CHAPTER VIII : MINISTRY OF EXTERNAL AFFAIRS

8.1 Establishment of SAARC Museum

SAARC Museum of Textiles and Handicrafts is yet to be operational (December 2019) even after a lapse of 10 years and incurring an expenditure of ₹ 18.47 crore.

India proposed the establishment of a SAARC[1] Museum of Textiles and Handicrafts (Museum) to preserve designs in various crafts and related traditions, train artisans and crafts persons, foster design skills, hold promotional events and undertake research in the XIII South Asian Association for Regional Co-operation (SAARC) Summit held at Dhaka in November 2005. It was further decided (February 2007) during the first Inter-Governmental Meeting of SAARC that the Museum would be established in India and subsequently, in its second meeting Dilli Haat, Pitampura, was selected (November 2008) as the permanent venue of the Museum.

The Museum was to be established on the lines of SAARC Regional Centres where the capital costs are borne by the host country and the operational costs are shared by all the Member States.

The project was approved by the Committee on Non Plan Expenditure (CNE) on 14 September 2009 on the condition that the project was executed in a cost-effective manner and a monitoring mechanism is put in place so that there were no cost and time overruns.

The premises for the Museum were leased (November 2009) for 14 years from Delhi Tourism and Transportation Development Corporation (DTTDC) by the Ministry of External Affairs (MEA) and MEA paid upfront rent of ₹ 15.59 crore[2] for two exhibition halls in January 2010. India's share of maintenance charges was ₹ 4.74 crore for the subsequent 13 years[3]. The financial implication of the project was ₹ 25.18 crore[4].

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1 South Asian Association for Regional Co-operation (SAARC) comprises eight member countries, namely Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

2 Upfront charges of ₹ 13.88 crore and Service Tax @ 12.36 *per cent* amounting to ₹ 1.71 crore

3 Maintenance Charges in the subsequent 13 years of the lease period to be shared by SAARC Member States in which from the second year onwards India's contribution was to be around 30 *per cent*.

4 Rent of ₹ 15.59 crore, Development charges of ₹ 3.65 crore, Maintenance charges for the first year of operation at ₹ 1.20 crore and Share of maintenance charges for 13 years at ₹ 4.74 crore.

Thereafter, MEA circulated the layout plan and outline drawings of the Museum among the Member States in April 2010, which were further revised in May 2011 and April 2012 to make them compliant with CNE's approved plan and permissible building plan of MCD. The revised design was circulated (July 2012) in SAARC Secretariat for their approval. MEA decided (November 2012) to go ahead with the design & drawings pending approval from some of the Member States[5].

MEA selected the Handicrafts and Handlooms Export Corporation of India Limited (HHEC) as Implementing Agency for setting up and development of the two halls including their management and maintenance at the total cost of ₹ 4.85 crore[6] and released (March 2013) an advance of ₹ 50 lakh even though it entered into formal agreement with it only in March 2014. HHEC subsequently entrusted the civil and interiors work of the Museum to Delhi Tourism and Transportation Development Corporation (DTTDC) on Deposit Work basis.

As per the agreed timeline, the first stage involving preparation of drawing, estimates and tender related work was to be completed by 30 April 2014; civil, electrical and air conditioning work by 30 September 2014 and interior designing, art and finishing work by January 2015. The Museum was expected to be operational from 31 March 2015 onwards.

As of September 2019, MEA had released ₹ 18.47 crore (₹ 13.88 crore to DTTDC for lease rent and ₹ 4.59 crore to HHEC for development of the Museum).

The following observations are made:

- MEA took more than three years from entering into lease agreement with DTTDC for hiring two exhibition halls to finalise designs and drawings and then commenced the work (November 2012), pending the approval from some of the Member States.

- Agreement with the Implementing Agency HHEC was signed (March 2014) after a delay of over four years from the hiring of the exhibition stalls (November 2009).

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5 Bhutan, Maldives, Nepal and Sri Lanka.

6 Development Charges-₹ 365.25 lakh; Operational/Maintenance Charges for the first year-₹ 120.23 lakh.

- Due to cost escalation, interiors, finishing, art work outdoor etc. remained pending since May 2015. HHEC adjusted (December 2015) cost escalation by revising the scope of work i.e. by reduction, deletion, and substitution of material finishes etc. DTTDC revised (October 2017) its detailed estimate for interiors, finishing, art work, outdoor etc. from ₹ 1.04 crore to ₹ 1.99 crore and decided to initiate the work only when the funds as per the revised estimates were received in full.

- Though the Museum Project was to be completed by 30 March 2015 and made operational by 31 March 2015, the project is still not complete and operational as of December 2019.

In reply, MEA stated (December 2019) that Civil and electrical works at the SAARC Museum of Textile and Handicrafts, Pitampura, Dilli Haat is complete. An amount of ₹ 1.41 crore was released (13 March 2019) to undertake the interior works. However, the tendering process for the works has been put on hold as HHEC informed that they are not in a position to take the responsibility of management and future operations of the Museum after completion of the interior works as the administrative Ministry i.e. Ministry of Textiles is contemplating closure of the PSU. In the absence of a clear roadmap for the future of the Museum, it was thought not prudent to go ahead with the interior works. The matter was referred to Ministry of Textiles to come up with some alternative management plan. The Ministry of Textiles has invited MEA for a full-fledged discussion on the matter and further course of action.

Thus, deficient systemic approach in monitoring of the project by MEA resulted in non-completion of the project of establishment of SAARC Museum which was envisaged as a vibrant centre reflecting the living tradition of the SAARC and to provide a catalyst approach to the SAARC preferential trading agreement process despite incurring an expenditure of ₹ 18.47 crore and a delay of over 10 years.

8.2 Revenue loss due to incorrect adoption of exchange rate

Incorrect adoption of exchange rate by High Commission of India (HCI) Wellington in levying renunciation charges of Indian citizenship and penalty on misuse of passports resulted in less collection of revenue of ₹ 4.44 crore.

Schedule IV of the Citizenship Rules, 2009 which came into force from 25 February 2009 and Passport Manual, 2016 (Chapter 29 Para 8.2), provide that a service fee of ₹ 7,000 was to be charged for renunciation of Indian citizenship abroad. Further, the Passport Manual, 2016 prescribed a penalty of ₹ 10,000 for passport not surrendered upto three years, but used once for travel after obtaining foreign passport or when the passport was retained over three years. The Manual further provides that the rate of exchange for collection of penalty in applicable local currency should be the same exchange rate as being used for calculation/conversion of visa/other consular services. Further, as per practice, the exchange rate adopted for renunciation fees by the Missions is the same as used for penalty for misuse of passports.

The Ministry of External Affairs (MEA) had revised (October 2012) Passport fees and Passport related services through MEA's Gazette Notification. The MEA, while referring to revised passport fees and related fees, issued further clarifications (October 2012/December 2012) stating that the above Gazette Notification only covered passport fee and passport related services as enumerated therein and hence structure of consular fees would remain unchanged. The MEA also advised (October 2012) the Missions that the fee in terms of local currency may be revised if the local currency depreciated against US dollar by 10 *per cent* or more. However, the fees may not be revised in the case of appreciation of local currency against US dollar.

Audit noticed (September 2017), the High Commission of India (HCI) Wellington, New Zealand had applied the official exchange rate applicable in October 2012 at the rate of 1 US$ = NZ$ 1.3 for penalty and renunciation fees though the rate of exchange used by the Mission for visa services since September 2000 was 1 US$ = NZ$ 2.2160[7] (1 US$ = ₹ 47.50). Accordingly, the HCI fixed (December 2012) the penalty to be charged at NZ$ 245 while renunciation fees was charged at NZ$ 225 instead of NZ$ 467[8] for penalty and NZ$ 327[9] for renunciation fees. This downward revision was in contravention of the MEA's instructions that the fee in terms of local currency may be revised only if the local currency depreciated against US dollar by 10 *per cent* or more, which had not occurred.

Test check of records of HCI Wellington revealed that it had applied incorrect fees in respect of 14537 cases of passport renunciation and 2328 cases of penalty for misuse/retention of passport during the period from October 2012 to April 2018. Consequently, this resulted in short recovery of NZ$ 1502662

[7] US$ 1 = NZ$ 2.2160 prevailing exchange rate in August 2000

[8] NZ$ 467 (₹ 10000/₹ 47.50 x NZ$ 2.2160)

[9] NZ$ 327 (₹ 7000/₹ 47.50 x NZ$ 2.2160)

(₹ 3.22 crore[10]) in 14537 renunciation cases and NZ$ 570272 (₹ 1.22 crore) in 2328 misuse/retention of passport cases, respectively during the said period, as detailed in **Annexe-8.1**.

On being pointed out (April 2018), MEA accepted (June 2018) the audit observation and stated that there has been a misinterpretation of instructions leading to incorrect fixation of Rate of Exchange (ROE) on the part of the Mission. It added that the Mission had since taken corrective action and revised the fees for renunciation and penalty on retention/misuse of passports using the same rate of exchange as applied for fixing the visa fees i.e. 1 US$ = NZ$ 2.2160 with effect from 1 May 2018.

Thus, unwarranted downward revision of service fees for renunciation of Indian citizenship, and penalties on misuse of passports in December 2012 resulted in revenue loss aggregating to ₹ 4.44 crore during the period April 2016 to August 2017.

8.3 Excess expenditure on speed post services – ₹ 4.11 crore

Thirteen Regional Passport Offices out of twenty-five test checked could avail only half of the discount available to bulk customers of speed post services due to inability to provide required address data electronically. Another RPO failed to avail any discount, as it did not enter into an agreement with Postal Authority unlike other offices.

Ministry of Communications and Information Technology, Department of Posts (DoP) introduced (December 2010) a scheme "New Speed Post Discount Structure and Operational Mechanism" which provides discount on monthly speed post business in order to have long term business relationship with major customers. The discount offered under the scheme[11] to the bulk customers who provide a speed post business of ₹ 50,000 or more in a calendar month ranged from five *per cent* to 30 *per cent* detailed in **Annexe-8.2** on the value of booking made for the month.

For availing the discount, the bulk customer has to enter into an agreement with the Postal Department for an initial period of one year and which could be renewed every year thereafter. The full rate of discount would be available to customers who provide bulk booking data to the Postal Department in electronic

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[10] 1 NZ$ = ₹ 21.44 (@ visa fee rate 1 US$ = 2.2160 NZ$, 1US$ = ₹ 47.50)

[11] Vide OM Nos. 57-02/2010-BD&MD dated 10 December.2010, 57-03/2012-BD&MD dated 24 September 2012 and 10-23/2013-BD&MD dated 24 January 2017 of Department of Post, Business Development Directorate.

format. If the data is provided only in paper manifest, the discount available would be reduced by half.

Regional Passport Offices (RPO) avail of Speed Post services of the DoP for delivery of Passports, letters, etc. Test check of 25 RPOs out of 37 RPOs in the country under Ministry of External Affairs (MEA) revealed that 13 RPOs did not furnish data in electronic format (soft copy) to DoP and could avail only half of the discount leading to excess payment of postal charges of ₹ 2.39 crore for the period from April 2015 to March 2018 as detailed in **Annexe-8.3**.

RPO Lucknow being a bulk customer failed to enter into an agreement with DoP and could not avail any discount at all under the scheme leading to extra expenditure of ₹ 1.72 crore on postal charges. RPO Lucknow admitted the facts and informed that Chief Post Master (GPO) has conveyed that permissible discount as per agreement is being processed from the month of January 2019 onwards.

Thus non-availing of discount by the RPOs lead to extra expenditure of ₹ 4.11 crore.

The para was issued to the MEA in January 2019, the reply is awaited as of December 2019.

Nalanda University, Rajgir

8.4 Incorrect adoption of rates resulting in extra cost

Nalanda University, Rajgir adopted incorrect overhead rates and cess/taxes resulting in extra cost of ₹ 2.34 crore of which, ₹ 1.85 crore had already been paid to the contractor.

Nalanda University, Rajgir (University) under the Ministry of External Affairs (MEA) was established under the Nalanda University Act, 2010.

The University awarded (September 2016) the work of construction of internal roads and earth works for providing water bodies for its permanent campus (Phase I) for ₹ 37.22 crore. The work was completed by April 2018; and ₹ 31.01 crore was paid till March 2019. Audit examination of the works revealed the following:

- ✓ The award based on Estimated Cost Put to Tender provided for an additional six *per cent* towards Labour Cess, Works Contract Tax (WCT) and Bihar

Entry Tax over and above the Schedule of Rates (SoR)[12]. Audit observed, that the SoRs permitted only addition towards Labour Cess (at *one per cent*), and WCT (at up to four *per cent*) and Bihar Entry Tax were already included in the overhead rates and rate analysis respectively.

- ✓ In respect of structures like box culverts and RCC drain outlets, the University incorrectly adopted the overhead rate of 25 *per cent* as applicable to major bridges instead of the 10 *per cent* applicable to road works below ₹ 50 crore.

- ✓ The award which was based on the rate analysis provided for Bihar Entry Tax on cement and stone aggregates on the ground that the Government of Bihar had banned stone-chip mining in Bihar and sourcing was planned from Domchach, Jharkhand. Audit observed that the contractor actually sourced the material from Sheikhpura, Bihar.

Consequently, against the inflated additional liability of ₹ 2.34 crore, the University has already released ₹ 1.85 crore to the contractor up to the 10th RA Bill. The University assured (May 2019) Audit that the amount would be recovered from the final bill of the contractor. Compliance is awaited.

The matter was referred to the MEA (July 2018); their reply was awaited (December 2019).

[12] The University adopted the SoRs, which were in line with the guidelines of Ministry of Road Transport and Highways, as of 1 April 2016 prescribed by the Road Construction Department, Bihar.