

CHAPTER VIII : MINISTRY OF EXTERNAL AFFAIRS

8.1 Indecisiveness of MEA in renewal of lease

Ministries of External Affairs and Urban Development have not finalised the renewal of lease of the residence of British High commissioner at New Delhi for about 10 years resulting in interest effect of over Rs 120 crore to the Government exchequer despite paying for the residence of Indian High Commissioner in London provided under reciprocal arrangement at commercial rates.

Indecisiveness of Mea has led to non-revision of the lease agreement with the British High Commission for ten years

This Paragraph underscores the lackadaisical attitude in the Ministries of External Affairs and Urban Development due to which the Government of India has not been able to revise the rent of residential accommodation 2, Rajaji Marg New Delhi, which has been leased to the British High Commissioner to India under reciprocal arrangement. The Crown Estate Commissioner on behalf of the Queen of United Kingdom has also leased an accommodation for the residence of the Indian High Commissioner to United Kingdom at 9 KPG¹ London. While the Crown Estate Commissioner has already revised the premium and ground rent for the residence of the Indian High Commissioner in London in 1994 on commercial principles, the Government of India has failed to revise premium and ground rent for the last ten years. Government of India continues to charge a very low amount of rent from the British High Commission, while having paid Rs 69.48 crore towards premium of 9 KPG London and annual ground rent of Rs 4.96 lakh from 1990. It is noteworthy that the size of the land of 2, Rajaji Marg, New Delhi is about 3.6 acres compared to only one acre of 9 KPG London.

Ever earlier, the failure of MEA to revise the lease rent in time had led to non-recovery of Rs 64.35 lakh

The Government of India provided residential accommodation at 2, Rajaji Marg New Delhi to the British High Commissioner on lease in 1960 for a period of 30 years at a monthly rent of Rs 2750 and a provision for the first revision after 20 years i.e. from 1980. The Director of Estates, Ministry of Urban Development did not revise the rent in 1980 and instead communicated the revised rent of Rs 63,174 per month in December 1988 effective from January 1980. Since no formal notice was served in 1980 for the revised rent, the British High Commission did not pay the arrears of Rs 64.35 lakh for the period January 1980 to November 1988.

The British Government revised the lease rent of the property in London given to India High Commission on reciprocal basis on commercial principles

Meanwhile, the existing 41 years' lease of 9 KPG London taken in 1949 at £ 60000 towards lease and £ 525 per annum towards ground rent became due for renewal from 1990. The Crown Estate Commissioner decided to charge commercial rent for the premises. The Government of India renewed the lease of 9 KPG London for 65 years in November 1994, effective from April 1990 at a premium of £

¹ Kensington Palace Gardens

14 million equivalent to Rs 69.48 crore and annual ground rent of £ 10,000 for the first 21 years, £ 20000 from 22nd to 41st year and £ 40000 from 42nd to 65th year.

The time for renewal of lease of 2, Rajaji Marg New Delhi i.e. 1990 coincided with that of 9 KPG London. In view of the lease rent and ground rent of 9 KPG London being fixed at commercial rates by the Commissioner of Crown Estates London, the Ministries of External Affairs and Urban Development determined the commercial value of premium of 2, Rajaji Marg at Rs 118.40 crore and Rs 59.20 crore towards commuted value of the ground rent over a period of 50 years, on the principle of doubling of the ground rent every 10 years.

However, the Ministry of External Affairs and the Ministry of Urban Development between them have delayed finalisation of lease agreement with the British High Commission for about ten years since the revision became due in 1990 and for about five years after it was decided in March 1994 that the premium and ground rent should be charged at market rate. In between March 1994 and June 1999, the officers of the Ministry of External Affairs have held at least nine meetings on the modalities of application of the lease terms. But the net result has been that while Government of India has already paid the enhanced premium and continues to pay the ground rent for 9 KPG London at the commercial rate, it is charging Rs 6.00 lakh per month from January 1990. Meanwhile, NPV¹ calculation based on which the commuted value of the ground rent of Rs 59.20 crore spread over 50 years was determined, has also been upset. Assuming that the Ministry could have claimed the premium of Rs 118.40 crore and commuted value of ground rent of Rs 59.20 crore at least in January 1995, the Government has already lost the interest value of over Rs 120 crore on the total amount of Rs 177.60 crore at the maximum Government borrowing rate of 14 per cent after allowing for the rent of Rs 6.00 lakh per month being charged from January 1995 to December 1999. Despite the past experience of 1988, when the British High Commission refused to pay arrears of rent due to retrospective revision, MEA did not obtain any undertaking from them that they would accept the revised rent with effect from 1990, even if it is determined later.

The MEA stated in March 2000 that:

- (i) the properties located in the 9 KPG area are managed by the Crown Estate and are being leased, rented etc. on commercial principles, unlike those managed by the Directorate of Estates in New Delhi area, which includes 2, Rajaji Marg.
- (ii) the Directorate of Estates in India was yet to evolve the principles of valuation in respect of the property situated in the area where 2, Rajaji Marg is located.

¹ Net Present Value

While government of India has already paid enhanced premium/rent for 9 KPG London, it did not revise the rent of 2, Rajaji Marg due for revision in 1990

The delay has an interest cost of at least Rs 120 crore to the Government of India

(iii) the linking of the finalisation of renewed lease agreement in respect of 2, Rajaji Marg, New Delhi and 9 KPG, London would be unrealistic. The finalisation of the two lease agreements had to take necessarily different routes. When the time of renewal of lease of 9 KPG, London arose, the commercial principles concerning that were already in position. Therefore, it was comparatively easier for British to quote a price.

(iv) Ministry of Urban Development was in the process of working out new rates for this property, which could form the basis for negotiations with the British High Commission.

(v) The delay occurred not because of any tendency not to reach decisions but because of the anxiety that before any negotiations are entered in to, the basis on which the terms of the lease were being quoted was clear.

The contention of the Ministry with reference to the points at serial numbers (i), (ii) and (iii) does not hold in view of the following:

(i) Since the provision of residential accommodation of the High Commissioners is governed by reciprocity, the question of commercial principles for Crown Estate properties and hitherto non-commercial principles for 2, Rajaji Marg are irrelevant. The Ministry ought to have applied the principle of reciprocity in determination of premium and ground rent, irrespective of ownership of the property in London and in New Delhi.

(ii) The Ministry of External Affairs had already worked out the premium value of Rs 118.40 crore and commuted value of ground rent of Rs 59.20 crore as early as February/June 1995 on the basis of market rates determined by Appropriate Authority. Therefore, it is not correct to state that the principles for valuation of this property were not established.

(iii) It is unacceptable that because the property at 2, Rajaji Marg is controlled and managed by a Government Department, it should necessarily be slow in arriving at a decision.

This calls into question the system of decision-making and accountability in the Ministries of External Affairs and Urban Development. The Ministry should work out the current value of the premium of Rs 118.40 crore fixed for 1990 and the net present commuted value of the annual ground rent to be charged for 2, Rajaji Marg, revise the lease agreement and realise the amount due from the British High Commission.

8.2 Deficient internal control in Missions/Posts abroad: loss of revenue of Rs 5.14 crore

Deficient internal control to ensure compliance to the instructions of MEA for realisation of fees for visa and consular services in the missions in Europe and CIS countries and inefficient monitoring system resulted in foregoing of revenue of Rs 5.14 crore.

Indian missions abroad provide visa and consular services in accordance with the orders issued by MEA¹ from time to time. Sample checks of the records of the missions/posts in Europe and CIS² countries disclosed non-recovery/short recovery of Rs 5.14 crore towards visa fee/consular fee in 18 missions/posts due to their failure to follow the instructions of MEA.

Failure to revise visa fee

The visa fee fixed in US dollar was to be converted into local currency at the commercial rate of exchange and rounded off to the next higher integer.

MEA prescribed visa fees in US dollars from January 1995 and advised the missions abroad to fix the visa fee in the local currency at the commercial rate of exchange. After converting the prescribed fee into local currencies, the missions were to round the amount to next higher integer. Further the missions were required to revise the visa fee in local currency every time the local currency devalued against US dollar by 10 *per cent* or more. The visa fee in the local currency was not to be revised downward in cases where the local currency appreciated against the dollar.

Non adherence to the instructions by 12 missions/post resulted in a loss of revenue of Rs 2.16 crore.

The missions at Bishkek in Kyrgyzstan, Prague, Madrid, Bonn, Berlin Frankfurt, Vienna, Rome and the post at Milan did not revise the visa fee when the local currencies devalued by 10 *per cent* or more against US dollar. This resulted in lower recovery of visa fee of Rs 1.51 crore during July 1996 to February 1999.

In another case, failure of the HCI London and Embassy of India Copenhagen to fix visa fee in local currency by rounding off to the next integer led to under recovery of visa fee of Rs 47.90 lakh.

Embassy of India Moscow revised the visa fee downward during May 1995 to July 1996 and in November 1997, when the local currency gained against the US dollar, in contravention of the instructions of MEA and caused a loss of Rs 17.44 lakh.

Issue of visas for different durations

Issue of short term visas at incorrect rates by the Indian Embassies at Paris, Copenhagen, Berne, Almaty, Bishkek, Minsk and Kiev resulted in a loss of Rs 1.89 crore.

When the new visa fee regime was introduced from 1 January 1995, the visa fee was linked to the duration of the visas irrespective of the category of the visa, with the exception of transit and student visas.

¹ Ministry of External Affairs

² Commonwealth of Independent States

However, in June 1997, while reviewing the tourist visa policy, MHA³ decided to do away with three months tourist visa and accordingly MEA decided that from June 1997 only six months tourist visas would be issued and the fee for the same was initially charged at US\$ 40, revised to US\$ 30 from 15 October 1997. However in March 1999 and May 1999 MEA advised the missions that the practice of issuing three months visas had been done away with and though visas other than tourist visas could be issued for shorter duration viz., 1 month/3 months, the fee to be charged would be the same as that prescribed for a six months visa i.e. US\$ 30. Under the new visa regime the visa fee was linked to the duration of the visas and not the category of the visa and therefore these instructions should have been brought into effect from June 1997 when the decision was taken to abolish three months tourist visas. But due to lack of precise instructions and deficient monitoring by MEA, many of the missions continued to charge US\$ 20 for 3 months business visas from July 1997 and also even after the latest instructions in May 1999 were issued, resulting in substantial loss of revenue as detailed below:

Embassy of India Paris continued to issue three months business visas at US\$ 20 even after the issue of the abovesaid instructions in May 1999 and incurred a total loss of revenue amounting to Rs 1.58 crore during the period between July 1997 and October 1999.

Embassies of India at Copenhagen and Berne issued three months business visas from July 1997 at the rate of US \$ 20 and lost revenue to the tune of Rs 20.23 lakh till April/June 1999.

Embassies of India at Almaty in Khazakisthan, Bishkek in Kyrkyzthan and Minsk in Belarus continued to issue visas with validity of three months by charging visa fee of US \$ 20 during July 1997 to July 1998 and lost revenue of 7.17 lakh.

In other case, **Embassy of India at Kiev in Ukraine** continued to issue visas with 30 days validity at US\$ 5 even after discontinuance of 30 days visa and its replacement by a three months visa at US \$ 20 from January 1995 resulting in a loss of revenue of Rs 3.99 lakh during January 1995 to June 1995.

Delay in application of reciprocity in visa fee

The visa fees are charged on the basis of reciprocity. Government of Denmark did not charge visa fee from Indian citizens. As a result, Indian Mission at Copenhagen did not charge any visa fee from Danish nationals. From 21 June 1996, Government of Denmark unilaterally started charging visa fee from Indian nationals. The Indian Mission at Copenhagen and MEA responded to this decision of the Danish Government quite belatedly and started levying visa fee from the Danish nationals only from 11 March 1997. The action by the mission

Belated charging of visa fee on reciprocal basis by EI Denmark resulted in a loss of Rs 1.06 crore.

³ Ministry of Home Affairs

at Denmark in responding to the unilateral action by the Danish Government after a lapse of more than eight months, resulted in loss of visa fee of Rs 1.06 crore.

Levy of lower consular fee

Charging of lower consular fee resulted in a loss of Rs 3 lakh in EI Stockholm

Embassy of India Stockholm charged consular fee of only Rs 325 for attestation of both property and commercial documents against the prescribed fee of Rs 650 and Rs 1625 respectively and caused a loss of Rs 3.07 lakh during January 1996 to October 1998.

The above deficiencies point towards shortcomings in the internal control system in the missions. MEA should take concrete steps to strengthen the internal control system in missions to ensure that its instructions are complied with by them uniformly without any exception.

The matter was referred to the Ministry in April 1999. The Ministry stated in June 1999 that the missions while accepting the lapse on their part had clarified that the irregularity in realising the visa fees had taken place primarily either due to oversight in implementing the revised instructions or due to incorrect application of the same. In respect of the missions in Central Asia, the Ministry stated that since the missions were opened recently, they were not in possession of all the instructions and hence the irregularity occurred in visa collection. Ministry further stated that taking into account the mistakes and oversights committed by the missions they had issued a revised and updated circular incorporating all the changes and instructions.

The recent audit scrutiny, however, revealed that MEA's latest instructions, issued in May 1999 were not implemented in some of the Missions, as in the case of Embassy of India Paris, lending support to the observation of audit that the internal controls, the absence of which led to the loss of revenue, are still not in place and the Ministry has still not put in place a system of feed-back from the missions to monitor and prevent recurrence of the mistakes noticed in audit.

8.3 Loss of revenue due to issue of visa exemption certificates

Issue of certificates to minor foreigners indicating non-requirement of visa for entry into India by the HCI London, Consulate General of India, Birmingham and Consulate General of India, Glasgow in violation of the Passport (Entry into India) Act, 1920 resulted in loss of at least Rs 4.11 crore.

Every foreigner entering into India needs a passport and a visa issued by Indian Representative abroad.

Under the provisions of the Passport (Entry into India) Act, 1920, every foreigner entering into India must be in possession of a valid passport establishing his identity and a valid visa for India granted by an Indian representative abroad. Children below the age of 15 years travelling to India on joint passports of their parents/guardians are not required to obtain separate visas, provided it is made explicit in the

visa endorsement that the visa is valid for the parent/guardian and children indicating their number and name. Children of or above the age of 15 years travelling on the joint passports of their parents/guardians or on separate passports are required to obtain separate visas on payment of appropriate visa fee.

MHA clarified that foreigners up to the age of 16 years are exempt from registration in India.

Ministry of Home Affairs informed the State Governments and the missions abroad in February 1996 that children up to the age of 16 years are exempt from registration on arrival in India and may be granted landing permits on arrival in India for upto 90 days. The liability to obtain visa on payment of requisite visa fee, however, remained unchanged.

HCI, London, CGI, Birmingham and CGI, Glasgow issued certificates to foreigners up to the age of 16 years that they did not require a visa for entry into India

Sample check of the records of the HCI¹, London, the CGI, Birmingham and the CGI², Glasgow disclosed that they issued certificates free of cost to British nationals of Indian origin aged below 16 years, who held independent passports, that they did not require a visa for entry into India. The date from which the practice of issuing these certificates started, was not available from the documents of the Mission/Consulate.

MEA clarified that all foreigners holding independent passports need a visa for entry into India.

On a reference from the Consul General of India, Birmingham about the correctness of issue of such certificates, MEA³ held in January 1997 that all children holding independent passports require a separate visa for entry into India to be stamped on their passports after payment of normal visa fee. MEA had, however, informed the Consulate that the matter would be referred to MHA⁴ and further instructions would be issued. MEA did not issue any further guidelines and the Consulate continued to issue such certificates free of cost.

HCI, London, CGI Birmingham and CGI Glasgow issued such certificates to 30,552 foreigners resulting in loss of revenue of Rs 4.11 crore.

While the HCI, London issued such letters to 6528 persons under the age 16 years who held independent passports during the period March 1998 to July 1998, the Consul General of India, Birmingham issued such letters to 23,591 British passport holders during the period 7 June 1996 to 28 February 1999. The Consul General of India, Glasgow issued 433 such certificates during the period from February 1998 to June 1999. Number of such letters issued by them outside these periods was not available with the Mission/Posts, since no registers or records of such letters issued by them were maintained by them. In the absence of records, these figures were compiled by Audit from the photocopies of the visa exemption letters available with the Mission/Posts. Issue of such letters in known cases, by the HCI and the Consulates in violation of the Passport (Entry into India) Act, 1920 resulted in loss of revenue of £ 580488 equivalent to Rs 4.11 crore⁵ in the form of visa fee that could have been collected for tourist visa at the lowest rate of visa fee.

¹ High commission of India

² Consulate General of India

³ Ministry of External Affairs

⁴ Ministry of Home Affairs

⁵ Rupees equivalent at the official rate of exchange of 1 GBP=Rs 70.76 as of February 1999

The loss of revenue would be much more, if records of all such cases were also available for scrutiny.

The matter was referred to the HCI, London, the CGI, Birmingham in April 1999 and to the CGI, Glasgow in June 1999. While the HCI, London and the CGI, Birmingham did not furnish any reply, the CGI, Glasgow stated that they had been issuing such exemption letters based on the practice followed by the HCI, London.

Upon being pointed out by audit, HCI, London discontinued issue of such free of cost certificates and advised both the Consulates in their fax dated 24 June 1999 that they had discontinued issuing of visa letters to children with effect from 28 June 1999 and that visas would be issued on their passports on payment of requisite fees.

The Ministry admitted in October 1999 that it was a lapse by the Mission/Posts and stated that the irregularity was committed on account of the ambiguity in the existing instructions on the issue of landing permits. The Ministry further stated that to avoid any confusion in future, it had been decided in consultation with the MHA to introduce visa for all minor foreign children and withdraw the facility of landing permit.

8.4 Fraudulent drawal due to transfer of funds by fax

Imprudent action by officers of Embassy of India, Kiev in authorising the State Bank of India, New York by fax to transfer funds to third party accounts in violation of the terms of agreement with the bank and in disregard of risk involved, led to fraudulent drawal of Rs 34.27 lakh.

The HOC¹ of Embassy of India, Kiev entered into an agreement with SBI New York in August 1995 authorising the bank to act on the Mission's instructions sent through fax or telephone for transfer of funds from Mission's Account in SBI² New York to their specified account in the Export Import Bank of Ukraine, Kiev only.

Fraudulent drawal on forged fax message

On receipt of the bank statement from SBI, New York in April 1998, the Mission learnt about fraudulent transfer of US \$ 86300 equivalent to Rs 34.27 lakh³ by SBI, New York to a third party account in Pravex, a private bank in Ukraine. The fraudulent transfer was made on a forged fax instruction of 6 April 1998 to the SBI, New York for transfer of US \$ 86300. On investigation, it was disclosed that the amount was credited into an anonymous bank account, from which

Indiscretion by Embassy in fax advice for third party transfers prompted a fraudulent fax advice.

¹ Head of the Chancey

² State Bank of India

³ @ 1 US \$=Rs 39.71 prevailing in April 1998

someone had withdrawn the entire amount on 8 April 1998.

On receipt of the bank statement from SBI New York on 13 April 1998, the Attache (Administration & Accounts) addressed a fax message on 15 April 1998 to the SBI New York stating that the fax message dated 6 April was sent by mistake. On 16 April, the very next day, the Attache again sent a fax message to SBI New York to confirm that the fax message of 6 April was not sent by them. This was in contradiction to the message sent on 15 April wherein he had stated that the message was sent by mistake.

Negligent and unauthorised action of the Attache (Administration & Accounts) and HOC

Resort to fax advice for third party transfers was imprudent and against the agreement.

So long as the fax advice was limited to transfer to Mission's specified account in terms of the agreement with SBI, New York, there could be no chance of fraudulent drawal from the Mission's New York account. The fraudulent drawal was made possible solely due to the imprudent and unauthorised action of the HOC and Attache (Administration & Accounts) in issuing fax advices for transfer to third party accounts on the Mission's letter head in disregard of the terms of agreement with SBI, New York. In doing so, they ignored the serious risk of fraudulent use of this facility, which the Government money was exposed to, since anyone could sent such a fax for fraudulent transfer to third party accounts.

The officers advised third party transfers by fax on 11 occasions.

Scrutiny of documents in the Mission disclosed that the officers in the Mission issued fax advice on 11 other occasions during the period between 2 September 1996 and 13 April 1998 to transfer amounts varying between US \$ 250 and US \$ 35400 from Mission's account at New York to the bank accounts of third parties in and outside Kiev, without taking into consideration the risk involved. All the payments for which third party transfers were advised could have been made by cheque through the Mission's US \$ account in the local bank in Kiev. The SBI, New York was also at fault in honouring the fax instructions of the Mission in contravention of the agreement which permitted transfers through fax advice only to the Mission's account. It, however refused to accept any liability for the transfer of US\$ 86300 on the fraudulent fax advice of 6 April 1998 on the plea that by continuing the fax advice for transfer to third party accounts for two years and ratifying such previous transactions, the Mission had brought about modifications in the agreement.

SBI, New York disowned any liability on the plea of de facto modification of the agreement.

No action to fix responsibility

MEA and the mission did not fix any responsibility for the loss.

While as a follow up to the fraudulent drawal of the amount, the Mission scrapped the agreement authorising SBI, New York for transfer of funds through fax advice in May 1998, the MEA/Mission did not initiate any action to fix responsibility of the officers accountable for unauthorisedly resorting to fax advices for third party transfers. It is recommended that accountability should be established for negligent action leading to the fraudulent drawal.

The matter was referred to the Ministry in March 1999; their reply was awaited as of December 1999.

8.5 Mismanagement of accommodation of the Embassy of India, Kiev

Embassy of India, Kiev mismanaged acquisition of property and consequent leasing by failing to take possession of the plot allotted by the Government of Ukraine and delayed repairs/renovation to the alternate property purchased at Rs 2.53 crore for four years. The HOM incurred avoidable expenditure of Rs 3.34 crore on rent without proper authority.

This paragraph deals with mismanagement in acquisition of the plot of land, purchase of building and leasing of accommodation for accommodating the Indian Mission by the Embassy of India in Kiev, Ukraine. The Mission failed to take possession of the plot under reciprocal arrangement for seven years after the Inter-Government agreement, opted for outright purchase of accommodation in September 1995 as an alternative but failed to get it repaired/renovated for four years. As a result, it had to lease another accommodation at a monthly rent of US\$ 15000. In leasing the accommodation also the HOM¹ flouted Government instructions and committed unauthorised expenditure.

Failure to complete the formality for the transfer of the plot of land

Under reciprocal arrangement between the Governments of India and of Ukraine, the Ukrainian Government allotted a plot of land measuring 5000 sq. metre to the Mission in October 1992. As the Mission did not complete the formality of transferring the title to plot of land, the local Government withdrew its allotment to the Indian Mission in December 1996.

Idle investment in purchased building

Since the Mission was not able to obtain possession of the plot of land allotted by the local authority, it purchased a property comprising three built up structures with total built up area of 725 sq. metres for US\$ 800,000 equivalent to Rs 2.53 crore² in September 1995 with a right to use the land attached to the building with the approval of MEA. MEA approved renovation/repairs to the purchased building at a cost of US\$ 400,000 in May 1995, which was revised to US\$ 552,268 in February 1998. The initial assessment of time required for repair/renovation was a mere four months. The Mission was yet to get the renovation/repair completed as of December 1999 and the property remains unutilised.

Mission failed to get the land allotted to them resulting in its withdrawal by the local Government.

Mission purchased a built up property in September 1995 but was yet to get the property repaired/renovated even after a lapse of four years.

¹ Head of the Mission

² At the rate of 1 US \$=Rs 31.65

Hiring of accommodation

Mission leased office accommodation at a monthly rent of US\$ 15000 in July 1995.

Having failed to take possession of the plot of land and construct its own building as also in the alternate solution of purchase and renovation of another building, the HOM leased an office accommodation in July 1995 initially for a period of six months at a monthly rent of US\$ 15000. The lease was subsequently extended from time to time on the same terms and conditions up to June 2000.

Unauthorised action

Mission has so far spent a sum of Rs 3.34 crore, which was unauthorised.

As per the Delegation of Financial Powers to the Government of India's Representatives abroad, HOMs are not delegated with powers for renting of office accommodation initially. Thus, the initial leasing of office accommodation by HOM Kiev in July 1995 was in disregard of limitation on his financial powers. The Ministry was yet to accord approval to leasing of accommodation for which the HOM sent the proposal in July 1995 for post facto approval of the MEA after the accommodation was taken on lease. Thus, the total expenditure of US\$ 765000 equivalent to Rs 3.34 crore³ on lease rent upto December 1999 was unauthorised.

HOM paid agent's commission in excess of the permissible limit and incurred an unauthorised expenditure of Rs 10.79 lakh.

Not only did the HOM exceed his authority by leasing the accommodation without approval of MEA, he infringed another limit on his delegated powers by paying excess commission to the agent. As per the delegated powers, HOM can pay agent's commission not exceeding one month's rent subject to a ceiling of 2.5 per cent of the total rent payable during the period of lease. Thus, not more than US\$ 2250 was payable towards agent's commission for the entire period of lease of six months. Against this, the HOM made payment of US\$ 27000 towards agent's commission: US\$ 18000 in June 1995 at the time of signing the lease and further payment of US\$ 9000 in May 1996 at the time of renewal of lease. Excess payment of US\$ 24,750 equivalent to Rs 10.79 lakh⁴ for which he did not possess the delegated authority was also an unauthorised expenditure.

The matter was referred to the Ministry in October 1999; their reply was awaited as of December 1999.

³ At the rate of 1 US \$=Rs 43.63

⁴ At the rate of 1 US \$=Rs 43.63

8.6 Appointment/retention of personnel and inadmissible payments

Operation of unsanctioned local posts and posts paid from contingencies in the High Commission of India London and CGI,¹ Birmingham resulted in unauthorised expenditure of Rs 3.51 crore during 1989 to 1999. In another case included as paragraph 13.2, Embassy of India, Bonn spent Rs 2.36 crore unauthorisedly on unsanctioned posts.

As per Rule 6 of General Financial Rules, no authority may incur any expenditure or enter into any liability involving expenditure from Government account unless such expenditure has been sanctioned by general or special orders of Government or by any authority to which power has been delegated on its behalf. Thus, no authority can incur expenditure on payment of salary without the specific sanction of the authority competent to sanction the post. Further item 12 of Schedule 1 of Financial Powers of Government of India's Representatives Abroad provides that the Head of Mission may employ only Class IV staff paid from contingency subject to the condition that the staff so employed is not for work of a regular nature or against vacant posts.

HCI², London operated three posts of locally recruited direct data entry operators for which sanction for continuance existed only upto 31 March 1989. The Mission's request in August 1990 to include these posts in the sanctioned strength of the Mission was not accepted by MEA³ who, in September 1993, directed the Mission to take immediate steps to effect necessary changes in the actual deployment of the local staff so that it was not in excess of the sanctioned strength. The Mission, instead of making the requisite changes, unauthorisedly continued to operate three posts upto November 1998 and two posts upto September 1999. The unauthorised expenditure on account of the continued operation of these posts amounted to £ 288599 equivalent to Rs 1.47 crore during 1989-1999 and HCI continues to incur a recurring expenditure of £ 2461 equivalent to Rs 1.70 lakh per month on the continued operation of the posts.

HCI, London employed two to 14 clerks paid from contingencies in various wings during August 1994 to June 1998 for the performance of work of a regular nature without the specific approval of MEA. The unauthorised expenditure on account of such appointments was £ 132702 equivalent to Rs 78.70 lakh⁴ during August 1994 and June 1998.

CGI,⁵ Birmingham employed between five and 17 clerks paid from contingencies in addition to the sanctioned posts for the visa and

HCI, London operated three local posts unauthorisedly on which it incurred an expenditure of Rs 1.47 crore.

HCI, London engaged clerks paid from contingencies without MEA's approval resulting in unauthorised expenditure of Rs 78.70 lakh.

CGI, Birmingham engaged contingency paid clerks without MEA's approval and incurred unauthorised expenditure of Rs 1.25 crore.

² High Commission of India

³ Ministry of External Affairs

⁴ At the corresponding official rates of exchange notified for each month by MEA

⁵ Consulate General of India

passport work during April 1994 to February 1999. The operation of the additional posts was unauthorised since there was no sanction for the posts and the work being of a regular nature the engagement could not be made without the specific approval of MEA. This resulted in unauthorised expenditure of £ 210543 equivalent to Rs 1.25 crore⁶ during April 1994 to February 1999.

The HOC,⁷ Birmingham stated in November 1997 that they had been engaging contingency paid clerks due to workload in the visa and the passport wings and though they had taken up the matter with MEA in 1994 they had been asked to submit the proposals again which they were yet to do. No sanction has been received from MEA as of September 1999.

In another case included in this Report as paragraph 13.2, Embassy of India, Bonn incurred unauthorised expenditure of Rs 2.36 crore on unsanctioned post.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

It is recommended that MEA should take immediate measures to discontinue the local posts and the contingency paid posts operated unauthorisedly by the HCI, London and CGI, Birmingham and also fix responsibility for non-compliance with MEA's orders of September 1993 to limit local employment to the sanctioned strength.

8.7 Unauthorised engagement of computer consultant

Engagement of a computer consultant in violation of the delegated powers to the High Commission of India London and without approval of the Ministry of External Affairs resulted in unauthorised payment of Rs 83.27 lakh.

HCI engaged the services of a computer consultant at the rate of £ 2350 per month without the approval of MEA.

HCI,¹ London engaged the services of M/s. K. Narain & Company, in February 1994 for in-house computerised preparation of monthly cash accounts. The proposal as approved by the HOC² initially envisaged a service of 28 hours per week for two months at a monthly fee of £ 2350 including VAT³. After the programme was ready, the consultant was required to test the same for a couple of months and train the staff for which the consultant was to charge a fee of £ 587.50 per month including VAT. However, the agreement signed with the consultant by the HOC on 7 February 1994 specified that the consultant would work

⁶ At the corresponding official rates of exchange notified for each month by MEA

⁷ Head of the Chancery

¹ High Commission of India

² Head of Chancery

³ Value Added Tax

for 28 hours per week at the rate of £ 2350 per month including VAT without specifying any time limit up to which this arrangement was to continue contrary to the earlier proposal of engaging the consultant for only two months at this rate. The engagement of the consultant was approved only by the DHC⁴ post-facto on 2 December 1996, after 33 months of continued engagement of the consultant.

Scrutiny of the records revealed that

(i) Though the HOC was not delegated with powers either to approve the first proposal or to accept the so called contract, the consultant was engaged for 33 months before obtaining DHC's approval post-facto on 2 December 1996. Though neither the DHC nor the HOC was delegated with powers to enter open ended contract, MEA's approval was not sought for.

(ii) Even though computerisation of accounts wing was completed in June 1995, the consultant continued to be engaged at the same rate which was meant for initial computerisation of accounts instead of the lower rate meant to oversee the running of the system by rendering service for 21 hours in a month at a fee of £ 587.50 per month. Further, no time frame had been built into the contract as to the period up to which the overseeing of the system would continue.

(iii) The objective of engaging the consultant to effect economy in the preparation of accounts by HCI ended up spending £ 28200 annually as against annual fee of £ 20000 paid to the earlier firm for preparation of the accounts.

(iv) The HCI paid a total of £ 145700 equivalent to Rs 83.27 lakh during the period between February 1994 and March 1999 to the consultant

Thus, the engagement of the consultant in disregard of delegated power has resulted in an unauthorised expenditure of Rs 83.27 lakh. The engagement of the consultant continues at the monthly expenditure of £ 2350. The release of payment against the unsanctioned work is also indicative of lack of internal control.

It is recommended that the HCI should discontinue the unauthorised engagement of computer consultant immediately. MEA may investigate and strengthen its internal control to ensure that the Missions abroad do not exceed their delegated powers in future.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

Although the computerisation of accounts wing was completed in June 1995, HCI continuously engaged the consultant without the approval of MEA.

Engagement of consultant without approval of MEA resulted in unauthorised expenditure of Rs 83.27 lakh.

⁴ Deputy High Commissioner

8.8 Expenditure without sanction

High Commission of India, London unauthorisedly spent Rs 59.81 lakh in excess of the amount approved by the Property Team to renovate its visa hall without sanction from the Ministry.

High Commission of India, London carried out major renovation work in the visa wing at a cost of £ 242206 including VAT.

The HCI,¹ London carried out major renovation in the Visa Wing of India House, London during July 1996 to December 1997 and spent £ 242206 including VAT.² Scrutiny of the documents in HCI London disclosed the following: -

(i) HCI, London undertook the renovation work on the approval by a property team of MEA³ consisting of Additional Secretary (AD) and Additional Secretary (FA) in July 1996 for £ 146846 including VAT. Since the powers for sanction to major works vested with the Ministry, it was incumbent upon it to be expressed in the form of a formal sanction in the name of the President of India. The property team's approval on the spot was not sufficient for incurring the expenditure.

HCI spent an excess expenditure of £ 95360 equivalent to Rs 59.81 lakh over and above the approved amount, which was unauthorised

(ii) Even if HCI, London treated 'on the spot approval by the property team' as sanction of MEA, it ought to have obtained sanction for expenditure exceeding the approved amount. However they spent £ 242206 against the approval of the property team for £ 146846 only. The excess expenditure of £ 95360 including VAT equivalent to Rs 59.81 lakh⁴ was unauthorised. Upon being pointed out by audit, HCI requested the MEA in May 1999 to approve the expenditure post-facto. MEA's response was awaited as of November 1999.

(iii) The payment by any cheque drawing authority should be made on the basis of appropriate sanction. The cheque drawing authority at HCI, London made payments beyond the amount approved by the property team. This is indicative of the deficient internal control in the HCI.

The matter was referred to the Ministry in April 1999; their reply was awaited as of December 1999.

¹ High Commission of India

² Value Added Tax

³ Ministry of External Affairs

⁴ at the official exchange rate of £ I=Rs 62.72 as of December 1997

8.9 Irregular payments in US dollars instead of local currency

Failure of HCI,¹ Guyana to meet its local commitments in local currency out of blocked profits of Bank of Baroda upto the maximum limit allowed by MEA² resulted in a potential loss of US \$ 202873 to the Bank

Examination of the accounts of High Commission of India in Georgetown, Guyana and the status of the local Bank of Baroda's blocked funds with the Bank of Guyana as on March 1999 disclosed that the Bank of Baroda was likely to lose about US\$ 202873 due to the ban by the Bank of Guyana on repatriation of the money. Bank of Guyana had imposed restrictions on repatriation of profit in hard currency due to its policy to conserve foreign exchange. To a large extent, this loss was attributable to a non-challant attitude of the High Commission of India.

Mission was allowed to meet its local payments in local currency out of the blocked profits of Bank of Baroda.

As Government of Guyana did not allow the local branch of Bank of Baroda to repatriate its profit, kept with the Bank of Guyana, MEA directed the Mission at Georgetown in March 1986 to draw at least 50 *per cent* of their total monthly requirement of cash in local currency from the blocked fund of Bank of Baroda retained by the Bank of Guyana. The Mission was to reimburse the Bank of Baroda the rupee equivalent of the Guyana dollar utilised by the Mission. This arrangement ensured that on one hand, the Bank of Baroda, Georgetown was able to retrieve its blocked funds representing profits from its operations, which it had deposited with the Bank of Guyana for repatriation and on the other, it could save the Government of India outgo of the equivalent amount of the foreign exchange.

Mission continued to meet local payments in US dollar instead of local currency in disregard of the directions of MEA.

MEA reiterated to the Mission in May 1994 to meet its local currency requirement from the blocked bank account rather than convert hard currency into local currency. The Mission, however, ignored the direction of the MEA and met local payments in hard currency, some of which included the rents of leased buildings for residential accommodations and for security services. During January 1995 to March 1999, the Mission paid US \$ 688690 in hard currency towards rent and charges for providing security services. Sample checks further disclosed cases where the Mission made payments to local suppliers also in hard currency.

Due to its deteriorating external debt position, Government of Guyana prohibited the repatriation of the profits of Bank of Baroda from 1 March 1999 and offered to settle the dues of the Bank at the rate of 9 cents per dollar on the profits of US\$ 222937 of the Bank left with the Bank of Guyana as on *that* date. The Mission's failure to make payments in local currency could result in a potential loss of US\$ 202873 to the Bank of Baroda.

The Ministry merely forwarded the reply of the Mission to the draft audit paragraph. It contended that (i) the Mission had been drawing

¹ High Commission of India

² Ministry of External Affairs

US\$ 20000 every month, the maximum amount that the Government of Guyana had permitted to draw in hard currency out of the blocked funds, (ii) the house owners insisted payment of rent in US dollar and (iii) if the rents were paid in local currency, the Mission would have had to incur higher expenditure on account of difference in the buying and selling rates and by way of taxes.

The Mission and MEA did not produce any evidence in support of their contention that the house owners demanded rent in US dollars. Further the reply of the Mission endorsed by MEA is factually incorrect with reference to items no (i) and (iii) above. Scrutiny disclosed that the Mission did not utilise the maximum amount of US\$ 20000 per month that the Government of Guyana had allowed to draw in hard currency from out of the blocked fund. Its drawal during the period was less by US\$ 906211 than the maximum amount it could have drawn. The reply of the Ministry at (iii) in the preceding paragraph shows lack of appreciation of the issue since drawal in local currency for local payments can not involve any loss in buying and selling rates, as the question of buying the hard currency did not arise.

8.10 Unauthorised expenditure due to retention of car

Embassy of India at Oslo spent Rs 16.07 lakh on additional car retained by them unauthorisedly in disregard of the specific orders of MEA¹

Embassy of India at Oslo retained a car for 11 years unauthorisedly in defiance of specific orders of MEA.

The Mission purchased a Mercedes Benz car in April 1986 with a view to disposing off the old car. The Mission was authorised to hold only one car. After eight months of purchase of the new car, the Mission requested MEA to permit them to hold two cars on its strength. MEA did not agree to the proposal of the Mission and took adverse note of unauthorised retention of the car for eight months.

The Mission did not pay heed to the orders of the Ministry and retained two vehicles against authorisation of only one car until February 1998. Between 1986 and 1998, the Mission purchased two new cars, against which it disposed off the older of the two vehicles on both occasions and thus retained two cars on its strength. MEA failed to notice disregard of its orders by the Mission. In response to another request of the Mission in January 1997, for post-facto approval to retention of two cars, MEA directed the Mission to dispose off the second car in February 1998.

During April 1986 to February 1998, the Mission spent Rs 16.07 lakh on overtime allowance to the messenger who was used for driving the car, maintenance, insurance etc., which was unauthorised.

¹ Ministry of External Affairs

Mission retained an additional car against the sanction for one car.

The unauthorised retention continued for more than 11 years and the additional car was disposed off in only February 1998.

Mission incurred an unauthorised expenditure of Rs 16.07 lakh on the additional car.

Mission's action undermined MEA's authority.

More importantly, the action of the Mission undermined the authority of MEA, whose orders were flouted by the Head of the Mission.

The matter was referred to the Ministry in June 1999; their reply was awaited as of November 1999.

8.11 Incorrect drawal of 50th anniversary celebration funds

Rs 16.26 lakh, sanctioned for celebration of 50th anniversary of India's independence were spent by Indian missions abroad without acceptable evidence of expenditure

Expenditure towards celebration of the 50th year of India's independence was to be supported by proper receipts/subvouchers.

With the objective of celebrating the 50th anniversary of India's independence, MEA¹ allotted separate funds to all Indian missions and posts abroad during 1997-98. As per the orders allotting the funds to the missions/posts, the expenditure was to be booked under a separate head of account opened for this purpose and the expenditure was to be supported by proper receipts/sub-vouchers, which were required to be produced to audit for scrutiny. The missions/posts were also required to maintain a separate expenditure register for this purpose.

Seven mission/posts spent Rs 16.26 lakh without any proof of expenditure.

Sample checks disclosed that in seven missions/posts, grants aggregating to a sum of Rs 16.26 lakh, were either drawn by HOM²/HOP³ as advances, which remained unadjusted or were paid to them as reimbursement of expenditure without acceptable proof of expenditure such as receipts or sub-vouchers. The missions/posts did not render detailed accounts to the Ministry as per its instructions and sent only statements showing the expenditure incurred on various activities to the Ministry. Having laid down a system for expenditure from the grants and accounting of the expenditure, Ministry did not ensure that the systems were in place and the instructions issued by them in this regard were being followed by the missions/posts.

The details of expenditure of Rs 16.26 lakh held by Audit "under objection" for want of acceptable evidence of expenditure are as under:

- EI⁴, Vienna booked Rs 6.28 lakh against 50th anniversary celebrations. Scrutiny disclosed that HOC⁵ made payment of advances and reimbursements of the expenditure to the Ambassador for hosting reception/dinner, cost of Indian snacks, closing ceremony etc. on the basis of notes and certificates from the Ambassador. While the advances paid remained unadjusted for want of details and supporting vouchers, the reimbursements were made merely on the certificate by Ambassador

¹ Ministry of External Affairs

² Head of Mission

³ Head of India

⁴ Embassy of India

⁵ Head of Chancery

without any evidence of expenditure in the form of vouchers/bills/sub-vouchers.

- EI, Bucharest paid a sum of Rs 4.98 lakh as advances and reimbursements to the Ambassador. There was no proof of expenditure except a certificate from the Ambassador for the expenditure incurred.
- CGI⁶, Birmingham paid advances of Rs 1.80 lakh to Consul General without any evidence of expenditure.
- EI, Belgrade paid advance of Rs 50,000 to the Ambassador. The Mission did not render any account for this expenditure to the MEA as required.
- CGI, Hamburg paid advance of Rs 40,000 to the Consul General for reception and closing ceremonies which was not adjusted on the basis of vouchers in support of the expenditure.
- CGI, Glasgow paid Rs 1.80 lakh as advances/reimbursements to the Consul General. There was no proof of expenditure except a note from the Consul General that Rs 1.80 lakh was spent.
- EI, Helsinki spent Rs 50,000 for hosting a reception on 15 August 1997, for which the Mission did not intimate any voucher number and date to the MEA and submitted only a statement of expenditure.

None of these mission/posts could produce the details of expenditure incurred.

Upon being pointed out by Audit, the respective missions/posts stated that they incurred expenditure on the basis of certificates/notes of HOM/HOP, but failed to produce any evidence.

Since the expenditure on 50th anniversary celebrations of India's independence was not to be admitted on the basis of certificate as in the case of Representational Grant, but on the basis of acceptable evidence, the expenditure of Rs 16.26 lakh is held as 'objected to' by Audit

The matter was referred to the Ministry in August 1999; their reply was awaited as of December 1999.

8.12 Extra expenditure due to payment of higher air fare

HCI¹ Guyana, Georgetown spent an extra Rs 13.58 lakh by providing Air India's full fare economy tickets to the trainees instead of tourist/excursion fares and also made an avoidable payment of tax of Rs 3.77 lakh to the local airline.

As per the sanction issued by MEA on 28 May 1997, the nominees of foreign Government coming to India for training under ITEC² programme are to be provided two way air tickets by the

⁶ Consul General of India

¹ High Commission of India

² Indian Technical and Economic Co-operation

tourist/economy class in Air India/Indian Airlines. HCI, Guyana, Georgetown sponsored 73 candidates of Guyana, St. Lucia, St. Vincent and Dominica to attend various courses in India during 1 January 1995 to 31 March 1999. HCI, Guyana allowed Air India's full fare economy tickets to 18 candidates out of 73 who attended training programmes under ITEC between July 1995 and October 1996, even though cheaper excursion fares were available in Air-India flights. Thus, by allowing higher air fare to these 18 candidates, HCI, Guyana incurred excess expenditure of Rs 13.58 lakh.

Scrutiny further disclosed that in the case of 15 candidates flying from Guyana/St. Lucia to India on ITEC training during July 1995 and October 1996, the Mission made an avoidable payment of local taxes in Guyana dollars equivalent to Rs 3.77 lakh to the local air line BWIA International Airways Limited, even though the Mission was exempt from payment of such tax.

The Ministry stated, in November 1999, that:

- i) Under the ITEC guidelines passages could be booked by the missions by tourist or economy class and therefore, the HCI, Guyana had the option to book the ITEC passages either by tourist class or by economy class.
- ii) The difficulties like halt at intermediate station involving expenditure on accommodation and boarding of the nominees, getting confirmed seats for candidates to travel on the desired date by tourist class etc. which could be faced by the candidates prohibited the Mission from booking their passages by tourist class.
- iii) The diplomatic missions and International Organisations holding diplomatic/official passports are exempted from paying air travel tax. As the ITEC trainees are local nationals holding ordinary passports, the Mission was required to pay air-travel tax.

The Ministry's reply is unacceptable in view of the following:

- The Government of India guidelines did not provide for full-fare economy class tickets for ITEC candidates. The term 'economy class' is an omnibus term which encompasses different types of fares like three months excursion fare, six months excursion fare, full-fare economy etc. Where cheaper class tickets were available, as an economy measure it was incumbent on the missions to have chosen that fare, as is the practice in respect of all such aided programmes, In fact, the Mission was buying cheapest fare tickets available prior to July 1995 and after October 1996.
- The difficulties expressed by the Ministry were not unique as to have cropped up only during the period in question.
- The Mission did not pay any such tax for ITEC candidates before July 1995 and after October 1996.

- In its reply, the Ministry did not cite any case where the decision to book full fare economy ticket by the Mission was compelled by one or more reasons advanced by it. The reply of the Ministry only stated the possibilities generally, without substantiating them.

8.13 Avoidable payment of bank charges: CGI New York

Consul General of India, New York did not explore alternate competitive banking options and made avoidable payment of Rs 9.59 lakh towards bank charges during March 1997 to May 1999. Upon being pointed out by Audit CGI shifted its account to another bank.

CGI¹, New York maintained a Checking account² and a CD account³ with a branch of Chase Manhattan Bank, New York situated on the 64th street Madison Avenue. The bank levied an 'Analysis Fee' every month for the service rendered by it in the maintenance of Checking account. The 'Analysis Fee' is the total of bank charges like charges for cheques paid, cheques deposited, cash deposited etc. minus earnings credit which is a notional credit the bank computes on the average monthly balances maintained by the client in their checking account.

Analysis of month-wise bank statements for the period March 1997 to May 1999 disclosed that the CGI paid US \$ 23,801 equivalent to Rs 9.59 lakh towards 'Analysis Fee' to the Bank on various transactions handled by it for CGI. The payment of 'Analysis Fee' by the CGI would be much more if the amounts for the period prior to April 1997 were also reckoned. The CGI did not ascertain from other banks to examine the feasibility of keeping their account with them at lower costs.

Inquiries with Citibank in New York in the same locality on the 65th street revealed that based on the same banking profile and operations, there would have been no 'Analysis Fee'/banking charges payable at all in case the Chancery account was maintained with them.

The Consul General stated in November 1999 that upon being pointed out by Audit, they had shifted the account to the Citibank on 65th street Madison Avenue.

¹ Consul General of India

² Balance in Checking account do not earn interest

³ Certificate of deposit account which is similar to a term deposit account

8.14 Deficient cash management and loss of interest

Deficient financial control in the Consulate General of India, Birmingham resulted in holding of excess cash with consequential loss of interest of at least Rs 31.00 lakh.

In terms of the standing instructions issued twice every year by the MEA¹, closing balance of cash during any month in any Mission/Post should not exceed six weeks' requirements. Request for special remittances are to be made in terms of these instructions, in case any authorised expenditure is anticipated.

Cases of flouting of these instructions and holding of monthly cash balances in excess of six weeks' requirement by various missions/posts abroad leading to a loss of interest of Rs 30.75 lakh and Rs 22.62 lakh were included in Report No.2 of 1997 and Report No.2 of 1998, Union Government (Civil) respectively.

Holding of cash in excess of requirement by CGI, Birmingham resulted in loss of interest of Rs 31.00 lakh.

Further scrutiny in CGI², Birmingham disclosed that the monthly cash balance exceeded the above norms by up to Rs 2.53 crore which represented up to 412 *per cent* of their six weeks' requirements during June 1995 to January 1999. Although CGI consistently held cash balance in excess of its six weeks' requirement, it did not remit the excess cash held in its accounts. Head of Chancery of the CGI stated in November 1997 that the bank with whom the account was being maintained wanted them to maintain a clear credit balance of £ 100000 at any point of time. The CGI could not produce any evidence in support of their contention about insistence of the banks in United Kingdom for the minimum credit balance. Holding of cash in excess of the minimum credit balance and six weeks' requirement resulted in loss of interest of Rs 31.00 lakh at the maximum borrowing rate of 14 *per cent* by the Government during June 1995 to January 1999. Reckoning the total excess cash balance during this period including £ 100000 claimed by CGI, the loss of interest would be Rs 60.52 lakh.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

¹ Ministry of External Affairs

² Consulate General of India