SPECIAL STUDY REPORT
ON
THE WORKING OF INSTITUTIONAL/ DIGITAL FRANCHISE POST OFFICES BY M/S PAKISTAN POST FOUNDATION

AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

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

FOR THE CITIZENS OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973, read with Section 10 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, require the Auditor-General of Pakistan, in so far as the accounts enable him so, to conduct audits, undertake studies and analysis and to give to the federal, provincial and the district governments such information, as they may require from time to time. The Special Study on the working of Institutional/Digital Franchise Post Offices under M/s Pakistan Post Foundation (PPF) was carried out accordingly.

Directorate General Audit, Postal and Telecommunication Services, Lahore conducted the Special Study on the "Working of Institutional / Digital Franchise Post Offices under M/s Pakistan Post Foundation" during the Audit Year 2023-24 with a view to report significant findings to the stakeholders. Audit assessed the reasons for outsourcing of the postal services to M/s PPF and opening of IFPOs / DFPOs, its execution strategy and its implications, besides compliance by the management with applicable laws, rules, regulations and instructions. The audit findings included in this report have been finalized in the light of discussions with the management in the DAC meeting held on 26th September, 2024.

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

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ACAO	:	Assistant Chief Accounts Officer
AGP	:	Auditor-General of Pakistan
AJ&K	:	Azad Jammu and Kashmir
APPM	:	Accounting Policies and Procedures Manual
CCMS	:	Customers Complaint Management System
CDNS	:	Central Directorate of National Savings
CGA	:	Controller General Accounts
CPM	:	Chief Postmaster
DA PPO	:	Director of Accounts, Pakistan Post Office
DAC	:	Departmental Accounts Committee
DCS	:	Direct Credit System
DFPM	:	Digital Franchise Postmaster
DFPO	:	Digital Franchise Post Offices
DG PPO	:	Director General Pakistan Post Office
DSPS	:	Divisional Superintendent Postal Services
EDBO	:	Extra Departmental Branch Office
EMTTS	:	Express Mail Track and Trace System
FBR	:	Federal Board of Revenue
FCF	:	Federal Consolidated Fund
FPO	:	Franchised Post Office
FY	:	Financial Year
GB	:	Gilgit Baltistan
GFR	:	General Financial Rules
GM	:	General Manager
GPO	:	General Post Office
GST	:	General Sales Tax
HO	:	Head Office
IFPM	:	Institutional Franchise Postmaster
IFPO	:	Institutional Franchise Post Offices
JV	:	Joint Venture
MoC	:	Ministry of Communication
NADRA	:	National Database and Registration Authority
P&TS	:	Postal and Telecommunication Services
PFM	:	Public Financial Management

PLI	:	Postal Life Insurance
PLICL	:	Postal Life Insurance Company Limited
PMG	:	Postmaster General
PPF	:	Pakistan Post Foundation
PPOD	:	Pakistan Post Office Department
PPOD	:	Pakistan Post Office Department
PPSMB	:	Pakistan Postal Service Management Board
SAP	:	System Application Product
UMS	:	Urgent Mail Service

EXECUTIVE SUMMARY

Directorate General Audit, Postal and Telecommunication Services, Lahore conducted Special Study on the "Working of Institutional/Digital Franchise Post Offices under M/s Pakistan Post Foundation (PPF)" during May, 2024 to June, 2024 in the light of Terms of References (ToRs) approved by the Office of the Auditor-General of Pakistan.

PPOD performs its functions under the provisions of Post Office Act, 1898 and falls under the administrative control of the Ministry of Communications, Islamabad. Primarily, PPOD delivers mails and disburses payments of money orders to millions of households and businesses across the country through a network of around 10,098 post offices; however, PPOD also performs various agency functions on behalf of different Government departments and organizations which inter-alia, include collection of taxes and utilities bills. Being major agency functions, saving bank accounts, military pensions and Postal Life Insurance (PLI) were the main sources of receipts of PPOD; however, saving bank accounts were transferred to CDNS, disbursement of military pension was transformed to Direct Credit System (DCS) and PLI was converted into Postal Life Insurance Company Limited (PLICL) respectively. In addition, PPOD also executed a contract agreement with M/s PPF on 07th February, 2020, for the opening of 1,000 IFPOs/ DFPOs for enhancement of revenue and facilitation of public service delivery. It is pertinent to mention that in pursuance of the agreement, M/s PPF opened 831 DFPOs throughout Pakistan during February, 2020 to June, 2024.

Keeping in view the importance and sensitivity of opening of IFPOs/ DFPOs by M/s PPF, a special study on the establishment and working of DFPOs was planned by the Auditor-General of Pakistan in the Audit Plan 2023-24, which was carried out during May to June, 2024. This study aims at assessing the need of opening IFPOs/DFPOs under M/s PPF, their working efficiency and public service delivery with a focus on ensuring transparency, accountability, adherence to regulatory requirements and to

determine the impact of opening of IFPOs/DFPOs on the enhancement of revenue of PPOD. The audit findings will provide valuable insights to all the stakeholders like Finance Division, PPOD, PPF general Public, business community etc. and will offer practical recommendations.

Audit pointed out many issues of mismanagement in the working / operations of IFPOs / DFPOs which were discussed with the PPOD management in the DAC meeting held on 26th September, 2024.

Key Audit Findings

i) PPOD executed the project without the prior approval of PPSMB and Finance Division.
ii) The accounting procedures of the IFPOs/DFPOs were not approved by the Auditor-General of Pakistan.
iii) M/s PPF sub-let the IFPOs/DFPOs to M/s PosTech Global in violation of PPRs.
iv) PPOD also realized less security money from M/s PPF in violation of the contract agreement.
v) PPOD did not recover penalty on account of late deposit of DFPOs' collection in violation of the contract agreement.
vi) M/s PPF did not deposit the DFPOs' collection to PPOD and deducted at source commission without the authorization of Finance Division due to which PPOD did not deduct sales tax on services from M/s PPF.
vii) EDBOs under PPOD and DFPOs under M/s PPF were found running simultaneously at the same location.
viii) PPOD allowed to convert 247 EDBOs into DFPOs under M/s PPF to improve its working efficiency and public service delivery besides enhancement of revenue; however, the DFPOs turned EDBOs remained inactive.
ix) Operations of the IFPOs/DFPOs were found ineffective due to weak internal controls.

Recommendations

i. Ex-post facto approval of PPSMB and concurrence of Finance Division for execution of the project may be obtained.

ii. Accounting procedures of the IFPOs/DFPOs may be got approved from the Auditor-General of Pakistan as required under Article 170 of Constitution of Islamic Republic of Pakistan.

iii. PPOD needs to regularize the sub-letting of the contract to M/s PosTech Global from PPSMB.

iv. PPOD should realize the actual security money and recover the penalty on account of late deposit of DFPOs' collection from M/s PPF.

v. M/s PPF must deposit the DFPOs' collection in PPOD revenue account. Subsequently, PPOD should pay the commission to M/s PPF after deduction of sales tax on services.

vi. A joint committee at Ministry level comprising members from PPOD & M/s PPF be constituted to enquire into the closure / inactiveness of the EDBOs converted into DFPOs.

vii. Internal Controls may be strengthened to streamline the operations of IFPOs'.

MINISTRY OF COMMUNICATIONS

PAKISTAN POST OFFICE DEPARTMENT

Pakistan Post Office Department

1. Introduction

PPOD performs its functions under the provisions of Post Office Act, 1898 and falls under the administrative control of the Ministry of Communications, Islamabad. Primarily, PPOD delivers mails and disburses payments of money orders to twenty million households and businesses without cost consideration across the country through a network of around 10,098 post offices; however, PPOD also performs various agency functions on behalf of different Government departments and organizations which inter-alia, include collection of taxes and utilities bills. Being major agency functions, saving bank accounts, military pensions and Postal Life Insurance (PLI) were the main sources of receipts of PPOD; however, saving bank accounts were transferred to CDNS, disbursement of military pension was transformed to Direct Credit System (DCS) and PLI was converted into Postal Life Insurance Company Limited (PLICL) respectively.

After the transfer of saving bank accounts to CDNS, transformation of military pensions to DCS and conversion of Postal Life Insurance (PLI) into PLICL, the revenue of PPOD drastically reduced which necessitated the project of opening of 1,000 IFPOs / DFPOs and execution of the service contract with M/s PPF for operation of the IFPOs / DFPOs. It is pertinent to mention that the first DFPO was opened by M/s PPF on 07th August, 2020. Further, the project was conceived to enhance the PPOD revenue, improve working efficiency of the post offices and public service delivery.

2. Define Study

2.1. Purpose of Study

Special study of the project was planned in the Audit Plan 2023-24 in the light of observations pointed out during the previous audit reports. The purpose of the special study was to review the working efficiency and

public service delivery of the IFPOs/DFPOs with a focus on ensuring transparency, accountability, adherence to regulatory requirements and to determine the impact of opening of the IFPOs/DFPOs on the enhancement of revenue of PPOD. The terms of reference of the study are to identify whether:

i. the selection of the service provider for opening of IFPOs/DFPOs and the contract made between PPOD and M/s PPF were approved according to rules, and the agreement was followed and complied with in true letter and spirit?
ii. the Accounting Procedures were approved by the Auditor-General of Pakistan and proper accounting record was maintained in DFPOs/IFPOs as well as PPOD?
iii. the objectives of opening of DFPOs/IFPOs had been achieved. The remuneration paid by PPOD to the service provider was approved from PPSMB and paid as per rules?
iv. any mechanism/software had been devised by PPOD for monitoring, inspection and assessment of business conducted by DFPOs/IFPOs?
v. the opening of DFPOs/IFPOs had positive impact on the revenue of PPOD as well as customer satisfaction?
vi. the revenue generated by service provider was deposited into FCF as per PFM Act?
vii. evaluation of the initiative against performance indicators pertaining to economy, efficiency and effectiveness?

2.2. Scope and Limitations of Study

Scope of the Special Study covers the execution process of IFPOs/DFPOs, its operations, customer's satisfaction and impact on PPOD with effect from the date of execution of contract agreement i.e., 07th February, 2020.

Absence of objectives and KPIs by PPOD measuring the socio-economic impact of the project and non-availability of dashboard/ soft data

of M/s PPF were the major limitations for audit. The Audit team visited DA PPO Lahore, DG PPO Islamabad, and three other big cities viz; Lahore, Rawalpindi and Karachi but relevant data for comparison and measuring the impact of the project before and after implementation, except revenue earned, of the project was not available.

2.3. Beneficiaries of Study

The special study report will benefit the respective stakeholders such as PPOD, M/s PPF and the general public. The study will also provide valuable insights for parliamentary oversight.

3. Study Design

3.1. Time Period

The study was mainly carried out during May, 2024 to June, 2024. Since the data was scattered across the PPOD field formations, the study was conducted in conjunction with the compliance audit activities for the Audit Year 2023-24. Accordingly, the audit findings were incorporated in the study report.

3.2. Data Sampling

Random Access Method was adopted for data sampling during compliance audit of DG PPO Islamabad, nine circle offices of PPOD and thirty-nine (39) GPOs. For analysis of working and operations of IFPOs/DFPOs, DG Postal Headquarter, Islamabad PMGs Lahore, Rawalpindi and Karachi were selected.

3.3. Methodology

The Special Study was carried out on the basis of data collected from the office of DG PPO, PMGs, DA PPO Lahore and thirty-nine (39) selected GPOs. Information from other sources such as general public, Web sites of PPOD and courier company, print & electronic media reports, survey from the customers through a questionnaire and previous compliance reports etc. were also retrieved and consulted to complete the assignment.

AUDIT PARAS

4. Special Study Findings

The project "Working of IFPOs/DFPOs under M/s PPF" was initiated to provide quality postal services to the general public and business community with better environment across Pakistan. Audit examined the relevant record of the project, conducted public survey to assess the working of the project and to ascertain any deviations from the prescribed procedures, rules & regulations, terms and conditions of the contract agreement executed by PPOD with M/s PPF. However, Audit observed certain deviations and weak working areas which are highlighted as under for improvement of operations and efficiency of the project.

4.1 Compliance with Laws, Rules, Procedures & Agreement

4.1.1 Un-authorized execution of IFPOs/DFPOs without approval of PPSMB and Finance Division

As per Clause 11(1) of Pakistan Postal Services Management Board Ordinance 2002, the Board shall have complete decision-making powers in matters relevant to all administrative, operations and finances of the Pakistan Post Office Department. As per Finance Division (Regulations) Wing letter No F.No.4(3)R-4/2011 dated 23rd January, 2024 read with Article 22 and 23 of the Public Financial Management Act, 2019, "No charge on the Federal Budget or receipts be created without the consultation of Finance Division; [Explanation: Presence of a representative of Finance Division on the Board of an office referred to in Para 1, does not constitute consultation with Finance Division. such consultation is required to be undertaken as per prescribed procedure].

The PPOD under the Ministry of Communications, Islamabad executed a contract agreement with M/s PPF on 07th February, 2020 for opening of Institutional Franchise Post Offices (IFPOs) throughout Pakistan.

Audit observed that PPOD presented the agenda item No. 06 in Pakistan Postal Services Management Board (PPSMB) 44th meeting held on 07th August, 2019 for opening of IFPOs. The Board constituted an Executive Committee to review the project for its approval. The Executive Committee in its meeting held on 25th March, 2019 recommended to open the IFPOs; however, the recommendations of the Executive Committee could not be presented before the board for final approval. Execution of the IFPOs project without approval of the PPSMB and financial concurrence of the Finance Division was un-authorized and in violation of the provision of Ordinance 2002 and Finance Division's letter stated above.

Audit reported the matter to the management and PAO during July, 2024. It was replied that decisions taken by Executive Committee were duly discussed and the rate of Commission @ 25% to be paid to IFPO was approved by PPSMB in its 46th meeting held on 25th March, 2019.

The reply is not tenable. The 46th meeting of PPSMB only approved the rate of commission without according formal approval of the project. Since the project had financial implications in the shape of commission, it was required to be concurred by the Finance Division.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to provide the minutes of meeting of 46th PPSMB within one week. The management did not provide the requisite information till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 01)

4.1.2 Unauthorized sub-letting of contract of IFPOs/DFPOs by M/s PPF

According to Rule 42(f) of Public Procurement Rules 2004, a procuring agency may engage in direct contracting with state owned entities such as professional, autonomous or semi-autonomous organizations or

bodies of the Federal or Provincial Governments for the procurement of such works and services, including consultancy services, which are time sensitive and in the public interest, subject to the following conditions, namely:- (i) the organization or the body to be engaged in direct contracting shall be eligible to perform the works or render the services; (ii) the organization or the body shall accomplish the work or the services including consultancy services, exclusively through its own resources without involving private sector as a partner or in the form of a joint venture or as a sub-contractor. Further, as per Rule 21(v) of the Contract Act 1872, no contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the competent authority.

PPOD under the Ministry of Communications, Islamabad outsourced the establishment of 1000 IFPOs throughout the country and executed a contract agreement with M/s. Pakistan Post Foundation (PPF) on 7th February, 2020. M/s. PPF was registered as Institutional Franchised Postmaster with PPOD and accordingly registration No. IFPO-1-001 was issued for booking of national and international mails. PPOD secured the business of Rs 260,557,315 as detailed in Annexure I during FYs 2020-21 to 2023-24 through M/s PPF.

Audit observed that the establishment of IFPOs/DFPOs was outsourced to M/s PPF being public entity but M/s PPF sub-let the services to M/s PosTech Global Pvt (Ltd) as is evident from the transfer of revenue amount of Rs 212,860,825 (including PST of Rs 22,074,867) to PPOD through cheques issued by M/s PosTech Global and PPF's letter to PMG Punjab Circle Lahore dated 12th September, 2022 regarding joint venture. The situation highlights a significant lapse in compliance with public procurement rules.

Audit reported the matter to the management and PAO during July, 2024. It was replied that under rule-17 of PPSMB Ordinance, 2002, the scheme was approved by PPSMB, being competent forum. Further, it was

also replied that the M/s PPF has been registered as Institutional Franchise Postmaster which runs the DFPOs business through Digital Franchise Postmasters and there was no bar on the M/s PPF for engagement of any other firm/ individual for improvement in DFPOs in technological way.

The reply is not relevant and tenable to the audit contention. M/s PPF sub-let the working of DFPOs to M/s PosTech Global without the approval of PPOD as well as PPSMB. The above referred letter dated 12th September, 2022 mentions a joint venture between M/s PPF and M/s PosTech Global which is contrary to the contract agreement as M/s PPF did not reflect the joint venture in its bidding documents.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to submit the revised reply within one week to audit. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No. 02 & 03)

4.1.3 Non-obtaining of approval of PPOD and non-inclusion of eligibility criteria in service contract for opening of DFPOs

According to Clause 13 of contract agreement made on 7th February, 2020 between PPOD and PPF for opening of IFPOs, the Institutional Franchise Postmaster shall ensure that all IFPOs will not transact business at any other premises other than the premises approved by the Pakistan Post Office Department.

M/s PPF opened 831 DFPOs across Pakistan at different locations to render postal services to the public during the Financial Year 2019-20 to 2023-24.

Audit observed that:

i. M/s PPF opened the DFPOs without the approval of the PMGs.

ii. As per Para 1 of the approved policy for FPOs, an FPO could be opened in any place where there was no post office functional within a radius of 500 meters. Audit found that this condition was available in the accounting procedure but the same was not incorporated in the contract agreement due to which M/s PPF opened DFPOs anywhere, neglecting the condition of radius of 500 meters.

PPOD revised the accounting procedures in 2024 which allowed M/s PPF to open DFPOs at a distance of 500 meters away from the existing post offices and DFPOs. The opening of DFPOs at locations other than approved by PPOD and less than prescribed distance limit to GPO/POs/DFPOs which caused decrease in revenue of PPOD. Number of operational DFPOs reduced from 831 to 428 during the FYs 2023-24. Similarly, the revenue of DFPOs was also decreased from Rs 80.061 million (FY 2022-23) to Rs 43.784 million (FY 2023-24). The same has been highlighted in Para 4.5.1 of this report.

Audit reported the matter to the management and PAO during July, 2024. It was replied that there was no need for approval of PPOD for opening of DFPOs; however, according to revised agreement / accounting procedures before opening of DFPOs' approval of the PMG will be sought. DFPOs are functioning mostly in big cities and the distance of ½ KM between post offices is justified.

The reply is not tenable. According to contract agreement, IFPM shall ensure that DFPOs will not transact business at any other premises other than the premises approved by the PMGs. The condition for opening of DFPOs within the prescribed radius was not included in the contract agreement. Moreover, the accounting procedures related to DFPOs are neither vetted by CGA nor approved by the Auditor-General of Pakistan.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to provide revised reply and share documentary evidences for audit verification. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 16)

4.1.4 Non-recovery of penalty amount from M/s PPF on late deposit of DFPOs revenue – Rs 792.861 million

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

M/s PPF was under contractual obligations to transfer the revenue earned through DFPOs, after deducting its commission, to PPOD on the next working day. M/s PPF conducted a business of Rs 85,186,750 during FY 2022-23.

Audit observed that M/s PPF did not deposit the revenue generated through DFPOs on the very next working day and submitted cheques to PPOD through respective GPOs after lapse of 10 to 30 days. Audit contends that PPOD was required to impose a penalty of Rs 792,860,612 for delayed deposits as detailed in Annexure II and recover the revenue along with penalty charges.

Audit reported the matter to the management and PAO during July, 2024. It was replied that M/s PPF was ready to transfer the PPOD share to

designated GPO online on daily basis but due to non-digitalization of postal and account services at GPOs, the cheques were issued on weekly basis to avoid complications in issuance of cheques on daily basis.

The reply is not tenable. PPOD did not impose penalty on M/s PPF according to the contract agreement to recover the penalty amount.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed to conduct an inquiry at Ministry level and its report should be shared with audit. The management did not share the outcome of the inquiry with audit till finalization of this report. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 04)

4.1.5 Less-realization of security money from M/s PPF Rs - 9.000 million

As per Para 4 (a) and (b) of the policy approved by the PPSMB in 2008, a security deposit of Rs 10,000 will be made by the franchise postmaster. Further, as per Clauses 2 and 12 of the agreement made between PPOD and M/s PPF, the latter shall provide all postal services to the general public.

M/s PPF established 1000 IFPOs/DFPOs across the country after execution of the contract agreement and deposited a total sum of Rs 1,000,000 @ Rs 1,000 per DFPO on account of security money.

Audit observed that as per approved policy M/s PPF was required to deposit security money of Rs 10,000 per DFPO instead of depositing Rs 1,000 per DFPO. Consequently, an amount of Rs 9,000,000 (Rs 9,000 x 1000) was less realized, giving an undue favour to M/s PPF.

Audit reported the matter to the management and PAO during July, 2024. It was replied that that under FPO Policy, 2008, security of

Rs 10,000/- and Rs 25,000/- was for single Franchisee while according to the contract agreement a security money of Rs 1,000,000 was fixed for all DFPOs.

The reply is not tenable. The security money of Rs 10,000 per DFPO was fixed in the FPO Policy, 2008 approved by the PPSMB which could not be amended in the contract agreement without prior approval of PPSMB.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC pended the para subject to approval of PPSMB. The approval of PPSMB was not provided to audit till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 07)

4.1.6 Non-obtaining of performance guarantee - Rs 1.000 million

According to Clause 12 of the agreement made between PPOD and M/s PPF, the Institutional Franchise Postmaster shall deposit a sum of Rs 1,000,000 (Rupees One Million Only) for opening of 1000 IFPOs with the Post Office in shape of Bank Guarantee/ CDR/ Draft in the name of PPOD as security for fulfillment of terms of this agreement before starting the operations of the IFPOs/ DFPOs.

PPOD under the Ministry of Communications, Islamabad made an agreement with M/s PPF for establishment of 1000 Institutional Franchised Post Offices (IFPO) throughout the country on 7th February, 2020.

Audit observed that the performance guarantee of Rs 1.000 million was produced in the name of M/s Syntec Private Ltd (Now registered as M/s PosTech) during execution of the agreement in February, 2020 which was not a party to the agreement. Moreover, M/s PPF failed to provide the bank guarantee of Rs 1.000 million required during the revision of the contract agreement in February, 2024.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the implementation certificates of the revised agreement from Institutional Franchise Postmaster and all PMGs have been called for. After implementation of the revised agreement, the requisite bank guarantee will be obtained from M/s PPF.

The management accepts the audit contention; however, it is reiterated that the performance guarantee should have been obtained before or during the execution of the contract agreement.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to obtain the performance guarantee from M/s PPF under intimation to audit.

Audit recommends implementation of DAC directives.

(Observation No 21)

4.1.7 Non-conducting of trainings for IFPOs by PPOD

According to Clause 10 of the agreement signed between PPOD and M/s. PPF on 7th February, 2020 the Institutional Franchise Post staff shall receive training from PPOD for knowledge of postal work of booking of articles, documentation, dispatch of mails etc., and then these employees of Institutional Franchise Post Masters shall train the Institutional Franchise Post offices as the Government may consider necessary. The Institutional Franchise Postmaster shall ensure training of all Institutional Franchise Post Offices within the territorial jurisdiction of Pakistan Post.

M/s PPF was under contractual obligations to receive the training from PPOD for understanding the operations of postal services which was further required to be delivered by M/s PPF to the DFPOs.

Audit observed that PPOD did not impart training to M/s PPF as required under the contract agreement. Similarly, M/s PPF did not conduct training of the DFPOs in the field of postal services to ensure quality of

public services delivery. Consequently, the DFPOs did not render quality postal services to the public and resulted in the decline of PPOD revenue.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the retired postal employees working in M/s PPF, having experience of postal work and rules, get guidance/training from PPOD from time to time and train the DFPMs who are working under the supervision of departmental tagged post offices. Their working is being checked and passed by the departmental postmasters of the tagged post offices. Besides the DFPOs' software also bounds the DFPMs to follow the postal tariff.

The reply is not tenable as it was not supported by documentary evidences. Audit is of the view that the IFPOs/DFPOs did not receive the requisite training from PPOD as per contract agreement which compromised the provision of quality postal services.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to provide documentary evidences to audit for verification. The management did not provide the documentary evidences to audit till the finalizations of this report.

Audit recommends implementation of DAC directives.

(Observation No 23)

4.2. Approval of Accounting Procedures and Maintenance of Accounting Record

4.2.1 Un-approved accounting procedures of Institutional Franchised Post Offices

Article 170 of Constitution of Islamic Republic of Pakistan states that the accounts of the Federation and of the Provinces shall be kept in such forms and in accordance with such principles and methods as the Auditor-General may, with the approval of the President, prescribe.

According to Section 5 (d) of Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001, The CGA shall lay down the principles governing the internal financial controls for government departments in consultation with the Ministry of Finance and the Provincial Finance departments as the case may be. Section 5 (e) of ibid further states that CGA shall render advice on accounting procedures for new schemes, program or activities undertaken by the Government concerned.

PPOD under the Ministry of Communication, Islamabad constituted a three members committee on 13th February, 2020 comprising GM PPF, Accounts Officer PIFRA and ACAO/Budget to formulate accounting procedures for IFPOs/DFPOs.

Audit observed that the committee prepared the accounting procedures which could not be vetted by the Controller General of Accounts and approved by the Auditor-General of Pakistan. Due to non-approval of the accounting procedures the accuracy and reliability of the accounting treatment may be affected.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the accounting procedures were submitted to CGA for approval/vetting. On receipt of observations/ objections of CGA, the revised agreement duly vetted from Law & Justice Division has been signed and the accounting procedures have also been revised accordingly.

The reply is not tenable. The revised accounting procedures were not vetted by the Controller General of Accounts and approved by the Auditor-General of Pakistan.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to get the accounting procedures approved from the CGA/AGP under intimation to audit**.** The management did not provide any approval of the accounting procedures from CGA/AGP till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 08)

4.2.2 Unauthentic revenue received from M/s PPF- Rs 190.786 million

According to Para 6 of procedures of booking of UMS / EMS / Register Articles from IFPOs, the Circle / Regional Offices will monitor all transactions relating to IFPOs under their jurisdictions and ensure that its related collected amounts are timely / correctly deposited in the GPOs treasury and classified in the proposed heads of accounts shown in the HO Summary, HO Cash Book and monthly Cash Accounts of the GPOs. They will also ensure the FPO/GPO wise complete monthly reconciliation of all bookings and collection of postage realized with M/s PPF (IFPO-wise). The parties of Circle / Region will also ensure reconciliation of each Head of Account with DAPPO, Lahore on quarterly basis. According to Clause 16 of contract agreement the Institutional Franchise Postmaster shall allow the authorized officers access to the relevant electronic records for the purpose of inspection/ reconciliation of the books of accounts and to the counter of Institutional Franchise Post Offices for the purpose of inspecting the booked articles etc.

M/s PPF collected a revenue of Rs 190,785,958 during FY 2020-21 to 2023-24 and transferred to PPOD after deducting its commission.

Audit observed that the Circle offices of PPOD did not carry out periodic inspection to ensure the authenticity of revenue, monitor the transactions of IFPOs/DFPOs and see that the receipts were timely and correctly deposited in the GPOs and classified in the relevant heads of accounts. Moreover, neither circle-wise reconciliation with DAPPO, Lahore and PPF was conducted nor was a web-based portal software available to check the booking of articles and receipts thereof.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the monitoring, inspections and reconciliation of DFPOs are being carried out by the Circles.

The reply is not tenable. Audit physically inspected the PMGs Lahore and Rawalpindi Circle offices and found that they had no mechanism to see the authenticity of the collected amounts. The circle

offices were found to have issued covering letters with the cheques received from M/s PPF in the names of the lead GPOs.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to provide documentary evidences and get it verified from audit. The management did not provide any documentary evidences till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 09)

4.2.3 Unauthorized deduction of commission from revenue by M/s PPF Rs 47.696 million and non-deduction of sales tax on services – Rs 7.631 million

According to Clause-15 of the agreement, the IFPO shall be paid a commission on the business transacted at all IFPOs at the rate of 25% against booking of articles. The commission shall be deducted at source from the revenue and remaining amount would be paid to Pakistan Post Office Department. According to Sl. No. 13 of Second Schedule of the Punjab Sales Tax on Services Act, 2012, sales tax @ 16% may be levied on franchise service, the tax so collected must be deposited in the Government treasury. According to Rule 23 of the Public Financial Management Act (PFM), 2019, no authority shall incur or commit any expenditure or enter into 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.

M/s PPF conducted a total business of Rs 260,557,315 during FYs 2020-21 to 2023-24, deducted its commission of Rs 47,696,490 (Rs 190,785,958 x 25%) and transferred the remaining amount of Rs 212,860,825 (Rs 190,785,958 Revenue + Rs 22,074,867 PST) to PPOD.

Audit observed that PPOD allowed M/s PPF under the contract agreement to deduct the commission on services at source from the revenue collected by the foundation on account of DFPOs. Accordingly, M/s PPF

deducted its commission in violation of the above-mentioned rule of PFM Act, 2019. Audit also revealed that PPOD did not deduct the sales tax on services of Rs 7,631,438 @ 16% from the commission of M/s PPF which reflected weakness of the financial discipline.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the Franchisee fetches its business at its own and PPOD has not incurred a single penny in this regard. Amended agreement and revised accounting treatment of prepaid to postpaid has been circulated to all Circles for implementation. As regard to the deduction of sales tax on services, it is intimated that the DFPOs' agreement was signed in Islamabad, so levy of Punjab Sales Tax @ 16% does not apply.

The reply is not tenable. PPOD allowed M/s PPF to deduct the commission on services at source from revenue collected on account of business of DFPOs which is inclusive of Sales Tax on services. Further, PPOD did not recover the sales tax on services from M/s PPF as the services were rendered in the provinces.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to regularize the commission directly deducted from revenue from Finance Division and also recover the sales tax on services from M/s PPF.

Audit recommends implementation of DAC directives.

(Observation No 11)

4.2.4 Variation of revenue figures between two sets of accounts- Rs 635.610 million

As per Para 2.3.2.2 of Accounting Policy and Procedure Manual (APPM), the information in the accounts and the supporting subsidiary record shall be accurate, representing the actual substance of past events, without undue errors or omission. This shall include correct and consistent classification of transactions and reorganization of revenues and expenditure in correct time period.

PPOD under the Ministry of Communications, Islamabad received a revenue of Rs 190,785,958 from M/s PPF for FYs 2020-21 to 2023-24.

Audit examined the SAP data of DAPPO, Lahore and observed that a revenue of Rs 826,395,467 was reflected in the accounts for the above-mentioned period thereby indicating a difference of Rs 635,609,509, as detailed in Annexure III, between the two sets of accounts. This state of affairs creates doubts about the authenticity of revenue figures as well as accounts of PPOD.

Audit reported the matter to the management and PAO during July, 2024. It was replied that due to misclassification of revenue figures of other heads into the heads separately nominated for DFPOs, the departmental figures are shown on higher side as compared to the figures obtained by audit from DFPOs. Directions have already been issued to all circles and M/s PPF to provide circle wise reconciled revenue figures of DFPOs. The reply will be updated accordingly and will be informed to audit.

The management has accepted the audit contention. However, the reconciled figures could not be provided till the finalization of this report.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to reconcile the figures of revenue under intimation to audit.

Audit recommends implementation of DAC directives.

(Observation No 20)

4.3. Achievement of objectives

4.3.1 Non-achievement of objectives of IFPOs/DFPOs' project

According to Rule 7(m) of Financial Management and Powers of Principal Accounting Officers Regulations 2021, the PAO is responsible for formulating and monitoring the plans, outcomes and outputs and key performance indicators and targets, in accordance with the provisions of the Act.

The PPSMB in its meeting held on 07th August, 2019 defined the objectives of the IFPOs/DFPOs on the recommendations of the executive committee stating that Pakistan Post Office Department intends to extend its outreach and provide effective, efficient and improved services delivery to general public in collaboration with public/private institutions/ organizations in order to enhance the scope of Franchise Post Offices up to the level of institutions/organizations and to allow Public/Private/ Semi Private Organizations, Institutions to open Franchise Post Offices at multiple locations across the country, IFPOs/DFPOs would modernize the environment of the postal services to attract customers, operations of the postal services would be digitized. Pakistan Post has been spending a huge financial as well as administrative cost of the printing of postage stamps. Digital postage stamps can overcome this issue. The digital postage should be allowed to save the time, huge cost and human resources and expenditure on printing and affixing of stamps would be minimized to enhance the revenue of the PPOD. Further, in 45th meeting of PPSMB held on 09th March, 2020 it was decided that EDBOs would be converted into DFPOs to enhance revenue and reduce establishment expenditure of PPOD.

Audit observed that 247 number of EDBOs, working under the jurisdiction of PMG Punjab Circle Lahore, were converted into DFPOs which were found completely inactive. Audit contends that PPOD closed EDBOs for DFPOs to render quality postal services but the latter did not achieve the objectives of enhancing the revenue and curtailing the establishment/operational expenditure of PPOD.

Audit reported the matter to the management and PAO during July, 2024. It was replied that after opening of DFPOs, all objectives as pointed out by audit have been achieved. Opening/ closing of EDBOs is a separate subject.

The reply is not tenable. PPOD failed to achieve the objectives of enhancing the revenue and curtailing the establishment expenditure of PPOD.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to submit the revised reply within one week to audit. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 13)

4.3.2 Decreasing trend in business secured by DFPOs

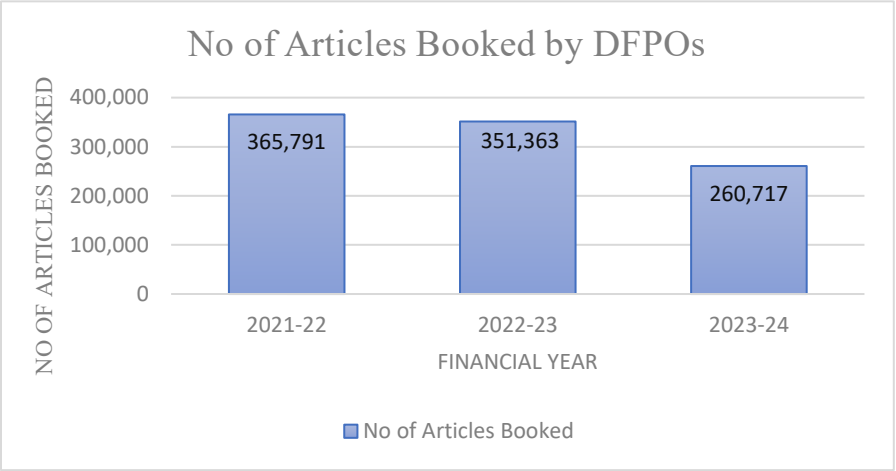
As per Para 9.2.1.2 of APPM, the PAOs in the self-accounting entities shall themselves be responsible for ensuring that adequate controls and corporate governance exist over transactions within the entity.

M/s PPF was registered as Institutional Franchised Postmaster to established 1000 IFPOs/DFPOs for booking of national and international mails. However, audit noticed a decreasing trend in the DFPOs' business over the years.

Audit juxtaposed the number of articles booked by DFPOs during the FY 2021-22 to FY 2023-24 as shown in the table and chart-1 below and observed that the DFPOs' working under M/s PPF booked 365,791 number of articles during FY 2021-22 which gradually decreased to 260,717 in the subsequent years as detailed below:

S. No.	Year	No of Articles Booked	% Increase/ (Decrease) of Articles Booked
1	2021-22	365,791	-
2	2022-23	351,363	(4%)
3	2023-24	260,717	(26%)

Chart



The decreasing trend in booking of articles and revenue generation was due to inadequate mointoring, lack of marketing, improper working of complaint managemnt system, dis-satisfaction of customers with Express Mail Track and Trace System and closuer of DFPOs with the pasage of time.

This situation showed that PPOD management did not pay proper attention towards the improvement of the project in the provision of postal services as the same was not successful which showed that the operations were not performed properly.

Audit reported the matter to the management and PAO during July, 2024. It was replied that decreasing trend in postal business was not due to launching of DFPOs project.

The reply is not tenable. After launching of IFPOs/DFPOs' project there is no improvement in revenue of PPOD instead there was decreasing trend in PPOD revenue.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to submit revised reply within one week to audit. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 15)

4.4. Monitoring the operations of project by PPOD

4.4.1 Weak internal controls and inadequate monitoring & evaluation system of DFPOs

According to Rule 7(1)(a) 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, maintaining 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 outsourced the establishment of 1000 IFPOs throughout the country and executed a contract agreement with M/s. PPF on 7th February, 2020. The record transpired that M/s PPF opened only 831 DFPOs across the country up to 2022-23 but till the end of June 2024, only 428 DFPOs were operational.

Audit observed that:

a) Internal audit of the project was not conducted as required under Clause 8 of the accounting procedures so that shortcomings, misrepresentation and weaknesses in internal controls could be identified in the operations of IFPOs/DFPOs to improve the project.
b) The Circle offices did not conduct post audit of DFPOs' business as required under Clause 9(1) of the accounting procedures of DFPOs.

c) No separate complaints management system of IFPOs/DFPOs was maintained to trace out the complaints of the customers and its timely disposal by the PPOD.
d) The DFPOs began to collect utility bills without the prior approval of the competent authority as it was beyond the preview of business of DFPO's and was in violation of Clause 2 of the contract agreement.
e) Physical verification of DFPO situated at Bhatti Chowk, Lahore working under DSPS West revealed that the concerned DFPM did not prepare three copies of daily schedule of business as required under Clause 1 of accounting procedures. Similarly, the DFPO at Urdu Bazar, Lahore did not affix the 'DFPO stamp' on the articles booked as envisaged in the accounting procedures.
f) During physical verification of DFPO at Rawalpindi and interaction with customers, it was found that customers were facing problems to trace out the status of their articles booked despite affixing of bar codes on their articles. Moreover, no SMS of the booked articles and their delivery status was sent to the customers, showing the ineffectiveness of the track and trace system (EMTTS) of PPOD.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the complaints against DFPOs are processed / considered as complaints against postal services at GPOs. All PMGs have ensured proper reconciliation. A complaint regarding un-authorized collection of utility bills by DFPO-2101610 (Mrs. Sadaf Amin) District Courts Sargodha was received. Thereafter, ID of the delinquent DFPO was terminated. Instructions were issued by PMG Lahore to DFPO Bhatti Chowk and Urdu Bazar for preparing three copies of daily schedule and affixing the DFPOs' stamps.

The reply is not tenable. Neither regular internal and post audits of the DFPOs are carried out nor separate and independent monitoring and evaluation system has been in place to identify weakness of the system and address the complaints received against the DFPOs.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to provide documentary evidences and get it verified from audit.

Audit recommends implementation of DAC directives.

(Observation No 12)

4.4.2 Inaccessibility of PPOD to the soft data of IFPOs/DFPOs

According to Clause 16 of contract agreement made on 7th February, 2020 between PPOD and M/s PPF for opening of IFPOs, the Institutional Franchise Postmaster shall allow the authorized officers access to the relevant electronic records for the purpose of inspection/ reconciliation of the books of accounts and to the counter of Institutional Franchise Post Offices for the purpose of inspecting the booked articles etc. As per Para 4(I) of accounting procedures the DFPOs cell in circles offices will collect the daily mails lists/ daily account of all DFPOs in their jurisdiction from all tagged post offices and reconcile the daily business with online information available through Dashboard of IFPM.

Audit observed that PPOD did not have any access to software to watch the daily business/ all the transactions made by the IFPOs/DFPOs. For monitoring purposes, the DFPO cell at circle offices did not have access to the software of IFPOs/DFPOs to ascertain and tally the daily schedules with the actual bookings. Moreover, access of GPOs and DSPS' offices with the software of M/s PPF was not provided. Audit contends that due to inaccessibility of the PPOD's circles offices and GPOs/DSPSs to the soft data of M/s PPF, the risk of revenue leakage and its true disclosure in the accounts could not be avoided. Due to these reasons, audit was not in a position to check the soft data of the business/ all the transaction made by IFPOs/DFPOs.

Audit reported the matter to the management and PAO during July, 2024. It was replied that under clause 16 of the agreement, Circles/GPOs are authorized for access to the software. In addition to this access, there is a foolproof mechanism of monitoring and reconciliation in place.

The reply is not tenable. Audit physically inspected PMGs Lahore and Rawalpindi and noticed that the circles and GPOs did not have any access to software to watch the daily business of DFPOs.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed all the PMGs to provide certificates regarding access to the soft data of IFPOs/DFPOs, besides submission of revised reply to audit. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 14)

4.4.3 Misappropriation of Government Money - Rs 0.523 million

According to Article 24 of PT&T Initial Account Code, Vol-I and Serial No. 7 of Appendix-2 to GFR Vol-I, Loss and Fraud Cases are required to be reported to Audit Office immediately on occurrence. In all such Cases, Departmental proceedings should be initiated at the earliest against all the delinquents even against a Government Servant being prosecuted in a Criminal Court.

Syed Nasir Abid, Postmaster of DFPO No ID21041652 at Chaklala Scheme-III Rawalpindi, working under the jurisdiction of DSPS City Rawalpindi, mis-appropriated an amount of Rs 523,137 during 2022-23 while running the DFPOs.

Audit observed that the franchisee booked articles and collected due charges thereof; however, he cancelled the entries in the software later on and misappropriated the amount.

Audit reported the matter to the management and PAO during July, 2024. It was replied that a fraud amounting to Rs 523,137 by Syed Nasir Abid, Postmaster of DFPO No ID21041652 at Chaklala Scheme-III Rawalpindi, was worked out by past work verification committee. An

amount of Rs 25,000 has since been recovered. Process for recovery of the remaining amount is under way.

The management accepts the audit contention; however, documentary evidences in respect of the recovery of the objected amount were not provided to audit for verification.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management that recovery may be expedited and the amount recovered be got verified from audit. The management did not verify the recovery from audit till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 17)

4.4.4 Irregular operations of EDBO/DFPOs simultaneously

According to Rule 7(1)(a) 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, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting Government receipts.

PMG Rawalpindi converted an EDBO into DFPO called Prism Services in the name of Abdul Manan vide DFPO code DFPO210212217 at Garhi Afghanan Taxila.

Audit observed that despite conversion the EDBO existed and was working alongside the DFPO simultaneously. It is worth mentioning here that the owner of DFPO was taking payment for running the EDBO as well as receiving commission on the working of DFPO for the same place and period irregularly.

Audit reported the matter to the management and PAO during July, 2024. It was replied that EDBO was not converted into DFPO. The DFPO at Gari Afghanan was opened by M/s PPF in the name of Abdul Manan and tagged with Wah Cement Works PO (Rawalpindi Division), whereas Gari Afghanan EDBO is functioning under Attock Division and Mr. Muhammad Israil is working as ED Branch Postmaster Gari Afghanan.

The reply is not tenable. EDBO and DFPO are working in the same place Gari Afghanan at Taxila which falls under Rawalpindi Division.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to review the matter and submit relevant reply to audit. The management did not furnish revised reply till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 19)

4.4.5 Mis-reporting of GST – Rs 22.074 million

According to Section 160 of Income Tax Ordinance 2001, any tax that has been collected or deducted shall be paid to Income Tax Commissioner by the person making the collection or deduction within time and in the manner as may be prescribed.

PPOD under the Ministry of Communications, Islamabad collected a General Sales Tax of Rs 22,074,867 on account of booking of UMS and EMS during FY 2020-21 to FY 2023-24.

Audit observed that IFPOs/DFPOs earned business of Rs 137,967,918 on EMS and UMS postage realized in cash through IFPOs including GST of Rs 22,074,867 @ 16%. M/s PPF transferred the amount of revenue including GST to the PPOD through cheques. PPOD deposited these cheques (inclusive of GST) to the Federal Consolidated Fund (FCF) instead of PRAs. Audit is of the view that PPOD deposited the tax revenue with non-tax revenue to FCF; thereby causing financial mis-reporting.

Audit reported the matter to the management and PAO during July, 2024. It was replied that according to the existing procedure the IFPM submits cheques alongwith head-wise detail of the amount. On receipt of the cheques / head-wise detail, the GPOs charge the amount in relevant heads. The PMGs have ensured the deposits of the DFPOs' revenue by issuing certificate to this effect as the DFPOs' deposits are decentralized.

The reply is not tenable. PPOD deposited these cheques (inclusive of GST) to the Federal Consolidated Fund (FCF) due to which PPOD deposited the tax revenue with non-tax revenue to FCF; thereby causing financial mis-reporting.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the management to deposit amount of GST to FBR under intimation to audit. The management did not provide evidence of transfer of GST to FBR till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 18)

4.5. Impact of project on stakeholders

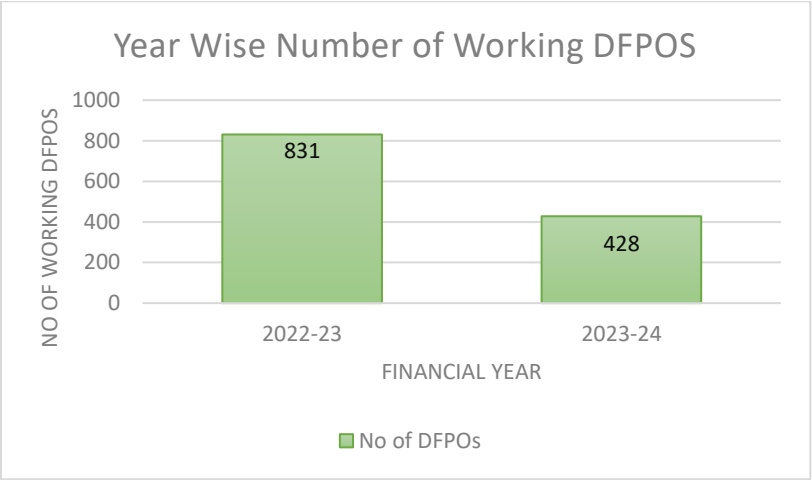
4.5.1 Decreasing trend in functional / active DFPOs by 48%

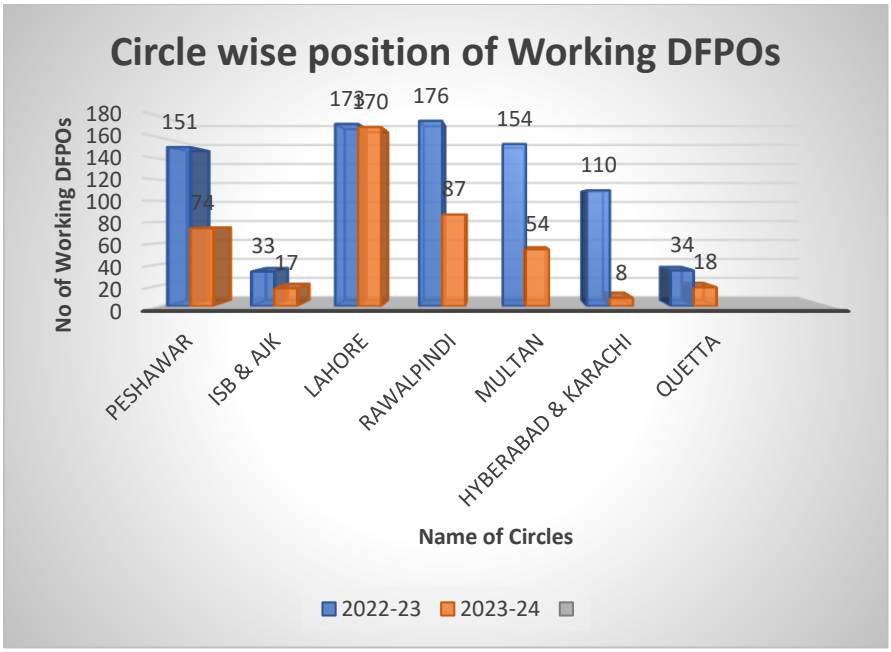
According to Rule 7(m) of Financial Management and Powers of Principal Accounting Officers Regulations 2021, the PAO is responsible for formulating and monitoring the plans, outcomes and outputs and key performance indicators and targets, in accordance with the provisions of the Act.

PPOD under the Ministry of Communications, Islamabad outsourced the establishment of 1000 IFPOs throughout the country and executed a contract agreement with M/s PPF on 7th February, 2020. The main stakeholders of the project are Finance Division, PPOD, PPF general Public, business community.

Audit observed that 831 DFPOs were found working at the close of the FY 2022-23. The circle-wise record relating to active DFPOs revealed that 428 DFPOs were operational at the end of the FY 2023-24, showing reduction of 403 DFPOs and down trend of 48% as detailed below:

Sr. No.	Circle Name	FY 22-23	FY 23-24	No of DFPOs decreased
01	Peshawar	151	74	77
02	AJ&K	10	17	16
03	Islamabad	23		
04	Lahore	173	170	03
05	Rawalpindi	176	87	89
06	Multan	154	54	100
07	Hyderabad	69	08	102
08	Karachi	41		
09	Quetta	34	18	16
Total		**831**	**428**	**403**





Pre and post revenue position of PPOD under heads: Inland Parcel Postage Realized in Cash, Foreign Parcel Postage Realized in Cash, Registered Articles Postage Realized in Cash, EMS Postage Realized in Cash, UMS Postage Realized in Cash, is tabulated below:

Year	PPOD Revenue (Rs)	DFPOs Revenue (Rs)	Total (Rs)	DFPOs share (%)
2019-20	802,180,093	-	802,180,093	-
Sub-Total	**802,180,093**	**-**	**802,180,093**	-
2020-21	1,172,000,776	9,891,767	1,181,892,543	0.837%
2021-22	1,449,819,882	57,048,168	1,506,868,050	3.785%
2022-23	1,611,626,481	80,061,081	1,691,687,562	4.732%
2023-24	1,999,160,780	43,784,942	2,042,945,722	2.143%
Sub-Total	**6,232,607,919**	**190,785,958**	**6,423,393,877**	**2.970%**

- SAP data from DA PPO Lahore.

The above table indicates that PPOD earned a revenue of Rs 802.180 million during FY 2019-20 when the scheme of DFPOs was not

implemented. The revenue of PPOD increased to Rs 6,423.394 million during FYs 2020-21 to 2023-24 including the revenue of DFPOs of Rs 190.785 million which makes only 2.970% of the total revenue during the last four years.

Audit contends that PPOD did not pay proper attention to monitor and evaluate the working of DFPOs improve efficiency of the project in the provision of postal services and enhancement of revenue.

Audit reported the matter to the management and PAO during July, 2024. It was replied that the DFPOs are private enterprises and these numbers would increase/decrease depending on various / multiple factors.

The reply is not tenable. PPOD did not focus on the performance of DFPOs' project due to which M/s PPF reduced the running of DFPOs without prior approval of PPOD. Besides, the customers were also not fully satisfied due to factors such as lack of information to the public about opening & working of DFPOs, dis-satisfaction with track & trace system, delivery time and timely addressal of their complaints.

The matter was discussed in the DAC meeting held on 26th September, 2024. The DAC directed the PPOD management to provide reasons for the decreasing trend of DFPOs to audit. The management did not furnish reasons for reducing the number of DFPOs till the finalization of this report.

Audit recommends implementation of DAC directives.

(Observation No 10)

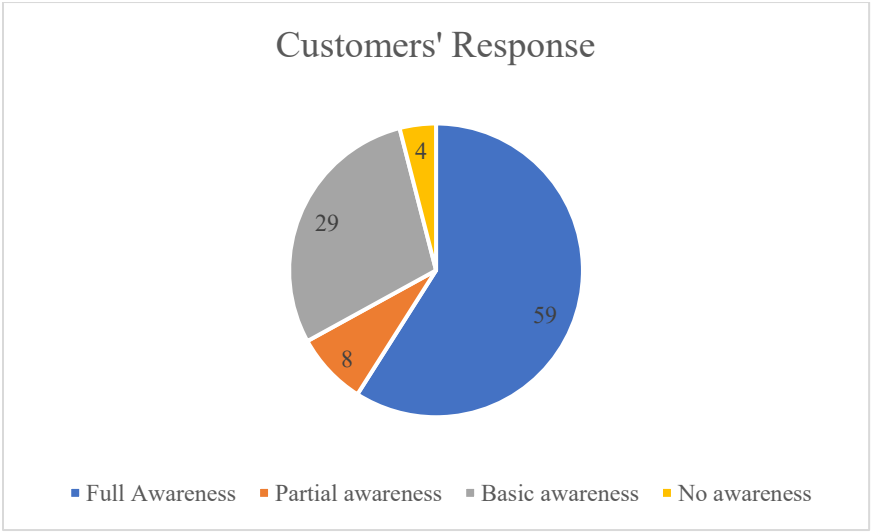
5. Results of Survey Conducted

The project for "Working of IFPOs/DFPOs by M/s PPF" was initiated during February, 2020 with a view to facilitate the customers for provision of postal services, better working environment and revenue enhancement of PPOD. To evaluate the operations of the project, a questionnaire was designed and circulated among 170 customers visited DFPOs in Lahore, Rawalpindi, Sialkot and Karachi, out of which one hundred and forty (140) respondents of different demographic groups responded. The sample size of survey was selected keeping in view the outreach of IFPOs/DFPOs in less privileged areas like Pasroor (Sialkot). The area-wise number of surveys conducted is tabulated below:

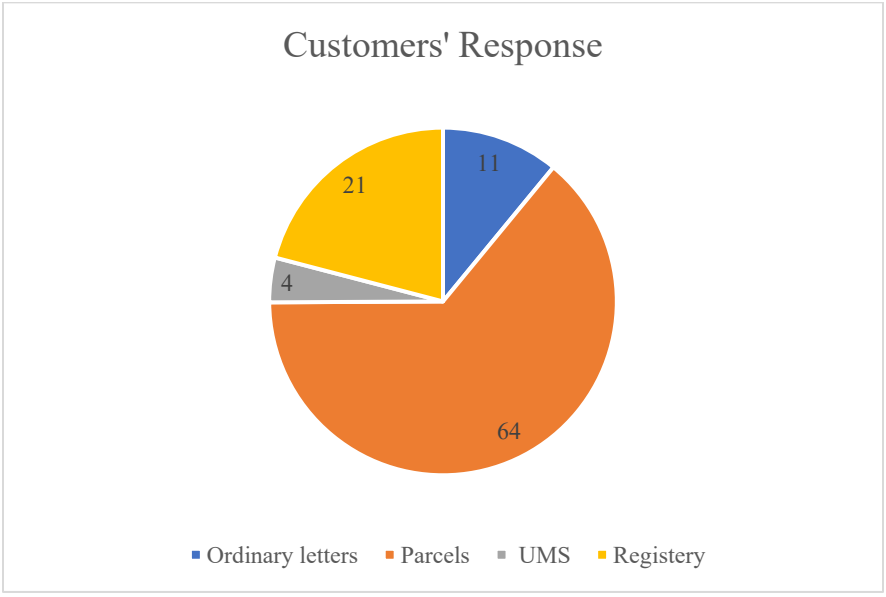
Sr.No	City (Area)	Number survey forms conducted
01	Lahore	50
02	Rawalpindi	30
03	Karachi	50
04	Pasroor (Sialkot)	10

While responding to the question whether they had knowledge about DFPOs, 59% responded as 'fully awareness' whereas 29% replied in affirmative with emphasis – 'basic awareness'. On a question which postal services were mostly used by the respondents, 64% responded that they were using DFPOs for sending of parcels and 4% of the respondents used them for UMS. In response to a question how long had they been using the DFPOs' services, 40% responded that they had been using DFPOs' services for the last one year, whereas only 18% replied that they were using services for more than three years. About a question how did they benefit from DFPOs' services, 44% responded that they were benefiting from DFPOs in the form of sending parcels and 31% informed that they were using DFPOs' services for business purposes. The graphical presentation is as under:

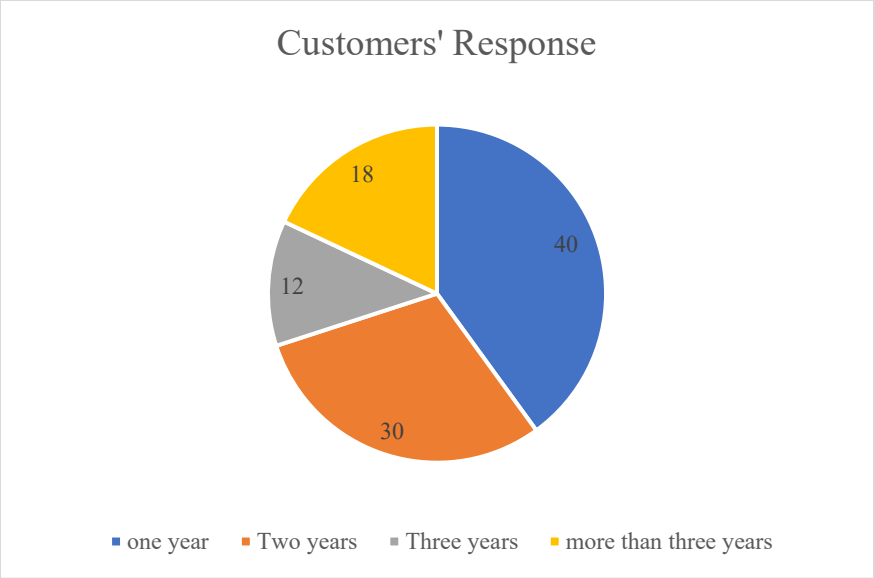
Whether they have knowledge about DFPOs?



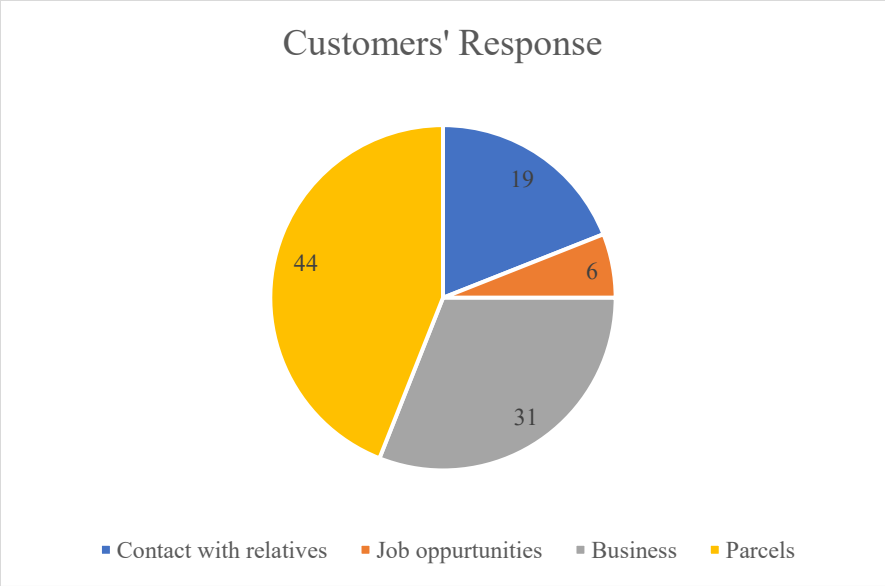
Which Postal services do they mostly use?



How long have you been using the DFPOs' services?



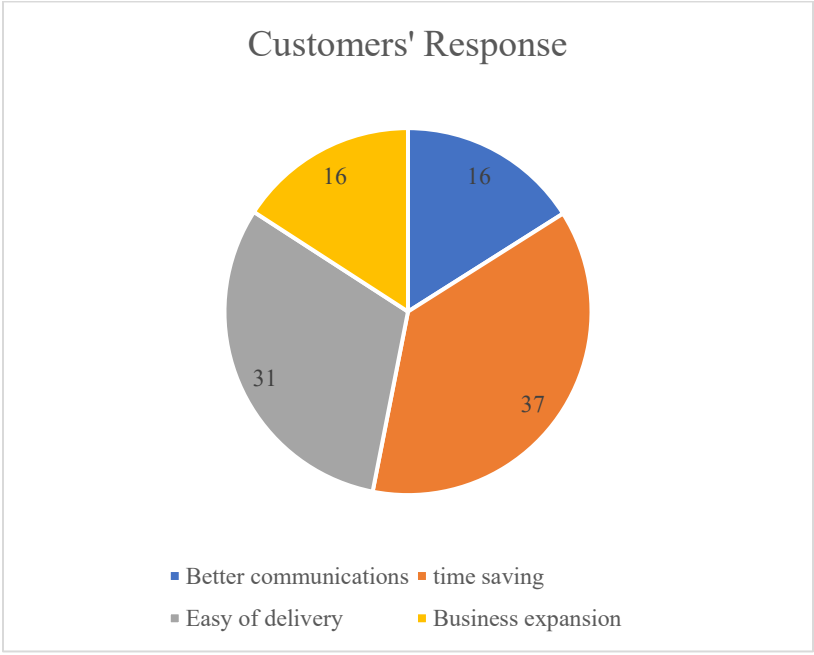
How do you benefit from DFPOs' services?



The questionnaire also included structured questions about quality of services delivery, geographical coverage and facilitation of the

customers. In response to a question how did DFPOs' services impact their daily lives, 31% responded about ease of delivery whereas 37% apprised that they had availed the services for time saving. While responding to a question about the quality of DFPOs' services in their areas, 64% of the respondents showed satisfaction. About geographical coverage, 62% responded that they were using the services for inter-cities delivery and 26% informed that they were using the services for intra-city. In response to a question how much DFPOs' services improved their facilitation, 47% responded that they availed better services, whereas 21% informed that DFPOs' services were not much satisfactory. The graphical presentation is as under:

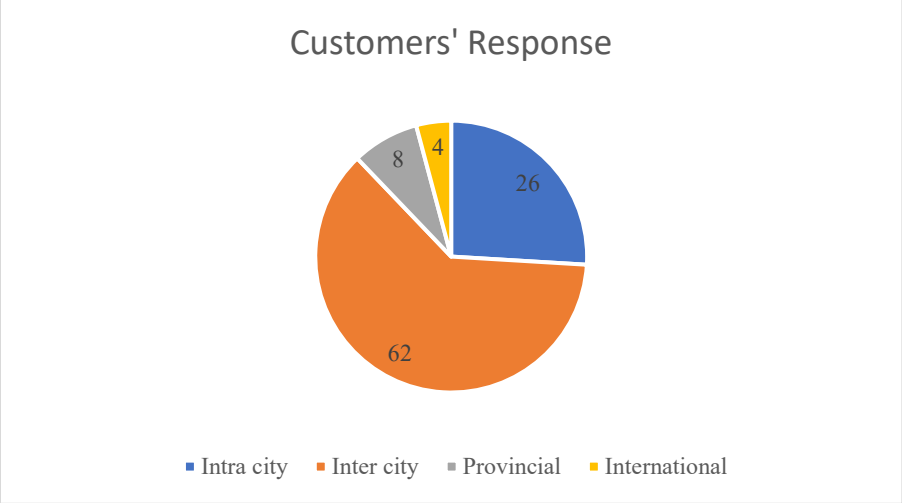
How have DFPOs' services impacted your daily life?



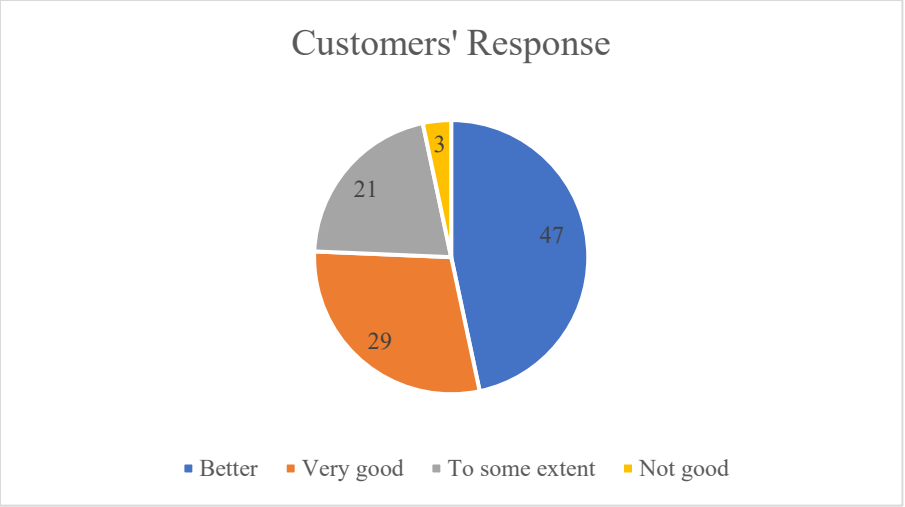
What is the quality of DFPOs' services in your area?



How the services are used geographically?

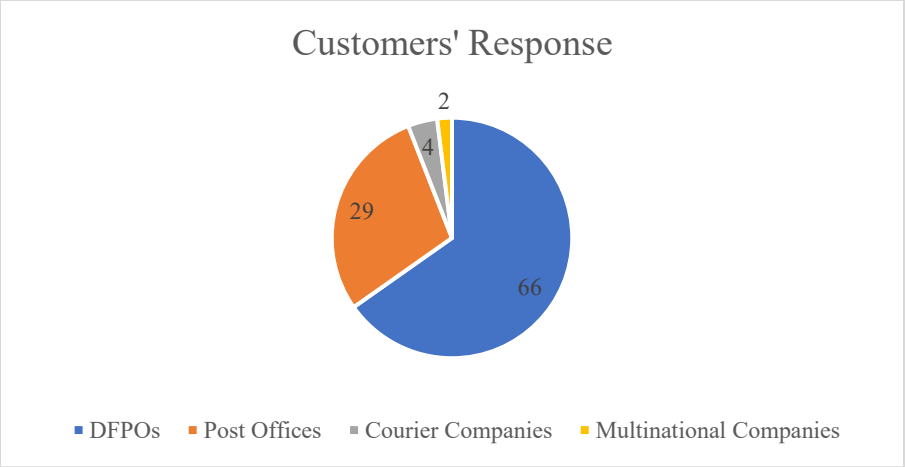


How much did their services improve your facilitation?

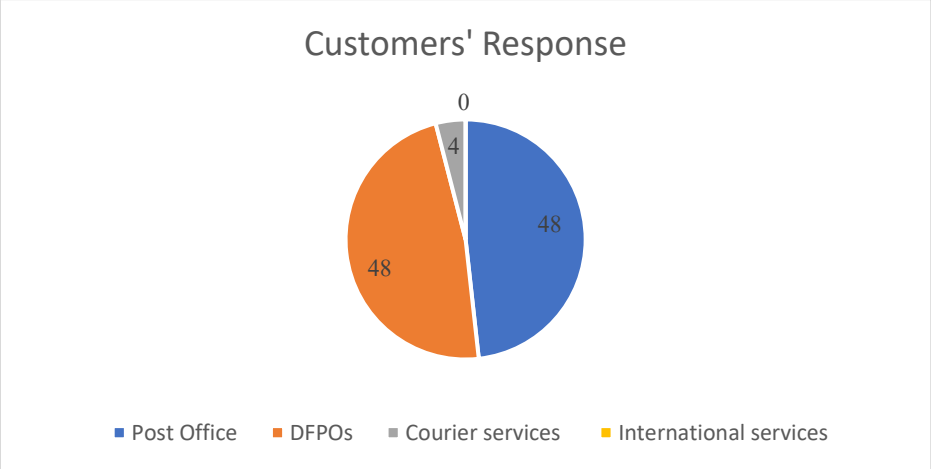


The questionnaire also highlights questions about the types of services and their proximity to the customers as well as the complaint redressal mechanism in DFPOs. In response to a question which services did they most use for their works, 66% responded that they were using the DFPOs' services, whereas 29% apprised that they were using the services of GPOs. While responding to a question which courier services were closest to their residences, 48% informed about post offices and 48% about DFPOs. On a question about complaints about DFPOs' services, 72% responded that they were facing issues in delivery time, 11% replied that their parcels & mails were lost during delivery and 8% informed that their parcels were not delivered in original conditions. The graphical presentation is as under:

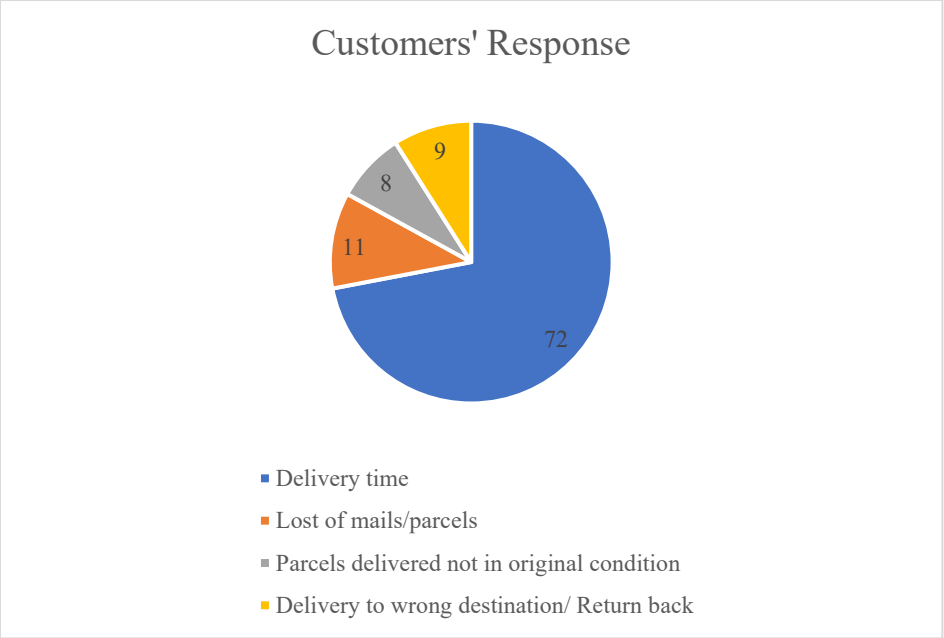
Which services do you most use for your work?



Which courier services are closest to your house?

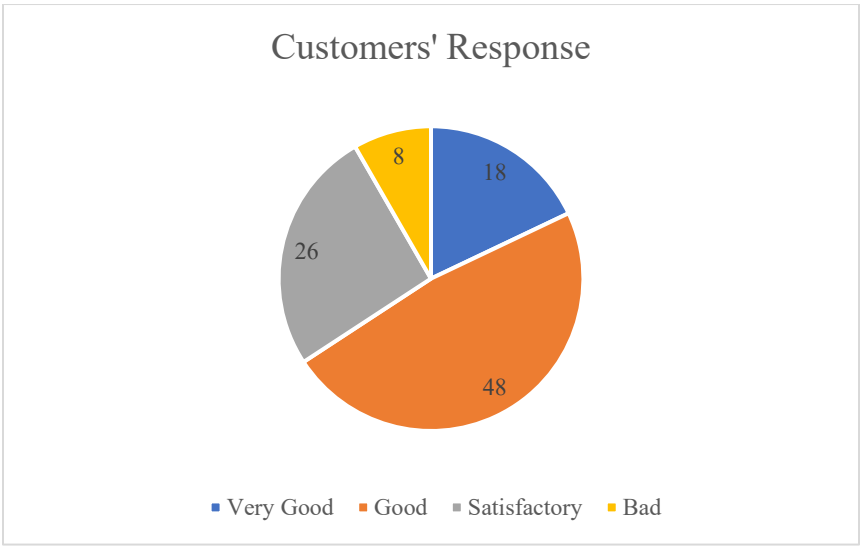


What are your complaints about their services?

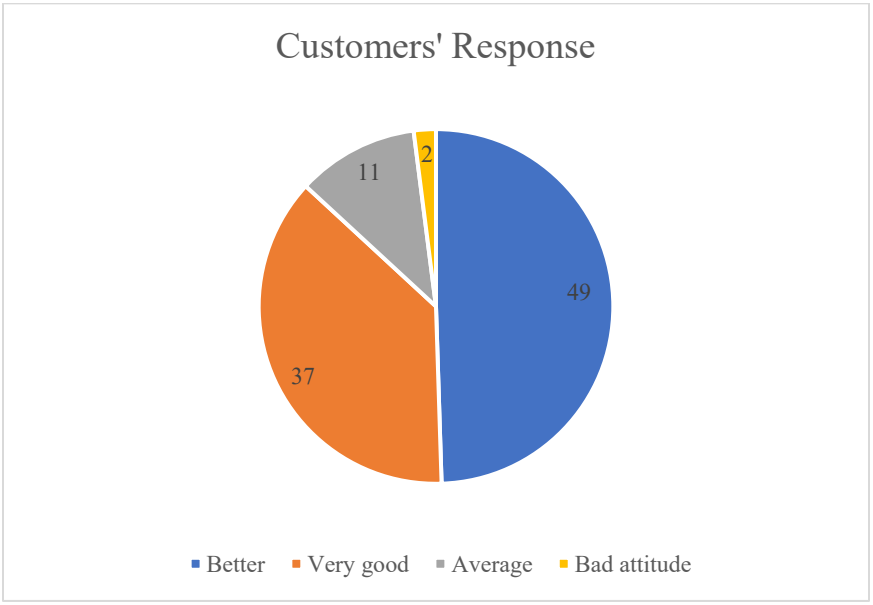


While responding to a question about the redressal of grievances/complaints, 48% responded as good and 26% indicated satisfaction. On a question of the attitude of DFPOs' staff, 49% showed satisfaction, 37% replied as very good, whereas 11% commented as average. About a question of delivery rates, 71% responded that they were fully satisfied and 23% replied that rates of DFPOs' services were satisfied. The respondents also put some valuable suggestions to improve the DFPOs' services. 44% of the respondents suggested for online postal services and 42% recommended for improvement in delivery time. The graphical presentation is as under:

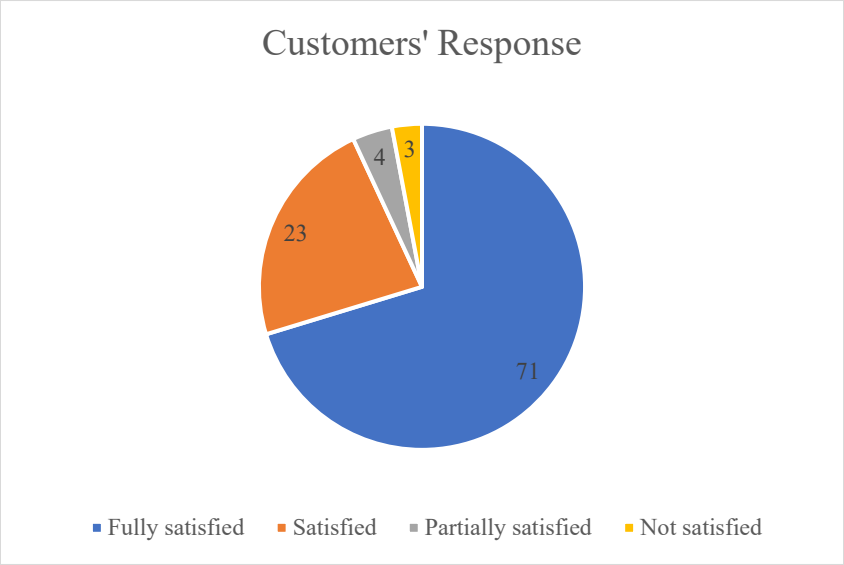
Standard of redressal of grievances/complaints?



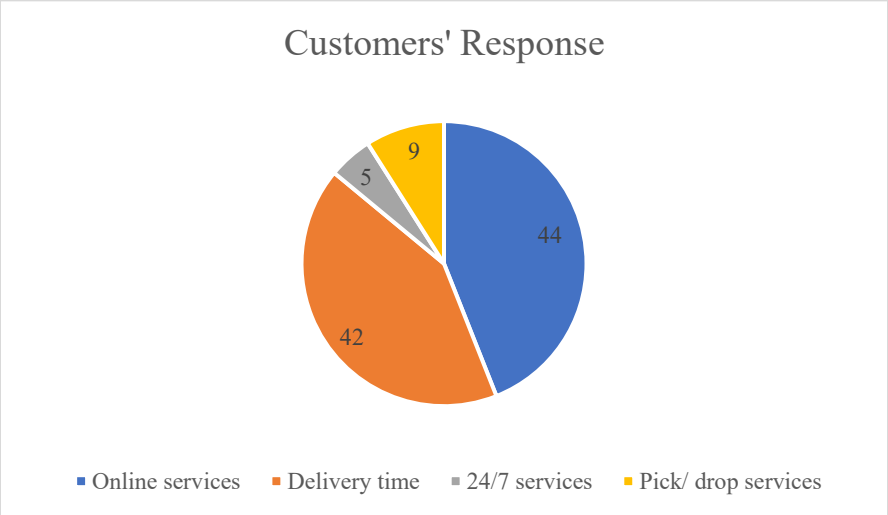
How is the attitude of DFPOs' staff?



Are you satisfied with their rates?



Which measures/steps would you like to improve their services?



The results of the survey reflect a satisfactory picture of the project with certain areas of concern such as lack of knowledge/information about DFPOs' services, non-delivery of parcels in time as well as in original

shapes and non-availability of the services online, dis-satisfaction with track & trace system and timely addressal of their complaints which may be improved if the PPOD management pays proper attention as the services are in operations for more than four years.

6. Conclusion

The study concludes that the project partially succeeded in providing quality postal services across Pakistan. The public survey conducted by audit reveals the overall satisfaction of the customers for DFPOs in terms of service delivery at door steps, delivery of services at lower rates and saving of time. However, audit also noticed that PPOD did not comply with rules, procedures and terms & conditions of the contract executed with M/s PPF for running of IFPOs/DFPOs. As a result, the project did not achieve the objectives of improving the overall working efficiency of PPOD, widening scope of its business and enhancing its revenue. Due to inaccessibility of PPOD to the soft data of IFPOs/DFPOs, non-conducting of inspections and non-reconciliations carried out by PPOD, the revenue generated by the project could not be authenticated. All the short-comings were found to happen due to inadequate planning and management, weak internal controls and lack of monitoring by PPOD.

7 Acknowledgement

Audit acknowledges the cooperation and facilitation extended by the management of PPOD, which proved fruitful in the flow of information throughout the field audit activity.

ANNEXURES

Annexure-I

(Para No. 4.1.2)

Detail of Business Secured through IFPOs/DFPOs during 2020-24

Amount in Rupees

Name of Circle	2020-21	2021-22	2022-23	2023-24	Total Revenue of PPOD Col (1+2+3+4)	Commission @ 25% (Col 5 x 25%)	GST on UMS & EMS	Total Business Secured Col (5+6+7)
	1	2	3	4	5	6	7	8
Islamabad	2,023,170	3,518,691	6,339,633	3,610,713	15,492,207	3,873,052	-	19,365,259
AJK & GB	1,084	288,606	120,798	197,913	608,401	152,100	-	760,501
Karachi	670,691	12,459,250	9,981,912	5,059,761	28,171,614	7,042,904	-	35,214,518
Hyderabad	110,916	621,285	745,515	490,452	1,968,168	492,042	-	2,460,210
Lahore	1,814,431	9,299,095	39,153,420	5,597,607	55,864,553	13,966,138	-	69,830,691
Rawalpindi	2,774,570	10,229,335	8,646,437	5,849,377	27,499,719	6,874,930	-	34,374,649
Peshawar	1,055,756	4,378,282	5,192,149	5,859,767	16,485,954	4,121,489	-	20,607,443
Multan	1,214,783	3,878,534	2,596,460	1,117,227	8,807,004	2,201,751	-	11,008,755
Quetta	226,366	12,375,090	7,284,757	16,002,125	35,888,338	8,972,085	-	44,860,423
*GST on UMS & EMS							22,074,867	22,074,867
Total	9,891,767	57,048,168	80,061,081	43,784,942	190,785,958	47,696,490	22,074,867	**260,557,315**

*The GST @ 16% is calculated on two services namely UMS and EMS. Total turnover against these services was Rs 137,967,918 during FYs 2020-21 to 2023-24.

Annexure – II
(Para No 4.1.4)

Statement showing the detail of non-recovery of penalty from M/s PPF due to late deposit of revenue ranging from 10 to 30 days during 2022-23

Amount in Rupees

Sr.No	Name of Unit	Item No/ OM No	Business Secured	Penalty
1	PMG Quetta	17	19,513,453	91,289,779
2	PMG Karachi	35	7,539,285	172,511,228
3	PMG Multan	30	3,231,521	49,923,955
4	PMG Peshawar	1	1,264,980	40,665,077
5	PMG Muzaffarabad	30	120,799	2,875,279
6	PMG Rawalpindi	24	11,310,105	77,738,637
7	PMG Lahore	23	37,068,906	249,223,034
8	Hyderabad	29	745,513	10,263,982
9	PMG Islamabad	20	4,392,188	98,369,641
		Total	**85,186,750**	**792,860,612**

Annexure – III
(Para No 4.2.4)

Detail of revenue earned by PPOD through IFPOs/DFPOs during 2020-24 as per SAP data

Amount in Rupees

Head of Account	2023-24 (Upto April)	2022-23	2021-22	2020-21	Total Revenue of PPOD Col (1+2+3+4)
	1	**2**	**3**	**4**	**5**
3581-14	333,686,762	201,801,528	92,488,178	19,944,155	647,920,623
3581-15	-	-	-	-	-
3581-16	25,049,237	20,392,498	19,125,978	3,532,797	68,100,510
3581-17	31,511,795	25,786,802	14,751,775	954,298	73,004,670
3581-18	2,541,031	2,776,146	31,555,271	497,216	37,369,664
Total	**392,788,825**	**250,756,974**	**157,921,202**	**24,928,466**	**826,395,467**

Detail of revenue earned by PPOD through IFPOs/DFPOs during 2020-24 as per Reconciliation Statement

Name of Circle	2020-21	2021-22	2022-23	2023-24	Total Revenue of PPOD Col (1+2+3+4)
	1	**2**	**3**	**4**	**5**
Islamabad	2,023,170	3,518,691	6,339,633	3,610,713	15,492,207
AJK & GB	1,084	288,606	120,798	197,913	608,401
Karachi	670,691	12,459,250	9,981,912	5,059,761	28,171,614
Hyderabad	110,916	621,285	745,515	490,452	1,968,168
Lahore	1,814,431	9,299,095	39,153,420	5,597,607	55,864,553
Rawalpindi	2,774,570	10,229,335	8,646,437	5,849,377	27,499,719
Peshawar	1,055,756	4,378,282	5,192,149	5,859,767	16,485,954

Multan	1,214,783	3,878,534	2,596,460	1,117,227	8,807,004
Quetta	226,366	12,375,090	7,284,757	16,002,125	35,888,338
Total	9,891,767	57,048,168	80,061,081	43,784,942	**190,785,958**

Description	Amount
Revenue figure as per SAP data	826,395,467
Revenue figure as per Reconciliation Statements	190,785,958
Variation	**635,609,509**

Annexure – IV



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