

KERALA WATER AUTHORITY



ANNUAL ACCOUNTS 2009 - 2010

HEAD OFFICE : JALA BHAVAN, THIRUVANANTHAPURAM - 695 033

**SEPARATE AUDIT REPORT OF THE COMPTROLLER &
AUDITOR GENERAL OF INDIA ON THE REVISED ACCOUNTS
OF KERALA WATER AUTHORITY FOR THE YEAR ENDED
31 MARCH 2010.**

We have audited the attached Balance Sheet of Kerala Water Authority (KWA) as at 31 March 2010 and the Income and Expenditure Account for the year ended on that date 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 84 major units. These financial statements are the responsibility of the Kerala Water Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

1. This Separate Audit Report contains the comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with best accounting practices, accounting standards, disclosure norms etc. Audit observations on financial transactions with regard to compliance with the Laws, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects etc., if any, are reported through Inspection Reports/CAG's Audit Report separately.
2. 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.
3. Based on our audit, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) The Balance Sheet and income & Expenditure Account dealt with by this report have been drawn up in the format approved by the State Government under Section 29(i) 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) (l) 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 **Reserves and Surplus (Schedule B) ₹ 79.06 crore**

This represents the reserve created on account of value of fixed assets acquired free of cost. Even though depreciation on these assets was provided for, the amount of reserve equal to depreciation provided for has not been written back to income and expenditure account to nullify the impact of depreciation provision on assets acquired free of cost.

1.2 **Unsecured Loans & Deposits (Schedule D) - ₹ 2,119.83 crore**

1.2.i **Loan from Government of Kerala - ₹1,356.18 crore**

This is understated by ₹ 839.60 crore due to conversion of interest bearing State Government loan into interest free fund from Government in the accounts for the year 2006-07 on the basis of budget proposal. However, the conversion was not authorized by any specific orders of the State Government. This has resulted understatement of unsecured loans with a corresponding overstatement of contributions and grants by ₹ 839.60 crore.

1.2.ii **Interest accrued on Government of Kerala Loan - ₹ 246.60 crore**

This is understated by ₹ 1,004.81 crore due to write back of interest payable during 2006-07 on the basis of the Budget Speech 2008-09 of the Finance Minister, which was not sanctioned by any subsequent Government order. This has resulted in understatement of interest accrued on Government of Kerala Loan and thereby understatement of accumulated excess of expenditure over income by ₹ 1,004.81 crore.

1.2.iii **Security Deposit— ₹112.50 crore**

1.2.iii a This includes an amount of ₹ 1.16 crore being security deposits received remaining in the accounts for more than eight years without any transaction. As there were no details on security deposit available and no refund was claimed, this should have been written back in accounts. Inclusion of security deposit not claimed for a long period as liability, resulted in overstatement of current liabilities with corresponding understatement of other income by ₹ 1.16 crore.

1.2.iii.b Accounts Manual provides that whenever money is received for deposit work, the whole amount received (including centage charge, supervision charge and special deposit etc.) is to be credited to deposit work account, instead of crediting to the respective heads of account. When work is completed, adjustment entry for transfer of deposit to deposit reserve account and then to the income account is to be made.

However, no adjustment as stated *ibid*, had been done in the account either at Accounts Rendering Unit (ARU) or at Head Office (HO) on completion of works. As a result the accumulated balance under deposit accounts shows incorrect position of such works. Therefore the accumulated balance under deposit accounts is overstated with corresponding understatement of income. In the absence of proper records for quantifying the deposit works completed, audit could not ascertain and quantify the overstatement of deposit and understatement of income.

2. Application of Funds

2.1 Fixed Assets (Schedule E) - ₹ 5,057.50crore

Physical verification of Fixed Assets was also not carried out as on 31 March 2010. Audit checks disclosed that cost of pipe lines and connected fixtures that are dismantled during road works carried out by other agencies such as state Public Works Department, Kerala State Transport Project etc., was not written off.

2.1.ii Gross Block - ₹ 2,330.74 crore

The Gross Block of Assets was understated by ₹109.18crore with corresponding overstatement in 'work in progress' due to non-capitalisation of the cost of civil works, mains, networks, roads, bridges and culverts created and put to use (completed and commissioned) during 2009-10 (in respect of 53 cases noticed in audit). Due to non-provision of depreciation for those assets, the depreciation reserve was also understated by ₹ 1.64 crore.

2.1.iii Capital Work in Progress (CWIP)— ₹ 3.633.82crore

2.1.iii a Interest pending Capitalisation - ₹ 216.46 crore

This represents interest expenses incurred in works and transferred to CWIP from 1998 onwards which requires capitalisation on completion of work. In the absence of proper records relating to the value of works completed/included in CWIP, the extent of understatement of value of capital work in progress or fixed assets could not be ascertained. Despite this being pointed out earlier, KWA could not produce the details.

2.1.iii.b Revenue Expenditure transferred pending allocation - ₹ 289.54 crore

This represents other establishment expenses (share debit) incurred by the Authority on projects transferred to CWIP since 1998 pending capitalisation. In the absence of proper records on value of works completed/capitalised, the audit could not ascertain and quantify overstatement of either CWIP or fixed assets.

2.2 Investments (Schedule F). - ₹ 33.84 crore

The above amount includes ₹ 4.00 crore being cheque issued on 31.03.2010 in favour of District Treasury Officer, Thiruvananthapuram for investing the amount as Fixed Deposit (FD). However, the treasury accounted this amount only on 07.04.2010. The date of deposit was also taken as 07.04.2010. As such the cheque issued was in the nature of 'cheque issued but not presented'

as on 31.03.2010. The incorrect accounting of FD resulted in overstatement of Investments and understatement of bank balance by ₹ 4crore.

2.3 **Net Current Assets - ₹ 502.77 crore**

2.3.i **Current Assets (Schedule G); - ₹ 827.62 crore**

2.3.i.a **Inventory - ₹ 85.21 crore**

2.3.i.a.i **General**

- (i) Closing inventory was not physically verified and certified as on 31 March 2010. The balances appearing in the accounts represented the book balances which were not reconciled with the balances in Priced Stores Ledger (PSL).
- (ii) The value of stores, tools and spares included in the inventory as appearing in the accounts (₹ 78.06 crore) was net of negative balances against different items of materials in the different Divisions. It was observed that the negative balances resulted out of (a) non-transfer of value of opening stock held at the time of formation of each KWA Division Store from HO Accounts (b) erroneous accounting of stores transactions and (c) omissions in accounting of receipts, issues or both.
- (iii) Test check revealed that no value adjustments have been carried out in respect of shortages/excesses detected during physical verification conducted from time to time at ARU level.
- (iv) Provisions for obsolescence also have not been created against several items reported as obsolete in the different physical verification reports.

In the absence of proper stores accounts as well as stores control systems, stock values appearing in the accounts does not reflect the cost/realisable value of the actual quantities of stock of different materials in the different Divisions.

The above lapses were repeatedly pointed out in Audit, but no corrective action is taken.

2.3.1.i **Sundry Debtor - ₹ 513.87crore**

2.3.i.b.i The test check of revenue accounting and debtors' balances revealed that balances under debtors' accounts were not analysed separately for making provisions for doubtful debts. The dues accounted for by the Divisions, were mostly on estimate basis and the outstanding balances included are related to several unidentified connections, disconnected/dismantled connections as well as cases under dispute etc.

(on which fines and penalties were increasing month by month). As such, the impact of non-provision towards doubtful debts on the working results shown in the accounts was quite material; but not ascertainable in the absence of systematic identification and analysis of debtors' balance.

2.3.1.b.ii **LIC loan repayment due from Local Bodies - ₹17.61crore**

This represents amount due from Panchayaths, Municipalities and Corporations on account of loan received or utilised for water supply projects executed for Local Bodies pending for more than seven years. Neither any details nor any claim had been preferred so far and chances of recovery are also remote. Necessary provision for the above amount should have been made in the accounts. Non-provision resulted in overstatement of current assets and understatement of provision for bad debts by ₹ 17.61crore.

Though this has been pointed out earlier, no corrective action is seen taken.

2.3.1.b.iii **Others - ₹ 0.96 crore**

This includes ₹ 0.34crore (Debit balance) towards dues from others pending for more than seven years. Neither any details nor any claim had been preferred so far and chances of recovery are also remote. Necessary provision for the above amount should have been made in the accounts. Non-provision resulted in overstatement of current assets and understatement of provision for bad debts by ₹ 0.34crore. Despite pointing out repeatedly, no corrective action is seen taken.

2.3.1.c. **Cash and Bank Balances - ₹ 333.70 crore**

2.3.1.c.i. **Bank and Treasury Balances - ₹ 331.78 crore**

2.3.1.c.i.a. (i) Treasury Balance of three units (Public Health Division, Thiruvananthapuram ₹ 33,94,557, Kollam ₹ 22,838 and Kochi ₹ 10,355) totalling to ₹ 34,27,750 and credit balance of ₹ 10,886 (Credit) were not seen updated for the last several years. In the absence of updated treasury pass book/certificate of balance in treasury as on 31.03.2010, authenticity of treasury balance could not be ascertained.

(ii) The difference of ₹ 97,107 in treasury balance between cash book (₹ 14,40,712) and pass book (₹ 13,43,605) has not been reconciled (Public Health Division, Kochi).

2.3.1.c.i.b The remittances on behalf of Head Office is made by Divisions to non operating account which is credited to Head Office account on the same date itself. However, the books of PH Division, Kochi shows a balance of ₹ 0.28 crore in one of its operative account. Further as per books, the Division made remittance of ₹ 3.55 crore to two non-operative accounts during the year 2009-10. However, the correctness of amount credited in the accounts, transferred to Head Office and balance of ₹ 0.28 crore could not be ascertained in audit in the absence of bank statement/certificates and also non- reconciliation of Bank Remittance with Head Office account (Public Health Division, Kochi).

2.3.1.c.i.c. The above includes ₹ 45,29,940 being the bank balances as shown in the cash book in three bank account with SBT Kowdiar relating to Consultancy Services provided as against ₹ 45,79,775 as shown in the Bank Pass Book. However, the difference of ₹ 49,835 has not been reconciled.

2.3.i.c.i.d As per the record maintained in the unit, the balance in bank is shown as ₹ 34,50,956 as against balance shown in Bank Statements ₹ 41,44,882. The difference of ₹ 6,93,926, had not been reconciled. (Secretary's Office, Head Office)

2.3.i.c.i.e. The Chief Engineer (JICA) did not reconcile the unadjusted figure in current account with SBT, Kowdiar pertaining to previous years. This includes unexplained credits (₹ 0.04 crore) and debits (₹ 0.12 crore) in Bank pass book without respective entries in the cash book, excess debit by the bank (₹ 0.02 crore) etc.

2.3.i.d. **Other Current Assets - (₹ 105.17 crore)**
This includes ₹ 0.41 crore (debit) which is shown as cash and bank suspense. As a result of the inclusion of this suspense head in the accounts, audit is not in a position to verify the accounts to that extent.

2.3.ii **Current Liabilities and Provisions - ₹ 324.85 crore**

2.3.ii.a **For Contractors/Suppliers- (₹ 10.75 crore)**
This includes a debit balance of ₹ 11.16 crore under the head 'Sundry creditors Suppliers' resulting in understatement of current liabilities. The debit balance under 'current liability' is due to the reason that though the subdivisions were making/accounting payment to suppliers, the stock accounting journals were passed only at Division level.

2.3.ii.b. **Control Account Balances - ₹ 7.58 crore**
This includes three balances (collections, capital expenditure- M and capital expenditure-O) amounting to ₹ 7.58 crore. As this head is used as intermediary head, which should have been nullified through appropriate adjusting/transfer entries, the inclusion of this unadjusted head has resulted in overstatement of current liabilities & provisions by ₹ 7.58 crore.

Though pointed out earlier, no action is taken to correct the persistent deficiency.

2.3.ii.c The account balances under advances were also not supported by party-wise details of supplier/contractor. Position of pending supplies/services as on 31 March 2010 in respect of Divisions selectively test checked also revealed that adjustments were not systematically made under this account. The extent of overstatement was however, not ascertainable, in the absence of relevant records. KWA has not taken any corrective action despite pointing out repeatedly.

B. **INCOME AND EXPENDITURE ACCOUNT**

1. **INCOME**

Other Non-Operative Income

1.1 **Income as recoveries - ₹ 54.25 crore**

This included ₹ 54.12crore, being fines and penalties levied for defaults in remittance of water charges accounted on demand basis. However, Accounts Manual envisaged accounting of fines/penalties on cash basis (i.e., considered as income as and when collected) which is in line with the general accounting concepts of revenue recognition, on conservative basis. As a result, non operating income was overstated by ₹ 54.12crore with respective over statement of current assets (Sundry Debtors -Consumers)

2. **Expenditure**

2.1 **Administrative Expenses (Schedule R) - ₹ 3.15 crore.**

No provision has been made in the accounts towards guarantee commission payable to Government of Kerala for the period 2009-10 towards guarantees given on the loans availed from LIC of India and HUDCO, as disclosed in the Notes 1.03. Government had ordered (October 2004) that guarantee commission payable shall not be waived under any circumstances as per specific stipulation under Section 5 of Kerala Ceiling on Government Guarantee Act, 2003. Request made by the Authority for waiver of guarantee commission was also turned down by Government. Non provision of guarantee commission tantamount to understatement of excess of expenditure over income as well as current liabilities by ₹ 1.28 crore.

2.2 **Prior Period Adjustments (Schedule W) - (₹ 0.49 crore)**

No provision has been made in the accounts towards guarantee commission payable to Government of Kerala up to 2007-08 in respect of guarantees given for the loans obtained from LIC of India and HUDCO, as disclosed in the Notes 1.03. Government had ordered (October 2004) that guarantee commission payable shall not be waived under any circumstances as per specific stipulation under Section 5 of Kerala Ceiling on Government Guarantee Act, 2003. Requests made by the Authority for waiver of guarantee commission were also turned down by Government. Non provision of guarantee commission tantamount to understatement of excess of expenditure over income as well as current liabilities by ₹ 26.76crore.

C. **Notes on accounts for the year ended 31 March 2010. Non disclosure of Accounting Policies.**

1. 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. But as disclosed under Notes on Accounts (Para 1.07.04) liability of gratuity and pension is being accounted on cash basis. This is against the provisions of the Accounts Manual and normal accounting principles.
2. Significant Accounting Policies adopted and followed by the Authority is not disclosed in the financial statement.

D. **General**

1. The value of capital assets and spares donated by the United Nations International Children's Emergency Fund (UNICEF) and Danish International Development Agency (DANIDA) since 1988-89 was not ascertained and incorporated in the accounts till date.
2. The Accounts Manual framed under Regulation 65(F) of the Act required that the accounts shall contain details such as quantity of clear water produced and sold to domestic and non-domestic consumers, local bodies, individual consumers etc. However, this requirement was not complied with, as the Authority did not have the accurate information on the quantitative details of water produced and sold.
3. The Authority was not maintaining a Fixed Asset Register. Moreover, the physical verification of fixed assets was also not conducted since the formation of the Authority. So the accuracy of the balance under fixed assets including depreciation provided could not be ensured.

Impact on revision of accounts and comments

- i. At the instance of audit, the Authority revised the accounts with following impact on the Financial Statements

(₹ in crore)

Head of Account	Increase	Decrease	Net Increase
Assets	18.94	14.42	4.52
Liabilities	7.03	0.62	6.41
Expenses	4.47	1.85	2.62
Income	0.73	0	0.73

- ii. Further, as a result of the comments on the revised accounts for the year 2009-10, the excess of expenditure over income for the year amounting to ₹ 149.94crore, will increase by ₹ 1,105.40crore.

E. **Grants-in-aid**

Out of Grants-in-aid of ₹ 984.25crore received during the year 2009-10 and opening balance of ₹ 17.39 crore, the Authority utilised an amount of ₹ 947.33 crore, leaving a balance of ₹ 54.31 crore as on 31 March 2010. Project wise details of grants-in-aid are enclosed in Annexure II.

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.

However, in our opinion the said financial statements read together with the Notes on Accounts can be considered as giving a true and fair view of the State of affairs, conforming to accounting principles and standards

generally accepted in India, in view of the significant matters stated above and other matters mentioned in Annexure 1 to this Audit Report.

- (a) In so far as it relates to the Balance Sheet, of the State of affairs of the Kerala Water Authority as at 31 March 2010 and
- (b) In so far as it relates to Income & Expenditure Account of the deficit for the year ended on that date.

For and on the behalf of the C&AG of India

Principal Accountant General (General and Social Sector Audit)
Kerala, Thiruvananthapuram

Thiruvananthapuram
09.07.2014

Annexure I

I. Internal Audit System.

Internal Audit of KWA is conducted by the Internal Audit Wing under the control of Member (Accounts). Internal auditors, as an independent entity, should examine and evaluate the level of compliance with the financial and other departmental rules and procedures and provide assurance to the management on the adequacy or otherwise of the existing internal controls.

The duties of the internal Auditor includes the matters like

- All offices of the Authority are covered by the internal audit party at least once in two years.
- Prepare and adhere to quarterly audit program.
- Submission of audit report, take necessary follow up action etc.

Adequacy and effectiveness of the internal control mechanism, including the system of internal audit, in the organization was reviewed in audit through a test check of the records of the Headquarters units and nine units for the period 2009-10. The evaluation revealed weaknesses relating to noncompliance with sound accounting principles, in the areas of financial control, budgetary control, expenditure control and operational controls etc., which have not been pointed out in internal audit.

The major deficiencies noticed were as follows

- No internal audit manual is prepared or followed in the Authority
- Poor coverage of units - As per the Administrative Report for 2009-10, there are 12 circle offices, 45 Divisions and 110 Sub divisions under the regional offices of which the Internal Audit team inspected only seven units.
- The audit program and consolidated audit report were not seen prepared.
- Staff strength of internal audit wing is poor as compared to the units and transactions.

As such audit is of the opinion that Internal Audit coverage is thoroughly inadequate and it has to be strengthened the size and nature of Authority.

II. Adequacy of Internal Control System.

Internal controls provide reasonable assurance to the management that financial interests and resources of the organization are safeguarded and reliable information is available. Internal control uses a system of rules, orders and procedures to provide management with a reasonable assurance that the entity is functioning in the manner, which is economical, efficient and effective. A built-in internal control system and strict adherence to the provisions of statutes, codes and manuals minimise the risk of

errors and irregularities and help to protect organisational resources against loss due to wastage, abuse and mismanagement.

The internal Control system of the Authority is also inadequate and not commensurate with the size and nature of the Authority, for the following reasons:

- i. Proper budgetary control systems were not in existence as the allotted/budgeted expenditure are largely in variance with actual expenditure in many cases.
- ii. Cash/Bank book balances were not systematically verified and not regularly certified by most of the Divisions.
- iii. In violation of clause 6 of Chapter III — Accounting procedures of Kerala Water Authority Accounts Manual 1993, bank reconciliation was also not being systematically carried out by majority of field officers. Wherever balances were reconciled, differences located during reconciliation were also not being systematically adjusted. In some cases unidentified differences pertaining to past periods remaining unreconciled, pending which further reconciliation was carried out keeping such differences, unchanged. Substantial differences were also noticed between bank/cash balance appearing in the bank/cash book and those adopted in the accounts, in respect of few of the Account Rendering Units.
- iv. Inventory Management and Control Systems were thoroughly inefficient. Transactions of stores materials are not being accounted properly. Several omissions and mistakes were noticed in the accounting of receipts, issues and pricing of materials. Priced Stores Ledgers were neither maintained nor kept up to date. In the absence of parallel records of stores transactions, the stock account maintained by custodians of the stock are not being subjected to effective counterchecks to detect errors, omissions or manipulations. Physical verification of stock is also not being carried out on regular basis, and even when verification conducted, necessary adjustments are not being carried out in the stock records to bring to book the differences noticed and to account the liabilities towards shortages. Inter-Division transfers of stock are also not being accounted and reconciled properly.
- v. Majority of the Account Rendering Field Units are not keeping Financial Ledgers. Journal Entries and supporting vouchers were also not easily forthcoming for audit- checks. Subsidiary Ledgers for receivables and payables are also not being maintained by Field Units in the absence of which the correctness of the account balances and status of recovery potential/liability were not verifiable. Many of the account balances in Trial balances of Divisions/Sub divisions were subjected to correction/revision at Head Office without proposing journal entries and without recording the reasons for the corrections/revisions made. The revisions made are not being incorporated in the books of accounts of the affected Divisions/Sub divisions even after finalisation of accounts and therefore the opening balances of control accounts in the unit trial balances are often at variance with balances in Head Office Trial Balance.

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

vii. WASCON, the consultancy wing is not maintaining any records relating to the work done or raising any invoice on regular basis. The income relating to consultancy wing viz., consultation charges is accounted only as and when received.

Though the Authority follows accrual system of accounting, the consultancy wing of the Authority is recognising revenue only as and when required.

viii. Non-reconciliation of Non-operative bank account

Every unit of the Authority has a separate bank account as non-operative from which the unit cannot make any withdrawal. None of the units or the Head Office reconciles these bank account.

III. Physical Verification of Fixed Assets.

Systematic verification of fixed assets is not being conducted and the Fixed Asset Register is pending updation since 31.03.2005 onwards.

IV Regularity in payment of statutory dues

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

**Resident Audit Officer
Kerala Water Authority**

ANNEXURE-II

GRANTS-IN-AID (Refer Comment No. E of the SAR)							
Project wise details of Receipt and Utilisation of Grants – in – Aid during the year 2009-10							
(₹) In Crore							
Sl. No.	Name of the project for which grants received or General Grants	Amount of grant brought forward from previous year	Amount of grant received during the year	Total grant received	Amount utilised during the year	Amount un-utilised as on 31.03.2010 carried forward to next year	Remarks i.Target date of the project ii.Audit comment on delay etc.
1.	ARWSS	1.19	149.71	150.90	149.67	1.23	
2.	Technology Mission	15.61	-	15.61	5.08	10.53	
3.	AUWSS	-	-	-	-	-	
4.	Others	0.59	-	0.59	0.59	-	
	Total GOI*	17.39	149.71	167.10	155.34	11.76	
5.	GOK(P)**	-	666.61	666.61	624.06	42.55	
5.	GOK(NP)	-	167.93	167.93	167.93	-	
	Grand Total	17.39	984.25	1,001.64	947.33	54.31	

Following amounts taken in accounts not included in GOK/GOI grant shown above

1. ₹5.98crore – SC/ST
2. ₹0.75crore – World Bank Jananidhi
3. ₹45.00crore – TRP
4. ₹5.00crore Received from GoK through District Collector towards DRW.
5. ₹3.64crore out of the total receipt of ₹106.97 crore pertaining to financial year 2008-09 to KWA's Account on 15-04-2009 only and is excluded from this year receipt.

**Resident Audit Officer
Kerala Water Authority**

KERALA WATER AUTHORITY

BALANCE SHEET AS AT 31st MARCH 2010

	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
SOURCES OF FUNDS			
1 Kerala Water Authority Fund	A	39,73,09,98,697	34,71,54,67,149
a. Contributions & Grants	B	79,05,53,234	79,05,53,234
b. Reserves & Surplus			
2 Kerala Water Authority Loan Fund	C	4,76,43,10,775	5,17,53,64,938
a. Secured Loans	D	21,19,83,34,603	15,95,74,05,512
b. Unsecured Loans & Deposits			
Total		66,48,41,97,309	56,63,87,90,833
APPLICATION OF FUNDS			
1 Fixed Assets	E		
Gross Block		23,30,73,59,732	23,26,51,97,476
Less: Depreciation Reserve		9,07,05,27,621	8,54,89,71,038
Net Block		14,23,68,32,111	14,71,62,26,438
Capital Work in Progress		36,33,81,77,599	27,73,23,97,672
		50,57,50,09,710	42,44,86,24,110
2 Investments	F	33,84,11,299	27,08,07,446
3 Net Current Assets			
a. Current Assets	G	8,27,61,59,667	7,26,24,49,597
b. Current Liabilities	H	3,24,84,56,162	2,55,67,40,629
		5,02,77,03,505	4,70,57,08,968
4. Loans & Advances	I	1,23,21,21,447	1,40,21,40,200
5 Miscellaneous Expenditure to the extent not Written-off	J		
6 Accumulated Excess of Expenditure over Income	K	9,31,09,51,348	7,81,15,10,109
Total		66,48,41,97,309	56,63,87,90,833

Schedules A to K and Notes 1.01 to 1.09 and 2.04 form an integral part of this Balance Sheet

V.S.Pradeep
Finance Manager & Chief Accounts Officer

T.C. Subran
Technical Member

Ashok Kumar Singh IAS
Managing Director

Place: Thiruvananthapuram
Date 10/06/2014

KERALA WATER AUTHORITY

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

INCOME	Schedule Reference	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
1 Operating Income			
a. Consumers			
b. Others	L	2,92,61,83,775	2,10,12,08,286
	M	2,30,95,029	11,56,03,873
2 Grants & Subventions - Government of Kerala		2,94,92,78,804	2,21,68,12,159
3 O&M Grant from Government of India		1,67,92,66,400	1,07,20,60,000
4 Interest Income		15,27,70,000	15,49,95,000
5 Other Non-Operative Income	N	5,64,80,331	5,24,30,287
6 Debtors/creditors written off	O S	62,44,47,426 -	51,62,24,477 -
Total Income		5,46,22,42,961	4,01,25,21,923
EXPENDITURE			
1 Operating & Maintenance Expences	P	2,13,33,29,397	1,95,09,88,346
2 Payment & Provision to Employees		2,80,12,97,941	2,94,32,64,253
3 Office expenses	Q	8,63,17,839	9,55,01,304
4 Travelling & Conveyance Expenses		2,22,33,175	1,97,04,085
5 Administrative Expenses	R	3,14,62,520	2,30,26,883
6 Assets and losses written off	T	-	-
7 Provision for Doubtful Debts	U	-	-
8 Interest on			
a. Secured Loans		52,42,88,062	27,10,94,379
b. Government of Kerala Loans		1,27,11,62,000	95,29,92,000
c. GPF		14,17,77,526	11,41,20,928
		1,93,72,27,588	1,33,82,07,307
9 Depreciation	E	52,15,56,582	52,47,42,864
Total Expenditure		7,53,34,25,042	6,89,54,35,042
10 Transferred to Capital Work-In-Progress	V	56,68,76,023	42,37,29,343
		6,96,65,49,019	6,47,17,05,699
Excess of Expenditure over Income		1,50,43,06,058	2,45,91,83,776
11 Prior Period Adjustments	W	(48,64,819)	1,83,49,439
Excess of Expenditure over Income after prior period adjustments		1,49,94,41,239	2,47,75,33,215

Schedules L to W and Notes 2.01 to 2.04 form an integral part of this Income & Expenditure Account

V.S.Pradeep
Finance Manager & Chief Accounts Officer

T.C. Subran
Technical Member

Ashok Kumar Singh IAS
Managing Director

Place: Thiruvananthapuram
Date 10/06/2014

KERALA WATER AUTHORITY

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2010

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
SCHEDULE - A		
CONTRIBUTIONS & GRANTS		
1 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	20,28,01,96,546	16,26,34,31,215
3 Interest free fund from GOK	8,39,13,01,362	8,39,13,01,362
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
	8,27,92,78,412	8,27,92,78,412
4 Contribution & Grants from Government of India	8,12,33,77,654	6,71,33,76,668
Less : Amount released to District Collectors and Kerala Rural Water Sanitation Agency	1,72,49,77,625	1,31,24,77,625
	6,39,84,00,029	5,40,08,99,043
5 Donated capital assets	18,14,530	18,14,530
6 Capital contribution from other sources	42,59,81,445	42,47,16,214
	39,73,09,98,697	34,71,54,67,149
SCHEDULE - B		
RESERVES & SURPLUS		
Reserve for deposit works	79,05,53,234	79,05,53,234
	79,05,53,234	79,05,53,234
SCHEDULE - C		
SECURED LOANS		
1 Loan from LIC of India		
2 Loan from HUDCO	1,49,39,97,172	1,62,41,98,785
3 Bank Loan	-	8,39,12,092
	3,27,03,13,603	3,46,72,54,061
	4,76,43,10,775	5,17,53,64,938
SCHEDULE - D		
UNSECURED LOANS & DEPOSITS		
1 Loan from Govt of Kerala		
2 Interest accrued on GOK Loan	13,56,18,00,000	10,41,18,00,000
3 Deposit from local bodies	2,46,60,46,000	1,19,48,84,000
4 Security Deposit	20,30,82,889	9,24,70,906
5 Earnest Money Deposit	1,12,49,78,290	80,18,37,082
6 Water & Sewerage Connection Deposits	1,79,34,077	1,99,78,626
7 Deposit work-Water Supply & Sewerage	3,61,96,753	2,97,42,211
8 Other deposits	3,41,88,05,181	2,84,90,68,111
	36,94,91,413	55,76,24,576
	21,19,83,34,603	15,95,74,05,512

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

SCHEDULE FORMING PART OF BALANCE SHEET AS ON 31-03-2010 (Contd....)

KERALA WATER AUTHORITY

SCHEDULE OF FIXED ASSETS AS AT 31st MARCH 2010

DESCRIPTION	GROSS BLOCK				DEPRECIATION BLOCK		NET BLOCK	
	BALANCE AS ON 01/04/2009	ADDITIONS DURING THE YEAR	DELETIONS	AS ON 31-03-2010	BALANCE AS ON 01/04/2009	DEPRECIATION UP TO 31-03-2010	CURRENT YEAR	PREVIOUS YEAR
FREE HOLD LAND	1,09,16,00,481	78,53,333	-	1,09,94,53,814	-	-	1,09,94,53,814	1,09,16,00,481
LEASE HOLD LAND	-	-	-	-	-	-	-	7,48,92,895
LAND DEVELOPMENT EXPENDITURE	7,46,92,895	87,784	-	7,47,80,679	2,10,41,46,364	15,34,19,247	4,56,56,11,924	4,71,55,97,934
CIVIL WORKS	6,81,97,44,297	34,33,238	-	6,82,31,77,535	29,83,44,117	1,77,92,697	66,49,15,417	68,27,08,114
BUILDINGS	98,10,52,231	-	-	98,10,52,231	1,09,66,77,960	1,17,87,23,193	76,43,62,535	84,47,97,731
PLANT AND MACHINERY	1,94,14,75,691	16,10,037	-	1,94,30,85,728	4,79,01,39,675	5,04,24,24,992	6,83,43,54,100	7,06,66,38,417
MAINS AND NETWORKS	11,87,67,79,093	-	-	11,87,67,79,092	4,79,01,39,675	57,71,082	12,52,93,254	13,10,64,346
ROADS BRIDGES AND CULVERTS	23,74,45,864	3,46,903	-	23,74,45,864	10,63,81,518	7,80,787	1,07,96,555	1,42,32,439
VEHICLES	6,65,22,479	2,77,22,021	-	6,68,69,382	5,52,90,040	94,62,219	9,72,61,624	7,78,93,091
FURNITURE, FIXTURES & OFFICE EQUIPMENTS	17,58,84,445	4,10,53,316	-	20,47,15,407	9,79,91,364	52,15,56,582	14,23,98,32,112	14,71,82,29,438
Total	23,26,51,97,476	4,10,53,316	-	23,30,73,59,732	8,54,89,71,038	9,07,06,27,600	14,23,98,32,112	14,71,82,29,438

	CURRENT YEAR (₹)	PREVIOUS YEAR (₹)
GROSS BLOCK OF FIXED ASSETS	23,30,73,59,732	23,26,51,97,476
LESS : ACCUMULATED DEPRECIATION	9,07,06,27,620	8,54,89,71,039
NET VALUE OF FIXED ASSETS	14,23,68,32,112	14,71,62,26,437
ADD : CAPITAL WORK-IN-PROGRESS (ACCOUNT CODE 11)	36,33,81,77,596	27,73,23,97,672
Total	50,57,50,09,710	62,44,86,24,109

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
<u>SCHEDULE - F</u>		
<u>INVESTMENTS</u>		
Investment for Pension / PF	33,84,11,299	27,08,07,448
<u>SCHEDULE - G</u>		
<u>CURRENT ASSETS</u>		
1 Inventory :		
a. Stores, Tools & Spares	78,36,38,283	75,27,95,302
b. Consumables	6,84,13,852	6,26,56,387
c. Others	-	-
	<hr/>	<hr/>
	85,20,52,135	81,54,51,689
2 Sundry Debtors :		
a. Consumers		
i. Local bodies dues - water & maintenance charges	2,77,37,51,227	2,55,41,37,859
ii. Domestic, Non-domestic & Industrial dues	2,17,92,40,535	2,25,54,90,416
b. LIC Loan repayment due from Local Bodies	17,61,43,755	17,61,43,755
c. Others	96,08,521	41,24,365
	<hr/>	<hr/>
	5,13,87,44,038	4,98,98,96,395
3 Cash & Bank Balances :		
a. Bank & Treasury balances		
b. Cheques & Bills in transit	3,31,78,00,537	2,34,20,00,386
c. Cash on hand	-	-
	<hr/>	<hr/>
	1,92,22,367	54,12,492
4 Other Current Assets :	3,33,70,22,904	2,34,74,12,878
Inter office & other suspense account balances	(1,05,16,59,410)	(89,03,11,365)
	<hr/>	<hr/>
	8,27,61,59,667	7,28,24,49,597
	<hr/>	<hr/>

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

SCHEDULE - H

CURRENT YEAR
(Amount in ₹)

PREVIOUS YEAR
(Amount in ₹)

CURRENT LIABILITIES & PROVISIONS

1 Current Liabilities

a. Sundry Creditors :

i. Payment to employees

ii. For expenses

iii. For contractors/suppliers

b. Statutory employees deductions :

i. General provident fund

ii. NMR PF

iii. Others

c. Sales-Tax Collection

d. Tax Deducted at Source

e. Other Current liabilities

f. Interest Accrued on Loans

22,94,42,582

18,40,52,344

96,12,78,920

53,83,69,628

(10,75,17,574)

(13,96,15,572)

1,80,64,80,880

1,63,63,36,342

5,46,32,019

5,35,73,657

28,91,322

19,14,450

1,20,90,396

1,21,95,782

2,45,16,303

3,30,48,893

15,52,06,122

10,50,55,848

3,36,16,444

3,72,32,435

3,17,26,37,414

2,46,21,63,807

7,58,18,748

9,45,76,822

3,24,84,56,162

2,55,67,40,629

2 Control Account Balances

SCHEDULE - I

LOANS & ADVANCES

1 Loans & advances to employees

1,41,65,993

1,93,12,200

2 Advances for expenses

76,33,565

51,66,320

3 Advances to suppliers / contractors

68,61,78,821

1,05,90,15,626

4 Revolving fund to Local Bodies

19,44,413

19,44,413

5 Advances - Others

97,85,665

96,88,665

6 Claims recoverable

20,59,36,987

20,53,08,109

7 Contribution Deposit - KSEB

74,15,034

63,22,482

8 Consumer Deposit - KSEB

7,89,02,863

2,73,51,256

9 Deposit with PWD

20,29,96,060

6,12,69,380

10 Deposit with others

1,49,08,418

45,08,121

11 Advances for capital expenditure

22,53,628

22,53,628

1,23,21,21,447

1,40,21,40,200

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
SCHEDULE - J		
MISC EXPENDITURE NOT WRITTEN OFF		
Miscellaneous Expenses to the extent not written off	-	-
SCHEDULE - K		
ACCUMULATED EXCESS OF EXPENDITURE OVER INCOME		
Balance as on the begning of the year	7,81,15,10,109	5,33,39,76,894
Add : Current years excess of expenditure over income	1,49,94,41,239	2,47,75,33,215
	9,31,09,51,348	7,81,15,10,109

V.S.Pradeep
Finance Manager & Chief Accounts Officer

T.C.Subran
Technical Member

Ashok Kumar Singh IAS
Managing Director

Place: Thiruvananthapuram
Date 10/06/2014

KERALA WATER AUTHORITY

SCHEDULES FORMING PART OF INCOME & EXPENDITURE ACCOUNT AS AT 31st MARCH, 2010

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
SCHEDULE - L		
OPERATING INCOME - CONSUMERS		
1	Operating income - water supply	
	a. Domestic Consumers	1,11,58,64,704
	b. Nondomestic Consumers	77,11,04,528
	c. Industrial Consumers	58,97,21,611
		8,85,62,194
		2,09,40,70,683
2	Operating income - Sewerage	
	a. Domestic Consumers	9,39,840
	b. Nondomestic Consumers	6,75,303
		1,30,72,136
		1,40,11,976
3	Income from local bodies	81,81,01,116
		64,07,36,108
		2,92,61,83,775
		2,10,12,08,286

SCHEDULE - M

OPERATING INCOME - OTHERS		
1	Centage charges	1,90,15,554
2	Storage charges	11,49,00,000
3	Supervision charges	2,59,720
4	Miscellaneous recoveries	69,344
		18,20,868
		19,98,887
		6,34,529
		2,30,95,029
		11,56,03,873

SCHEDULE - N

INTEREST INCOME		
1	Interest on loans & advances	38,32,242
2	Interest on deposits	29,84,405
		5,26,48,089
		4,94,45,882
		5,64,80,331
		5,24,30,287

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
SCHEDULE - O		
OTHER NON-OPERATING INCOME		
1 Income as recoveries	54,25,13,612	48,67,76,323
2 Claims recoverable	31,486	1,54,463
3 Miscellaneous income	8,19,02,328	4,92,93,691
	62,44,47,426	51,82,24,477
SCHEDULE - P		
OPERATING & MAINTENANCE EXPENSES		
1 Consumption of Stores, Tools & Spares	7,20,26,922	5,61,56,155
2 Consumables	4,54,30,607	3,75,41,478
3 Power charges	1,54,04,41,952	1,44,00,02,691
4 Insurance	8,31,613	7,30,350
5 Other operating expenses	2,60,16,134	1,45,57,480
6 Repairs & Maintenance of water supply	37,72,64,626	33,79,97,330
7 Repair & Maintenance of sewerage	5,21,11,046	4,12,76,569
8 Vehicle maintenance	1,92,06,497	2,27,26,293
	2,13,33,29,397	1,95,09,88,348
SCHEDULE - Q		
OFFICE EXPENSES		
1 Rent	17,24,866	18,80,900
2 Rates & Taxes	22,05,676	18,20,653
3 Postage, Telegram, Telephone & Telex	99,86,667	1,05,55,959
4 Printing & Stationery	1,16,94,539	1,01,23,407
5 Exhibition & Publicity	1,45,01,181	1,37,47,528
6 Training & other expenses	1,06,15,373	30,34,134
7 Electricity charges	2,56,31,597	4,36,40,673
8 Other office expenses	99,57,940	1,06,98,050
	8,63,17,839	9,55,01,304
SCHEDULE - R		
ADMINISTRATIVE EXPENSES		
1 Board meeting expenses	2,95,043	74,070
2 Professional fees	1,08,27,794	1,36,25,577
3 Payment to auditors	56,73,303	54,83,344
4 Bank Charges	17,52,446	7,46,332
5 Other administrative expenses	1,29,13,934	30,97,560
	3,14,62,520	2,30,26,883

Finance Manager & Chief Accounts Officer

Technical Member

Managing Director

KERALA WATER AUTHORITY

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

	CURRENT YEAR (Amount in ₹)	PREVIOUS YEAR (Amount in ₹)
SCHEDULE - S		
WRITE OFFs		
Local Bodies dues written off	-	-
Power charges payable written off	-	-
	-	-
SCHEDULE - T		
ASSETS WRITTEN OFF		
	-	-
	-	-
SCHEDULE - U		
PROVISION FOR BAD & DOUBTFUL DEBTS		
	-	-
SCHEDULE - V		
TRANSFER OF REVENUE EXPENSES TO CWIP		
Establishment Charges (Share Debit)	47,25,55,000	32,04,00,092
Interest on loan from Fis & Banks	9,43,21,023	10,33,29,251
	56,68,76,023	42,37,29,343
SCHEDULE - W		
PRIOR PERIOD ADJUSTMENTS		
PPA of Salaries & Wages	-	-
PPA of Interest on GOK Loan	-	2,05,30,113
PPA of Office Expenses	-	-
PPA of Bank Charges	-	-
PPA of Audit fees	-	-
PPA GOK Interest wavier	-	-
	(48,64,819)	(21,80,674)
PPA of Income	(48,64,819)	1,83,49,439.00

V.S.Pradeep
Finance Manager & Chief Accounts Officer

T.C.Subran
Technical Member

Ashok Kumar Singh IAS
Managing Director

Place: Thiruvananthapuram
Date 10/06/2014

KERALA WATER AUTHORITY

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

I. BALANCE SHEET

1.01 CONTRIBUTION AND GRANTS - SCHEDULE: A

Current year	₹ 397310 Lakh
Previous year	₹ 347155 Lakh

Contribution and Grants 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.

Amount released to District collectors for the implementation of Water Supply Schemes to Scheduled Caste/Scheduled Tribes habitations and amount released to Kerala Rural Water Sanitation Agency out of the Government of India Grant is shown as a deduction in the schedule.

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.

1.02 RESERVES & SURPLUS - SCHEDULE: B

Current year	₹ 7906 Lakh
Previous Year	₹ 7906 Lakh

1.02.1 Works completed for the deposit received up to 31st March 2005 have been transferred to 'Reserve for deposit works' as envisaged in the Accounts Manual.

1.03 SECURED LOANS - SCHEDULE: C

Current Year	₹ 47643 Lakh
Previous year	₹ 51754 Lakh

The secured loan represents (i) the balance of the loan availed by local bodies as well as the Kerala State Rural Development Board from LIC of India prior to the formation of the Kerala Water Authority (KWA) and the liability for repayment was transferred to KWA (ii) the outstanding amount of the loan from LIC of India availed by KWA (iii) the balance of loan availed by the Authority from HUDCO (for the last year) and (iv) the loan availed from banks including the balance outstanding for the loan taken for settling OTS with KSEB. The Government had given guarantee for the LIC/HUDCO loans and no provision has been made towards guarantee commission payable.

1.3.01 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.

1.04 UNSECURED LOANS - SCHEDULE: D

Current Year	₹211983 Lakh
Previous year	₹159574 Lakh

1.04.1 KWA has requested GOK to convert the amount released for JBIC assisted schemes into interest free fund. As the above is under consideration, interest on GOK loan, amounting to ₹127.12 Crores for the year 2009-10 has been provided.

1.04.2 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 GOK loan and converted the loan of ₹839.13 Crore as an interest free fund during 2006-07. Kerala Water Authority has submitted a request to Government of Kerala for a formal G.O on the same and is being processed by the Government.

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

1.05 FIXED ASSETS - SCHEDULE: E

Current Year	₹505751 Lakh
Previous year	₹424486 Lakh

1.05.1 The value of fixed assets represents (i) The value of fixed assets and capital work in progress vested in and transferred to the Authority amounting to ₹42183.00 Lakh and (ii) The additions made by the Authority since its formation, after providing for depreciation there on.

1.05.2 The fixed assets register has been updated up to the year 2004-05. Action is in progress to update the same for the financial year up to 2011-2012.

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

1.06 CURRENT ASSETS - SCHEDULE: G

Current Year
Previous year

₹82762 Lakh
₹72624 Lakh

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

1.06.2 Closing Stock is valued on FIFO basis.

1.06.3 The current assets include dues from local bodies on account of (i) loans availed from LIC amounting to ₹1761.00 Lakhs and (ii) Water and maintenance charges due from Local Bodies amounting to ₹27737.51 Lakhs as stated above.

1.06.4 The sundry debtor's balances have not been reconciled and no provision has been made for doubtful debts.

1.06.5 The reconciliation of bank balances with bank statements is in progress.

1.06.6 The reconciliation of inter office balances is in progress.

1.06.7 The inter office and suspense account balances comprise of the following:
Inter office Accounts ₹7014.48 Lakhs (Credit) and Cash and bank suspense accounts including accumulated difference in receipts and payment statement for the years 1984-85 to 2009-10 amounting to ₹40.94 Lakhs (Debit).

1.07 CURRENT LIABILITIES - SCHEDULE: H

Current Year
Previous Year

₹32485 Lakh
₹25567 Lakh

1.07.1 The balance shown under statutory employee's deduction of GPF and NMR-PF is net of advances given to the employees under respective heads.

1.07.2 The GPF and NMR-PF balance had not been reconciled with individual accounts and the same is in progress.

1.07.3 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% per annum, for the year 2001-02, @ 9% per annum for the year 2002-03 and @ 8% pa for the years 2003-04 to 2009-10.

1.07.4 The liability because of gratuity and pension to the employees is being accounted on cash basis.

1.07.5 Control account balance of ₹758.18 Lakh (Credit) represents accumulated balances between control accounts and the concerned WIP /Stores/Sundry debtor's accounts. The amount of ₹747.10 Lakh (Credit) is the net balance of the control account - collections ₹52.88 Lakh (Debit), control account capital expenditure (Materials) ₹511.70 Lakh (Debit), and balance under control account capital expenditure Others ₹1322.76 Lakh (Credit)

1.08 LOANS AND ADVANCES - SCHEDULE: I

Current Year	₹12321 Lakh
Previous year	₹14021 Lakh

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

1.09 ACCUMULATED EXCESS OF EXPENDITURE OVER INCOME - SCHEDULE: K

Current Year	₹93110 Lakh
Previous Year	₹78115 Lakh

The accumulated excess of expenditure over income as on 31/03/2010 is arrived at as follows -

	₹in Lakh
Excess of expenditure over Income as on 31/03/2009 -	78115.00
Excess of expenditure over income for the financial year 2009-10	14995.00
Excess of expenditure over income As on 31/03/2010 -	93110.00

II INCOME AND EXPENDITURE ACCOUNT

2.01 INTEREST

Current Year	₹19372 Lakh
Previous year	₹13382 Lakh

This amount includes interest for LIC, HUDCO, and Bank loans amounting to ₹5299.08 Lakhs.

2.02 DEPRECIATION - SCHEDULE: E

Current Year	₹5216 Lakh
Previous year	₹5247 Lakh

Depreciation has been provided for on straight-line method so as to write off 90% of the cost/value of the fixed assets over the estimated useful life of the assets concerned as per the Kerala Water Authority (Depreciation Reserve and its Utilization) Rules 1992.

2.03 PRIOR PERIOD ADJUSTMENT:

Current Year	₹(49) Lakh
Previous Year	₹183 Lakh

Prior period adjustment for the year 2009-10 consists on interest earned from bank relating to prior period.

Prior period adjustment for the year 2008-09 is the net balance of the amount remitted towards sales tax Amnesty scheme ₹205.30 Lakh as well as prior period income of ₹21.81 Lakh.

2.04 GENERAL

- 2.04.1 In order to absorb project overheads on capital works, a transfer of revenue expenditure to capital work-in-progress is made @ 5 % to 22 % for schemes on the capital expenditure.
- 2.04.2 Interests on Bank loan have been capitalized during the year. As the schemes undertaken with LIC/HUDCO loan has been commissioned or taken up under new funding, the interest on LIC/HUDCO loan paid during 2009-10 has not been capitalized.
- 2.04.3 Previous year figures have been re-grouped/re-classified wherever necessary.
- 2.04.4 Accounts have been prepared as per the accounting policies specified in the Accounts Manuel.
- 2.04.5 Leave encashment of the employees have been accounted on cash basis.
- 2.04.6 Investment for Pension/PF ₹33.84 Crore include an amount of ₹4.00 Crore for which Cheques were issued to the District Treasury on 31-03-2010 to open Fixed Deposits. The District Treasury opened and issued the FD receipts on 07-04-2010 after getting the proceeds of the cheque from Bank.

V.S.Pradeep
[FINANCE MANAGER
& CHIEF ACCOUNTS OFFICER]

T.C Subran
[TECHNICAL MEMBER]

Ashok Kumar Sigh IAS
[MANAGING DIRECTOR]

Thiruvananthapuram.
10/06/2014

KERALA WATER AUTHORITY

REPLY TO THE SEPERATE AUDIT REPORT ON THE ACCOUNTS OF KERALA WATER AUTHORITY FOR THE YEAR ENDED ON 31-03-2010

COMMENTS ON ACCOUNTS

A. Balance Sheet as at 31st March 2010

1. Sources of Funds

1.1 Reserves and Surplus (Schedule B) ₹ 79.06 Crore

Necessary corrections would be made in the accounts of the subsequent years based on the report furnished by the consultant appointed for updating the fixed asset register of Kerala Water Authority from 2005-06 to 2011-12.

1.2 Unsecured Loans 85 Deposits (Schedule —D) ₹ 2119.89 Crore

1.2.i Loan from Government of Kerala ₹ 1356.18 Crore.

The conversion was done based on the budget speech of the Hon'ble Finance Minister for the financial year 2008-09. It is understood that the Government Order on the same is being processed by the Government. Kerala Water Authority has made a formal request for the same to the Government. The same has been disclosed vide notes to accounts. See Note 1.04.2

1.2.ii Interest accrued on GoK Loan ₹ 246.60 Crore

Kindly refer to the reply stated above (1.2.b.i). Vide the budget speech the interest portion was also to be written off. The Government Order on the same is expected at the earliest.

1.2.iii Security Deposit ₹ 112.50 Crore.

1.2.iii.a This is a running balance and the figure mentioned in the draft audit report is in KWAC. It is the closing balance as at 31/03/1998 of various divisions, which was maintained in the HO. However, as suggested by the audit the same have been transferred vide

1.2.iii.b The observation of the audit team is noted. Kerala Water Authority had appointed a consultant for updating the fixed asset register of the authority and the consultant had submitted its report up to 31-03-2005. The entries up to 31-03-2005 have been incorporated in the books of account for the year 2007-2008. The work for updating the fixed asset register of the authority for the year 2005-2006 to 2011-12 has been started by the consultant. The amount lying under deposit works will be corrected as and when the report of the consultant is received and incorporated. Instructions have been given to all the field offices to strictly follow the procedure as laid down in the accounts manual of the authority regarding the treatment of Deposit Works.

2 Application of Funds

2.1 Fixed Assets (Schedule E) ₹ 5057.50 Crore.

2.1.i. The Fixed Assets created by the authority which is spread over the breadth and width of the state and under the control of various field offices of Kerala Water Authority. The verification of all the Assets including distribution network is cumbersome and expensive. Hence physical verification at the end of every year is not carried out regularly. Systematic writing off of the cost of the pipe lines and connected fixtures got dismantled during road works etc would be done in the books of accounts in the forthcoming years while incorporating the correction entries suggested by the consultant appointed for updating the fixed asset register and the matters connected with fixed assets.

2.1.ii Gross Block ₹ 2330.74 Crore

The fixed asset register of the authority have been updated till 31-03-2005 by appointing a consultant for the same. Updating of fixed assets register for the years from 2005-06 to 2011-12 have been entrusted to M/s. Thomas Jacob and company. Capitalization of fixed assets created and put to use during the year 2009-10 and creation of the resulting depreciation reserve will be done while incorporating the entries suggested by the consultant on receipt of the final report.

2.1.iii Capital Work in Progress (CWIP) ₹ 3633.82 Crore

2.1.iii.a Interest Pending Capitalization- ₹ 216.46 Crore

Audit observation noted. The total amount of ₹121.46 Crore relating to the period 1998 to 2004 have been nullified on 31-03-2005 while incorporating the entries suggested by the consultant appointed for updating fixed asset register of the authority up to 31-03-2005. Since Kerala Water Authority have already been hired the services of a consultant for updating the fixed asset register and related matters up to 2011-12, the interest pending capitalization will be adjusted on incorporation of the entries suggested by the consultant in their final report.

2.1.iii.b Revenue Expenditure Transferred Pending Allocation - ₹ 289.54 Crore

The total amount of revenue expenditure transferred pending allocation up to 31-03-2005 have been nullified While incorporating the entries suggested by the consultant appointed for updating fixed asset register of the authority up to 31-03- 2005. From 2005-06, entries will be passed on receiving the consultant's report.

Since Kerala Water Authority have already been hired the services of a consultant for updating the fixed asset register and related matters up to 2011-12, the interest pending capitalization will be adjusted on incorporation of the entries suggested by the consultant in their final report.

2.2 Investments (Schedule F) ₹ 33.84 Crore.

The cheque for an amount of ₹ 4.00 Crore towards FD was given to the Treasury on 31-3-2010. However the FD receipt issued by the treasury showed the date as 07- 04-2010. The cheque for ₹ 4.00 Crore have been shown in the bank reconciliation for the month of March 2010. More over the fact has already been disclosed in notes to accounts. Note 2.04.6

2.3 Net Current Assets Schedule G ₹ 502.77 Crore

2.3.i. Current Assets Schedule G ₹ 827.62 Crore

2.3.i.a. Inventory ₹ 85.21 Crore

2.3.i.a.i General

- (i) The volume of stock of materials laying in different divisions of Kerala Water Authority is very huge and annual physical verification of all the stores is cumbersome and expensive. Hence physical verification at the end of every year is not carried out regularly. But physical verification is being undertaken by stock verification team during their field inspection and action is being taken for rectifying any surplus / shortages reported. Directions have already been issued to the concerned officers to reconcile the PSL and rectify the errors if any.
- (ii) The consultant appointed for updating the Fixed Asset and Analysis of asset related items had submitted the division wise breakup of stock as on 31/03/2005. This balance will be transferred to the Division and the stock position will be updated in the forth coming year's accounts. The consultant have been appointed for updating the fixed asset register and analysis of asset related items for a further period from 2005-06 to 2010-12. As soon as the work is completed, the accounts will reflect the correct balance of stock.
- (iii) & (iv) As stated above, KWA will account for the discrepancy on crystallizing the actual deficiency/excess. KWA has initiated action to find all the items to be disposed off, then they will be classified and grouped on the basis of the material, the condition of the article and value has to be assessed. A fair and transparent mode of disposal as per rules a relevant provisions of departmental code for disposal of the articles is being charted out so as to realize the maximum value of disposed items commensurate with the assessed value and category.

2.3.i.b Sundry Debtors ₹ 513.87 Crore

- 2.3.i.b.i Water Authority has not analyzed the demands raised on each individual consumers and given provision for doubtful debt as the Authority assumes that the full dues will be collected. The demand for water charge is raised on monthly based on the Provisional Invoice Card (PIC) / actual consumption. Efforts are taken to trace out the unidentified connections and action would be taken to find the reason for the same remaining as unidentified. Necessary action based on the field reality will be taken and necessary

adjustments will be made if so warranted. The creation of provision for bad and doubtful debts in the books is not possible unless the same is not identified on one to one basis.

2.3.i.b.ii LIC Loan repayment due from Local Bodies ₹ 17.61 Crore

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

2.3.i.b.iii Others ₹ 0.96 Crore

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

2.3.i.c Cash and Bank Balances ₹ 333.70 Crore

2.3.i.c.i Bank and Treasury Balances ₹ 331.78 Crore

2.3.i.c.i.a, 2.3.i.c.i.c, 2.3.i.c.i.d & 2.3.i.c.i.e Strict instructions were already been given to reconcile the bank/treasury accounts periodically and pass necessary correction entries. Necessary instructions have been given to the field offices for collecting the pass sheet copies regularly and to preserve the same for future reference including audit by AG

2.3.i.c.i.b The amount deposited by field offices under non-operative account is transferred to the non-operative account maintained by head office on a day to day basis by way of auto sweep facility provided by the bank. The balance in this account maintained by field offices will be NIL on every day since the same are transferred to head office. ₹ 27,84,080/- pertaining to account number 67081620535 represents reconciled amount carried forward from the last year which is pending rectification. Instructions have been given to reconcile the amount and to pass necessary correction entries.

2.3.i.d. Other Current Assets ₹ 105.17 Crore

Cash suspense was there in the accounts from 1998. This includes a balance of ₹ 129.66 Lakh under KWAC which is set off by corresponding correction entry by TJ98 as Well as TJ05 to the tune of ₹ 96.81 Lakh. These two i.e TJ98 and TJ05 represent the entries suggested by the consultant appointed for updation of fixed assets register and related accounts which has been done up to 31-03-2005 only. Consultant have been appointed for updation of fixed asset register up to 31-03- 2012 and the balance correction would be made after incorporating the entries suggested by consultant with final report. More over during the year 2009-2010 suspense relating to two offices has been corrected and thus the balance reduced to ₹ 40.94 Lakh (₹ 43.29 Lakh during 2008-09).

2.3.ii. Current Liabilities and Provisions ₹ 324.85 Crore

2.3.ii.a For Contractors/Suppliers ₹ 10.75 Crore

The updation of the Fixed Assets Register and analysis of asset related items including stock of materials of the Authority upto 31-03-2005 is done by the consultant appointed for the same. The entries as suggested by the consultant have been incorporated in the accounts for the year 2007-08. The Authority has appointed a consultant for updating the Fixed Asset and Analysis of asset related items from the Financial Year 2005-06 to 2011-12. When their report is obtained, the account will be rectified.

2.3.ii.b. Control Account Balances ₹ 7 .58 Crore

The updation of the Fixed Assets Register and analysis of asset related items up to 31-03-2005 is done by the consultant appointed for the same. The entries as suggested by the consultant have been incorporated in the accounts for the year 2007-08. The Authority has appointed a consultant for updating the items from the Financial Year 2005-06 to 2010-11. When their report is obtained, the account will be rectified.

2.3.ii.c. The updation of the Fixed Assets Register and analysis of asset related items including stock of materials, advance to contractors, of the Authority up to 31-03- 2005 is done by the consultant appointed for the same. The entries as suggested by the consultant have been incorporated in the accounts for the year 2007-08. The Authority has appointed a consultant for updating the Fixed Asset and Analysis of asset related items from the Financial Year 2005-06 to 2011-12. When their report is obtained, the account will be rectified.

B. INCOME AND EXPENDITURE ACCOUNT

1. INCOME

1.1 Income as Recoveries ₹ 54.25 Crore

The unbilled fines and penalties are accounted on cash basis only as stipulated in the accounts manual. However demand for fines and penalties at the rate of 2% on the unpaid water charges due from non-domestic, industrial consumers are charged monthly on the unpaid water charges as per the Water Supply regulation. The same is raised along with bills and are accounted on due basis similar to water charges.

2. Expenditure

2.1 Administrative Expenses (Schedule R) ₹ 3.15 Crore

The Government has been addressed to waive off the guarantee commission considering the poor financial position of Kerala Water Authority. The fact is also disclosed in the notes to account (Refer 1.03)

2.2 **Prior Period Adjustments (Schedule W) ₹ 0.49 Crore**

The Government has been addressed to waive off the guarantee commission considering the poor financial position of Kerala Water Authority. The fact is also disclosed in the notes to account (Refer 1.03)

C. Notes on Accounts for the year ended on 31-03-2010

- 1 According to the accounts manual framed under regulation 65(i) 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 in cash basis as it alone is practical.
- 2 Significant accounting policies adopted and followed by the authority is disclosed in the notes to accounts wherever necessary.

D. General

1. Details of donated assets from UNICEF and DANIDA are being collected and the same will be incorporated in the subsequent year's account.
2. The quantitative details of water produced and sold were not furnished for want of accurate information in this regard. Efforts are on to accurately ascertain the quantity of water produced and other related aspects, and once it is realistically ascertained, the same would be furnished.
3. Fixed Asset Register is maintained through a software and updated till 31.05.2005. Updating the Fixed Asset Register till 31.03.12 is in progress as the Authority has appointed a Consultant for the updating of the Fixed Asset Register from 01.04.2005 to 31.03.2012.

Impact of the comments

Comments of the Authority not warranted.

E. Grant-in-aid

No comments are warranted.

Managing Director

Reply to Annexure - I

I. Adequacy of internal audit system.

The present internal audit wing in Kerala Water Authority is functioning satisfactorily. However based on the comments of the audit party that the internal audit coverage is inadequate and that the same needs to be strengthened, action will be taken to strengthen the unit.

II. Adequacy of internal control system.

- i. Allotment of funds is made on the basis of the budget prepared and approved by the authority. If more funds are required for a scheme than the budget allotment, necessary funds are allotted after obtaining the sanction of the Managing Director. The funds allotted over and above the budget provision would then be included in the revised budget for the relevant year while preparing the budget for the next year which is approved by the board.
- ii&iii Necessary directions have already been issued to all the Account Rendering Units to effect periodical reconciliation of cash balances with bank/ treasury records and to make necessary entries in the books of accounts during the relevant year itself.
- iv. The volume of stock of materials laying in different divisions of Kerala Water Authority is very huge and annual physical verification of all the stores is cumbersome and expensive. However, periodical physical verification is being undertaken by stock verification sub divisions of Kerala Water Authority during their field inspection and differences if any are reported for further action. When a shortage/loss of stock is reported action is initiated to crystalize the liability. This is a time consuming process. Based on the observation of the audit, concerned divisions are instructed to speed up the process. The inter-divisional transfers of stores are done as per the revised procedure introduced by the Kerala Water Authority to avoid delay. The reconciliation of the inter office materials account is in progress. Moreover the consultant appointed for analyzing the fixed assets and related items of the authority will rectify the inter office transfer of materials on finalization of their work up to 31-03-2012.
- v. The divisions have been instructed to keep the financial ledgers, subsidiary ledgers, journal entries and supporting vouchers up to date. Instructions have been issued to the divisions to incorporate the corrections / revisions made by the head office, in their books of accounts so that there will not be any difference in the opening balance of the unit trial balance with balance in the head office trial balance. Head office section has been instructed not to make any corrections in the account balances of the divisions / sub divisions without proposing journal entries and recording reasons for corrections.
- vi. Action is being taken to computerize the billing and collection of water charge in all the revenue collection centers. Revenue, being water charges due to the authority, is arrived as per the meter reading recorded which is the method

followed. There is no estimation of revenue and thus accounting on estimate basis in the books.

- vii. Kerala Water Authority follows accrual system of accounting. Necessary registers are maintained for the work done.
- viii. Necessary directions have already been issued to all the Account Rendering Units to effect periodical reconciliation of cash balances with bank/ treasury records and to make necessary entries in the books of accounts during the relevant year itself.

III. Physical Verification of fixed Assets

No physical verification of the fixed assets was done, as the same would be cumbersome and expensive. However office equipments, furniture and fixtures, computers etc are physically verified from time to time. Fixed Assets register is being updated from the Financial Year 2005-2006 to 2011-2012 as the work has been entrusted to a consultant.

IV. Regularity in payment of statutory dues.

No comments.

Managing Director

FINANCIAL RESULTS

Income from operations for the year 2009-10 amounts to Rs. 363.02 Crores. In addition a non plan grant of Rs. 167.93 Crores was received from Government of Kerala to meet the revenue expenditure and Rs. 15.28 Crores from Government of India to meet the Operation & Maintenance of the completed Accelerated Rural Water Supply Schemes. The revenue expenditure after capitalising the share debit and interest on LIC/HUDCO loan comes to Rs.696.65 Crores leaving a deficit of Rs.149.94 Crores.

₹ in Crores

INCOME AND EXPENDITURE		
INCOME	2009-10	2008-09
Domestic	111.59	77.11
Non-Domestic	84.89	58.97
Industrial	12.93	8.85
Local Bodies	81.81	64.07
Sewerage	1.40	1.11
Other Income	70.40	68.43
	363.02	278.54
O & M Grant from GOI	15.28	15.49
Government of Kerala - Grant	167.93	107.20
	546.23	401.23
EXPENDITURE		
Operation & Maintenance	213.33	195.09
Establishment	280.13	294.32
Office Expenses	8.63	9.55
Travelling	2.22	1.97
Administrative Expenses	3.15	2.30
Interest	193.72	133.82
Depreciation	52.16	52.47
	753.34	689.52
Less : Transferred to CWIP	56.69	42.37
DEFICIT FOR THE YEAR	696.65	647.15
	150.42	245.92
Prior period adjustment	(0.48)	1.83
	149.94	247.75

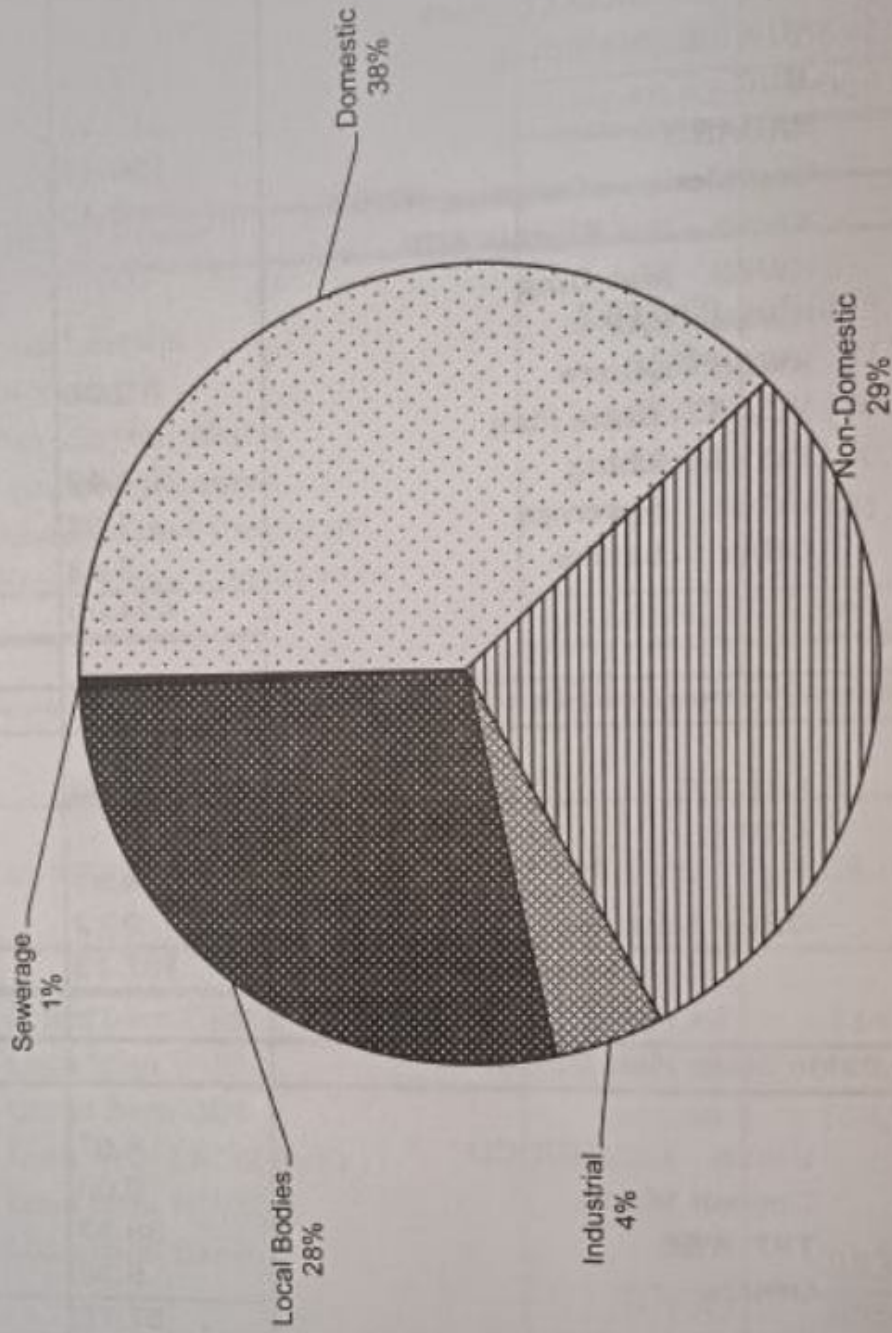
SOURCE AND APPLICATION OF FUNDS

Source of Fund	2009-10	2008-09
Capital & Reserves	4,052.16	3,550.61
Secured Loans	476.43	517.53
Unsecured loans	2,119.83	1,595.74
	6,648.42	5,663.88
Application of funds		
Fixed Assets	5,057.50	4,244.86
Investment	33.84	27.08
Net Current Assets	502.77	470.57
Loans & Advances	123.21	140.21
Accumulated Excess of Expenditure over Income	931.10	781.16
	6,648.42	5,663.88

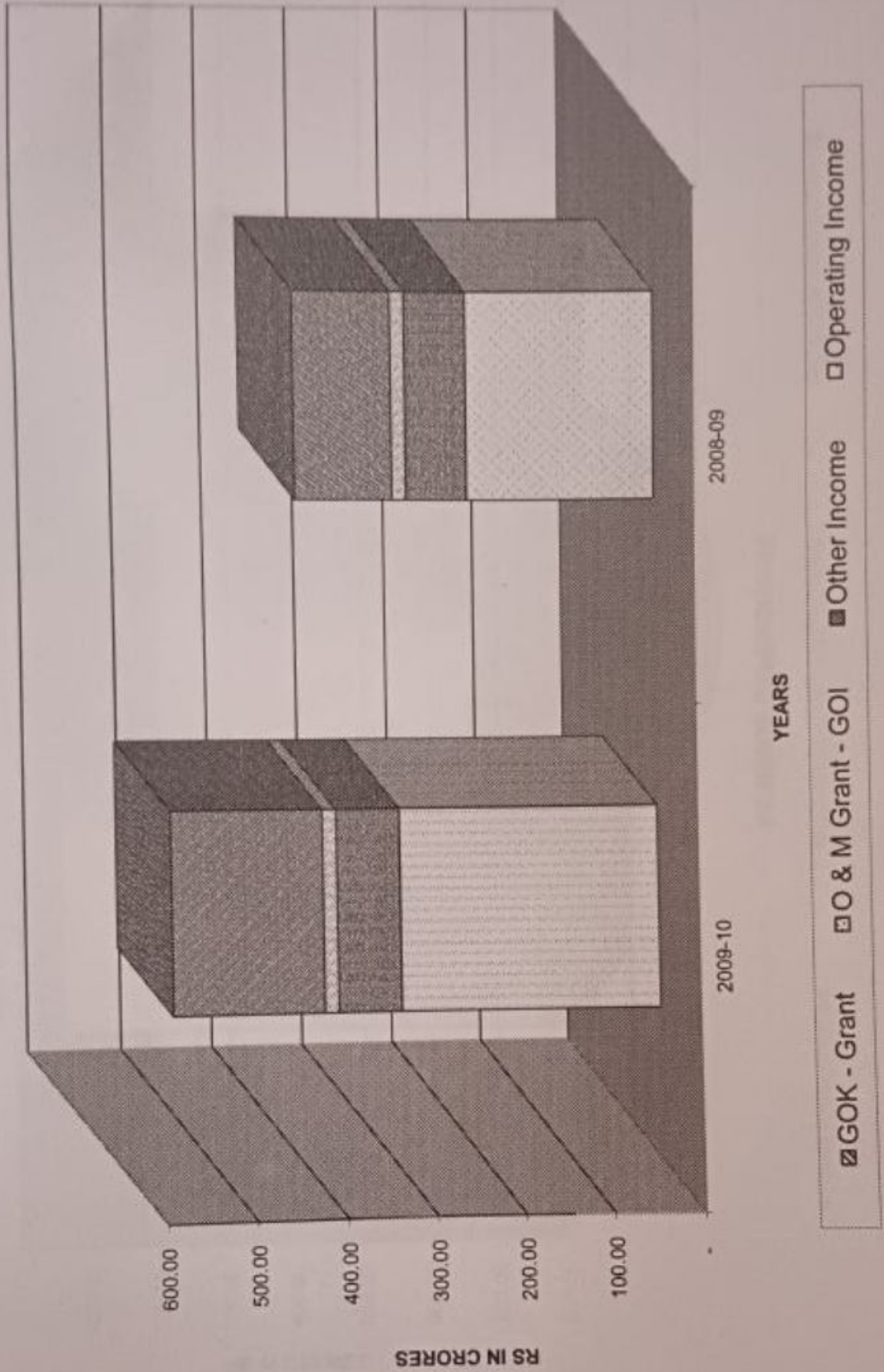
CAPITAL RECEIPTS	2009-10	2008-09
Grant from GOK	401.67	114.89
Loan from GOK	315.00	379.00
Grant from GOI	141.00	108.24
Loan from LIC of India	-	-
Loan from HUDCO	-	-
Loan from Bank		253.36
	857.67	855.49

CAPITAL EXPENDITURE	20009-10	2008-09
State Plan Schemes		
UWSS - Matching		0.00
UWSS - Others	3.05	1.30
Completion of ongoing UWSS	22.65	2.06
WSS - Medical Collages		
AUWSS - Matching	74.69	5.60
JBIC	315.57	495.37
NABARD	190.47	35.72
Completion of ongoing RWSS	0.42	2.99
RWSS - Not Eligible ARP		2.82
RWSS - Matching		8.91
RWSS-TEAP		30.05
RWSS - Others	2.36	
NC/PC - State Plan		
TM - Matching	6.69	4.48
Urban - Sewerage	2.32	1.56
Other Schemes	5.83	4.37
	624.05	595.23
Centrally Sponsored Schemes		
ARWSS	130.09	72.44
AUWSS	-	-
TM	6.91	12.21
Other Schemes	0.12	0.83
	137.12	85.48
Outside State Plan Schemes		
UWSS - LIC/HUDCO	4.67	10.14
Deposit Works	9.00	0.00
TRP WSS	38.53	26.18
Others	5.58	1.93
	57.78	38.25
	818.95	718.96

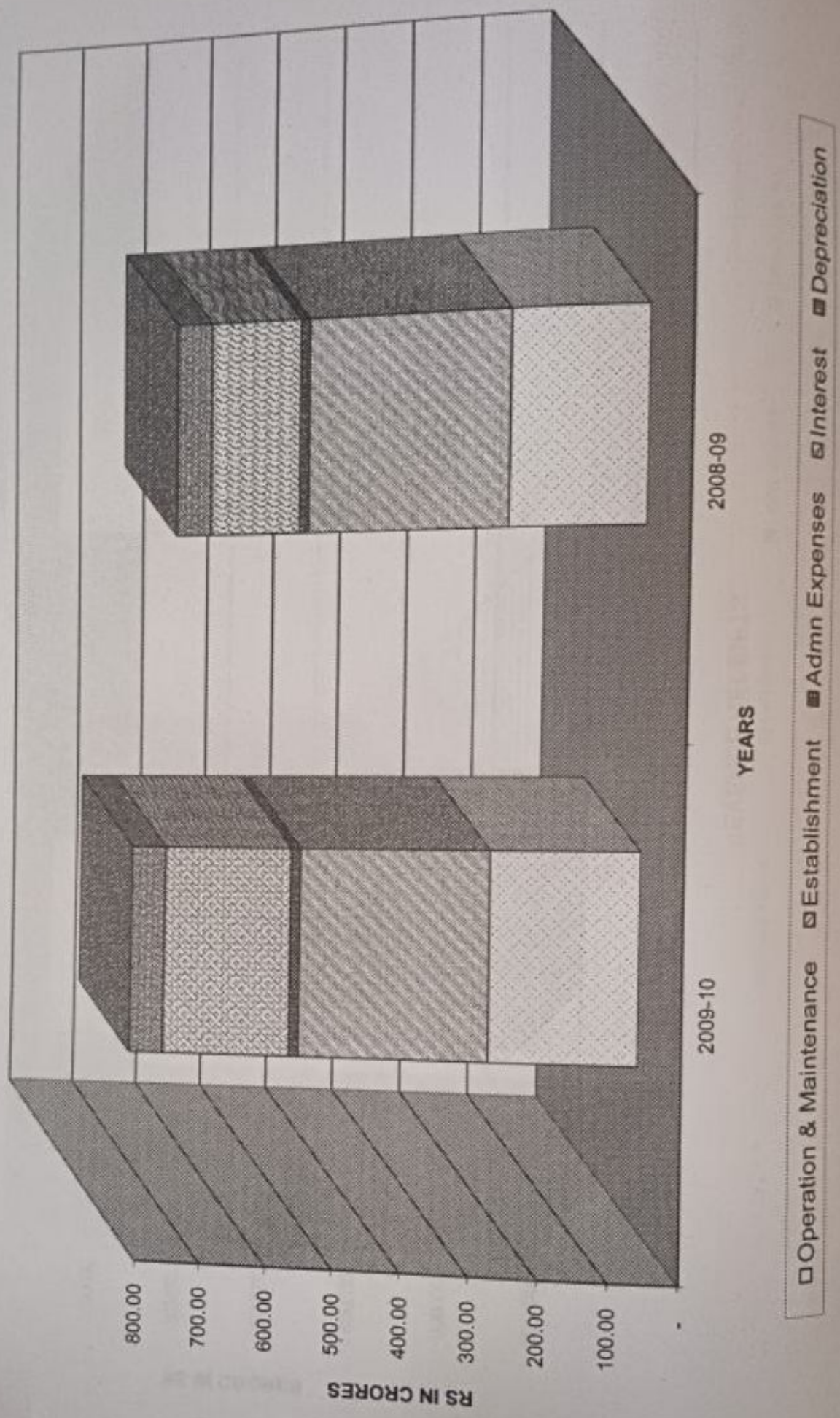
OPERATING INCOME - 2009-10



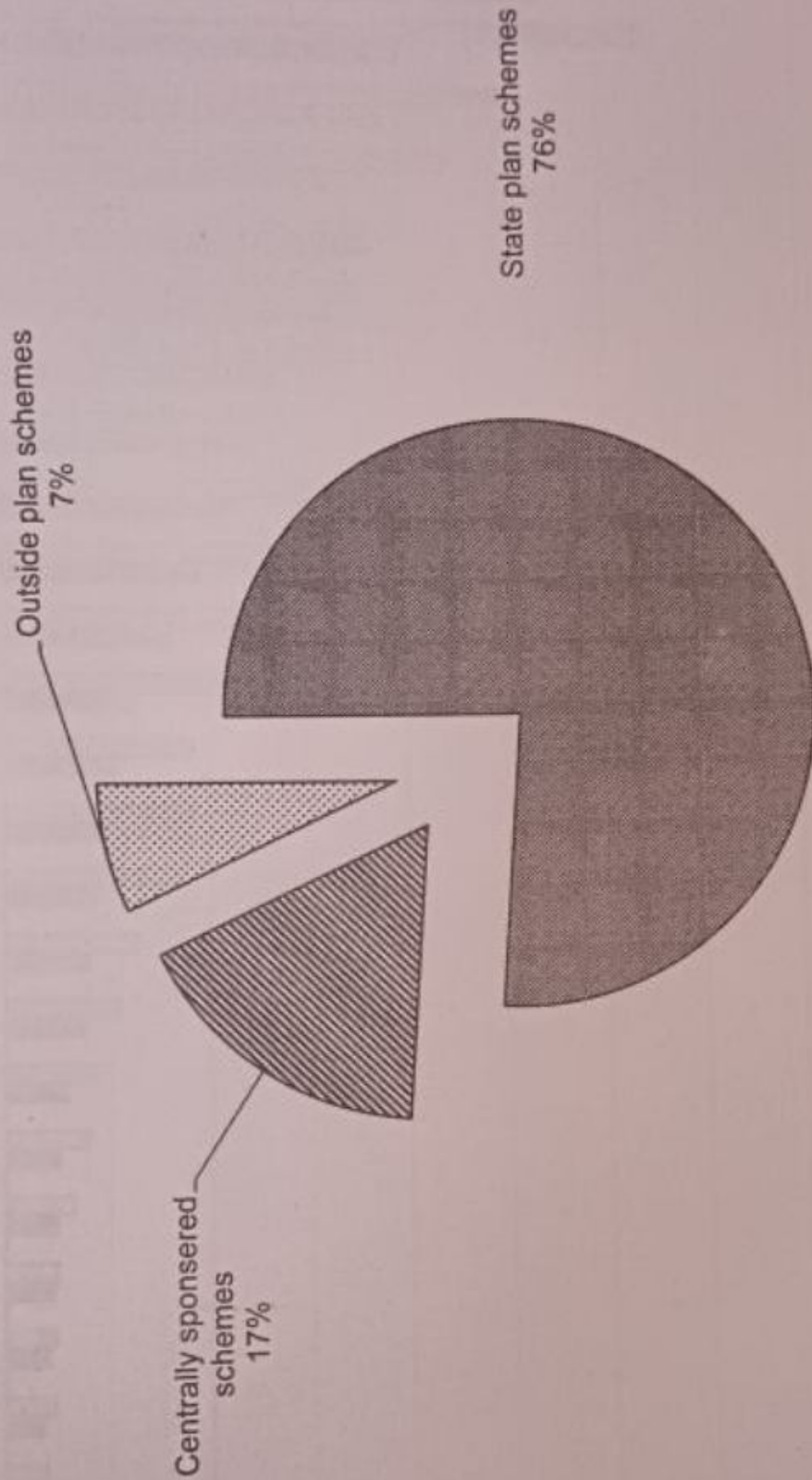
REVENUE RECEIPTS



REVENUE EXPENDITURE



Capital Expenditure 2009-10



INCOME AND EXPENDITURE 1984-85 TO 2009-10

