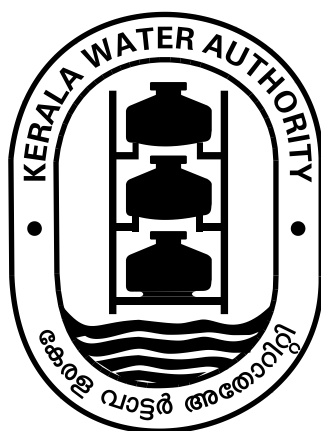


KERALA WATER AUTHORITY



ANNUAL ACCOUNTS

2016-17

JALA BHAVAN, THIRUVANANTHAPURAM-695033

PHONE: 91 471 2738300



**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
ON THE REVISED ACCOUNTS OF THE KERALA WATER AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2017.**

1. We have audited the attached Balance Sheet of Kerala Water Authority (KWA) as at 31 March 2017 and the Income and Expenditure Account(Revised)for the year ended 31 March 2017 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. The preparation of these financial statements is 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

1.1.2. Reserves and Surplus. ₹ 356. 55 crore

This represents the amount of deposit received against water/sewer deposit works transferred to “Reserve for Deposit Works” on effective completion of such works which are not handed over to the depositors. As per Note No.2.03 of the Statement on Significant Accounting Policies, it was stated that works completed under the deposit received up to March 2012 had been transferred to the Reserve for deposit works as Fixed Asset register was updated only up to March 2012.

Audit observed that even though depreciation was provided for on the assets created out of deposits from consumers, amount of reserve equal to the amount of depreciation provided for has not been accounted as income in the Income and Expenditure account. The non-accounting of depreciation as income has resulted in depiction of vitiated excess of income over expenditure for the year 2016-17.

Though this had been brought to the notice of the Authority in the previous Audit Reports, no adjustments have been made in the accounts so far.

1.2. Kerala Water Authority Loan Fund

1.2.1. Unsecured Loans & Deposits (Sch.No.D)

1.2.1.1. Interest accrued on GoK loan ₹1724.86 crore.

This is understated by ₹663.86 crore due to non- providing of liability towards penal interest @2.5 *per cent* per annum for default in repayment of GoK loan and interest thereon.

The GoK, Finance (Public Undertaking-A) Department vide Circular No.40/2013/Fin dated 27.4.2013 had revised the rate of interest and terms and conditions of loan advanced to Autonomous Bodies/Public Sector Undertakings/Statutory Corporations/Boards and other institutions under the control of GoK with effect from 01April 2012. The revised rate of interest is given below.

Type of Loan	Rate of interest (%) <i>p.a</i>
Investment loan	11.50
Working capital loan and loan advanced to meet cash losses	13.50

In case of default in repayment of principal and of interest, penal interest @ 2.5 *per cent* per year will be charged in addition to the applicable interest rate. GoK had revised the above rate of interest on loan to 9.50 *per cent* compound interest in respect of all loans with effect from 16.5.2018.

Audit observed that during the period 2007-08 to 2016-17, the Authority had availed loan amounting to ₹2332.74 crore from GoK. Interest accrued on Loan amounting to ₹1724.86 crore@ 11.50 *per cent* per year was provided in the revised accounts. However, no liability had been made in the accounts for the penal interest.



Thus, the non-provisioning of liability towards penal interest had resulted in understatement of interest accrued on GoK loan by ₹663.86 crore (**Detailed in Appendix 1**) and corresponding understatement of accumulated excess of expenditure over income.

1.2.1.2. Security Deposits – ₹195.38 crore

This does not include ₹11,19,300/- being the Security Deposit received from various contractors in the form of Fixed Deposits in favour of Executive Engineer, Project Division, Thiruvananthapuram. These SDs were neither accounted in the Cash Book nor in the Annual Accounts. Non-accounting of the same has resulted in understatement of Current Assets to the extent of ₹0.11 crore and corresponding understatement of KWA Loan Fund to that extent.

2. Application of Funds

2.1 Investments (Sch. No. F)

2.1.1. Investments for Pension/PF – ₹55.21 crore

This represents the money kept in fixed deposits with District Treasury earmarked for investment of Pension/PF. On scrutiny of the connected records, it was seen that total FDs (40 nos.) with District Treasury as on 31.03.17 was ₹54,00,58,886. Whereas it was shown in accounts as ₹55,21,14,694 with a difference of ₹1,20,55,808. Thus, the incorrect accounting has resulted in overstatement of Investments to the extent of ₹ 1.21crore.

2.2. Net Current Assets

2.2.1. Current assets (Schedule G)

2.2.1.1. Cash & Bank balances

2.2.1.1.1. Bank & Treasury Balances – ₹722.18 crore

As per the cash book maintained at the Public Health Division, Thiruvananthapuram (North), the balance of Non-Operative account as on 31.03.17 was ₹5,92,53,735/- whereas balance as per Tally was ₹4,90,36,503/- with a difference of ₹1,02,17,232/-. The difference had been carried over from previous years and the reason for the difference could not be traced out.

2.2.2. Current Liabilities and Provisions (Sch. No.H) – ₹1267.31 crore

- (a)** This includes a debit balance of ₹7,65,03,363 being the Sundry Creditors for contractors/suppliers. Opening balance of the same was also a debit balance. Inclusion of debit balance in Liabilities has resulted in understatement of Current Liabilities to the extent of ₹7.65 crore.
- (b)** The incorrect adjustment of minus balance of the tax deducted at source against current liabilities has resulted in understatement of Current Liabilities and Provisions by ₹ 2,41,21,990.



2.3. Loans & Advances (Sch.No. I) – ₹224.31 crore

2.3.1.Loans and Advances to employees.

This includes a credit balance of ₹1,49,08,398/- being the Loans and Advances to employees. Opening balance of the same was also a credit balance. Inclusion of credit balance in Assets has resulted in understatement of Loans& Advances to the extent of ₹1.49 crore.

2.3.2 Advances to suppliers/contractors – ₹162.23 crore

This includes Sundry Creditors for Contractors (A/c code-2811) debit balance amounting to

₹1730.60 crore as on 31 March 2017. The Sundry Creditors for contractors is understated by ₹45.51 crore due to non-accounting of liability regarding payment to contractors at the time of bills due for payment in the JICA Project Division. On scrutiny of vouchers and connected records at JICA Project Division, Thiruvananthapuram it was seen that once the bill for contractors is passed for payment, no entry was seen passed for liability for payment and corresponding accounting to Capital Work in Progress. The transaction was accounted only at the time of making payment to the contractors by crediting the bank account. The details of bills relating to the completed works, which were not accounted under the A/c code 2811 during the year 2016-17 are detailed in **Appendix 2**. This has also resulted in understatement of Capital Work in Progress to the extent of ₹45.51 crore.

B. INCOME AND EXPENDITURE ACCOUNT

3. Expenditure

3.1. Interest on Govt. of Kerala Loans - ₹264.04 crore.

This is understated by ₹54.84 crore due to non- providing of penal interest @ 2.5 per cent for non-repayment of GoK loan and interest thereon.

This is understated by ₹54.84 crore due to non- providing of penal interest @ 2.5 per cent for non-repayment of GoK loan and interest thereon. The GoK, Finance (Public Undertaking-A) Department vide circular No.40/2013/Fin dated 27.4.2013 had revised the rate of interest and terms and conditions of loan advanced to Autonomous Bodies/Public Sector Undertakings/Statutory Corporations/Boards and other institutions under the control of GoK with effect from April 2012. The revised rate of interest is given below.

Type of Loan	Rate of interest (%) <i>p.a</i>
Investment loan	11.50
Working capital loan and loan advanced to meet cash losses	13.50

In case of default in repayment of principal and of interest, penal interest @2.5 *per cent* per year will be charged in addition to the applicable interest rate. GoK had revised the above rate of interest on loan to 9.50 *per cent* compound interest in respect of all loans with effect from 16.5.2018.



During the year 2016-17, an amount of ₹264.04 crore @ 11.50 *per cent* had been provided in the Income and Expenditure Account (revised). Audit observed that no provision for penal interest @ 2.50 % had been provided in the accounts as per the GoK order. Thus non-provisioning of penal interest for non-repayment of GoK loan has resulted in understatement of Excess of Expenditure over income by ₹54.84 crore (**vide Appendix 3**).

C. GENERAL

4. Balance Sheet

4.1 Current Assets -Schedule G

4.1.1 Cash& Bank Balances

4.1.1.1. Bank & Treasury Balances - ₹722.18 crore

The Kerala Water Authority had seven Fixed Deposits accounts amounting to ₹ 21 crore which were opened with the Federal Bank in July 2014. Interest amounting to ₹ 5.27crore accrued on the Fixed Deposit for the period up to March 2017 along with the principal amount was shown as Bank and Treasury balances in the Balance Sheet. The amount of fixed deposit and interest accrued thereon should have been shown separately in order to have a true and fair view of statement of affairs of the Authority.

5. IMPACT OF THE COMMENTS

As a result of the Draft Comments on the revised accounts for the year 2016-17, Assets would be increased by ₹45.90 crore, Liabilities by ₹719.54 crore, expenditure by ₹54.84 crore as detailed below.

(Rupees in Crore)

Particulars	Increase	Decrease	Net Increase/Decrease (-)
Assets	47.11	1.21	45.90
Liabilities	719.54	0	719.54
Expenditure	54.84	0	54.84
Income	0	0	0

D.GRANTS-IN-AID

Out of Grants in aid of ₹931.91 crore (₹ 883.23 crore received during the year, ₹0.14 crore recouped and ₹ 0.07 crore) ₹48.47 crore is the opening balance. The Authority had utilised an amount of ₹771.96 crore, leaving a balance of ₹ 159.95 crore as unutilised grant as on 31 March 2017. Project wise details of grants-in-aid are in Annexure II enclosed.



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

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

- a. In so far as it relates to the Balance Sheet of the state of affairs of the Kerala Water Authority as at 31 March 2017
- b. In so far as it relates to the Income and Expenditure Account of the deficit for the year ended on that date.

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

Sd/-

अनिमचेरियान
ANIM CHERIAN
प्रधानमहालेखाकार (ले.प-I), केरल
PRINCIPAL ACCOUNTANT GENERAL
(AUDIT-I), KERALA

तिरुवनंतपुरम/ Thiruvananthapuram

Dated: 11.03.2022.



ANNEXURE 1

Internal Audit System

Internal Audit of the Authority is conducted by the Internal Audit Wing under the control of Accounts Member. The internal audit in respect of the following ARUs are pending for a year or more as shown below.

Number of ARUs	Period up to which Internal Audit is completed
1	31.03.2011
9	31.03.2012
3	31.03.2013
8	31.03.2014
6	31.03.2015

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

The major deficiencies noticed in the Internal Audit system are

- Internal Audit Manual explaining the mode and procedure to be followed have not been prepared by the Authority.
- The Internal Audit Wing is under the control of Accounts Member instead of the direct control of the Chief Executive of the Authority.
- There was delay in complying with the audit paragraphs or taking corrective action by the field units.

II. Adequacy of Internal Control System

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

- On test check of records at three ARUs (Project Division, Thiruvananthapuram, Public Health Division Thiruvananthapuram (North) and JICA Project Division Thiruvananthapuram), it was seen that each of these ARUs had 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.
- **Inadequate accounting information**
 - (a) Project Division, Thiruvananthapuram, Public Health Division, Thiruvananthapuram (North) and JICA Project Division Thiruvananthapuram, were not maintaining Financial Ledgers. Hence Audit could not ensure the correctness of the item wise balances.
 - (b) Subsidiary Ledgers of receivables and payables were also not being maintained by the above ARUs and 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 were altered/revised at Head Office without proposing journal entries and without recording the reasons for the alteration/ revision. The revisions made were not being incorporated in the books of accounts of the concerned Divisions/Sub divisions even after finalizing accounts. As a result, the opening balances of control



accounts in the Unit trial balances were often at variance with the balances in Trial Balance considered for preparation of consolidated Accounts at the Head Office.

- (d) 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.
- (e) Non- Accountal of Liability - In the three ARUs mentioned above the liability for payment of contractors has not been accounted when the work had been completed and bills were passed for payment. These ARUs pass entries only at the time of making payment to the contractors. This results in depiction of incorrect liability for payments in the annual financial statements.

- **Cash book**

Instances of Cash book balances not being physically verified and the certificates of verification by the Competent Authority not recorded in the Cash Book are noticed. In Project Division, Thiruvananthapuram, Cash Book was not seen closed on daily basis and was not authenticated by an authorised officer.

- **Interest on GPF**

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

- **Physical Verification of Fixed Assets Register**

As per the Kerala Water Authority (Deprecation Reserve and its Utilization) Rules 1992, the Authority shall maintain Assets registers for all assets the value of which exceeds Rs. 1000 for each of its Divisional Offices, Circle Offices, Regional Offices and Head Office(FA -15). Audit observed that the Head office of the Authority had not maintained fixed assets register in the year 2015-16. The Fixed Assets Register is pending updation since March 2012. Further physical verification of Fixed Asset has not been conducted. Hence Audit could not ensure the actual existence of the Assets.

- **Security deposits from contractors/suppliers**

As per volume IV of the Chapter 4 of the Accounts Manual 1993, the Divisional Officer on receipt of any security deposit shall account such receipts in the receipt side of cash book under the head security deposit from contractors. Security Deposits collected from the contractors in the form of fixed deposits were not entered in the books of accounts (Project Division, Thiruvananthapuram). It was seen that in Public Health Division, Thiruvananthapuram, security deposits collected from contractors/suppliers in the form of Fixed Deposits (taken in the name of the contractors) were found pledged with the Executive Engineer. These fixed deposits were not taken in the name of the Executive Engineer.

- **Regularity in payment of statutory dues**

The Authority was generally regular in depositing undisputed statutory dues including NPS contribution with appropriate authorities except water cases.

Sd/-
Resident Audit Officer
Kerala Water Authority



ANNEXURE II									
GRANTS-IN-AID									
Project wise details of Receipt and Utilisation of Grants - in - Aid during the year 2016-17									
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 utilised during the year	Amount un utilised as on 31-03-2017 carried forward to next year	Remarks i. Target date of the Project. ii. Audit comment on delay etc.
1	NRDWP (Programme and Support)	3.11	72.90	0.07	0.14	76.22	73.99	2.23	
2	Earmarked Schemes	0.97				0.97	0.97	-	
3	Others (National Water Quality Submission Programme) (NWQSM)	-	2.31			2.31		2.31	
4	Others (NITI Ayog)	-	19.73		-	19.73	-	19.73	
	Total GOI	4.08	94.94	0.07	0.14	99.23	74.96	24.27	
4	GOK (P) -State Plan	44.19	431.57			475.76	343.40	132.36	
	JICA	(0.90)	51.17			50.27	47.93	2.34	
5	GOK (NP)	-	296.55			296.55	296.55	-	
6	LAC-ADS	1.10	9.00			10.10	9.12	0.98	
	Total GOK	44.39	788.29	-	-	832.68	697.00	135.68	
	Grand Total	48.47	883.23	0.07	0.14	931.91	771.96	159.95	

** The amount received towards deposit works is not included above

RAO/KWA



APPENDIX 1

Referred to in Para No.1.2.1.1

Details of interest accrued on Government loans

(₹ in lakh)

Period (A)	Amount of Loan (B)	Interest per year at the rate of 14 % including penal interest @ 2.5 % <i>pa</i> (C)	Interest accrued up to March 2017 (D)= C x number of years up to March 2017
2007-08	66218	9270.52	92705.2
2008-09	37900	5306.00	47754
2009-10	32427	4539.78	36318.24
2010-11	9917	1388.38	9718.66
2011-12	23233	3252.62	19515.72
2012-13	25691	3596.74	17983.7
2013-14	19367	2711.38	10845.52
2014-15	5335	746.9	2240.7
2015-16*	8069	714.57	1429.14
2016-17**	5117	361.13	361.13
Total	233274		238872.01
Less -accrued interest as per the pre revised accounts			1699.34
Additional liability to be provided (A)			689.38
Less- Additional liability provided as per revised accounts (₹1787.52 crore minus ₹1699.34 crore) (B)			25.52
Liability not provided (A) - (B)			₹663.86 crore

*During the year 2015-16, ₹ 5000 lakh was received on June 29, 2015 and ₹ 3069 lakh was received September 23, 2015 and interest was calculated for proportionate period.

** During 2016-17, the loan amount of ₹ 5117 lakh was received on September 28,2016 and interest was calculated for proportionate period.

**Resident Audit Officer
Kerala Water Authority**



APPENDIX 2

Referred to in Para 2.3.2

The details of bills relating to the completed works which were not accounted under the A/c code 2811 during the year 2016-17

Sl No.	Bill month	Amount (Rs.)	Payment month and year
1.	04/16	30369008	04/16
2.	05/16	21665451	05/16
3.	06/16	24830095	06/16
4.	07/16	34622700	07/16
5.	08/16	45016487	08/16
6.	09/16	37543437	09/16
7.	10/16	28652164	10/16
8.	11/16	26083438	11/16
9.	12/16	67903226	12/16
10.	01/17	35725181	01/17
11.	02/17	15633810	02/17
12.	03/17	87048633	03/17
	Total	45,50,93,630	

**Resident Audit Officer
Kerala Water Authority**



APPENDIX 3

Referred to in Para No.3.1

Details of interest accrued on Government loans

(₹ in lakh)

Period	Amount of loan	Interest per year at the rate of 14 % including penal interest @ 2.5 % <i>pa</i>
2007-08	66218	9270.52
2008-09	37900	5306
2009-10	32427	4539.78
2010-11	9917	1388.38
2011-12	23233	3252.62
2012-13	25691	3596.74
2013-14	19367	2711.38
2014-15	5335	746.9
2015-16*	8069	714.57
2016-17**	5117	361.13
Total	233274	31888.02
A. Understatement of excess of expenditure over income= 318.88 crore - 249.78 crore = 69.10 crore		
B. Additional provision made as per the revised accounts (₹264.04 crore minus ₹ 249.78 crore) = ₹14.26 crore		
C. provision not provided ₹69.10 crore minus ₹14.26 crore= ₹54.84 crore		

*During the year 2015-16, ₹ 5000 lakh was received on June 29, 2015 and ₹3069 lakh was received September 23, 2015 and interest was calculated for proportionate period.

** During 2016-17, the loan amount of ₹5117 lakh was received on September 28, 2016 and interest was calculated for proportionate period.

**Resident Audit Officer
Kerala Water Authority**



KERALA WATER AUTHORITY

BALANCE SHEET AS AT 31st MARCH 2017

	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SOURCES OF FUNDS</u>			
1 Kerala Water Authority Fund			
a. Contributions & Grants	A	71,87,80,44,923	66,16,86,51,414
b. Reserves & Surplus	B	3,56,55,04,378	3,56,55,04,378
2 Kerala Water Authority Loan Fund			
a. Secured Loans	C	70,80,81,098	1,26,77,59,680
b. Unsecured Loans & Deposits	D	61,36,97,80,304	55,60,08,09,702
Total		1,37,52,14,10,703	1,26,60,27,25,174
<u>APPLICATION OF FUNDS</u>			
1 Fixed Assets	E		
Gross Block		55,67,99,67,873	54,20,79,22,361
Less: Depreciation Reserve		17,44,48,84,527	16,25,64,70,211
Net Block		38,23,50,83,346	37,95,14,52,150
Capital Work in Progress		58,12,24,73,725	54,03,60,91,987
		96,35,75,57,071	91,98,75,44,137
2 Investments	F	55,21,14,694	52,44,06,932
3 Net Current Assets			
a. Current Assets	G	19,49,75,24,351	13,58,20,04,838
b. Current Liabilities	H	12,67,31,00,881	9,54,62,91,947
		6,82,44,23,470	4,03,57,12,891
4. Loans & Advances	I	2,24,30,98,620	2,25,02,98,524
5 Miscellaneous Expenditure to the extent not Written-off	J	-	-
6 Accumulated Excess of Expenditure over Income	K	31,54,42,16,848	27,80,47,62,690
Total		1,37,52,14,10,703	1,26,60,27,25,174

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

V. Ramasubramani
Accounts Member

Venkatesapathy. S IAS
Managing Director



KERALA WATER AUTHORITY

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
INCOME			
1 Operating Income			
a. Consumers	L	5,84,25,71,055	5,63,40,90,888
b. Others	M	1,14,08,878	2,61,76,893
		5,85,39,79,933	5,66,02,67,781
2 Grants & Subventions - Government of Kerala		2,96,55,75,000	2,65,10,69,000
3 O&M Grant from Government of India		10,46,52,000	8,13,93,000
4 Interest Income	N	23,40,65,812	27,93,44,631
5 Other Non-Operative Income	O	1,84,58,11,035	82,96,97,710
6 Debtors/Creditors written off	T	-	5,00,00,00,000
Total Income		11,004,083,780	14,50,17,72,122
EXPENDITURE			
1 Operating & Maintenance Expenses	P	3,35,34,69,906	3,62,73,52,367
2 Payment & Provision to Employees	Q	7,38,28,65,441	7,05,60,21,835
3 Office expenses	R	15,89,01,550	15,26,47,230
4 Travelling & Conveyance Expenses		5,21,76,182	3,98,68,983
5 Administrative Expenses	S	7,08,08,922	5,91,28,750
6 Assets and losses written off	U	-	-
7 Provision for Doubtful Debts	V	-	-
8 Interest on			
a. Secured Loans		12,05,34,088	11,86,61,307
b. Government of Kerala Loans		2,64,04,26,000	2,45,06,69,000
c. GPF		24,22,23,825	24,02,01,638
		3,00,31,83,913	2,80,95,31,945
9 Depreciation	E	1,18,84,14,315	1,16,47,09,594
Total Expenditure		15,20,98,20,229	14,90,92,60,704
10 Transferred to Capital Work-In-Progress	W	46,80,07,921	55,20,76,443
		14,74,18,12,308	14,35,71,84,261
Excess of Expenditure over Income		3,73,77,28,528	(14,45,87,861)
11 Prior Period Adjustments	X	17,25,630	22,25,82,064
Excess of Expenditure over Income after prior period adjustments		3,73,94,54,158	7,79,94,203

Schedules L to W and significant accounting policies and notes on the accounts 2.11 to 2.14 form an integral part of this Income & Expenditure Account

Shijith. V
Finance Manager &
Chief Accounts Officer

V. Ramasubramani
Accounts Member

Venkatesapathy. S IAS
Managing Director



SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - A</u>		
CONTRIBUTIONS & GRANTS		
1 Capital Contribution by GOK on formation of KWA (Net value of Assets taken over from erstwhile P.H.E.D)	4,34,53,27,735	4,34,53,27,735
2 Contribution & Grants from Government of Kerala	45,07,01,84,673	40,44,29,41,032
3 Interest free fund from GOK	7,13,22,51,632	7,13,22,51,632
Less : Amount released to :	-	-
a. Urban L.C.S Schemes	3,65,25,750	3,65,25,750
b. Rural L.C.S Schemes	3,94,97,200	3,94,97,200
c. Kerala Urban Development Project	3,60,00,000	3,60,00,000
	7,02,02,28,682	7,02,02,28,682
4 Contribution & Grants from Government of India	16,80,80,66,303	15,96,32,46,303
Less : Amount released to District Collectors and Kerala Rural Water Sanitation Agency	2,24,58,75,986	2,24,58,75,986
	14,56,21,90,317	13,71,73,70,317
5 Donated capital assets	18,14,530	18,14,530
6 Capital contribution from other sources	87,82,98,986	64,09,69,119
	71,87,80,44,923	66,16,86,51,414
<u>SCHEDULE - B</u>		
RESERVES & SURPLUS		
Reserve for deposit works	3,56,55,04,378	3,56,55,04,378
	3,56,55,04,378	3,56,55,04,378
<u>SCHEDULE - C</u>		
SECURED LOANS		
1 Loan from LIC of India	70,69,35,125	81,03,33,586
2 Loan from HUDCO	-	-
3 Bonds	-	-
4 Bank overdraft	11,45,973	45,74,26,094
	70,80,81,098	1,26,77,59,680
<u>SCHEDULE - D</u>		
UNSECURED LOANS & DEPOSITS		
1 Loan from Govt of Kerala	23,32,73,83,580	22,81,56,83,580
2 Interest accrued on GOK Loan	17,24,85,53,000	14,61,11,66,000
3 Deposit from local bodies	4,52,90,14,888	3,97,46,42,685
4 Security Deposit	1,95,38,07,877	1,95,78,27,975
5 Earnest Money Deposit	7,87,94,761	5,41,14,544
6 Water & Sewerage Connection Deposits	9,03,61,802	12,18,19,255
7 Deposit work-Water Supply & Sewerage	11,66,00,79,327	10,23,96,36,389
8 Other deposits	2,48,17,85,069	1,82,59,19,274
	61,36,97,80,304	55,60,08,09,702

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director

SCHEDULE FORMING PART OF BALANCE SHEET AS ON 31-03-2017 (Contd....)

KERALA WATER AUTHORITY**SCHEDULE OF FIXED ASSETS AS AT 31st MARCH 2017****SCHEDULE - F**

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	BALANCE AS ON 01/04/2016	ADDITIONS	DELETIONS	AS ON 31-03-2017	BALANCE AS ON 01/04/2016	DEPRECIATION UP TO 31-03-2017	CURRENT YEAR	PREVIOUS YEAR
FREE HOLD LAND	1,75,35,65,167	24,97,954	-	1,75,60,63,121	-	-	1,75,60,63,121	1,75,35,65,167
LEASE HOLD LAND	-	-	-	-	-	-	-	-
LAND DEVELOPMENT EXPENDITURE	7,48,73,240	-	-	7,48,73,240	-	-	7,48,73,240	7,48,73,240
CIVIL WORKS	20,98,58,11,732	68,60,28,849	-	21,67,18,40,581	4,93,17,14,562	5,42,77,75,231	16,24,40,65,350	16,05,40,97,170
BUILDINGS	1,81,89,79,063	15,62,49,352	-	1,97,52,28,415	50,49,62,627	3,53,84,878	1,43,48,80,910	1,31,40,16,436
PLANT & MACHINERY	4,40,57,89,181	50,78,13,840	-	4,91,36,03,021	2,33,64,11,123	17,24,64,416	2,40,47,27,482	2,06,93,78,058
MAINS & NETWORKS	24,36,76,34,420	11,42,49,582	-	24,48,18,84,002	8,05,15,73,239	46,37,90,645	15,96,65,20,118	16,31,60,61,181
ROADS BRIDGES AND CULVERTS	36,74,53,074	-	-	36,74,53,074	17,80,12,092	87,25,167	18,07,15,815	18,94,40,982
VEHICLES	14,25,63,238	69,600	-	14,26,32,838	8,89,16,458	48,19,162	4,88,97,218	5,36,46,780
FURNITURE, FIXTURES & OFFICE EQUIPMENTS	29,12,53,246	51,36,335	-	29,63,89,581	16,48,80,111	71,69,378	12,43,40,092	12,63,73,135
Total	54,20,79,22,361	1,47,20,45,512	-	55,67,99,67,873	16,25,64,70,212	1,18,84,14,315	38,23,50,83,346	37,95,14,52,149

	CURRENT YEAR (₹)	PREVIOUS YEAR (₹)
GROSS BLOCK OF FIXED ASSETS	55,67,99,67,873	54,20,79,22,361
LESS : ACCUMULATED DEPRECIATION	17,44,48,84,527	16,25,64,70,211
NET VALUE OF FIXED ASSETS	38,23,50,83,346	37,95,14,52,150
ADD : CAPITAL WORK-IN-PROGRESS [ACCOUNT CODE 11]	58,12,24,73,725	54,03,60,91,987
Total	96,35,75,57,071	91,98,75,44,137

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director



SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017 (Contd...)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - F</u>		
<u>INVESTMENTS</u>		
Investment for Pension / PF	55,21,14,694	52,44,06,932
<u>SCHEDULE - G</u>		
<u>CURRENT ASSETS</u>		
1 Inventory :	-	
a. Stores, Tools & Spares	78,19,65,681	80,76,79,727
b. Consumables	12,60,79,634	12,19,12,497
c. Others	-	-
	90,80,45,315	92,95,92,224
2 Sundry Debtors :		
a. Consumers		
i. Local bodies dues - water & maintenance charges	2,99,28,95,434	2,21,93,45,735
ii. Domestic, Non-domestic & Industrial dues	8,13,98,02,284	6,44,21,21,386
b. LIC Loan repayment due from Local Bodies	17,61,43,755	17,61,43,755
c. Others	96,76,282	96,76,282
	11,31,85,17,755	8,84,72,87,158
3 Cash & Bank Balances :		
a. Bank & Treasury balances	7,22,17,87,833	3,77,08,96,005
b. Cheques & Bills in transit	-	-
c. Cash on hand	40,16,917	59,46,174
	7,22,58,04,750	3,77,68,42,179
4 Other Current Assets :		
Inter office & other suspense account balances	4,51,56,531	2,82,83,277
	19,49,75,24,351	13,58,20,04,838
<u>SCHEDULE - H</u>		
<u>CURRENT LIABILITIES & PROVISIONS</u>		
1 <u>Current Liabilities</u>		
a. Sundry Creditors :		
i. Payment to employees	91,96,56,386	39,52,85,959
ii. For expenses	7,95,86,70,014	5,47,99,52,028
iii. For contractors/suppliers	(5,70,91,679)	(5,75,72,348)
b. Statutory employees deductions :	-	-
i. General provident fund	3,47,93,91,210	3,33,05,02,469
ii. NMR PF	5,51,53,292	5,49,34,876
iii. Others	(2,20,41,515)	(1,52,05,982)
c. Sales-Tax Collection	2,63,81,896	3,50,39,912
d. Tax Deducted at Source	(2,41,21,990)	(2,41,21,990)
e. Other Current liabilities	37,30,39,544	37,37,54,860
f. Interest Accrued on Loans	8,23,97,134	8,42,70,887
	12,79,14,34,292	9,65,68,40,671
2 Control Account Balances	(11,83,33,411)	(11,05,48,724)
	12,67,31,00,881	9,54,62,91,947

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director



SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2017 (Contd...)

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - I</u>		
<u>LOANS & ADVANCES</u>		
1 Loans & advances to employees	(1,49,08,398)	(1,42,30,452)
2 Advances for expenses	3,19,31,202	3,11,33,703
3 Advances to suppliers / contractors	1,62,22,87,237	1,64,71,62,749
4 Revolving fund to Local Bodies	19,08,803	19,08,803
5 Advances - Others	1,05,96,740	1,09,37,230
6 Claims recoverable	21,03,27,518	21,14,04,250
7 Contribution Deposit - KSEB	1,00,36,444	92,23,076
8 Consumer Deposit - KSEB	17,65,90,864	17,56,82,190
9 Deposit with PWD	3,60,99,089	1,88,74,828
10 Deposit with others	10,13,12,150	10,12,85,176
11 Advances for capital expenditure	5,69,16,971	5,69,16,971
	2,24,30,98,620	2,25,02,98,524
<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	27,80,47,62,690	27,72,67,68,487
Add : Current years excess of expenditure over income	3,73,94,54,158	7,79,94,203
	31,54,42,16,848	27,80,47,62,690

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director



SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT AS AT 31st MARCH, 2017

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - L</u>		
OPERATING INCOME - CONSUMERS		
1 Operating income - water supply		
a. Domestic Consumers	2,25,10,24,794	1,98,76,71,757
b. Non-domestic Consumers	2,16,70,07,240	2,19,72,49,362
c. Industrial Consumers	15,25,22,050	20,73,68,584
	4,57,05,54,084	4,39,22,89,703
2 Operating income - Sewerage		
a. Domestic Consumers	12,44,379	10,32,496
b. Non-domestic Consumers	32,81,195	34,41,254
	45,25,574	44,73,750
3 Income from local bodies	1,26,74,91,397	1,23,73,27,435
	5,84,25,71,055	5,63,40,90,888
<u>SCHEDULE - M</u>		
OPERATING INCOME - OTHERS		
1 Centage charges	88,11,337	2,14,68,935
2 Storage charges	82,233	1,29,326
3 Supervision charges	19,58,484	14,78,614
4 Miscellaneous recoveries	5,56,824	31,00,018
	1,14,08,878	2,61,76,893
<u>SCHEDULE - N</u>		
INTEREST INCOME		
1 Interest on loans & advances	4,41,98,541	5,38,91,671
2 Interest on deposits	18,98,67,271	22,54,52,960
	23,40,65,812	27,93,44,631

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director



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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - O</u>		
OTHER NON-OPERATING INCOME		
1 Income as recoveries	1,74,21,38,227	42,76,81,162
2 Claims recoverable	31,332	6,73,194
3 Miscellaneous income	10,36,41,476	40,13,43,354
	1,84,58,11,035	82,96,97,710
<u>SCHEDULE - P</u>		
OPERATING & MAINTENANCE EXPENSES		
1 Consumption of Stores, Tools & Spares	9,01,43,408	12,37,56,227
2 Consumables	5,73,27,786	6,64,37,646
3 Power charges	2,57,75,93,612	2,37,16,60,610
4 Insurance	19,38,909	16,00,879
5 Other operating expenses	2,22,97,129	2,71,60,390
6 Repairs & Maintenance of water supply	51,82,61,164	93,59,61,100
7 Repair & Maintenance of sewerage	6,27,46,371	7,98,47,860
8 Vehicle maintenance	2,31,61,527	2,09,27,655
	3,35,34,69,906	3,62,73,52,367
<u>SCHEDULE - Q</u>		
PAYMENT AND PROVISION TO EMPLOYEES		
1 Salaries and Allowances	4,27,01,02,194	3,63,19,59,229
2 Welfare Expenses and other employee benefits	17,20,52,240	25,54,48,577
3 Casual labour wages and other payments	77,51,44,029	73,51,27,936
4 Service Pension and Family Pension	2,16,32,06,832	2,43,23,97,637
5 Commuted Value of Pension	6,00,906	18,914
6 Gratuity of Employees	17,59,240	10,69,542
	7,38,28,65,441	7,05,60,21,835
<u>SCHEDULE - R</u>		
OFFICE EXPENSES		
1 Rent	26,77,040	26,84,579
2 Rates & Taxes	1,15,67,082	30,66,338
3 Postage, Telegram, Telephone & Telex	1,33,54,524	1,38,53,912
4 Printing & Stationery	1,81,30,447	1,70,37,501
5 Exhibition & Publicity	1,45,73,488	1,44,95,110
6 Training & other expenses	60,88,029	83,88,601
7 Electricity charges	4,85,05,511	6,57,15,472
8 Other office expenses	4,40,05,429	2,74,05,717
	15,89,01,550	15,26,47,230

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director



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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - S</u>		
ADMINISTRATIVE EXPENSES		
1 Board meeting expenses	77,231	1,21,862
2 Professional fees	6,26,03,010	4,96,07,412
3 Payment to auditors	65,73,828	62,90,007
4 Bank Charges	7,15,714	75,586
5 Other administrative expenses	8,39,139	30,33,883
	7,08,08,922	5,91,28,750
<u>SCHEDULE - T</u>		
WRITE OFFs		
Dues to KSEB waived off by GoK	-	5,00,00,00,000
	-	5,00,00,00,000
<u>SCHEDULE - U</u>		
ASSETS WRITTEN OFF		
	-	-
<u>SCHEDULE - V</u>		
PROVISION FOR BAD & DOUBTFUL DEBTS		
<u>SCHEDULE - W</u>		
TRANSFER OF REVENUE EXPENSES TO CWIP		
Establishment Charges (Share Debit)	46,80,07,921	55,20,76,443
Interest on loan from Fis & Banks		
	46,80,07,921	55,20,76,443

Finance Manager &
Chief Accounts Officer

Accounts Member

Managing Director



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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - X</u>		
PRIOR PERIOD ADJUSTMENTS		
PPA of Depreciation		
PPA of Other Income	17,13,585	22,98,38,000
PPA of Operating expenses	12,465	3,24,639
PPA Rates & Taxes - Water Cess	-	
PPA Repairs & Maintenance WSS	(220)	
PPA Investments	-	-90,64,432
PPA Bank Charges	-	
PPI OI from D Consumers	-	
PPA Salaries of Employees	(200)	14,83,857
	17,25,630	22,25,82,064

Shijith. V
Finance Manager &
Chief Accounts Officer

V. Ramasubramani
Accounts Member

Venkatesapathy. S IAS
Managing Director



KERALA WATER AUTHORITY

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2017

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.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 Manual. The financial statements have been prepared on accrual basis under the historical cost convention except for government grants, disbursement made there from and gratuity payments. 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 in the year in which it is received 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	462.72	Plan	391.33
2	Government of Kerala	296.55	Non Plan	296.55
3	Government of India	75.21	Plan	73.99



The total amount shown as received from Government of India is Rs.75.21 Crore and the interest earned for NRDWP fund for the year is Rs.0.081 Crore. Further Rs.19.73 crores have been received as contribution from NITI Ayog. An amount of Rs.73.99 Crore is utilized for NRDWP Schemes which includes an amount of ₹10.46 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 The Contributions / Grants received have been shown at gross amounts (under gross concept) and the total amount disbursed out of the same to District Collectors and Kerala Rural Water Sanitation Agency have also been shown as deduction there from at gross amounts.

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 FY2007-08 & 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 ₹ 263.74 Crore for the year 2016-17 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 amounting to ₹9635 Crore represents (i) The value of fixed assets and capital work in progress vested in and transferred to the Authority 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, an amount of ₹215.39 Crore for the year 2015-16 and during the year 2016-17 an amount of ₹147.20 Crore have been transferred.

- 2.07 Investment for pension/GPF** represents money kept in Fixed Deposits with District treasury. It includes interest accrued but not due as on 31-03-2017.

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 ₹17.61 Crore.
- 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 and Cash and bank suspense accounts including accumulated difference in receipts and payment statement for the years 1984-85 to 2016-17 amounting to ₹4.52 Crore (Debit).

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 2017 @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 ₹11.83 Crore (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 raising 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 ₹12.29 Crore. 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 costvalue 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 ₹1744.48 Crore include depreciation of ₹1625.65 Crores provided on Fixed Assets created out of Deposit works up to 31-03-2016.

2.14 PRIOR PERIOD ADJUSTMENT

- 2.14.1 Prior period adjustment for the year 2016-17 consist of the Employer contribution of NPS Subscription due for the year 2013-14 amounting to ₹(200), being the rectification of investment of earlier years, prior period operating expenses amounting to ₹0.00124 Crore, prior period income earned amounting to ₹11.43 Crore and prior period repairs amounting to ₹220(Cr).

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 2016-17 has not been capitalized.
- 2.15.3 Previous year figures have been re-grouped/re-classified wherever necessary.
- 2.15.3 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

V. Ramasubramani
Accounts Member

Venkatesapathy. S IAS
Managing Director



REPLY TO SAR FOR THE FY 2016-2017

A. BALANCE SHEET

1. Sources of Funds

1.1. Kerala Water Authority Fund

1.1.2. Reserves and Surplus. ₹356.55 crore (Schedule-B)

The reserve equal to the amount of depreciation provided on the asset created out of Deposit works as Income will be done upon updation of Fixed Assets Register. As on the date, the Fixed Assets Register is updated only till 31 March 2012. An action plan has been formulated to update the Fixed Asset register and the verification will be conducted of other assets thereafter.

1.2. Kerala Water Authority Loan Fund

1.2.1 Unsecured Loans and Deposits (Schedule-D)

1.2.1.1. Interest accrued on GoK loan ₹1724.86 crore.

KWA has provided interest at the rate of 11.50% for Government Loan and is correctly reflected in the annual accounts. KWA has requested for conversion of loan received from Government for the period from 2007-08 to 2016-17 amounting to ₹2332.74 crores as grant and to write-off the interest due thereon upto 31/03/2017. The proposal has not been rejected by the Government and further Orders in this regard is awaited. The amount was released to KWA as loan by GoK and booked accordingly by the Authority. Earlier Government vide order GO Rt No: 122/2017/WRD Dated: 15/02/2017 had issued orders for converting an amount of ₹713.00 crores as Capital contribution and written off the interest due on the same amounting to ₹1004 crore (upto 31.03.2007). As the intention of the Government is to absolve KWA from the loan liability rather than penalizing it or to repay it, provision for penal interest at the rate of 2.50% has not been provided.

1.2.1.2. Security Deposits-₹ 195.38 crore

The Security deposit received from contractors amounting to Rs.11,19,300/- at Project Division, Trivandrum, is in the name of contractors and then pledged in favour of the Executive Engineer, Project Division, Thiruvananthapuram. Since the Fixed Deposit (FD) received from the contractor is in the name of the contractor and is not encashed on getting the same, it is not included in Cash Book. There is no cash inflow. A separate register is maintained at each office towards recording such FD's received and the same is updated regularly. The FD amount is taken in to account as and when these are forfeited /encashed.

2. Application of Funds

2.1. Investment (Schedule F)

2.1.1. Investments for Pension/PF- ₹55.21 Crore

The amount shown as investment represents the total amount of investment on account of Pension / PF and its accrued interest upto 31/03/2017. The accrued interest on account of Investment for Pension /



PF are reinvested for paying the liabilities on this account. The same is accounted along with investments in the previous years also. In order to maintain the consistency in the accounting policies adopted, the said grouping of accounts has not been changed for FY 2016-17 also. Rs.1,20,55,808 is the amount of interest accrued but not due till 31/03/2017.

2.2. Net Current Assets

2.2.1. Current Assets (Schedule No.G)

2.2.1.1. Cash & Bank balances

2.2.1.1.1. Bank & Treasury Balances - ₹722.18 crore

As per the Bank statement, the balance as on 31/03/2017 in the non-operative Account no: 57047025452 was Rs.66,720/-. Necessary corrections have already been made in the books of accounts of the Division concerned. Copy of the Bank statement have already been furnished during the time of audit.

2.2.2. Current Liabilities & Provisions (Schedule No. H) - ₹ 1267.31 crore

- (a). The debit balance in the suppliers/contractors are mainly brought forward from previous years and the same is being scrutinized and necessary steps have been taken to rectify the wrong entries.
- (b). Necessary directions have already been issued to all ARUs to analyse and rectify the debit balances if any.

2.3. Loans and Advances (Schedule I) ₹ 224.31 crore

2.3.1. Loans and Advances to employees

The Credit balance in the 'Loans and advances to employees' have been brought forward from previous years and the same is being scrutinized. Necessary steps have been taken to rectify the errors crept in the entries.

2.3.2. Advances to Suppliers / Contractors - ₹ 162.23 crore

Payments to contractors are settled as and when Funds are released against Budget allocation. Since accounting of grants is carried out on receipt basis, the payments to contractors which are made therefrom are also accounted for on cash basis. Necessary disclosure in this regard has been indicated in the notes to accounts under para 2.01.

B. INCOME AND EXPENDITURE

3. Expenditure

3.1 Interest on GoK Loans - ₹ 264.04 crore

KWA has provided interest at the rate of 11.50% for Government Loan and is correctly reflected in the annual accounts. KWA has requested for conversion of loan received from Government for the period from 2007-08 to 2016-17 amounting to ₹2332.74 crores as grant and to write-off the interest due thereon upto 31/03/2017. Government Order for the same is awaited. The amount was released to KWA as loan by GoK and booked accordingly by the Authority. Earlier Government vide order GO Rt No: 122/2017/WRD



Dated: 15/02/2017 had issued orders for converting an amount of ₹713.00 crores as capital contribution and written off the interest due on the same amounting ₹1004 crore (upto 31.03.2007). As the intention of the Government is to absolve KWA from the loan liability rather than penalizing it or to repay it, provision for penal interest at the rate of 2.50% has not been provided as suggested by AG.

C. General

4. Balance Sheet

4.1 Current Assets - Schedule G

4.1.1 Cash and Bank Balances

4.1.1.1. Bank and Treasury balances - ₹ 722.18 crore

For the purpose of maintaining consistency of accounting practices / policies of KWA, the amount of Fixed Deposits and interest accrued thereon for FY 2016-17 are shown under the head 'Bank and Treasury Balances' in the Balance Sheet under Schedule G as done in previous years. Usually, the interest accrued on the FDs are not withdrawn and are re-invested along with the principal amount by the Authority. The interest accrued on FD are included along with the FD amount in the respective year itself and the interest is accounted as income at the end of every financial year in the Income & Expenditure Account. The FD plus interest is shown as Cash and Bank balance in the Balance Sheet

5. IMPACT OF THE COMMENTS

Comments of the Authority not warranted

D. Grants in aid

Unutilised Grants in aid include Rs.122.78 crore which represent funds credited in Treasury Account but for which Ways & means clearance not received till 31.03.2017.

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 and considering the need of adequate internal audit coverage, action has been taken to strengthen the unit. The audit plan is prepared in such a manner that the ARUs with long pendency are covered first.

While KWA does not have an Audit manual of its own, KWA Audit follows the Government Audit Manual for reference and guidelines. Strict instructions have been given to the field offices to expedite corrective action as per Audit observations.

II Adequacy of Internal Control System

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.



Inadequate Accounting Information

- (a) The Divisions have been instructed to keep the financial ledgers, subsidiary ledgers, journal entries and supporting vouchers upto date. However, these Divisions are maintaining accounts in system and the accounts are captured in Tally ERP9 software.
- (b) The data of receivables is available in the e-abacus software.
- (c) Instructions have been issued to the Divisions to incorporate the corrections/revisions made by the Head Office, in their books of accounts so that there will not be any difference in the opening balance of the unit trial balance with balance in the Head Office trial balance. Head Office section has been instructed not to make any corrections in the account balances of the divisions/sub divisions without proposing journal entries and recording reasons for corrections. Moreover, during the FY 2011-2012 onwards till FY 2016-2017 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.
- (d) Noted for future guidance. Efforts will be taken to comply with the Manual provision.
- (e) The bills pending under capital works are not booked as liabilities as on the balance sheet date. These bills are accounted on cash basis only as the source of payment of these bills are budgetary release from Government which in turn are also accounted on cash basis. The same has been disclosed under notes to accounts para 2.01.

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.

Interest on GPF

The employee-wise GPF details are maintained in a software called GASK. The monthly contributions by the employees (Form no: PA11) withdrawals (Form no: PA12) are correctly updated. Interest on GPF is also calculated by the software. Interest on GPF is adjusted according to the amount calculated from the software called "GASK" which is the consolidation of all individual balances.

Physical verification of Fixed Assets/ Fixed Assets Register

The Fixed Assets Register is updated only till March 31, 2012. An action plan has been formulated to update the Fixed Asset register and the verification will be conducted of other assets thereafter. There



are two stock verification parties, headed by two Assistant Executive Engineers, located at Trivandrum and Kozhikode to verify stock of materials. They are taking continuous verification of various offices, and liabilities, if any, on shortage of materials are fixed on Assistant Engineers in charge. An action plan has been formulated to update the Fixed Asset register and the verification will be conducted of other assets thereafter.

Security deposits from Contractors / Suppliers

The Security deposit received from contractors are in the name of contractors and then pledged in favour of the Executive Engineer concerned. As the Fixed Deposit (FD) is in the name of the contractor, the same has not been accounted in the books of accounts since there is no cash inflow. However a separate register is maintained for recording all such security deposits made. After the guarantee period is over, the FD receipts are returned and entries are updated in the register accordingly.

Regularity in Payment of Statutory dues

The Authority is regular in depositing undisputed statutory dues including NPS contribution with appropriate Authorities. Water Cess have been assessed and remitted up to 2012-2013. Water Cess Returns for the FY 2013-14 onwards to the Pollution Control Board is under submission.



FINANCIAL RESULTS

Income from operations for the year 2016-17 amounts to Rs.793.38 Crores. In addition, a non plan grant of Rs.296.56 Crores was received from Government of Kerala to meet the revenue expenditure and Rs.10.47 Crores from Government of India to meet the Operation & Maintenance of the completed Accelerated Rural Water Supply Schemes. The revenue expenditure after capitalizing the share debit and interest on LIC / Bank loan comes to Rs.1,471.47 Crores leaving an excess of expenditure over income of Rs.371.23 Crores.

INCOME AND EXPENDITURE

In Crores

INCOME	2016-17	2015-16
Domestic	225.10	198.77
Non Domestic	216.70	219.72
Industrial	15.25	20.74
Local Bodies	126.75	123.73
Sewerage	0.45	0.45
Other Income	209.13	113.52
Total	793.38	676.93
O&M Grant from GoI	10.47	8.14
Government of Kerala — Grant	296.56	265.11
Debtors / Creditors written off	0	500.00
Total	1100.41	1,450.18
EXPENDITURE	2016-17	2015-16
Operation & Maintenance	335.35	362.74
Payment & Provision to Employees	738.29	705.60
Office expenses	15.89	15.26
Travelling	5.22	3.99
Administrative Expenses	7.08	5.91
Interest	300.32	280.95
Depreciation	118.84	116.47
Total	1520.99	1490.92
Less: Transferred to CWIP	46.80	55.20
Total	1474.19	1435.72
Excess of Expenditure over income	373.78	(14.45)
Prior period adjustment	0.17	22.25
Excess of Expenditure over Income after prior period	373.95	7.79

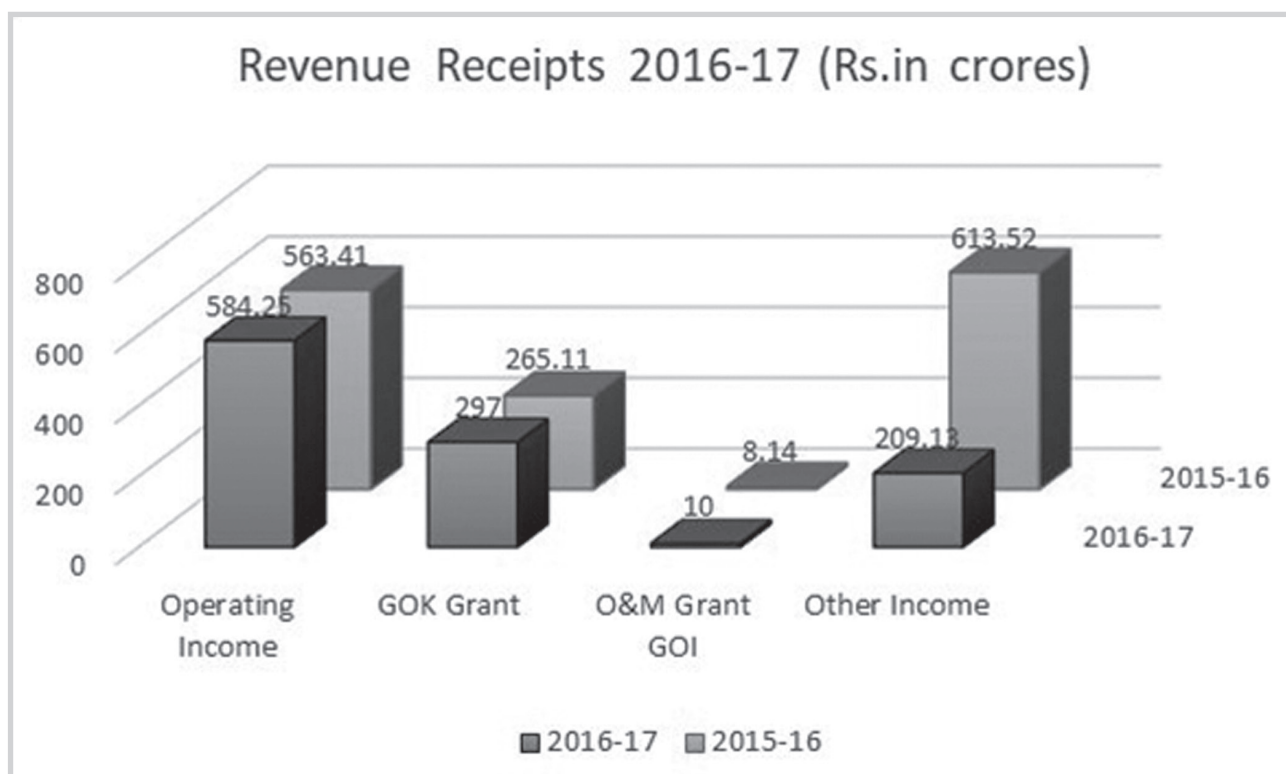
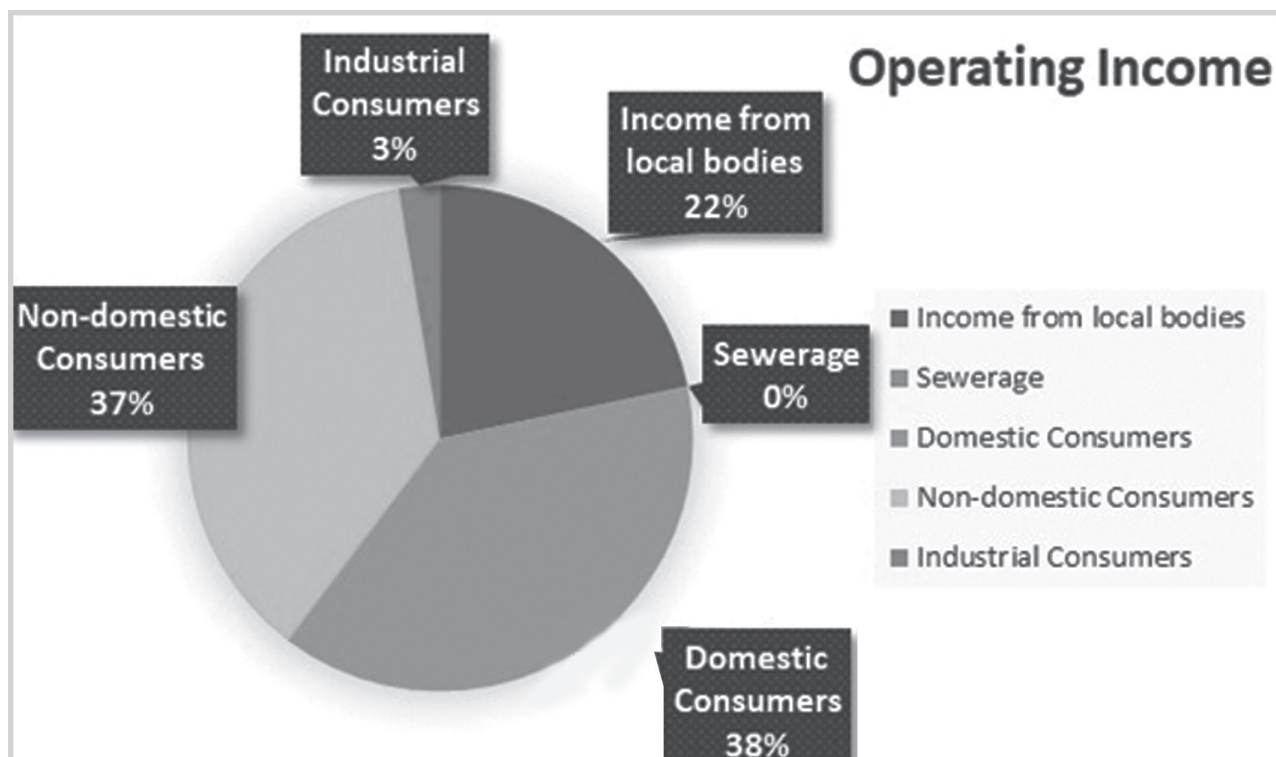


SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	2016-17	2015-16
Capital & Reserves	7544.35	6973.42
Secured Loans	70.81	126.78
Unsecured Loans	6136.98	5560.07
	13752.14	12660.27
APPLICATION OF FUNDS		
Fixed Assets	9635.76	9198.75
Investments	55.21	52.44
Net Current assets	682.44	403.57
Loans and Advances	224.31	225.03
Accumulated excess of expenditure over Income	3154.42	2780.48
	13752.14	12660.27
CAPITAL RECEIPTS	2016-17	2015-16
Grant from Government of Kerala	462.72	382.16
Loan from Government of Kerala	51.17	80.00
Grant from Government of India	84.48	57.03
Capital contribution from other sources – World Bank (Jalanidhi)	23.73	0
	622.10	519.19
CAPITAL EXPENDITURE	2016-17	2015-16
State Plan Schemes		
Survey & Investigation	0.75	0.09
HRD, Research, Development and Quality Control	1.00	1.62
Manufacturing units for Bottled water	4.22	0.01
Sewerage Schemes	4.83	4.51
Renovation of existing civil structures owned by KWA	4.16	4.52
Ongoing Urban Water Supply Scheme	23.38	34.05
Optimisation of production and transmission / replacement of old pipes of existing water supply schemes	47.48	84.28
Rural Water Supply Schemes	32.40	37.89
JBIC assisted Kerala Water Supply Project / JICA	47.93	72.26
Drinking water supply in drought hit areas implemented by KWA	11.37	60.95
Water Supply Schemes - Rural Infrastructure Development Fund	88.30	84.56
Accelerated Rural Water Supply Scheme	124.84	82.71
Other Schemes	0.67	24.85
	391.33	492.30
Centrally sponsored schemes		
Accelerated Rural Water Supply scheme	73.99	59.06

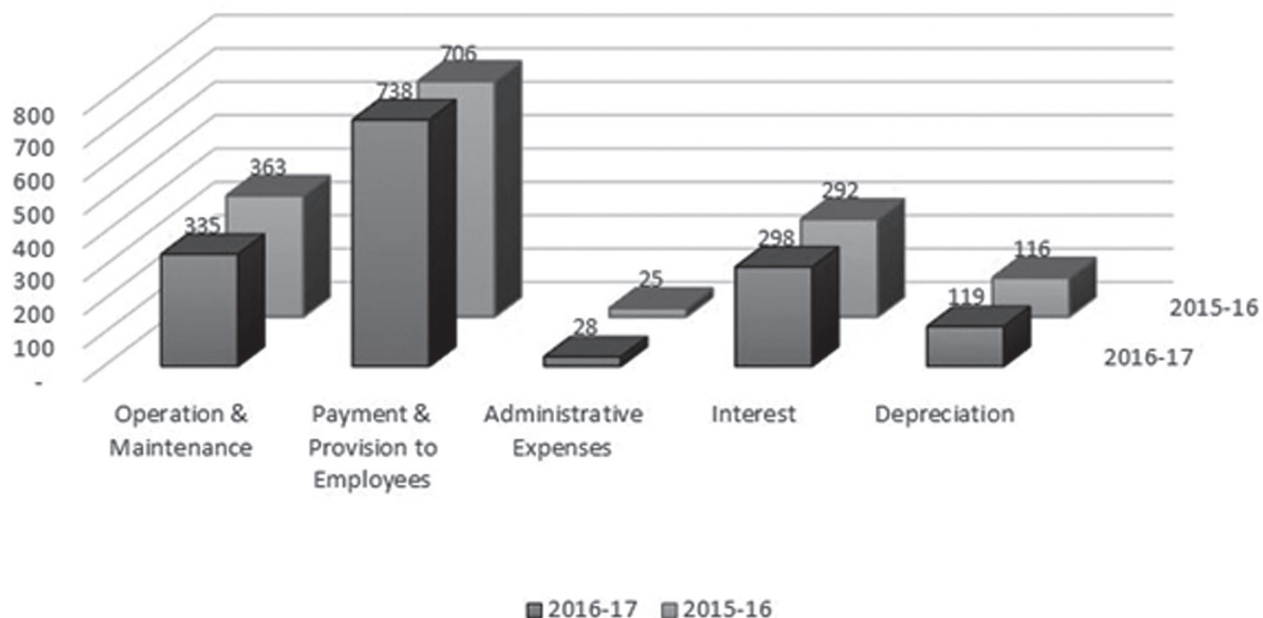


Operating Income 2016-17

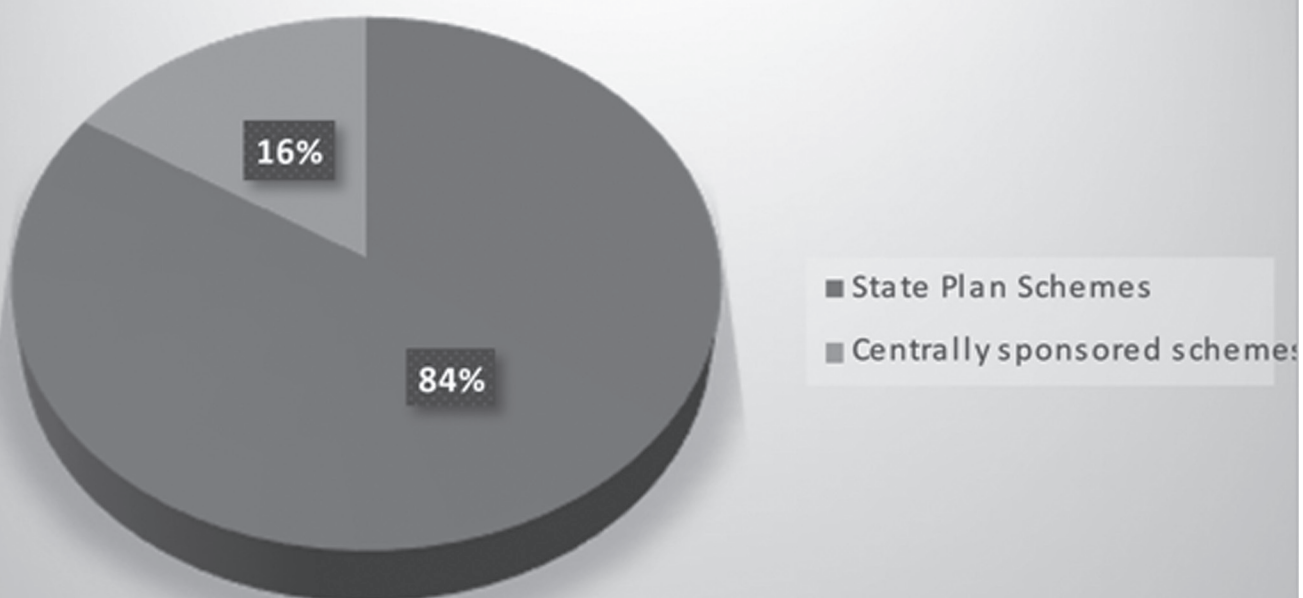




Revenue Expenditure 2016-17 (Rs. in crores)



Capital Expenditure 2016-17





Income and Expenditure from 2005-06 to 2016-17 (Rs. in crores)

