059	120,543,055
	4,251,205,717	3,050,415,684
2 Operating income - Sewerage		
a. Domestic Consumers	1,259,416	1,863,778
b. Nondomestic Consumers	2,079,827	1,762,797
	3,339,243	3,626,575
3 Income from local bodies	1,298,095,258	892,162,090
	5,552,640,218	3,946,204,349
<u>SCHEDULE - M</u>		
OPERATING INCOME - OTHERS		
1 Centage charges	19,689,163	18,588,689
2 Storage charges	633,986	68,953
3 Supervision charges	1,572,598	1,348,337
4 Miscellaneous recoveries	4,464,688	810,249
	26,360,435	20,816,228
<u>SCHEDULE - N</u>		
INTEREST INCOME		
1 Interest on loans & advances	2,053,742	2,280,290
2 Interest on deposits	198,235,522	167,917,614
	200,289,264	170,197,904

Finance Manager & Chief Accounts Officer (i/c)

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)	
<u>SCHEDULE - Q</u>			
OTHER NON-OPERATING INCOME			
1	Income as recoveries	457,108,408	246,365,869
2	Claims recoverable	140,452	50,507
3	Miscellaneous income	103,832,523	108,940,592
	561,081,383	355,356,968	
<u>SCHEDULE - P</u>			
OPERATING & MAINTENANCE EXPENSES			
1	Consumption of Stores, Tools & Spares	119,823,022	44,444,430
2	Consumables	50,802,091	46,044,352
3	Power charges	2,113,044,964	2,220,945,733
4	Insurance	1,335,933	1,622,679
5	Other operating expenses	86,264,826	15,477,030
6	Repairs & Maintenance of water supply	653,169,931	378,002,052
7	Repair & Maintenance of sewerage	70,188,020	57,759,440
8	Vehicle maintenance	21,801,978	25,480,379
	3,116,430,765	2,789,776,095	
<u>SCHEDULE - Q</u>			
OFFICE EXPENSES			
1	Rent	1,529,989	1,598,965
2	Rates & Taxes	3,629,601	16,262,148
3	Postage, Telegram, Telephone & Telex	12,536,633	12,904,670
4	Printing & Stationery	16,576,972	14,368,936
5	Exhibition & Publicity	17,561,854	17,567,358
6	Training & other expenses	5,734,268	9,474,340
7	Electricity charges	76,962,451	36,465,845
8	Other office expenses	18,671,783	26,459,352
	153,203,551	135,101,614	
<u>SCHEDULE - R</u>			
ADMINISTRATIVE EXPENSES			
1	Board meeting expenses	65,231	118,927
2	Professional fees	55,989,117	64,305,754
3	Payment to auditors	7,249,422	4,949,268
4	Bank Charges	500,479	470,325
5	Other administrative expenses	1,062,480	1,009,210
	64,866,729	70,853,484	

Finance Manager & Chief Accounts Officer (I/c)

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in `)	PREVIOUS YEAR (Amount in `)
<u>SCHEDULE - S</u>		
WRITE OFFs		
Local Bodies dues written off	-	-
Consumers Written Off - OTS	(2,923,650)	(823,547)
	(2,923,650)	(823,547.00)
<u>SCHEDULE - T</u>		
ASSETS WRITTEN OFF		
	-	-
	-	-
<u>SCHEDULE - U</u>		
PROVISION FOR BAD & DOUBTFUL DEBTS		
		-
<u>SCHEDULE - V</u>		
TRANSFER OF REVENUE EXPENSES TO CWIP		
Establishment Charges (Share Debit)	692,902,200	544,225,000
Interest on loan from Fis & Banks	15,763,343	52,339,590
	708,665,543	596,564,590
<u>SCHEDULE - W</u>		
PRIOR PERIOD ADJUSTMENTS		
PPA of Depreciation		2,037,458,668
PPA of Other Income	(246,899)	(134,497,416)
PPA Rates & Taxes - Water Cess		22,008,231.00
PPA Repairs & Maintenance WSS		187,502,874.00
PPA Bank Charges		-
PPA OI from D consumers	181,724,667	
PPA Salaries of Employees	2,676,744	
	184,154,512	2,112,472,357

Shijith. V
Finance Manager & Chief Accounts Officer (i/c)

Technical Member

Dr. A. Kowsigan.IAS
Managing Director

Place: Thiruvananthapuram
Date : 20.11.2019

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE ACCOUNTS FOR THE YEAR
ENDED 31ST MARCH, 2015**

1. NATURE OF OPERATION.

Kerala Water Authority was established on 1st 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	Amount	Plan/Non Plan	Expenditure (including OB)
1	Government of Kerala	292.34	Plan	282.44
2	Government of Kerala	225.16	Non Plan	225.16
3	Government of India	115.12	Plan	125.02

The total amount shown as received from Government of India `115.12 Crore and the interest earned for NRDWP fund for the year amounting to `0.081 Crore. An amount of `125.02 Crore is utilized for NRDWP Schemes which includes an amount of `16.5864 Crore being the O&M provision of 15% of the programme funds have been transferred to income and expenditure account as per NRDWP guidelines. The excess amount is met from the opening balance and the disallowance amount recouped from state share.

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 31st 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. 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 ` 234.99 Crore for the year 2014-15 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 issued orders for conversion of loan of `126.38 Crore as Grant vide GO (Rt.) No.260/2008/WRD Dated 27-02-2008. Government of Kerala have accorded sanction for conversion of the same vide Go(Rt)No.122/2017/WRD Dated 15-02-2017, based on the request submitted by Kerala water Authority.

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. 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 done up to 31-03-2012 amounting to `1923.82 Crore and `484.49 Crore for the year 2012-13.) `170.66 Crore have been transferred from Capital Work in Progress to Fixed Assets for the year 2013-14 and an amount of `235.23 Crore have been transferred for the year 2014-15.
- 2.07 **Investment for pension/GPF** represents money kept in Fixed Deposits with District treasury. It include interest accrued but not due as on 31-03-2015 amounting to `133.37 Lakh. Investments made as FD in State Bank of Travancore amounting to `400.00 Lakh is utilized for release of GPF claims
- 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 `7030.29 Lakh (Debit) and Cash and bank suspense accounts including accumulated difference in receipts and payment statement for the years 1984-85 to 2014-15 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 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, @ 9.5 % per annum, for the year 2002-03 @ 9%, for the years 2003-04 to November 2011 @8.00% p.a., for the period from December 2011 to March 2013 @ 8.60% p.a and from April 2013 to March 2015 @8.70% p.a.
- 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 `1050.67 Lakh (Debit) represents balance under control account capital expenditure others.
- 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 `1310.06 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 `150917.61 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 2014-15 consist of the Employer contribution of NPS Subscription due for the year 2013-14 amounting to `26.77 Lakh, `1817.33 Lakh being the rectification of demand of earlier years and `0.08 Lakh being the prior period interest earned on Treasury account.

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 @ 5.00 % 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 loan has been commissioned or taken up under new funding, the interest on LIC loan paid during 2014-15 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.

Shijith. V

[FINANCE MANAGER
& CHIEF ACCOUNTS OFFICER(i/c)]

[TECHNICAL MEMBER]

Dr. A Kowsigan. IAS

[MANAGING DIRECTOR]

Thiruvananthapuram.
20-11-2019

**REPLY TO THE DRAFT AUDIT REPORT ON THE ACCOUNTS OF
KERALA WATER AUTHORITY FOR THE YEAR ENDED ON 31-03-2015**

COMMENTS ON ACCOUNTS

A. Balance Sheet.

1. Sources of Funds

1.1 Kerala Water Authority Fund

1.1.1 Reserves and Surplus (Schedule B) - ₹3, 50, 18, 43,848

The same has been disclosed vide Para No.2.13.2 to statement on significant accounting policies and notes on the accounts for the year 2014-15.

1.2 Kerala Water Authority Loan Fund

1.2.1 Unsecured Loans & Deposits (Schedule D) ₹51, 00, 75, 66, 218

1.2.1.1 Security Deposits-₹2, 17, 87, 91, 579

This is a running balance and the figure mentioned in the draft audit report is in KWAC. It is the closing balance as on 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.

2. Application of Funds

2.1 Fixed Asset (Schedule E) - ₹86, 44, 79, 26, 998

2.1.1 Gross Block ₹52, 05, 39, 38, 490

Kerala Water Authority had appointed a consultant for updating the fixed asset register of the Authority and the consultant had submitted its report upto 31.03.2012 and incorporated in the annual accounts. Systematic recording of Fixed Assets as suggested by the audit team 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.

2.2 Net Current Assets

2.2.1 Current Assets (Schedule G) ₹12, 75, 21, 37, 332

2.2.1.1 Sundry Debtors ₹7, 25, 34, 29, 550

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 LIC loan repayment due from Local Bodies - ₹17, 61, 43, 755

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

2.2.1.1.2 Others ₹0.97 Crore

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

2.2.1.2 Cash and Bank Balances

2.2.1.2.1 Bank and Treasury balances ₹4, 51, 28, 39, 089

(a) The Finance Wing of Head Office releases the funds to the concerned division which are routed through Cheque Memo Register and the same is reconciled in every month. Since, the entire payment are effected through the concerned divisions including Secretary Unit of Head Office, Finance Wing of Head Office is not maintaining the Cash Book. However, for the proper monitoring of release of funds, finance wing maintains monthly cash flow statement and same is get approved from the board. More over the balances are correctly reflected in the Trial Balance prepared by Finance Wing.

(b) The Treasury PD account 669/01 was in operation till 2007 and the balance as on 31.03.2009 of an amount of Rs. 3,56,959 is reflected in the books of accounts is carried forward till 2014-15. Even though the Treasury was addressed many times for getting the

statement, no statement is received till date. Necessary action has been initiated to reconcile the amount with Treasury PD account as suggested by audit.

The balance in bank account maintained with Syndicate Bank is reconciled and the bank statement has already been submitted along with the reply to draft audit report.

The balance in current account No.5543 has been reconciled and the same is correctly reflected in the annual accounts.

(c) The Bank and Treasury balances does not include the amount of Rs 1,00,000 pointed out by AG team. As per the books of accounts for the year 2011-12 an amount of Rs 2,10,00,000 only entered as payment from SBT JICA SB account. Copy of SBT JICA Ledger account for the year 2011-12 has already been submitted along with the draft audit report.

(d) The amount of ₹ 7,800/- is the interest amount pertaining to that account and that has been correctly reflected in the accounts.

(e) The Treasury Account No TSA 694 maintained by PH Division Kochi was closed on 30.11.2015 and the balance was correctly reflected in the annual accounts.

(f) The copies of relevant Pages of cash book duly attested by the Assistant Executive Engineer for the month of April 2014, December 2014, January 2015, February 2015 and March 2015 of WW Central Sub Division Vellayambalam has already been submitted along with the draft audit report.

(g) The bank reconciliation statement of WW Central Sub Division Vellayambalam has reconciled and correctly reflected in the annual

2.2.1.3 Other Current Assets

2.2.1.3.1 Inter office and other suspense account balances ₹4, 80, 42,813

(a) Instructions are issued for reconciliation of the inter office accounts. As a part of the efforts, the inter office account have been reduced to ₹4.80 Crore (Dr.) as against ₹23.22 Crore(Cr.) and is reflected in the revised accounts forwarded to AG.

(b) The amount transferred and accounted by Division/Sub Divisions under Account Code 9134 is yearly verified as prescribed in

the Accounts Manual. Instructions have been issued to reconcile the balance and rectify the mistake.

2.2.2 Current Liabilities (Schedule H) - ₹12, 21, 07, 15,564

2.2.2.1 Sundry Creditors

2.2.2.1.1 For Contractors/Suppliers (₹6, 06, 25, 791)

The debit balances in the Contractors / Suppliers a/cs are mainly brought forward from previous years and the same is being scrutinized and necessary steps have been taken to rectify the wrong entries.

The work is treated as completed only when the particular work is done as per NIT condition/ Agreement condition and the water is distributed to general public. Since, the preparation of bills and other allied documents consumes much more time, the contractors are not able to submit their bills as and when the work is completed. Hence, the same is accounted on raising and making the payment of bills instead as and when the work is completed.

2.2.2.2 Statutory employees deductions

2.2.2.2.1 General Provident fund (₹3, 25, 90, 323)

Necessary action has been initiated for the reconciliation of GPF balance and the individual accounts maintained in GASK(GPF Accounting System for KWA)

2.2.3 Control Account Balances - (₹10, 50, 67, 277)

Systematic recording of Work In progress as suggested by the audit team 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. Fixed Asset Register of the Authority is up dated till 31-03 2012 by the consultant appointed by the Authority.

2.3 Loans and Advances (Schedule I) - ₹1, 27, 21, 48, 503

2.3.1 Advances to Suppliers/Contractors - ₹70, 41, 28, 320

Systematic recording of Work In progress as suggested by the audit team 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. Fixed Asset Register of the Authority is up dated till 31-03 2012 by the consultant appointed by the Authority.

**B INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st
MARCH 2015**

1. Income

1.1 Operating Income

1.1.1 Consumers (Schedule L) ₹555, 26, 40, 219

1.1.1.1 Operating Income – Water Supply

(a) The annual accounts of the authority are compiled at head office based on the accounts and trial balances received from division offices. Revenue collection of Annual accounts for the year 2014-15 is prepared on the basis of DCB statement received from our RMC section. The division wise DCB statement maintained by the RMC is based on the primary data collected from the concerned offices. Hence, the DCB statement maintained in the accounts is correct and is maintained properly, after tallying collection and cash at sub-division wise. Authority is in the process of implementing e- Abacus throughout the state. On completion of the same, accurate data of all the consumers will be readily available.

(b) The meter reading of domestic as well as non domestic consumers is taken on a bi-monthly basis. However, the DCB status for whole the consumers under a office is prepared on a monthly basis for which the demand is raised on estimate basis and the same is got rectified in the subsequent month on posting the actual reading.

1.2 Other Non Operative Income (Schedule O) - ₹56, 10, 81, 383

1.2.1 Income as Recoveries- ₹45, 71, 08, 408

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. Hence, there is no over statement of revenue as well as current assets.

2. Expenditure

2.1 Interest on

2.1.1 GPF ₹22, 35, 08, 589

Interest on GPF is already provided in the books of accounts for the year 2014-15 based on the details from the software GASK which is the consolidation of all individual balances.

C General

(a) 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.

(b) Necessary directions have already been issued to all the Account Rendering Units to systematically record the transaction related to capital expenditure on schemes/works, acquisition/creation of fixed assets etc. by the concerned offices.

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

E Impact of the comments

Comments of the Authority not warranted.

F Grant-in-aid

The Grant-in-aid as per the annexure is fully reflected in the annual accounts for the year 2014-15. It may please be noted that AS per the NRDWP audited statement of accounts for the year 2012-13, the Empanelled Chartered Accountant had disallowed an amount of ₹131.21 Lakh which is to be classified as unrelated expenses. Government of India directed to resolve the issue of left over inadmissible expenditure of ₹131.21 Lakh vide letter No.W-11020/201/2015/Water-I dated 09-11-2015. Based on the direction of GoI, KWA recouped an amount of ₹131.21 Lakh from state share and utilized for NRDWP schemes during the year 2014-15

- V** As per the detailed replies given for para No.2.1.1, 2.2.1.1,2.2.1.2.1(a), 2.2.1.3.1(a), 2.2.2.1.1,2.3.1,1.1.1.1(a) and 1.2.1 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.

Reply to Annexure

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

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

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 and 2012-2013 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 correct the closing balances as pointed out by AG. This system will continue till the Accounts are current.

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.

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 Record

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

Interest on GPF is adjusted according to the amount calculated from the software GASK which is the consolidation of all individual balances.

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 from the Financial Year 2005-2006 to 2011-2012 by the consultant appointed by the Authority.

IV Regularity in Payment of Statutory dues

Water Cess have been assessed and remitted up to 2006-2007. Water Cess Returns have been submitted to the Pollution Control Board for the year 2007-08 and 2008-09. Since the same is under assessment, remittance of the water Cess is in progress.

Managing Director.