



**AUDIT REPORT
ON
THE ACCOUNTS OF
POSTAL SECTOR
MINISTRY OF COMMUNICATIONS
AUDIT YEAR 2024-25**

AUDITOR-GENERAL OF PAKISTAN
SERVING THE NATION BY PROMOTING ACCOUNTABILITY,
TRANSPARENCY AND GOOD GOVERNANCE IN THE MANAGEMENT AND
USE OF PUBLIC RESOURCES

FOR THE CITIZENS OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of accounts of receipts and expenditure from the Consolidated Fund and Public Accounts of the Federation and of each Province; and the accounts of any authority or body established by the Federation or a Province.

The report is based on audit of the accounts of Pakistan Post Office Department (PPOD) and Postal Life Insurance Company Limited (PLICL) for the Financial Year 2023-24. Directorate General of Audit, Postal and Telecommunication Services (P&TS), Lahore conducted audit during Audit Year 2024-25 on a test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-I of the Audit Report. The audit observations listed in Annex-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases, where the Principal Accounting Officer does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Thematic Audit - a new concept has been introduced and made part of this report at Chapter-3. It is an attempt to improve organization's performance through critically reviewing its business processes to identify risks which are hindering it from achieving its intended objectives.

The audit findings indicate the need for adherence to the regularity framework, besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. The Audit Report has been finalized in the light of discussions in the DAC meetings held on 8th, 9th & 14th January, 2025 and written responses of the entities.

There are certain audit paras, which were also reported in the previous Audit Report(s) and MfDAC Report(s). The recurrence of such irregularities is a matter of concern and needs to be addressed.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before the Parliament.

Islamabad
Dated: February, 2025

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

AGPR	:	Accountant General of Pakistan Revenues
AML/CFT	:	Anti-Money Laundering / Counter Financing of Terrorism
AMIS		Audit Management Information System
CCS	:	Chief Controller of Stamps
CDNS	:	Central Directorate of National Savings
CDL	:	Custom Duty Letter
CDP	:	Custom Duty Parcel
CDR	:	Call Deposit Receipt
CEO	:	Chief Executive Officer
CGA	:	Controller General of Accounts
CPM	:	Chief Postmaster
DA PPO	:	Director of Accounts, Pakistan Post Office
DAC	:	Departmental Accounts Committee
DAGP	:	Department of the Auditor-General of Pakistan
DCS	:	Direct Credit System
DFPO	:	Digital Franchised Post Office
DHL	:	Dalsey, Hillblom and Lynn
DSC	:	Defence Savings Certificate
DSPS	:	Divisional Superintendent Postal Services
ECC	:	Economic Coordination Committee
EDBOs	:	Extra Departmental Branch Offices
EDSOs	:	Extra Departmental Sub Offices
EMTTS	:	Express Mail Track & Trace System
EMS	:	Express Mail Service
ERE	:	Employees Related Expenditure
FATF	:	Financial Action Task Force
FBR	:	Federal Board of Revenue
FC	:	Frontier Constabulary
FCF	:	Federal Consolidated Fund
FIA	:	Federal Investigation Agency

FS	:	Financial Services
FY	:	Financial Year
GFR	:	General Financial Rules
GPO	:	General Post Office
IAC	:	Initial Account Code
LoC	:	Letter of Credit
MOs	:	Money Orders
MOC	:	Ministry of Communications
MST	:	Mail Sorting & Transportation
NBP	:	National Bank of Pakistan
NSPC	:	National Security Printing Corporation
PAC	:	Public Accounts Committee
PAO	:	Principal Accounting Officer
PCP	:	Printing Corporation of Pakistan
PFM	:	Public Finance Management
PLICL	:	Postal Life Insurance Company Limited
PMG	:	Postmaster General
PPOD	:	Pakistan Post Office Department
PPF	:	Pakistan Post Foundation
PPRA	:	Public Procurement Regulatory Authority
PPSMB	:	Pakistan Postal Services Management Board
PTCL	:	Pakistan Telecommunication Company Limited
PT&T	:	Post, Telephone & Telegraph
SAP	:	Systems Applications and Products
SB	:	Saving Bank
SDGs	:	Sustainable Development Goals
SECP	:	Securities & Exchange Commission of Pakistan
SOE	:	State Owned Enterprise
TSA	:	Treasury Single Account
UMS	:	Urgent Mail Services
UPU	:	Universal Postal Union

EXECUTIVE SUMMARY

The Audit Report presents results based on audit of the accounts for the FY 2023-24 of the PPOD and PLICL. PPOD performs its functions under the provisions of Post Office Act, 1898 and falls under the administrative control of the Ministry of Communications. The primary functions of PPOD are delivery of mail and transfer of money through money orders. In addition, PPOD is also performing various agency functions on behalf of different government departments and private organizations. Postal Life Insurance business was being performed by PPOD as agency function till FY 2020-21. However, the business was entrusted to PLICL which was newly incorporated with Securities and Exchange Commission of Pakistan (SECP) on 10th March, 2020 under the Companies Act, 2017. The Company was registered as a life insurer under the Insurance Ordinance, 2000 on 26th August, 2020. SECP issued commencement of business certificate to PLICL on 20th January, 2021.

The Report has been finalized in the light of discussion in the DAC meetings held on 8th, 9th & 14th January, 2025.

Directorate General Audit, Postal & Telecommunication Services (P&TS), Lahore is responsible to conduct the audit of PPOD & PLICL and their allied formations. This Directorate General has budgetary allocation of Rs 223.940 million for the Audit Year 2024-25 and a human resource of 68 officers/officials. Total man-days available to this office were 17000 out of which 4262 man-days were utilized for the audit of entities related to PPOD and PLICL.

Scope of Audit

This office has mandate to conduct audit of 179 formations of postal sector belonging to PPOD and PLICL under the Ministry of Communications, Islamabad. Total expenditure and receipts of these formations were Rs 24,197 million and Rs 13,449 million respectively for FY 2023-24.

Audit coverage relating to expenditure for the current audit year comprised 57 formations of Ministry of Communications having a total expenditure of Rs 7,752 million. Out of this, an amount of Rs 4,210 million was audited which makes 54 % of the total auditable expenditure.

Audit coverage relating to the receipts for the current audit year comprised 57 formations of Ministry of Communications having total receipts of Rs 7,618 million, out of which Rs 3,336 million was audited. In terms of percentage, the audit coverage for receipts remained 44 % of auditable receipts.

Directorate General Audit P&TS also conducted audit of non-budgeted payments amounting to Rs 197,472 million on account of agency functions performed by the PPOD on behalf of various government departments and private organizations.

In addition to compliance and thematic audit reports, Directorate General Audit P&TS also conducts Performance Audits and Special Audits/Studies. Reports of these audits are being published separately.

Recoveries at the Instance of Audit

As a result of audit, recovery of Rs 6,769.437 million was pointed out in this report. Recovery effected from January to December, 2024 was Rs 887.699 million which was verified by Audit.

Audit Methodology

The Permanent Files of PPOD and PLICL at Audit Office were updated following the acquisition of pertinent information from the entities, facilitating effective manpower planning and management ahead of the audit execution. The field audit was conducted utilizing data and vouchers sourced from the Directorate of Accounts Pakistan Post Office (DA PPO), Lahore as well as all General Post Offices (GPOs) and PLICL offices.

The audit was carried out by adopting quantitative data collection

method. The field audit activities encompassed a comprehensive range of tasks, including record reviews, field visits, physical inspections, and engagements with management. Notably, the DAGP has successfully implemented the Audit Management Information System (AMIS) which enables a thorough risk assessment, incorporating significant, inherent, and control risks into its framework.

Upon completion of the risk assessment, audit programs with specific procedures were formulated and integrated into AMIS. Subsequently, these programs were assigned to audit teams for implementation during the field audit. This streamlined approach ensured a systematic and efficient audit process, enhancing the overall effectiveness of auditing activities.

Audit Impact

On the recommendations of audit, PPOD has taken the following measures:

- i) The DFPOs' agreement with M/s PPF was revised. In the previous agreement, M/s PPF would make payment of revenue to PPOD after deducting 25% commission. On the pointation of Audit, the PPOD management revised the agreement with M/s PPF during August, 2024 and accordingly full amount of revenue was transferred to PPOD without deducting commission.
- ii) After the implementation of PFM Act, 2019, PPOD was required to deposit the entire revenue into FCF but PPOD management retained the revenue in the postal treasuries. On the pointation of audit, PPOD has now started depositing postal revenue into FCF, complying with the provision of PFM Act.
- iii) PPOD established marketing cells, in GPOs to boost its revenue.
- iv) PPOD carried out reconciliation of ERE and Non-ERE with DA PPO, Lahore since implementation of the new cash management regime.

Comments on Internal Controls

- i) Independent Boards of PPOD and PLICL as required under SOEs Act have not yet been constituted which delayed the initiation of the SOEs Act's implementation process in both the organizations.
- ii) After transfer of major agency functions of savings bank and pension payment, PPOD did not rationalize the human resources; rather PPOD made fresh appointments by committing serious irregularities. Similarly, PLICL borrowed PPOD employees on deputation who had least role in the insurance business of PLICL. Additionally, PLICL did not fill key positions to run the smooth affairs and business of the Company.
- iii) The contract and procurement management of PPOD was quite weak which undermined the principle of transparency and fairness.
- iv) After implementation of the new cash management regime in pursuance of PFM Act, 2019, PPOD neither updated its Manuals nor approved its accounting procedures from the Auditor-General of Pakistan. Similarly, PLICL did not implement the devised Business Plan due to which the company's insurance business did not flourish.
- v) PLICL did not reconcile its financial and physical assets with PPOD despite formation of the Joint Management Team.
- vi) After discontinuation of LoC, PPOD neither worked out the cash lying in postal treasuries drawn through LoC nor devised mechanism for its deposit into FCF.
- vii) Although an Internal Audit Wing exists in PPOD but Internal Audit Manual and Procedures were not prepared to streamline the internal audit functions. Moreover, the postal authorities did not prepare any internal audit report. Similarly, PLICL's internal audit wing did not prepare internal audit report as required under AML/CFT regulations and SECP regulatory framework.

- viii) PPOD did not carry out reconciliation of its money orders, agency functions and pension bank accounts with NBP since 1st July, 2022.
- ix) Manual processing and entries in ledgers were major weaknesses that led to fraud and embezzlement in PPOD & PLICL.
- x) The receivable management of both PPOD and PLICL reflected weaknesses due to which huge receipts were outstanding to be recovered.
- xi) The pace of compliance of PAC directives in PPOD and PLICL was very slow which resulted in backlog of 1141 audit paras in term of non-compliance of PAC directives since 1989.

Key Audit Findings:

The Audit Report comprises thirty eight (38) Audit Paras highlighting serious irregularities as follows:

- i) One (01) case of non-production of record was observed.¹
- ii) Forty two (42) cases of fraud, misappropriation, embezzlement, theft and dacoity involving public money of Rs 288.220 million were revealed.²
- iii) Four (03) cases of HR related irregularities amounting to Rs 1,256.995 million were noticed.³
- iv) Five (05) cases of procurement related irregularities amounting to Rs 2,844.846 million were pointed out.⁴
- v) One (01) case of unauthorized management of accounts with commercial banks involving amount of Rs 4,584.135 million was revealed.⁵
- vi) One (01) cases of value for money amounting to Rs 1,478.669 million was observed.⁶

¹ Paras 1.4.1
² Paras 1.5.1.1.5.2
³ Para 1.6.1, 1.6.2, 2.4.1
⁴ Paras 1.6.4, 1.6.5, 1.6.6, 1.6.7
⁵ Paras 1.6.8
⁶ Paras 1.7.1

- vii) Twelve (12) cases of recovery amounting to Rs 9,426.605 million were noticed.⁷
- viii) Thirteen (13) cases of irregularities under the head - Others amounting to Rs 58,158.486 million were pointed out.⁸

Recommendations

- i) PPOD must ensure provision of all auditable record.
- ii) PPOD needs to update and strengthen the internal controls to prevent fraud and embezzlement, besides finalization of disciplinary cases against the responsible(s).
- iii) PPOD and PLICL need to ensure compliance with rules, regulations and HR policies during recruitment process.
- iv) Adherence to PPRA Rules in procurement of goods and services may be ensured.
- v) Effective steps may be taken to make all loss-making post offices profitable in order to alleviate burden of loss on the department.
- vi) Instructions issued by the Finance Division regarding opening of accounts in commercial banks may be implemented.
- vii) Revenue recovery mechanism needs to be made effective to recover postal and PLICL dues timely from government departments and other organizations.
- viii) PPOD must ensure reconciliation of all banking transactions with NBP to avoid chances of misappropriation.
- ix) PPOD needs to transfer the amount of pledged DSCs of PTCL's subscribers to FCF in line with clarification issued by the Finance Division.

⁷ Paras 1.8.1, 1.8.2, 1.8.3, 1.8.4, 1.8.5, 1.8.6, 1.8.7, 1.8.8, 1.8.9, 1.8.10, 1.8.11, 2.5.1

⁸ Paras 1.9.1, 1.9.2, 1.9.3, 1.9.4, 1.9.5, 1.9.6, 1.9.7, 1.9.8, 1.9.9, 1.9.10, 1.9.11, 2.6.1, 2.6.2

SECTORAL ANALYSIS

a. Pakistan Post Office Department (PPOD)

Pakistan Post Office Department (PPOD) is a historic institution that has played a vital role in the country's communication infrastructure. Over the years, it has evolved to provide a wide range of mail delivery, logistics, and agency services. PPOD has an extensive network of post offices and a significant workforce, making it a vital part of the country's infrastructure. However, as the global postal sector undergoes significant transformations, PPOD faces multifaceted challenges that necessitate a comprehensive sectoral analysis. This analysis will delve into the historical context, current state, issues, opportunities, and the way forward for PPOD.

PPOD, regulated under the Post Office Act, 1898, is among the oldest Federal Government departments and falls under the Ministry of Communications, Islamabad. PPOD, boasting a vast network of 10,098 post offices, including 85 GPOs, and employing 39,557 personnel (including extra departmental employees), operates under the autonomous Pakistan Postal Services Management Board (PPSMB). According to the UPU report in 2022, PPOD advanced seven places in the global ranking, moving from 62 to 55 out of 162 countries.

As of 2024, Pakistan's Courier, Express, and Parcel (CEP) market is valued at approximately USD 2.82 billion. The domestic segment dominates the Pakistan Courier, Express, and Parcel (CEP) market, commanding approximately 80% market share in 2024. The Pakistan CEP market exhibits a consolidated structure with strong dominance by local players who have established extensive nationwide networks. Local companies like Leopards Courier Services, M&P Courier, Pakistan Post and TCS Express command significant market shares through their deep understanding of regional dynamics and established relationships with local businesses. While global players like DHL, FedEx, and UPS maintain

a presence in the market, their operations are often conducted through partnerships with local operators.

Pakistan's logistics and CEP sector is rapidly evolving due to infrastructure development and digital innovation. As per the Agility Emerging Markets Logistics Index 2022, Pakistan ranks 27th overall and 16th in Domestic Logistics Opportunities, highlighting its market potential. The e-commerce segment dominates with a 42% share in 2024, driven by smart phone penetration and mobile commerce growth. Major players like TCS, Leopards, Muller & Phipps, and Daraz are expanding instant delivery solutions, further strengthening the sector⁹.

Over the past decade, state-owned postal services have globally undergone significant changes due to technological advancements. The rise of e-commerce has led many countries to undertake market-oriented postal reforms, prompting state-run postal services to enter competitive markets alongside private courier companies. In various nations, the Public-Private Partnership (PPP) model successfully combines public sector infrastructure with private sector efficiencies. Postal market liberalization has created opportunities for private companies to expand their presence in the industry. PPOD has also reformed itself to keep pace with the globally changed environment and has made innovations in postal services so as to render state of the art services to the public and the government agencies. However, PPOD has come across many departmental challenges due to which it has structurally dismantled and devoid of certain agency functions. PPOD's budgeting, accounting and reporting mechanism has altogether transformed. It cannot withdraw money from Account-1 (non-food) through Letter of Credit as the Finance Division has withdrawn this facility with effect from July, 2022; it can disburse payments through AGPR only; it has surrendered its agency function of saving bank accounts and certificates to Central Directorate of National Savings and has transferred military pensions through Direct Credit System during FY 2022-23.

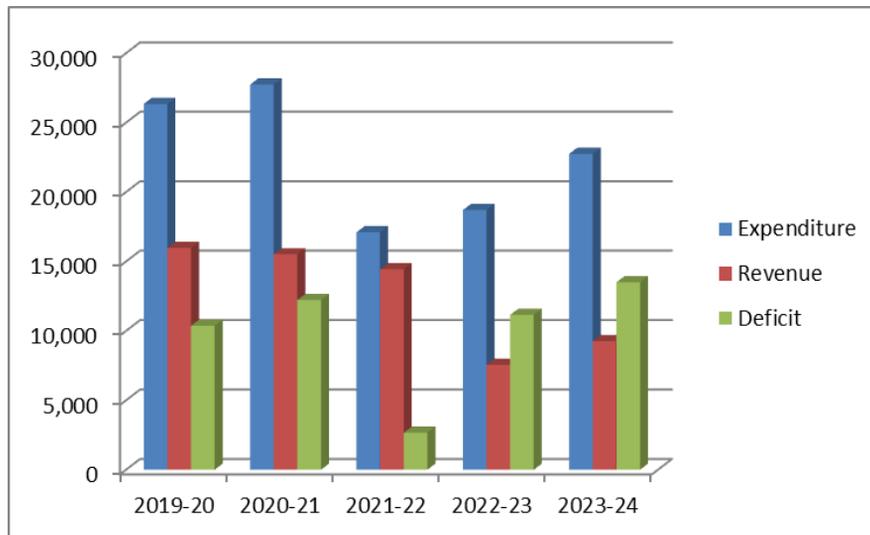
⁹ <https://www.researchandmarkets.com/reports/5985790/pakistan-courier-express-parcel-cep-market>

PPOD has been suffering from huge losses over the past few years, which is evident in the following table from the comparison of expenditure and revenue collection for the last five years:

(Rs in Million)

Year	Budget	Expenditure	Revenue	Deficit	Percentage of Deficit
2019-20	19,587	26,350	15,976	10,373	39.37%
2020-21	21,414	27,741	15,518	12,223	44.06%
2021-22	15,000	17,098	14,433	2,665	15.59%
2022-23	15,719	18,697	7,547	11,150	59.63%
2023-24	20,435	22,757	9,256	13,501	59.32%

Source: Annual Appropriation Accounts



Source: Annual Appropriation Accounts

The financial health of PPOD is reflected in the table which reveals an increase in losses by 21.09%, surging from Rs 11,150 million in FY 2022-23 to Rs 13,501 million in FY 2023-24. This surge was primarily due to the government's decision of transferring the saving bank business to CDNS and shifting of pension payments to commercial banks. It showed that PPOD management did not effectively pursue new business

opportunities to offset operational losses following the transfer of two major agency functions.

PPOD is also facing a business downturn due to FATF compliance, resulting in the loss of major revenue from pension payments and saving bank functions. Discontinuation of these functions left a considerable workforce idle but the management did not develop a strategic plan for its utilization. Surprisingly, over 4,500 new recruitments were made without clear justification; thereby aggravating resource allocation challenges.

The most striking down trend of PPOD was noticed in the mail delivery. As per Section 4 of the Post Office Act, 1898, PPOD holds the exclusive privilege of handling all types of letters; even then its efficiency in mail delivery has declined as compared to private courier companies such as TCS, DHL, OCS, Leopards etc. In fact, PPOD had a monopoly over mail services which did away with in 1989 when private courier and cargo companies entered the market without regulatory oversight. Despite exclusive rights under the Post Office Act, PPOD did not urge the Federal Government to establish a Regulatory Authority to control the unbridled mushroom growth of private courier companies through regulatory framework. As a result, PPOD also missed the revenue opportunity for the government in the form of licensing and renewal fees.

Though PPOD operates through Pakistan Postal Services Management Board (PPSMB), yet the Board lacks the authority to set domestic mail rates and requires Federal Government's approval for rate revisions. The postal tariff, notably lower than that of private courier companies, remains at Rs 30 for an ordinary letter¹⁰, whereas private companies charge at least Rs 160. Despite the increased cost of delivering postal articles, non-rationalization or revision of tariff has adversely impacted PPOD's revenue generation.

¹⁰ https://www.pakpost.gov.pk/letter_mail.php

State-Owned Enterprises (Governance and Operations) Act, 2023 was introduced in Pakistan to reform and modernize the governance, accountability, and operational efficiency of state-owned enterprises. In 2024, the Pakistan Postal Services Management Board (PPSMB) Ordinance, 2002 was amended in line with the SOEs Act, 2023 to grant greater autonomy and enhance the efficiency of PPOD. The amendments empowered the PPSMB to make independent decisions on postal tariffs, operational management, and service structures. The restructuring of PPSMB led to a professional Board of Directors to oversee strategic planning, introduce financial reforms and focus on digital transformation for better service delivery. The amendments also encouraged public-private partnerships (PPPs) to modernize operations and diversify revenue, while ensuring transparency and accountability through regular audits. Additionally, the reforms aimed to separate commercial operations from public service obligations, making PPOD more financially sustainable and competitive in the evolving postal and logistics sector. However, the independent Board of PPOD as required under SOEs Act has not yet been constituted since 2024 which delayed the initiation of the SOEs implementation process in PPOD.

To modernize PPOD services and bridge regional disparities, the Government of Pakistan initiated the Automation of Post Offices Project in 2015 with the support from the Economic Development Cooperation Fund (EDCF). The project aims to expand the ICT infrastructure of Pakistan Post, streamline its work processes, and improve public service delivery nationwide. The Korean Exim bank extended \$20.635 million loan under the EDCF framework to facilitate this initiative. The project is a part of broader development cooperation initiatives, where Korean Exim bank collaborates with Pakistan on infrastructure, IT, and healthcare projects, fostering improved logistics and operational capabilities. However, the pace of implementation of the project was very slow.

Another aspect of PPOD operations is its under-utilized resources. PPOD owns precious land and properties at prime locations which can be

utilized towards beneficial projects for revenue generation. However, some of these properties are either lying un-utilized, encroached upon or having no ownership documents as detailed below:

Total Office Buildings	Total Residential Buildings	Vacant Plots	Grand Total
838	3,317	120	4,275

Source: PPOD Annual Report 2022-23

PPOD is a public sector enterprise operating without commercial orientation. It works as a government department whose expenditure is borne by the Federal Government and its revenue is credited to the Federal Consolidated Fund. PPOD is fully dependent on the Ministry of Finance for its financial operations. However, PPOD has taken certain initiatives to expand its customer base through establishing Digital Franchised Post Offices (DFPOs) to streamline booking and real time tracking. It has also introduced EMS Plus service with the collaboration of international and domestic courier companies to promote e-commerce and online business, allowing delivery of parcels weighing up to 30 kg to foreign and intra city delivery within a day time through its own post offices as well as IFPOs/DFPOs. PPOD also established marketing cells at GPO levels to enhance its business.

To sum up, PPOD is at a crossroads, grappling with challenges that threaten their long-term sustainability. Despite PPOD's historic legacy and extensive infrastructure, it faces mounting financial deficits, declining mail delivery efficiency and inability to compete with private courier services. The loss of key agency functions, such as savings accounts and pension payments, further diminished its revenue base. While efforts like the Automation of Post Offices Project and the introduction of Digital Franchised Post Offices (DFPOs) reflect modernization attempts; however, its progress has been slow due to outdated system and inadequate governance. The State-Owned Enterprises (SOEs) Act, 2023, and amendments to the PPSMB Ordinance were steps forward towards

improving autonomy and operational efficiency; the delay in constituting an independent Board has stalled the essential reforms.

PPOD urgently requires prioritizing reforms and overcoming these challenges. PPOD needs to adopt market-oriented strategies including public-private partnerships and digital transformation. A focus on governance, accountability, and revenue diversification is critical to revitalizing its operations and ensuring competitiveness in a rapidly evolving postal and financial landscape.

b. Postal Life Insurance Company Limited (PLICL)

Until fiscal year 2019-20, PPOD managed the agency function of Postal Life Insurance (PLI). In compliance with Financial Action Task Force Asia Pacific Group guidelines on Anti-Money Laundering and Combating the Financing of Terrorism, the Government of Pakistan opted to subject PLI to the regulatory oversight of the Securities and Exchange Commission of Pakistan. Subsequently, on 26th August, 2020, the Postal Life Insurance Company Limited (PLICL) was registered as a public limited life insurer under the Insurance Ordinance, 2000. The portfolio was officially transferred to PLICL on 2nd April, 2021.

Pakistan's insurance industry comprises 41 insurance companies which are contributing Rs 59.900 billion towards national economy in the form of taxes and duties during FY 2023. The life insurance sector including PLICL faces low penetration @ 0.79% of GDP¹¹. As of 2021, Postal Life Insurance Company Limited (PLICL) held approximately 1% of the market share in Pakistan's life insurance sector¹². The life insurance industry in Pakistan is predominantly led by State Life Insurance

¹¹ Insurance Industry Statistics 2023 issued by the SECP

¹² The Pakistan Credit Rating Agency Ltd

Corporation (SLIC), which commanded over 47% of the industry's Gross Written Premium (GWP) in 2022¹³.

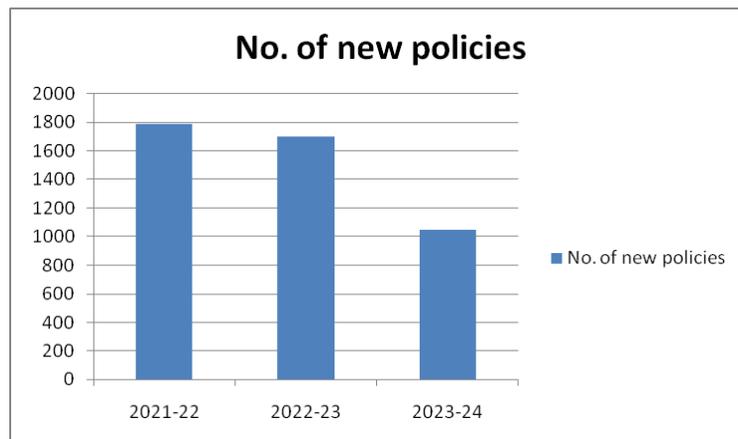
The life insurance business in Pakistan holds significant potential, driven by factors such as a growing population, increasing awareness of financial protection, and a rising middle class. As individuals become more conscious of the need for financial security, more opportunities for life insurance providers emerge to meet this demand. PLICL has human resource of 606 officers/officials.

Following its conversion into a limited company, PLICL faced significant shortcomings in the implementation of policies and procedures. PLICL failed to establish an effective system of internal controls, leading to untimely settlement of claims and subsequent surrender of substantial released funds to the Finance Division. Accumulating liabilities of Rs 5,149 million adversely impacted the company's overall business operations.

Over the past three financial years, there has been a noticeable declining trend in the number of policies issued, the amount of premium collected, and the sum assured. This trend poses significant risks to the financial sustainability of PLICL in the future. Moreover, there appears to be a lack of proactive measures by the management to explore new revenue opportunities or to introduce innovative products in line with the business plan. The downturn in business performance is primarily attributed to delays in claim settlements, inefficient operational, sales, and financial management, as well as weak underwriting practices. A detailed analysis is provided below:

Year	No. of new policies	Premium Amount	Sum assured	% age of decrease in policies
2021-22	1789	83,369,799	1,146,482,000	-
2022-23	1700	81,609,031	1,105,622,250	5%
2023-24	1048	51,148,593	686,644,120	38%

¹³ <https://www.globaldata.com>



Additionally, the management's practice of settling claims without prior pre-audit raised concerns about the accuracy, reliability, and integrity of data. The absence of dedicated software, coupled with reliance on consultant-provided software, further aggravated these issues. Key positions like Chief Executive Officer, Head of Internal Audit, Chief Finance Officer and Chief Investment Officer within the company remained unfilled, adversely affecting day-to-day operations, business functions and strategic decision-making.

The company's decision to enlist postal employees on deputation basis, without assessing actual requirements, resulted in an increase in operational expenses. Furthermore, non- introduction of an effective sales structure contributed to a drastic 38% decline in business during FY 2023-24 as compared to 5% in FY 2022-23. Moreover, the company faced challenges in resolving asset transfer issues from PPOD despite holding of five Joint Management Committee (JMT) meetings.

To sum up, PLICL was created to meet regulatory compliance, improve declining policy numbers and insufficient revenue generation but its mismanagement and delays in claim settlement process coupled with non-introduction of new product offerings have stunted its growth in the life insurance market. Key operational and strategic deficiencies, including unfilled positions, reliance on outdated software, and ineffective sales

structures have contributed to a steep decline in business performance. Asset transfer issues between PLICL and PPOD remain unresolved, further complicating its operations.

PLICL must address management inefficiencies and explore innovative insurance products. A focus on governance and accountability is critical to revitalizing its operations and ensuring competitiveness in a rapidly evolving insurance market.

CHAPTER-1

MINISTRY OF COMMUNICATIONS

PAKISTAN POST OFFICE DEPARTMENT

Chapter-1

Pakistan Post Office Department

1.1 Introduction

A. PPOD stands as an institution deeply rooted in history, tracing its origin to the colonial era, making it one of the oldest government departments in the Sub-Continent. Since its inception, the PPOD has played a pivotal role in shaping communication, commerce, and financial transactions within Pakistan. As an integral part of the nation's infrastructure, the department has evolved to meet the changing needs of society, serving as a critical link that connects millions of people throughout the country.

PPOD was established as a service department under the Post Office Act, 1898. The department is headed by the Director General who is also Chairperson of the Pakistan Postal Services Management Board (PPSMB). PPSMB Ordinance, 2002 was amended in May, 2024 in line with the SOEs Act, 2023 to grant greater autonomy and enhance the efficiency of PPOD. The amendments empowered the PPSMB to make independent decisions on postal tariffs, operational management, and service structures. The restructuring of PPSMB led to a professional Board of Directors to oversee strategic planning, introduce financial reforms and focus on digital transformation for better service delivery.

The department consists of 09 Circles, each headed by a Postmaster General, based at Quetta, Karachi, Hyderabad, Multan, Lahore, Rawalpindi, Islamabad, Peshawar and Muzaffarabad. With a remarkable physical footprint, the PPOD boasts a network of 10,098 post offices, including 85 General Post Offices (GPOs) strategically managed by a workforce of 39,557 employees, including both regular and extra-departmental personnel. This extensive network ensures that the services provided by the PPOD reach urban centers and remote regions alike, making it a ubiquitous presence throughout the country.

The core functions of the Pakistan Post Office are diverse and expansive, encompassing both domestic and international postal services, as well as facilitating money orders. Beyond traditional postal activities, PPOD operates as an agency on behalf of the Federal and Provincial Governments, undertaking essential tasks such as the collection of utility bills, payment of military pensions, tax collection, and managing Western Union transactions. The department is also entrusted with the secure delivery of crucial identification documents, including NADRA ID cards and passports. In addition to these functions, National Security Printing Corporation (NSPC), Karachi prints all types of postal stamps and revenue documents and Chief Controller of Stamps (CCS), Karachi supplies these documents/stamps to all postal formations. This multifaceted approach underscores PPOD's commitment of providing comprehensive services that address the varied requirements of its extensive clientele. It is pertinent to mention that

PPOD being Government department is responsible for preparation of annual budget and its submission to the Federal Government through its administrative Ministry. All receipts of PPOD form the part of Federal Consolidated Fund. The PPOD incurs expenditure against the budget grant No. 26 of the Ministry of Communications through formal allocation by the Finance Division. Previously, the PPOD would incur its budget through Letter of Credit (LoC) and had direct access to Account No. 1 (Non-Food). Since July, 2022, the Finance Division discontinued the old cash management system and introduced the New Cash Management Regime in pursuance of Public Finance Management Act, 2019 and directed PPOD to make spending through the counters of AGPR.

B. Comments on Budget and Accounts

- i) As per Note-7 (ii) to the Balance Sheet of PPOD for FY 2023-24, an amount of Rs 7,217.227 million under the head "Inland Money Orders" is lying unadjusted due to difference of Money Orders issued and paid as on 30th June, 2024.
- ii) An amount of Rs 3,394.543 million was reflected under the head-Cash with Postmasters, on the asset side of the Balance Sheet of

PPOD. After discontinuation of LoC and introduction of the Treasury Single Account (TSA) System, retention of cash by the post offices was unjustified, resulting in overstatement of PPOD's Accounts. Moreover, the cash balance (cash with postmasters) was decreased by Rs 3,198.019 million as compared to last year's balance of Rs 6,592.562 million which was not disclosed in the Notes to the Balance Sheet and requires justification.

- iii) PPOD incurred an expenditure of Rs 14,952.098 million under the heads: A01151-Basic Pay and A012-1-Regular Allowances against authorized amount of Rs 12,538.424 million under Grant No. 26, resulting in excess expenditure of Rs 2,328.454 million during FY 2023-24.
- iv) The value of physical assets of Rs 30.435 million incurred under the head: A09-Acquiring Physical Assets and A12-Civil Works during FY 2023-24 was not capitalized in the Balance Sheet; thereby understating the fixed assets.
- v) PPOD balance with NBP/SBP revealed that a huge amount of Rs 24,476.244 million and Rs 576.741 million was retained under the heads: F01123- Central Account for PPOD-I Agency and F01125- Central Account for PPOD-III Operations respectively during FY 2023-24 which resulted in overstatement of PPOD deposits. Further, minus balance of Rs 1,247.900 million was shown under the head: F01126- Central Account for PPOD-II (Military Pension Payment) which indicated that the amount was overdrawn on account of payment to the military pensioners.
- vi) PPOD incurred an expenditure of Rs 22,756.989 million under Grant No.26 and earned revenue of Rs 9,255.757 million; thereby causing a deficit of Rs 13,501.232 million during FY 2023-24.
- vii) The receipt of Rs 55,215.134 million and payment of Rs 56,593.059 million under the old head: G-7106-Pakistan Post Office Miscellaneous was unauthorized after implementation of new cash management regime.

Table-1 Audit Profile of Pakistan Post Office Department**(Rs in Million)**

Sl. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1	Formations	127	53	3,492.191	1,861.400

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 50,356.629 million were raised in this report during the current audit of the Pakistan Post Office Department. This amount also includes recoveries of Rs 8,433.334 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations**(Rs in Million)**

Sl. No.	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	284.648
3.	Irregularities (A+B+C)	8,669.584
A	HR/Employees related irregularities	1,240.603
B	Procurement related irregularities	2,844.846
C	Management of Accounts with Commercial Banks	4,584.135
4.	Value for money and service delivery issues	1,478.669
5.	Receivables	8,433.334
6.	Other Irregularities	31,490.394
	Total	50,356.629

1.3 Status of Compliance with PAC Directives

Following table shows the compliance status of PAC directives.

Sl. No.	Audit Report Year	Total Paras	Total No. of directives	Compliance			% of Compliance
				Received	Partial	Not Received	
1	1989-90	34	34	27	3	4	79
2	1991-92	31	31	15	5	11	48
3	1992-93	40	40	32	3	5	80
4	1993-94	20	20	9	5	6	45
5	1994-95	42	42	20	8	14	48
6	1996-97	89	89	46	7	36	52
7	1997-98	72	72	23	9	40	32
8	1998-99	74	74	35	7	32	47
9	1999-00	56	56	4	11	41	7
10	2000-01	66	66	53	5	8	80
11	2001-02	23	23	10	9	4	43
12	2002-03	26	26	2	6	18	8
13	2003-04	17	17	8	4	5	47
14	2004-05	27	27	2	5	20	7
15	2005-06	30	30	17	2	11	57
16	2006-07	20	20	9	10	1	45
17	2007-08	30	30	17	2	11	57
18	2008-09	36	36	6	11	19	17
19	2009-10	70	70	34	23	13	49
20	2010-11	69	69	8	8	53	12
21	2011-12	76	76	4	2	70	5
22	2012-13	82	82	3	7	72	4
23	2013-14	84	84	16	10	58	19
24	2014-15	41	41	5	13	23	12
25	2015-16	58	13	1	12	45	8
26	2016-17	62	44	11	26	25	25
27	2017-18	62	49	5	34	23	10
28	2018-19	57	57	5	26	26	8
29	2019-20	76	14	7	23	46	50
30	2016-17 (SAR MPP)*	14	14	0	2	12	0
31	1994-95 (SAR)*	13	13	9	4	0	69
32	1996-97 (SSR)**	13	13	2	11	0	15
33	1999-2000 (SAR-114)	14	14	3	11	0	21
34	1999-2000 (SAR-120)	10	10	0	10	0	0
35	1999-2000 (SAR-123)	7	7	3	4	0	43

36	2000-01 (SAR- 170)	52	52	37	15	0	71
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* Special Audit Report

**Special Study Report

The above table shows that PPOD is not complying fully with the PAC directives. The PAO needs to look into the large number of pending PAC directives and take steps for their early compliance.

AUDIT PARAS

AUDIT PARAS

1.4 Non-production of record

1.4.1 Non-production of record

Article 170(2) of the Constitution of Islamic Republic of Pakistan states “The audit of the accounts of the Federal and of the Provincial Governments and the accounts of any Authority or Body established by, or under the control of, the Federal or a Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit”.

The Honorable Supreme Court of Pakistan in Para-27(b) of its judgment dated 08.07.2013 decided that the Auditor-General, in order for him to fulfill his duties under Articles 169 and 170 of the constitution, is not only authorized but also obliged to access all records maintained by Federal and Provincial Governments, and any entities under their control, regardless of any designation as ‘secret’ or otherwise.

Section 14(2) of Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance,2001 states that 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 all reasonable expedition and Section 14(3) of said Ordinance, stipulates that any person or authority obstructing the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The Ministry of Law and Justice, vide its office memorandum No F.467/2024-Law-I dated 04.09.2024, while examining the stance taken by a refusing entity, clarified that in terms of Article 169 of the Constitution of Islamic Republic of Pakistan.1973, the Auditor-General of Pakistan has been mandated to perform Audit of the accounts of any Authority or Body

established by the Federation and or a Province. The Auditor-General has all kind of powers to inspect and enquire into the accounts, office, books and papers of any office under the control of Federation and Provinces.

During the audit of project titled “Express Mail, Track & Trace System” (EMTTS), Directorate General Audit, P&TS Lahore requested the Director General, Pakistan Post Office Department (PPOD) vide requisition No. PPOD/information (EMTTS)/34 dated 09.02.2024 to provide the auditable record for preparation of TORs for its Performance Audit. However, it was refused to Audit despite reminders and meeting with the concerned officers of the department by the field Audit team. Subsequently, the matter was escalated to the level of Principal Accounting Officer (PAO) by the Director General Audit who reported the matter to PAO twice. However, the issue of non-production has remained unresolved.

The issue has been persisting for the last one year with multiple attempts made to obtain the required records through communications with the PPOD and Ministry of Communications. Despite these efforts, the record has remained unavailable.

In such circumstances, neither the sanctity of utilization of Public Money according to relevant financial and other applicable rules could be verified nor the constitutional duty of the Auditor-General of Pakistan could be fulfilled.

Audit reported the matter to the management and PAO during December, 2024. It was replied that the record was not traceable as it was two decades old and had completed its useful life. Efforts are being made to trace out the record for audit scrutiny.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to make strenuous

efforts to trace out the record and produce to audit. No further progress was intimated till the finalization of this report.

Audit recommends that responsibility to be fixed on those responsible for non-production of record for the last one year and disciplinary proceedings be initiated against the concerned under relevant E&D, Rules. Further, the PAC may direct the department to get its accounts audited on regular basis in the light of constitutional mandate of the Auditor-General of Pakistan.

(DP No. 260)

1.5 Cases of fraud, embezzlement and misappropriation

1.5.1 Loss due to theft & misappropriation - Rs 177.399 million

According to Para 238 of Post Office Manual Vol-VIII, the Superintendent must inspect, twice every twelve months, each head office and second-class head office within the limits of his division. The inspecting officer will not be relieved of his responsibility for contributing to the commission of any fraud or defalcation of government money, which has remained undetected during the inspection by him. Further, Rule 23 of Serial No.7, Appendix-2 of GFR Vol-II describes that in all such cases, departmental proceedings should be instituted at the earliest against all delinquents even against a government servant being prosecuted in a Criminal Court.

In twelve (12) formations of PPOD including GPO Bannu under the Ministry of Communications, Islamabad, the management detected 42 cases of fraud, misappropriation, embezzlement and dacoity in collection of utility bills, value payable articles, pension payments, money orders and cash involving a total amount of Rs 177,399,409 during FY 2023-24 as detailed in **Annex-II**.

Audit observed that the PPOD management neither recovered the objected amount from the officials involved in corruption and corrupt practices nor finalized disciplinary proceedings against them despite a lapse of considerable period.

Audit contends that non-recovery of the embezzled amount and delay in finalization of disciplinary proceedings against the officials raise serious concerns which reflects weak internal controls.

Audit reported the matter to the management and PAO during November, 2024. It was replied that an amount of Rs 12,686,254 had been recovered and efforts were underway to recover the remaining amount.

The disciplinary action against the responsible(s) would be finalized shortly.

The reply is not satisfactory. Complete recovery particulars along with record of disciplinary proceedings were not produced during verification.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to finalize the inquiries at the earliest, take disciplinary action, pursue the cases with Police/FIA, fix responsibility, effect recovery and get the record verified from Audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19 to 2023-24 vide Para(s) number 3.1.1, 1.4.1 to 1.5.7, 1.4.1 to 1.4.3, 1.4.1 to 1.4.3, 1.4.1 to 1.4.5 & 1.4.1 respectively having financial impact of Rs 3,039.552 million. Recurrence of same irregularity is a matter of serious concern.

(DPs Nos. 42, 43, 62, 147, 148, 149 & 233)

1.5.2 Fictitious payment on account of FC pension – Rs 107.249 million

According to Para 3 (VI) & (VII) of the Procedure for adjustment of Defence Services pension under civil estimates in the books of AGPR, the Defence Pension paid at Post Offices will be booked by the Director of Accounts, PPOD under the head “Exchange Account between Civil & Post Office Department-Exchange Account with AGPR, Islamabad”. 100% post audit will be done by the concerned Defence Accounts Offices. If they find any voucher incomplete or not pertaining to them, they will take up the matter with the Bank/GPO that made the payment and get the voucher complete or obtain refund of the wrong payment.

Six (06) formations of PPOD made FC pension payments of Rs 107,249,323 through 10338 payment vouchers since FYs 2004-05 to 2022-23. The respective formations of PPOD submitted the payment vouchers to concerned AGPRs during Exchange Accounts meetings but the AGPR authorities refused to accept the validity of the payment vouchers and were returned to the DA PPO, Lahore. The Controller General of Accounts vide its letters dated: 28th February, 2024 & 29th April, 2024 showed deep concerns about the genuineness of these vouchers and directed to investigate the matter by declaring it doubtful on various grounds. The detail is as under:

S. No.	Name of GPO	No. of rejected vouchers	Amount (Rs in Million)
1	Lakki Marvat	354	5.224
2	Mansehra	295	2.442
3	Mardan	5777	61.549
4	Turbat	9	0.112
5	Attock	1162	12.624
6	Mianwali	2741	25.298
Total:		10338	107.249

Audit observed that PPOD neither recovered the principal amount of Rs 107,249,323 nor service charges of Rs 3,571,402 (Rs 107,249,323 x 3.33%) from FC authorities despite lapse of considerable time. Audit also noticed that PPOD did not carry out investigation into the matter in the light of instructions of CGA.

Audit contends that non-acceptance of the FC payment vouchers indicates non-reliability of the payments, leading to financial loss to the public exchequer.

Audit reported the matter to the management and PAO during September, 2024. It was replied that Director (FS) held a meeting with DA PPO Lahore for resolving the matter wherein it was decided that team comprising officers from PPOD and DA PPO would visit the concerned GPOs and try to resolve this issue on the basis of available record in consultation with FC authorities.

The reply is not acceptable. Fictitious payment vouchers were submitted to AGPR during exchange accounts meetings which were declined and the amount could not be recovered despite lapse of 20 years.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to constitute a committee by including a member from DA PPO to resolve the matter within three months under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the MfDAC Report(s) for Audit Year(s) 2021-22 to 2023-24 vide PDP(s) number 137-2022, 87-2023 and 98-2024 respectively having financial impact of Rs 206.218 million. Recurrence of same irregularity is a matter of serious concern

(DP No. 142)

1.6 Irregularities

A. HR/Employees related irregularities

1.6.1 Irregular appointment of staff - Rs 1,212.927 million

The Establishment Division vide letter dated 26th July, 2022 issued NOC to PPOD for recruitment of vacant posts of BPS 1 to 15 under different cadres. The validity of the NOC was six months from the date of issuance and PPOD was required to finalize the recruitment within 120 days from the date of advertisement. The validity of NOC was further extended upto May, 2023. Moreover, the appointing authority of the concerned Ministry/ Division/ Department/ Organizations shall ensure completion of all procedures and codal requirements in letter & spirit in line with the recruitment policy while making recruitment and will be held responsible for illegality, if any.

PPOD under the Ministry of Communications, Islamabad made fresh appointments of 3,389 employees in BPS 1 to 15 under different cadres against above mentioned NOC and incurred an expenditure of Rs 1,212,927,311 on account of pay & allowances of these employees during FY 2023-24 as detailed in **Annex-III & III-A**.

Audit observed that:

- i. The validity period of NOC was six months and PPOD was required to finalize the recruitment process within 120 days. The NOC got expired in May, 2023, whereas PPOD completed the recruitment process in August, 2023 after the expiry of NOC.
- ii. Appointments were made in excess of the advertised posts. Further the prescribed quota of women, ex-service men, disables and minorities etc. was also not observed during recruitment process.
- iii. Appointments of drivers were made without availability of valid driving licenses, besides advertisement criteria regarding relevant domicile and completion of mandatory IT courses was not observed.
- iv. The inquiry committees constituted to probe irregularities in the recruitment process in KP and Multan Circles submitted their reports but recommendations of the committees were not implemented. Further, the committees constituted for remaining Circles did not finalize their reports as yet.

Audit contends that appointments of employees after expiry of NOC, in excess of advertised posts, non-adherence to recruitment criteria and non-observance of quotas reflect weak internal controls.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the case for extension of NOC has been taken up with Establishment Division. Further, as per reports of inquiry committees of Multan and Peshawar, massive irregularities in recruitment process were noticed; therefore, DG PPOD constituted inquiry committees to probe the recruitment process in all postal formations.

Action on the recommendations of inquiry committees has been initiated. On receipt of reports from other committees, their recommendations would be implemented.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to pursue the case with Establishment Division for getting extension of NOC, besides regularization of the expenditure from the Finance Division. The DAC also directed to take action against persons held responsible(s) in the light of recommendations of the inquiry committees, besides provision of inquiry reports of other Circles to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 61, 106, 201 & 249)

1.6.2 Inadmissible payment of MST allowance – Rs 27.676 million

According to clarification issued by the Finance Division (Expenditure Wing) vide letter F.No.F.6(25)DS-Exp.(Comm.)/2023-24 dated 5th June, 2024 read with Para 10 of the Finance Division (Regulation Wing) letter F.No.1(3)/Imp/2015-630 dated 7th July, 2015, all the special allowances based on percentage of basic pay of Pay Scales-2008 admissible to the civil servants stood frozen at the level of its admissibility as on 30th June, 2011.

The employees of various Mail Sorting and Transportation (MST) Divisions under PPOD were drawing MST allowance @ 5% of basic pay since 1994. An amount of Rs 27,675,652 on account of MST allowance was paid to these employees during FY 2023-24.

The examination of ERE record at DG PPOD, Islamabad revealed that the MST allowance was paid @ 5% of the basic pay as of 30th June, 2022 instead of basic pay as of 30th June, 2011, in line with the frozen allowance levels specified by the Finance Division. The fixation of pay

was made by the DA PPO on the basis of LPCs provided by the MST employees as on 30th June, 2022 without observing the admissibility of that allowance.

Audit contends that wrong fixation of MST allowance in violation of the Finance Division's instructions reflects weak financial discipline and internal controls.

Audit reported the matter to the management and PAO during November 2024. It was replied that payment of MST allowance was made in compliance of NIRC, Karachi judgment dated 2nd October, 2019. Further, the case was also taken up with DA PPO, Lahore for recovery of excess paid amount.

The reply is irrelevant as MST allowance does not have any connection with NIRC's Karachi Judgment.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to make calculation of overpaid amount within 15 days and recover the same from the concerned employees under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 05 & 101)

B. Procurement related irregularities

1.6.3 Irregular award of contracts to courier companies – Rs 2,202.794 million

According to Rule 12 of the Rules of Business, 1973, the approval of Finance Division is required before issuing any orders that may affect the finances of the Federation.

The Prime Minister of Pakistan directed all the government departments, as conveyed by Cabinet Division vide its letters dated 20th March, 2018 and 10th April, 2019, to avail the services of Pakistan Post for mailing their domestic and international correspondence to boost up its revenue. Instead of leveraging its substantial workforce, healthy infrastructure and expertise to render these services internally, PPOD outsourced the mailing services to three private companies, namely, M/s DHL, Universal Logistics Services, and FedEx Express on 1st April, 2022. Each company offered its rate in dollars for booking of EMS plus articles at postal counters. A payment of Rs 2,202,794,431 was made to these companies during FY 2023-24.

Audit examined the procurement record and observed that:

- i) Agreements with private courier companies were executed without prior consultation with the Finance Division, as it had financial implications.
- ii) Payments to courier companies were made from the postal receipts instead of the regular budget head - A03919-4: Payment to Others for Services Rendered. It is pertinent to mention that prior to FY 2019-20 payments to courier companies would be made from the aforementioned regular budget head.

Audit contends that outsourcing the core postal services to private companies by PPOD, despite having substantial infrastructure and workforce reflects failure of the management to deliver and accomplish the objectives envisioned by the Prime Minister of Pakistan.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the payments were made to the delivery partners as per new accounting procedure. Further, the matter was taken up with higher authority for necessary orders.

The reply is not tenable. The irregularity was reported in the Audit Report 2023-24 and the DAC had directed to refer the matter to the Finance Division for concurrence but no action was taken so far.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC upheld its earlier decision dated 17th & 18th January, 2024 and directed the management to refer the case to the Finance Division in the light of audit observations. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report 2023-24 vide Para(s) number 1.5.3 having financial impact of Rs 2,868.390 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 108)

1.6.4 Irregular procurement of goods and services - Rs 256.180 million

According to Rule 12 (1) of Public Procurement Rules, 2004, procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. Rule 29 of ibid further stipulates that the procuring agencies shall formulate appropriate evaluation criteria listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for

an ambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

Nine (09) formations of PPOD made procurement agreements for purchase of stationery, printing work, conveyance of mail, hiring of security companies, mail boxes and made payments of Rs 256,180,378 to the vendors during FY 2023-24 as detailed in **Annex-IV**.

Audit examined the procurement record and observed that:

- i. In thirteen (13) cases placed in the annexure at S. No. 1 to 13, procurements were made in splitting manners and by violating tender process.
- ii. In two cases placed in the annexure at S. No. 14 to 15, contracts were awarded to 2nd lowest bidders instead of 1st lowest bidder. In other two cases placed in the annexure at S. No. 16 to 17, tenders notices were not advertised in two national dailies in contravention of the PPRs.
- iii. In one case placed in the annexure at S. No. 18, the work order was issued to the contractor after 380 days from the date of opening of financial bid in violation of PPRs.

Audit contends that bypassing open tendering processes, splitting of procurements, procurement from the second lowest bidders and award of contract after expiry of bid validity reflect weak procurement and contract management.

Audit reported the matter to the management and PAO during November, 2024. PMGs Karachi and Multan replied that in all cases inquiries were underway. PMGs Rawalpindi, Islamabad, Quetta and Peshawar replied that contracts were awarded to 2nd lowest bidder after non-acceptance of contract by the 1st lowest bidder. PMG Islamabad replied that bags were procured in splitting manner to prevent any potential disruptions in postal operations. DG PPOD replied that due to

non-allocation of funds, work order was issued on 6th November, 2023 at the original price, which the vendor accepted without objection, as re-tendering would likely result in much higher rates.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to conduct inquiries, fix responsibilities on those found responsible(s) for making procurement in violation of rules under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19, 2019-20, 2021-22, 2022-23 & 2023-24 vide para(s) number 3.2.9, 1.6.7, 1.5.2, 1.5.3 & 1.5.6 respectively having financial impact of Rs 281.741 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 100, 237)

1.6.5 Irregular payment of fuel price adjustment- Rs 179.996 million

According to Standard Procedure and Formula for Price Adjustment, 2022 (3) the base date price (or base date index) of any element shall be the price of the element for the month on the day falling 28 days prior to the latest day for submission of bids. (4) The current date price (or current date index) of any element shall be the price of the element for the month falling on the day 28 days prior to the last day of the period to which the particular Payment Certificate relates (5) The source for prices of High Speed Diesel (HSD) shall be either Statistical Bulletins or Pakistan State Oil (PSO) or Oil and Gas Regulatory Authority (OGRA). Further, according to Rule 16(B)(2) of PPRs 2004, the procuring agency should determine the factors or percentage for price adjustment approved by the Principal Accounting Officer (PAO).

DG PPOD allowed enhancement in base price of mail subsidy payable to various mail contractors of six (06) postal Circles due to impact

of revision in fuel prices. The mail subsidy was increased by 69% on base price for the vehicles running on diesel and 65% for vehicles running on petrol for the calendar year 2022. Similarly, for the calendar year 2023, the subsidy was enhanced by 39% for vehicles running on diesel and petrol. An amount of Rs 179,996,144 was paid to mail contractors on account of fuel price adjustment during FY 2023-24 as detailed below:

Sr. No.	PDP No.	Name of formation	Amount (Rs in Million)
1	117-25	PMG AJK	12.781
2	206-25	PMG Karachi, Lahore, Rawalpindi, Peshawar, Hyderabad & Islamabad	167.215
Total			179.996

Audit observed that payment of fuel price adjustment was made on the basis of average fuel prices of the base year and current year in violation of the standard formula issued by the Pakistan Engineering Council (PEC). Audit further noticed that the price adjustment percentage/payment was made without the approval of the PAO as required under PPRs.

Audit contends that fuel price adjustment on the basis of average fuel prices of the base year and current year without approval of the PAO reflect weak financial discipline and contract management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the responsibility for getting approval of PAO rests with the DG PPOD, Islamabad as the fuel price adjustment was allowed by the DG PPOD Islamabad for the year 2022 & 2023.

The circle offices admitted the audit contention; however, the Directorate General PPOD did not furnish any reply.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to revisit the fuel price adjustment formula in accordance with standard formula issued by PEC

and get ex-post facto approval from PAO. No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(DPs No. 117 & 206)

1.6.6 Irregular procurement of printing from Pakistan Post Foundation-Rs 127.403 million

According to ECC's decision conveyed by Ministry of Communications vide its letter No. 1(8)/98-P. O, dated 2nd July, 1998, the rates of Printing Corporation of Pakistan (PCP) should be obtained along with rates of Pakistan Post Foundation (PPF) for healthy competition. Further, ECC in its meeting held on 23rd August, 2011 endorsed its earlier decision dated 2nd July, 1998 subject to the condition that a summary examining the whole issue holistically should be brought before the ECC in a subsequent meeting by the Cabinet Division.

Eight (08) formations of PPOD under the Ministry of Communications, Islamabad incurred an expenditure of Rs 127,403,375 on account of printing of stationery and forms from M/s Pakistan Post Foundation (PPF) during FY 2023-24. Detail is as under:

S. No	Name of Formation	Item No.	Amount
1	PMG Karachi	8	10,986,208
2	PMG Lahore	8	69,241,240
3	PMG Rawalpindi	19	15,999,999
4	PMG Islamabad	7	6,892,382
5	DG PPO, Islamabad	44	2,013,300
6	PMG Peshawar	2	10,999,980
7	PMG Hyderabad	3	8,270,266
8	PMG Quetta	6	3,000,000
Total			127,403,375

Audit observed that printing of stationery and forms was carried

out through M/s PPF without obtaining rates from M/s PCP in violation of ECC's instructions. Further, PPOD also failed to place the issue of printing from M/s PPF before ECC in its next meeting as required under the ECC's instructions.

Audit contends that non-compliance with ECC's decisions and non-adherence to procurement rules deprived PPOD of competitive rates.

Audit reported the matter to the management and PAO during August to November, 2024. It was replied that the case was taken up with ECC through Ministry of Communication on 20th January, 2022, followed by series of reminders.

The management accepted the audit contention; however, PPOD did not place the issue before ECC despite lapse of fourteen years.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC upheld its earlier decision of 17th and 18th January, 2024 and directed the management to pursue the case with ECC for reconsideration in the light of PPRs. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives, besides fixing responsibility on those at fault.

Note: The issue was also reported earlier in the Audit Report(s) and MfDAC Report for Audit Year(s) 2020-21, 2021-22, 2022-23 & 2023-24 vide Para(s) number 1.5.1, 1.5.2, 1.5.4 & 44 respectively having financial impact of Rs 454.400 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 193)

1.6.7 Mis-procurement of uniform and mail bags – Rs 78.473 million

According to Rule 38(B) (1) of Public Procurement Rules 2004, the procuring agency shall consider single bid in goods, works and services if it meets the evaluation criteria, ensures compliance of

specifications and other terms & conditions expressed in advertisement or bid solicitation documents besides having financial conformance in terms of rate reasonability. Moreover, as per Para 1 (i) of the Finance Division’s letter No. 7/1/2006-Exp-IV dated 27th February, 2023 regarding implementation of Austerity Measures, there shall be complete ban on purchase of all new durables till June, 2024.

DG PPOD, Islamabad issued two tenders for the procurement of summer uniforms, shoes and mail bags. M/s Haji & Company, D.I. Khan was declared technically qualified in both tenders among eighteen (18) participants after testing of samples at ASID lab. Consequently, only the technically qualified bidder's financial offer was considered and the contract of Rs 78,472,545 was awarded to M/s Haji & Company on 21st May, 2024 as detailed below:

SI No.	PDP No.	Description	Amount (Rs in Million)
1	90-25	Procurement of uniform and shoes	54.982
2	103-25	Procurement of mail bags	23.491
Total			78.473

Audit examined the procurement record and observed that:

- i. The whole technical evaluation process was based on ASID lab reports which were not valid for any Military or Government tenders as shown by the lab authorities in its disclaimer.
- ii. Lab results showed that the selected bidder's samples varied from the required mandatory specifications of breaking strength, shirt color, and fabric density for pants and khaki canvas bags.
- iii. The payment against these lab tests amounting to Rs 2,354,280 was collected from the bidders and paid to the ASID lab in cash by the PPOD officials in person after collecting the lab reports.
- iv. PPOD did not make market analysis for rate reasonability, as required under Rule 38(b) of PPRs 2004, being single responsive bid.

- v. The procurement of bags was made from Account Head-A09899: Purchase of Other Assets, despite the ban imposed by the Finance Division under austerity measures.

Audit contends that procurement in disregard to rate reasonability, testing authority's disclaimer on the validity of the lab report, cash payment to the lab and ban on purchase of physical assets raise serious concerns about the transparency of the technical evaluation and the overall procurement process.

Audit reported the matter to the management and PAO during September and November, 2024. It was replied that the department duly analyzed financial bid for the rate responsibility and the variations from the required mandatory specifications were deemed beneficial. All mail bags are procured under the head: A09899- Purchase of Other Assets as per previous practice. PPOD and other organizations rely on ASID lab reports for technical evaluation despite the disclaimer of the testing authority. Further, retendering was not pursued due to time constraints.

The reply is not tenable as no documentary evidence regarding rate reasonability was produced. Further, the contract was awarded despite variations from the required mandatory specifications and disclaimer of the ASID lab.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to provide the record relating to rate reasonability and ASID clarification. However, Audit reiterates that the matter be inquired to fix responsibility against the responsible. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives, besides conducting of inquiry and discontinuation of charging the expenditure to head: A09899- Purchase of Other Assets.

(DP No. 90 & 103)

C Management of Accounts with Commercial Banks

1.6.8 Unauthorized operation of bank accounts after implementation of new cash management regime -Rs 4,584.135 million

According to Section 30 of the Public Finance Management Act, 2019, “the Finance Division, with the approval of the Federal Government, shall notify policy and rules under this Act to prescribe an effective cash management system for all public entities and special purpose funds leading to treasury single account”.

The Finance Division discontinued the earlier system of LoC and allowed PPOD to open three accounts in the NBP, namely, PPOD’s agency/commercial functions (PPOD-I), Zero balance account for disbursement of military pension (PPOD-II) and Zero balance account for drawl of budget payments (POD-III) vide its letter dated 25th June, 2021.

Audit examined the record of banking matters and revealed that five (05) formations of PPOD under the Ministry of Communications continued to operate ninety (90) accounts in the National Bank of Pakistan without the authorization of the Finance Division wherein debit and credit entries of Rs 4,584.135 million were made, details of which are as under:

Sl No.	PDP No.	Name of formation	No. of accounts	Amount (Rs in Million)
1	07-25	GPO Skardu	03	530.248
2	116-25	GPO Gilgit	05	1,127.792
3	121-25	PMG Muzaffarabad	66	909.564
4	170-25	GPO Bagh & Kotli	16	2,016.531
Total				4,584.135

(Source: Bank Statements)

Audit contends that operation of bank accounts by PPOD after implementation of the New Cash Management Regime is a serious violation of PFM Act, 2019 and instructions of the Finance Division which reflect financial indiscipline and weak internal controls.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the accounts were operated in GPOs and sub offices to facilitate online remittances to avoid incidences of theft/dacoity.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to take up the matter with the Finance Division for approval regarding retention of these accounts under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DPs Nos. 07,116,121 & 170)

1.7 Value for Money and Service Delivery Issues

1.7.1 Loss due to retention of un-remunerative post offices— Rs 1,478.669 million

According to Para 891(1) of Post Office Manual Vol-IV, no experimental Post Office may be sanctioned for a period longer than six months at a time and no extension of experimental periods may be sanctioned unless there is a reasonable hope that the office will prove self-supporting at the end of two years.

PPOD under the Ministry of Communications, Islamabad opened 3,252 Sub-offices, EDSOs and EDBOs under the administrative jurisdiction of respective Divisional Superintendents for provision of postal services to the general public, some of which were opened on the guarantee of the district government and general public.

Audit observed that PPOD sustained a loss of Rs 1,479,153,051 during FY 2023-24 due to retention of un-remunerative and guaranteed Post Offices under the administrative jurisdiction of 40 formations. The detail is as under:

(Rs in Million)

Sl No.	PDP No.	No. of post offices running in loss	Expenditure	Revenue	Amount
1	04-25	906	548.107	169.029	379.079
2	234-25	2,346	1,590.590	490.516	1,099.590
Total		3,252	2,138.697	659.545	1,479.153

Audit contends that due to imprudent opening of post offices, the government incurred a huge loss instead of adding value for money.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the unit officers were directed to improve the revenue position of the Post Offices in loss and close EDBOs & EDSOs after making delivery arrangements in those areas. Further, an amount of Rs 615,929 was recovered against the guaranteed post offices. Audit verified an amount of Rs 484,300 during verification. The amount of the Para was reduced to the extent of the verified amount.

The reply is not satisfactory as no effective steps were taken to reduce the loss of these post offices by PPOD management.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to devise a strategy for making the un-remunerative post offices profitable, besides ensuring recovery of loss from the guarantors of post offices under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21, 2022-23 and 2023-24 vide para number 1.8.4, 1.8.6 and 1.6.1 having financial impact of Rs 1,119.226 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.04 & 234)

1.8 Receivables

1.8.1 Non-transfer of balance funds of pension to FCF– Rs 3,265.404 million

According to Para 2 (B)(i) of the Finance Division (Budget Wing) letter No. 1(10)SO(TSA)/350/2021 dated 25th June, 2021, State Bank of Pakistan shall open a zero-balance account namely PPOD-II outside the Central Account No. 1 (Non-Food), for disbursement of Military Pension. Moreover, as per CMA (P) letter No. Pen/DCS/C-MP/II dated 7th March, 2024, all active GPOs will make monthly pension payment up-to 30th June, 2024 and w.e.f 1st July, 2024, no further pension payment will be made by any GPO.

DG PPOD, Islamabad opened a main pension account No. 4180595277 in the National Bank of Pakistan (NBP) on the instructions of the Finance Division (Budget Wing) and made it functional w.e.f. 1st July, 2022 for receipt of funds and its subsequent distribution to 85 GPOs for pension payment to retired employees of Defence Services.

Audit observed that PPOD did not transfer the balance of Rs 3,265,404,285 available in the main military pension account as on 8th September, 2024 to FCF despite discontinuation of pension payment by PPOD.

Audit contends that non-transfer of the military pension funds after switching over to DCS and illegal retention indicates weak financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that reconciliation of all 85 GPOs was under process with DA PPO, Lahore. After completion of reconciliation the residual amount in NBP account No.4180595277 will be transferred to FCF.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to complete the reconciliation process within three months and transfer the due amount to FCF under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 99)

1.8.2 Non-recovery of penalty amount from M/s PPF on late deposit of DFPOs' revenue – Rs 2,434.456 million

According to Para 8 of the agreement executed between PPOD and M/s PPF, the Institutional Franchise Postmaster shall keep full and proper books of accounts electronically or manually showing neatly and clearly all transactions, following the prescribed procedure relating to maintenance of accounts correctly and shall remit regularly at its own expenses all money, due to Pakistan Post on very next working day from the transaction at the prescribed hours. In case of failure/delay to deposit on the next day all moneys and cash received on account of booking of articles, a penalty equal to the amount due shall be levied per day of default and recovered from the Institutional Franchise postmaster.

M/s PPF was under contractual obligations to transfer the revenue earned through DFPOs, after deducting its commission, to PPOD on the next working day. M/s PPF conducted a business of Rs 126,549,837 during FY 2023-24.

Audit observed that M/s PPF did not deposit the revenue generated through DFPOs on the very next working day and issued delayed cheques to PPOD through respective GPOs up to 89 days but a penalty of Rs 2,434,455,657 for delayed deposits was neither imposed nor recovered as detailed below:

S.No	Name of Formation	Item No.	Amount (Rs in Million)
1	GPO Lahore	18	1,208.271
2	GPO Karachi	9	374.959

3	PMG Multan	8	25.722
4	PMG Islamabad	15	128.006
5	PMG Peshawar	5	89.432
6	GPO/DSPS Rawalpindi	2	161.868
7	PMG Hyderabad	9	11.352
8	GPO/DSPS Quetta	7	434.845
Total:			2,434.455

Audit contends that non-recovery of a penalty from M/s PPF for delayed deposits contravenes the agreement and causes significant revenue loss to Pakistan Post.

Audit reported the matter to the management and PAO during August to November, 2024. It was replied that M/s PPF was ready to transfer the PPOD revenue to concerned Circle online but due to non-automation of GPOs, cheques were issued on weekly basis.

The reply is not tenable as the cheques were issued to circles with inordinate delay of up to 89 days.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to revise the penalty clause and place the case regarding recovery of penalty before PAC. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 209)

1.8.3 Non-recovery of postal dues -Rs 653.542 million

According to Article 5 of PT&T, IAC Volume-I and Para 8 of GFR Volume-I, it is the duty of the administrative department concerned to see that the dues of Govt. are correctly and promptly assessed, collected and paid into the treasury.

PPOD under the Ministry of Communications Islamabad executed different kinds of agreements for provision of services with various departments, agencies, and autonomous bodies and received service charges on monthly basis according to agreed rates. Moreover, PPOD also rented out its properties to different organizations and private persons.

Audit observed that fifty three (53) formations of PPOD did not recover the postal dues on account of courier services, rent & utility charges from tenants, terminal dues, compensation cost from foreign postal administration and commission charges amounting to Rs 764,485,211 during FY 2023-24 as detailed in **Annex-V**.

Audit contends that non-recovery of postal dues despite provision of postal services reflects weak financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that an amount of Rs 111,337,119 had been recovered. During verification, an amount of Rs 110,943,086 was verified, leaving an outstanding balance of Rs 653,542,125. The amount of the Para was reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to recover the remaining amount of postal dues from the concerned and get it verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19, 2019-20, 2021-22 & 2022-23 vide para(s) number 3.4.3, 1.8.2, 1.7.3 & 1.7.2 respectively having financial impact of Rs 861.040 million. Recurrence of same irregularity is a matter of serious concern.

(DPs Nos. 37,96,102, 107, 139,185,200,210 & 236)

1.8.4 Non-recovery from Immigration and Passport office - Rs 593.070 million

According to Rule-8 of GFR Vol-I, it is the duty of the Revenue Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the Government treasury.

PPOD under the Ministry of Communications, Islamabad entered into an agreement with Immigration and Passport Office (IMPASS), Islamabad to provide EMS Plus services for the delivery of passports to overseas Pakistanis at foreign missions or their home addresses at agreed-upon rates.

Audit observed that the Chief Postmaster GPO, Islamabad raised claim of Rs 3,974,124,000 to Director General IMPASS on account of delivery of articles at foreign missions and homes addresses for the period from September, 2022 to May, 2024, against which an amount of Rs 3,381,053,654 was received, leaving the recoverable balance of Rs 593,070,346. It was further observed that no reconciliation was conducted with the DG IMPASS regarding the claimed and actual amounts received. The detail is as under:

(Rs in Million)

Sl No.	Description	Period	Claimed Amount	Amount received	Balance Amount recoverable
1	Foreign Mission	Sep-22 to April-24	345.481	304.987	40.494
2	Home delivery	Sep-22 to May-24	3,628.643	3,076.067	552.576
Total			3,974.124	3,381.054	593.070

Audit contends that non-receipt of the balance amount and non-reconciliation indicates revenue loss to PPOD and weak financial management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that IMPASS authority sanctioned the

claimed amount on monthly basis and nothing was pending against them. Further, the reconciliation work was under process.

The reply is not tenable as less receipts were realized against the claimed amount as per invoices issued to the IMPASS authority. Audit did not find any efforts on the part of PPOD authorities to collect the receipts.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to constitute a committee at Directorate General level including a member from DA PPO to conduct a fact finding inquiry into the matter under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No.114)

1.8.5 Illegal occupation of postal property and non-recovery of rent – Rs 425.584 million

According to Section 3 of the Federal Government lands and Building (Recovery of possession) Ordinance, 1965, if on the expiry, whether before or after the commencement of this Ordinance of the period of any lease or license in respect of any land or building of which the Federal Government is the lessor or licensor or on the determination of such lease or license on the ground of breach of any covenant imposing an obligation on the lessee or licensee to give up possession of the demised land or building required for any public purpose, the lessee or licensee refused or failed or refuses or fails, to vacate that land or building and put the Federal Government into possession of the same, any officer authorized by the Federal Government in this behalf may, notwithstanding anything contained in any other law for the time being in force or in any contract, at any time, enter upon the demised land or building and recover, vacant possession of that land or building by evicting the lessee or licensee and may also demolish and remove the structure, if any, erected or built thereon by the lessee or licensee.

PPOD under the Ministry of Communication, Islamabad leased out two properties to M/s PPF i.e. Golra Mor, Rawalpindi (87,512 sq.ft) @ Rs 10,000 per month for 30 years starting from 1993-94, and Korangi GPO, Karachi (29,698.25 sq.ft) @ Rs 11,666 per month for 20 years from February, 1993. M/s PPF incurred an expenditure of Rs 24,552,231 for construction of printing press hall at Golra Mor Rawalpindi. Since 2009, audit objections were raised for recovery of rent according to Ministry of Housing and Works rates. Accordingly, PPOD formulated a committee to calculate the rent recoverable from M/s PPF which determined the due rent based on a base price of Rs 10,000 and Rs 11,000 per month respectively, amounting to Rs 23,763,608, which was adjusted against the construction cost of Rs 23,696,909 incurred by M/s PPF.

Audit examined the relevant record and observed that:

- i) The lease agreement for Golra Mor Rawalpindi was canceled by DG PPOD on 28th September, 2023, whereas lease agreement for GPO compound Korangi, Karachi was expired on 18th February, 2023, but the management failed to get the properties vacated from M/s PPF.
- ii) The rent was calculated based on the base price of Rs 10,000 and Rs 11,000 per month instead of the rates approved by the Ministry of Housing and Works. Consequently, rent worth Rs 425,583,744 was not recovered.
- iii) Clause regarding adjustment of construction cost for rent was not available in the lease agreement.
- iv) In a DAC meeting held on 7th June, 2022, it was directed to the management to cancel the leases maturing in 2033 and re-advertise the properties from February, 2023 through competitive bidding but the management did not comply with the DAC directives.

Audit contends that failure to vacate the properties as per directives of the DAC, non-recovery of the appropriate rent according to the rates approved by the Ministry of Housing and Works and adjustment of the

rent against the construction cost without provision in the agreement resulted in a substantial loss of revenue.

Audit reported the matter to the management and PAO during August and November, 2024. It was replied that that PPF filed a Civil Suit in the court of Civil Judge -West Islamabad against the termination of lease agreement by PPOD relating to space at Golra Mor Rawalpindi. PMG Karachi was directed to initiate re-leasing of the Korangi Karachi property through tendering as per the Lease & Tenancy Policy, 2020. Rent liabilities were calculated based on the 2003 lease agreement at Rs 11,666 per month, adjusted against PPF's construction costs with a 25% increase every three years from 1993, totaling Rs 119,161, as approved by the Board of Governors. Post-lease (19-02-2023 to 30-06-2024), rent was revised to Rs 35 per sq.ft as per Ministry of Housing & Works rates, amounting to Rs 15,053,118. PPF was directed to vacate and deposit the amount for further re-leasing.

The reply is not tenable as the properties were leased out at lump sum monthly rates with 25% increase after three (03) years instead of rates approved by the Ministry of Housing & Works. Further, adjustment of construction cost against the rental proceeds was in violation of the contract.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to recover the rent as per Ministry of Housing & Works rates within 20 days and pursue the case in the court of law to vacate the stay order under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 02, 77 & 89)

1.8.6 Non-recovery of printing and establishment charges – Rs 325.118 million

According to Article 5 of PT&T, IAC Volume-I and Para 8 of GFR Volume-I, it is the duty of the administrative department concerned to see that the dues of Govt. are correctly and promptly assessed, collected

and paid into the treasury.

Chief Controller of Stamps Karachi got printing of all types of non-postal stamps from National Security Printing Corporation (NSPC) on behalf of various departments of Federal & Provincial Governments and raised the debit bills of Rs 325,118,562 on account of printing and establishment cost against the concerned organizations during FY 2023-24.

Audit observed that the Chief Controller of Stamps, Karachi did not recover the printing and establishment charges from various departments of the Federal and Provincial Governments.

Audit contends that non-recovery of the printing and establishment charges reflects weak financial management.

Audit reported the matter to the management and PAO during July to November, 2024. It was replied that an amount of Rs 106.209 million was recovered from concerned departments and efforts were underway to recover the remaining amount.

The reply is not tenable as recovery particulars could not be provided during verification.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to recover the remaining amount, besides provision of recovery particulars to audit for verification. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No.239)

1.8.7 Non-deposit of recovered amount into FCF– Rs 298.765 million

According to Section 40C(1)(2) of Public Finance Management Act, 2019, the revenue collection offices shall deposit the collected amount in Federal Consolidated Fund (FCF) promptly without delay in prescribed manner under the head of account specified by the Finance Division. The revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures except through budgetary mechanism.

Forty two (42) formations of PPOD under the Ministry of Communications, Islamabad made recovery of Rs 298,765,459 on account of military/postal pensioners, loss/fraud amounts, mail contactors, standard rent from un-authorized occupants and profits earned on western union account during FY 2023-24 as detailed in **Annex-VI**.

Audit observed that the concerned formations of PPOD did not deposit the recovered amount into Federal Consolidated Fund (FCF) in violation of PFM Act.

Audit contends that non-deposit of recovered amounts into FCF promptly as required under the PFM Act, 2019 indicates weak financial management.

Audit reported the matter to the management and PAO during November, 2024. It was replied that some of the GPOs deposited the recovered amount into relevant military pension, money orders and agency function accounts, whereas some GPOs did not deposit the amount due to non-availability of accounting procedure in this regard.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to immediately devise new accounting procedure in consultation with the Finance Division and CGA regarding transfer of recoveries into FCF. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DPs No. 93,181,221 & 258)

1.8.8 Non-recovery of rent, pension contribution and postage charges from PLICL – Rs 252.304 million

According to Clause 5.2.5 of the Strategic Agreement signed between PPOD and PLICL on 1st July, 2021, PLICL shall bear all costs and expenses connected, ancillary and / or incidental to the Assigned Premises (and maintenance thereof). Similarly, Rule 45(1)(5) of the Compendium of Pension Rules and Orders 2018 requires that pension contribution shall be required and paid, if an employee of Federal Government or Provincial Government is posted to such organization that are not funded by Government of Pakistan or a Provincial Government, raise their own revenues and incur expenditure out of those revenue.

After the portfolio transfer, PPOD under the Strategic Alliance Agreement signed on 1st July, 2021, provided physical assets, manpower resources and other allied facilities of Rs 252.304 million to PLICL during FY 2023-24.

Audit examined the relevant record and observed that:

- i) 115 official and residential properties of PPOD were being utilized by the PLICL under different Circles of PPOD without signing of lease agreements due to which rent of Rs 130,366,860 could not be realized.
- ii) The rent of 57 vehicles of PPOD under the utilization of PLICL amounting to Rs 44,460,000 was not recovered as determined by the PPOD headquarters.
- iii) PPOD did not recover the pension contributions of Rs 72,751,760 of its employees and postage dues of Rs 4,725,783 from PLICL.

Audit contends that non-recovery of rent of buildings & vehicles, pension contributions and postage charges from PLICL reflect poor administrative and financial control.

Audit reported the matter to the management and PAO during November, 2024. It was replied that a draft lease agreement was under process regarding utilization of PPOD physical assets. Further, the matter regarding recovery of postage charges had been taken up with PLICL.

The reply is not tenable as the lease agreement could not be finalized despite lapse of four years. Further, no reply could be furnished for recovery of pension contributions.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to determine the rent and finalize the lease agreement with PLICL. DAC further directed to recover the amount of postal charges and pension contribution from PLICL and get it verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 247)

1.8.9 Illegal retention and non-deduction of taxes - Rs 155.604 million

According to the Accounting Procedure for GST/PST/Withholding Tax issued by DG PPOD implemented w.e.f 1st July, 2022, each GPO/Head office is responsible for depositing due amount of taxes into designated bank account on fortnightly basis. Further, according to Second Schedules of Sindh Sales Tax on Services Act, 2011, Balochistan Sales Tax on Services (Amended) Act 2019 and Islamabad Capital Territory (Tax on Services) Ordinance, 2001, sales tax @ 13%, 15% and 15% respectively will be charged on providing the services of transportation and carriage of goods. Moreover, according to Section 153(1)(b) of Income Tax Ordinance 2001, income tax @ 3% of the gross amount payable was required to be deducted from vendors in the case of transport services, freight forwarding services, air cargo services and courier services etc.

PPOD under the Ministry of Communications, Islamabad made payments to different vendors and collected taxes of Rs 166,748,909 on account of income tax, sales tax and custom duty against postal services on behalf of FBR and provincial sales tax authorities during FY 2023-24.

Audit observed that:

- i. Twenty-eight (28) formations of PPOD transferred an amount of Rs 30,991,542 to the designated bank account No. 4178563145 titled “Pakistan Post Agency Functions”, and concerned authorities against the collected amount and retained the amount of Rs 135,757,367 illegally in the postal treasuries as detailed in **Annex-VII**.
- ii. Thirteen (13) formations of PPOD did not deduct income tax, education cess on income tax and provincial sales tax on services amounting to Rs 19,847,050 during FY 2023-24 as detailed in **Annex-VII-A**.

Audit contends that non-transfer of taxes to concerned tax authorities and non-deduction of taxes at source resulted in misreporting of the tax receipts in the financial statements of the PPOD, besides reflection of weak financial order and internal control structure.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the amount of GST / WHT on CDL & CDP was not transferred to concerned departments due to non-receipt of SOPs from the competent authority. PMG Quetta replied that the contractor failed to deposit the amount of taxes into the treasury as reported by BRA, Quetta, therefore, pending claims of the contractor were withheld. In other cases, it was replied that the matter of non/less deduction of taxes had been taken up with AGPR and concerned tax authorities. In some cases, tax was not due.

The reply is not tenable. PPOD retained illegally the amounts of taxes and custom duties besides non-deduction of taxes.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to transfer the due amount to concerned tax authorities under intimation to audit. The DAC further directed to recover the due amount of taxes from the concerned contractors and persons and get it verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 75, 126,132, 208 & 251)

1.8.10 Non-recovery of standard rent from unauthorized occupants – Rs 22.480 million

According to Rule 15(2), 25(4) (b) of Accommodation Allocation Rules 2002, a retired person may retain Government accommodation up-to six months after the date of retirement. Further, in case of trespassing or unauthorized occupation, rent equivalent to two rental ceilings of the category of his entitlement or the category of the house occupied, whichever is more shall be charged for each month for the entire period of unauthorized occupation.

Forty-six (46) Government owned residences at different postal colonies in ten (10) formations of PPOD were under the occupation of illegal occupants/ retired & dismissed postal employees.

Audit observed that neither PPOD got vacated these postal quarters from the illegal occupants nor the standard rent of Rs 22,553,870 was recovered during the FY 2023-24 which caused a heavy loss to the PPOD as detailed in **Annex-VIII**.

Audit contends that non-vacating of the postal quarters and non-recovery of standard rent from the illegal occupants reflect poor safeguard of departmental assets.

Audit reported the matter to the management and PAO during November, 2024. It was replied that an amount of Rs 566,760 had been

recovered and efforts were underway to recover the remaining amount. In some cases the amount could not be recovered due to stay orders granted by the courts. During verification, an amount of Rs 73,380 was verified, leaving an outstanding balance of Rs 22,480,490. The amount of the Para was reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to recover the amount of standard rent and get the accommodations vacated from unauthorized occupants. The DAC further directed to effectively pursue the cases in the court of law for vacation of stay orders. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No.245)

1.8.11 Overpayment on account of fuel price adjustment – Rs 7.007 million

DG PPOD Islamabad vide letter No. MST.1-1/2023 dated 14th March, 2023 & 4th April, 2024 increased the rate of mail subsidy payable only to the contractors of privately owned SMEs vehicles for mail/cash conveyance running on HSD and Petrol for the calendar year 2022 and 2023. The mail subsidy was increased by 69% of base price of vehicles running on HSD and 65% for vehicles running on petrol for the calendar year 2022. The difference of monthly arrear for calendar year 2023 shall be computed as per percentage given in Column-7 of Annex-A against each month.

Postmaster General FC & GB Circle, Islamabad hired the services of M/s Gilgit Baltistan Coach Skardu on mail cum passenger basis for transmission of mail against five mail lines of GB region, whereas the contract for Rawalpindi-Gilgit-Skardu mail line was awarded on SME basis. An amount of Rs 11,470,902 was paid on account of fuel price adjustment for the years 2022 & 2023 to the mail contractor on above lines during the FY 2023-24.

Audit observed that:

- i. The contractor was entitled for fuel price adjustment on SME mail lines only, whereas the payment of Rs 4,166,028 was made against five (05) passengers cum mail lines.
- ii. The contractor was paid at uniform rate of 69% for Rawalpindi-Gilgit-Skardu mail line, whereas he was entitled for payment on monthly proportionate rates according to Annexure-7, thereby resulting in overpayment of Rs 2,841,294.

Audit contends that non-compliance to the instructions of the DG PPOD for payment of fuel price adjustment indicates weak internal controls.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the payment of arrears was paid to the contractor in accordance with agreement. Further, the financial bid of contractor was evaluated on 12th October, 2021; therefore, payment of arrears @ 69% was made to contractor.

The reply is not tenable as payment was admissible only to SMEs contractors. Further, the contract was awarded in 2022 instead of 2021, therefore, increase @ 69% was not admissible. Further, the representative of DG PPOD also apprised the DAC that fuel price adjustment was not admissible to passengers cum mail contractors.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to recover the amount from contractor and get it verified from audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 140)

1.9 Others

1.9.1 Non-reconciliation of receipts and payments with NBP – Rs 1,175,996.52 million

According to Para 21 (i & ii) of Accounting Procedure of Money Orders, Directorate General PPOD will ensure timely provision of MIS report from NBP to GPOs, Circles and DA PPO Lahore and arrange reconciliation among the PPOD Circles/NBP and DA PPO Lahore.

PPOD is operating three current accounts with NBP for different functions like Inland Money Order business, Military Pension Payments and Pakistan Post Agency Functions, wherein financial transactions amounting to Rs 1,175,996.519 million based on deposits and withdrawals by 85 GPOs were carried out through these bank accounts during FY 2023-24 as detailed below:

(Rs in Million)

Sl. No.	Description	Title of Account	Amount of Debit transactions	Amount of Credit transactions	Total
1	Money Orders Account	4179372126 Current Account	8,158.767	7,979.501	16,138.270
2	Pension Account	4180595277 Current Account	225,571.364	228,551.326	454,122.690
3	Pakistan Post Agency Functions	4178563145 Current Account	349,730.992	356,004.569	705,735.560
Total:			583,461.123	592,535.396	1,175,996.52

Audit observed that PPOD did not carry out any reconciliation of the transactions with the National Bank of Pakistan. As a result, there were instances of both excess and short withdrawals and deposits across the three accounts, leading to the mis-utilization of receipts from one function to cover payments for another.

Audit contends that non-reconciliation of PPOD internal records with NBP reflects weak internal controls and financial management which may leads to fraud and embezzlement.

Audit reported the matter to the management and PAO during November, 2024. It was replied that case for provision of GPO wise, head wise, date wise debit/credit and balance statement in respect of Agency Function account, was taken up with NBP vide letter dated 1st January, 2025. NBP was also requested vide letter dated 17th October, 2024 to ensure regular circulation / email of money order account statement to all Circles and GPOs on monthly basis.

The management has accepted the audit contention; however, no appropriate action has been taken to carry out reconciliation despite the directives of DAC held on 17th & 18th January, 2023.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to take up the case with the Finance Division through MoC for provision of bank statements to PPOD on required format for reconciliation. The DAC further directed to make reconciliation after receipt of bank statements under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 248)

1.9.2 Non-transfer of amount of pledged Defense Saving Certificates to FCF–Rs 6,348.839 million

The Finance Division vide U.O No. F.6 (15) DS-Exp. (Comm)/2019-20/47 dated 15th January, 2024 clarified in Para 2(i&ii) that “it may be ascertained, while lodging claim by PTCL, the claim was based on specific court decision in respect of Defence Savings Certificate (DSCs), which were en-cashed. If it was so, the PTCL’s claim to the extent of defaulted amount, should have been honored/discharged.

Remaining amount, if unclaimed, belongs to Federal Government. In case, the PTCL claim was not granted by specific court order but PTCL has satisfied the PPOD that default was there, in such a case, PPOD may quote/produce PPOD's power as disburser and the amount, to the extent of specific security deposit, should have been paid. Remaining amount, if unclaimed, belongs to Federal Government. PAC Sub-Committee-II in its meeting held on 4th January, 2023 discussed a similar nature Para of Audit Report 2018-19 and directed the PAO to take drastic measures for recovering the amount thereof.

PPOD under the Ministry of Communications, Islamabad held Defence Saving Certificates of Rs 100 denomination having a total value of Rs 12,688,795 pledged in the name of Account Officer Telephone Revenue (AOTR) with GPOs as security deposit as on 30th June, 2024. Audit calculated the compounded value of the DSCs as Rs 6,348,838,578 on the basis of prescribed rates of the Finance Division.

Audit observed that PPOD did not transfer the compounded value of pledged DSCs to FCF in violation of the instructions of the Finance Division & directives of PAC. Audit also noticed that instead of transferring the compounded value of pledged DSCs to FCF, the Director (FS &Ins) Postal Headquarters, Islamabad conveyed illegal instructions to GM (Regional Operation & Cost Control) PTCL Headquarter Islamabad, vide letter dated 13th March 2024 that PPOD was holding pledged DSCs of Rs12,688,795 which would be transferred to CDNS as PPOD was not in a position to discharge the certificates after the instructions of the Finance Division. The Director (FS & Ins) Postal Headquarters, Islamabad vide letter dated 1st April 2024 also directed to all the PMGs to issue necessary instructions to relevant GPOs for transfer of PTCL pledged certificates to CDNS.

Audit contends that non-transferring of the compounded value of pledged unclaimed DSCs to FCF reflects weak financial management.

Audit reported the matter to the management and PAO during November, 2024 as critical issue. PMGs Hyderabad and Quetta replied that matter relates to the PPO HQs, Islamabad. On receipt of instructions the matter will be dealt accordingly.

The reply is not relevant. PPOD had issued instructions which were contrary to the clarification of Law & Justice Division, instructions issued by the Finance Division and directives of PAC.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to stop the process of transferring pledged DSCs of PTCL to CDNS. The DAC further directed to transfer the DSCs equivalent to amount of default established by PTCL through court of law and remaining unclaimed amount of DSCs be transferred to FCF within three months. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 226)

1.9.3 Unauthorized retention of MOs issued amount and payment from other receipts – Rs 18,395 million

According to Para 16 of the Accounting Procedure of Money Orders, the amount collected on account of money orders issued and unpaid by each GPO is required to be deposited into NBP Account No. 4179372126 titled as “ PPOD Operations Money Order”. Similarly, the amount for payment of money orders will be drawn from the account through cheques as per requirement on daily basis.

Eighty-five (85) GPOs under PPOD were required to deposit the collected amount of money orders into the designated bank account against which payment would be made as per daily requirement.

Audit observed that:

- i. GPOs deposited Rs 16,576.000 million into designated bank account against the amount of Rs 25,711.000 million collected on account of MOs issued during the period from 1st April, 2022 to 30th June, 2024, resulting in less deposit of Rs 9,135.000 million.
- ii. GPOs made a payment of Rs 25,260.000 million on account of MOs paid against the withdrawn amount of Rs 15,999.000 million from MOs account, leading to an excess payment of Rs 9,260.000 million.

Audit contends that less deposit of the MOs collection and excess payment against the withdrawn amount of money orders indicates weak financial discipline and procedural lapses.

Audit reported the matter to the management and PAO during October, 2024. It was replied that audit observation is correct and a comprehensive review and reconciliation of all money order transactions would be conducted to identify and rectify discrepancies, instructions have been issued to all Circles.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to finalize the reconciliation process and make adjustment of excess and short withdrawals within 90 days under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 32, 242)

1.9.4 Un-authorized utilization of funds drawn through Letter of Credit – Rs 2,023.104 million

According to Rule 7(1) (l) of the Financial Management and Powers of Principal Accounting Officers Regulations 2021, the Principal Accounting Officer shall be responsible to sanction expenditure as per the

delegated financial powers. Such sanctioning of expenditure shall not exceed the allocated budget. Prior to approving of expenditure sanction, principal accounting officer shall ensure that the required budget is available in the relevant head of account. Sanctioning of expenditure shall be based on the purpose for which the funds are allocated.

The Finance Division granted special permission to draw funds for payments of pension to defense forces from Account No. 1 (non-food) vide its letter dated 30th June, 2022. DG PPOD made authorization of funds for the month of June paid in July, 2022 and the Director of Accounts Pakistan Post, Lahore issued Letter of Credit (LoC) in favour of GPOs for drawl of funds. The practice for withdrawal of funds was discontinued from 1st August, 2022.

Audit observed that nineteen (19) GPOs withdrew excess funds of Rs 2,046,454,645 through LoC during the month of July, 2022 which were utilized for payment of military pension during the month of August, 2022. PPOD was required to deposit the same into Account No.1 as separate funds were allocated for payment of military pension w.e.f 1st August, 2022 as per procedure issued by the Finance Division vide its letter dated 12th May, 2022. The detail is as under:

Sl No.	PDP No.	No. of formations	Amount (Rs in Million)
1	38-25	01	322.665
2	122-25		
3	229-25	18	1,723.790
Total		19	2,046.455

Audit maintains that withdrawal of significant amounts from Account No. 1 (non-food) without proper justification or adherence to budgetary allocations raises concerns about financial discipline.

Audit reported the matter to the management and PAO during November, 2024. It was replied that amount was drawn from LoC for payment of military pension, Western Union money transfer payment and

Money orders payment etc. due to non-opening of separate accounts. Further, the reconciliation work of the different head is under way and after reconciliation, the amount of LoC will be deposited into the FCF.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to take up the case with the Finance Division for regularization of the expenditure, besides timely reconciliation under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 38, 122 & 229)

1.9.5 Unlawful withdrawal / utilization of funds from military pension accounts - Rs 1,247.900 million

The Finance Division vide letter dated 12th May, 2022 conveyed that it has been decided that no authorization through LoC shall be issued for payment of pension and other expenditure w.e.f. 1st July, 2022. In order to make the pension payment to retired employees of defense services, a Bank Account in NBP under title "Pension Payment Account" has been opened which has become functional w.e.f. 1st July, 2022.

PPOD under the Ministry of Communications, Islamabad allowed all GPOs to open accounts with National Bank of Pakistan to draw the funds for making pension payments to the retired employees of Armed Forces. A procedure, in this regard, was also issued by the Postal Headquarter, which was required to be followed by all the GPOs.

Audit examined the relevant record and observed that:

- i. Twenty-nine (29) GPOs made military pension payments of Rs 58,810,649,599 against the amount of Rs 57,592,036,149 drawn from bank accounts which shows that an amount of Rs 1,218,613,450 was disbursed from other sources in violation of the prescribed procedure.

- ii. Twenty-three (23) GPOs made military pension payments of Rs 64,664,684,690 against the funds of Rs 67,131,198,146 drawn from the NBP which shows that excess funds of Rs 2,466,513,456 were drawn and retained without any plausible justification.

Audit contends that payment of military pension from sources other than the designated bank accounts and excess withdrawal of funds for the same purpose as well as retention of excess withdrawn amount by the GPOs indicate financial mismanagement.

Audit reported the matter to the management and PAO from November, 2024. It was replied that reconciliation process has been completed by DAPPO, whereby variations of less/excess payments at various GPOs have been identified. On rectification of variations, the amount would be transferred to FCF.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to finalize the reconciliation process and make adjustment of excess and short withdrawals within 90 days under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 250)

1.9.6 Non-disbursement of Stipend Money Orders – Rs 1,092.787 million

According to Clause 2.1 of the contract agreement executed between the Secretary to Government of Khyber Pakhtunkhwa (KP), Elementary & Secondary Education Department and the PMG KP, Peshawar, the second party will be responsible for the timely distribution of the Stipend Money Orders in all the districts of KP under both the stipend program.

PMG Khyber Pakhtunkhwa, Peshawar under the Ministry of Communication, Islamabad signed a contract agreement with Secretary Education, Government of Khyber Pakhtunkhwa on 31st January, 2022 for payment of Stipend Money Orders. Accordingly, the Education Department released funds of Rs 1,092,786,993 to all GPOs under the KP Circle through cheques along with district-wise lists of female students enrolled in different schools across Khyber Pakhtunkhwa.

Audit observed that:

- i. GPOs under KPK Circle did not disburse the Stipend Money Orders among the female students of Khyber Pakhtunkhwa since June, 2022.
- ii. The record transpired that the Stipend Money Orders amounts were deposited in the Account-I (Non-Food) of the Federal Government due to the prevailing system of letter of credit in PPOD.
- iii. PMG Peshawar failed to take up the matter of release of the objected amount with the Finance Division.

Audit contends that non-disbursement of stipend money orders to the beneficiaries was not only violation of the contract agreement but also reflects financial indiscipline which caused financial hardship and inconvenience to the students.

Audit reported the matter to the management and PAO during November, 2024 as critical issue. It was replied that the case for issuance of a Special Letter of Credit (SLoC) for the regular payment of stipend money orders was referred to the Ministry of Communication by the DG PPOD.

The reply is not tenable. Audit did not find any evidence of taking the matter with the Finance Division despite lapse of two years.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to take up the case with

the Finance Division through Ministry of Communications for allocation of funds through Special LoC under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 63)

1.9.7 Non-deposit of revenue into the Federal Consolidated Fund – Rs 593.852 million

Section 21 & 40(C)(2) of Public Finance Management Act, 2019 requires that all Ministries and Divisions, their attached departments and subordinate offices and all public entities if so, required by their statutes, shall arrange remittances in the Federal Consolidated Fund (FCF) without delay, of all revenues as required by Article 78 of the Constitution and the Controller General of Accounts shall be responsible for its proper accounting. The revenue collection offices shall not retain or appropriate the collected amount to meet departmental expenditure except through budgetary mechanism as provided under articles 80 to 83 of the Constitution.

PPOD under the Ministry of Communications, Islamabad performs various core and agency functions relating to sale of postage stamps, booking of registered letters/parcels, franking machine, money orders, western union payments, collection of utility bills and realized commission from these agency functions.

Audit observed that twenty-three (23) formations of PPOD did not deposit/transfer the collected postal revenue of Rs 845,387,669 into the Federal Consolidated Fund during FY 2023-24 as detailed in **Annex-IX**.

Audit contends that due to weak financial discipline and internal controls PPOD failed to deposit the collected amount into FCF promptly as required under the PFM Act, 2019.

Audit reported the matter to the management and PAO during November, 2024. It was replied that an amount of Rs 251,535,682 had been deposited into FCF which was verified by audit, leaving an outstanding balance of Rs 593,851,987. The amount of the Para was reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to transfer the remaining amount into FCF under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No.235)

1.9.8 Irregularities in EMS Plus service – Rs 994.515 million

PPSMB in its 44th meeting held on 7th August, 2019 had approved the EMS Plus and foreign parcel's tariff by adding profit @ 20% of total cost (instead of 10% as proposed) applicable from 1st January, 2019. As per Clause 18 of the agreement, all the invoice(s) of DHL will be submitted during 1st week of each month to the respective Postmaster General who will verify the transactions done as claimed in the invoice from the portal extended to him by DHL for MIS and from Cash Accounts of concerned GPO. The payment will be made within 30 days of the receipt of the invoices duly supported by required documents.

PPOD under the Ministry of Communication, Islamabad and M/s DHL signed an agreement for booking, transmission and delivery of CNICs on 1st July, 2021. PPOD also entered into contracts with three courier companies, namely M/s DHL, FedEx and Universal Logistics Services (ULS) on 1st April, 2022 for delivery of passports and CNICs abroad via EMS Plus service. These companies provided rates in US dollars for EMS Plus articles booked at postal counters. PPOD was required to deduct service charges @ 20% while making payment to the delivery partners.

Audit examined the relevant record and observed that:

- i. DSPS Islamabad paid an amount of Rs 2,449,475,963 to M/s DHL in accordance with the agreement signed in July, 2021 without deducting service charges of Rs 489,895,193 (Rs 2,449,475,963 x 20%), causing a revenue loss to PPOD.
- ii. In accordance with the agreement signed in July, 2021, DSPS Islamabad also paid a total amount of Rs 990,958,136 to M/s DHL against the invoiced amount of Rs 858,167,224 for the period from June, 2022 to November, 2022 which resulted in overpayment of Rs 132,790,912.
- iii. GPO Islamabad either less calculated or not deducted PPOD's share @ 20% amounting to Rs 102,456,674 as per agreement signed in April, 2022.
- iv. CPM GPO Islamabad was required to book the payment made to courier companies in its ledgers with gross amount (including income tax). However, GPO management recorded this amount on net basis (excluding income tax) in its ledgers, resulting in understatement of the total expenditure and overpayment of Rs 30,285,323 in subsequent period.
- v. The outstanding liabilities of M/s FedEx, DHL and FBR worth Rs 167,663,681 (Rs 140,236,182 + Rs 27,427,499) were cleared from the revenue of the PPOD.
- vi. Income tax amounting to Rs 71,423,329 was not deducted while making payment to the courier companies.

Audit contends that non/under-calculation of PPOD's share @ 20%, overpayments to the courier companies and recording of the transactions in the ledgers on net basis without deducting income tax indicate a significant financial loss to PPOD and financial misreporting.

Audit reported the matter to the management and PAO during October, 2024. It was replied that (i) 20% share of the department

fluctuate due to increase in dollar rates. As regard M/s DHL for delivery of CNICs, there was separate formula for calculation of share as compared to EMS plus services. (ii) No overpayment was made to the delivery partners. (iii & iv) The amount was paid to the delivery partners according to their due share. (v) An amount of Rs 3,728,684 was deducted as income tax.

The reply is not tenable as (i) the PPOD's share was not calculated as directed by the PPSMB. (ii) The payment was made in excess of the claimed amount. (iii) Net amount was booked in the ledgers instead of the gross amount. (iv) The payments were made from the revenue. (v) The recovered amount of income tax was verified. The amount of Para was reduced to that extent.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to constitute a committee at Directorate General level including a member from DA PPO to conduct a fact finding inquiry into the matter under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 109,110,111,112,113 & 115)

1.9.9 Unlawful payment to utility companies from postal revenue – Rs 627.617 million

According to Section 40C(1)(2) of the Public Finance Management Act, 2019, the revenue collection offices shall deposit the collected amount in Federal Consolidated Fund (FCF) promptly without delay in prescribed manner under the head of account specified by the Finance Division. The revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures except through budgetary mechanism.

PPOD under the Ministry of Communications, Islamabad collected revenue through various core and agency functions relating to sale of postage stamps, booking of registered letters/parcels, franking machine, commission on money orders, utility companies and other agency functions etc.

Audit observed that three (03) formations of PPOD did not deposit/transfer the collected amount of postal revenue of Rs 627,616,932 into the Federal Consolidated Fund during FY 2023-24 and utilized this collection unlawfully for payment to utility companies and other agency functions. The detail is as under:

SI No.	PDP No.	Name of formations	Amount (Rs in Million)
1	118-25	PMG Muzaffarabad	91.896
2	257-25	PMG Lahore and GPO Bagh	535.721
Total			627.617

Audit contends that unlawful payments to utility companies out of postal revenue and agency function receipts reflect weakness of financial discipline and internal control structure.

Audit reported the matter to the management and PAO during November, 2024. PMG Muzaffarabad replied that the entire amount of revenue for the FY 2023-24 was transferred to FCF by all the 7 GPOs of AJK Circle. PMG Lahore replied that GPO Sialkot deposited an excess amount of Rs 671,284,493 into FCF during the period from April, 2022 to Sep, 2022 due to non-receipts of SOPs / accounting procedures.

The replies are not tenable as no record of transferred amount was provided for verification.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to produce record of the amount transferred to FCF to audit and transfer the remaining amount to FCF under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DPs Nos. 118 & 257)

1.9.10 Unlawful drawl of cash on paper chits and non-recovery thereof – Rs 121.797 million

According to Para 7 (1) (b) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the Principal Accounting Officer shall be responsible for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with relevant policies, rules and regulations, for achieving services. Further, the PAC in its meeting held on 5th and 7th November, 2001 directed the PAO to evolve some institutional arrangement to stop the practice of drawl of public money on paper chits on permanent footing.

The Finance Division made annual allocations of Rs 20,435.107 million under Grant No. 26 of PPOD to meet its operational expenditure for FY 2023-24.

Audit observed that twenty-seven (27) formations of PPOD drew illegal amount of Rs 121,797,041 simply on paper chits from postal treasuries during FY 2023-24 as detailed in **Annex-X**.

Audit contends that drawl of public money merely on paper chits is unlawful and contrary to the canons of financial propriety.

Audit reported the matter to the management and PAO during November, 2024. It was replied that action against the responsible officials for recovery of amounts drawn on paper chits had been initiated. Further, paper chits amounting to Rs 1,560,340 had been adjusted.

The reply is not tenable as responsibility for unlawful drawl of amounts through paper chits was not fixed against person (s) at fault.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to inquire the matter and fix responsibility on those found responsible for drawl of government money on paper chits under intimation to audit. The DAC further directed that strict disciplinary action would be initiated against the PMGs in case of drawl of funds on paper chits in future. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DPs No. 123 & 231)

1.9.11 Irregular transfer of utility bills & money orders collections into FCF- Rs 44.983 million

According to Para 2(i) of DG PPO, Islamabad letter No. Sav.16-1/2022, dated 11-05-2022, the chief/senior postmasters of collecting GPO will daily transfer the whole amount of utility bills collections after deduction of service charges in designated accounts maintained with NBP.

Four (4) sub-offices under accounting jurisdiction of GPO Sukkur collected an amount of Rs 44,983,300 on account of collections of utility bills and money orders issued during period from April, 2022 to May, 2024.

Audit observed that these sub-offices deposited the collections into FCF instead of depositing the same in the designated accounts in violation of accounting procedures. It was further observed that there was no record available at GPO Sukkur that could classify the amounts of the utilities and money orders issued.

Audit contends that non-deposit of collected amounts in designated accounts reflect weak financial management.

Audit reported the matter to the management and PAO during November 2024. It was stated that a committee was constituted to ascertain the exact amount deposited into FCF.

The matter was discussed in the DAC meeting held on 8th & 9th January, 2025. The DAC directed the management to conduct inquiry to fix responsibility, besides making reconciliation within 15 days under report to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 168)

CHAPTER-2

MINISTRY OF COMMUNICATIONS

**POSTAL LIFE INSURANCE COMPANY
LIMITED (PLICL)**

Chapter -2

Postal Life Insurance Company Limited (PLICL)

2.1 Introduction

A. PPOD was operating Postal Life Insurance (PLI) on behalf of Ministry of Finance in the past on no-profit no-loss basis. The Government of Pakistan converted PLI into a Company by the name of Postal Life Insurance Company Limited (PLICL) and incorporated it under the Companies Act, 2017. The Company was registered with the Securities and Exchange Commission of Pakistan (SECP) as a life insurer under the Insurance Ordinance, 2000 on 26th August, 2020. The Company started its business on 2nd April, 2021 with limited scope of life insurance coverage only.

Before the portfolio conversion, PLI would submit its financial, operational and business reports to the Finance Division. After conversion of PLI into PLICL, the company submits its Financial Statements and compliance reports to the SECP according to the Companies Act, 2017.

PLICL is managed by the Board of Directors under the administrative control of Ministry of Communications and is chaired by a Chief Executive Officer (CEO) who is assisted by two General Managers based at Lahore & Karachi. It has three Regional Directorates located at Multan, Peshawar & Quetta. The Board is responsible to formulate corporate strategies and oversee significant financial, operational and risk management decisions. The Board determines materiality levels, approves major transactions, appoints and compensates key executives and establishes governance frameworks. Additionally, it ensures compliance with legal and regulatory requirements while maintaining accountability through documented resolutions and policy records.

The main objectives of the Company are to:

- i) Carry out all kinds of insurance businesses relating to life insurance.
- ii) Take over assets, liabilities including policy holders' liabilities determined as on the transfer date in accordance with the insurance regulatory framework prescribed under the Insurance Ordinance, 2000 and relevant rules/regulations/directives/circulars/ guidelines/ contracts and undertakings of Postal Life Insurance under the vesting orders passed by the Federal Government.
- iii) Carry on, in Pakistan and elsewhere, all kinds of family takaful businesses and generally every kind of family takaful and family re-takaful businesses whether now known or hereafter to be devised subject to such restrictions as imposed by the Insurance Ordinance, 2000.
- iv) Transact the business of life insurance Company including sale and purchase or re-purchase of annuities, a reversionary interest and life or other interests of uncertain duration or commencement, and endowments for children, and sickness insurance, and all other business pertaining to or commonly transacted by life insurance companies.

B. Comments on Budget and Accounts

PLICL formulates its Financial Statements on calendar year basis and was required to submit its Financial Statements for 2023; however, due to non-provision of Financial Statements, audit could not offer its comments.

Table-1 Audit Profile of Postal Life Insurance Company Limited**(Rs in Million)**

Sl. No.	Description	Total Nos.	Audited	Expenditure audited FY 2023-24	Revenue / Receipts audited FY 2023-24
1.	Formations	52	04	718.289	1,475.257

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 27,677.755 million (including non-budgeted payments) have been raised in the current audit report. This amount also includes recoveries of Rs 993.271 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations**(Rs in Million)**

Sl. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	-
2.	Irregularities	16.392
A	HR related irregularities	16.392
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
3.	Value for money and service delivery issues	-
4.	Receivables	993.271
5.	Other Irregularities	26,668.092
	Total:	27,677.755

2.3 Status of Compliance with PAC Directives

Audit of the entity was started in the Audit Year 2021-22; however, the reported Paras of PLICL have not been discussed in the Public Accounts Committee as detailed below:

Sl. No.	Audit Report Year	Total Paras	Total No. of directives	Compliance			% of Compliance
				Received	Partial	Not Received	
1	2021-22	08	-	-	-	-	-
2	2022-23	06	-	-	-	-	-
3	2023-24	21	-	-	-	-	-

AUDIT PARAS

2.4 Irregularities

A HR/Employees related irregularities

2.4.1 Unjustified payments of fringe benefits and allowances – Rs 16.392 million

As per Clause 12.3 of PLICL HR Manual 2021, the performance bonuses and target achievement incentives are effectively linked to the performance of the employee. Awards are tied to demonstration of an individual's effectiveness, accomplishment, competence and superior performance in his / her job assignment. Merit awards serve as an incentive for greater achievement. Clause 12.4 further states that exemplary performance in a year is normally rewarded through a performance incentive/ bonus and not as a permanent increase in salary. Employees must continue to perform at a high level to earn performance-based incentives in each year of service. Moreover, as per Clause 12.5 PLICL's Board of Directors has the discretion to approve up to two festival bonuses subject to the overall financial performance of the company.

PLICL management under the Ministry of Communications made payments of bonuses, additional charge pay and adhoc relief allowance amounting to Rs 16,392,126 to its employees during FY 2023-24 as detailed below:

Sl. No	PDP No.	Subject	Amount (Rs in Million)
1	01-2025	Unjustified payment of Festival Bonuses	8.090
2	10-2025	Undue favor & unjustified payment of additional charge pay	4.063
3	47-2025	Unjustified payment of Adhoc-Relief Allowance to contractual staff	4.239
Total:			16.392

Audit observed that:

- i. The festival bonuses were paid without approval of the regular Board and consideration of the trend analysis of fresh business. The tenure of the Board was expired on 26th September, 2023 and the budget for festival bonuses was approved by the adhoc Board consisting of 3 members instead of 7 members on 18th April, 2024. Audit further noticed that the adhoc Board was not approved by the Federal Government as required under Section 165 (3) of the Companies Act, 2017.
- ii. An inadmissible bonus payment of Rs 864,000 was made to six (06) MTOs and six (06) daily wage staff as they were engaged on fixed monthly stipend/salaries.
- iii. Additional charge pay of Rs 3,940,150 was paid to seven (07) employees without availability of such provision in the HR Manual of the Company. In addition, the posts upon which addition charge were assigned could not be filled despite the fact that an expenditure of Rs 10,435,435 was incurred on the publication of job advertisements.
- iv. Inadmissible increase of Rs 122,819 was allowed and paid into the salary of the Company's Secretary during FY 2023-24.
- v. An expenditure of Rs 4,238,735 @ 15% of basic pay was incurred on payment of adhoc relief allowance without provision in the HR Manual and employment contracts.

Audit contends that inadmissible payments of bonuses and pay & allowances to staff undermine the financial discipline to the Company.

Audit reported the matter to the management and PAO during November 2024. It was replied against S. No.1 that the payment of festival bonuses was necessary to maintain employees morale and align with previous precedents. Trend analysis of new business is not a sole performance measurement. The bonuses to MTOs and daily wage staff were granted by the CEO in recognition of their contributions and

performances. Further, the budget was also approved by the BoD in its 39th meeting held on 18th April, 2024. It was replied against S. No.2 that due to employees' resignations in 2022, the Board exercised its discretion and approved additional charge pay in its 38th BoD meeting held on 24th January, 2024 on the recommendation of the HR Committee in accordance with the Rules & Regulations of GoP. Further, initial appointment letter dated 15th February, 2024 issued to Mr. Sandeep did not align with the salary approved by the Chairperson HR Committee. To rectify this discrepancy, a revised appointment letter was issued with the approval of CEO. Previous benefits were adjusted as there was no service gap in his appointment. It was replied against S. No.3 that adhoc relief allowance was approved by the BoD in its 38th Meeting at the analogy of Federal Government.

The replies are not tenable as the adhoc Board was not approved by the Federal Government and was not authorized to approve budget for festival bonuses and allow payment of bonuses to trainees, daily wagers and staff posted at PLICL Headquarters. Further, adhoc relief and additional charge allowances were paid without any provision in the HR Manual of the Company.

The matter was discussed in the DAC meeting held on 14th January, 2024. The DAC directed the management that the amounts of festival bonuses, additional charge & upto date increase in pay be recovered from the employees, such practice be stopped henceforth and letter dated 27th May, 2024 allowing increase in the salary of the Company's Secretary be withdrawn. The DAC further directed that clarification regarding payment of Adhoc Relief Allowance on the analogy of GoP to Company employees specifically in the light of the audit observation be obtained from the Finance Division under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP 01, 10 & 47)

2.5 Receivables

2.5.1 Non-transfer of collected premium by PPOD – Rs 993.271 million

As per S. No. 3 of Annexure-B of premium collection service agreement between PPOD and PLICL, all collection received in preceding week excluding per transaction fee will be credited to PLICL's designated accounts on next Monday, or first working day if Monday is a Bank holiday.

PLICL management under the Ministry of Communications entered into a collection service agreement with PPOD on 8th October, 2021 for collection of funds from depositors/policy holders on behalf of PLICL and depositors/policy holders could deposit premiums at any post office. An amount of Rs 1,630,729,738 was collected by PPOD as detailed below:

Description	Amount (Rs in Million)
Receivable from PPOD as on 01.07.2023	929.290
Collected by PPOD during 2023-24	701.440
Sub-total	1630.730
Received from PPOD during 2023-24	(637.459)
Receivable as on 30.06.2024	993.271

Audit observed that PPOD transferred an amount of Rs 637,459,193 to PLICL during FY 2023-24 instead of Rs 1,630,729,738; thereby retaining a balance of Rs 993,270,545. No efforts were made to receive the outstanding amount as per agreement.

Audit contends that non-realization of the premium collection from PPOD reflects weak receivable and contract management of PLICL.

Audit reported the matter to the management and PAO during November, 2024. The company management agreed that a considerable amount of premium was receivable from PPOD. However, efforts were made and a handsome amount had been recovered from PPOD during FY 2023-24.

The matter was discussed in the DAC meeting held on 14th January 2024. The DAC directed the management to recover the amount from PPOD within three months under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide Para number 2.5.1 having financial impact of Rs 969.342 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 49)

2.6 Others

2.6.1 Non-realization of interest against promissory note from Finance Division – Rs 21,519 million

The Finance Division vide Promissory Note No.F.No;20(12)BS/2021(Part-II) dated 2nd April, 2021 committed to provide fund amounting to Rs 48 billion as of 30th October, 2020 to the Ministry of Communications to pay authenticated and certified claims/liability of the bonafide and valid insurance policies under Postal Life Insurance Scheme. Finance Division further committed to pay any remaining amount duly determined through actuarial valuation by the Ministry of Communications, along with all interest accrued on the average outstanding balance of the principal amount.

PLICL management under the Ministry of Communications hired the services of M/s BDO Ebrahim & Co, Chartered Accountants to conduct external audit of PLICL for the year ended on 31st December,

2023. M/s BDO calculated the amount of Rs 52,171,940,000 along-with interest amount of Rs 21,518,794,790 receivable from the Finance Division against the Promissory Note.

Audit observed that the Finance Division did not allocate and release the funds committed to PLICL through Promissory Note for the settlement of individual & group insurance claims along-with accrued interest of Rs 21,518,794,790 calculated by M/s BDO Ebrahim & Co, Chartered Accountants. Consequently, 39,386 insurance claims of Rs 8,200,272,886 remained unpaid as of 30th June, 2024.

Audit contends that failure of the Finance Division to fulfill its commitment under the Promissory Note caused liquidity issue of the PLICL. The prolonged delay in settling insurance claims caused financial hardships of the policy holders and became a source of mistrust of the public against PLICL.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the case for transfer of accrued interest on the balance funds as per Promissory Note had been taken up with the Finance Division through the Ministry of Communications but the response is still awaited.

The reply is not tenable as PLICL did not forward its budgetary estimates to the Finance Division in accordance with its pending liabilities and accrued interest.

The matter was discussed in the DAC meeting held on 14th January, 2024. The DAC directed the management to take up the case with the Finance Division along-with detail of pending claims and accrued interest through MoC under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

(DP No. 34)

2.6.2 Non-settlement of pending Insurance claims – Rs 5,149.092 million

According to Section 118(1)(2) of Insurance Ordinance 2000, it shall be an implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including the filing of complete papers, for claiming the payment, the insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages a sum shall be calculated at monthly rests at the rate five per cent higher than the prevailing base rate.

PLICL under the Ministry of Communications, Islamabad received 43632 individual insurance claims of Rs 8,079,232,604 during FY 2023-24 including the closing balance of the FY 2022-23 as detailed below:

Description	No. of claims	Amount (Rs in Million)
Opening balance of pending claims as on 01.07.2023	24,751	4,679.832
Claims received during the year 2023-24	18,881	3,399.400
Sub-total of pending claims	43,632	8,079.232
Claims settlement during the year	13,575	2,930.141
Total unsettled/pending claims at the close of FY 2023-24	30,057	5,149.091

Audit observed that PLICL management failed to settle 30057 individual insurance claims amounting to Rs 5,149,091,886 as on 30th June 2024.

Audit contends that non-settlement of insurance claims caused financial hardships for the policy holders and became a source of public mistrust against PLICL.

Audit reported the matter to the management and PAO during November, 2024. It was replied that the main reason of such huge pendency was release of insufficient funds by the Finance Division.

The reply is not acceptable as funds were not demanded from the Finance Division according to the pending claims.

The matter was discussed in the DAC meeting held on 14th January, 2024. The DAC directed the management to take up the matter with the Finance Division along with detail of pending claims through MoC under intimation to audit. No further progress was intimated till the finalization of this report.

Audit recommends the implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 and 2023-24 vide Para number 2.6.1 & 2.6.1 respectively having financial impact of Rs 4,562.895 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 51)

CHAPTER-3

THEMATIC AUDIT REPORT

ON

**THE IMPLEMENTATION OF NEW CASH
MANAGEMENT REGIME IN
PAKISTAN POST OFFICE DEPARTMENT**

Chapter-3

3. Thematic Audit on the Implementation of New Cash Management Regime in PPOD

3.1 Introduction

The Pakistan Post Office Department (PPOD), one of the oldest government departments in the Sub-Continent, has played a vital role in shaping communication, commerce, and financial transactions within Pakistan. Established during the colonial era, PPOD has evolved to meet the changing needs of society, offering a range of services from domestic and international postal services to financial transactions such as money orders, bill collections, and Western Union services. Additionally, it is responsible for delivering documents like NADRA ID cards and passports.

With an extensive network of 10,098 post offices and 39,557 employees, PPOD serves both urban centers and remote areas, ensuring nationwide connectivity. Historically, PPOD has handled both postal and financial services but has faced challenges in managing cash flows due to outdated systems.

To address these challenges, PPOD is undergoing significant reforms aimed at improving its financial and operational efficiency which includes the implementation of a New Cash Management Regime; thereby replacing the old system based on Letter of Credit (LoC). The reforms are designed to streamline financial practices and ensure compliance with the Financial Action Task Force (FATF) guidelines and the Public Finance Management Act, 2019.

3.1.1 Background

Following independence in 1947, PPOD continued operating under a centralized, cash-based system inherited from British India, relying on government treasuries. Despite generating revenue through postal

services, money orders and agency functions, the department faced inefficiencies, oversight challenges and operational disruptions which underscore the need for gradual reforms to modernize its infrastructure and financial management.

The legal framework governing PPOD, including the Post Office Act of 1898, the Pakistan Postal Services Management Board (Amended) Act, 2024 and the Public Finance Management Act, 2019 play a crucial role in shaping the implementation of the New Cash Management Regime. Ensuring compliance with these regulations is essential for maintaining transparency, accountability and financial oversight.

The thematic audit was conducted to assess the implementation and effectiveness of the New Cash Management Regime. The audit focuses on key areas such as planning, stakeholders' engagement, internal controls, accounting procedures and the revision of manuals to align with the new requirements. Audit also examined compliance with regulations, revenue transfers and the proper operation of commercial bank accounts for PPOD's core and agency functions. The audit findings will provide valuable insights to strengthen PPOD's cash management framework, ensuring its continued efficiency and accountability.

3.1.2 Establishing the Audit Theme

(i) Reasons of selection

The decision to conduct a thematic audit on the implementation of New Cash Management Regime in the PPOD was motivated by a variety of factors such as consistent identification of financial mismanagement, non-reconciliation, non-transfer of revenue to FCF, lack of timely devising procedures and guidelines etc. The selection of the thematic audit is connected to SDGs-16, read with the target 16.6. SDG-16 pertains to promoting peaceful and inclusive societies for sustainable development through developing effective, accountable and inclusive institutions at all levels. The target given under SDG-16.6 stipulates, "By 2030, "develop

effective, accountable and transparent institutions at all levels”.

3.1.3 Purpose / Objectives

The purpose of the thematic audit on the implementation of the New Cash Management Regime in the PPOD was to identify potential issues such as financial mismanagement, non-reconciliation of accounts, delays or failure in transferring revenue to the Federal Consolidated Fund (FCF) and non-formulation of the timely procedures and guidelines. The findings were intended to be reported to the PPOD management, the Principal Accounting Officer and the Public Accounts Committee for parliamentary oversight. The major objectives as approved in the terms of reference by the Office of the Auditor-General are to evaluate whether:

- Proper accounting procedures were devised following the introduction of the New Cash Management Regime in the PPOD?
- Existing Manuals were updated in accordance with the requirements of the New Cash Management System?
- The process of transferring revenue to Federal Consolidated Fund (FCF) is in compliance with relevant regulations and guidelines issued by the Finance Division?
- Cash drawn through Letter of Credit (LoC) available with PPOD was duly transferred to the Federal Consolidated Fund (FCF)?
- Proper reconciliations with concerned quarters were carried out?
- Commercial Bank Accounts opened for agency functions within PPOD were being operated properly?

3.1.4 Scope

The scope of the thematic audit covers the processes and procedures related to the introduction and execution of the New Cash Management System in the PPOD from July, 2022 with the objectives to conduct audit in the light of the above-mentioned approved TORs. The audit teams visited the PPOD headquarters, Circle offices and selected GPOs in order to collect information related to the selected theme.

The focus of the audit was to assess whether the New Cash Management Regime was being effectively implemented across various field formations of the PPOD. The audit aimed to evaluate the efficiency and effectiveness of the system in supporting transparency, accountability, and proper financial controls within the department.

3.2. Legal framework governing the theme

The PPOD falls under the administrative control of Ministry of Communications and operates under Pakistan Postal Services Management Board (PPSMB). PPOD is headed by the Director General. Following is the list of documents that provide a legal framework:

- Post Office Act, 1898
- Pakistan Postal Services Management Board (Amended) Act, 2024
- Initial Account Code (Volume I & II)
- Post office Manual (Volumes I-VIII)
- Federal Treasury Rules
- Public Finance Management Act, 2019
- Agreements of agency functions executed with different departments of Federal and Provincial Governments

To regulate the framework governing the New Cash Management Regime, the Finance Division shifted the management of the operational budget from LoC system on 25th June, 2021 and directed PPOD to process all ERE and Non-ERE payments through AGPR. The Finance Division also allowed PPOD to open three (03) bank accounts in NBP, namely (i) PPOD-I, Agency Function Account (ii) PPOD-II, Disbursement of Military Pension Account (iii) PPOD-III, to draw other funds from FCF.

3.3. Stakeholders and governmental organizations identified as directly / indirectly involved

Following stakeholders are directly or indirectly involved in relation to the subject thematic audit.

- Ministry of Finance

- Ministry of Communications
- Pakistan Post Office Department
- Federal and Provincial Governments and their departments
- General public

3.4. Role of important organizations

Ministry of Communications (MoC)

The PPOD falls under the administrative control of Ministry of Communications. The Ministry monitors the overall working of PPOD, reviews the postal policies from time to time and is responsible for implementation of the directives of the Federal Government. Ministry of Communications also oversees the implementation of New Cash Management Regime in PPOD.

Public Accounts Committee (PAC)

The Public Accounts Committee (PAC) plays a pivotal role in ensuring parliamentary oversight on the financial management of Government departments including PPOD through the Audit Reports of the Auditor-General of Pakistan. The Public Accounts Committee examines the Auditor-General's Reports and takes notice of public petitions, media reports and issues suo-moto notices on matters of public importance.

Auditor-General of Pakistan (AGP)

The Department of the Auditor-General is the Supreme Audit Institution (SAI) in the country for ensuring public accountability and fiscal transparency in governmental operations. The SAI aims at bringing improvement in the financial discipline and internal control framework of the executive departments for minimizing the possibility of waste, mismanagement and fraud.

Pakistan Post Office Department (PPOD)

The PPOD has a prime role in the implementation of the New Cash Management Regime being controlling department. The PPOD management is also responsible for approval of its initiatives from the Federal Government through PPSMB and its administrative Ministry.

3.5. Organization's Financials

PPOD being Government department is responsible for preparation of annual budget and its submission to the Federal Government through its administrative Ministry. All receipts of PPOD form the part of Federal Consolidated Fund. The PPOD incurs expenditure against the budget grant No. 26 of the Ministry of Communications through formal allocation by the Finance Division. Previously, the PPOD would incur its budget through Letter of Credit (LoC) and had direct access to Account No. 1 (Non-Food). Since July, 2022, the Finance Division discontinued the old cash management system and introduced the New Cash Management Regime in pursuance of Public Finance Management Act, 2019 and directed PPOD to make spending through the counters of AGPR.

Revenue of the PPOD from its core operations and performance of agency functions forms major sources of its receipts. Postal operations include delivery of national and international mail, payment of money orders, sale of stamps/postal orders etc, whereas major agency functions of the PPOD include utility bills collection, printing of stamps on behalf of Federal and Provincial Government departments, money remittance services through Western Union and NBP etc. upon which PPOD receives commission.

The New Cash Management Regime, based on processing of ERE and Non-ERE through AGPR and opening of three bank accounts in NBP, was introduced in PPOD to address cash flow management challenges, limited oversight and inefficiencies in fund utilization of the outdated financial system, relying on the LOC mechanism. The aims of these

reforms were to ensure better financial control, compliance with the PFM Act, 2019 and improve accountability in handling public funds.

3.6. Field Audit Activity

3.6.1 Methodology

Thematic Audit on the Implementation of New Cash Management Regime in the PPOD was carried out by adopting quantitative data collection method. The data was collected from various sources such as PPOD web site, annual reports / annual accounts and previous audit reports. Audit teams also visited the PPOD's headquarters, Circles offices and selected GPOs included in the Audit Plan 2024-25 and consulted the relevant record during compliance audit related to financial mismanagement, non-reconciliation of accounts, delays or failure in transferring revenue to the Federal Consolidated Fund (FCF), and non formulation of timely procedures and guidelines. The field work was completed in November, 2024. The audit teams also consulted Permanent and Planning Files of PPOD.

3.6.2 Audit Analysis

(i) Review of Internal Controls

PPOD has an established internal control framework based on departmental Manuals, instructions, and relevant rules and regulations. Audit examined the internal control framework and revealed that:

- i. PPOD proved ineffective in implementing the New Cash Management System. Consequently, the department failed to timely formulate accounting procedures aligned with the new regime, leading to several issues including instances of non-transfer of revenue to the FCF and delays in transferring of funds to the agency partners.
- ii. Due to non-reconciliation with DA PPO, NBP and agency partners on regular basis, the formations of PPOD utilized receipts of one

- agency function for another without any lawful authority.
- iii. The internal audit wing of PPOD remained non-functional and did not prepare and submit internal audit reports to the management for review.

(ii) Critical Review

PPOD inherited the postal system from the colonial era after independence of Pakistan in 1947. PPOD continued to operate under the outdated postal system despite the fact that it had huge physical and human resources. After promulgation of the PFM Act, 2019 and implementation of the New Cash Management Regime, PPOD began to transform itself from antiquated manual system to a modern cash management regime in order to enhance transparency and improve efficiency. However, this transformation has been marred by challenges, including poor planning, insufficient stakeholders' engagement and delays in updating internal processes. Despite the growing need to comply with modern regulations like the PFM Act of 2019, the shift has exposed significant inefficiencies rooted in its outdated practices inherited from its colonial past.

One of the most glaring issues identified in the audit is the inadequacy of planning and stakeholders' engagement during the transition phase. The failure to update operational manuals and accounting procedures in time created confusion and inefficiencies. Communication between the PPOD and the critical stakeholders, including the Finance Division and agency partners, was insufficient to ensure a smooth transition. This lack of coordination undermined the overall effectiveness of the New Cash Management Regime.

The thematic audit reveals significant weaknesses in the PPOD's internal control framework and operational processes. Ineffective internal controls do not meet the demands of the new cash management system, resulting in issues like opening of un-authorized bank accounts, mismanagement of funds, non-transfer of revenue to the Federal

Consolidated Fund, lack of reconciliation with the National Bank of Pakistan and inadequate supervisory mechanism. Non-functional internal audit wing further reflects critical lapses in the accountability mechanism. Additionally, delays in fund transfers, mismanagement of receipts, and the misuse of funds from one function to cover shortfalls in another undermine financial integrity, eroding stakeholders' trust and public confidence.

Strengthening internal controls should be a priority, beginning with revitalizing the internal audit wing to enable regular monitoring and prompt rectification of issues. Updating accounting procedures and operational manuals to align with PFM Act is essential for ensuring compliance and enhancing operational efficiency. Investing in technology to automate reconciliations and reporting processes would reduce the risk of errors and improve efficiency. Strengthening collaboration with stakeholders, including the Finance Division and Public Accounts Committee, would foster a more cohesive approach to financial management.

By addressing the shortcomings identified in the audit, PPOD can contribute significantly to achieve this target. The department's role as a dependable national institution depends on its ability to adapt to modern financial standards while maintaining transparency and accountability. Further, the transformation of PPOD to the modern postal and financial systems also aligns with SDG-16.6 which emphasizes the development of effective, accountable and transparent institutions.

(iii) Significant Audit Observations

(a) Unauthorized opening of accounts in National Bank of Pakistan

According to Rule 30 of the Public Finance Management Act, 2019, "the Finance Division, with the approval of the Federal Government, shall notify policy and rules under this Act to prescribe an

effective cash management system for all public entities and special purpose funds leading to treasury single account”.

The Finance Division allowed the PPOD to open three accounts in the NBP for PPOD, namely agency/commercial functions account (PPOD-I), Zero balance account for disbursement of military pension (PPOD-II) and Zero balance account for drawl of budget payments (PPOD-III) vide its letter dated 25th June, 2021. Audit observed that DG PPOD opened two more accounts for the receipts & payments of Money Orders and Western Union business in the National Bank of Pakistan without the authorization of Finance Division.

(b) Non-approval of accounting procedures and non-updation of PPOD operational Manuals

According to Article 170 (1) of the Constitution of Islamic Republic of Pakistan, the accounts of the Federation and of the Provinces shall be kept in such form and in accordance with such principles and methods as the Auditor-General may, with the approval of the President, prescribe.

PPOD developed 13 accounting procedures of core and agency functions during 2024 and were submitted to CGA for vetting prior to the approval by the Auditor-General of Pakistan. Audit observed that these accounting procedures including procedures for treatment of loss & fraud cases and PT Stamps were not yet vetted by the CGA and approved by the Auditor-General of Pakistan. Audit further noticed that PPOD failed to amend and update its existing manuals to align itself with the provisions of the New Cash Management Regime.

(c) Deposit of public funds into FCF due to non-formulation of procedures and guidelines

The Finance Division, Islamabad discontinued PPOD's direct access to Central Account No. 1 and ceased the practice of withdrawing funds through letter of credit w.e.f July 1, 2022.

PPOD deposited an amount of Rs 1,152.566 million into Account No. 1 on account of stipend money orders, custom duty, Zakat collection, sales tax and security deposits without formulating revised accounting procedures and guidelines under the New Cash Management Regime for field formations. Audit observed that the Finance Division did not allocate the deposited amounts to PPOD to clear the liabilities of the agency partners. The detail is as under:

Sl No.	Description	Amount (Rs in Million)
1	Stipend Money Orders	1,093.000
2	Custom Duty	21.546
3	Zakat	21.655
4	Sales Tax	9.991
5	Security Money	6.374
Total:		1,152.566

(d) Non-deposit of amount drawn through LOC into FCF

According to Articles 22 and 23 of the PFM Act, 2019, “the operation of the Federal Consolidated Fund and the Public Account of the Federation shall vest in the Finance Division under the overall supervision of the Federal Government and no authority shall incur or commit any expenditure or enter into any liability involving expenditure from the Federal Consolidated Fund and Public Account of the Federation until the same has been sanctioned by a competent authority duly empowered”.

Under the old cash management system of PPOD, PMGs were allowed to fix minimum and maximum cash balances for each GPO to carry out official business by drawing funds through LoC fixed by the Director Accounts, PPOD under Articles 78 and 81 of PT & T IAC Vol-I. Audit observed that the maximum cash balance limit in the shape of imprest money drawn by 85 GPOs (excluding the amount lying in more than 4,000 sub post offices) through LoC amounting to Rs 2,166 million available with PPOD as on 30th June, 2023 was not deposited into Account No. 1 (non-food). Audit also noticed that GPO Islamabad withdrew a cash

of Rs 1,760 million through LoC and kept it in the accounts of postmasters of seven (07) GPOs of AJK Circle till the end of June, 2024.

(e) Non-reconciliation of receipts and payments with NBP

According to Para 21 (i & ii) of Accounting Procedure of Money Orders and Para 14 (I & II) of Accounting Procedure of Utility Bills Collection, DG PPOD will ensure timely provision of MIS report from NBP to GPOs, Circles and DA PPO Lahore and arrange reconciliation among the PPOD Circles/NBP and DA PPO Lahore.

PPOD operated three current accounts with NBP for its inland money order business, military pension payments and Pakistan Post Agency Functions, wherein financial transactions of Rs 1,175,996.52 million, based on deposits and withdrawals of 85 GPOs, were carried out during FY 2023-24. Audit observed that PPOD did not carry out any reconciliation of the transactions of money orders issued/paid, payment of military pension, payment & receipts of agency functions with the National Bank of Pakistan for the aforementioned period. As a result, there were instances of both excess and insufficient withdrawals and deposits across the three accounts, leading to the mis-utilization of receipts from one function to cover payments for another.

(f) Short deposits into MOs designated account and excess payments thereof

According to Para 16 of the Accounting Procedure of Money Orders, the amount collected on account of money orders issued and unpaid by each GPO is required to be deposited into NBP Account No. 4179372126 titled as “ PPOD Operations Money Order”. Similarly, the amount for payment of money orders will be drawn from the account through cheques as per requirement on daily basis.

Eighty-five (85) GPOs under PPOD were required to deposit the collected amount of money orders into the designated bank account against which payment would be made as per daily requirement. This process ensured that the collected funds were properly managed and available for disbursement to the recipients. Audit observed that:

- i. GPOs deposited Rs 16,576.000 million into designated bank account against the amount of Rs 25,711.000 million collected on account of MOs issued during the period from 1st April, 2022 to 30th June, 2024, resulting in less deposit of Rs 9,135.000 million.
- ii. GPOs made a payment of Rs 25,260.000 million on account of MOs paid against the withdrawn amount of Rs 15,999.000 million from MOs account, leading to an excess payment of Rs 9,260.000 million.

(g) Unauthentic operation of Agency Functions Account

According to Para 6 of Accounting Procedure of Utility Bills Collection, the amount collected by each GPO is required to be deposited in NBP designated account No. 4178563145 titled as “Pakistan Post Agency Functions-Utility Bills” after deduction of service charges. Para 8 further stipulates that the Chief/Senior Postmaster of collecting GPO will daily transfer the whole amount of concerned utility bill collection to respective company after deduction of service charges as compiled in statement-B from the utility company designated account maintained with NBP through transfer advice after issuance of proper sanction memo.

PPOD operated NBP current account, No. 4178563145, for collections made by 85 GPOs on account of various agency functions for onward transfer to the concerned companies/organizations after deducting its service charges. Audit noticed that:

- i. Eighty five (85) GPOs deposited an amount of Rs 696,044.000 million in the designated bank account against the amount of Rs 692,786.000 million collected on account of various agency

functions during the period from 1st April, 2022 to 30th June, 2024, resulting in excess deposit of Rs 3,259.000 million.

- ii. Lead GPOs drew an amount of Rs 671,591.000 million from the designated account of agency functions for payment to concerned organizations, whereas an amount of Rs 666,237.000 million was transferred thereto, causing less transfer of Rs 5,354.000 million.

(h) Inadequate supervisory oversight by PPOD management in implementation of New Cash Management Regime

The Directorate General PPOD, Islamabad and the Circle offices did not implement the New Cash Management Regime effectively to:

- i. Ensure provision of NBP bank statements to Circles and GPOs.
- ii. Carry out timely reconciliation among collecting GPOs and Lead GPOs.
- iii. Make efforts for conducting reconciliation with banks since implementation of the New Cash Management Regime in April, 2022.
- iv. Devise mechanism in consultation with the Finance Division for withdrawal of money deposited into Account-1 erroneously through special LoC.
- v. Remit collections to various agency partners in a timely manner.

3.7 Recommendations

Audit recommends that the PPOD should:

- i. Seek retrospective approval from the Finance Division for all unauthorized bank accounts.
- ii. Expedite approval of pending accounting procedures, updation of operational manuals and formulate guidelines for loss, fraud, and special cases.
- iii. Take up the case with Finance Division for resolution of the liabilities issues of the agency partners.

- iv. Immediately deposit the amounts drawn through LoC that have not yet been transferred to the Federal Consolidated Fund (FCF).
- v. Promptly conduct a comprehensive reconciliation of all receipts and payments with NBP, covering money orders, military pension, and agency functions businesses. A standardized monthly reconciliation process should also be introduced with Improved coordination with NBP and trained staff.
- vi. Ensure the timely provision of NBP MIS reports to all relevant stakeholders and enhance communication with agency partners to facilitate accurate financial reporting and improve coordination.
- vii. Prohibit the use of funds from one account to cover shortfalls in another, ensuring that all transactions are properly recorded.
- viii. Ensure effective coordination among Directorate General PPOD, Circle Offices and GPOs, besides enforcement of mandatory reconciliations and establishment of mechanism for reviewing deposits into Account-1.

3.8 Conclusion

The thematic audit of the PPOD highlights significant challenges and deficiencies in its transition to a modern cash management system. Historically, PPOD has been hindered by old, colonial-era financial system that has resulted in inefficiency, poor planning, and regulatory non-compliance. These long-standing issues have been brought to light in the audit, highlighting the critical need for reform and modernization to align with global financial standards and the provisions set out in the PFM Act, 2019.

Audit identified several key problems within PPOD, including the failure to update operational manuals and accounting procedures, which has led to confusion and operational inefficiencies. Delays in approving necessary accounting procedures and non-reconciliation with DA PPO, NBP and agency partners resulted in errors and irregular transactions. Additionally, internal controls are weak which has contributed to financial mismanagement, such as the failure to deposit funds into the Federal Consolidated Fund (FCF) on time and the unauthorized opening of multiple bank accounts.

Audit also revealed that PPOD did not fully implement the New Cash Management Regime, reflecting broader issues of non-compliance with the provision of PFM Act, 2019 and failure to follow draft accounting procedures at the time of funds deposits and withdrawals from the designated bank accounts.

To address these challenges, Audit recommends comprehensive reforms, including updating the Post Office Manuals in line with the New Cash Management Regime and internal accounting procedures. Strengthening coordination with key stakeholders is needed to align PPOD's operations with national financial objectives to achieve SDG 16.6, which promotes establishment of effective, accountable, and transparent institutions.

Audit also stresses the importance of integrating technology to automate reconciliations, reporting, and auditing processes. This will improve efficiency, reduce errors, and enhance transparency, making it easier for PPOD to comply with financial regulations.

In conclusion, Audit reveals significant weaknesses in PPOD's financial management practices which call for immediate reforms to implement the New Cash Management Regime, address the issues of inadequate planning, poor coordination and weak internal controls. PPOD can enhance financial management by complying with global financial standards, adoption of leveraging technology, automation of procedures, capacity building and regaining public trust as key institution in Pakistan's communication system.

ANNEXURES

Annexure-I**Brief Description of Paras of PPOD Included in MfDAC****(Rs in Million)**

Sl. No.	PDP No	Subject	Amount
1.	3-2025	Mis-procurement of services from blacklisted firm	13.191
2.	6-2025	Un-reconciled receipts of Revenue of IFPOs and irregular payments of commission to Franchise Post Offices	9.036
3.	25-2025	Loss due to unauthorized occupation on PPOD land	0.630
4.	31-2025	Mis-procurement of mail contract to M/s PPF	0.000
5.	36-2025	Mis-procurement of service contract with M/s PPF	13.608
6.	40-2025	Un-authorized transfer of salaries of EDBOs into the account of District Accounts Officer Mansehra	2.159
7.	41-2025	Un-authorized transfer of amount into the account of District Accounts Officer Mansehra to clear paper chits	2.420
8.	44-2025	Irregular issuance of sanctions under head unclassified payments	10.756
9.	64-2025	Unjustified regularization of the service and payment of pay & allowances	2.161
10.	65-2025	Loss due to ill planning of PPOD management	4.047
11.	66-2025	Wastage of public funds due irrational procurement planning	10.483
12.	67-2025	Unacknowledged invoices of non-postal stamps	0.000
13.	68-2025	Irregular withdrawal of military pension payment	22.835

14.	69-2025	Irregular retention of balance in bank account of GPO Kotli	36.935
15.	70-2025	Unauthorized payment of pay & allowances due to unjustified regularization of service	2.047
16.	71-2025	Unauthorized regularization of service and issuance of No gap certificate	5.821
17.	72-2025	Unauthorized fuel price adjustment payments and unauthorized payments of Sindh Sale Tax on fuel Price adjustment	8.339
18.	73-2025	Irregular expenditure on transportation of stamp boxes and unauthorized payments of Sindh Sales Tax	8.930
19.	74-2025	Excess payments to transport contractor dividing one job in two pieces	0.528
20.	76-2025	Unauthorized payments due to enhancement of contract price	0.330
21.	78-2025	Irregular procurement of items for album folder	2.569
22.	79-2025	Irregular expenditure on printing and non-recovery of penalty from NSPC	0.000
23.	80-2025	Shortage of cash in postal treasury	6.00
24.	81-2025	Un-authorized payment of military pension from other sources	0.000
25.	84-2025	Loss due to less credit of western union remittances	2.132
26.	85-2025	Mis-procurement of services from blacklisted firm	13.191
27.	87-2025	Excess expenditure on account of establishment charges	0.000
28.	91-2025	Inadequate Implementation of software solutions	0.000

29.	92-2025	Irregular expenditure on security services	5.267
30.	94-2025	Non-utilization of promotional funds caused reduction in WU business and advance settlement reserve	24.360
31.	95-2025	Loss due to mis-procurement	4.185
32.	97-2025	Variation in the revenue figures of DFPOs and M/S PPF	24.535
33.	98-2025	Irregular agency agreement with PLIC and unauthorized premium collection	0.000
34.	104-2025	Operational loss to PPOD	0.000
35.	105-2025	Non-implementation of State Owned Enterprises (SOEs) Act, 2023	0.000
36.	119-2025	Unauthorized grant of House Building Advance	6.044
37.	120-2025	Non-availability of ownership documents of GPO Khairpur land/property	6.483
38.	124-2025	Misuse of balance amount of military pension account	0.000
39.	125-2025	Un-authentic withdrawal of military pension	10.971
40.	127-2025	Irregularities in awarding mail contracts and payments	33.809
41.	128-2025	Reconciliation issues with LESCO	18.661
42.	129-2025	Excess payment of premium collection to PLICL	0.000
43.	130-2025	Irregular expenditure on purchase of revenue stamps	6.624
44.	131-2025	Irregular payments to Software Contractor	2.050
45.	133-2025	Non-clearance of liabilities	0.000
46.	134-2025	Non recovery of construction cost from Pakistan Railways	18.055

47.	135-2025	Wasteful expenditure on rent of post office building	4.659
48.	136-2025	Overpayment of rent of post office building	3.146
49.	137-2025	Non reconciliation of Postal Revenue, Contingent Expenditure and utility bills collection with DA PPOD	0.000
50.	138-2025	Blockade of public money in shape of Provincial Tax stamps	0.794
51.	143-2025	Un-reconciled DFPO's revenue received from M/s PPF	15.548
52.	144-2025	Non-reconciliation and adjustment of cash in transit	2.648
53.	145-2025	Unauthorized utilization of funds due to retention of unpaid PRCS money orders	13.145
54.	165-2025	Un-authorized transfer of salaries of Extra Departmental staff in the accounts of ASPOs	2.479
55.	166-2025	Doubtful payment to military pensioners	0.000
56.	169-2025	Unacknowledged saving accounts transferred to CDNS	0.000
57.	173-2025	Non-recovery of BISP amount from postal employees	2.261
58.	174-2025	Non-preparation of expenditure statement of establishment charges	0.000
59.	179-2025	Irregular expenditure on security services	25.983
60.	180-2025	Irregularities in execution of repair & maintenance works	13.998
61.	182-2025	Irregular appointment without verification of Educational Degree / Domicile and Police verification	0.000
62.	183-2025	Unauthorized payments to saving account holders	40.609

63.	184-2025	Non-transfer of amount of saving bank accounts & certificates to Federal Government Account	0.000
64.	186-2025	Non-recovery of overpayment made to military pensioners	3.377
65.	187-2025	Un-justified deduction of income tax	1.201
66.	188-2025	Blockade of public money in shape of Provincial Tax stamps	4.639
67.	189-2025	Overpayment to contractors	3.550
68.	190-2025	Irregular creation of liability in lieu of salaries of EDBOs	39.936
69.	191-2025	Irregular cash payments instead of through cheques	29.113
70.	192-2025	Non-deposit of Zakat into Central Zakat Account	2.851
71.	198-2025	Variation of figures in military pension payment between GPO and CPM Record	0.350
72.	199-2025	Non-recovery of security money from contractors & tenant	18.464
73.	202-2025	Variation of figures between SAP data and Cash Account	0.000
74.	203-2025	Irregular disbursement of military pension without date noting	0.000
75.	204-2025	Irregular outsourcing of IFPOs to M/s PPF	0.000
76.	205-2025	Irregular pension payment made to pensioners due to non-obtaining of life/re-marriage certificates	25.148
77.	207-2025	Irregular payment to military pensioners without availability of PPOs	0.000
78.	211-2025	Non-depiction of outstanding amount of Advances in salary slips and non-recovery thereof	22.417

79.	213-2025	Excess deposited into NBP Accounts on account PLIC Premium	45.732
80.	214-2025	Unauthorized transmission of cash among GPOs	0.000
81.	215-2025	Irregular expenditure on account of payment to Extra Departmental Employees	3.530
82.	216-2025	Blockade of public money/ Non disposal of Driving license stamps	0.000
83.	217-2025	Excess deposit into NBP agency functions account and non-clearance of liabilities	4.917
84.	218-2025	Unjustified Western Union Payments out of postal receipts and non-adjustment thereof	0.000
85.	219-2025	Irregular retention of cash by post offices and non-transfer to concerned authorities	0.000
86.	220-2025	Irregular expenditure on rented buildings without renewal of lease agreements	6.098
87.	222-2025	Non/less deduction of normal rent	0.236
88.	223-2025	Unauthorized/Doubtful Foreign Pension Payment	1.434
89.	224-2025	Non-approval of accounting procedures from Auditor-General of Pakistan	0.000
90.	227-2025	Irregular transfer of newly appointed officials on attachment basis	0.000
91.	228-2025	Irregular retention of cash by a private company	0.000
92.	230-2025	Non-revision of authorized limits and excess retention of cash and stamps	0.000
93.	232-2025	Irregular payment to military pension	0.000
94.	238-2025	Non transfer of saving Bank Accounts/Certificates to CDNS and military pension accounts to DCS	0.000

95.	240-2025	Non-transferring of Postal Life Insurance premium collections into PLICL Bank Account	0.000
96.	241-2025	Irregular retention of cash by post offices and non-transfer to surrender to FCF	0.000
97.	243-2025	Irregular charging/payment of incentives	65.404
98.	244-2025	Non-availability of ownership documents of Postal land& Buildings	70.709
99.	246-2025	Non receipt of outstanding GST	0.000
100.	255-2025	Difference between cash account and CDNS figure	20.471
101.	256-2025	Unauthorized payment of double conveyance allowance	0.410
102.	259-2025	Non-deposit of amount drawn through LoC into FCF	19.488
Total			853.937

Brief Description of PLICL Paras Included in MfDAC

(Rs in Million)

S. No.	PDP No.	Subject	Amount
1.	8-2025	Unauthorized expenditure incurred without approval of budget	0.00
2.	9-2025	Unauthorized Financial Sanctions by CEO PLICL	0.00
3.	11-2025	Unjustified hiring of daily wages staff	3.745
4.	12-2025	Loss sustained by the Company due to retention of inefficient Staff	11.684
5.	13-2025	Irregular expenditure incurred on pay & allowances	2.527
6.	14-2025	Unjustified payment made through in lieu cheques	1.317
7.	15-2025	Unjustified payment of Pay & allowance	1.015
8.	16-2025	Irregular payment of pay and allowances made to CEO	1.181
9.	17-2025	Unauthentic posting of premium collected through PPOD	0.00
10.	18-2025	Wastage of funds on account of hiring official accommodation	9.055
11.	19-2025	Non-transfer of deductions to concerned quarters	42.316
12.	22-2025	Non-launching of new products approved in the business plan	0.00
13.	23-2025	Non-preparation/submission of statement of assets and liabilities	0.00
14.	24-2025	Non-finalization/submission of annual audited accounts to the Commission	0
15.	27-2025	Irregular sanction of high value claims	42.076
16.	28-2025	Unauthorized payment on account of Maturity Value Claims	10.807
17.	29-2025	Non-recovery/refund of over billed amount from LESCO	14.800
18.	30-2025	Doubtful payment of death claim	0.345
19.	33-2025	Alarming decreasing trend of PLICL business	0.000

20.	39-2025	Irregular investment of funds	0.00
21.	45-2025	Unjustified expenditure incurred on stipend of Management Trainee Officer	6.119
22.	46-2025	Unauthorized expenditure incurred on maintenance and upgradation of software	4.574
23.	48-2025	Unjustified expenditure on pay & allowance against posting at un-specified station	3.926
24.	50-2025	Unauthentic posting of premium collected through Banks	71.313
25.	52-2025	Unjustified expenditure incurred on renovation work and purchase of furniture	1.183
26.	53-2025	Unjustified withdrawal of termination letter and payment of arrears	2.028
27.	54-2025	Unjustified disbursement made from collection account	0.00
28.	55-2025	Non-payment of group insurance claims	0.00
29.	56-2025	Irregular payment of insurance claims from company receipts	0.00
30.	57-2025	Unauthorized business with banks after expiry of agreements	0.000
31.	58-2025	Non-recovery of rent from contractor	1.2
32.	59-2025	Laps of funds due to weak financial management	60.425
33.	60-2025	Non-clearance of liabilities	22.068
34.	150-2025	Non recovery of bid security and interest	32.370
35.	152-2025	Unauthorized Financial Sanctions by GM PLICL	0.00
36.	153-2025	Unjustified payment of maturity value claims without approval of competent authority	13.460
37.	154-2025	Unauthorized Financial Sanctions of claims by CEO PLICL	5.059
38.	155-2025	Unjustified conversion of policies	4.000
39.	156-2025	Irregular expenditure resulting from non-implementation of PLICL (CoA)	26.582
40.	157-2025	Un-authorized acceptance of policies	10.700

41.	158-2025	Un-authorized payment of death value claims	1.068
42.	159-2025	Non-finalization of rent agreements with PPOD	0.00
43.	160-2025	Non-transfer of amount of Pension Contribution to PPOD	46.973
44.	161-2025	Non-transfer of recoveries to PPOD	2.981
45.	162-2025	Unauthorized expenditure incurred against payment of Security Guards	1.911
46.	163-2025	Un-authorized payment of house requisition to staff	14.616
47.	164-2025	Non recovery of the outstanding balance of loan amount	11.935
48.	175-2025	Non-realization of administrative expenses	0.00
49.	176-2025	Non-payment Group Insurance claims	0.00
50.	177-2025	Irregular acceptance of policies without medical	7.200
51.	178-2025	Unauthorized Financial Sanctions by GM PLICL	0.00
52.	194-2025	Irregular creation of liability in lieu of payment of rented buildings and non-recovery of rent from au-authorized occupants	19.657
53.	195-2025	Non-adjustment of amount of loss with DG PPO	3.786
54.	197-2025	Non achievement of business target to the tune of	0.00
55.	212-2025	Unjustified transfer of amount to field offices	6.044
56.	225-2025	Unjustified / doubtful payment of death value claims	0.622
57.	252-2025	Irregular payment to Security Company	0.374
58.	253-2024	Irregular expenditure resulting from non-implementation of PLICL (CoA)	12.754
59.	254-2025	Wasteful expenditure incurred on Internal Audit Wing	2.893
Total			538.689

Annexure-II

(Para No. 1.5.1)

Details of theft, robbery & misappropriation cases

Sr. No.	PDP No.	Name of formation	No. of cases	Description	Amount (Rs)
1	42-25	GPO Abbottabad	01	Fraudulent drawl of profit from saving bank accounts	29,865,625
2	43-25	-do-	02	-do-	121,121
3	62-25	PMG KPK	01	Misappropriation in utility bills	22,988,181
4	147-25	GPO/DSPS Bannu	01	Misappropriation in money orders	24,627,981
5	148-25	-do-	01	Misappropriation in postal receipts	9,277,878
6	149-25	-do-	01	-do-	3,005,465
7	233-25	PMGs Karachi, Lahore, Multan, Islamabad, Peshawar, GPOs Multan, Chakwal, Abbottabad & Kotli	35	Misappropriation in utility bills collection, value payable articles, pension payment, cash etc and dacoity	87,513,158
Total					177,399,409

Annexure – III

Para No. 1.6.1

Irregular appointments against expired NOC

S.No.	Unit	Item No.	No. of Employees	Amount (Rs)
1	GPO Lahore	30		0
2	PMG Lahore	4	859	294,190,760
3	GPO/ DSPS Sheikhpura	18		0
4	GPO/DSPS Gujranwala	15		0
5	GPO Karachi	11	53	19,834,535
6	PMG Rawalpindi	9	634	243,152,811
7	PMG Multan	1	553	223,728,000
8	PMG Islamabad	11	178	58,497,816
9	DG PPO, Islamabad	30	45	20,763,096
10	GPO/ DSPS Mansehra	3		0
11	GPO/DSPS Chakwal	11		0
12	GPO Skardu	2		0
13	GPO/ DSPS Faisalabad	14		0
14	GPO Toba Tek Singh	19		0
15	PMG Peshawar	14	681	233,258,660
16	GPO/DSPS Gilgit	7		0
17	GPO/DSPS Sialkot	15		0
18	GPO/DSPS Narowal	10		0
19	GPO/DSPS Muzaffarabad	1	36	2,869,908
20	GPO/DSPS Muzaffargarh	2		0
21	PMG Hyderabad	12	12	0
22	GPO/DSPS Khairpur	10	5	1,329,281
23	GPO AI-Hyderi Karachi	1	44	16,512,446
24	GPO AI-Hyderi Karachi	9	1	195,720
25	IMO Karachi	2	16	5,720,440
26	PSC Islamabad	8	7	2,596,128
27	GPO/DSPS Gujrat	3		0
28	GPO/DSPS Jhang	11		0
29	PMG Quetta	10	265	90,277,710
Total			3389	1,212,927,311

Annexure – III-A

Para No. 1.6.1

Detail of irregular appointments

Sl.No	Unit	Item No.	Amount (Rs)
1	GPO Lahore	26	4,686,396
2	GPO/ DSPS Sheikhpura	23	2,243,241
3	GPO Gujranwala	20	2,243,241
4	GPO Karachi	10	304,378
5	GPO Karachi	16	768,958
6	GPO Karachi	19	3,020,420
7	PMG Multan	2	84,972,000
8	PMG Multan	5	223,728,000
9	GPO/ Sahiwal	2	10,897,116
10	GPO Khanewal	4	1,326,780
11	GPO Khanewal	5	357,000
12	PMG Islamabad	12	15,381,660
13	PMG Islamabad	13	1,228,104
14	PMG Islamabad	14	1,066,920
15	DG PPO, Islamabad	31	11,310,396
16	GPO/ DSPS Mansehra	4	520,932
17	GPO/ DSPS Mansehra	5	5,345,508
18	GPO Skardu	7	346,093
19	GPO Toba Tek Singh	24	424,644
20	GPO/DSPS Peshawar	5	0
21	GPO/DSPS Sialkot	20	5,127,408
22	GPO/DSPS DI Khan	1	3,651,137
23	GPO/DSPS DI Khan	2	7,904,328
24	GPO/DSPS DG Khan	18	2,575,080
25	GPO/DSPS DG Khan	19	732,560
26	GPO/DSPS DG Khan	20	1,370,809
27	GPO/DSPS DG Khan	21	2,888,064
28	GPO/DSPS DG Khan	22	1,130,436
29	GPO/DSPS DG Khan	23	0
30	GPO/DSPS Bahawalpur	5	11,008,704
31	GPO/DSPS Bahawalpur	6	1,356,876
32	GPO/DSPS Bahawalpur	7	0
33	GPO/DSPS Muzaffarabad	2	3,015,648
34	GPO/DSPS Muzaffarabad	3	465,936
35	GPO/DSPS Banu	6	0
36	GPO/DSPS Kohat	6	0
37	GPO/DSPS Kohat	10	0

38	GPO/DSPS Mardan	10	26,072,204
39	GPO/DSPS Mardan	11	0
40	GPO/DSPS Mardan	12	0
41	GPO/DSPS Muzaffargarh	1	7,206,384
42	GPO/DSPS Muzaffargarh	5	1,195,272
43	PMG Hyderabad	13	0
44	GPO AI-Hyderi Karachi	9	196,000
45	PSC Islamabad	12	39,629
46	GPO/DSPS Gujrat	6	582,435
47	GPO/DSPS Jhang	12	1,748,160
48	PMG Quetta	8	23,410,930
49	PMG Quetta	9	362,508
50	PMG Quetta	11	0
51	GPO/DSPS Quetta	4	27,640,050
52	GPO/DSPS Quetta	5	0
53	GPO/DSPS Quetta	6	0
Total			499,852,345

Annexure-IV

(Para No. 1.6.4)

Detail of irregular procurements

S. No	PDP No	Unit	Subject	Amount in Rs	Remarks
1.	237-25	PMG Karachi	Procurements of cleaning material-	2,430,054	Splitting/ violate tendering
2.		PMG Rawalpindi	Mis-procurement of mail services	60,834,852	-do-
3.		PMG Rawalpindi	Mail contract	25,442,258	-do-
4.		PMG Quetta	Irregular procurement of cash conveyance services	850,000	-do-
5.			Irregular expenditure on mail conveyance	688,000	-do-
6.		PMG FC & GB	Illegal award of mail contract mail services	37,833,120	-do-
7.		PMG Multan	Repair & maintenance of building works	4,515,000	-do-
8.		PMG Islamabad	Procurement of bag	999,342	-do-
9.		DG,PPO, Islamabad	Hiring of consultancy services	943,000	-do-
10.		PMG Peshawar	Irregular award of contract without	533,776	-do-
11.			Irregular expenditure on hiring of mail	18,136,688	-do-
12.			Irregular expenditure on hiring of mail lines	23,803,897	-do-
13.		PMG Karachi	Procurement of stationery	33,462	-do-
14.		PMG Rawalpindi	Mail contract	43,470,000	2 nd lowest bidder
15.		PMG Quetta	Services for repair & maintenance works	2,247,457	2 nd lowest
16.		PMG Karachi	Procurement of water	617,500	W/o Advertising
17.		GPO Skardu	Unjustified payment to mail contractor	29,506,082	w/o Advertising
18.		100-25	DG PPOD	Procurement of mail boxes	3,295,890
Total				256,180,378	

Annexure-V
(Para No. 1.8.3)

Non-recovery of postal dues

PDP No.	Name of Formation	Description	Amount (Rs)
37-25	PMG Lahore	Non-recovery service charges	32,343,135
96-25	PSC, Islamabad	Non-recovery from rent and utility charges	21,825,690
102-25	DG PPOD Islamabad	Non-recovery of commission & service charges	78,385,033
107-25	-do-	Non-recovery of inadmissible pay & allowances	2,447,272
139-25	GPO Quetta	Non-recovery of building rent	3,744,000
185-25	13 formations (Annex-V-A)	Non-recovery of rent, utility charges and inadmissible pay & allowances	10,642,641
200-25	Controller IMO (P), Karachi	Non-recovery of terminal dues and compensation cost from foreign postal administration	54,416,211
210-25	GPO Lahore, Gujranwala, Peshawar, Abbottabad, Sialkot, Rawalpindi and Quetta	Non-recovery of compensation cost	6,330,262
236-25	42 formations (Annex-V-B)	Non-recovery of postal dues	554,350,967
Total			764,485,211

Annexure-V-A

(Para No. 1.8.3)

Non-recovery of rent, utility charges and inadmissible pay & allowance during the FY 2023-24

Sl. No.	Formation	Item No.	Subject	Amount Rs
1	PMG Karachi	18	Recoverable amount of Rs 0.142 (M) due to non-recovery of rent and utility charges	142,386
2	GPO Gujranwala	27	Non-recovery of utility bill from allottee of postal accommodation	305,070
3	PMG Hyderabad	18	Loss due to non-recovery of water charges from the allottees of Govt. accommodations-Rs 0.343 million	343,200
4	PSC Islamabad	7	Non recovery of room rent charges from the occupants –Rs 207,548	207,548
5	PMG Karachi	14	Non-recovery of rent from PPF-Rs 1.091 million	1,091,040
6	PMG Rawalpindi	25	Non-recovery of rent from tenant of post plaza shops	360,605
7	PMG Multan	18	Non-recovery of rent from tenants of Postal Plaza Burewala	395,504
8	PMG Islamabad	27	Non-recovery of rent from the tenant – Rs 81,600	81,600
9	GPO/DSPS Islamabad	16	Non-recovery of rent from tenant- Rs 6 million	6,000,000
10	GPO Quetta	24	Loss of revenue due to non-revision of rent of shops- Rs 0.066 million	66,520
11	PMG Muzaffarabad	14	Non-recovery of rent from the tenants of shops of Postal Plaza Mirpur– Rs.0.112 million	112,200
12	DG PPO, Islamabad	56	Non-recovery of room rent, deputation allowance and overpaid salary – Rs 0.372 million	371,508
13	PSC Islamabad	6	Loss of revenue due to non-increase in rent of shops-Rs 0.330 million	330,475

14	PSC Islamabad	11	Inadmissible payment of instruction allowance to official-Rs 64,800	64,800
15	PSC Islamabad	13	Unauthorised payment of current charge allowance- Rs 40,669	40,669
16	IMO Karachi	11	Non recovery of conveyance allowance Rs 0.014 million	14,781
17	IMO Karachi	10	Unauthorized payment of Audit & Account Allowance Rs. 0.230 million	230,086
18	PMG Quetta	15	Irregular payment of pay & allowances- Rs 484,649	484,649
Total				10,642,641

Annexure-V-B

(Para No. 1.8.3)

Non-recovery of postal dues during the FY 2023-24

S. No	AIR No	FORMATION	Item No.	Subject	Amount (Rs)
POSTAL DUES ON BULK MAIL USER					
1	01-2024	GPO Lahore	24	Non-recovery of postal dues from bulk users Rs12.208 (M)	12,208,289
2	02-2024	PMG Karachi	9	Non-recovery of outstanding dues from bulk mail users	429,161,395
3	03-2024	PMG Lahore	12	Non-recovery of postal dues from bulk mail users	26,601,178
4	04-2024	GPO/ DSPTS Sheikhpura	25	Non-recovery of postal dues from bulk users Rs 0.343 (M)	342,706
5	05-2024	GPO/DSPTS Gujranwala	22	Non-recovery of postal dues from bulk users Rs 3.554 (M)	3,553,632
6	08-2024	PMG Rawalpindi	21	Non-recovery of postal dues from bulk mail users	11,354,618
7	09-2024	PMG Multan	15	Non-recovery of postal dues from bulk mail users	763,895
8	10-2024	GPO/DSPTS Multan	15	Non-recovery of postal dues from bulk users Rs 1.291 (M)	1,290,609
9	11-2024	GPO/ DSPTS Sahiwal	11	Non-recovery of postal dues from bulk users Rs 1.403 (M)	1,402,603
10	12-2024	GPO Khanewal	13	Non-recovery of postal dues from bulk users Rs 0.672 (M)	672,088
11	13-2024, 53-2024	PMG Islamabad & GPO IBD.	24& 15	Non-recovery of postal dues from bulk mail users	10,583,174
12	15-2024	GPO/ DSPTS Mansehra	18	Non-recovery of postal dues from bulk users Rs 0.073(M)	72,599
13	16-2024	GPO/DSPTS Chakwal	10	Non-recovery of postal dues from bulk mail users	127,081
14	19-2024	GPO/ DSPTS Faisalabad	12	Non-recovery of postal dues from bulk users Rs 6.587 (M)	6,587,247
15	20-2024	GPO Toba Tek Singh	5	Non-recovery of postal dues from bulk users Rs 1.116 (M)	1,115,674
16	22-2024	GPO/DSPTS Sargodha	5	Non-recovery of postal dues from bulk users Rs1.614 (M)	1,614,359
17	23-2024	PMG Peshawar	18	Non-recovery of postal dues from bulk mail users	646,067

18	24-2024	GPO/DSPS Peshawar	9	Non-recovery of postal dues from bulk users -Rs2.050 (M)	2,053,759
19	25-2024	GPO/DSPS Abbottabad	13	Non-recovery of outstanding receivables from bulk users Rs 0.181 (M)	181,036
20	26-2024	GPO/DSPS Gilgit	16	Non-recovery of postal dues from bulk mail users	107,220
21	27-2024	GPO/DSPS Sialkot	23	Non-recovery of postal dues from bulk users Rs 3.338 (M)	3,337,523
22	28-2024	GPO/DSPS Narowal	15	Non-recovery of postal dues from bulk users Rs 0.249 (M)	249,344
23	29-2024	GPO/DSPS Rawalpindi	14	Non-recovery of outstanding receivables from bulk users – Rs 0.737 (M)	737,117
24	31-2024	GPO/DSPS Mianwali	5	Non-recovery of postal dues from bulk mail - Rs 1.110 M	1,110,408
25	32-2024	GPO/DSPS DI Khan	12	Non-recovery of postal dues from bulk mail users - Rs 0.202 (M)	201,658
26	33-2024	GPO/DSPS DG Khan	9	Non-recovery of postal dues from bulk users-Rs 2.293 (M)	2,292,548
27	34-2024	GPO/DSPS Bahawalpur	19	Non-recovery of postal dues from bulk users-Rs 0.389 (M)	389,600
28	37-2024	PMG Muzaffarabad	21	Non-recovery of postal dues from bulk mail users Rs.0.536 (M)	536,006
29	38-2024	GPO/DSPS Muzaffarabad	13	Non-recovery of postal dues from bulk mail users Rs 0.776 (M)	776,068
30	39-2024	GPO/DSPS Banu	16	Non-recovery of postal dues from bulk mail users Rs 0.083 (M)	82,626
31	43-2024	GPO/DSPS Mardan	22	Non-recovery of postal dues from bulk users Rs 0.682 (M)	681,890
32	43-2024	GPO/DSPS Mardan	24	Non-recovery of postal dues from PLICL (bulk users) – Rs 0.066 (M)	65,947
33	44-2024	GPO/DSPS Muzaffargarh	17	Non-recovery of postal dues from bulk mail - Rs 0.396 (M)	396,064
34	45-2024	GPO/DSPS Hyderabad	25	Non-recovery of postal dues from bulk users Rs 1.048 (M)	1,047,715
35	46-2024	PMG Hyderabad	24	Non-recovery of postal dues from bulk mail users	1,643,714
36	47-2024	GPO/DSPS Khairpur	4	Non-recovery of postal dues from Bulk users - Rs 37,130	37,130
37	48-2024	GPO/DSPS Sukkur	10	Non-recovery of postal dues from bulk users–Rs 44,473	44,473
38	49-2024	GPO Al-	10	Non-recovery of postal dues from	594,905

		Hyderi KHI		bulk mail Rs 0.595 (M)	
39	54-2024	GPO/DSPS Gujrat	18	Non-recovery of outstanding receivables from bulk users – Rs 0.364 (M)	364,018
40	55-2024	GPO/DSPS Jhang	3	Non-recovery of postal dues from bulk users Rs 0.523 (M)	523,648
41	57-2024	GPO/DSPS Quetta	13	Non-recovery of postal dues from bulk mail Rs 0.123 (M)	122,925
Total-A					525,674,556
POSTAL DUES ON COURIOR SERVICES CHARGES & COMMISSION					
42	01-2024	GPO Lahore	2	Less claiming/realization of amount from Excise & Taxation Department worth –Rs 8.768 (M)	8,767,696
43	01-2024	GPO Lahore	6	Short realization of amount from Excise & Taxation Department worth –Rs 2.499 (M)	2,499,406
44	01-2024	GPO Lahore	29	Non-recovery of postal dues from Safe City Lahore (GoP) - Rs 4.399 (M)	4,398,724
45	03-2024	PMG Lahore	14	Less deduction of service charges on Custom Duty and Sales Tax - Rs 5,980 (M)	5,979,866
46	08-2024	PMG Rawalpindi	28	Less deduction of service charges on collection of Custom Duty and Sales Tax –Rs 5.215 (M)	5,214,878
47	18-2024	GPO Skardu	19	Non- deduction of service charges on collection of Custom Duty and Sales Tax Rs 0.049 (M)	48,713
48	23-2024	PMG Peshawar	19	Non-realization of service charges from PTCL on account of delivery of telephone bills – Rs 1.076 (M)	1,075,689
49	54-2024	GPO/DSPS Gujrat	25	Unjustified deduction of penalty by PTCL – Rs 83,114	83,114
50	29-2024	GPO/DSPS Rawalpindi	15	Non-recovery of commission charges from NADRA – Rs 0.608 (M)	608,325
Total –B					28,676,411
GRAND TOTAL (A+B)					554,350,967

Annexure – VI

(Para No. 1.8.7)

Non-deposit of recovered amount into FCF

Sl. No.	PDP No	Formation	Subject	Amount (Rs)
1	93-25	DG PPOD Islamabad	Non-deposit of profit amount into FCF	18,785,233
2	181-25	GPOs Al-Hyderi Karachi, Islamabad & PMGs Quetta & Rawalpindi	Non-transfer of recovered amount of misappropriation & dacoity and military pensioners to FCF	24,407,518
3	221-25	PMGs Lahore, Rawalpindi, Multan, Peshawar, Muzaffarabad, GPOs Gujranwala, Multan, Sahiwal, Khanewal, Mansehra, Chakwal, Skardu, Faisalabad, TT Singh, Sargodha, Abbottabad, Gilgit, Rawalpindi, Khushab, Mianwali, DI Khan, DG Khan B/Pur, Kotli, Bagh, Muzaffarabad, Bannu, Karak, Kohat, M/Garh, Khairpur, Sukkur, Islamabad, Gujrat, Jhang & Quetta	Non-deposit of recovered amount from military pensioners into FCF	178,171,823
4	258-25	PMG Lahore	Non-deposit of recovered amount of overpayment to mail contractor and standard rent into the Federal Consolidated Fund	77,400,885
Total:				298,765,459

Annexure – VII

(Para No. 1.8.9)

Statement Showing the detail of retention of GST/WHT

Sl. No.	Name of Unit	Item No.	GST Collected (Rs)	GST Transferred (Rs)	GST Retained (Rs)	WHT Retained (Rs)
1	GPO Lahore	08	8,153,938	-	8,153,938	0
2	GPO Lahore	20	23,545,292	21,998,237	1,547,055	0
3	GPO Lahore	17	0	0	0	446,818
4	PMG Karachi	19	419,629	0	419,629	0
5	GPO Sheikhpura	03	1,667,313	0	1,667,313	0
6	GPO Sheikhpura	05	1,221,284	0	1,221,284	0
7	GPO Sheikhpura	12	0	0	0	376,838
8	GPO Sheikhpura	13	-0	0	0	435,242
9	GPO Sheikhpura	33	2,897,088	649,180	2,247,908	0
10	GPO Gujranwala	04	0	0	0	3,023,696
11	GPO Gujranwala	08	0	0	0	1,547,117
12	GPO Karachi	07	1,457,466	138,024	1,319,442	0
13	PMG Multan	19	75,187	0	75,187	0
14	GPO Multan	17	0	0	0	828,114
15	GPO Sahiwal	10	2,927,505	0	2,927,505	0
16	GPO Khanewal	07	1,718,004	0	1,718,004	0
17	GPO Khanewal	14	1,718,004	862,812	855,192	0
18	PMG Islamabad	20	204,150	0	204,150	0
19	DG PPO Islamabad	25	10,351,999	0	10,351,999	0

20	GPO Manshera	25	358,250	0	358,250	0
21	GPO Skardu	18	297,162	142,647	154,515	0
22	GPO Faisalabad	05	0	0	0	1,517,229
23	GPO TT Sing	04	0	0	0	633,609
24	PMG Peshawar	26	394,889	0	394,889	0
25	GPO Peshawar	07	4,466,968	0	4,466,968	0
26	GPO Abbottabad	06	3,087,889	0	3,087,889	0
27	GPO Gilgit	17	192,949	0	192,949	0
28	GPO Sialkot	05	0	0	0	3,197,263
29	GPO Sialkot	10	0	0	0	327,018
30	GPO Sialkot	11	8,821,232	7,200,642	1,620,590	0
31	GPO Rawalpindi	04	19,480,693	0	19,480,693	0
32	GPO D.G Khan	08	4,562,910	0	4,562,910	0
33	GPO Bahawalpur	15	3,038,524	0	3,038,524	0
34	GPO Bannu	12	530,351	0	530,351	0
35	GPO Karak	09	82,429	0	82,429	0
36	GPO Kohat	16	820,610	0	820,610	0
37	GPO Hyderabad	13	0	0	0	742,899
38	GPO Islamabad	19	12,498,545	0	12,498,545	0
39	GPO Gujrat	05	0	0	0	37,862,308
40	GPO Gujrat	19	0	0	0	820,498
Total			114,990,260	30,991,542	83,998,718	51,758,649
Grand Total (GST +WHT)						135,757,367

Annexure – VII-A

(Para No. 1.8.9)

Statement Showing the detail of retention of GST/WHT

Sl No.	PDP No.	No. of formations	Description	Amount (Rs)
1	75-25	CCS Karachi	Less deduction of Sindh Sales tax on services	3,886,842
2	126-25	PMG Quetta	Less deduction of Baluchistan Sales tax on services	3,390,014
3	132-25	CCS Karachi	Non deduction of Sindh Sales tax on services	189,133
4	208-25	11 formation (Annex-VII-B)	Non-deduction of tax at source	12,381,061
Total				19,847,050

Annexure –VII-B

(Para No. 1.8.9)

Detail of non-deduction of taxes

S.No	Name of Formations	Item No.	Amount (Rs)
1.	PMG Karachi	16	2,886,984
2.	PMG Karachi	20	216,870
3.	PMG Karachi	22	215,103
4.	PMG Karachi	26	50,619
5.	CCS Karachi	15	176,288
6.	CCS Karachi	17	20,180
7.	PMG Rawalpindi	23	1,033,682
8.	PMG Rawalpindi	24	2,648,256
9.	DG PPO, Islamabad	38	3,485,936
10.	DG PPO, Islamabad	43	140,882
11.	GPO Chakwal	13	175,874
12.	GPO Chakwal	17	349,750
13.	GPO Rawalpindi	21	20,968
14.	GPO Rawalpindi	19	175,823
15.	PMG Hyderabad	20	36,940
16.	PSC Islamabad	14	20,764
17.	GPO Quetta	22	621,888
18.	PMG Muzaffarabad	19	46,504
19.	GPO Muzaffarabad	24	57,750
Total			12,381,061

Annexure –VIII

(Para No. 1.8.10)

Details of non-recovery of standard rent from unauthorized occupant

S.No	Unit	Item No.	Subject	Amount Rs
1	PMG Karachi	29	Non-recovery of standard rent	1,761,840
2	PMG Lahore	15	Non-recovery of double standard rent	3,910,248
3	PMG Islamabad	26	Illegal occupation of postal quarter	466,275
4	DG PPO, Islamabad	55	Non-recovery of standard rent-	2,645,804
5	GPO/ DSPS Faisalabad	24	Non-recovery of standard rent	73,380
6	PMG Peshawar	20	Non-recovery of rent from unauthorized occupant	753,835
7		13	Un-authorized sub-letting	1,644,912
8		6	Un-authorized sub-letting	1,505,952
9	GPO/DSPS Sialkot	22	Non-recovery of standard rent	1,525,595
10	GPO/DSPS Sialkot	29	Non-recovery of standard rent	942,012
11	PMG Hyderabad	16	unauthorized occupant	6,332,049
12	IMO Karachi	7	Non-recovery of standard rent from Dismissed officials	815,784
13	PMG Quetta	24	Non-recovery of standard rent from dismissed official	176,184
Total				22,553,870

Annexure – IX

(Para No. 1.9.7)

Non-deposit of revenue into the Federal Consolidated Fund

S. No.	Unit	Item No.	Subject	Amount (Rs)
1	GPO Lahore	1	Non-deposit of revenue into the FCF – Rs 104.631 (M)	104,631,012
2	GPO Sheikhpura	1	Non-deposit of revenue into the FCF – Rs 35.996 (M)	35,995,972
3	GPO Karachi	2	Non-deposit of revenue into the FCF	7,518,725
4	PMG Rawalpindi	3	Less-transfer of postal revenue to FCF	6,661,677
5	PMG Rawalpindi	16	Less-deposit of postal revenue into FCF	114,948,186
6	GPO Sahiwal	1	Less-deposit of postal revenue into the FCF (FCF) amounting to Rs 8.074 (M)	8,074,429
7	GPO Mansehra	9	Non-deposit of commission of MOs, UMOs and FMOs to Central Account No.I (FCF) – Rs.4.372 (M)	4,372,022
8	GPO/ DSPS Mansehra	26	Non-deposit of service charges of utility bills collection into FCF–Rs 0.878 (M)	877,016
9	GPO/ DSPS Faisalabad	1	Short deposit of revenue into the FCF - Rs 16.720	16,720,054
10	GPO/DSPS Peshawar	12	Non-deposit of revenue into the FCF – Rs 2.636 (M)	2,636,376
11	GPO/DSPS Peshawar	21	Non-preparation of accounting procedure and non-deposit of revenue from attestation Stamps–Rs 3.528 (M)	3,527,680
12	GPO/DSPS Abbottabad	5	Non-deposit of postal revenue into FCF – Rs 2.333 (M)	2,333,185
13	GPO/DSPS Abbottabad	9	Non-deposit of postal revenue into the FCF (FCF) amounting to Rs 58.828 (M)	58,827,608
14	GPO/DSPS Gilgit	5	Non-deposit of revenue into the FCF – Rs 3.168 (M)	3,167,868
15	GPO/DSPS Sialkot	1	Non-deposit of revenue into the FCF – Rs 29.380 (M)	290,380,232
16	GPO/DSPS Rawalpindi	5	Non-deposit of postal revenue into the FCF (FCF) amounting to Rs 12.177 (M)	12,176,870

17	GPO/DSPS DG Khan	1	Less-deposit of postal revenue into the FCF (FCF) amounting to Rs 3.259 (M)	3,259,587
18	GPO/DSPS Bahawalpur	1	Less-deposit of postal revenue into FCF (FCF)-Rs 22.587 (M)	22,587,135
19	GPO Kotli	4	Non-transfer of postal revenue into FCF – Rs 24.361 (M)	24,361,428
20	PMG Muzaffarabad	8	Non-deposit of service charges of utility bills collection into FCF–Rs 14.260 (M)	14,260,826
21	GPO/DSPS Muzaffarabad	5	Non-deposit of commission of MO & UMO into FCF–Rs. 1.494 (M)	1,494,050
22	GPO/DSPS Muzaffarabad	9	Non-deposit of service charges of utility bills collection into FCF–Rs. 3.076 (M)	3,076,448
23	GPO/DSPS Banu	8	Non-deposit of revenue into the FCF – Rs 3.396 (M)	3,395,636
24	GPO/DSPS Kohat	8	Non-deposit of revenue into the FCF – Rs 5.752 (M)	5,751,663
25	GPO/DSPS Hyderabad	7	Short deposit of revenue into the FCF	6,456,225
26	GPO/DSPS Hyderabad	8	Non-deposit of PPOs receipt into Federal treasury	2,581,555
27	GPO/DSPS Gujrat	1	Non-deposit of revenue into the FCF – Rs 9.235 (M)	9,235,147
28	GPO/DSPS Jhang	4	Non-deposit of revenue into the FCF – Rs 76.079 (M)	76,079,057
Total:				845,387,669

Annexure – X
(Para No. 1.9.10)

Detail of amount drawn through paper chits

Sl. No.	PDP No	Formation	Subject	Amount (Rs)
1	123-25	GPO/DSPS Narowal	Non recovery of amount drawn on paper chits	1,070,677
2	231-25	PMGs Lahore, Rawalpindi, Multan, Hyderabad & Quetta, GPOs Lahore, Sheikhupura, Gujranwala, Multan, Sahiwal, Mansehra, Chakwal, Faisalabad, Sargodha, Peshawar, Abbottabad, Gilgit, Sialkot, Narowal, Rawalpindi, Khushab, Mainwali, DG Khan, Bahawalpur, Kotli, Bagh, Muzaffarabad, Banu, Karak, Kohat, Mardan, Hyderabad, Gujrat, Jhang, Quetta & Al-Hydri Karachi	Unlawful drawl of cash on paper chits	120,726,364
Total:				121,797,041