Independent Performance Evaluation (IPE) Report
on
Khulna Water Supply and Sewerage Authority (KWASA)
For 2023-24

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Annexure

Executive Summary

The Finance Division of the Ministry of Finance is implementing the "Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS)." One of the key components of this program is the "Strengthening of State-owned Enterprises' Governance" scheme, which aims to strengthen the governance of State-owned Enterprises (SOEs) and Autonomous Bodies (ABs). To achieve this, the Finance Division has developed and approved an Independent Performance Evaluation Guideline (IPEG) for SOEs and ABs to evaluate their performance independently. Based on selection parameters of IPEG, Monitoring Cell, Finance Division has selected 10 (ten) more SOEs and ABs in addition to previously selected 20 (twenty) SOEs/ABs in total 30 (thirty) SOEs/ABs to conduct Independent Performance Evaluation for the FY 2023-24.

Khulna Water Supply and Sewerage Authority (KWASA) has been evaluated for 2(two) consecutive years and is among the 30 (thirty) selected State-Owned Enterprises (SOEs) and Autonomous Bodies (ABs) for Independent Performance Evaluation (IPE) for FY 2023-24. Based on the evaluation results, KWASA achieved a weighted average score of 1.80 out of 4.00, earning a grade of "Fair" for the fiscal year (2023-24).

1. Introduction:

Khulna, the third-largest city in the country, is a major industrial and port hub. Since 1984, the responsibility for water supply management, including development, operation, maintenance, and revenue collection, was assigned to Khulna City Corporation. However, due to increasing industrialization, trade, and rapid urbanization, the city's population has grown steadily. As a result, the City Corporation struggled to meet the water demand of the expanding population. To fulfill the long-term water needs of Khulna's residents, the government established the Khulna Water Supply and Sewerage Authority (KWASA) on March 2, 2008, under the provisions of Section 3 of the Water Supply and Sewerage Authority Act, 1996 (Act No. 6 of 1996). The prime objective of KWASA is to provide safe drinking water and an environmentally friendly sewerage system to the citizens of Khulna City. Currently, KWASA's water supply coverage consists of 78% from surface water sources and 22% from groundwater sources. Oversight responsibility for KWASA lies with the Local Government Division under the Ministry of Local Government, Rural Development, and Co-operatives. The key operational activities of the entity are outlined below:

Table 1: Key Operational Activities of KWASA:

SL#	Particulars	Unit	FY 2021-22	FY 2022-23	FY 2023-24
01.	Total Customers	Nos.	38,743	40,176	42,000
02.	Water Production	Mil Liter	39,904	39,905	40,150
03.	Installation of pipeline	Km.	10.86	15.76	10.22
04.	Installation of Sewerage Line	Km.	-	30	30
05.	System loss	%	16.00	15.50	17.75

Source: KWASA

The key operational activities of Khulna Water Supply and Sewerage Authority show steady service expansion over FY 2021–22 to FY 2023–24. Total customers increased consistently from 38,743 to 42,000, reflecting improved coverage and demand growth. Water production remained stable with a slight rise in FY 2023–24 to meet increased consumption. Pipeline installation peaked in FY 2022–23 before declining in FY 2023–24, while sewerage line installation significantly expanded with 30 km added in both FY 2022–23 and FY 2023–24, indicating major sanitation infrastructure development. However, system loss, after improving slightly in FY 2022–23, increased to 17.75% in FY 2023–24, highlighting emerging operational inefficiencies that require corrective measures despite overall infrastructural progress.

2. Role and Functions:

i. Producing safe drinking water for residential, office, industrial, and commercial customers.
ii. Developing, operating, and maintaining climate resilient infrastructure necessary for water treatment, storage and supply.
iii. Formulating and implementing realistic long-term plans for climate resilient and environment friendly water supply and sewerage system development.
iv. Enhancing institutional capacity to deliver high-quality customer service.
v. Digitalizing the revenue collection process.
vi. Installing digital water meter reading system for customers.

3. Core Business:

i. Transitioning from groundwater extraction to surface water sources.
ii. Designing, constructing, and operating water supply and sewerage facilities in an environmentally sustainable manner.
iii. Minimizing Non-Revenue Water (system loss) by implementing modern technologies and effective measures.

4. Evaluation Parameters

Criteria: Business and Governance

Indices: A. Business Strategy and Social Responsibility

Table 2 (a): Standard of Indices A FY 2023-24

		* Standard						
Serial No.	**Indicators & Sub-indicators**	**Types of Measurement**	**Weight for Sub-indicators**	**Grade: Excellent Score: 4**	**Grade: Very Good Score: 3**	**Grade: Good Score: 2**	**Grade: Fair Score: 1**	**Grade: Under-performing Score: 0**
1	**Entity Strategy**							
	1a. Entity Strategic Plan	QL	4	91-100%	81-90%	71-80%	41-70%	Below 41%
2	**Growth Trajectory**							
	2a. Net Income Growth	QN	4	10.00% or more	8.00% to 9.99	6.00% to7.99%	4.00% to5.99%	Below4.00%
	2b. Service Revenue Growth	QN	4	15.00% or more	13.00% to 14.99%	11.00% to 12.99%	9.00% to 10.99%	Below 9.00%
	2c. Other Growth	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%
3	**Effective Implementation of Public Policy** •Implement activities to achieve policy goal	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%
4	**Efficiency of Project** Implementation/ Project Goal Achievement: • Percentage of estimated target achieved	QN	4	91-100%	81-90%	71-80%	41-70%	Below 41%
5	**Social Contribution** • Environmental Contribution • CSR/WPPF • Training/Volunteering	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%

Table 2 (b): Achievement of Indices A

Serial No.	**Indicators & Sub-Indicators**	**Types of Measurement**	**Weight for sub-indicators**	**Actual Performance**	**Achievement**		**Basis of Performance Measuring**
					Grade	**Score**	
1	**Entity Strategy**						
	Entity Strategic Plan	QL	4	86.00%	Very Good	3	Note 1
2	**Growth Trajectory**						
	2a. Net Income Growth	QN	4	Negative Growth	Underperforming	0	AFS
	2b. Service Revenue Growth	QN	4	(7.37)%	Underperforming	0	AFS
	2c. Other Growth	QL	3	92.00%	Excellent	4	Note 2
3	**Effective Implementation of Public Policy**	QL	3	92.00%	Excellent	4	Note 3
4	**Efficiency of Project Implementation/ Project Goal Achievement:**	QN	4	100.00%	Excellent	4	Note 4
5	**Social Contribution**	QL	3	88.00%	Very Good	3	Note 5
		Sub-Total	25				

Note 1: Khulna Water Supply and Sewerage Authority has undertaken several projects that aligned with the Sustainable Development Goals (SDGs), particularly SDG 6: Clean Water and Sanitation, as well as national development priorities reflected in the National Strategic Plan and Government Policy Directives outlined in the National Budget of Bangladesh. With a target of supplying 90% safe drinking water from surface water sources and establishing modern, environmentally friendly sewerage facilities for citizens within the Khulna City Corporation area, KWASA is implementing the "Khulna Water Supply Project (Phase-2)" and the "Khulna Sewerage System Development Project (Phase-2)." These projects aim to ensure access to safe and affordable drinking water, develop sustainable sanitation infrastructure, improve public health outcomes, strengthen urban environmental management, and promote inclusive and sustainable urban development in Khulna.

Note 2: During FY 2023-24, KWASA implemented several initiatives to enhance and upgrade the water supply and sewerage system in Khulna City Corporation area, including:

i. Constructing a 30 km sewerage line.
ii. Installation of 10.22 km. new pipelines.
iii. Installing flow meters to replace traditional water pipe meters, enabling accurate billing based on water consumption.
iv. Repaired 70 leaks in water supply pipelines.
v. Increased the consumers by 1,824 nos.

Note 3: Khulna WASA has implemented public policy by aligning its operations with national development strategies and global commitments, particularly SDG 6 (Clean Water and Sanitation). The authority focuses on ensuring access to safe and reliable water supply and sustainable sewerage services for urban residents. It has taken strategic steps such as shifting from groundwater to surface water sources, expanding water and sewerage networks, and introducing digital customer billing & water meter reading system, and automated revenue collection systems to enhance transparency and efficiency.

Note 4: KWASA achieved 100% both financial and physical progress against its targets during FY 2023-24. These achievements were considered in determining its overall performance score for the fiscal year.

Note 5: KWASA has undertaken the following social and environmental initiatives:

i. Obtaining annual environmental clearance certificates for all projects from the Department of Environment to ensure compliance with environmental standards and the Environmental Management Plan (EMP), with a focus on climate change adaptation and mitigation.
ii. Implementing an environmentally friendly, pollution-free sewerage system in Khulna City Corporation area.

Indices: B. Operational Efficiency

Table 3 (a): Standard of Indices B FY 2023-24

		* Standard						
Serial No.	**Indicators & Sub-indicators**	**Types of Measurement**	**Weight for Sub-indicators**	**Grade: Excellent Score: 4**	**Grade: Very Good Score: 3**	**Grade: Good Score: 2**	**Grade: Fair Score: 1**	**Grade: Under-performing Score: 0**
1	**Service Delivery**							
	Service Benefit & Accessibility	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
2	**Labor Productivity**							
	Added Value per Employee (million Tk.)	QN	4	Tk0.90 mil or more	Tk0.80 to 0.89 mil	Tk.0.70 to 0.79 mil	Tk0.60 to 0.69 mil	Below Tk. 0.60 mil
3	**Capital Productivity**							
	3a. Added Value per Tk. Value of Assets	QN	4	Tk. 0.04 or more	Tk. 0.03 to 0.039	Tk. 0.02 to 0.029	Tk. 0.01 to 0.019	Below Tk. 0.01
	3b. Added Value Per Tk. Value of PPE	QN	4	Tk. 0.04 or more	Tk. 0.03 to 0.039	Tk. 0.02 to 0.029	Tk. 0.01to 0.19	Below Tk. 0.01
4	**Production**							
	4a. Inventory Turn Over	QN	4	50.00 or more	45.00 to 49.99	40.00 to 44.99	35.00 to 39.99	Below 35.00
	4b. Asset Turnover (Times)	QN	4	0.07 or more	0.05 to 0.06	0.03 to 0.04	0.01 to 0.02	Below 0.01
Sub-total			25					

Table 3 (b): Achievement of Indices B

Serial No.	**Indicators & Sub-Indicators**	**Types of Measurement**	**Weight for sub-indicators**	**Actual Performance**	**Achievement**		**Basis of Performance Measuring**
					Grade	**Score**	
1	**Service Delivery**						
	Service Benefit & Accessibility	QL	5	91.00%	Excellent	4	Note 6
2	**Labor Productivity**						
	2a. Added Value per Employee (million Tk.)	QN	4	TK 0.69 mil	Fair	1	AFS
3	**Capital Productivity**						
	3a. Added Value per Tk. Value of Assets	QN	4	Tk. 0.008	Under Performing	0	AFS
	3b. Added Value Per Tk. Value of PPE	QN	4	Tk.0.009	Under Performing	0	AFS
4	**Production**						
	4a. Inventory Turn over	QN	4	58.61	Excellent	4	AFS
	4b. Asset Turnover (Times)	QN	4	0.015	Fair	1	AFS
Sub-total			25				

Note-6. KWASA has implemented the following initiatives to enhance services for stakeholders:

i. Established a One-Stop Service Center for water connection application, water supply issues and bill correction.
ii. Launched the Khulna WASA Call Center, 01999-445566
iii. Enabled online permission for the installation of deep tube wells and submersible pumps.
iv. Introduced a smart meter reading system for accurate readings.
v. Implemented a web-based computerized billing system for water bill collection.
vi. Facilitated bill payment through platforms such as G-Pay, DBBL, Rocket, and Bkash.
vii. 147 water samples were tested to control the quality and standard of water supplied in FY 2023-24.
viii. An online e- connection system has been launched to make it easier for customers to obtain water connections.

Indices: C. Financial

Table 4 (a): Standard of Indices C FY 2023-24

		* Standard						
Serial No.	**Indicators & Sub-indicators**	**Types of Measurement**	**Weight for Sub-indicators**	**Grade: Excellent Score: 4**	**Grade: Very Good Score: 3**	**Grade: Good Score: 2**	**Grade: Fair Score: 1**	**Grade: Under-performing Score: 0**
	i. Financial Performance							
1	Operating profit	QN	3	Tk. 40.00 mil or more	Tk. 30.00 to Tk.39.99 mil	Tk. 20.00 to Tk. 29.99 mil	Tk. 10.00 to Tk. 19.99 mil	Below Tk. 10.00 mil
2	Profit before Tax	QN	3	Tk30.00 mil or more	Tk.25.00 to Tk.29.99 mil	Tk. 20.00 to Tk. 24.99 mil	Tk.15.00 to Tk19.99 mil	Below Tk. 15.00 mil
3	Return on Assets (%)	QN	3	5.00 % or more	4.50% to 4.99 %	4.00 % to4.49%	3.50% to3.99%	Below 3.50%
4	Return on Service Revenue (%)	QN	3	15.00% or more	13.00% to 14.99%	11.00% to 12.99%	9.00% to 10.99%	Below 9.00%
5	Return on Equity (%)	QN	3	10.00% or more	8.00% to 9.99%	6.00 % to 7.99%	4.00 % to 5.99%	Below 4.00%
6	Net Worth Growth (%)	QN	3	18.00 or more	16.00%to 17.99%	14.00% to 15.99%	12.00% to 13.99%	Below12.00 %
	ii. Financial Risk							
1	Debt Equity Ratio (Times)	QN	3	1.50or less	1.51 to 2.00	2.01 to 2.50	2.51 to 3.00	More than 3.00
2	Debt to Assets (Times)	QN	3	0.40or less	0.41 to 0.60	0.61 to 0.80	0.81 to 1.00	More than 1.00
3	Current Ratio (Times)	QN	3	2.00 or more	1.75to 1.99	1.50to 1.74	1.25to 1.49	Below 1.25
4.	Accounts Receivable Period (Days)	QN	3	60 days or less	61 days to 70 days	71 days to 80 days	81 days to 90 days	More than 90 days

Table 4(b): Achievement of Indices C

Serial No.	Indicators & Sub-Indicators	Types of Measurement	Weight for sub-indicators	Actual Performance	Achievement		Basis of Performance measuring
					Grade	Score	
	i. Financial Performance						
1	Operating profit	QN	3	Tk. (843.70) mil	Under Performing	0	AFS
2	Profit before Tax	QN	3	(Tk.3,513.84) mil	Under Performing	0	AFS
3	Return on Assets (%)	QN	3	(15.75%)	Under Performing	0	AFS
4	Return on Sales (%)	QN	3	(1,080.39%)	Under Performing	0	AFS
5	Return on Equity (%)	QN	3	Negative	Under Performing	0	AFS
6	Net Worth Growth (%)	QN	3	(7.36%)	Under Performing	0	AFS
	ii. Financial Risk						
1	Debt Equity Ratio (Times)	QN	3	Negative	Under Performing	0	AFS
2	Debt to Assets (Times)	QN	3	1.29	Under Performing	0	AFS
3	Current Ratio (Times)	QN	3	0.08	Under Performing	0	AFS
4	Accounts Receivable Period (Days)	QN	3	263.19	Under Performing	0	AFS

Indices: D. Corporate Governance Practices

Table 5 (a): Standard of Indices D FY 2023-24

		* Standard						
Serial No.	**Indicators & Sub-indicators**	**Types of Measurement**	**Weight for Sub-indicators**	**Grade: Excellent Score: 4**	**Grade: Very Good Score: 3**	**Grade: Good Score: 2**	**Grade: Fair Score: 1**	**Grade: Under-performing Score: 0**
1	**Commitment to Corporate Governance:** • Code of Conduct • Ethics • Key policies of Board • Board structure • Employees service rules/ regulations • Appointment of Board Secretary	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
2	**Board Practices:** • Composition of Board of Directors and number of meetings held • TOR of board • Number of independent Board Directors • Name & Number of board committees and number of meetings held • Number of board decisions that have been implemented	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
3	**Transparency and Disclosure:** • Board of directors and Senior managers name and biographies • Audited financial statement • Citizen charter • APA • Code of conduct	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
4	**Control Environment and Process:** • Entity's internal control systems for different departments • Internal audit procedure and reporting authority • Entity's computer-based management information system (database) • Any authority of the board to mitigate the entity's emergency situation • Measures taken for safe working environment in the entity's premises	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%

Table 5 (b): Achievement of Indices D

Serial No.	Indicators & Sub-Indicators	Types of Measurement	Weight for sub-indicators	Actual Performance	Achievement		Basis of Performance Measuring
					Grade	Score	
1	Commitment to Corporate Governance	QL	5	92%	Excellent	4	Note 7
2	Board Practices	QL	5	85%	Very Good	3	Note 8
3	Transparency and Disclosure	QL	5	91%	Excellent	4	Note 9
4	Control Environment and Process	QL	5	91%	Excellent	4	Note 10
		Sub-total	20				
		Grand Total (A+B+C+D):	100				

* Standard for Financial and Non-Financial indicators are set on the basis of IPE process.

Note 7: KWASA was established under the Water Supply and Sewerage Authority Act of 1996. It adheres to corporate governance principles through its Code of Conduct, Employee Service Rules and Regulations, Key Board Policies, and Citizen Charter. Additionally, KWASA has appointed a Corporate Secretary for its Board.

Note 8: The Board of Directors of KWASA consists of 13 (thirteen) members nominated by the Government of Bangladesh (GOB). The Board includes the Managing Director as an ex-officio member, 2 (two) members representing two Ministries, 10 (ten) members nominated from various organizations. The Chairman is appointed by the GOB, while the Vice Chairman is elected by the Board from among its members. KWASA currently does not have any Board committees. During FY 2023-24, the Board convened 3 (three) meetings, resulting in the implementation of 6 (six) decisions.

Note- 9: The names and biographies of KWASA's Board of Directors and senior managers, along with its Audited Financial Statements, Citizen Charter, relevant Acts, Rules, Regulations, and Code of Conduct, are available on the KWASA website.

Note-10: KWASA has implemented the following measures to enhance environmental controls and operational processes:

i. Established an internal control system through supervision and monitoring among the departments/sections.
ii. Introduced digital inventory software to manage and minimize excess stock.
iii. Implemented ERP software in Billing, Accounts, Finance, Payroll, and Call Center operations to ensure transparency and accountability.
iv. Adopted Electronic Government Procurement (EGP) for purchasing.
v. Installed firefighting equipments in office buildings to ensure fire safety.
vi. Set up CCTV cameras for comprehensive monitoring and security of office premises.
vii. Ensures compliance with required safety rules and regulations.

5. IPE Process

i. Performances of non-financial indicators of Khulna Water Supply and Sewerage Authority (KWASA)has been evaluated using information and documents of the inception report provided by KWASA.

ii. Actual performance scores of non-financial indicators are determined through the collective decision of ERT members.

iii. Non-financial Indicators' Score will be based on specific documentary evidence.

iv. According to IPEG, actual financial performances of KWASA are to be evaluated on the basis of national best practices/standard. However, due to non-availability of such standard and comparable entities in the country, KWASA's financial performance was assessed based on its performance over the last five years on respective financial indicators.

v. Performances of all financial indicators are evaluated based on audited financial statements.

vi. Measurement tools used for financial indicators are suggested by IPEG.

vii. Grades and scores are assigned according to the IPEG.

6. Performance Evaluation Results

Khulna Water Supply and Sewerage Authority (KWASA)
Fiscal Year: 2023-24

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
a	b	c	d	e	f
A	**Business Strategy and Social Responsibility:**	25			
1	Entity Strategy: • Entity Strategic Plan		4	3	0.12
2	Growth Trajectory: 2a. Net Income Growth		4	0	0.00
	2b. Service Revenue Growth		4	0	0.00
	2c. Other Growth		3	4	0.12
3	Effective Implementation of Public Policy: • Implement activities to achieve policy goal		3	4	0.12
4	Efficiency of Project Implementation/ Project Goal Achievement: • Percentage of estimated target achieved		4	4	0.16
5	Social Contribution: • Environmental Contribution • CSR / WPPF • Training / Volunteering		3	3	0.09
		Sub Total	**25**		**0.61**
B	**Operational Efficiency:**	25			
1	Service Delivery: • Service benefits and Accessibility		5	4	0.20
2	Labor Productivity: 2a. Added Value Per Employee		4	1	0.04
	2b. Employees cost on Value addition (%)				
3	Capital Productivity: 3a. Added Value Per TK Value of Assets		4	0	0.00
	3b. Added Value Per TK Value of PPE		4	0	0.00
4	Production:				
	4a. Input use Efficiency				
	4b. Inventory Turnover		4	4	0.16
	4c. Asset Turnover		4	1	0.04
	4d. Capacity Utilization				
		Sub Total	**25**		**0.44**

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
C	**Financial:**	30			
	i. Financial Performance:				
1	Operating profit		3	0	0.00
2	Profit before tax		3	0	0.00
3	Return on assets		3	0	0.00
4	Return on Service Revenue		3	0	0.00
5	Return on equity		3	0	0.00
6	Net worth growth		3	0	0.00
7	Capital budget utilization				
	ii. Financial Risk:				
1	Debt equity ratio		3	0	0.00
2	Debt to assets		3	0	0.00
3	Debt coverage ratio				
4	Current ratio		3	0	0.00
5	Accounts receivable period		3	0	0.00
6	Accounts payable period				
	iii. Transactions with Government:				
1	Taxes paid				
2	Fees & charges paid				
3	Debt Service Liabilities Paid				
		Sub Total	**30**		**0.00**

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
D	**Corporate Governance Practices:**	20			
1	Commitment to Corporate Governance: • Code of Conduct • Ethics • Key policies of Board • Board structure • Employee's service rules/ regulations • Appointment of Board Secretary		5	4	0.20
2	Board Practices: • Composition of Board of Directors and number of meetings held • TOR of board • Number of independent Board Directors • Name & Number of board committees and number of meetings held • Number of board decisions that have been implemented		5	3	0.15
3	Transparency and Disclosure: • Board of directors and Senior managers name and biographies • Audited financial statement • Citizen charter • APA • Code of conduct		5	4	0.20
4	Control Environment and Process: • Entity's internal control systems for different departments • Internal audit procedure and reporting authority • Entity's computer-based management information system (database) • Any authority of the board to mitigate the entity's emergency situation • Measures taken for safe working environment in the entity's premises		5	4	0.20
	Sub Total				**0.75**
	Grand Total (A+B+C+D)	**100**	**100**		**1.80**

7. Interpretation of Results

As per Independent Performance Evaluation (IPE) Khulna Water Supply and Sewerage Authority Scored 1.80 out of 4.00 in the year 2023-24.

7. (A) The performance of KWASA is graded "Excellent" in the following areas:

- Service Delivery
- Other Growth
- Transparency and Disclosure
- Corporate Governance
- Efficiency of Project Implementation
- Effective Implementation of Public Policy
- Control Environment and Process
- Inventory Turnover

The performance of KWASA is graded "Very Good" in the following areas:

- Board Practices
- Social Contribution
- Entity Strategic Plan

The performance of KWASA is graded "Fair" in the following areas:

- Assets Turnover
- Labour Productivity

The performance of KWASA is graded "Under Performing" in the following areas:

- Return on Equity
- Capital Productivity
- Return on Assets
- Service Revenue Growth
- Debt to Assets
- Net Income Growth
- Return on Sales
- Net Worth Growth
- Current Ratio
- Debt to Equity
- Accounts Receivable Period

7. (B) Other important aspects of Performance during FY 2023-24:

- KWASA incurred an operating loss of Tk. 846.92 million despite receiving a government grant of Tk. 14.30 million against Street Hydrant and HTW services.
- The entity incurred net loss (after tax) of Tk. 3,513.84 million.
- KWASA Current Ratio (Times) 0.08 which indicates entity is not in a position to meet it current liabilities in due period.
- Entity's Debt Equity Ratio (Times) shows negative that indicates high leverage which poses a fiscal risk to GOB.

8. Findings from the Audited Financial Statements 2023-2024

8.(A) In KWASA Audited Financial Statement 2023-24 the Auditor provided the qualified opinion on the following Accounts and issues:

i. KWASA has recognized Interest Income of Tk. 31.06 million on cash basis instead of accrual basis that is a violation of IAS-1.
ii. KWASA collected Tk. 2.34 million as VAT on Connection Fee but which has not been deposited to Government fund within 7 (seven) days that is noncompliance of VAT Act.
iii. The entity has lease assets from Mongla Port Authority, but it charged Lease Payment instead of Right off use assets in Profit and Loss Statements which is the noncompliance of IFRS-16.

8.(B) Finding from the KWASA Audit Report 2023-24 are given below:

i. In audit repot 2023-24 the entity did not provide aging of accounts receivable Tk. 140.56 million.
ii. Entity's yearly financial expenses on long term loan stand Tk. 2,716.20 million which occupied 69.87% of total expenditure. The authority did not provide interest calculation statement in their audit report.
iii. During FY 2023-24 the authority incurred net loss of Tk. 3,513.84 million but no explanation provided in the report in this regard.
iv. KWASA charges Tk. 0.80 million as bad debt expenses for FY 2023-24 that seems inadequate bad debt provision, because of as on 30/06/2024 Accounts Receivable stand Tk. 140.56 million. So, required bad debt provision should be kept as per IFRS-9.

9. Recommendation for Performance Based Incentives

Khulna Water Supply and Sewerage Authority has obtained a weighted score 1.80 out of a scale 4.00 and is graded "Fair". Therefore, IPEC recommended non-financial incentive for the employees of KWASA. Also, a certificate from Finance Division may be awarded to KWASA for being graded "Fair" in IPE for the FY 2023-24.

10. Recommendations for Improvements:

To enhance the performance and efficiency of KWASA, the following recommendations are proposed based on findings from the IPE:

1. KWASA should undertake appropriate initiatives to increase operating revenue while reducing operating expenses through the adoption of modern operational technologies and sound financial management practices.

2. KWASA should prioritize the construction of additional surface water treatment plants to reduce dependence on deep tube wells and ensure sustainable water sourcing.

3. A long-term strategic plan should be initiated to establish a centralized sewerage treatment plant to enhance sewerage management within the Khulna City Corporation area.

4. To strengthen internal control and ensure regulatory compliance, KWASA should establish key Board Committees, including Audit Committee,Nomination & Remuneration Committee (NRC) and Procurement Committee.

5. Practical and effective measures should be adopted to minimize water supply system losses and bring them within an acceptable benchmark level.

6. KWASA should plan to install additional pipelines to broaden its water supply network, thereby increasing service coverage, attracting new customers, and enhancing revenue generation.

7. KWASA should adopt effective cost-control measures to rationalize expenditures on electricity, repair and maintenance, and telephone services, as these costs have increased significantly compared to the previous fiscal year.

8. The organization should maintain a comprehensive and up-to-date asset register, reflecting acquisition costs or fair values, to ensure accurate and transparent financial reporting.

9. The organization should expedite the completion and implementation of Enterprise Resource Planning (ERP) software to streamline operations and improve overall efficiency.The entity should prepare its accounts in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), and the rules and regulations of the Financial Reporting Council (FRC) to ensure proper disclosure and transparency.
10. The entity may consider appointing women directors to its Board in alignment with the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2024), UN Sustainable Development Goal (SDG) 5 on Gender Equality, and World Bank/IFC corporate governance recommendations to promote gender diversity.

11. To implement the government directive the entity should arrange tree plantation programs with an aim to mitigate climate change and address global warming.

12. KWASA should develop and implement a comprehensive business plan aimed at reducing operating costs and strengthening long-term financial sustainability. This plan should include cost optimization measures such as improving operational efficiency, enhancing energy efficiency, and adopting modern technologies.

11. Conclusion

Based on the Audited Financial Statements (AFS), relevant data, and supporting documents of the Khulna Water Supply and Sewerage Authority (KWASA), the Independent Performance Evaluation (IPE) report for FY 2023–24 has been prepared. The evaluation reveals that KWASA's financial performance is deteriorating, as the entity has been incurring losses consistently each year.

To improve its overall performance and financial position, KWASA should expand its water supply network and ensure the timely completion of the ongoing sewerage system development project. These initiatives are expected to enhance service coverage, increase revenue generation, and ultimately enable the organization to achieve profitability.

Furthermore, KWASA should formulate and implement a comprehensive business plan aimed at reducing operating losses and financial expenses to ensure long-term financial sustainability. In addition, the entity must ensure compliance with relevant International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in the preparation of its accounts to ensure the fair presentation of its Audited Financial Statements.

Annexure-1

Khulna Water Supply and Sewerage Authority (KWASA)
Financial & Other Information

Amount in BDT

Serial No	Statement of Financial Position (Balance Sheet)	Evaluate Fiscal Year	Previous Fiscal Year
		2023-24	2022-23
1	Current Assets:		
	i. Inventories		
	• Material	22,913,489	16,972,968
	• Accessories/ Supplies		
	• Others (including spare parts)		
	ii. Receivable:		
	• Trade	140,562,128	124,612,178
	• Others		
	iii. Cash and Cash Equivalent including FDR	857,942,154	778,945,972
	iv. Others Current Assets	29,779,376	28,376,208
2	Total Current Assets (i+ii+iii+iv)	1,051,197,148	948,907,326
3	Total Non-Current Assets		
	• Property, Plant & Equipment (PPE)	21,256,390,343	22,153,660,209
	• Capital Work in Progress		
	•Other Non- Current Assets		
4	Total Assets (2+3)	22,307,587,491	23,102,567,535
5	Current Liabilities:		
	i. Payables:		
	• Trade		
	• Others	10,522,223	8,662,345
	ii. Other Current Liabilities	13,141,130,425	8,743,840,546
6	Total Current Liabilities (i+ii)	13,151,652,648	8,752,502,891
7	Non-Current Liabilities:		
	i. Long Term Loans/Debts	15,532,410,298	17,212,701,890
	ii. Deferred Liabilities		
	iii. Other Non-Current Liabilities		
8	Total Non-Current Liabilities (i+ii+iii)	15,532,410,298	17,212,701,890
9	Total Liabilities (6+8)	28,684,062,946	25,965,204,781
10	Equity:		
	i. Share Capital		
	ii. Capital Fund	6,771,356,841	6,771,356,841
	iii. Donation from GOB		
	iv. Funds & Other Reserves		
	v. Revaluation Reserve		
	vi. Retained Earnings/(Loss)	(13,147,832,296)	(9,633,994,087)
11	Total Equity (i+ii+iii+iv+v)	(6,376,475,455)	(2,862,637,246)
12	Total Equity and Liabilities (9+11)	22,307,587,491	23,102,567,535

Annexure 1

Serial No	Statement of Profit or Loss and Other Comprehensive Income (Income Statement)	2023-24		2022-23	
		Amount	Percentage	Amount	Percentage
13	Net Sales Revenue	210,939,163	64.86%	212,526,209	60.53%
	Add, GOB grant against Street Hydrant & HTW	114,300,000	35.14%	138,599,000	39.47%
	Total Sales Revenue	325,239,163	100.00%	351,125,209	100.00%
14	Less: Cost of Services	1,168,937,351	359.41%	1,193,130,674	339.80%
15	Gross Profit/(Loss) (13-14)	(843,698,188)	(259.41)%	(842,005,465)	(239.80%)
16	Less: Operating Expenses:				
	i. Administrative Expenses	3,219,764	0.99%	2,583,987	0.74%
	ii. Marketing Expenses				
17	Total Operating Expenses (i+ii)	3,219,764	0.99%	2,583,987	0.74%
18	Operating Profit/(Loss) (15-17)	(846,917,952)	(260.40)%	(844,589,452)	(240.54%)
19	Add: Non-Operating Income	49,280,532		31,526,123	
20	Less: WPPF Contribution				
21	Less: Financial Expenses	2,716,200,790		2,459,975,687	
22	Net Profit/(Loss) before Tax (18+19 – 20-21)	(3,513,838,209)		(3,273,039,016)	
23	Less: Provision for Tax				
	i. Current tax				
	ii. Deferred tax				
24	Net Profit/(Loss) After Tax (22-23)	(3,513,838,209)		(3,273,039,016)	

Serial No	Other Information	Evaluate Fiscal Year	Previous Fiscal Year
		2023-24	2022-23
25	Credit Sales	194,932,577	201,849,922
26	Credit Purchases		
27	Capital Budget Allocation		5,670,000
28	Actual Capital Expenditure		3,787,000
29	Dividend Payable		
30	Dividend Paid		
31	Taxes Payable		
32	Taxes Paid		
33	Debt Service Liabilities (DSL) Payable		
34	Debt Service Liabilities (DSL) Paid		
35	Fees, Fine and Charges Payable		
36	Fees, Fine and Charges Paid		
37	New Government Investment:		
	• Equity		
	• Debts/Loan		
38	Total Government Fund Transferred to SOE/AB under the following heads:		
	• Operating Grant	114,300,000	138,599,000
	• Subsidies		
	• Other Transfer (Specify)		
39	Operating Cash Surplus/(Deficit)	(2,637,154,623)	(2,347,879,646)
40	Added Value	190,862,428	242,740,574
41	Employee’s cost includes wages, salaries, bonus, provident fund contribution and other allowances		
42	Capacity Utilization (%)		
43	Input use Efficiency (%)		
44	Number of Employees (Nos)	275	275
45	Performance score achieved on APA		95.00 (pro.)