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KERALA WATER AUTHORITY

Jalabhavan
Thiruvananthapuram – 695033
Kerala - India

File No. KWA-JB/1292/2026-DA1(AUDIT)

Dated: 28-02-2026

KERALA WATER AUTHORITY Internal Audit Wing

UIN : IAR/10/2025-26

Internal Audit Report

PROJECT DIVISION KOTTAYAM

PERIOD OF AUDIT : 05/02/2026 to 17/02/2026

PERIOD COVERED : 01/04/2019 to 31/03/2025

Audit Team

SUNIL AUGUSTINE , INTERNAL AUDITOR
REHANA V KAMAL, DIVISIONAL ACCOUNTS OFFICER
SIVAKUMAR.S.V, JUNIOR SUPERINTENDENT
ANEESH .M , HEAD CLERK

Part -1

A. Introduction

The internal audit of the Project Division, Kottayam was conducted over a period of nine working days, from 05.02.2026 to 17.02.2026.

This audit covers the financial period from 01.04.2019 to 31.03.2025, with the last audit completed up to 31.03.2019. The project Division Kottayam operates under the administrative control of the PH Circle, Kottayam. The Division exercises jurisdiction over 14 Grama Panchayaths and 2 Municipalities within the Kottayam District. The division is presently overseeing the implementation of various water supply projects, categorized under the following schemes Jal Jeevan Mission (JJM), KIIFB, RKI and NABARD. Total Schemes: 11 nos with total administrative sanction amount Rs.1073.64 crores. The scheme-wise details of Administrative Sanction amounts are as follows:

Jal Jeevan Mission (JJM) – 8 Schemes – ₹839.70 Crores, KIIFB (Kerala Infrastructure Investment Fund Board) – 3 Schemes – ₹211.84 Crores,

NABARD– 1 Scheme – ₹16.6 Crores, **RKI** – 1 Scheme – ₹9.50 Crores

B. Officers In charge

Executive Engineers

Sl.No	Name	From	To
1	P S Pradeep	01.10.2018	06.08.2021
2	Suresh K	07.08.2021	12.08.2021
3	R Rajesh Unnithan	13.08.2021	05.01.2022
4	Rajesh V M	05.01.2022	30.01.2023
5	Muhammad Rashid A	30.01.2023	12.10.2023
6	Vijukumar V N	12.10.2023	16.08.2024
7	Dileep Gopal	16.08.2024	25.07.2025

Deputy Executive Engineer/TA

Sl.No	Name	From	To
1	Radhamani.T K,HD(i/c)	27.07.2017	01.03.2021
2	Rejikumar G	04.02.2021	25.08.2021
3	Sarath Narayan	10.09.2021	30.09.2024
4	Maya T V	16/10/2024	Continuing

Divisional Accounts Officers

Sl.No	Name	From	To
1	Saji V K	07.11.2016	20.08.2019
2	Aruna P Nair,UDC(i/c)	21.08.2019	31.08.2019
3	M. Omana	01.09.2019	16.08.2021
4	Philipose Varghese	17.08.2021	19.07.2022
5	Pratheeksha Das.S,JS(i/c)	19.07.2022	20.07.2022
6	Santhosh K N	21.07.2022	18.07.2025

C. Financial Analysis

Year	2022-23	2023-24	2024-25
Estt. Expenditure	15489173	16849835	15944585
Contingencies	39492	40721	35684
Capital Exp.	629407951	545484586	295851737
Main.Expenditure	Nil	Nil	Nil
Total			

Part.II

A. Significant Audit finding

NIL

Part.II(B)

Para I:Belated settlement of Temporary advance

In accordance with Article 99 of the Kerala Financial Code (KFC) Vol. I and the guidelines stipulated in GO(P) No. 419/11/Fin dated 04/10/2011, temporary advances sanctioned for specific contingent expenditures must be adjusted through the submission of detailed bills and vouchers within a strict three-month time frame. Failure to comply with this adjustment period triggers a mandatory interest charge of 18% per annum on the entire advance amount. Furthermore, even in instances where adjustment bills are submitted punctually, any unutilized portion of the advance attracts the same 18% interest rate calculated from the date of drawl to the date of refund. Despite these clear regulatory provisions, it has been observed that several officers have failed to settle their temporary advances within the prescribed period, and more alarmingly, additional advances have been authorized before the previous liabilities were cleared..

a. Sri Shanty Joseph, Assistant Engineer

Date	Cheque No	Amount	Settlement details
5/07/2019	580184	28968/-	Settled vide CBR No.32 of 3/2020. Belated settlement
28/07/2020	004232	5349/-	Settled vide CBV No.27 of 12/2020. Belated settlement
06/08/2021	603719	35400/-	Settled vide CBV No.65 of 03/2022. Belated settlement

b. Smt.Preetha P.V, Assistant Engineer

Date	Cheque No	Amount	Settlement details
12/06/2018	458123	970/-	Settled vide CBV No.23 of 12/2018. Belated settlement

c. Smt.Sheela K S, Assistant Engineer

Date	Cheque No	Amount	Settlement details
11/04/2019	658501	7000/-	Settled vide CBV..... No. of 09/2019. Belated settlement

d. Sri.Saneesh.S, Assistant Engineer

Date	Cheque No	Amount	Settlement details
30/10/2021	603755	10000/-	Settled vide CBV No.63 of 03/2022. Belated settlement
01/06/2022	628606	8000/-	Settled vide CBV No.47 of 10/2022. Belated settlement

26/10/2022	395512	4000/-	Settled vide CBV No.82 of 03/2023. Belated settlement
08/05/2023	537160	6300/-	Settled vide CBV No.66 of 04/2024. Belated settlement

e. Smt.Soorya Sasidharan, Assistant Engineer

Date	Cheque No	Amount	Settlement details
30/10/2020	077087	3000/-	Settled vide CBV No.66 of 03/2021. Belated settlement
08/11/2021	603761	44000/-	Settled vide CBV No.49 of 03/2022. Belated settlement
15/07/2023	537194	5000/-	Settled vide CBV No.50 of 11/2023. Belated settlement
09/11/2023	547200	2372/-	Settled vide CBV No.62 of 03/2023. Belated settlement
19/04/2024	428263	3612/-	Settled vide CBV No.27 of 10/2024. Belated settlement
04/05/2024	428273	11226/-	Settled vide CBV No.28 of 10/2024. Belated settlement
01/06/2024	428284	1120/-	Settled vide CBV No.29 of 10/2024. Belated settlement
07/11/2024	415036	15000/-	Settled vide CBV No.38 of 03/2025. Belated settlement
10/11/2024	415055	10000/-	Settled vide CBV No.39 of 03/2025. Belated settlement
02/04/2025	415114	15360/-	Settled vide CBV No.30 of 01/2026. Belated settlement
19/06/2025	184306	39256/-	Settled vide CBV No.05 of 12/2025. Belated settlement

f. Smt.Shebana.A L, Assistant Engineer

Date	Cheque No	Amount	Settlement details
19/09/2023	547166	6361/-	Settled vide CBV No.59 of 03/2024. Belated settlement
24/04/2024	428273	5000/-	Settled vide CBV No.26 of 10/2024. Belated settlement

g. Smt.Sruthi Raj, Assistant Engineer

Date	Cheque No	Amount	Settlement details
11/04/2025	184272	5000/-	Settled vide CBV No.24 of 08/2025. Belated settlement

h. Smt.Leny Thomas, Assistant Engineer

Date	Cheque No	Amount	Settlement details
19/11/2024	415043	25000/-	Settled vide CBV No.43 of 03/2025. Belated settlement
11/04/2025	184271	5000/-	Settled vide CBV No.32 of 08/2025. Belated settlement

In this context the audit observes the following

Applicable penal interest as per Rules may be recovered in case of belated settlement of Temporary Advance and remitted to NOA and intimated

Strict action may be taken against the responsible persons who have not settled the Temporary Advance and to recover the amount with applicable penal interest till date for the amount not settled.

Para II: Travelling Allowances allotted –Discrepancies noted and absence of TA control register

During the verification of Travelling Allowance (TA) bills, it was observed that several claims were processed and disbursed without the necessary supporting documentation, such as official sanction orders or approved tour programs. This practice is in direct contravention of **Rule 114, Part II of the Kerala Service Rules (KSR)**, which stipulates that no journey shall be undertaken without the prior sanction of the competent authority. Furthermore, the procedural requirements for preferred claims necessitate that TA bills be accompanied by proper orders to justify the official necessity of the travel. The absence of these documents renders the expenditure unauthorized, as the validity of the mileage and incidental expenses claimed cannot be authenticated against official records.

Date	Name and Designation	Proceeded to
26.07.2023	Santhosh KN,DAO	Head Office
04.09.2023	Santhosh KN,DAO	Head Office
04.10.2023	Santhosh KN,DAO	Head Office
26.07.2023	Remya PR, LDC	Head Office
04.09.2023	Remya PR, LDC	Head Office

04.10.2023	Remya PR, LDC	Head Office
26.07.2023	Gayathri PT, LDC	Head Office
04.09.2023	Gayathri PT, LDC	Head Office
18.10.2023	Gayathri PT, LDC	Head Office

In addition to the lack of supporting documentation, it was noted that the **TA Control Register** has not been maintained by the office. The maintenance of a Control Register is a mandatory requirement to prevent the double-drawal of claims and to monitor the progressive expenditure against the allotted budget. In the absence of this vital register, there are no internal checks to ensure that a second claim is not preferred for the same journey, nor is there a mechanism to track whether the total claims exceed the sanctioned limits for the financial year.

It is therefore recommended to initiate the maintenance of the TA Control Register and ensure that all future TA claims are strictly supported by the requisite orders as per KSR. The irregular payments identified during this audit should be regularized by producing the relevant orders post-facto, failing which the amounts involved may be liable for recovery. Similar cases if any may also be verified.

Para III: Non-Credit of Lapsed Security Deposits to Revenue – ₹8.28 Lakhs

As per the provisions of Paragraph 15.4.1(iii) of the Kerala Public Works Account (KPWA) Code, any balance amount remaining unclaimed for more than three complete financial years must be credited to the Government Revenue as lapsed deposits. However, a verification of the Security Deposit and Earnest Money Deposit (EMD) Registers at the Project Division, Kottayam, revealed that various security instruments—including Fixed Deposit Receipts (FDRs) were not credited to the revenue account despite the expiry of the stipulated three-year period. This failure to monitor and process unclaimed deposits has resulted in a direct loss of revenue to the Government amounting to **₹8.28 lakhs**.

The audit further observed that although the validity periods of these security documents had long expired, the controlling officers initiated no administrative action to renew, release, or forfeit the instruments. The presence of time-barred and unclaimed documents in the divisional records indicates a significant breakdown in internal controls and a lack of oversight regarding the custody of valuable securities. Such inaction not only keeps government funds outside the consolidated fund but also complicates the eventual recovery or realization of these funds from the issuing financial institutions once the primary documents have lapsed or reached maturity without encashment.

To rectify this irregularity, the Division must immediately identify all deposits pending beyond three years and ensure that the sum of **₹8.28 lakhs** is transferred to the relevant Revenue Head of Account under intimation to Audit. Moving forward,

the Divisional Officer should conduct periodical physical verification of the security registers at regular intervals to ensure that deposits are either returned to contractors upon successful completion of obligations or credited to the State exchequer in a timely manner as mandated by the KPWA Code. Responsibility should also be fixed for the previous failure to adhere to these statutory requirements, which led to the prolonged retention of these unclaimed funds.

Security Deposits				
SL.No.	Name of contractor	Name of instrument	Bank/ Treasury/Others	Amount
1	M/s J&B Engineering and Contractors	No.JL0553986 Dtd,26/03/2021	Treasury	110000
2	M/s.Chicago Constructions Inter.PVT LTD	No.JL0745892 Dtd.28/09/2021	Treasury	137750
3	Baiju Joseph	No.JL1111313 Dtd.05/01/2022	Treasury	280000
4	M/s.Barnett Associates	No.JL1111579 Dtd.21/03/2022	Treasury	200000
5	M/s.Jaimon PM	No.JL1554545 Dtd16/05/2022	Treasury	18600
6	Gopinathan	No.JL1536354 Dtd,19/05/2022	Treasury	21594
7	M/s.Barnett Associates	No.JL1111827 Dtd,06/07/2022	Treasury	60000
	Total			827944

Action may be taken for forfeit of securities and the credit the same Non-Operative account of KWA and intimate to Audit.

Para IV: Lapse of Bank Guarantees and Non-Renewal of Security Deposits

Upon verification of the **Security Deposit Register**, it was observed that several **Bank Guarantees (BGs)**, executed as security for the works mentioned below, were not renewed within the stipulated time frame. This oversight resulted in the expiration of the security coverage, leaving the Government's interests unprotected during the subsistence of the contract or the defect liability period. In accordance with the financial rules governing public works and contracts, it is the primary responsibility of the Division to monitor the validity of securities and ensure their timely renewal or encashment at least one month prior to their expiry.

The failure to track these dates in the Security Deposit Register constitutes a serious breach of internal control. Without a valid Bank Guarantee, the department lacks the necessary financial leverage to recover losses in instances of contractor default, substandard work, or non-fulfillment of contractual obligations. This lapse effectively transforms a secured contract into an unsecured one, exposing the public exchequer to significant financial risk. Furthermore, the absence of timely entries and periodic review of the register indicates that the mandatory "check-and-balance" mechanism for monitoring securities is currently non-functional.

Lapsed Bank Guarantees					
SL.No.	Name of contractor	Name of instrument	Bank/ Treasury/Others	Amount	Claim expiry date
1	M/s J&B Engineering and Contractors	No.IBG 115106 Dtd,29/03/2021	Federal Bank	107500	28/09/2023
2	M/s.Chicago Constructions Inter.PVT LTD	No.IBG 118997 Dtd.28/09/2021	Federal Bank	137750	27/07/2024

It is recommended that a system be immediately established to flag expiring Bank Guarantees well in advance. Immediate action must be taken to either obtain renewed guarantees from the concerned contractors or, in cases where the contract is still active and the contractor fails to provide a renewal, to encash the existing guarantee before its expiry date. A detailed explanation for the lapse in monitoring these securities should be provided and responsibility shall be fixed.

Para V:Service Matters

(I) Earned Leave not re-casted at the rate of 1/11 days

As per G.O(P) No.75/2007/Fin dated 27/02/2007 the employees who have completed 3 years of service will become eligible for Earned Leave at the rate of 1/11 for the period spent on duty for the first year of service as admissible to a permanent employee. On verification of the Service Book of the under mentioned incumbents of this office the leave at the rate of 1/11 has not been re-casted yet.

- a. Arun Mathew, Surveyor Grade-III
- b. Soorya Sasidharan, Assistant Engineer
- c. Bindhu Lekha P L, L.D.Typist

(II)Non-Deduction of Leave taken from E/L Account

- i. Harikumar.R,Junior Superintendent was availed 9 days of Commuted Leave taken during the period from 12/09/2024 to 20/09/2024. In the earned leave calculation 9 days were not seen deducted from earned leave account.

Para VI:GIS & SLI

On verification of the salary bill and other related documents, it is noticed that mandatory GIS and SLI were not deducted from some employees. As per GO (P)No.156/2021/FIN Dated,26/11/2021&GO(P) No.159/2021/FIN Dated,30/11/2021,1.5% of the Basic pay and DA should be deducted as subscription in GIS and SLI, but it is understood that there are employees who have not deducted 1.5%.The details are as follows.

SIno	Name	Designation	Basic pay	SLI recovered	Short recovery of SLI	GIS recovered	Short recovery of GIS
1	JUBYPAUL CHERIAN	Assistant engineer	50948	700	232	800	132
2	LENY THOMAS	Assistant Engineer	55200	1000	10	900	110
3	SURYA SASIDHARAN	Assistant Engineer	60700	1000	111	900	211
4	MAYA T V	Assistant Engineer	77200	0	1413	1200	213
5	SAM K JOSHUA	Assistant Exe Engineer	79000	1300	146	1000	446
6	SREEDEVI S	DAO	71800	500	814	1100	214
7	SANDEEP U	Dman Gr1	37400	1000	0	600	84
8	VIGI V G	Dman Gr2	38300	600	101	600	101
9	JIBOY JOSE	EE	110300	2000	18	1500	518
10	HARIKUMAR R	Jr. Supdt	62200	1200	0	1000	138
11	KUNJUMOL CHACKO	OA	36500	500	168	600	68

12	KEERTHANA S NAIR	Overseer Gr III	28700	1000	0	500	25
13	ARUN MATHEW	surveyor Gr 1	57900	1000	60	1000	60
14	REMYA P R	UDC	34700	1000	0	500	135

This should be resolved and reported to Audit Wing.

Para VII:Non reimbursement of stipend(25%)to Apprentice trainees from Govt of India

The failure to claim eligible NAPS reimbursements totaling **₹1,02,110** for the 2020–2022 period constitutes a significant administrative lapse and a loss of valid receivables. While NAPS 2.0 transitioned to a Direct Benefit Transfer (DBT) model in March 2022, the 25% stipend subsidy (capped at ₹1,500 per month) remains recoverable for the preceding legacy period. To rectify this, the organization must immediately reconcile stipend records with the Skill India Digital portal and submit all pending claims; should the portal restrict retrospective entries, a formal representation supported by apprenticeship contracts must be filed with the **Regional Directorate of Skill Development and Entrepreneurship (RDSDE)**. Furthermore, a comprehensive review of all previous periods is required to identify any additional forfeited funds. To ensure future compliance and prevent recurrence, **accountability must be established and responsibility fixed** for the oversight that led to this financial lapse, with a final report on recovery and disciplinary actions submitted to resolve the audit objection.

Summary of Unclaimed Reimbursements

Year	Stipend Disbursed	Reimbursement Portion (25%)	Status
2020-2021	₹3,02,399	₹75,600	Pending Claim
2021-2022	₹1,06,039	₹26,510	Pending Claim
Total	₹4,08,438	₹1,02,110	

Para VIII:Undue Delay in Settlement of Stock Verification Paragraphs

An examination of the Stock Verification records reveals a concerning pendency of **10 audit paragraphs** that remain unsettled, some dating back as far as **2009**. This prolonged delay in resolving discrepancies suggests a persistent breakdown in inventory oversight and internal control mechanisms. The details of the outstanding

paragraphs are as follows:

Sl. No	Transaction Period	Pending Paragraph Reference
1	07/2009 to 01/2019	Para II(e, f), Para III(e, f), Para IV(e, f)
2	02/2019 to 01/2023	Para 1(a, b, c), Para 2, Para 3, Para 4, Para 5

The failure to address these observations for over **15 years** significantly increases the risk of asset misappropriation and financial loss. Consequently, the Division must take **immediate, time-bound steps to dispose of these pending items** and submit a comprehensive compliance report to the Audit wing. Furthermore, **responsibility must be fixed** for the administrative negligence that allowed these legacy issues to remain unresolved for such an extended period, and necessary action should be taken to ensure future accountability.

Para IX: Verification of trial balance (March 2025)

Upon review of the Trial Balance as of March 2025, the following inconsistencies and accounting errors have been identified. These entries require immediate rectification to ensure the integrity of the financial statements, particularly regarding the reconciliation of contractor advances and the timely remittance of employee-related statutory deductions.

Sl No.	Code	Description	Debit Balance	Credit Balance	Remarks
1	1669	Advance to Contractors (Bank Loan Scheme)	1,81,31,198		Due to non-settlement.
2	2829	Other Statutory Recoveries		1,40,378	Overstatement of current liabilities due to non-remittance of amounts recovered.

Para X: Parking of Funds

On examination of the Cash Book and Bank Statements as of **31/12/2025** reveals that substantial funds are being held in various divisional accounts despite the

cessation or completion of specific scheme activities. The details of these balances are as follows:

Sl. No	Bank Account No.	Closing Balance (₹)	Description of Account
1	38381516723	31,45,380	NRDWP
2	6708785980	42,53,669	State Plan
Total		73,99,049	

The retention of these funds, totalling ₹73,99,049, in divisional accounts without immediate requirement is irregular and results in the unnecessary parking of public money. These balances must be remitted to the **Head Office (HO) Account** immediately to ensure centralized fund management and fiscal discipline. The Division is required to provide a detailed explanation for the prolonged retention of these amounts .

Para XI: Inordinate Delay in Execution, Lack of Statutory Agreements, and Accounting Irregularities

During the technical audit of the work titled "Laying Clear Water Pumping Main to Perukunnu OHSR from Puthupally Junction," several significant procedural lapses and delays were observed. Although the original completion date for the project was fixed for 13/10/2023, the site was handed over to the contractor only on 05/02/2024 and 21/02/2024. A significant delay is noted in obtaining Right of Way (ROW) permissions, where clearance for the Njaliyakuzhi-Kaithayil road was received on 12/02/2024, and the permission for the Thottackadu- Ashupathripadi road was only secured as late as 05/06/2025. The Kerala Water Authority must explain this inordinate delay in availing necessary permissions, as it has directly hampered the progress of the work. To justify the timeline, the department is required to submit documentary evidence including the date of application upload on the ROW portal and the minutes of meetings regarding the monsoon ban.

Name of Work	JJM-WSS to Vakathanam pt.Kottayam, Phase I , PackageI – Supplying and Laying 300 mm DI K 9 Pumping main interconnection from existing 500 mm DI K9 pipe at Puthupally Jn to Vakathanam pt.	
Name of contractor	Sri Shaji Mathew	
Work order	PHCK/A3/1515/2019/PH1/VKT1 d	14/01/2023

date		
Agmt Number and date	30/SEPHCK/2022-23	25/01/2023
PAC	4,90,16,555/-	
Completion date	13/10/2023 (10 months)	
Time extended up to	31/10/2025	
M book	035092, 035093,	
CC bill status	3 rd and part bill.	
% of work completed	50%	
% Bill submitted	50%	

The management of time extensions for this project has been handled in a highly irregular manner. Extensions were granted to the contractor initially up to 31/03/2024, then to 30/06/2024, and finally up to 31/10/2025 as per proceedings No. PHCK/A3/1515/2019/PH1/VKT1 dated 17/09/2025. It is noted with concern that no Supplementary Agreements were executed for these extensions, which is a mandatory legal requirement under the Kerala PWD/KWA Manual to keep the contract and the performance security valid. Furthermore, the final extension was granted without imposing a fine, for which the specific justifying circumstances must be placed on record. The absence of a legal contract extension leaves the department without any financial or legal recourse in the event of further contractor default.

Furthermore, a disparity exists between the financial expenditure and the physical utility of the project. The work is reported to be only 50% physically completed with payments made to a corresponding extent. Since the contractor has already supplied the pipes and received payment for the same, the failure to complete the laying process represents a significant amount of idle capital and an avoidable delay in providing water supply to the public. The department is directed to report the current physical status of the work and provide a definite timeline for completion.

Finally, the examination of the 3rd and Part Bill revealed that the Materials at Site (MAS) account was prepared based on Unstamped Receipts (URS). Under the Kerala PWD Code and Manual, a USR is not a recognized or authorized document for verifying the receipt of materials or for processing payments. This reliance on unauthorized documentation undermines the integrity of the accounting process and

violates the fundamental rules of financial propriety. The Division must explain why these unauthorized documents were accepted and take immediate steps to regularize the accounts using valid, stamped vouchers as prescribed by the rules.

Para XII:Gross Administrative Negligence, Misrepresentation of Facts, and Unfruitful Expenditure of ₹9.16 Crore

Upon a comprehensive scrutiny of the work records and relevant case files, several critical defects and procedural deviations have been identified which indicate a failure to adhere to the prescribed technical specifications and financial rules.

Name of Work	JJM-WSS to Manimala pt.- Phase 2- Construction of 3LL OHSR at Mukkada and supplying and laying CWPM form Karinkalloormoozhy Distribution network in Mukkada Zone-Providing FHTCs	
Name of contractor	Sri James Paul	
Work order date	PHCK/A3/1515/2019/SLSSC3/MAN	27/12/2022
Agmt Number and date	28/SEPHCK/2022-23	17/01/2023
PAC	12,82,60,692/-	
Completion date	26/09/2023 (9 months)	
Time extended up to	31/08/2025 (Fine 1000/-)	
M book		
CC bill status	7th and part bill.	
% of work completed	NA%	
% Bill submitted	9,15,95,778/-	

The execution of the work "Construction of OHSR at Mukkada" (PAC: ₹12,82,60,692/) reflects a total breakdown of supervisory control and a series of irregular administrative decisions that has stagnated a public utility project. Despite an

investment of ₹9,15,95,778/-, the project remains non-functional because the Over Head Service Reservoir (OHSR)—the critical component for the entire system—has not even commenced, over **17 months** past the original deadline.

Key Project Parameters	Financial & Technical Details
Up-to-Date Expenditure (CC 7th & Part)	₹9,15,95,778/-
Original Contractual Period	9 Months (Ended 26/09/2023)
Land Possession Date	13/07/2023
Released Retention/Funds (13/11/2024)	₹39,83,722/-

1. Fraudulent Basis for Time Extension: The grant of a fine-free extension until 17/04/2024 is viewed with serious audit concern. The extension was sanctioned citing "non-availability of land," whereas records confirm the land was officially secured from the Panchayat on **13/07/2023**. This deliberate misrepresentation of facts to shield the contractor from liquidated damages constitutes a grave irregularity.

2. Irregular Disbursement of Retention Money: The release of ₹39,83,722/- on 13/11/2024, to resume work within 10 days, was a failed administrative gamble. The contractor's continued non-performance following this disbursement indicates a lack of intent to complete the work. Releasing such funds without guaranteed progress is a violation of financial propriety and an act of undue favouritism.

3. Crippling of Public Utility and Financial Loss: The failure to construct the OHSR has rendered the massive expenditure on pumping mains and distribution lines completely idle. This negligence has deprived **3,800 consumers** of drinking water and resulted in the parking of ₹9.16 crore in a non-performing asset.

Directive for Immediate Action:

The Executive Engineer is hereby directed to provide a point-wise explanation for the non-recovery of ₹25,000/- as ordered by the SE, PHC Kottayam, and the justification for continuing with a defaulting contractor without invoking penal clauses. **Responsibility must be fixed** upon the officials responsible for recommending unjustified extensions and failing to safeguard the organization's interests. A comprehensive "Action Taken Report" and the current status of the work must be submitted to Audit within the stipulated timeframe.

Para XIII: Financial and Technical Impediments in the Implementation of JJM Phase II – Parathodu and Jalanidhi Schemes

The audit conducted on the "JJM Phase II - 2021-22 Augmentation of RWSS to Parathodu and Jalanidhi schemes" reveals a significant failure in project management and technical planning that directly jeopardizes the provision of drinking water to the targeted population..

Name of Work	JJM-Phase II Augmentation of WSS to Parathdu and Jalanidhi Schemes- construction of 6 MLD Plant supply and erection of pumpsets replacing pumping and dist lines, construction of pump houses and tanks and providing 6200 nos. of FHTCs –Augmentation of General Civil works	
Name of contractor	M/s Maxwell Project Pvt Ltd.	
Work order date	2000/ DI/2023/PHC-KTM	26.12.2023
Agmt Number and date	50/SE/PHCK/23-24	08/01/2024
PAC	53,48,73,273/-	
Completion date	25/06/2025 (18 months)	
Time extended up to	24/03/2026	

Although the project was designed to construct a 6 MLD plant and provide 6,200 functional household tap connections (FHTCs), the execution of essential pumping and distribution lines has reached a critical impasse. Records indicate that following the remittance of ₹1,07,10,000/- to the PWD Roads Division, work commenced on March 3, 2025, but was subsequently abandoned at 24 locations totalling a 1033-meter gap due to the presence of hard rock strata. This oversight in the initial estimate, which failed to identify the actual strata, has created a situation where the primary pumping mains from the WTP to various storage tanks remain disconnected.

The Audit expresses grave concern over the proposal to utilize "Chemical Blasting," as recent inquiries with the Chief Engineer confirm that the inclusion of this unscheduled method would cause a massive hike in the total project outlay, exceeding the designated administrative approval limits. This financial escalation, coupled with the lack of approved data for Chemical Blasting, has resulted in a stalemate that prevents the commissioning of the scheme. Furthermore, the PWD has issued an ultimatum for the immediate handover of the road for restoration, warning that no further excavation will be permitted during the Defect Liability Period. Should these pipe-laying gaps remain unaddressed, the entire investment in the 6 MLD plant and distribution network will be rendered infructuous, as the system cannot be pressurized or commissioned.

From an audit perspective, the deprival of drinking water to 6,200 households

due to avoidable technical errors in the survey phase is unacceptable. The Division's insistence on a costly, non-standard chemical blasting method—despite the availability of "Protected Blasting" (Item No. 100.4.1) under the existing DSR—is viewed as a primary cause of the current stagnation. The Audit recommends that the department immediately review the recommendation of Chemical Blasting in favour of more feasible, approved blasting alternatives or mechanical rock-breaking methods that fall within the sanctioned financial framework.

Failure to resolve this technical hurdle immediately will lead to a total lapse in the Jal Jeevan Mission objectives for Parathodu Panchayat, as the road will soon be sealed by PWD restoration works, making any subsequent rectification impossible

Para XIV: Critical delay in design approval and risk of infructuous expenditure – JJM Vakathanam

The audit of the work "JJM-WSS to Vakathanam Panchayath in Kottayam-Phase 1- Package 1A" reveals a serious breach of contract conditions and a significant management lapse regarding the construction of the 13 LL Over Head Service Reservoir (OHSR) at Perukunnu..

Name of Work	JJM-WSS to Vakathanam pt in Kottayam- Phase1- Package 1A – Supply Laying 300 mm DI K9 pumping main from ch 4900 to Proposed 13LL OHSR at Perukunnu, Laying distribution network in DMA, Construction of 13 LL OHSR.	
Name of contractor	M/s Majestic Constructions.	
Work order date	PHCK/A3/1515/2019/PH1/VKT-1A	25/10/2023
Agmt Number and date	37/SEPHCK/2023-24	09/11/2023
PAC	17,45,66,881/-	
Completion date	24/10/2024	
Time extended up to	24/04/2025	
M book		
CC bill status	4th and part bill.	
% of work	NA%	

completed		
% Bill submitted	2,73,60,699/-	

As per NIT clause 3.1, the contractor, M/s Majestic Constructions, was mandated to submit the detailed structural design and foundation plans within one month of the work award, establishing a deadline of November 25, 2023. However, the contractor submitted the structural design to WASCON only on May 28, 2024, representing an unacceptable delay of approximately six months from the stipulated deadline. Records further indicate that the design was finally approved by WASCON only on August 4, 2025.

This prolonged delay in the design phase has directly impeded the construction of the tank, which accounts for ₹3,88,10,308/- of the total project outlay. **While the original completion date for the entire project was October 24, 2024, the work remains incomplete, and it is highly concerning that even after the eventual approval of the design, the contractor has not commenced the construction of the tank till date.** From an audit perspective, the total lack of progress on the storage tank threatens to render the substantial investment of approximately ₹13.57 Crores in pipelines and water connections infructuous. Although ₹2,73,60,699/- has already been disbursed through the fourth and part bill for distribution infrastructure, these assets cannot be pressurized, tested, or commissioned without the completion of the OHSR.

The Executive Engineer is requested to justify the failure to enforce NIT clause 3.1 and explain why penal provisions were not invoked for the initial six-month delay in design submission or for the continued non-commencement of work following design approval. Immediate clarification is required on the specific measures being taken to ensure the functional utility of the already laid pipeline network before the extended deadline of April 24, 2025.

Furthermore, it is observed that while the formal agreement was executed with **M/s Majestic Constructions, all official correspondence from the Division has been directed to an individual, Mr. Dominic Zacharias.** The department must clarify the legal standing of this individual in relation to the contracting firm and explain why communications are not being addressed to the firm.

Para XV: Inordinate delay in commissioning the scheme-Deprivation of drinking water to Public

Name of Work: JJM 2020-21 Vazhoor Panchayath in Kottayam District-Phase II- Package 5-Construction of 2LL OHSR at WTP compound Manimala, Supply and Laying additional distribution lines and providing FHTCs-Civil work

Source of file: PDK/AB1/51/JJM/2024

(1) Work Order No. WRD/KWA-CE(SR)/1878/2022-23/VZR/P-5. Dated 10-08-2023 of the SE PHC Kottayam

(2) Agreement No.23/SE/PHCK/2023-2024. Dated, 11/09/2023

(3) TPAC: Rs.4,94,64,805/-

(4) APAC: Rs.5,43,85,563/-

(5)No.WRD/KWA-CE(SR)//2022/1878/2022-23/VZR/P-5.Dated,14/06/2024& 16/10/2025 of the SE PHC Kottayam (regarding the time extension order)

(6)Contractor: M/S. Setelia LLP

The subject work was awarded to M/S. Setelia LLP (23/279-A1, Excellent Apartments, Valiyavarambu, Bypass Road, Down Hill, Malappuram) as per the reference first cited above. While the work order stipulated that the agreement be executed within 14 days, the contractor failed to meet this timeline. Following the eventual execution of the agreement, the contractor was bound to complete the project on or before 09/05/2024, representing a nine-month window from the date of award. However, the contractor failed to meet this deadline, necessitating two subsequent time extensions that moved the completion date to 30/11/2024 and then to 30/11/2025. Notably, these extensions were granted without the application of the Liquidated Damages (LD) clause.

During this period, four part bills (CC Ist, IInd, IIIrd, and IVth) were processed and paid. Despite these disbursements and multiple extensions, the work remains incomplete as of the current date. This persistent delay has resulted in a failure to deliver the intended public benefits of the project. As no further time extensions appear to have been granted after the expiry of the last extension on 30/11/2025, the legal and physical status of the project is now in question.

Under these circumstances, immediate clarification is required regarding whether any further time extensions were authorized beyond 30/11/2025. If the work is currently being treated as finished, please provide the exact date of completion and a certified copy of the FA12. If the project remains unfinished, a comprehensive explanation for the continued delay must be provided, along with the current physical status of the site. Finally, please **clarify if any fine or penalty was ever imposed on the contractor for the initial delay in executing the agreement or for the subsequent failures to meet the extended milestones.**

ParaXVI:Chronic Delay and Contractual Non-Compliance in Puthuppally Water Supply Scheme (Package 4)

Name of Work:JJM 2020-21 WSS to Puthuppally Panchayath Kottayam District Package 4-Construction of 2.5 LL OHSR at Eravinallur,Supplying and Laying DI/PVC/HDPE/GI distribution network and providing FHTCHs from proposed OHSR at Eravinallur (Zone No.4)

Source of file:PDK/DB2/470/2022

- (1) Work Order No.1541/D2/2022/PHC-KTM. Dated 05-08-2022 of the SE,PHC Kottayam
- (2) Agreement No.14/SE/PHCK/2022-2023.Dated,19/08/2022
- (3)TPAC: Rs.6,70,96,429/-
- (4)APAC: Rs.6,70,96,429/-
- (5)Contractor: Shaji K Mathew

A review of the project records for Package 4, involving the construction of a 2.5 LL capacity Overhead Service Reservoir (OHSR) at Eravinelloor and the laying of the distribution network, reveals a critical and persistent failure by the contractor, Sri. Shaji K. Mathew, to adhere to the agreed-upon execution schedule. Despite the formal execution of Agreement No. 14/SE/PHCK/2022-2023 on August 19, 2022, and the

granting of four separate time extensions, no significant progress has been observed at the OHSR site or in the associated pipeline works. This continued inaction constitutes a serious breach of contract and wilful negligence, directly hindering the delivery of safe drinking water to thousands of consumers and rendering the public investment under the JJM scheme ineffective.

The contractor's failure to resume work even after the lifting of the monsoon ban and despite multiple written directives—specifically those dated March 15, 2025, and August 1, 2025—**necessitates the immediate invocation of the Risk and Cost Clause of the agreement.** Under this clause, the Kerala Water Authority is empowered to terminate the current contract and arrange for the completion of the remaining works through an alternative agency at the risk and expense of the defaulting contractor. All additional costs incurred by the Authority in completing the work, along with any resulting losses, must be recovered from the original contractor.

Furthermore, the contractor's performance reflects a systemic pattern of delay, as evidenced by similar non-performance in the Keezhattukunnu OHSR work under Package 3 of the same scheme. Given this persistent and intentional violation of critical contract conditions and the repeated failure to achieve milestones despite adequate time and payment of bills, the Authority must initiate formal proceedings for the blacklisting of the contractor. Strict administrative action is essential to protect public funds and ensure that future government contracts are not awarded to entities with a documented history of gross dereliction of legal and contractual obligations.

ParaXVII: Contractual Negligence and Supervisory Lapses in the Puthuppally Water Supply Scheme(package 3)

Name of Work:JJM 2021-22 WSS to Puthuppally Panchayath Kottayam District Package 3-Construction of 8.5 LL OHSR at Keezhattukunnu ,Supplying and Laying clear water pumping main supplying DI/PVC/HDPE/GI distribution network and providing FHTCHs

Source of file:PDK/DB/463/2022

- (1) Work Order No.1544/D2/2022/PHC-KTM. Dated 10-08-2022 of the SE,PHC Kottayam
- (2) Agreement No.16/SE/PHCK/2022-2023.Dated,24/08/2022
- (3)TPAC: Rs.25,00,24,849/-
- (4)APAC: Rs.26,99,01,825/-
- (5)Contractor: Shaji K Mathew

The audit of the Jal Jeevan Mission Package 3 for Puthuppally Panchayath reveals a profound failure in project execution and a breakdown of administrative supervision by the Project Division . Although the original date of completion was 09-08-2023, the Division granted time extensions in two separate stretches up to **31-12-2024** without imposing any fines or liquidated damages. This leniency is highly irregular given that, as of February 2026, the construction of the **8.5 LL OHSR at Keezhattukunnu** has only partially progressed to the completion of the roof slab, and the contractor has failed to achieve any measurable progress since the extension expired. This supervisory lapse allowed the contractor, Sri. Shaji K. Mathew, to maintain a state of "wilful negligence" for over three years, during which time high-value **75 HP and 25**

HP pumpsets remained idle and **7,645 consumers** were denied drinking water. Furthermore, the Division failed to escalate enforcement despite the risk of losing a **₹5 crore PWD administrative sanction** for the Puthuppally-Vennimala road and the clear public safety hazards posed by un-restored trenches during the **Karkidakavavu rituals**. By delaying the initiation of the **Risk & Cost Clause** until the "final reminder" in February 2026, the Division has demonstrated a lack of proactive contract management and failed to protect the interests of the Kerala Water Authority and the public.

ParaXVIII: Failure to update hired vehicle details in the VEELS portal and non-appointment of a Nodal Officer – Violation of Government Circulars.

Reference: Circular No. 59/2020/Fin dated 22/10/2020 issued by Finance (IT Software) Department.

During the audit of the Division's records, it was observed that the mandatory directives issued by the Government regarding the **Vehicle Management System (VEELS)** have not been complied with. Despite explicit instructions to register all vehicle and driver details on the portal (www.veels.kerala.gov.in), the Division has failed to update the data for hired vehicles and has not appointed a Nodal Officer to coordinate these activities. Specifically, the hired vehicles **KL 05 AY 9492 (Contractor : V.A. John)** and **KL 34 F 9381 (Contractor: K.R. Radhakrishnan Nair)**, currently in use by the Division, have not been recorded in the VEELS software as required by the prevailing guidelines.

According to **Circular No. 59/2020/Fin**, every Head of Department or Office is required to appoint a Nodal Officer to coordinate VEELS-related activities, who must register and obtain a username and password to manage the portal. It is the responsibility of this Nodal Officer to ensure that information regarding all types of vehicles—including those on a **hired or contract** basis—and all categories of drivers (permanent, temporary, or hired) are entered into the software. Furthermore, the circular mandates that from the 2020-21 financial year onwards, monthly usage details and all vehicle-related expenses must be accurately recorded in VEELS.

The audit further notes that the 'Vindex' generated by VEELS is now mandatory for submitting any vehicle-related proposals to the Government and is strictly required for the processing of wages for contract or daily wage drivers. Since the Government now collects all vehicle data for budget and administrative purposes exclusively from the VEELS software, the failure to update the portal with accurate information is a serious lapse. Although the deadline for completing these entries was **30/11/2020**, the division remains in non-compliance. The division is directed to immediately appoint a Nodal Officer, complete the registration of the aforementioned hired vehicles, and submit an explanation for this non-compliance with Government directives.

ParaXIX: Project Stagnation and Financial Loss Due to Defective Estimation and Inadequate Safeguards

Name of Work	JJM-2020-21-WSS to Erumeli pt.- Phase 2-Package V- Supply and laying new distribution line zone VIII (Distribution from GLSR at Keerithodu) and Providing CW pumpsets CWPB Kanamala-	
Name of contractor	Sri James Paul	
Work order date	PHCK/A3/1515/2019/Ph2/ER5	27/01/2022
Agmt No. and date	22/SE/PHCK/2021-22	18/02/2022
PAC	3,24,96,006/-	
Completion date	27/06/2022 (6 months)	
Time extended up to	29/07/2023 (work completed)	
M book		
CC bill status	5th and final bill.	
% of work completed	No trail running done.	
% Bill submitted	3,73,37,999/-	

The project, awarded for a Probable Amount of Contract (PAC) of **Rs 3,24,96,006/-**, remains non-functional despite the completion of primary civil and mechanical works. A critical scrutiny of the project records reveals that the initial estimate was prepared in a defective manner, as it failed to include a provision for a KSEB power connection. Since electrical energization is an integral requirement for the operation of the supplied CW pumps, this omission demonstrates a significant lack of prospective vision in the project's planning phase. As a result, the total capital expenditure of **Rs 3,73,37,999/-** incurred on the pumps and distribution lines has been rendered idle for the past **30 months**, representing a complete blockade of public funds without any service delivery.

The administrative risk is further compounded by the premature release of the

Security Deposit and other retained amounts. Although these funds were released following a Judicial order, the department's interests were only minimally protected by a simple bond executed two years ago. This bond lacks the fiscal weight of a bank guarantee or retained cash, leaving no tangible surety that the contractor will address the identified gap works or fulfil defect liability obligations. Given that the pipeline's integrity has not been verified through trial runs, the department faces the distinct possibility of being left with a defective system and no financial leverage to compel rectification. Hence the Officers concerned are hereby directed to explain the failure in the estimation process and provide an immediate roadmap for the KSEB connection and project commissioning.

ParaXX:Financial irregularities and non-execution of vital project components.-Erumeli Package I

Name of Work	JJM-2020-21-WSS to Erumeli Package 1-Providing additional Distribution Lines / Extending existing Distribution Lines in Zone II,IV &V and providing FHTCs . Supply and installation of Standby pumpset To zone II.	
Name of contractor	Sri M S Sanil Kumar	
Work order date	PHCK/A3/1515/2019/Ph2/ER1	23/12/2021
Agmt No. and date	12/SE/PHCK/2021-22	04/01/2022
PAC	2,12,72,450/-	
Completion date	23/06/2022 (6 months)	
Time extended up to	30/09/2023 (without fine)	
	16/10/2024 (Pre closure)	
CC bill status		
% of work completed	19/09/2023 -Pre closed	
% Bill		

submitted		
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During the detailed audit scrutiny of the CC 6th and Part Bill, the FA12, and the original agreement for the work "Extension of Distribution Lines and providing FHTCs," several significant financial and procedural irregularities were identified. The work was entrusted to the contractor with an agreed PAC of Rs 2,12,72,450, yet the up-to-date value of work done as per the CC 6th and part bill stands at Rs 2,20,20,785 including 18% GST. This represents an expenditure of approximately 3.52% over the agreed PAC. Even the actual cost shown in the FA12 is Rs 2,17,78,133, which remains Rs 5,05,683 above the accepted PAC of Rs 2,12,72,450. It is highly irregular that the final expenditure has exceeded the agreed PAC, especially when major components of the work were omitted from execution.

The audit further reveals that vital segments of the project were not executed as per the technical specifications in the agreement. Specifically, item numbers 2.033 to 3.003 and 3.005 to 3.006 were not done, and the extension of distribution lines in Zones II, IV, and V—including the construction of valve chambers and fitting of air valves under item sequences 3.001 to 3.011 and 5.001 to 5.007—was neglected. Most notably, the supply and installation of a standby pumpset for Zone II under item 6.001, which is considered an integral part of the project with a value of Rs 19 Lakhs, was not executed. The non-execution of these items, particularly the standby pumpset, distribution extensions and air/valve chambers, significantly compromises the intended utility and reach of the water supply scheme.

Preclosure of the Work

Regarding the preclosure of the work, it is noted that the project was pre-closed via order no. PHCK/A3/1515/2019/Ph2/ER1 dated 16/10/2024, following a time extension sanctioned up to 30/09/2023 without the imposition of liquidated damages. The stated reason for preclosure was that the proposed standby pumpset was unavailable in the market according to the specified requirements. In this context, the Division must clarify why the "Risk and Cost" clause was not invoked in the preclosure order, considering the contractor's failure to fulfil a primary contractual obligation. Furthermore, the Division must provide evidence of the technical assessment or market surveys conducted to confirm the unavailability of the equipment before deciding to terminate the contract without penalty.

A detailed justification is required to explain how the total expenditure was permitted to exceed the agreed PAC despite the omission of works totalling over Rs 26 Lakhs (approx.). Please provide a comprehensive reconciliation statement showing the specific items that exceeded the scheduled quantities to offset the savings from the unexecuted components.

Part .III:-Outstanding Local Audit Paras

Para I: Escalating Pendency and Administrative Laxity in Audit Para Disposal

A review of the Local Audit reports for **Project Division, Kottayam**, reveals a critical state of non-compliance, with **25 Audit Paras** remaining pending for disposal. Despite repeated reminders and clear directives, the Division has failed to initiate satisfactory disposal actions or provide adequate responses. This persistent delay in resolving audit observations reflects a breakdown in financial discipline and exposes the organization to significant audit risks, particularly as several pending items involve substantial financial commitments.

The qualitative review of the limited replies submitted to date indicates a lack of professionalism; documentation is frequently not in the prescribed format and lacks the mandatory supporting evidence, such as vouchers and site reports, required for formal settlement. The situation has reached a critical point due to a recent surge in non-responsiveness, where **72% of the total pendency (18 out of 25 paras)** originated within the last two audit cycles (2022-23 and 2023-24). This sharp upward trend in outstanding observations, combined with legacy issues dating back to 2013-14, suggests a systemic failure in the Division's administrative oversight.

The year-wise breakup of the outstanding paras is detailed in the table below:

PROJECT KOTTAYAM				
SI NO	YEAR	SI Number of pending paras		Total number of Pending Paras
		In Part II A	In Part II B	
1	13-14		5	1
2	15-16		4	1
3	16-18		2	1
4	18-19		1,2,5	3
5	19-22		3	1
6	22-23		1,2,3,5,6,7,8,10,11	9
7	23-24		1,2,3,4,5,6,7,8,9	9
TOTAL				25

It is hereby directed that the Project Division, Kottayam, conduct an immediate review of the above list and submit revised, comprehensive replies for all **25 pending paras**. All submissions must be strictly substantiated with relevant supporting documents and formatted in accordance with audit standards. As per the latest directives received from Accountant General, the Divisional Officers ie. Divisional Accounts Officer and Executive Engineer shall be personally responsible for the prompt submission of the Local Audit replies. These replies must be submitted to the Internal Audit team on or before **20.02.2026** to regularize the accounts and mitigate further administrative risk.

Part IV:Best Practices

Timely remittance of the accrued interest on various accounts to the head office.

Part V

Acknowledgement

Internal Audit Wing acknowledges the co-operation extended by the auditee institution.

SUNIL AUGUSTINE
INTERNAL AUDITOR