



SPECIAL STUDY REPORT
ON
CHARGED PARKING IN KARACHI

AUDIT YEAR 2018-19

AUDITOR-GENERAL OF PAKISTAN

Preface

The Auditor General conducts audit in terms of Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Section 10 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Special Study on Charged Parking in Karachi was carried out accordingly.

The Directorate General Audit, Local Councils, Sindh conducted the special study in March 2019 on Charged Parking in Karachi managed by the Karachi Metropolitan Corporation (KMC), Karachi Development Authority (KDA) and District Municipal Corporations (DMCs) in their respective jurisdiction in the city. In addition, audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in exercise of their functions of awarding contracts and monitoring over charged parking sites in Karachi. Audit Report indicates specific actions that, if taken, will help management to realize the objectives.

The report has been finalized by incorporating the view point of the management where received. The Principal Accounting Officer, Secretary Local Government & Housing Town Planning Department, Government of Sindh did not convene DAC meeting despite pursuance by Audit.

The Special 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 Sindh.

Islamabad

Dated:

(Muhammad Ajmal Gondal)

Auditor General of Pakistan

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Abbreviations and Acronyms

CCTV	Close Circuit Television
DAC	Departmental Accounts Committee
DMC	District Municipal Corporation
KDA	Karachi Development Authority
KMC	Karachi Metropolitan Corporation
NADRA	Natinal Database & Registration Authority
NIPA	National Institute of Public Administration
PAO	Principal Accounting Officer
SFR	Sindh Financial Rules
SLGA	Sindh Local Government Act

Executive Summary

Directorate General Audit, Local Councils, Sindh conducted special study on Charged Parking in Karachi during March 2019. The main audit objectives of the Special Study were to analyze the mechanism of revenue generation through charged parking, observe the implementation of the Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, check transparency in award of rights of collection of parking fee to contractors and observe the role of respective formations in charged parking.

Parking policy is a key to urban traffic mobility management. It is mandatory for concerned departments to implement charged parking policy to reduce traffic congestion and enhance revenue generation. As per Schedule-V of Sindh Local Government Act, 2013, Karachi Metropolitan Corporation (KMC), Karachi Development Authority and District Municipal Corporations (DMCs) are authorized to levy and collect parking fee from the parking areas in their respective jurisdiction.

The Special Study mainly focused on whether the prescribed manner of charged parking in Karachi was complied with in accordance with relevant provisions of Sindh Local Government Act, 2013, Sindh Local Councils (Auctioning Rules) 2016 and Councils' resolutions on the subject matter.

Key Audit Findings:

- i. The Local Government (Parking) Model Bye-laws as per pattern of Punjab province were not formulated for effective management of charged parking sites¹.
- ii. Advance Income Tax and Sindh Sales Tax on Services of Rs4.195 million was not collected upon auction of rights for collection of parking fee².
- iii. Targeted revenue on account of parking fee was not achieved by the management resulting in shortfall of Rs47.023 million³.
- iv. Non-disclosure of reserve price in auction notice⁴.

¹ Para: 5.1.2

² Para: 5.1.3

³ Para: 5.1.4

⁴ Para: 5.1.5

- v. Contracts of rights for collection of parking fee involving financial impact of Rs4.264 million were awarded to various entities without competitive auction process⁵.
- vi. Charged parking sites were operated by the contractors through engaging their own staff instead of utilizing services of charged parking staff of the offices awarding the contracts. The relevant clause in the agreements was not incorporated by the management in contravention of the regulations providing such utilization⁶.

Recommendations:

- i. Formulating of Local Government (Parking) bye-laws for effective management of charged parking be ensured.
- ii. Effective steps for recovery of applicable taxes upon auction of rights for charged parking be taken.
- iii. Inquiry may be conducted in the matter of non-transparent award of charged parking contracts.
- iv. Effective measures should be taken for realization of targeted revenue/collection.
- v. The reserve price for auction of charged parking sites should be disclosed in the auction notice/tender.
- vi. Utilization of charged parking staff of relevant offices by contractors to collect fee as per Rule-23 (4) and (5) under Chapter-III of Sindh Local Councils Auctioning of Collection Rights Rules,2016 be ensured.

⁵ Para: 5.1.6

⁶ Para: 5.1.9

1. Introduction

Irregular parking on almost all major roads and commercial centers of the city of Karachi have restricted the space for moving traffic resulting into frequent traffic jams. In addition, the non-availability of parking facility have further aggravated the situation. As per Karachi Building & Town Planning Regulations 2002, the provision of parking space is an essential requirement in the design and location of major buildings and shopping centers as part of building plans. However, this has been grossly violated by builders and developers.

1.1 Organizations managing the Charged Parking

Director Charged Parking KMC, Director Charged Parking KDA, Project Director Lines Area Re-development Project, Directorate of Charged Parking of District Municipal Corporation, District Central, East, West, South, Korangi and Malir manage the charged parking sites under their respective jurisdictions with following functions;

- i. Formulation & implementation of parking policy
- ii. Preparation of budget estimates
- iii. Auction of different sites of charged parking for recovery of parking fee through auctioning process under Local Councils (Auctioning Rules, 2016)
- iv. Survey of charged parking sites
- v. Fixing and approval of rates of parking fee
- vi. Effective utilization of resources of charged parking sites
- vii. Adoption of policies to control the traffic jam issues including conducting of sample socio-economic surveys for reduction of traffic jam
- viii. Maintenance of data-bank of charged parking sites in respective jurisdiction
- ix. Prevention, detection and removal of encroachments on charged parking sites

1.2 Regulatory Framework

- i. Sindh Local Government Act, 2013 amended up-to 2015
- ii. Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016
- iii. Sindh Local Councils Budget Rules, 1985 (updated up-to 2017)
- iv. Bye-laws of KMC, DMCs & KDA regarding charged parking.

1.3 Internal control system of organization

- i. According to Rule 3(1) of Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, “A Local Council may collect an income through a contractor by awarding contract for collection of rights for a period not exceeding one year”
- ii. According to Rule 3 (1) of Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, “For the contract of awarding of collection rights of an income the following auction procedure shall be adopted:
 - a) A public notice for conduct of an auction in not less than three widely circulated newspapers in Urdu, Sindh & English languages, shall be published by the Local Council, at least fifteen days before the date of auction
 - b) The notice shall contain the date and time of auction specifying the major terms and conditions for participating in the auction
- iii. According to Chapter-III, Rule 8-Manner of awarding of contract of Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, “The contract of collection rights of an income of a Local Council shall be awarded to the highest bidder through an open bid adopting the procedure of auction”. Further, Rule 9 ibid states “the reserve price for an income shall be the average of last three years’ income.
- iv. According to Rule (15): Eligibility of Contract, of Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, “Any person who:
 - a) is defaulter in respect of any dues to a Local Council or any Federal or Provincial Department; or
 - b) has been blacklisted by a Local Council or any other Federal or Provincial Department; or
 - c) has been declared insolvent; or (iv) is not competent to enter into an agreement under the law, shall not be eligible to be a contractor.”

2. Study Defined

2.1 Purpose of study

The main objectives of the study were to

- i. Check whether the Parking Fee is collected in accordance with relevant rules, regulations and Auctioning Policy, 2016.
- ii. Check transparency in award of rights of collection of parking fee to the contractors.
- iii. Check the role of respective departments in monitoring of the charged parking sites.

2.2 Scope of study

- i. To scrutinize the record relating to Charged Parking maintained at the concerned departments of KDA, KMC and DMCs.
- ii. To check whether the related rules, regulations and contract provisions were being complied in the process of Charged Parking.

The scope of special study was limited due to non-production of record by District Municipal Corporation District West, Korangi and Malir.

2.3 Beneficiary of study

Beneficiaries of the study are the concerned offices managing the charged parking, Government of Sindh, policy/decision makers as well as general public.

3. Study Design

3.1 Time period

The special study was conducted in Feb-March 2019.

3.2 Data planned for examination

- i. Data of sites earmarked for the purpose of charged parking by respective offices of KMC, DMCs and KDA.
- ii. Record relating to process of auction, execution of contracts and revenue collection.
- iii. Data of monitoring/inspection by controlling offices.

3.3 Methodology

- i. Gathering information from record produced to audit by management of Charged Parking, KMC, DMCs & KDA.
- ii. Ascertaining violations of charged parking sites through visits of sites of charged parking on sample basis under jurisdiction of Director Charged Parking, KMC, DMCs & KDA.

4. Data Analysis

Following analytical work was done for conducting the special study:

- i. Review of auction process adopted by respective offices.
- ii. Evaluation of internal controls prevailing in the respective offices.
- iii. Assessment, on test check basis, regarding compliance with applicable laws, rules and regulations in managing the operations for charged parking.

5. Study findings and recommendations

5.1 With reference to purpose of the study

5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- "(2) The officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules."

Further, according to Article 116(1) of SLGA, 2013, the accounts of every Council shall be audited in such a manner, after such intervals and by such authority, as provided under any law or as prescribed. (2) The audit authority shall have access to all books, records and other documents pertaining to accounts and may also examine the Mayor, Deputy Mayor, chairman, vice chairman or any member or employee of the council.

During Special Study on Charged Parking in Karachi, the management of following offices failed to produce auditable record to Audit for detailed scrutiny (Detail is provided at **Annex-1**).

Sr. No.	Name of Office	Remarks
1	Chairman/MC District Municipal Corporation, District West	No record produced
2	Chairman/MC District Municipal Corporation, District Korangi	
3	Chairman/MC District Municipal Corporation, District Malir	
4	Director, Charged Parking, KMC	Partial Record produced
5	Director, Charged Parking, KDA	
6	Project Director Lines-area Re-development Project, KDA	
7	Chairman/MC District Municipal Corporation, District Central	
8	Chairman/MC District Municipal Corporation, District East	

Audit was of the view that non-production of record was a hindrance in the functions of audit, besides it reflected disregard of the rules by the management of concerned offices.

The matter was reported to the management in August 2019. In response, the Director Charged Parking KMC replied that the record had been produced to audit team. However, the contention was not tenable because the record as detailed at Annex-1 of this para was not produced till the close of audit despite repeated reminders and pursuance by audit. Remaining offices did not respond to non-production of record. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends production of auditable record besides fixing of responsibility on the person(s) at fault.

5.1.2 Non-formulation of Local Government (Parking) Bye-Laws

According to Rule 103(1) of Sindh Local Government Act, 2013, “All taxes, rates, tolls, fees, and other charges levied by a Council shall be imposed, assessed, leased, compounded, administered and regulated in such manner and within such period as may be prescribed; and (2) Rules framed under this section may, among other matters provide for the obligations of the tax-payer and the duties and powers of the officials and other agencies responsible for the assessment and collection of taxes”.

During Special Study on Charged Parking in Karachi, it was observed that following offices failed to formulate Local Government (Parking) Model Bye-Laws as formulated by Government of Punjab, viz., “Local Government (Parking) Model Bye-Laws, 2018” for effective management of parking sites and collection of parking fee.

Sr. No.	Name of Office
1	Director, Charged Parking, KMC
2	Director, Charged Parking, KDA
3	Project Director, Lines Area Re-development Project
4	Chairman/Municipal Commissioner, DMC Central
5	Chairman/Municipal Commissioner, DMC East
6	Chairman/Municipal Commissioner, DMC South

Audit was of the view that management could not formulate model bye-laws for improving and streamline the mechanism of charged parking.

The matter was reported to the management in August 2019. The Director Charged Parking KMC replied that the point raised by Audit had been noted for compliance and added that KMC has implemented the Charged Parking bye-laws, 1975 and time to time legislation made by city council. However, the progress in framing of bye-laws for improved mechanism of charged parking was awaited. Reply from

remaining offices was not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends framing of by laws for Charged Parking for improved process of auction and revenue collection.

5.1.3 Non-recovery of Advance Income Tax and SST – Rs4.195 million

As per Income Tax Ordinance, 2001, Division VIII of Part IV of the First Schedule, “The rate of collection of tax under section 236-A shall be 10% of the gross sale price of any property or goods sold by auction”.

According to Section-3(1) of Sindh Sales Tax on Services Act 2011, “Taxable services shall be charged, levied and collected a tax known as sales tax on the value of a taxable service at the rate specified.”

During Special Study on Charged Parking in Karachi, it was observed that following offices failed to recover taxes amounting to Rs4.195 million from contractors on account of Advance Income Tax and Sindh Sales Tax on Services on award of contract for rights for collection of parking fee. Summary position is as follows. Further detail is provided at **Annex-2**.

(Rupees in million)

Sr. No.	Name of Office	Advance Income Tax	SST	Total Amount
1	Director, Charged Parking, KDA	0.124	0.161	0.285
2	Chairman/Municipal Commissioner DMC, Central	1.200	1.560	2.760
3	Chairman/Municipal Commissioner DMC, East	0.500	0.650	1.150
Total		1.824	2.371	4.195

Audit was of the view that non-recovery of the taxes was a loss of revenue to public exchequer.

The matter was reported to the management in August 2019, but no reply was received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends recovery of the taxes besides fixing of responsibility on the person(s) at fault.

5.1.4 Less achievement of targeted receipts – Rs47.023 million

According to Section 103(1) read with 96(1) of Sindh Local Government Act, 2013, “All taxes, rates, tolls, fees, and other charges levied by a Council shall be imposed, assessed, leased, compounded, administered and regulated in such manner and within such period as may be prescribed”.

As per Clause 6.3.4.1, Chapter 6 of Accounting Policies and Procedures Manual, “A monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities”.

During Special Study on Charged Parking in Karachi, it was observed that KMC and DMC (East), achieved Rs122.976 million against the budgeted target of Rs170.00 million on account of parking fee resulting into shortfall of targeted revenue of Rs47.023 million (detail is provided at **Annex-3**). Further, following lapses were also observed:

- i. A monthly reconciliation of bank accounts was not carried out.
- ii. Collected fee into relevant head of account on daily basis was not made.
- iii. Separate bank account for parking fee collection was not maintained.

Audit was of the view that non-reconciliation of collected parking fee and non-maintenance of separate bank account was violation of accounting policies and procedures manual.

The matter was reported to the management in August 2019. The Director Charged Parking KMC replied that shortfall in targeted revenue occurred against the budgeted target due to shrinking of charged parking sites from 51 to 31 on promulgation of Sindh Local Government Act, 2013. Further, it was replied that reconciliation of collected revenue is responsibility of Finance Department of KMC. The reply was not tenable as the budget estimates for revenue of charged parking for the financial year 2015-16 onwards were prepared by the management much after the promulgation of SLG Act, 2013 on the basis of reduced number of sites. It was primarily responsibility of the office, which collects parking fee, to reconcile the amount of revenue collection with relevant Bank and Finance Department. Reply from remaining offices was not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends that effective measures be taken to strengthen the achievement of targeted receipts, besides the reconciliation of the collected receipts with the bank and the finance department may be made.

5.1.5 Non-disclosure of reserve price in auction notice – Rs17.000 million

According to Rule 5(V), Chapter-II of Auction Procedure of Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, “A public notice shall contain the minimum reserve price of auction, amount of bid security and period of contract with rates and dates”.

During Special Study on Charged Parking in Karachi, it was observed that following offices invited bids for auction in different newspapers for award of contract of rights for collection of Parking Fee without mentioning the minimum reserve price of auction and awarding contracts on lump sum basis.

(Rupees in million)

Sr. No.	Name of Office	Name of Contractor	Amount of Contract
1	DMC East	M/S Medfield Domestic	5.000
2	DMC Central	M/S A.M Global & Co	12.000
Total			17.000

Moreover, in case of Sl.No.2 above, no record related to meeting of auction committee for auction of charged parking site was produced to audit. Furthermore, in contravention of auction notice providing the proposed contract period from 1st July 2017 to 30th June 2018, the effective date of agreement was found as from 1st October 2017 to 30th June 2018.

Audit was of the view that invitation for auction without mentioning minimum reserve price reflected non-transparency in auctioning process.

The matter was reported to the management in August 2019, but no reply was received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends that reserve price for auction of parking sites may be disclosed in the auction notice, besides taking remedial measures to avoid recurrence.

5.1.6 Irregular award of right for collection of parking fee without auction Rs4.264 million

According to Section 77 (4) of Sindh Local Government Act, 2013, “All contracts for transfer by grant, sale, mortgage, lease or otherwise of immovable property or any interest and right thereto or disposal or sale of movable property or for leasing out rights to collect taxes shall, subject to the rules be entered into after inviting offers in an open auction”.

During Special Study on Charged Parking in Karachi, it was observed that the offices of the Charged Parking, KMC and Charged Parking, KDA awarded the contracts of collection of rights for parking fee to various super stores/entities and realized an amount of Rs4.264 million. However, same contracts were awarded without inviting bids/auction in violation of above stated criteria. Detail is provided at **Annex-4**. Moreover, following irregularities were also noticed:

- i. Detailed survey report in respect of actual space reserved for parking was not verified/authenticated by the management. Actual space handed over seemed more than the space allotted upon visit at site by the Audit.
- ii. Rate offered by the beneficiaries and accepted by office was not approved by the Competent authority
- iii. Rate analysis of the offered amount from the beneficiaries was not carried out by the management
- iv. Actual flow of vehicles for the parking was not verified

Audit was of the view that undue favour was extended to contractors by awarding contracts of collection of parking fee without open auctions.

The matter was reported to the management in August 2019. The Director Charged Parking KMC in its reply elaborated upon the procedure of allocation of “Reserved parking spaces” on payment of Rs2,000/- per car per month, which was not relevant to the audit observation. No clarification was made in respect of point raised in the audit observation regarding award of contract without due competitive process. Reply from remaining office was not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends compliance of rules of auction policy, besides fixing of responsibility on the person(s) at fault.

5.1.7 Award of contract without guarantees - Rs22.691 million

According to Rule 25 of Sindh Local Councils (Auctioning of Collection Rights) Rules under Chapter-III, Sureties & Guaranties, “(1) The contractor shall provide at least two sureties and guarantor of a contract. The sureties and guarantor shall be personally responsible for payment of dues recoverable from the contractor in case of default and (2) The Local Council shall be entitled to recover all dues from the sureties and guarantor in case of default on the part of contractor due to any reason whatsoever. All the costs and consequential costs of legal proceedings shall also be recoverable from them”.

During Special Study on Charged Parking in Karachi, it was observed that following offices awarded various contracts for collection of parking fee amounting to Rs22.691 million to contractors without obtaining sureties and guarantors. Further, contractors used unofficial printed slips on account of parking fee. Detail is provided at **Annex-5**.

(Rupees in million)

Sr. No.	Name of Office	Amount of Contract
1	Director, Charged Parking, KMC	4.451
2	Director, Charged Parking, KDA	1.240
3	DMC Central	12.00
4	DMC East	5.00
Total		22.691

Audit was of the view that award of contracts for collection of parking fee without obtaining sureties and guarantors from contractors constituted weak internal control/financial management.

The matter was reported to the management in August 2019. The Director Charged Parking KMC at Sl.No.1 replied that rights of contracts were awarded after obtaining sureties and guarantors from contractors. However, no documentary evidence was produced. Further, management replied that contractor used its own receipt books and there was no condition in the relevant contract for using official books at the charged parking sites. The reply was not tenable as the conditions of contract were prima facie drafted in favor of contractor, besides it deprived the respective authorities of the right of control over fee charging. Reply from remaining offices were not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends obtaining of security of surety, besides fixing of responsibility on the person(s) at fault.

5.1.8 Unknown vehicles parked in Parking Plaza, Saddar, Karachi

According to Section (I) of Appendix 18-A of Sindh Financial Rules, "Means should be devised to ensure that every government servant realizes fully and clearly that he will be held personally responsible for any loss".

During Special Study on Charged Parking in Karachi, it was observed that Project Director, Lines Area Re-development Project, Karachi Development Authority (KDA) failed to maintain necessary record for 12 vehicles parked at Charged Parking Plaza,

Saddar, Karachi since the year 2016 onwards without effecting recovery of parking fee Rs0.447 million calculated upto March 2019. Detail is provided at **Annex-6**.

Audit was of the view that non-maintenance of record of the parked vehicles resulted in loss of revenue to the government.

The matter was reported to the management in August 2019, but no reply was received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends working out the updated parking fee alongwith recovery, besides fixing of responsibility on the person(s) at fault.

5.1.9 Irregular collection of Parking Fee by the persons other than local councils staff

According to Rule-23(4), Chapter-III, Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016, “The contractor shall be entitled to supervise, monitor and control the collection staff entrusted to him for the purpose of collection of relevant income”.

Further, Rule 23(5) ibid provides, “The contractor shall not be authorized to appoint his personal staff for collection of income. All the collections shall be carried out by him through the staff of Local Councils concerned assigned to him for this purpose”.

During Special Study on Charged Parking in Karachi, it was observed that the following offices awarded rights of collection for Parking Fee to different contractors without making any provision in the contract agreements for deputing the staff of Local Councils for collection of Parking Fee. Further, contractors executed process of collection of Parking Fee through their own staff instead of officials of the respective offices, which awarded the contracts.

Sr. No.	Name of Office	Period
1	Director, Charged Parking, KMC	2015-16 to 2017-18
2	Director, Charged Parking, KDA	2015-16 to 2017-18
3	Chairman/Municipal Commissioner, DMC Central	2015-16 to 2017-18
4	Chairman/Municipal Commissioner, DMC East	2015-16 to 2017-18

Audit was of the view that collection of parking fee other than councils staff was a violation of SLG Act, 2013

The matter was reported to the management in August 2019. In response, the Director Charged Parking KMC in its reply contended that after outsourcing of charged

parking sites, the inspection & vigilance teams had been constituted for visits at sites to monitor the recovery system. The reply was irrelevant, as non-compliance of the rules referred in the audit observation was not clarified by the management. Reply from remaining offices was not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends fixing of responsibility on the person(s) at fault for unauthorized operation of charged parking sites.

5.1.10 Improper maintenance of cash book

As per Rule 34 (b) of Sindh Financial Rules, “The cash book should be closed and balanced each day and that balance of each column at the end of each month should be verified with the balance of cash in hand and a certificate to that effect recorded in the cash book under the signature of the government servant responsible for money”.

During Special Study on Charged Parking in Karachi, it was observed that following offices failed to maintain cash book properly.

Sr. No.	Name of Office	Period
1	Director, Charged Parking, KMC	2015-16 to 2017-18
2	Project Director, Lines Area Re-development Project, KDA	2015-16 to 2017-18
2	Chairman/Municipal Commissioner, DMC Central	2015-16 to 2017-18
3	Chairman/Municipal Commissioner, DMC East	2015-16 to 2017-18

Following discrepancies were found in maintenance of cash book:

- i. Cash book was not maintained on prescribed format i.e. Form No. Fin.R Form No.02
- ii. Entries were not checked other than writer.
- iii. Classification of Receipt & Payment was not made
- iv. Monthly Closing were not made
- v. Cutting and Overwriting were made without authentication
- vi. Cash Book was not maintained in chronological order
- vii. Certificate of pages of cashbook was not recorded
- viii. Cheque numbers and dates were not recorded on payment side
- ix. Monthly verification of cash balance was not recorded at the end of each month
- x. Fidelity Bond was not obtained from cashier

Audit was of the view that due to non-maintenance of cashbook on prescribed format authenticity of transactions could not be verified.

The matter was reported to the management in August 2019. The Director Charged Parking KMC replied that the audit observation was noted for compliance. However, the progress made in compliance with audit observation for proper maintenance of the cashbook was awaited. Reply from remaining offices was not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends maintenance of cashbook on prescribed format, besides fixing of responsibility on the person(s) at fault.

5.1.11 Overcharging of parking fees in violation of approved rates

According to Rule 26(1)(iii), Chapter-IV of Sindh Local Councils (Auctioning of Collection Rights) Rules 2016, “The contract shall automatically stand cancelled if a contractor involves in overcharging and circumventing rule, bye-laws and notifications related to collection of respective income”.

During Special Study on Charged Parking in Karachi, it was observed that following offices awarded rights of collection for parking fees to different contractors who were found collecting parking fee at higher than the approved rates. Details are as follows:

Sr. No.	Name of office	Parking Fee for Cars		Parking Fee for motorcycles	
		Approved Rates	Actual Rate Charged	Approved Rates	Actual Rate Charged
1	Charged Parking, KMC	Rs.20/-	Rs.30 to 50	Rs.10 /-	Rs.20/-
2	Charged Parking, DMC Central	Rs.20/-	Rs.30 to 50	Rs.10 /-	Rs.20/-
3	Charged Parking, DMC East	Rs.20/-	Rs.30 to 50	Rs.10 /-	R.s20/-

Audit was of the view that collection of parking fees by the contractor at higher rates than the approved rates was violation of rules which indicated weak monitoring by the management.

The matter was reported to the management in August 2019. The Director Charged Parking KMC replied that the show cause notices were issued to the contractors and different amount of penalties imposed for over charging of parking fees, the permanent staff was also posted to check the overcharging at site. However, the documentary evidence of specific action taken, amount recovered and contracts cancelled was not provided. Reply from remaining offices was not received. The PAO did not convene DAC meeting despite pursuance by Audit.

Audit recommends providing of documentary evidence of action taken against the defaulting contractors, besides strengthening of internal controls and vigilance mechanism.

5.2 General findings

- i. Non-formulation of Local Government parking bye-laws
- ii. Less achievement of targeted receipts
- iii. Non-compliance of Sindh Local Councils (Auctioning of Collection Rights) Rules 2016 in award of contracts of parking fee
- iv. Non-execution of contract agreements in prescribed manner and format with contractors for award of contract of parking fee in violation of Sindh Local Councils (Auctioning of Collection Rights) Rules 2016
- v. Non-conducting of regular site surveys of charged parking sites by management of concerned offices.
- vi. Non-developing of new charged parking sites for effective and smooth traffic management.

6. Recommendations

6.1 Recommendations for organization

- i. Managements should award contract of collection rights to the contractors as per Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016.
- ii. Auction notice should be published in prescribed manner in three widely circulated newspapers, i.e., Sindhi, Urdu & English languages.
- iii. Execution of contract agreements as per prescribed manner and format for collection of parking fee be ensured.
- iv. Deposit of collected income from contractors by relevant offices on daily basis in relevant head of account should be ensured along with monthly reconciliation with concerned bank, finance and accounts department.
- v. Vigilance teams should be constituted to ensure effective monitoring and management of the charged parking sites.

6.2 Recommendations for Policy Makers

- i. Management should focus on developing Local Government Model (Parking) Bye-Laws
- ii. Proper arrangements of security and cleaning facilities should be ensured at parking sites. The liaison be made with traffic police in order to manage traffic problems at main areas of shopping centers where required.
- iii. Conducting of survey of sites for identifying new charged parking sites to improve revenue and reduce the traffic problems
- iv. Internal control and monitoring system of collection of receipts should be reviewed and effective measures may be adopted for enhancing the revenue.

Acknowledgement

The department of Auditor General of Pakistan expresses appreciation to the management and staff of Karachi Metropolitan Corporation, Karachi Development Authority and District Municipal Corporations for assistance and cooperation extended to the auditors during this assignment.

Annexures

Non-Production of Record

04. Director Charged Parking KMC

S. No.	Description
01	Record/details showing the details of policy matters regarding operation/running & collection of parking fee
02	Record/details showing the actions taken to enhance the revenue income on account of parking fee
03	Register of Issued Charged parking slips maintained at charged parking sites
04	Reconciled Record/details showing budget estimates, actual realization on account of charged parking for last three years
05	Total expenditure incurred on account of charged parking department including pay & allowance of employees, non-salary component and development expenditure if any inured
06	Record/Details showing details of charged parking sites reserved for auction(s)
07	Record/details regarding charged parking sites reserved for running and operation by staff of KMC (if any)
08	Complete record/details regarding auctions held during 2016-18
09	Record/details showing details of approved sanctioned and working strength of charged parking directorate of KMC
10	Record/details regarding arrears/outstanding dues
11	Bank Statements of bank accounts pertaining to charged parking
12	Register of Revenue realized
13	Record/details of auction committees constituted
14	Report of defalcation & losses

05. Director Charged Parking, KDA

S. No.	Description
01	Record/details showing the details of policy matters regarding operation/running & collection of parking fee
02	Record/details showing the actions taken to enhance the revenue income on account of parking fee
03	Register of Issued Charged parking slips maintained at charged parking sites
04	Reconciled Record/details showing budget estimates, actual realization on account of charged parking for last three years
05	Total expenditure incurred on account of charged parking department including pay & allowance of employees, non-salary component and development expenditure if any inured
06	Record/Details showing details of charged parking sites reserved for auction(s)
07	Record/details regarding charged parking sites reserved for running and operation by staff of KDA
08	Complete record/details regarding auctions held during 2016-18
09	Record/details showing details of approved sanctioned and working strength of charged parking directorate of KDA
10	Complete Record/Details showing details of revenue collection made by Directorate of Charged Parking, KDA
11	Record/details regarding arrears/outstanding dues
12	Cash Book
13	Bank Statements of bank accounts pertaining to charged parking
14	Register of Revenue realized
15	Record/details of auction committees constituted
16	Report of defalcation & losses

Annex-1 Contd.**06. Project Director, Lines Area Re-development Project (Charged Parking Plaza Saddar)****KDA**

S. No.	Description
01	Record/details showing the details of policy matters regarding operation/running & collection of parking fee
02	Record/details showing the actions taken to enhance the revenue income on account of parking fee
03	Reconciled Record/details showing budget estimates, actual realization of revenue on account of charged parking for last three years
04	Expenditure incurred on non-salary component and development expenditure if any
05	Record/details regarding arrears/outstanding dues
06	Register of Revenue realized
07	Report of defalcation & losses

07. Chairman/Municipal Commissioner, District Municipal Corporation, District Central

S. No.	Description
01	Record/details showing the details of policy matters regarding operation/running & collection of parking fee
02	Record/details showing the actions taken to enhance the revenue income on account of parking fee
03	Register of Issued Charged parking slips maintained at charged parking sites
04	Reconciled Record/details showing budget estimates, actual realization on account of charged parking for last three years
05	Total expenditure incurred on account of charged parking department including pay & allowance of employees, non-salary component and development expenditure if any incurred
06	Record/Details showing details of charged parking sites reserved for auction(s)
07	Record/details regarding charged parking sites reserved for running and operation by staff of office
08	Complete record/details regarding auctions held during 2016-18
09	Record/details showing details of approved sanctioned and working strength
10	Record/details regarding arrears/outstanding dues
11	Bank Statements of bank accounts pertaining to charged parking
12	Register of Revenue realized
13	Record/details of auction committees constituted
14	Report of defalcation & losses

08. Chairman/Municipal Commissioner, District Municipal Corporation, District East

S. No.	Description
01	Record/details showing the details of policy matters regarding operation/running & collection of parking fee
02	Record/details showing the actions taken to enhance the revenue income on account of parking fee
03	Register of Issued Charged parking slips maintained at charged parking sites
04	Reconciled Record/details showing budget estimates, actual realization on account of charged parking for last three years
05	Total expenditure incurred on account of charged parking department including pay & allowance of employees, non-salary component and development expenditure if any inured
06	Record/Details showing details of charged parking sites reserved for auction(s)
07	Record/details regarding charged parking sites reserved for running and operation by staff of office
08	Complete record/details regarding auctions held during 2016-18
09	Record/details showing details of approved sanctioned and working strength
10	Record/details regarding arrears/outstanding dues
11	Bank Statements of bank accounts pertaining to charged parking
12	Register of Revenue realized
13	Record/details of auction committees constituted
14	Report of defalcation & losses

Non-recovery of Advance Income Tax and Sales Tax

S. No.	Name of Office	Amount
01	Director, Charged Parking, KDA	0.285
02	Chairman/Municipal Commissioner DMC, Central	2.76
03	Chairman/Municipal Commissioner DMC, East	1.15
Total		4.195

(01) Director, Charged Parking KDA

S. No.	Name of Charged Parking SITE	Name of Contractor	Period of Contract	Amount	Income Tax @ 10%	SST @ 13%	Total Taxes
1	Gulistan Market No.06, Korangi	Syed Fayaz Ali	6 Months	90,000	9,000	11,700	20,700
2	Model Park No.06 Korangi	Nadir Ali	6 Months	180,000	18,000	23,400	41,400
3	NADRA Office Korangi	Kamran	6 Months	60,000	6,000	7,800	13,800
4	Mobile Market Korangi	Azeem Khan	6 Months	150,000	15,000	19,500	34,500
5	Shaheed Benazir Bhutto Park Clifton	Faisal	6 Months	120,000	12,000	15,600	27,600
6	Shaheed Benazir Bhutto Park Clifton	Mohammad Khan	6 Months	120,000	12,000	15,600	27,600
7	South City Hospital (Front) Clifton	South City Hospital	1 Year	200,000	20,000	26,000	46,000
8	South City Hospital (Back) Clifton	South City Hospital	1 Year	200,000	20,000	26,000	46,000
9	Chaseup at Jail Chowrangi	Aman Ahmed	1 Year	120,000	12,000	15,600	27,600
Total				1,240,000	124,000	161,200	285,200

(02) Chairman/Municipal Commissioner, DMC Central

Description	Name of Contractor	Total Value of Contract	Advance Tax	SRB
Contract of Rights for Collection of Parking Fee	M/S A.M Global & Co	12,000,000/-	1,200,000/-	1,560,000/-

(03) Chairman/Municipal Commissioner, DMC East

Description	Name of Contractor	Total Value of Contract	Advance Income Tax	SRB
Contract of Rights for Collection of Parking Fee	M/S Medfield Domestic	Rs. 5,000,000/-	500,000/-	650,000

Less achievement of targeted receipts

<i>Amount in million</i>					
S. No.	Office	F.Y	Target Amount	Actual Amount	Shortfall Amount
1	KMC	2015-18	160.00	122.136	37.863
2	DMC East	2017-18	10.00	0.840	9.160
Total			170.00	122.976	47.023

01. Director, Charged Parking, KMC

S. No.	F.Y	Target	Actual	Shortfall
1	2015-16	60,000,000	43,090,535	16,909,465
2	2016-17	50,000,000	41,716,172	8,283,828
3	2017-18	50,000,000	37,330,112	12,669,888
Total		160,000,000	122,136,819	37,863,181

02. District Municipal Corporation, District East;

F.Y	Target	Actual	Shortfall
2017-18	10,000,000	840,000	9,160,000

Irregular award of right for collection of parking fee without auction

01. Director, Charged Parking KMC

Description	Name of Contractor	Total Value of Contract
Parking Space for 100 Cars at open space adjacent to pedestrian bridge Rashid Minhas Road near Imtiaz Super Store Gulshan.Iqbal Karachi	M/S Imtiaz Super Market	2,400,000
Parking space in front of Chase Up Store	M/S Chase-Up Store	120,000
Parking space in front of Super Store Market	M/S Bin Hashim Pharmacy & Super Market	504,000
Total		3,024,000

02. Director, Charged Parking, KDA

S. No.	Name of Charged Parking SITE	Name of Contractor	Period of Contract	Amount
1	Gulistan Market No. 06, Korangi	Syed Fayaz Ali	6 Months	90,000
2	Model Park No.06 Korangi	Nadir Ali	6 Months	180,000
3	NADRA Office Korangi	Kamran	6 Months	60,000
4	Mobile Market Korangi	Azeem Khan	6 Months	150,000
5	Shaheed Benazir Bhutto Park Clifton	Faisal	6 Months	120,000
6	Shaheed Benazir Bhutto Park Clifton	Mohammad Khan	6 Months	120,000
7	South City Hospital (Front) Clifton	South City Hospital	1 Year	200,000
8	South City Hospital (Back) Clifton	South City Hospital	1 Year	200,000
9	Chaseup at Jail Chowrangi	Aman Ahmed	1 Year	120,000
Total				1,240,000

Award of contract without guarantees

S. No.	Name of Office	Amount in million
01	Director, Charged Parking, KMC	4.451
02	Director, Charged Parking, KDA	1.240
03	Chairman/Municipal Commissioner, DMC Central	12.00
04	Chairman/Municipal Commissioner, DMC East	5.00
Total		22.691

01. Director Charged Parking, KMC

S. No.	Name of SITE	Name of Contractor	Period	Amount of Contract
1	Service Road in front of Al-Khaleej Tower KababjeeShaheed.e.Milat Road, Karachi	M/S Zaibi Enterprises	16.03.2018 to 15.03.2019	675,000
2	Chase-up Al-Amin Tower & World mobile NIPA university Road Karachi	M/S Faizan Enterprises		710,000
3	7 Parking Sites	M/S Katiar Enterprises	11.10.2018 to 31.12.2018	2,021,918
4	6 Parking Sites	Mr. Muhammad Waseem	11.10.2018 to 31.12.2018	943,562
5	Mobile market kornagi No.04 Korangi Road	Junaid Shahid	11.10.2018 to 31.12.2018	101,096
Total				4,451,576

02. Director, Charged Parking KDA

S. No.	Name of Charged Parking SITE	Name of Contractor	Period of Contract	Amount
1	Gulistan Market No. 06, Korangi	Syed Fayaz Ali	6 Months	90,000
2	Model Park No.06 Korangi	Nadir Ali	6 Months	180,000
3	NADRA Office Korangi	Kamran	6 Months	60,000
4	Mobile Market Korangi	Azeem Khan	6 Months	150,000
5	Shaheed Benazir Bhutto Park Clifton	Faisal	6 Months	120,000
6	Shaheed Benazir Bhutto Park Clifton	Mohammad Khan	6 Months	120,000
7	South City Hospital (Front) Clifton	South City Hospital	1 Year	200,000
8	South City Hospital (Back) Clifton	South City Hospital	1 Year	200,000
9	Chaseup at Jail Chowrangi	Aman Ahmed	1 Year	120,000
Total				1,240,000

03. Chairman/Municipal Commissioner, DMC Central

Description	Name of Contractor	Total Value of Contract
Contract of Rights for Collection of Parking Fee	M/S A.M Global & Co	12,000,000/-

04. Chairman/Municipal Commissioner, DMC East

Description	Name of Contractor	Total Value of Contract
Contract of Rights for Collection of Parking Fee	M/S Medfield Domestic	Rs. 5,000,000/-

Unknown vehicles parked in Parking Plaza, Saddar, Karachi

S. No.	Details of Vehicle	Remarks
1	R-1311 Car	October, 2016
2	Q-1945 Car	About 3 ½ years
3	CH-1337 Suzuki	April, 2016
4	DIK-Raksha 1678	April, 2017
5	Rakshaw without body and No	2 years
6	Lower basement 07	-

Sr.	Vehicle No.	No. of Vehicle	Period	Total months upto Mar-2019	Total months upto Feb-2018	Rate upto Feb-2018	Total	Total months upto March-2019	Rate from March 2018 to March-2019	Total months upto March-2019	Grand Total
1	Car - R-1311	1	Oct-16	30	17	1,500	25,500	13	1,800	23,400	48,900
2	Car - Q-1946	1	3-1/2	42	29	1,500	43,500	13	1,800	23,400	66,900
3	Suzuki CH-1337	1	Apr-16	36	23	1,500	34,500	13	1,800	23,400	57,900
4	D-14 Rikshaw 01768	1	Apr-17	24	11	1,500	16,500	13	1,800	23,400	39,900
5	Rikshaw without number (Dhancha)	1	Mar-17	24	9	1,500	13,500	13	1,800	23,400	36,900
6	Cars without body (Dhancha)	7	Sep-17	19	6	1,500	63,000	13	1,800	163,800	226,800
Total											477,300