



**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC UNDERTAKINGS**  
**(2023-2026)**

**SEVENTY FIFTH REPORT**

(Presented on 27<sup>th</sup> January, 2026)

**SECRETARIAT OF THE KERALA LEGISLATURE**  
**THIRUVANANTHAPURAM**  
**2026**

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**SEVENTY FIFTH REPORT**

**On**

**Kerala Water Authority**

**(Based on the Report of the Comptroller and Auditor General of India for the year ended  
31<sup>st</sup> March, 2018 and 2021)**

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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(2023-2026)**

**COMPOSITION**

***Chairperson:***

Shri E. Chandrasekharan

***Members:***

Shri A.P. Anilkumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla

***Legislature Secretariat:***

Dr. N. Krishna Kumar, Secretary

Smt. Sheeba Varghese, Joint Secretary

Smt. Sindhu T.G., Deputy Secretary

Shri Mohanan O., Under Secretary

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this <sup>75th</sup> Report on Kerala Water Authority based on the report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2018 and 2021 relating to the Public Sector Undertakings of the State of Kerala.

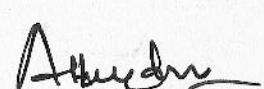
The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 24.08.2020 and 28.06.2022 respectively. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2023-2026) at its meeting held on 27.09.2024.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 21.01.2026.

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

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

Thiruvananthapuram,  
21<sup>st</sup> January, 2026.

  
E. CHANDRASEKHARAN,  
Chairperson,  
Committee on Public Undertakings.

**REPORT  
ON  
KERALA WATER AUTHORITY**

**Audit Paragraph (2017-18)**

**4.6. Deficiencies in implementation of a Water Supply Scheme led to  
infructuous expenditure of ₹ 8.50 crore**

**Kerala Water Authority commenced the work of laying pipelines for a Water Supply Scheme without complying with conditions stipulated by Government of Kerala. The work was subsequently stopped resulting in infructuous expenditure of ₹8.50 crore, besides inability to provide an additional water source to the Kollam Water Supply Scheme.**

The Kollam Water Supply Scheme (Kollam WSS), commissioned in 1957, draws water from Sasthamcotta Lake<sup>1</sup> for providing potable water to Kollam Corporation and adjoining panchayats. The lake is a designated wet land of international importance under the Ramsar Convention<sup>2</sup>, which emphasised its conservation by reducing extraction of water. Considering the drastic fall in the water level of Sasthamcotta Lake during the summer of 2013 which affected the water supply to Kollam Corporation, the Government of Kerala (GOK) accorded (October 2014) Administrative Sanction (AS) to the Kerala Water Authority (KWA) to implement a new WSS with the Kallada River as source, at an estimated cost of ₹14.50 crore.

The scheme, ‘Providing additional water source to the Kollam WSS from Kallada River at Kadapuzha’ envisaged pumping raw water from the Kallada River with intake point at Kadapuzha and conveying the water to the existing Water Treatment Plant at Sasthamcotta, for treatment and distribution to Kollam Corporation. Since

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1 The largest fresh water lake in Kerala is located at a distance of about 26 km from Kollam town and is one of the main source of drinking water of Kollam district.

2 The Convention on Wetlands, called the Ramsar Convention, is an inter-governmental treaty that provides the framework for the conservation and wise use of wetlands and their resources. The Convention was adopted in the Iranian city of Ramsar in 1971 and came into force in 1975.

the riverbed at the intake point at Kadapuzha is below mean sea level, saline intrusion from the nearby Ashtamudi Lake which opens into the Arabian Sea, is common due to tidal variation. The Detailed Project Report (DPR) of the Scheme prepared (October 2014) by KWA also clarified that since the chloride content level at the intake point during the drought season was three to six times above the acceptable limit, additional drawal of water could further magnify the intensity of saline intrusion at the intake point. The DPR therefore recommended construction of a suitable salt-water intrusion barrier across the Kallada River and ensuring its effective functioning before drawal of water from Kadapuzha for the water supply scheme. The DPR also required conduct of a detailed Environmental Impact Assessment (EIA)<sup>3</sup> study by an accredited agency prior to finalisation of the project proposal.

Accordingly, GOK issued (October 2014) AS to KWA to implement the scheme only after constructing a suitable saline intrusion barrier across Kallada River and ensuring its effectiveness. While the components of laying the pumping main and other allied<sup>4</sup> works were to be executed by KWA, the design and construction of the salt-water intrusion barrier was deemed the responsibility of the Irrigation department by GOK.

Audit observed (October/November 2017) that KWA ensured neither the conduct of EIA study nor construction of the saline intrusion barrier by the Irrigation department before commencing work on the raw water pumping main for the Scheme. KWA tendered (October 2014) and entered into agreements (May 2015) for the raw water pumping main, with a Contractor for two works viz., the supply,

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3 As per the Wetlands (Conservation and Management) Rules, 2010, any construction of a permanent nature except for boat jetties within 50 m. from the mean high flood level observed in the past ten years was prohibited within the wetlands. Similarly, withdrawal of water or the impoundment, diversion or interruption of water sources within the local catchment area of the wetland ecosystem shall not be undertaken without the prior approval of the State Government. In such cases, the State Government shall ensure that a detailed Environment Impact Assessment is carried out in accordance with the procedure specified in the notification of GOI in the Ministry of Environment and Forests.

4 Supplying and laying 800 mm MS and HDPE pipes, construction of intake well cum pump house and construction of transformer room including supply, erection, testing and commissioning.

laying, testing and commissioning of 800 mm MS<sup>5</sup> pipes for a length of 3800 m from the Kadapuzha intake point to Sasthamcotta Treatment Plant, and the work of supplying, laying, testing and commissioning of 800 mm HDPE<sup>6</sup> pipes across the Sasthamcotta Lake for a length of 930 m for ₹8.44 crore and ₹3.44 crore, respectively. The target date for completion of the works was fixed as 24 January 2016.

The Contractor, citing reasons such as the onset of monsoon and delay on the part of KWA in making payments, sought (December 2015) extension of time up to 31 May 2016, which was granted (February 2016). Though the Contractor requested to further extend the time of completion till 31 May 2017 citing delayed payment of funds by KWA, extension was granted until 31 December 2016 only. Scrutiny of records revealed that the Contractor supplied the entire contracted quantity of 3800 m of MS pipes and 930 m of HDPE pipes required for the work. However, the Contractor had laid only 1559.05 m of MS pipes, when the work was stopped by KWA. Reason for stopping the work was reported to be land issues related to the intake well. Audit observed that the work of laying of HDPE pipes procured at a cost of ₹2.41 crore across Sasthamcotta Lake had not even commenced (August 2018).

The violations noticed by Audit in the award of work were brought to the notice of KWA/GOK for remarks (May 2018). The Managing Director, KWA, stated (June 2018) that tenders for laying pipeline were invited in compliance to directions issued in a meeting convened by Additional Chief Secretary on 21 October 2014 and that construction activities could commence after issue of AS (July 2015) for the saline intrusion barrier by the Irrigation Department. It was also stated that no EIA study was required since the proposed weir<sup>7</sup> across Kallada River had been

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5 Mild Steel

6 High Density Poly Ethylene

7 A low dam built across a river to raise the level of water upstream or regulate its flow.

changed to regulator cum bridge<sup>8</sup> . GOK replied (November 2018) that the work order was issued only after the declaration of construction of weir/regulator during the Chief Minister's Jana Sambarka Paripadi<sup>9</sup> . It was also stated that notification of Ministry of Environment and Forestry on EIA dated 14 September 2006 did not suggest any EIA study for Water supply schemes.

The reply is not tenable since GOK clearly stipulated (October 2018) that the work on the proposed WSS should be taken up “after ensuring the construction of the salt water intrusion barrier since the success of the project depended on the success of the saline intrusion barrier” and KWA should have ensured completion of construction of saline intrusion barrier by the Irrigation department before commencing the work of laying pipelines. The justification offered by GOK for not ensuring conduct of EIA study is also not tenable since the Ashtamudi and Sasthamcotta Lakes have been categorised as Ramsar Wetlands of International Importance under the Ramsar Convention and therefore governed by the Wetlands (Conservation and Management) Rules, 2010 issued by GOI. GOK was therefore bound to ensure conduct of detailed EIA since the construction of either a weir or a regulator to serve the purpose of a saline intrusion barrier across the Kallada River could have adverse environmental consequences on these two Ramsar sites.

Considering the fact that the mandatory EIA has not been conducted and the AS issued to the Irrigation Department for the construction of the Regulator across Kallada River at Kadapuzha at an estimated cost of ₹19 crore has lapsed, the probability of completion of the WSS is remote. The Irrigation Department has also confirmed to Audit (March 2018 and April 2018) that no assurance was given to

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8 The main objective is to evolve sufficient storage for meeting the drinking water supply and the effective control of saline water intrusion into the upstream side of regulator. Besides, the river when bridged connecting the two banks, will improve the communication facilities, transportation distance and the employment opportunities in that area. The proposal for construction of salt water intrusion barrier across Kallada River was modified by the Irrigation Design and Research Board (IDRB) for construction of a Regulator across the river.

9 Mass Contact Programme

KWA regarding the construction of saline intrusion barrier across the Kallada River and that the department is yet to obtain Technical Sanction for the work.

The haste shown by KWA in awarding the work of laying pipeline for the pumping main without satisfying the mandated stipulations and subsequent stoppage of the work has resulted in infructuous expenditure of ₹8.50 crore<sup>10</sup>, besides inability to provide additional water source to Kollam Water Supply Scheme.

**[The Audit paragraph 4.6 contained in the report of the C &AG for the year ended 31 March 2018.]**

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

#### **Discussion and findings of the Committee**

In response to the query of the Committee regarding the audit paragraph, the Managing Director, KWA stated that the Kollam Water Supply Scheme was commissioned in 1957 at Sasthamkotta Lake to provide potable water to Kollam Corporation. He further explained that the water supply to Kollam Corporation was affected due to a significant drop in the water level of Sasthamkotta Lake during the summer of 2013. Hence, it was decided to implement a new Water Supply Scheme (WSS) with the Kallada River as the source, at an estimated cost of ₹ 14.50 crore. This scheme envisioned providing a water source from the Kallada River at Kadapuzha by pumping raw water from the Kallada River with an intake well at Kadapuzha and conveying water to the existing Water Treatment Plant at Sasthamkotta. He further added that an additional amount of ₹19 crore was sanctioned to Water Resources Department by the Government for constructing a saline intrusion barrier across the Kallada river to prevent saline intrusion from the nearby Ashtamudi Lake into the Kallada River.

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10 ₹ 8.50 crore comprising payment made to contractor ₹ 6.6 crore and balance ₹ 1.83 crore payable by KWA for work done.

He explained that three projects were awarded to KWA under this scheme. The first project involved building a pump house and a well in the Kadapuzha River. The second project entailed bringing water from Kadapuzha to the Sasthamcotta treatment plant. The third project aimed at crossing the Sasthamcotta Lake and to carry fresh water to the other side. Contracts for the second and third works were awarded on 11.05.2015. He further added that KWA issued work order for constructing a well and pumphouse in Kadapuzha, only after the declaration of the Hon'ble Chief Minister during the 'Jana Samparka Parupadi' that a weir would be constructed in Kadampuzha.

The witness explained that the first package was tendered, but the work was not undertaken because a private individual filed a case in the Munsiff court, claiming ownership of the said outlying land. Subsequently, the complainant appealed to the Hon'ble High Court after the Munsiff court failed to render a decision. The Hon'ble High Court issued a stay order and transferred the case to the Munsiff court. The Judgement of Munsiff court was in favour of KWA. However, the complainant then appealed to the Sub-Court, which disposed off the case on 30.08.2024 but the judgement is yet to be furnished to KWA.

The Managing Director further stated that, no one participated in the tenders due to the ongoing litigation and consequently, the well and pump house included in the first package remained incomplete.

The witness explained that the second package involved supplying and laying 800mm diameter HDPE pipes across Sasthamcotta Lake. This package was tendered and awarded to a contractor, who supplied approximately 958 meters of pipes and an amount of ₹ 1.81 crore was paid to the contractor as advance as per procedure. However, upon inspection, it was found that the contractor had supplied low quality pipes from Perma company. Consequently, the entire amount given as

advance was converted to the contractor's liability and the contractor subsequently filed a case against this decision in the High Court.

The witness explained that in the first phase of the third package, the contractor installed 1,559 meters of pipes from Kadapuzha to Sasthamcotta Lake and unloaded the pipes to be installed in 2,532 meters. The expenditure included about ₹ 2.53 crore for underground piping, ₹ 39 lakh for road restoration and ₹ 2.31 crore for installation of pipes.

The witness pointed out that the people of Munro Thuruth, a nearby ecologically sensitive area, raised concerns about the impact of the project on the local biological system and habitat. Consequently, an Environmental Impact Assessment (EIA) study was necessary before manufacturing the weir. However, the witness clarified that it was not mentioned in the Administrative Sanction that an EIA study has to be conducted.

The Managing Director, KWA, admitted that the entire amount spent till date was turned out to be a loss. Though the installed pipes could not be utilised fully, they will be utilised in future and that the underground piping could be utilised partially. He further stated that KWA could commence the construction of the well and pump house after the completion of the court proceedings. However, he added that additional funding would be required to complete the project.

The Committee strongly criticized KWA for initiating work on a land which was not owned by the Water Authority and for commencing the project without conducting an EIA study. In response to the Committee's query regarding the lack of Technical Sanction for the works, the Managing Director explained that the KWA had received TS for all the works and initiated the works, whereas the Irrigation Department had not obtained TS for constructing the weir.

The Committee observed that the Water authority would have confirmed all the matters detailed in the original Detailed Project Report (DPR) and pointed out that the project sanctioned in 2014 failed to supply drinking water to the people as intended. The Committee pointed out that there was sheer negligence on the part of the officials of Water Authority in giving clear specification to the contractor about the quality of pipes to be purchased.

When the Committee enquired about details of pending case regarding the land, the witness replied that KWA proposed to start the project in 20 cents of land which was pointed out by the Revenue Department and actually that land is poramboke which was in the custody of Irrigation Department. He added that a private individual filed a case claiming the right of the land. Then the Committee opined that that individual would have adequate documents with him and criticized the KWA for not examining whether anyone have any right on the land.

The Committee inquired whether beneficiaries are receiving water under the Kollam Drinking Water Project. The Technical Member, KWA replied that at present, water supply was sufficient due to the absence of severe drought and approximately 71 MLD of water is being pumped daily. The Chief Engineer, KWA added that the existing scheme could not ensure water supply through out a day and now distribution is limited to just two hours daily, and emphasized the necessity of a comprehensive Water Supply System.

To a query of the Committee regarding the installation of the weir, the Senior Audit Officer stated that as per the reply submitted to the Audit Department no assurance was given to the KWA by Irrigation Department regarding its installation. Furthermore, the officer emphasized that the weir could be established only after conducting an EIA study. The Joint Secretary pointed out that the tender was issued prematurely, contradicting the DPR stipulation that only after securing the water source the rest of the work should be proceeded.

The Committee strongly criticized the Water Authority for initiating projects without securing a reliable water source, which results in the halting of the project midway causing substantial financial losses to the Government. The Committee observed that the KWA authorities made a serious mistake by inviting tenders before ensuring the ownership of the land. The Committee vehemently criticized KWA for purchasing and installing the pipes, by violating the guidelines.

The Managing Director, KWA admitted that they are following a wrong procedure of installing the pipes before ensuring the water source. He assured the Committee that Water Authority will conduct an Environmental Impact Assessment study and after that they will assess the cost for the completion of weir after discussing with Irrigation Department. He added that an AS for ₹19 crore was given to the project in 2014, but now it would have increased upto three folds.

The Committee criticized both the department and Water Authority for initiating the project neither conducting EIA study nor ensuring the water source. The Committee observed that there was a delay of 10 years in implementing the project and the amount given to the contractor also turned to be in vain. So the Committee recommended to take stringent action against the erring officials. The Committee also recommended to implement the project by strictly following all the procedures needed for its successful implementation.

### **Observations / Recommendations of the Committee**

**1. The Committee observes that after the tendering of the first package of the project for constructing a pump house and a well in the Kadapuzha river, a private individual filed a case before the Munsiff court claiming ownership of the said outlying land. The Committee opines that this happened due to the**

**negligence of KWA and strongly criticises the officials of KWA for initiating work on a land which was not owned by them.**

**2. The Committee observes that, in the case of second package which involved supplying and laying of pipes across Sasthamcotta lake, the contractor supplied low quality pipes from Perma Company and the amount given as advance to the contractor was converted as his liability leading to legal proceedings. The Committee opines that there was sheer negligence on the part of the officials of Water Authority in giving clear specification to the contractor about the quality of pipes to be purchased.**

**3. The Committee criticizes the officials of the Water Authority for not ensuring compliance of the factors specified in the DPR such as construction of a suitable salt water intrusion barrier across the Kallada river and the conduct of a detailed Environment Impact Assessment (EIA) study by an accredited agency prior to finalisation of the project proposal.**

**4. The Committee criticizes the officials of Water Authority for initiating the project without securing reliable water source which resulted in the halting of the project midway causing substantial financial loss to the Government.**

**5. From the above conclusions, the Committee recommends to take stringent action against the erring officials who are responsible for the halting of the said project. The Committee also recommends to implement the project as soon as possible by strictly following all the guidelines.**

#### **Audit Paragraph (2020-21)**

##### **2.9. Loss of revenue of ₹ 56.57 lakh to Government**

**Failure on the part of Kerala Water Authority to adhere to the amended**

**provisions of the Kerala Stamp Act, 1959 resulted in loss of ₹56.57 lakh to the Government exchequer.**

The provisions of the Kerala Stamp Act, 1959 reveals that the responsibility of ensuring that the agreements by Kerala Water Authority (KWA) with contractors/ service providers were duly stamped lies with the officials of KWA.

Scrutiny of records (March – April 2019) maintained in all the 12 Circle Offices (3,167 agreements scrutinised) under the KWA revealed that the value of stamp papers for agreements executed between KWA and contractors/ service providers were not as prescribed by the Kerala Finance Act, 2018 (instances of short collection were noticed in 1,450 agreements). The use of stamp papers of pre-revised value by KWA for execution of agreements with contractors/ service providers resulted in loss of revenue of ₹56.57 lakh (Appendix 2.11) to the Government.

KWA issued a Circular in June 2020 stating that based on the remarks of the Audit, instructions were issued to the field offices concerned for effecting recovery of stamp duty at the revised rates. KWA further directed all the subordinate officers of KWA to remit the shortfall in stamp duty so collected before 25 June 2020.

Subsequently, Government of Kerala replied (January 2021) that revision to provisions of Stamp Act did not come to the notice of the Head Office of KWA as well as to its subordinate offices. When the matter came to the notice of the officials of KWA, instructions were issued to subordinate offices of KWA to collect stamp paper as per the revised rates. Further, KWA informed (December 2021) that ₹52.99 lakh was collected from the contractors and that the balance amount would also be collected soon.

The reply of Government is not tenable as Audit noticed that an e-mail (November 2018) from Nodal Officer, KWA e-tendering instructed all offices to execute

agreements in revised value stamp papers. Further, even after passage of more than one year (as of December 2021) since the issue of Circular by KWA in June 2020, an amount of ₹3.58 lakh remained due/ outstanding to be collected and remitted to the Government. Audit also noticed that no action was taken against officials responsible for the lapse which resulted in loss of revenue.

KWA may take proactive steps to update its offices about the changes in statutory provisions and thereby, avoid such instances of loss of revenue to the Government. Further, KWA may expedite the process of recovery of dues on priority and also fix responsibility on officials for the lapse.

**[The Audit paragraph 2.9 contained in the report of the C &AG for the year ended 31 March 2021.]**

**The notes furnished by the Government on the audit paragraph are given in Appendix II.**

### **Discussion and findings of the Committee**

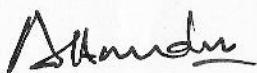
The Committee enquired whether KWA could change the stamp duty rates according to the value of the stamp papers when stamp duty is being revised. The Managing Director admitted that KWA delayed to identify the increase in stamp duty as they failed to notice the change in time. He added that KWA identified 1450 defaulted agreement and collected the additional stamp duty.

The witness further stated that an amount of ₹87000/- out of ₹56,57,218/- has been wrongly calculated due to incorrect PAC amount recorded in the Audit Query and an amount of ₹ 55,62,600/- has been remitted so far and an amount of ₹7230/- is pending in two cases. He added that this amount would be remitted from the fixed deposit or proportionary deposit of the contractors. He assured the Committee that rate revision of stamp duty would be implemented timely in future.

**Observations / Recommendations of the Committee**

6. The Committee observes that the officials of KWA delayed to identify the increase in stamp duty prescribed by the Kerala Finance Act 2018 which lead to a loss of ₹ 56.57 lakh to the Government. The Committee also observes that no action was taken against the responsible officials for the lapse. So the Committee recommends to issue strict instructions to the officials of KWA to be more vigilant in identifying such changes in rules and implementing rate revisions timely in future.

Thiruvananthapuram  
01<sup>st</sup> January, 2026

  
E. Chandrasekharan,  
Chairperson,  
Committee on Public Undertakings.

**APPENDIX-I**  
**SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS**

Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	1	Water Resources	The Committee observes that after the tendering of the first package of the project for constructing a pump house and a well in the Kadapuzha river, a private individual filed a case before the Munsiff court claiming ownership of the said outlying land. The Committee opines that this happened due to the negligence of KWA and strongly criticises the officials of KWA for initiating work on a land which was not owned by them.
2	2	Water Resources	The Committee observes that, in the case of second package which involved supplying and laying of pipes across Sasthamcotta lake, the contractor supplied low quality pipes from Perma Company and the amount given as advance to the contractor was converted as his liability leading to legal proceedings. The Committee opines that there was sheer negligence on the part of the officials of Water Authority in giving clear specification to the contractor about the quality of pipes to be purchased.
3	3	Water Resources	The Committee criticizes the officials of the Water Authority for not ensuring compliance of the factors specified in the DPR such as construction of a suitable salt water intrusion barrier across the Kallada river and the conduct of a detailed Environment Impact Assessment (EIA) study by an accredited agency prior to finalisation of the project proposal.
4	4	Water Resources	The Committee criticizes the officials of Water Authority for initiating the project without securing reliable water source

			which resulted in the halting of the project midway causing substantial financial loss to the Government.
5	5	Water Resources	From the above conclusions, the Committee recommends to take stringent action against the erring officials who are responsible for the halting of the said project. The Committee also recommends to implement the project as soon as possible by strictly following all the guidelines.
6	6	Water Resources	The Committee observes that the officials of KWA delayed to identify the increase in stamp duty prescribed by the Kerala Finance Act 2018 which lead to a loss of ₹ 56.57 lakh to the Government. The Committee also observes that no action was taken against the responsible officials for the lapse. So the Committee recommends to issue strict instructions to the officials of KWA to be more vigilant in identifying such changes in rules and implementing rate revisions timely in future.

**AUDIT REPORT (GSSA) FOR THE YEAR ENDED 2018**  
**PRESENTED TO THE LEGISLATURE ON 12.02.2020**  
**WATER RESOURCES DEPARTMENT**

Sl. No.	Para No	Audit Para	Government Reply (Received on 02.11.2022)	Lines of Enquiry
2.	4.6	<p><b>Deficiencies in implementation of a Water Supply Scheme led to infructuous expenditure of ₹8.50 crore</b></p> <p><b>Kerala Water Authority commenced the work of laying pipelines for a Water Supply Scheme without complying with conditions stipulated by Government of Kerala. The work was subsequently stopped resulting in infructuous expenditure of ₹8.50 crore, besides inability to provide an additional water source to the Kollam Water Supply Scheme.</b></p> <p>The Kollam Water Supply Scheme (Kollam WSS), commissioned in 1957, draws water from Sasthamcotta Lake<sup>1</sup> for providing potable water to Kollam Corporation and adjoining panchayats. The lake is a designated wet land of international importance under the Ramsar Convention<sup>2</sup>, which emphasised its conservation by reducing extraction of water. Considering the drastic fall in the water level of Sasthamcotta Lake during the summer of 2013 which affected the water supply to Kollam Corporation, the Government of Kerala (GOK) accorded (October 2014) Administrative Sanction (AS) to the</p>	<p>The Kollam Water Supply Scheme (WSS) Commissioned in 1957 draws water from Sasthamcotta lake for providing potable water to Kollam Corporation and adjoining panchayaths. Considering the drastic fall in water level of the lake during 2013, which affected the Water Supply Scheme, Government accorded ₹ 14.50 crore to implement a new WSS with Kallada river as source. The scheme envisaged to provide water source from Kallada river at Kadapuzha by pumping raw water from Kallada river with intake well at Kadapuzha and conveying water to the existing Water Treatment Plant. As the river bed at the intake point at Kadapuzha is below mean sea level, saline intrusion from the nearby Ashtamudi lake is common due to</p>	

<sup>1</sup> The largest fresh water lake in Kerala is located at a distance of about 26 km from Kollam town and is one of the main source of drinking water of Kollam district.

<sup>2</sup> The Convention on Wetlands, called the Ramsar Convention, is an inter-governmental treaty that provides the framework for the conservation and wise use of wetlands and their resources.

The Convention was adopted in the Iranian city of Ramsar in 1971 and came into force in 1975.

	<p>Kerala Water Authority (KWA) to implement a new WSS with the Kallada River as source, at an estimated cost of ₹14.50 crore. The scheme, 'Providing additional water source to the Kollam WSS from Kallada River at Kadapuzha' envisaged pumping raw water from the Kallada River with intake point at Kadapuzha and conveying the water to the existing Water Treatment Plant at Sasthamcotta, for treatment and distribution to Kollam Corporation. Since the riverbed at the intake point at Kadapuzha is below mean sea level, saline intrusion from the nearby Ashtamudi Lake which opens into the Arabian Sea, is common due to tidal variation. The Detailed Project Report (DPR) of the Scheme prepared (October 2014) by KWA also clarified that since the chloride content level at the intake point during the drought season was three to six times above the acceptable limit, additional drawal of water could further magnify the intensity of saline intrusion at the intake point. The DPR therefore recommended construction of a suitable salt-water intrusion barrier across the Kallada River and ensuring its effective functioning before drawal of water from Kadapuzha for the water supply scheme. The DPR also required conduct of a detailed Environmental Impact Assessment (EIA)<sup>3</sup> study by an accredited agency prior to finalisation of the project proposal.</p> <p>Accordingly, GOK issued (October 2014) AS to KWA to implement the scheme only after constructing a suitable saline intrusion barrier across Kallada River and ensuring its effectiveness. While the components of laying the pumping main and other allied<sup>4</sup> works were to be executed by KWA, the design and construction of the salt-water</p>	<p>tidal variation. Thus the Detailed Project Report prepared for the scheme recommended for the construction of salt water intrusion barrier across the Kallada river and also to conduct a detailed EIA study. In view of the above situation, Government also accorded (July 2015) A.S. for the construction of saline intrusion barrier for ₹ 19.00 crore. The work was entrusted to Irrigation Department.</p>	<p>As per circular dated: 27.07.01 of MD, KWA, no work shall be commenced until the required land is in complete physical possession of KWA. On what basis work was permitted to be undertaken in the land proposed for intake well which was not in complete possession of KWA ?</p>
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<sup>3</sup> As per the Wetlands (Conservation and Management) Rules, 2010, any construction of a permanent nature except for boat jetties within 50 m. from the mean high flood level observed in the past ten years was prohibited within the wetlands. Similarly, withdrawal of water or the impoundment, diversion or interruption of water sources within the local catchment area of the wetland ecosystem shall not be undertaken without the prior approval of the State Government. In such cases, the State Government shall ensure that a detailed Environment Impact Assessment is carried out in accordance with the procedure specified in the notification of GOI in the Ministry of Environment and Forests.

<sup>4</sup> Supplying and laying 800 mm MS and HDPE pipes, construction of intake well cum pump house and construction of transformer room including supply, erection, testing and commissioning.

	<p>intrusion barrier was deemed the responsibility of the Irrigation department by GOK.</p> <p>Audit observed (October/November 2017) that KWA ensured neither the conduct of EIA study nor construction of the saline intrusion barrier by the Irrigation department before commencing work on the raw water pumping main for the Scheme. KWA tendered (October 2014) and entered into agreements (May 2015) for the raw water pumping main, with a Contractor for two works viz., the supply, laying, testing and commissioning of 800 mm MS<sup>5</sup> pipes for a length of 3800 m from the Kadapuzha intake point to Sasthamcotta Treatment Plant, and the work of supplying, laying, testing and commissioning of 800 mm HDPE<sup>6</sup> pipes across the Sasthamcotta Lake for a length of 930 m for ₹8.44 crore and ₹3.44 crore, respectively. The target date for completion of the works was fixed as 24 January 2016.</p> <p>The Contractor, citing reasons such as the onset of monsoon and delay on the part of KWA in making payments, sought (December 2015) extension of time up to 31 May 2016, which was granted (February 2016). Though the Contractor requested to further extend the time of completion till 31 May 2017 citing delayed payment of funds by KWA, extension was granted until 31 December 2016 only. Scrutiny of records revealed that the Contractor supplied the entire contracted quantity of 3800 m of MS pipes and 930 m of HDPE pipes required for the work. However, the Contractor had laid only 1559.05 m of MS pipes, when the work was stopped by KWA. Reason for stopping the work was reported to be land issues related to the intake well. Audit observed that the work of laying of HDPE pipes procured at a cost of ₹2.41 crore across Sasthamcotta Lake had not even commenced (August 2018).</p>	<p>was awarded at ₹ 3.44 crore and ₹ 8.44 crore respectively.</p> <p>Agreements were executed with time of completion by 24 January 2016. The Contractor could not complete work within the stipulated time due to the delay in making payment. Extension of time was granted upto 31 December 2016. Though the contractor supplied the full quantity of pipe required for the work, the contractor laid only 1559.05 m MS pipe. Meanwhile, the work was stopped by the contractor due to land issues related to the intake well. The work of construction of barrier has not yet been taken up by the Irrigation Department by ensuring EIA study. The land issues for the intake well has since been sorted out and the work including laying of balance of Raw water pumping main will be commenced soon. Kerala Water Authority at various level requesting to expedite the construction of the barrier.</p>	<p>utilised for other works?</p> <p>Ashtamudi and Sasthamcotta lakes being Ramsar sites, construction of weir/regulator across Kallada river could have environmental impact on these two Ramsar sites. Then how can it be stated that EIA study was not required since the weir has changed to regulator?</p> <p>Why Irrigation Department had not issued TS for the construction of weir across Kallada river?</p>
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<sup>5</sup> Mild Steel<sup>6</sup> High Density Poly Ethylene

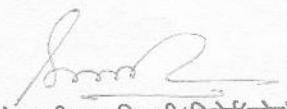
	<p>The violations noticed by Audit in the award of work were brought to the notice of KWA/GOK for remarks (May 2018). The Managing Director, KWA, stated (June 2018) that tenders for laying pipeline were invited in compliance to directions issued in a meeting convened by Additional Chief Secretary on 21 October 2014 and that construction activities could commence after issue of AS (July 2015) for the saline intrusion barrier by the Irrigation Department. It was also stated that no EIA study was required since the proposed weir<sup>7</sup> across Kallada River had been changed to regulator cum bridge<sup>8</sup>. GOK replied (November 2018) that the work order was issued only after the declaration of construction of weir/regulator during the Chief Minister's Jana Sambarka Paripadi<sup>9</sup>. It was also stated that notification of Ministry of Environment and Forestry on EIA dated 14 September 2006 did not suggest any EIA study for Water supply schemes.</p> <p>The reply is not tenable since GOK clearly stipulated (October 2018) that the work on the proposed WSS should be taken up "after ensuring the construction of the salt water intrusion barrier since the success of the project depended on the success of the saline intrusion barrier" and KWA should have ensured completion of construction of saline intrusion barrier by the Irrigation department before commencing the work of laying pipelines. The justification offered by GOK for not ensuring conduct of EIA study is also not tenable since the Ashtamudi and Sasthamcotta Lakes have been categorised as Ramsar Wetlands of International Importance under the Ramsar Convention and therefore governed by the Wetlands (Conservation and Management) Rules, 2010 issued by GOI. GOK was therefore bound to ensure</p>	<p>On completion of construction of intake well and laying of raw water pumping main, the water from the source at Kadapuzha can be pumped during summer without exploiting Shasthamcotta lake as a temporary measure in order not to idle the investment. On completion of the construction of Barrier by the Irrigation Department, the scheme will be fully put to use as envisaged in the Detailed Project Report.</p> <p>It may also be noted that at time of awarding the work, the water level of Shasthamocotta lake was depleted to such an alarming level that, had the situation continued, Water supply to Kollam town and benefited areas would have to be stopped. Considering the above facts, this audit para may please be dropped.</p>	<p>What action was taken against officers of KWA who were responsible for awarding the work without conducting Environmental Impact Assessment and without ensuring construction of salt water intrusion barrier by Irrigation Department?</p>
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<sup>7</sup> A low dam built across a river to raise the level of water upstream or regulate its flow.

<sup>8</sup> The main objective is to evolve sufficient storage for meeting the drinking water supply and the effective control of saline water intrusion into the upstream side of regulator. Besides, the river when bridged connecting the two banks, will improve the communication facilities, transportation distance and the employment opportunities in that area. The proposal for construction of salt water intrusion barrier across Kallada River was modified by the Irrigation Design and Research Board (IDRB) for construction of a Regulator across the river.

<sup>9</sup> Mass Contact Programme

	<p>conduct of detailed EIA since the construction of either a weir or a regulator to serve the purpose of a saline intrusion barrier across the Kallada River could have adverse environmental consequences on these two Ramsar sites. Considering the fact that the mandatory EIA has not been conducted and the AS issued to the Irrigation department for the construction of the Regulator across Kallada River at Kadapuzha at an estimated cost of ₹19 crore has lapsed, the probability of completion of the WSS is remote. The Irrigation Department has also confirmed to Audit (March 2018 and April 2018) that no assurance was given to KWA regarding the construction of saline intrusion barrier across the Kallada River and that the department is yet to obtain Technical Sanction for the work.</p> <p>The haste shown by KWA in awarding the work of laying pipeline for the pumping main without satisfying the mandated stipulations and subsequent stoppage of the work has resulted in infructuous expenditure of ₹8.50 crore<sup>10</sup>, besides inability to provide additional water source to Kollam Water Supply Scheme.</p>	
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 वरिष्ठ लेखापरीक्षा अधिकारी/रिपोर्ट(कोपु)  
 Senior Audit Officer/Report(CoPU)  
 प्रधान महालेखाकार (लेखापरीक्षा-II) का कायालय  
 O/o the Principal Accountant General (Audit-II)  
 केरला, तिरुवनंतपुरम्  
 Kerala, Thiruvananthapuram-695001

<sup>10</sup> ₹8.50 crore comprising payment made to contractor ₹6.67 crore and balance ₹1.83 crore payable by KWA for work done.

**AUDIT REPORT (GSSA) FOR THE YEAR ENDED 2021**  
**PRESENTED TO THE LEGISLATURE ON 28.06.2022**  
**WATER RESOURCES DEPARTMENT**

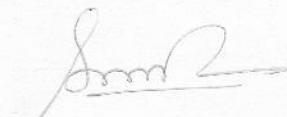
Sl. No.	Para No.	Audit Para	Government Reply (Received on 01.07.2023)	Lines of Enquiry
1	2.9	<p><b>WATER RESOURCES DEPARTMENT</b></p> <p><b>Loss of revenue of ₹56.57 lakh to Government</b></p> <p><b>Failure on the part of Kerala Water Authority to adhere to the amended provisions of the Kerala Stamp Act, 1959 resulted in loss of ₹56.57 lakh to the Government exchequer</b></p> <p>The provisions of the Kerala Stamp Act, 1959 reveals that the responsibility of ensuring that the agreements by Kerala Water Authority (KWA) with contractors/ service providers were duly stamped lies with the officials of KWA.</p> <p>Scrutiny of records (March – April 2019) maintained in all the 12 Circle Offices (3,167 agreements scrutinised) under the KWA revealed that the value of stamp papers for agreements executed between KWA and contractors/ service providers were not as prescribed by the Kerala Finance Act, 2018 (instances of short collection were noticed in 1,450 agreements). The use of stamp papers of pre-revised value by KWA for execution of agreements with contractors/ service providers resulted in loss of revenue of ₹56.57 lakh (Appendix 2.11) to the Government.</p>	<p>The Gazette notification 3111(1) LegA2/2018/LAM dated 31.03.2018 by which the Kerala Legislature passed Kerala Finance Act, 2018 in which certain provisions of Stamp Act were revised with effect from 01.04.2018 did not come to the notice of the Head Office of Kerala Water Authority as well as to its subordinate offices. Thus, a lapse in collecting revised rate of stamp value occurred and many Offices did not collect the revised rate while executing the agreement. On a later date, the matter was brought to the notice of higher officials of Kerala Water Authority and in turn, Kerala Water Authority issued an email to all subordinate offices, instructing them to revise the rate of stamp value as per the Gazette notification. Accordingly, the subordinate officers-initiated action to realise the balance amount from contractors in the revised rate of stamp value and the matter was informed to the Head Office of Kerala Water Authority with a request to inform the Head of Account on which the amount was to be remitted.</p>	<p>What are the steps taken to ensure timely implementation of rate revision through Finance Act in future?</p>

<p>KWA issued a Circular in June 2020 stating that based on the remarks of the Audit, instructions were issued to the field offices concerned for effecting recovery of stamp duty at the revised rates. KWA further directed all the subordinate officers of KWA to remit the shortfall in stamp duty so collected before 25 June 2020.</p> <p>Subsequently, Government of Kerala replied (January 2021) that revision to provisions of Stamp Act did not come to the notice of the Head Office of KWA as well as to its subordinate offices. When the matter came to the notice of the officials of KWA, instructions were issued to subordinate offices of KWA to collect stamp paper as per the revised rates. Further, KWA informed (December 2021) that ₹52.99 lakh was collected from the contractors and that the balance amount would also be collected soon. The reply of Government is not tenable as Audit noticed that an email (November 2018) from Nodal Officer, KWA e-tendering instructed all offices to execute agreements in revised value stamp papers. Further, even after passage of more than one year (as of December 2021) since the issue of Circular by KWA in June 2020, an amount of ₹3.58 lakh remained due/ outstanding to be collected and remitted to the Government. Audit also noticed that no action was taken against officials responsible for the lapse which resulted in loss of revenue.</p> <p>KWA may take proactive steps to update its offices about the changes in statutory provisions and thereby, avoid such instances of loss of revenue to the Government. Further, KWA may expedite the process of recovery of dues on priority and also fix responsibility on officials for the lapse.</p>	<p>On receipt of the details of the Head of Account for remitting the short fall amount of stamp paper value to the Government exchequer vide letter NO.1&amp;PW.B2/5/2020-Fin dated 12/03/2020, the Managing Director, Kerala Water Authority issued a Circular No. KWA/HO/IA/902/2019 dated 16/06/2020 to all its subordinate officers with a direction to collect and remit the actual shortfall amount of stamp value of ₹45.67 lakh as directed in the circular. Based on this, an amount of ₹20,89,515/- was collected and remitted by various subordinates' offices of Kerala Water Authority. The same was intimated to the Accountant General as per letter dated 06.01.2021. Subsequently, AG furnished revised statements, wherein the total loss was mentioned as ₹56 lakh. An amount of ₹44,30,844/- was collected out of ₹56 lakh and the same was also intimated to the AG as per Letter dated 30.07.21. Later AG informed that the total loss was ₹56.57 lakh. Based on the same, an amount of ₹51.33 lakh has already been collected by Managing Director (MD), Kerala Water Authority and remitted into Government Account. The MD has informed that amount of ₹86,688/- is wrongly assessed due to the incorrect PAC amount recorded in the Audit Query and has requested to exempt the same. The balance amount ₹4.36 lakh will be collected and remitted soon.</p>	<p>Subsequent to widening of scope of the DP, more divisions/works were included and hence monetary value increased from ₹ 45.67 lakh to ₹ 56.57 lakh.</p> <p>Details regarding wrongly assessed amount of ₹86,688/- due to the incorrect PAC amount recorded in the Audit Query was not reflected in any of the files/correspondence in this regard. Hence supporting document for the same may please be furnished.</p>
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The abstract of the short collection of stamp duty and the amount collected so far is given below: -

ABSTRACT		
A	Amount assessed by RAO	₹56,56,448/-
B	Amount collected as Stamp paper and cash	₹51,33,522/-
C	Amount wrongly assessed to be exempted	₹86,688/-
D	Total (B+C)	₹52,20,210/-
E	Balance amount to be collected (A-D)	₹4,36,238/-

Whether the balance amount of ₹ 4.36 lakh has now been collected and remitted to Government account?



वरिष्ठ लेखापरीक्षा अधिकारी/रिपोर्ट(कोपु)  
 Senior Audit Officer/Report(CoPU)  
 प्रधान महालेखाकार (लेखापरीक्षा-II) का कायालय  
 O/o the Principal Accountant General (Audit-II)  
 केरला, तिरुवनंतपुरम्  
 Kerala, Thiruvananthapuram-695001