

CHAPTER VI : MINISTRY OF EXTERNAL AFFAIRS

6.1 Avoidable expenditure on creation of the office of the Ambassador-at-large

The Ministry created the post of Ambassador-at-large at New York without assigning any mandate. The office was subsequently wound up in October 2004 after incurring an expenditure of Rs. 15.95 crore.

The Ministry of External Affairs in August 2001 created the post of Advisor in Embassy of India Washington and Ambassador-at-large (AAL) for Non-Resident Indians (NRI) and Persons of Indian Origin (PIO). Simultaneously, the Ministry offered this post to a permanent resident of the United States of America, who accepted the offer and assumed charge of the office at New York in September 2001. In October 2001, Cabinet approved the opening of the office with five India based and five local posts. In October 2004 the office was wound up. The total expenditure incurred on the Mission till September 2004 was Rs. 15.95 crore.

Audit noted the following:

- Government did not issue any specific and separate mandate for the office of AAL. There was overlap of functions carried out by him with those of the Mission in Washington and the Post in New York. The basis of sanctioning five India based posts and five local posts, though sought by audit in March 2004 was not furnished.
- The US Government declined in December 2001 to accredit the newly appointed AAL as a foreign diplomat as, among other reasons, it did not recognize the rank of Advisor or Ambassador-at large and could not accredit a green card holder as a diplomat.
- In April 2002, the US Department of State also turned down a request made by the Indian Embassy for special dispensation. In December 2002, the AAL was made Special Advisor to the Permanent Representative of India to United Nations, with the rank of Ambassador.
- The office functioned from different premises in New York, from a hotel up to November 2001, from the residential accommodation of the AAL upto April 2002, from a temporary office accommodation up to

October 2002 and from an accommodation leased in September 2002 for a three-year period. The expenditure incurred for hiring office accommodation till it was shifted to the new premises in October 2002 was US\$ 105,550 equivalent to Rs. 51.38 lakh.

- The Ministry sanctioned in June 2002 an annual rent of US\$ 220,000 (Rs. 1.07 crore) for the office. The deed of September 2002 leasing the accommodation, however, created a liability for paying an annual rent of US\$ 224,000 (Rs. 1.09 crore) for the first year and US\$ 228,888 (Rs. 1.12 crore) for the second and third years. The sanction of the Ministry was not obtained for binding it to the additional financial liability of US\$ 21,776 (Rs. 10.62 lakh). This also violated the rules which provide that continued renting of existing accommodation with an enhancement of 10 per cent on the last rent is permitted only when the last contract is for a minimum period of three years.
- The lease deed of September 2002 did not have any clause to terminate the lease on an earlier date as required under rules relating to Indian Foreign Service. Therefore the Mission was liable to pay rent and other charges till the expiry of the lease period, i.e., up to August 2005 even when the office was wound up in October 2004.
- Residential accommodation for the AAL was leased by the Consulate General of India, New York with effect from December 2001 at an annual rent of US\$168,000 (Rs. 81.03 lakh) for the first year, US\$180,000 (Rs. 86.81 lakh) for the second year and US\$ 204,000 (Rs. 98.39 lakh) for the third year. Ministry observed in November 2003 that the renewal of lease by enhancing the rent to US\$ 15000 (Rs. 7.23 lakh) per month for the second year was done by the Mission without approval as required under rules. However, Ministry sanctioned in April 2004 enhancement of rent from US\$ 15000 (Rs. 7.23 lakh) to US\$17000 (Rs. 8.20 lakh) per month for the third year.
- A brokerage of US\$ 25,200 (Rs. 12.15 lakh) was paid for the leasing of residential accommodation for AAL against one month's rent of US\$ 14,000 (Rs. 6.75 lakh) payable as commission under the rules.
- The Mission purchased a car in August 2003 at US\$ 39395 (Rs. 18.28 lakh). Till July 2003, Mission hired a car incurring an expenditure of US\$ 132,000 (Rs. 63.39 lakh). Though the Mission had proposed

leasing a car to avoid continued hiring in June 2002, there was inordinate delay in the purchase, which resulted in avoidable expenditure of US\$ 28310 (Rs. 13.54 lakh) on continued hiring.

- Furniture costing US\$ 36100 (Rs. 17.10 lakh) was purchased for the office during January-September 2003, far exceeding the delegated financial powers of US\$ 5780, without obtaining sanction of the Ministry.

Thus an amount of Rs. 15.95 crore was spent up to September 2004 on a Mission created without any mandate.

The matter was referred to the Ministry in December 2004; its reply was awaited as of January 2005.

6.2 Non-compliance on inadmissible items under the Children Education Scheme

Non-compliance of prescribed recovery for inadmissible items in the children education scheme resulted in undue benefit of Rs. 14.22 lakh; unauthorised expenditure of Rs. 1.11 crore was detected on account of capital assessment and other fee.

As per IFS (PLCA) Rules, the Government of India is liable to pay School/Tuition fee, Admission fee, Registration fee, Examination fee, Lab/Science fee and Computer fee for the education of the children of India-based officials posted in missions abroad. Fees, on account of books & stationary, transportation, uniform, lunch and cost of field trips are inadmissible. Yet, if fees for inadmissible items are certified by the school as integrated in the school fee, without any break-up, they are payable by the Government, subject to a prescribed deduction from the official.

During test check, Audit pointed out non-recovery of Rs. 14.22 lakh towards inadmissible items on account books/stationery, field trips and curriculum fee from the officials in respect of the Missions at Belgrade, Berne, Bishkek, Hamburg, Kyiv, Oslo, Paris, Vienna, Frankfurt and Brussels. In eight cases, the Missions did not intimate the Ministry about inadmissible items. Against a recovery of Rs. 14.22 lakh pointed out by Audit, during February 2000 to August 2004, Missions and Posts had recovered Rs. 2.73 lakh till August 2004 as detailed in the **Annex-A**.

Expenditure without sanction

As per Ministry's direction of January 1999, prior approval of the Ministry was necessary for payment of Capital levy/ building fee, etc, since these did not fall within the purview of admissible payments by Government on behalf of the wards of officials posted in the Missions.

Scrutiny of records of four Missions/Posts revealed an irregular expenditure of Rs. 1.11 crore, as per **Annex-B**, on account of capital assessment and other fees, incurred during 1996-97 to 2003-04 without the approval of the competent authority.

In reply, the Posts at Frankfurt and Hamburg intimated in April/May 2004 that the matter had been taken up with the Ministry for ex-post sanction while the Mission at Paris and Post at Munich had not responded. Further the Post at Hamburg had made an excess payment of capital fee of DM 6000 and Euro 1534 equivalent to Rs. 2.62 lakh.

The matter was referred to the Ministry in February 2004; their response was awaited as of December 2004.

Annex-A

Inadmissible Children's Education allowance

Sl. No.	Name of Mission/ Post	Total recoverable amount		Recovery made		Outstanding recovery	
		Local currency	Rs. in lakh	Local currency	Rs. in lakh	Local currency	Rs. in lakh ¹
A. Recovery on accounts of books/stationery							
1.	Belgrade	US\$ 196.97	0.09	Nil	Nil	US\$ 196.97	0.09
2.	Berne	CHF 9604.05	3.42	1463.80	0.51	CHF 8140.25	2.91
3.	Bishkek	US\$ 1451.00	0.66	Nil	Nil	US\$ 1451.00	0.66
4.	Hamburg	DM 2703.00	0.79	Nil	Nil	DM 2703.00	0.79
		Euro 1066.00	0.61	Nil	Nil	Euro 1066.00	0.61
5.	Kyiv	US\$ 3143.62	1.43	2781.17	1.27	US\$ 362.45	0.16
6.	Oslo	Nok 17809.50	1.15	Nil	Nil	Nok 17809.50	1.15
7.	Paris	Euro 3624.97	2.06	Nil	Nil	Euro 3624.97	2.06
8.	Vienna	Euro 1627.18	0.82	1407.49	0.70	Euro 219.69	0.12
B. Recovery on account of field trips and curriculum fee							
9.	Frankfurt	Euro 3820.00	2.17	Nil	Nil	Euro 3820.00	2.17
10.	Hamburg	DM 450.00	0.13	Nil	Nil	DM 450.00	0.13
		Euro 975.00	0.55	Nil	Nil	Euro 975.00	0.55
11.	Brussels	US\$ 759.02	0.34	570.65	0.25	US\$ 188.37	0.09
	Total		14.22		2.73		11.49

Annex-B

Unauthorised payment of capital assessment and other fee

Sl. No.	Name of Mission/ Post	Period	Amount paid without prior approval of Ministry		Purpose
			In local currency	Rs. in lakh	
1	Paris	Feb. 1997 to June 2003	Euro 7800 & FFr 274000	28.20	Capital Assessment fees
		2002-03 to 2003-04	Euro 14560 & FFr 40000	11.75	Entry fees
2	Frankfurt	2002-03 to 2003-04	Euro 76650	43.60	Capital Assessment fees
3	Hamburg	1996-97 to 2003-04	DM 80000 & Euro 4602	25.89	Capital Assessment fees
		March 2000 to November 2003	DM 720 & Euro 1501	1.06	Other fees ²
4	Munich	Feb. 2003	Euro 819	0.47	
	Total			110.97	

¹ Official rate of exchange for the month of March 2004² IB and IGCS Exam fee

6.3 Loss of refund of VAT

Lack of internal control in claiming refund of Value Added Tax on bills relating to construction of chancery complex at Berlin resulted in a loss of Rs. 81.11 lakh.

In January 1998, the Government of India approved construction of the Chancery Complex in Berlin at a cost of approximately DM 32 million (Rs. 67.85 crore³), excluding the cost of land. The construction phase started in 1999 and the building was handed over to the Mission in May 2001. The sanction of the Ministry had explicitly indicated that all expenditure on the project would have to be processed for VAT refund, which would accrue to the Government of India. The law governing the claim of VAT refund by diplomatic missions is unambiguous and states that the claim to reimbursement of VAT lapses at the end of the calendar year, which follows the year in which the work was carried out.

Test check of the records of the Mission relating to claim of VAT revealed that two bills pertaining to the year 2001 were claimed on 14 July 2003 for DM 147,652 equivalent to Rs. 42.94 lakh⁴ and DM 131,264 equivalent to Rs. 38.17 lakh⁵. These claims should have been preferred by 2002. Due to delay in claiming VAT refunds, the claims were rejected by the Federal Finance office, Germany.

Ministry, while accepting the audit contention of the rejected claims of DM 0.28 million equivalent to Rs. 81.11 lakh stated in July 2004 that the Mission was pursuing for refund of rejected claims.

Thus, failure of the Mission to claim refund of VAT in time resulted in loss of legitimate dues of the Government amounting to Rs. 81.11 lakh.

³ At the official exchange rate of DM 1=Rs 21 mentioned in the sanction

⁴ At the exchange rate of 1 DM = Euro 0.511292 prevailing at the time of shifting of Germany from DM to Euro and official exchange rate of 1 Euro = Rs. 56.88 prevailing in March 2004

⁵ Against a claim of DM 258199.73, claim of DM 131264.79 was rejected and remaining claim of DM 126934.94 paid in January 2004.

6.4 Irregular appointment of chauffeur

Unauthorised appointment of local chauffeur at High Commission of India, Singapore without the approval of Ministry resulted in irregular expenditure of Rs. 56.48 lakh.

In pursuance of the recommendations of Foreign Service Inspectors (FSI) in December 1995, the High Commission of India, Singapore (Mission) purchased a new additional car in July 1996 at a cost of Rs. 12.99 lakh. The action of the Mission contravened item No. 15 (a) of Delegation of Financial Powers Rules, 1978, according to which it could have purchased the car only with the prior approval of the Ministry. The Mission sought in October 1999 post facto sanction of the Ministry which was accorded in April 2000. The Mission also appointed a local chauffeur from the date of purchase of the new car in addition to the three regular chauffeurs working in the Mission. As the Mission had been sanctioned only three regular posts of chauffeurs, appointment of another chauffeur without the approval of the MEA was irregular. The Mission's request (July 2002) for retrospective sanction of additional post of chauffeur was not accepted by the Ministry which instead suggested in September 2002 to redesignate and upgrade one of the sanctioned local posts of clerks of the Mission to that of a chauffeur. Despite Ministry's advice, the Mission continued to operate the post of the fourth chauffeur and spent Rs. 56.48 lakh on his pay and allowances till July 2004. Thus, the entire expenditure of Rs. 56.48 lakh incurred by the Mission towards fourth chauffeur's pay and allowances including overtime allowance was irregular.

On the matter being pointed out by audit, the Mission stated in August 2004 that it had been writing to the Ministry for the sanction of additional post of the chauffeur. The reply is not tenable as by not acting on Ministry's advice to redesignate and upgrade one of its sanctioned local posts, the Mission not only perpetuated the irregularity but also incurred additional expenditure as two posts were being operated instead of one as advised by the Ministry.

The matter was referred to the Ministry in October 2004; their reply was awaited as of February 2005.

6.5 Irregular expenditure

While the orders of Government of India permit providing of items of furniture/electrical appliance costing Rs. 2.50 lakh at the residence of a Union Cabinet Minister only, the Ministry of External Affairs incurred irregular expenditure of Rs. 40.92 lakh on furniture, furnishings and air conditioners etc. for the residence of Foreign Secretary during 2000-2003.

Government of India's decision below Rule 6 of General Financial Rules lays down that every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. He 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.

Audit ascertained that Rs. 31.26 lakh was spent during 2002-03 on providing furniture, furnishings and durables at the residence of Foreign Secretary as detailed below:

(Rupees in lakh)

Sl. No.	Item	Quantity	Amount	Remarks
1.	Split air conditioners	10	4.98	These included air conditioners for bedrooms, family living rooms and lobby.
2.	Sofa sets	7	1.37	These included sofa sets for bedrooms and T.V. lounge.
3.	Beds	5	1.50	These included beds for master bedroom, daughter's bedroom, and son's bedroom.
4.	Carpets	6	2.95	--
5.	Household durables	1 each	1.42	These included washing machine, microwave oven, refrigerator and cooking range
6.	Other items	42	19.04	These included coffee table, breakfast table, dining table and furniture items for master bedroom, son's bedroom and daughter's bedroom
	Total		31.26	

Although the Ministry incurred large expenditure on purchase of premium quality furniture etc. for the residence of Foreign Secretary on the ground that he had to entertain foreign dignitaries, it was observed in audit that most of the furniture was for bedrooms, living room and other areas for personal use of the family. Audit requested the MEA as well as the Ministry of Finance (MOF) to intimate the orders of the Government of India laying down the scales/monetary ceiling for articles to be used in the residence of Foreign Secretary. While MEA stated in September 2004 that no orders had been issued by the Government in this regard and no scale of furniture had been prescribed for the Foreign Secretary's official residence, response of MOF was awaited (December 2004). The expenditure incurred has to be viewed in

the light of the fact that even for Cabinet Ministers of the Union of India, whose representational nature of functions is admittedly higher, the Government had fixed in February 2003 monetary ceiling of Rs. 2.50 lakh for providing furniture and electrical appliances at their residences. Even during 2000-02, items like carpets, sofa sets, vacuum cleaners, gas cylinder, coffee tables etc. costing Rs. 9.66 lakh had been purchased for the residence of the Foreign Secretary taking the total of the irregular and unjustified expenditure to Rs. 40.92 lakh during 2000-03.

The Ministry stated in September 2004 that the items of furniture/furnishings had been provided at the Foreign Secretary's residence keeping in view the functional requirements of the post taking into account the official responsibilities of receiving and entertaining diplomats and foreign dignitaries at his official residence. The Ministry further stated that these items were provided on the lines of what was provided to Heads of Indian Missions (HOMs) abroad. The reply is not tenable as the entitlement of HOMs on their posting abroad is governed by a different set of conditions and rules, namely IFS PLCA Rules and even then items for use in personal areas are not permitted to be provided. The Ministry further stated that it was open to the idea of fixing a scale for providing various articles at the residence of the Foreign Secretary. Further action was awaited as of February 2005.

6.6 Unauthorised and avoidable expenditure on leasing of accommodation

Despite the availability of Government owned residential accommodation in the Chancery premises, private accommodation was leased for chauffeur at New York, entailing an avoidable expenditure of Rs. 28.36 lakh as of October 2003.

The scales of accommodation for officials serving in Missions abroad are prescribed by the Ministry of External Affairs (MEA) in Indian Foreign Service (PLCA) Rules, which stipulate that India based chauffeurs should be accommodated in the outhouses of Embassy and Chancery premises, failing which they should be provided with separate accommodation within the prescribed scales where persons of similar status usually reside.

In June 2000, Consulate General of India New York confirmed to MEA the availability of two-room accommodation in the Chancery premises to accommodate a chauffeur to be posted from New Delhi. MEA, in August 2000, asked the Consulate to identify a three-roomed accommodation for the chauffeur-designate, given the size of his family. The Consulate leased a three

bed roomed house with sitting room, dining room and kitchen for a monthly rental of US\$1600 from October 2000 and approached MEA for approval. The rent was subsequently enhanced to US\$1650 from October 2001 and to US\$1700 from October 2002. The rent paid was more than the rent paid in respect of Assistants and Vice Consuls staying in two bed-roomed accommodation, which ranged between US\$ 1475 and 1550 per month, although Assistants and Vice Consuls are higher in status than a chauffeur. Further, the residential accommodation was leased more than one month in advance from 6 October 2000, although the chauffeur reported for duty in New York only on 9 November 2000.

Though chauffeurs posted abroad are not authorised to take family at Government expense, the Ministry, by an order issued in October 2000, permitted the chauffeur to take his family consisting of his wife and four children at his cost, with Government liability limited to issue of official passports and admissible medical facilities to his family. MEA, however, made it unequivocally clear in the order of October 2000 that no additional expenditure on accommodation or any other benefits whatsoever asked for would be admissible. Formal sanction to the leasing of three bed roomed accommodation for the chauffeur was never given by MEA. Leasing of accommodation for the chauffeur by incurring an expenditure of US\$ 59400 equivalent to Rs. 28.36 lakh as of October 2003 was therefore not only unauthorised but also avoidable since entitled accommodation was available in the Government owned Chancery building.

The Consulate stated in November 2003 that accommodation was taken on rent based on MEA's letter of August 2000. The reply is not tenable as MEA's letter of August 2000 was a request to the Consulate to locate suitable accommodation and was not a sanction in itself. Obviously, MEA's stand in this case was ambivalent since on the one hand, it asked the Consulate to locate a three-bed roomed accommodation, while, on the other hand, it ordered not to incur any extra expenditure for accommodating the chauffeur's family.

The matter was referred to the Ministry in March 2004; its reply was awaited as of December 2004.

6.7 Extra expenditure on pay and allowances of surplus staff

Delay by the Ministry in withdrawing assistants rendered surplus in the High Commission of India, Nairobi and further posting of an additional assistant resulted in avoidable extra expenditure of Rs. 22.72 lakh.

A review conducted by the High Commission of India, Nairobi (Mission) in November 2000, indicated that two posts of India based Assistants were surplus. Accordingly the Mission surrendered the two posts to the Ministry in December 2000. The Ministry instead of transferring the surplus Assistants immediately, issued posting order of an additional Assistant in March 2001. Mission again informed the Ministry in May 2001 about the surplus Assistants and suggested the cancellation of the posting of the new incumbent. In June 2001, the Ministry did not agree to the Mission's proposal on the ground that the designated person had completed the required formalities for posting abroad. The new incumbent joined the Mission in August 2001. The Mission thereafter relieved one of the two existing surplus Assistants in August 2001 and the other in October 2001.

The Ministry not only failed to transfer the two surplus Assistants within a reasonable time but also posted another additional Assistant in excess of the staff strength (continued as of August 2004). This resulted in avoidable expenditure of Rs. 5.23 lakh on pay and other allowances of the two surplus Assistants transferred late and Rs. 17.49 lakh on the posting of the additional Assistant for the period August 2001 to July 2004. Thus, total avoidable expenditure was Rs. 22.72 lakh for the period April 2001 to July 2004 and is continuing @ Rs. 0.50 lakh per month. The Ministry's argument that a person had to be posted in the Mission merely because he had completed the formalities for posting abroad even though there was no work for him, is patently untenable and against all tenets of good governance and economy in expenditure.

On the matter being pointed out by audit, the Mission stated in August 2004 that the post of an Assistant for accounts work had become a necessity for the Mission and the Ministry was being approached for regularisation of the post on functional grounds. The reply of the Mission contradicts its own conclusion arrived at after a review of the staff strength.

The matter was referred to the Ministry in October 2004; their reply was awaited as of February 2005.

6.8 Arbitrary action leading to infructuous expenditure

High Commissioner, Dar es Salaam arbitrarily ordered an attaché not to be present in the Chancery and made him sit idle for a period of more than a year. The Ministry, to whom the matter was referred, also failed to resolve the issue or repatriate the officer to India or post him to another station. This rendered the expenditure of Rs. 14.93 lakh incurred on his salary and rent for his residence during the period, infructuous.

The High Commissioner, Dar es Salaam, issued an office order on 10 June 2002, prohibiting an attaché posted in the High Commission of India (HCI), from being present in the mission on grounds of indiscipline and insubordination. Subsequent office orders issued in October 2002 and June 2003 pertaining to work distribution among the officials of the Mission revealed that the officer had not been assigned any work. There was no mention in the records about the exact date from which the officer restarted attending office but there was a reference to an office order dated 4 September 2003 in which some work was stated to have been allotted to him. Thus, the officer remained idle during the period 11 June 2002 to 3 September 2003 and continued to draw pay and allowances.

The course of action adopted by the High Commissioner was arbitrary and was not followed up by any appropriate disciplinary proceedings against the officer. By opting for a course of action which was not covered under any disciplinary rules, the High Commissioner made the officer sit idle for more than a year while continuing to draw his pay and allowances. The Ministry, to whom a copy of the High Commissioner's orders had been sent, also failed to resolve the issue or repatriate him to India or post him to another station. During the period the officer remained idle, the HCI had incurred an expenditure of Rs. 8.31 lakh on his pay and allowances, calculated on the basis of average annual expenditure on posts, and Rs. 6.62 lakh on account of rent paid for the leased accommodation provided to him.

The Ministry stated in November 2004 that Additional Secretary (Administration) had visited the Mission in September 2003 and had ordered immediate redeployment of the attaché. The concerned High Commissioner had also been warned to be more careful about his actions. The arbitrary action of the High Commissioner thus resulted in the Mission incurring an infructuous expenditure of Rs. 14.93 lakh on the salary of the attaché and rent for his residence during the period of over a year during which the attaché was not allowed to work.

6.9 Loss of Government money

Failure to follow the procedure laid down in the Consular Manual, inefficient monitoring system and lack of internal control resulted in loss of Government money amounting to Rs. 11.58 lakh in High Commission of India London.

Consular Manual lays down an elaborate procedure to safeguard against leakage of government revenue. On completion of transactions for the day, the daily collections are required to be deposited with the Chancery Accountant/Cashier through challans/pay in slips and the Head of the Chancery is required to countersign the challans. He is also vested with the responsibility of carrying out monthly checks to ensure that all records are properly maintained and the total consular fees for the month tally with the amount shown in the cashbook.

Audit scrutiny of passport receipts of the High Commission of India, London for the period April 2001 to March 2004 revealed that the contingency staff posted in the passport counters were depositing daily cash collections and also writing the books, in violation of prescribed procedures. The checks prescribed by the manual were also not carried out, signifying lack of internal control. A scrutiny of passport receipts, passport fee register and statement of revenue deposited in the bank during April 2001 to March 2004 revealed that there was a short deposit of Government money amounting to GBP 15,398 equivalent to Rs. 11.58 lakh⁶.

In November 2004, the Ministry accepted the fact and stated that loss of Government money was due to defalcation by a local employee. To enforce strict monitoring, control and to avoid recurrence of any such loss in future, the Mission had taken several corrective measures such as periodic checking of records of Passport Wing by the Head of the Chancery and detailed instructions to the officials of the Passport wing.

6.10 Misuse of official powers for personal gains

An officer during his tenure in Embassy of India Ulaanbaatar where he worked as Head of Chancery and also acted as Charge d'Affaire from time to time, deliberately acted for his personal gains amounting to Rs. 10.89 lakh.

Audit scrutiny of records of the Embassy of India (Mission) at Ulaanbaatar, Mongolia revealed that an officer 'X' who had worked as the Head of

⁶ At the official rates of exchange applicable to the respective months.

Chancery (HOC) and had also acted as the Charge d'Affaire at different points of time, misused his official powers, in disregard of the Government of India's rules and procedures, for his personal gains. Some of his acts clearly amounted to misappropriation of public money. Irregularities noticed during test check in audit are detailed below.

(a) 'X' had been residing in a flat hired at a rent of US\$ 1210 per month with effect from May 2002. On 15 January 2003 while acting as Charge d'Affaire he took on lease another flat at a monthly rent of US\$ 1500 from a lady and signed a lease agreement with her. Prior approval of the Ministry was not obtained for hiring a new accommodation at a substantially higher rent. Further, the officer used to receive six months' advance rent i.e. US\$ 9000 (equivalent to Indian Rupees 4.34 lakh @ Rs. 48.25 per dollar) in cash from the Mission for giving to the lessor. He furnished receipts signed by her. Two such payments amounting to US\$ 18000 (equivalent to Indian Rupees 8.52 lakh @ Rs. 48.25 per dollar for the period 15 January 2003 to 14 July 2003 and 15 July 2003 to 15 January 2004) were received by him between January 2003 and August 2003. This action was grossly irregular and against Ministry's instructions as such payments were to be made through cheque or bank transfer only.

On the matter being pointed out in audit, Mission while admitting the above irregularities also informed in August 2004 that the lady who signed as the lessor had admitted that she was actually not the owner of the flat and had signed the lease deed on the request of 'X'. Thus, the entire payment is suspect and needs to be thoroughly investigated

(b) As a part of Indo-Mongolian Joint School Project in Ulaanbaatar, four teachers were deputed to Mongolia to teach English and Mathematics at the Joint Indo-Mongolian Higher Secondary School. The Head of Mission deputed 'X' who was then HOC alongwith the Director of the School to hire accommodation for the teachers. Four flats were taken on lease on 1 September 2003, three each at a rent of US\$ 300 and one at US\$ 270 per month. The rent was payable for three months in advance. Audit noticed that Mission paid rent at rates higher than the agreed rent. During the period September 2003 to February 2004, the excess rent paid was US\$ 2250 equivalent to Rs. 1.02 lakh at the exchange rate of Rs. 45.55 per dollar. On the matter being pointed out in audit, Mission stated in August 2004 that this irregularity came to its notice in April 2004 and on inquiry it was stated by the Director of the School that higher payment was made on the advice of 'X' and he also produced original documents in which the original rental figures had

been changed by 'X' in his own handwriting. Mission also added that this irregularity had been reported to the Ministry in April 2004.

(c) Scrutiny of log book revealed that the officer had used staff car for personal use during February 2000 to September 2003 on 43 occasions for travelling 13881 kilometers (km). Further, a private visit to Russian Federation involving 1855 km was also undertaken by the officer in September – October 2001 without the approval of the Ministry. The total mileage of private journeys on staff car by the official was 15736 kms and thus Rs. 0.94 lakh @ Rs. 6 per kilometre should have been deposited by him.

(d) Apart from the above, Rs. 0.41 lakh was also recoverable from the officer on account of his claiming higher airfare on travelling by unapproved route during home leave passage, obtaining inadmissible reimbursement of expenditure on transportation of personal effects from one residence to another in the same station, overdrawal of daily allowance and hotel expenditure while on tour and incurring of unauthorised expenditure on repairs and maintenance of his residence.

Thus, the officer had deliberately and repeatedly acted for his personal gains to the extent of Rs. 10.89 lakh.

The Ministry stated in November 2004 that it was seized of the matter. An investigation of the Mission was carried out by the Additional Secretary (Administration) and Joint Secretary (Chief Vigilance Officer) in April 2004 as a result of which a departmental inquiry had been initiated against the officer.

6.11 Avoidable expenditure on vacant accommodation

Consulate General of India, Hamburg maintained a vacant leased residence for more than 22 months, which resulted in an avoidable expenditure of Rs. 10.72 lakh.

Para 7(6) of Annexure X of IFS (PLCA) Rules provide for vacant retention of a leased accommodation for a maximum period of three months beyond which retention would warrant approval of the Ministry. Instructions issued from time to time by the Ministry emphasize adherence to the rule.

Audit scrutiny of records of Consulate General of India, Hamburg (Post) revealed that the Post had kept one leased accommodation at Langelohstrasse, 144, 22609 Hamburg vacant for more than 22 months. It was observed that the

occupant left the Post on 30 September 2001 without announcement of the successor. A successor selected in April 2002 did not join the Post. Eventually, a successor joined the Post on 25 August 2003, nearly two years after departure of the predecessor. Retention of the leased accommodation was ab initio, unjustified as no successor had been announced upon expiry of the three months permissible retention period. Yet the Post did not seek approval of the Ministry for continued retention of the vacant leased accommodation despite the unambiguity in the delegated powers. This resulted in an avoidable expenditure of Rs.10.72 lakh on account of rent (Rs. 10.46 lakh), telephone and electricity charges (Rs. 0.26 lakh) from 1 October 2001 to 15 August 2003.

The Consul General in reply (June 2004) stated that the Vice Consul was solely in-charge of accounts and administrative matters and he had been given explicit instructions to arrange for the joining of the successor or de-hiring of the accommodation. Post further stated that it would seek ex-post facto sanction of the Ministry.

The negligence on the part of Post for retention of vacant accommodation for a period of more than 22 months without the approval of the competent authority resulted in an avoidable expenditure of Rs.10.72 lakh.

The matter was referred to the Ministry in July 2004; their response was awaited as of December 2004.

6.12 Unjustified retention of advance by a Consul General

Consul General of India, Vancouver did not refund the unspent advance of C\$20446 equivalent to Rs. 6.01 lakh drawn by him in June 2000, in connection with two international conferences. He refunded the amount in July 2004, only after being pointed out by audit. The Consulate did not recover the penal interest of about Rs. 2.69 lakh recoverable under rules.

Rules stipulate that advances drawn by a Government servant shall be adjusted within 15 days of completion of tour, failing which the entire amount together with interest shall be recovered. The rate of interest prescribed in this connection is two *per cent* over the interest rate allowed by Government on Provident Fund balances of its employees.

The Ministry of Petroleum and Natural Gas, in June 2000, requested Consul General of India, Vancouver, to arrange accommodation, transport etc. in respect of the Honorable Minister during his visit to Calgary, Canada, for

attending World Petroleum Congress, and to send the bills to the Cabinet Secretariat for adjustments. Similarly, the Ministry of Consumer Affairs and Public Distribution requested the Consul General to arrange payment of registration charges and for local tours in respect of a ministerial team visiting Regina, Canada in June 2000 to attend a conference arranged by International Grains Council.

The Consul General drew two advances of C\$ 22000 equivalent to Rs. 6.47 lakh and C\$ 11000 equivalent to Rs. 3.24 lakh from the Consulate, in June 2000, to meet expenditure in respect of the above visits and booked the amounts to the Department of Public Distribution and Cabinet Secretariat, respectively. On completion of the conferences, the Consul General refunded in June 2000 an amount of C\$ 12000 stating that C\$ 21000 had been spent at Calgary for which he and the Consul, who had also attended the Conference, would submit separate accounts. The Consulate credited the amount of C\$ 12000, so refunded by the Consul General, to the Department of Public Distribution. In July 2000, the Consul General credited an amount of C\$ 553.54, received as refund from Canada Grains Council to the Department of Public Distribution.

The Consul General neither submitted the accounts nor refunded the balance of C\$ 20446.46 during his tenure in the office despite being repeatedly pointed out by audit, since June 2001. The Consulate merely informed his next office of posting to recover the unspent advance by including it in the Last Pay Certificate issued in October 2003. An amount of C\$ 20446.46 remained outside the treasury for over three years.

The Consulate stated in August 2004 that the former Consul General had refunded the outstanding advance of C\$ 20446.46 equivalent to Rs. 6,81,481 in July 2004. The Consulate was, however, silent about the reasons for the delay in the refund and non-recovery of penal interest of about Rs. 2.69 lakh as required under rules.

The matter was referred to the Ministry in March 2004; their reply was awaited as of December 2004.

6.13 Recurring loss of interest due to injudicious retention of excess cash balance

Deficient internal control to ensure compliance to Ministry of External Affairs' instructions for not holding cash balance in excess of requirement by overseas Missions and Posts resulted in loss of interest of Rs. 1.38 crore despite audit observations on a number of occasions in the past.

In terms of the existing instructions, the Missions/Posts abroad are permitted to retain funds to the extent required for six weeks. Cash requirement of Indian Missions and Posts abroad is met through monthly or periodical remittances, in foreign currency, by the Ministry of External Affairs. Such remittances as received by the Missions and Posts from time to time are usually retained by them in bank accounts that do not yield any return in the form of interest. In addition to the periodical cash remittances, Missions and Posts also generate revenue through consular services, which is also deposited in a similar manner.

The Missions and Posts continued to retain cash balance in excess of their six weeks' requirement although audit on a number of occasions in the past⁷ had highlighted instances of retention of cash balances in excess of the prescribed requirement resulting in avoidable loss of interest. In pursuance of audit observations, the Ministry had also been repeatedly emphasising that Missions and Posts abroad should make a realistic assessment, every month, of their cash requirement covering a period of six weeks and ensure that any cash balance held in excess of requirement was either repatriated or adjusted against future remittances. Further, the Ministry had also specifically advised the Missions and Posts repeatedly in December 2000, July 2001, July 2002 and June 2003, that it was not mandatory to maintain cash balances to meet six week's requirement and that it should be possible to manage even by retaining a month's requirement.

Audit of various Missions and Posts abroad conducted between March 2003 and September 2004, however, revealed that even after repeated audit observations and Ministry's instructions, there was sufficient scope for improvement in cash management. Between April 2000 and July 2004, as many as 21 Missions and Posts (Almaty, Abu Dhabi, Algiers, Athens, Beirut, Berlin, Brunei, Bucharest, Canberra, Dar es Salaam, Kabul, Kyiv, Maputo,

⁷ Refer para Nos. 4.4, 4.5, 8.14, 8.7, 9.4, 4.7 and 2.14 of Report No. 2 of the Comptroller and Auditor General of India for the years ended March 1996, March 1997, March 1999, March 2000, March 2001, March 2002 and March 2003 respectively.

Nicosia, Port Louise, Singapore, Stockholm, Suva Fizi, Vienna, Wellington and Yangon) had retained cash balance in excess of their six weeks' requirement for varying periods ranging from nine to 48 months without proper justification. Of these, six Missions and Posts (Almaty, Athens, Berlin, Bucharest, Kyiv and Stockholm) had retained such excess balances in the past as well and this had been brought to their notice and to that of the Ministry through Reports of the Comptroller & Auditor General of India. The estimated loss of interest computed at the rate of interest of 10.03 *per cent* on this account would work out to Rs. 1.38 crore. Relevant details in this regard are in the **Annex**.

Out of the 21 Missions and Posts, which held excess cash, three Missions/Posts (Athens, Berlin and Bucharest) admitted the lapse and assured compliance in future. The Mission at Stockholm stated in January 2004 that they had remitted US \$ 200,000 to the Ministry during November-December 2003 and stopped receiving remittances from the Ministry in these months.

That the Missions and Posts abroad should persistently retain cash balance in excess of requirement appears to indicate that the Ministry's instructions and periodical assurances have not been honoured. Persistent disregard of the Ministry's instructions leading to recurring loss of interest underscores the need for addressing the issue with greater seriousness for enforcing accountability.

The matter was referred to the Ministry in July/October 2004; their response was awaited as of December 2004.

Annex
**Statement showing the loss of interest due to retention of excess cash balance by
the Missions/Posts**

Missions/Posts at	Period of examined in audit	No. of Months during which excess cash held	Maximum Amount of excess cash holding in a month	Loss of interest @10.03 per cent per annum
Abu Dhabi	July 2002 to February 2004	12	97.21	5.80
Algiers	June 2001 to May 2004	32	105.49	8.63
Almaty	April 2002 to March 2003	11	19.03	1.02
Athens	June 2002 to March 2004	11	41.75	2.18
Beirut	February 2002 to June 2004	26	61.93	4.57
Berlin	April 2002 to August 2003	14	121.76	7.03
Brunei	January 2002 to February 2003	9	19.94	0.86
Bucharest	November 2001 to May 2003	12	17.68	1.01
Canberra	May 2000 to March 2004	12	151.79	6.46
Dar es Salaam	April 2002 to March 2003	12	45.64	2.27
Kabul	January 2003 to July 2004	15	245.33	14.46
Kyiv	October 2002 to October 2003	13	221.87	14.04
Maputo	April 2000 to March 2004	48	227.66	19.66
Nicosia	September 2000 to March 2004	40	92.62	10.13
Port Louise	April 2001 to March 2004	20	91.08	4.53
Singapore	April 2001 to February 2004	15	215.23	7.23
Stockholm	April 2002 to May 2003	12	85.73	3.44
Suva Fizi	April 2000 to May 2004	18	65.36	3.58
Vienna	January 2003 to January 2004	13	117.14	8.93
Wellington	December 2000 to March 2003	22	42.04	3.09
Yangon	April 2002 to June 2004	24	103.91	8.80
Total				137.72