SPECIAL AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN POST OFFICE DEPARTMENT
AUDIT YEAR 2020-21

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 special audit of Pakistan Post Office Department (PPOD) was carried out accordingly.

The Director General Audit, Postal and Telecommunication Services (P&TS) conducted special audit of PPOD during May – June, 2021 for the period 2018-19 and 2019-20 with a view to report significant findings to the relevant stakeholders. Audit examined the economy, efficiency and effectiveness aspects of PPOD. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules & regulations in managing the operations of PPOD. The Audit Report indicates specific actions that, if taken, will help the management to realze the objectives of PPOD. The Audit Report has been finalized in the light of discussions in DAC meeting.

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 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 both houses of the Parliament.

Sd/-

Islamabad
Dated: 28th November, 2022

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

AGPR		Accountant General Pakistan Revenues
AIMS		Audit Information Management System
AJK	:	Azad Jammu & Kashmir
APPM	:	Accounting Policies and Procedure Manual
BISP	:	Benazir Income Support Programme
CCS	:	Chief Controller of Stamps
CDNS	:	Central Directorate of National Savings
CGA		Controller General of Accounts
CSS	:	Centralized Software Solutions
CTRs		Currency Transaction Reports
DAC	:	Departmental Accounts Committee
DMO	:	District Mail Office
DSC	:	Defence Saving Certificate
DSPS	:	Divisional Superintendent Postal Services
ECC	:	Economic Coordination Committee
EMO	:	Electric Money Order
FMU		Financial Monitoring Unit
GFR	:	General Financial Rules
GM PLI	:	General Manager Postal Life Insurance
GPO	:	General Post Office
GST	:	General Sales Tax
IAC	:	Initial Account Code
KIBOR		Karachi Inter Bank Offer Rate
LOC	:	Letter of Credit
NAB	:	National Accountability Bureau
NADRA	:	National Database and Registration Authority
NBP	:	National Bank of Pakistan
PAO	:	Principal Accounting Officer
PCP	:	Printing Corporation of Pakistan
PMG	:	Postmaster General
PPF	:	Pakistan Post Foundation
PPOD	:	Pakistan Post Office Department

PPRs	:	Public Procurement Rules
PSPC	:	Pakistan Security Printing Corporation
PTCL	:	Pakistan Telecom Company Limited
QESCO	:	Quetta Electricity Supply Company
SBP	:	State Bank of Pakistan
SSA	:	Special Saving Account
SOP	:	Standard Operating Procedure

EXECUTIVE SUMMARY

Director General Audit, Postal & Telecommunication Services, Lahore conducted Special Audit on the Accounts of Pakistan Post Office Department for financial years 2018-19 and 2019-20 in the month of May & June 2021 on the request of Ministry of Communications. Main objectives of special audit were to ascertain whether internal controls were in place for proper safeguard and optimum utilization of assets, cash handling process and receivable management. Saving bank schemes, military pension payments and other agency functions were being performed in accordance with prescribed rules and procedures. Procurement process and contract management were need based and in compliance with Public Procurement Rules. The expenditure on building works had been incurred after obtaining necessary approvals/sanctions. Proper estimates had been prepared and works had been executed in accordance with Public Works Department Schedule of rates.

During the course of audit, a number of irregularities were pointed out. It was observed that the GPOs located in Azad Jammu and Kashmir have not got separate Letters of Credits (LoCs) issued. They were receiving cash through GPO Islamabad. It was also observed that the department made payments in cash instead of cheque payments. Asset management of the department was observed to be weak as instances relating to documentation, and illegal possession of land were noticed. Procurement management of the PPOD remained weak as identified through cases of wasteful expenditure, ill planning and violation of PPRs. Audit observed weak recovery management leading to a lot of overpaid amounts not being recovered in time.

Audit recommends that the department should devise a system to improve financial, asset and contract management. Further, effective monitoring & evaluation and compliance with rules may also be ensured for achieving desired results.

Key audit findings

The special audit report on the account of Pakistan Post Office Department comprises twenty-four (24) audit paras:

i. PPOD transmitted cash to seven (07) GPOs of Azad Kashmir instead of obtaining separate letter of credit from Finance Division. Further, PPOD also made cash payments to contractors and salaries to employees instead of cheques - Rs 39,031.961 million.[1]
ii. PPOD did not acquire ownership documents of its properties and instances of illegal occupation of postal properties were observed - Rs 84,119 million.[2]
iii. PPOD incurred wasteful expenditure on procurements due to ill planning and violation of PPRs - Rs 284.705 million.[3]
iv. Instances of non-recovery of overpaid amounts to postal pensioners, military pensioners and standard rent from unauthorized occupants were observed due to weak receivable management - Rs 234.666 million.[4]
v. Instances of non-compliance with rules and regulations were observed – Rs 65,636.873 million.[5]

Recommendations

The PPOD needs to devise a system to:

i. Obtain separate letter of credit for seven GPOs of Azad Kashmir and also make payments through cheques.

ii. Strengthen its internal controls with respect to asset management and obtain ownership documents of postal properties to safeguard the assets of PPOD.

[1] Para No 4.1.1 to 4.1.3
[2] Para No 4.2.1 to 4.2.3
[3] Para No. 4.3.1 to 4.3.4
[4] Para No. 4.4.1 to 4.4.5
[5] Para No. 4.5.1 to 4.5.9

iii. Make procurements after proper planning and compliance with Public Procurement Rules, 2004 for procurement of goods and services be ensured.

iv. Improve the recovery mechanism for timely realization of postal dues/recoveries.

v. Ensure compliance with rules & regulations.

MINISTRY OF COMMUNICATIONS

PAKISTAN POST OFFICE DEPARTMENT

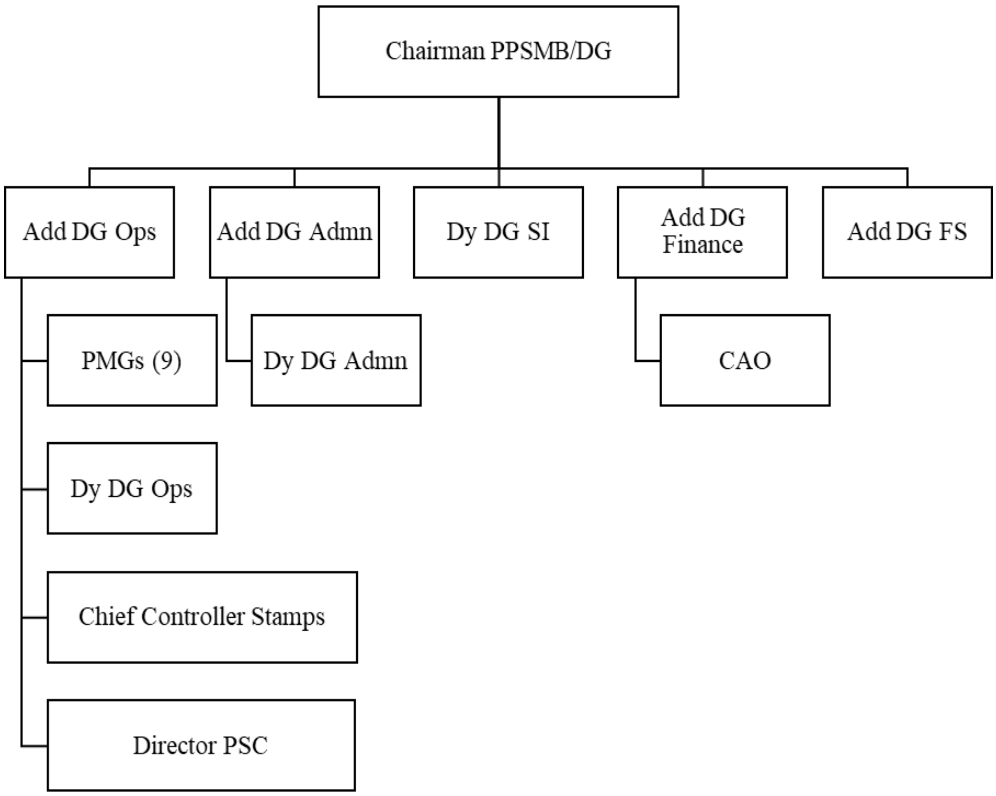
1. Introduction

Pakistan Post Office Department (PPOD) was established as a service department under Post Office Act, 1898 headed by Director General (DG). The department consists of nine (9) Circles, each headed by a Postmaster General (PMG), based at Quetta, Karachi, Hyderabad, Multan, Lahore, Rawalpindi, Islamabad, Peshawar and Muzaffarabad. There are 85 General Post offices (GPOs) and 62 Divisional Superintendents Postal Services (DSPS) reporting to Postmasters General. These GPOs administer 13,277 sub and branch post offices. The Department has a human resource of 47,348 officers and staff including Extra Departmental employees.

The primary function of PPOD is delivery of mail and payment of money orders. The PPOD also performs agency functions on behalf of various departments and organizations of Federal and Provincial Governments. The major agency functions include handling of saving bank accounts & schemes, disbursement of pensions, collection of utility bills and disbursement of BISP money orders etc. Of late, a few agency functions like saving bank operations and pension payments are going out of the purview of PPOD. PPOD has also been performing functions of Postal Life insurance (PLI) as an agent of the Ministry of Finance managed by two General Managers based at Lahore and Karachi. But establishment of Postal Life Insurance Company Limited has seen this agency function to be performed elsewhere now.

In addition to these functions, PPOD also acts as postal treasury and draws funds from Treasuries (State Banks/National Banks) to meet the agency function requirements. Pakistan Security Printing Corporations (PSPC) 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.

1.1 Organizational Structure of Pakistan Post Office Department



CAO: Chief Accounts Officer
DG: Director General
FS: Financial Services
Ops: Operations
PMG: Post Master General
PPSMB: Pakistan Postal Services Management Board
PSC: Postal Staff College
SI: Special Initiatives

1.2 Assigned Role and Functions of PPOD

The post office in Pakistan has a broad and varied role. It provides an important communication link to individuals, communities and businesses for:

- Exchange of official, commercial and private letters and communications.
- Transmission of printed material on subsidized rate to disseminate knowledge.
- Transmission of samples of merchandise at lower rates for facilitating trade and industry.
- Money Remittances through postal order, postal draft and money order services that include Urgent Money Order, Fax Money Order and Electronic Money Order.

1.3 Comparison of Expenditure and Revenue

The expenditure incurred and revenue earned during the period 2018-19 and 2019-20 is as under:

(Rs in millions)

Year	Expenditure	Revenue	Deficit	Percentage
2018-19	23,902	14,767	9,135	38.22%
2019-20	26,350	15,976	10,373	39.37%

Source: Annual Appropriation Accounts

The above table showed that gap between expenditure and revenue is continuously widening which has resulted in rise of the deficit.

2. Audit Objectives

2.1 As per ToRs approved by the office of the Auditor General of Pakistan, the main objectives of the special audit were to ascertain whether:

i. Internal controls were in place for proper safeguard & optimum utilization of assets, cash handling process and receivable management;
ii. Saving bank schemes, military pension payments and other agency functions were performed in accordance with prescribed rules and procedures;
iii. All procurements were need based and complying with Public Procurement Rules;
iv. The expenditure on building works had been incurred after obtaining necessary approvals / sanctions, and that proper estimates were prepared and works are executed in accordance with PWD Schedule of Rates.

3. Audit Scope and Methodology

3.1 Audit Scope

The Audit Scope was to scrutinize the record for the period from 2018-19 to 2019-20 with special focus on audit objectives. Audit performed its assignment at the office of the DG PPO, Islamabad and seventeen (17) allied formations out of total 174 formations.

3.2 Audit Methodology

Audit selected the formations to be audited on the basis of risk assessment keeping in view the materiality and review of past audit reports. Data was collected through visiting the office of the DG PPO Islamabad and its allied formations.

Apart from auditor’s professional judgments the audit teams also perused permanent/planning files, rules & regulations, Government instructions issued from time to time, relevant account codes and post office manuals.

The audit teams evaluated the results of the audit in the light of discussion with the management and DAC meeting.

AUDIT FINDINGS AND RECOMMENDATIONS

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Unauthorized remittance of cash to GPOs – Rs 38,316 million

According to Article 165-C of IAC Vol-I, at places where there are offices of the State Bank of Pakistan (SBP), the treasury business is, for the most part, conducted by the SBP. At other places where there are branches of the National Bank of Pakistan (NBP), which act as agents of the SBP in accordance with the provision of the SBP Order 1948, the treasury business is conducted by those branches of the NBP.

During special audit of PPOD for the years 2018-20, it was observed that Chief Postmaster GPO Islamabad transmitted cash of Rs 38,315.530 million to seven GPOs of Azad Jammu & Kashmir (AJK) from its Letter of Credit (LOC), whereas, a separate LOC was required to be issued for seven GPOs of AJK in accordance with the above rule in the presence of SBP and NBP branches in AJK. The detail is as under:

Sr. No.	Name of GPO	Funds transferred in 2018-19 (Rs)	Funds transferred in 2019-20 (Rs)	Total (Rs)
1	Bagh	2,410,503,016	2,275,003,770	4,685,506,786
2	Bhimber	2,595,005,278	2,720,001,508	5,315,006,786
3	Kotli	2,530,001,508	2,550,002,262	5,080,003,770
4	Mirpur	2,095,001,508	2,855,000,754	4,950,002,262
5	Muzaffarabad	2,350,000,754	2,220,001,131	4,570,001,885
6	Palandri	3,420,004,901	3,255,001,885	6,675,006,786
7	Rawalakot	3,450,001,131	3,590,000,754	7,040,001,885
	Total:	**18,850,518,096**	**19,465,012,064**	**38,315,530,160**

Audit pointed out the irregularity to the management and PAO from June to August, 2021. It was replied that cash was remitted to GPOs of AJK by the GPO Islamabad as no separate LOC had been approved by the Finance Division. The concerned units were directed to take up the case with DG PPO Islamabad for separate cash arrangements.

The reply was not tenable as no concrete steps were found on record to show the management effort for issuance of separate LOC.

DAC in its meeting held on 30.03.2022 directed the management to take up the case with Finance Division for opening of separate account for AJK besides preparing SOP for remitting cash to AJK under report to Audit. No progress, in this regard, was intimated to audit till finalization of this report.

Audit recommends that matter be taken up with Finance Division, as directed by the DAC, for opening of separate account for transmission of cash to the GPOs located in the AJK. SOP, in this regard, may also be framed and got approved from competent authority, under report to Audit.

4.1.2 Non-reconciliation of collected amount with utility companies - Rs 492.381 million and loss due to imposition of penalty – Rs 36.943 million

According to Para 7(i) of System of Financial Control and Budgeting 2006, PAO is responsible for maintenance and reconciliation of accounts. He shall systematize proper maintenance of account and their timely reconciliation with the actual figures of the CGA/AGPR and maintenance of liability register in the Ministry/Division, its attached departments and subordinate office. As per agreement between PTCL and PPOD, the amount collected on account of bills were to be credited to PTCL by next working day. In case of delay of more than 2 working days a service mark up @ KIBOR+2% per annum shall be paid by PPOD for the number of days the payment is outstanding.

During special audit of PPOD for the year 2018-20, it was observed that PPOD failed to timely transfer the amount collected on behalf of its customers. It was pointed out that out of the total amount collected on behalf of PTCL, an amount of Rs 484.336 million for the period from 01.01.2018 to 30.06.2020 was not transferred to PTCL as per terms & conditions of the agreement. PTCL vide its letter dated 09.07.2020 demanded to clear the outstanding dues along with service mark up of Rs 36.943 million. Similarly, an amount of Rs 8.045 million was not transferred by three formations of PPOD to Quetta Electricity Supply Company (QESCO). The retention of amount was intimated to PPOD by QESCO authorities, but no action was taken for reconciliation and immediate transfer of outstanding amount. Non-reconciliation and subsequent retention of collected amount posed a serious risk of fraud and misappropriation.

Non-adherence to agreement clauses resulted in non-transfer of funds of Rs 492.381 million to utility companies and imposition of penalty of Rs 36.943 million.

Audit pointed out the irregularity to the management and PAO from June to August, 2021. In case of non transfer of PTCL dues, management replied that payment of PTCL bills collection was being made to PTCL on the basis of data received through AIMS software technology but due to termination of agreement with vendor, the payment could not be made. Now after manual reconciliation with all GPOs an amount of Rs 14,270,257 was paid to PTCL without any penalty. Regarding non transfer of QESCO collection, management replied that a joint inquiry committee had been constituted to probe the matter and progress would be intimated accordingly.

The reply was not tenable as no record regarding reconciliation with PTCL and QESCO authorities and amount transferred to PTCL was provided to audit for verification.

DAC in its meeting held on 30.03.2022 directed the management to complete the reconciliation process at the earliest under intimation to audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that reconciliation process may be completed immediately. Moreover, reimbursement of all funds collected as agent should be transferred as per clauses of the agreement to avoid any imposition of penalty.

4.1.3 Irregular cash payments instead of cheque - Rs 186.638 million

According to Article 93 of IAC Vol-1, cash payments to the Contractors/Suppliers are prohibited. Further Para 4.3.1.1 of APPM stipulates that payment to contractors should be made through crossed cheques. Para 4.6.3.1 ibid stipulates that normal method of payment of monthly salaries of all government employees shall be by credit transfer direct to a bank account nominated by the employee.

During special audit of PPOD for the year 2018-20, it was observed that six (06) formations of PPOD paid Rs 186.638 million in cash instead of direct credit or through cheques on account of salaries to employees and payments to contractors. Violation of rules resulted in irregular cash payment amounting to Rs 186.638 million **(Annex-I)**.

Audit pointed out the violation of rules to the management and PAO from June to August 2021. It was replied that cash payments were made to contractors/suppliers due to late receipt of funds. Further, payment of salaries was made through saving bank accounts.

The reply was not acceptable as payment to contractors and staff salaries were made in cash in violation of rules.

DAC in its meeting held on 30.03.2022 directed the management to conduct inquiry, fix responsibility against those held responsible for violation of rules within 15 days. DAC further directed that in future, rules be observed in letter & spirit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that matter may be investigated to fix responsibility for violation of rules on those found responsible besides getting the expenditure regularized from the competent forum.

4.2 Asset Management

4.2.1 Non-acquisition of ownership documents of postal properties – Rs 84,065 million

According to Para 13.4.2 of APPM, the PAO shall ensure that Fixed Assets Register kept in his department is properly maintained and up-to-date. The department/entities will regularly review their holding of fixed assets. Para 5.5.1 of Financial Audit Manual states that assets are safe guarded against loss due to waste, abuse, mismanagement, errors, fraud and other irregularities.

During special audit of PPOD for the years 2018-20, it was observed that PPOD did not get the title of ownership of its properties transferred in the name of the department. Audit pointed out this lapse in respect of 605 Post Office buildings and residential quarters worth Rs 84,991 million. The management did not make any effort to obtain the ownership documents of Post Office buildings and residential quarters despite a lapse of several years, which may cause heavy loss to the department **(Annex - II)**.

Audit pointed out non-acquisition of ownership documents to the management and PAO from June to August 2021. It was replied that ownership documents of 20 buildings worth Rs 926.121 million had been obtained and concerned Postmasters General had been directed to obtain title of ownership documents of postal properties within 45 days positively. During verification, ownership documents of 20 buildings worth Rs 926.121 million were verified. The amount of the para was reduced to Rs 84,065 million (585 buildings).

DAC in its meeting held on 30.03.2022 directed the management to take up the cases with concerned authorities for obtaining ownership documents of remaining buildings and get them verified from Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that hectic efforts be made to get the title of land transferred in the name of PPOD under report to Audit.

4.2.2 Illegal occupation of PPOD Land - Rs 42 million

According to Section 5(1) and (2) of the Federal Government Lands & Buildings Ordinance 1965, if Federal Government thinks fit that a person is an unauthorized occupant of any land, he may be directed in writing to vacate the land or building and in case of refusal any officer should recover possession by evicting such person and may also demolish and remove the structure, if any, erected or built by that person. Section 6 and 7 further stipulate that the competent authority may use force and recover demolishing charges from unauthorized occupants.

During special audit of PPOD for the year 2018-20, it was observed that in three (03) formations of PPOD, lands and buildings at different places having estimated value worth Rs 42.000 million were occupied/encroached by the outsiders. The department failed to safeguard its assets leading to illegal occupancy **(Annex-III)**.

Audit pointed out illegal occupation of Land to the management and PAO from June to August, 2021. PMG Multan replied that case was pending with Tehsildar & Assistant Commissioner (Revenue) Shujabad. PMG Quetta replied that open space of Harnai post office was occupied by FC which was got vacated by this office and now in the possession of the department. As regard, Ziarat post, the case was sub-judice. PMG Islamabad replied that a boundary wall at the plot of Jhangi Syedan was constructed which was demolished by outsiders. An inquiry into the matter was being held to point out the causes of demolishing the boundary wall and unauthorized occupation.

The reply was not acceptable as the land was occupied by outsiders and management remained unaware.

DAC in its meeting held on 30.03.2022 directed the management to take up the cases with quarters concerned to get vacated postal buildings/lands. It was further directed to survey postal buildings throughout the country under report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that matter may be taken up with appropriate forum to vacate the post office land/building from illegal occupants.

4.2.3 Non-recovery of compensation cost of postal land - Rs 12 million

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

During special audit of PPOD for the year 2018-20, it was observed that a piece of land measuring 2 Kanal at Torkham was allocated to PPOD for construction of Post Office in 1966 which was taken over by the Tehsildar Torkham Landikotal Khyber Agency. Later on, the land was transferred to Customs Department for construction of a modern custom & immigration terminal by the Government of Pakistan but compensation cost worth Rs 12.000 million was not recovered by the postal authorities from the concerned department.

Audit pointed this out to the management and PAO from June to August, 2021. It was replied that case was taken up with the concerned quarter for recovery of compensation cost. The Chief Secretary Khyber Pakhtunkhwa directed the Deputy Commissioner Khyber District to compensate the PPOD but without any positive outcome.

The reply was not acceptable as despite lapse of more than two decades, department failed to recover the compensation cost.

DAC in its meeting held on 30.03.2022 directed the management to pursue the case vigorously to receive the compensation cost under intimation to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommended that compensation cost be recovered and recovery particulars be got verified from audit.

4.3 Procurement and Contract Management

4.3.1 Wasteful expenditure due to under utilization of Physical Assets – Rs 146.262 million

According to Rule 145 of GFR Vol-I, purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements if such purchase is likely to prove unprofitable to government.

During special audit of PPOD for the year 2018-20, it was observed that DG PPOD Islamabad incurred wasteful expenditure of Rs 146.262 million on purchase of computer hardware, biometric fingerprint devices and printing of security featured cheque books/withdrawal slips. The detail is as under:

Sl. No.	Description	Amount (Rs in millions)	Remarks
1	Purchase of 483 Computers & 113 UPS	63.524	Purchase of computers was not needed as Centralized Software Solution (CSS) had become non-functional since November, 2019
2	Purchase of 1201 biometric devices	43.983	Devices were purchased without agreement with NADRA
3	Printing of 500,000 cheque books	38.755	Cheque books became wasteful due to non-utilization / transfer of accounts to CDNS
	Total:	**146.262**	

Audit pointed out wasteful expenditure to the management and PAO from June to August, 2021. It was replied that computer hardware was purchased on the demand received from the circle offices which was not purchased exclusively for the working of CSS. It had multifarious uses in the operational and administrative offices. As regards purchase of fingerprint devices, these were purchased to meet the FATF requirements. Further, chequebooks worth Rs 25.498 million had been sold and remaining quantity was under utilization.

The reply was not acceptable as record regarding usage of computer hardware and sale of cheque books was not provided for verification. Further, biometric fingerprint devices were not used as no agreement was executed with NADRA authorities and CSS system remained non-functional despite huge expenditure made by the department.

DAC in its meeting held on 30.03.2022 directed the management that a committee under the chairmanship of Joint Secretary of Ministry be constituted for ascertaining the demands for procurement under report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the matter may be investigated at higher level to fix responsibility for incurring wasteful expenditure, besides ensuring efficient & proper utilization of stores, lying with postal authorities, under report to Audit.

4.3.2 Irregular expenditure on printing from Pakistan Post Foundation - Rs 114.174 million

According to ECC's decision conveyed by Ministry of Communications vide its letter dated 02-07-1998, the rates of Printing Corporation of Pakistan (PCP) should be obtained along with rates of Pakistan Post Foundation (PPF) for healthy competition.

During special audit of PPOD for the year 2018-20, it was observed that three (03) formations of PPOD incurred an expenditure of Rs 114.174 million on account of printing of stationery and forms from

M/s PPF without obtaining the rates from M/s PCP in violation of above instructions. Therefore, expenditure on this account was held irregular. The detail is as under:

Sr. No.	**SAIR No**	**Item No**	**Name of Formation**	**Amount (Rs in millions)**
1	18-21	7	DG PPO	75.164
2	31-21	6	PMG Quetta	6.418
3	17-21	14	PMG Islamabad	32.592
			Total	**114.174**

Audit pointed out the irregularity to the management and PAO from June to August, 2021. It was replied that PCP and PPF were asked to offer rates for printing and supply of postal forms but due to non-submission of rates by PCP, the work was awarded to PPF.

The reply was not tenable, as the instructions of ECC were not complied with in letter and spirit. Audit was of the view that the department had no mechanism to ensure that the rates offered by PPF were reasonable.

DAC in its meeting held on 30.03.2022 pended the para with the direction to refer the case to ECC for re-consideration in the light of PPRA Rules 2004. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the case for reconsideration be referred again to ECC, under report to Audit.

4.3.3 Mis-procurement in acquisition of mail delivery services - Rs 11.963 million

According to Rule 36 of Public Procurement Rules 2004, the bid shall comprise of single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal. Initially only the technical proposal shall be opened and after the evaluation and approval of the technical proposal the financial proposal shall be opened. The financial proposal of bids found technically non- responsive shall be returned un-opened to the respective bidders and the bid found to be the lowest evaluated bid shall be accepted. Further, according to clause 19 of tender document for conveyance of mail, the bidders were required to provide vehicle having model 2015 or above.

During special audit of PPOD for the year 2018-20, it was observed that two (02) formations of PPOD incurred an expenditure of Rs 11.963 million on conveyance of mail. PMG KP awarded the contract for mail transportation to second lowest bidder resulting into loss of Rs 4.039 million. The recorded reason stated that the first lowest bidder failed to provide specified vehicles. Audit was of the view that the technical evaluation was not made before opening of financial bid. Further, PMG Multan awarded contract on two mail lines to M/s PPF being the lowest bidder. The expenditure of Rs 7.924 million was held irregular as the contractor provided vehicles of 2009 & 2010 models instead of 2015 as specified in bidding documents.

Audit pointed out the irregularity to the management and PAO from June to August, 2021. PMG KP replied that both the successful bidders failed to provide the specified vehicles mentioned in the bidding documents, therefore, contract on two mail lines was awarded to 2^{nd} lowest bidder i.e. M/s PPF. PMG Multan replied that the inspection committee approved the vehicles having registration for the years 2009 & 2010 instead of 2015 keeping in view rule 10 of PPRs 2004.

The reply was not acceptable as PMG KP did not make technical evaluation before opening of financial bid as required under rule. Further justification provided by the PMG Multan was irrelevant which was clear violation of tender documents.

DAC in its meeting held on 30.03.2022 directed the management to conduct inquiry, fix responsibility against those held responsible for violation of rules within 07 days under report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that matter be inquired and responsibility be fixed on those held responsible for violation of rules, under report to Audit.

4.3.4 Irregular payment for conveyance of mail – Rs 12.306 million

According to Article 12(d) of Initial Account Code Vol-I, the disbursing officer in dealing with bills presented for payment is responsible to see that the bill has been prepared as prescribed in rule, the claim is admissible, the authority is good, the signature and counter-signature where necessary are genuine and the arithmetical computations on the bill are accurate. Moreover, Rule 19(i) of GFR requires that the terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein.

During special audit of PPOD for the year 2018-20, it was observed that PMG Balochistan incurred an expenditure of Rs 8.406 million on account of payment made to different mail contractors without submission of any claim by the contractors and sanction of the PMG. Moreover, time statements showing the date, time, penalty imposed for delay etc. and other relevant information were also not available on record. Therefore, the payment was held irregular. Further, PMG Islamabad paid an amount of Rs 3.900 million to mail contractor on account of extra trips without any provision in the contract agreement, therefore the payment was held irregular.

Audit pointed out the irregularity to the management and PAO from June to August, 2021. PMG Balochistan replied that payment was made to contractors after observing all codal formalities. PMG Islamabad replied that although no clause for extra trips was available in the agreement, however, to avoid detention of mail, payment of extra trips was made on the recommendations of unit officer.

The reply was not acceptable as no record was produced to Audit for verification. Further, the mail contractor was bound to deliver the mails as per terms & conditions of the contract and no extra payment was required to be made on this account.

DAC in its meeting held on 30.03.2022 directed the management to produce relevant record to Audit for verification. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the matter be investigated and responsibility be fixed for making payments to mail contractors on extra trips & without claims and sanction of the PMG besides recovering the amount pointed by the audit. Moreover, recovery particulars be got verified from Audit.

4.4 Monitoring and Evaluation

4.4.1 Loss due to retention of loss-making post offices – Rs 105.509 million

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

During special audit of PPOD for the year 2018-20, it was observed that three (03) formations of PPOD, sustained a loss of Rs 105.509 million due to retention of 203 un-remunerative Post Offices. Some post offices were opened on guarantees of the District Governments but the amount of loss was not recovered from them as per guarantee. In other cases, post offices were running at a loss but management of PPOD did not take effective measures to minimize the amount of loss. The detail is as under:

Sr. No.	SAIR No	Item No	Name of Formation	Amount (Rs in millions)
1	31-21	20	PMG Quetta	90.62
2	19-21	21	GPO Attock	5.693
3	30-221	2	GPO Gujrat	9.196
			Total:	**105.509**

Audit pointed out the irregularity to the management and PAO from June to August, 2021. It was replied that an amount of Rs 38,266 had been recovered and efforts were underway to recover the remaining amount. Further, unit officers were directed to increase the revenue of the post offices running in loss.

DAC in its meeting held on 30.03.2022 directed the management to provide detailed reply regarding rationalizing of staff in loss making post offices. DAC further directed to recover the amount from guarantors besides provision of PAC directives regarding settlement of similar nature para. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that amount may be got recovered from guarantors of the post offices and efforts be made to minimize the amount of loss under report to Audit.

4.4.2 Non-recovery of postal dues – Rs 54.983 million

According to Rule 8 of GFR Vol-I, it is the duty of the Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. Further, DG PPO, Islamabad vide its letter dated 18th July, 2019 instructed that, in case of trespassing or unauthorized occupation, rent equivalent to two month rental ceiling of the category of his entitlement or the category of his house occupied, whichever is more shall be charged for the entire period of unauthorized occupation.

During special audit of PPOD for the year 2018-20, it was observed that ten (10) formations of PPOD did not recover an amount of Rs 54.983 million on account of service charges from bulk users, departments, tenants of shops and standard rent from unauthorized occupants **(Annex-IV)**. Further, PPOD management did not take steps to get the amount recovered from officials/department concerned. Fruitful efforts were not made by postal authorities to get the buildings vacated from unauthorized occupants.

Audit pointed out non-recovery of dues to the management and PAO from June to August, 2021. It was replied that an amount of Rs 14.907 million had been recovered and efforts were underway to recover the remaining amount.

The reply was not tenable as incomplete record was produced to Audit for verification.

DAC in its meeting held on 30.03.2022 directed the management to recover the remaining amount and pursue the case in the court of law vigorously. DAC further directed to include security clause in new agreements besides recovery of the amount and get it verified from Audit. No progress, in this regard, was intimated to audit till finalization of this report.

Audit recommends that amount involved be recovered, recovery particulars be produced to Audit for verification and case be pursued vigorously for early finalization besides the security clause in all new agreements be introduced to safeguard the interest of the department. Further, steps be taken to get possession vacated from un-authorized occupants.

4.4.3 Overpayment of medical allowance to postal pensioners - Rs 38.682 million

According to Finance Division (Regulation Wing) letter dated 5th July 2010, medical allowance w.e.f. 1st July, 2010 was allowed to all civil pensioners of the Federal Government @ 25% of pension drawn to those pensioners who retired /will retire in BPS-1 to 15 and 20% of pension drawn to those pensioners who retired /will retire in BPS-16 to 22. The said medical allowance was frozen at the level of its admissibility as on 30th June, 2011 till further orders.

During special audit of PPOD for the year 2018-20, it was observed that pension payment orders of certain postal pensioners were revised after restoration of commuted portion of pension by the Director of Accounts Lahore and payment authorities issued to three (03) GPOs for pension payments. Review of these pension payment authorities revealed that medical allowance was calculated on gross pension instead of net pension as the said medical allowance was frozen at the level of its admissibility as on 30th June 2011. In some cases, pensioners had died and their pensions had been transferred to their families. An increase of 25% was allowed from 01st July 2016 without considering the fact that it was allowed to pensioners of 85 years of age and above. In one case increase in pension was allowed @ 25% instead of @ 10% w.e.f. 01st July 2017. Further, increases in pension allowed by the Government of Pakistan from time to time were calculated on gross pension instead of net pension for some family pensioners. This resulted in an overpayment of Rs 38.682 million to pensioners **(Annex-V)**.

Audit pointed out overpayment to the management and PAO from June to August 2021. It was replied that an amount of Rs 139,500 had been recovered and efforts were underway to recover the remaining amount.

DAC in its meeting held on 30.03.2022 directed the management to investigate the matter to reconcile the data with Director of Accounts PPOD besides recovery of overpayment/remaining amount under report to Audit. No progress, in this regard, was intimated to audit till finalization of this report.

Audit recommends that necessary reconciliation of data with Director of Accounts PPOD be made, amount pointed out by Audit be recovered and recovery particulars be produced to Audit for verification.

4.4.4 Non-recovery of overpaid amount from pensioners – Rs 22.475 million

According to Rule 8 (iii) of Hand Book of Instructions for the payment of military pension, if incorrect entries are made, resulting in excess payment of pension to pensioner, it will be opened to the concerned postmaster to enforce recovery of the whole amount of pension overpaid.

During special audit of PPOD for the year 2018-20, it was observed that nine (09) formations of PPO department made overpayment on account of inadmissible increases in pension, wrong calculation of arrears of pension and payment of inadmissible rate of pension to various postal and military pensioners. An amount of Rs 22.475 million was recoverable from pensioners during 2018-20 **(Annex-VI)**.

Audit pointed out overpayment and non-recovery to the management and PAO from June to August, 2021. It was replied that an amount of Rs 5,640,433 had been recovered and efforts were underway to recover the remaining amount.

DAC in its meeting held on 30.03.2022 directed the management to recover the remaining amount and get it verified from Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the entire amount involved in the para be recovered at the earliest under report to Audit.

4.4.5 Non-recovery of cost of obsolete stamps - Rs 13.017 million

According to Rule-6 of Collection of Provincial Taxes and Fees in Post Offices, all surplus stock of stamps by the end of calendar year will be treated as obsolete and returned to the Civil Treasury as soon as possible and before 31st March at the latest and claim credit for the returned stock while purchasing fresh issue of the year.

During special audit of PPOD for the year 2018-20, it was observed that three (03) formations of PPOD purchased driving stamps, route permit stamps, arms licenses stamps and motor vehicle fitness stamps on behalf of various provincial and federal government departments from district treasuries on cash payment. At the close of calendar year, the stamps worth Rs 13.017 million had become obsolete but the same were not returned to the respective treasury offices for exchange/replacement. The detail is as under:

Sr. No.	SAIR No	Item No	Name of Formation	Description	Amount (Rs in millions)
1	18- 21	2	DG PPO	Non-recovery of cost of route permit and motor fitness stamps	9.357
2	20- 21	2	GPO Rawalpindi	Loss due to non-recovery of the cost of obsolete stamps of route permit and motor fitness certificate	2.44
3	26-21	16	GPO Islamabad	Blockage of public money due to non-refund of obsolete Arms Licenses Renewal stamps	1.22

	Total:	**13.017**

Audit pointed out non-recovery of cost to the management and PAO from June to August, 2021. It was replied that matter had been taken with concerned District Treasuries for exchange of stamps.

DAC in its meeting held on 30.03.2022 directed the management to take up the case with concerned authorities for recovery under report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that cost of obsolete stamps may be recovered from the concerned departments and recovery particulars be got verified from Audit.

4.5 Compliance with Rules & Regulations

4.5.1 Irregular payment to military pensioners without observing codal requirements – Rs 60,465.781 million

According to Para 5(i) of Hand Book of Instructions regarding Payment to Military Pension, all pensions sanctioned by Government of Pakistan are notified in the Pension Payment Order (PPO) by the FPO (Pension Cell). The documents i.e. PAFA-22 (Notification Sheet), PAFA-376 (Disburser's Half), attested passport size photograph of the pensioner, thumb impression, fingers impression(s) 13 specimen signature sheet, identification mark sheet are forwarded to the pension paying postmaster. Further, according to Para 14 of PMP (Pakistan Military Pension) Rules, the payment to pensioners above the age of 70 years should not be made without periodically verifying their existence by special inquiries.

During special audit of PPOD for the year 2018-20, it was observed that thirteen (13) formations of PPOD made payment of Rs 60,465.781 million to military pensioners. The payment was held irregular as the PPOs of some pensioners were not available on record, life & non-marriage certificates from pensioners were not obtained, and the PPOs were not got verified from the pension sanctioning authority. Further, in some cases, payment was made without date noting work & without CNICs of the pensioners **(Annex-VII)**.

Audit pointed out irregular payment to the management and PAO from June to August, 2021. It was replied that missing PPOs, life certificates, non-marriage certificates had been obtained in some cases. Further date noting work had been completed.

The reply was not acceptable as incomplete record was produced to Audit for verification.

DAC in its meeting held on 30.03.2022 directed the management to provide the inquiry reports and other relevant record to Audit for verification. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that responsibility be fixed for making payment of pension without observing the codal requirements.

4.5.2 Non-reporting of Currency Transaction Reports of Savings Accounts to Financial Monitory Unit - Rs 3,528.344 million

According to SRO 73 (1)2015 dated 21-01-2015 issued by Ministry of Finance, the minimum amount for reporting Currency Transaction Reports (CTRs) to Financial Monitoring Unit (FMU) under section 7 of the Anti-Money Laundering Act, 2010 (VII of 2010) shall be two million rupees with immediate effect.

During special audit of PPOD for the year 2018-20, it was observed that in ten (10) formations of PPOD certain investors made transactions of deposits/withdrawals worth Rs 3,528.344 million in their saving accounts having monetary value of more than two million rupees each but necessary CTRs were not generated and reported to FMU in violation of above rules **(Annex-VIII)**.

Audit pointed out the irregularity to the management and PAO from June to August, 2021. It was replied that instructions regarding submission of weekly statement CTR were received late, therefore, these transactions were not reported to FMU.

The reply was not acceptable as these instructions were issued in 2015 which were not complied with.

DAC in its meeting held on 30.03.2022 directed the management to provide all record relating to CTRs maintained by DG PPOD Islamabad to Audit for verification. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that matter may be investigated to fix responsibility for violation of instruction of Finance Division and report thereof be provided to Audit.

4.5.3 Unlawful conversion of insurance policies by reducing maturity period – Rs 1,027.378 million

According to rule 23 (1) of Post Office Insurance Fund Rule 2001, a policy holder at any time applies for reduction of his monthly premium and sum assured without altering the class (maturity period) of his policy or after payment of premium for not less than two years, if he may apply to have his policy made paid-up for a reduced sum assured from further payment of premium.

During special audit of PPOD for the year 2018-20, it was observed that GM PLI Karachi converted 436 insurance policies by reducing the sum assured as well as reducing the class of policies from 20 years to 10 years or 5 years in contravention of above rule. The cumulative amount of the sum assured of such policies was reduced from Rs 1,027.378 million to Rs 230.171 million.

Audit pointed out the unlawful conversion to the management and PAO from June to August, 2021. It was replied that the class of policies was reduced at the request of the policy holders in accordance with Postal Life Insurance Manual as well as Post Office Insurance Fund Rules.

The reply was not acceptable as the Post Office Insurance Fund Rules allowed for either reduction of sum assured or reduction of duration of policy but both reductions simultaneously were not allowed in rules.

DAC in its meeting held on 30.03.2022 directed the management to stop this practice immediately and rules be amended accordingly. DAC further directed to constitute a high level committee to probe the matter thoroughly, determine the loss and submit its report to PAO and Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that mater be investigated to fix responsibility for unlawful conversion of policies, loss to the Department be determined and recovered from those found responsible, under report to Audit

4.5.4 Irregular payment without succession certificates - Rs 421.038 million

According to Finance Division (Budget Wing) notification dated 29.04.2020, in case of death of account holder, payment of principal amount and profit accrued thereon, if any, in respect of account of deceased shall be payable to his legal heirs according to succession certificate issued in accordance with the law for the time being in force. Lahore High Court in Civil Revision 113 of 2005, in PLD 2011 Lahore 355 decided that "It is also now an established principle of law that a nominee, if appointed, does not become the sole owner of the assets left by the deceased but he is only authorized to collect the amount from the National Saving Centre or to hold the property of the deceased as an Administrator and then to distribute' the same among all the legal heirs".

During special audit of PPOD for the year 2018-20, it was observed that in eight (08) formations an amount of Rs 421.038 million was paid to nominees of the deceased DSCs, SSA & policy holders without succession certificates. In some cases, the names of nominees were found different than that of claimants. Audit was of the view that the payments were made without fulfillment of codal requirements as detailed in **Annex - IX**.

Audit pointed out irregular payment to the management in July 2021. It was replied that in most of the cases payments were made after obtaining succession certificates and affidavit from the claimant. In some cases, payments were made before the receipt of notification issued by the Finance Division. It was, further replied that payments were made to the actual nominees.

The reply was not tenable as succession certificates and affidavits were not provided to Audit for verification. Moreover, documentary evidence regarding payments to actual nominees was also not provided.

DAC in its meeting held on 29.03.2022 directed the management to take up the case with CDNS and Finance Division for clarification under intimation to Audit. Regarding deviation from codal requirements, DAC directed to inquire the matter within 07 days and submit report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the matter be taken up with CDNS and Finance Division, as directed by the DAC, besides the matter be investigated at higher level to fix responsibility for violation of codal requirements against those held responsible besides verification of genuineness of transactions under intimation to Audit.

4.5.5 Unauthorized payment of profit against Special Saving Accounts (SSAs) – Rs 125.164 million

Finance Division (Budget Wing) vide its Notification No. S.R.O (I)/2017 dated 30.08.2017 had made amendments in the Post Office Saving Bank Rules. In the aforesaid Rules, for Rule 36, the new Rule 36(1&2) was inserted, namely, in case, no transaction has been made by the depositor for a period of ten years, the balance of account marked as Dead Account under sub-rule (1) shall be transferred to the Federal Government Account.

During special audit of PPOD for the year 2018-20, it was observed that in four (04) formations of PPOD 145 Special Saving Accounts having balance of Rs 62,970,592 were required to be declared dead as no transaction was made in them for more than ten years. However, these accounts were not declared dead and transactions were allowed to be made in these accounts instead of transfer of the balances to the Federal Government. Payment of an amount of Rs 125,164,004 in these accounts was considered unauthorized being in violation of rules. The detail is as under:

Sr. No.	Item No.	Name of GPO	Balance	Accounts	Amount of profit paid (Rs)
1	04	Mirpur	29,776,500	43	56,441,768
2	16	Sialkot	2,149,200	13	6,622,278
3	15	Rawalpindi	1,117,242	20	3,551,831
4	03	Mirpur	21,388,450	49	42,455,625
5	06 SAR	Jhelum	8,539,200	20	16,092,502
		Total	**62,970,592**	**145**	**125,164,004**

Audit pointed out unauthorized payment to the management in June & July 2021. Most of the unit replied that due to non-availability of the procedural guidelines these accounts were not declared as dead and the balances of these accounts were also not transferred to FCF and the profit was paid. It was replied against Sl. No. 3 that Finance Division had clarified vide letter dated 6.11.2020 that since the S.R.O.(1)/2017 was notified on 30-08-2017 thus its applicability cannot be made retrospectively, rather the prospective applicability of said proviso would commence w.e.f 30-08-2022 i.e. after passing of five years of notification.

DAC in its meeting held on 29.03.2022 directed the management to take up the case with CDNS and Finance Division for clarification under intimation to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that matter be got clarified from CDNS. Further, the orders of Court as well as instructions of Finance Division be implemented in letter and spirit forthwith.

4.5.6 Loss due to non-deduction of Income & Provincial Sales Tax - Rs 24.916 million

According to section 151 of Income Tax Ordinance 2001, a person paying profit/yields has to deduct tax from the gross amount of yields/

profit. Further, under Section 153 (1) (a) and 233 of Income Tax Ordinance 2001, Income Tax on supply of goods, services were required to be deducted at prescribed rates.

During special audit of PPOD for the year 2018-20, it was observed that seventeen (17) formations of PPOD did not deduct income tax, withholding tax and provincial sales tax on services amounting to Rs 24.916 million on payments made to suppliers, canvassing agents, contractors and profit on saving schemes. **(Annex-X)**.

Audit pointed out non-deduction of tax to the management and PAO from June to August, 2021. It was replied that an amount of Rs 1,948,631 had been recovered and unit officers were directed to recover the remaining amount.

DAC in its meeting held on 30.03.2022 directed the management to recover the remaining amount and get it verified from Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that amount be recovered and recovery particulars be got verified from Audit.

4.5.7 Unauthorized payment of house requisition – Rs 17.412 million

According to Ministry of Housing & Works letter dated 19th October, 2006, a house in the name of spouse or dependent children can be hired on self-hired basis. However, the house owned by parents, brother or sister could not be treated as self-hired.

During special audit of PPOD for the year 2018-20, it was observed that three (03) formations of PPOD made payment of Rs 17.412 million on account of house requisition. The payment was held irregular as the same was paid to the employees as self-hiring without having ownership documents. Further, the payment was also made in cash instead of cheques **(Annex-XI).**

Audit pointed out un-authorized payment to the management and PAO from June to August, 2021. PMG KP replied that the concerned staff had been directed to provide the ownership documents. Further, payment was made through cheques. GM PLI Lahore replied that the payment of house requisition of private hired houses was made to the officials working in this office but copies of sanctions were endorsed to the owners of the houses.

The reply was misleading as the payment was made to the employees without having ownership documents. Further, the payment was made in cash instead of cheques. Moreover, no record regarding payment of house requisition through cheques was provided for verification.

DAC in its meeting held on 30.03.2022 directed the management to conduct inquiry, fix responsibility against those held responsible for unauthorized payments within 07 days under report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the matter be investigated to fix responsibility for unauthorized payments of house requisition without having ownership documents under report to Audit.

4.5.8 Irregular expenditure on repair of building – Rs 16.090 million

As per Rule 9 of PPRs 2004, 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, DG PPO Islamabad letter No. B.16-8/2003 (Pt) dated 17th December 2008 regarding delegation of Financial Powers to the Officers of Pakistan Post Office Department stipulates that the Director General is authorized to sanction expenditure up to Rs 1.00 million on account of non-development works.

During special audit of PPOD for the year 2018-20, it was observed that an expenditure of Rs 16.090 million was incurred on repair & construction of buildings. The expenditure was held irregular due to the following reasons:

i. DG PPO and PMG KP incurred expenditure of Rs 12.747 million on account of repair and maintenance of office or residential buildings by splitting the estimates in more than one estimate to keep the same within their competency.

ii. PMG Multan & DG PPO incurred an expenditure of Rs 3.343 million on account of building works without competitive bidding.

Audit pointed this out to the management and PAO from June to August, 2021. In case of Sl. No. i, the management replied that matter had been taken up with concerned quarter for obtaining ex-post-facto approval. In case of Sl. No. ii, it was replied that day to day repair & maintenance of minor nature works were carried out for buying material from shopkeepers on emergent basis.

Reply was not acceptable as expenditure was incurred by splitting works and without inviting open tenders.

DAC in its meeting held on 30.03.2022 directed the management to conduct inquiry under intimation to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that matter may be investigated to fix responsibility for violation of rules besides getting the expenditure regularized under report to Audit. Further, rules & regulations may be observed forthwith.

4.5.9 Un-authorized payment of profit on institutional investment - Rs 10.750 million

SRO issued by Finance Division vide No. (I)/2000 dated 27.03.2000 requires that no certificate on account of institutional investment shall be issued after the close of business on 25-03-2000.

Further, SRO issued by the Finance Division vide No. (I)/2012 dated 04-05-2012 allowed the institutions to invest individual funds such as Pension, Gratuity, Superannuation and Contributory Provident Fund (CPF) etc. in these certificates.

During special audit of PPOD for the year 2018-20, it was observed that DSCs amounting to Rs 5,000,000 were issued as institutional investment in favour of Chief Officer Baldia (Municipal Committee) Choa Saiden Shah on 26-05-2009 by Sub-Post office under DSPS Chakwal and the same were discharged on 29-01-2020. The acceptance of institutional investment and payment of profit amounting to Rs 10,750,000 were considered unauthorized being in violation of rules.

Audit pointed this out to the management in July 2021. It was replied that TMA Choa Saiden Shah purchased those DSCs to invest in Pension. Therefore, TMA Choa Saiden Shah requested to transfer the amount along with profit in favor of department into the Pension Fund Account No. 6580146280300035 of the Bank of Punjab C.S Shah.

DAC in its meeting held on 29.03.2022 directed the management that an inquiry be conducted at Directorate General level for fixing responsibility on those found responsible for unauthorized issuance of DSCs besides recovery of profit under report to Audit. No progress, in this regard, was intimated to Audit till finalization of this report.

Audit recommends that the matter may be investigated to fix responsibility against those held responsible for un-authorized issuance of DSCs besides recovery of profit under report to Audit.

5. Conclusion

On the basis of its findings, Audit was of the view that there were serious issues of violation of internal controls like payment of pension and saving instruments without fulfillment of requirements in the management of the affairs of the department. Most of these issues have been pointed out by Audit repeatedly but the situation did not seem to be improving over time. Another issue of significant nature was that of non-recovery of postal and other dues from various individuals and organizations. With already in a precarious financial position, the PPOD needed to improve its efforts for recoverable dues. Instances of violation of rules and regulations showed that the organization was at enhanced level of risk of fraud and misappropriation. The issue of management of its assets, especially its land had been a critical area for the organization which needed immediate attention.

ANNEXURES

Annex-I
Para No 4.1.3

Irregular cash payment instead of cheque

Sr No	SAIR No	Item No	Name of Formation	Description	Amount (Rs in millions)
1	23-2021	17	PMG Multan	Cash payment to suppliers/ contractors	2.290
2	F-09-2021	01	GPO Islamabad	-do-	20.335
3	F-14-2021	15	GPO Karachi	-do-	11.208
4	31-2021	04	PMG Quetta	Cash payments on account of pay & allowances	16.783
5	24-2021	18	PMG KPK	-do-	110.662
6	F-12-2021	02	RD PLI Quetta	-do-	25.360
				Total:	**186.638**

Annex-II

Para No. 4.2.1

Non-acquiring of ownership documents

Sr No	Name of Formation	No of Buildings	Amount (Rs in millions)
1	PMG KP	121	7,373.337
2	PMG Rawalpindi	166	39,372.738
p3	PMG FC & AJK	1	0.832
4	PMG Hyderabad	70	3,114.500
5	PMG Lahore	92	21,439.022
6	PMG Multan	86	12,508.200
7	PMG Karachi	69	256.250
Total:		**605**	**84,064.879**

Annex – III
Para No. 4.2.2

Illegal occupation of PPOD Land

Sr No	SAIR No	Item No	Name of Formation	Description	Amount (Rs in millions)
1	23-2021	2	PMG Multan	Encroachment of postal land at Shujaabad HSG	20.000
2	31-2021	22	PMG Quetta	Encroachment of postal land at Harnaee and Ziarat Post office	22.000
3	17-2021	21	PMG Islamabad	Encroachment of postal land at Jhangi Sayyedan	0.000
				Total:	**42.000**

Annex-IV
Para No 4.4.2

Non-recovery of postal dues

Sr. No.	SAIR No	Name of Formation	Item No	Amount (Rs in million)
1	16-2021	GPO Haripur	5	0.224
2	17-2021	PMG Islamabad	**7**	33.842
3	20-2021	GPO Rawalpindi	7	2.036
4	22-2021	GPO Lahore	33	0.085
5	23-2021	PMG Multan	9	0.561
6	30-2021	GPO Gujrat	30	0.283
7	20-2021	GPO Rawalpindi	1	10.07
8	28-2021	GPO Mirpur	2	0.096
9	28-2021	GPO Mirpur	3	0.728
10	31-2021	PMG Quetta	25	2.097
11	31-2021	PMG Quetta	30	1.989
12	21-2021	GM PLI Lahore	04	2.520
13	23-2021	PMG Multan	12	0.452
Total				**54.983**

Annex – V
Para No. 4.4.3

Overpayment of medical allowance to postal pensioners

Sr. No.	AIR No.	Item No.	Formation	Description	Amount (Rs)
1	S-22-2021	04	GPO Lahore	Overpayment of Medical Allowance to Postal Pensioners	10,478,390
2	F-09-2021	07	GPO Islamabad	-do-	14,275,401
3	F-10-2021	32	GPO Mirpur	-do-	438,189
4	S-22-2021	----	GPO Lahore	Overpayment due to wrong calculations of pension increases on gross pension instead of net pension	11,181,333
5	S-22-2021	16,18, 37	GPO Lahore	Overpayment to postal pensioners	2,308,503
				Total:	**38,681,816**

Annex-VI
Para No. 4.4.4

NON-RECOVERY FROM MILITARY/POSTAL PENSIONERS

Sr No	SAIR No	Name of Formation	Item No	Description	Amount (Rs in million)
1	16-2021	GPO Haripur	14	Non-recovery of overpayment made to Military Pensioners	0.069
2	19-2021	GPO Attock	4	Outstanding amount against military pensioners	0.215
3	19-2021	GPO Attock	25	Outstanding amount against postal pensioners	0.025
4	20-2021	GPO Rawalpindi	4	Non recovery of outstanding amount against military pensioners	4.434
5	22-2021	GPO Lahore	21	Non recovery of overpayment made to military pensioners	0.375
6	22-2021	GPO Lahore	10	Overpayment to Airforce Pensioner	0.174
7	22-2021	GPO Lahore	22	Non recovery of outstanding amount against postal pensioners	8.727
8	25-2021	GPO Manshera	10	Non-recovery of overpayment made to Military Pensioners	0.293
9	26-2021	GPO Islamabad	15	Non-recovery of overpayment made to Military Pensioners	0.473
10	27-2021	GPO Jehlum	19	Non recovery of overpayment of pension from arrear claims	1.373
11	29-2021	GPO Sialkot	2	Overpayment of pension arrears to military pensioners	0.417
12	30-2021	GPO Gujrat	9	Non-recovery of overpayment made to military pensioners	5.844
13	25-2021	GPO Manshera	15	Non recovery from postal pensioners	0.056
Total					**22.475**

Annex-VII
Para No. 4.5.1

Payment made to pensioners without fulfillment of codal requirements

Sr No	SAIR No	Name osf Formation	Item No	Description	Amount (Rs in millions)
1	19-2021	GPO Attock	1	Irregular payment made to military pensioners without availability of PPOs	6.100
2	19-2021	GPO Attock	8	Doubtful payment to military pensioners without "date noting"	11,800.3
3	19-2021	GPO Attock	10	Doubtful payment to military pensioners having different PSB account numbers	3.714
4	19-2021	GPO Attock	20	Irregular payment of pension due to non-obtaining of life certificates and non-marriage certificates from pensioners	9.095
5	19-2021	GPO Attock	24	Un-authorized payment of pension made without CNICs of nominee	0.046
6	20-2021	GPO Rawalpindi	16	Doubtful payment of arrears claim of time barred cases to military pensioners without confirmation from CMA(P) Lahore	11.776
7	22-2021	GPO Lahore	15	Doubtful payment to military pensioners without "date noting"	482.915
8	22-2021	GPO Lahore	17	Irregular payment of military pension due to non-updation and verification of signature, thumb and finger impressions annually	156.860
9	22-2021	GPO Lahore	19	Irregular payment of military pension due to non-updation PPOs	156.056
10	22-2021	GPO Lahore	24	Irregular/ unauthorized payment of arrears of pension without confirmation from CMA (P)	5.557
11	22-2021	GPO Lahore	25	Doubtful payment of pension due to non-obtaining of non-remarriage certificates	19.021

12	22-2021	GPO Lahore	26	Irregular payment made to Military Pensioners against expired CNICs	15.302
13	22-2021	GPO Lahore	27	Irregular payment made to Military Pensioners without CNICs and Photograph	16.845
14	22-2021	GPO Lahore	28	Pension Payment to Military Pensioners beyond age of seventy years without obtaining life certificates	14.578
15	25-2021	GPO Manshera	7	Irregular pension payments to the military pensioners without PPOs	2.144
16	26-2021	GPO Islamabad	9	Irregular payment of pension to non-validated Military Pensioners	2.708
17	27-2021	GPO Jehlum	8	Unauthorized payment of military pension without date noting	7,618.454
18	27-2021	GPO Jehlum	12	Unjustified payment of military pension against destroyed PPOs	35.858
19	27-2021	GPO Jehlum	18	Unauthorized payment of military pension	1.765
20	16-2021	GPO Haripur	**10**	Unauthorized military pension payment without date noting	19.739
21	28-2021	GPO Mirpur	13	Unjustified payment of military pension against destroyed PPOs	16.684
22	29-2021	GPO Sialkot	10	Irregular pension payments to the military pensioners without PPO	10.098
23	33-2021	GPO Karachi	3	Irregular payment due to defective life certificates against the Army pensioners	1.174
24	29-2021	GPO Sialkot	5	Unauthorized payment of arrear of pension without approval of CMAP	4.666
25	30-2021	GPO Gujrat	4	Irregular pension payment without preparation of PSB-2 form worth	825.749
26	30-2021	GPO Gujrat	7	Irregular pension payment to military pensioners without availability of PPOs	23.521
27	30-2021	GPO Gujrat	8	Irregular pension payment to military pensioners	17.088

28	30-2021	GPO Gujrat	11	Irregular payment of pension to FC Pensioners without authority	3.355
29	30-2021	GPO Gujrat	12	Irregular payment to illiterate pensioners	1.654
30	30-2021	GPO Gujrat	13	Unauthorized pension payment in sub-offices without getting signatures of the pensioners	1.454
31	30-2021	GPO Gujrat	18	Unauthorized payment to the pensioners without approval / sanction of Postmaster	0.157
32	30-2021	GPO Gujrat	26	Doubtful pension payment by the sub offices without Date Noting	13794.185
33	30-2021	GPO Gujrat	27	Non-confirmation of military pension accounts transferred to	0
34	F01-21	GPO Haripur	12	Irregular Payment without PPOs	25.407
35	F03-21	GPO Rawalpindi	7	Irregular Payment without PPOs	8.667
36	F03-21	GPO Rawalpindi	17	Doubtful payment to military pensioners without "date noting"	12492.711
37	F05-21	GPO Lahore	8	Irregular Payment without PPOs	15.525
38	F08-21	GPO Chakwal	18	Doubtful payment to military pensioners without "date noting"	12763
39	F09-21	GPO Islamabad	19	Irregular Payment without PPOs	81.853
40	F08-21	GPO Chakwal	21	Un-justified payment against destroyed PPOs	0
				Total:	**60,465.781**

Annex-VIII
Para No. 4.5.2

Non-reporting of CTR of saving accounts to FMU

Sr No	AIR No	Name of Formation	Item No	Amount (Rs in millions)
1	S-19-2021	GPO Attock	12	34.615
2	S-22-2021	GPO Lahore	29	153.604
3	S-25-2021	GPO Mansehra	08	31.79
4	S-27-2021	GPO Jehlum	07	1453.204
5	S-30-3021	GPO Gujrat	06	79.433
6	F-09-2021	GPO Islamabad	10	39.556
7	F03-2021	GPO Rawalpindi	11	79.963
8	F08-2021	GPO Chakwal	6	136.111
9	F10-2021	GPO Mirpur	2	1469.186
10	F11-2021	GPO Sialkot	8	50.882
			Total:	**3,528.344**

Annex-IX
Para No. 4.5.4

DETAIL OF PAYMENT WITHOUT SUCCESSION CERTIFICATE / NOMINEE

Sr No	Name of Formation	Item No	Description	Amount (Rs in millions)
1	GPO Islamabad	2	Irregular payment of death claims of Defence Saving Certificates (DSCs) without succession certificates	0.560
2	GPO Islamabad	3	Irregular payment of death claims of Special Saving Accounts without succession certificates	28.933
3	GPO Jehlum	13	Unjustified payment of death claims of DSCs and SSAs without succession certificate	16.122
4	GPO Jehlum	15	Un-justified payment of death claims without succession certificates-	55.036
5	GPO Mir Pur	6	Un-justified payment of death claims without succession certificates-	2.334
6	GPO Mir Pur	8	Unauthorized payment of DSCs to nominee	70.245
7	GPO Mir Pur	9	Un-authorized payment of Special Saving Accounts to nominees	31.513
8	GPO Mir Pur	10	Un-authorized payment of Defence Saving Certificates without succession certificates	7.245
9	GPO Mir Pur	11	Unjustified payment of death claims of DSCs without succession certificates	1.150
10	GPO Mir Pur	14	Un-authorized payment of DSCs to nominee	1.710
11	GPO Mir Pur	15	Un-authorized payment of Special Saving Account to nominee	10.825

12	GPO Mir Pur	16	Un-authorized sanction for payment of DSCs to nominee	2.000
13	GPO Mir Pur	17	Un-authorized payment of DSCs to nominee	0.520
14	GPO Mir Pur	18	Un-authorized payment of Special Saving Account to nominee	1.971
15	GPO Mir Pur	19	Unjustified sanction for payment of deceased claim of DSCs	0.600
16	GPO Mir Pur	20	Un-authorized payment of Special Saving Accounts to nominees	10.100
17	GPO Mir Pur	21	Unjustified sanction for payment of deceased claim of DSCs	4.100
18	GPO Mir Pur	22	Un-authorized sanction of payment of DSCs to nominees	0.860
19	GPO Mirpur (F)	16	Sanction for payment of SSA No. 74226 was issued in favour of nominee without succession certificate. The names of nominee and claimant nominee were also different	0.493
20	GPO Mirpur (F)	20	Sanctions for encashment of DSCs were issued in favour of nominees without succession certificates.	11.700
21	GM PLI Lahore	07	Payment of Death Value Claims	0.275
22	GM PLI Lahore	10	Payment of Death Value Claims	13.753
23	GM PLI Lahore	11	Payment of Death Value Claims	1.039
24	GPO Chakwal	13	Payment of DSCs	4.785

25	GPO Chakwal	14	Payment of SSA	7.504
26	GPO Chakwal	15	Payment of SSA	25.613
27	GPO Rawalpindi	13	Payment of SSA	12.128
28	GPO Haripur	17	Payment of SSA	7.924
29	GPO Sialkot	1	Payment of SSA	4.470
30	GPO Sialkot	03	Payment of SSA	0.159
31	GPO Sialkot	10	Payment of DSCs	45.341
32	GPO Mirpur (F)	20	The payment of DSCs was made to five nominees of deceased DSC holders on the basis of nomination without succession certificate	11.700
33	GPO Mirpur (F)	22	The payment of DSCs was made to nominee (brother of deceased) without Succession Certificate. The deceased DSCs holder was issueless and her husband was also alive	6.365
34	GPO Mirpur (F)	23	The payment of SSA No. 38661 was made to nominee without Succession Certificate whereas payment of another SS account No. 22750 of the deceased was made through succession certificate which was necessary as the deceased was issueless	6.960
35	GPO Mirpur (F)	24	The payment of SSA No. 49909 was made to nominee without Succession Certificate and observing codal requirements	9.542
36	GPO Mirpur (F)	25	The payment of SSA No. 29256 was made to nominee without Succession Certificate. No transaction was made after opening of account on 14/17.09.2001 till its closure on	3.492

36	GPO Mirpur (F)	25	29/31.05.2019 but the same was not transferred to Federal Government Account.	3.492
37	GPO Mirpur (S)	18	The payment was made to nominee (nephew) which was required to be made through succession certificate.	1.971
			Total:	**421.038**

Annex-X
Para No. 4.5.6

Detail of non-deduction of Withholding Tax & Provincial Sales Tax on services

Sr No	SAIR No	Name of Formation	Item No	Description	Amount (Rs in millions)
1	16-2021	GPO Haripur	1	Less deduction of withholding tax on profit paid to Special Saving Account holders	0.586
2	16-2021	GPO Haripur	2	Non-deduction of withholding tax from profit on discharge of DSCs	0.172
3	16-2021	GPO Haripur	3	Less deduction of withholding tax on profit of Special Saving Accounts	0.573
4	16-2021	GPO Haripur	6	Non deduction of withholding tax against electronic transfer	0.002
5	19-2021	GPO Attock	6	Short deduction of WHT on profit of Defence Saving Certificates	0.212
6	19-2021	GPO Attock	15	Non-deduction of withholding tax on withdrawal of cash	0.349
7	22-2021	GPO Lahore	7	Loss due to less deduction of Withholding Tax on profit paid to saving bank accounts holders	2.895
8	22-2021	GPO Lahore	36	Non-deduction of withholding tax on withdrawal of cash	0.135
9	23-2021	PMG Multan	4	Non-deduction of Punjab Sales Tax from mail contractors	1.317
10	23-2021	PMG Multan	5	Less-deduction of Income Tax	0.566
11	31-2021	PMG Quetta	27	Non recovery of GST on services from mail contactors	1.260
12	24-2021	PMG KPK	7	Non-deduction of sales tax on services from mail contractors	2.393

13	24-2021	PMG KPK	8	Non-deduction of sales tax on services from security services contractor	0.573
14	26-2021	GPO Islamabad	4	Short deduction of income tax from the payment to M/s Mashabaroom on account of mail subsidy	0.213
15	27-2021	GPO Jehlum	17	Less deduction of income tax on saving bank schemes	2.105
16	27-2021	GPO Jehlum	21	Short deduction of withholding tax on payment of honorarium / renewal commission to PLI canvassers	0.460
17	28-2021	GPO Mirpur	7	Short deduction of income tax on saving bank schemes	4.818
18	29-2021	GPO Sialkot	1	Short-deduction of withholding tax on profit against special saving account	1.163
19	30-2021	GPO Gujrat	15	Short-deduction of withholding tax from SSA holders	0.489
20	20-21	GPO Rawalpindi	5	Non-less deduction of WHT on profit of SS Accounts & Defence Saving Certificates	0.565
21	25-21	GPO Manshera	6	Short deduction of WHT of profit on Special Saving Accounts	0.627
22	19-2021	GPO Attock	6	Short deduction of WHT on profit of Defence Saving Certificates	0.212
23	32-2021	GM PLI Karachi	5	Short deduction of Withholding Income Tax from Canvassers on account of Honorarium/Renewal Commission	0.338
24	21-2021	GM PLI Lahore	8	Short deduction of Withholding Income Tax from Canvassers on account of Honorarium/Renewal Commission	0.356
25	21-2021	GM PLI Lahore	12	Short deduction of Withholding Income Tax from Canvassers on account of Honorarium/Renewal Commission	0.703

26	F01-2021	GPO Haripur	15	Short deduction of withholding tax on profit paid on DSCs	0.153
27	F01-2021	GPO Haripur	14	Short deduction of withholding tax on profit paid on DSCs	0.441
28	F08-2021	GPO Chakwal	16	Short deduction of withholding tax on profit paid on DSCs	0.163
29	F08-2021	GPO Chakwal	17	Short deduction of withholding tax on profit SS accounts	0.621
30	F09-2021	GPO Islamabad	17	Short deduction of withholding tax on profit SS accounts	0.410
31	F12-2021	RD PLI Quetta	11	Short deduction of withholding tax from PLI canvassers	0.046
				Total:	**24.916**

Annex – XI
Para No. 4.5.7

Unauthorized payment of house requisition

Sr No	SAIR No	Name of Formation	Item No	Description	Amount (Rs in millions)
1	24-2021	PMG KPK	10	Un-authorized payment of house requisition to employees as self-hiring without ownership documents	1.544
2	24-2021	PMG KPK	14	Un-authorized payment of house requisition to employees instead of owner of the houses	6.626
3	21-21	GM PLI LHR	3	Unauthorized payment of house requisition	6.025
4	07-2021(F)	RD PLI Peshawar (Forensic)	10	Unauthorized payment of house requisition	3.217
				Total:	**17.412**

Annex – XII

List of Ordinary Paras

Sl. No.	Para No	Description	Amount (Rs in millions)
1.	1.9	Loss due to non-execution of lease agreement with NIB (MCB)	12.976
2.	1.12	Non-adjustment /recovery of TA advances	2.810
3.	1.13	Unauthorized expenditure on pay and allowances	2.695
4.	1.14	Unlawful drawl of cash on paper chits	2.587
5.	1.16	Non-adjustment/recovery of emergent advances	1.578
6.	1.17	Non-deduction of Zakat	1.581
7.	1.20	Loss of rent	2.160
8.	1.21	Irregular auction of vehicle and non-realization of cash	2.059
9.	2.5	Non-transfer of amount of dead accounts / certificates to Federal Government Account	0
10.	2.6	Irregular acceptance of policies without proper medical tests	0
11.	2.12	Irregular payment of death claims	8.979
12.	2.13	Loss in Group insurance and non-receipt of Performance Guarantee	5.670
13.	2.14	Inadmissible profit payment on Special Saving Accounts	3.272
14.	2.15	Short-deposit of security against mail contracts	2.309
15.	3.4	Recurring loss due to wrong decision of postal authorities on account of tendering procedure of mail contractors	18.091
16.	3.11	Irregular payment of mail subsidy during covid-19	1.239
17.	3.12	Doubtful expenditure on purchase of medicines & stationery items	0.498
18	3.13	Non-recovery of penalty from security agency	2.119
19.	3.14	Over payment to M/S Al-Munir Transport Company against Kharan-Nushki -Quetta mail line	0.260
20.	4.1.3	Defective reconciliation with civil treasury resulted in variation	0.244
21.	4.3	Over-payment to building contractor	0.920
22.	4.18	Un-authorized payments to Mahana Amdani Account holders	2.722

23	4.4.7	Misappropriation of Government Money	24.579
24	4.5.12	Doubtful discharge of Defence Saving Certificates on expired CNICs	3.532
25	4.4.34	Loss due to un-justified acceptance of policy	0.444
26	4.4.35	Variation between PLI Premium receipt departmental figures and SAP data	43.651
27	5.5.12	Un-authorized payment of military pension on discrepant NOCs	0.730