

CHAPTER VII : MINISTRY OF EXTERNAL AFFAIRS

7.1 South Asian University

South Asian University (SAU) was established by the eight member nations of the South Asian Association for Regional Co-operation (SAARC). SAU commenced functioning in August 2010. Audit noticed that the construction of campus planned to be completed by 2014 was substantially delayed due to allotment of encumbered land, litigation and delay in statutory clearances. MEA had to forego rebate to the tune of ₹ 1.97 crore due to delay in payment of rent. Delay in project has also prolonged recurring monthly rental liability of ₹ 2.66 crore.

7.1.1 Introduction

At the thirteenth South Asian Association for Regional Co-operation¹ (SAARC) Summit held in November 2005, the Prime Minister of India proposed the establishment of a South Asian University (SAU). Subsequently in April 2007, an Inter-Governmental Agreement was signed amongst the eight countries that stipulated that the main campus of SAU shall be located in India. The South Asian University was subsequently established through enactment of ‘The South Asian University Act 2008’ (SAU Act) by Parliament on 11 January 2009. The primary objectives of SAU include creation of a world class institution of learning that will bring together the brightest and the best students from all countries of South Asia, to impart education towards capacity building of the South Asian nations and to contribute to the promotion of regional peace and security.

As per the “Principle of Contribution to the SAARC Regional Centers,” the capital cost of establishment of SAU is to be borne by the host country i.e. Government of India, while the operational cost would be shared by the Member States. Accordingly, Cabinet approved a contribution of USD 239.93² million comprising of capital cost of USD 198³ million and operational cost of USD 41.93 million for establishment of the SAU. Ministry of External Affairs (MEA) had released funds of ₹ 325.25 crore⁴ towards capital contribution as of June 2017.

¹ SAARC is the regional organization of eight nations in South Asia. Its member states include Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka.

² ₹ 1.173.74 crore at exchange rate of ₹ 48.92 prevailing in June 2009.

³ ₹ 968.62 crore at exchange rate prevailing in June 2009.

⁴ ₹ 193.39 crore (USD 29.93 million capital cost) released to SAU and ₹ 131.86 crore rent of Akbar Bhawan till June 2017 directly paid by MEA to NDMC which was part of capital contribution.

The South Asian University commenced functioning from August 2010 from temporary premises which it obtained free of cost in Jawaharlal Nehru University. Subsequently, due to insufficient space, SAU shifted (July 2011) to Akbar Bhawan in New Delhi which was leased from the New Delhi Municipal Council (NDMC) at a rent of ₹ 1.68 crore per month with annual escalation of eight *per cent*. The expenditure on rent and infrastructure of the temporary location is borne by Government of India as part of its capital contribution.

SAU is governed by a Governing Board comprising of two members from each member state and the President, SAU, along with an Executive Council, an Academic Council and the Finance Committee.

7.1.2 Scope of Audit

Section 25 of the SAU Act provides for audit of its accounts by any person or firm authorized by the Governing Board. SAU Rules, framed by the Governing Board, provide that the capital expenditure financed by the Government of India may be audited by an agency selected by the host Government. Government of India entrusted the audit of the capital contribution to the CAG under section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act in February 2015.

An audit of SAU was carried out to ascertain whether the funds released as capital contribution for establishment of the university were utilized by SAU in accordance with the applicable codal provisions and in an economic, efficient and effective manner.

Audit findings

7.1.3 Land for SAU campus

In April 2008, the Delhi Development Authority (DDA) assured MEA of 100 acres of encumbrance free land for construction of the campus of the South Asian University. In September 2008, a proposal for purchase of 100 acres of land at an estimated cost of ₹ 75.45 crore was approved by MEA. Out of the 100 acres, DDA handed over 85.32 acres in February 2010 and another 8.36 acres in August 2011 totalling 93.68 acres to MEA. MEA, in turn, handed over the land to SAU in September 2011 without transfer of title of land. MEA released ₹ 63.50 crore to DDA for the 85.32 acres of land in February 2010. 'No Objection Certificate' (NOC) for 93.68 acres land was issued by DDA in January 2012. Subsequently, DDA took back 2.72 acres land for road widening as per Master Plan Delhi 2021 and issued revised NOC for balance land of 90.96 acres in November 2014.

Audit observed that nearly 46 *per cent* of the land *viz.* 41.69 acres was not actually available for construction as detailed below:

- i. Land measuring 18.59 acres fell under geo-morphological ridge/forest land where no construction is allowed without approval of the Ridge Management Board as well as agencies of both the Union Government and Government of the National Capital Territory of Delhi. The fact that this land fell within the ridge/geo-morphological ridge was informed by the Forest Department, Government of Delhi, in October 2013 to SAU and subsequently confirmed in January 2015. No clearance had been received for undertaking any construction on this land as of October 2017.
- ii. As of October 2017, 12 court cases involving 23.10 acres of land meant for SAU campus were pending in the Supreme Court/High Court.

The encumbrances on the land necessitated re-working of the construction strategy and led to cascading delays in implementation of the project. Construction of student's hostels, some academic buildings, health centre, service staff housing, sports centre and shopping complex had to be kept on hold.

MEA stated (November 2017) that a number of writ petitions concerning the land were filed after the land was handed over and the final judgement was awaited.

Audit observed that it was incumbent upon MEA to ensure that the land being allotted was actually encumbrance free and available for the intended purpose. The fact that a portion of land falls within the Ridge/Geo-morphological zone should have been known even in 2010 itself when the land was allotted and funds released. There was evidently a lack of due diligence on the part of MEA in interacting with DDA to ensure land free from all environmental and legal issues before release of funds.

7.1.4 Increase in cost

As per the Delegation of Financial Power Rules, 1978, as amended vide Ministry of Finance OM dated 27 May 2016, any increase in cost estimates beyond 20 *per cent* require fresh approval of the Cabinet. The Business Plan envisaged construction of the campus on total covered area of 3.403 million sq. ft. at a revised estimated cost of USD 204.20 million (₹ 998.95 crore) against the original estimated cost of USD 198.00 million (₹ 968.62 crore) approved by the Cabinet. The Detailed Project Report (DPR) prepared by the Principal Architect and vetted by CPWD further increased the total covered area

to 5.567 million sq. ft. and the total estimated cost to USD 334 million (₹ 1,656.64 crore) due to addition of basement area for parking as per Master Plan Delhi (2021), creation of student activity centre and inclusion of utility space for service in faculty building. The revised cost estimates thus increased by ₹ 688.02 crore (USD 136 million) *viz.* 71 *per cent* requiring the approval of the Cabinet which was yet to be obtained (October 2017).

7.1.5 Construction of SAU Campus

As per the Business Plan 2010-14 of SAU, the University campus was to be completed by 2014. The construction of campus commenced in June 2015 with work of boundary wall under Package I. The work comprising various academic buildings, housing blocks, club and utility building under Packages II and III was under progress with completion scheduled by December 2018 and January 2020 respectively.

7.1.5.1 Delay in obtaining statutory clearances

After acquisition of land in 2010/2011, a Principal Architect (PA) was appointed in May 2011 for design of Master Plan, preparation of site plan, layout of buildings and obtaining necessary approvals from statutory bodies. As per the Business Plan, the construction was expected to commence by end of 2011/early 2012. However, SAU applied for necessary statutory clearances to various agencies *viz.* South Delhi Municipal Corporation, Delhi Urban Arts Commission, Airport Authority of India, Delhi Pollution Control Committee, Forest Department and National Monumental Authority only during the period February 2012 to January 2016. Consequently, the statutory clearances were received well after the proposed date of construction. Audit further noticed that the drawings of the individual buildings of package II were submitted by the PA to SAU during July-August 2014 for validation required for submission to the municipal authorities for statutory approval. These were, however signed only in June 2015 after 11 months.

MEA stated (November 2017) that they had raised the matter of statutory clearances at the highest level in both Central and Delhi Government and they were under the impression that the approvals would be received in the shortest time since it was an international commitment of Government of India but it did not happen.

7.1.5.2 Delay in construction work

SAU decided (March 2015) to commence construction of campus only on the encumbrance free land. The construction of the campus was split into Package I,

Package II, Package III and Package IV and tenders were awarded as detailed in **Table No. 1** below:

Table No. 1 : Details of Tenders awarded

(₹ in crore)

Package no.	Particulars	Tendered cost	Actual/Schedule time of completion
I	Boundary wall, Porta cabin for site office.	2.23	Completed in January 2016
II	Five buildings including faculty of Life Science, Earth Science, 3 staff housing block and faculty club and guest house.	401.58	December 2018
III	Seven buildings viz. administration, library and institution of South Asian Studies Buildings, Faculty of Law and Humanities, Faculty of Chemistry, Physics, IT and Mathematics, Utility Building, external development and building management system.	588.40	January 2020
IV	Student's hostels, remaining academic buildings, health centre, service staff housing, sports centre and SAARC Haat.	The package is on hold due to land under litigation, forest and geomorphological ridge.	

The fortnightly report of construction under Packages II and III of SAU campus ending July 2017 brought out shortfalls of work ranging from 29.54 per cent to 45.5 per cent against the planned work as detailed in **Table No. 2** below:

Table No. 2: Shortfalls of work

(₹ in crore)

Construction Phase	Total construction cost	Planned work	Actual Work Done	Percentage shortfall ⁵
A	B	C	D	E
Package II	327.65*	146.35	79.80	45.5
Package III	579.10 [#]	37.44	26.38	29.54

*excluding cost of one building (faculty housing) not yet been handed over to the contractor due to litigation and O&M works.

[#] excluding O&M works.

As the project is already delayed, the shortfall in construction is likely to further delay its completion. MEA stated (November 2017) that regular monthly progress review is being made at site by Progress Review Committee to mitigate the shortfall.

⁵ (C-D)*100/C.

7.1.6 Development of Infrastructure

The capital expenditure includes cost of establishment of laboratories, purchase of equipment, computer-hardware/software and furniture. SAU procured a software i.e. Enterprise Resource Planning (ERP) to facilitate efficient administration with lesser paper work and lower administrative cost. The implementation of ERP system involved purchase of licence and annual technical support, implementation of the ERP, procurement of hardware and consultancy/review service. The total cost of the ERP System was estimated at ₹ 7.01 crore. SAU awarded (August 2014) the contract for implementation of ERP to M/S IBM and the system was expected to go live by September 2015. Audit observed the following:

- i. The purchase order for supply of the licence was issued at a cost of ₹ 1.12 crore to M/s Oracle in November 2013 and the licence was supplied in September 2014. However, the purchase order for supply of hardware for the ERP system was issued to M/s Sunpro Integrated Communication Services Limited for ₹ 75.86 lakh only in January 2015 for supply by 11 March 2015 i.e. six months after supply of the software licence. The hardware was actually installed in October 2015. Non-synchronization between two interrelated procurements contributed to delay in the implementation of the ERP system.
- ii. In order to achieve the objectives of the ERP, it was imperative that the capabilities of the system be utilised optimally by making use of all the modules. Though 'Go live' was declared in March 2016, a number of modules like Human Resource (payroll, job data, absence, recruitment, promotion), Finance (budgeting, student billing, fee reconciliation, settlement of advances), Campus (student registration and scholarships) and data migration were not working as per functional requirement. Audit observed absence of dedicated full-time team to oversee the work of implementer, repeated request for onsite support and training, failure of consultant to resolve issues and conduct of User Acceptance Test (UAT) without proper skill. This reflected lack of proper planning and monitoring in ERP implementation. MEA stated (November 2017) that SAU is engaged with the implementer in agreeing to a timeline to resolve the problems faced by the users. Further, an 'effective monitoring mechanism' and a 'dedicated full time team' would be put in place during the agreed timeline and thereafter.
- iii. General Financial Rule 159 stipulates that adequate safeguards in the form of bank guarantee should be obtained from the firm while making any advance payment. An advance of ₹ 40.01 lakh was released to M/S IBM in October 2015 against a bank guarantee of equivalent amount valid upto June 2017.

Though the work of implementation of ERP system has still not been completed, the validity of bank guarantee had expired. MEA stated (November 2017) that SAU had reminded the Implementer to extend the bank guarantee but the Implementer had not formally responded. Failure to take timely action to ensure continued validity of the BG defeated its very purpose and undermined the ability of SAU to enforce due performance of the contract.

Thus even after passage of more than three years since the procurement of licence (September 2014) and expenditure of ₹ 5.09 crore, the ERP system has still not been completed and desired objectives could not be achieved.

7.1.7 Avoidable extra payment of rent

The rental outgo for the leased accommodation in Akbar Bhawan was ₹ 2.66 crore per month as of April 2017. The invoice raised by NDMC comprises basic rent and surcharge @ five *per cent* of basic rent in case of delayed payment. If bill is paid by due date, full rebate of surcharge and additional rebate of two *per cent* of basic rent is admissible.

Audit scrutiny revealed that rent for 13 months was paid by MEA after due date and consequently it had to forego rebate to the tune of ₹ 1.97 crore due to delay in payment of rent.

MEA stated (November 2017) that payment was deferred due to non-availability of funds as the same was used for capital contribution of SAU. MEA added that it had requested NDMC for the waiver of surcharge/interest on the rent payments.

The reply is not acceptable as the liability of rent payment was a known recurring expenditure and funds should have been specifically earmarked for this purpose to ensure timely payment.

7.1.8 Conclusion

Thus, construction of campus of SAU that was initially scheduled to be completed by 2014 has suffered prolonged delays primarily due to failure of both MEA and DDA to ensure allotment of encumbrance free land. Nearly 46 *per cent* of the land allotted by DDA was not actually available for construction due to it being under forest, geo-morphological ridge and litigation. This was further accentuated by delay in obtaining statutory clearances which delayed commencement of actual construction. The delay in the project involved recurring avoidable expenditure of ₹ 2.66 crore per month on account of rent of temporary campus building. In addition, MEA had to forego rebate amounting

to ₹ 1.97 crore due to delay in payment of rent which added to the total cost of the project.

7.2 Loss of revenue in consular services provided in Missions/Posts

Visa and consular services are provided by Indian Missions and Posts abroad in accordance with instructions and guidelines issued by the Ministry of External Affairs from time to time. Non-adherence to these instructions by Missions/Posts in China, Bahrain, Dubai, Chicago, Berne and Canberra by under-charging fees, adoption of incorrect exchange rates and delay in remittances into government account resulted in loss of revenue in terms of visa and consular fees totaling ₹ 76.54 crore.

Indian Missions and Posts abroad provide passport, visa and other consular services to foreign nationals and Indians abroad through their consular wings. The policies, rules, regulations and procedures in this regard are framed by the Ministry of External Affairs (MEA). The receipts of the Ministry comprise mainly of passport fees realized by the Regional Passport Offices/Passport Offices in India and visa and consular fees charged by the Missions and Posts abroad.

A test check of the records of the consular wings of Missions/Posts revealed non-adherence with the instructions of the MEA that resulted in loss of ₹ 76.54 crore.

a) Loss of revenue due to short collection of business visa fees by Indian Mission and Posts in China

According to instructions of MEA of June 2008 effective from 1 July 2008, business visas were to be issued for a minimum validity period of one year⁶. The rate for business visas with validity upto one year applicable to China was USD 120.

Report No. 13 of 2012-13 of the Comptroller and Auditor General of India had highlighted short recovery of visa fees amounting to ₹ 36.85 crore on issue of business visas of less than one year's validity by 25 Missions and Posts. The short levy of visa fees for business visas issued by the Indian Mission and Posts in China was ₹ 55.23 lakh in 2,854 cases.

In its Action Taken Note (ATN) on the above mentioned Report, MEA had stated (October 2013) that instructions on business visa fees had been reiterated in February 2013 to all Missions/Posts abroad. These instructions specifically clarified that while business visas may be issued for less than one year, the visa

⁶ For China however as per MOU dated 23 June 2003, multiple entry business visa for six months validity may be issued.

fee charged will be at the rate applicable for visas of upto one year duration. It was also informed that Missions/posts have since begun charging the prescribed visa fee for business visas. Subsequently in October 2015, MEA reiterated that for the purpose of visa fee calculations, except for nationals of United Kingdom and Sri Lanka, fee for one year business visa should be charged even if the validity of the visa is limited to less than a year. Missions/Posts were also instructed to review the visa fees if the same had been erroneously calculated so that there are no further audit objections on this account.

During the audit of EI Beijing, CGI Guangzhou and CGI Shanghai, it was found that these mission/posts were collecting visa fees at a lower rate i.e. @ RMB 680 equivalent to USD 80 for business visas of six months validity instead of RMB 1011 equivalent to USD 120 which was the fee chargeable for business visas with validity upto a period of one year as tabulated in **Table No. 3** below:

Table No. 3: Details of visa fees collected at a lower rate

Indian Mission/ Posts in China	Period covered in Audits	Number of cases	Average ROE of the period covered 1 RMB equivalent to INR	Short levy of business visa fee (₹ in crore)
A	B	C	D	E= C*D*331
EOI Beijing	April 2013 to March 2017	83,912	10.0341	27.87
CGI Shanghai	November 2015 to March 2017	33,118	10.14386	11.12
CGI Guangzhou	April 2013 to March 2017	95,735	10.0341	31.80
Total		2,12,765		70.79

EI Beijing stated (June 2017) that it had since revised the visa fee structure for all categories of visas with effect from 1 April 2017 based on MEA's instructions issued in March 2017. Accordingly, the prescribed business visa fee for a period upto one year is being charged from 1 April 2017. The Mission attributed the delay in implementing the visa fee applicable for one year business visa for Chinese nationals who are granted business visas with a validity of a maximum of six months to clarifications not being received from the MEA.

MEA stated (August 2017), that it's instructions of June 2008 had clearly stated that the clause of minimum one year validity for business visas is not valid for those countries for which specific provisions have been made in the Visa Manual. In the case of Chinese nationals there was a specific provision in the Visa Manual for grant of business visa with a maximum validity of six months. Hence, charging of business visa fee at the rate applicable for business visa for

upto one year irrespective of the validity of the visa is not applicable to Chinese nationals.

The reply of MEA is not tenable as it contradicts its own instructions issued in October 2015 as well as its Action Taken Note submitted to the Public Accounts Committee in October 2013. Further, the Visa Manual referred to by MEA only specifies the duration and conditions for grant of business visas to Chinese nationals and there is no reference to the fees to be charged for such visas. The fact that the provisions of the visa manual with regard to duration of business visa to be issued to Chinese nationals have no bearing on the fee to be charged is also evident from that fact that the MEA has introduced a rationalised visa fee structure effective from April 2017 wherein the six months visa fee slab has been dispensed with and the Mission/Posts in China are now charging the prescribed visa fee for a period up to one year.

Thus, the Mission/Posts in China continued to short levy fees on business visas issued to Chinese nationals despite assurance given to the PAC by MEA and instructions of Ministry to all Missions/Posts. The revenue loss on account of the short-levy during the test checked period in the Mission and Consulates, amounted to ₹ 70.79 crore.

b) Loss of revenue due to non-adherence to the Passport Manual by Embassy of India in Bahrain and Consulate General of India, Dubai

The Passport Manual, 2010, stipulates that passports are re-issued on expiry of final validity, exhaustion of visa pages, damage/loss of passport, expiry of short validity passport (SVP) and change in particulars. Re-issue of passport involves issue of fresh booklet. It further stipulates that a new passport is required to be issued in case of SVP, as renewal of SVP by handwritten/printed endorsement is not permitted by the International Civil Aviation Organization (ICAO).

MEA revised the fees with effect from 01 October 2012 for passport and related services such as issue, reissue or replacement of passport, issue of Identity Certificate or Police Clearance Certificate vide gazette notification dated 28 September 2012. Thereafter, the Ministry clarified (October 2012) that the fee may be fixed in local currency adopting the official rate of exchange or the commercial/bank exchange rate whichever is beneficial to the Government.

Audit observed that in pursuance of the above orders, Embassy of India, Bahrain (EI Bahrain) and Consulate General of India, Dubai (CGI Dubai) revised the rates in local currency. However, they endorsed changes in personal particulars in the existing passport without replacing it with a new passport booklet and charged fee at local currency equivalent to the rate of USD 25 i.e. rate prescribed for miscellaneous services in contravention of the above orders.

Further, the Embassy of India, Bahrain, charged fee at the rate of Bahraini Dinar (BD) 9.5 (equivalent to USD 25) for making endorsement in the existing passport, changes in personal particulars and renewal of short validity passport instead of BD 28.300 (equivalent to USD 75) in 4,744 cases during the period from October 2012 to June 2015. This resulted in loss of revenue aggregating to BD 89,187.20 (₹ 1.41 crore). Similarly, CGI Dubai instead of charging fee of United Arab Emirates Dirham (AED) 285 (equivalent to USD 75), as the rate applicable for replacement of passport for changes in personal particulars, charged fee of AED 95 (equivalent to USD 25) in 2,533 cases during the period April 2013 to September 2014. This resulted in loss of revenue aggregating to AED 481270 (₹ 79 lakh).

The Ministry accepted (October 2017) that the practice followed by EI Bahrain and CGI, Dubai was not in accordance with the instructions of the Ministry and that the practice followed by them resulted in loss of revenue.

Thus, incorrect categorization of service by the Mission and Post for changes in personal particulars in passport under revised fee structure resulted in less collection of revenue of ₹ 2.20 crore⁷.

c) Non-remittance of Consular and Indian Community Welfare Fund (ICWF) fees by Service Provider for over two years in Consulate of India, Chicago

As per the Central Government Accounts (Receipts and Payments) Rules, 1983, all moneys received by or tendered to Government officers on account of revenues shall, without undue delay, be paid in full into the accredited bank for inclusion in Government account. Reconciliation of the bank account with the departmental figures is to be carried out every month by the officer responsible for handling Government money.

An agreement was entered into between the Embassy of India (EI) Washington DC and a service provider (SP) for outsourcing of services related to issue of Visa, OCI⁸ and PIO⁹ cards and renunciation/surrender of Indian nationality certificate at EI, Washington and five of its consulates at Atlanta, Chicago,

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Name of the Post	Currency	Fess paid	Fees payable	Short collection	Exchange Rate	Short collection in ₹ (5X6)	No. of cases	Amount (₹) (7X8)
1	2	3	4	5	6	7	8	9
EI Bahrain	BD	9.50	28.30	18.80	158.028	2970.9264	4744	1,40,94,074.84
CGI Dubai	AED	95.00	285.00	190.00	16.39	3114.1	2533	78,88,015.30
Total								2,19,82,090.14

⁸ Overseas Citizenship of India.

⁹ Persons of Indian Origin.

Houston, New York and San Francisco. As per the agreement, payments of fees received on behalf of the Embassy/Consulates by the SP were to be deposited on the same day or the next working/banking day in case of delayed receipts into the account of the Embassy/Consulates. The *ibid* clause also provided that failure on the part of the SP to deposit the money into the Embassy/Consulates' account within the stipulated time would entail a penalty of 0.5 *per cent* per working/banking day. In addition, the SP was required to provide daily, monthly and/or any other reports of applications received, processed and dispatched to Embassy/Consulates as prescribed from time to time and also reconcile the amounts remitted at intervals to be decided by the Mission/Post. As per the standard procedure, the SP sends daily reports of applications received and submitted to the Mission/Consulates including revenues remitted.

Test check of records of the Consulate of India, Chicago (Post) brought out that the accounts of the Post had not been reconciled with bank records since October 2013. During the subsequent audit in October-November 2015, it was observed that there was an unexplained difference of USD 1,30,401.49¹⁰ between the balance as per the cash book of the Post and the balance as given in the bank records. No action had been initiated by the Post to reconcile the accounts to ascertain the reason for the variation though this difference had been in existence since October 2014. Accordingly, while raising the issue in the local audit report, the Post was advised (December 2015) to reconcile the accounts and ascertain the reasons for the variation.

In course of the audit of the Post in September 2016, it was found that the Post had identified that an amount USD 42,951 pertained to Consular fee collected by the SP on 25 January 2014 which had been inadvertently deposited into Indian Community Welfare Fund (ICWF). Later, on the request of the Post (July 2016), this amount was transferred back from ICWF to the Chancery account. The remaining amount of USD 89,320 and USD 1,869¹¹ were Consular fees/ICWF fee collected by the SP between May 2014 and July 2014 which had not been remitted into the Government account. After this was detected, the Post took up (9 August 2016) the matter with the SP who paid an amount of USD 91,189 to the Post on 10 August 2016.

Audit observed that penalty of USD 2,51,578 or ₹ 1.71 crore (@ 0.5 *per cent* per day) which was leviable as per the terms of the agreement had not been imposed. On being pointed out by Audit, the Post raised (March 2017) a demand of USD 2,51,578 as penalty on the SP with a direction to ensure its immediate payment.

¹⁰ ₹ 84,99,569 @ ROE of ₹ 65.18/USD.

¹¹ USD 42, 300 and USD 25, 967 being the total revenues collected by the vendor on 28 May 2014 and 4 June 2014 respectively and USD 16, 680 short deposited during June 2014 and USD 4, 373 pertaining to short deposits of 2 July 2014.

The SP stated (27 March 2017) that since the Consulate did not realize the non-payment over such a long period, it was unlikely that the SP would have envisaged such an error on its own. It added that the amounts were duly paid from the account of the SP but somehow did not get credited in the account of the Consulate. It also blamed the Post for not reconciling receipts and failing to detect the non-remittance in time.

The explanation that the Post had not pointed out the non-payment for a long time is not tenable as the agreement puts the onus for prompt and full remittance of fees collected on the SP and stipulates penalty for non-remittance of revenues collected by it. Further, in terms of the agreement, it was the responsibility of the SP to reconcile remittances at periodic intervals. The claim by the SP that payments were made from their bank accounts but could have remained stuck in banking channels and later on reversed is not supported by any evidence and does not absolve the SP of detecting and remedying the same. The bankers of the Post have also confirmed (August 2016) that no wire transfers for payment of the above amounts were received.

Thus, non-reconciliation of a large variation of USD 1,30,401.19 between the accounts of the Post and the bank records as per laid down procedure was a serious internal control failure on the part of the Post. As a result, the Post remained unaware till August 2016, of consular fees and ICWF fees collected between May 2014 and July 2014 amounting to USD 91,189, not being remitted by the SP into the government accounts. The Post also did not ensure that the SP discharges its obligation of carrying out periodic reconciliation of remittances as a result of which non-remittance of fees remained undetected. Further, though the SP is liable to pay penalty in terms of the agreement for the delayed remittance, the same is yet to be recovered from the SP.

The matter was referred to the Ministry in June 2017; their reply was awaited (December 2017).

d) Failure in implementing Ministry's instructions on Visa Fee resulted in short collection of fees in Embassy of India, Berne

MEA issued orders in December 2012 enhancing the visa fee for UK nationals. In accordance with these orders, missions and posts in countries other than UK and in the Eurozone were to levy visa fee for UK Nationals as fixed in USD after converting the same into local currency. In January 2013, MEA clarified that the visa fee for UK nationals fixed in USD will be converted into local currency at the same exchange rate as adopted to fix the current visa fees for other nationals. It was also stipulated that visa fee in local currency must be revised upwards if local currency devalues against USD by 10 *per cent* or more

but the fees should not be revised down wards if local currency appreciates against the USD.

Subsequently in December 2015, MEA issued consolidated instructions for implementation of revised visa fees for UK nationals to be implemented with effect from 4 January 2016. Instructions with regard to converting the visa fee in USD into local currencies for missions/posts outside UK and the Eurozone were similar to the orders of December 2012 and January 2013. It was provided that conversion of visa fee given in USD into local currency would be as per existing consular practise and that the exchange rate used was the same as fixed in December 2012.

Embassy of India, Berne (Mission), being located outside the Euro zone, was required to convert the visa fee for UK Nationals given in USD into local currency i.e. Swiss Franc (CHF). Audit noticed that while implementing the orders issued in December 2012 for revision of visa fee for UK nationals, the Mission applied a Rate of Exchange of USD 1 = CHF 1.7625 which was the exchange rate on which the prevailing visa fee structure was based from 1 July 2008. However, while revising the visa fee in respect of UK nationals with effect from 04 January 2016 in terms of the Ministry's instructions issued in December 2015, the Mission converted USD into CHF at the current official rate of exchange of USD1 = CHF 0.99 instead of the existing rate of exchange of USD1: CHF1.7625 that had remained unchanged since 2000. The adoption of incorrect exchange rate for revision of visa fee for UK nationals for more than 14 months i.e. from January 2016- March 2017 resulted in short collection of visa fee of CHF 140,754 (₹ 91.49 lakh).

Ministry stated (July 2017) that the Mission had admitted that this was an inadvertent error which was rectified after the receipt of Ministry's clarifications. It sought to justify the Mission's use of incorrect rate of exchange by stating that the CHF had appreciated by 43 *per cent* against USD since the time the exchange rate had been fixed for determining visa fee in CHF. It added that instructions issued in March 2017 have now provided for downward revision of exchange rate after appreciation of some hard currencies against the USD.

The fact remained that the Mission had adopted an incorrect rate of exchange while fixing visa fee for UK nationals.

Thus, adoption of incorrect exchange rate by the Mission for fixation of the visa fee for UK nationals in contravention of instructions of Ministry led to short collection of visa fee amounting to ₹ 91.49 lakh¹².

¹² Average Exchange rate 1 CHF = 65 INR during the period 4 January 2016 to 15 March 2017.

e) Loss of revenue due to delay in revision of fee for passport and other related services in local currency in High Commission of India, Canberra and Consulates General of India, Melbourne, Perth and Sydney

The fees for passport and other related services to be collected by Missions and Posts in various countries are fixed by MEA in US Dollar (USD) or Euro.

MEA, vide gazette notification of September 2012, revised the fee for passport and related services to be effective from 01 October 2012. MEA clarified in October 2012 that the fee may be fixed in local currency adopting the official rate of exchange or the commercial/bank exchange rate whichever is beneficial to the Government. Further, the fee in local currency may be revised if the local currency depreciates against USD by 10 *per cent* or more.

High Commission of India (HCI) at Canberra fixes the rates of consular fee in local currency for Consulates General of India (CsGI) at Sydney, Melbourne and Perth in Australia. HCI fixed the fee for passport and related services in October 2012 adopting the exchange rate of 1 USD = 0.9505 Australian dollar (AUD) which was revised on 16 September 2015 taking 1USD = 1.44 AUD.

HCI and CsGI in Australia generated ₹ 119.05¹³ crore on account of fees for passport and other related services during the period November 2013 to September 2015.

Audit observed that the local currency continuously depreciated¹⁴ after October 2012 and by August 2015 it had depreciated by more than 30 *per cent*. Thus, in compliance with instructions of MEA, the fee for passport and related services should have been revised by the HCI by adopting the exchange rate prevailing during this period. However, the HCI revised the fees only once in September 2015 instead of on each occasion when the local currency had depreciated by more than 10 *per cent*. This resulted in loss of revenue with respect to fee for passport and related services in the case of CGI Sydney of ₹ 93.47 lakh during the period from August 2013 to August 2015. The total loss would be much higher if the impact on all consular services in respect of all missions/posts on Australia is computed.

MEA stated (October 2017) that the Mission should have revised the fee once the AUD depreciated by more than 10 *per cent* against the USD and need not have waited till September 2015 for the purpose. The Ministry added that it was considering issuing appropriate instructions to all the Missions/Posts abroad

¹³ Melbourne: ₹ 19.29 crore; Sydney: ₹ 46.56 crore; Canberra: ₹ 36.22 crore; Perth: ₹ 16.96 crore.

¹⁴ 10 *per cent* in August 2013, 20 *per cent* in January 2014, 30 *per cent* in August 2015 as per calculations by MEA.

besides exploring possibility of establishing centralized monitoring mechanism so that such problems can be avoided in future.

7.3 Escalation of costs and avoidable expenditure in property management

Inefficient property management in terms of undue delay in progress of works for refurbishment and construction in Missions at Dublin, Port Moresby and Warsaw and entering into lease by the Mission in Sydney without authorisation and in disregard of Ministry's directions resulted in avoidable expenditure totalling ₹ 12.61 crore as well as idling of property valued at ₹ 45.16 crore for prolonged periods.

The Public Accounts Committee (PAC) while examining property management by MEA had recommended, *inter alia*, in its 75th Report (14th Lok Sabha) that Ministry should streamline its projects planning mechanism, expedite pre-construction activities and put in place appropriate systems to avoid delays in redevelopment of properties. The Ministry had assured the PAC that it constantly endeavours to improve property management and streamline work on construction projects and that it would improve monitoring and carefully ascertain local procedures so that advance action can be taken to avoid and minimize time and cost over runs.

Audit of various Missions and Posts however brought out recurring instances of deficient property management that resulted in avoidable expenditure amounting to ₹ 12.61 crore in four locations as well as idling or non-utilisation of property valued at ₹ 45.16 crore at two locations.

a) Refurbishment/extension in Embassy of India, Dublin

In November 2008, MEA approved purchase of a 144 year old property in a residential area for use as Chancery premises for Embassy of India Dublin (Mission) at a cost of ₹ 32.66 crore (Euro 4.70 million). As the property would become usable only after refurbishment/extension, a rough estimate of Euro 2.93 million was projected for this purpose while seeking approval for the purchase of the property. Mission took possession of the property on 14 January 2009 and entered into an agreement in May 2009 with a Consultant for redevelopment, renovation and extension of the purchased property. As per the time schedule stipulated in the agreement, a maximum of 48 weeks was envisaged for contracting the work and thereafter actual construction would require a maximum of 15 months. The project is however yet to reach even the tendering stage even after eight years since the purchase of the property.

Audit examination of the records of the purchase of the building and its refurbishment and extension brought out administrative delay in progressing of the case that contributed to both cost and time overrun as below:

- a. Finalization of drawings/conceptual plan was necessary to initiate the process of obtaining planning permission from the City Council and for preparing Bill of Quantities (BOQ)/Tender Documents. It took the Ministry 46 months¹⁵ from the date of first submission of drawings by the Mission to approve the drawings. During this period, the Ministry sought additional inputs and multiple clarifications regarding space requirements and project design. It also frequently suggested changes in design/layouts and belatedly brought up requirement for soil investigation and for a certificate of structural soundness of the design. The delayed finalization of the drawings and obtaining of requisite permission from the Council led to the delay in the renovation of the project.
- b. In the meantime, a new local law¹⁶ became applicable from March 2014 which required engaging specialized agencies to undertake activities relating to fire safety, disability access, water table monitoring, dry and wet rot testing and mechanical and electrical works. Though the new requirements became applicable in March 2014, appointment of most of the specialized agencies were made only in October 2015 i.e. after nearly 17 months. The Mission could thus obtain mandatory certificates such as fire safety, disability access, etc. only in August 2016 to be able to initiate preparation of BOQs and tender documents.
- c. In April 2016, the Consultant submitted a revised cost estimate of Euro 3.98 million for the work as against the original cost estimate of Euro 2.89 million given in July 2012. A substantial portion of increase in the estimated cost of Euro 1.09 million i.e. Euro 0.545 million¹⁷ (₹ 3.79 crore) was attributable to delay.
- d. After receipt of final approval for drawings, the Consultant prepared a fresh time schedule for different stages. As per this time schedule, BOQs, specifications and tender website layout/content were to be finalized by 28 August 2017 but the Mission intimated (October 2017) that a Ministry team was still due to visit Dublin to discuss and finalize

¹⁵ From August 2009 when drawings were first submitted.

¹⁶ Building Control (Amendment) Regulations, 2014.

¹⁷ Increase due to inflation @ 19 per cent between July 2012 and April 2016 of Euro 0. 440 million plus vat @ 13.5 per cent and Design fees @ 8.75 per cent.

these documents. As such, a delay of eight weeks with respect to the new time schedule had already set in by October 2017. The planning permission for the project is valid only till October 2019 and further delays could adversely affect the realization of the project.

The Ministry attributed (December 2017) these delays to requirement of securing local approvals. This reply is not tenable since substantial part of the delay was due to inordinate time taken in processing approvals within the Ministry.

Thus, poor management of the refurbishment and extension of a property purchased for use as a Chancery in Dublin led to the work not being commenced even after a lapse of over eight years of procurement of the property. Further, there is a cost overrun on account of delay of ₹ 3.79 crore (Euro 0.545 million). Meanwhile, the property purchased at a cost of ₹ 32.66 crore (Euro 4.70 million) has remained idle.

b) Lack of effective technical and security assessment resulting in property remaining uninhabitable at High Commission of India in Port Moresby

MEA guidelines circulated in November 2011 for acquisition of property by Mission/Posts abroad stipulated *inter alia* that economic cost was not the only consideration while approving purchase of properties and that any property proposed for acquisition should be suitable also from security point of view. The guidelines also stipulated that importance be given to structural soundness/residual life of the property and did not recommend purchase of properties requiring extensive and expensive repairs and renovation.

High Commission of India at Port Moresby, Papua New Guinea (Mission), had been operating from rented premises since April 1996. Officers and staff of the Mission except the Head of Mission were also staying in rented accommodation. In view of the precarious security situation, high annual rental outgo and shabby condition of the Chancery which reflected poorly on the image of India, it was proposed to acquire a built up property to locate the Chancery and residences in a secure complex.

In July 2012, a Property Team from the Ministry visited Port Moresby for an on the spot assessment of nine properties short-listed by the Mission. A property developed in 1992 with an asking price of ₹ 27.30 crore (Kina 10 Million¹⁸) and requiring only minor modification and repair works was recommended by the team for acquisition. This property consisted of a stand-alone wooden house of

¹⁸ Kina = ₹ 27.30 (Official Rate Exchange for July 2012).

300 square meters to be used as Chancery and six units of 130 square meters each as residential accommodation. After obtaining security clearance from the head of the Ministry's security wing who had visited the station, the Ministry gave in principle approval for purchase of the property in August 2012.

Subsequently, a structural inspection of the property was undertaken in October 2012 by a firm appointed by the Mission. The structural inspection report highlighted pervasive defects¹⁹ in the buildings necessitating extensive refurbishment to ensure structural integrity. It reported that the cost of such refurbishments will make the cost of purchase unviable for the Mission. The Superintendent Engineer (Project) in the Ministry opined that the property in its present state was unsafe and strengthening and major repairs were needed to make the property habitable.

The property team again visited the Mission in January 2013 and finalized purchase of the property at ₹ 19.74 crore²⁰ (Kina 7.5 million) inclusive of structural repair and renovation works²¹ to be executed by the owner. The Ministry approved the purchase of the property at the above price in March 2013 along with ₹ 1.92 crore for interior works at the Chancery and Residences and ₹ 96.15 lakh for security installations at the premises. The Chancery and staff shifted into the newly purchased complex in August 2013. The interior works were taken up subsequently after December 2015 and completed in March 2016.

In the meantime, on account of incidents of robbery and intrusion (September 2013 and August 2014) in the Chancery complex as well as poor security condition, all India based staff vacated the residential units and shifted to rented accommodation in January 2015. Since then, the India based staff have been moving in and out of the Chancery complex on account of security concerns and the state of the residential units. As of October 2017, only two staff including one security assistant were staying in the Chancery complex.

In September 2014, another security audit of the Chancery complex was carried out by the Ministry which identified several gaps in the security of the Chancery complex and recommended various measures including construction of a reinforced cement concrete (RCC) boundary wall to secure the premises.

¹⁹ Damage to the timber structure in all units due to termite activity, rotting of wood, leakage in roofs, and cracks in the building walls.

²⁰ Kina = ₹ 26.32 (Official Rate Exchange for March 2013. For the purpose of stamp duty the cost was apportioned as Chancery office 2.5 million + residential premises 4.75 million + Chattels 0.25 million.

²¹ Estimated to cost ₹ 4.95 crore (Kina 1.9 million).

Audit observed that the newly acquired Chancery building continued to suffer from various defects from the point of view of both habitable conditions as well as security even after repeated security audits and certification of completion of rectification works. There was thus no assurance as to whether the adequacy of the repaired structure had been ensured before taking possession of the property.

Further one of the key objectives of the purchase was to locate the Chancery and residence in a single secure complex in view of the precarious security situation in Port Moresby. However, the Chancery and residences remained vulnerable to security risks as brought out in the security audit conducted in September 2014 which held that security had not been properly considered while selecting the premises. The security audit was also critical of occupation of the premises without conducting a proper security evaluation and taking effective security measures. This raises questions as to the credibility of the security assessment carried out by the Ministry at the stage of purchase of the property.

Though the Ministry had sanctioned ₹ 96.15 lakh in March 2013 for providing security installations at the premises, the Mission delayed action on providing these installations and approached the Ministry for revalidation of the sanction in December 2014. These installations were only partially completed and construction of a RCC wall recommended during the security audit, was yet to commence (October 2017).

Thus, due to absence of security measures most prominently a proper boundary wall and the unsatisfactory condition of the residential units, most India based staff have had to vacate the chancery complex and shift into rented accommodation from time to time. The residential units in the complex valued at ₹ 12.50 crore have remained mostly unutilized. Besides, the Mission had to incur expenditure of ₹ 4.53 crore on rent from January 2015 to April 2017 negating the objective of reducing rental outgo in the station.

Ministry stated (July 2017) that it had not ignored any guidelines for acquisition of property and that the property met the objective of locating the Chancery and residences in a secured premises. It added that the structural soundness of the building was ensured as the owner carried out the structural improvements and other works identified by the structural engineer and the Ministry's technical personnel. It added that instances of robbery were beyond the control of Ministry and decision to move staff to rented accommodation was necessary to ensure their security as the construction of the boundary wall was delayed due to factors not attributable to the Ministry.

The reply of the Ministry is not tenable as a subsequent security audit of the

premises as well as communications from the Mission pointed out several security gaps in the selected property and the fact that despite the structural repairs the residential units remained in a poor condition raises doubts of the effectiveness and adequacy of the structural repairs undertaken as well as the security within the Chancery complex.

Thus, accommodation valued at ₹ 12.50 crore, remained unoccupied for prolonged periods while staff and officers stayed in rental accommodation leading to avoidable rental outgo of ₹ 4.53 crore up to April 2017.

c) Avoidable extra payment due to delay and failure to take cognizance of local regulations in Embassy of India in Warsaw

In April 2003, MEA entered into an agreement with an Indian consultancy firm for providing consultancy and construction management services for construction of Chancery cum Residential complex at Warsaw, Poland. The Indian consultant in turn appointed a local associate for the project.

As per the agreement between MEA and the Consultant, a fee at the rate of three *per cent* of the accepted tender cost was to be paid for construction management services on pro-rata basis in 18 monthly instalments from the date of commencement of construction provided that the progress of work was as per the scheduled plans. The Consultant was to deploy a construction management team for full time onsite supervision and inspection for regularly monitoring the status of construction work.

MEA awarded (November 2012) the civil and electro-mechanical work to a contractor for ₹ 33.97 crore (Euro 47.75 lakh). Accordingly, the construction management fee to be paid to the Consultant was fixed at ₹ 99.09 lakh plus service tax. The work on the site commenced from December 2012.

MEA initially authorised the Mission to release the payment in nine monthly instalments to the Consultant without its prior approval to avoid delay in payments. Mission released payment aggregating ₹ 55.05 lakh (55.55 *per cent* of the total fee payable) in 10 monthly instalments till November 2013 for work completed upto October 2013.

As the progress of work was behind the planned schedule, MEA decided (May 2014) to link payments with actual physical progress of work. Accordingly, MEA modified the payment clause through a supplementary agreement with the Consultant on 12 June 2014 wherein it was provided that “if the progress of the work is not as per the schedule plan, the fee will be paid on percentage basis as per actual financial progress achieved in the work. Financial progress will be determined on the basis of interim payment certificate for the payment of Contractor(s) running account bills”.

The invoices raised by the Consultant in January 2014 as 11th and 12th instalments could not be paid in time due to procedural time taken in approval of the supplementary agreement between the MEA and the Consultant. The local associates of the Consultant stopped the supervision at the site due to non-payment of their dues by the Consultant. Consequently, the Contractor was forced to suspend work for 71 days from 1 May 2014 to 10 July 2014 as the local law prohibits any contractor from executing construction work in the absence of construction manager/supervisor. The work was ultimately completed at a revised cost of ₹ 57.04 crore²² (Euro 72.23 lakh) and the Mission shifted into the new premise in July 2015.

Further, the Contractor claimed an amount of ₹ 50.13 lakh against the cost of idle labour and rentals of machinery and equipment for 71 days when the work had been stopped without prior notice. This claim was allowed and paid by the MEA in May 2017.

Audit observed that the Mission and the Ministry should have been cognizant of the local laws mandating presence of construction manager/supervisor for continued execution of the work. Hence, it should have taken steps to ensure both early finalization of the supplementary agreement as well as uninterrupted execution of the work in the intermission by deployment of construction manager/supervisor by the consultant. Instead, MEA took over two months to conclude the supplementary agreement and the work was stopped till its conclusion. This resulted in extra payment of ₹ 50.13 lakh to the Contractor towards the cost/rentals of idle labour and machinery/equipment for 71 days when the work was forced to stop in accordance with the Polish Regulations. MEA stated (September 2017) that payment of the construction management fee to the Consultant got delayed on account of adhering to the agreement provisions and procedural regulations. It added that all agreements signed with the consultants for the construction project for Indian missions abroad are now having revised conditions for payment of construction management fee.

Thus, failure to take cognizance of local laws while progressing a construction project coupled with delay in finalisation of the supplementary agreement with the Consultant for revision of schedule for payment of construction management fee, resulted in avoidable extra payment of ₹ 50.13 lakh to the Contractor.

²² ₹ 78.966/1 Euro

d) Unauthorized and avoidable expenditure in renewal of lease in Consulate General Sydney

Prior to shifting in its own premises in June 2015, CGI, Sydney had been operating from a rented premises since November 2012. The lease deed was valid for 21 months from 1 November 2012 to 31 July 2014 at monthly rent of AUD 25,000 plus Goods & Service Tax (GST) equivalent to ₹ 14.26 lakh²³.

In December 2013, the landlord of the rented premises served a notice for enhancement of the monthly rent by 20 *per cent* from 1 February 2014 in line with the then prevailing market rates. CGI Sydney, after negotiations with the landlord, sought Ministry's approval on 30 January 2014 for renewing the lease at an enhanced rent of AUD 28,750 (15 *per cent* increase) per month equivalent to ₹ 15.71 lakh²⁴ plus GST from 1 February 2014 with four *per cent* annual increment. CGI simultaneously sought legal opinion from its solicitors who recommended (3 February 2014) that an exit clause should be inserted in the lease agreement to provide for termination of the lease at any time by giving two months' notice. This would enable CGI to terminate the lease in case its own premises got ready before expiry of the lease period. CGI Sydney signed the lease deed on 10 February 2014 at the enhanced rent of AUD 28,750 per month equivalent to ₹ 15.71 lakh plus GST.

Subsequently on 27 March 2014, Ministry advised amendment in the proposed lease deed by inclusion of two clauses to provide for (i) termination of the lease with agreed notice period of two to three months and (ii) escalation in rent be applicable only after the expiry of the current lease period i.e. from 01 August 2014. Ministry directed that lease deed should be annulled if these conditions were not met.

Audit observed that CGI Sydney had entered into a new lease deed without awaiting the approval of the Ministry. Delegated Financial Powers bestow full powers to the Head of Mission to enhance rent only up to 10 *per cent* provided that the last contract was for two years. Hence, entering into fresh lease deed at enhanced rate of 15 *per cent* was beyond the powers delegated to the CGI. Further, the lease deed was renewed in February 2014 with enhanced rent though it was valid till 1 August 2014. This resulted in unauthorized expenditure of AUD 5,43,950 equivalent to ₹ 2.94 crore on leasing of premises.

Further, the lease was signed for a fixed term of two years without clauses relating to termination with notice and escalation in rent only after the expiry of the current lease period as stipulated by the Ministry. This was done despite knowledge of the on-going tendering process for renovation works at its own

²³ 1AUD= ₹ 57.02 (Exchange rate of November 2012).

²⁴ 1AUD= ₹ 54.64 (Exchange rate of February 2014).

premise. As a result, the CGI had to incur avoidable expenditure of AUD 1,64,450 equivalent to ₹ 84.76 lakh as rent for five months up to November 2015 after vacation of leased premise in June 2015.

The Ministry, though aware of the irregular and unauthorized renewal of lease, took no action to enforce its instructions for annulment of lease. It also took no action to fix responsibility even though renewal of the lease agreement by the CGI at a higher rent was against all rules.

CGI Sydney stated (29 August 2016) that the lease deed had been signed by the then Consul General directly with the landlord without any witnesses. As there was no exit clause, the Mission had no alternative but to pay the rent till expiry of the lease period. However, CGI, Sydney has negotiated with the landlord and paid five months' rent and got waiver of two months' rent.

Ministry stated (June 2017) that its vigilance division was considering the case.

Thus, unauthorized execution of a lease agreement by CGI Sydney without prior approval of the Ministry coupled with Ministry's own failure to follow up on its instructions resulted in irregular and avoidable expenditure of AUD 7,08,400 equivalent to ₹ 3.79 crore.

7.4 Overcharging of courier fees by the Service Provider

A service provider over-charged courier fees from applicants for visas and other consular services to the extent of ₹ 14.39 crore in violation of the agreement with the Mission and Consulates.

Embassy of India, Washington (Mission), entered into an agreement in April 2014 with a Service Provider (SP) for outsourcing of services related to issue of visas, OCI & PIO cards and renunciation/surrender of Indian nationality certificates both at the Mission in Washington and at its Consulates in the United States of America. As per the agreement, the SP would provide courier service at the rate of USD 15 per packet or on actual basis whichever is less supported by receipt from the Courier Service. It was also stipulated that these services will not be forced on the customers and they will also not be charged any additional fee over and above the charge mentioned in the agreement.

Audit scrutiny of records of the Consular wing in CGI Houston (Consulate) revealed that in the case of all test checked visa applications, courier fee was charged at the maximum ceiling of USD 15 for each application handled both at the stage of receipt of application and at the stage of return of visa stamped passports.

For comparison, Audit undertook an examination of charges paid by the Consulate to M/s FEDEX for overnight standard courier service and it was

found that the rates ranged between USD 8.73 and USD 9.84 per packet for locations falling under the jurisdiction of Consulate. Audit found that the actual courier fees paid by the SP to the courier agency ranged between USD 11.02 and USD 11.55 per packet during 2015 and 2016. However, during the same period the SP charged courier fees at flat rate of USD 15 per packet from the applicants. The SP was thereby over-charging the applicants an amount ranging from USD 3.98 to USD 3.45 during 2015 and 2016.

The SP justified the charge at the rate of USD 15 by claiming to have spent much more than this amount after taking into account administrative expenses like legal fees, court cases, staff costs, etc. The reply of the SP is not tenable as the provision under the agreement clearly specifies that the SP will not charge any additional fee from the applicants for courier service over and above what was stipulated in the agreement.

The SP was uniformly charging courier fees at the rate USD 15 across the Mission and the Consulates. Taking into account the total number of packages handled by the Mission and Consulates during 2015 and 2016²⁵ of 2,27,980 and 3,64,308 respectively, the estimated amount of additional courier charges collected by the SP has been worked out as USD 23,43,323²⁶ i.e. ₹ 14.39 crore²⁷.

Thus, failure of the Mission and its Consulates to ensure compliance with the agreement entered into with the SP led to overcharging of courier fees by the SP from applicants for the extent of ₹ 14.39 crore during 2015 and 2016.

The matter was reported to the Ministry in June 2017; its reply was awaited as of December 2017.

7.5 Unauthorized expenditure on engagement of Contingency Staff for regular nature of work in Missions/Posts

The Consulate General at Vancouver, Houston and San Francisco engaged contingency staff in violation of rules and instructions of the Ministry incurring an unauthorized expenditure of ₹ 2.68 crore.

As per the General Financial Rules (GFR), no authority may incur any expenditure or enter into any liability involving expenditure unless the same has been sanctioned by the competent authority. Further, as per item No.12 of Schedule 1 of Financial Powers of Government of India's Representatives

²⁵ Position upto September 2016.

²⁶ 2015: Variation of USD 3.98 X 2,27,980= USD 10,86,460 and 2016: variation of USD 3.45 X 3,64,308 = USD 12,56,863 aggregating to USD 23,43,323. Actual courier fees paid by SP to courier agency used to calculate variation.

²⁷ At the lowest rate of exchange of April 2015 prevalent during 2015 and 2016.

Abroad, full powers have been delegated to the Head of Mission (HOM)/Head of Post (HOP) with reference to Class IV staff paid from contingencies subject to certain conditions. One of the specific conditions is that the staff so employed should not be for a regular nature of work or against vacant posts, whether temporary or permanent, borne on the regular establishment. MEA had also issued various instructions from time to time to Missions/Posts not to engage contingency staff in violation of laid down rules and regulations. In January 2009, MEA advised Missions/Posts to disengage all contingency staff and added that responsibility would be fixed on the officers responsible for engaging staff without proper authority.

The Comptroller and Auditor General's Report No. 18 of 2015 had highlighted 'Unauthorized expenditure of ₹ 4.29 crore on engagement of contingency staff without sanction' by Consulate Generals Houston and Chicago. In the ATN on the para, MEA had intimated (April 2016) that the expenditure had been regularized even though it held that the engagement in the two Posts being for non-regular work was within the delegated powers of the HOM/HOP. MEA had also reiterated instructions that hiring of contingency staff can be undertaken only for work of non-regular nature.

Despite MEA directions, it was observed that the Consulates General at Vancouver, Houston and San Francisco were engaging contingency staff for regular nature of work viz., consular work and other administrative work from time to time without sanction of the MEA. Expenditure incurred by these Posts on engaging contingency staff without obtaining prior sanction of the MEA and in contravention of Financial Powers of Government of India's Representatives Abroad (item 12 (2)) worked out to ₹ 2.68 crore as detailed in **Table No. 4** below:

Table No. 4 : Expenditure incurred on engaging contingency staff without obtaining prior sanction

Sl. No	Missions/Posts	Period	Total No. of Contingency staff engaged	Wages paid (₹ in lakh)
1.	CGI, Vancouver	March 2012 to July 2016	2	146.77
2.	CGI, Houston	January 2016 to November 2016	5-10	89.07
3.	CGI, San Francisco	April 2016 to February 2017	2	32.00
			Total	267.84

MEA stated (October 2017) as follows:

- a) **CGI, Vancouver:** Contingency staff was engaged in consular work as the consular section is under-staffed and regularization of expenditure is being processed. Further, three new local posts have been sanctioned for the Consulate in October 2016 and contingency staff have been disengaged.

- b) CGI, Houston:** Post had engaged contingency staff in various wings as there was shortage of staff in consular, commercial and other wings. In November 2017, creation of six new local posts have been sanctioned and the Consulate has started disengagement of contingency staff.
- c) CGI, San Francisco:** Post was under staffed to cope with consular and other works. The Post had disengaged the two contingency staff and requested MEA to regularize expenditure of ₹ 32 lakh on the two contingency staff from April 2016 to February 2017. The Post informed (December 2017) that MEA has given post facto sanction for regularization of the expenditure.

The reply of MEA is not tenable as the Posts had engaged contingency staff for regular work without its prior approval despite reiteration of instructions in January 2016 that hiring of contingency staff can be undertaken only for work of non-regular nature.

Thus, despite past audit objections and in disregard of MEA's own instructions not to engage contingent staff for regular items of work without its approval, Consulates General at Vancouver, Houston and San Francisco engaged contingency staff for regular items of work in violation of rules thereby incurring an unauthorized expenditure of ₹ 2.67 crore.