



**SPECIAL / TOPICAL STUDY ON  
ROLE OF HYDRANT AND TANKERS  
OPERATIONS IN KARACHI  
KARACHI WATER & SEWERAGE BOARD**

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**AUDITOR-GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

APT	Appointment, Promotion & Transfer
BOT	Build Operate & Transfer
COD	Central Ordinance Depot
DDO	Drawing & Disbursing Officer
FBR	Federal Board of Revenue
GPCD	Gallons per capita per day
GPS	General Public Service
HS&TO	Hydrant Services & Tanker Operations
KW&SB	Karachi Water & Sewerage Board
K – II	Greater Karachi (Project for Water Supply - II)
K – III	Greater Karachi (Project for Water Supply - III)
K – IV	Greater Karachi (Project for Water Supply - IV)
MD	Managing Director
MGD	Million Gallons per Day
NEK	North East Karachi
NRW	Non-Revenue Water
PQA	Port Qasim Authority
PTA	Private Tankers Association
SDS	Service Delivery System
SFR	Sindh Financial Rules
SOP	Standard Operating Procedures
SPPRA	Sindh Public Procurement Regularity Authority
SRB	Sindh Revenue Board



## **PREFACE**

The Auditor-General conducts audit as provided under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001.

The Directorate General Audit, Local Councils Sindh conducted a study on "Role of Hydrant and Tankers Operations in Karachi (KW&SB)" in February 2016 with a view to report significant findings to stakeholders. Audit assessed, on test check basis, whether the Management complied with applicable laws, rules and regulations in managing the operation. The Audit Report indicates specific actions that, if taken, will help the Management realize the objectives of the operations. The objective to undertake instant study is to evaluate the system in regard to the quality and quantum of expected service delivery as received by the people and actual services delivered. Audit focused on the feasibility of hydrant operations, evaluating the mechanism of services and the supply of water on affordable cost. Audit also assessed, on test check basis, the compliance of Management with applicable laws, rules and regulations in managing the operations.

The Audit Study Report is submitted to the Governor of Sindh in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 116 of the Sindh Local Government Act 2013, for causing it to be laid before the Provincial Assembly of the Sindh.

Islamabad  
Dated:

**Rana Assad Amin**  
**Auditor General of Pakistan**



## **EXECUTIVE SUMMARY**

The Directorate General Audit, Local Councils Sindh conducted a study on “Role of Hydrant and Tankers Operations in Karachi (KW&SB)” during audit year 2015-16 with a view to report significant findings to stakeholders.

KW&SB is managing Hydrant services and tanker operations for consumers (domestic + commercial), where proper water transmission/supply is not possible. The KW&SB manages these hydrants through private contractors. These contractors are affiliated to Private Tanker Association (PTA). As per “Water Supply in Karachi issued by Orangi Pilot Project”, the hydrants water supply varies from 185-222 MGD. The total estimated revenue from Hydrants is approximately Rs 10 million/day and distributed among the contractors and KW&SB.

The objective of the study is to evaluate the feasibility of hydrant operations and evaluation of efficiency and cost-effectiveness of services.

The KW&SB has failed to enhance its regular distribution network to provide regular connection to consumers. The K-III and K-IV projects are still in progress for supply of 1000 MGD potable water needed for a population of approximately 20 million.

Audit observed violations of SPPRA rules in hydrant operations. There is absence of asset management system with no annual physical verification. KW&SB is suffering loss due to non-recovery of amount and theft of water. Management has failed to provide quality services to the general public on affordable rates.

All shortcomings have also paid way for mushroom growth of illegal hydrants, which has further contributed towards the grievances of consumers and their monetary exploitation by the tanker mafia.

# 1. INTRODUCTION

The Karachi Water & Sewerage Board is a service based organization. Major functions of KW&SB are transmission and submission of bulk water supply, filtration / treatment and retail distribution of purified water, collection, pumping, and treatment /disposal of sewage & industrial Waste and billing and collection of water & sewerage Charges from consumers.

The KW&SB is supplying 650 MGD water to consumers and approximate water loss is 34% from distribution mains [Accounting for Leakage / Pilferage], hence, the net available water to Karachi is 440 MGD.

KW&SB is managing Hydrant services and tanker operations for consumers (domestic + commercial), where proper water transmission/supply is not possible.

The number of hydrants managed by KW&SB varies. The KW&SB had fifteens (15) official hydrants/filling points on 15th March 2015; which were reduced to (10) on 15th March 2016. The hours of operation of these hydrants also varies from 12 to 16 hours daily.

The KW&SB manages these hydrants through private contractors. These contractors are affiliated to Private Tanker Association (PTA).As per “Water Supply in Karachi issued by Orangi Pilot Project”, the hydrants water supply varies from 185-222 MGD. It requires approximately 8,000 tanker trips, which include 1200-1500 tanker trips for Gratis Supply to deficit areas (free of cost), whereas rest is sold as per official rates.

The total revenue generated from Hydrants is approximately Rs 10 million/day. However the revenue is distributed among the contractors and KW&SB.

## **2. OBJECTIVES OF STUDY**

The objective of study is to evaluate the feasibility of hydrant operations and efficiency and cost-effectiveness of services on affordable cost. Audit also assessed, on test check basis, the compliance of Management with applicable laws, rules and regulations in managing the operations.

## **3. AUDIT SCOPE/METHODOLOGY**

The field work took more than two weeks to complete the special / topical study report and included field visits. The financial statements and other relevant record of Hydrant Services & Tankers Operation, KW&SB were scrutinized. The findings of the study are also based on personal interactions and interviews from different ladders of Management. The help of internet and pertinent websites are also sought while compiling the report.

## **4. KEY FINDINGS DURING STUDY**

### **4.1 PLANNING ISSUES**

#### **4.1.1 Absence of Study of Need Assessment**

As per KW&SB Act, 1996, “POWERS AND FUNCTIONS OF THE BOARD”, Rule 3, sub-rule,

- viii. Assess the position of water supply from time to time and regulate water supply.
- ix. Review the existing schemes or prepare new schemes relating to water works and sewerage work and undertake execution thereof with the approval of the Government,
- x. Regulate, control or inspect water connection, sewer lines and service lines including internal fittings.

Further, Rule 1.53 of Planning Commission Manual, PC-II is required for conducting surveys and feasibility studies, in respect of larger projects, intended to get full justification for undertaking the project before large resources are tied up with them.

KW&SB have conducted no surveys and feasibility study to evaluate proper need assessment for existence of hydrants. Despite the provision, there is general hue and cry over the scarce potable water supply. The continual increase or decrease of water supply from hydrant services by KW&SB Management is on arbitrary basis. The hydrant services preferably should supply water to improvised population i.e. Baldia, Lyari, Keamari etc. which are fed on interpreted supply from Hub Dam. However, the sizeable chunk of operations are focused on posh areas i.e. Defense, Clifton etc.

The comparison of water billing through regular connection and via tanker provision also reflects extra pecuniary burden on consumers

Sr.	Residential	w.e.f 1st Sep-'2014 (Water Charges As Per Regular Billing)	w.e.f 4/5/2015 Hydrant Services Cost
1	Domestic unmetered (SQ.YD) up to 60	97	Usually requires 3 tankers of 1000 Gallons (Rs 3900)
2	Up to 061 ---> 120	132	Usually requires 3 tankers of 1000 Gallons (Rs 3900)
3	Up to 121 ---> 200	204	Usually requires 4 tankers of 1000 Gallons (Rs 5200)
4	Up to 201---> 300	301	Usually requires 4 tankers of 1000 Gallons (Rs 5200)
5	Up to 301---> 400	421	Usually requires 4 tankers of 1000 Gallons (Rs 5200)
6	Up to 401---> 600	619	Usually requires 5 tankers of 1000 Gallons (Rs 6500)
7	Up to 601---> 1000	895	Usually requires 5 tankers of 1000 Gallons (Rs 6500)

Audit is of the view that absence of study of need assessment reflects total disregard to the rules, regulations and system of internal controls.

Due to absence of need assessment for existence of hydrants, KW&SB failed to supply water to improvised population and the operations are focused on posh areas to gain pecuniary benefits.

Audit recommends fixing of responsibility on the Management for non-conducting of study for need assessment for hydrants.

#### **4.1.2 Lack of Proper Planning**

As per KW&SB Act, 1996, "Powers and Functions of the Board", Rule 3, sub-rules viii-x, the Board shall:

- viii. Assess the position of water supply from time to time and regulate water supply.
- ix. Review the existing schemes or prepare new schemes relating to water works and sewerage work and undertake execution thereof with the approval of the Government,
- x. Regulate, control or inspect water connection, sewer lines and service lines including internal fittings.

Further, according to USGS Water Science School, the minimum standard water supply per capita water is 54 GPCD (GPCD - a method utilized internationally to measure the water use by drinking water suppliers and used for historical and current water uses) for population 20 Million is estimated at 1080 MGD<sup>1</sup>. The recently launched K-IV Project and the previous K-III project for providing 1000 MGD, have no provision of Hydrant Services as an alternate. The PC-I are focused on strengthening and extending regular distribution network for providing water to consumers.

Contrary to the above, the existence of hydrant services pose serious question on the planning of new water courses. The KW&SB has a short fall of 600 MGD (2700 ml/day) water as per international standards. Moreover, according to “Key Indicators for Asia and the Pacific 2015” report of the ADB, the population of Karachi will increase by 50% in the next 15 years to 24.84 million, Hence 100 MGD additional water supply is required every 5 years for bridging the gap of demand and supply<sup>2</sup>. The KW&SB have failed to initiate K IV project despite many years. Moreover, K III project is also in progress. The planned completion of first Phase of K-IV shall take 5 years to complete.

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<sup>1</sup><http://water.usgs.gov/edu/qa-home-percapita.html>

<sup>2</sup><http://www.pcrwr.gov.pk/>

Audit is of the view that lack of proper planning is due to weak internal control system.

Due to lack of proper planning and non-completion of K-III and K-IV on time, KW&SB has failed to meet the demand of water.

Audit recommends fixing of responsibility on the Management for non-completion of projects on time and same be completed at the earliest to meet the objectives of said projects.

#### **4.1.3 Non-Performing of Core Function**

As per KW&SB Act, 1996, “Powers and functions of the Board”, Rule 3, sub-rule (vii), the Board shall undertake construction improvement, maintenance and operation of:

Water works including wells and recharge facilities for collecting, purifying, pumping, storing and distributing water to all types of consumers.

KW&SB has failed to provide or meet the demand of consumers through its regular network/distribution of potable water. The consumers who are supplied water via tankers are charged at much higher rates than monthly billing via regular connections. Audit has collected tankers receipts where a tanker carrying 3,000 gallons was provided to consumer by the contractors on a rate around Rs 4,500.

Usually one tanker suffice the need for a week, whereas the normal billing for a 400 sq. yards house shall have a monthly average bill of Rs 421, hence huge difference and burden on consumers who are not provided water from regular distribution network.

<b>Sr.</b>	<b>Residential</b>	<b>w.e.f 1st Sep-'2014 (Water Charges As Per Regular Billing)</b>	<b>w.e.f 4/5/2015 Hydrant Services Cost</b>
1	Domestic unmetered (SQ.YD) up to 60	97	Usually requires 3 tankers of 1000 Gallons (Rs 3900)
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6	Up to 401---> 600	619	Usually requires 5 tankers of 1000 Gallons (Rs 6500)
7	Up to 601---> 1000	895	Usually requires 5 tankers of 1000 Gallons (Rs 6500)

Audit is of the view that non-performing of core function is due to weak internal control system.

Due to non-performing of core function, KW&SB has put extra financial burden on consumers.

Audit recommends fixing of responsibility on the Management for non-performing of its core function and steps be taken to meet the demand of consumers through regular distribution network.

## **4.2 ORGANIZATION AND MANAGEMENT**

### **4.2.1 Posting/Appointment of Unqualified Staff**

As per Karachi Water & Sewerage Board Employees (Appointment, Promotion And Transfer) Rules, 1987, Rule 5, Method of appointment: (1) Appointment to a post or

class of posts shall be made by any of the following methods namely:- (a) by promotion or transfer; (b) by initial appointment. (2) The method of appointment and the qualifications and other conditions applicable to a post shall as laid down by the Government.

As per Organogram of Hydrant Services/Tanker Operations, the in-charge officer at any hydrant shall be a qualified engineer, assisted by a team of technical personnel's i.e. Staff Engineer, Hydrant Officer with a qualified Accounts Officer managing the financial transactions.

Contrary to the above, KW&SB has appointed non-professional staff without following procedure for appointment as prescribed by KW&SB, APT Rules 1987. The operational work, i.e. valve operation, maintenance and repairs, are managed by fitters, baildars and coolies, who are technically unequipped. Ex-cadre staffs are monitoring the hydrant operations even without sanctioned posts.

Audit is of the view that appointment/posting of unqualified staff is due to weak internal controls.

Due to posting/appointment of non-technical/non-professional staff, the operational work and maintenance of hydrants assets affect the operations at hydrants.

Audit recommends that technically trained staff be posted/appointed for managing hydrant operations.

#### **4.2.2 Non-Provision of Independent Feeders**

As per KW&SB Act, 1996, CHAPTER-VII, Rule (5), the Board shall be responsible for bulk production of potable water and its distribution in accordance with the provisions of this Act.

As per briefing by Resident Engineer/Executive Engineers Dhabiji pumping and Gharo Civil Division, “A fifteen minutes power breakdown in the bulk supply lead to 3-4 hours delay in supply. It also causes leakages and bursting of pipes due to the bulk’s return pressure”.

There are daily power breakdowns of 2-3 hours at main pumping stations causing a shortage in supply. Audit observed severe power break-downs in seven towns i.e. (Orangi. Site, Gulshan, Gadap, North Karachi, Landhi and Bin Qasim, depending upon the hydrants supply during the long hours of discontinued electric supply, causing public nuisance as well as loss of revenue.

Audit is of the view that non-provision of independent feeders is due to improper planning and weak internal controls.

Due to non-availability of independent feeders, power breakdowns causing shortage in supply and also a big reason of leakages and bursting of pipes.

Audit recommends that separate/independent feeders should be installed for continuous electrical supply at main pumping stations for smooth supply of water.

## **4.3 PROCUREMENT & CONTRACT MANAGEMENT**

### **4.3.1 Award of Contracts without Open Tenders**

Rule-17(1) of SPPRA Rules 2010, states that, “Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and in print media in the manner and format prescribed in these rules”.

Moreover, according to SPPRA Rules 2010, 16 (1) (e) states that procurement of additional quantities of the item(s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding, and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme;

Provided that;

- (iii) in case of goods, it shall be permissible only within the same financial year, and in case of works, during the currency of the project(s) or scheme(s).

Contrary to the above, undue favor is extended to companies/contractors, since 2010-11 when their contracts are continued without inviting fresh tenders, depriving the Government of competitive rates. Moreover, the majority of the contractors are not registered with FBR/SRB. The agreements have also allowed the contractors to fill water tankers without monitoring. The contractors are made responsible for the safe custody and proper maintenance of KW&SB property and assets. There is lack of supervision on the contractors on account of payment of utility bills and repair and maintenance of KW&SB machinery. The audit also observed the tankers spilling water and damaging the roads, but no penalty imposed on them for clumsy storage.

Audit is of the view that Management failed to observe Sindh Public Procurement Rules, 2010. Violation of prescribed rules is due to weak internal controls.

Due to non-inviting of open tenders, KW&SB failed to achieve competitive rates and affect the revenue of the department.

Audit recommends fixing of responsibility on account of unjustified extension of contract without re-tendering, besides, open tenders be invited.

*Filling of water tankers by private vendors (pictures taken by study team)*



## **4.4 ASSET MANAGEMENT ISSUES**

### **4.4.1 Non-Maintenance of Stores**

According to rule 113 of SFR Vol-I & Sindh Local Councils (Accounts) Rules, 1983, Rule-95 “All materials received from the supplies, workshops, manufacturers, departments of Government and any other agency, should be examined, counted, measured or weighed as the case may be when delivery is taken they should be taken by a responsible Government Officer who should see that the quantities are correct and their quality is good and record certificate that he has actually received as the materials and recorded them in the appropriate stock register”

Moreover, as per DDO Handbook, Rule 5.34.1 A physical verification of all stores must be made at least once in every year under rules prescribed by the head of the department, and subject to the condition that the verification is not entrusted to a person.

Contrary to the above, all the operations at hydrants are managed by private vendors/contractors and Government machinery and assets have been utilized by private persons in absence of annual physical verification and proper dead stock registers. There is absence of proper inventory management, which is a violation of Government rules and regulation.

Violation of prescribed rules is due to weak administrative management and lack of internal control system.

Audit is of the view that non-maintenance of stores and non-conducting of physical verification resulted in non-authentication and verification of assets. Besides, chances of lost and theft of assets cannot be ruled out.

Audit recommends fixing of responsibility on Management for non-accountal of stores. Besides same may physically be verified and entered into dead stock register.

#### 4.4.2 Improper Fleet Management

As per Clause 11 of Contract Agreement between KW&SB & Contractors, “that all the trips made will be made in the tanker trip register maintained by the contractor, also another register shall be maintained by Hydrant In-charge concerned on daily basis for cross checking.”

Further, as per International Standards and Operating Procedures issued by World Health Organization, “Delivering Safe Water by Tanker” (Technical Notes on Drinking-Water, Sanitation and Hygiene in Emergencies<sup>3</sup>

“Tanker record book should include • Date • Driver’s name • Start and finish time • Start mileage • Location, time and mileage at point of filling • Location, time and mileage at point of emptying • Quantity of water delivered • Rest periods • Fuel quantity, date added and mileage • Maintenance dates • Signature of customer receiving the water • Signature of person supplying the water”.

The KW&SB Management has failed to manage the commutations of tankers record with internationally prescribed SOP. Study team observed a violation of SOP in maintaining the fleet record. It was observed that hydrants are operating round the clock. The contractor’s movements are not properly recorded by Hydrant In charge in violation of Contract Agreement thus facilitating the contractors to gain undue Monterey benefit.

Audit is of the view that Management failed to implement terms & condition of contracts and it was due to weak internal controls.

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<sup>3</sup> [http://www.unicef.org/cholera/Annexes/Supporting\\_Resources/Annex\\_9/WHO-tn12\\_safe\\_water\\_tanker\\_en.pdf](http://www.unicef.org/cholera/Annexes/Supporting_Resources/Annex_9/WHO-tn12_safe_water_tanker_en.pdf) )

Due to non-maintenance of fleet record properly, KW&SB did not bill to contractors properly and affect the revenue of the department.

Audit recommends fixing of responsibility on account of non-maintenance of proper fleet record.

## **4.5 OPERATIONAL ISSUES**

### **4.5.1 Selling of Water on Exorbitant Rates**

As per KW&SB Office Order KW&SB/OI (HS/TO)/2015/806 dated 4/5/2015, the revised rates are.

For 1000 gallons Rs. 1000/-; For 2000 gallons Rs. 1300/-; For 3000 gallons Rs. 1700/-; For 5000 gallons Rs. 2800/-.

Contrary to the above, the contractors are selling the water to consumer at twice the official rates. There are similar complaints on gratis supply by Government departments, dignitaries and functionaries. Despite, complaints, KW&SB Management has failed to censure the contractors for violating official rates and there is not a single case where contract have been cancelled.

Audit is of the view that Management failed to implement official rates due to weak administrative management and internal controls.

Consumers are deprived due to sale of water on excessive rates and contractors are getting unauthorized benefit of the situation.

Audit recommends fixing of responsibility on account of non-implementation of official rates, besides, KW&SB be ensured the same in future.

#### **4.5.2 Loss of Revenue due to Crude/Average Billing on Filling of Tankers**

According to work component WSS-15 of revised PC-I of K-III, 80 No. flow meters were to be installed to measure output from treatment works and reservoir at key points in the system.

Further, the survey study “Water supply in Karachi “issued by Orongi pilot project, Karachi 185-222 MGD, being siphoned and supplied through tankers. If KW&SB overtakes operations at hydrants there exist huge potential of realizing massive revenues.

Contrary to the above, audit observed a non-vigilant monitoring system. The hydrants are operating round the clock and private vendors are a part of operations Billing is being made to contractors on crude basis by charging on the number of trips of a tanker and roughly estimating its capacity.

The KW&SB generates revenue approximately Rs. 233 million annually from hydrant operations. Audit estimated potential revenue of Rs 44.7 billion that can be generated annually, if KW&SB sells and manages hydrant/tanker operations at the rate of 50 Ps/gallons.

Audit is of the view that Management failed to install flow meters for actual billing to contractors is due to weak administrative management and internal controls.

KW&SB is deprived of revenue due to billing on average basis.

Audit recommends fixing of responsibility on account of non-installation of flow meters, besides, KW&SB be ensured to install the same at earliest.

### **4.5.3 Theft of Water through Illegal Hydrants.**

According to work component WSS-15 of revised PC-I of K-III project of KW&SB, 80 No. flow meters were to be installed to measure output from treatment works and reservoir at key points in the system.

Contrary to the above, there are no bulk flow meters on major treatment plants, reservoirs and hydrants to monitor the water supplied.

The study team was briefed of about six areas in Karachi where clusters of unofficial hydrants/filling points are located near the bulk distribution mains.

- i) The route from Banaras Chowk to Hub Reservoir (Manghopir Road);
- ii) The area from Banaras chock to Gutter Bagicha;
- iii) Mewashah Graveyard to Sher Shah ( Lyari Nadi)
- iv) Saba Cinema, Ayub Goth - North Karachi to Gadap Town;
- v) Malir - National Highway
- vi) Lalabad, Landhi.



***Filling a water tanker from an illegal hydrant (pictures taken by study team)***



- *The study team visited few areas and witnessed the water theft from bulk distribution main.*

The existence of illegal hydrants operating in different areas of Karachi is a failure of Management to safeguard public interest. The Government is losing millions of rupees annually on account of theft of water.

The illegal hydrants sell sub-soil water which is injurious to human health. The Management of KW&SB has failed to demolish illegal hydrants operating in city despite Honorable Supreme Court directions.

Audit is of the view that Management in connivance with hydrant mafia has failed to demolish illegal hydrants.

Consumers are deprived due to sale of sub-soil water on excessive rates.

Audit recommends fixing of responsibility on account of non-demolish of illegal hydrants, besides, KW&SB be ensured to demolish the same.

#### 4.5.4 Non-Recovery of Dues from Government Departments Rs 8.348 Million

According to Section 7 (Chapter-V, “Powers & Functions of the Board”) of the Karachi Water & Sewerage Board Act, 1996, the board shall;

- (ii) Levy, collect or recover rates, charges of fees for water supply and sewerage services, including arrears thereof;
- (iii) Have the power to reduce, suspend or disconnect the water supply in the event of contravention of the provisions of this Act or regulation;
- (iv) Have the power to impose surcharge, not exceeding double the amount due, if rates, charges of fees for water supply or sewerage services or the arrears thereof are not paid within the fixed time by the Board;

Further, Rule 41 (a) of SFR Vol-I, states that, “The departmental controlling officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller”.

The Officer In-charge, Hydrant Services/Tankers Operation, KW&SB, Karachi, failed to recover an amount of Rs.3,038,150 outstanding against the water supply through private water tanker service to various Government functionaries/dignitaries and departments for the year 2015-16, in violation of above rules. Details are as follows:

(Amount in Rupees)

Sr.	Name of Hydrant	Amount
1	German School Hydrant, (92/32 Wing, Abdullah Shah Ghazi Rangers Sindh, Orangi Town)	250,900
2	Gutter Baghicha Hydrant, (92 Wing, Abdullah Shah Ghazi Rangers Sindh)	140,700
3	Teen Hatti Hydrant, (72/35 Wing, Abdullah Shah Ghazi Rangers Sindh)	157,150
4	Teen Hatti Hydrant, (92 Wing, Abdullah Shah Ghazi Rangers Sindh)	373,450
5	Sakhi Hassan Hydrant, (Ratty Company Pakistan Rangers Sindh)	722,300
6	Sakhi Hassan Hydrant, (R. I. J. House)	5,309,500
7	Sakhi Hassan Hydrant HM4 (Supreme Court Judges Rest House)	1,393,650
<b>Total</b>		<b>8,347,650</b>

Audit is of view that due to non-recovery of outstanding dues/liabilities, Management of KW&SB is deprived of its major source of revenue for the last five years, which constitutes weak financial management and lack of interest of department.

Non-recovery of outstanding dues constitutes weak internal controls.

Audit recommends that recovery may be affected from Government functionaries/dignitaries and departments, under intimation to audit.

#### **4.5.5 Water Supply to Government Functionaries, Politicians and Personalities (Gratis Trips) - Rs.24.051 Million**

According to Section 7 (Chapter-V, “Powers & Functions of the Board”) of the Karachi Water & Sewerage Board Act, 1996, the board shall;

- (ii) Levy, collect or recover rates, charges of fees for water supply and sewerage services, including arrears thereof;
- (iii) Have the power to reduce, suspend or disconnect the water supply in the event of contravention of the provisions of this Act or regulation;
- (iv) Have the power to impose surcharge, not exceeding double the amount due, if rates, charges of fees for water supply or sewerage services or the arrears thereof are not paid within the fixed time by the Board;

Further, Rule 41 (a) of SFR Vol-I, states that, “The departmental controlling officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller”.

The Officer In charge, Hydrant Services/Tankers Operation, KW&SB, Karachi provided non-revenue generating/free water tankers on account of “Gratis Trips” to various Government functionaries, politicians and prominent personalities during 2015-

16 but an amount of Rs.24,050,894 was not recovered from concerned, in violation of above rules. Details enclosed as Annex-A.

Audit is of view that due to gratis water tanker services, KW&SB suffered/sustained revenue losses, which constitutes weak financial management and lack of interest of department.

The provision of Gratis water tanker services of KW&SB, in violation of rules, constitutes weak internal controls.

Audit recommends that recovery may be affected from Government functionaries, politicians and prominent personalities or legal action may be taken, under intimation to audit.

#### **4.5.6 Non Reconciliation of Revenue Rs.233.010 Million**

As per section 100 of the Sindh Budget Manual, “The consolidated accounts of the controlling officer have as pointed out in the paragraph 98, to be reconciled monthly with the accounts of comptroller. The object of this procedure is to ensure the accuracy of departmental control really effective and to prevent classification or other errors in account”.

According to Rule-83 of Part-XIII of the Sindh District Govt. & Taluka/Town Municipal Administration (Budget) Rules 2002 states that:

- (1) The controlling officers shall reconcile his figures with the record maintained by the Accounts officer by the 10TH day of the month following the month to which the statement relates.

- (2) In order to enable the Head of offices concerned to verify whether the amounts shown as realized in the statements have actually been realized and credited to the proper head of account, the Accounts Officer concerned shall provide the Head of Offices with statements confirming the actual amounts credited under the relevant receipt heads.

During the course of audit of Officer In-charge, Hydrant Services/Tankers Operation, KW&SB, Karachi, it was observed that local office collected an amount of Rs 233.010 million during 2015-16 from hydrant services & tanker operation but failed to reconcile the collection from Finance and Accounts Department, KW&SB, in violation of above rule. Details enclosed as Annex-B.

Audit is of view that due to non-reconciliation of collection/receipts, audit is not in a position to authenticate the collection made and it shows that Management ignored rules and procedures set forth by the Government, which constitutes weak financial management.

Non reconciliation of collection constitutes weak internal controls.

Audit recommends that collection may be reconciled from Finance & Accounts Department, KW&SB, for the year 2015-16, under intimation to audit.

## **5 RECOMMENDATIONS**

- Audit recommends a termination of stock gap arrangements for water supply through hydrants and tankers. Moreover, the Supreme Court of Pakistan on 30<sup>th</sup> July, 2015 has directed Management of KW&SB to focus upon on their core operations to provide portable water via regular distribution network. Even, if hydrants are needed, there should be a rational and scientific study to evaluate the

need of hydrant services in water scarce areas. The hydrant services preferably should supply water to improvised population i.e. Baldia, Lyari, Keamari etc. which are fed on interpreted supply from Hub Dam.(supreme court decision).

- The Management of KW&SB should meticulously plan the enhancement of water distribution and supply to keep up with the ever increasing demand. The K-III and K-IV projects must be completed for supply of at least 1000 MGD potable water needed for a population of approximately 20 million.
- The KW&SB should focus on enhancing its regular distribution network and providing regular connection to consumers. The stop gap arrangement of hydrant services is in conflict with the core function and mandate of KW&SB.
- KW&SB should post/appoint technically qualified people in the hydrants to monitor the operations, which are affected due to posting/appointment of non-technical/non-professional staff. Audit recommends that proper recruitment may be made as per Karachi Water & Sewerage Board Employees (Appointment, Promotion And Transfer) Rules, 1987. The tanker operation should be supervised by a qualified engineer, assisted by a team of technical personnels i.e. Staff Engineer, Hydrant Officer with a qualified Accounts Officer managing the financial transactions.
- KW&SB should have the means and resources to continue their operations with un-interrupted power supply. Audit recommends installing independent feeders and high powered generators for smooth running of the operations.
- Audit recommends fixing of responsibility on official (s) responsible for undue favor extended to companies/contractors, where they were allowed extension in

contracts in violation of SPPRA rules. Moreover, investigation may be made to fix the responsibility on Management for awarding contracts to unregistered vendors with FBR/SRBKW&SB should have proper asset management system in line with Government rules and instructions to safeguard Government assets. Periodic physical verification and proper stock taking are required to be an integral part for assets management.

- Audit recommends a vigilant and constant watch over the enforcement of Government rules and regulations in the operations of hydrant services. Official operational timing should be followed and KW&SB should ensure that contractors would charge official rates from consumers.
- The bulk flow meters were an integral part of K-III project. Despite procurement of sufficient number of costly bulk flow meters, none have been installed to monitor water outflow. Audit recommends installation of bulk flow meters at hydrants to monitor the exact quantity supplied via tankers.
- The KW&SB should focus on demolishing illegal hydrants operating with an audacious exhibition challenging the writ of state.
- KW&SB should recover the outstanding dues from the defaulters. Audit recommends fixing of responsibility on official (s) responsible for supplying water tankers on commitment payment. The KW&SB should have a vigilant system for involving law enforcement agencies to recover tanker charges.

## 6 CONCLUSION

The KW&SB has failed to enhance its regular distribution network and providing regular connection to consumers. The Management of KW&SB has not meticulously planned the enhancement of water distribution and supply to keep up with the increasing demand. The K-III and K-IV projects are still in progress for supply of 1000 MGD potable water needed for a population of approximately 20 million.

There are serious violations of SPPRA rules and Management is continuing illegal contractual practices. KW&SB has failed to implement proper asset management system in line with Government rules and instructions to safeguard Government assets. There is absence of annual physical verification and proper stock keeping.

There is general hue and cry over the scarce potable water supply. The periodic increase or decrease of water supply from hydrant services by KW&SB Management is on arbitrary basis. Moreover, KW&SB is suffering loss due to non-recovery of amount and theft of water. Management has failed to provide quality services to the general public on affordable rates.

All these shortcomings have paid way for mushroom growth of illegal hydrants, being operated under the auspicious of various agencies which has further contributed towards the grievances of consumers and their monetary exploitation by the tanker mafia.

Map of Karachi's Water Supply system



Water Supply through conduits, pipelines and pumping machines

## WATER SUPPLY SYSTEM

- **RAW WATER TRANSMISSION**

Canals, conduits(3.3mx3.3m RCC),  
siphons/Pipelines(2100~1800mm) ,Bulk Supply Pumping  
Stations(24~35 mgd one unit)



- **FILTER WATER TRANSMISSION**

Filter Plants, Transmission Mains(1600~ 900 mm)  
Secondary Level Pumping Stations(5~15mgd one unit)



- **WATER DISTRIBUTION**

Area wise distribution Mains (600~ 75mm) emerging  
from trunk mains, small pumping stations

