AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN POST OFFICE DEPARTMENT
AUDIT YEAR 2019-20

AUDITOR-GENERAL OF PAKISTAN

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Preface

The Auditor-General conducts Audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with the Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Audit of Pakistan Post Office Department was carried out accordingly.

The Directorate General of Audit, Postal and Telecommunication Services (P&TS), conducted Compliance Audit on the accounts of Pakistan Post Office Department (PPOD) during July to November for the financial year 2018-19 with a view to report significant findings to the relevant stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the PPOD. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in managing the resources. The Audit Report indicates specific actions that, if taken, will held the management realize the objectives of the PPO Department. Most of the observations included in this report have been finalized in the light of discussion in DAC meeting.

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

Sd/-

Dated: 18th February, 2020

(Javaid Jehangir)
Auditor-General of Pakistan

ABBREVIATIONS AND ACRONYMS

1.	APPM	:	Accounting Policies and Procedure Manual
2.	AML	:	Anti-Money Laundering
3.	BCO	:	Bag Control Office
4.	BISP	:	Benazir Income Support Program
5.	BSP	:	Bag Sub Depot
6.	CCS	:	Chief Controller of Stamps
7.	CDNS	:	Central Directorate of National Savings
8.	CFT	:	Combating Financing Terrorism
9.	CPRs	:	Consolidated Postal Receipts
10.	CPM	:	Chief Postmaster
11. .	CTRs	:	Consolidated Treasury Receipts
12.	DA PPO	:	Director of Accounts, Pakistan Post Office
13.	DAC	:	Departmental Accounts Committee
14.	DG	:	Director General
15.	DMO	:	Divisional Mail Office
16.	DSCs		Defence Saving Certificates
17.	DSPS	:	Divisional Superintendent Postal Services
18.	ECC	:	Economic Coordination Committee
19.	EMTTS	:	Express Mail Track and Trace System
20.	FAM	:	Financial Audit Manual
21.	FCF	:	Federal Consolidated Fund
22.	FIA	:	Federal Investigation Agency
23.	FPOs	:	Franchise Post Offices
24.	GFR	:	General Financial Rules
25.	GM	:	General Manager
26.	GPO	:	General Post Office
27.	GST	:	General Sales Tax
28.	HO	:	Head Office
29.	IAC	:	Initial Account Code
30.	IMO	:	International Mail Office
31.	KPK	:	Khyber Pakhtunkhwa
32.	MOs	:	Money Orders

33.	MST	:	Mail Sorting and Transportation
34.	NAB	:	National Accountability Bureau
35.	PAC	:	Public Accounts Committee
36.	PAO	:	Principal Accounting Officer
37.	POIF	:	Post Office Insurance Fund
38.	PLI	:	Postal Life Insurance
39.	PMG	:	Postmaster General
40.	PMP	:	Pakistan Military Pension
41.	PPOD	:	Pakistan Post Office Department
42.	PPF	:	Pakistan Post Foundation
43.	PPRA	:	Public Procurement Regulatory Authority
44.	PPRs	:	Public Procurement Rules
45.	PRA	:	Punjab Revenue Authority
46.	PPSC	:	Pakistan Postal Services Corporation
47.	PSPC	:	Pakistan Security Printing Corporation
48.	PT	:	Provincial Tax
49.	P&TS	:	Postal & Telecommunication Services
50.	PPSMB	:	Pakistan Postal Services Management Board
51.	PWD	:	Public Works Department
52.	QSF	:	Quality Service Fund
53.	RIC	:	Regular Income Certificate
54.	UPU	:	Universal Postal Union
55.	WHT	:	Withholding Tax

EXECUTIVE SUMMARY

The Audit Report presents results based on audit of the accounts for Financial Year 2018-19 of the Pakistan Post Office Department (PPOD).

The PPOD performs its functions under the provisions of Post Office Act, 1898. It is under the administrative control of Ministry of Communication. The primary function of PPOD is the delivery of mail and payment of money orders. Apart from this, the PPOD is performing about forty-six (46) agency functions on behalf of various departments and organizations of the Government.

The Report has been finalized in the light of discussions during the DAC meeting held from 14th to 16th January, 2020.

The Director General, Audit Postal & Telecommunication Services (P&TS) is responsible to conduct the audit of Pakistan Post Office Department and its allied formations. The Directorate General was provided a budget of Rs 36.311 million for the Financial Year 2019-20. The audit was conducted by deploying a human resource of 42 Officers and staff utilizing 3589 man days on audit.

a. Scope of Audit

This office is mandated to conduct Audit of 179 formations working under Ministry of Communication. Total expenditure and receipt of these formations was Rs 23.903 billion and Rs 14.768 billion respectively for the Financial Year 2018-19.

Audit coverage relating to expenditure for the current audit year comprises 47 formations of one PAO / Ministry having a total expenditure of Rs 20.086 billion for the Financial Year 2018-19. In terms of percentage, the audit coverage for expenditure is 18.483 % of auditable expenditure.

Audit coverage relating to receipt for the current audit year comprises 47 formations of one PAO / Ministry having a total receipt of Rs 3.312 billion for the Financial Year 2018-19. In terms of percentage, the audit coverage for receipt is 8.845 % of auditable receipt.

DG Audit P&TS also conducted audit of non-budgeted payments amounting to Rs 498.532 billion on account of agency functions performed by the PPOD on behalf of various Government Departments.

b. Recoveries at the Instance of Audit

As a result of audit, a recovery of Rs 1.461 billion was pointed out in this report. Recovery effected and verified by audit from January to December 2019 was Rs 655.814 million.

c. Audit Methodology

Permanent file was updated in Audit Headquarters after obtaining relevant information from the entity which helped in planning and managing the manpower before the execution of audit. Field audit was conducted on the basis of the data and vouchers available at the Directorate of Accounts PPO (DAPPO), Lahore as well as at all GPOs and postal units. The field audit activity included but was not limited to the review of record, field visits, physical inspections and discussions with the management.

d. Audit Impact

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

i) Drawl of cash on paper chits from postal treasuries have been gradually minimized to 15% as compared with previous years.

ii) The practice of conversion of insurance policies from higher value to lower value without fulfilling the codal formalities has been stopped.

iii) The irregular practice of drawl of pay and allowances and other remunerations through remittance advices has also been stopped.

iv) In the light of PAC / DAC directives, PPOD has stopped the un-authorized payment of Good Performance Allowance.

v) PPOD has taken initiatives to acquire Enterprise Resource Program (ERP) that will allow digitization of its financial services and would help bring transparency in financial transactions.

vi) PPOD has embarked upon an ambitious business plan to increase its revenue by tapping the courier electronic commerce segment which has vast potential for revenue generation. Such initiatives would help ease the burden on government as PPOD's budget deficit shall be reduced.

e. Comments on Internal Controls

i) PPOD adopted New Accounting Model (NAM) for maintaining its accounts regarding budgetary allocation and expenditure in May, 2011. However, approval of the Auditor General of Pakistan in respect of detailed accounting policies and procedure as required vide Article No. 1.4.4.6 of AAPM has still not been acquired.

ii) PPOD is performing forty-six (46) agency functions on behalf of Federal and Provincial Governments. However, the forms, methods and principles of accounting and maintenance of accounts of these agency functions have not been got approved from the Auditor General of Pakistan as required under Article 170.

iii) Although an Internal Audit Wing exists in PPOD but no Internal Audit Manual and procedures have been prepared to streamline the internal audit function.

iv) There is no proper mechanism for reconciliation of the amounts received and recovered while performing various agency functions. Timely reconciliation will help in identifying and realizing receivables at a faster pace.

v) No mechanism exists in PPOD for pre-audit of payments of agency functions.

vi) Manual processing, manual entries in ledgers spread over the entire post office system is a weakness which can lead to fraud and embezzlement.

f. The Key Audit Findings of the Report;

The Audit Report comprises 55 Audit Paras pointing out serious irregularities as follows:

i) One (01) case of non-production of record amounting to Rs 394.646 million was pointed out.[1]

ii) Sixty four (64) cases of fraud, misappropriations, embezzlement, theft and dacoity of public money amounting to Rs 256.263 million were observed.[2]

iii) Six (06) cases of HR / Employees related irregularities were observed involving Rs 299.614 million.[3]

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[1] Para 1.4.1
[2] Para 1.5.1 to 1.5.7
[3] Paras 1.6.1 to 1.6.6

iv) Five (05) cases of procurement related irregularities in violation of PPRA amounting to Rs 55.609 million were observed.[4]

v) Three (03) cases of value for money and service delivery issues amounting to Rs 14.713 million were noticed.[5]

vi) Nine cases (09) cases of non-recovery amounting to Rs 681.676 million were noticed.[6]

vii) Ten (10) cases of internal control weaknesses and other irregularities amounting to Rs 8,686.900 million were noticed.[7]

viii) Thirteen (13) cases of overpayments and irregularities valuing Rs 1,904.993 million on account of issue based audit of special saving schemes were also pointed out.[8]

g. Recommendations

i) PPOD should update and strengthen the internal controls to prevent fraud and embezzlement. Disciplinary cases regarding frauds and misappropriations need to be finalized expeditiously to prevent recurrence.

ii) Compliance of Government rules and regulations on account of HR / Employees related matters must be ensured.

iii) Compliance of Public Procurement Regulatory Authority (PPRA) Rules, 2004 for procurement of goods and service be ensured, failing which penalizing disciplinary action be taken.

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4 Paras 1.6.7 to 1.6.11
5 Paras 1.7.1 to 1.7.3
6 Paras 1.8.1 to 1.8.9
7 Paras 1.9.1 to 1.9.10
8 Paras 1.10.1 to 1.10.13

iv) Revenue recovery mechanism needs to be made effective and postal dues be recovered timely from various Government Departments.

v) PPOD should prepare and formulate the forms, methods and principles of accounting and maintenance of accounts for agency functions being performed on behalf of the Federal and Provincial Governments and get them approved from the Auditor General of Pakistan without any further delay.

vi) Manual processing system in saving bank accounts, pension disbursement and insurance payments need to be updated by adopting a comprehensive ERP software. The digitization of financial services must be preceded by biometric verification of account holders which will help in weeding out ghost, duplicate and fictitious accounts.

vii) The management should ensure compliance of PAC / DAC directives and audit recommendations.

MINISTRY OF COMMUNICATIONS

PAKISTAN POST OFFICE DEPARTMENT

1 PAKISTAN POST OFFICE DEPARTMENT (PPOD)

1.1 Introduction

Pakistan Post Office Department (PPOD) was established under Post Office Act 1898, as a service department and is headed by the Director General (DG).

PPOD consists of 8 Circles, each headed by a Postmaster General, based at Quetta, Karachi, Hyderabad, Multan, Lahore, Rawalpindi, Islamabad and Peshawar; and 7 Regions, each headed by Deputy Postmaster General, at Sukkur, Faisalabad, Sialkot, Gilgit, Muzaffarabad, Abbottabad and D.I.Khan. There are 83 GPOs and 54 DSPS reporting to PMGs and Dy.PMGs. These GPOs administer 11,496 sub and branch post offices. The Department has a human resource of 47,348 officers and staff.

The primary function of PPOD is delivery of mail and payments of money orders. The PPOD also performs agency functions on behalf of various departments and organizations of Federal and Provincial Government. The major agency functions include handling of saving bank accounts and schemes, disbursement of pensions, collection of utility bills, disbursement of BISP money orders etc. PPOD also performs the functions of Postal Life Insurance (PLI) as agent of the Ministry of the Finance management by two General Manager based at Lahore and Karachi.

In addition, PPOD acts as postal treasury and also draws funds from Treasuries (State / National Banks) to meet the agency functions requirements. All types of postal stamps and revenue documents are printed by Pakistan Security Printing Corporations (PSPC) Karachi and supplied to all postal formations by Chief Controller of Stamps (CCS), Karachi.

B. Comments on budget and accounts

(i) The value of physical assets of Rs 183.252 million for the Financial Year 2018-19 were not capitalized in the Balance Sheet; understating the fixed assets. The worth of assets had not been incorporated in the annual accounts and was not disclosed in the Balance Sheet despite repeated identification in the previous years.

(ii) The form, methods and principles of accounting and accounts maintenance for 46 agency functions did not have the approval of the Auditor General of Pakistan which is a violation of the Article 170 of the Constitution and directives of the PAC. Therefore, audit could not determine the authenticity and reliability of accounting of receipts and collection of Rs 923,217.054 million and payments of Rs 881,061.589 million.

(iii) The remittances (G07112-Transfer between Post Offices) of Rs 1,439.884 million were not acknowledged by the corresponding GPOs. Resultantly, remittance advices showed a negative balance in the Financial Statements.

(iv) Rs 7,629.678 million was lying unadjusted due to difference of money orders and postal drafts (issued and paid) in the Balance Sheet.

(v) Muzaffarabad Postal Region did not reconcile its accounts of receipts, payments and budgetary expenditure amounting to Rs 146,314.224 million by the end of Financial Year 2018-19.

(vi) The Balance Sheet depicted cash balance of Rs 9,801.702 million whereas Classified Abstracts/SAP data of GPOs reflected cash balance of Rs 10,101.857 million showing understatement of cash of Rs 300.155 million.

(vii) Negative balances to the tune of Rs 146.082 million were appearing in Mahana Amdani Accounts, Foreign Remittances, SCO & others receipts, Incentive on BISP Money Orders, Professional Tax and Foreign Money Orders.

(viii) Rs 15.402 million was paid on account of payment of incentives to staff. The payment was made out of the receipt of PPOD instead of from budget head during 2018-19.

(ix) The management cost of PLI amounting to Rs 1,025.185 million for the Financial Year 2018-19 was calculated and debited to PLI Fund. This amount was further credited to Revenue of the PPOD under the object code C03588-11 and C03581-20. Resultantly, revenue of the PPOD was overstated.

(x) PPOD claimed interest charges of Rs 1,099.545 million on ordinary saving bank accounts from Finance Division under head A07433-Interest/profit during 2018-19. The interest / profit had been calculated on estimation basis of previous years instead of actual amount paid to the account holders of Saving Bank.

(xi) PPO Department incurred expenditure of Rs 12,271.115 million against authorized amount of Rs 6,450 million under two heads of accounts in Grant No.92. This resulted in excess expenditure of Rs 5,821.115 million during 2018-19.

(xii) PPO Department incurred expenditure of Rs 10,733.333 million against authorized amount of Rs 10,791.914 million in Grant No.92. The un-utilized funds of Rs 58.581 million were not surrendered to the Finance Division.

(xiii) An excess payment of Rs 939.810 million was made to utility companies, provincial departments and tax department against the collections of utility bills, driving & arms licenses and income / withholding taxes. Similarly, excess payment of Rs 1,032.116

million was made on account of Post Office Other deposits and loan disbursement of First Micro Finance Bank. The public / departmental payments were overstated by Rs 1,971.926 million during the Financial Year 2018-19 as subsidiary ledgers were not being maintained.

(xiv) The organization lacks systematic audit (pre & post) of payment of billions of rupees on account of Special Saving Accounts . During 2018-19, payment and profit of Rs 131,196.853 million and Rs 15,940.670 million were made without conducting appropriate pre and post audit.

(xv) Advances Recoverable amounting to Rs 1,149.811 million including objection book advances comprising amounts recoverable from employees on account of losses & frauds and overpayments are presented as assets in the Balance Sheet as on 30th June, 2019.

(xvi) Rs 15,818.925 million was authorized by the Government under the detail heads of accounts of A07& A08 on account of 'Interest on National Saving Schemes and Debt Servicing', whereas the department paid Rs 16,528.924 million. This resulted in excess payment of Rs 709.999 million**.**

(xvii) Rs 14,584.971 million was authorized by the Government under the detail object heads A07& A08 on account of 'Interest on National Saving Schemes and Debt Servicing respectively', out of which Rs 14,172.589 million was paid. The saved amount of Rs 412.382 million was unlawfully retained and was not surrendered to the Government.

(xviii) Rs 1,308.944 million collected against utility bills, tax, zakat, custom duty and on account of loan recovery of FMFB was unlawfully retained. This amount was not transmitted to the concerned departments during the year 2018-19 due to which the revenue was overstated. The subsidiary ledgers of these organizations were not being maintained.

(xix) The PPOD did not provide the details and total number of vouchers of receipts and payments as per cash book / cash accounts. Due to missing serials of vouchers, the maintenance of accounts was found deficient and not in accordance with prescribed accounting standards, hence not reliable.

(xx) The financial attest audit has raised serious qualifications on the overall accounting and financial management highlighting weakness in internal controls. Despite oft repeated qualifications, little efforts have been made to rectify the shortcomings. Thus, the current financial state of affairs do not provide reasonable confidence to attest the reliability of the accounts.

C. Sectoral Analysis

Global Scenario

In most of the developing countries postal services are run by state-owned entities, while courier services, usually parcel delivery or expedited mail services, are often supplied by private courier companies. The basic aim of public sector postal enterprises is to provide public utility services for the masses as in the case of Pakistan. However, in the last decade the postal sector has seen dramatic changes around the world and the distinction between postal and courier services or parcel/packet delivery has now been minimized. The postal services has undergone drastic transformation due to rapid technological advancements and recent emergence of electronic commerce in communications that has compelled countries to embark on market-oriented postal reforms. Competition has been introduced into the postal sector in more than 150 countries; postal service monopolies have been corporatized and/or privatized; and services reserved to monopolies have been largely reduced. A lot of Posts, while continuing to provide universal service, have entered into competition with private companies in various postal activities. On the other hand, Public Private Partnership (P3) model is increasingly being employed successfully in many countries by fusing public sector infrastructure with private sector efficiencies. Some Posts have made extensive acquisitions abroad and have become global players e.g. Japan Post's $5.1 billion acquisition of Australian based logistics service provider Toll Group and Australia Post's acquisition of AGS. Liberalization of postal markets has also provided more opportunities to private companies to expand their business.

Postal Sector in Pakistan

As per data published by Ministry of Communications, courier and logistics sector is valued at $34.2 billion in Pakistan registering a healthy annual growth rate of 18% between 2017 and 2018. As per World Bank's

Logistic Performance Index (LPI) 2018, Pakistan ranks 122 out of 160 countries in terms of its overall performance in logistics. In Pakistan, the mail courier and logistics market is dominated by the private sector (mainly TCS, DHL & Leopards) whereas Pakistan Post Office Department (PPOD), Ministry of Communication, (formerly Ministry of Postal Services), is an attached department of Government of Pakistan, has a major foot print throughout the country with 13000 post offices, 83 GPOs manned by 44000 employees serving around 50 million people. Pakistan Post operates under the autonomous "Postal Services Management Board (PSMB)" to deliver a full range of mail delivery, logistics and multiple agency services to customers. In addition to its traditional role, Pakistan Post also offers services such as Postal Life Insurance and Pakistan Post Savings Bank. It also operates services on behalf of the federal and provincial governments, by acting as a collection point for tax and utility bills.

Issues and Opportunities

The main issue with PPOD remains the fact that it is a public sector enterprise operating as a department of the government of Pakistan for provision of postal services along with other financial services. All revenues are credited to the federal consolidated fund while its expenditure is borne by the Federal government. Essentially, PPOD operates for welfare for the masses. Additionally, PPOD has to bear the increasing cost of pension payouts to more than 23000 pensioners. It faces the unique dilemma of being run akin a government department hence fully dependent on the ministry of finance for its financial operations while on the other hand it is hard pressed to provide quality courier, mailing and logistics services to the masses at very cheap rates. In such a scenario, Pakistan Post Office has increasingly become inefficient as compared to private courier companies. PPOD clearly loses out to TCS, DHL, OCS, and Leopards in its core function of parcel and mail delivery service. Additionally, PPOD is performing around 46 agency functions that includes running one of the largest saving bank account scheme in Pakistan, Postal Life Insurance, collecting taxes, payment of military and

PTCL pensions, receiving international remittances, collecting utility bills and taxes on behalf of the Ministry of Finance and the federal and provincial governments. A brief overview of PPODs expenditure and revenue gap is depicted below:-

Expenditure, Revenue & Deficit for last 5 years

(Rs in million)

Year	Expenditure	Revenue	Deficit	Percentage
2014-15	16,004	9,673	6,331	39.55%
2015-16	17,720	10,231	7,489	42.26%
2016-17	20,533	11,226	9,307	45.33%
2017-18	22,241	11,741	10,500	47.21%
2018-19	23,902	14,767	9,135	38.22%

Source: Annual Appropriation Accounts

The above table shows that the gap between revenue and expenditure has decreased by almost 9% due to surge in revenues which increased by Rs 3.02 billion in F.Y 2018-19. The following table depicts that the expenditure on pay & allowances and pension also swelled by Rupees 615 million and 1.25 billion on which PPOD had no control. Thus, a renewed focus on increasing its revenue would reduce the overall deficit of PPOD. This could be done by constituting a professional management board that is largely independent in taking business and financial decisions including tariff determination.

Expenditure on Pay & Allowances and Pension

(Rs in million)

Year	Expenditure on pay & allowances	Pension Paid
2014-15	8,966	3,615.998
2015-16	9,339	4,255.579
2016-17	9,752	5,696.844
2017-18	10,413	7,171.944
2018-19	11,028	8,425.728

Source: Annual Appropriation Accounts

On its operational side, Pakistan Post Office faces teething issues in its financial reporting which is based on redundant manual processes and a legacy accounting system. PPOD is managing large cash-based transactions (up to PKR 1.5 Trillion) on annual basis. Since the accounts of Post office are qualified with adverse audit opinion by Auditor general of Pakistan, it comes under strict obligations by Public Accounts Committee (PAC) on chronic issues relating to financial management. Furthermore, absence of accurate real time reports at PPOD and government level, lack of financial visibility and unavailability of intelligent digital backbone is impacting the delivery of core services and a creating obstacle in introducing new business models and revenue streams.

PPOD needs to move fast on digitization of financial services and create Financial Intelligence Unit (FIU) to fully map and trace customer records in order to comply with FATF obligations.

Some progress has been made by PPOD to acquire a full spectrum Electronic Resource Enterprise (ERP) solution in collaboration with CGA and Siemens which needs to materialize at accelerated pace. Initiatives have been taken to expand customer base through same day delivery of parcels and packets within the city, Electronic Money Order (EMO) for cash delivery at door step through 83 GPOs across the country and EMS Plus that allows the delivery of parcels weighing up to 30 kilograms to Australia, Japan, Saudi Arabia, Thailand, the UAE and UK, Pakistan Remittance Initiative (PRI) for delivery of international remittances through post offices. Over 1.4 million pensioners have been drawing pension (Rs174 billion in 2018-19) from Pakistan Post through computerization of military pension payment system, which is available at all GPOs[9].

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[9] *www.pakpost.gov.pk*

Challenges & Way Forward

The courier and logistics sector is undergoing a rapid transformational change as more shoppers move online, around 10% of retail sales worldwide are now made online, almost half of which are done via mobile device. Over the last few years e-commerce has grown rapidly in Pakistan as consumers are now trusting online vendors and shifting to online shopping. Pakistan Post is making strides to tap the huge e-commerce business; however, its market share is markedly below than the other market players i.e. notably TCS (76% in e-commerce).

The entry of digital platforms such as Careem and Bykea offering speedy parcel delivery services has given a new dimension to parcel delivery. A huge network of post offices, surplus manpower and huge operational fleet can be leveraged to gain sizeable market share in electronic commerce. It is important that PPOD focusses on its core business i.e. mail delivery which has great potential of revenue generation in the future.

PPOD issued 15680 insurance policies in 2018-19 showing steady decline from 22,445 in 2012-13, 22,767 in 2013-14, 22,017 in 2014-15 to 18,882 in 2015-16, 17,300 in 2016-17, 15,458 in 2017-18 and 15,680 in 2018-19[10] showing decreasing trend over the last five years. On the saving bank account, Pakistan Post Office maintains 2.3 million saving bank accounts on which Rs27.127 billion interest was paid and 219,693 million transactions were recorded. These two major financial agency functions (Saving Bank & Life Insurance) need to be corporatized at the earliest to bring transparency and efficiency in the system[11].

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[10] *PPOD Appropriation Accounts for F.Y 2018-19*

[11] PPOD Appropriation Accounts

Conclusion

Overall speaking, the postal sector carries a huge potential for business growth for both public and private sector. PPOD can substantially increase revenue by entering into Public Private Partnership (PPP) arrangement by leveraging its huge infrastructure and by investing in technology at the same time. Further, an all-encompassing ERP will greatly help in bringing transparency and operational efficiency in PPOD. The postal/courier/logistics market is poised to grow significantly once CPEC starts bearing fruit, therefore, this sector shall create tremendous employment opportunities and bring quality efficient services to the masses.

Table-1 Audit Profile of Pakistan Post Office Department

(Rs in billion)

S.No	Description	Total Nos	Audited	Expenditure audited FY 2018-19	Revenue / Receipts audited FY 2018-19
01	Formations	179	47	20.086	3.312

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 12,331.127 million were raised in this report during the current audit of Pakistan Post Office Department. This amount also includes recoveries of Rs 681.676 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)

S.No	Classification	Amount
01	Non-production of record	394.646
02	Reported cases of fraud, embezzlement and misappropriation	256.263
03	Irregularities	0
A	HR / Employees related irregularities	299.614
B	Procurement related irregularities	55.609
C	Management of Account with Commercial Banks	36.713
04	Value for money and service delivery issues	14.713
05	Receivables	681.676
06	Other Irregularities	8,686.900
07	Issue Based Audit on special saving schemes	1,904.993
	Total	**12,331.127**

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	1987-88	9	9	9	0	0	100
2	1989-90	34	34	27	0	7	79
3	1990-91	9	9	9	0	0	100
4	1991-92	31	31	15	0	16	48
5	1992-93	40	40	32	1	7	80
6	1993-94	20	20	9	0	11	45
7	1994-95	42	42	20	0	22	48
8	1996-97	89	89	46	0	43	52
9	1997-98	72	72	23	0	49	32
10	1998-99	74	74	35	0	39	47
11	1999-2000	56	56	4	0	52	7
12	2000-01	66	66	53	0	13	80
13	2001-02	23	23	10	9	4	43
14	2002-03	26	26	2	1	23	8
15	2003-04	17	17	8	4	5	47
16	2004-05	27	27	1	5	21	4
17	2005-06	29	29	16	2	11	55
18	2006-07	20	20	0	0	20	0
19	2007-08	30	30	19	0	11	63
20	2008-09	36	36	6	8	22	17
21	2009-10	70	70	34	15	21	49
22	2010-11	69	69	8	7	54	12
23	2013-14	84	84	16	10	58	19
24	2014-15	41	41	5	13	23	12
25	1994-95 (SAR)*	13	13	9	4	0	69
26	1996-97 (SSR)**	13	13	2	11	0	15
27	1999-2000 (SAR-114)	14	14	3	11	0	21
28	1999-2000 (SAR-120)	10	10	0	10	0	0
29	1999-2000 (SAR-123)	7	7	3	4	0	43
30	2000-01 (SAR- 170)	52	52	37	15	0	71

* Special Audit Report
**Special Study Report

AUDIT PARAS

AUDIT PARAS

1.4 Non-Production of Record

1.4.1 **Non-production of record – Rs 394.646 million**

According to Section 14 (3) of Auditor-General of Pakistan Ordinance 2001, any person or authority hindering the audit functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under efficiency and disciplinary rules.

Senior Postmaster GPO new town, Karachi did not provide record on account of payments made to Army, Navy, FC and Air Force pensioners amounting to Rs 394,646,499 to audit. The ledgers of military pension payments were not maintained since March 2018 and the pension payment data was also not updated in system. Further, some officials who were involved in fraud in saving bank were posted in pension payment cell.

The matter was conveyed to the management and PAO in October 2019. It was replied that schedules of payment of military pension for the month of July-2018 to June-2019 were available in New Town GPO Karachi. It was further informed that the officials of military pension branch had been transferred and disciplinary action had been initiated against them. The reply was not satisfactory as the auditable record was not provided to audit.

DAC in its meeting held from 14^{th} to 16^{th} January, 2020 directed the management to conduct inquiry at headquarter level for fixing responsibility and the report thereof be provided to audit for verification.

Audit recommends that appropriate action be taken against those responsible for non-production of record to audit, being a serious delinquency, and complete record may be provided for audit.

(PDP No.155)

1.5 Reported cases of fraud, embezzlement and misappropriation

1.5.1 Fraud, misappropriations and dacoity of public money – Rs 213.292 million

According to Article 24 of P&T IAC Vol-I read with rule 23 of Serial No.7, Appendix-2, GFR Vol-I, the loss and fraud cases are required to be reported to the Audit office on occurrence. In all such cases, departmental proceedings should be initiated at the earliest against all delinquents even against a Government servant being prosecuted in a Criminal Court. As per Para 238 and 238 (5) of Post Office Manual Vol-VIII, the Superintendent must inspect twice every year, 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 inspection by him.

In fifteen (15) formations of PPOD, management detected 58 cases of fraud, misappropriations, embezzlement theft and dacoity involving Rs 213,292,111 on account of cash withdrawn from postal treasury, utility bills collection, contingencies, military and postal pension payments, bogus money orders, PLI premium receipts, shortage of cash, snatching of cash and special saving accounts etc. during 2018-19 (as detailed in Annex-2). Neither any departmental / disciplinary actions were finalized against the officers / officials involved in fraud, embezzlement and dacoity nor were the embezzled amounts recovered.

The matter was brought to the notice of the management and PAO during July to November 2019 to which it was replied that Rs 58,873,821 were recovered and First Information Reports (FIRs) had been lodged against the culprits while efforts were underway to recover the remaining amount and finalize the legal proceedings. The reply was not tenable as the amounts recovered had not been got verified from Audit. Further, disciplinary action had not been initiated till the finalization of audit report.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to finalize the inquiry at the earliest, take disciplinary action, pursue the cases with FIA, fix responsibility, effect recovery and particulars of recovered amount be provided to Audit for verification.

Audit recommends immediate compliance of the DAC directives.

(DP Nos.34, 40, 48, 66, 92 & 284)

1.5.2 Loss due to misappropriation of revenue by franchised post offices - Rs 22.289 million

According to para-5 of the DG PPO letter No. Estt.4-1/2019 dated. 24.04.2019 regarding amendment in scheme of franchise post offices, in case of under charge/over charge, a penalty equal to double the amount of deficiency / excess shall recovered from the franchise postmaster or adjusted from the commission payable to him. The supervisory staff of DMO / EMS of exchange would regularly check such EMS items to detect deficiency or over charge if any.

Director General PPOD outsourced franchised post offices to private persons on franchise basis for booking registered letters, parcel mails and express post service articles on commission basis. PMG Karachi issued 11 franchise post office agencies under his jurisdiction. Audit team visited the banks which had made agreements with FPO's and collected the information regarding number of articles handed over to FPO's for dispatch during 2018-19. The information pertaining to volume of articles (Ordinary, Registered and UMS) handed over to FPO's for delivery was compared with the actual number of articles dispatched by the

DMO Karachi which showed that FPO's did not deliver the actual articles to clients. The FPOs misappropriated Rs 11,144,617/- and were, thus, liable to pay penalty of Rs 22,289,234 as per contract clause. Detail is as under:

FPOs No.	Name of bank	Description	Articles booked	Articles dispatched	Difference (Booked-dispatched)	Rate per article	Amount (Rs)
402	Meezan Bank / UBL	Ordinary Mail	470,000	45,903	424,097	8	3,392,776
	UBL	-do-	170,000	32,572	137,428	20	2,748,560
	UBL	Registered	200,000	28,529	171,471	15	2,572,065
333	UBL/MCB/ HBL	Ordinary	200,000	77,973	122,027	8	976,216
		Registered	115,000	18000	97,000	15	1,455,000
						Total	**11,144,617**
						Penalty payable equal to double the amount of postage less charged	**22,289,234**

Audit pointed this out to the management and PAO during August / September 2019. It was replied that the FPOs No.402 did not fall under the administrative control of Karachi GPO. An the inquiry regarding booked and dispatched articles at FPO 333 was carried out and as per inquiry report there was no difference in booked and dispatched articles. The reply was not acceptable because comparison of delivery and articles dispatched clearly indicated that FPO's did not deliver the actual articles to the clients. This resulted in misappropriation of postal revenue by the FPO's.

DAC in its meeting held from 14th to 16th January, 2020 constituted a committee comprising of a BPS-20 officer from Ministry of Communication, Mr. Khawaja Imran Nazir from PPOD and Mr. Awais Ahmad Dy. CAO to inquire the matter regarding misappropriation of postal revenue by FPO. It was further directed to fix responsibility and recover the misappropriated amount from FPO.

Audit recommends compliance of the DAC directives.

(PDP No.61)

1.5.3 **Misappropriation of profit on Special Saving Accounts - Rs 11.185 million**

According to Para 238 & 239 of Post Office Manual Vol-VIII, prescribed the procedure of inspection to be conducted by the PMG/Dy. PMG the officers were responsible to conduct inspection once every three months and at least twice every year to observe the authenticity and completeness of accounting record. Further, the inspecting officer would not be relieved of his responsibility for contributing to the commission of any fraud or defalcation of government money which remained undetected during inspection.

It was observed that profit of Rs 11,184,948 was misappropriated by staff of saving bank branch of GPO Karachi. The amounts were misappropriated by the staff in multiple ways. The profit was drawn twice for the same deposit and on fake deposits; account holders withdrew principal amount including up to date profit leaving the balance in accounts less than Rs 1,000 and after few days the profit was again drawn on the same deposits; profit was drawn by showing arrear of short payment of profit to account holders & excess half yearly instalments of profit; and profit was drawn but entry was not recorded in the ledgers.

The management was apprised about the situation in August / September 2019. The management replied that the fraud had already been detected and the past work verification of all special saving accounts of Karachi GPO was carried out by a team constituted at Circle level. The case was reported to F.I.A; the actual amounts misappropriated were Rs 5,867,617 & Rs 3,304,690 instead of Rs 11,184.948 identified by audit. The reply was not acceptable as documentary evidence was not provided to audit in support of the statement.

DAC in its meeting held from 14^{th} to 16^{th} January, 2020 took serious note of the issue and directed the management to constitute a committee at Headquarter level to conduct past work verification of staff involved in misappropriation of profit in special saving accounts. It was further directed to fix responsibility on those at fault and recover the misappropriated amount under report to audit.

Audit recommends immediate compliance of the DAC directives.

(PDP No.62)

1.5.4 Loss of revenue due to less affixation of postage – Rs 3.391 million

According to para-5 of the DG PPO letter No. Estt.4-1/2019 dated 24.04.2019 regarding amendment in scheme of franchise post offices, in case of under charge / over charge, a penalty equal to double the amount of deficiency / excess, shall recover from the franchise postmaster or adjusted from the commission payable to him. The supervisory staff of DMO / EMS of exchange would regularly check EMS items to detect deficiency or over charge. Moreover, as per clause 6 of the agreement signed with the franchisers, the rates would be valid until the revision of postal tariff by the postal management. Further, DG PPOD revised the rates of mail tariff vide letter No. IM.6/2019 dated 30.04.2019 made effective from 04.05.2019. Para 12 (I) of the DG circular dated 11^{th} August, 2008, further states that the registered articles of letter mail, registered parcels, UMS items booked during a day by the FPM would be entered in the dispatch list to be prepared separately for each class of articles in triplicate. The value of postage stamps on each booked article or amount of postage charges realized in cash would be noted in the list against the registered / booking No of each article.

It was observed that franchisee postmasters did not apply the new tariff and previous rate of Rs 15 per letter was charged instead of Rs 30. This resulted into a loss of revenue of Rs 3,390,900. Further, penalty equal to double the amount of deficiency was not imposed on the franchisers. Moreover, the franchiser FPO-I-131 was given bar code labels worth Rs 200,000 for affixing on mail articles but the same was not implemented and the cost of bar code labels was not recovered. Audit further observed that eleven (11) FPOs were working under administrative jurisdiction of PMG Karachi. The watch lists of three franchise post offices were obtained from DMO Karachi on test check basis which showed that lesser amounts were charged than articles booked which indicated that franchisers used bogus stamps on booked articles. This fraudulent practice not only caused loss to the department. Audit has worked out loss of Rs 3,390,900 as per following details:

Sl No	Name of Formation	PDP No	Agency No	Loss Rs
1	GPO/DSPS Islamabad	09-20	FPO- I-131	2,530,942
2	-do-	-do-	FPO- I-148	242,440
3	GPO Karachi	75-20	-	617,518
			Total	**3,390,900**

The matter was reported to the management. It was replied that an inquiry was conducted by the Assistant Director (Inv) on 17-12-2019. It was further replied that documentary evidence was not provided by audit in support of observation regarding fixing of bogus stamps. The inquiry has not identified any discrepancy in amounts due and paid. The response is not acceptable as sufficient documentary evidence was available to prove that less amount was charged against the booked articles which indicated that franchisers has indeed used bogus stamps on booked articles.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to provide the inquiry report and amount of less fixation of postage stamps for scrutiny by audit. It was further directed to recover the amount. A committee was constituted under the chairmanship of one officer of BPS-20 from Ministry of Communication, Mr. Khawaja Imran Nazir from PPOD and Mr. Awais Ahmad Dy. CEO to inquire the matter regarding leakage of revenue due to affixing of bogus stamps by franchise post offices. DAC further directed to fix responsibility and recover misappropriated amount from franchise post offices.

Audit recommends compliance of the DAC directives.

(PDP No.09 & 75)

1.5.5 Misappropriation of withholding tax deducted on profit paid on Defence Saving Certificates – Rs 2.822 million

According to section 151 (I) (a) of Income Tax Ordinance 2001, income tax shall be withheld @ 10% from filer and 17.5 % from the non-filer, for profit exceeding Rs 500,000, on profit from Saving Bank schemes during 2018-19.

Pakistan Post Office Department deducts withholding tax on saving schemes on behalf of FBR. The collected amount of WHT was deposited into postal treasury on daily basis and transferred to FBR on monthly basis. The record of GPO Karachi revealed that withholding tax on profit on DSC's was not deposited in postal treasuries as detailed below:

Date	WHT collected on SS Accounts (Rs)	WHT collected on DSC's (Rs)	Total WHT deducted (Rs)	WHT deposited in treasury & accounted for in H.O. Summary (Rs)	Misappropriation (Rs)
16.4.19	24,635	2,632,963	2,657,598	64,810	2,592,788
04.5.19	16,288	90,980	107,268	48,771	58,497

31.5.19	4,316	155,690	160,006	16,006	144,000
20.6.19	26,177	65,690	91,867	64,767	27,100
				Total	**2,822,385**

Audit pointed this out to the management and PAO during August/September 2019. It was replied that amount of with-holding tax deducted on discharge of DSCs on 16.04.2019 was erroneously deposited in Zakat head and transfer to Zakat authority. Whereas in remaining cases, inquiry was ordered to fix responsibility and recovery of the amount.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to constitute a committee at Headquarter level to conduct past work verification regarding misappropriation of withholding tax amount, fix responsibility and recover the misappropriated amount. DAC further directed the management to produce the record of tax withheld at source tax under Zakat head.

Audit recommends that record of deduction of withholding tax from the payments made to the SS account holders and DSC's investors may be got verified from audit.

(PDP No.63)

1.5.6 Misappropriation of Zakat on discharge of Defence Saving Certificates - Rs 2.162 million

According to Para 44 (I) of the procedure for collection of zakat by Post Offices are required to deduct zakat at source from assets other than saving bank accounts ordinary is to be made at the time or payment of profit / encashment / withdrawal / redemption of asset by the GPO Sub or Branch Post Office which makes the payment.

Examination of record of GPO Karachi relating to Defence Saving Certificate (DSC) discharge schedules, HO summary and cheque register showed that Zakat amounting to Rs 2,162,023 was deducted on discharge of DSC's but the same was not accounted for in the receipt side of HO summary on the same date and thus misappropriated.

Audit pointed this out to the management and PAO during August / September 2019. It was replied that the Zakat was not deducted. The guard file of Zakat declaration forms was not traceable, however, the entries regarding zakat declaration forms were made in the index register of the Zakat declaration. Eight out of fifteen transactions were found suspicious; hence inquiry was required to fix responsibility.

DAC in its meeting held from 14th to 16th January, 2020 viewed the matter very seriously and directed the management to constitute a committee at Headquarter level to conduct past work verification regarding misappropriation of Zakat on discharge of Defence Saving Certificates. It was further directed to fix responsibility on those at fault besides recovering the misappropriated amount.

Audit recommends compliance of the DAC directives.

(PDP No.64)

1.5.7 Misappropriation of profit in Regular Income Certificates - Rs 1.122 million

According to Finance Division Notification No. F.4(26)/ BJG-II/92-199 dated 02.02.1993 circulated by DG PPO vide its letter No.SAV.4-1/95 dated December, 1995, introduced the Regular Income Certificate Scheme. The Certificate shall be issued for five years, but can be encashed at par after six months from the date of issue and profit is payable on monthly basis. All the post offices shall make entry of profit on the reverse of purchase application on every occasion under the dated signature of the

Assistant Postmaster and acknowledgment will also be obtained from the payee every payment of profit in addition to receipt of the coupon and kept on record.

It was observed that profit on regular income certificates of Rs 1,121,780 was misappropriated by the staff of GPO Karachi as excessive amounts were drawn than the admissible limit. Audit further observed that account holders withdrew their deposits prior to maturity but profit was drawn up to maturity. Further, profit was drawn but relevant entry was not recorded on the reverse side of purchase application. Detail is as under:

Sl. No	AIR No.	Item No.	Description	Amount (Rs)
1	03-19	06	Misappropriation due to drawing profit more than admissible limits	102,960
2	-do-	07	Investors withdrawing deposits prior to maturity but payment of profit was drawn up to maturity; apparently misappropriated	102,920
3	-do-	08	Profit was drawn but relevant entry was not recorded on the reverse of the purchase application of RIC	915,900
			Total	**1,121,780**

Audit pointed this out to the management and PAO during August / September 2019. It was replied that actual amount of item No.6 was Rs 102,850 and an amount Rs 92,562 was recovered from the account holder. Audit objection regarding misappropriation of profit on Regular Income Certificate (RIC) was not correct as there was no misappropriation of profit. The reply was not acceptable as the profit on RICs was misappropriated by the dealing staff of GPO Karachi.

DAC in its meeting held from 14th to 16th January, 2020 viewed the matter very seriously and directed the management to constitute a committee at Headquarter level to conduct past work verification regarding misappropriation of profit in regular income certificates. It was further directed to fix responsibility on those at fault and recover the misappropriated amount under report to audit.

Audit recommends compliance of the DAC directives.

(PDP No.65)

1.6 Irregularities

A. HR / Employees related irregularities

1.6.1 Unlawful amendment in rule, payment of honorarium and renewal commission – Rs 257.940 million

According to Para 9 (d) of System of Financial Control and Budgeting, 2006, the approval of the Finance Division is required before issuing any orders that may affect the finances of the Federation. Rule 3 (3) (vii) of Chapter-III of PLI Manual prescribes that the renewal commission / honoraria in the subsequent year, will be paid at the end of the year if the policy continues in force during the year. Rule 3 (3) (vi) further prescribes that honorarium should be paid to the Assistant Superintendents (Field) PLI for the business secured by them in excess of their prescribed annual quota at half the rate at which commission is admissible to the canvassing agents.

PPOD made payments of Rs 257,939,796 on account of honorarium / renewal commission to canvassing agents during Financial Year 2018-19. Detail is as under:

(Rs in million)

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1	123-20	GM PLI Lahore	Irregular advance payment of honorarium	45,252,764
2.	124-20	GM PLI Lahore	Unauthorized payment of honorarium to AS fields	13,312,751
3.	128-20	GM PLI Lahore	Unauthorized payment of honorarium / renewal commission to canvassing agents	12,658,281
4.	280-20	GM PLI Karachi & Lahore, RD PLI, Multan & AD PLI GJR	Unauthorized payment of honorarium / renewal commission to canvassing agents	186,716,000
			Total:	**257,939,796**

The payment was held irregular due to the following reasons:

i) The admissible rate @ Rs 4.00 per thousand of sum assured at the time of acceptance of proposal and Rs 2.00 per thousand of sum assured after payment of three premiums were enhanced to 37.5% of premium realized in the first year, 10% of premium realized in second year and 5% of premium collected in subsequent year till maturity of the policy. The enhancement in rates was made without the approval of the Finance Division.

ii) Honorarium was paid to Canvassers in advance;

iii) The honorarium was paid to Assistant Superintendents (Field) on annual quota secured by them instead of excess of prescribed annual quota at half the rates at which commission was admissible to the canvassing agents.

iv) Unauthorized payment of honorarium and renewal commission was made to Assistant Directors (Field) who were not declared as canvassing agents.

Audit pointed this out to the management and PAO during October / December 2019. It was replied that that the Directorate General, Pakistan Post, Islamabad vide letter No. PLI.1-11/2001-V dated 02-10-2015 amended the sub rule (VII) (I) after Clause (VII) of Rule 3 of Chapter 3 of PLI Manual *"In case of advance payment of premium by the policy holders, Honorarium/Renewal Commission will be allowed advance to the concerned canvassers"*. The payments of honorarium / renewal commission was made in the light of amended clause. Payment of honorarium to AS /AD (fields) was made against the 'personal quota' fixed by the competent authority. The commission was paid for extra work done to secure business. The reply was not acceptable as the payment was made at enhanced rate without approval of the Finance Division.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to get the approval of the amendments in POIF rules as well as regularization of expenditure from the Finance Division.

Audit recommends compliance of the DAC directives.

(DP No.123, 124, 128 & 280)

1.6.2 Unauthorized promotions and irregular expenditure of pay & allowances - Rs 22.085 million

As per Appendix 20 of Post Office Manual, Vol - IV, on qualifying the departmental examination, matriculate officials in lower grade may be promoted as postmen in BPS-5, whereas, non-Matric official are promoted to BPS-4. Further, DG PPO letter No.ER.1-1/2014, dated 4-1-2016 clarified that the cadre of postmen in BPS-5 was upgraded to BPS-7 in 2009 whereas the postmen in BPS-4 were not upgraded.

Contrary to the above, in two formations of PPOD non-matric officials after qualifying the departmental exams were promoted to BPS-7 and BPS-8 instead of BPS-4. Therefore, payment of pay & allowances amounting to Rs 22,085,377 to non-matriculate postmen was held irregular. Detail is as under:

Sl. No	Name of Formation	PDP No	Description	Amount Rs
1	GPO Karachi	87-20	Promotion from BPS-7 to BPS-9 instead of BPS-4	1,595,041
2	GPO Lahore	96-20	Promotion from BPS-7 to BPS-8 instead of BPS-4	20,490,336
			Total	**22,085,377**

Audit pointed this out to the management and PAO in October 2019. It was replied against Sl.No.01 above that officials were initially appointed as Postman BPS-5 and consequently upgraded in BPS-7 due to up-gradation and their service books had also been verified from DA, PPO, Lahore. Recovery would be made from the officials who were upgraded from BPS-4 to BPS-7 without qualifying the departmental examination. As regard to Sl.No.02 above, it was replied that all officials were promoted after observing the rules and procedure clearly mentioned in Appendix 20 PO Manual Volume-IV. However, all under matric officials were granted BPS-04 at the time of their promotion as Postman and further they were granted BPS-7 after three year service as Postman. The reply was not acceptable as non-matric officials after qualifying the departmental exams were promoted to BPS-7 and BPS-8 instead of BPS-4. Further, no documentary evidence was provided in support of the reply.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to probe the matter through a fact finding inquiry and the results be shared with audit within 60 days.

Audit recommends compliance of the DAC directives.

(PDP No.87 & 96)

1.6.3 Unauthorized payment of incentive - Rs 8.219 million

According to Para 9(d) of System of Financial Control and Budgeting, 2006, the approval of Finance Division is required before issuing any orders that may affect the finances of the Federation. Para 4(vi), further stipulates that no authority exercises the powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage and that public moneys are not utilized for the benefit of a particular person or section of the community unless the amount of expenditure involved is insignificant, or the claim for the amount can be enforced in a court of law, or the expenditure is in pursuance of a recognized policy or custom.

Contrary to the above, in two formation of PPOD an amount of Rs 8,218,636 was paid to the officers / officials of the department on account of incentive on Group Insurance Schemes without approval of Finance Division during 2018-19. Therefore, payment was held unauthorized.

Audit reported the matter to the management and PAO during September / December 2019. It was replied that upward revision was made to increase the Group Insurance business with an aim to compete with other insurance companies. The reply was not tenable as the commission rates were revised without approval of the Finance Division.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for regularization of expenditure and approval of enhanced rates.

Audit recommends compliance of the DAC directives.

(PDP No.140 & 189)

1.6.4 Irregular payment of Conveyance Allowance - Rs 4.672 million

According to standing instructions of President of Pakistan circulated by the Director General PPO vide letter dated 22.04.1969, double conveyance allowance was admissible only to those officials who are required to perform split duty.

Seven (07) formations of PPO Department paid double conveyance allowance amounting to Rs 4,672,354 to the postmen, mail peons, clerks, drivers, and delivery agents etc. during 2018-19 which was held irregular as no broken duty was involved. Detail is as under:

Sl. No.	DP No.	Formations	Amount (Rs)
1	78-20	GPO Quetta	1,085,112

2	277-20	GPOs Peshawar, Lahore, Rawalpindi, Al-Hyderi Karachi, New Town, Karachi and Sukkur	3,587,242
		Total:	**4,672,354**

Audit pointed this out to the management and PAO during September / November 2019. It was replied that double conveyance allowance was paid to the officials who had performed split duties in compliance to DG PPO, Islamabad memo No.P&A 31-11/64 dated 22-04-1969**.** The reply was not acceptable as the payment of was made to the non-entitled staff.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to recover the amount.

Audit recommends compliance of the DAC directives.

(DP No.78 & 277)

1.6.5 **Irregular promotion of officials – Rs 4.187 million**

According to para 2 of Appendix 19 of Post Office Manual Vol-IV, fifty per cent posts of time scale clerks (BPS-09) will be filled in by promotion from amongst departmental candidates. Provided, that if sufficient number of departmental candidates are not available for promotion, the posts left unfilled from fifty per cent reserved quota shall be offered to outside candidates (direct recruitment). Para 346 of Post Office Manual Vol-IV and section 8 (1) of the Civil Servant Act 1973 states that for proper administration of a service, cadre or post, the appointing authority shall cause a seniority list of the members for the time being of such service, cadre or post to be prepared.

Contrary to the above, thirty four (34) officials were promoted to higher posts against the direct recruitment quota. It was further observed that in GPO Sialkot, two UDCs were absorbed in the regional office and the appointments were made effective from the date of attachment instead of date of DPC. Audit held the promotions as irregular. Detail is as under:

Sl. No	Name of Formation	PDP No	Description	Amount Rs
1	GPO/DSPS Islamabad	6-20	Promotion without having posts	2,171,226
2	-do-	-do-	Promotion of two officials not existed in the seniority list of DSPS Islamabad	285,141
3	GPO Sialkot	45-20	Irregular promotions	1,730,784
3	DG PPO Islamabad	188-20	Unauthorized promotion against direct recruitment quota	0
			Total	**4,187,151**

The management replied that the process of conducting promotion examination, holding of DPC and promotions / appointment was made in fair and transparent manner in accordance with prescribed promotion rules in the cadre of Postal Clerk (BPS-09) as mentioned in Appendix No. 19 of post office Manual Vol-IV and strictly under Civil Servants (Appointment, shortage of clerical staff in Islamabad Postal Division. The reply was not acceptable as the promotions were made by grossly violating the recruitment and promotion rules.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to investigate the matter through a fact finding inquiry and report thereof be provided to audit within 60 days.

Audit recommends compliance of the DAC directives.

(PDP Nos.6, 45 & 188)

1.6.6 Irregular payment of Health Allowance - Rs 2.511 million

According to Rule 12 of Rules of Business, 1973 and Para 9(d) of System of Financial Control and Budgeting, 2006, the approval of the Finance Division is required before issuing any orders that may affect the finances of the Federation. The Finance Division (Regulation Wing) vide letter No.F. 2(13)R.2/2011-777 dated 06.02.2012, granted health allowance equal to running monthly basic pay to the health personnel / employees of Federal Government. This allowance was admissible to the employees of health department working in the hospitals of Federal Government only.

Contrarily, four formations of PPOD paid Rs 2,510,529 on account of health allowance to the postal employees during 2018-19 which was held irregular. Detail is as under:

Sl. No.	DP No.	Formations	Amount (Rs)
1	163-20	PMG RWP, Dy:PMG Sialkot & GPO Sukkur	1,849,981
2	214-20	DG PPOD	660,548
		Total:	**2,510,529**

Audit pointed this out to the management and PAO during September / November 2019. It was replied that the case regarding grant of Health Allowance was subjudice in Lahore High Court Rawalpindi Bench and the Court has restored, the grant of said allowance to the petitioners till final decision of the case. However, in the light of Audit observation, the Dy. Postmaster General Region Office Sukkur had been directed to stop Health Allowance paid and recover the amount already paid. The reply was not acceptable as the payment was made in violation of the instructions of the Finance Division. However, the matter may be pursued in the court of law and final status be informed to Audit.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to pursue the case in court of law.

Audit recommends compliance of the DAC directives besides recovery of the amount involved under intimation to Audit.

(DP No.163 & 214)

B. Procurement related irregularities

1.6.7 Irregular purchase of UPS – Rs 19.086 million

According to Rule 10 PPRs 2004 provides that specifications shall allow the widest possible competition and shall not favor any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model, numbers, catalogue numbers or similar classification. Rule 35 *ibid* further stipulates that procuring agencies shall announce the results of bid evaluation in the form of a report giving justification for acceptance or rejection of bids. As per Sl.No.01 of the general specification of the bidding document, Category-B or above (as categorized by FBR, ruling No. 831/2016) and fully imported UPS should be provided.

DG PPOD floated open tender for purchase of UPS on 01.03.2019 in which six firms participated. After technical evaluation, M/s Qavi International was declared as lowest responsive bidder. An amount of Rs 19,085,700 was paid to M/s Qavi International against purchase of 113 (3KVA-UPS) @ 168,900 per unit. The following discrepancies were observed:-

(a) The supplier did not supply the product as required under the specifications. Upon simple demonstration it was revealed that the power function of UPS was less than the required specification of 1600-Watt. The UPS was attached with a single PC, which was quite unfair as the cost of UPS was

Rs 168,900 whereas the cost of single PC was Rs 50,000 approx.

(b) As per Sl.No.2 of the general specification of the bidding document, *“transfer time one milli second typical”* was not realistic and the management did not document the type of test, which was adopted to measure the transfer time of UPS.

(c) Demonstrations for technical evaluation of UPS was not carried out in the presence of bidders. Further, the results of technical evaluation of each test adopted by the evaluation committee was not published or communicated to all vendors.

Audit pointed this out to the head of department and management during September / December 2019. It was replied that the specifications of UPS were generic. Further, M/s Qavi International was authorized dealer of M/s Pioneer Systems, which was sole distributor of Deutsche Power Company. The reply was not acceptable as the specification was not generic. Further, import documents as repeatedly requested were not provided to Audit.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to provide import documents to audit.

Audit recommends that the matter may be investigated by the controlling ministry to determine the extent of mis-procurement.

(DP No.197)

1.6.8 Recurring loss due to wrong decision of postal authorities on account of tendering procedure of mail contractor – Rs 14.665 million

According to Rule 4 of PPRs 2004, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value of money to the agency and the procurement processes efficient and economical. Further, Rule 10 (i) of GFR Vol-I, every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money of ordinary prudence would exercise in respect of expenditure of his own money.

Contrary to the above, in two formations of PPOD, open tenders were floated for conveyance of mail during 2018-19. The contracts were awarded on lump sum basis instead of per kilometer as in previous cases. In April 2017, the Postal Headquarters, Islamabad had decided that the agreements with private mail contractors will be signed for one year on lump sum basis. This resulted into recurring loss of Rs 14,665,150 to the department due to wrong decision regarding award of contract and payment on lump sum basis. Detail is as under:

Sl. No	**PDP No.**	**Name of Unit**	**Description**	**Amount (Rs)**
01	55-20	PMG Rawalpindi	Recurring loss on account of conveyance of mail	5,755,150
02	245-20	PMG Islamabad	-do-	8,910,000
			Total	**14,665,150**

Audit pointed this out to the head of formation and management during August / September, 2019. It was replied that as per instructions of the DG PPO Islamabad issued vide letter No. IM.1-5/2016 dated 27.04.2017 the rates were quoted in lump sum. The Tender committee technically approved the bids and after proper evaluation of the bids the contracts were awarded to the lowest bidder. The department availed all the opportunities of advertisement and ensured maximum transparency / participation. However, the lowest rates offered were approved and all the process was completed according to PPRA-2004.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to review its new policy and contracts of conveyance of mail be awarded as per previous practice in future under intimation to audit.

Audit recommends compliance of the DAC directives.

(DP Nos.55 & 245)

1.6.9 **Irregular expenditure on purchase of medicines – Rs 10.843 million**

According to Rule 10 of PPRs, 2004, specifications shall allow the widest possible competition and shall not favour any single contractor or supplier. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. Rule 12 (1) further stipulates that procurements over one hundred thousand rupees and up to the limit of two million 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.

In six (06) formations of Pakistan Post office an expenditure of Rs 10,843,341 as detailed below was incurred on procurement of medicines through open tenders:

Sl. No	Name of Unit	Item No	Amount Rs
1	PMG MCK Karachi	3	2,329,878
2	PMG Rawalpindi	13	5,981,929
3	PMG Rawalpindi	25	155,489
4	PMG Peshawar	3	1,230,772
5		12	776,723
6	GMPLI Karachi	3	368,550
Total			**10,843,341**

Audit observed that Specification of medicines mentioned in tender restricted with brand name instead of wide range competition through generic formulas. In most cases the post of doctors and dispensers were found vacant, hence, in the absence of medical officer and dispenser the distribution of medicine among postal employees was done by deputing postal clerks having no medical knowledge. A large quantity of medicine procured during previous years found expired / un-utilized. This state of affairs indicates that procurement was made without observing actual requirement.

Audit pointed out to the management and PAO during July to November 2019. It was replied that the tender for the purchase of medicines was purely according to the rule through generic formula instead of any brand name or similar classification with the consultation of the Medical Officer, Postal Life Insurance, Karachi who is available in the same building. The medicines were purchased as per PPRA rules on lowest rates with the approval of the Competent Authority. The reply was not acceptable as the medicines were purchased in violation of the PPRs and without observing actual requirements.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to conduct inquiry at headquarter level, fix responsibility and report thereof be provided to audit for verification within 90 days.

Audit recommends compliance of the DAC directives.

(DP No.275)

1.6.10 Irregular expenditure on procurements and construction works without tenders – Rs 8.496 million

According to Rule 12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's web site as well as in other print media or newspaper having wide circulation. Rule 21 further states that the procuring agencies shall use open competitive bidding if the cost of the object to be procured is more than one hundred thousand rupees.

It was observed that in five (5) formations of PPOD, an expenditure of Rs 8,496,350 was incurred on procurement of furniture, machinery & equipment and building works in violation of the above. Therefore, expenditure was treated as irregular. Detail is as under:

Sl. No.	**DP No.**	**Formations**	**Description**	**Amount (Rs)**
01	17-20	PMG Lahore	Annual / petty repair & painting works	1,832,159
02	82-20	PMG Quetta	Purchase of furniture, plant & machinery	3,000,000
03	182-20	DG PPO	Purchase of furniture without tender	1,311,732
04	276-20	PMGs IBA, & MLN	Expenditure without tender on procurement of M&E & building works	2,352,459
			Total:	**8,496,350**

Audit pointed this out to the management and PAO during September / December 2019. It was replied that all items were purchased in exigencies and less than One Hundred Thousand. All the furniture and machinery items were purchased in different dates on the basis lowest quotations-based rates. The reply was not acceptable as the procurements were made without open tendering as required in the above rules.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to investigate the matter through fact finding inquiry and report thereof be provided to audit within 60 days.

Audit recommends immediate compliance of the DAC directives.

(DP Nos. 17, 82, 182 & 276)

1.6.11 **Irregularities in purchase of medicines of Rs 2.000 million and loss due to payment on excessive rates – Rs 0.519 million**

According to Finance Division O.M No F.1(1) Imp/2010-622 dated 05.07.2010, the existing facility of reimbursement of amounts spent on account of purchase of medicines by Government Servants and local purchase of medicines by Government Hospitals for Outdoor Patient (OPD) was discontinued. However, the existing facilities for consultation and diagnostic investigations at OPD will continue including reimbursement / Local Purchase against chronic diseases. Further, as per Rule 38 of PPRA 2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

Contrary to above, GM PLI Lahore incurred an expenditure of Rs 1,999,917 on purchase of medicines during 2018-19 for its employees who were already getting medical allowance and reimbursement of medical charges. The medicines were purchased from the vendors other than those who quoted lowest rates on the recommendations of tender committee consisting which resulted in overpayment of Rs 519,168. An amount of Rs 38,250 was paid on 18.06.19 but medicines were actually delivered on 17.10.19 and fake entry was made in the stock register.

The management was apprised about the situation during October & November 2019. It was replied that medicines were purchased from various companies for Postal dispensary at Lahore, after observing codal formalities while medical allowance was paid as per government policy. The reimbursement of medical charges was given to both indoor andoutdoor patients for chronic diseases only. The reply was not acceptable as medicines were purchased for employees who were already receiving medical allowance and reimbursement of medical charges. Further, medicines were purchased from the vendors other than who quoted lowest rates.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to conduct inquiry at headquarter level, fix responsibility within 90 days.

Audit recommends immediate compliance of the DAC directives.

(DP No.127)

C. Management of Accounts with Commercial Banks

1.6.12 Unauthorized issuance of fresh cheques in lieu of dishonored cheques – Rs 36.713 million

According to Finance Division SRO No.(1)/2010 dated 31.03.2010, if the currency of the cheque should expire owing to its not being presented at the treasury or bank within the period specified, it may be received back by the drawer who should then destroy it and issue a new cheque in lieu of it, provided that the validity of the fresh cheque shall expire on the 30th June. Thus, a cheque issued in one Financial Year shall not be valid for encashment in the next Financial Year. Further, Finance Division Exp. Wing U.O No.5(3)Exp-III/2009-818 dated:18.11.2014 clarified that as per Rule 170A(10) of Treasury Rules, any amount remaining undrawn at the close of Financial Year shall lapse.

It was observed that Chief Postmaster GPO, Islamabad issued 46 cheques on account of payment to contractors, suppliers, owners of residential buildings in June-2018 against the budget allocation of Financial Year 2017-18. The cheques were not cleared before 30.06.2018 and subsequently lapsed. CPM Islamabad issued fresh cheques amounting to Rs 36,713,197 during 2018-19 in lieu of uncleared cheques of the preceding year. The expenditure on account of these cheques was not accounted for in the budget allocation for the Financial Year 2018-19 but were cleared through letter of credit of GPO Islamabad. Audit held this expenditure as irregular.

The management replied that cheques were issued in favor of vendors and for payment of house requisition during the month of June 2018, but could not be cleared due to late presentation in the State Bank of Pakistan. The issue of dishonored cheques and issuance of in-lieu cheques was under active correspondence between Director General PPOD and MoPS, Islamabad. The reply was not acceptable as the new cheques were not accounted as an expense during F.Y 2018-19.

DAC in its meeting held from 14^{th} & 16^{th} January, 2020 directed the management to conduct inquiry, fix responsibility and refer to Finance Division for regularization of expenditure within 60 days under intimation to audit.

Audit recommends compliance of the DAC directives.

(DP No.05)

1.7 Value for Money and Service Delivery Issues

1.7.1 **Non-utilization of funds – Rs 14.713 million**

Para 4 of the System of Financial Control and Budgeting, 2006 requires that it is the duty and responsibility of the Principal Accounting Officer to ensure that financial considerations are taken into account at all stages in framing and implementing decisions. Para 4(ii) requires that the funds allotted to a Ministry / Division, Attached Departments and Subordinate Offices are spent for the purpose for which they are allocated. Para (viii) of these rules require that it is an important principle that money indisputably payable should not, as far as possible, be left unpaid and that money paid should, under no circumstances, be kept out of accounts a day longer than is absolutely necessary. It is no economy to postpone inevitable payments and it is very important to ascertain, provide for in the budget estimates, liquidate and record the payment of all actual obligations at the earlier possible date.

Contrarily, it was observed that an agreement between PPOD and Western Union was executed for Money Transfer Service on 01.03.2012. Clause 3 of the agreement required the Pakistan Post to spend a minimum of 10% of gross revenue for the promotional activities of Western Union. Out of that 10% gross revenue, 75% was to be paid to staff as incentive and remaining 25% was to be utilized for promotion. It was further noticed that a Rs 14,712,704 on account of 25% promotional activities had been accumulated since 01.03.2012 which remained unexpended.

Audit pointed this out to the management and PAO during September / October 2019. It was replied that amount of Rs 14.713 million @ 25% of 10% of revenue under Western Union was required to be utilized under mutual agreement between

Pakistan Post and WU. The said amount remained unspent as both the organizations could not agree on a marketing plan. Pakistan Post, being public enterprise, was required to follow PPRA Rules, therefore, the persistent disagreements delayed the utilization of amount. Western Union had agreed to the marketing plan prepared by Pakistan Post which would be submitted for approval in the Group Officers meeting.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to utilize the funds.

Audit recommends compliance of the DAC directives.

(DP No.215)

1.7.2 Non-implementation of AML / CFT regulations on financial transactions by PPOD

According to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations, Banks & DFIs are required to implement the regulations of AML/CFT. Further according to chapter-II, Section A, Box-4 regarding FATF and AML/CFT Regime in Pakistan published by the State Bank of Pakistan, Pakistan Post being a saving bank and money transfer services provider to the general public, has issued AML/CFT Regulations in October 2018 to deter the risks of money laundering and financing of terrorism.

Contrary to above, Pakistan Post Office Department is deals foreign remittances in collaboration with Western Union. The detail of remittances disbursed by PPOD through Western Union during last few years is given below:

Sl. No.	Financial Year	No. of Transactions	Amount (Rs in million)
01	2013-14	233,668	9,634.594

02	2014-15	205,409	8,129.830
03	2015-16	206,939	7,788.557
04	2016-17	195,095	7,341.279
05	2017-18	191,051	7,575.449
06	2018-19	176,991	6,212.608

Similarly, 2257447 account holders are maintaining their saving bank accounts both Ordinary/Special Saving Accounts since long. An analysis of these saving bank accounts during F.Y 2018-19 showed that receipts of Rs 181,422.708 million and payment of Rs 165,292.698 million respectively has been observed leaving a closing balance of Rs 198,319.602 on 30.06.2019. The detail is as under:

(***Rs in million)***

Name of scheme	No. of Accounts (approx.)	Balance on 01-07-2017	Receipt 2017-18	Payment 2017-18	Closing balance 30-6-2018
S.B Ordinary	871,752	12,732.286	33,469.197	34,095.845	12,105.638
S.S. Accounts	1,385,695	169,457.306	147,953.511	131,196.853	186,213.964
Total	**2,257,447**	**182,189.592**	**181,422.708**	**165,292.698**	**198,319.602**

The required standards as suggested vide AML / CFT) rules and regulations regarding reviewing Anti Money Laundering were not yet adopted by the Pakistan Post Office Department even after strict measures taken by SBP against PPOD.

Audit pointed this out to the management and PAO during September / October 2019. It was replied that Pakistan Post was not operating as a scheduled bank or a DFI therefore its functioning did not come under the regulatory preview of the SBP. As such the only directives applicable to Pakistan Post are AML Act 2007, FMU's AML-CFT directions & MOFA's SROs issued in view of

UNSC Resolutions. AML & CFT Rules for Pakistan Post in line with AMLA 2007 and APG's MER recommendations have been prepared which had been vetted by Ministry of Law and Justice and were sent to the Ministry of Communications for obtaining approval of the Cabinet Committee for Disposal of Legislative Cases (CCLC) and the Federal Cabinet.

DAC in its meeting held from 14th to 16th January, 2020 directed the management that efforts be made to implement AML / CFT regulation in letter and spirit under report to audit

Audit recommends compliance of the DAC directives.

(DP No.183)

1.7.3 Non-validation of Military Pensioners

According to Controller Military Accounts (Pension) letter No.A/Coord/Pen/73-VII dated 17.8.2019, the decision vide Sr.No.2 of minutes of meeting held in the office of MAG Rawalpindi on 28.5.2019, Pakistan Post Office committee for provision of data validation forms of all pending pensioners by 31.7.2019.

Contrary to the above, it was observed that validation of military pensioners was initiated on the request of Military Accountant General and Controller Military Accounts which was not completed till October, 2019. Further, according to AIMs (IT vendor of PPOD) letter No. 55/AI/PP/19 dated 22.08.2019 almost 303,629 military pensioners were inactive in the data base. Detail is as under:

Sl. No.	Pensioners Category	Registered Pensioners account	Active Pensioner Account	In-Active Pensioner Account
01	ARMY	1473396	1207552	**265,844**
02	NAVY	29692	21488	8204
03	PAF	64538	49178	15360

04	FC	88411	74516	13895
05	HKRSA	241	84	157
06	CIVILION	254	85	169
	Total	**1656532**	**1352903**	**303629**

Audit pointed this out to the management and PAO during September / October 2019. It was replied that PMGs had confirmed validation of 96% military pensioners whereas CMA(P) reported that data of 820000 pensioners had been validated. The reply was not acceptable as verification was not completed by PPOD.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to complete the process of validation of pensioners within 90 days under report to audit.

Audit recommends compliance of the DAC directives.

(DP No.222)

1.8 Receivables

1.8.1 Non-recovery of printing, establishment and service charges – Rs 313.833 million

According to Serial No. 23 (vii & ix) of Appendix-5 of PT&T IAC Vol-I, Chief Controller of Stamps, Karachi is required to raise the debit bills of the total manufacturing cost of all non-postal stamps on monthly basis to indenting officer who will see that the amount of these bills is adjusted before the close of the Financial Year. Ministry of the Finance vide its letter No. 16-Stamps/49 dated 19th March 1955 approved that apportionment of the cost of establishment etc at the ratio of 60:40 recoverable from the Post & Telegraph and the provincial government respectively. Further, as per Article 5 of PT&T IAC Vol-I and Rule 8 of GFR Vol.-I, it is the duty of the Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

Three formations of PPOD did not recover printing, establishment and service charges of Rs 313,832,514 from various departments of Federal and Provincial Governments during Financial Year 2018-19 as detailed below:

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1	14-20	CCS Karachi	Non-recovery of printing & establishment charges	234,946,357
2	178 & 265-20	DG PPO & PMG Lahore	Non-recovery of printing, establishment & service charges	78,886,157
			Total:	**313,832,514**

Audit pointed this out to the management and PAO during September to December 2019. It was replied that recovery was an ongoing process and matter had already been taken up with the concerned federal / provincial government. However, an amount of

Rs 231,610,679 had been recovered leaving a balance of Rs 82,221,835. The reply was not acceptable as recovery particulars were not provided to audit for verification.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to provide particulars of recovered amount and efforts be made to recover the remaining amount under intimation to audit.

Audit recommends compliance of the DAC directives.

(DP Nos.14, 178 & 265)

1.8.2 Non-recovery of postal dues – Rs 139.755 million

According to Article 5 of IAC Vol-I and Rule 8 of GFR Vol-I, it is the duty of the Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

Contrary to the above, twenty-nine (29) formations of PPOD executed different kind of agreements for provision of services with various departments, agencies, authorities and autonomous bodies. As per terms and conditions of the agreements, PPOD would provide the services to clients and receive service charges on monthly basis according to agreed rates, but service charges worth Rs 139,754,606 from different departments / agencies were not recovered during 2018-19 as detailed in (Annex-3) of this report.

Audit pointed this out to the management and PAO during September to December 2019. It was replied that an amount of Rs 68,997,674 had already been recovered and efforts were underway to recover the balance amount of Rs 70,756,932/-. The reply was not acceptable as particulars of recovered amount was not provided to audit for verification.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to provide particulars of recovered amount and to recover the remaining amount under intimation to audit.

Audit recommends compliance of DAC directives.

(DP Nos.4,22,25,35,50,52,59,99,101,102,103,137,164,201,231,234,238,254,264 & 267)

1.8.3 Less/non-deduction of Income & Withholding Tax – Rs 90.226 million

According to section 151 of Income Tax Ordinance 2001, a person paying profit / yields has to deduct tax from the gross amount of yields / profit. Further, under Section 153 (1) (a) and 233 of Income Tax Ordinance 2001, Income Tax on supply of goods, services were required to be deducted at prescribed rates.

Contrary to the above, twenty eight (28) formations of PPOD did not deduct income/withholding tax on payment made to suppliers, canvassing agents, franchised post offices, owners of rented buildings, contractors, salaried persons and profit on saving schemes etc. detail is enclosed in annexure.

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1.	156-20	PMG/Dy:PMGs IBA, MLN, RWP, PESh, Karachi, FSD, D.I.K, Abbotabad, Sukkur, GM PLI, Karachi GPOs RWP, IBA, D.I.K, Hyderabad, Al-Hyderi, SGD, Sukkur, Nawabshah, Mirpur, Sialkot, Quetta, LHR, Attock and CCS Karachi	Less / non-deduction of income & WHT	82,706,466
2.	272-20	PMG & GPOs RWP, PMG KR, GPO Al-Hyderi, GM PLI Karachi & DG PPO	-do-	364,604
3	69-20	GPO Karachi	-do-	7,154,750
			Total:	**90,225,820**

Audit pointed this out to the management and PAO during September to December 2019. It was replied that due amount of Rs 101,382 has been recovered and efforts were underway for the remaining amount. The reply was not acceptable as the recovery particulars was not provided to audit for verification.

DAC in its meeting held in January, 2020 directed the management to provide complete particulars of the recovered amount of withholding tax and recover the remaining amount under intimation to audit.

Audit recommends compliance of the DAC directives.

(DP Nos.69, 156 & 272)

1.8.4 Un-authorized payment of profit due to re-investment of withholding tax amount – Rs 34.212 million

According to section 151 (I) (a) of Income Tax Ordinance 2001, income tax shall be withheld @ 10% from filer and 17.5 % from the non- filer, for profit exceeding Rs 500,000, on profit from Saving Bank schemes during 2018-19.

Seven (07) formations of PPOD paid profit on encashment of Defence Saving Certificates on completion of 10 years maturity period and amount of profit along with principal amount was re-invested without deduction of withholding tax from the profit. Resultantly, amount of withholding tax was also re-invested and profit was also paid on this amount causing an overpayment of Rs 34,211,814 million during 2018-19. Detail is as under:

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1.	02-20	GPO Islamabad	Unauthorized payment of profit due to re-investment of WHT	1,105,231
2.	68-20	GPO Karachi	-do-	3,457,020
3.	90-20	GPO Narowal	-do-	126,155
4.	162-20	GPOs LHR, SGD & GJR	-do-	25,690,605

5.	271-20	GPO Mirpur AJK	-do-	3,832,803
			Total:	**34,211,814**

Audit pointed this out to the management and PAO during September to December 2019. It was replied that an amount of Rs 126,955 had been recovered by GPO, Narowal. The remaining units replied that there was no withholding tax on maturity of DSC purchased on or before 1st July-2001. The reply was not acceptable as the particulars of recovered amount was not provided to audit for verification.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to recover the overpaid amount of profit and get it verified from audit.

Audit recommends compliance of the DAC directives.

(DP Nos.02,68,90,162 & 271)

1.8.5 Non-recovery of overpaid Pension – Rs 34.211 million

According to Article 5 of PT&T IAC Vol-I and Rule 8 of GFR Vol-I, it is the duty of the Department to see that the dues of Government are correctly and promptly assessed, collected and paid into treasury.

Various (22) formations of PPO department applied incorrect and inadmissible increases in pension; wrongly calculated arrears and paid pension more than the admissible rates to various postal/military pensioners. An amount of Rs 34,210,559 was to be recovered from them during 2018-19 as detailed below:

Sl. No.	DP No.	Formations	Amount (Rs)
1.	263-20	GPOs Peshawar, Rawalpindi, Multan, Attock, Muzaffarabad, Sialkot, Karachi, Islamabad, DI Khan, Hyderabad, Faisalabad,	34,210,559

		Abbottabad, Narowal, Jhelum, Muzaffargarh, Gujranwala, Mirpur, Sargodha, Al-Hyderi KR, Sukkur, Nawabshah and Lahore	

Audit pointed this out to the management and PAO during September to November, 2019. It was replied that an amount of Rs 7,070,250 has been recovered and efforts were underway to recover the balance amount. The reply was not acceptable as particulars of recovered amount was not provided to audit for verification.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to furnish details of recovered amount and make renewed efforts to recover the outstanding amount under intimation to audit.

Audit recommends compliance of the DAC directives.

(DP No.263)

1.8.6 Non-Deduction of Provincial Sales Tax on Services – Rs 4.021 million

According to Punjab, Sindh, KP and Islamabad Capital Territory Sales Tax on Services Acts, Sales Tax was required to be levied at prescribed rates.

Four (04) formations of PPO did not deduct sales tax on services amounting to Rs 4,020,785 on conveyance of mails, franchised post offices, and other services, etc as detailed below:

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1.	01-20	DSPS Islamabad	Non-recovery of sales tax from mail contractors	2,549,251
2.	24-20	DSPS City Rawalpindi	Non-deduction of provincial sales tax on franchised PO	166,328
3.	27-20	Dy: PMG D.I Khan	Non-deduction of sales tax from mail contractors	478,122

4.	235-20	DG PPO	Non-deduction of sales tax on services	515,120
5.	240-20	DG PPO	Less-deduction of sales tax	311,964
			Total:	**4,020,785**

It was replied that GST was levied on courier cargo service and not on mail conveyance services. In some cases the sales tax was not deducted as the consultant / contractor did not provide the sales tax invoices. The reply was not acceptable as the sales tax on services was applicable and should had been deducted from the invoices of the contractors.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Islamabad Capital Territory (ICT)/FBR for clarification. DAC directed to recover sales tax on services and to furnish the recovery details to audit for verification.

Audit recommends compliance of the DAC directives.

(DP Nos.01, 24, 27, 235 & 240)

1.8.7 Non-recovery of rent from Pakistan Post Foundation – 59.997 million

According to Article 5 of PT&T IAC Vol-I and Rule 8 of GFR Vol-I, it is the duty of the concerned administrative department to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. Moreover, as per Para 535A(I) of Post Office Manual Vol-II, when non-residential accommodation belonging to the PPO Department is let out to other Government Departments or local bodies, the rental rates prescribed by the Ministry of Housing and Works for hiring accommodation will be charged.

It was observed that PPOD failed to recover the rent of space amounting to Rs 59,397,999 from Pakistan Post Foundation

(PPF) during 2018-19. Detail is produced below:

Sl. No.	PDP No	Area occupied	Period	Description	Amount (Rs)
01	13-20	24242.95 sq.ft	01-07-18 to 30-06-19	Non-recovery of rent from PPF of CCS compound @ Rs 35/-.	10,182,039
02	51-20	61480 sq.ft	-do-	Non-recovery of rent of open space at Golra More @ Rs 40/-	29,510,400
03	-do-	26032 sq.ft	-do-	Non-recovery of rent of covered area at Golra More @ Rs 60/-	20,304,960
				TOTAL	**59,997,399**

Audit pointed this out to the management and PAO in July 2019. The management responded that a fresh agreement was under process while the case for recovery of rent had been taken up with the Directorate General Pakistan Post. The reply was not acceptable as no fresh agreement had been made with PPF and rent was not recovered from PPF.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to investigate the reasons for granting undue favor to PPF at cost of PPOD and to expeditiously enact recovery of long outstanding rent. The outcome be reported to audit for verification.

Audit recommends compliance of the DAC directives.

(DP Nos.13 & 51)

1.8.8 Overpayment to building contractors – Rs 3.003 million

According to Para 1.1 of General Conditions of Pak PWD Schedule of Rates, 2012 execution of work shall be carried out as per Pak PWD specifications 2012. Further, according to Para 12 of Appendix No.20 of Post Office Manual Vol-II, the Superintendent Engineer (SE) of PPO Department is responsible for issuance of guidelines / principles for tendering, costing, specifications and standardization of materials, preparation of promotion plans, budget estimates and finances development plants etc.

It was observed that in seven (07) formations of PPO Department an overpayment of Rs 3,002,896 was made to building contractors by applying higher rates as compared to Pak PWD scheduled rates. Detail is as under:

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1	19-20	PMG Lahore	Overpayment due to use of two sets of Pak PWD Schedule of Rates 2012	200,982
2	237-20	DG PPO, IBA	-do-	145,424
3	273-20	PMGs RWP & Peshawar, Dy:PMG FSD & Sialkot	-do-	2,374,000
4	94-20	Dy:PMG Abbotabad	Loss due to damages by the contractor	282,490
			Total:	**3,002,896**

Audit pointed this out to the management and PAO during September to December 2019. It was replied by PMG Lahore Gy: PMG Faisalabad that overpaid amount of Rs 94,894 had been recovered and efforts were underway to recover the balance amount. However, other formations contested that no recovery was involved.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to recover the amount and get it verified from audit.

Audit recommends compliance of the DAC directives.

(DP Nos.19, 237,273 & 94)

1.8.9 Non-imposition and recovery of penalty – Rs 2.418 million

According to para 4 of the DG PPO letter No. Estt.4-1/2019 dated. 24.04.2019 regarding amendment in scheme of franchise post offices, if a franchise postmaster fails to handover accountable articles i.e. register letter, parcel, UMS & EMS booked during of a working day at the fixed time and specified point on the same day, penalty equal to double the value of the postage charged on such articles shall be levied and recovered from him or adjusted from the commission payable to him.

It was observed that the franchiser FPO I-131 failed to hand over the accountable articles booked during a working day at the specified point on same day in violation of the instructions of DG PPO letter dated 24.04.2019. Therefore, he was liable a penalty equal to double the value of postage affixed on envelopes. The penalty worked out is detailed below:

Sl No	Articles booked on	Articles handed over to DMO out	Delay	Total Articles	Postage due on each letter (Rs)	Amount of penalty (Rs)
1	19&20.06.19	21.06.19	02 days	68252	30	2,068,560
2	24.06.19	25.06.19	01 day	3747	30	112,410
3	24.06.19	27.06.19	03 days	2136	30	128,160
4	25.06.19	26.06.19	01 day	3635	30	109,050
					Total:	**2,418,180**

Audit pointed this out to the management and PAO during September 2019. It was replied that the matter had already been inquired which that the penalty calculated by Audit was incorrect. The reply was not acceptable as the inquiry report was not provided to audit for examination / verification.

DAC in its meeting held from 14^{th} to 16^{th} January, 2020 directed the management to provide inquiry report and established amount of penalty for scrutiny by audit. It was further directed that due amount of penalty be recovered and particulars of recovery be got verified from audit.

Audit recommends compliance of the DAC directives.

(DP No.03)

1.9 OTHERS

1.9.1 Non-acceptance of paid vouchers of military pension Rs 7,959.068 million and non-realization of service charges - Rs 265.037 million

According to Article 223(B) of PT&T IAC Vol-I, the payments of Military Pension are required to be supported with detail schedule of payments. The agreement executed among PPOD, DA PPO and CMP Lahore provides that all disbursing offices shall submit pension payment journals (PPJ) / PSB-2 on monthly basis (in hard and soft copies) to CMP Lahore through DA PPO, Lahore by 10th of each month and commission @ 3.33% in lieu of services provided will be paid to the PPOD.

Contrary to above, it was observed that Pakistan Post made pension payments of Rs 7,959.068 million to military pensioners in various GPOs. These payments were not accepted by the CMP due to various reasons. This resulted into non-acceptance of paid amount of Rs 7,959.068 million and non-realization of commission thereof Rs 265,036,972 as detailed below:

Sl No	DP No.	Period	No. of Pensioners/ Vouchers	Amount (Rs)	Commission @ 3.33%
01	220-20	2003-04 to 2016-17	928159	7,739,372,315	257,721,098
02	221-20	2016-17 to 2018-19	21425	219,695,915	7,315,874
			Total	**7,959,068,230**	**265,036,972**

Audit pointed this out to the management and PAO during November / December 2019. It was replied that the reconciliation process had been completed and the issue would be resolved as and when budget allocation was made by the CMA (P). Further, vouchers amounting to Rs 4.09 billion relating to 2012-13 to 2016-17 have been accepted by CMA(P) Lahore in the monthly exchange account for the month 08/2019. No documentary evidence was provided to audit acceptable by the management in support of reply.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to produce particulars of realized amount for verification. It was further directed that efforts be made to recover the remaining amount; and the case be taken up with AGPR for early reconciliation/ settlement within 90 days under report to audit.

Audit recommends compliance of the DAC directives.

(DP Nos.220 & 221)

1.9.2 Irregular charging of cost of pension to PLI management cost – Rs 195.006 million

According to Article 298 & 299 of P&T Account Code prescribe the procedure for calculation of cost to be debited to PLI Fund. The monthly pension contribution of PLI employees is charged to PLI Fund as per rates given in Article 291-A and debited to PLI Fund through management cost of PLI.

Postal Life Insurance is run by PPO department on basis of no profit no loss. At the close of the year, the management cost of Postal Life Insurance was prepared in accordance with Article 298 & 299 of P&T Account code and debited to PLI Fund. Scrutiny of record relating to management cost of PLI revealed that an amount of Rs 195,006,791, on account of pension payments of staff as well as officers, was included in the management cost during 2018-19. The cost was charged in contravention to above said rules, without necessary approvals and revision of relevant rules/accounting procedure from quarter concerned.

The management's response was that the actual expenditure of pension in respect of PLI pensioners was included in the management cost of PLI in compliance of Ministry of Postal Services letter No. 1(49)/2018-19-Cash dated 14-05-2019 and in light of the directives of DAC meeting held on 1st July 2016-17. Other expenses of PLI had been debited to the PLI fund in accordance with Article 291, 298 and 299 of P&T Account's code and PT&T Code. It was further informed that a summary on the issue had also been sent to the Finance Division. The reply was not acceptable as the pension payment was included in the management cost in violation of the rules.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to constitute a committee including representative of audit and findings of committee be sent to Finance Division for decision.

Audit recommends compliance of the DAC directives.

(DP No.194)

1.9.3 Irregular payment to military pensioners without availability of PPOs on the record – Rs 134.122 million

According to Para 5(i) of Hand Book Instructions regarding Payment to Military Pension through Post Offices (PPO Department), all pensioners sanctioned by Govt. of Pakistan are notified in the pension payment order by the FPO (Pension Cell). The documents i.e. PAFA-22 (Notification Sheet), PAFA-376 (Disburser's Half), attested passport size photograph of the pensioner, thumb impression, fingers impression/s13pecimen signature sheet, identification mark sheet are forwarded to the pension paying postmaster.

Contrary to the above, Pension Payment Orders (PPOs) of 653 Army pensioners were not available in various GPOs. Test check of payments revealed that an amount of Rs 134,122,000 was made to 653 without availability of PPOs which may lead to fraud/ misappropriation.

Audit pointed this out to the management and PAO during November / December 2019. It was replied that the matter had been taken up with concerned quarters for compliance. Certain missing PPOs had been traced out and efforts were underway for tracing the remaining vouchers however no record was provided to audit in support of the reply.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to provide copies of missing PPOs for verification to audit

Audit recommends that the matter needs to be investigated to fix responsibility for making payment without availability of PPOs and the case may be taken up with CMA (P) as well as concerned regimental centers for issuance of duplicate PPOs.

(DP No.252)

1.9.4 Non-Accountal of Foreign exchange payment in the books of accounts – Rs 43.731 million

According to Para 4(viii) of the System of Financial Control and Budgeting, 2006, it is an important principle that money indisputably payable should not, as far as possible, be left unpaid and that money paid should, under no circumstances, be kept out of accounts a day longer than is absolutely necessary.

Contrary to the above, the Director General PPOD, paid an amount of Rs 43,730,890 on 27 & 28.06.2019 on account of different UPU subscriptions and settlement of parcel from head A03902 & C03587-II respectively but these amounts were not accounted for under the same head during 2018-19. Resultantly, saving of Rs 43,730,890 was occurred in these accounts.

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1	184-20	DG PPO	Non-accountal of foreign exchange payment in books of accounts	15,397,623
2	185-20	DG PPO	-do-	28,333,267
			Total	**43,730,890**

Audit pointed this out to the management and PAO during September / October 2019. It was replied that Foreign Exchange Budget along with PKR cover was demanded from Budget wing of this Dte-General on 22-01-2019 and the matter was regularly pursued with Budget wing. Later the case was taken up with Finance Division, Islamabad on the advice of Budget wing for early release of the required Budget vide letter No.OM.34-4/94-V dated 8th May, 2019. Besides, the required Budget was also demanded through the Forex Revised Estimates for 2018-19 vide letter No. OM. 34-4/94 dated 20-05-2019. Finance Division released Foreign Exchange Budget on 10-06-2019, but the sanction of pending invoices could not be released due to non-availability PKR cover. The reply was not acceptable as the foreign exchange budget was not accounted for in the relevant head of account.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to place the para before PAC for regularization.

Audit recommends that matter be investigated and responsibility be fixed for unauthorized revision of procedure of foreign payments. Further, matter may also be taken up with SBP/NBP for booking of expenditure in the relevant Financial Year.

(DP Nos.184 & 185)

1.9.5 Less receipt of commission against BISP money orders of Rs 32.810 million

According to Rule 28 of GFR Vol-I, it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited to accounts. No amount due to Government should be kept outstanding.

Contrary to the above, PPOD received 432316 BISP money orders against released funds amounting to Rs 1,363,522,270 including commission / service charges to the tune of Rs 17,292,640 @ Rs 40 per money order during 2018-19. As per contract commission @ Rs 40 was applicable on money order having denomination of Rs 2,000 and if the denomination increases the rate may also increase with the same proportion. Resultantly, an amount of Rs 32,810,175 was less received.

Audit pointed this out to the management and PAO during December 2019. It was replied that the case was taken up with BISP authorities on 05-01-2018 followed by reminder dated 13-12-2019. The case has also been forwarded to M/O Postal Services for recovery of amount of service charges on BISP money orders on 10-12-2019.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to recover the amount form BISP and get it verified from audit.

Audit recommends compliance of the DAC directives.

(DP No.193)

1.9.6 Illegal / Unauthorized occupation of Government Property worth Rs 29.772 million

According to Rule-546, Post Office Manual Vol-II, the nature of the records relating to Land and Building belonging to the Pakistan Post Office Department is to be maintained, the manner in which they should be maintained, and the persons responsible for their maintenance are detailed in the P&T IAC Code VOL-I. The head of the Circle will be responsible for the custody of Boundary and Building Plans and their proper maintenance. The folios of the loss leaf ledgers will give reference to these Plans etc. and appropriate entries will be made in the Circle Office.

According to distribution of work, it was the responsibility of the Assistant Executive Engineer of PMG, Baluchistan Circle, Quetta to maintain the record related to Office Buildings, Residential Buildings, and Rest House Buildings. As a custodian of all documents / legal papers of these properties, AEE should keep all the necessary Documents under his own custody. However, it was observed that six (6) Rest House Buildings were constructed by the PMG, Baluchistan Circle, Quetta at the cost of Rs 29,772,000. Further, approximately 20000sq.ft land of Dalbandin was also illegally occupied. These properties were illegally grabbed by unscrupulous elements since 2012 but the authorities failed to get the properties vacated.

Audit pointed this out to the management and PAO during September 2019. It was replied that letters had been issued to the local law enforcement authorities time to time for vacation of government properties. The reply was not acceptable as illegal occupation on postal lands indicated weak internal controls.

DAC in its meeting held from 14th & 16th January, 2020 directed the management to take necessary steps with the help of law enforcement agencies for vacation of government property under intimation to audit.

Audit recommends compliance of the DAC directives.

(DP Nos.80 & 81)

1.9.7 Illegal construction on Postal land by PPF and non-recovery of rent – Rs 9.412 million

According to clause-ix of lease agreement between Pakistan Post Foundation and PPOD, the lessor may terminate the agreement and get the premises vacated if the lessee makes any structural changes without prior approval in writing of the lessor. Further, according to Ministry of Housing and Works letter No.F.2(1)/2009-Policy dated 14.04.2008 & 27th March 2017, the rent for commercial buildings / residential buildings were revised in which the rent of covered area in Rawalpindi was fixed @ Rs 60 per Sft.

A lease agreement was signed between PPOD and PPF for hiring land measuring 100,584 Sft on prime location in Rawalpindi i.e. *Golra Mor*. The agreement was signed on 19.02.2003 for 30 years on a monthly rent of Rs 10,000 only. PPF made an illegal construction of a hall & some additional alteration of about 13070 Sft on the leased area without written approval from Circle office Rawalpindi as detailed below:

i)	Hall measuring 100’x60’ (double story) =	12000 Sq. Ft
ii)	Addition in existing building 16.9’x64’ =	1072 Sq. Ft
	Total =	13072 Sq. Ft

A notice was served to PPF on 25.01.2018 by PMG Northern Punjab, Rawalpindi but the illegal construction continued unabated. An amount of Rs 9,411,840 (13,072 x Rs 60 x 12) on account of rent of said constructed area was recoverable from PPF for the year 2018-19.

The management replied that matter was under consideration and final reply would be submitted but nothing substantial was provided to audit against the observation.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to constitute a committee at Headquarter level to conduct fact finding inquiry and submit report to PAO and audit within 60 days.

Audit recommends compliance of the DAC directives.

(DP No.54)

1.9.8 Unauthorized payment of profit in Mahana Amdani Accounts – Rs 7.543 million

According to Rule 5 of Mahana Amdani Accounts Rules, 1983, only one account may be opened in the name of any one person either singly or jointly with another person. Father or mother or legal guardian may, however, open an additional account on behalf of a minor. Further, rule 3 (2), (b) stipulates that monthly deposit of accounts shall be received till maturity, on the accounts opened from 01-07-2000 to 30-06-2002 for a period of six (06) years (72 installments) and account shall be considered as closed if monthly installments are not deposited consecutively for six (06) months. Disbursement of profit on monthly income shall commence on the completion of the maturity of the deposit and shall continue so long as the account is closed.

It was observed that in three (3) formations of PPOD the account holders were allowed to operate more than one account singly, jointly or on behalf of a minor. In one case pertaining to GPO Karachi, payment of profit was started after completion of five years instead of six years as it was opened on 08-07-2000. It was observed that four investors did not deposit their monthly instalments for consecutive six months but their accounts were not closed as per rules. Therefore, profit paid amounting to Rs 7,543,000 was held unauthorized. Detail is as under:

Sl. No	**DP No.**	**Formations**	**Description**	**Profit paid (Rs)**
2	67-20	GPO Karachi	Opening of accounts more than one account singly or jointly and also more than one account on behalf of minor, Payment of profit after five years instead of six years and Non closing of accounts due to non-deposit of monthly instalments consecutively for six months.	6,129,000
3	107-20	GPO Gujranwala	Account was opened on 28.1.2002 for 6 years but profit was allowed after 60th instalment instead of 72nd which resulted in overpayment.	80,000
4	114-20	GPO Sargodha	Opening of accounts more than one account singly or jointly and also more than one account on behalf of minor	1,334,000
			Total	**7,543,000**

Audit pointed this out to the management and PAO during September / October 2019. It was replied that inquiry had been ordered to fix the responsibility and to recover the excess profit paid.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to conduct fact finding inquiry for fixing responsibility. It was further directed to recover the unauthorizedly paid amount and get it verified from audit.

Audit recommends compliance of the DAC directives.

(DP Nos.67, 107 & 114)

1.9.9 Irregular sub-letting of shops in Rawalpindi – Rs 5.601 million

As per clause 5 (iii) of the rent agreement made between PPOD and tenants of the shops of the Post Plaza Satellite Town, Rawalpindi the owner / lessor, Pakistan Post could get the premises vacated if tenants sublet the premises or allowed any third party to use the public place in front of shops for commercial purposes.

It was observed that first 11 shops were sublet which deprived the government of revenue of Rs 5,601,012. The postal management did not initiate action to get the shops vacated and recover the loss from the defaulters. The plaza is located in the prime location of the Rawalpindi city but shops are rented out at paltry rental. Audit observed that 29 shops were rented out @ Rs 6,094 to Rs 21,475. Out of 29 shops, 16 shops were rented out to one person / family. Moreover, rent agreements were made for 10 years instead of 3 years. The rent agreements were not registered with the Registrar Rent Controller under Rent Controller Act 2009. The period of rent was not uniform in all cases. In one case, a shop (Shop No.21) was rented out for thirty years which showed clear favour being granted at the cost of national exchequer.

Audit pointed this out to the management and PAO in September 2019. It was replied that notices had been issued to the tenants responsible for illegal subletting the space.

DAC in its meeting held from 13th & 14th January, 2020 directed the management to take immediate measures to terminate the contracts of those who had sublet the shops. It was further directed to recover the amount of loss under report to audit.

Audit recommends compliance of the DAC directives.

(PDP No.23)

1.9.10 **Non-receipt of Agriculture Loan Pass Books from PCP - Rs 4.798 million**

According to Para 432 of P&T Manual Vol-II, executive officers and their subordinates are responsible to ensure that the terms of contract are strictly enforced. Further, para-4(v) of System of Financial Control & Budgeting 2006 stipulates that every government servant should exercise same vigilance in respect of the expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

It was observed that office of DG PPOD awarded work of printing to M/s Printing corporation of Pakistan (PCP) for printing of 100000 Agriculture Loan Pass Books on 25.08.2017 with a delivery period of 90 days which expired on 24.11.2017. An advance payment of Rs 3,598,500 (75% of Rs 4,798,000) was also made on 20.06.2017 prior to issuance of work order to PCP and without executing any contract. PCP failed to deliver all pass books within stipulated time but neither any action was taken nor penalty was imposed on PCP. The non-availability of these books also caused financial loss in terms of loss of commission and also tarnished the reputation of the department.

The matter was reported to the management during November / December 2019. The management replied that efforts were underway to receive the remaining pass books whereas LD @2% would be imposed at the time of payment. The reply was not acceptable as no action had been taken against the supplier after lapse of almost three years.

DAC in its meeting held from 14^{th} to 16^{th} January, 2020 directed the management to provide relevant record to audit for verification.

Audit recommends compliance of the DAC directives.

(PDP No.200)

1.10 Issue Based Audit of Saving Schemes

1.10.1 Unauthorized acceptance of institutional investment of Rs 262.500 million and payment of profit – Rs 564.375 million

As per S.R.O issued by Finance Division vide No. (I)/2000 dated 27.03.2000, no certificates on account of institutional investment shall be issued after the close of business on the 25th day of March, 2000. The certificates already issued if not en-cashed on the completion of their existing maturity of ten years shall cease to earn profit. Further, S.R.O issued by Finance Division vide No. (I)/2012 dated 4th May, 2012 allowed the institutions to invest individual funds such as pension, gratuity, superannuation, contributory Provident Fund etc in these certificates.

The Chief Administrator Auqaf Punjab purchased DSCs amounting to Rs 50,000,000 on 18.07.1998 registered vide PO No. 135422 and en-cashed on 10.09.2008. The Chief Postmaster GPO Lahore accepted further reinvestment of these certificates worth Rs 262,500,000 (Principal plus profit) which were also en-cashed on 29.01.2019 along with profit of Rs 564,375,000. The payment of profit was held unauthorized as the institutional investment was banned during the period.

The issue was reported to the management and PAO during October / November 2019. It was replied that matter had been taken up with office of the chief Administrator of Aquaf Punjab, Lahore vide this office letter No. D-12/43/2018 dated 09-12-2019 to supply a certificate regarding classification of investment of the Defence Saving Certificates.

DAC in its meeting held from 14th & 16th January, 2020 directed the management to refer the case to Finance Division for advice and regularization of payment or otherwise within 90 days.

Audit recommends compliance of the DAC directives.

(DP No.86)

1.10.2 Unauthorized payment of profit on encashment of Defence Saving Certificates (DSCs) after six years of maturity - Rs 300.232 million

Finance Division (Budget Wing) vide its Notification No.S.R.O (I)/2017 dated 30.08. 2017 amended the Defence Saving Certificates Rules, 1996 by adding Rule 36A which stated that a certificate which is not en-cashed by the purchaser for two years from the date of maturity would be declared as dead certificate and be transferred to the Federal Government account provided that in case, profit is not claimed up to six years from the date of accrual (maturity) by the purchaser, nominee or successor, as the case may be, the liability of the Government in respect of such profit payable thereon shall cease. In such cases, no amount of profit shall be paid.

In fourteen (14) formations of PPOD Defence Saving Certificate (DSCs) were not encashed by investors even after completion of six years' period from their date of maturity but PPOD paid Rs 300,231,746/- as profit in violation of rules.

Audit pointed this out to the management and PAO during November / December 2019. It was replied that as per clarification issued by the CDNS, the certificates purchased by individual and eligible institutional investors prior to 15-11-2010, if not encashed on their maturity would be allowed to re-invested for as many times the maturity of the respective certificates has occurred whereas certificates issued or reinvested on or after 15.11.2010 would not have the facility of automatic reinvestment upon attaining maturity. The reply was not acceptable as the notification had been issued by Finance Division, therefore, clarification was required on the subject matter from Finance Division instead of CDNS.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for clarification regarding effective date of implementation of rule in question.

Audit recommends compliance of the DAC directives.

(DP No.176)

1.10.3 Unauthorized payment of profit on encashment of Defence Saving Certificates purchased prior to 26-03-2000 – Rs 257.802 million

Finance Division (Budget wing) vide its Notification No. S.R.O (1)/2010 dated 15.11.2010 made amendment in the Rule 44-A of Defence Saving Certificate Rules, 1966. In the aforesaid Rules, the facility of reinvestment shall not be allowed in respect of certificates issued prior to the 26th day of March 2000.

In seventeen (17) formations of PPOD investors purchased Defence Saving Certificates (DSCs) prior to 26.03.2000. The profit on these investments was admissible up to the maturity i.e. ten years from the date of investment and their further re-investment was discontinued but these certificates were re-invested and payment of profit amounting to Rs 257,801,980 was made to investors which was held unauthorized.

Audit pointed this out to the management and PAO during November / December 2019. It was replied that as per clarification issued by the CDNS, the certificates purchased by individual and eligible institutional investors prior to 15-11-2010, if not enchased on their maturity would be allowed to be reinvested for as many times the maturity of the respective certificates has occurred. However, certificates issued or reinvested on or after 15.11.2010 would not have the facility of automatic reinvestment upon maturity. The reply was not acceptable as clarification on the subject matter was required to be sought from Finance Division instead of CDNS.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for clarification regarding effective date of implementation of rule.

Audit recommends compliance of the DAC directives.

(DP No.175)

1.10.4 Irregular payment on discharge of Defence Saving Certificates (DSCs) of Rs 138.250 million and inadmissible payment of profit to PTCL – Rs 131.358

According to rule 172,173 &176 of contract act, the bailment of goods is a security for payment of debt or performance of a promise is called "Pledge". The pledgee had right of possession but not right of ownership. The pledgee may retain the goods, not only for payment of debt or the performance of the promise. He may bring a suit against the pledger to upon the debt or promise, and retain the goods pledged as a collateral security. If the sale proceeds are greater than the amount so due, the pledgee shall pay over the surplus to the pledger. Further, Finance Division Notification No. S.R.O (1)/2010 dated 15th November, 2010 clarified that the facility of reinvestment shall not be allowed in respect of certificates issued prior to the 26th day of March, 2000. Furthermore, DAC in its meeting held on 3rd & 4th December, 2018 on the Audit Report 2018-19 directed the management to investigate the matter through fact finding committee to determine as to why payment was made to PTCL instead of the owners of the certificates.

Prior to 1980, applicants of telephone connections were required to submit Defence Saving Certificates valuing Rs 50 & 100 as security. These DSC's were then got pledged in the name of respective AOTRs and retained as security deposits. Later-on PTCL authorities presented these DSC's which were in the name of telephone holders for encashment. Chief Postmaster GPO

Lahore released Rs 138,250,185 (inclusive of profit) to PTCL. The payment was held irregular as PTCL was not authorized to liquidate the certificates as the certificates were purchased by the users of telephone connections and ownership right was not transferred to PTCL. Further, the certificates were purchased prior to 26.03.2000 and profit was due for ten years only and further reinvestment was not admissible. These certificates were reinvested four times in violation of instructions of Finance Division. Resultantly, an unauthorized payment of profit of Rs 131,358,115 was made to PTCL. The detail is as under:

S.No	Cheque No & Date	Amount Due (Principal + Profit on maturity) (Rs)	Amount paid (Principal + Profit) (Rs)	Inadmissible payment of Profit (Rs)
1	689490 /14.09.2018	1,228,500	20,253,955	19,025,455
2	698094/16.02.2019	3,409,540	69,141,595	65,732,055
3	698471/26.02.2019	2,254,030	48,854,635	46,600,605
	Total	**6,892,070**	**138,250,185**	**131,358,115**

Audit pointed this out to the management and PAO in October 2019. It was replied that DSCs clearly stated that after transfer of certificates under sub rule (1) of Rule 58 of DSCs Rules, the transferee shall relinquish all claims to receive the value of the certificates, including the profit thereon. The reply was not acceptable as the certificates were pledged in favour of PTCL as security only and right of ownership was not transferred.

DAC in its meeting held from 14th & 16th January, 2020 directed the management to refer the case to Finance Division for advice and till decision, PPOD should not made further payment to PTCL.

Audit recommends compliance of the DAC directives.

(DP No.95)

1.10.5 **Non-transfer of amount of Inactive Special Saving Accounts to Federal Government Account – Rs 112.041 million**

Rule 36 of Post Office Saving as amended vide S.R.O (I)/2017 dated 30.08.2017 requires that (1) accounts in respect of which no transaction has been made by the depositor for a period of one year shall be marked as "Dead Account" and no subsequent transaction by the depositor in such account shall be allowed without prior approval of in-charge of the office of issue. (2) in case no transaction has been made by the depositor for a continuous period of ten years, the balance of account marked as Dead Account under sub-rule (1) shall be transferred to the Federal Government Account, provided that the account may be revived at any time on the application of the depositor, nominee or successor, as the case may be, and account's balance along with the profit accumulated up to the date on which the balance was transferred to the Federal Government Account shall be credited to the account. Further DG PPO Islamabad clarified vide letter No. Sav. 1-3/2017 dated 05.03.2018 that af46bove referred notification are applicable on all the accounts / certificates which becomes dead on qualify to be transferred to Government Account irrespective of their date of investment.

In nineteen (19) formations Special Saving Accounts, Special Saving Certificates & Ordinary Saving Bank Accounts with deposits of Rs 112,041,060 were opened by investors but no transaction was made from 02 to 23 years. These accounts were not declared as dead and the amount was not transferred to government.

The management responded by stating that clarification issued by the CDNS, allowed that the certificates purchased by individual and eligible institutional investors prior to 15-11-2010, if not enchased upon maturity would be reinvested for as many times the maturity of the respective certificates had occurred. The reply was not acceptable as the clarification on the notification should had been sought from the Finance Division.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for clarification regarding effective date of implementation of the rule.

Audit recommends compliance of the DAC directives.

(DP No.177)

1.10.6 **Inadmissible / Overpayment of profit – Rs 46.693 million**

Finance Division (Budget Wing) vide its Notification No.S.R.O (I)/2017 dated 30.08.2017 made amendments in the Defence Saving Certificates Rules, 1996 which stated that in case, profit was not claimed up to six years from the date of accrual (maturity) by the purchaser, nominee or successor, as the case may be, the liability of the Government in respect of such profit payable thereon would terminate. Further, according to Rule 36 E (b) of the Post Office Guide, a Special Saving Account may be opened for a period of three years. Profit shall be payable on completion of each period of six months reckoned up to the date of maturity or withdrawal whichever is earlier and no profit shall be payable for any period of less than six months. Further, Rule 44A of Defence Saving Certificate Rules, 1966, the certificate shall stand matured on completion of the period of ten years reckoned from the date of issue. No profit shall be payable on any denomination of DSC within the first year of issue.

Contrarily, scrutiny of record regarding to Special Saving Account (SSA), Defence Saving Certificates (DSCs) & Special Saving Certificates (SSCs) in eight (08) formations of PPOD, revealed that an amount of Rs 46,692,984 was paid to those investors who had failed to discharge the certificates even after completion of six years' period from their maturity. Moreover, an overpayment was made to SSA and DSCs, at excessive rates, with wrong calculations of profit and double payment of profit. Detail is as under:

S.No.	Item / DP No.	Formations	Nature	Amount (Rs)
Inadmissible payment of profit after six years of maturity				
01	14	GPO Peshawar	SSA	8,040,737
02	24	GPO Karachi	SSC	3,233,497
03	6 & 7	GPO Lahore	SSC & SSA	23,424,182
04	27	GPO Islamabad	SSA	6,506,898
			Sub-Total	**41,205,314**
Overpayment of profit				
05	10	GPO Sialkot	SSA	206,928
06	15,16,17 & 18	GPO Lahore	SSA	1,482,952
07	15,16,17, 18 & 19	GPO Karachi	DSC	2,867,275
08	6	GPO Sargodha	DSC	43,680
09	3	GPO Nawabshah	DSC	380,000
10	30-20	GPO Rawalpindi	DSC	506,835
			Sub-Total	**5,487,670**
			Grand Total	**46,692,984**

The matter was pointed out to the management and PAO during September to November 2019. It was replied that as per clarification issued by the CDNS, the certificates purchased by individual and eligible institutional investors prior to 15-11-2010, if not enchased on their maturity would be allowed to be reinvested for as many times the maturity of the certificates. However, certificates issued or reinvested on or after 15.11.2010 would not have the facility of automatic reinvestment upon maturity. The reply was not acceptable as the notification had been issued by Finance Division, therefore, its clarification may be sought from Finance Division instead of CDNS.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for clarification regarding effective date of implementation of rule.

Audit recommends compliance of the DAC directives.

(DP Nos.30 & 171)

1.10.7 Non-transfer of amount of dead Defence Saving Certificates (DSCs) to Federal Government Account – Rs 37.546 million

Finance Division (Budget Wing) vide its Notification No. S.R.O (I)/2017 dated 30.08. 2017 had made amendments in the Defence Saving Certificates Rules, 1996. In the aforesaid Rules, after Rule 36, the new Rule 36A was inserted, namely, in case, a certificate is not en-cashed by the purchaser for two years from the date of maturity, the certificate shall be declared as dead certificate and shall be transferred to the Federal Government account provided that in case, profit is not claimed up to six years from the date of accrual (maturity) by the purchaser, nominee or successor, as the case may be, the liability of the Government in respect of such profit payable thereon shall terminate. In such cases, no amount of profit shall be paid.

In twelve (12) formations of PPOD, Defence Saving Certificates (DSCs) worth Rs 37,546,400 were not encashed by the investors even after completion of two years period from their maturity. These certificates were neither declared as dead nor their amount was transferred to the Federal Government Account. Further, most of these DSCs were not encashed by the purchasers even after completion of more than 6 years period from their maturity therefore, liability of the Government for payment of profit on these certificates till the date of maturity had also been terminated.

Audit pointed this out to the management and PAO during August to October 2019. It was replied that as per clarification issued by the CDNS, the certificates purchased by individual and eligible institutional investors prior to 15-11-2010, if not enchased upon maturity would be allowed to re-invested for as many times the maturity of the respective certificates. However, certificates issued or reinvested on or after 15.11.2010 shall not have the facility of automatic reinvestment upon maturity. The reply was not acceptable as the notification has been issued by Finance Division, therefore, its clarification may be sought from Finance Division instead of CDNS.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for clarification regarding effective date of implementation of rule.

Audit recommends compliance of the DAC directives.

(DP No.173)

1.10.8 **Unauthorized payment of profit on encashment of Defence Saving Certificates (DSCs) after two years of maturity - Rs 23.273 million**

Finance Division (Budget Wing) vide its Notification No. +S.R.O (I)/2017 dated 30.08.2017 made amendment in the Defence Saving Certificate Rules, 1996. In the aforesaid Rules, after Rule 36, new Rule 36A was inserted which stated that a certificate was not encashed by the purchaser for two years from the date of maturity, the certificate would be declared as dead certificate and be transferred to the Federal Government Account, provided that the value of such certificate may be revived at any time on the application of the purchaser, nominee or successor, as the case may be, and the certificate shall be encashed along with payment of profit accrued thereon till maturity. Further, DG PPO Islamabad vide letter No. Sav.1-3/2017 dated 05.03.2018 circulated the clarification issued by CDNS stating that the rules circulated vide Finance Division's above referred notification are applicable on all the accounts / certificates which become dead on qualifying to be transferred to Government Account irrespective of their date of investment.

Contrary to the above, in ten (10) formations of PPOD, Defense Saving Certificate (DSCs) were not discharged by the investor even after completion of two years' after maturity. The amount of these dead certificates was not transferred to Federal Government Account. Further, an unauthorized payment of profit of Rs 23,273,275 was also made beyond the date of maturity which was not admissible.

Audit pointed this out to the management and PAO during August to October 2019. It was replied that as per clarification issued by the CDNS, the certificates purchased by individual and eligible institutional investors prior to 15-11-2010, if not enchased upon maturity would be allowed to be reinvested for as many times the maturity of the respective certificates had occurred. However, certificates issued or reinvested on or after 15.11.2010 shall not have the facility of automatic reinvestment upon maturity. The reply was not acceptable as the notification had been issued by Finance Division, therefore, its factual interpretation should be sought from Finance Division.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to refer the case to Finance Division for clarification regarding effective date of implementation of rule.

Audit recommends compliance of the DAC directives.

(DP No.174)

1.10.9 Doubtful encashment of Defence Saving Certificates (DSCs) – Rs 15.096 million

According to Rule 38 of Defence Saving Certificates, every certificate must on encashment be duly discharged that is to say, signed on the reverse thereof by the person entitled to receive payment or by his banker stating that the amount has been credited to the payee's account or, in the case of an illiterate person, the thumb impression be duly attested by a person known to the issuing authority.

From review of City GPO record it was observed that payments of Rs 15,095,720 made on encashment of Defence Saving Certificates. The payments were doubtful as the payments were made without obtaining the signature on the reverse of application from the person entitled to receive the payment or by his banker stating that the amount has been credited to the payee's account or, in the case of an illiterate person, the thumb impression be duly attested by a person known to the issuing authority.

Audit pointed this out to the management and PAO during November / December 2019. It was replied that no doubtful payments were made. Record regarding signature of DSC holders was available in ready reference for audit purpose. The reply was not acceptable as no documentary proof was provided to audit.

DAC in its meeting held from 14th to 16th January, 2020 directed the management that matter be inquired by PMG Karachi and report thereof be provided to audit within 60 for verification.

Audit recommends compliance of the DAC directives.

(DP No.269)

1.10.10 Irregular payment on discharge of DSC to PTCL Rs 10.218 million

According to rule 172, 173 & 176 of contract act, the bailment of goods is a security for payment of debt or performance of a promise is called "Pledge". The pledgee has right of possession but not right of ownership. The pledgee may retain the goods, not only for payment of debt or the performance of the promise. He may bring a suit against the pledger to pawn the debt or promise, and retain the goods pledged as a collateral security. If the sale proceeds are greater than the amount so due, the pledgee shall pay over the surplus to the pledger.

Prior to 1980, applicants of telephone connections were required to submit Defence Saving Certificates (DSC) valuing Rs 200 & 400 security. These DSC's were pledged in the name of respective AOTR and retained as a security deposit, PTCL authorities presented these DSC's which were in the name of telephone holders in four (04) Formations of Pakistan Post Office payment worth Rs 10,218,000 including profit to PTCL authorities released without getting the consent of the owners of these DSC's during 2018-19 as detailed below:

(Rs in million)

Sl.No	Name of Unit	Item No.	Amount
1	GPO Sialkot	3	4.908
2	GPO Karachi	12	3.357
3	GPO D.I Khan	1	1.058
4	GPO Multan	2	0.895
		Total	**10.218**

The payment was held irregular as PTCL was not authorized to get these certificates encashed as these certificates were purchased by the users of telephone connections and ownership right was not transferred to PTCL.

Audit pointed this out to the management and PAO during November / December 2018. It was replied that DSCs clearly says that after transfer of certificates under sub rule (1) of Rule 58, the transfer shall relinquish all claims to receive the value of the certificates, including the profit thereon. The reply was not acceptable as the certificates were pledged in favour of PTCL as security only and ownership was not transferred. Audit is of the view that PTCL was not entitled to encash the DSCs.

DAC in its meeting held from 14^{th} to 16^{th} January, 2020 directed the management to refer the case to Finance Division for advice and till decision, PPOD was stopped to make further payment to PTCL.

Audit recommends compliance of the DAC directives.

(DP No.257)

1.10.11 Irregular opening of special saving accounts for security deposit – Rs 3.674 million

As per Article 448 of PT&T, IAC, Vol-I, deposits made by contractors as security for due performance of their contracts will, if received in money, be treated exactly in the same way as ordinary deposits, and will not be credited in the Saving Bank, nor will interest be allowed upon them; the amounts shall be paid into treasury as Miscellaneous Receipts. Application for refund of such deposits would be made to the Postmaster General by the local officer.

Contrary to the above, GPO Gujranwala opened seven (07) Special Saving Accounts at Kohlowala Post Office on 03.05.2019 in the name of Ms. Samina Said, Mail Contractor with a deposit of Rs 3,674,145. These accounts were opened as security money for performance of contracts on different mail lines in Sialkot postal region which were pledged to PMG Lahore. The opening of special saving account for purpose of security deposit and subsequent earning of profit was deemed irregular being contrary to the rules. The detail is as under:

Sl. No.	DP No.	A/c No.	Name	Date of Opening	Amount (Rs)
1	105-20	SSA-28250	Samina Said W/o	03.05.19	474,000
2	-do-	SSA-28251	-do-	03.05.19	434,000
3	-do-	SSA-28252	-do-	03.05.19	314,000
4	-do-	SSA-28253	-do-	03.05.19	454,000
5	-do-	SSA-28254	-do-	03.05.19	514,000
6	-do-	SSA-28255	-do-	03.05.19	614,000
7	-do-	SSA-28256	-do-	03.05.19	694,000
8	42-20	Ord-373210	Khurshid, wazir	04.10.18	45,922
9	-do-	Ord-373045	Hamayum Khan	20.12.18	130,223
				Total	**3,674,145**

Audit pointed this out to the management and PAO during October, 2019. It was replied that of SSAs were being converted into into ordinary saving accounts. It was further informed that profit on security deposit was allowed in accordance with sub rule (h) of rule 45 of Security Deposit Accounts. The reply was not satisfactory because the clause of manual was contradictory to IAC Vol-I.

DAC in its meeting held from 14th & 16th January, 2020 directed the management to amend the clause of saving bank manual to align with IAC within 60 days. It was further directed to shift the security deposit from special saving account to ordinary saving account under report to audit.

Audit recommends that responsibility for violation of rules be fixed and security deposit accounts be converted into ordinary Saving Bank Accounts under intimation to audit.

(DP No.42 & 105)

1.10.12 Doubtful Re-investment of Defence Saving Certificate and payment of Rs 1.654 million

Finance Division vide its Notification No. S.R.O (1)/2010 dated 15.11.2010 amended Rule 44A of Defence Saving Certificate Rules, 1966. In the aforesaid Rules, after Rule 44A, the following was substituted namely, the certificate shall stands matured on completion of the period of 10 years reckoned from the date issued. No profit shall be payable on any denomination of DSCs encashed within the first year of issue. In case any certificate is not encashed on maturity, the value i.e Principal plus profit due on such certificate, without deduction of zakat, may, by presenting a fresh application in the prescribed from for purchase, be re-invested from the date of its expiry or maturity and new certificate shall be issued. The new certificate shall earn profit at the rates prevalent on the date of re-investment.

Contrary to the above, GPO Mirpur reinvested DSC worth Rs 1,500,000 for further ten years after first maturity. These saving certificates were originally purchased by Mr. Barkat Ali in 1998. monetary value more than the discharged value (i.e. principal plus profit). The re-investment over and above the discharged value and payment thereon for Rs 1,653,750 was considered doubtful. Detail is produced below:-

Reg. No.	Date of investment	Date of Discharge	Value Rupees	Period of profit	Profit	Total Amount
3086	17.09.1998	24.09.2018	1,500,000	17.09.1998 to17.09.2008	6,375,000	7,875,000
6927					Re-invested amount	8,400,000
					Doubtful / excess investment	**525,000**
					Profit paid @ 215% on investment (17.09.2008 to 17.09.2018)	1,128,750
					Total amount paid at the time of discharge i.e. 24.09.2018	**1,653,750**

The auditee responded that the DSC registered No. 3086 (GPO) was issued on 17.09.1998 for Rs 1,500,000 and was discharged on 23.09.2008 after ten years. The total value of the matured DSC was Rs 7,875,000 (Rs 1,500,000 + Profit Rs 6,375,000). The bearer /DSC holder got issued new DSCs for Rs 8,400,000 on 23.09.2008 under Regd No. 6927 which were discharged in 2018 for a value of Rs 26,460,000. The total value is (Rs 8,400,000 + Profit Rs 18,060,000) and Rs 23,299,500 was paid after deduction of withholding tax. The management insisted that the DSCs were never reinvested but reissued as a fresh case. However, scrutiny of the record shows that DSCs were actually reinvested by the GPO in violation of rules.

DAC in its meeting held from 14th to 16th January, 2020 directed the management to inquire the matter and report thereof be provided to audit.

Audit recommends that fact finding inquiry at headquarter level be conducted for violation of rules causing undue loss of exchequer. Further, recovery be made under intimation to audit.

(DP No.270)

1.10.13 Non-deduction of service charges on encashment of Regular Income Certificates Rs 282,500

Finance Division Notification No. F.4(26)/BJG-II/92-199 dated 02.02.1993 circulated by DG PPO vide its letter No.SAV.4-1/95 dated December, 1995, introduced Regular Income Certificate Scheme which were issued for five years, but could be encashed at par value after six months from the date of issue after deducting service charges at prescribed rates.

The record revealed that Chief Postmaster GPO Karachi did not observe the above instructions and service charges worth Rs 282,500 were not deducted on encashment of Regular Income Certificates.

The matter was brought into the notice of the management and PAO during August / September 2019. It was replied that service charges had already been recovered from RICs holders and properly accounted for. However, proof of recovery was not provided for verification.

DAC in its meeting held from 14^{th} to 16^{th} January, 2020 directed the management to produce the record to audit.

Audit recommends compliance of the DAC directives.

(DP No.72)

ANNEXURES

Annexure-1

Brief Description of Paras Included in MFDAC

(Rs in million)

Sl. No.	DP No.	Subject	Amount
1.	08-20	Un-authorized payment of military pension	1.365
2.	10-20	Non-adjustment of emergent advance	0.618
3.	21-20	Irregular expenditure on civil works beyond financial competency	2.978
4.	26-20	Unjustified expenditure on building works	5.827
5.	31-20	Non-Recovery from official dismissed / removed from service	0.860
6.	32-20	Outstanding electricity bill	0.560
7.	37-20	Non-imposing of penalty	0.480
8.	38-20	Irregular payment of Rs 0.487 million and non-imposing of penalty	0.487
9.	39-20	Non-recovery from employee	61.813
10.	41-20	Irregular expenditure incurred on temporary posts without sanction of competent authority	1.627
11.	43-20	Irregular expenditure on non-schedule items without tender	0.131
12.	44-20	Irregular payment on account of rent of residential accommodations at un-specified stations	0.153
13.	47-20	Irregular / doubtful payment to military pensioners without signature on PSB 8 (withdrawal form)	0.619
14.	56-20	Irregular expenditure incurred on pay & allowances/TA/DA	1.586
15.	58-20	Irregular expenditure on reconstruction of boundary wall	1.500
16.	60-20	Overpayment to Security Company due to non-deduction of penalty	0.180
17.	70-20	Irregular encashment of Defence Saving Certificates without revival	23.835
18.	71-20	Un-authorized encashment of Pledged DSC's	3.150

19.	73-20	Non adjustment of TA advance	0.285
20.	74-20	Non-achievement of objectives through service delivery	0
21.	77-20	Irregular Expenditure of Rs 0.337 million	0.337
22.	79-20	Payment of Military Pension without identification with Descriptive Roll	12.292
23.	83-20	Recoverable amount of Rs 0.498 million from M/S Dragon Security Services (Pvt) Ltd.	0.499
24.	84-20	Doubtful / overpaid amount	0.150
25.	88-20	Excess payment of amount of Stipend Money Orders	2.504
26.	89-20	Irregular payments in cash instead of cheques	24.893
27.	93-20	Non-transfer of amount of Stipend Money Orders	6.534
28.	104-20	Irregular expenditure incurred without verification of claims from air mail way bill	1.240
29.	106-20	Unjustified deduction of penalty by PTCL	0.148
30.	108-20	Non-transfer of withholding tax	5.090
31.	110-20	Misuse of Electricity meter	0.242
32.	111-20	Non-availability of ordinary saving bank deposit & withdrawal memos	21.968
33.	112-20	Unauthorized retention of income tax	0.423
34.	113-20	Irregular & unauthorized expenditure payment made to Data Entry Operator	2.797
35.	115-20	Loss to Government due to not obtaining internet services from NTC	0.509
36.	116-20	Irregular award of Contract of Cash Conveyance to M/s PPF	8.559
37.	118-20	Non-realization of group insurance premium	40.000
38.	120-20	Delay in Acceptance of Fresh Business	0
39.	121-20	Non-checking of cent percent premium receipt schedules	0
40.	122-20	Variation in accounting data of group insurance business	0
41.	125-20	Non recovery of initial expense from insurant on surrender of policies	1.171

42.	126-20	Un-authorized payment of house requisition	1.785
43.	129-20	Inaccuracy of the Postal Life Insurance data in the northern PLI, Lahore	0
44.	131-20	Un-due favour to the Franchise Post Office (FPO) worth Rs 12.392 million and commission thereof	1.239
45.	132-20	Un-authorized payment made to mail contractor	1.821
46.	133-20	Un-authorized payment made to mail contractor	2.284
47.	134-20	Un-authorized payment to Franchise Post Office (FPO)	2.594
48.	135-20	Unauthorized withdrawal of cash from treasury	233.33
49.	136-20	Payment of Military Pension without identification with Descriptive Roll	837.439
50.	138-20	Non recovery of loan from the policy holders	2.586
51.	146-20	Irregular payment of house requisition	33.078
52.	147-20	Irregular opening of special saving accounts for security deposit	2.870
53.	148-20	Un-authorized payment on account of dual charge	0.213
54.	149-20	Incomplete/improper maintenance of record of new appointees against deceased quota	0
55.	151-20	Non-posting of deposit and withdrawal of Army Military Pension transactions of sub offices in HO Ledgers	18.144
56.	153-20	Discrepant Saving Bank Accounts	0.311
57.	154-20	Minus Balance against saving bank accounts	1.721
58.	158-20	Non-deposit of security against mail contracts worth – Rs 1.114 million	1.114
59.	160-20	Irregular expenditure on repair & maintenance of building and overpayment	1.500
60.	161-20	Non-recovery of penalty from contractors	0.782
61.	165-20	Irregular/unauthorized retention of income/withholding tax	2.055
62.	166-20	Non adjustment/recovery of emergent/TA advances	0. 858
63.	167-20	Non recovery of house building advances	1.089

64.	168-20	Irregular payment to vendors in cash	2.288
65.	170-20	Irregular payment on account of MST allowance	14.654
66.	172-20	Non-transfer of dead Regular Income Certificates (RICs) to Federal Government Account of Rs 4.5 million and unauthorized payment of profit on encashment thereon - Rs 1.078 million	5.578
67.	181-20	Unauthorized expenditure on foreign tours	1.560
68.	186-20	Unjustified outsourcing of EMS plus service and irregular payments	0. 711
69.	187-20	Unjustified Payment of Traveling Allowance	0. 707
70.	192-20	Non-Deposit of deducted amount against DAM Fund	19.600
71.	199-20	Irregular expenditure incurred out of Post Office Welfare Fund	25.703
72.	202-20	Irregular purchase of medicines	0.999
73.	203-20	Irregular payment of incentives	15.402
74.	204-20	Unauthorized/Misclassified expenditure against services of contractual doctors	2.058
75.	205-20	Irregular expenditure on purchase of local stationery	0.712
76.	206-20	Unjustified procurements against un-matured M-TAG Project	3.746
77.	208-20	Extravagant expenditure on procurement of bags	16.894
78.	209-20	Irregular expenditure on construction work without tender	0.605
79.	210-20	Irregular expenditure on day to day repair and maintenance of building works and non-deduction of income tax	1.501
80.	212-20	Irregular expenditure against building works	0.619
81.	216-20	Non-utilization of Quality of Service Fund – US$ 585,886.49	82.024
82.	217-20	Un-authorized expenditure over and above the Grant No. 92	5,778.560
83.	218-20	Non-surrender of savings	16.209

84.	223-20	Suspected money remittances from Israel	15.178
85.	224-20	Huge variation of Rs 144 million in two sets of figures	144.048
86.	225-20	Doubtful receipts and payments against BISP MO disbursements	0
87.	226-20	Loss to the department due to deduction of Extra/Further Tax	0. 169
88.	227-20	Unjustified payment of Sui Gas charges against detection bill	3.750
89.	228-20	Non implementation of DAC directive regarding transfer of Postal Group Officers on deputation basis to PPF	0
90.	229-20	Irregular transfer on deputation and non-repatriation	0
91.	233-20	Unauthorized payment of House Rent Allowance	0. 165
92.	236-20	Irregular expenditure on internet services	0. 677
93.	241-20	Loss due to delayed transship by airlines	0.589
94.	243-20	Non maintenance of record of missing credits in Northern PLI Circle Lahore	0
95.	246-20	Non transfer of withholding tax on saving schemes	10.718
96.	247-20	Variation between two sets of figures in respect of payment of withholding tax on saving schemes	4.448
97.	251-20	Un-lawful drawal of cash on paper chits	2.352
98.	253-20	Irregular expenditure on repair & maintenance of building works in splitting manner	3.079
99.	255-20	Irregular payment of pension due to non-obtaining of non-marriage certificates from family pensioners	24.642
100.	258-20	Non-deduction of Zakat	0.680
101.	259-20	Unauthorized retention of Cash and Stamps in Excess of Authorized Limits	0
102.	260-20	Irregular expenditure on the appointment of staff without verification of degrees / educational documents	80.301
103.	261-20	Un-authorized Promotion and overpaid	0. 245

104.	262-20	Loss due to retention of un-remunerative post offices	0
105.	266-20	Non recovery of outstanding HBA & MCA from dismissed officials	0.322
106.	268-20	Doubtful/unjustified payment against DSCs	0.600
107.	278-20	Un-authorized military pension payment made in sub-offices without date noting in GPOs	12,939.122
108.	279-20	Un-authorized promotion	1.152
109.	281-20	Irregular and misclassified expenditure on account of part time doctor	0.480
110.	283-20	Misclassified expenditure on building works	3.593
		Total:	**20,591.953**

Paras of study report on system of cash handling in PPOD 2013-14 included in MFDAC			
1.	4.2.1	Non-approval of Accounting Procedure of 56 agency functions from AGP	0
2.	4.4.3	Non-reconciliation of cash available with postmasters resulting in difference of figures between General Abstract and Balance Sheet	0
3.	4.6.2	System of cash handling at Night Post offices without observing proper security measures	0
4.	4.6.3	Insecure cash handling by single handed post offices	0
5.	4.7.3	Improper maintenance of sub-office daily account in sub-office on simple paper instead of prescribed format	0
6.	4.2.2	Non-implementation of system of imprest money to avoid practice of paper chits	0
7.	4.3	Drawl of cash from civil treasury through letter of credit	0
8.	4.4.2	Non-reconciliation of verified figures of CTRs and CPRs from AGPR of 16 GPOs	0
9.	4.5.2	Un-authorized retention of cash by extra departmental branch offices	0

10.	4.6.1	Risky mode of transmission of cash without departmental vans and security guards	54.233
11.	4.7.1	Irregular cash payments to contractors	51.259
12.	4.7.2	Shortage of cash in sub-offices due to difference of figures from books of GPOs	5.572
		Total:	**111.064**

Paras of Special Audit Report of National Saving Schemes for the year 2007-08 to 2013-1 PPOD relating to PPO Department included in MFDAC			
1.	4.2.1	Non-reconciliation of stock of blank saving certificates resulting variation	1,203.042
2.	4.3.1	Un-authorizing charging of service charges from finance division on deposits cashed before 90 days	0
		Total:	**1,203.042**

Paras of Special Study Report on Disbursement under BISP by PPO Department for the years 2008-09 to 2014-15 included in MFDAC			
1.	4.1.7	Non-accounting of funds	12.777
2.	4.2.2	Un-acknowledged BISP remittance advices	2,778.460
3.	4.1.2	Irregular payment of incentive and overpayment	461.780
4.	4.1.5	Loss, fraud and misappropriation	68.992
5.	4.1.6	Irregular withdrawal of BISP MOs	39.406
		Total:	**3,361.415**

Annexure-2
(Para 1.5.1)

Detail of loss and fraud cases

Sl. No.	DP No.	Formations	Description	No of Cases	Amount (Rs)
1.	34-20	PMG Hyderabad	Misappropriation of Government Money	03	80,150
2.	40-20	GPO Peshawar	Misappropriation in collection of utility bills	01	1,293,374
3.	48-20	GPO Sialkot	Misappropriation of amounts and non-finalization of disciplinary cases	05	3,006,352
4.	66-20	GPO Karachi	Misappropriation in special saving account	01	40,465,786
5.	92-20	Dy: PMG Abbottabad	Misappropriation in FC pension	01	12,928,429
6.	284-20	GPO Peshawar PMG Dy:PMG Peshawar, IBA, Quetta, RWP, Lahore, Sialkot, Sukkur, FSD, Abbottabad and GM PLI Karachi & Lahore	Dacoity / theft, Fraud and misappropriations	47	155,518,020
			Total:	**58**	**213,292,111**

Annexure-3

(Para 1.8.2)

Non-recovery of postal dues

Sl. No.	DP No.	Formations	Description	Amount (Rs)
1.	04-20	DSPS Islamabad	Non-recovery of postal dues from private parties	9,194,711
3.	22-20	GPO Rawalpindi	Non-recovery from tenants of shop of post plaza satellite town Rawalpindi	18,940,079
4.	25-20	GPO RWP	Non-recovery of increase in rent	1,305,469
5.	35-20	PMG Hyderabad	Non-recovery of water charges	117,740
6.	50-20	GPO Sialkot	Non-recovery from First Micro Finance Bank	304,620
8.	52 & 231-20	PMG RWP & DG PPO	Non recovery of postal dues from NADRA	4,227,466
9.	59-20	PMG Multan	Non-recovery of rent from tenants of shops at Burewala	3,775,200
10.	99-20	IMO Karachi	Non-realization of terminal dues	29,499,070
11.	101-20	IMO Karachi	Non-realization of post parcels dues	22,838,902
12.	102-20	IMO Karachi	Non-realization of compensation claims	955,434
13.	103-20	IMO Karachi	Non-realization of EMS dues	909,929
14.	137-20	PMG MCK Karachi	Non-recovery of rent	692,550
15.	164-20	PMGs, / Dy PMGs LHR, Quetta, Hyderabad, Karachi, Sialkot, Sukkur, GPO Jhelum & GM PLI Lahore	Non-recovery of postal dues	9,732,467
16.	201-20	DG PPO	Non-recovery of rent of space	14,247,266
18.	234-20	DG PPO	Non-recovery of standard rent	1,483,969

19.	238-20	DG PPO	Non-recovery of rent from BOQ	263,667
20.	254-20	PMG/Dy:PMGs LHR, RWP, Sialkot, FSD & GPOs Sialkot, NWL, GJR, Mirpur	Non-recovery of postal dues	6,179,000
21.	264-20	PMGs Quetta, Karachi & GPO Al-Hyderi	Non-recovery of utility charges	1,219,624
22.	267-20	PMGs/Dy:PMGs MLN, KR, D.I. Khan, FSD & GPOs Peshawar, RWP, B/Pur, MLN, Attock, Sialkot, D.I.K, Jhelum, NWL, LHR, M/Garh, GJR, SGD	Non-recovery of postal dues from bulk users	13,867,443
			Total:	**139,754,606**