AUDIT REPORT
ON
THE ACCOUNTS OF
POSTAL SECTOR
MINISTRY OF COMMUNICATIONS
AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

PREFACE

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

The report is based on audit of the accounts of Pakistan Post Office Department (PPOD) and Postal Life Insurance Company Limited (PLICL) for the Financial Year 2022-23. Directorate General of Audit, Postal and Telecommunication Services (P&TS), Lahore conducted audit during Audit Year 2023-24 on a test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-I & II of the Audit Report. The audit observations listed in Annex-I & II shall be pursued with the Principal Accounting Officer at the DAC level and in all cases, where the Principal Accounting Officer does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

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

The audit findings indicate the need for adherence to the regularity framework, besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. The Audit Report has been finalized in the light of discussions in the DAC meeting held on 17th & 18th January, 2024 and written responses of the entities.

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

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

Sd/-

Islamabad
Dated: 19th February, 2024

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ACG	:	Accounts Classified General
AGPR	:	Accountant General of Pakistan Revenues
APPM	:	Accounting Policies and Procedure Manual
AML/CFT	:	Anti-Money Laundering / Counter Financing of Terrorism
AMIS		Audit Management Information System
CCS	:	Chief Controller of Stamps
CDNS	:	Central Directorate of National Savings
CDL	:	Custom Duty Letter
CDP	:	Custom Duty Parcel
CEO	:	Chief Executive Officer
CPM	:	Chief Postmaster
DA PPO	:	Director of Accounts, Pakistan Post Office
DAC	:	Departmental Accounts Committee
DAGP	:	Department of the Auditor-General of Pakistan
DHL	:	Dalsey, Hillblom and Lynn
DSC	:	Defence Savings Certificate
DSPS	:	Divisional Superintendent Postal Services
ECC	:	Economic Coordination Committee
EDBOs	:	Extra Departmental Branch Offices
EMS	:	Express Mail Service
FATF	:	Financial Action Task Force
FCF	:	Federal Consolidated Fund
FIA	:	Federal Investigation Agency
FPO	:	Franchised Post Office
FY	:	Financial Year
GFR	:	General Financial Rules
GPO	:	General Post Office
GST	:	General Sales Tax
IAC	:	Initial Account Code
KPMG	:	Klynveld Peat Marwick Goerdeler

LoC	:	Letter of Credit
LPI	:	Logistic Performance Index
MOs	:	Money Orders
MOC	:	Ministry of Communications
NBP	:	National Bank of Pakistan
NIDA	:	National Income Daily Account
NSPC	:	National Security Printing Corporation
PCP	:	Printing Corporation of Pakistan
PFM	:	Public Financial Management
PLICL	:	Postal Life Insurance Company Limited
PMG	:	Postmaster General
PMP	:	Pakistan Military Pension
PPO	:	Pension Payment Order
PPOD	:	Pakistan Post Office Department
PPF	:	Pakistan Post Foundation
PPRA	:	Public Procurement Regulatory Authority
PPSMB	:	Pakistan Postal Services Management Board
PSB	:	Post Saving Bank
PTCL	:	Pakistan Telecommunication Company Limited
PT&T	:	Post, Telephone & Telegraph
SAP	:	Systems Applications and Products
SB	:	Saving Bank
SECP	:	Securities & Exchange Commission of Pakistan
SSA	:	Special Savings Account
UMS	:	Urgent Mail Services
UPU	:	Universal Postal Union

EXECUTIVE SUMMARY

The Audit Report presents results based on audit of the accounts for the FY 2022-23 of the PPOD and PLICL. The PPOD performs its functions under the provisions of Post Office Act, 1898 and falls under the administrative control of Ministry of Communications. The primary functions of PPOD are delivery of mail and transfer of money through money orders. In addition, the PPOD is also performing various agency functions on behalf of different government departments and private organizations. Postal Life Insurance business was being performed by PPOD as agency function till FY 2020-21. However, the business was entrusted to PLICL which was newly incorporated with Securities and Exchange Commission of Pakistan (SECP) on 10th March, 2020 under the Companies Act, 2017. The Company was registered as a life insurer under the Insurance Ordinance, 2000 on 26th August, 2020. SECP issued commencement of business certificate to PLICL on 20th January, 2021.

The Report has been finalized in the light of discussions during the DAC meetings held on 17th & 18th January, 2024.

Directorate General Audit, Postal & Telecommunication Services (P&TS), Lahore is responsible to conduct the audit of PPOD & PLICL and their allied formations. This Directorate General has budgetary allocation of Rs 182.920 million for the Audit Year 2023-24 and a human resource of 69 officers/officials. Total man-days available to this office were 17250 out of which 4101 man-days were utilized for the audit of entities related to PPOD and PLICL.

Scope of Audit

This office has mandate to conduct audit of 179 formations of postal sector belonging to PPOD and PLICL under the Ministry of Communications, Islamabad. Total expenditure and receipts of these formations were Rs 23,465 million and Rs 12,630 million respectively for FY 2022-23.

Audit coverage relating to expenditure for the current audit year comprised 55 formations of Ministry of Communications having a total expenditure of Rs 5,573 million. Out of this, an amount of Rs 2,466 million was audited which makes 44.25 % of the total auditable expenditure.

Audit coverage relating to the receipts for the current audit year comprised 55 formations of Ministry of Communications having total receipts of Rs 8,600 million out of which Rs 6,246 million was audited. In terms of percentage, the audit coverage for receipts remained 72.63 % of auditable receipts.

Directorate General Audit P&TS also conducted audit of non-budgeted payments amounting to Rs 204,821 million on account of agency functions performed by the PPOD on behalf of various government departments and private organizations.

In addition to compliance and thematic audit reports, Directorate General Audit P&TS also conducts Financial Attest Audit, Performance Audit and Special Studies. Reports of these audits are being published separately. It is pertinent to mention that Financial Attest Audit for FY 2022-23, previously being conducted by this office, was shifted to DG Audit (Federal Government) from this year onward after transfer of payments of Employee Related Expenditure (ERE) and Non-ERE of PPOD to AGPR.

Recoveries at the Instance of Audit

As a result of audit, recovery of Rs 12,672.184 million was pointed out in this report. Recovery effected from January to December, 2023 was Rs 513.656 million which was verified by Audit.

Audit Methodology

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

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

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

Audit Impact

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

i) PPOD has started depositing postal revenue into FCF with effect from the FY 2022-23.
ii) PPOD deposited the amount of profit earned on Western Union NIDA account into FCF.
iii) The Finance Division, Law & Justice Division and PAC agreed with the audit viewpoint to recover the amount paid by PPOD to PTCL on account of pledged DSCs of subscribers.
iv) After promulgation of new cash management regime, PPOD devised new procedures for agency functions which are pending in the office of Controller General of Accounts for vetting.

Comments on Internal Controls

i) After transfer of major agency functions of saving bank and pension payment, PPOD did not rationalize the human resources; rather PPOD made fresh appointments of 4,252 employees by committing serious irregularities. Similarly, PLICL borrowed more than 700 PPOD employees on deputation who had least role in the insurance business of PLICL. Further, PLICL did not fill important key positions to run the smooth affairs and business of the Company.

ii) The contract and procurement management of PPOD was quite weak which undermined the principle of transparency and fairness.

iii) After implementation of new cash management regime in pursuance of PFM Act, 2019, PPOD did not update its Manuals and Procedures. Similarly, PLICL did not formulate Business Manual due to which the company's insurance business did not flourish and declined by 96%.

iv) After conversion of PPOD from departmental accounting system to SAP system of AGPR, the prevalent procedures for reconciliation were not adopted. Similarly, PLICL did not reconcile its financial and physical assets with PPOD despite formation of Joint Management Team.

v) After discontinuation of LoC, PPOD neither worked out the cash lying in postal treasuries drawn through LoC nor devised mechanism for its deposit into FCF.

vi) Although an Internal Audit Wing exists in PPOD but Internal Audit Manual and Procedures were not prepared to streamline the internal audit functions. Moreover, the postal authorities did not prepare any internal audit report. Similarly, PLICL's internal audit wing did not prepare internal audit report as required under AML/CFT regulations and SECP regulatory framework.

vii) PPOD did not have an adequate mechanism for timely reconciliation of the amounts received for various agency functions.

viii) Manual processing and manual entries in ledgers was a major weakness that could lead to fraud and embezzlement in PPOD & PLICL.

ix) The receivable management of both PPOD and PLICL reflected weaknesses due to which huge receipts were outstanding to be recovered.

x) The pace of compliance of PAC directives in PPOD was very slow. This has resulted in backlog in terms of non-compliance of PAC directives from 1987-2020.

Key Audit Findings:

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

i) Forty (40) cases of fraud, misappropriation, embezzlement, theft and dacoity involving public money of Rs 48.882 million were observed.[1]

ii) Four (04) cases of HR related irregularities amounting to Rs 2,730.176 million were noticed.[2]

iii) Five (05) cases of procurement related irregularities amounting to Rs 3,261.633 million were pointed out.[3]

iv) One (01) case of unauthorized management of accounts with commercial banks involving amount of Rs 20,855.721 million were revealed.[4]

v) One (01) case of value for money amounting to Rs 492.526 million was observed.[5]

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1 Paras 1.4.1
2 Para 1.5.1, 1.5.2 , 2.4.1, 2.4.2
3 Paras 1.5.3, 1.5.4,1.5.5,1.5.6,1.5.7
4 Paras 1.5.8
5 Paras 1.6.1

vi) Eleven (11) cases of recovery amounting to Rs 3,743.912 million were noticed.[6]

vii) Fifteen (15) cases of irregularities under the head - Others amounting to Rs 194,545.154 million were observed.[7]

Recommendations

i) PPOD needs to update and strengthen the internal controls to prevent fraud and embezzlement, besides finalization of disciplinary cases against the responsible(s).

ii) PPOD and PLICL need to ensure compliance with rules, regulations and HR policies during recruitment process.

iii) Adherence to PPRA Rules in procurement of goods and services may be ensured.

iv) Effective steps may be taken to make all loss-making post offices profitable in order to alleviate burden of loss on the department.

v) Instructions issued by Finance Division regarding opening of accounts in commercial banks may be implemented.

vi) Revenue recovery mechanism needs to be made effective so that postal and PLICL dues may be recovered timely from government departments and other organizations.

vii) PPOD requires implementation of the new cash management regime in the light of PFM Act, 2019.

viii) PPOD needs to recover the amount of pledged DSCs of subscribers from PTCL.

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6 Paras 1.7.1, 1.7.2, 1.7.3, 1.7.4, 1.7.5, 1.7.6, 1.7.7, 1.7.8, 1.7.9,1.7.10,2.5.1

7 Paras 1.8.1, 1.8.2, 1.8.3, 1.8.4, 1.8.5, 1.8.6, 1.8.7,1.8.8, 1.8.9, 1.8.10, 1.8.11, 1.8.12, 1.8.13, 2.6.1,2.6.2,2.6.3

SECTORAL ANALYSIS

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

PPOD, regulated under the Post Office Act, 1898, is among the oldest Federal Government departments and falls under the Ministry of Communications, Islamabad. PPOD, boasting a vast network of 10,190 post offices, including 85 GPOs, and employing 38,884 personnel (including extra departmental employees), operates under the autonomous Pakistan Postal Services Management Board (PPSMB).

In the World Bank's Logistic Performance Index (LPI) 2018-19, Pakistan was positioned at 122 out of 160 countries, reflecting its overall logistics performance. However, a vivid improvement was noticed according to the UPU report in 2022, with PPOD advancing seven places in the global ranking, moving from 62 to 55 out of 162 countries. Notably, in 2023, PPOD secured the 5^{th} position among the top 11 best courier companies in the country[8], signifying ongoing progress in its logistics capabilities.

Over the past decade, state-owned postal services globally have undergone significant changes due to technological advancements. The rise of e-commerce has led many countries to undertake market-oriented postal reforms, prompting state-run postal services to enter competitive markets

[8] https://www.unitedsol.net/best-courier-companies-in-pakistan/

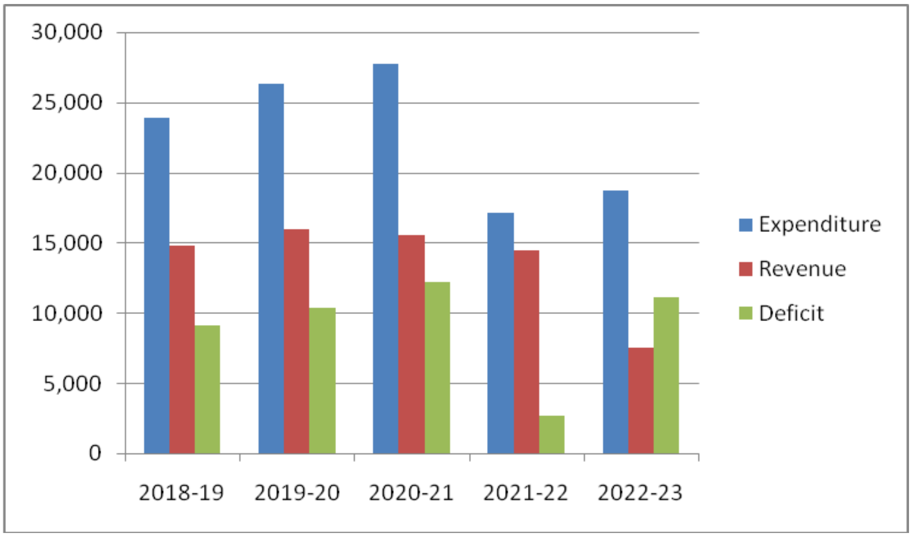
alongside private courier companies. In various nations, the Public-Private Partnership (PPP) model successfully combines public sector infrastructure with private sector efficiencies. Postal market liberalization has created opportunities for private companies to expand their presence in the industry.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

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

(Rs in Million)

Year	Budget	Expenditure	Revenue	Deficit	Percentage of Deficit
2018-19	18,140	23,902	14,767	9,135	38.22%
2019-20	19,587	26,350	15,976	10,373	39.37%
2020-21	21,414	27,741	15,518	12,223	44.06%
2021-22	15,000	17,098	14,433	2,665	15.59%
2022-23	15,719	18,697	7,547	11,150	59.63%

Source: Annual Appropriation Accounts



Source: Annual Appropriation Accounts

The financial health of PPOD is reflected in the table which reveals a significant increase in losses by 334.93%, surging from Rs 2,665 million in FY 2021-22 to Rs 11,591 million in FY 2022-23. This surge was primarily due to the government's decision of transferring the saving bank business to CDNS and shifting of pension payments to commercial banks. In the same period, revenue for FY 2022-23 contracted by 47.71% compared to the previous year, indicating that PPOD management did not effectively pursue new business opportunities to offset operational losses following the transfer of two major agency functions.

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

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

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

PPOD confronts significant challenges in financial reporting, attributed to manual processes and an outdated accounting system. The imperative for swift digitization to streamline customer records and financial transactions is underscored. Notwithstanding substantial investments, mismanagement and inefficiencies have impeded success, resulting in the loss of critical revenue sources such as saving bank and pension payments. Urgent remedial measures are imperative to ensure the fiscal integrity of PPOD.

Another aspect of PPOD operations is its under-utilized resources. PPOD owns precious land at prime locations which can be utilized towards beneficial projects for revenue generation. Moreover, after the implementation of new cash management regime, PPOD had to devise new policies and procedures to be implemented in field formations which were not framed and approved as yet.

PPOD is a public sector enterprise but it operates without commercial orientation. It works as a government department whose expenditure is borne by the Federal Government and its revenue is credited to the Federal Consolidated Fund. PPOD is fully dependent on the Ministry of Finance for its financial operations. However, PPOD has taken certain initiatives to expand its customer base through establishing Digital Franchised Post Offices (DFPOs) to streamline booking and real time tracking. It has also introduced new services like same day delivery of parcels and packets within the city, Electronic Money Order (EMO) and Pakistan Remittance Initiative (PRI) for delivery of international remittances etc. EMS Plus has also been initiated to promote e-commerce and online business in line with modern techniques allowing delivery of parcels weighing up to 30 kg to foreign countries.

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

The life insurance business in Pakistan holds significant potential, driven by factors such as a growing population, increasing awareness of financial protection, and a rising middle class. As individuals become more conscious of the need for financial security, there is a considerable opportunity for life insurance providers to meet this demand. PLICL has human resource of 606 officers/officials. The company has 217,370 polices upto year 2021 which increased to 219,340 at the close of FY 2022. The comparison of income and expenditure for the last two years is as under:

(Rs in Million)

Year	Income	Expenditure	Profit
2021	7,362.123	6,353.937	1,008.186
2022	10,053.417	9,620.980	432.437

Source: PLICLs Annual Accounts 2022

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

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

The company's decision to enlist postal employees on deputation basis, without assessing actual requirements, resulted in an increase in operational expenses. Furthermore, non- introduction of an effective sales structure contributed to a drastic 96% decline in business following the portfolio transfer. Failure to adhere to the approved business plan submitted to the SECP was evident, as no new products were introduced. Moreover, the company faced challenges in resolving asset transfer issues from PPOD despite the holding of five Joint Management Committee (JMT) meetings.

To sum up, the courier and logistics sector in Pakistan is experiencing a rapid transformation, driven by a shift in consumer behavior towards trusting online vendors and engaging in online shopping. It is crucial for PPOD to seize the vast opportunities presented by the booming e-commerce industry and actively compete with emerging goods delivery chains. The advent of digital platforms providing swift parcel delivery services has introduced a new dimension to the parcel delivery landscape. Utilizing vast network of post offices and operational fleet, PPOD may capture a considerable market share in the realm of electronic commerce. Furthermore, there exists a strategic prospect for PPOD to revitalize its primary business emphasis on the delivery of mail and parcels, offering substantial potential for generating future revenue. PPOD faces multifaceted challenges encompassing financial losses, regulatory gaps, and operational inefficiencies. Urgent interventions are needed, including diversifying revenue streams, pursuing new business opportunities, and implementing a comprehensive Enterprise Resource Planning (ERP) system for streamlined operations. Leveraging its extensive infrastructure, addressing under-utilized resources, and strategically tapping into the e-commerce market can propel PPOD toward revival and competitiveness. Commitment to transparency, efficiency, and innovation is crucial for PPOD to navigate the dynamic postal landscape and realize its growth potential.

Similarly, PLICL has a greater potential to penetrate into the business insurance sector owing to the rise in population, income increase and its access to the people in remote areas due to its strategic alliance with PPOD. However, it has certain major challenges to overcome such as financial constraints, declining business trends, hiring and engaging of professional personnel to conduct the insurance business, run smooth official affairs and make prudent decisions for the company.

MINISTRY OF COMMUNICATIONS

PAKISTAN POST OFFICE DEPARTMENT

Chapter-1

Pakistan Post Office Department

1.1 Introduction

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

PPOD was established as a service department under the Post Office Act, 1898. The department is headed by the Director General who is also Chairperson of the Pakistan Postal Services Management Board. The department consists of 09 Circles, each headed by a Postmaster General, based at Quetta, Karachi, Hyderabad, Multan, Lahore, Rawalpindi, Islamabad, Peshawar and Muzaffarabad. With a remarkable physical footprint, the PPOD boasts a network of 10,190 post offices, including 85 General Post Offices (GPOs) strategically managed by a workforce of 38,884 employees, including both regular and extra-departmental personnel. This extensive network ensures that the services provided by the PPOD reach urban centers and remote regions alike, making it a ubiquitous presence throughout the country.

The core functions of the Pakistan Post Office are diverse and expansive, encompassing both domestic and international postal services, as well as facilitating money orders. Beyond traditional postal activities, the PPOD operates as an agency on behalf of the Federal and Provincial Governments, undertaking essential tasks such as the collection of utility bills, payment of military pensions, tax collection, and managing Western

Union transactions. The department is also entrusted with the secure delivery of crucial identification documents, including NADRA ID cards and passports. In addition to these functions, National Security Printing Corporation (NSPC), Karachi prints all types of postal stamps and revenue documents and Chief Controller of Stamps (CCS), Karachi supplies these documents/stamps to all postal formations. This multifaceted approach underscores the PPOD's commitment to providing comprehensive services that address the varied requirements of its extensive clientele.

B. Comments on Budget and Accounts

i) PPOD incurred an expenditure of Rs 11,989.066 million under the heads of account A011- 2: Pay of other Staff and A012-1: Regular Allowances, against authorized amount of Rs 9,723.037 million under Grant No. 26 (PPOD) which resulted in excess expenditure of Rs 2,266.028 million during FY 2022-23.

ii) An amount of Rs 6,592.562 million was reflected as cash with postmasters on the asset side of the balance sheet of PPOD. After discontinuation of LoC and introduction of Treasury Single Account (TSA) System, retention of cash by the post offices was unjustified; thereby overstating the PPOD’s accounts.

iii) An amount of Rs 111,592.420 million was disbursed on account of military pension through budget head - F01126 against released budget of Rs 154,480.094 million which resulted in unauthorized retention of Rs 42,887.673 million.

iv) An expenditure of Rs 12,634.249 million incurred under the head - A01: Employee Related Expenses in Grant No.26 was not reconciled with Director Accounts, PPO, Lahore on monthly basis.

v) PPOD is performing various agency functions on behalf of different government departments and other organizations but the accounting procedures of these agency functions were not approved from the Auditor-General of Pakistan. Therefore, the completeness and reliability of the receipts and payments could not be authenticated.

vi) PPOD did not timely surrender savings of Rs 34.331 million under heads of account - A03: Operating Expenses, A04: Employees Retirement Benefits, A05: Grants, Subsidies, Write Off Loans & Advances and A13: Repair & Maintenance under Grant No.26 to the Finance Division due to which the funds got lapsed.

Table-1 Audit Profile of Pakistan Post Office Department

(Rs in Million)

Sl. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	127	52	1,846.036	5,193.487

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 222,066.888 million were raised in this report during the current audit of the Pakistan Post Office Department. This amount also includes recoveries of Rs 2,822.614 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

Sl. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	48.882
2.	Irregularities (A+B+C)	**25,882.150**
A	HR/Employees related irregularities	1,764.800
B	Procurement related irregularities	3,261.633
C	Management of Accounts with Commercial Banks	20,855.721
3.	Value for money and service delivery issues	492.526
4.	Receivables	2,822.614
5.	Other Irregularities	192,820.712
	Total	**222,066.888**

1.3 Status of Compliance with PAC Directives

Following table shows the compliance s tatus of PAC directives.

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

34	1999-2000 (SAR-120)	10	10	0	10	0	0
35	1999-2000 (SAR-123)	7	7	3	4	0	43
36	2000-01 (SAR- 170)	52	52	37	15	0	71

* Special Audit Report
**Special Study Report

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

AUDIT PARAS

AUDIT PARAS

1.4 Cases of fraud, embezzlement and misappropriation

1.4.1 Loss due to theft & misappropriation - Rs 48.882 million

According to Para 238 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 the inspection by him. Further, Rule 23 of Serial No.7, Appendix-2 of GFR Vol-I describes that 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.

In twelve (12) formations of PPOD under the Ministry of Communications, Islamabad the management detected 24 cases of fraud, misappropriation and embezzlement of government money in utility bills collection, value payable articles, pension payments and cash etc. and 16 cases of dacoity involving total amount of Rs 51,282,475 during FY 2022-23 as detailed in Annexure-III.

Audit observed that the PPOD management failed to recover the objected amount from the culprits. Further, disciplinary proceedings against the culprits as well as the negligent officers/officials were also not finalized despite lapse of considerable period.

Audit contends that non-recovery of the embezzled/ misappropriated amount and non-conclusion of disciplinary proceedings against the culprits and negligent officers/officials raised serious concerns about across the board accountability and adherence to procedures, which reflected weakness of the internal controls and indifferent attitude of the management in finalizing the fraud cases.

The matter was reported to the management and PAO during August to December, 2023. It was replied that an amount of Rs 2,405,403 had been recovered and efforts were underway to recover the remaining amount. During verification, the said amount was verified, leaving an outstanding balance of Rs 48,882,072. The amount of the para was accordingly reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to finalize the inquiry at the earliest, take disciplinary action, pursue the cases with Police/FIA, fix responsibility, effect recovery and record in terms of the recovered amount be provided for verification. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19 to 2022-23 vide para(s) number 3.1.1, 1.4.1 to 1.5.7, 1.4.1 to 1.4.3, 1.4.1 to 1.4.3 & 1.4.1 to 1.4.5 respectively having financial impact of Rs 2,990.67 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 152)

1.5 Irregularities

A. HR/Employees related irregularities

1.5.1 Unjustified payments against illegal recruitments - Rs 1,764.80 million

According to Establishment Division's letter dated 26th July, 2022, the appointing authority of the concerned Ministry/ Division/Department/Organizations shall ensure completion of all procedures and codal requirements in letter & spirit in line with the recruitment policy while making recruitment and will be held responsible for illegality, if any. Moreover, according to Cabinet Committee instructions circulated vide case No. CCIR-17/7/21 dated 18th March, 2021 regarding re-organizing the Federal Government proposal and abolition of posts, all Ministry/Division shall abolish posts in BPS-1 to BPS-15 that have remained vacant for more than one year. However, the posts to be abolished will not include posts that are vacant due to transfer/posting and positions meant for promotion. Moreover, the posts where recruitment process is already under process shall also be exempted till finalization of the process.

DG PPOD under the Ministry of Communications, Islamabad forwarded two summaries to Establishment Division for grant of No Objection Certificate for recruitment in PPOD through Ministry of Communication on 7th and 22nd July, 2022 on the ground that 3938 posts (BPS-01 to 15) out of 28995 total sanctioned posts were lying vacant and the Department was facing problems to handle its operations. Resultantly, Establishment Division allowed PPOD to make recruitments against the vacant posts.

Audit examined the relevant record and observed that:

i) After transfer of saving bank accounts and certificates to CDNS and military pension on Direct Credit System, PPOD was required to rationalize the working strength keeping in view the volume of work to minimize the ERE. Instead, PPOD made new appointments and would incur an operational cost of Rs 19,436.56 million during FY 2023-24 as compared to the operational cost of Rs 17,671.760 million incurred during FY 2022-23.

ii) Finance Division vide its letter dated 30th September, 2022 directed PPOD to submit the funds availability status so as to ensure provision of employees related expenditure for the new appointments, as Finance Division was not in a position to allocate additional funds due to prevailing financial crunch but no such detail was shared with Finance Division and the recruitments were made.

iii) Establishment Division allowed PPOD to fill in 3938 posts of BPS-1 to 15, whereas recruitment was made against 4252 posts; thereby causing excess recruitment of 314 posts.

iv) The Establishment Division issued NOC on 22nd July, 2022 with validity period of six months which was extended twice for two months each on 16th November, 2022 and 14th February, 2023. The validity period of NOC expired in May, 2023, whereas the process of recruitment was completed in July, 2023.

v) In addition, the Secretary, Ministry of Communications abolished 2646 posts lying vacant in PPOD vide letter dated 16th June, 2021 in compliance to Cabinet Committee's above stated instructions. PPOD also filled in the positions against the abolished posts in blatant violation of the Cabinet Committee's instructions and abolition orders of Secretary, MoC.

Audit contends that, as a consequence of non-adherence to recruitment rules, No Objection Certificate of Establishment Division and instructions of Finance Division and Cabinet Committee, PPOD made irregular excess appointments of 314 employees, besides appointments against the abolished posts; thereby affecting the fiscal position of the PPOD.

The matter was reported to the management and PAO during October to November, 2023. It was replied that (i) staff was engaged to complete the process of transferring of accounts to CDNS whereas PPOD is still disbursing pension in 56 GPOs. (ii) the case for grant of funds on new recruitments was taken up with the Finance Division through MoC. (iii) the Establishment Division issued two NOCs for recruitment in different cadres against 3937 posts plus remaining vacant posts. In the light of provision contained in the NOC, some new posts reported by the Circle offices were included in the advertisement (iv) the maximum time of NOC and extensions was consumed by the stay order of Peshawar High Court, therefore, the process was not completed within stipulated time (v) PPOD had sanctioned strength of 31635 as per annual report of 2019-20 and 2646 posts were abolished leaving the sanctioned strength to 28081 as mentioned in PPOD annual report 2021-22.

. The reply is not tenable as transfer of saving bank accounts to CDNS and conversion of pension to DCS in 29 GPOs had been completed. The query of Finance Division regarding expenditure on pay and allowances was not addressed. The word "plus" was not included in both NOCs granted by the Establishment Division. Audit contention regarding delay in recruitment process was accepted by the management. No record regarding abolished posts was provided during verification.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to conduct inquiry and fix responsibility on those held responsible. Appointments made in excess of NOC issued by the Establishment Division as well as expenditure on account of pay & allowances be got regularized from competent forums under intimation to Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 04)

1.5.2 Irregular appointments of staff

According to the instructions contained in Para 1.1 (xvii) of Chapter 3 of Esta Code, the appointing authority of the concerned Ministry/ Division / Department/ Organization shall ensure completion of all the procedural & codal requirements in letter & spirit in line with the Recruitment Policy while making recruitments and will be held responsible for illegality, if any. Moreover, Para 236 (1) & (2) of Post Office Manual Vol. IV stipulates that no vacancy will be offered to any candidate on the waiting list after all the vacancies advertised in the press have been filled in fully.

PPOD under the Ministry of Communications, Islamabad made fresh appointments in BPS 1 to 15 under different cadres during FY 2022-23 as detailed in Annexure-IV.

Audit examined the relevant record in twenty-four (24) formations of PPOD and observed that:

i) All the appointments were made without hiring the services of testing agency and conducting of centralized screening test.

ii) 255 officials were recruited in excess of the posts advertised in the press and without NOC from the Establishment Division. These posts were got vacated through temporary transfer of employees to other units and the fresh appointees were adjusted against the promotion quota. The transferred employees held liens in their parent offices but fresh recruitments from waiting list were made against these posts. Thus, two persons were appointed against the same post.

iii) The prescribed quota of women, ex-service men, disability and minorities etc. was also not observed during recruitment process.

iv) Appointments of drivers in excess of prescribed age limit and without availability of valid driving licenses were made. Similarly, typing speed of LDCs was less than the prescribed limit of 30 words per minute. In some cases, typing test record was not provided.

Audit contends that appointments of employees over & above the sanctioned posts, without obtaining the required NOC from the Establishment Division and non-observance of prescribed quota represents of violation of recruitment rules & procedures.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the process of short listing through testing agencies was discontinued after Islamabad High Court Judgement. Further, as per clause 13 of the advertisement, the competent authority reserves the right to cancel recruitment process, increase/ decrease the number of posts as per recruitment against any post at any stage without assigning any reason. Furthermore, all the quota were fully observed like ladies, ex-servicemen, disable and minorities etc.

The reply is not tenable as (i) decision of Islamabad High Court was not provided (ii) the recruitment of excess posts was made without NOC from the Establishment Division (iii) audit possesses sufficient evidences for non-observance of prescribed quota.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. DAC directed the management to conduct inquiry, fix responsibility on those held responsible. Appointments made in excess of NOC issued by the Establishment Division as well as expenditure on account of pay & allowances be got regularized from competent forums under intimation Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 157)

B. Procurement related irregularities

1.5.3 Irregular award of contracts to courier companies – Rs 2,868.390 million

According to Rule 18 of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, "prior consultation with Finance Division shall be made while initiating legislative proposals having financial implications, relating to establishment of funds, revenue, cess, levy, fee, deductions, remissions and agreements". Further, PPSMB in its 44th meeting held on 7th August, 2019, had approved the EMS Plus and foreign Parcel's Tariff by adding profit @ 20% of total cost (instead of 10% as proposed) applicable from 1st January, 2019.

The Prime Minister of Pakistan directed all the government departments, as conveyed by Cabinet Division vide its letters dated 20th March, 2018 and 10th April, 2019, to avail the services of Pakistan Post for mailing their domestic and international correspondence to boost up its revenue. Instead of leveraging its substantial workforce, healthy infrastructure and expertise to render these services internally, PPOD outsourced the mailing services to four private companies, namely, M/s. Focus Technology, DHL, Universal Logistics Services, and FedEx Express on 1st April, 2022. Each company offered its rate in dollars for booking of EMS plus articles at postal counters. A payment of Rs. 2,868,389,781 was made to these companies during FY 2022-23.

Audit examined the procurement record and observed that:

i) Agreements with private companies were executed without prior consultation with the Finance Division, as it had financial implications.

ii) Payments to courier companies were made from the postal receipts instead of the regular budget head - A03919-4: Payment to Others for Services Rendered. It is pertinent to mention that prior to FY 2019-20, payments to courier companies would be made from the aforementioned regular budget head.

iii) PPOD's share was calculated Rs 186,982,673 instead of due share of Rs 228,85,883 @ 20%. Thus, an amount of Rs 41,103,210 was less calculated and realized during FY 2022-23 in violation of the decision of the PPSMB.

iv) The amount of service charges was deposited into postal accounts instead of crediting to the Federal Consolidated Fund.

Audit contends that outsourcing the core postal services to private companies by PPOD, despite having substantial infrastructure, workforce and heavy investments of Rs 346.864 million during the last five years in Express Mail Track and Trace System (EMTTS) being requirement of Universal Postal Union, reflects the failure of the management to deliver and accomplish the objectives envisioned by the Prime Minister of Pakistan.

The matter was reported to the management and PAO during October to November, 2023. It was replied that PPOD did not outsource its core function and EMS Plus service was launched with the approval of the executive committee of the Board. As no budget was involved in EMS Plus service, therefore, approval of Finance Division was not obtained. Further, the service charges of PPOD on EMS Plus were required to be calculated on balance amount after deduction of GST @ 15% whereas Audit has calculated the share of PPOD on total collection (including GST).

The reply is not tenable as (i) EMS Plus service was launched without the concurrence of Finance Division (ii) Payment to courier companies was made from revenue of the department instead of regular budget (iii) Service charges of PPOD were not realized according to prescribed formula.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to refer the case to Finance Division keeping in view the audit observations. It further directed to provide record regarding realization of service charges at prescribed rates to audit for verification. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 02 & 21)

1.5.4 Irregular procurement of printing from Pakistan Post Foundation - Rs 155.252 million

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

Eight (08) formations of PPOD under the Ministry of Communications, Islamabad got incurred an expenditure of Rs 155,251,711 on account of printing of stationery and forms from M/s Pakistan Post Foundation (PPF) during FY 2022-23. Detail is as under:

Sl. No.	Item No	Formations	Amount (Rs)
01	03	PMG Islamabad	7,249,598
02	10	PMG Lahore	58,688,789
03	11	PMG Rawalpindi	29,475,000
04	04	PMG Peshawar	14,728,058
05	05	PMG Quetta	763,800
06	01	PMG Hyderabad	7,270,826
07	04	CCS Karachi	25,934,600
08	05	PMG Karachi	11,141,040
Total			**155,251,711**

Audit observed that printing of stationery and forms was carried out through M/s PPF without obtaining rates from M/s PCP in violation of

ECC's instructions. Further, PPOD also failed to place the issue of printing from PPF before ECC in its next meeting as required under the ECC's instructions.

Audit contends that non-compliance with ECC's decisions and non-adherence to procurement rules deprived PPOD of competitive rates. In fact, PPOD entered into direct contracting with M/s PPF in violation of PPRA rules.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the case was taken up with ECC through Ministry of Communication on 25th October, 2023.

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

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to pursue the case with ECC for re-consideration in the light of PPRA rules, 2004. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) and MFDAC Report for Audit Year(s) 2020-21, 2021-22 & 2022-23 vide para(s) number 1.5.1,1.5.2 & 44 respectively having financial impact of Rs 299.148 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 76)

1.5.5 Irregular award of procurement contract to M/s. KPMG – Rs 89.100 million

According to Rule 28 of Public Procurement Rules, 2004, "the date of opening of bids and the last date for the submission of bids shall be the same. Bids shall be opened at the time specified in the bidding documents.

The bids shall be opened at least thirty minutes after the deadline for submission of bids".

DG PPOD under the Ministry of Communications, Islamabad hired the services of M/s. KPMG Taseer Hadi & Company as transaction advisor for conducting feasibility study for up-gradation/revamping/re-engineering of Pakistan Postal Logistics express and mail business on Public Private Partnership (P3) basis. The agreement was signed on 1st January, 2022 at a cost of Rs 89,100,000 with completion period of 40 weeks in four phases.

Audit examined the relevant record and observed that:

i) As per advertisement, the last date for submission and opening of bids was 6th May, 2021, whereas technical proposals of the bidders were opened on 26th May, 2021.
ii) As per vetted agreement by Law Division, 35% payment of the total contractual amount was to be paid to Transaction Advisor in phase-I, whereas in signed agreement this amount was enhanced to 45% by altering the vetted agreement.
iii) The timeframe given to the Transaction Advisor for completion of the job was also altered from 12 weeks to 16 weeks.
iv) The Transaction Advisor did not complete the feasibility study within 40 weeks and applied for 9-months extension in contract. No penalty clause was included in the agreement to safeguard the public interest as the Transactional Advisor failed to accomplish deliverables within the given timelines.

Audit contends that deviation from the PPRA rules undermined the principle of transparency and fairness. The alteration in the contract clauses damaged the trust and credibility of the department. Audit further maintains that non-completion of feasibility study within stipulated time would result in time and cost overruns of the project.

The matter was reported to the management and PAO during October to November, 2023. It was replied that (i) the bids were opened on 6th May, 2021 and signature of tender committee were available on each envelope (ii) KPMG did not agree on 35% payment in first phase, therefore, draft agreement with 45% payment in first phase was again sent to Law Division which was vetted (iii) as regard enhancement of overall completion period, 40 weeks time was not changed (iv) in order to complete the pending deliverables by the KPMG, 31 weeks extension was given.

The reply is not satisfactory and hence not acceptable as the technical evaluation committee was constituted on 18th May, 2021, therefore, question of signature of tender committee on bid envelopes on 6th May, 2021 did not arise. Further, documentary evidence in support of alteration in terms and conditions of payment as well as completion period within 40 weeks duly vetted by the Law Division were not provided. Moreover, no penalty clause was included in the agreement for delay completion of work.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed to conduct a fact-finding inquiry by CF&AO of Ministry of Communications within 15 days and submit its report to PAO and Audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 27)

1.5.6 Irregular procurement of goods and services-Rs 56.314 million

According to Rule 12(2) of Public Procurement Rules, 2004, “all procurement opportunities over three million Pakistani rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dallies, one in English and the other in Urdu”. Rules 9 ibid further stipulates that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Further, according to Para 441 of Post Office Manual Vol-II, PMG was competent to make temporary arrangement for conveyance of mail for three months provided that the amount of subsidy is not more than that paid to the previous contractor.

Seven (07) formations of PPOD under the Ministry of Communications, Islamabad made different procurements/agreements for printing work, conveyance of mail, hiring of security companies and made payments to the vendors worth Rs 56,313,662 during the FY 2022-23 as detailed in Annexure-V.

Audit examined the relevant record and observed that:

i) Three (03) formations made procurements without calling open tenders and in splitting manners to avoid the tendering process and sanction of the next higher authority.
ii) PMG Multan awarded the contracts for conveyance of mail on five mail lines to M/s PPF @ Rs 31.35, Rs 32.79, Rs 27.13, Rs 26.45 and Rs 28.67. PPF discontinued the services for SME w.e.f 11th December, 2022 and temporarily the contracts on these mail lines were awarded to M/s Al-Rehman Transport, Lahore @ Rs 95 per KM in violation of the above codal provisions.
iii) PMG Karachi awarded the procurement contract to the 3rd lowest bidder M/s Shaheen Janitorial Services, Karachi.
iv) PMG Muzaffarabad floated tenders for hiring security services for one year but the contract was signed for three years in violation of tender documents.
v) CCS Karachi awarded the procurement contract without advertisement in two national dailies.

Audit contends that bypassing open tendering processes, splitting of procurements, and awarding of contracts to the highest bidders indicate a risk of favoritism, reduced competition and potential financial inefficiencies. Besides, violations in advertising tender notices in national dailies compromise transparency and impact the effective and efficient use of public funds.

The matter was reported to the management and PAO during September to December, 2023. PMG Lahore replied that tender for conveyance of mail could not be made due to non-availability of mail. PMG Multan replied that due to shortage of time and non-receipt of funds under relevant head, emergent arrangements were made without calling tenders. Besides, PPF discontinued the service due to non-payment, therefore, temporary arrangements were made for conveyance of mail. PMG Karachi replied that initial tender was awarded to lowest bidder but due to un-satisfactory performance of vendor, contract was terminated and was awarded to 3rd lowest bidder as the 2nd lowest bidder was disqualified. CCS Karachi replied that tenders for transportation of parcels and stamp boxes were advertised in the print media, whereas in another case the procurement was made on need basis. PMG Muzaffarabad replied that at the time of advertisement, period of contract was correctly mentioned as one year but erroneously written in contract as three years.

The reply is not tenable as the procurements were made in violation of PPRA rules.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to inquire the matter, fix responsibility on those found responsible(s) under intimation to audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19, 2019-20, 2021-22 & 2022-23 vide para(s) number 3.2.9, 1.6.7, 1.5.2 & 1.5.3 respectively having financial impact of Rs 225.427 million. Recurrence of same irregularity is a matter of serious concern.

(DPs No. 156, 175)

1.5.7 Illegal award of service contract to M/s. PPF-Rs 51.474 million

According to Rule 12 of Public Procurement Rules, 2004, "all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu". Further, Article 21 & 40(C)(2) of PFM Act, 2019 require that all Ministries and Divisions, their attached departments and subordinate offices and all public entities if so, required by their statutes, shall arrange remittances in the FCF without delay. Moreover, according to Clause 7 of the agreement between PPOD and M/s PPF, the Institutional Franchised Postmaster shall maintain out of his own capital and initially credit an amount of rupees twenty-five thousand (Rs 25,000) as prepaid advance at 16 designated GPOs of the Circles/Regions.

M/s PPF was enlisted as Institutional Franchised Postmaster vide agency No IFPO-1-001 for booking of national and international mails. An agreement between PPOD and M/s. PPF was executed for establishment of 1000 Institutional Franchised Post Offices (IFPO) throughout the country on 7th February, 2020.

Audit examined the relevant record and observed that:

i) M/s. PPF was enlisted with PPOD as Institutional Franchised Postmaster without inviting open tenders.
ii) DG PPOD executed illegal contract and allowed M/s PPF to deduct an amount of Rs 30,699,358 as commission and Rs 222,102 as incentive from the revenue of the PPOD in violation of PFM Act.
iii) 831 x Institutional Franchise Postmasters deposited Rs 25,000 each with M/s. PPF instead of 16 designated GPOs under the control of PPOD. It is worthy to mention that M/s PPF did not deposit the collected amount of pre-paid advance amounting to Rs 20,775,000 to PPOD.

iv) The agreement made with M/s. PPF was not vetted by the Law & Justice Division and was returned to MoC with the request to confirm that requirements of PPRA rules or Public Private Partnership Authority Act were not applicable to the contract or otherwise. The query was not addressed by the PPOD.

Audit maintains that the situation highlights a significant lapse in compliance with Public Procurement Pules and contract management which leads legal consequences for those responsible for the agreement.

The matter was reported to the management and PAO during September to December, 2023. It was replied that (i) the accounting procedures have been revised in line with the postpaid pattern instead of deducting commission at source and would be implemented after signing of the addendum agreement with M/s PPF. (ii) the maintenance of prepaid account at GPO for collection of prepaid advance was not possible due to non-digitalization of postal and account services at GPO, therefore, this account was now maintained at PPF Headquarters. (iii) the current agreement was revised and furnished to Law & Justice Division for vetting which pointed out some observations therein. In compliance of these observations, addendum agreement was drafted and being executed. (iv) M/s PPF was registered as IFPO in accordance with existing scheme duly approved by PPSMB.

The reply is not tenable as PPOD made agreement with PPF without considering the advice of committee who suggested that there was no provision in rules to deduct commission from revenue and advised to seek approval of the competent authority before launching of scheme. PPOD did not realize prepaid advance in contravention of the contract clause. The revised agreement was not vetted by Law & Justice Division, rather, it raised queries regarding execution of contract without observance of PPRA rules & Public Private Partnership Act which was not addressed by PPOD as yet. Further, the existing franchise scheme was introduced for individuals, whereas PPF being an organization did not fall under this scheme.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to submit revised reply in the light of audit observation up to 28th January, 2024. No further progress was intimated till finalization of this report.

Audit recommends that the matter be inquired to fix responsibility against those at fault(s). Audit further recommends that the agreement made with M/s. PPF be reviewed and vetted from the Law & Justice Division under intimation to audit.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 & 2022-23 vide para numbers 1.6.2 & 1.8.13 respectively having financial impact of Rs 93.639 million. Recurrence of same irregularity is a matter of serious concern.

(DPs No. 11, 26, 38)

C Management of Accounts with Commercial Banks

1.5.8 Unauthorized opening of accounts in National Bank of Pakistan-Rs 20,855.721 million

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

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

Audit examined the record of banking matters and revealed that DG PPOD under the Ministry of Communications opened two more accounts in National Bank of Pakistan without the authorization of Finance Division wherein debit and credit entries of Rs 20,855.721 million were made, details of which are as under:

(Rs in Million)

Description	Title of Accounts	Debit	Credit	Total
Western Union Account	3181169352-National Income Daily Account (profitable)	5978.430	6136.777	12,115.207
Money Order Account	417937-2126-Current Account	4,252.896	4,487.618	8,740.514
Total		**10,231.326**	**10,624.395**	**20,855.721**

Source: Bank Statements

Audit contends that PPOD did not comply with the provision of PFM Act, 2019 and violated the instructions of Finance Division for keeping the public money in the single treasury account.

The matter was reported to the management and PAO during October to November, 2023. It was replied that PPOD performed more than one agency functions and had several agency partners. The funds were provided by Western Union rather than the Government of Pakistan as per Section 4(4) of Treasury Single Account Rules, 2020. The opening of WU account in NBP did not violate the rules of GoP as the PFM Act was applicable to public money only; therefore, there was no legal binding to obtain ex-post facto approval of Finance Division.

The reply is not tenable as the Western Union is one of the agency functions performed by PPOD on commission basis for which Finance Division had already allowed opening of commercial bank account (PPOD-I). Moreover, stance of PPOD regarding opening of separate money order account was not provided.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management that case regarding opening of accounts for Western Union & Money Orders be referred to the Finance Division for getting approval under intimation to audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 01)

1.6 Value for Money and Service Delivery Issues

1.6.1 Recurring loss due to retention of un-remunerative post offices – Rs 492.526 million

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

PPOD under the Ministry of Communications, Islamabad opened 8,989 sub-offices and EDBOs throughout the country for provision of postal services to the general public, out of which some post offices were opened on the guarantee of the district government and general public.

Audit examined the record of thirty-nine (39) formations of PPOD on test check basis and observed that the department sustained a loss of Rs 492,583,476 during FY 2022-23 due to retention of 1,160 un-remunerative post offices under the administrative jurisdiction of respective Divisional Superintendents. Further, 51 guaranteed post offices were running in loss against which an amount of Rs 24,858,359 was not recovered from the guarantors.

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

The matter was pointed out to the management during August to December 2023. It was replied that an amount of Rs 57,000 had been recovered from guarantors and efforts were underway to recover the remaining amount. During verification, the said amount was verified leaving, an outstanding balance of Rs 492,526,476. The amount of the para was accordingly reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to devise a strategy for making the un-remunerative post offices as profitable, besides recovery of loss from the guarantors of post offices under intimation to audit. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21 and 2022-23 vide para number 1.8.4 and 1.8.6 having financial impact of Rs 626.700 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 121)

1.7 Receivables

1.7.1 Non-recovery of penalties – Rs 661.788 million

According to Para 8 of agreement executed between PPOD and PPF on 07.02.2020, the Institutional Franchise Postmaster shall keep full and proper books of accounts electronically or manually showing neatly and clearly all transactions, following the prescribed procedure relating to maintenance of accounts correctly and shall remit regularly at its own expenses all money, due to Pakistan Post on very next working day from the transaction at the prescribed hours. In case failure/delay to deposit on the next day all moneys and cash received on account of booking of articles, a penalty equal to the amount due shall be levied per day of default and recovered from the Institutional Franchise Postmaster.

PPOD under the Ministry of Communications, Islamabad made agreements with M/s PPF for opening of 1000 Institutional Franchise Post

Offices (IFPOs) and different service providers for supplies, printing, transportation of mail and hiring of services of security guards as detailed in Annexure- VI. Accordingly, penalty clauses were incorporated in the agreements for non-completion of tasks within given timeframe.

Audit examined the relevant record and observed that:

i) M/s PPF did not deposit the cash receipt with PPOD on next day of collection as per terms & conditions of agreement. The said cash was deposited with a delay of 1 to 36 days but penalty amounting to Rs. 655,465,875 (sale amount Rs 32,868,932) was neither imposed nor recovered by the PMG Lahore.

ii) In five (05) formations of PPOD, the service providers failed to complete the given tasks within stipulated period but penalty amounting to Rs 6,343,810 was neither imposed nor recovered.

Audit is of the view that failure to impose and recover the penalty for the delayed deposit of cash, non-completion of tasks within stipulated timeframe indicates financial indiscipline and weak contract management within the PPOD.

The matter was reported to the management and PAO during September to December, 2023. It was replied that (i) revised agreement, accounting procedure and division of payment mechanism was underway with M/s PPF (ii) an amount of Rs 21,194 had been recovered and efforts were underway to recover the remaining amount. During verification, the recovered amount was verified, leaving an outstanding balance of Rs 661,788,491. The amount of the para was accordingly reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to finalize the revised agreement within one month and get it vetted from Law & Justice Division. It further directed to recover the due amount of penalty up to

15th February, 2024 and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DPs No. 41 & 150)

1.7.2 Non-recovery of printing and establishment charges – Rs 467.679 million

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

Chief Controller of Stamps Karachi got printing of all types of non-postal stamps from National Security Printing Corporation (NSPC) on behalf of various departments of Federal & Provincial Governments and raised the debit bills of printing and establishment cost for recovery from concerned organizations.

Audit observed that Chief Controller of Stamps, Karachi did not recover printing and establishment charges of Rs 531,072,125 from various departments of Federal and Provincial Governments during FY 2022-23.

Audit contends that failure to recover printing and establishment charges raises serious concerns regarding financial oversight and adherence to rules. This lapse not only compromises the timely collection of Government dues but also poses a risk to financial discipline and accountability.

The matter was reported to the management and PAO from September to December, 2023. It was replied that an amount of Rs 63,393,334 had been recovered and efforts were underway to recover the remaining amount. During verification, the recovered amount was verified, leaving an outstanding balance of Rs 467,678,791. The amount of the para was accordingly reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to recover the remaining amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DPs Nos.178 & 180)

1.7.3 Non-recovery of rent, pension contribution and postage charges from M/s PLICL – Rs 455.699 million

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

A Strategic Alliance Agreement was signed between Pakistan Post Office Department and Postal Life Insurance Company Limited on 1st July, 2021. As per agreement, PPOD will provide support to PLICL for the use of physical assets, manpower resources and any other facilities as may be necessary during transition phase.

Audit examined the relevant record for the FY 2022-23 and observed that:

i) 120 official and residential accommodations of PPOD were being utilized by the PLICL under different Circles of PPOD without executing lease agreements due to which rent amounting to Rs 148,584,096 could not be realized from PLICL.
ii) 512 employees of PPOD were on deputation to PLICL but their pension contributions amounting to Rs 88,865,760 was not received from PLICL.

iii) PPOD did not recover postage charges of Rs 218,249,999 from PLICL for transmission of mail after the portfolio transfer. The postage charges were worked out on the basis of management cost of PLI for the FY 2020-21.

The matter was reported to the management and PAO from October, to November, 2023. It was replied that a draft agreement was sent to PLICL for signature and recovery of rent. Further, all PMGs had been directed to recover the outstanding postage charges.

The management partially accepted the audit contention; however, the lease agreement was not finalized despite lapse of three years due to which the rent could not be realized. Further, no reply could be furnished for recovery of pension contribution.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to finalize the lease agreement with PLICL within 15 days. It further directed to recover the amount of postage charges and pension contributions from PLICL and get it verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 & 2022-23 vide para(s) number 1.7.2 & 1.7.3 respectively having financial impact of Rs 442.129 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 20)

1.7.4 Non-deduction of taxes at source – Rs 465.424 million

According to Section 153(1)(b) of Income Tax Ordinance 2001, income tax @ 3% of the gross amount payable was required to be deducted from vendors in the case of transport services, freight forwarding services, air cargo services and courier services etc. Further, according to

Serial No. 32 of second schedule of the Sales Tax on Services Ordinance relating to Islamabad Capital Territory, 15% sales tax on services was required to be deducted from vendors for provision of transportation through pipeline and conduit services.

PPOD under the Ministry of Communications, Islamabad made payments to different contractors, vendors, saving bank account holders and deducted taxes on behalf of FBR and provincial sales tax authorities.

Audit observed that nine (09) formations of PPOD did not deduct income tax, education cess on income tax and provincial sales tax on services amounting to Rs 465,423,668 during FY 2022-23. The detail is as under:

Sl. No.	**PDP No**	**Name of Formation**	**Description**	**Amount (Rs)**
1	10-24	DG PPO, Islamabad	Non-deduction of income tax at source	91,397,343
2	22-24	DG PPO, Islamabad	Non-deduction of provincial sales tax on services	367,789,976
3	123-24	PMGs Rawalpindi, Quetta, Karachi & GPOs Karachi, Bahawalnagar, Mirpur AJK & Gulshan e Iqbal, Karachi	Non-deduction of Income Tax/GST	1,818,191
4	199-24	PMG AJK, Muzaffarabad	Non-deduction of Education Cess on Income Tax	4,418,158
Total				**465,423,668**

Audit opines that non-deduction of taxes at prescribed rates from contractors, vendors and saving bank account holders represent a potential tax liability for the PPOD and can result in penalties and interest charges for non-compliance with tax regulations.

The matter was reported to the management and PAO during August to December, 2023. It was replied that Income Tax and Sales Tax for the FY 2020-21 and FY 2021-22 were transferred to FBR by the courier companies, whereas the Punjab Sales Tax on Services Act, 2012 was not applicable on services rendered by M/s PPF. Further, the case has been taken up with FBR for refund of education cess. In other cases, it was replied that the amount of tax would be deducted.

The reply is not tenable as documentary evidence in support of deduction and transfer of taxes from the payments made to courier companies and exemption for non-deduction of taxes from PPF were not provided during verification.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to provide documentary evidence regarding deduction and transfer of income/sales tax to FBR for verification. It further directed to pursue the case with FBR regarding refund of education cess. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19, 2019-20, 2021-22 & 2022-23 vide para(s) number 3.4.7 to 3.4.9, 1.8.3, 1.7.5 to 1.7.6 & 1.7.4 respectively having financial impact of Rs 484.808 million. Recurrence of same irregularity is a matter of serious concern.

(DPs No. 10, 22, 123 & 199)

1.7.5 Non-recovery of postal dues -Rs 268.254 million

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

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

Audit observed that forty-four (44) formations of PPOD did not recover the postal dues on account of courier services & rent from tenants amounting to Rs 301,153,064 during FY2022-23. The detail is as under:

PDP No.	Name of Formation	Description	Amount (Rs)
34-24	GPO Lahore	Non-recovery of commission charges from utility companies	22,464,272
51-24	Controller IMO (P), Karachi	Non-recovery from foreign postal administrations	98,395,112
82-24	41 formations (Annex-VII)	Non-recovery of postal dues	175,259,770
177-24	CCS, Karachi	Non-recovery of rent from M/s PPF	5,033,910
Total			**301,153,064**

Audit contends that due to weak financial management, PPOD could not recover postal dues despite provision of postal services to different organizations.

The matter was reported to the management and PAO during August to December, 2023. It was replied that an amount of Rs 23,519,898 had been deposited into FCF, whereas an amount of Rs 9,379,110 was not due. During verification, an amount of Rs 32,899,008 was verified, leaving an outstanding balance of Rs 268,254,056. The amount of the para was accordingly reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to recover the outstanding amount and get the property vacated from M/s PPF under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

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

(DPs No. 34,51, 82 & 177)

1.7.6 Non-encashment of postal orders and deposit into treasury – Rs 90.275 million

According to Para 325 of the Post Office Guide, before a postal order can be paid, the name of the payee and the name of the office of payment must be filled in and the order must be properly receipted. Postal order be crossed, payment will be made through a bank and if the name of bank be added, payment will be made only through that bank.

DG PPOD under the Ministry of Communications, Islamabad published an advertisement in print media for recruitment of vacant posts. As per Clause 5 of the advertisement, each application form shall be accompanied by a postal order or ACG-17 receipt worth Rs 500 in the name of respective authority for each vacancy.

Audit observed that PPOD received 180,549 applications along with Postal Orders/ACG-17 receipt amounting to Rs 90,274,500 (180,549 x Rs 500). The said postal orders were neither encashed nor deposited into Federal Treasury and were still lying with the postal authorities.

Audit contends that non-encashment of postal orders and non-deposit into treasury raises questions about transparency and proper handling of public monies.

The matter was reported to the management and PAO during October and November, 2023. It was replied that an amount of Rs 20,811,177 was received on ACG-67 and deposited into treasury. All the Circle Offices had been directed to en-cash the postal orders immediately and amount thereof be deposited into treasury.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to get the postal orders en-cashed within 30 days and deposit into FCF under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 48)

1.7.7 Illegal retention of amount of taxes - Rs 189.311 million

According to Para 13 of the Accounting Procedure issued by DG PPOD vide letter dated 21st December, 2022, the Chief / Senior Postmaster of collecting GPO will daily transfer the whole amount of GST & withholding tax in the designated account No. 4178563145 titled "Pakistan Post Agency Functions" maintained with NBP through payment advice, after issuance of proper sanction memo. Moreover, as per revised Accounting Procedure for collection of customs duty issued by DG PPOD dated 4th July, 2023, cash collection available with the GPOs may be deposited into the bank account separately mentioning dedicate / proper code number opened specifically keeping in view the nature of collection i.e. sales tax on CDL/CDP and custom duty on CDL/CDP after deduction of service charges.

PPOD under the Ministry of Communications, Islamabad collected taxes on different postal services and payments made to different contractors and vendors on behalf of FBR and provincial sales tax authorities.

Audit observed that twenty-one (21) formations of PPOD collected an amount of Rs 247,702,870 on account of income tax, sales tax and custom duty, out of which an amount of Rs 64,534,610 was transferred to the designated bank account No. 4178563145 titled "Pakistan Post Agency Functions", whereas an amount of Rs 189,310,585 was illegally retained in the departmental treasuries. The detail is as under:

PDP No.	Name of Formation	Description	Amount Collected (Rs)	Amount Transferred (Rs)	Amount Retained (Rs)
77-24	21 Formations (Annex-VIII)	Non-deposit of sales/ income tax	107,279,175	47,824,436	65,597,064
78-24	DG PPO	Non-deposit of custom duty	140,423,695	16,710,174	123,713,521
Total			**247,702,870**	**64,534,610**	**189,310,585**

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

The matter was reported to the management and PAO during August to December, 2023. It was replied that the custom duty of Rs 56,804,854 and sales tax of Rs 30,896,477 stand transferred to FBR.

The reply is not tenable as no documentary evidence was provided regarding deposit of the said amount into designated account of NBP and its subsequent transfer to FBR.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to deposit the amount of taxes/custom duty and record thereof be provided to audit for verification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DPs No. 77 & 78)

1.7.8 Non-deposit of recovered amount into FCF–Rs 158.682 million

According to Para 7(1)(s) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, Principal Accounting Officer is responsible for proper record of all assets, liabilities, commitments, revenues and expenditures to be maintained under the relevant rules, regulations, procedures and approved format.

PPOD under the Ministry of Communications, Islamabad made disbursement of Rs 156,000.000 million on account of military pension as agency function through post offices on behalf of the Finance Division and Controller Military Accounts (CMA). Thirty-four (34) post offices made recoveries of Rs 158,681,719 on account of overpayments as well as misappropriations during FY 2022-23.

Audit observed that PPOD did not deposit the recovered amount into FCF and was retained in the postal treasuries till finalization of this report.

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

The matter was reported to the management and PAO during August to December, 2023. Some of the formations replied that amount recovered from military pensioners had been deposited into agency functions account maintained with NBP. In some cases, it was replied that recovered amount had been utilized for payment of pension, whereas in some cases amount was still lying in postal treasuries.

The reply is not tenable as the recovered amount was not transferred to FCF.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to deposit the recovered amount into FCF and get it verified from audit.

Audit recommends implementation of DAC directives.

(DP No. 110)

1.7.9 Unauthorized deduction of withholding tax - Rs 37.410 million

According to Section 236 (4) of Income Tax Ordinance 2001, government entities are exempted from payment of withholding tax.

DG PPOD under the Ministry of Communications, Islamabad opened a national income daily account No. 3181169352 in National Bank of Pakistan (NBP), Islamabad for receiving foreign remittances from western union. PPOD earned profit of Rs 187,319,052 on deposits during FY 2022-23.

Audit examined the relevant record and observed that the bank made unauthorized deduction of withholding tax of Rs 37,410,483 on profit as income of the federal government was exempted from tax.

Audit opines that PPOD did not take up the matter with the NBP HQ or SBP against unauthorized deduction of withholding tax which reflects weakness of the financial discipline.

The matter was reported to the management and PAO during October to December, 2023. It was replied that the matter was taken up with the NBP to reimburse the amount of withholding tax.

The management accepted the audit contention; however, the issue was not resolved as yet.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to pursue the case with NBP for reimbursement of withholding tax amount deducted on profit under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 16)

1.7.10 Non-recovery of overpaid amount from military pensioners- Rs. 28.092 million

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

Twenty-eight (28) formations of PPOD under the Ministry of Communications, Islamabad made an overpayment of Rs 30,618,578 on account of inadmissible increases in pension, wrong calculation of arrears of pension and payments of pension exceeding the admissible rates to various military pensioners.

Audit observed that PPOD did not recover the overpayments made to military pensioners till 30th June, 2023 as detailed in Annexure-IX.

Audit contends that due to weak financial discipline and internal controls PPOD failed to recover the overpayments.

The matter was reported to the management and PAO during August to December, 2023. It was replied that an amount of Rs 2,526,084 had been recovered and efforts were underway to recover the remaining amount. During verification, the recovered amount was verified, leaving an outstanding balance of Rs 28,092,494. The amount of the para was accordingly reduced.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to recover the remaining amount and get it verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 93)

Others

1.8.1 Irregular/unauthentic disbursement of military pension – Rs 156,000.00 million

As per Para (xiii) of the pension payment procedure issued by the Finance Division vide letter dated 12th May, 2022, a monthly payment account would be provided by GPOs to the PPOD (H/Q) along with request for next month release. The payments made from pension account maintained in NBP would not be made part of monthly accounts. However, GPOs shall render lists of payees along with amounts paid to Director of Accounts, PPOD for record and reconciliation.

DG PPOD under the Ministry of Communications, Islamabad opened pension account No. 418059527 in the National Bank of Pakistan (NBP) on the instructions of Finance Division (Budget Wing) in July, 2022. An amount of Rs 156,000.000 million was transferred in this account for payment to military pensioners during FY 2022-23 as detailed in Annexure –X.

Audit examined the relevant record and observed that:

i) GPOs did not provide authenticated lists/figures of funds released for military pension and disbursement thereof duly authenticated by the concerned PMGs to DG PPOD.

ii) GPOs also did not share the list of pension payments with Military Accountant General (MAG) for reconciliation as required under Para (xvi) of the procedure.

iii) The comparison of data of military pension payments of DG PPOD and SAP revealed a huge variation. The SAP data showed excess payment of Rs 75,569,765 than authorization of funds in respect of some GPOs, whereas in some GPOs an amount of Rs 1,932,701,040 was shown as savings. The GPOs did not take pain to reconcile the variation with Director of Accounts, PPOD Lahore on monthly basis.

iv) Finance Division released funds of Rs 156,327.158 million and against this allocation an amount of Rs 161,443.686 million was paid to pensioners. Thus, an amount of Rs 5,116.528 million was disbursed in excess of the allocation.

v) The GPOs withdrew excess pension funds from NBP account without actual requirement and retained in the postal treasuries.

vi) Date noting work of disbursement of pension was not made in the ledgers. Therefore, chance of double payments cannot be ruled out.

vii) Recoveries made on account of overpayments of military pension were not deposited into FCF and were kept in the postal treasuries.

viii) Pension payment orders of some pensioners were not available on record but pension was disbursed to them regularly.

ix) Life/non-remarriage certificates were not obtained from the pensioners.

x) The signatures of pensioners were not obtained on Post Saving Bank (PSB) 7/8 (withdrawal forms) in some cases.

Audit contends that due to weak financial discipline and non-adherence to the prescribed procedures, GPOs disbursed irregular pension payments without veracity of required documents and adequate supporting evidences which raise concerns about transparency in the pension payment process.

The matter was reported to the management and PAO during August to December, 2023. It was replied that reconciliation of military pension payment was underway and all PMGs had been directed to maintain comprehensive record of all pension payments, including authenticated lists of payees, date nothing work and pension payment orders.

The management accepted the audit contention; however, no action was taken to reconcile and authenticate the pension payments till finalization of this report.

The matter was discussed in the DAC meeting held on 17^{th} & 18^{th} January, 2024. The DAC directed the management to reconcile all pension payment figures pointed out by audit and the reconciled record be got verified from Audit. It further directed to take action against the persons responsible for making payment without availability of PPOs, date noting, life/non-marriage certificates and signatures of pensioners on PSB 7/8 forms under intimation to Audit.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2018-19 to 2022-23 vide para(s) number 3.2.1, 1.9.3, 1.9.1 to 1.9.3, 1.8.2 & 1.8.5 respectively having financial impact of Rs 39,499.923 million. Recurrence of same irregularity is a matter of serious concern.

(DPs No. 18, 19, 111, 125, 154 & 155)

1.8.2 Non-clearance of liabilities –Rs 17,213.568 million

According to Para 7(1)(s) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, Principal Accounting Officer is responsible for proper record of all assets, liabilities, commitments, revenues and expenditures to be maintained under the relevant rules, regulations, procedures and approved format.

PPOD under the Ministry of Communications, Islamabad hired the services of M/s 360 Technologies for maintenance of express mail, track & trace system, international postal services, mobile delivery update & complaint management system with call center. PPOD also hired postmasters for running EDBOs and printed revenue documents through NSPC. PPOD also performed agency function for collection of bills on behalf of different utility companies. All these activities involved huge expenditure and payables on the part of PPOD as detailed in Annexure - XI.

Audit examined the relevant record and observed that:

i) PPOD did not pay service charges to M/s 360 Technologies as per terms and conditions of contract and created an accumulative liability of Rs 108,727,208 as on 30th June 2023, due to which the vendor claimed a 2% penalty of Rs 103,346,145 as per clause 31.4 and 34 of the agreement.
ii) PPOD collected utility bills on behalf of utility companies but did not transfer the amount of Rs 16,471,000,000 to respective utility companies till date of audit.
iii) Chief Controller of Stamps, Karachi, did not pay an amount of Rs 633,840,699 on account of printing of revenue documents to NSPC; thereby creating liability for PPOD.

Audit contends that due to weak financial discipline PPOD did not make payments to vendors, postmasters and utility companies and created a substantial financial liability.

The matter was reported to the management and PAO during September to December, 2023. It was replied (i) the payment to vendor will be made shortly (ii) the matter is being pursued with Finance Division through MoC for release of funds to clear the outstanding liabilities of utility companies. (iii) due to shortage of funds liabilities of previous year did not clear.

The reply is not tenable as the outstanding liabilities were not cleared by the PPOD.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to submit revise reply in case of M/s 360 Technologies keeping in view the audit observation. It further directed to clear the pending liabilities of utility companies and M/s NSPC and record thereof be got verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 1.8.1 having financial impact of Rs 25,839.500 million. Recurrence of same irregularity is a matter of serious concern.

(DPs No. 28, 129 & 182)

1.8.3 Non-deposit of amount drawn through LOC into FCF- Rs 4,906.995 million

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

According to the old cash management regime of PPOD, the Director Accounts Postal Accounts, Lahore would circulate to all GPOs and heads of all Postal Circles and would prescribe maximum and minimum limits to be retained for official business under Articles 78 and 81 of PT & T IAC Vol-1.

The Finance Division restricted/disallowed PPOD's direct access to the Central Account-1 (non-food) and discontinued practice of withdrawal of funds through letter of credit (LoC) with effect from 1st August, 2021vide its letter dated 25th June, 2021.

Audit examined the relevant record and observed that:

i) The maximum cash balance limit in shape of imprest money drawn by 85 GPOs (excluding the amount lying in more than 4,000 sub post offices) through LoCs amounting to Rs 2,165,520,000 was available with PPOD as on 30th June, 2022 which was not deposited into Account No. 1 (non-food).

ii) GPO Islamabad withdrew cash of Rs1,760 million through LoC and transferred it to seven (07) GPOs of AJK Circle. The GPOs retained the said amount till end of June, 2022 instead of depositing into Account No. 1 (non-food) despite the fact that the new cash management regime was introduced and the GPOs and its sub-offices were required to close their bank accounts opened in NBP.

iii) PPOD disbursed an amount of Rs. 978,990,434, drawn from Account No. 1 (non-food) through LoC, on behalf of Western Union for the period starting from 1st July, 2022 to 25th August, 2022. PPOD placed the amount, reimbursed by Western Union, in the National Bank of Pakistan instead of crediting to Account-1 (non-food).

iv) GPO Lahore recovered an amount of Rs 2,485,176 on account of adjustment of emergent advance and recovery made against loss and fraud cases which was not deposited into Account No. 1 (non-food).

Audit contends that failure to deposit imprest money, retention of substantial cash balances, and recovery made by GPO Lahore reflects weak financial discipline and non-adherence to the new cash management regime.

The matter was reported to the management and PAO during August to December, 2023. It was replied that (i) non-deposit of amount drawn through LoC into FCF was a deviation by field formations. The cash limits were fixed by PMGs and they would be in a better position to clarify disposal of such cash (ii) PMG, Muzaffarabad had been directed to deposit the LoC amount into FCF (iii) the disbursed amount on behalf of Western Union from 1st July, 2022 to 25th August, 2022 stands transferred to Account No.1.

The reply is not tenable as (i) Finance & Revenue Account of the PPOD for the FY 2022-23 showed that cash amounting to Rs 6,593 million was lying in postal treasuries as on 30.06.2023 (ii) the audit stance has been accepted by the management in case of PMG Muzaffarabad but the amount was not transferred into Account No. 1 as yet. (iii) no documentary evidence regarding transfer of amount into FCF was provided for verification.

The matter was also discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to constitute a high-level committee to reconcile the figures and subsequently transfer the amount to FCF under intimation to Audit. No further progress was reported till finalization of this report.

Audit recommends taking immediate corrective actions, including strict adherence to the new cash management regime, prompt deposit of imprest money and recovered amounts into Account-1 (non-food) and closure of bank accounts opened after the changed cash management regime.

(DPs No. 03, 05, 08, 43, 79 & 135)

1.8.4 Unauthorized utilization of funds - Rs. 4,071.223 million

According to para 7 (I) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the Principal Accounting Officer shall be responsible to adhere to and enforce the principles of financial propriety including the compliance of laws, rules, regulations, maintain high standard of prudence, vigilance due diligence and ensuring value for money while incurring expenditure and collecting government receipts.

PPOD under the Ministry of Communications, Islamabad performed various agency and core functions related to disbursement of military pension, collection of utility bills, money orders and revenues through provision of postal services.

Audit examined the relevant record and observed that thirty-seven (37) formations of PPOD collected an amount of Rs 4,071.223 million on account of LoC, utility bills collection, money orders and postal revenue. PPOD did not deposit these collections into FCF and designated agency functions accounts; rather, these amounts were utilized for making different agency payments without authorization. The detail is as under:

(Rs in Million)

Sl. No.	PDP No.	Description	Amount
1	53-24	Unauthorized payment of military pension and utility companies without authorization of funds	859.894
2	54-24	Unauthorized payment to military pensioners from postal receipts	81.517
3	132-24	Unauthorized utilization of funds allocated through LOC	1755.592
4	133-24	Unauthorized utilization of collection of money orders	581.923
5	149-24	Unauthorized utilization of revenue for other payments	139.121
6	164-24	Unauthorized utilization of revenue towards money order payments	653.176
Total			**4,071.223**

Audit contends that unauthorized payment out of postal revenue, agency function receipts and LoC reflect weakness of financial discipline and internal control structure.

The matter was reported to the management and PAO during August to December, 2023. It was replied that due to non-availability of accounting procedures, the payments of military pension, money orders and Western Union were made from utility bills collection and postal receipts. However, a high-powered committee has been constituted for reconciliation of these payments.

The reply is not tenable as these payments were made without authorization of funds.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to conduct inquiry and fix responsibility on those found responsible for making payments without authorization of funds. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives / transfer of the amounts to their respective heads of accounts.

(DPs No. 53, 54, 133, 132, 149 & 164)

1.8.5 Non-deposit of revenue into the Federal Consolidated Fund – Rs 2,861.952 million

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

PPOD under the Ministry of Communications, Islamabad collected postal revenue of Rs 7,547.005 million during FY 2022-23 through sale of postage stamps, booking of registered letters/parcels, franking machine and commission from agency functions etc.

Audit observed that forty-nine (49) formations of PPOD did not deposit/transfer the collected postal revenue of Rs 3,121,739,025 into the Federal Consolidated Fund as detailed in Annexure-XII. Audit further revealed that the formations utilized the postal revenue without authorization to cover various departmental expenses such as payments of Western Union, money orders and utility companies.

Audit contends that non-transfer of postal revenue into Federal Consolidated Fund reflects weak financial discipline and misreporting of the postal receipts in the financial statements of PPOD, for PPOD recognized the postal receipts in the financial statements but did not transfer to the FCF as required under PFM Act, 2019.

The matter was reported to the management and PAO during August to December, 2023. It was replied that an amount of Rs 92.080 million had been deposited into FCF, whereas an amount of Rs 167.707 million was not due and efforts were underway to recover the remaining amount. During verification, an amount of Rs 259.787 million was verified, leaving an outstanding balance of Rs 2,861.952 million. The amount of para was accordingly reduced to the extent of verified amount.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to submit revise reply keeping in view the audit observation. The amount involved be transferred to FCF and record be got verified from audit up to 31st March, 2024. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives/conduct of inquiry into the matter to fix responsibility.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 1.8.3 having financial impact of Rs 1,704.920 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 81)

1.8.6 Unjustified drawl of pension funds and excess expenditure – Rs 2,507.031 million

According to Rule 7(1)(L) of the Financial Management and Powers of Principal Accounting Officers Regulations 2021, the Principal Accounting Officer shall be responsible to sanction expenditure as per the delegated financial powers. Such sanctioning of expenditure shall not exceed the allocated budget. Prior to approving of expenditure sanction, principal accounting officer shall ensure that the required budget is available in the relevant head of account. Sanctioning of expenditure shall be based on the purpose for which the funds are allocated.

Finance Division granted special permission to draw funds for payment of employee related expenditure and pension to defense forces from Account No. 1 (non-food) vide its letter dated 30th June, 2022. DG PPOD made authorization of funds for the month of June paid in July, 2022 and the Director Accounts Pakistan Post, Lahore issued letter of credit in favour of all GPOs for drawl of funds.

Audit examined the relevant record and observed that:

i) 47 GPOs withdrew funds of Rs 9,575.164 million from Account No. 1 (non-food) through LoC, and disbursed Rs 7,987.071 million on account of pension; thereby withdrawing excess amount of Rs 1,588.093 million without justification and actual requirement. The surplus amount was required to be returned to Account No. 1 (non-food).

ii) 36 GPOs withdrew funds of Rs 5,182.483 million from Account No. 1 (non-food) and disbursed Rs 6,101.421 million on account of pension; thereby making unexplained excess payment of Rs 918.938 million.

Audit maintains that withdrawal of significant amounts from Account No. 1 (non-food) without proper justification or adherence to budgetary allocations raises concerns about financial discipline. The unexplained excess payments highlight a lack of oversight in the approval and sanctioning of expenditure.

The matter was reported to the management and PAO during August to December, 2023. It was replied that reconciliation of military pension payment was under process and after completion of reconciliation, the source of excess expenditure, if any, would be identified. No stance was provided regarding withdrawal of surplus amount from FCF.

The reply is not tenable as PPOD failed to make timely reconciliation and identify the items of excess expenditure.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to reconcile the figures keeping in view the audit observation and record thereof be got verified from Audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives/conduct of inquiry into the matter to fix responsibility.

(DPs No. 25, 97, 101, 102, 128, & 142)

1.8.7 Illegal retention of blank certificates – Rs 2,097.329 million

According to Finance Division (Budget Wing) letter No.17(1) GS-1/2012-Vol-II-65 dated 13th January, 2021, the work of Special Saving Schemes, Certificates and Saving Bank Accounts was withdrawn from PPOD and it was directed that all such accounts be transferred to Central Directorate of National Savings.

PPOD under the Ministry of Communications, Islamabad was operating saving bank schemes as agency function on behalf of Finance Division on commission basis. This function was withdrawn from the PPOD and transferred to CDNS.

Audit observed that the blank defence saving certificates, special saving certificates and regular income certificates of different denominations amounting to Rs 2,097,328,700 were lying in the stock of PPOD and were not transferred to CDNS despite close of this scheme by the Finance Division.

Audit opines that retention of blank certificates can be misused and warranted for loss, fraud or theft.

The matter was reported to the management and PAO during August to December, 2023. It was replied that all blank savings certificates would be returned to CDNS after compilation of record.

The reply is not acceptable as blank saving certificates were not transferred to CDNS despite lapse of a considerable time.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to transfer the blank certificates to CDNS and record thereof be got verified from Audit up to 30.03.2024. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives

(DP No. 80)

1.8.8 Unjustified Western Union Payments out of postal receipts and non-adjustment – Rs 1,452.594 million

The Finance Division restricted/disallowed PPOD's direct access to the Central Account-1 (non-food) and discontinued practice of withdrawal of funds through letter of credit (LoC) with effect from 1st August, 2021vide its letter No.1(10) S.O (TSA)/350/2021 dated: 25th June, 2021.

DG PPOD under the Ministry of Communications, Islamabad instructed all PMGs vide its letter dated 16th June, 2023 that GPOs could withdraw money and make payments from July to November, 2022 against Western Union Account and adjust/charge the same on receipt side of the summary. Accordingly, 76 GPOs withdrew huge amounts of Rs. 1,452,594,294 from the Western Union Account during FY 2022-23.

Audit examined the relevant record and found that:

i) DG PPOD did not comply with the above stated instructions of Finance Division and allowed, in the first instance, making payments on account of Western Union transfer services from postal receipts such as utility bills and money orders and then ordered to withdraw the paid amounts from Western Union Accounts and adjust against irrelevant heads of receipts in the summary; thereby leading to misreporting of the postal receipts.

ii) The record transpired that payments of Western Union were made before receipt of remittances of Western Union transfer services.

Audit contends that payments on account of Western Union transfer services from postal receipts and subsequent withdrawals and adjustments against irrelevant heads of receipts reflect weakness of the financial discipline and internal control structure of PPOD.

The matter was reported to the management and PAO during October and November, 2023. It was replied that department made stop gap arrangement for only five (05) months to avoid public complaints and all amounts drawn from Western Union Account had been adjusted against the relevant head of accounts.

The reply is not tenable as payments were made from other sources without authorization. Further, during verification the adjustment particulars of two (02) GPOs were provided out of 76 GPOs.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to fix responsibility for making payment of Western Union without authorization. It further directed that adjustment particulars be provided to audit for verification. No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 06)

1.8.9 Unauthorized drawl of funds through Letter of Credit - Rs 985.618 million

According to Rule 13 of General Financial Rules, in the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every Controlling Officer must satisfy himself not only the adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores, but also that the prescribed checks are effectively applied.

Finance Division vide its letter dated 15th April, 2022 released 50% payment amounting to Rs 25,000 million for clearance of pending liabilities of 19 utility companies. DG PPOD allocated this amount for 19 utility companies and forwarded the list of allocation to Director of Accounts, PPOD Lahore for issuance of letter of credit in favour of lead GPOs.

Audit observed that sixteen (16) lead GPOs withdrew an amount of Rs 25,985,617,742 from Account No. 1 (non-food) against the authorization of Rs 25,000,000,000, thereby; withdrawing excess amount of Rs 985,617,742.

Audit contends that the unauthorized drawl of funds indicates inadequate financial oversight and internal controls within the PPOD.

The matter was reported to the management and PAO during October and November, 2023. It was replied that the matter related to PMGs, Lahore, Islamabad, Multan, Peshawar, Hyderabad, Karachi and

Quetta. DG PPOD allocated funds for distribution among 19 utility companies and forwarded a list to Director of Accounts, PPO Lahore for issuance of letter of credit in favour of Lead GPOs and upon completion of reconciliation of all receipts and payments, the drawn amount would be adjusted.

The reply is not tenable. The PPOD withdrew unauthorized funds from LoC and disbursed to the utility companies.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to provide relevant record to Audit for verification. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives/conduct of inquiry into the matter to fix responsibility.

(DP No. 12)

1.8.10 Irregular re-appropriation of funds and non-surrender to Finance Division –Rs 395.154 million

According to Finance Division (Budget Wing) letter dated 4th August, 2022, no re-appropriation shall be made from employee related expenses to any other head of account of non-employee related expenses and no re-appropriation of funds shall be allowed in any case during the last month of the financial year. Further, according to instructions contained in Finance Division (Expenditure Wing) letter dated 7th July, 2022 regarding austerity measures for FY 2022-23, the PAO shall ensure that existing entitlement for POL for government functionaries be reduced by 30%. Further, according to instructions contained in Finance Division (Expenditure Wing) letter dated 7th July, 2022 regarding austerity measures for FY 2022-23, there should be complete ban on purchase of physical assets.

DG PPOD under the Ministry of Communications, Islamabad made re-appropriation of funds amounting to Rs 431,153,698 during FY 2022-23. The re-appropriation was held irregular due to the following reasons:

i) An amount of Rs 35,729,466 was re-appropriated from employee related expenditure to operating expenses such as bank fee, utilities and rent of office/residential buildings. Further, an amount of Rs 18,711,000 was also re-appropriated in June, 2023 in violation of Finance Division's above stated instructions.
ii) 30% cut imposed by Finance Division on POL as austerity measure was not implemented; in addition, an expenditure of Rs 42,003,388 was incurred in excess of the actual authorization by re-appropriating funds from other head of accounts.
iii) An amount of Rs 441,500,000 was allocated under head A05 – (obligatory payments for families of deceased employees), out of which an amount of Rs 195,928,284 was re-appropriated to other heads of accounts, due to which liabilities of deceased employees could not be cleared.
iv) Finance Division allocated an amount of Rs 350,000,000 under head A09-Expenditure on acquiring physical assets. DG PPOD made re-appropriation of Rs 102,781,560 from this head to A04: Employees Retirement Benefits and A05: Grants, subsidiaries, write off loans instead of surrendering the funds to Finance Division.

Audit maintains that non-adherence to budgetary appropriations and making unauthorized re-appropriations thereof reflect weak financial discipline and non-compliance to the instructions of the Finance Division.

The matter was reported to the management and PAO during October and November, 2023. It was replied that (i) the budget was not re-appropriated from ERE to Non-ERE (ii) the re-appropriation of funds on account of POL was made on the request of the concerned formations with the approval of Chairman/Director General due to increase in fuel prices (iii) the saving under head A05-Grants, Subsidies & Write Off Loan/Advances (Prime Minister's Financial Assistance Package) was withdrawn and major portion of the saving was re-appropriated to head A03902: Printing & Publications (iv) no specific instructions were received from Finance Division to surrender the savings accrued under Head - A09: Expenditure on Acquiring of Physical Assets.

The reply is not valid. Audit contends sufficient evidence of re-appropriations made from ERE to Non-ERE. DG PPOD has accepted the audit contention of re-appropriations in POL and obligatory payment heads. Moreover, the instructions of Finance Division regarding austerity measures were self explanatory.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to submit revised reply keeping in view the audit observation within one week. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives/conduct of inquiry into the matter to fix responsibility. Audit further recommends that the amount involved be got regularized from Finance Division.

(DP No. 17)

1.8.11 Unauthorized utilization of funds allocated for clearance of PLICL liabilities -Rs 282.919 million

According to Rule 12 of the General Financial Rules, a controlling officer must see not only that the total expenditure is kept within the limit of the authorized appropriation but also that the funds allocated to spending units are expensed in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it.

DG PPOD under the Ministry of Communications, Islamabad demanded an amount of Rs 50,402,000,000 from Finance Division for clearance of pending liabilities of 19 utility companies including PLICL. Finance Division vide its letter dated 15th April, 2022 released 50% funds of Rs 25,000,000,000 for payment to utility companies and PLICL.

Audit observed that DG PPOD allocated this amount for 19 utility companies including an amount of Rs 282,918,687 for payment to PLICL and forwarded the list to Director of Accounts, PPOD for issuance of LoC to GPO Islamabad. The Lead GPO Islamabad did not pay the allocated amount to M/s PLICL in violation of the instructions of Finance Division.

Audit opines that due to weak financial discipline PPOD did not make payments to M/s PLICL and created a substantial financial liability.

The matter was reported to the management and PAO during October and November, 2023. It was replied that PMG Islamabad had been directed to explain the reasons for non-payment to PLICL.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to inquire the matter regarding non-clearance of pending liabilities of M/s PLICL and record thereof be provided to Audit for verification within 15 days. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 13)

1.8.12 Unlawful drawl of cash on paper chits – Rs 46.329 million

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

Finance Division made annual allocations under Grant No. 26 of PPOD to meet its operational expenditure. PPOD drew unlawful funds from the treasury due to the following reasons:

i) Twenty-seven (27) formations of PPOD drew illegal amount of Rs 40,028,682 simply on paper chits from postal treasuries during FY 2022-23.
ii) CPM, GPO Peshawar drew unlawful cash of Rs 6,300,000 from the postal treasury simply on paper chits with the approval of PMG, KP on 1st August, 2023 to meet the expenditure of recruitment process, the supporting evidence of which was not available on record.

Audit contends that drawl of public money merely on paper chits is unlawful and contrary to the canons of financial propriety. This malpractice was seriously viewed by the Public Accounts Committee in its meeting held on 5th and 7th November, 2001 and had directed to discontinue the practice henceforth.

The matter was reported to the management and PAO during August to December, 2023. It was replied that paper chits amounting to Rs 17,451,681 had been adjusted.

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

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to inquire the matter and fix responsibility on those found responsible for drawl of government money on paper chits under intimation to audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DPs No. 131 & 170)

MINISTRY OF COMMUNICATIONS

POSTAL LIFE INSURANCE COMPANY LIMITED

Chapter -2

Postal Life Insurance Company Limited (PLICL)

2.1 Introduction

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

PLICL is managed by the Board of Directors (BoD) under the administrative control of Ministry of Communications and is headed by a Chief Executive Officer (CEO) who is assisted by two General Managers based at Lahore & Karachi. It has three Regional Directorates located at Multan, Peshawar & Quetta. The main objectives of the Company are to:

i) Carry out all kinds of insurance business relating to life insurance.
ii) Take over assets, liabilities including policy holders' liabilities determined as on the transfer date in accordance with the insurance regulatory framework prescribed under the Insurance Ordinance, 2000 and relevant rules/regulations/directives/circulars/ guidelines/ contracts and undertakings of Postal Life Insurance under the vesting orders passed by the Federal Government.
iii) Carry on, in Pakistan and elsewhere, all kinds of family takaful businesses and generally every kind of family takaful and family re-takaful businesses whether now known or hereafter to be devised subject to such restrictions as imposed by the Insurance Ordinance, 2000.

iv) Transact the business of life insurance Company including sale and purchase or re-purchase of annuities, a reversionary interest and life or other interests of uncertain duration or commencement, and endowments for children, and sickness insurance, and all other business pertaining to or commonly transacted by life insurance companies.

B. Comments on Budget and Accounts

i) As per Note 11.1 of the financial statements as on 31st December, 2022, an amount of Rs 13,302.238 million was shown as accrued interest on the GoP Fund under the head - Other loans and receivables. However, no amortization schedule existed between the Finance Division and PLICL to ensure the timely release/appropriation of the accrued amount.

ii) As per Note 11.2 of the financial statements as on 31st December, 2022, the amount of receivables on account of insurance premium from PPOD increased from Rs 244.159 million (2021) to Rs 877.656 million (2022). This 272% surge in non-receivable raises questions about the efficiency of the company's receivable management.

iii) As per Note 29 of the financial statements as on 31st December, 2022, despite a notable surge in revenue of Rs 10,053.417 million in 2022 as compared to Rs 7,362.123 million in 2021, the Company experienced a substantial decline of 50% in overall profit. This alarming trend strongly signals a deficiency in cost control measures or the absence of comprehensive cost planning within the company's operational framework.

iv) Despite the released budget grant of Rs 934.500 million under the Cost Centre "IB0521-Grants for PLIC Liabilities" PLICL managed to utilize funds amounting to Rs 925.074 million which resulted in lapse of Rs 9.426 million.

Table-1 Audit Profile of Postal Life Insurance Company Limited

(Rs in Million)

Sl. No.	Description	Total Nos.	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
01	Formations	52	03	620.010	1,052.550

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,611.116 million (including non-budgeted payments) were raised in this report during the current audit. This amount also includes recoveries of Rs 921.398 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

Table-II Overview of Audit Observations

(Rs in Million)

Sl. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	0
2.	Irregularities	**965.376**
A	HR related irregularities*	965.376
B	Management of Accounts with Commercial Banks	0
3.	Value for money and service delivery issues	0
4.	Receivables	921.298
5.	Other Irregularities	1,724.442
	Total:	**3,611.116**

* The paras related to special study report 2022-23 have been included in HR chapter

2.3 Status of Compliance with PAC Directives

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

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

AUDIT PARAS

2.4 Irregularities

A HR/Employees related irregularities

2.4.1 Un-necessary borrowing of employees on deputation – Rs 941.266 million

According to Rule 2A(C) of Public Sector Corporate Governance Rules, 2013, the public sector company is managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold.

PLICL under the Ministry of Communications, Islamabad hired the services of 711 postal employees (BPS-01 to 16) on deputation basis w.e.f 1st July, 2021 to run its operations and incurred an expenditure of Rs 941.266 million against such appointments.

Audit examined the relevant record and observed that:

i) Services of the employees were hired without assessing actual requirement of the organization as the staff was not involved in the selling of insurance policies and allied businesses of the Company.

ii) Additionally, 108 postal employees were borrowed without justification on deputation basis as pointed out by BoD in its meeting held on 29.06.2021.

Audit opines that borrowing of these postal employees did not add value or contribute to the efficient functioning of the organization, they being uninvolved in core activity, which reflected weak HR management and an undue financial burden on the organization.

Audit reported the matter to the management and PAO during May and June, 2023. It was replied that according to the strategic alliance agreement between PPOD and PLICL signed in July, 2021, PPOD would support and facilitate PLICL during transition phase for effective and efficient operations of the Company which included deputation of employees also. Therefore, more than 700 staff was hired on deputation.

The reply is not tenable as the staff was hired on deputation basis from PPOD without assessing the actual requirement, including the services of 108 surplus employees who had no contribution towards the business of the Company; rather they over-burdened the operational cost of the Company.

The matter was discussed in the DAC meeting held on 1st August, 2023. The DAC directed the management to review its actual requirement of staff hired on deputation from PPOD and only required staff be retained under intimation to audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(Para No. 4.2.1 of SSR 2022-23)

2.4.2 Irregular appointment of Chief Executive Officer and payment - Rs 24.110 million

PLICL advertised the post of Chief Executive Officer in print media with the terms and conditions, (i) the candidate must have minimum 20 years experience, 10 years of which must be at senior management level in the technical department of insurance or re-insurance company (ii) must have spent 5 years as a key officer in a leadership role in the insurance industry as defined in Insurance Companies and Prudent Management Regulations, 2012.

PLICL under the Ministry of Communications, Islamabad appointed Mr. Muhammad Naeem Akhtar as CEO of the PLICL and paid an amount of Rs 24.110 million (Rs 1,095,910*22 months) on account of pay & allowances during 22 months of his tenure.

Audit examined the appointment files and service profile of the incumbent CEO and observed that:

i) The CEO was irregularly appointed in contravention to the eligibility criteria as mentioned in the advertisement. As per his service profile, he did not work at any senior management level in the technical department of an insurance or re-insurance company.

ii) He managed two insurance brokerage businesses in the UAE as CEO in the last 8 years which was completely different from the insurance company management and operations.

Audit opines that the CEO was appointed in total disregard to his credentials and the advertised criteria which reflects weak internal control structure and HR management of the Company.

Audit reported the matter to the management and PAO during May and June, 2023. It was replied that PPOD and the Consultant hired for the company were involved in the appointment of the Chief Executive Officer; therefore, the comments could be sought from PPOD.

The reply is not tenable. The CEO was hired on the recommendations of the interim BoDs of the PLICL.

The matter was discussed in the DAC meeting held on 1st August, 2023. The DAC directed PPOD and PLICL management to provide detailed reply keeping in view the audit observations. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives/conduct of inquiry into the matter to fix responsibility.

(Para No. 4.2.2 of SSR 2022-23)

2.5 Receivables

2.5.1 Non-realization of premium & administrative expenses - Rs 921.298 million

According to Clause 2 of Annexure-B of the agreement made between PLICL & PPOD, all collection received in preceding week excluding per transaction fee will be credited to PLICL's Bank Account next Monday, or first working day in case of Monday is bank holiday. Further, as per Para 4.7 (d) of the agreement between PLICL and Pakistan

Railways (PR), premium shall be payable by PR to PLI (now PLICL) on monthly/quarterly/annually in advance. However, if premium by PR to PLI is not paid within the period mentioned above, then insurance coverage will be lapsed and PLI shall not be liable for the same.

PPOD collected premiums through GPOs on behalf of PLICL during FY 2022-23 which was providing group insurance coverage to the employees of Government of the Punjab, Pakistan Railways and WASA, Faisalabad.

Audit examined the relevant agreements and receivable files of PLICL and observed that:

i) Premium of Rs 433,729,826 collected by PPOD was not transferred to PLICL's main account as on 30th June, 2023.
ii) Group insurance premium of Rs 410,932,211 was outstanding against Pakistan Railways and Government of the Punjab.
iii) Administrative expenses of Rs 76,636,212 were not recovered from WASA Faisalabad & Pakistan Railways.

Audit contends that due to weak receivable management, PLICL could not recover the premium amounts and administrative expenses from these organizations/governments.

The matter was reported to the management and PAO during September to December, 2023. It was replied that the matter was taken up with the concerned quarters for early realization of premium and administrative expenses.

The management accepted the audit contention; however, no substantial efforts were found available on record to recover the outstanding amounts despite lapse of a considerable period.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to pursue the case with concerned departments for early realization of premium amount and administrative expenses and get the record verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 94,215 & 216)

2.6 Others

2.6.1 Non-settlement of individual insurance claims - Rs 1,011.063 million

According to Section 118(1)(2) of Insurance Ordinance, 2000, all claims are required to be sanctioned and paid to the insurant within ninety (90) days. Further, the insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages the sum of which shall be calculated at monthly rates at the rate five per cent higher than the prevailing base rate.

PLICL under the Ministry of Communications, Islamabad generated 13,845 Payment Sanction Orders (PSOs) amounting to Rs 2,497.329 million on account of insurance claims during FY 2022-23.

Audit examined the relevant record and observed that PLICL settled 7,853 claims amounting to Rs 1,486.266 million during FY 2022-23. The Company failed to settle 5,992 insurance claims amounting to Rs 1,011.063 million; thereby creating a huge liability for the Company.

Audit contends that due to weak insurance claim management system PLICL did not settle huge claims and created liability beside potential liquidated damages on the Company. Moreover, non-settlement of insurance claims within due time also impacted the goodwill of the company.

The matter was reported to the management and PAO during October to December, 2023. It was replied that sufficient funds were not allocated by Finance Division as committed in promissory note, therefore, liabilities could not be cleared.

The reply is not tenable as the Insurance Ordinance, 2000, provides for sanctioning and payment of all claims within ninety (90) days.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to take up the case with Finance Division for release of funds to clear the pending liabilities of the insurants under intimation to audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 67)

2.6.2 Unauthorized re-appropriation of funds from public account – Rs 679.00 million

According to Section 17 (4) of the Insurance Ordinance, 2000, all liabilities (including policy liabilities) of a life insurer arising out of the conduct of the business of a statutory fund shall be treated as liability of that fund.

Finance Division vide its letter dated 2nd April, 2021 issued promissory note and permitted that funds amounting to Rs 48,000 million accumulated as on 30th October, 2020 would be provided to the PLICL for payment of claims/liabilities of the insurants. During FY 2021-22, the Finance Division released one liner budgetary grant under head IB0521 for PLI liabilities of Rs 8,000 million under demand No. 26-Communications Division.

Audit observed that the Ministry of Communications, Islamabad vide its letter dated 28th April, 2022 made unauthorized re-appropriation of Rs 679 million from the head - IB0521- Grant for PLI liabilities, to meet the expenses of pay and allowances of National Highways and Motorways Police (NH&MP). Audit also noticed that the re-appropriation was made without the prior approval of the BoDs.

Audit contends that re-appropriation made from Public Account, meant for settlement of insurance claims, to another Grant related to NH&MP reflects weak financial discipline and internal control structure.

The matter was reported to the management and PAO during May and June, 2023. It was replied that re-appropriation was made by the Ministry within the budgetary grant No. 26 on the availability of sufficient savings under the relevant cost center which did not affect the balance of promissory note until the same was not utilized.

The reply is not tenable as the funds were provided for clearance of pending liabilities of the insurants. Further, the re-appropriation also affected the balance of promissory note as it had been booked as an expense in the PLICL accounts.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to produce relevant record for verification to audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives/conduct of inquiry into the matter to fix responsibility besides adjustment of the amount against the Communication Division's Grant and its crediting into PLICL account.

(DP No. 106)

2.6.3 Non-deposit of Zakat into Central Zakat Account – Rs 34.379 million

As per Ministry of Poverty Alleviation & Social Safety Divisions' instructions, all the Zakat Collection Controlling Agencies (ZCCAs) are required to deduct the Zakat at prescribed rate. The amount so deducted is required to be deposited in Central Zakat Account No CZ-08, being maintained at the State Bank of Pakistan. A copy of return Form CZ-08A is also required to be provided to Cabinet Secretariat Poverty Alleviation & Social Safety Division after depositing the amount.

PLICL under the Ministry of Communications, Islamabad deducted Zakat at the time of payment of insurance claims which accumulated to the tune of Rs 34.379 million as on 30th June, 2023.

Audit observed that the amount of Zakat was not deposited in the designated account till finalization of this report.

Audit contends that non-adherence to Cabinet Secretariat's instructions resulted in blockage of public funds.

The matter was reported to the management and PAO during October to December, 2023. It was replied that payment of Zakat could not be made due to release of second quarter budget.

The reply is not tenable as the amount of Zakat had already been deducted from the claims of insurants and no budgetary allocation was required for this purpose.

The matter was discussed in the DAC meeting held on 17th & 18th January, 2024. The DAC directed the management to transfer the amount of Zakat into Central Zakat Account and get it verified from audit. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

(DP No. 62)

THEMATIC AUDIT REPORT

ON

ASSET MANAGEMENT OF
PAKISTAN POST OFFICE DEPARTMENT

3. Thematic Audit on Asset Management of Pakistan Post Office Department

3.1 Introduction

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

The core functions of the Pakistan Post Office are diverse and expansive, encompassing both domestic and international postal services, as well as facilitating money orders. Beyond traditional postal activities, the PPOD operates as an agency on behalf of the Federal and Provincial Governments, undertaking essential tasks such as the collection of utility bills, payment of military pensions, tax collection, and managing Western Union transactions. The department is also entrusted with the secure delivery of crucial identification documents, including NADRA ID cards and passports. This multifaceted approach underscores the PPOD's commitment to providing comprehensive services that address the varied requirements of its extensive clientele.

With a remarkable physical footprint, the PPOD boasts a network of 10190 post offices, including 85 General Post Offices (GPOs) strategically managed by a workforce of 38884 employees, including both regular and extra-departmental personnel. This extensive network ensures that the services provided by the PPOD reach urban centers and remote regions alike, making their mark throughout the country.

Against the backdrop of its rich history and diverse services, the PPOD has recognized the critical importance of effective asset management. Asset management, in the context of the PPOD, involves the systematic oversight of physical infrastructure, procurement decisions, utilization, maintenance, and disposal of assets. The goal is to maximize the value and benefits of these assets throughout their lifecycle, ensuring operational efficiency, cost minimization, and the effective functioning of postal services nationwide.

Motivated by a commitment to enhance operational efficiency and address previous audit observations, the PPOD has undergone a thematic audit focused on its asset management practices. The audit aims to evaluate the physical verification of assets, the implementation of lease and tenancy policies, safeguards against loss or damage, efficient asset usage, timely maintenance and replacement, proper disposal procedures, regular updates to the asset register, appropriate insurance coverage, and robust controls for the procurement of new assets.

As the thematic audit unfolds, it will shed light on the strengths and challenges within the PPOD's asset management framework, providing insights that can guide the department toward further improvements. The findings of this audit are crucial for ensuring the resilience, efficiency, and responsible management of assets within the Pakistan Post Office Department, contributing to its continued legacy as a vital national institution.

3.1.1 Background

The roots of the PPOD can be traced back to the colonial era, specifically the Post Office Act of 1898, which laid the foundation for organized postal services in the region. During this period, the focus was primarily on establishing a network for the timely and secure exchange of letters and parcels, with a rudimentary approach to asset management.

Following the partition in 1947 and the creation of Pakistan, the PPOD inherited/acquired 4,155 office/residential buildings, 120 vacant plots and 431 vehicles. Over the time, the PPOD evolved beyond traditional postal services, took on additional agency functions on behalf of the federal and provincial governments such as utility bill collection, tax collection, and Western Union transactions and acquired physical assets i.e. IT equipment, furniture & fixture etc. to meet the requirements of the department; however, these acquired assets were not reflected in the balance sheet and annual report. It is pertinent to mention that the diversification in physical assets added complexity to asset management which required a broader strategic approach to oversee a range of assets used for various purposes.

The legal framework governing the PPOD's operations, including the Post Office Act of 1898, the Pakistan Postal Services Management Board Ordinance 2002, and other relevant regulations could play a pivotal role in shaping the asset management landscape, provided compliance with these regulations had been ensured for transparency and accountability for asset management.

In short, the thematic audit on asset management was conducted to signify a contemporary approach to further enhance operational efficiency, minimize costs, and to position the PPOD on a path of continued success in the emerging postal operations.

3.1.2 Establishing the Audit Theme

(i) Reasons of selection

The decision to conduct a thematic audit on the asset management of the Pakistan Post Office Department was motivated by a variety of factors such as consistent identification of mismanagement, litigation, encroachment and fraudulent sale of PPOD assets. The selection of the thematic audit of PPOD asset management is connected to SDGs -16, read with targets 16.4, 16.5 and 16.6. SDG-16 pertains to promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels. The target given under SDG-16.4 stipulates, “By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime", SDG 16.5 ibid describes, "Substantially reduce corruption and bribery in all their forms", SDG 16.6 mentions "Develop effective, accountable and transparent institutions at all levels".

3.1.3 Purpose / Objectives

The purpose of the thematic audit of PPOD asset management was to identify mismanagement, encroachment, corruption, theft & losses and report them to the PPOD management, Principal Accounting Officer and the Public Accounts Committee for Parliamentary oversight. The major objectives as approved in the terms of reference by the Office of the Auditor-General are to evaluate that:

- Assets are physically verified on a regular basis and that any discrepancies are identified and investigated.
- Lease and Tenancy Policy of PPOD has been implemented.
- Controls are in place to safeguard assets against loss, damage, or theft.
- Assets are being used efficiently and effectively, and that there is no misuse or unauthorized use.
- Assets are being maintained in good condition and that any repairs or replacements are made in a timely manner.
- Disposal of assets is done in accordance with departmental policies and procedures, and that all necessary approvals are obtained.
- Asset register is updated regularly, and that there are appropriate reconciliation procedures in place.
- There is appropriate insurance coverage for assets, where applicable.
- There are appropriate controls in place for the procurement and receipt of new assets, including the verification of specifications and quality.

3.1.4 Scope

The scope of the thematic audit "Asset Management of PPOD" covers the acquisition of physical assets by Pakistan Post Office Department during the period starting from August, 1947 to June, 2023 with the objectives to conduct the audit in the light of the above-mentioned approved TORs. The audit teams visited the PPOD headquarters, Circle offices and selected GPOs in order to collect information related to the selected theme. The focus of the audit was to ascertain whether the assets of the government were being safeguarded/managed in an effective manner in different field formations of PPOD.

3.2. Legal framework governing the Theme

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

- Post Office Act, 1898
- Pakistan Postal Services Management Board Ordinance 2002
- Initial Account Code (Volume I & II)
- Post office Manual (Volumes I-VIII)
- Federal Treasury Rules
- Public Financial Management Act, 2019
- Agreements of agency functions executed with different departments of Federal and Provincial Governments

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

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

- Ministry of Communications

- Public Accounts Committee
- Auditor-General of Pakistan
- Pakistan Post Office Department
- Federal and Provincial Governments and their departments
- General public

3.4. Role of important organization

Ministry of Communications (MoC)

PPOD falls under the administrative control of Ministry of Communications. The Ministry monitors the overall working of Pakistan Post Office Department, reviews the postal policies from time to time and is responsible for implementation of the directives of the Federal Government. MoC also oversees the litigations of PPOD and issues directions for vigorous pursuance of assets related cases for early and favourable disposal.

Public Accounts Committee (PAC)

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

Auditor-General of Pakistan (AGP)

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

Pakistan Post Office Department (PPOD)

PPOD has a prime role in Asset Management being controlling department and is under obligation to manage and safeguard its assets. The PPOD management is also responsible for approval of its initiatives from Federal Government through PPSMB and its administrative ministry.

3.5. Organization's Financials

PPOD being government department is responsible to prepare its own budget every year and submits it to the Federal Government through its administrative Ministry. All receipts of PPOD form the part of Federal Consolidated Fund. PPOD incurs expenditure against the budget grant No. 22 of the Ministry of Communications through formal allocation by Finance Division. Previously, PPOD would incur its budget through Letter of Credit (LoC) and had direct access to Account No. 1 (Non-Food). Since July, 2022, the Finance Division discontinued the old cash management regime and introduced the new cash management of regime of Treasury Single Account and directed PPOD to make spending through the counters of AGPR.

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

3.6. Field Audit Activity

3.6.1 Methodology

Thematic Audit of Asset Management of PPOD was carried out by adopting the mixed method approach based on qualitative and quantitative data. The data was collected from various sources such as PPOD web site, annual reports / annual accounts and previous audit reports. Audit teams also visited the PPOD headquarters, Circles Offices and selected GPOs included in Audit Plan 2023-24 and consulted the relevant record during compliance audit related to mismanagement, theft and losses of the PPOD assets. The field work was completed in November, 2023. The audit teams also consulted Permanent and Planning Files of PPOD.

3.6.2 Audit Analysis

(i) Review of Internal Controls

PPOD has an established internal control structure based on Departmental Manuals, instructions and relevant applicable rules and regulations. However, audit observed that the internal control structure was ineffective in safeguarding the PPOD assets from losses. The controls for ownership, security, utilization and physical verification of assets were not operative. Further, the fixed assets register was not prepared and periodical inspections were not carried out. Though the internal audit wing exists in PPOD, yet it is not functional as no internal audit reports were prepared and submitted to the management.

(ii) Critical Review

Thematic Audit of the PPOD for the FY 2022-23 unearthed a disconcerting pattern of negligence and inefficiency in the management of assets. This critical review delves into the audit findings, emphasizing the significant areas of concern and outlining the potential risks and implications for the department.

One of the paramount issues highlighted in the audit pertains to the non-acquisition of ownership documents for a substantial number of assets. Specifically, 585 postal buildings and residential quarters, valued at Rs 84,065 million, lacked adequate ownership documentation. This oversight poses a considerable risk to the department, introducing uncertainties about legal ownership and creating a fertile ground for potential disputes. The absence of clear ownership records not only jeopardizes the department's credibility but also raises questions about the integrity of its asset management practices.

Moreover, the under-utilization of prime properties in major cities emerged as a missed opportunity for revenue generation and organizational financial health. The audit findings reveal that certain assets in strategic locations remained dormant, failing to contribute to the department's revenue stream. This inefficiency is not only a financial setback but also reflects a lack of strategic vision in maximizing the potential of valuable assets.

Illegal encroachment on 248 postal properties across Pakistan constitutes a critical lapse in safeguarding measures. This breach exposed the department to various risks, including potential financial implications, legal actions, and liabilities. The failure to protect these assets from encroachment signifies a breakdown in security protocols, highlighting the need for immediate corrective actions to secure and reclaim these properties.

A systematic approach to record-keeping and periodic inspections was notably absent in the PPOD asset management. This deficiency hampers the assurance over the existence, ownership, and completeness of assets. Without a robust record-keeping system and regular inspections, the department is vulnerable to inaccuracies, mismanagement, and potential losses. Strengthening these processes is imperative for ensuring accountability and transparency in asset management.

The audit also raises concerns about the failure to secure assets through insurance. In the event of damage or loss, the absence of insurance coverage exposes the department to significant financial risks. This lack of foresight in safeguarding assets further underscores the need for a comprehensive risk management strategy to protect the department's financial interests.

The prolonged utilization of PPOD assets by M/s PLICL without a finalized agreement is a glaring lapse in strategic foresight. This not only raises questions about the terms of use but also reflects a lack of diligence in formalizing agreements that safeguard the department's interests. Clear and finalized agreements are essential to ensure transparency, legal compliance, and fair compensation for the use of departmental assets.

Emergency response procedures were found to be non-existent, indicating a gap in organizational preparedness. The absence of a structured approach to respond to emergency events or circumstances poses significant risks.

Improper maintenance of civil structures, as evidenced by the severe deterioration of postal buildings and residential quarters, indicates a systemic failure in preserving valuable assets. Neglecting maintenance not only compromises the structural integrity of these assets but also indicates a lack of commitment to responsible asset management.

In this backdrop, the audit findings present a comprehensive overview of the challenges and deficiencies in the asset management practices of the PPOD. Urgent corrective actions are imperative to enhance financial resilience, operational efficiency, and responsible asset management. Addressing the identified issues will not only strengthen the department's credibility but will also position it for sustainable success in the dynamic landscape of postal operations.

(iii) Significant Audit Observations

(a) Non-acquisition of ownership documents of postal properties

According to Rule 7(1)(s) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the Principal Accounting Officer is responsible for proper record of all assets.

PPOD inherited/acquired 4,155 postal buildings and residential quarters following the partition of Pakistan in August, 1947.

Audit observed that PPOD did not acquire the ownership documents of 585 postal buildings and residential quarters worth Rs 84,065 million despite lapse of few decades after the partition of Sub-Continent. Audit contends that without proper ownership documents, it is challenging for PPOD to prove the legal ownership of the properties in case a dispute arises between PPOD and any claimants which can cause loss to the department. Further, non-availability of ownership documents of postal buildings also impacts accuracy and completeness of financial reporting.

(b) Non-utilization of assets

Federal Cabinet in its meeting held on 17th August 2021 approved the lease and tenancy policy of PPOD. The main purpose of the Policy was to generate revenue to meet its increasing requirements of infrastructure development, maintenance, operational and management cost etc.

PPOD has a large infrastructure of buildings, rest houses and plots/open spaces etc. Most of these properties/plots, located at prime locations in the major cities of the country, are lying vacant or unutilized.

Audit observed that 29 properties (21 vacant plots and 8 Rest houses/inspection quarters) were identified for leasing by PPOD which could not be materialized due to weak planning and financial management. Audit contends that PPOD could generate reasonable revenue in form of rental/leasing proceeds, had these properties been rented out. Non-utilization of PPOD assets reflects weak assets management which deprived the department of an alternate source of revenue to improve its financial health.

(c) Illegal encroachment on postal properties

According to para 7 (1) (o) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the Principal Accounting Officer is responsible for safe custody of assets including maintenance of assets and inventory registers. Principal Accounting

Officer shall ensure that the maximum possible returns are achieved on each and every asset falling under the oversight of the Ministry or Division, department, sub-ordinate office.

PPOD has a large infrastructure of buildings, rest houses and plots/open spaces etc. Most of these properties/plots, located at prime locations in the major cities of the country, are lying vacant or un-utilized.

Audit observed that 248 properties of PPOD were encroached upon by outsiders throughout Pakistan but no appropriate and timely action was undertaken to safeguard the prime assets and has put the PPOD at financial risk. Audit is of the view that PPOD may incur expenses related to property restoration, legal actions against encroachers, and potential liabilities arising from accidents or incidents that may occur on the encroached properties.

(d) Utilization of postal assets by M/s PLICL

A Strategic Alliance Agreement was signed between Pakistan Post Office Department and Postal Life Insurance Company Limited on 1st July, 2021. As per Clause 2.2 of agreement, Pakistan Post will provide support to PLICL for the use of Physical assets, manpower resources and any other facilities as may be necessary during transit phase.

One hundred twenty (120) official/residential properties and fifty-seven (57) vehicles of PPOD were being utilized by PLICL. Audit revealed that PPOD did not sign any lease agreement with PLICL in respect of these assets despite lapse of almost three years. Due to non-finalization of agreement, rent of properties under utilization of PLICL worth Rs 148.584 million could not be realized.

(e) Improper maintenance of civil structure

According to para 7 (1) (o) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the Principal Accounting Officer is responsible for safe custody of assets including maintenance of assets and inventory registers. Principal Accounting

Officer shall ensure that the maximum possible returns are achieved on each and every asset falling under the oversight of the Ministry or Division, department, sub-ordinate office.

Audit observed that the external conditions of the postal buildings and residential quarters in postal colonies were severely deteriorated. This decline is indicative of a systemic failure in conducting essential repair and maintenance works necessary for the preservation of these valuable assets. The requisite measures to address the wear and tear of these structures were not adopted. Such proactive measures could mitigate not only the potential financial burdens associated with comprehensive rehabilitation but could also uphold the organizational commitment to responsible asset management and infrastructure upkeep.

(f) Non-maintenance of record relating to physical assets

According to Para 7 (o) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the Principal Accounting Officer (PAO) is responsible for safe custody of assets including maintenance of assets and inventory register. PAO shall ensure that the minimum possible returns are achieved on each and every asset falling under the oversight of the Ministry or Division, Department and subordinate offices.

Audit also focused on the management and maintenance of the physical assets procured by the Pakistan Post Office Department including vehicles, power generators, AC units, furniture and fixtures, computers, laptops, printers, scanners, photocopiers, and fax machines. It was observed that these assets were not adequately maintained. Moreover, periodic inspections of physical assets are vital to provide assurance that all assets are accurately reflected in the stock register, physically exist, and remain within the custody of the department. However, it was noticed that PPOD had not established any formal procedures for conducting regular inspections of its assets, and consequently, no corresponding reports were generated.

Due to absence of proper maintenance procedures and physical inspection reports, audit was unable to ascertain the assurance regarding the existence, ownership, custody, and completeness of the assets and equipment. Effective management of assets is crucial for ensuring accountability and the lack of maintenance practices hinders the ability to validate key aspects such as asset ownership, current location, and accurate recording.

(g) Un-secured assets

According to Section 166(3) of Insurance Ordinance 2000, all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the National Insurance Company Limited only and shall not be placed with any other insurer. Further, Finance Division (Expenditure Wing) vide letter dated 26th September, 2022 issued directions for implementation of Section 166 (Law) of Insurance Ordinance, 2000.

During the course of audit, it was observed that PPOD did not comply with the statutory framework and specific directives issued by the Finance Division (Expenditure Wing) on 26th September, 2022 in safeguarding and non-insuring its owned and acquired physical assets, encompassing vehicles, buildings, machinery, furniture, fixtures, and equipment which exposed the department to potential financial losses in the face of unforeseen events, placing the financial stability and sustainability of PPOD at risk.

3.7 Recommendations

Audit recommends that the:

i) PPOD should promptly initiate the process of acquiring ownership documents for postal buildings and residential quarters by taking up the matter with relevant authorities to transfer the property titles in the name of PPOD.

ii) PPOD should develop and implement a comprehensive asset utilization policy in alignment with the approved Lease and Tenancy Policy, 2021. For this purpose, a systematic approach may be adopted to identify, assess, and utilize vacant or un-utilized properties for generating revenue through leasing or renting.

iii) PPOD must adopt anti-encroachment drive in collaboration with security and law enforcement agencies to safeguard postal properties against encroachers.

iv) Lease agreement with M/s PLICL for the utilization of PPOD's properties and vehicles may be expedited and terms and conditions, including rent etc. may be finalized explicitly.

v) Repair and maintenance of deteriorated postal buildings and residential quarters be made by making adequate financial allocations in order to prevent the wear and tear of the properties.

vi) PPOD must institute a proper record-keeping system for all physical assets and schedule periodical inspections to ensure the accuracy of asset information, including ownership, condition, and utilization details.

vii) PPOD must develop and implement a comprehensive insurance policy for its physical assets to forestall any financial loss arising from possible damage of assets.

3.8 Conclusion

The audit findings highlight significant deficiencies in the PPOD's asset management system and safeguarding practices; thereby posing considerable financial and operational risks. To address these risks, the PPOD should urgently prioritize the acquisition of ownership documents for the identified postal properties, implement a comprehensive asset utilization policy to generate revenue from vacant properties, strengthen anti-encroachment measures, and establish a comprehensive record-keeping system for all physical assets. Additionally, the department must expedite the formalization of agreements with M/s PLICL, ensure comprehensive insurance coverage, develop and disseminate emergency response procedures and allocate resources for the timely repair and maintenance of deteriorated postal buildings.

The thematic audit of PPOD asset management reveals critical shortcomings in its asset management practices, financial oversight, and adherence to regulatory obligations. Of paramount concern is the non-acquisition of ownership documents for 585 postal buildings and residential quarters, valued at Rs 84,065 million. This oversight not only jeopardizes the department's ability to assert legal ownership in potential disputes but also introduces uncertainties impacting the accuracy and completeness of financial reporting.

Equally significant is the under-utilization of PPOD's vast infrastructure, including 29 identified properties, highlighting weak planning and financial management. The untapped revenue potential through leasing or renting these properties accentuates a missed opportunity for the department to fortify its financial health. This non-utilization underscores inherent deficiencies in asset management practices, warranting immediate rectification.

Audit further revealed the illegal encroachment on 248 postal properties nationwide, a situation exacerbated by PPOD's failure to take timely and appropriate action. This places the department at considerable financial risk, with potential expenses looming for property restoration, legal actions, and liabilities arising from incidents on the encroached properties.

A critical lapse in compliance is evident in the non-adherence to Section 166(3) of the Insurance Ordinance 2000, leaving PPOD's extensive assets unprotected in the face of unforeseen events. This not only exposes the department to potential financial losses but also jeopardizes its overall financial stability and sustainability.

Additionally, the audit highlights the non-finalization of lease agreements with Postal Life Insurance Company Limited (PLICL) for the utilization of 120 properties and 57 vehicles, resulting in unrealized rent amounting to Rs 148.584 million. This failure to formalize agreements reflects inadequate contractual oversight and financial management.

Lastly, the improper maintenance of civil structures, as observed in the deteriorated conditions of postal buildings and residential quarters, indicates a systemic failure to conduct essential repairs. Proactive measures are imperative to mitigate potential financial burdens associated with comprehensive rehabilitation, aligning with responsible asset management practices.

Audit underscores the urgent need for the Pakistan Post Office Department to institute comprehensive reforms. Addressing these deficiencies requires immediate action in asset management, financial oversight, and regulatory compliance. The recommendations presented in the audit findings serve as crucial guidelines for strengthening financial discipline, ensuring accountability, and securing the long-term sustainability of the department. Immediate and concerted efforts are imperative to mitigate potential risks, uphold legal and regulatory standards, and augment the financial well-being of the Pakistan Post Office Department.

ANNEXURES

Annexure-I

Brief Description of Paras of PPOD Included in MFDAC

(Rs in Million)

Sl. No.	PDP No.	Subject	Amount
1.	7-2024	Unauthorized withdrawal by NBP from PPOD Western Union Account	1,400.000
2.	9-2024	Unauthorized excess payments of money orders	209.030
3.	14-2024	Excess expenditure on account of establishment charges	2,226.028
4.	15-2024	Non-surrender of savings	36.13
5.	24-2024	Unauthorized recruitment of postman in violation of Supreme Court judgment	0
6.	29-2024	Non-receipt of operational funds from Finance Division –	1,800.772
7.	31-2024	Non-utilization of funds allocated for purchase of mobile devices	35.770
8.	32-2024	Unauthorized payments to saving account holders	50.85
9.	33-2024	Variation of booked figures of revenue in cash account and other accounting record	0
10.	35-2024	Irregular issuance of sanctions under head unclassified payments –Rs 1.5 million	1.50
11.	40-2024	Irregular retention of cash by a private company	52.460
12.	42-2024	Loss due to retention of excess postmen	14.280
13.	45-2024	Insecure delivery of driving licenses without valid agreement	6.064

14.	46-2024	Non-recovery of service charges on disbursement of defense pension	0
15.	47-2024	Unauthorized payment of security deposit and incentive without authorization	4.350
16.	56-2024	Variation in stock of commemorative stamps	0.863
17.	83-2024	Less deduction of normal rent	3.912
18.	84-2024	Variation between NBP account statements and Post Office record	111.724
19.	85-2024	Non-recovery of standard rent from unauthorized occupants	5.267
20.	86-2024	Irregular retention of utility bills collection and delayed deposit	0
21.	87-2024	Irregular booking of incentives	19.374
22.	88-2024	Non-clearance of long outstanding liabilities of Foreign Postal Administrations	52.170
23.	89-2024	Irregular expenditure on the appointment of staff without verification of degrees / educational credentials	110.212
24.	90-2024	Irregular expenditure without fixation of pay from DA PPO Lahore	14.270
25.	91-2024	Non-receipt of provincial sales tax from PTCL	18.735
26.	92-2024	Non-depiction of outstanding amount of GPF/HBA advances in salary slips and non-recovery	127.730
27.	98-2024	Non-acceptance of FC pension payment vouchers	20.700
28.	99-2024	Non-deposit of Zakat into Central Zakat Account	24.903
29.	100-2024	Irregular cash payments instead through cheques	28.762

30.	112-2024	Unauthorized Payment of FC pension	105.915
31.	118-2024	Unauthorized drawal of funds against lapsed letter of credit	23.000
32.	119-2024	Un-reconciled expenditure of operating expenses	0
33.	122-2024	Unjustified transmission of cash among GPOs	499.200
34.	124-2024	Non-verification of CTRs & CPRs	60.506
35.	126-2024	Unauthorized payment of double conveyance allowance	0.750
36.	127-2024	Non-approval of accounting procedure from Auditor-General of Pakistan for collections & payments in agency functions	0
37.	130-2024	Non-reconciliation of Western Union money transfer payments/utility companies	0.000
38.	134-2024	Un-justified retention of demand drafts	0.000
39.	137-2024	Excess deposited into NBP Accounts on account electricity bills, custom duty, money orders and postal revenue	247.872
40.	138-2024	Un-adjusted amount of dishonoured / cancelled cheques of saving bank in financial record	12.221
41.	139-2024	Non-transfer of premium amount to PLICL and non-accountal and deposit of commission into FCF	147.172
42.	141-2024	Non-transfer of Saving Bank Accounts/Certificates to CDNS involving balance	0.000
43.	143-2024	Non-transfer of amount of saving bank accounts & certificates to Federal Government Account	89.143

44.	144-2024	Non-preparation of expenditure statement of establishment charges and non-reconciliation thereof	0
45.	145-2024	Irregular allocation of motorcycles on ownership basis	14.043
46.	146-2024	Un-justified retention of Stipend Money Orders	158.672
47.	147-2024	Non/short deposit of security money by the contractors	11.089
48.	148-2024	Ineligible expenditure on alteration work of buildings/ conveyance charges	10.433
49.	151-2024	Non-recovery of compensation cost from foreign postal administration	3.196
50.	153-2024	Lapse of funds due to negligence of staff	2.709
51.	158-2024	Non-revision of authorized limits and excess retention of cash and stamps upto 13,179%	0.000
52.	159-2024	Irregular payment of Instruction Allowance and Non-Adjustment of TA/Emergent Advances	0.454
53.	165-2024	Unauthorized payment of house requisition	7.709
54.	167-2024	Non-transfer of balance of Quality Service Fund	3.794
55.	168-2024	Irregular expenditure on repair of GPO Tank building	0.298
56.	169-2024	Irregular allocation of motorcycles on ownership basis to non-entitled staff	5.130
57.	171-2024	Loss to PPOD due to cancellation of mail contracts	2.879
58.	172-2024	Unauthorized charge of expenditure to GPO Sargodha	2.995
59.	173-2024	Unauthorized payment of salary during EOL	0.188

60.	174-2024	Lapse of funds	35.00
61.	179-2024	Wasteful expenditure on printing of defective commemorative postage stamps and loss	8.395
62.	181-2024	Irregular/unjustified expenditure on web-based software application	1.725
63.	183-2024	Overpayment on account of charging excess rates & GST	0.479
64.	184-2024	Unacknowledged invoices of non-postal stamps	0.000
65.	185-2024	Irregular demolishing of Government property and reconstruction of multi story building	0.000
66.	188-2024	Variation due to less charging of amount in monthly cash accounts	17.800
67.	189-2024	Delayed deposit of revenue into the Federal Consolidated fund	24.530
68.	190-2024	Irregular payment of military pension through EDBOs	12.430
69.	191-2024	Loss due to non-participation of participants of International Course	0.780
70.	192-2024	Loss of revenue due to renting the official premises at lesser rates	1.445
71.	193-2024	Loss of revenue due to decrease in covered area of official premises	0.904
72.	194-2024	Irregular payment deceased claims of saving bank	301.639
73.	195-2024	Unjustified deduction of penalty by PTCL	0.640
74.	196-2024	Delay in finalization of past work verification and departmental action in pension embezzlement case	0.000
75.	197-2024	Irregular expenditure on mail line and non-recovery	2.599
76.	200-2024	Loss to department due to award of contract at higher rates	0.695

77.	211-2024	Irregular retention and delayed deposit of Custom Duty collected amount in NPB	10.889
78.	212-2024	Non-adjustment of postal expenditure amount from the fund allocated through LOC	5.840
79.	222-2024	Difference existed in recoverable bulk mail amount in postal accounts and claim furnished to bulk mail client	0.958
Total			**8,211.972**

Annexure - II

Brief Description of PLICL Paras Included in MFDAC

(Rs in Million)

Sl. No.	PDP No.	Subject	Amount
1.	58-2024	Non-finalization of past work verification of misappropriated amount and non-recovery thereof	4.709
2.	59-2024	Wastage of public funds on job advertisement due to non-recruitment on key positions and creation of liability	11.702
3.	60-2024	Non-utilization of budgetary grant resulting in savings and non-surrender of funds	29.285
4.	61-2024	Irregular expenditure on payment of health Insurance without executing contract agreement and non-recovery of health insurance premium	1.278
5.	63-2024	Appointment of CA Firms without concurrence/approval of Auditor-General of Pakistan and non-initiating action against firm for non-completion of audit assignment	0.000
6.	64-2024	Irregular payment of leave encashment to retired employees on deputation	2.651
7.	65-2024	Unauthorized entry of back dated premium receipts data in PLIS	24.046
8.	66-2024	Non-receipt of balance of committed funds from Finance Division	0.000
9.	68-2024	Failure to achieve the specified deliverables by the consultant for PLIC	0.000
10.	69-2024	Non-finalization of matters regarding transfer of assets with PPOD	0.000
11.	70-2024	Non-appointment of regular CEO in PLIC	0.000

12.	71-2024	Non-reconciliation of figures of receipts/collection of premium by GPOs	147.072
13.	72-2024	Irregular investment of funds	0.000
14.	73-2024	Unjustified delay in completion of disciplinary proceedings	0.000
15.	74-2024	Non-preparation & submission of annual report and statement to SECP	0.000
16.	75-2024	Non-finalization of agreement for rent of PPOD land & buildings	148.584
17.	95-2024	Unjustified cash payment	2.421
18.	96-2024	Non-finalization /reconciliation of loan repayment procedure and non-recovery of loan/interest	1.903
19.	104-2024	Unauthorized payment of claims from statutory fund	917.793
20.	105-2024	Non-payment Group Insurance claims of different Government departments	220.590
21.	107-2024	Unauthorized promotion of staff	0.825
22.	108-2024	Missing of policy files related to MVC & DVC Claims	45.580
23.	109-2024	Non-achievement of Premium Targets	208.914
24.	113-2024	Difference in two sets of figures	120.284
25.	114-2024	Improper preparation of HR manual and its non-approval from the regular Board of Directors	0.000
26.	115-2024	Non-availability of annual budget allotment statement	387.201
27.	116-2024	Less receipt of rent from occupant of Bachelor Hostel	0.149
28.	160-2024	Improper complaint management mechanism by PLICL	0.000
29.	161-2024	Unauthorized payment house requisition to staff	28.682

30.	162-2024	Non-implementation of business plan in introducing new products	0.000
31.	163-2024	Non-Generation of Internal Audit Report and In-effective role of internal audit department	0.000
32.	201-2024	Irregular establishment expenditure without issuance of pay slip of officers from DA PPO, Lahore	1.210
33.	202-2024	Non-payment of claims to the insurant	22.803
34.	203-2024	Irregular petty cash expenditure	7.167
35.	204-2024	Non-maintenance of cheques issued record	421.906
36.	205-2024	Doubtful payment transactions recorded in cash book	0.717
37.	206-2024	Non-conducting of Bank Reconciliation of PLIC payments transactions	135.095
38.	208-2024	Double payment of salary to GM (Southern) Karachi	0.396
39.	209-2024	Unauthorized occupation of Postal Life Insurance Company Limited property	0.000
40.	210-2024	Irregularities in issuance of cheques	0.000
41.	213-2024	Doubtful payment of group insurance claims without data updating	0.000
42.	217-2024	Irregular petty cash payment to field offices	2.579
43.	218-2024	Unjustified payment of pay and allowances without the approval of BoD	2.755
44.	219-2024	Unjustified posting orders on deputation by DG PPOD to PLICL	2.472
45.	220-2024	Unjustified payment to Security Company	1.293
46.	221-2024	Poor performance regarding settlement/payment of claims to the insurant	0.000
47.	224-2024	Poor procurement management resulting in wasteful expenditure	0.636
Total			**2,902.698**

Annexure-III
(Para No. 1.4.1)

Details of theft, robbery & misappropriation cases

S. No.	Unit	PDP No	Item No.	No of Cases of theft/ dacoity	Mis-appropri ation Cases	Amount (Rs)
1	PMG Islamabad	152-24	4		2	328,835
2	PMG Islamabad		20	2		29,750
3	PMG AJK Circle Muzaffarabad		10		2	1,077,537
4	PMG Lahore		9		11	7,304,005
5	PMG Rawalpindi		10	2		1,373,343
6	PMG Rawalpindi		11		3	1,278,015
7	PMG Multan		14	3		1,259,292
8	PMG Peshawar		12		3	8,464,564
9	PMG Peshawar		13	1		2,676,693
10	PMG Quetta		13		1	2,230,000
11	GPO/DSPS Multan		14	1		434,959
12	GPO Chakwal		14		1	20,314,524
13	PMG Karachi		16	6		1,924,971
14	GPO Karachi		11	1		61,940
15	GPO Bhawalnagar		8		1	123,644
Total				**16**	**24**	**48,882,072**

Annexure-IV

(Para No. 1.5.2)

Details of irregular appointment of staff

Sl No	Name of Formations	Item No	Description
1	PMG Islamabad	10	Excess recruitment of postal staff
2	PMG Islamabad	11	Irregular appointment of postal staff of waiting list
3	PMG Islamabad	14	Irregular recruitment of postal clerks due to quota violation
4	PMG Muzaffarabad	18	Non-issuance of appointment letters to 7 candidates of different cadres
5	PMG, Peshawar	8	Irregular appointment of staff
6	PMG Peshawar	9	Irregular recruitment of staff car drivers
7	PMG Peshawar	10	Irregular recruitment of Lower Division Clerks (LDCs) without typing test
8	GPO Peshawar	1	Irregular appointment of staff
9	GPO Peshawar	2	Irregular transfer of Postmen from Divisional Office to GPO Peshawar
10	GPO Abbottabad	20	Irregular appointment of staff
11	GPO Batkhela	3	Irregular appointment of staff
12	DG, PPO, Islamabad	61	Irregular appointment of staff
13	GPO Mirpur Khas	14	Excess recruitment of postmen against initial appointment quota
14	GPO Mirpur Khas	16	Excess recruitment of postmen against initial appointment quota
15	GPO/DSPS Larkana	2	Non-provision of complete information/record relating to appointments of outsider candidates in DSPS Larkana Division
16	PMG Quetta	3	Appointment of Steno typists without compliance of recruitment criteria
17	GPO Quetta	1	Appointment of Drivers without compliance of recruitment criteria
18	GPO Quetta	2	Appointment of Time Scale Clerk without compliance of recruitment criteria
19	Postal Staff College	8	Irregular appointments of staff
20	GPO Batkhela	15	Irregular recruitment of postman without having the prescribed domicile
21	GPO Mirpur Khas	15	Irregular appointment of Security Guard without compliance of recruitment criteria

22	PMG, Rawalpindi	7	Unauthorized appointment of staff in excess of prescribed quota
23	PMG, Karachi	32	Irregular recruitment of staff without having practical experience
24	PMG Muzaffarabad	14	Irregular recruitment in violation of the instructions of Establishment Division
25	PMG Quetta	10	Non-observance of Establishment Division Directives for recruitments in PPOD
26	GPO Mirpur, AJK	7	Irregular recruitment in violation of the instructions of Establishment Division
27	PMG Muzaffarabad	15	Irregular appointment of postal clerks at AJK Circle
28	GPO Chakwal	17	Irregular appointment of postal clerk
29	CCS Karachi	21	Irregular recruitment of Upper Division Clerk
30	GPO Batkhela	16	Irregular recruitment of postal clerk without having prescribed qualification
31	PMG Muzaffarabad	16	Non-observance of disability/minorities quota in recruitment process
32	PMG, Lahore	8	Unauthorized appointment of staff against Ex-Serviceman quota
33	GPO Chakwal	18	Irregular appointment of staff
34	GPO Larkana	1	Unauthorized appointments of clerk in excess of post advertised in press
35	PMG Baluchistan Circle, Quetta	2	Irregular recruitments of Security Guard /Mail Peon/Porter against Ex-Serviceman quota
36	PMG Karachi	31	Irregular recruitment of staff car drivers
37	CCS Karachi	19	Irregular recruitment of Lower Division Clerks (LDCs) without typing test
38	GPO/DSPS Vihari	5	Irregular appointment of Postal Clerk (BPS-09) at Vehari GPO.
39	GPO/DSPS Vihari	6	Irregular appointment of stamp vendor (BPS-03) at Vehari GPO.
40	GPO Batkhela/ DSPS Malakand	17	Irregular recruitment of postal clerk
41	GPO/DSPS Jehlum	11	Irregular appointment of two security guards without availability post
42	GPO/DSPS Larkana	16	Irregular recruitment of postmen against direct appointment quota in DSPS Larkana
43	GPO/DSPS Larkana	17	Irregular recruitment of postmen against direct appointment quota in GPO Larkana
44	PMG AJK Circle Muzaffarabad	17	Recruitment in violation of ex-servicemen and formation wise quota

Annexure-V
(Para No. 1.5.6)

Details of irregular expenditure incurred without calling open tenders

Sl. No.	PDP No.	Name of Formations	Description	Amount (Rs)
1.	156-24	PMGs Lahore, Multan, Karachi, Muzaffarabad, CCS Karachi,	Irregular expenditure on printing work, conveyance of mail, hiring of security companies and made payments to the vendors without calling open tender	36,804,699
2.	175-24	CCS Karachi	Irregular expenditure on transportation of parcels and stamps boxes without advertisement	19,508,963
Total				**56,313,662**

Annexure – VI
(Para No. 1.7.1)

Details of non-recovery of penalties

S. No	PDP No	Unit	Amount Rs	Remarks
1	41-24	GPO Lahore	655,465,875	Non-imposition of penalty due to late deposit of cash from PPF
2	150-24	PMG Rawalpindi	3,338,987	Non-deduction of penalty from mail contractor
3		PMG Peshawar	0	Non-deduction of penalty from suppliers
4		CCS, Karachi	746,000	Non-deduction of penalty from PPF
5		PMG Karachi	1,987,904	Non-deduction of penalty from contractor
6		PMG Karachi	249,725	Non-deduction of penalty from PPF
Total			**661,788,491**	

Annexure – VII
(Para No. 1.7.5)

Details of non-recovery of postal dues

S.No	Unit	Item No.	Amount Rs	Remarks
1	GPO Chakwal	19	139,113	Non-recovery of courier charges from bulk mail users
2	GPO Mianwali	19	669,219	-do-
3	GPO Jhang	18	314,377	-do-
4	PMG Multan	12	9,981,449	-do-
5	PMG Karachi	17	57,419,250	-do-
6	GPO Quetta	23	153,383	-do-
7	GPO D.I.Khan	16	308,835	-do-
8	GPO Gulshan Iqbal Karachi	15	5,666,562	-do-
9	GPO Hyderabad	29	306,926	-do-
10	GPO Peshawar	15	419,799	-do-
11	GPO Lahore	9	3,542,223	-do-
12	GPO Islamabad	2	33,893,994	-do-
13	GPO Muzaffarabad	26	22,270	-do-
14	PMG Hyderabad	4	432,145	-do-
15	PMG Peshawar	17	1,030,759	-do-
16	GPO Karachi	01	4,194,500	-do-
17	GPO Multan	13	0	-do-
18	PMG Rawalpindi	18	1,074,599	-do-
19	PMG Lahore	13	15,941,246	-do-
20	PMG Islamabad & GPO Gilgit	19 & 02	43,245	-do-

21	GPO Layya	7	120,525	Non-recovery of courier charges from bulk mail users
22	GPO Sargodha	5	3,408,852	-do-
23	GPO Muzafargarh	11	224,637	-do-
24	GPO Latifabad, Hyderabad	19	221,361	-do-
25	GPO Attock	18	223,730	-do-
26	GPO Abbottabad	23	1,682,808	-do-
27	GPO Gujrat	17	228,492	
28	GPO Gujranwala	8	1,636,117	-do-
29	GPO Rawalakot	22	48,198	-do-
30	GPO Rawalpindi	18	2,228,775	-do-
31	GPO Gujjar Khan	22	50,421	-do-
32	GPO Mirpur Khas	18	176,260	-do-
33	GPO Faisalablad	18	1,524,708	-do-
34	GPO Korangi	15	32,513	-do-
35	GPO Bhawalpur	14	786,814	-do-
36	GPO Sialkot	26	872,881	-do-
37	GPO Bahawalnagar	14	57,790	-do-
38	GPO Vehari	14	111,052	-do-
39	PMG Karachi	11	1,363,800	Non-recovery of rent from PPF
40	GPO Islamabad	19	577,200	-do-
41	PMG Multan	15	347,375	-do-
42	PMG Islamabad	18	202,800	-do-
43	GPO Mirpur AJK	25	75,800	-do-
44	Postal Staff College, Islamabad	14	280,000	Non-recovery of room rent charges
45	GPO Rawalpindi	14	7,837,892	-do-
46	PMG Quetta	8	114,000	-do-
47	GPO D.I.Khan	9	1,561,658	Non-recovery of service charges from PTCL

48	PMG Karachi	8	347,032	Non-recovery of service charges from PTCL
49	GPO Gujrat	23	99,314	-do-
50	GPO Muzaffarabad	21	119,013	-do-
51	PMG Lahore	14	2,425,070	-do-
52	PMG Rawalpindi	15	1,131,572	-do-
53	PMG Peshawar	16	2,965,360	-do-
54	GPO Lahore & PMG Lahore	8 & 24	490,000	Non-recovery of courier charges from Excise & Taxation Department of Government of Punjab
55	PMG Lahore	15	5,853,056	Non-recovery of service charges from DLMIS for delivery of driving licenses
56	GPO Islamabad	33	279,000	Non-recovery of rent of post boxes
Total			**175,259,770**	

Annexure – VIII
(Para No. 1.7.7)

Details of non-transfer of GST/WHT by GPOs

Sl. No.	Name of Unit	Item No.	GST Collected Rs	GST Transferred Rs	GST Retained Rs	WHT Retained Rs
1	DG PPOD, Islamabad (70 GPOs)	40	104,682,397	47,824,436	56,857,961	
2	GPO Islamabad	09	0	0	0	0
3	GPO Lahore	06	0	0	0	0
4	PMG Muzaffarabad	12	0	0	0	0
5	GPO Muzaffarabad	19	0	0	0	0
6	GPO Jhang	10	0	0	0	40,307
7	GPO Latifabad	13	0	0	0	0
8	GPO Mirpur AJK	27	0	0	0	0
9	GPO Rawalpindi	20	0	0	0	0
10	GPO Sialkot	20	0	0	0	0
11	GPO Karachi	22	0	0	0	0
12	GPO Mirpur Khas	08	0	0	0	0
13	GPO Korangi Karachi	09	0	0	0	0
14	PMG Karachi	40	0	0	0	0
15	GPO Gilgit	03	89,585	0	89,585	0
16	GPO Gujranwala	17	2,507,193	0	2,507,193	0
17	GPO Lahore	07	0	0	0	2,334,798

18	GPO Peshawar	21	0	0	0	320,163
19	GPO Abbottabad	21	0	0	0	1,377,928
20	GPO Gujranwala	28	0	0	0	604,506
21	GPO Karachi	21	0	0	0	1,464,623
Total			**107,279,175**	**47,824,436**	**59,454,739**	**6,142,325**
					Grand Total (GST +WHT)	**65,597,064**

Annexure – IX
(Para No.1.7.10)

Details of non-recovery of overpaid amount from military pensioners

PDP No.	Formations	Amount (Rs)
93-24	GPOs Islamabad, Muzaffarabad, Jhang, Mianwali, Multan, Hyderabad, Chakwal, D.I.Khan, Sargodha, Muzafargarh, Gujrat, Rawalakot, Korangi Karachi, Batkhela, Karachi, Mirpur Khas, Gujar Khan, Faisalababad, Sialkot, Mandi Bahauddin, Bahawalnagar, Palandri, Vehari, & Bahawalpur	28,092,494

Annexure – X
(Para No. 1.8.1)

Details of irregular disbursement of military pension

Sr. No	PDP No	Unit	Subject	Amount Rs
1.	19-24	DG PPOD Islamabad	Financial indiscipline in disbursement of military pension	156,000,000,000
2.	111-24	GPOs Islamabad, M.Abad, Jhang, Mianwali, Hyderabad,DI Khan, Sargodha, Laya, Latifabad, M.Garh, Mirpur AK, Gujrat, Rawalakot, G.Wala, Attock, Gujjar Khan, Sialkot, M.B.Din,Palandri & Vehari	Irregular payment to military pensioners without availability of PPOs	
3.	125-24	GPOs Islamabad, M.Abad, Jhang, Mianwali, Chakwal, D.I.Khan,Sargodha, Layya, M.Garh,Gilgit,Rawalakot, Attock, Gujjar Khan, Jhelum, Sialkot, M.B.Din, Palandri & Vehari	Unauthorized military pension payment made in sub-offices without date noting in GPOs	
4.	154-24	GPOs Jhang, Mianwali, Hyderabad, D.I.Khan, Sukkur, Sargodha, Layya, Latifabad,M.Garh, Abbottabad, Gujrat, Attock, Gujjar Khan, Faisalabad,MB Din, Palandri & Vehari	Irregular pension payment made to pensioners due to non-obtaining of life /re-marriage certificates	
5.	155-24	GPOs Islamabad, M.Abad, Jhang,Mianwali,Multan, Hyderabad,Chakwal, Gulshan Iqbal,Sargodha,Layya, Latifabad Muzafargarh,Mirpur AK, Gujrat,Rawalakot,Gujranwala, Attock,Rawalpindi,Karachi, Gujjra Khan,Jhelum,Sialkot, MB Dir,B.Nagar,Plandri,Vehari	Doubtful/irregular payment of military pension	
Total				**156,000,000,000**

Annexure – XI
(Para No. 1.8.2)

Details of non-clearance of liabilities

Sr. No	PDP No	Unit	Subject	Amount Rs
1.	28-24	DG PPOD Islamabad	Non-clearance of liabilities of M/S 360 Technologies	108,727,208
2.	129-24	DG PPOD, Islamabad, GPOs Lahore,Jhang, Multan,Hyderabad,Sukkur, Gulshan Iqbal, Sukkur, Gujranwal, Korangi, Karachi, Sialkot & Quetta	Non-clearance of pending liabilities of utility companies	16,471,000,000
3.	182-24	CCS Karachi	Non-clearance of liabilities of NSPC	633,840,699
Total				**17,213,567,907**

Annexure – XII
(Para No. 1.8.5)

Details of non-transferring of revenue by PPOD

Sl. No.	Unit	Item No.	Amount Rs
1.	GPO Sialkot	01	396,457,000
2.	GPO Faisalabad	02	66,479,471
3.	GPO Faisalabad	11	76,412,180
4.	GPO Larkana	04	11,831,473
5.	GPO Larkana	07	2,467,471
6.	GPO Mirpurkhas	09	6,100,889
7.	GPO Palandri	07	5,622,782
8.	GPO Sukkur	01	15,360,519
9.	GPO Layyah	02	0
10.	GPO Mirpur AJK	01	21,746,708
11.	GPO Mirpur AJK	02	3,549,232
12.	GPO Latifabad	03	20,493,738
13.	GPO Abbottabad	02	1,607,000
14.	GPO Abbottabad	15	872,100
15.	GPO Abbottabad	16	0
16.	GPO Abbottabad	17	0
17.	GPO Gilgit	08	0
18.	Postal Staff College Islamabad	03	10,584,422
19.	GPO Gujranwala	14	0
20.	GPO Korangi Karachi	01	25,394,000
21.	GPO Korangi Karachi	10	5,457,950
22.	GPO Rawalakot	17	10,068,602
23.	GPO Mirpurkhas	02	10,381,425
24.	GPO Batkhela	04	11,329,296
25.	GPO Batkhela	13	28,179,429
26.	DG PPOD Islamabad (43 GPOs)	19	572,658,422
27.	GPO Batkhela	22	1,116,945
28.	GPO Chakwal	11	0
29.	GPO D.I Khan	02,04	5,172,900

30.	GPO Quetta	14	9,963,640
31.	GPO Quetta	18	2,801,405
32.	GPO Hyderabad	24	42,481,904
33.	GPO Gulshan e Iqbal	19	65,997
34.	GPO Gulshan e Iqbal	18	1,933,696
35.	GPO Gulshan e Iqbal	04	11,633,880
36.	GPO Karachi	02	25,340,000
37.	GPO Multan	05	0
38.	GPO Peshawar	14	1,6133,022
39.	GPO Muzaffarabad	03	24,465,056
40.	GPO Jhang	2	67,232,618
41.	GPO Lahore	01	582,589,117
42.	GPO Rawalpindi	13	0
43.	GPO Peshawar	07	246,054,166
44.	GPO Peshawar	13	8,550,490
45.	PMG Rawalpindi (07 GPOs)	04	29,011,053
46.	PMG Muzaffarabad (03 GPOs)	04	22,314,650
47.	PMG Islamabad	06	37,000
48.	PMG Karachi (04 GPOs)	19	461,845,573
49.	GPO D.I.Khan	22	154,560
Total			**2,861,951,781**