



## **Performance Audit Report**

**On**

**Car Parking Structure**

**Lines Area, Karachi**

**March, 2015-16**

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**Auditor-General of Pakistan**

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## **PREFACE**

The Auditor-General conducts audits subject to Article 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 audit of Car Parking Structure, Lines Area Karachi was carried out accordingly.

The Sindh Local Government Act 2013 requires the Auditor General of Pakistan to conduct audit of the receipts and expenditure of the Secretary Local Govt. Department, Karachi Metropolitan Corporation, Karachi Water & Sewerage Board, District Councils/District Municipal Corporations, Municipal Committees, Town Committees and Union Councils.

The Directorate General Local Councils Audit conducted performance audit of the Car Parking Structure, Lines Area, Karachi, in February 2016 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness of the project. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules, and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project.

All of the observations included in this Report have been finalized in the absence of written responses and discussion with the management as the management did not submit any replies. PAO failed to convene DAC meeting, despite pursuance by audit.

The Audit Report is submitted to the Governor of the 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.

(Rana Assad Amin)

Auditor General of Pakistan

Islamabad

Dated:



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## **Abbreviations and Acronyms**

CDGK	City District Government Karachi
CDWP	Central Development Working Party
DDWC	District Development Working Committee
DDWP	Departmental Development Working Party
DG	Director General
ECNEC	Economic National Engineering Council
GoS	Government of Sindh
GFR	General Financial Rules
KMC	Karachi Metropolitan Corporation
PC1	Planning Commission Proformae one
PC	Pearl Continental
PMU	Project Monitoring Unit
PDWP	Provincial Development Working Party
Rs.	Rupees
Sft	Square Feet
SPPRA	Sindh Public Procurement Regularity Authority
Sq.yds	Square yards
SBP	State Bank of Pakistan
T&C	Transport & Communication





## **EXECUTIVE SUMMARY**

The Director General Local Council audit, Sindh conducted an audit of Car Parking Structure at Lines area, Karachi in March, 2016. The main objective of the audit was to examine different aspects of the project at the yardstick of economy, efficiency and effectiveness.

The then City District Government Karachi (CDGK) launched the project in March, 2006 with a view to introduce parking facility in area so that the illegal car parking structures, which caused traffic jams in the city can be removed and diverted to the parking structure. The project is being run by Karachi Municipal Corporation (KMC) after abolition of CDGK. According to the PC-I, goals and objectives of project were as under:

The project is aimed at:

- a) Improving upon the existing parking system within the city and to relieve the existing road network from the concentration of on-street (roadsides) parking which has seriously restricted the road right of ways and has led to serious congestion and bottlenecks on the roads.
- b) To remove illegal parking
- c) To relieve the existing road network from the concentration of road side parking
- d) To improve situation of serious congestion and bottle necks on the road.

According to PC-I, the estimated cost of the project was Rs. 258.45 million which was to be financed through generation of revenue amounting to Rs. 374.365 million from its own resources by selling of shops/ offices and parking fees received from cars and motorcycles. However, the entire cost which was revised subsequently up to Rs. 635.15 million was borne by CDGK/KMC.

The entire project underwent substantial fiasco on account of substantial time overrun and cost overrun. It was planned to be completed within six months and the initial cost of the project as per PC-1 was estimated as 258.45 million. However, it still remains incomplete/partially completed with the cost enhanced up to 635.15 million (more than 100 per cent) without revision of PC-1 and its approval from Departmental Development Working Party (DDWP). Fresh tender was not floated according to SPPRA rules after enhancement of the scope of project and the same contract were continued for works and services. The contractor was fully paid after submitting completion report but during physical verification the audit witnessed that the top two floors were still under construction.

The project remained inactive from the October 2006 to 2009 which deprived the treasury from estimated monthly revenue. The project was scheduled to be financed through its own resources by selling shops/mezzanine floors during the same year but despite lapse of more than ten years neither the project was finished nor was expected revenue realized. The shops and mezzanine floors could not be sold while top two floors were not completed and the entire cost of the project was borne by the City District Government Karachi. The expected monthly

revenue from the car/motorcycle parking was estimated as Rs. 29.183 million but the actual realization has remained Rs. 5.219 million which is around ninety per cent less than the estimated revenue, which is being realized from parking facility in a few floors. The management failed to increase parking fees at the rate of five percent per annum as envisioned in PC1.

The land of the project measuring 4386 Sq.yds was not officially acquired and the project was constructed on a disputed land. The auction process till 2011 was dubious as there is no reason that the handsome bid for shops/offices on this commercial hub of the city of cannot be acquired. No auction was floated since 2011 as per their own record.

The management failed to attract parking demand in area due to inadequate security, sanitation and computerized management system. The audit found that an expenditure of Rs.1.612 million was shown in respect of firefighting system, Rs. 25 million against Hondai lifts/ car lift and Rs.0.349 million regarding telephone service but the same were not found installed in the project. It is being run on ad hoc basis without skilled staff and proper Monitoring & Evaluation system. The pathetic security, janitorial and management system has undermined the entire building structure which is being depreciated further, after a lapse of ten years.

There is lack of coordination between management and traffic police as illegal parking in the adjacent areas also contributed to the failure of the project. No provision was kept in PC-1 for a shuttle service for the parking individuals as the project is 500 meters distant from main markets of Saddar, Karachi. The project has been constructed on a disputed land measuring 4386 Sq.yds without acquiring its occupation legally.

### **Recommendations**

1. Auction process against completed portion may be initiated without further delay.
2. Top two floors may be completed by the management forthwith.
3. Annual rent may be revised in line with Table 8.1 of PC-1.
4. Parking demand may be attracted by means of state of the art computerized vehicle management system, better surveillance, security and janitorial system as adopted.
5. Measures may be taken for installation of lifts/car lifts, firefighting system and telephone system as per PC1.
6. Illegal parking areas in Saddar area in general and in surroundings of the project in particular may be eliminated in liaison with Traffic police and concerned KMC authorities.
7. Separate Managers for security services, janitorial services and parking services may be designated for better service delivery.

Moreover, Responsibility may be fixed on officers at fault for following irregularities:

1. Non-utilization of precious public assets as well as non-realization of expected revenue.

2. Payment to contractor on wrong/fake completion report despite the fact that two floors are still under construction.
3. Non revision of PC-1/non-commencement of fresh tender process after revision of cost up to 100 percent.

# **SECTIONS**

## **1. INTRODUCTION**

Karachi is the largest metropolitan city of Pakistan having an estimated population of twenty million people with around two million registered vehicles on its road networks. The rapid increase in population as well as vehicles has put a tremendous pressure on the road network, traffic management and on-street parking facilities.

The massive on-street parking on almost all major roads and commercial centers of the City have seriously restricted the space for moving traffic resulting into frequent traffic jams. In, addition the unavailability of off street parking facilities has further aggravated the situation in this commercial hub of the country. Although, the provision of parking space is an essential requirement in the design and location of major buildings and shopping centers as evident from the requirements of building codes but provision of parking as part of building plans has been grossly violated by the owners and developers.

Given the aforesaid scenario, the construction of Car Parking Structure at Lines Area, Karachi was envisioned by the CDGK, in 2006.

### **1.1 Main Objectives of the project:**

According to the PC-I goals and objectives of project were as under:

1. The project is aimed at improving upon the existing parking system within the city and to relieve the existing road network from the concentration of on-street (roadsides) parking which has seriously restricted the road right of ways and has led to serious congestion and bottlenecks on the roads.
2. To remove illegal parking
3. To relieve the existing road network from the concentration of road side parking
4. To improve situation of serious congestion and bottle necks on the road

### **1.2 Source of Financing**

According to PC-I, the project was to be financed through generation of revenue amounting to Rs. 374.365 million from Parking Structure by selling of shops/ offices. The revised cost of Rs. 635.15 million was also to be borne by selling shops/offices.

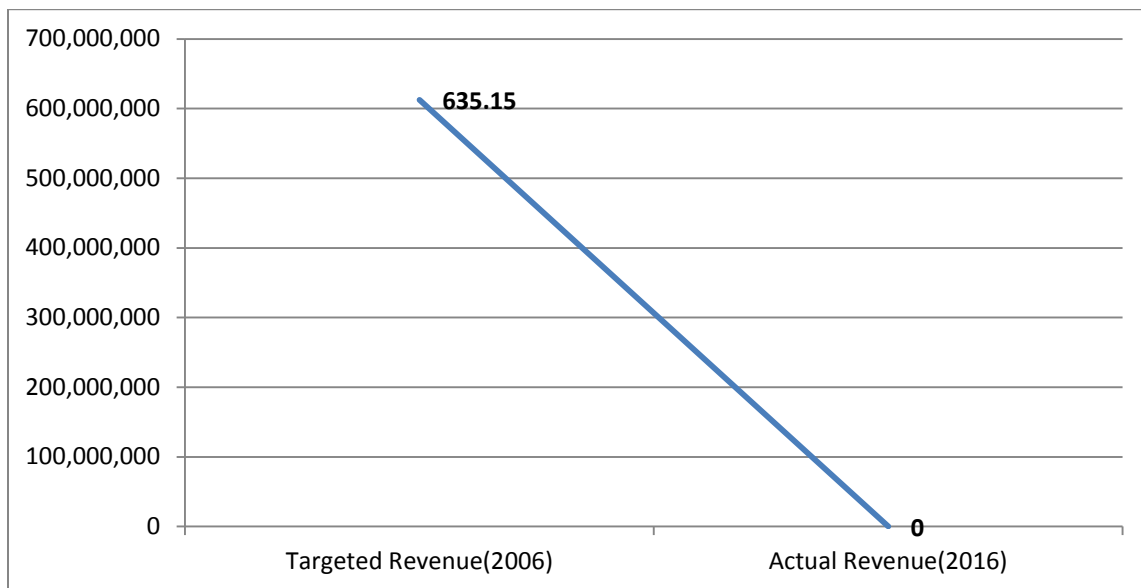
### **1.3 Completion Period**

As per PC1, project was supposed to be completed within six months in August 2006; however, it is yet to be finalized.

## 1.4 Financial results and shortfall

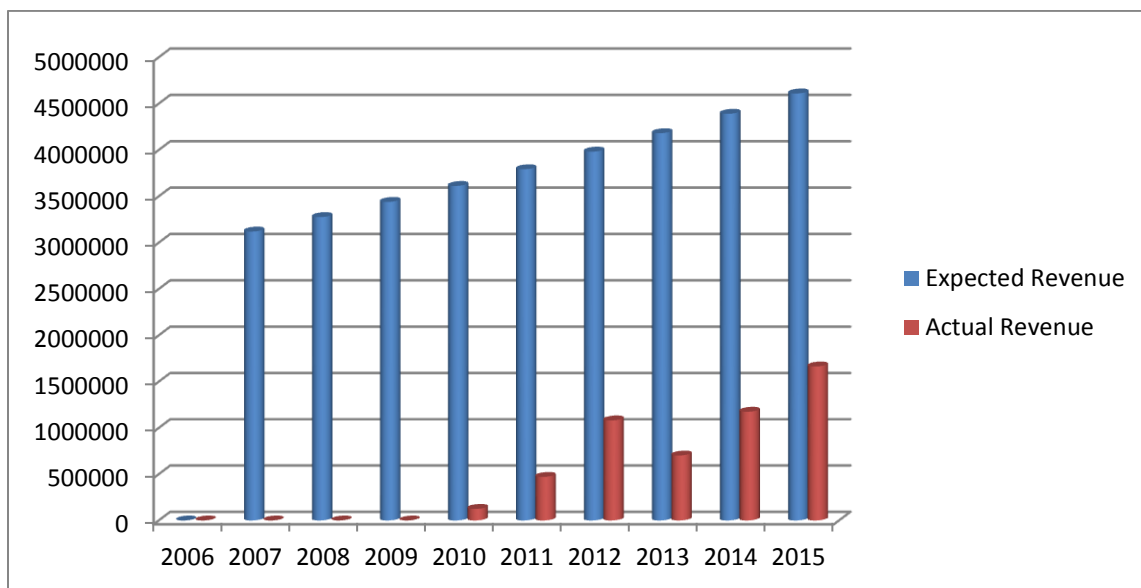
### 1.4.1 Shortfall of revenue due to non-selling of shops/offices:

(In million)



The entire project was planned to be financed through its own resources as Rs. 374.365 million were expected to have been realized from Parking Structure initially by selling of shops/offices. However, the cost was revised up to Rs.635.150 million which was also supposed to be financed through selling of shops located at top two floors which were incorporated in revised estimates. But no revenue has been realized in this respect up till now.

### 1.4.2 Expected monthly revenue/shortfall



The budgeted annual income of the project was conceived as Rs. 34.402 million from 2007 to 2015 but only Rs. 5.219/- million were collected which is only 15.17% of the expected income. Due to poor performance of the management, the Government sustained a loss of Rs. 29.183 over a period of time.

### 1.4.3 Net Present Value:

(In million)

Cash flow/revenue in 2007	0
Cash flow/revenue in 2008	0
Cash flow/revenue in 2009	0
Cash flow/revenue in 2010	0.125
Cash flow/revenue in 2011	0.471
Cash flow/revenue in 2012	1.081
Cash flow/revenue in 2013	0.702
Cash flow/revenue in 2014	1.175
Cash flow/revenue in 2015	1.664
<b>Total cash flow</b>	<b>5.219</b>
<b>NPV @ 10 % (2007)</b>	<b>2.863</b>

#### **1.4.4 Financial analysis:**

##### **1.4.4.1 Profitability Indicator:**

- Return on Asset (ratio):  
 $2.86/635.15=0.005*100=0.5$

The government has earned 0.5 rupees on each 100 rupee of asset cost, which is a significant loss.

##### **1.4.4.2 Opportunity cost:** 1647 million (On 10% discount rate of 2007 as per SBP)

#### **1.5 Revision of Project**

The scope of project was revised more than hundred percent without obtaining approval from PDWP.

## **2. AUDIT OBJECTIVES**

The main audit objectives were to examine:

- a) Economy, Efficiency and Effectiveness (3Es) of the project as a whole with special focus on the judicious and meticulous use of public resources.
- b) Whether the parking system in the area has been improved after the construction of the Parking Plaza.
- c) Whether the road side parking has decreased after the completion of the Project?
- d) Whether the project has helped to improve the Traffic jam problem in the area?
- e) Whether the project added revenue collection.
- f) The intended out put achieved within the estimated time and budget.
- g) The impact/reasons of cost over run and time over run.

## **3 AUDIT SCOPE AND METHODOLOGY**

The performance audit was conducted as per following scope and methodology;

1. Economy, Efficiency and Effectiveness (3Es) of the project were focused.
2. Review of the parking system after the construction of the Parking Plaza was made.
3. Observation of the road side parking after the completion of the Project was examined.



4. The compliance of Government Rules & Regulations, Accounting system and internal controls were observed.
5. The auditors visited the office of Senior Director, T&C, KMC, Karachi, under the control of CDGK for interviewing key personnel i.e. Senior Director, Senior Director and also conducted field visits.
6. The audit team physically visited the project and observed some deficiencies regarding construction and operations of the Project.
7. The audit team also visited similar nature of Parking Plaza on the land of KMC at PC Hotel Karachi to find out some adequate operational system as compared to the Parking Plaza at Lines Area, Karachi and gave recommendations to improve the Project.

## 4. AUDIT FINDINGS & RECOMMENDATIONS

### 4.1 Organization and Management

#### 4.1.1 Planning Issues

##### 4.1.1.1 Unauthorized Execution/Revision of PC-I without DDWP/Administrative Approval & Technical Sanctions. Rs. 635.15 million

According to section 2.22 of SPPRA Procurement Regulation (Works), “PC-I/PC-II of schemes/projects prepared by the administrative department is required to be placed before the Development Working Party/Committee according to the cost/competency of the forum as enumerated below:-

S.No.	Competent Forum	Cost of Scheme up to
1	District Development Working Committee (DDWC)	Rs. 20 million
2	Departmental Development Working Party (DDWP)	Rs. 40 million
3	Provincial Development Working Party (PDWP)	Rs. Five billion
4	Central Development Working Party (CDWP)	Rs. One billion
5	Executive Committee of the National Economic Council (ECNEC). After clearance from CDWP	Above Rs. One billion

Further, According to SPRA Rule 11.1.3, “administrative approval of PC-I of the scheme is required to be revised when expenditure excess 15% of total cost”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management executed the entire project of Rs. 258.45 million without getting approval of Departmental Development Working Party. The project was further revised up to 635.15 million with enhancement of two extra Floors 5<sup>th</sup> & 6<sup>th</sup> without the approval of the same from DDWP.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends fixing of responsibility for exercising powers beyond delegated financial powers and according of ex-post facto approval from the competent authority.

#### **4.1.1.2 Non-preparation of Feasibility Report (PC-II to PC IV)**

According to rule 3.4 of planning commission's manual for development projects, "PC-11 to PC IV are required to be prepared in large development projects".

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management executed the project without the preparation of Feasibility Report (PC-11 & PC IV), in violation of above rule.

Audit was of the view that non-preparation of the Feasibility Reports resulted into following deficiencies:

- Non installation of computerized vehicle management/control system
- Non provision of Shuttle service in PC-I
- Ineffective Site Selection for Parking Purpose
- Inadequate Security System
- Lack of co-ordination between management and traffic police
- Non-allocation of maintenance funds (Recurring Cost) per annum

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends fixing of responsibility on management on account of non-preparation of Feasibility Report (PC-II to IV), under intimation to audit.

#### **4.1.1.3 Non-appointment of independent Project Director & Non-constitution of Project Monitoring Unit (PMU)**

Planning Commission guidelines/directives for monitoring and evaluation of Projects para 6.339(i), states that, "The provision for the appointment of Project Directors for projects costing Rs. 100 million and above will be mandatory for the new projects to be approved by CDWP/ECNEC".

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to appoint independent Project Director for project. Besides, no PMU was constituted for proper implementation and monitoring for the project, in violation of above directives.

Audit was of the view that non-appointment of independent Project Director and non-constitution of PMU resulted into non-transparency in the execution of project. Moreover, no job description was found available for Project Director to determine the sphere of activities and extent of responsibilities and accountability which constituted weak financial management.

Deviation from directives issued by Planning Commission constituted weak internal control.

Audit recommends fixing of responsibility on account of non-appropriation of independent Project Director and & non-constitution of PMU, under intimation to audit.

#### **4.1.2 Management Issues**

##### **4.1.2.1 Failure to finance cost by selling of Project's Shops and Offices**

As per serial 10(a) (i) of PC-I of the project," the cost of Project will be financed by City Government, Karachi through selling the shops and Offices".

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to meet the finances of the project through selling of Shops and Offices of the Project, as envisioned in the above stated clause of PC-I. The shops/offices have not been sold yet.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault.

##### **4.1.2.2 Unauthorized Payment without Completion of Project - Rs. 360 million**

According to CPWD code section 30.4.1, completion certificate is to be recorded by project manager/S.E etc. in whose tenure work is completed".

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management released an amount of Rs 360 million to the contractor on completion report. But when the physical verification was made by audit team it was observed that 5<sup>th</sup> and 6<sup>th</sup> floors were still under construction (Annexure-B). The chances of misappropriation of Government funds cannot be ruled out.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person(s) for unauthorized payment without completion of Project.

#### **4.1.2.3 Unauthorized Execution of Works without Measurement Book- Rs.635.15 million**

According to section 7.2 of CPWD Work Manual, the measurement book should be considered as very important accounts records and maintained very carefully and accurately as these may have to be produced as evidence in a court of law, if and when required.

Further, as per Para-527 of PWD Manual, Volume-I & Sindh Local Councils (Accounts) Rules, 1983, Rule-109, stated that “No work shall begin unless proper detailed design and estimate have been sanctioned, allotment of funds made and order for its commencement issued by the competent authority”

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management, executed various works of the project amounting to Rs. 635.15 million without maintenance of M.B, in violation of above rule.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends fixing of responsibility for non-preparation of measurement book, under intimation to audit.

#### **4.1.2.4 Inefficiency of Management to Call in Auction of Shops and Offices**

As per serial 14 of PC-I of the project the, “Project will be financed by the CDGK through the sale of Shops and Offices planned in the Parking Plaza. Selling procedures will be defined by the Steering Committee of the Competent Authority”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to take serious action to call in auction of Shops and Offices since 2011 to date, due to which the huge loss of public money could not be avoided. Moreover, due to non-production of auction record audit apprehends that the call of auction as

well as non-response from buyers of Shops and offices are doubtful in commercial hub of the city. The building is being depreciated day by day since ten years have elapsed.

The management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) for not calling in Auction of Shops and Offices.

#### **4.1.2.5 Non-Imposition of Penalty – Rs. 62.149 million**

Clause II of the contract agreement, states that, “The time frame given for completion of the work is required to be observed and in case of failure/delay, penalty at the rate of 10% may be imposed on the total cost of the work”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management of CDGK incurred expenditure amounting to Rs. 621.489 million on Development & Construction of Car Parking Structure at Lines Area, Karachi, but failed to impose penalty on contractors @ 10% amounting to Rs 62.149 million on failure to complete the work within stipulated date of completion without proper justification, in violation of the above rule.

(In million)

<b>Name of Contractor</b>	<b>Date of Start</b>	<b>Stipulated DOC</b>	<b>DOC</b>	<b>Esti: Cost</b>	<b>Payment</b>	<b>10% Penalty</b>
M/S H.S Enterprises	20-05-2006	6 Months	30-07-2008	634.977	621.489	62.149

Audit was of the view that non-imposition of penalty resulted in extending undue favor to the contractors which constituted weak financial management.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends fixing of responsibility on account of failure to impose penalty on contractor. Besides, the same may be imposed and recovery be affected under intimation to audit.

#### **4.1.2.6 Doubtful Drawl of Consultancy Charges without Appointing Consultant - Rs. 13.109 million**

According to rule 3.4 of planning commission's manual for development projects, "In the case of large/complicated projects, appointment of local/foreign consultants is desirable. All proposals for consultancy, both local and foreign, for preparation of feasibility studies/ conducting surveys should be drawn up on the PC-II form and got approved from the competent Authority before undertaking the actual work.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management incurred consultancy charges amounting to Rs. 13.109 million but failed to appoint Consultant in violation of above rule.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) for doubtful drawl of consultancy charges without Appointing Consultant.

#### **4.1.2.7 Failure to attract Parking demand in Parking Plaza**

As per serial 6(i) of PC-I of the project that "The study of Project area has revealed that enough parking demand is available in vicinity of Project and which could easily be attracted to proposed parking facility".

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to take prompt measures to increase the parking facilities like attractive parking fees packages, removing of suffocation system, announcement system, and computerized vehicle monitoring system in parking plaza.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) for failure to attract parking demand in parking plaza.

#### **4.1.2.8 Loss of Revenue to Government due to Non-utilization of Parking space- Rs. 14.173 million**

As per serial 7(ii) of PC-I of the project that “The Project will consists of Ground Floor plus (4) four story building plus (2) two basements comprising of Ground floor, Mezzanine floor and First floor which will be reserved for Shopping Center and offices respectively and other floors being used for vehicle/Motor cycle parking”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to utilize the Parking area of the basement as well as lower Ground of the Project due to which Government sustained the financial loss of Rs. 14.173 million (Annexure- C). Detail is as under:

<b>Description</b>	<b>Capacity</b>	<b>Parking Rate</b>	<b>Monthly Total</b>	<b>Duration (Months)</b>	<b>Total</b>
Motor Cars (Basement)	105	25	78,750	79	6,221
Motor Cars (Lower Ground)	95		71,250		5,628
Motor Cycles (Basement)	70	10	21,000		1,659
Motor Cycles (Lower Ground)	28		8,400		6636
<b>Total</b>					<b>14.173</b>

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) for loss of revenue to Government due to non-utilization of parking space.

#### **4.1.2.9 Doubtful drawl of Training Charges amounting to Rs. 1.000 million**

As per Para 155 of GFR Vo-I read with Para 113 of SFR Vol-I “A reliable list, inventory or account of all stores in the custody of Govt. officers should be maintained in a form prescribed by competent Authority, to enable a ready verification of stores and check of accounts at any time and transactions must be recorded in it as they occur”.



During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management withdrew Training charges amounting to Rs. 1.000 million for Technical & Co-ordination staff without providing the details about the Training of the staff to audit, the chance of misappropriation of public funds could not be ruled out.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) for doubtful drawl of Training charges.

#### **4.1.2.10 Non-Removal of Illegal Parking in surroundings of Parking Plaza**

According to SLG Act-2013, Schedule-III, Part-I, Section (13) the functions and powers of the Municipal Corporation shall be to prevent encroachments so as to preserve Government assets.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to remove illegal parking near / surrounding the Project, in violation of above rule (Annexure-A).

Audit was of the view that management failed to remove illegal parking as per the major objective of the Project as detailed in PC-I (original) which constituted weak administrative control.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends fixing responsibility on the management for not taking serious efforts for removing illegal parking.

#### **4.1.2.10 Loss Due to Non-Revision of Parking Fee .Rs. 21000/**

As per Table 8.1 para 4 of PC 1, “parking fees shall be raised at the rate of 5 percent per annum”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to revise the parking fees as per PC-I (original) which resulted into loss of public revenue, in violation of above rules. (Annexure F).The detail is as under:

Type of Vehicle	Parking Rate as per PC-I (Original)	2010	2011	2012	2013	2014	2015	Revised Rate of Rent per Month
Car	25.00	26.25	27.56	28.94	30.39	31.91	33.50	34
Motorcycle	10.00	10.50	11.03	11.58	12.16	12.76	13.40	13

Audit was of the view that non-revision of parking fee as per prescribed law deprived the authority of revenue which constituted weak financial management.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends fixing responsibility on account of non-enhancement of parking fee. The same may be enhanced in accordance with provision of PC1, under intimation to audit.

#### **4.1.2.11 Non-Allocation of Maintenance funds (Recurring Cost) per annum**

As per serial 8 of PC-I, Annual Operating Cost of the project that was reserved as 0.50 Million for the first year. This shall be financed by earning revenue from the project.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to incorporate provision of annual operating cost in PC-1.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for non-allocation of maintenance funds.

## **4.2 Financial Management**

### **4.2.1 Internal Audit and Inspection not conducted by the Controlling Officer**

According to Para – 13 of General Financial Rules Volume – I, “Controlling Officer is required to carry out the internal audit and inspection of his office and those of Sub-ordinate disbursing officers, if any, at least once in every financial year to detect the error and irregularities to safeguard against waste and loss of Public money and store, but also that the prescribed checks are effectively applied. The results of these inspections should be incorporated in the form of an Inspection Report, copy of which should be endorsed to audit. The head of the department should, after his scrutiny of the report, communicate to audit a copy of his remarks thereon and any orders issued in that connection”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to conduct internal audit & inspection since the start of the Project, in violation of above rule.

The management failed to observe the Govt. rules and procedures, which reflects the absence of systematic control and financial in-discipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for non-conduct of internal Audit and Inspection.

### **4.2.2 Non accountal/Non-Verification of Stores and Stocks**

According to Rule-116 of Sindh Financial Rule Volume-I, it is the responsibility DDO to carry out annual physical verification of stock articles at the close of each financial year & result of such verification should be recorded in the relevant register and certificate to that effect should be sent to controlling authority in terms of Rule-80 of the Manual of Contingent Expenditure.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to account for both the stores and stocks in stock register and to conduct annual physical verification since the commencement of project, in violation of above rule (Annexure-F)

The management failed to observe the Govt. rules and procedures, which reflects the absence of systematic control and financial in-discipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for non-Accountal/non-Verification of Stores and Stocks.

#### **4.2.3 Verification of Deposited Revenue Income from Project - Rs. 5.220 million**

According to clause 5.2 of GFR (Ch:V) that,” The fundamental principle of the public finance is that all monetary transactions to which a Government servant may be a party in his public capacity should be brought to account without delay. The money received as due to the Government or for deposit in the custody of the Government should be credited to the public account by depositing it in the bank or treasury.

Further, clause 5.3 of GFR (Ch:V) states that, “As regards the revenues and other receipts of the Government, it is the primary duty of the officers concerned to see that dues of Government are correctly and promptly assessed, quickly realized and immediately deposited into the Government treasury.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management collected an amount of Rs – 5.219 million on account of Parking Fee during the period, but failed to obtain the verification/deposition of revenue certificate of the same by Senior Director, Finance and Planning Department KMC, in violation of the above rule. Detail is as under:

<b>Period of Revenue</b>	<b>Collected</b>
2010	125,000
2011	471,210
2012	1,081
2013	7021
2014	1,175
2015	1,664
<b>TOTAL</b>	<b>5.219</b>

The management failed to observe the Govt. rules and procedures, which reflects the absence of systematic control and financial in-discipline prevalent in the department.

Audit is of the views that due to absence of certificate of verification/deposition, the authenticity of receipts are doubtful.

Audit recommends fixing responsibility for non-verification of challans of government receipt deposited into bank, under intimation to audit.

### **4.3 Procurement and Contract Management**

#### **4.3.1 Award of contracts without signing of Integrity pact**

Rule 89 of Sindh Public Procurement Rules, states that, “Procurements exceeding Rs. 10 million for goods and works, and Rs. 2.5 million for services shall be subject to an integrity pact, as specified by regulations, between the procuring agency and the suppliers of contractors or consultants”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management awarded various works of Rs. 612.490 million but integrity pact was not signed with the contractor, in violation of above rule.

Audit was of the view that non-transparency in integrity pact constituted weak financial management.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for award of contracts without signing of Integrity pact.

#### **4.3.2 Un-Authorized Execution of Work without Fresh Tender- Rs- 360 million**

SPPRA Rules 2004 (42) (C) (IV), state that, “Repeat Orders means procurement of the same commodity from the same source without competition and includes enhancement of contracts; provided that: - (i) the cost of additional quantities of item(s) shall not exceed 15% of the original contract amount”.

Further, 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”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management awarded work amounting to Rs.275.150 million, regarding “Development & Construction of Car Parking Structure at Lines Area, Karachi”, which was revised up to Rs. 634.977 million (231% over & above original contract amount) in excess of permissible limit of Rs. 41.273 million i.e. 15% without re-tendering the contract, in violation of above rules.

Audit was of the view that execution of excess work beyond permissible limit without revising the original scheme and calling fresh tenders resulted into unauthorized expenditure and weak financial management.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends fixing of responsibility on official(s) responsible for unauthorized revision of work without re-tender, under intimation to audit.

#### **4.4 Construction and Works**

##### **4.4.1 Non-Acquisition of Land Measuring 4386 Sq.Yds for Parking Plaza**

According to the **Land Acquisition Act, 1894 (Act I of 1894)** as produced in Land Acquisition Rules 1982 rule 47, “Obligation to furnish information necessary for the preparation of records.– (1) Any person whose rights, interests or liabilities are required to be, or have been, entered in any record or register under this Chapter, shall be bound, on the requisition of any Revenue Officer or Patwari engaged in compiling or revising the record or register, to furnish or produce for his inspection, all such information or documents needed for the correct compilation or revision thereof as may be within his knowledge or in his possession or power.

Further, Sub rule (2) states, “If a person acquires a right through a registered document, the Registering Authority shall, in the prescribed manner, make a report of the acquisition of the right to the Patwari or the Service Centre Official”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management, it was observed that the management has constructed the Plaza on disputed land without its legitimate acquisition.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for non-acquisition of land for the project.

#### **4.5 Asset Management**

##### **4.5.1 Loss of revenue to Government due to non-selling of Shops and Offices amounting to Rs. 612.490 million**

According to table 11.1 of PC1,” the expected revenue from shops/Offices was 374.37 Million which was revised as Rs. 612.490 Million in revised estimates.”

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to sell the Shops at Ground, Mezzanine, Fifth & Sixth Floors and Offices at First Floor of the Project due to which Government sustained the financial loss of Rs. 612.490 million. Detail as below:

<b>Description</b>	<b>Area of Shop</b>	<b>Rate per (Sft)</b>	<b>Total</b>
161Shops at Ground and Mezzanine Floors	15875 (Sft)	15000	238,125
Shops at Fifth & Sixth Floors	15875 (Sft)	15000	238,125
42 Offices at First Floors	13624 (Sft)	10000	136,240
<b>Total</b>			<b>612.490</b>

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of economy, efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for loss of revenue to Government due to non-selling of Shops and Offices.

#### 4.5.2 Non achievement of revenue targets from Parking – Rs. 29.183 million

As per table 8.1 of PC-I, the “Annual Financial Income from the project was estimated as Rs. 29.183 Million.

Further, According to Rule 81(i) & (2) of Sindh District Government and Taluka/Town Municipal Administration (Budget Rules) 2002 “The primary obligation of the collecting officer shall be to ensure that all revenue due is claimed, realized and credited immediately into the local government fund under the proper receipt head. The head of the offices shall supervise and take corrective measures in respect of the activities of the collecting officers”

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to realize anticipated revenue as per PC-1. Details are as under:

(In million)

Description of Revenue (July-2009 to Dec-2015)	Budgeted		Total	Collected	Less Collected
	Cars	Motorcycles			
2007	2,520,000	600,000	3,120	0	3,120
2008	2,646,000	630,000	3,276	0	3,276
2009	2,778,300	661,500	3,439	0	3,439
2010	2,917,215	694,575	3,611	1250	3,486
2011	3,063,076	729,304	3,792	4712	3,321
2012	3,216,230	765,769	3,981	1,081	2,900
2013	3,377,041	804,057	4,181	7021	3,478
2014	3,545,893	844,260	4,390	1,175	3,214
2015	3,723,188	886,473	4,609	1,664	2,945
<b>GRAND TOTAL</b>	<b>27,786,943</b>	<b>6,615,938</b>	<b>34.402</b>	<b>5.219</b>	<b>29.183</b>
<b>Percentage (27,463,261 x 100 / 32,682,981) = 84.83 % Less Recovery</b>					

Audit was of the view that management provided loss to Government by not achieving revenue target of Rs 29,183,161/- (84.83 % less) which constitutes weak financial management.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends fixing responsibility on the management of CDGK for non-achieving revenue target. Further, remedial measure needs to be taken so as to achieve targeted revenue in future.



### **4.5.3 Doubtful payments without Installation of Assets–Rs 33.5 million**

The Annexure (Bill of Quantities) of PC-I of the Project sets provision of Installation of various Items i.e. Hondai Lifts/Carlift, Fire Fighting System, telephone system etc.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management, it was observed that management incurred expenditure amounting to Rs. 33.500 million on installation of various items, but during the physical verification by the audit team the same items were not found installed at Project, in violation of above rule. Detail is provided vide Annexure–D.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for doubtful payments without Installation of Assets.

## **4.6 Monitoring and Evaluation**

### **4.6.1 Improper Monitoring & Evaluation System**

According to Para-23 of General Financial Rules Volume – I, “every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”.

During examination of accounting record of Parking Structure, Lines Area, Karachi, it was observed that the management failed to appoint administrative and skilled staff for the successful running of the Project. The Project is run on ad hoc basis. There is no provision of payments of recurring cost and no proper security/janitorial services were available to safeguard the assets and to attract public to plaza (Annexure-E). Moreover, improper sanitation system was also observed at Project.

Thus management failed to comply with the rule set forth by the government, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for improper Monitoring & Evaluation System.

## **4.7 Environment**

### **4.7.1 Commencement of a Project without obtaining Initial Environmental Examination i.e. Environmental Analysis**

According to Sub Section (1) of Section 12 of the Pakistan Environmental Protection Act, (PEPA) 1997 “No proponent of a project shall commence construction or operation unless he has filed with the Government Agency designated by Federal Environmental Protection Agency or Provincial Environmental Protection Agencies, as the case may be, or, where the project is likely to cause an adverse environmental effects an environmental impact assessment, and has obtained from the Government Agency approval in respect thereof”.

Further, according to Regulation No.3 of the Pakistan Environmental Protection Agency (Review of IEE and EIA) Regulations, 2000 “A proponent of a project falling in any category specified in Schedule – I shall file an (IEE) with the Federal Agency, and the provisions of section 12 shall apply to such project”.

During course of audit of the Senior Director of Development & Construction of Car Parking Structure at Lines Area, Karachi, during year 2015-16, it was observed that management started the work of the Project without filling with concerned environmental Protection Agencies environmental impact assessment and approval in respect thereof, in violation of above rules.

Audit was of the view that the project was executed without assessing environmental impact of the project.

Deviation from prescribed procedure resulted in non-observance of efficiency and effectiveness in the project.

Audit recommends responsibility may be fixed against the person (s) at fault for Commencement of a Project without obtaining Initial Environmental Examination (IEE).

## **4.8 Sustainability**

In the absence of sufficient maintenance funds in respect of security, janitorial and other necessary services; lack of managerial control; improper monitoring & Evaluation system, i.e.

computerized vehicle management system, telephone and firefighting systems, there is least likelihood that the human, institutional and financial resources would be available to achieve project's results.

#### 4.9 Overall Assessment

The parking structure at Lines Area, Karachi has turned out to be an all-out fiasco from every respect:

- **Relevance:** The project is relevant to Government policies but could not succeed due to inefficiency and ineffectiveness of management.
- **Efficacy:** The efficacy of the project seems highly questionable in the absence of concrete outcomes and unaccomplished objectives.
- **Efficiency:** Substantial time overrun and cost overrun ;failure to achieve revenue targets for self-financing of the project dearth of the state of the art parking facility renders the entire project as well as management to be inefficient.
- **Economy:** Owing to the non-revision of PC1 as well as subsequent fresh tender process, competitive rates for procurements could not be achieved.
- **Effectiveness:** The project suffered from ineffectiveness as it failed to attract parking demand by introducing state of the art parking facility. The expected revenue in first year which was estimated to finance the project could not be realized. Similarly expected monthly revenue reflects an enormous shortfall.
- **Compliance with rules:** Violations of SPPRA rules and PC1 in particular were observed.
- **Risk rating of Project:** High

#### 5 Conclusion

The project can still give the better results if it is run economically, efficiently and effectively. All that is required is the managerial commitment as well as efficiency.

- **Key issues for future:** The project hits snag due to ineffective site selection and lack of liaison amongst management and traffic police for removal of illegal parking areas. The inaction and inefficiency of management, whose failure to auction shops/offices resulted in non-achievement of revenue targets, contributed towards the debacle of the entire project. The subsequent unauthorized revision of project was also made without sound consideration.

- **Lessons identified:**

1. Improper planning and inefficient management are keys to fiasco and otherwise.

2. Marketing and modern service delivery has a positive impact.
3. The best planning can be foiled by the worst execution.
4. Behind every failed activity/project there lies the curse of corruption.
5. Public assets are not looked after by management as their own resources.

## **6. Recommendations**

1. Auction process against completed portion/shops & offices may be initiated without further delay.
2. Top two floors may be completed by the management forthwith.
3. Annual rent may be revised in line with Table 8.1 of PC-1.
4. Measures may be taken for installation of lifts/car lifts, firefighting system and telephone system as per PC1.
5. Illegal parking areas in Saddar area in general and in surroundings of the project in particular may be eliminated in liaison with Traffic police and concerned KMC authorities.
6. Separate Managers for Security services, Janitorial services and parking services may be designated for better service delivery.
7. Parking demand may be attracted by means of state of the art computerized vehicle management system, better surveillance, security and janitorial system as adopted by Baradari parking area, KMC at PC Hotel.

Moreover, Responsibility may be fixed on officers at fault for following irregularities:

1. Non-utilization of precious public assets as well as non-realization of expected revenue.
2. Payment to contractor on wrong/fake completion report despite the fact that two floors are still under construction.
3. Non revision of PC-1/Non-commencement of fresh tender process after revision of cost up to 100 percent.

## **ACKNOWLEDGEMENT**

The DAGP express appreciation to the Management and staff of KMC/Parking plaza for the assistance and cooperation extended to the auditors during this assignment.



**Annexure- B**

**Para# 4.1.2.2**

**Non- Completion of the Project**



**Annexure- B**

**Para# 4.1.2.2**

**Non- Completion of the Project**





Dysfunctional Basement Parking Area



**Annexure-D****Para# 4.5.3  
Non Installation of Assets**

S.No.	Description	Unit	Qty	Unit Cost	Total
1	Hondai Lifts	Nos	4	4,500,000	18,000,000
2	Carlift	No	1	7,000,000	7,000,000
3	Fire Fighting System Fire House Cabinet	Nos	24	50,000	1,200,000
4	Gate valves for Fire Hydrant i. 2" dia ii. 4" dia	Nos	19	2,900	55,100
		Nos	4	8,000	32,000
5	Pump for (Fire Fighting)	No	1	125,000	125,000
6	G.I Pipes for Fire Fighting	Rft	500	400	200,000
7	Split A.C 18000 BTU complete	No	1	75,000	75,000
8	Split A.C 12000 BTU complete	No	2	55,000	110,000
9	11 KV Supply	Jobs	1	1,700,000	1,700,000
10	Owner H.T Panel	No	1	1,100,000	1,100,000
11	Transformer	No	1	1,100,000	1,100,000
12	L.T Cable				
	1x4c-16mm2 PVC/PVC+1c-10mm2 ECC	R.ft	600	81,000	81,000
	1x4c-50mm2 PVC/PVC+1c-35mm2 ECC	R.ft	270	98,550	98,550
	2x4c-300mm2 PVC/PVC+1c-150mm2 ECC	R.ft	800	1,876,800	1,876,800
	1x4c-400mm2 PVC/PVC+1c-400mm2 ECC	R.ft	250	746,500	746,500
13	Telephone system				349600
<b>Total</b>					<b>33,849,550</b>

**Annexure: E****Para# 4.2.2****Non-Accountal Of Purchased Items in Relevant Stock Register**

<b>S.No</b>	<b>Items Description</b>	<b>Quantity</b>
1	Split A.C 18000 BTU complete	1
2	Split A.C 12000 BTU complete	2
3	Passengers Lift Hyundai for 15 passengers	4
4	Car lift Hyundai of 2500 to 3000 kg	1
5	Firefighting pumps 500	1
6	Horizontal Water Pump KSB	2
7	Cabinet for monitor for control room	1
8	Camera Vision/Pic 225 etc complete	100
9	DVRX Vision 400 FPS Display Real time	7
10	Monitor 21"	7
11	Auto IRIS lence	20
12	Under Vehicle Inspection System	2
13	Automatic barrier Mechanism	4
14	Signal Light Red & Green	4
15	Controller	2
16	Vehicle counter & Loop indicator	7
17	Main LED	2
18	A.F long range reader	4
19	Bar code reader	2
20	Windshield RFID tags	500
21	Mini Led board	7
22	Thermal Printer	2
23	Touch Screen Monitor 15"	4
24	CPU link in base	4
25	Server Acer	1
26	T/L 2x400 Watt of Philips make	535
27	T/L 1x20 Watt of Philips make	626
28	Fan 56"	12
29	Exhaust Fan	20
30	Tube Lights 4x20	29
31	Energy Saver Lamp 24 Watts	30
32	Speaker Point with 2 core complete	30

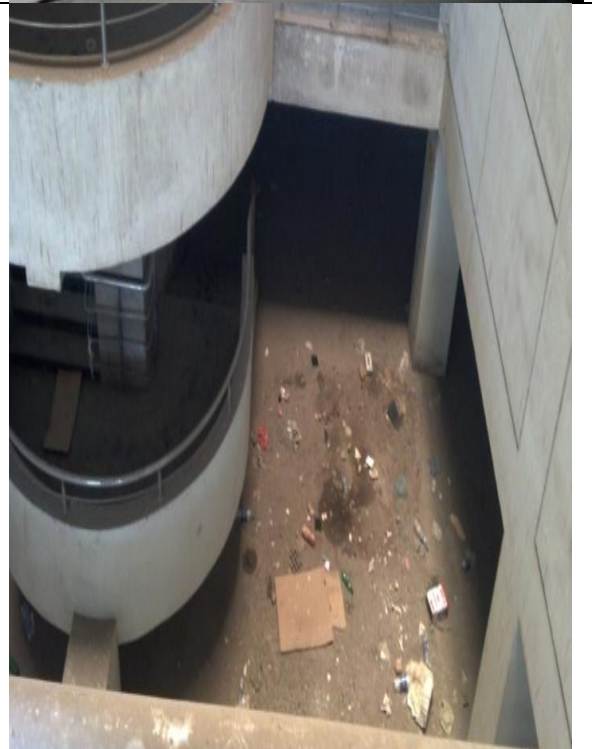
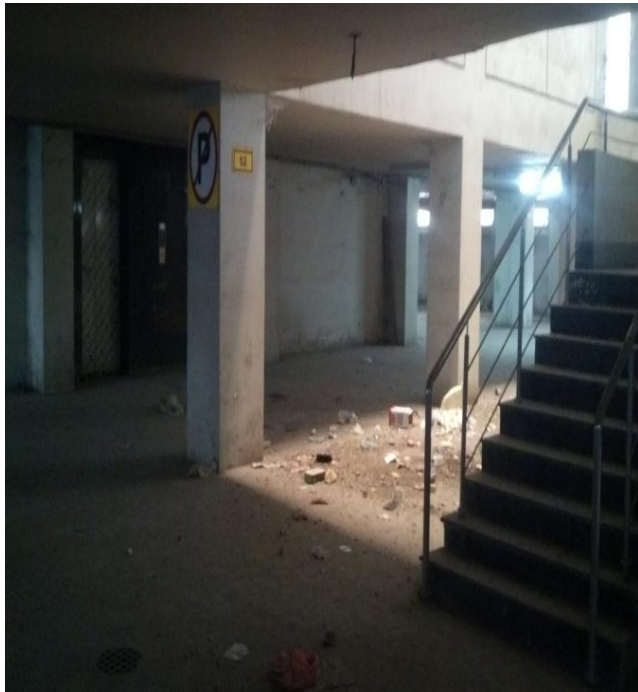
## Annexure F

## Para# 4.1.2.10

## Non Revision of Parking Fee

Car						
S #	F.Y	Qty	Actual Fee Charged	After 10% Increase	Difference	Amount to be Recovered
1	2010	336	25	26.25	1.25	420
2	2011	336	25	27.5	2.5	840
3	2012	336	25	28.9	3.9	1310.4
4	2013	336	25	30.3	5.3	1780.8
5	2014	336	25	31.9	6.9	2318.4
6	2015	336	25	33.5	8.5	2856
<b>Total</b>						<b>9525.6</b>
Motorcycle						
S #	F.Y	Qty	Actual Fee Charged	After 10% Increase	Difference	Amount to be Recovered
1	2010-	200	10	10.5	0.5	100
2	2011	200	10	11.03	1.03	206
3	2012	200	10	11.5	1.5	300
4	2013	200	10	12.16	2.16	432
5	2014	200	10	12.76	2.76	552
6	2015	200	10	13.4	3.4	680
<b>Total</b>						<b>2270</b>
<b>Sub-Total</b>						<b>11795.6</b>

Improper maintenance/janitorial services



**Improper maintenance/janitorial services**

