NATIONAL INSTITUTE OF OCEANOGRAPHY

REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023

PARA NO.: 01

FULL CONTENTS OF THE PARA

NON-REINVESTMENT OF SURPLUS FUNDS - RS.59.269 MILLION

According to Finance Division O.M. No. F.4(1)/2002-BR-11 dated 02.07.2003, investment of working balances/surplus funds be made subject to fulfillment of various requirements such as investment in A rating banks, competitive bidding process, investment exceeding Rs.10 million shall not be keptin one bank, setting up of in-house professional treasury management functions, formation of Investment Committee, employment of qualified investment management staff, utilization of services of Professional Fund Managers approved by SECP, annual certificate of the Chief Executive of the organization, etc.

The management of National Institute of Oceanography (NIO), Karachi is maintaining a Bank Account No. 4000427172 in National Bank of Pakistan Clifton Branch for depositing the subscription of G.P. Fund deducted from the salaries of employees under title "**NIO employee's Pension & Gratuity"** with National Bank of Pakistan showing balance of Rs. 54.918 million as on 30^{th} June, 2023.

Audit observed that the management was invested in National Savings as detail given below:

Year	Investment in	Invested Amount	Profit earned	Date of maturity	Amount encashed after income tax
2009-10	Defence Savings Certificate	12,920,000	27,778,000	02.09.2021	40,698,000
2016-17	Special savings certificate	16,000,000	3,024,800	29.11.2021	18,571,080
				Total Rs	**59,269,080**

The management encashed the amount of Rs.59.269 million after maturity and deposited into above G.P. Fund account and did not re-invest the surplus funds in profitable ventures as per government instructions.

Audit is of the view that non-investment of surplus funds deprived the NIO from its due profit/receipts.

The reasons for non-investment may please be clarified to audit.

REPLY OF THE ORGANIZATION (NIO)

It is conveyed that NIO invested the Employees GP fund amount in maximum profitable schemes of National Saving Office/Govt. Investment Sector as per instruction of Govt. of Pakistan.

In the light of decision of the committee constituted to finalize plan for elimination of institutional investors from NSS products and recommendation of State Bank of Pakistan, the Competent Authority directed that institutional investment in all National Savings Schemes shall be discontinued w.e.f. 01^{st} July, 2020 (Annexure-I).

The said amount of Rs. 54.918 million for an interim period retained in GP Fund account as on 30-06-2020. Since a public/ Government scheme was unavailable a secure and profitable option was examined. In the meanwhile, the NBP offered profitable and secure option of Time period investment at the rate of 21% (Annexure-II). NIO Employees GP fund amounting to Rs.50.00 million has been invested in the scheme. This scheme is currently more profitable than the National saving schemes. When the Institutional investments is allowed by the State Bank of Pakistan NIO Employee GP fund will be invested accordingly subject to security and profitability.

Since the GP funds are usually paid at the time of final remunerations of the Staff and Officers and a required to be liquidated this availability of fund at appropriate times also need to be considered.

Moreover, NIO is maintaining the **"NIO's Employees GP Fund"** Account instead of "**NIO employee's Pension & Gratuity"**. However, in view of the above justification the para may please be settled.

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REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023

PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
02	**IRREGULAR RETENTION OF LAPSABLE GRANT IN BANK DESPITE CLOSING OF FINANCIAL YEARS RS.12.020 MILLION**	

FULL CONTENTS OF THE PARA:

Para 95 of GFR Vol-I states that all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided after 15th May shall be surrendered to Government immediately they are foreseen but not later than 30th June of each year.

Article 12(1) of Public Finance Management Act, 2019 provides that all Ministries and Divisions, their attached departments and sub-ordinate offices and autonomous organizations shall surrender to the Finance Division at least twenty- five days before the presentation of the budget in the National Assembly, all anticipated savings in the grants or assignment accounts or grant-in-aid controlled by them.

The management of National Institute of Oceanography (NIO), Karachi was allocated budget of Rs. 578.250 million during the period 2020-21 to 2022-23 against which expenditure of Rs. 561.229 million was made leaving balance of Rs. 12.020 million.

Audit observed that the closing balance/saving amounting to Rs.12.020 million pertaining to the recurring grant for the period of 2020-21 to 2022-23 was not surrendered by the management of the National Institute of Oceanography (NIO), Karachi at the close of each financial year. Detail is given below:

Financial Year	Actual Budget	Expenditure	Funds lapsed
2020-21	166,320,648	160,417,996	4,902,652
2021-22	207,780,000	195,846,449	6,933,551
2022-23	205,150,648	204,965,511	184489
Total	**579,251,296**	**561,229,956**	**12,020,692**

Audit is of the view that retention of Public Funds of lapsable grant is clear violation of above rules.

The irregularity may please be justified to audit.

REPLY OF THE ORGANIZATION (NIO):

In response of this audit para, the details for lapsable amount are given below;

Financial Year	Actual Budget	Expenditure	Funds lapsed	Justification
2020-21	166,320,648	160,417,996	4,902,652	Justification enclosed in Annexure-I.
2021-22	207,780,000	195,846,449	6,933,551	Justification enclosed in Annexure-II.
2022-23	205,150,648	204,965,511	184,489	Minor amount in different heads of account enclosed at Annexure-III.
Total	**579,251,296**	**561,229,956**	**12,020,692**	

Situation beyond the control of the NIO managements, However, in view of the enclosed justification the para may please be settled.

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REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023

RA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
03	**IRREGULAR EXPENDITUERE ON PURCHASE OF VEHICLES –RS.11.587 MILLION** According to Rule 12(2) of PPRA, 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. The management of National Institute of Oceanography (NIO), Karachi incurred expenditure of Rs.11,587,629/- on purchase of three vehicles during the year 2021-22. Audit observed that vehicles were purchased by direct contracting without floating of tender on authority website and in news paper in violation of above rule. In view of above the entire expenditure incurred on purchase of vehicles is held irregular. The irregularity may please be justified to audit.	The purchase of the referred vehicle was approved by the Finance division Austerity committee (Copy enclosed) and by naming the local manufacture vehicles in their approval. Quote from Authorized dealers was obtained and lowest quoted price was approved (Documents attached). However, in view of the above justification the para may please be settled.

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<tr><th>PARA NO.</th><th>FULL CONTENTS OF THE PARA</th><th>REPLY OF THE ORGANIZATION (NIO)</th></tr>
<tr><td>04</td><td>

IRREGULAR MEDICAL RE-IMBURSEMENT - RS.10.898 MILLION

As per Rule 4 of National Institute of Oceanography, Karachi Medical Rules 1993 NIO Karachi will make arrangements with certain hospitals/clinics; specialists/ surgeons, chemists/dispensaries etc. and will notify their names from time to time.

Health Ministry vide letter No. F.5-38-2001-Chief (H) issued guidelines for the medical reimbursement procedures / requirements mandatory for authorizing a reimbursement claim for payment.

The management of National Institute of Oceanography (NIO), Karachi incurred expenditure of Rs.10.898 million on medical re-imbursement charges during audit period 2020-21 to 2022-23 as detail given below:

<table>
<tr><th>S. No.</th><th>Year</th><th>Amount</th></tr>
<tr><td>1</td><td>2020-21</td><td>4,198318</td></tr>
<tr><td>2</td><td>2021-22</td><td>3,000,000</td></tr>
<tr><td>3</td><td>2022-23</td><td>3,700,000</td></tr>
<tr><td></td><td></td><td>10,898,318</td></tr>
</table>

Audit observed that;

i. Neither the procedure given in Medical Rules 1993 of NIO Karachi nor the guidelines issued by the M/o Health were followed.
ii. Proper prescription bearing OPD number were not used, medicines and test prescriptions were also not signed by the authorized medical officer.
iii. Medical Emergency Certificate and discharge cards were not attached with the claims.
iv. No authorized Medical Officer appointed by the NIO.

In absence of the above, the entire expenditure on medical reimbursement charges is held irregular.

</td><td>

It has been a usual practice at NIO that a 3 member Medical Committee headed by a senior officer of NIO examines all documents on a case to case basis. NIO medical rules approved by the Finance division in true letter and sprit. Areas that are not covered by the NIO medical rules GoP Medical rules are referred. In the light of the rising medical liabilities of NIO the Appointment of a Medical officer/ Medical insurance is proposed in the forthcoming BoG meeting as an independent Agenda item (copy enclosed).

The expenses that were in accordance to NIO and GoP Medical rules with due deliberation of NIO medical committee member and fairness is ensured in all cases including completed documentation relating to the medical bills. Till the time a permanent solution is not available, the cases may be viewed with sympathetic consideration.
Furthermore, recently documents the Finance Division and Ministry of Health verified medical documents with reference to the DAC paras which were subsequently settled.
In the light of above justification the para may please be settled.

</td></tr>
</table>

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
05	**IRREGULAR DEMAND OF BUDGET WITHOUT NEED ASSESSMENT-RS.9.350 MILLION** Para-71 of GFR Vol-I states that in framing the budget estimates, the estimating authorities should exercise the utmost foresight. All items of receipt and expenditure that can be foreseen should be provided for and care should be taken in consultation with the Accountant General, where necessary, to see that the provision is included under proper heads. Needless to say, although the estimating authorities are asked to provide for all foreseeable items, Finance Division will exercise its right to excise or reduce the provision for any item which it thinks unjustifiable. An exhortation to show foresight is not an invitation to provide for additional items of expenditure without adequate justification. While provision should be made for all items of expenditure that can be foreseen, it is essential that the amount of the provision should be restricted to the absolute minimum requirement. The budget Estimates of non-development expenditure for ensuing year should be accompanied by such details as nominal rolls in the prescribed form, calculation of Allowances, Honoraria, etc. and Other Charges so as to permit proper scrutiny. They should further be supported by a comparative statement in Form S-203 showing the position of past three years actual, the sanctioned grant and the Revised Estimates for current year and the proposed Budget Estimates for next year. In terms of Para-5(a) of System of Financial Control and Budgeting 2006, states that the Principal Accounting Officer shall consider budgetary proposals submitted to him and shall after careful scrutiny, forward the proposals to Financial Advisor's Organization for budgetary allocations. The management of National Institute of Oceanography (NIO), Karachi received budget allocation of Rs.9,350,000 under head of A09501- purchase of transport during the year 2021-22 and the same surrendered to government. Audit observed that the department demand excess budget without need which resulted 100% surrendering. Audit is of the view that no proper controls/checks existed in the Department to assess actual requirement before demanding the budget for subsequent utilization. The matter may be justified to audit.	The Highlighted amount of Rs.9.35 million was surrendered during the Financial Year 2020-2021 instead of 2021-2022 under head of A09501- purchase of transport. Moreover, the Government of Pakistan was imposed ban on purchase of Vehicles without a special approval from Finance Division Austerity committee. The approval from the Cabinet was received however the inspite of the Case was followed up regularly with the MoST and Finance division or relevant authorities. However, the Austerity committee meeting was not convened till the ending of the FY 2020-21 and therefore the allocated fund was surrendered in due course (Document enclosed). Situation beyond the NIO's management control. However, in view of the above justification the para may please be settled.

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<table>
<tr><th>PARA NO.</th><th>FULL CONTENTS OF THE PARA</th><th>REPLY OF THE ORGANIZATION (NIO)</th></tr>
<tr><td>06</td><td>i) IRREGULAR EXPENDITURE ON PURCHASE OF WAVE TIDE AND CURRENT RECORDER-Rs.5.098 MILLION
ii) LOSS DUE TO AWARD OF CONTRACT TO HIGHER BIDDER -RS.101 MILLION
iii) LOSS DUE TO NON-DEDUCTION OF ONCOME TAX-RS.0.229 MILLION

Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over three million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. Theadvertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 38 of Public Procurement Rules, 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of validity.
As per tender documents clause 14.5 all pages of the tender shall be initialized and official seal be affixed by the person or persons signing the tender.

Clause No.20.2 of tender documents states that withing 7 days from the date of furnishing of acceptable Performance Security under the condition of contract, the NIO will send the successful tenderer the Form of Contract Agreement provided in the tender documents, incorporating all agreement between the parties.

The management of National Institute of Oceanography (NIO), Karachi executed a project titled “Assessment of Tidal Energy Potential along Indus Deltaic Creeks, Sindh Coast”. The project was approved by the DDWP on 02.04.2020 with total cost of Rs.35 Million and completed on 30.06.2022

The management of NIO, Karachi awarded contract to M/s.East West Infiniti Pvt. Ltd. and issued supply order on 17.12.2021 for procurement of Wave Tide and Current Recorder costing Rs.5,098,689 during the year 2021-22.</td><td>With reference to audit observation, the reply for the observation are as follows:
1) The NIO had submitted the publication of tender notice On PPRA as well PID which is daily Jung newspaper Karachi PID(K)No.769/2021 on dated 24-09-2021 (Copy of supporting document enclosed).
2) M/s. Irtisaal Enterprises did not fulfil our technical specification requirements such as Tide range accuracy, wave sampling rate and current direction range, resolution, and accuracy (Copy of supporting document enclosed).
3) Tender document Stamp and signed by bidder (Copy of supporting document enclosed).
4) Letter of offer and terms and conditions (Copy of supporting document enclosed).
However, in view of the above justification the para may please be settled.</td></tr>
</table>

	Audit observed the following: 1) The tender advertised on PPRA but not advertised in news paper 2) Two firms participated and quoted their rates as (i)M/s. East West Infiniti Pvt. Ltd. Rs.5,098,689/- and M/s. Irtisaal Enterprises Rs.4,082,287/- but the management ignored the lowest bidder without recording any reasons the contract awarded to highest bidder M/s. East West Infiniti Pvt. Ltd. which resulted a loss of Rs.1,016,402/- to the government. 3) Tender documents not stamped nor signed by the bidder. 4) No Contract Agreement signed with the bidder and NIO. In view of the above the entire expenditure is held irregular. The irregularity may please be justified to audit.	

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
07	**IRREGULAR HIRING OF VEHICLES-RS.4.083** According to Para 10 of GFR Vol-1, every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The management of National Institute of Oceanography (NIO), Karachi paid Rs.4,083,947/- to M/s. Al-Ghazi Traders on account of hiring of vehicles during the year 2021 to 2022-23. Audit observed that expenditure on hiring of vehicles was incurred in presence of 07 vehicles of NIO without any justification. Audit is of the view that hiring of private vehicles in presence of Government vehicles is held irregular. The irregularity may please be justified to audit.	NIO has recently acquired a vehicles that are regularly used during Survey fields and other operational purposes all along the coast of Pakistan under NIO's R&D and PSDPs . However due to the increase in NIO's research activities the utilization of vehicles has also increased. The NIO vehicles are sometimes not sufficient to fulfil all the organizational requirements and therefore the services of hired vehicle are essential. Every year NIO floats public tender for hiring vehicle in different categories. Following all PPRA rules and regulations for this purpose. The Reports are uploaded on PPRA and NIO website (Copy enclosed). Due to the nature of work carried out by NIO till the time NIO develops the larger pool of various categories of vehicle, hiring of vehicle will be a regular feature. NIO ensures judicious used of hired vehicles only when necessary. However, in view of the above justification the para may please be settled.

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
08	**IRREGUALR EXPENITURE ON HIRING OF BOATS-RS.3.336 MILLION** Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. The management of National Institute of Oceanography (NIO), Karachi executed a project titled "Assessment of Tidal Energy Potential along Indus Deltaic Creeks, Sindh Coast". The project was approved by the DDWP on 02.04.2020 with total cost of Rs.35 Million and completed on 30.06.2022 The management incurred expenditure of Rs.3,336,000 on hiring of boats for assessment of Tidal Energy Potential long Indus Delta Creeks, Sind during the year 2021-22. Audit observed that the did not float a tender on PPRA and through news paper as required under the above rules. Audit is of the view that due to non-floating of tender the government could not obtained the competitive rates from the open market. The irregularity in the matter may please be justified to audit.	Due to the nature of work carried out by NIO till the time NIO acquired its own sea going platforms (Boats and Research vessel) hired fishing boats or other category boats as a regular feature. NIO ensures judicious hiring of boat only when necessary. Regular field surveys are carried out in the Offshore along the coast of Pakistan under NIO's R&D and PSDPs . Due to the increase in NIO's research activities the utilization of boats has also increased. Every year NIO floats public tender for hiring boats in different categories. Following all PPRA rules and regulations for this purpose. The Reports are uploaded on PPRA and NIO website (Copy enclosed). However, in view of the above justification the para may please be settled.

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
09	**IRREGULAR EXPENDITURE ON CIVIL WORK AT SONMIANI -RS.3.0 MILLION** Para 192 of GFR Volume-I states “that when works allotted to a civil department other than the Public Works Department are executed departmentally, whether direct or through contractors, the form and procedure relating to expenditure on such works should be prescribed by departmental regulations framed in consultation with the Accountant-General generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department”. The management of National Institute of Oceanography (NIO), Karachi awarded work order to M/s. Zabaad Construction Company & Suppliers for fixing/installation of the precast concrete pillars with razor wire for securing the office area (upto 25 acres) Phase-I at Sonmiani. Audit observed as under: i) Expenditure incurred without obtaining Technical Sanction. ii) Measurement Book not maintained. iii) The work was executed departmentally through contractors without framing Departmental Regulations. iv) Work completion certificate not found attached	NIO has a sub Station at Sonmiani with an area of 25 acres surrounding it. Under the NIO’s PSDP project NIO installed the Automatic Weather station and it is also selected as a site for installation of a GNSS station in cooperation with SUPARCO. It is essential to secure the facility and maintain the utilities at the substation. In the light of securing the facility a tender was floated (following PPRA rule and the quantum of work envisage was not of the level of PWD) to erect a wired boundary. At the time of execution, the locals of the area tried to encroached NIO property and a dispute arose on the ownership of the land. The execution of the wired fencing had to be halted till the time of resolution of the dispute. An amicable solution has been reached and the fencing project has been completed. In the light of arising situation sympathetic consideration is requested. Due diligence has been followed to ensure protection of public/Government/NIO property and all documents have been obtained from land revenue department Government of Balochistan (All corresponding is enclosed). However, in view of the above justification the para may please be settled.

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<table>
<tr><th>PARA NO.</th><th>FULL CONTENTS OF THE PARA</th><th>REPLY OF THE ORGANIZATION (NIO)</th></tr>
<tr><td>10</td><td>IRREGULAR EXPENDITURE ON PURCHASE OF TIDAL DATA PROCESSING SOFTWARE-RS.3.045 MILLION

Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over three million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rules 42(iv) repeat orders not exceeding fifteen per cent of the original procurement
As per tender documents clause 14.5 all pages of the tender shall be initialized and official seal be affixed by the person or persons signing the tender.
Clause No.20.2 of tender documents states that withing 7 days from the date of furnishing of acceptable Performance Security under the condition of contract, the NIO will send the successful tenderer the Form of Contract Agreement provided in the tender documents, incorporating all agreement between the parties.
The management of National Institute of Oceanography (NIO), Karachi executed a project titled “Assessment of Tidal Energy Potential along Indus Deltaic Creeks, Sindh Coast”. The project was approved by the DDWP on 02.04.2020 with total cost of Rs.35 Million and completed on 30.06.2022

The management of NIO, Karachi awarded contract to M/s.Techno Smart and issued supply order on 09.12.2021 for procurement of Tidal Data Processing Software costing Rs.3,045,000 during the year 2021-22.

Audit observed the following:

1) The tender advertised on PPRA but not advertised in news paper

2) As per tender document/quotation obtained for software and user license only 1 but supply order was issued for 2 license by increasing 100%</td><td>With reference to audit observation, the reply for the observation are as follows:
1) The NIO had submitted the publication of tender notice On PPRA as well PID which is in daily Jang newspaper Karachi PID(K)No.769/2021 on dated 24-09-2021 (Copy enclosed)
2) According to the document/quotation, NIO needs a software license that is valid for the next three years. Out of the three bidders who participated in the tender, only M/s Techno Smart provided a quote for a lifetime license as an optional item at a cost of PKR 1,095,000/- (Copy of the document is enclosed). Therefore, the tender committee of NIO recommended to purchase the software from M/s Techno Smart.
3) Tender document Stamp and signed by the bidder is enclosed.
4) Contract Agreement is enclosed.
However, in view of the above justification the para may please be settled.</td></tr>
</table>

	quantity costing Rs.1,095,000 in violation of above PPRA Rule 3) Tender documents not stamped nor signed by the bidder 4) No Contract Agreement signed with the bidder and NIO In view of the above the entire expenditure is held irregular. Audit recommends that expenditure may be got regularized from the Finance Division besides fixing of responsibility to the person(s) at fault.	

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
11	**IRREGULAR EXPENDITURE ON PURCHASE OF AUTOMATIC WEATHER STATIONS-RS.1.028 MILLION** Rule 379 of FTR Vol-I states that as a general, rule, payment for supplies is not permissible unless the stores have been received and surveyed. Payments prior to verification of quality and quantity of the materials may be permitted in exceptional only, provided that adequate safeguards exist to secure the Government against all losses in the event of the materials being found short or defective. In all such cases, a bill based on actual measurement must be obtained as soon as possible after payment has been made for submission to the Accountant General. The management of National Institute of Oceanography (NIO), Karachi incurred expenditure of Rs.1,028,000/- on purchase of Automatic Weather Stations during the year 2020-21. Audit observed the payment made to the supplier but the equipment was not received before the closing year 30.06.2021 and no installation report and test trial found available in record. In view of above the entire expenditure is held irregular. The irregularity may please be justified to audit.	The referred Automatic Weather station was purchased under in a R&D project by the NIO's internal evaluation committee comprising of senior officers and HoDs. The approval for funding was obtained from MoST. The Concerned PI of the R&D project has provided all necessary documentation highlighted (enclosed for reference). At the end of the R&D project the instrument will returned to the NIO pool of technical Equipment and instruments. In the light of the above justification the para may please be settled.

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
12	**IRREGULAR & UNECONOMICAL EXPENDITURE ON TRAINING WORKSHOP FEE- RS.1.023 MILLION** Rule 20 of Public Procurement Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. The management of National Institute of Oceanography (NIO), Karachi executed a project titled "Assessment of Tidal Energy Potential along Indus Deltaic Creeks, Sindh Coast". The project was approved by the DDWP on 02.04.2020 with total cost of Rs.35 Million and completed on 30.06.2022 The management arranged a five days training workshop for officers "Hydrodynamic Modeling and Simulation using Delft3D an Ann in renewable Energy resources by Karachi University Department of Research, Innovation & Commercialization and paid an amount of Rs.1,023,000/- during the year 2021-22. Audit observed that the expenditure incurred without floating of tender of Authority web site and obtaining of competitive rates from the other Institutions. In view of the above the expenditure is held irregular and uneconomical. The management has not submitted replied within given time frame and till finalization of the report. Audit recommends that expenditure may be got regularized from the Finance Division.	In response to the audit observation, NIO's Project trainings are specialized, prompting NIO to approach the Public Universities' Offices of Research, Innovation, and Commercialization (ORIC) for quotations on the availability and cost of the specialized training (Copy enclosed). Quotations were obtained from ORIC of COMSATS and the University of Karachi for the requested training workshops. The option of University of Karachi being a Sindh Govt. entity preferred for the said purpose according to the provision of the "**PPRA rule # 42** ***Alternative methods of procurements. - A procuring agency may utilize the following alternative methods of procurement of goods, services and works, namely: -*** **(b)** ***direct contracting. -*** **(vi)** ***when the price of goods, services or works is fixed by the government or any other authority, agency or body duly authorized by the Government, on its behalf]; and*** , and approval was sort from the competent authority, the Project Director proceeded to execute the training workshops. The bill for an amount of Rs1,023,000/- was generated by the University of Karachi, Sindh Govt. for five training workshops (Copy of Bill enclosed) not for one training of five days. However, in view of the above justification the para may please be settled.

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
13	**NON-CONVENING OF BOG MEETINGS** As per rule 10 (2) of NIO Act, 2007, meetings of the board shall be called by the President on such date at such time and place as he may deem fit: Provided that atleast two meetings shall be held every year. As per Ministry of Science & Technology letter dated 27.04.2021, the relevant heads of organization/bodies are requested to ensure convening the Boards meeting on regular basis after every three months. It is also requested that progress review regarding standing agenda may also be made parts of BoGs, so that a viable strategy could, thereafter be chalked out accordingly. The management of National Institute of Oceanography (NIO), Karachi is required to convene Board meetings at least two in a year and as per Ministry of Science & Technology, instructions convening the Boards meeting on regular basis after every three months. Audit observed that the management did not convene the Boards meeting as per NIO Act and instructions of Ministry of Science & Technology. Non-conducting of BoG meeting may please be clarified to audit.	NIO already submitted request for time from Minister of Science and Technology for convening BoG (Copy Enclosed). The Agenda and Working documents are already shared with authorities for approval. In view of the above justification the para may please be settled.

<u>**NATIONAL INSTITUTE OF OCEANOGRAPHY**</u>

<u>**REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023**</u>

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<tr><th>PARA NO.</th><th>FULL CONTENTS OF THE PARA</th><th>REPLY OF THE ORGANIZATION (NIO)</th></tr>
<tr>
<td>14</td>
<td>

IRREGULAR AND UNAUTHORIZED REDUCTION OF TAX LIABILITY - RS. 0.941 MILLION

Clause 1(2) of Part III of income Tax ordinance 2001 states that the tax payable by a full time teacher or a researcher, employed in a nonprofit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution, shall be reduced by an amount equal to 25% of tax payable on his income from salary.

The management of National Institute of Oceanography (NIO), Karachi allowed reduction in tax liability to its various employees at the rate of 25%. The details are as under:

<table>
<tr><th>Sr. NO</th><th>Financial Year</th><th>Number of employees</th><th>Taxable Salary Income</th><th>Tax Due (100%)</th><th>Tax Deducted After rebate@25%</th><th>Less deducted</th></tr>
<tr><td>1</td><td>2020-21</td><td>19</td><td>25,385,294</td><td>929,000</td><td>706,990</td><td>222,243</td></tr>
<tr><td>2</td><td>2021-22</td><td>19</td><td>28,448,603</td><td>1,305,798</td><td>1,030,168</td><td>275,631</td></tr>
<tr><td>3</td><td>2022-23</td><td>17</td><td>30,682,919</td><td>1,773,174</td><td>1,329,881</td><td>443,293</td></tr>
<tr><td colspan="3">Total</td><td>84,516,816</td><td>4,007,972</td><td>3,067,039</td><td>941,167</td></tr>
</table>

Audit observed that:

1. The rebate in tax liability was admissible to Full Time Teachers and Researchers only, whereas management allowed the reduction to employees who were not full time teachers and researchers.

2. NIO not recognized by the HEC as researcher Institute.

</td>
<td>

NIO is a R&D organization and is fully funded by the Federal Government, fund releases and transfers/endorsement of cheques through AGPR Karachi not an educational institution under the HEC and therefore does not required. NIO under its establishment ACT passed by National Assembly is mandated to carry out ocean research and Tax Exemption is mentioned in the ACT. All employees on the Payroll of NIO are therefore entitled for this exemption.

NIO has been given the facility of rebates/reduction on income tax to employees of NIO. Moreover, it is also clarified that all the employees submit their income tax return in the income tax department at the end of every financial year through on-line submission. If FBR had any objection in the submission, it would not be accepted. However, no objection has so far been raised by FBR department.

Therefore, in view of the position explained above the para may please be treated as settled.

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</tr>
</table>

	In view of the above the tax rebate given to the officers is treated as irregular and unauthorized. The management has not submitted replied within given time frame and till finalization of the report. Audit recommends that less deduction of income tax may be recovered from the person(s) / beneficiaries forthwith and be deposited into government treasury.	

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REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023

PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
15	**NON-IMPOSITION OF LIQUIDATED DAMAGES ON DEFAULTING SUPPLIER** **LAPSE OF FUNDS-RS.4.058 MILLION** **LOSS DUE TO NON-FORFEITURE OF BID SECURITY-RS.0.140 MILLION** The management of National Institute of Oceanography (NIO), Karachi issued supply order to M/s. Zaheer Sons vide No.NIO/1(5)/2021/4799 dated 22.04.2021regarding supply of Coastal Single Point 3D Current Meter costing Rs.4,058,887/- Audit observed that the supplier M/s. Zaheer Sons failed to deliver the items till the close of financial year 2020-21 and resulted funds of Rs.4,058,887 reserved for the equipment was lapsed and loss to NIO. Audit further observed that: 1) No formal contract agreement was signed with the supplier 2) No any action taken by the Department against the defaulter supplier as required under PPRA rules 3) No fine and penalty imposed on the supplier 4) 2% Earnest money amounting to Rs.140,000 also not forfeit and intimated to the supplier vide letter dated 07.07.2021 "that the funds allocated for the items have lapsed on 30th June, 2021, therefore, the supply order is hereby cancelled and you may collect your earnest money form the Institute at your convenience" Audit is of the view that the management given favour to the supplier regarding non-forfeit bid security and taken any action against the supplier. The management has not submitted replied within given time frame and till finalization of the report. The audit recommends that irregularity may be got regularized from the competent authority besides fixing of responsibility to the person(s) at fault.	It is conveyed that the NIO issued a supply order to M/s. Zaheer Sons vide No.NIO/1(5)/2021/4799 dated 22.04.2021 regarding supply of Coastal Single Point 3D Current Meter costing Rs.4,058,887/-. But due to COVID-19 causing disruption to the supply chains and business all over the world. These were extra ordinary global condition and is a ***Force Majeure*** declared pandemic. M/s. Zaheer Sons participated in the tender and committed to supply the said item. However, due to unreliable supply chain and extra ordinary delays from the principals the supplier repeatedly requested to NIO for more time to supply or cancel the order according to above cited reason and earnest money may kindly be returned with oblige (copy attached). Due to extra ordinary global conditions, the management accepted their arguments and since this was not a large amount and not a deliberate action and these were special cases. Therefore, it is requested to please see this para as a special case, sympathetically as ***Force Majeure*** and may please be settled.

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REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023

<table>
<tr><th>PARA NO.</th><th>FULL CONTENTS OF THE PARA</th><th>REPLY OF THE ORGANIZATION (NIO)</th></tr>
<tr>
<td>16</td>
<td>
LOSS TO THE INSTITUTE DUE TO DEDUCTION OF INCOME TAX -RS.0.453 MILLION
According to rules 26 of NIO Act No.III 2007 states that the Institute shall not be liable to pay any such tax on its income, capital profit, wealth, gifts or gains.
As per Section 49 of Income Tax 2001, the income of the Federal Government shall be exempt from tax under this Ordinance.
The management of National Institute of Oceanography, Karachi made investment in National Savings and paid income tax on maturity of savings certificates as detail given below:
<table>
<tr><th>Year</th><th>Investment in</th><th>Invested Amount</th><th>Profit earned</th><th>Total amount</th><th>Date of maturity</th><th>Amount encashed</th><th>Income tax paid</th></tr>
<tr><td>2016-17</td><td>Special savings certificate</td><td>16,000,000</td><td>3,024,800</td><td>19,024,800</td><td>29.11.2021</td><td>18,571,080</td><td>453,720</td></tr>
<tr><td colspan="5">Total Rs</td><td></td><td>59,269,080</td><td>453,720</td></tr>
</table>
Audit observed that NIO encashed the Special Savings Certificates and paid income tax Rs.453,720/- in violation of above rules as the income of NIO is exempted from all kind of government taxes and payment.
Audit is of the view that payment of income tax Rs.553,720/- is clear violation of income tax ordinance 2001 and NIO Act, 2007 and loss to NIO.
The matter may please be justified to audit.
</td>
<td>
The GP funds are invested titled “NIO’s Employees General Provident Fund”, the rule 26 of NIO Act No. III 2007 states that the Institute shall not be liable to pay any such tax on its income, capital profit, wealth, gifts or gains. The National Saving Authority raised the point that the title of account differed therefore, the said account is liable to tax deduction. The account balance determines the tax rate, which was 30%. NIO management was successfully filed for tax exemption and were given an exemption of 15%, saving Rs.8.00 million of the hard-earned saving of its employees.
Therefore, in the light of efforts done by the management saving was incurred rather than losses.
As per above justification, para may please be settled.
</td>
</tr>
</table>

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REPLY OF AUDIT & INSPECTION REPORT FOR THE YEAR OF 2020-2023

PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
17		

IRREGULAR RETENTION OF LAPSABLE GRANT IN BANK DESPITE CLOSING OG FINANCIAL YEARS-RS.0.493 MILLON

Para 95 of GFR Vol-I states that all anticipated savings should be surrendered to Government immediately they are foreseen but not laer than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided after 15th May shall be surrendered to Government immediately they are foreseen but not later than 30th June of each year.

Article 12(1) of Public Finance Management Act, 2019 provides that all Ministries and Divisions, their attached departments and sub-ordinate offices and autonomous organizations shall surrender to the Finance Division at least twenty- five days before the presentation of the budget in the National Assembly, all anticipated savings in the grants or assignment accounts or grant-in-aid controlled by them.

The management of National Institute of Oceanography (NIO), Karachi executed a project tiled" "Assessment of Tidal Energy Potential along Indus Deltaic Creeks, Sindh Coast". The project was approved by the DDWP on 02-04-2020 with total coast of Rs.35 Million and completed on 30-06-2022.

The detail of reclassed amount and expenditure thereon for the above mentioned title project as given below,

YEAR	BUDGET RELEASED	EXPENDITURE	LAPSED AMOUNT
2020-21	10,000,000	9,513,797	486,203
2021-22	25,000,000	24,993,096	6,904
Total	**35,000,000**	**34,506,893**	**493,107**

Justification for lapsable amount is given below;

2020-2021

Heads	Actual Budget	Expenditure	Funds lapsed	Justification
A03807-POL	300,000	51,413	248,587	The utilization of POL was affected due to the Smart Lockdown imposed during the Covid-19 pandemic, which led to the delay or cancellation of some field surveys.
A03808-Conveyence Charges	300,000	227,073	72,927	Same as Above
A03907-Advertising & Publicity	500,000	-	50,000	Delay in receiving Bills from PPRA and PID due to Smart lockdowns.
		Total	**486,203**	

2021-2022

The minor amount Rs.6,904/- has been lapsed in different head of accounts in the FY. 2021-20222. The copies of balance sheet and reconciliation statements of both years are enclosed.

Situation beyond the control of the NIO managements, However, in view of the above justification the para may please be settled.

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	Audit observed that the closing balance/saving amounting to Rs.486,203/- pertaining to the recurring grant for the period of 2020-21 and Rs. 6,904/- for the period 2021-22 was not surrendered by the management of the National Institute of Oceanography (NIO), Karachi at the close of each financial year. The management has not submitted replied within given time frame and till finalization of the report. Audit recommends that irregularity may be got regularized from the Finance Division.	

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PARA NO.	FULL CONTENTS OF THE PARA	REPLY OF THE ORGANIZATION (NIO)
18	**IRREGULAR AND UNAUTHORIZED EXPENDITURE UNDER THE HEAD OF EXHIBITION & FAIRS-RS.0.250 MILLION** As per System of Financial and Budgeting Control at S.No.38 states that welcome or farewell receptions, lunches and dinners to Government functionaries should not be arranged at the expense of public exchequer. The management of National Institute of Oceanography (NIO), Karachi incurred expenditure of Rs.448,520/- on account of celebration of World Ocean Day on 08.06.2022 at Avari Tower Karachi included expenditure of Rs.250,000 on lunches. Audit observed that the management celebrated World Ocean Day at Avari Tower, Karachi and served lunches to the participants for Rs.250,000/- in violation of above rules. Audit is of the view that expenditure incurred on lunches is held irregular and unauthorized. The management has not submitted replied within given time frame and till finalization of the report. Audit recommends that expenditure may be got regularized from the Finance Division.	Ocean Day is an annual international event organized by NIO, which is both a mandatory and globally recognized occasion. In 2022, the event adopted the theme "Revitalization: Collective Action for the Ocean," aligning with the endorsement of the UN Ocean Decade (Attached). Notably, numerous international speakers from Australia, China, USA, UNESCO (IOC) Secretary General Paris and France participated in the event. NIO coordinated the event at Avari Tower Hotel with the aim of minimizing disruptions to the Internet and ensuring an appropriate level of security, all within the budget allocated for the respective head. NIO covers the expenses for the event from the allocated budget, and the MoST Senior officer (representative) attended was a nominated guest of the ministry. However, in view of the above justification the para may please be settled.

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<table>
<tr><th>PARA NO.</th><th>FULL CONTENTS OF THE PARA</th><th>REPLY OF THE ORGANIZATION (NIO)</th></tr>
<tr>
<td>19</td>
<td>
NON-DEDUTION OF INCOME TAX ON PAYMENT OF HONORARIUM TO EMPLOYEES-RS.0.250 MILLION

In terms of Section 149 of Income tax ordinance 2001 every person responsible for paying salary (including Honorarium/cash reward paid to an employee) shall, at the time of payment, deduct tax from the amount paid.

The management of National Institute of Oceanography (NIO), Karachi incurred expenditure of Rs.2,500,000/- on payment of honorarium to employees during the 2021-22 to 2022-23.

Audit observed that income tax @ 10% Rs.250,000/- was not deducted from the employee as detail given below:

<table>
<tr><th>Year</th><th>Amount of Honorarium</th><th>Income Tax @ 10%</th></tr>
<tr><td>2020-21</td><td>500,000</td><td>50,000</td></tr>
<tr><td>2021-22</td><td>1,000,000</td><td>100,000</td></tr>
<tr><td>2022-23</td><td>1,000,000</td><td>100,000</td></tr>
<tr><td></td><td>2,500,000</td><td>250,000</td></tr>
</table>
Audit is of the view that non-deduction of income tax Rs.125,000/- is loss to the government.

The irregularity may please be justified to audit.
</td>
<td>In response of this para, it is conveyed that the compliance has been noted for future action. Therefore, para may please be settled.</td>
</tr>
</table>