

KERALA WATER AUTHORITY

THIRUVANANTHAPURAM-695 033



4

ANNUAL ACCOUNTS

FOR THE YEAR

1987-'88

KERALA WATER AUTHORITY

THIRUVANANTHAPURAM-695 033



ANNUAL ACCOUNTS

FOR THE YEAR

1987-'88

AUDIT CERTIFICATE

I have examined the Income and Expenditure account for the year ended 31st March 1988 and the Balance sheet as on 31st March 1988 of the Kerala Water Authority. I have obtained all the information and explanations that I have required, and subject to the observations in the appended Audit Report, I certify as a result of my audit, that in my opinion these accounts are properly drawn up so as to exhibit, a true and fair view of the state of affairs of the Kerala Water Authority, according to the best of information and explanations given to me and as shown by the books of the organisation.

Sd/-

PRINCIPAL ACCOUNTANT GENERAL (AUDIT)

Thiruvananthapuram,
9th October 1991.

KERALA WATER AUTHORITY
EXPLANATORY NOTE ON THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 1988

The Kerala Water Authority (the Authority) was established by the Government of Kerala (the Government) with effect from 1st April 1984 under the Kerala Water and Waste Water Ordinance, 1984 to provide for the development and regulation of water supply and waste water collection and disposal in the State of Kerala and for matters connected therewith. The Ordinance was replaced by the Kerala Water Supply and Sewerage Act, 1986 (The Act).

In accordance with Section 16 of the Act, as from the date of establishment of the Authority (i) all properties and assets, vested in the Government for the purposes of the Public Health Engineering Department shall vest in and stand transferred to the Authority, and (ii) all rights liabilities and obligations of the Government or the Local Body or Kerala State Rural Development Board in so far as they pertain to the execution of water supply and sewerage schemes shall be the assets, rights, liabilities and obligations of the Authority and to be valued in such manner as the Government may determine.

Under Section 29 of the Act, the Authority shall cause to be maintained such books of account and other books in relation to its accounts and prepare an annual Statement of Accounts and Balance Sheet in such form and in such manner as the regulations made under section 65 of the Act may require.

In order to arrive at the value of properties Assets, rights, liabilities and obligations transferred to the Authority, all the Fixed Assets including Work-in-progress were valued a current costs and values after necessary adjustment for depreciation thereon. The approval of the Board of the Authority has been obtained for the valuation of the Fixed Assets and Capital Work-in-progress and is subject to approval of the Government. The Net Current Assets were valued based on the documents, books and records as available with the Authority and other relevant sources. The above evaluation has been carried out provisionally and subject to the approval of the Government. A statement showing the Net Value of Assets vested with and transferred to the Authority on 1st April 1984 is given in Annexure I.

As per G. O. (Rt.) No 2401/87/LAD dated 17th August '87 Government had accorded sanction to the Authority to introduce and implement an Accrual Accounting System from the financial year 1986-87. As required under section 29 of the Act, the Authority had evolved Accounting Manuals for the maintenance of the books of account and preparation of financial statements which had been approved by the Board of the Authority. The approval of the Government is awaited.

The Accrual Accounting system was made fully operational with effect from 1st April 1988. The Accounts for the year 1987-'88 have been prepared generally in accordance with the accounting policies contained in the Accounting Manuals. Wherever deviations have taken place. Suitable disclosures have been made in the relevant paragraphs in the notes on accounts.

In order to arrive at the various balances as on 1st April, 1987 the Receipts and Payments Accounts for the years 1984-'85; 1985-'86 and 1986-'87 have been suitably rearranged to conform with the principles of the Accrual Accounting system.

Sd-/

Finance Manager & Chief Accounts Officer

Sd/-

Technical Member

Sd/-

Managing Director

Place : Thiruvananthapuram

Date : July 15, 1991

KERALA WATER AUTHORITY
Balance Sheet as at March 31, 1988

	Sch- Ref	Current Year Rs.	Prev. Year Rs.
SOURCES OF FUNDS			
1) Kerala Water Authority Fund			
a) Capital	A	5178397689.76	4948600764.91
b) Reserves & Surplus	B	39218526.85	138769407.39
2) Kerala Water Authority Loan Fund			
a) Secured Loans	C	479400357.00	374295463.00
b) Unsecured Loans	D	767078715.98	508319236.59
TOTAL		<u>6464095289.59</u>	<u>5969984871.89</u>
APPLICATION OF FUNDS			
1) Fixed Assets	E	5420972037.50	5016541019.11
2) Investments	F	0.00	0.00
3) Net Current Assets			
a) Current Assets	G	1117763899.59	1038394270.93
b) Current Liabilities	H	130997661.14	110040816.61
		<u>986766238.45</u>	<u>928353454.32</u>
4) Loans and Advances	I	56357013.64	25090398.46
5) Miscellaneous Expenditure not written off	J	0.00	0.00
6) Accumulated Excess Of Expenditure over Income	K	0.00	0.00
TOTAL		<u>6464095289.59</u>	<u>5969984871.89</u>

Schedules A to K and Notes 1.01 to 1.07.2 and 2.05 form an integral part of this Balance Sheet

Sd/-
Finance Manager & Chief Accounts Officer
Place : Thiruvananthapuram
Date : July 15, 1991

Sd/-
Technical Member

Sd/-
Managing Director

KERALA WATER AUTHORITY

Income and Expenditure Account for the year Ended March 31, 1988

	Sch- Ref.	Current Year Rs.	Prev. Year Rs.
INCOME			
1) Operating Income			
(a) Consumers	L	165761217.05	140037208.84
(b) Others	M	<u>2342408.47</u>	<u>2822573.59</u>
		168103625.52	142859782.43
2) Grants and Subventions from Govt. of Kerala		113720000.00	106050000.00
3) Interest Income	N	1394517.49	1815817.44
4) Other Non-Operative Income	O	<u>4553707.02</u>	<u>6121648.34</u>
Total		<u>287771850.03</u>	<u>256847248.21</u>
EXPENDITURE			
1) Operating & Maintenance expenses	P	130574574.94	117954870.51
2) Payment & Provision to employees		150742515.13	101237311.87
3) Office expenses	Q	9139184.21	6122265.61
4) Travelling & Conveyance expenses		4342557.77	2746172.81
5) Administrative expenses	R	2178867.50	95270.00
6) Issue and project expenses written-off	S	0.00	0.00
7) Assets and Losses written-off	T	0.00	0.00
8) Provision for Doubtful Debts	U	<u>0.00</u>	<u>0.00</u>
		296977699.55	228155890.80
9) Interest on			
(a) Secured Loans		36214013.00	32182121.48
(b) Unsecured Loans		<u>13184001.56</u>	<u>11796499.00</u>
		49398014.56	43978620.48
10) Depreciation		<u>123396352.96</u>	<u>124131017.03</u>
TOTAL EXPENDITURE		<u>469772067.07</u>	<u>396265528.31</u>
11) Transferred to Capital Work-in-Progress		82449336.50	35377695.89
		<u>387322730.57</u>	<u>360887832.42</u>
Excess of Expenditure over Income		<u>99550880.54</u>	<u>104040584.21</u>

Schedules L to W and Notes 2.01 to 2.05 form an integral part of this Income and Expenditure Account

Sd/-
Finance Manager & Chief Accounts Officer

Sd/-
Technical Member

Sd/-
Managing Director

Place : Thiruvananthapuram
Date : July 15, 1991

Account Code	Balance As on 1-4-87	Gross Block Additions		as on 31-3-88	Depreciation Block			Del Value As on 31-3-88	Net Block	
		During Year	Del		Balance As on 1-4-87	Depreciation For The Year	As on 31-3-88		previous year	
1011	Free Hold Land 597781873.54	474250.00	0.00	598256123.54	0.00	0.00	0.00	0.00	598256123.54	597781873.54
1012	Lease Hold Land 0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1013/4	Land Development Expenditure 66820925.00	2832166.00	0.00	69653091.00	0.00	0.00	0.00	0.00	69653091.00	66820925.00
102	Civil Works 1196895230.00	9309864.44	0.00	1206205094.44	303366551.12	27505598.09	0.00	330872149.21	875332945.23	893528678.88
103	Buildings 257993572.00	875256.06	0.00	258868828.06	68367883.85	4363977.99	0.00	72731861.84	186136966.22	189625688.15
104	Plant and Machinery 332521236.00	3196395.12	0.00	335717631.12	166969374.94	11210394.23	0.00	178179769.17	157537861.95	165551861.06
105	Mains and Network 3480675270.00	26854689.28	0.00	3507529959.28	1176906907.90	75778812.50	0.00	1252685720.40	2254844238.88	2303768362.10
106	Roads Bridges and Culverts 53423194.00	0.00	0.00	53423194.00	34600501.21	1154673.43	0.00	35755174.64	17668019.36	18822692.79
107	Vehicle 28000052.00	1632051.69	0.00	29632103.69	16062055.65	1886046.63	0.00	17948102.28	11684001.41	11937996.35
108	Furniture, fixtures and office equipments 27450663.00	721817.47	0.00	28172480.47	10826607.56	1496850.09	0.00	12323457.65	15849022.82	16624055.44
Total	6041562015.54	45896490.06	0.00	6087458505.60	1777099882.23	123396352.96	0.00	1900496235.19	4186962270.41	4264462133.31

	This year Rs.	Previous year Rs.
Gross Value of Fixed-Assets	6087458505.60	6041562015.54
Less: Acc Depreciation	1900496235.19	1777099882.23
Net Value of Fixed-Assets	4186962270.41	4264462133.31
Add: C.W.I.P A/C- Code 11	1234009767.09	752078885.80
Total	5420972037.50	5016541019.11

KERALA WATER AUTHORITY
Schedules forming part of Balance Sheet

	<u>Current Year</u> Rs.	<u>Prev. Year</u> Rs.
CAPITAL		
		SCHEDULE-A
1) Net value of Assets taken over	4281106346.16	4296465346.16
2) Contributions from State Govt.	765014000.00	592094000.00
3) Donated Capital Assets.	545600.00	0.00
4) Capital cont. from others	131731743.60	60041418.75
Total	5178397689.76	4948600764.91
RESERVES & SURPLUS		
		SCHEDULE-B
Balance as per last Balance Sheet	138769407.39	242809991.60
Less: Excess of Expenditure over Income	99550880.54	104040584.21
Total	39218526.85	138769407.39
SECURED LOANS		
		SCHEDULE-C
1) Loan from LIC of India	479400357.00	374295463.00
2) Interest accrued and due	0 00	0.00
Total	479400357.00	374295463.00
UNSECURED LOANS		
		SCHEDULE-D
1) Loan from Government of Kerala	562582000.00	338500000.00
2) Loan from Industrial consumers	70996850.00	57701455.00
3) Deposit from Local bodies	8500243.13	
4) Security Deposits	16461552.35	
5) Earnest Money Deposits	1693031.42	
6) Water Connection Deposits	983425.12	
7) Sewer Connection Deposits	83888 00	112117781.59
8) Deposit Work-water supply	16468840.03	
9) Deposit work-sewerage	2716469.78	
10) Other deposits	86592416.15	
Total	767078715.98	508319236.59

KERALA WATER AUTHORITY
Schedules forming part of Income and Expenditure Account

	<u>Current Year</u> Rs.	
OPERATING INCOME - CONSUMERS		
1) Operating Income - Water supply		
a) Domestic Consumers	17163715.61	}
b) Non-domestic Consumers	9969964.80	
c) Industrial Consumers	<u>29247448.00</u>	
		3834150
2) Operating Income - Sewerage	56381128.41	
a) Domestic Consumers	65303.50	}
b) Non-domestic Consumers	13000.00	
c) Industrial Consumers	<u>0.00</u>	
		3834150
3) Income from Local bodies	78303.50	
	<u>109301785.14</u>	7800
TOTAL		10161769
	<u>165761217.05</u>	14003720
OPERATING INCOME - OTHERS		
1) Centage Charges	1570298.92	}
2) Storage Charges	259198.35	
3) Supervision Charges	98050.68	
4) Miscellaneous recoveries	<u>414860.52</u>	
		2822573
TOTAL		2822573
	<u>2342408.47</u>	2822573
INTEREST INCOME		
1) Interest on loans and advances	213644.66	
2) Interest on Deposits	<u>1180872.83</u>	
		26193
TOTAL		1789623
	<u>1394517.49</u>	1815817

KERALA WATER AUTHORITY
Schedules Forming Part of Income and Expenditure Account (Contd ...)

	<u>Current year</u> Rs.	<u>Prev. year</u> Rs.
OTHER NON-OPERATING INCOME		SCHEDULE-O
1) Income as recoveries	935522.65	1831710.32
2) Claims recoverable	320123.56	0.00
3) Miscellaneous Income	3298060.81	4289938.02
TOTAL	4553707.02	6121648.34
OPERATING & MAINTENANCE EXPENSES		SCHEDULE-P
1) Consumption of Stores	6729578.74	
2) Consumption of Tools & Spares	10955798.81	
3) Consumables	47470498.80	
4) Power Charges	11157.00	
5) Insurance	3210346.67	117954870.51
6) Other Operating Expenses	51426437.29	
7) R & M of Water Supply	4397910.36	
8) R & M of Sewerage	6372847.27	
9) Vehicle Maintenance	130574574.94	117954870.51
TOTAL	130574574.94	117954870.51
OFFICE EXPENSES		SCHEDULE-Q
1) Rent	1352203.46	1325502.50
2) Rates & Taxes	325224.35	0.00
3) Postage, Telegram, Telephone & Telex	2384300.14	1229323.82
4) Printing & Stationery expenses	1226198.34	593423.85
5) Exhibition & Publicity expenses	1978959.43	1040023.24
6) Training & Other expenses	62283.40	330586.74
7) Other Office expenses	1810015.09	1603405.46
TOTAL	9139184.21	6122265.61

KERALA WATER AUTHORITY

Schedules Forming Part of Income and Expenditure Account (Contd....)

	<u>Current Year</u> Rs.	<u>Prev. Year</u> Rs.
ADMINISTRATIVE EXPENSES		SCHEDULE-P
1) Board Meeting Expenses	4252.20	
2) Professional fees	1199014.45	95270.00
3) Payments to auditors		
a) Audit Fees	848028.00	0.00
b) Audit expenses	0.00	0.00
c) Certification fees	0.00	0.00
d) Other payments	0.00	0.00
	<u>848028.00</u>	<u>95270.00</u>
4) Bank Charges	24175.59	0.00
5) Donations	0.00	0.00
6) Other administrative expenses	103397.26	0.00
Total	<u>2178867.50</u>	<u>95270.00</u>
ISSUE & PROJECT EXPENSES WRITTEN-OFF	<u>0.00</u>	SCHEDULE-S 0.00
ASSETS AND LOSSES WRITTEN-OFF	<u>0.00</u>	SCHEDULE-T 0.00
PROVISION FOR DOUBTFUL DEBTS	<u>0.00</u>	SCHEDULE-U 0.00
PRIOR PERIOD ADJUSTMENTS	<u>0.00</u>	SCHEDULE-V 0.00
APPROPRIATIONS TO RESERVES	<u>0.00</u>	SCHEDULE-W 0.00

Sd/-
Finance Manager & Chief
Accounts Officer

Sd/-
Technical Member

Sd/-
Managing Director

Place : Thiruvananthapuram

Date : July 15, 1991

KERALA WATER AUTHORITY

Notes on the Accounts for the year ended 31st March 1988

1. BALANCE SHEET

1.01	Capital Account (Schedule -A)	Current year Rs. 51783.98 Lakhs Previous year Rs. 49486.01 Lakhs
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The capital Account consists of (i) the investment of the Government in the Authority by way of transfer of assets on the date of establishment of the Authority (Rs. 43553.06 lakhs) and after adjusting a loan of Rs. 153.59 lakhs (Previous year 588.41 lakhs) for industrial water supply scheme not recognized in the earlier years, (ii) Contributions and Grants (Plan) received by the Authority since its formation (Rs. 7650.14 lakhs) from the Government; (iii) all assets received by way of donations valued at fair market value (Rs. 5.46 lakhs); and (iv) all other miscellaneous grants and contributions received from various sources (Rs. 1317.32 lakhs).

1.02	Secured Loans (Schedule - C)	Current year Rs. 4794.00 Lakhs Previous year Rs. 3742.95 Lakhs
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The secured loan represents (i) the balance of loan availed by the local bodies and Kerala State Rural Development Board from L. I. C. of India prior to the formation of the Authority and the liability of repayment was transferred to the Authority (Current year Rs. 1802.46 lakhs previous year Rs. 1812.22 lakhs); and (ii) the balance of loan availed by the Authority from L. I. C. of India since its formation (Current year Rs. 2991.54 Lakhs Previous year Rs 1930.73 Lakhs). The above loans have been guaranteed by the Government and no provision has been made towards guarantee commission payable on the same.

1.03	Unsecured Loans (Schedule-D)	Current Year Rs. 7670.79 Lakhs Previous Year Rs. 5083.19 Lakhs
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1.03.1 No provision has been made towards interest on loan from Government of Kerala.

1.03.2 The Deposit figures stated are subject to reconciliation with divisions.

1.04	Fixed Assets (Schedule-E)	Current Year Rs. 54209.72 Lakhs Previous Year Rs. 50165.41 Lakhs
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1.04.1 The value of fixed assets represents (i) the value of Fixed Assets and Capital work-in progress vested in and transferred to the Authority (Rs. 42182.80 Lakhs) and (ii) the additions made by the Authority since its formation, after providing for depreciation thereon

1.04.2 The fixed assets register is prepared upto the year 1986-87 and is in the process of being updated.

- 1.05 **Current Assets** **Current Year Rs. 11177.64 Lakhs**
(Schedule-G) **Previous Year Rs. 10383.94 Lakhs**
- 1.05.1 The Stock figures are stated subject to reconciliation with individual divisions and subsequent reclassification.
- 1.05.2 The Current Assets include dues from local bodies on account of (i) loans available from L. I. C. (Current Year Rs. 1802.46 lakhs; previous year Rs 1812.22 lakhs); and (ii) water and maintenance charges (current year Rs. 4544.20 lakhs; previous year Rs. 4014.60 lakhs) for which confirmation of balance have not been obtained.
- 1.05.3 The Sundry Debtors balances have not been reconciled and no provision been made towards doubtful debts.
- 1.05.4 The reconciliation of Bank Balances with the bank statements and the cheques and bills in transit is in progress.
- 1.05.5 The reconciliation of inter office Account balances is in progress.
- 1.06 **Current Liabilities** **Current Year Rs 1309.98 Lakhs**
(Schedule-H) **Previous Year Rs. 1100.41 Lakhs**
- 1.06.1 The interest on G. P. F has been provided for on the opening balance @ 12% per annum. The actual amount of interest will be incorporated when the same is finalised.
- 1.06.2 The G. P. F. Balance have not been reconciled with the individual accounts and the same is in progress.
- 1.06.3 The balances due to N. M. R. employees on account of provident fund as at 31st March 1984 has not yet been ascertained and not included in the current liabilities. The finalisation of dues on this account is in progress.
- 1.06.4 The liability on account of Gratuity and Pension to the employees as on 31st March, 1984 is not included as the same is not quantified and intimated by the Government to the Authority. The subsequent liability has also not been provided for and same is being accounted on cash basis.
- 1.06.5 The amount outstanding on account of IAPWD to the extent of Rs. 7100.40 lakhs as on 1st April, 1984 has not been included as the transactions have not yet been identified with reference to the individual schemes. Efforts are in progress to allocate the same to various schemes.
- 1.06.6 No provision has been made for interest accrued but not due on L. I. C loans.
- 1.06.7 **Suspense Account Balances consist of :**
 Cash and Bank balances Rs 15.55 lakhs (previous year 32.01 lakhs) representing the differences in Receipts and Payments statements carry forward errors in opening balances, remittances into bank not accounted in the cash book and cash in transit not accounted correctly.

.07 **Loans & Advances** **Current Year Rs. 563.57 Lakhs**
(Schedule-I) **Previous Year Rs. 250.90 Lakhs**

.07.1 The amount stated under Loans and Advances are subject to reconciliation with individual divisions.

INCOME AND EXPENDITURE ACCOUNT

.01 **Operating Income** **Current year Rs. 1657.61 Lakhs**
(Schedule - L) **Previous year Rs. 1400 37 Lakhs**

The operating income from consumers represent the water, sewerage and maintenance charges demanded by the Authority from consumers and local bodies during the year.

.02 **GRANTS AND SUBVENTIONS FROM GOVT. OF KERALA**

Current year Rs. 1137.20 Lakhs
Previous year Rs. 1060.50 Lakhs

The amounts received from Govt. of Kerala by way of Grants (Non-Plan) have been considered as an Income since the same is intended for meeting the revenue expenditure of the Authority.

.03 **PAYMENT AND PROVISION TO EMPLOYEES**

Current year Rs. 1507.43 Lakhs
Previous year Rs. 1012.37 Lakhs

The wages of certain categories of employees have been charged to operation and maintenance expenses or capital expenditure as per the system of accounting followed in the previous years and no reclassification was carried out.

.04 **DEPRECIATION**

Current year Rs. 1233 96 Lakhs
Previous year Rs. 1241.31 Lakhs

Depreciation has been provided for on straight line method so as to write off 90% of the cost/value of fixed Assets over the estimated useful life of the Assets concerned.

.05 **GENERAL**

.05.1 In order to absorb project overheads on capital works, a transfer of revenue expenditure to capital works-in-progress @ 10% in the case of Bilateral schemes and @ 22% in the case of other schemes on the Capital Expenditure incurred during the year has been made.

.05.2 Previous year figures have been regrouped/reclassified wherever necessary.

Sd/-

Finance Manager & Chief Accounts Officer

Sd/-

Technical Member

Sd/-

Managing Director

Place : Thiruvananthapuram

Date : July 15, 1991

**STATEMENT OF NET ASSETS TAKEN OVER BY
KERALA WATER AUTHORITY
AS AT APRIL 1, 1984**

		<u>Amount</u>
		Rs. Pa.
Gross Fixed Assets		515,37,08,575.83
Less : Accumulated Depreciation		<u>142,85,69,317.99</u>
Net Fixed Assets		372,51,39,257.90
Capital Work-in-Progress		49,31,40,311.00
Sub Total	(a)	<u>421,82,79,568.90</u>
Secured Loans		26,16,06,603.00
Unsecured Loans		<u>2,58,94,824.44</u>
Sub Total	(b)	<u>28,75,01,427.44</u>
Current Assets		48,14,46,609.69
Less : Current Liabilities		<u>6,24,27,770.96</u>
Net Current Assets	(c)	41,90,18,838.73
Loans and Advances	(d)	<u>55,09,365.97</u>
NET ASSETS TAKEN OVER	(a) — (b) + (c) + (d)	<u>435,53,06,346.16</u>

Note : The following amounts have not been considered in the above and will be dealt with appropriately as and when detailed informations are available :

1. IAPWD balances amounting to Rs. 7100.40 Lakhs.
2. The balances due to NMR Employees on account of Provident Fund.
3. The liability on account of Gratuity and Pension to employees.

Sd/-
Finance Manager &
Chief Accounts Officer

Sd/-
Technical Member

Sd/-
Managing Director

Place : Thiruvananthapuram
Date : July 15, 1991

Audit Report on the Kerala Water Authority for the year ended 31st March 1988

1. INTRODUCTION

The Kerala Water & Waste Water Authority was established on 1-4-1984 by the Kerala Water & Waste Water Ordinance, 1984 (No. 14 of 1984) to provide for the development and regulation of water supply and waste water collection and disposal. The ordinance was replaced by an Act of the Legislature in August, 1986. The nomenclature of the Authority was changed as Kerala Water Authority by the said Act. The Authority took over all the functions of the erstwhile Public Health Engineering Department of the Kerala State Government.

2. ORGANISATIONAL SET UP:

The Kerala Water Authority is a body corporate consisting of ten members namely one Chairman, one Managing Director, four Secretaries to Government (ex-officio) in charge of Public Health Engineering Department or Kerala Water Authority, Finance Department, Local Administration Department and Rural Development Department, two members representing the Local Bodies, one member belonging to the Scheduled Caste / Scheduled Tribe and one Technical Member. The members are appointed by Government. The Authority executes its programmes through three Regional Offices managed by Chief Engineers, nine Circle offices managed by Superintending Engineers and forty-one Divisions managed by Executive Engineers spread over the State of Kerala.

3. AUDIT:

The audit of the accounts of the Authority has been entrusted to the Comptroller and Auditor General of India under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for a period of 10 years with effect from the annual accounts for the year 1984-85 to 1993-94.

4. HIGHLIGHTS:

- (i) A depreciation reserve for Rs. 47.20 Crores charged as depreciation during the years for 1984-'85 to 1987-'88 had not been created by the Authority.
(Paragraph 7)
- (ii) No steps had been taken by the Authority to revise the rates of taxes and charges so as to achieve an economic return on fixed assets.
(Paragraph 12)
- (iii) There was arrears in collection of water charges amounting to Rs. 11.59 lakhs from three companies. Monthly metering of the water consumed by these companies had not been taken to charge for the water consumed in excess of the prescribed limit.
(Paragraph 13 (b))
- (iv) An amount of Rs. 1802.46 lakhs was due from the local bodies towards repayment of the Life Insurance Corporation loan [availed by them for implementation of water supply schemes. The liabilities of repayment of loan to L. I. C. amounting to Rs. 665.17 lakhs in respect of the Kerala State Rural Development Board in charge of water supply scheme in Panchayat areas prior to 1st April 1984 had not been reconciled with the accounts of the Board (Paragraph 14).

- (v) A sum of Rs. 18.25 lakhs paid as advance to the Kerala State Electricity Board during the previous years for energising pumpsets had not been adjusted for want of details from the Board. (Paragraph 15)
- (vi) Provident Fund Accounts for 1987-88 had not been completed and credit slips had been issued only upto 1986-87. (Paragraph 20)
- (vii) The Authority had not worked out Government's share of pensionary liabilities for employees for their period of service under Government prior to 1st April 1984. (Paragraph 21)

5. RULES AND REGULATIONS :

In terms of Section 64 of the Act, the Government may make rules for carrying out the purposes of the Act, especially in regard to the salaries and allowances and other conditions of service of officers and employees of the Authority, the manner of operation of funds by the Authority, the manner of making provision for depreciation reserve and for its utilisation, the manner in which the accounts of the Authority shall be published, the extent of contributions and the manner of making such contributions by local bodies etc. No such rules have been made by Government (September 1991). However, pending finalisation of rules, the Government ordered that the rules and regulations applicable to the State Government would be followed by the Authority.

In terms of Section 65 of the Act, the Authority may frame regulations with the previous approval of the Government for the administration of the affairs of the Authority and such regulations may provide, inter-alia, for the following matters namely:-

- a) The summoning and holding of meetings of the Authority, the time and place where such meetings are to be held, the conduct of business at such meetings and the number or persons necessary to form a quorum there at :
- b) The powers and duties of the employees of the Authority :
- c) The management of property of the Authority :
- d) The execution of contracts and assurance of property on behalf of the Authority :
- e) The limits upto which the Managing Director shall be competent to incur recurring or non-recurring expenditure in any financial year without such expenditure being included in the statement of programmes and financial estimates submitted to the Government as required in Section 28 of the Act :
- f) The preparation of annual statement of accounts and balance sheet by the Authority etc.

Regulations on matters other than (a) and (b) above had not been framed (September 1991). The Authority stated in May 1991 that action had been initiated to frame regulations on the aforesaid matters.

ASSETS AND LIABILITIES:

6. In terms of the provisions of Section 16 of the Act, all properties and assets including water works, buildings, vehicles, machineries, water supply and sewerage services etc. and so much of the subsoil appertaining to the water mains and sewers as may be necessary for the purpose of enlarging, deepening, repairing or maintaining of such watermains, sewers etc., which were vested in the Government Public Health Engineering Department (PHED) stood transferred to the Authority on its formation. All the rights, liabilities and obligations of the Government pertaining to the PHED became the assets, rights, liabilities and obligations of the Authority. All the assets, rights, liabilities and obligations of Kerala State Rural Development Board constituted under the Kerala State Rural Development Board Act, 1971 pertaining to the execution of water supply and sewerage scheme in the Panchayat areas including the right to recover arrears of annual instalments from Panchayats towards expenditure on water supply and sewerage schemes became the assets, rights, liabilities and obligations of the Authority. In terms of sub-section (2) of Section 16 of the Act, the cost of the properties and assets so transferred to the Authority and the liabilities and obligations undertaken should be valued in such manner as Government may determine. Authority had valued the fixed assets and works-in-progress as on 31-3-1984 at Rs. 56,468 49 lakhs which is pending approval of Government. The value of other rights, liabilities and obligations have also been approved by the Authority. According to the schedule of fixed assets prepared by the Authority, the Net Block as at 31-3-1988 was as follows:

	Rs.
Gross value of fixed assets :	608,74,58,505.60
Less Accumulated depreciation :	190,04,96,235.19
Net value of fixed assets :	<u>418,69,62,270.41</u>
Add Capital works-in-progress :	<u>123,40,09,767.09</u>
Total :	<u>542,09,72,037.50</u>

Government had not yet approved the valuation of the fixed assets transferred to the Kerala Water Authority. Further, the assets register had been prepared for the period upto 1986-87 only. This omission was pointed out in the Audit report for 1986-87 also.

7. DEPRECIATION RESERVE:

The valuation of Net Assets as on 31st March 1984 had been made after charging accumulated depreciation amounting Rs. 142.85 crores on the fixed assets upto 31st March 1984. The total accumulated depreciation for the years 1984-85 to 1987-88 works out to Rs. 47.20 crores. Section 26 of the Act provides that the Authority shall create a Depreciation Reserve and make annual provision therefor in accordance with such principles as may be prescribed. However, no such Depreciation Reserve had been created (September 1991).

8. ANNUAL REPORT:

As per Section 56 of the Act, the Authority shall, after the end of each financial year, prepare and submit to Government a report giving an account of its activities during the previous financial year, and such report shall be placed before the State Legislature as soon as possible after it is received by Government. No such report for previous year (1986-87) had been submitted to Government so far (September 1991). Non-preparation of the Annual Reports for the years 1984-85 onwards had been commented in the Audit Report for 1986-87. The defect continued to persist

9. ANNUAL ACCOUNTS ON COMMERCIAL PRINCIPLES:

Under Section 29 of the Act, the Authority shall cause to be maintained books of accounts and other books in relation to accounts and prepare an annual statement of accounts and balance sheet in such form and in such manner as may be prescribed. Till 1986-87 the Authority had only a Receipt and Payment Account. Authority switched over to the commercial system of accounting from 1987-88 and accounts for 1987-88 had been prepared on that basis.

10. PLACING OF ACCOUNTS BEFORE THE STATE LEGISLATURE :

Under Section 29 of the Act, the Authority's annual accounts as certified by Auditors with Audit Report thereon are to be forwarded to Government for placing before the Legislature. The certified annual accounts with the Audit Reports for 1985-86 and 1986-87 forwarded to Government in April 1991 and August 1991 respectively remained to be placed before the Legislature (September 1991).

11. BUDGETARY SUPPORT FROM THE STATE GOVERNMENT :

(a) As per Section 24 of the Act, Government may after due appropriation by law the State Legislature from time to time, make grants, subventions, capital contributions and advance loans to the Authority on such terms and conditions as the Government may determine. As compared to the previous year (1986-87), there was an over all increase to the tune of Rs. 442.92 lakhs in the financial assistance to the Authority during 1987-88. Comparative figures for the two years were as follows :-

	Current year 1987-88	Previous year 1986-87 (Rupees in lakhs)	Increase Decrease
Grants and subventions	1137.20	1085.50	(+)
Contributions	1729.20	2009.94	(-)
Loans and Advances	2240.82	2130.00	(+)
Grants for flood relief	15.54	142.80	(-)
Grants for drought relief	690.40	—	(+)
Total	5813.16	5368.24	(+)

According to the terms and conditions prescribed by Government, the loans aggregating Rs 2240.82 lakhs received by the Authority during the year are payable in 9 annual instalments, the repayment of the first instalment commencing from the first anniversary of availing the loan. The loans carried interest at 13 1/2% per annum and in case of default penal interest @ 2 1/2 per cent was also payable. The Authority had not so far paid instalment of the loan received during 1987-88 and also Rs. 3385 lakhs received during earlier years. The request of the Authority (June 1989) to treat the loans received during 1988-89 as capital contribution was pending decision of the Government (September 1991).

Section 25 of the Act envisages that the Authority shall not as for as practicable, and after taking credit for any grant or subvention or capital contributions or loans from the Government under Section 24, carry on its operations at a loss and shall so fix and adjust its rates of taxes and charges as to enable it to meet as soon as feasible, the cost of its operations, maintenance and debt service and where practicable to achieve an economic return on its fixed assets. The Authority had not assessed the working results and as such could not fix and adjust its rates to ensure an economic return on its fixed assets.

WATER AND SEWERAGE CHARGES :

(a) The water and sewerage charges collected during 1987-88 amounted to Rs 10.44 lakhs showing an increase of Rs. 51.30 lakhs compared to the previous year. A consolidated demand, collection and balance statement as on 31 st March 1988 had not been prepared and reconciled with the amounts actually due from the consumers.

(b) As per agreements executed by the Carbon and Chemicals Limited; Hindustan Organic Chemicals Limited and Cochin Refineries Limited in 1986 for the supply of water to them against the loans received from them an amount of Rs. 156.94 lakhs is payable by them as water charges for 1987-88. The aggregate loan amount (principal & interest) due for repayment as on 31st March 1988 was Rs. 117.07 lakhs and the balance of Rs. 39.87 lakhs was payable by the companies. As per the Demand, Collection and Balance Statement, the total net demand of water charges for 1987-88 worked out to Rs. 69.49 lakhs including Rs. 29.62 lakhs pending as arrears as on 31st March 1987. Against this, the collection was only Rs. 57.90 lakhs leaving an arrear of Rs. 11.59 lakhs.

Further, the difference of Rs. 6.20 lakhs in the arrears shown in the Demand, Collection and Balance Statement for 1987-88 and that shown in the previous year was yet to be reconciled (August 1991.)

It has been stipulated in the agreements that the meter readings would be done monthly and water charges for water consumed in excess of the prescribed limit would be recovered at the rate of Rs. 1 35/1000 litres. There were no records to show that monthly meter readings of water consumption had been taken.

LIC LOAN REPAYMENT DUE FROM LOCAL BODIES:

As per the Balance sheet, a sum of Rs. 1802 46 lakhs was due from the local bodies towards loan repayment to Life Insurance Corporation of India. This amount comprised of the following :

	Rs. in lakhs
(i) From Panchayats	665 17
(ii) From Municipalities	544.11
(iii) From Corporations	593.18
Total	<u>1802.46</u>

The dues of Rs 665 17 lakhs from Panchayats represent the balance of the loan availed by the Kerala State Rural Development Board. The loan was utilised for water supply schemes implemented by the Panchayats. According to the statement of assets and liabilities forwarded by the Board, Rs. 28.16 lakhs was shown as due to them from the Kerala Water Authority. The assets and liabilities of the Kerala State Rural Development

Board taken over by the Kerala Water Authority as prepared by the Authority has not been reconciled with the accounts of the Kerala State Rural Development Board. Government approval to these assets and liabilities was also pending. The dues from the Municipalities and Corporations had also not been reconciled with a consolidated Demand, Collection and Balance statement duly accepted by the Municipalities/Corporations.

15. LOANS AND ADVANCES :

(a) The deposit of Rs. 19.66 lakhs with Kerala State Electricity Board represents advance payment for energising pumpsets and includes Rs. 18.25 lakhs paid prior to 1987-88.

Advances to Sundry creditors include the following :-

- (1) Advances to Director of Panchayats : Rs. 54.50 lakhs
- (2) Advance to Director of Municipal Administration : Rs. 75 lakhs.

These advances along-with advances paid during 1986-87 were pending adjustment for want of details of expenditure from the parties.

(b) In respect of advances paid to employees for house building, purchase of motor cycles and other conveyances, broad sheets were not maintained. Consequently, individual accounts were not closed and confirmation of balances had not been obtained at the close of each year. The recoveries towards House building advance and motor car advance, which were paid to the employees while serving under Government prior to 1st April 1984 were to be made over to Government. However, the liability of the Authority in this regard had not been included in the assets and liabilities as on 31st March, 1984.

(c) The figures under Loans to employees (Rs. 64.53 lakhs), Advances to employees (Rs. 0.81 lakh), Advance for expenses (Rs. 0.47 lakh), Advances to Sundry creditors (Rs. 268.30 lakhs) and claims recoverable (Rs. 2.25 lakhs) were pending reconciliation with the Division figures.

16. SPECIFIC GRANTS :

According to the pattern of financial assistance for Western Ghat Development Project (WGDP) effective from 1981-82, 90 per cent is to be treated as grant and the balance 10 per cent as loan. However, the entire financial assistance of Rs. 10.96 lakhs was accounted as Capital Contribution from State Government.

17. SUNDRY DEBTORS (Rs. 80.44 crores) (Schedule G)

- (i) Division-wise and year-wise break up was not available.
- (ii) In respect of dues from local bodies on account of loans availed by them and on account of maintenance charges, the details of dues from each local body were also not available.
- (iii) Confirmation of balances from the defaulters had not been obtained.
- (iv) No provision had been made in the accounts for doubtful debts.

18. INTER OFFICE ACCOUNT BALANCE :

(Current year : Rs. 8, 72, 83, 592.34
Previous year : Rs. 13, 49, 26, 048.99)

The Inter office account balance for the current year is accounted by the following heads :

	Debits Rs.	Credits Rs.
Materials	13,49,26,048.99	
Stock of stores	15,47,434.18	
Tools and stores		6,56,628.21
Consumables	8,08,805.23	
Plant and Machinery		32,260.10
Vehicles	5.00	
Furnitures, Fixtures etc.		2,86,102.50
Fund transfer		55,694.45
Cash		14,82,65,877.63
Bank drawings	31,17,76,430.27	
Treasury		18,09,28,985.58
Bank-Non-operative A/c		3,39,57,243.09
Others	2,09,868.45	
Other expenses	8,37,467.00	
Other income		23,04,728.92
Other liabilities	36,65,053.70	
	45,37,71,112.82	36,64,87,520.48
Balance (Debit): 8,72,83,592.34		

The large balances outstanding both under debit and credit under various heads point out the urgent necessity for reconciliation and clearance.

19. NON OPERATIVE ACCOUNT:

Mention was made in the Separate Audit Report for 1986-87 about differences in the non-operative bank account maintained by the head quarters office for the years 1984-85, 1985-86 and 1986-87. The firm which had conducted the reconciliation work on a remuneration of Rs 25,000/- had reported the following discrepancies:

	Rupees
a) Differences between deposits as per cash book & credits in non-operative account (Schedule B)	6,75,468.05
b) Amount remitted as per cash book but not credited in non-operative account (Schedule D6)	19,47,113.01
c) Amount seen as credited in non-operative account without corresponding entries in Cash book (Schedule D12)	39,37,854.58

DIRECT REMITTANCE ACCOUNT No. 6050

(d) Amount deposited as per cash book but not credited to a/c no. 6050 Reconciliation between amount transferred from non-operative account and amounts credited in a/c no. 6050.	74,528.65
(e) M. T Transferred but not credited in a/c no. 6050 (Schedule D 27)	30,80,288.21

The differences had not been analysed and cleared.

20. PROVIDENT FUND:

(i) GENERAL PROVIDENT FUND:

The accounting of credits & debits for 1987-88 against individual P. F. accounts had not been completed. The P. F. balances of employees transferred to the service of the

Authority from Government service had not been settled with Government during 1987-88 also. The Authority continued to allow final and part final withdrawals from P. F. reckoning the balances with Government as well.

The annual accounts slips upto 1986-87 had been issued.

The G. P. F. payments include Rs. 17.77 lakhs towards non-refundable advance not to be recovered from the employees. But this amount had been included in the account under G. P. F. refundable advance of Rs. 48.63 lakhs (Schedule I).

- (ii) Kerala Nominal-Muster Roll (NMR) - Pensionable workers Provident Fund: Receipts Rs. 12.63 lakhs, Payments Rs. 5.13 lakhs
The balance due to NMR employees on P. F. as on 31st March 1984 had not been included in the current liabilities as the dues on this account had not been finalised.

21. PENSION AND OTHER RETIREMENT BENEFITS:

The expenditure on pension and other retirement benefits during the current year was Rs. 83.19 lakhs. As per sub-section 19 (2) of the Act, the sums outstanding in the credit of the employees transferred to the Authority from 1-4-1984, in pension, gratuity and other retirement benefits are required to be transferred to the Authority and the Authority shall pay the pension, gratuity and other retirement benefits to the employees retiring from the Authority. The Government's share of the pension and retirement benefits for the period of service of the employees prior to 1st April, 1984 had not been transferred to the Authority. The amount is also not shown as a liability in the Authority's account as it was not quantified and intimated by Government.

22. INTEREST INCOME :

Interest income comprised of the following :

Interest from contractors	:	Rs.	4,890.80
" " employees	:	Rs.	2,08,753.80
" " S B. Account	:	Rs.	11,80,872.83

The Corporation Bank, Ernakulam and Vijaya Bank, Trivandrum were not crediting interest for the deposits held by the Authority. The Authority stated that action was being initiated to get the interest from these Banks credited to its account.

23. OFFICE EXPENSES AND ADMINISTRATION EXPENSES :

Administration expenses include Rs. 8.48 lakhs paid to Price Water House, an international consultants as consultancy fees for revising the accounts manual and preparation of annual accounts.

24. CLOSING CASH BALANCE CERTIFICATES :

Out of 51 cash balance certificates due for the year 1987-88, only 35 cash balance certificates had been received.

25. INTERNAL AUDIT :

An internal audit wing started functioning from August 1984 with a staff of 7 members headed by an Assistant Accounts Officer. The Wing was brought under the supervision of an Internal Auditor from 1987-88 onwards. The details of inspection conducted during 1984-85 to 1987-88 were as follows :-

	No. of offices due for inspection	No. of offices inspected	Shortfall in inspection
1984-85	26	6	20
1985-86	26	15	11
1986-87	26	6	20
1987-88	26	5	21

Out of 54 offices, inspection were pending from 1985-86 in respect of 39 offices. The shortfall in inspection was attributed by the Authority to shortage of staff. As failure to bring the institution to annual inspection may adversely affect the efficiency of functioning of the field offices, the need for overtaking the arrears in this regard is stressed.

26. **OUTSTANDING INSPECTION REPORTS OF THE ACCOUNTANT GENERAL**
The position of Inspection Reports pending settlement was as follows :-

PENDING SETTLEMENT

Year	Number of Inspection Reports	Number of paragraphs	Number of Inspection Reports for which first replies not received
1985-86	11	27	2
1986-87	29	158	5
1987-88	31	76	5
Total	71	261	12

27. **GENERAL :**

The defects/omissions pointed out in paragraphs 5, 6, 8, 10, 11, 12, 14, 15, 16, 20, 21, 22 and 25 of this Audit report were pointed out in the Audit report for 1986-87 also and remained to be rectified (September 1991).

Sd/-
PRINCIPAL ACCOUNTANT GENERAL (Audit)

Place : Thiruvananthapuram,
Date : 9th October 1991.

Reply on the Points raised in the Audit Report on the Accounts of the Kerala Water Authority for the year 1987-88.

1. No remarks called for.
2. —do—
3. No remarks called for.
4. Remarks given under relevant paragraphs.
5. Rules and Regulations on matters (d), (e) and (f) have also been finalised and forwarded to Govt. for approval. Action has been initiated to finalise the remaining regulations also immediately.
6. Necessary action has been taken to update the assets register.
7. The Provision for Depreciation and the Depreciation Reserve created are shown under separate heads in the books of accounts exhibited in the 'SCHEDULE Balance Sheet.
8. Action has been taken to comply with the requirement of Section 56 of the Act at the earliest.
9. No remarks called for.
10. Action is being taken for placing the Accounts before the State Legislature at the earliest.
11. No further remarks.
12. A cost and revenue study which is in progress will analyse the effect to alternative systems of revenue generation etc. and propose methods for KWA to routinely collect and analyse data on the Cost of Services and revenue to recover these costs. The report is expected before 31st December 91. An interim tariff revision is also under the consideration of the Government.
- 13 (a) As the demand Collection and balance statement from some of the Divisions were not available in full, the actual collection as per cash records have been taken as collection in the accounts:
 (b) Records to show monthly demand is kept at the Sub Division Office.
14. No further remarks.
- 15 (a) As regards advance payment to KSEB, the advance could not be charged to final head of account due to non-availability of details from KSEB. The details have been called for. As regards the advance paid to Director of Municipalities and Director of Panchayats, Govt. have been addressed to give their approval for the accounting to be adopted in the books of Accounts of KWA. The reply from Government is awaited.

- (b) Action is being taken to maintain broad sheets.
 (c) No further remarks.

16. Action is being taken to clarify this from Government.

17. (i) Steps have been taken to obtain divisionwise breakup of Sundry Debtors.
 (ii) Steps have been taken to furnish the information called for.
 (iii) No further remarks.
 (iv) No further remarks.

18 (a) The difference in funds transfer is due to booking of the same type of transactions in three different head of accounts.

The net difference is Rs. 1,74,74,127/- as follows:-

9 1 3 1 10A Cash Cr	14,82,65,877.63
9 1 3 2 10A Bank Dr	31,17,76,430.27
9 1 3 3 10A Treasury Cr.	18,09,28,985.58
9 1 3 10A Funds Cr. Tfr. Cr.	55,694.45
	<u>1,74,74,127.39</u>

Steps have already been taken to reconcile the Interoffice account balances.

b) The material balances Rs. 13,49,26,048/99 is the Opening balance of CSS Account carried forward from earlier years. Steps have already been taken to reconcile and settle the CSS Accounts balance.

19. Further action is taken to rectify the points brought out in the Audit report on Non-Operative account. Regarding Non-receipt of MTS transferred to Kowdiar Branch credit has already received.

20. No further remarks.

21. The share of the Govt. of Kerala on account of pension and other retirement benefits of such employee's for the portion of their Service under the erstwhile PHED had not been worked out. The non-plan grant in aid being released to KWA by the State Govt. from its Budgetary provision takes care of the expenditure on this account. A Separate exercise is being done to find out the Pension share of Govt.

22. The matter has already taken up with the respective banks.

23. No remarks

24. No remarks

25. No remarks

26. Action is being taken to settle the pending Inspection reports immediately.

27. Steps are taken to rectify the defects/Omissions pointed out in the paras specified.

Sd/-
 MANAGING DIRECTOR