



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2014-2016)**

**HUNDRED AND NINTH REPORT**  
(Presented on 18th February, 2016)

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2016**

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2014-2016)**

**HUNDRED AND NINTH REPORT**

**On**

**The Action Taken by Government on the Recommendations contained in  
the Eighty Ninth Report of the Committee on Public Undertakings  
(2004-2006) relating to Kerala Water Authority based on the  
Report of the Comptroller and Auditor General of India  
for the year ended 31 March, 1998 No.3 (Civil)**

## CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1
Chapter I : Replies furnished by the Government on the recommendations of the Committee which has been accepted by the Committee without remarks	.. 2
Chapter II : Replies furnished by the Government on the recommendations of the Committee which has been accepted by the Committee with remarks	.. 6

COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

*Chairman:*

Shri K. N. A. Khader

*Members:*

Shri Abdurahiman Randathani

Shri A. A. Azeez

Shri P. K. Gurudasan

DR. N. Jayaraj

Shri Elamaram Kareem

Shri T. N. Prathapan

Shri Sunny Joseph

Shri S. Sarma

Shri P. Thilothaman

Shri P. C. Vishnunadh

*Legislature Secretariat:*

Shri P. D. Sarangadharan, Secretary

Smt. P. K. Girija, Additional Secretary

Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings 2014-2016 having been authorised by the Committee to present the Report on their behalf, present this Hundred and Ninth Report on the Action Taken by Government on the recommendations contained in the Eighty Ninth Report of the Committee on Public Undertakings (2004-2006) on the working of Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1998 No. 3 (Civil).

The statement of Action Taken by the Government included in this report was considered by the Committee constituted for the years 2011-2014.

This Report was considered and approved by the Committee at the meeting held on 17-2-2016.

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

Thiruvananthapuram,  
18th February, 2016.

K. N. A. KHADER,  
*Chairman,*  
*Committee on Public Undertakings.*

## **REPORT**

This Report deals with the Action Taken by Government on the recommendations contained in the Eighty Ninth Report of the Committee on Public Undertakings (2004-2006), relating to Kerala Water Authority, based on the Reports of the Comptroller and Auditor General of India for the year ended 31st March, 1998 No. 3 (Civil). The Eighty Ninth Report was presented to the House on 22-3-2005.

The Report contained 15 recommendations and the Government furnished replies to all of them. The Committee considered the replies received from the Government at its meeting held on 8-8-2012.

The Committee accepted the reply to the recommendations in Para Nos. 21, 23, 24, 26 and 33 without any remarks. These recommendations and the reply furnished by the Government form Chapter I of the Report.

The Committee accepted the reply to the recommendations in Para Nos. 20, 22, 25, 27, 28, 29, 31, 34, 36 and 42 with remarks. The recommendations, the reply furnished by the Government and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by the Government
1	2	3	4	5
1	21	Water Resources	<p>The Committee also finds that Kerala Water Authority made no sincere efforts to study the details of the schemes it was directed to implement with Central Government Funds. Hence, it did not demand the Government of India funds as grants as given by the Central Government and it had no idea that the permissible limit for establishment charges was only 5% of the cost of the project and not 17.45%. The Committee feels ashamed over the irresponsible attitude of Kerala Water Authority in this regard and recommends that henceforth Kerala Water Authority should study the details of the projects that it takes up with financial assistance of outside agencies.</p>	<p>The guidelines issued by the Government of India for implementation of ARWSP in 1986 and 1994 were silent on the quantum of charging establishment expenditure. If the establishment charges can be claimed only at the rate of 5% of the capital expenditure there will be an excess claim of ₹ 9.70 crore.</p> <p>When the expenditure statement from the inception of ARP Schemes was verified, it was seen that no establishment charges was included in the expenditure statement till 1993-94. The establishment expenditure @ 5% of the capital expenditure from 1977-78 to 1996-97 will be ₹ 11.65 crore. Hence a revised statement was submitted to RGNDWM claiming</p>

			<p>₹ 11.65 crore instead of ₹ 12.48 crore which was also admitted by the Mission. Therefore the excess claim was only ₹ 83 lakh which was adjusted in the subsequent releases by Government of India. As this is a compensatory error there is no excess claim of ARWS expenditure. A transfer entry for the same has been made and the Mission accepted the same.</p>
2'	23	"	<p>The Committee strongly criticizes Kerala Water Authority's methods of diverting funds meant for specific projects. Kerala Water Authority should initiate cost cutting measures, put an end to financial mismanagement by fixing responsibility and observe financial discipline to tide over its aggravating financial crisis. The steps taken in this regard and the benefit obtained thereby may be intimated to the Committee.</p>
			<p>The expenditure for specific projects was less than the allotment of funds by GOI in the years mentioned. The balance available was carried over to the next year and utilization certificate was given including the opening balance for the next year. Government of India was closely monitoring the utilization certificate. Strict arrangement to utilize the full amount of the specific purpose grant from GOI has been made and as a result during 2004-05 and 2005-06 KWA has spent about ₹ 7 crore in excess of the amount</p>



1	2	3	4	5
				<p>available including the carried over balance, and KWA funds. Now there is no unutilized funds under ARWSP. The Committee's recommendations have been noted and since 2003-04 there is no diversion of ARWSP funds for any other purpose.</p> <p>Due to slow progress of work the expenditure incurred is less than the receipt of funds from the GOI which results in less allotment of funds by GOI. During the last 4 years the expenditure is more than the amount received.</p>
3	24	Water Resources	<p>The Committee opines that Kerala Water Authority should divide consumers into various groups on the basis of the consumption of water, such as below 20 KL, between 20 and 50 KL, between 50 and 100 KL etc. The Committee recommends that it provide free water to those consumers using less than 20 KL water and thus save the expense incurred on billing</p>	<p>The Committee's recommendations is appreciative as it induces the consumers to reduce consumption. This system has already been implemented in Kerala Water Authority. For Domestic consumers the following slab has been introduced in Kerala Water Authority during 1999.</p>

<p>and collection from this category. The Committee also opines that water charges can be increased for big industrial concerns.</p>	<p>Consumption up to 10 KL per month ₹ 2 per KL From 10 to 30 KL- Rs. 20+3/KL in excess of 10 KL From 30 to 50 KL- ₹ 80+5/KL in excess of 30 KL Above 50 KL- ₹ 180+7.35/KL in excess of 50 KL</p> <p>The Committee recommendation to provide free water to consumers using less than 20 KL has got certain demerits. 20 KL covers the requirement of 5 members of an urban family.</p>
<p>A large majority of domestic consumers use below 20 KL per month. Now a consumer has to pay ₹ 52/month for using 20 KL. The cost of production of 20 KL water is ₹ 150 so if the proposal is implemented it will cause a huge revenue loss to Kerala Water Authority.</p>	<p>2. Supply of free water to consumers up to 20 KL is discriminatory as the real poor people cannot be offered to have a water connection. They depend upon nearby street</p>

1	2	3	4	5
				<p>taps. The large rural population of Kerala depend on other sources for drinking water. Hence supply of water to minority of people at free of cost cannot be justified.</p> <p>3. Meter Reading, Billing and connected works give employment to a good number of people. The expenses on this will be far below the income generated by supplying water on cost basis.</p> <p>4. At present KWA is supplying water to Industrial consumers at a higher rate than the production cost. Hence the proposal calls for further review.</p>
4	26	Water Resources	<p>The Committee finds widespread misuse of public taps as well as wastage of water due to leakage, faulty taps etc. and recommends that effective and urgent steps should be taken to prevent misuse of public taps as well as wastage of water from such taps.</p>	<p>KWA is taking urgent steps in this regard by conducting site inspections now and then. The action in this regard shall be intensified as recommendations by the Committee.</p>

5	33	”	<p>The Managing Director has directed the Deputy Chief Engineer, Vigilance cell, Kerala Water Authority to conduct an enquiry in to the issues.</p> <p>Copy of the enquiry report of the Deputy Chief Engineer (Vigilance) is enclosed (Annexure I)</p> <p>Inferences of the Vigilance enquiry are :</p> <p>The Water Supply Scheme to Kottamkara Village consists of 2 zones-High level and Low level zones. The Ground Water Department could identify only low yielding tube wells for high level zone. Although another alternate surface source was identified at Thrikkovvilkal Temple Pond, the source was non-perennial in nature. The augment the source during summer season and to convert the source to a perennial one, the possibility of getting water from near by Kallada Irrigation Project canal network was explored. But this canal, being a part of Irrigation Project, the Irrigation Department was not willing to spare water for Water Supply Scheme. Hence there</p>
		<p>The Committee expresses its displeasure over the negligent and irresponsible attitude of the official of Kerala Water authority whose mismanagement is causing financial burden of lakhs of rupees to the Authority without providing any benefit to the public even at the grass root level. The scheme taken up in February 1985 at an estimated cost of ₹ 51.25 lakh took more than 13 years to be completed; while the actual expense incurred for it shot up, to an unbelievable figure of ₹ 209.585 lakh. The fact that it was only during execution of the work that it was found out that ground water tapping was not feasible for the high level zone. This very act shows lack of proper investigation by the concerned officials of Kerala Water Authority. The Committee, therefore, recommends that responsibility for investigation should be fixed and strong action (both legal and departmental) should be taken against the irresponsible officials whose negligence caused</p>	

1	2	3	4	5
			<p>loss of lakh of rupees to the Water Authority. At a time, when a cash strapped Government struggles hard to find resources for its various activities, such irresponsible behaviour on the part of Kerala Water Authority officials cannot and need not be tolerated. The Committee recommends that urgent steps should be taken to make good such losses suffered by the Authority.</p>	<p>occurred time delay in getting permission from the Irrigation Department to use water from Kallada Irrigation Project canal during summer season. No purposeful delay from the part of officials is observed in the delayed commissioning of the High level zone of the scheme, due to non-availability perennial source.</p> <p>The project was sanctioned under ARWSP Scheme during 1978 and the DER of the Project might have been prepared even before. After awarding of work, the execution of the project started during 1985, and there is every chance of change in ground water yield of the area. Moreover it may also be noted that the project report for the scheme was prepared with tube well as the source for the scheme, since no other alternative perennial source was available in the scheme area. Hence considering the fact that no alternative perennial source was available in the scheme area, it is observed that no willful</p>

				<p>negligence on the part of the Investigation officials in proposing the tube well as source for the scheme. Also it may be noted that the low level zone and part of high level zone was commissioned with the tube well source, as proposed. It was not able to adopt tube well as source for high level zone due to the fact that the yield of the tube well was low. Considering the above facts, no purposeful negligence from the part of investigation officials is observed in proposing the source for the high level zone.</p>
--	--	--	--	---

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by Government
1	2	3	4	5
6	20	Water Resources	<p>The Committee feels that it was unjust on the part of the State Government to give the funds received from the Government of India as grants, for implementing the Rajiv Gandhi National Drinking Water Mission, as loan carrying interest to Kerala Water Authority. Though this irregularity was pointed out by Government of India in August 1996, the Finance Department had not taken any action in the matter other than agreeing in principle to treat the amount as grant. The Committee desires to be informed of the reasons behind decision to release</p>	<p>Financial assistance to KWA was classified as loan because the fund was intended for capital expenditure. It was not possible to release the amount as equity as KWA was not having the status of a Government Company with equity participation. KWA is not making any repayment of loan so sanctioned. In view of the observations of the Committee, Government had already accorded sanction for converting the outstanding loans amounting to ₹ 126.38 crore sanctioned to Kerala Water Authority for implementing Rajiv Gandhi National Drinking Water Mission as grant [vide G.O. (Rt.) 260/08/WRD dated 27-2-2008 copy enclosed]. Accordingly the SDG was moved in July 2008 and a token provision was provided under the</p>

			the amount received as grant, by way of loan to Kerala Water Authority.	head of account 2215-01-190-99-17. (Copy of the relevant page is enclosed). [Annexure II]
<p><b>Remarks:</b> The Committee opined that the financial assistance sanctioned as grant from the Government of India for implementing Central Schemes should be released invariably as grant to Water Authority instead of classifying as loan.</p>				
7	22	”	<p>The Committee finds overall mismanagement prevailing in Kerala Water Authority. The Committee could learn that materials had been abundantly purchased where land was not obtained for starting the schemes and lack of materials was seen for works where land was already available. The Committee could also understand that many of the Schemes were pending eight to ten years in which 80% of the works were completed, while Kerala Water Authority had lost ₹ 2.89 crore in 1996-1998 due to underutilization of the grants from Government of India. The Committee, therefore recommends</p>	<p>The details of ARP Schemes completed up to 2006-07 are enclosed as Annexure III.</p>



1	2	3	4	5
<p>that in order to avoid the huge financial loss to Kerala Water Authority working on borrowed funds immediate steps should be taken to complete the ongoing projects without further delay. The Committee desires to be furnished with necessary details of the schemes completed during the current year.</p>				
<p><b>Remarks:</b> The Committee suggested that before the implementation of each project the KWA shall conduct a feasibility study of the project and a definite action plan shall also be formulated to ensure the completion of the project within a stipulated time.</p>				
8	25	Water Resources	The Committee desires to be informed of the expense involved in billing and collection and the amount collected during the last 3 years.	On a test check at PH Division, Thiruvananthapuram an amount of ₹ 15 is to be spent per month per consumer for taking bimonthly readings. The amount collected as water charge during the last three years are as follows: 2002-03 .. 109 crore 2003-04 .. 115 crore 2004-05 .. 115 crore
<p><b>Remarks:</b> The Committee directs to furnish the details regarding the income/expenditure met by the Water Authority annually for taking bimonthly meter readings.</p>				

9	27	<p>The Committee opines that negligence of Kerala Water Authority in redeploying the staff after the 3 rigs had been transferred to UNICEF in July 1995 and on the 4th rig which was kept idle since 1995 had resulted in loss amounting ₹ 30.44 lakh till May 1998 as idle wages. The Committee finds that though Kerala Water Authority is suffering from shortage of funds, it is not taking any fruitful measure to cut down, wasteful expenditure. As such, Kerala Water Authority's demands for more Government Support cannot be conceded. The Committee, therefore, recommends that concrete steps should be taken to improve the system management of Kerala Water Authority, especially financial management, and that the Committee should be informed of the steps taken in this regard without fail.</p>	<p>The Board of Kerala Water Authority, vide Resolution No. 7691 dated 31-5-2008, has approved the proposals for forming working Committee, advisory Committee and facilitation to the working Committee for implementing the package of "Preparation and implementation of strategic Development plan and policy/Procedural Reforms". Accordingly orders were issued for constituting the above Committees. The committee has submitted the interim report. Thus, concrete steps have been initiated by Water Authority to improve the system management and financial management.</p> <p>KWA is reorganized into Project Division and Operation &amp; Maintenance Division. There is better management and transparency in financial transactions, thereby achieving better system of financial management Business Process Re-engineering (BPR) also is progressing. All these are intended to achieve better system of management both an administrative and financial fronts.</p>
---	----	---	--

1	2	3	4
<p><b>Remarks:</b> The Committee wanted to be informed of the present system followed by the company to improve the administrative efficiency and financial management of the Company:</p>			
10	28	Water Resources	<p>The Committee desires to be informed of the steps taken by Kerala Water Authority to improve the quality of drinking water after Quality Control Division had submitted surveillance reports stating that the water distributed was highly contaminated with coliform bacteria and drinking water supplied did not meet hygienic standards.</p> <p>Based on the direction contained in the Circular No. IPD/CE/R&amp;D-3442/91/Vol. II dated 12-3-1996 of the Chief Engineer, IPD, Cochi, water samples from the schemes are collected and tested regularly for adhering to physical, chemical and bacteriological parameters. For testing the water samples, Kerala Water Authority have district labs in all districts. Samples are collected independently by the officers of Quality Control Wing. If any quality problem is noticed, the same will be communicated to the field officers instantly to take remedial measures. In addition, quality of water treated from Treatment Plants are tested everyday in the labs attached to the plants to maintain a residual chlorine in the distribution line to avoid any contamination. Thus every precaution is taken to distribute disinfected and safe drinking water to the public. Government have also constituted a State Level Water Quality Review Committee to ensure the quality of drinking water.</p>

			<p>Government launched a comprehensive programme for improving the quality and quantity of water available in the state by name 'Water Security Programme'. The programme envisaged preserving all water bodies in the state. The programme aims at full participation of people at the grass root level sharing their inherited knowledge with the co-operation of local self Government.</p> <p>The quality of drinking water supplied by KWA is checked and ensured before its discharge. Quality Control Labs are functioning in all the treatment plants of KWA. However in true spirit of the observations of the Committee, periodical reviewing of the quality of drinking water is being done by State Level Water Quality Review Committee.</p>
<p><i>Remarks:</i> The Committee directed to furnish the details regarding the steps taken by the Water Authority to ensure the quality of drinking water and also about the Modern Scientific Technologies existing in the Quality Control Labs to check the quality of drinking water.</p>			
11	29	The Committee expresses its displeasure over the fact that meeting of competent bodies for monitoring	Government had already constituted 3 tier State Level Organization of Empowered Committee under the Chairmanship of the Chief Minister,

1	2	3	4	5
			<p>and evaluation of the various schemes under the Mission were not convened regularly. While the District Level Committee, headed by the President of the District Panchayat had never met, the Empowered Committee, headed by the Chief Secretary had not yet been constituted. The Committee, therefore, recommends that the Empowered Committee shall be constituted within no time and steps shall be taken to convene and evaluate the physical and financial progress of the various schemes coming under the Rajiv Gandhi National Drinking Water Mission.</p>	<p>the Chief Secretary and the President District Panchayat to review the progress of various schemes that come under Rajiv Gandhi National Drinking Water Mission vide G.O.(Ms.) 84/96/Tr.D. dated 28-11-1996 (copy appended). The State Level Drinking Water Authority headed by the Chief Minister meets once in a year. The Authority provide policy frame work to review the progress of the Mission and issue proper directions for effective implementation of Rural Water Supply Programme. The District Level Committee review the progress of the project once in a month and sent the report to the High Level Committee. The High Level Committee assess the progress of the project identifying, allocating and mobilizing resources for implementing the Programme. As a result of the monitoring system evolved at various levels, the effective implementation of the programme has been ensured. Since the progress was reviewed at various levels, the bottlenecks and drawbacks could be identified and a proper decision could be taken for ensuring effective implementation.</p>

<p><b>Remarks:</b> The Committee directed that the Empowered Committee constituted for monitoring and evaluating the various schemes under Rajiv Gandhi National Drinking Water Mission, should meet regularly. The Committee also desires to know the details regarding the criteria followed in the distribution of fund allocated for the scheme.</p>	
12	<p>The Committee is shocked to see that it took more than 20 years to complete the water supply scheme at Mulakkuzha Panchayat which was intended to be completed by July 1983 at an expense of ₹ 2.66 lakh and that the Kerala Water Authority that had incurred an expenditure of ₹ 27.47 lakh on the scheme till January 1988. The Committee recommends that in order to avoid such inordinate delay, the Kerala Water Authority should give top priority for getting the requisite land and take all the necessary steps such as meeting with Panchayat officials etc. to get the required land in time. The Committee express surprise over the unwillingness of Panchayats to give</p>
31	<p>Water Resources</p>
	<p>Non-availability of land, soil investigation and tender formalities etc. led the scheme into inordinate delay. The Recommendation of the Committee shall be followed strictly in future and the schemes will be completed in time.</p>

1	2	3	4	5
			<p>required lands even for implementing drinking water schemes. The Committee, therefore, recommends that all panchayat that are identified by Kerala Water Authority for water supply schemes should provide the land needed for such schemes in order to enable the completion of such schemes in time.</p>	
<p><b>Remarks:</b> The Committee recommend that the Water Authority should strictly ensure the availability of land before the implementation of forthcoming projects and should adopt latest technologies for its effective implementation.</p>				
13	34	Water Resources	<p>Other instances of irresponsible behaviour on the part of Kerala Water Authority's officials include the delay of over 9 years to locate an alternative water source suitable for high-level zone and the unavailability of the alternate arrangements made at an expense of ₹ 18.70 lakh which again led to additional expenditure and delay of a number of years to make the scheme functional. The Committee,</p>	<p>Managing Director has ordered Deputy Chief Engineer (Vigilance) to conduct an enquiry into the incident and identify officers responsible to take suitable action against them.</p>

14	36	”	<p>therefore recommends that strict disciplinary action should be taken against the officials responsible for causing such inordinate delay in developmental activities of the Authority.</p>	<p>The Deputy Chief Engineer (Vigilance) has been asked to make an enquiry into the case and submit facts to take suitable action against responsible officers.</p>
			<p>The Committee finds that inordinate delay on the part of Kerala Water Authority in carrying out measures for the completion of the scheme in a time bound manner led to an increase of ₹ 1 crore in expenditure. The Committee fails to see the justification for the delay in rearranging the work through fresh contract and desires to be informed of the present position of the action taken against the officials who caused such inordinate delay and the action taken against the Executive Engineer who made full payment of ₹ 21.97 lakh to the contractor for the</p>	



1	2	3	4	5
			extra items without the approval of the competent authority. The Committee recommends that hence worth priority should be given to schemes where major portion of the work have been completed.	
<b>Remarks:</b> The Committee directs that the current status of the enquiry conducted by the Deputy Chief Engineer (Vigilance) should be informed to the Committee at the earliest.				
15	42	Water Resources	The Committee desires to be informed of the total liability of the firm till date and the amount to be realized from it.	The Chief Engineer had assessed the liability as ₹ 11,11,936 and the KWA had directed on 31-7-2006 to take necessary steps to realize the loss sustained to it.
<b>Remarks:</b> The Committee directed to obtain the details of the firm which caused liability to the Water Authority.				

Thiruvananthapuram,  
18th February, 2016.

K. N. A. KHADER,  
*Chairman,*  
*Committee on Public Undertakings.*