

**REPORT ON THE AUDIT OF ACCOUNTS AND REGISTERS OF PUBLIC HEALTH DIVISION, KERALA WATER AUTHORITY, KOCHI FOR THE YEAR 2019-20.**

**PART-I**

**A. Introduction**

Public Health Division, Kochi is responsible for the maintenance of Water Supply Schemes and collection of water charges under its jurisdiction. There are five Sub Divisions under the Division viz., WW Sub Division-Vyttila, WW Sub Division- Kochi, WW Sub Division-Karuvelippadi, WW Sub Division-Kaloor and Sewerage Sub Division, Kochi. Executive Engineer is the head of the Division. Audit under section 19(3) of the CAG's DPC) Act was conducted from 15 Feb 2021 to 23 Feb 2021 covering the period 2019-20.

**B. Officers in Charge**

The following officers held the charge of the Executive Engineer for the period 2019 to 2020.

| Sl No | Name of Executive Engineer | Period                   |
|-------|----------------------------|--------------------------|
| 1     | Sri. Jamal P               | 01.08.2018 to 01.06.2019 |
| 2     | Sri. Jochan Joseph         | 02.06.2019 to 17.06.2019 |
| 3     | Sri. Mohammed Shahi M      | 18.06.2019 to till date  |

**C. Financial position.**

Details of expenditure and revenue collection for the last two years were as under.

(` in Lakh)

| Years                  | 2018-19 | 2019-20  |
|------------------------|---------|----------|
| Establishment expenses | 1170.85 | 1227.24  |
| Works expenditure      | 866.23  | 854.41   |
| Revenue collection     | 7274.02 | 11338.05 |

**D. Departmental Inspection**

Internal audit of the Division was conducted by the Internal Audit wing, KWA Thiruvananthapuram for the period up to 31-03-2012.

### **E. Objective and scope of audit.**

The objectives of Audit were to check whether effective Internal Control System existed in the Division and the execution of works and revenue collection were carried out as per the relevant Acts and Rules. The scope of Audit included verification of the records relating to works viz., work register, tender/agreement register, work files, cash book, monthly accounts and vouchers, documents relating to collection of water charges etc.

### **PART-II**

#### **A. Significant Audit Findings.**

**--Nil--**

#### **B. Other Incidental Findings.**

#### **I. Non-commencement of the work of replacing damaged pipes resulted in idling of `41.17 lakh deposited to PWD for road cutting charges for more than two years.**

The work “Replacing damaged 15mm CI distribution line with new 160mm PVC line along Jawahar road from Kappalandimukku to Pandikudy junction for a length of 1000m” was awarded to the contractor, Sri.K.M. Madhu vide Agreement No.71/17-18 dated 28 November 2017 with an Agreed PAC of `8,57,178 against the sanctioned estimate of `9,85,262 with direction to complete the work within 30 days from the date of agreement.

An amount of `41,17,000 was remitted to the Executive Engineer, PWD., Roads & Bridges Division, Ernakulam on 21 April 2018 for permission of road cutting for which sanction was accorded by the Executive Engineer, PWD, Roads & Bridges Division, Ernakulam vide Order No.A3-1140/18 dated 26 December 2018 with a direction to complete the work within 30 days from date of sanction. The road cutting sanction expired on 25 January 2019. Due to non-commencement of the work within the sanctioned period, PH Division vide letter No.DB1-3003/17 dated 14 February 2019 requested for further extension of one month for completing the work. In response to this PWD Division vide letter No.A3-1140/18 dated 08 March 2019 informed that as per the revised road restoration estimate prepared by the Asst. Executive Engineer, Roads Sub division, Ernakulam the road cutting charges was increased

to `49,06,000 and directed the PH Division to remit the balance amount of `7,89,000 for road cutting. As per the records, there were no specific reasons for the delay in commencement of work. The contractor vide his letter dated 27 February 2019 intimated his unwillingness to carry out the work, due to increase in labour charges and non-receipt of permission to start the work from the PH Division. Delay on the part of the PH Division to execute work as per the scheme has resulted in idling of deposit of `41.17 lakh and further liability towards restoration charge (`7.89 lakh) and increase in project cost due to abandoning the work by the contractor.

No reply was furnished.

**II Laxity of contactor in commencement of the work resulted in non-implementation of the Project and Non-initiation of action as contemplated in PWD Manual by the Department.**

|                          |   |                                                                                                                                                                                                                               |
|--------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Work             | : | LAC-ADS-Augmentation of Kochi Water Supply Scheme in Kochi-Improvement of Water Supply to Edakochi Divisions Nos. 13,14,15 and 16 of area in Kochi Corporation- Construction of 15 Lakh Litre Capacity GL Tank at Pampaimoola |
| Administrative Sanctions | : | 1. G.O.(Rt)No.205/16/WRD dtd.29/02/2016 for Rs.278.00 Lakh under the LAC ADS(Thripunithura LAC)<br>2. Order No.RD 5/1025/17(9) dtd.24/02/2018 of the District Collector, Ernakulam for Rs.68.00 lakh                          |
| Total AS Amount          | : | Rs.346.00 Lakh                                                                                                                                                                                                                |
| Technical Sanction       | : | Order No.TS/2018-19/2018/3836 dtd.15/09/2018 of the Chief Engineer, Central Region for Rs.302.00 Lakh                                                                                                                         |
| Tender PAC               | : | Rs.3,01,85,813                                                                                                                                                                                                                |
| APAC                     | : | Rs.3,16,95,103 (5% above TPAC)                                                                                                                                                                                                |
| Name of Contractor       | : | Sri.N.Anil Kumar                                                                                                                                                                                                              |
| Agreement No.            | : | Agt.No.02/2019-20/SE/PHC/CHN dtd.27/05/2019                                                                                                                                                                                   |

As per the selection Notice dated 06 February 2019 of the Superintending Engineer, PH Circle, Kochi, the work had to be completed within ten months from the date of selection notice (ie. on 05 December 2019). Despite repeated reminders the contractor had neither started the work nor submitted the time chart with target date of completion as specified in the Notice Inviting Tender (NIT). Executive Engineer, PH Division, Kochi vide letter dated 10 January 2020 had intimated the contractor to submit the test report of construction materials and start the work without further delay otherwise the work would be rearranged at the contractor's risk and cost. However, he did not turn up to start the work stating paucity of funds and filed a Writ Petition (WP(C) No. 3604/2020) before the Hon'ble High Court of Kerala seeking relief from the agreement of execution of work. Final verdict on the matter is pending with the Court.

The Managing director, Kerala Water Authority vide letter dtd. 21 August 2020 had intimated the SE. PH Circle, Kochi that the High Level Review Committee for the implementation of Water Supply Schemes under the Minister for Water Resources had decided to terminate and rearrange the work.

In this connection, Audit observes that the provisions regarding 1) Termination - Default by Contractor, 2) Compensation for delay / Liquidated Damage, 3) Termination of Contract and 4) Realisation of loss on account of termination contained in PW Manual have not been complied with by the Division.

Lack of timely action in complying with the above directions by the Department even after lapse of more than one year of the expiry of the time of completion of the work has led to unnecessary litigation procedures and non- commencement of the work

It was also observed that an amount of `1,23,225 was paid to Aryanet Institute of Technology, Palakkad on 27 October 2016 as consultancy fee for soil investigation of the site for the above work.

No reply was furnished.

### **III. Inordinate delay in completion of the work under AMRUT-2015-16 - Short imposition of fine for extension of time of completion and non-renewal of Performance Guarantee**

|                     |   |                                                                                                                                                                                                                                                         |
|---------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Work        | : | AMRUT 2015-16-Replacement of existing 525mm distribution cum Pumping main with 600mm rider pumping from Karuvelippady to Koovappadam in Kochi Corporation                                                                                               |
| Agreement No.       | : | 11/2017-18/SE/PHC/CHN dated:19/02/2018                                                                                                                                                                                                                  |
| EPAC                | : | `2,37,90,933                                                                                                                                                                                                                                            |
| APAC                | : | `2,22,67,500 (below 6.40% of EPAC)                                                                                                                                                                                                                      |
| Details of Security | : | (1) `5,57,000 vide 2 years Term deposit certificate No.007675/799010500339368 dated 17/02/2018 of Treasury Savings Bank<br>(2) `5,56,400 vide Bank Guarantee Bond dated 19/02/2018 of the Catholic Syrian Bank Ltd. ,Kalammassery valid upto 19/02/2020 |

The work was awarded to the contractor, Sri.M.V.Jayaraj at 6.40% below estimate rate with an agreed PAC of `2,22,67,500. As per the Selection Notice dated 07 February 2018 of the Superintending Engineer, PH Circle, Kochi the work should be completed within six months from the date of selection notice. As such the work had to be completed on 06 August 2018. Due to non-completion of work in stipulated time, extension was granted first upto 31 May 2019 and further upto 01 June 2019, 31 December 2020 (with fine of `5,000) and then upto 31 January 2021 without imposing fine. As per the CC II & Part Bill an amount `56,64,300 has been sanctioned to the contractor on 19 November 2020.

Even though the work was included in the 100 days Action Plan by the Hon'ble Chief Minister, the work has not been completed so far. State Mission Management Unit (SMMU), AMRUT vide letter dated 12 January 2021 had expressed their displeasure in the slow pace and below the mark of the work

In this connection it was observed that: -

- (a) As per clause 2112 of the revised PWD Manual-2012 time of completion that can be granted at a time shall not exceed 25 per cent of the original time or six months whichever is less and the maximum extension that can be granted for a work shall be

limited to half the original time of completion. In this case extension was granted for more than two years disregarding the above provisions.

(b) The validity of Security Deposits of `5,57,000 and Bank Guarantee of .5,56,400 ( total `11,13,400) collected as term deposit expired on 18 February 2020 and 20 February 2020 respectively and were not renewed till date.

(c) As per the letter No. DB1-4235/2017 dtd 24 December 2020 of the Asst.Executive Engineer, Sub-division, Karuvelippady, Kochi, 600mm MS pipes were needed for laying over a huge drain which has not been included in the estimate. As such the items should be treated as extra items. It was seen that estimate for the extra items has not been prepared for obtaining concurrence from the Superintendent, PH Circle and State Mission Management Unit (SMMU), AMRUT so far.

No reply was furnished.

#### **IV. Retention of very old items of Security Deposits**

On verification of the Security Registers of the Division, it was seen that security deposits pertaining to the period 2007-08 were still retained in the office. Some examples are given below:

| Sl. No. | SL.No. in the SD Register | Name of the Contractor       | Agt.No & Date          | SD Amount (₹) |
|---------|---------------------------|------------------------------|------------------------|---------------|
| 1       | 1035                      | M.V .Viswanathan             | 26/07-08 dt.20/08/2007 | 25,000        |
| 2       | 1038                      | K.V.Pavanan                  | 29/07-08 dt.25/08/2007 | 1850          |
| 3       | 1039                      | M.R.Sathyan                  | 30/07-08 dt.30/08/2007 | 6200          |
| 4       | 1108                      | M/s. Kamal Markting, Panagad | 2/08-09 dt 30/09/2009  | 50,000        |
| 5       | 1131                      | M.R.Prasad                   | 4/08-09 dt.18/06/2009  | 33,000        |

The validity period of the securities had already expired, since the maximum period for the retention of security deposit was only up to expiry of defect liability period. Urgent action is required for the release of securities in respect of completed works, for which no liability existed or for crediting the securities to Govt. account, in the absence of any claimants.

It was seen that the abstract of security deposits pending, is not prepared at the end of every month/year with details such as opening balance, additions during the month/year, release during the year and balance number of pending SDs etc. Absence of periodical physical verification of the securities has led to the lapses.

The Division in its reply stated that, the SDs would be released on satisfactory completion of the work and guarantee period based on remarks from concerned Asst Exe Engineer and the delay was due to non-availability of such recommendations from the concerned officers.

The reply is not tenable as the above deposits were more than 10 years old and no action was seen taken for refund or forfeiture of the same.

#### V. DCB- Arrears Pending realization

It was seen that arrears of water charges to be collected by the PH Division was Rs. 21544.47 lakh at the end of the year 2019-20. The detail was as shown below:

| Type of consumers | No. of Consumers 31-3-2019 | No. of Consumers 31-3-2020 | Balance as on 1-4-2019 (₹) | Demand 2019-20 (₹) | Collection 2019-20 (₹) | Balance on 31-3-2020 (₹) | % of total arrears |
|-------------------|----------------------------|----------------------------|----------------------------|--------------------|------------------------|--------------------------|--------------------|
| Industrial        | 277                        | 287                        | 12812876                   | 10580043           | 7949090                | 15443829                 | 0.72               |
| Domestic          | 158281                     | 162762                     | 189012947                  | 295636807          | 291706809              | 192942945                | 8.96               |
| Non-Domestic      | 25088                      | 27629                      | 870048342                  | 516946549          | 435444128              | 951550763                | 44.17              |
| Special           | 2                          | 2                          | 31288                      | 8639               | 6155                   | 33772                    | 0.00               |
| Panchayaths       | 1899                       | 1899                       | 18171501                   | 14120274           | 12079092               | 20212683                 | 0.94               |
| Corporation       | 5909                       | 5909                       | 855956878                  | 505333504          | 387027285              | 974263097                | 45.22              |
| <b>Total</b>      | <b>191456</b>              | <b>198488</b>              | <b>1946033832</b>          | <b>1342625816</b>  | <b>1134212559</b>      | <b>2154447089</b>        | <b>100.00</b>      |

Major portion of the arrears of water charges was due from the Kochi Corporation (45.22%) and non-domestic consumers (44.17%). The domestic consumers accounted for 8.96% of the arrears due as on 31 March 2020. In the absence of any stringent steps taken to ensure prompt realization of the amounts due to KWA from the consumers, the balance pending collection was increasing over the years by 10.71% than the previous year and accounted to 160.71% of the total demand for the year 2019-20. Action may be taken for recovering the arrears pending collection in respect of non-domestic consumers and Kochi Corporation without delay.

The Division replied that arrears of `1129 lakh were from govt consumers and one time settlement of `127.88 lakh was given to Maharajas College against `679.85 lakh. `8172.64 lakh was due from disconnected connections and `720 lakh was to be waived in revenue adalath. Arrears from local bodies were `9944.75 lakh and the same was due to non-remittance by Kochi Corporation and Kadamakudy grama panchayath.

The reply is not tenable as the arrears were waived subject to remittance of the agreed amount and the waived amount was not removed from the arrears pending collection in the DCB statement so far.

#### **VI. Maintenance of more than one Bank Account for the same purpose**

On verification of the Bank records it was seen that PH Division, Kochi has been maintaining two Bank Accounts in two different banks for Atal Mission for Rejuvenation and Urban Transformation (AMRUT) programme of the Ministry of Urban Development, Government of India as detailed below:

| Sl.No. | Name of Bank                        | SB A/c No.     | Purpose for which maintained                        | Closing Balance as on 31/03/2020(´) |
|--------|-------------------------------------|----------------|-----------------------------------------------------|-------------------------------------|
| 1.     | State Bank of India                 | 37671371467    | For the implementation of the Project AMRUT-2015-16 | 5,000                               |
| 2.     | Federal Bank, Vyttila Branch, Kochi | 14100100159070 | -do-                                                | 9,11,507                            |

It has been replied that action is being initiated for closing the SB account in Federal Bank and to transfer the balance to the SB account of the SBI.

#### **VII. Delay in disposal of vehicles**

The following unserviceable vehicles have not been disposed of till date.

| Sl.No. | SR.No.                                            | Description of Vehicles                  | Value on the book(Rs.) | Assessed value for disposal (Rs.) |
|--------|---------------------------------------------------|------------------------------------------|------------------------|-----------------------------------|
| 1.     | 01/2017-18<br>Sub<br>Division,<br>Water<br>Works, | KL 1-5910<br>1986 Model<br>Mahindra Jeep | 1,25,000               | 50,000                            |



|    |       |                           |     |     |
|----|-------|---------------------------|-----|-----|
|    | Kochi |                           |     |     |
| 2. | Nil   | KL-01-B5917<br>HGV Tanker | Nil | Nil |

The vehicle at SI No 1 became unusable and obtained survey report for disposal in 2017-18; no further action was taken for disposal of the same till date.

It was seen that the vehicle at SI No 2 was kept in the premises at Sewerage Sub division from May 2010 for which sanction for auction was given by MD, KWA on 8 May 2015. It was seen that revenue recovery action was initiated for non-payment of vehicle tax of `24640 from Jan 2011. Since the demand for vehicle tax was not waived, the auction procedure was not initiated.

As the delay in disposal of the vehicle would result in further deterioration, early action may be taken for the disposal of the vehicle.

### PART-III

#### Follow-up on findings outstanding from previous Inspection reports

| Sl.No | Period of IR | Part/Type | Para.No | Para details                                                                                                                                           |
|-------|--------------|-----------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1     | 2011-12      | Part II A | I       | Non- initiation of timely action resulting in revenue loss Rs. 50 lakh.                                                                                |
| 2     | 2012-13      | Part II A | I       | Short collection of connection fee in respect of flats amounting to Rs 70.49 lakh                                                                      |
| 3     | 2013-14      | Part II A | I       | KSUDP—Strengthening of distribution network in Kochi—Abandoning the work due to insufficient planning resulting in wasteful expenditure of `3.26 crore |
| 4     | 2017-18      | Part II A | I       | Shortage of materials at site on physical verification - `60.61 lakh liability to be recovered against the contractor                                  |
| 5     | 2018-19      | Part II A | I       | I. Loss of `2.05 crore as water charges due to classification of buildings having less than 10 dwelling units as “flats”.                              |
| 6     | 2013-14      | Part II B | VII     | Suspected case of encroachment of KWA property—follow up regarding                                                                                     |
| 7     | 2013-14      | Part II B | XIV     | Internal Control                                                                                                                                       |
| 8     | 2014-15      | Part II B | II      | Shortage of materials in Stock                                                                                                                         |

|           |         |           |     |                                                                                                                                                                                                                      |
|-----------|---------|-----------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>9</b>  | 2014-15 | Part II B | X   | Irregular sanction of service weightage for PR 2004 and 2009 and Time Bound Higher Grade Promotion to Smt.Sosamma Daniel, LDC, HG.                                                                                   |
| <b>10</b> | 2015-16 | Part II B | IV  | Non collection of long outstanding dues towards water charges Rs 125.09 Crore–non initiation of action to locate the unidentified consumers or initiate revenue recovery proceedings                                 |
| <b>11</b> | 2015-16 | Part II B | VI  | Non initiation of timely action for repairing the department vehicle –tanker lorry –KL-01B -5917 of the Sewerage Sub Division, Pallimukku                                                                            |
| <b>12</b> | 2016-17 | Part II B | I   | Replacement of old 300 mm. CI pipe line in Mattancherry& Fort Kochi areas – Excess procurement of pipes and payment of road restoration charges to PWD on inflated rates – loss of Rs 30.06 Lakh                     |
| <b>13</b> | 2016-17 | Part II B | IV  | Non Completed/Partially Completed Schemes – Improvements to Water Supply Scheme of Chellanam Panchayath – Revised AS pending sanction                                                                                |
| <b>14</b> | 2016-17 | Part II B | IX  | Revenue Recovery – reg.                                                                                                                                                                                              |
| <b>15</b> | 2016-17 | Part II B | XII | Unidentified connections – action – reg.                                                                                                                                                                             |
| <b>16</b> | 2017-18 | Part II B | I   | Improper planning- Replacement of old and damaged 700mm premo pipe by 700mm DI K9 pipe in Kathrikadavu to Pulleppady road.                                                                                           |
| <b>17</b> | 2017-18 | Part II B | II  | AMRUT 2015-16 – Replacement of existing 525mm distribution cum pumping main with 600mm rider pumping main from Karuvelippady to Koovappadam in Kochi Corporation – non-commencement of the work.                     |
| <b>18</b> | 2017-18 | Part II B | III | Augmentation of Kochi WSS – Improvement of water supply to Divisions 13 to 16 of Edakochi area                                                                                                                       |
| <b>19</b> | 2017-18 | Part II B | IV  | Improving water supply to Ambalavanan road (South Kadavanthra ) in Division no 28 by laying 160 mm PVC pipe.                                                                                                         |
| <b>20</b> | 2017-18 | Part II B | V   | Improving water supply in Padivattom area- Replacing old and damaged 150mm AC pipe with 160mmPVC pipe in Edappally- Arkkakadavu road in old Division no-34(New-41) of Kochi Corporation-Non-commencement of the work |
| <b>21</b> | 2017-18 | Part II B | VI  | Maintenance of Guest House at                                                                                                                                                                                        |

|           |         |           |      |                                                                                                                                                             |
|-----------|---------|-----------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           |         |           |      | CemetheryMukku – Painting, furnishing, electrical and pumbing work – delay in completion of the work                                                        |
| <b>22</b> | 2017-18 | Part II B | XI   | Revenue pending collection                                                                                                                                  |
| <b>23</b> | 2017-18 | Part II B | XII  | Disposed of lapsed/unclaimed deposits.                                                                                                                      |
| <b>24</b> | 2018-19 | Part II B | I    | I. Violation of Norms for Operating Staff resulting in extra expenditure of ` 32.00 lakhs                                                                   |
| <b>25</b> | 2018-19 | Part II B | II   | II. Irregular payment of Over Time Allowance- `30.09 lakh                                                                                                   |
| <b>26</b> | 2018-19 | Part II B | III  | III. Discrepancy between manual and eAbacus entries.                                                                                                        |
| <b>27</b> | 2018-19 | Part II B | IV   | IV. Non realisation of additional demand on account of clearing charges recovered by Bank on Treasury Cheque                                                |
| <b>28</b> | 2018-19 | Part II B | V    | V. Non-Billing of Water Charges                                                                                                                             |
| <b>29</b> | 2018-19 | Part II B | VII  | VII. Discrepancies noticed in the Stock account of materials                                                                                                |
| <b>30</b> | 2018-19 | Part II B | VIII | VIII. Disposal of scrap in Water Authority offices.                                                                                                         |
| <b>31</b> | 2018-19 | Part II B | IX   | IX. Non deduction of Security Deposit from the contractor                                                                                                   |
| <b>32</b> | 2018-19 | Part II B | X    | X. Internal Control Mechanism.<br>1. Trial balance<br>2. Maintenance of Cash Book – Irregularities/ omissions noticed<br>3. Reconciliation of Bank Accounts |

#### **PART-IV**

##### **Best practices**

--Nil--

#### **PART-V**

##### **Acknowledgement**

Audit acknowledges the cooperation extended by the Auditee.

**Sr.Deputy Accountant General (AMG II)**

**RAO/KWA/III/IR/2-577/2019-20**  
**Date: 10 March 2021**

**NOTE**

**Sub: - Inspection Report of PH Division Kochi for the period 2019-21 –reg**

Inspection Report (IR) of PH Division, Kochi for the period 2019-20 was forwarded by the SA Party III.

2. Edited version of the draft IR is submitted for approval.

**RAO/KWA**

**Sr.DAG(AMG II)**