



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

SIXTEENTH REPORT

(Presented on 13th March, 2007)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007

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On

**Kerala Water Authority based on the Report of the
Comptroller and Auditor General of India for
the year ended 31-3-2002 (Civil)**

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2006-2008), having been authorized by the Committee to present the Report on their behalf, present this Sixteenth Report on Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Civil) relating to the Government of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended 31-3-2002(Civil) was laid on the Table of the House on 8-7-2003. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings constituted for the years 2004-2006.

This Report was considered and approved by the Committee at the meeting held on 31-1-2007.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala, in the examination of the Audit Paragraphs included in this Report.

The Committee wish to express their thanks to the officials of the Water Resources Department of the Secretariat and Kerala Water Authority for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Water Resources Department and Finance Department and the officials of Kerala Water Authority, who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

MANKODE RADHAKRISHNAN,

*Chairman,
Committee on Public Undertakings.*

Thiruvananthapuram,
13-3-2007.

REPORT

KERALA WATER AUTHORITY

Audit Paragraph :

LACK OF INVENTORY CONTROL

Failure of KWA in monitoring purchase and distribution of pipes resulted in non-commissioning of two schemes sanctioned 9-19 years ago and the investment of Rs. 10.59 crore remaining unproductive.

Mention was made in para 7.14.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) about unnecessary piling up of stock of pipes, costing Rs. 4.11 crore, procured for five Accelerated Rural Water Supply Schemes in Thiruvananthapuram and Kollam divisions of Kerala Water Authority (KWA) during June 1997 to January 2001. Two instances of delay in commissioning of water supply schemes, due to non availability of sufficient quantity of pipes in Sulthan Bathery and Thrissur divisions of KWA were noticed in audit (April 2002) as detailed below.

(a) Government sanctioned (November 1983) implementation of a comprehensive water supply scheme to Guruvayoor, Kunnamkulam, Chavakkad and adjoining Panchayats in Thrissur District, estimated to cost Rs. 4.09 crore. The scheme envisaged distribution of 11.25 million liters of water per day (mld) by augmenting an existing water supply scheme with capacity to distribute 4.5 mld of water. All the major components of the scheme were completed between June 1989 and January 1998. But the scheme could not be completed as the work of laying 2330 meters of 400 mm class A cast iron (CI) pipes for gravity main had not been executed due to delay in finalisation of tender for purchase of pipes. Expenditure of Rs. 5.49 crore incurred on the scheme as of March 2002, in addition to payment of interest of Rs. 2.13 crore on loan (Rs. 1.97 crore) raised from L.I.C. for the scheme turned out to be unfruitful.

Government stated (September 2002) that tender for purchase of 400 mm CI pipes was again floated in August 2002. Further development is awaited (December 2002).

(b) Sanction was accorded (October 1993) for Anjukunnu-Kuppathodu Rural Water Supply Scheme in Sulthan Batheri Division (Wayanad District) at an estimated cost of Rs. 1.14 crore. All the components of the scheme except distribution system were completed as of December 2000. Of the total length of 64.38 km of distribution lines to be laid in eighteen reaches, only 19 km. in six reaches could be laid as of March 2002. The tender for purchase of pipes

invited (August 1998) had to be retendered (February 1999) which was again cancelled (November 2000) due to defective tender procedure. It was decided to execute the balance work of laying distribution lines on “supplying and laying basis” after reducing the length of lines by 50 per cent due to financial constraints. But it could not be arranged as of March 2002 with the result that the scheme on which an expenditure of Rs. 2.97 crore was incurred could not be commissioned.

Government stated (November 2002) that the completed portion of the work is expected to be commissioned by May 2003.

(Para 7.8 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002).

The notes furnished by Government on the audit paragraph is given in Appendix II

1. The Committee find that an inordinate delay of over four years had occurred for floating tenders for implementation of a comprehensive water supply scheme to Guruvayoor Kunnamkulam, Chavakkad and adjoining panchayats in Thrissur. The Committee observed that Kerala Water Authority had made it a habit to make delay in submitting replies to audit paras and enquired the reason for it. The witness replied that the department was requesting for replies from Kerala Water Authority and it was not providing the same in time. Reacting to the reply the Committee enquired whether the department had any control over the Authority. The witness informed that strict instructions had been given to Kerala Water Authority in submitting replies in time and necessary arrangements have been made to review the audit paras and submit the reports in time.

2. On enquiry of the reason for the delay of four years in finalizing the tender, the witness informed that the first tender for procuring pipes was cancelled due to allegation and consequently retendered. The delay in getting clearance for the system of supplying and laying of pipes by the contractor was another reason for the delay. To a question of the Committee why the Store Purchase Manual Rules was not followed, the witness stated that no breach of store purchase manual have occurred in the procurement of pipes.

3. When the Committee enquired why the tender conditions were revised, the witness informed that there was lack of clarity in the tender conditions and therefore a slight modification was made. The witness also informed that as the loan was provided by the Japan Bank for International Co-operation and in order to ensure the quality of materials purchased by the contractor they have

provided for some conditions regarding experience, to ensure quality, ability to supply the quantity and consumer satisfaction of the supplier. All the materials are to be bought by the contractor himself and he has to follow the guidelines.

4. The Committee noted that the reason for the actual delay of more than four years was not given by the Government and it was silent about the persons responsible for the delay. When the committee wanted to know the reason for not taking any action against the contractor who didn't supply the materials, the witness informed that the order has not been given to the contractor within the extended date and by that time the validity of the contract was over.

5. The Committee opined that it is a culpable negligence on the part of the Authority and callous attitude of the top officials of the Department that not giving orders in time. The Committee wanted to know who were responsible for it and the action taken against them.

6. The witness explained that the delay could have been avoided but did not give any satisfactory reply to the Committee. The Committee observed that even though Fund was available due to inaction and slackness on the part of the Kerala Water Authority, drinking water could not be provided to the people.

7. When asked about the average rate of realization per kilo liter, the witness informed that about 80% of the revenue was being realized and added that the main defaulters are local bodies and Government Medical College, Thiruvananthapuram. The Local bodies had an arrear of Rs. 572 crore and Medical College, Thiruvananthapuram has to pay Rs. 40 crore. The Committee stated that steps should be taken to realize the amount due from the local bodies.

8. The witness informed that it was requested to Government to recover the water charges in respect of the local bodies from the non plan grant given to them. The Committee has recommended to recover the amount of water charge, from the non-plan Grant provision to the local bodies. The witness informed the Committee that strict instruction has been given to Water Authority to recover the arrear. Bimonthly billing system has also been introduced.

Conclusions/Recommendations

9. **The Committee finds that due to shortage of pipes inordinate delay had occurred in the implementation of the comprehensive water supply schemes at Guruvayoor, Kunnankulam, Chavakkad and adjoining Panchayats in Thrissur and also Anjukunnu Kuppethodu Rural Water Supply Scheme in Sulthan Bathery. The Committee also notices that necessary action has not been initiated against the contractor, before the expiry of term of contract.**

10. The Committee opines that it is due to culpable negligence and callous attitude of the higher officials of the Authority/Department. The Committee therefore recommends to take stringent action against those responsible for the delay and that the matter should be reported to the Committee.

Audit Paragraph : **Avoidable interest liability on loans raised from LIC for two water supply schemes**

Delay of more than 6-8 years in execution of two projects for which KWA raised loan of Rs. 1.85 crore bearing interest at 13.26 per cent resulted in avoidable interest liability of Rs. 1.48 crore.

Kerala Water Authority (KWA) raises loans from financial institutions like LIC, HUDCO etc. for completion of its various ongoing as well as new schemes. Mention was made in para 7.16 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2001 on payment of interest of Rs. 6.33 crore on amounts borrowed from LIC for implementation of water supply schemes which had not been commissioned. Two more instances of payment of interest of Rs.1.48 crore on borrowed funds on schemes not yet commissioned, were noticed as discussed below.

(a) Kerala Water Authority (KWA) accorded (March 1994) sanction for a Rural Water Supply Scheme at a total cost of Rs. 2.20 crore to benefit the people of Madakkathara and adjoining villages in Thrissur District. KWA received (January 1994) an advance of Rs. 40 lakh out of the total financial assistance of Rs. 110 lakh from LIC at an interest rate of 13.26 per cent. Though KWA purchased (between July 1997 and April 1998) 12.53 km. pipes and specials costing Rs. 27.07 lakh, KWA did not get 0.238 hectares of land transferred from Forest Department for the construction of three ground level reservoirs as of August 2002 in spite of Government sanction in June 2001. However, KWA started construction of ground level reservoir on the basis of oral direction of Divisional Forest Officer, Thrissur. KWA had also transferred (April 2002) pipes costing Rs. 18.21 lakh to a Centrally Sponsored Scheme.

Delay on the part of KWA in getting the land transferred from Forest Department resulted in non-completion of the scheme and payment of interest of Rs. 40.32 lakh on loan raised for the scheme which remained unproductive even after 8 years.

Government admitted (September 2002) the facts and stated that the amount was utilized on some other scheme. This is not tenable as the schemes for which loan was raised could not be commissioned and diversion was made to a 100 per cent Centrally sponsored scheme. Further no records were maintained by KWA to show that the funds were diverted for the scheme.

(b) Government in Water Resources Department sanctioned (March 1996) a water supply scheme to Anakkayam Town in Malappuram District at a cost of Rs. 7.56 crore. KWA received (March 1996) a loan of Rs. 1.45 crore out of the total financial assistance of Rs. 3.69 crore from LIC at an interest rate of 13.26 *per cent*. Though land required for the scheme was available even in October 1998, only one component of the scheme, i.e. clear water-pumping main, was completed as of November 2000 incurring an expenditure of Rs. 17.75 lakh besides procurement of 1101 meter pipes costing Rs. 15.53 lakh. KWA had not yet commenced the works relating to other components of the scheme. No reasons for the delay were on record.

Thus lack of planning on the part of KWA in arranging works relating to the other components of the scheme even after 6 years from the date of receipt of loan resulted in an avoidable interest liability of Rs. 1.08 crore on the loans from LIC, and piling up of pipes costing Rs. 15.53 lakh. Besides the objective of providing drinking water facility was not achieved.

Government stated (August 2002) that work on other components of the scheme were started in March 2002 and proposed to be commissioned by October 2003.

(Para 7.9 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002)

The note furnished by Government on the Audit paragraph is given in Appendix II.

11. When the Committee enquired about the percentage of LIC loan for a project the witness informed that for each scheme an amount is fixed and the average of it came about 40%. If water charges is increased the income and viability of schemes would change and LIC would provide more fund.

12. On enquiring about the present condition of the Madakkathara Rural Water Supply scheme the witness informed that the required land had been obtained from the Forest Department and the Government of Kerala accorded approval for the diversion of the land on 26-6-2001 and the scheme has been completed to the extent of 25% in spite of all the financial constraints faced by Kerala Water Authority.

13. Regarding the Anakkayam Scheme the Committee enquired what reason for the delay even after the availability of the required land. The witness informed that treatment plant had to be retendered since 97% of tender excess demanded was not agreed by the Government.

Conclusions/Recommendations

14. The Committee notice that the fund sanctioned by LIC for Rural Water Supply Scheme is being diverted to a 100% Centrally sponsored scheme without keeping any record of transfer of funds or materials. The Committee expresses displeasure over it and wants to have a detailed explanation of the diversion of funds and materials.

Audit Paragraph :Avoidable loss due to failure to obtain utilisation certificate

Failure on the part of KWA to obtain and forward utilisation certificate to Netherlands Embassy resulted in avoidable loss of Rs. 65.33 lakh.

In pursuance of a bilateral agreement between Royal Netherlands Embassy (RNE) and Government of India (GOI) in August 1986, Kerala Water Authority (KWA) had undertaken implementation of Pavaratty Regional Comprehensive Rural Water Supply Scheme (PRCRWSS) with financial assistance in the form of grants-in-aid from the RNE. Stipulated date of completion was March 1997 which was further extended to March 2001. While RNE agreed to reimburse 85 *per cent* of the expenditure incurred on the scheme, it also agreed to reimburse additionally 100 *per cent* of the expenditure of Rs. 1.20 crore to be incurred for non-engineering activities such as community participation, preparation of maps, stand post location survey and tracing in information technology and geographic information system on production of audited statement of expenditure before March 2002.

KWA paid (between August 2000 and September 2001) Rs. 1.01 crore out of the agreed cost of Rs. 1.20 crore to three consultants for community participation activities, training, mapping etc. Although KWA completed the scheme in March 2001 itself and forwarded audited statement of expenditure in November 2001, it failed to obtain details of utilisation of Rs. 65.33 lakh (including Rs. 31.27 lakh paid between April 2001 and September 2001) from the consultants after completion of the project. As a result KWA could not claim reimbursement of Rs. 65.33 lakh. Thus failure of the Executive Engineer and Assistant Executive Engineer of PH Division, Kunnankulam to obtain utilisation certificates for Rs. 65.33 lakh from the consultants and forward the same to RNE within the stipulated time (March 2002) resulted in avoidable financial loss of Rs. 65.33 lakh.

The matter was referred to Government in June 2002, reply has not been received (December 2002).

(Para 7.10 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002)

The Note furnished by Government on the audit paragraph is given in Appendix II.

15. The Committee enquired the reason for the delay in obtaining Utilization Certificate. The witness explained that the works for the non engineering components were awarded to three consultants as directed by Netherland Embassy. Kerala Water Authority had paid Rs. 100.77 lakh to the agencies, Rs. 69.50 lakh was paid before 31-3-2001 and Rs. 31.27 lakh was paid between April 2001 and September 2001. But the audit certified only Rs. 35.44 lakh out of the payment of Rs. 69.50 lakh made by the Kerala Water Authority before 31-3-2001 and Rs. 34.06 lakh was disallowed by audit as the certified expenditure statement of the consulting firm had not included this amount at the time of audit. The audit has taken the stand that they would not audit without details of utilization of Rs. 65.33 lakh. The witness argued that the date of cheque given by them is taken as date of expenditure. But the Accountant General has objected this and stated that utilization certificate was necessary. The Principal Secretary, Water Resource Department had stated that the expenditure had to be taken in to account since the reimbursement is made on the basis of expenditure. When asked whether it would be approved in the last years' budget, the witness replied in the negative and stated that if extension is given by RNE they could collect it.

Conclusions/Recommendations

16. No Comments

Audit Paragraph : INFRUCTUOUS ESTABLISHMENT EXPENDITURE

Creation of posts in advance of implementation of project and failure to deploy excess staff after commissioning of schemes led to payment of idle wages to the tune of Rs. 5.09 crore.

In Kerala Water Authority (KWA), salary and establishment expenditure are increasing by about 15 *per cent* annually and operation and maintenance expenditure by 10 *per cent**. As allocation of non-plan grant by Government of Kerala and revenue realised by KWA were insufficient to meet the non-plan expenditure, KWA diverted capital funds for non-plan expenditure. Even then KWA had not conducted any evaluation of the human resources available so as to obtain the maximum output; instead created additional posts in advance and sanctioned continuance of certain posts without any assignment as detailed below.

(a) Government accorded (October 1997) sanction to Kerala Water Authority (KWA) for execution of a water supply project consisting of two urban and three rural water supply schemes covering six districts# estimated to cost Rs. 1787.45 crore with financial assistance from Overseas Economic Co-operation Fund (OECF). As per agreement, KWA was to employ a consultant. Government sanctioned (April 1997) 33 posts including a Chief Engineer (CE) and KWA filled up 32 posts except the Consultant. KWA also acquired 49.39 hectares of land out of 52.09 hectares required for the project.

As selection of consultant was not finalised, implementation of phase I of the project could not be proceeded further. Yet the staff appointed in the five project offices under the control of CE was retained and expenditure incurred on the pay and allowances as of May 2002 amounted to Rs. 1.85 crore.

Government stated (December 2002) that KWA was asked (June 2002) to start the process of selection of the consultant afresh and to continue the posts. Government reply is not tenable as the staff appointed specifically for the purpose of implementing phase I of the project in a period of two years was continuing for more than five years in spite of the fact that the pre-condition of appointment of consultant has not been fulfilled and the activities of the project have not commenced.

(b) Consequent on the commissioning of Comprehensive Water Supply Scheme to Nattika Firka in March 1997, Public Health Division at Nattika (with three sub divisions) in Thrissur District were attending only to the maintenance and operation of the schemes already commissioned. The division retained an average number of 107 employees of which only 67 were deployed for operation and maintenance of the schemes and 40 employees were in excess. During 1997-2002 wages paid to the excess staff were Rs. 1.71 crore (approximately).

(c) The Public Health Mechanical Division established at Kochi in 1983 for drilling borewells and tubewells for water supply schemes had not been executing any such work since January 1995 as three out of four rings owned by the division were transferred to the Ground Water Department in December 1994 and the fourth one was defunct from February 1992. However, excess staff were retained without any work. Idle wages paid to the excess staff during 1996-2002 worked out to Rs. 1.53 crore.

The above points were referred to Government in July 2002, reply has not been received (December 2002).

(Para 7.11 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002)

The note furnished by Government on the audit paragraph is given Appendix II.

17. The Committee asked why additional posts were created in advance without conducting any evaluation of the human resources available so as to obtain the maximum output and sanctioned the continuance of certain posts without any assignment. The witness explained that for the JBIC project 55 posts had been created and out of it 32 were filled. The Water Authority had the supervision of the work of the consultants. The Committee found that though selection of consultant was not finalized and implementation of Phase I of the project couldn't be proceeded, the staff appointed in the five project offices under the control of Chief Engineer was retained and expenditure incurred as of May 2002 amounted to Rs. 1.85 crores. The witness stated that as the work of land acquisition for the project was going on in each district, the retention of the staff was absolutely necessary to avoid any delay in resuming the process and availing the loan assistance as scheduled. Apart from this, a lot of miscellaneous items of work connected with land acquisition including court cases in connection with acquisition of land had to be effectively performed. The witness added that out of the 32 staff appointed 16 persons retained without re-deployment were actively engaged in the preliminary work in connection with project implementation.

18. (b) The Committee wanted to know about the work of the excess staff maintained by Kerala Water Authority in the Public Health Division, Nattika. The witness stated that the existing staff in the Division had to attend the water supply connections in addition to the regular maintenance work. The witness added that the project work in Mala and Guruvayoor Drainage schemes are attended by this staff and they can only be transferred if there is not enough work in some seasons. Though Water Authority has excess staff they cannot be terminated because of court order.

19. (c) The Committee find that though the rigs owned by the public health mechanical division were transferred to the Ground Water Department, excess staff were retained without any work and an amount of Rs. 1.53 crore spent for maintaining the staff. When enquired about this the witness stated that when a Public Health Division was started at Muvattupuzha the excess staff were deployed, to that division and the delay for the transfer was due to the fact that Centre Store equipments were handled by them.

20. When enquired why 100 persons were posted against the requirement of only 40 persons, the witness stated that only sanctioned post were filled. The Committee observed that it is a bad practice to post employees before the commencement of the project.

21. The Committee was informed that additional staff were not posted for each and every project. Additional staff were posted only for JBIC project. All the other activities were performed by the existing staff and Kerala Water Authority did not have enough fund to provide adequate job for its employees.

22. When asked about the observation made by Accountant General that 40% of the staff was excess, the witness informed that it was in the case of Nattika and there was only operation and maintenance work. The employees were being used for other works.

23. The Committee observed that some projects were run in loss due to unnecessary creation of posts and retention of excess staff. The Committee opined that such posts should be abolished.

24. The witness accepted all the observations made by the Accountant General and stated that the shortcomings of the Authority will be rectified within the financial constraints.

Conclusions/Recommendations

25. The Committee finds that Kerala Water Authority has created additional posts without conducting any evaluation of the available human resources.

26. The Committee, opined that it is lack of planning and foresight to post employees before the commencement of projects. The Committee, therefore recommends that a decision should be taken at higher level for abolishing such unnecessary posts, and the result be intimated to the Committee.

Thiruvananthapuram,
13-3-2007.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	9	Water Resources Department	The Committee finds that due to shortage of pipes inordinate delay had occurred in the implementation of the comprehensive water supply schemes at Guruvayoor, Kunnamkulam, Chavakkad and adjoining Panchayats in Thrissur and also Anjukunnu Kuppathodu Rural Water Supply Scheme in Sulthan Bathery. The Committee also notices that necessary action has not been initiated against the contractor, before the expiry of term of contract.
2	10	„	The Committee opines that it is due to culpable negligence and callous attitude of the higher officials of the Authority/ Department. The Committee therefore recommends to take stringent action against those responsible for the delay and that the matter should be reported to the Committee.
3	14	„	The Committee notice that the fund sanctioned by LIC for Rural Water Supply Scheme is being diverted to a 100% Centrally sponsored scheme without keeping any record of transfer of funds or materials. The Committee expresses displeasure over it and wants to have a detailed explanation of the diversion of funds and materials.
4	25	„	The Committee finds that Kerala Water Authority has created additional posts without conducting any evaluation of the available human resources.

(1)	(2)	(3)	(4)
5	26	Water Resources Department	The Committee opined that it is lack of planning and foresight to post employees before the commencement of projects. The Committee therefore recommends that a decision should be taken at higher level for abolishing such unnecessary posts, and the result be intimated to the Committee.

APPENDIX II

NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS

Audit Paragraph 7.8

The scheme was taken up to augment the existing water supply scheme to Kunnamkulam, Guruvayur, Chavakkad Municipalities and adjoining Panchayats. The work began in 1985 and commissioned on 30-11-2004. During the implementation of the scheme, there was tremendous pressure on KWA for supply of water from the scheme for adjoining Panchayats near the source viz., Thrithala, Nagalassery and Chalissery Panchayats that had not been originally envisaged under the scheme. Utilizing the source and pumping main of the WSS, partial water supply to Thrithala, Nagalassery and Chalissery Panchayats commenced in 1996 itself benefiting about 35,000 people. Later on, the water diverted to these villages has been made good from the Pavarotti Water Supply scheme which was commissioned subsequently. Thus, though there was delay in procurement in pipes for transmission main for the scheme, the investment made on other components were not kept idle but utilized for the supply of water to three villages benefiting around 35,000 people.

Procurement of pipes for transmission main is taken up only after other components of work come to a completion stage. Due to constraints of budget provision, all the schemes taken up by KWA progress slowly and though envisaged for procurement, actual procurement is taken up after watching the actual progress/completion of other components of work. Major components of the scheme were expected to be completed by the end of December 1998 and accordingly the demand for pipes were raised in June 1998 expecting a delay of 6 months in processing. However, due to technical reasons, the tender could not be finalized at all. However, a quantity of 1308 m of pipes was diverted from PH Division Mattannur in July 1999. As there was no scope to procure pipes, KWA accorded sanction for supply and laying 2330 m CI Class A pipe and work was completed in February 2004. All works including distribution were completed and the scheme was commissioned on 30-11-2004.

Idling of loan taken from LIC or avoidable payment of interest on the loan does not arise, as the loan funds received from LIC are grossly inadequate to meet the fund requirements of KWA for ongoing LIC schemes and the loan receipts from LIC was being distributed among the ongoing schemes. The assets created in this particular scheme had been made use of to supply water to Thrithala, Nagalassery and Chalissery Panchayats 1996 itself benefiting about 35,000 people. Therefore expenditure of Rs. 5.49 crore on the scheme cannot be considered as unfruitful.

(b) Government accorded sanction for the water supply scheme costing Rs. 1.138 crores during October 1993. The project was targeted to be completed within a period of three years. However land acquisition for the construction of ground level reservoir and the treatment plant was completed only during the year 1997. All the components of the work except laying of the distribution lines were completed during December 2000. Due to non-procurement of pipes, the distribution could not be completed within the targeted period. Therefore sanction was issued for arranging the distribution system on supplying and laying basis on 2-1-2003. The work has since been completed. Certain gap works are arranged in drought works and targeted to be fully commissioned during March 2006.

Audit Paragraph 7.9

The Twin Water Supply Schemes to Madakkathara and adjoining villages in Thrissur District was taken up with LIC assistance. The Administrative sanction and Technical sanction for the subject scheme were accorded on 9-3-1994 and 17-3-1994 respectively for Rs. 220 lakhs. The work was delayed up to January 2002 for want of required land for construction of a ground level tank. The required land to the extent of 0.238 hectares had to be obtained from the Forest Department, for which sanction from Government of Kerala and Government of India was required. Government of Kerala accorded approval for the diversion of the land on 26-6-2001.

Construction of 3 numbers GL reservoir, 2 numbers pump house, one sump etc. has since been completed. The pipes procured for the scheme were transferred in 4/2002 for the ARP scheme to Kadangode accounting the expenditure under ARP scheme.

Every year KWA draws budget for capital works including schemes financed by LIC. It is evident from the annual budget statements that the funds received from LIC and other agencies are distributed among the ongoing schemes. Another important fact in case of LIC financed schemes is that LIC sanctions loans only to the extent of less than 40% of the estimated cost of the schemes and balance has to be funded from the matching assistance received from Government; and that the matching grant was never adequate as per requirements for the ongoing schemes.

Out of Rs. 110 lakhs LIC loan sanctioned for the scheme only Rs. 40 lakhs has been disbursed by LIC. With all the constraints faced by KWA, the scheme has been completed to the extent of 25% and the plan of KWA is to complete the scheme by 12/06.

Government vide order dated 25-3-1996 accorded sanction for the scheme UWSS Anakkayam Census Town at a cost of Rs. 7.56 crore with the financial aid of LIC of India. Managing Director accorded Administrative sanction on 26-3-1996; the Chief Engineer, Northern Region accorded Technical sanction for the scheme on 28-3-1996. Against the estimated cost of Rs. 7.56 crore, LIC had sanctioned Rs. 3.69 crore as loan at 13.26 per cent. First instalment of LIC loan for the scheme amounting to Rs. 1.45 crore was received in March 1996.

The main reason for the delay was in getting all the required land for implementing the scheme. Even though sanction was obtained in March 1996, all the required land came into KWA's possession only by October 1998. The work for the treatment plant was originally tendered in February 1998 but as the lowest tenderer did not turn up to execute agreement, the work had to be retendered in July 1999. Government approved the tender on 5-9-2001 and the MD issued work order on 17-9-2001. The work started on 19-3-2002 and has since been completed.

The work for construction of OH reservoir was tendered on 10-1-2001. The lowest tenderer did not accept the offer of the Board to allow 49.54 per cent above the estimated amount against quoted 97.54 per cent and therefore the work was awarded to the second lowest contractor on 8-2-2002 at the rate that had been offered to the L1 contractor. The work commenced on 14-3-2002 and was completed on 24-3-2003.

Pipes for clear water pumping main were procured on 13-10-1997 and 21-8-1997. The work of pumping main was tendered on 10-2-2003 commenced on 10-7-2003 and completed on 31-10-2003. Though requirement of pipes for distribution had been posed for purchase in 1999-2000 due to various reasons the procurement did not happen in time. The supply and erection of transformer has been completed. Distribution has been partially completed using departmentally available AC pipes. Balance A C pipe and PVC pipe has tendered under supplying and laying.

Supply and erection of Raw water pump set is completed. Supply and erection of clear water pump set has been re-tendered. The same is intended to be commissioned on 1-11-2005. Upto date expenditure of the scheme is Rs. 283.64 lakhs.

Audit Paragraph 7.10

Pavaratty Regional Water Supply Scheme envisaged for providing water supply scheme benefiting a population of 2 lakhs people in 10 panchayats of Palakkad and Trichur district was commenced in the year 1989 and fully commissioned in June 2002. The estimated cost of the scheme was Rs. 4500

lakhs. But due to fluctuations of cost of materials and labour charges, revised estimate amounting to Rs. 4800 lakhs was submitted to Royal Netherlands Embassy and got approved. This revised estimate also included Rs. 120 lakhs for non-engineering components like community participation, training to KWA staff on GIS as laid mapping etc.

All engineering activities of the scheme were completed before the targeted date and the Royal Netherlands Embassy reimbursed the full amount of 85% of the expenditure.

The works for this non engineering components were awarded to three consultants (M/s Socio Economic Unit Foundation, BKH Engineering Consultants and Elm Crest Consultants) as directed by the Royal Netherlands Embassy (RNE). The agreements with the consulting agencies were executed on 8-6-2000.

The mode of payment was (1) Rs. 50 lakhs on execution of the agreement, (2) Rs. 32 lakhs as part payment on submission of the interim report and (3) Rs. 38 lakhs on submission of the final report, thus totaling to Rs. 120 lakhs.

KWA had paid Rs. 100.77 lakhs to the agencies. Of this, KWA paid Rs. 69.50 lakhs before 31-3-2001 to the consulting agencies and Rs. 31.27 was paid between April 2001 and September 2001.

However, the audit certified only Rs. 35.44 lakhs out of the payment of Rs. 69.50 lakhs made by KWA before 31-3-2001. Rs. 34.06 lakhs was disallowed by the audit, as the certified expenditure statement of the consulting firm had not included this amount. They had included KWA's payment in their books of account only on 1st April 2001. This disallowance is due to no fault of the Authority, but is purely based on the perspective of the audit.

The submission of the final report by the consultants was delayed. They had submitted the reports in September 2001 only instead of the stipulated date of 31-3-2001. Also all assets purchased under this non-engineering activity had to be verified and accepted by the Authority. Hence payment of Rs. 31.27 lakhs was made only between April and September 2001.

It may be noted that the contract of consultancy could not be terminated fixing Risk and Cost liabilities like other civil contracts. RNE had allowed some grace period for the financial completion of the main project, which KWA expected to receive even for the non-engineering activity. Moreover, the consultant did all the activities under the contract. Hence the payment was released to them.

KWA had requested the RNE to extend the period of completion of the activity. As reply from RNE was not obtained, KWA took up the matter with the Government of Kerala. The reply from RNE was not received.

Audit Paragraph 7.11

The loan agreement (No.ID-P 123 dated 25-2-1997) signed between the Government of India (GoI) and Overseas Economic Co-operation Fund (OECF-now JBIC), Japan for funding the Kerala Water Supply Project, a social drinking water project undertaken by the Government of Kerala (GoK), provided that the OECF would lend a maximum amount of Rs. 1519 crore for the project to be availed by the borrower during the period from 3-6-1997 to 3-6-2006 unless extension is granted by the lender. The terms of the loan agreement which included the appointment of Project Consultant, necessitated a time bound action for materializing the project to be implemented in two phases, ie, 1. Design phase, 2. Construction phase. The Kerala Water Authority (KWA) responsible for implementing the project filled up 32 posts from 33 posts sanctioned by Government vide GO(Rt) No. 437/97/IrD dated, 2-4-1997 against 55 posts required for the 1st phase. Kerala Water Authority filled up the 32 posts by transfers, diversions, re-deployments and absolutely inevitable promotions without resorting to corresponding additions to the total staff strength and retained 16 of them as on 12/2002. The audit para is based on the position existed till that time.

The project had not taken off at that time due to certain uncertainties arose with regard to the appointment of the project consultants.

The efforts of the Kerala Water Authority to appoint the project consultant had to be stopped in an advanced stage of the selection process due to reasons beyond its control and under direction of Government to do so. On account of the uncertainties, a few posts fell vacant in the Project during the period from 4/97 to 12/2002 were not filled up and the posts of the Chief Engineer and Confidential Assistant to CE abolished under orders of Government. The Kerala Water Authority retained only a skeleton staff (16 numbers) as on 12/2002. Government vide order No. GO(Rt) 481/2002/WRD dated, 19-6-2002 directed Kerala Water Authority to continue the posts and the other official set up created exclusively for the project. Government was also reconsidering the resumption of selection process for consultancy contract afresh and hence the retention of the staff was absolutely necessary to avoid any delay in resuming the process and availing the loan assistance as scheduled. Apart from this, a lot of miscellaneous works connected with Land Acquisition including attending 179 LAR cases that had arisen in connection with acquisition of approximately 50 hectares of land in the 5 sub project areas of the project made since 1997 had to be effectively performed. The appointed staff (32 numbers) and those who were retained without re-deployment (16 numbers) actively engaged in the preliminary steps for project implementation, namely :—

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(1) Liaison works connected with acquisition of land to the extent of approximately 50 hectares in 5 sub project areas, taking possession of the acquired land sites, arranging protection to these sites and attending LAR cases aggregating 179 numbers.

(2) Selection process (2 times) of consultants including preparation of tender documents, terms of reference for consultancy and letter of invitation, evaluation of technical and financial bids, short listing of firms, etc.

These assignments involved a lot of analysis after keen and careful studies. Since this kind of a project was unfamiliar to them, a lot of reference, data collection and inter-action with experts in the field became necessary for performing these assignments.

As a part of manpower management strategy, Kerala Water Authority had assigned them the following additional engagements also.

1. White paper on KWA and Directory of all water supply scheme in operation as on 1-1-2000 were prepared by the OECF Unit.

2. Two of the Project Officers were members of the committee which undertook the preparation of the draft of amendment of Kerala Water Supply and Sewerage Regulations.

3. Two works related to Restructuring of KWA and identification of re-deployment potential were attended to by the project officers of OECF Project. The Chief Engineer also attended the above works up to the abolition of the post. The preparation of report involved analysis of a lot of information/data, which have been collected from various officers of KWA. Hence data collection and analysis were also carried out by the OECF project officers.

4. The modalities for introducing the bi-monthly meter reading were formulated by a committee, which included Project Officers of OECF Unit also.

5. A study for assessing the unserviceable materials accounted and kept in various offices under KWA was carried out by the Project Officers of OECF project.

6. One of the Project Officers was appointed as Resources Person for ADB Assistance. The same officer was also rendering his service as water sector specialist to the State Planning Board.

Therefore, the project staff had rendered invaluable services outside the project also for the benefit of the Kerala Water Authority and Government. Since they had been posted from the normal staff strength of Kerala Water Authority, there was no impropriety in giving them these extra assignments. Because of the circumstances already clarified, delinking them from the project was quite impossible before entrusting these assignments. Kerala Water Authority had resorted only to the better alternative.

In 2002-03 Government directed to initiate the process for the appointment of consultants afresh. The restarted process succeeded in the appointment of the project consultants in June 2003. The implementation of the project started forthwith. Quick action in these matters was made possible due to the retention of the few staff in the project. As clarified earlier, the skeleton staff retained were never idling. Their services contributed to reduce the project period originally envisaged for 6 years to 4 years in the revised project schedule started from 1-9-2003. Since they had been diverted/tranferred/redeployed from the then existing establishments of Kerala Water Authority, no abnormal additional expenditure had to be incurred towards their pay and allowances. The Kerala Water Authority had fully utilized their services for the benefit of the project and outside the project. Therefore, pay and allowances and other establishment expenditure incurred in the project during the period mentioned in the audit para under consideration was not infructuous.

On commissioning of the scheme water supply connection has been provided to public such as Domestic, Non-domestic and industrial connections. The staff (103 staff) existing in the Division has to attend the Water Supply connections, in addition to the regular maintenance works. The details of staff in Division and Sub division level presently is given below. (separtely attached)

For proper maintenance of scheme and to give connection, billing, preparing connection papers, Ledger posting, collecting water charges the entire staff of sub division and division level were engaged and the present provision in the minimum required and there is no excess staff in sub division and division level. The total connection and taps in Sub division level is detailed below.

Sub Division	House Connection	Taps
PH Sub Dn. Mala	6275	1623
PH Sub Dn. Nattika	2283	968
PH Sub Dn. Vadanapally	4105	1575
Total	12663 Nos.	4166 Nos.

The Sub Division, Mala is attending CWSS to Mala and adjoining Panchayats (6 panchayats in Mala Constituency). The scheme has an 18.7 MLD Treatment Plant with pumping main 4 KM and distribution 435.50 K.M.

The Sub Division, Nattika and Vadanappally attending to CWSS to Nattika and adjoining Panchayats (10 panchayats—7 Panchayats in Nattika Constituency and 3 panchayats in Kodungallur Constituency). The scheme has a 20 MLD treatment plant, puping main 6 KM, Gravity main 52.45 KM—distribution 837.5 KM.

For proper overall control of 3 sub divisions a division is required. The details of work carried out by this division from 1997 onwards is submitted herewith. It is true that the division has carried out less work during 1997-2002 period but considering the Audit aspects, some work of implementation of Guruvayur Drainage scheme was transferred from PH Division, Thrissur to this Division during 2000 vide order dated 15-1-2000 of Managing Director and this division was engaged with the preparation of NIT for the Sewerage Treatment plant. The work was tendered by Chief Engineer, Northern Region, Kozhikkode and awarded during 6/2000, even though the work started during 8/2000 was held up during 5/2001. The work was cancelled during 8/2004 and now based on the NIT prepared by the Division tender was invited by CE(CR) Kochi and is under scrutiny.

The process of re-organisation of Mechanical Dn. started by shifting the Mechanical Dn. office for the formation of PH Dn. Muvattupuzha. The entire staff attached to the office of Mechanical Dn. were transferred/shifted to suitable places under the proceedings of re-organisation. The delay for completing the whole process of re-organisation of Mechanical Dn. was due to the delay in shifting the unserviceable materials with Dn. and on that account the re-deployment of staff in certain post was delayed for shifting to suitable places under re-organisation. But at the same time the staff of PH Mechanical Dn., Nettur has been utilized for the Central Stores which is the distinct Central Store Unit of KWA and have been effectively utilized so that all major bottlenecks project implementation have been removed and the project is ready to take off.

DETAILS OF STAFF
P. H. DIVISION, K. W. A., NATTIKA

<i>Designation</i>	<i>Division Level</i>	<i>Sub Division Mala</i>	<i>Sub Division Nattika</i>	<i>Sub Division Vadanapally</i>	<i>Total</i>
1. Executive Engineer	1	-	-	-	1
2. Asst. Executive Engineer	1	1	1	1	4
3. Assistant Engineer	-	2	2	2	6
4. Divisional Accountant	1	-	-	-	1
5. Junior Superintendent	1	-	-	-	1
6. Head Clerk	-	1	1	1	3
7. U.D. Clerk	4	2	1	1	8
8. L.D. Clerk	5	1	4	2	12
9. L.D. Typist	2	-	-	-	2
10. Draftsman Grade-I	1	3	1	1	6
11. Draftsman Grade-II	2	2	1	1	6
12. Overseer Grade-III	-	3	3	3	9
13. Surveyor Grade-I	-	1	-	-	1
14. Surveyor Grade-II	-	2	-	-	2
15. Meter Reader	-	1	-	-	1
16. Driver	-	1	1	2	4
17. Peons	4	-	1	1	6
18. Watchman/Helper	-	2	6	2	10
19. Cleaner	-	-	-	-	-
20. Lascar	-	-	2	2	4
21. Operator	-	8	8	-	16
Total	22	30	32	19	103

KERALA WATER AUTHORITY. PH. DN, NATTIKA
DEATILS OF WORK CARRIED FROM 1997 ONWARDS

Sl. No.	Name of Schemes/ Works	Year-wise Expenditure in Lakhs								Total	Remarks
		1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05		
1.	Deposit Work	11.34	4.50	13.16	7.00	-	5.77	31.98	4.16	77.91	
2.	MPLAD Work	-	-	-	--	-	37.00	10.00	2.50	49.50	
3.	DRW Works	-	-	-	-	-	-	1.81	93.91	95.72	
4.	ARFP Mini Schemes	-	-	-	-	-	99.74	50.89	-	150.63	
5.	Guruvayoor Drainage Schemes	-	-	-	-	14.19	2.90	0.20	-	17.29	
6.	Guruvayoor W.S. Improvements	-	-	-	-	-	-	1.03	5.76	6.79	
7.	WSS to Chekkukandam	-	-	-	-	-	7.55	1.40	3.41	12.36	
Total		11.34	4.50	13.16	7.00	14.19	152.96	97.31	109.74	410.20	

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