

## CHAPTER IV : MINISTRY OF EXTERNAL AFFAIRS

### 4.1 Deficient internal control mechanism

**Non-institution of effective internal control mechanism in the Ministry and the Indian Missions/Posts abroad as well as deliberate disregard of the existing instructions and procedures, resulted in irregular/unauthorised expenditure of Rs. 4.92 crore and non-recovery of Rs. 15.04 lakh from India-based officials.**

Audit examination of the records of various Indian Missions/Posts abroad and scrutiny of the Ministry's records revealed that effective internal control mechanisms either did not exist in the Ministry of External Affairs (MEA) or were deliberately bypassed. Consequently, the Ministry itself violated the prescribed procedure in respect of purchases of high value object d'art items. It also did not take effective measures to check the persistent irregularities pertaining to violation of the delegated financial powers and Government of India's orders/MEA's instructions despite these having been pointed out on various earlier occasions by audit. Instead of fixing responsibility in such cases, the Ministry encouraged the financial indiscipline by according ex-post facto approval to the expenditure irregularly incurred by the Missions/Posts abroad. A few instances noticed are discussed in the succeeding paragraphs:

#### 4.1.1 Irregular expenditure on purchase of object d'art items

The Ministry instead of entrusting the work of selection of object d'Art (ODAs) items (such as paintings, sculpture, silver pieces and objects of traditional workmanship) to the sixth ODA Committee constituted (June 2001) with the approval of the Prime Minister, purchased ODAs worth Rs. 1.27 crore on its own during 2002-2004. It was also noticed that even expensive ODA items in the price range of Rs. 1.50 lakh to Rs. 3.00 lakh per piece were purchased without getting these recommended/selected by the Committee in terms of their quality/value. Consequently, the objective of ensuring quality and value in the procurement of ODAs got defeated and expenditure of Rs. 1.27 crore incurred on this account was irregular. It was further observed that the Ministry while issuing ODA items to various Missions/Posts did not adhere to the ceiling fixed by it and issued ODA items valuing Rs. 1.07 crore to 11 Missions/Posts<sup>1</sup> against the total ceiling of Rs. 71.80 lakh resulting in supply of ODA items in excess of the ceiling by Rs. 35.61 lakh.

<sup>1</sup> EI Washington, London, Riyadh, Moscow, Muscat, Madrid, Paris, PMI New York, NCI Pretoria, Colombo and CGI New York.

The Ministry stated (September 2005) that the sixth ODA Committee could not hold their formal meeting for various reasons though they did have the benefit of consultations with some of these experts. It also stated that with a view to rectifying this situation, the Ministry had already re-constituted the seventh ODA Committee in February 2005. With regard to issuing of ODA items to the Missions/Posts in excess of the ceiling, the Ministry stated that the monetary limits on supply of ODA items were only indicative and not binding. The reply is not tenable as the Ministry while revising the ceiling in April 2003 should have taken this aspect in view and fixed the ceiling according to the status of the Missions/Posts.

#### **4.1.2 Unauthorised expenditure on security guards**

Though the High Commission of India, Pretoria (South Africa) had full complement of two India based security guards in position, it had been engaging additional local security guards through a security agency since September 1995 for managing the security of the Chancery and Embassy residence without the approval of the Ministry. The Mission incurred unauthorised expenditure of Rs. 1.13 crore on this account between September 1995 and April 2005. It was further observed that in the case of High Commission of India, Gaborone (Botswana), the Ministry had conveyed (May 2002) sanction for continued hiring of local security guards for round the clock security of the Chancery and Embassy residence for a period of one year from 1 July 2002 to 30 June 2003. While the matter regarding continuation of security guards at enhanced rates was under correspondence with the Ministry, the Mission had been making payment of service charges at enhanced rates without the approval of the Ministry and incurred unauthorised expenditure of Rs. 18.27 lakh for the period from July 2003 to June 2005.

Thus, violation of financial rules and clear instructions of the Ministry by the Missions resulted in the unauthorised expenditure of Rs. 1.31 crore (Rs. 1.13 crore + Rs. 18.27 lakh).

On the matter being pointed out in Audit, the Ministry stated (December 2005) that regularisation of expenditure was under its active consideration.

#### **4.1.3 Unauthorised expenditure on purchase of cars**

In accordance with the instructions issued by the Government of India (Ministry of Finance) in September 2000 and October 2001, the Ministries/Departments could purchase new vehicles in replacement of condemned vehicles only after consultation with their Financial Advisor.

The following three Missions purchased new cars in replacement of old ones between June 2002 and January 2005 in violation of Government of India's orders and without obtaining prior approval of the Ministry as detailed below:

(Rupees in lakh)

S. No.	Name of High Commission	Month/Year of purchase	Cost of the vehicle
1.	Embassy of India, Riyadh	June 2002	16.83
2.	High Commission of India, Mahe (Seychelles)	November 2004	10.98
3.	Consulate General of India, Johannesburg	January 2005	18.83
		<b>Total</b>	<b>46.64</b>

The Ministry stated (October 2005) that regularisation of expenditure in respect of the Mission at Mahe was being processed and the Missions at Riyadh and Johannesburg were being asked to assign the reasons for not obtaining prior approval of the Ministry. It further stated that depending upon the circumstances, the matter could be considered for ex-post-facto regularisation.

#### 4.1.4 Unauthorised expenditure in violation of delegated powers

According to item no. 8 (b) (i) of Schedule I of Financial Powers of the Government of India's Representatives Abroad, no powers have been delegated to Heads of Missions for purchase of furniture and equipment in the residences of Heads of Missions. As such, any expenditure incurred on this account should have prior approval of the Ministry. However, according to item no. 8 (b) (iii) of Schedule I of Financial Powers *ibid*, Heads of Missions have been delegated powers to incur expenditure upto \$ \*3850 equivalent to Rs. 1.78 lakh per annum on renewals and replacements of furniture and equipment in the residences of Heads of Missions. Further, in terms of item 8 (a) (i) of the said Financial Powers, the Heads of Missions have been delegated powers to incur expenditure upto \$ \*\*5000 equivalent to Rs. 2.39 lakh per annum on purchase of computers and related peripherals.

Audit scrutiny revealed that the Indian Missions at Luanda (Angola) and Harare (Zimbabwe) incurred expenditure of Rs. 26.08 lakh on purchase and replacement of furniture and equipment for the residences of the Ambassadors and purchase of computers and peripherals for official use during 2002-2004 as detailed below:-

\* 1 US \$=Rs. 46.40 (exchange rate for October 2003)

\*\* 1 US \$= Rs. 47.85 (exchange rate for April 2003)

(Rupees in lakh)

Name of the Mission	Year	Items purchased/ replaced	Expenditure	Expenditure admissible as per delegated powers	Excess expenditure
Luanda (Angola)	2002-03 and 2003-04	Purchase of furniture and equipment for Ambassador's residence	3.94	NIL	3.94
	- do -	Replacement of furniture and equipment for Ambassador's residence	7.77	3.56	4.21
	- do -	Purchase of computers and peripherals for official use	10.28	4.78	5.50
Harare (Zimbabwe)	2003-04	Replacement of furniture for Ambassador's residence	4.09	1.78	2.31
		<b>Total</b>	<b>26.08</b>	<b>10.12</b>	<b>15.96</b>

Thus the Mission at Luanda incurred unauthorised expenditure of Rs. 13.65 lakh during 2002-2004. Similarly, the Mission at Harare incurred unauthorised expenditure of Rs. 2.31 lakh. The total unauthorised expenditure incurred by the two Missions at Luanda and Harare during 2002-2004 amounted to Rs. 15.96 lakh.

The matter was referred to the Ministry in September 2005. Reply was awaited (February 2006).

#### 4.1.5 Unauthorised expenditure on purchase of stationery

According to item no. 26 of Schedule I of the Financial Powers of the Government of India's Representatives Abroad, Heads of Missions other than in USA and UK were permitted to incur expenditure on purchase of stationery, stores and printing articles upto a maximum of Rs. one lakh per year until 2000-01, which was enhanced to US\$ 3850\* with effect from 2001-02.

Test check of records in 14\*\* missions revealed that during 1999-2000 to 2003-04, these missions had incurred an unauthorised expenditure of Rs. 1.35 crore on stationery in excess of the delegated powers. The excess expenditure in these missions ranged between 6 per cent to 1351 per cent of the delegated powers.

\* Equivalent to Rs. 1,88,342 in 2001-02, Rs. 1,84,993 in 2002-03 and Rs. 1,75,060 in 2003-04 taking exchange rates of March 2002, 2003 and 2004 respectively.

\*\* CGI Jeddah, EI Tokyo, Bahrain, Phnom Penh, Doha, Kuwait, Muscat, HCI Dhaka, Canberra, Colombo, Male, Wellington, Dubai, Kuala Lumpur.

On the matter being pointed out in audit, the Ministry stated (September 2005) that excess expenditure incurred by Embassy in Doha had since been regularised and formal sanction issued. Regularisation of excess expenditure in respect of other Missions was under process.

#### **4.1.6 Unauthorised and excess payments of garden grant**

According to Sl. No. 4 A (iv) of Schedule I of Financial Powers of Government of India's Representatives Abroad, garden grant in respect of government owned properties housing Heads of Missions (HOMs)/Heads of Posts (HOPs) were to be paid only after obtaining the approval of the Ministry. Further, according to Sl. No. 4 A (i) of Financial Powers *ibid*, garden grant equal to 0.75 *per cent* of the annual rent, if the size of the garden was less than 1/4<sup>th</sup> of an acre and equal to 1.25 *per cent* of annual rent if the size of the garden exceeded 1/4<sup>th</sup> of an acre, was admissible for rented residences of HOMs/HOPs. Payment of garden grant to representational officers other than HOM/HOP was to be regulated in terms of paragraph 12 (2) of Annexure X of IFS (PLCA) Rules, 1961 (Part-I) which laid down that the garden grant in respect of a leased residence could be paid to these officers if the responsibility for maintenance of the garden attached to the residence was not that of the lessor. Similarly, according to paragraph 12 (a) of Annexure X of IFS (PLCA) Rules, 1961 (Part-I) read with Sl. No. 4 B of Schedule I of Financial Powers of Government of India's Representatives Abroad, the garden grant for residences of representational officers other than HOMs/HOPs in respect of both government owned and rented property was admissible upto one man-hour per day where the area of the garden did not exceed 1/4<sup>th</sup> of an acre and upto two man-hours per day where the area of the garden exceeded 1/4<sup>th</sup> of an acre. For the purpose of payment of daily wages of the contingency paid staff, employed against local posts, the Ministry decided (May 1994) that the wages of such persons be fixed at 1/30<sup>th</sup> of the minimum of the revised pay scale of the corresponding local staff.

Audit examination revealed that the Consulate General of India, Johannesburg (South Africa), engaged a private company for maintaining garden at the residence of the HOP without the approval of the Ministry and incurred unauthorised expenditure of Rs. 5.20 lakh between July 2002 and March 2005. It was also observed that the garden attached to the rented residences of the First and Second Secretary of the Indian Mission at Mahe (Seychelles) was being maintained by the lessor. Though no garden grant was, therefore, payable to these officers, the Mission paid garden grant at the rate SR 300 per month to them. The Mission needed to recover the irregular payment of SR

*Report No. 2 of 2006*

18150 equivalent to Rs. 1.49 lakh made to them during the period 22 November 1999 to 30 April 2001 and 18 July 2001 to 6 March 2005. Further, the Indian Mission at Sana'a had engaged gardeners for the residences of the Counselor and First Secretary of the Mission and paid wages to them at the rate US \$ 100 and US \$ 150 per month against the admissible rate of US \$ 19 per month. This resulted in excess payment of US \$ 3135 equivalent to Rs. 1.46 lakh during the period August 2001 to July 2004 (except May 2004) which also needed to be recovered from the officers.

Thus, violation of rules and payment of garden grant in excess of the prescribed limit resulted in excess and unauthorised expenditure of Rs. 8.15 lakh during 1999-2005.

On the matter being pointed out in audit, the Ministry merely forwarded (February 2006) the inputs received by it from the concerned Missions/Posts. The Consulate General of India, Johannesburg regretted that it had inadvertently engaged one gardening agency for maintenance of the garden without the prior approval of the Ministry. It also stated that the matter was being processed and the Ministry's decision would be communicated to audit in due course. The Missions at Sana'a and Mahe (Seychelles) stated that the matter was being further looked into by the Ministry and they would revert to audit in due course.

#### **4.1.7 Unauthorised expenditure on cellular phones**

The Government of India (Ministry of Finance) allowed the facility of cellular phones to the Secretaries in January 2003 and to the Joint Secretaries in January 2004 subject to a monthly ceiling of expenditure of Rs. 1500 and Rs. 500 respectively on rental and call charges. MEA, while sanctioning mobile phones to Missions abroad, disallowed international trunk dialling from these phones.

The following Missions incurred unauthorised expenditure on mobile phones as detailed below:

*(Rupees in lakh)*

<b>Sl. No.</b>	<b>Name of the Mission</b>	<b>Expenditure</b>	<b>Period</b>	<b>Irregularity</b>
1.	Jeddah	3.24	2000-2005	Expenditure on international calls in violation of instructions of the Ministry.
2.	Thimpu	0.20	2004-2005	Same as above.
3.	Pretoria	1.28	2000-2003	Expenditure on cell phone used by the spouse of the High Commissioner despite the matter being pointed out by audit in 2002.
4.	Kuala Lumpur	4.88	2001-2005	Seven cell phones purchased without the approval of the Ministry.

(Rupees in lakh)

Sl. No.	Name of the Mission	Expenditure	Period	Irregularity
5.	Brunei	1.96	1995-2000	One cell phone purchased without the approval of the Ministry.
6.	Johannesburg	1.93	2002-2005	Two cell phones purchased without the approval of the Ministry.
	<b>Total</b>	<b>13.49</b>		

Non-observance of the Ministry's clear instructions regarding purchase of cell phones and disallowance of international calls resulted in unauthorised expenditure of Rs. 13.49 lakh during 1995-2005.

The matter was referred to the Ministry in October 2005; their reply was awaited as of February 2006.

#### **4.1.8 Failure to impose recovery towards inadmissible items under Children's Education Allowance**

As per Annexure VII of Indian Foreign Service (Pay, Leave, Compensatory Allowances) 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/posts abroad. Cost of books, transportation and lunch charges have been held as inadmissible. Where fees for inadmissible items are integrated in the school fee and no break-up of the constituent elements is available, the Ministry has prescribed deductions at different percentages of tuition fee/foreign allowance<sup>2</sup> to be made from each official to cover the cost of such charges paid by the Government. The reimbursement of capital fee or payment to building fund is admissible only with the prior approval of the Ministry.

During a test check conducted between October 2004 and July 2005, Audit noticed that nine<sup>3</sup> Missions/Posts were not making recovery towards inadmissible items of supply of books, charges for which were included in the tuition fee borne by the Government. The Mission at Bucharest was also not making recovery on account of lunch charges included in the tuition fee.

Failure on the part of the Missions/Posts to comply with the instructions of the Ministry to impose recovery towards inadmissible items under the children's

<sup>2</sup> One per cent of tuition fee for supply of books by school (including books given on loan basis), half per cent of foreign allowance for lunch and half per cent of foreign allowance for each day of field trip.

<sup>3</sup> Ashgabat, Bucharest, Copenhagen, Geneva, Helsinki, Minsk, Munich, The Hague and Vladivostok. In respect of the Mission at Paris, this is for the academic years 2003-04 and 2004-05 as previous audit report contained non-recovery for the years 2001-02 and 2002-03

education scheme resulted in non-recovery of Rs. 15.04 lakh as per **Annexure-A**

Audit scrutiny also revealed that the Ministry sanctioned (December 1996) payment of capital fee of US \$ 750 per child in respect of eligible children of the personnel of the Mission at Phnom Penh (Cambodia) who were studying in an empanelled school. However, the Mission, in disregard of the Ministry's orders, paid capital fee in respect of seven children of its personnel at the enhanced rate of US \$ 1200 per annum per child. This resulted in unauthorised expenditure of Rs. 11.37 lakh during 1997-2005. It was also observed that though no payment of fee on account of 'English as Second Language' (ESL) was admissible, the Mission irregularly paid Rs. 1.22 lakh in respect of 13 children of its personnel during 1996-2002. The Mission at Khartoum had unauthorisedly paid capital fee at the rate US \$ 600 per annum per child in respect of seven children of its personnel without first securing the approval of the Ministry. The unauthorised expenditure incurred was Rs. 2.49 lakh during September 2003 to February 2005.

Thus, the failure of the Missions to comply with the instructions of the Ministry resulted in non-recovery of Rs. 15.04 lakh and unauthorised expenditure of Rs. 15.08 lakh.

The matter was referred to the Ministry in July/October 2005. While reply to the matter referred to the Ministry in July 2005 was awaited (December 2005), the Ministry in reply to the latter stated (December 2005) that regularisation of the expenditure incurred by the Mission at Phnom Penh was under its active consideration and necessary information had been called for from the Mission at Khartoum for early settlement of the audit observation.

On the deficiencies being pointed out in audit, the Ministry while admitting the irregularities committed by the Missions/Posts stated (December 2005) that the Ministry had, from time to time, been directing them to adhere to the financial/administrative rules scrupulously. The rise in number of irregularities indicates the need for the Ministry to strictly enforce accountability instead of routinely according ex-post facto sanctions.

**4.1.9** The above instances illustrate the weak internal controls in MEA, which manifested in the form of disregard of Government instructions. Not only did the Missions incur unauthorised expenditure, but the Ministry was excessively liberal in condoning the violations of established procedures and rules in most cases. This has encouraged others to casually disregard the prescribed rules and Government orders and whittle internal control.



#### **4.2 Unauthorised expenditure on engagement of contingency paid staff**

**The Missions and Posts abroad continued to employ staff paid from contingencies and local staff in disregard of the rules and regulations governing the employment of locally recruited staff resulting in unauthorised expenditure of Rs. 2.54 crore.**

In terms of rule 6 of General Financial Rules, no authority may incur any expenditure or enter into any liability involving expenditure on government account unless such expenditure has been sanctioned by general or special orders of the government or by any authority to which power has been delegated in this behalf. Thus, no authority can incur expenditure on payment of salary without the specific sanction of the authority competent to sanction the post.

Further, Item No. 12 of Schedule I of the Financial Powers of the Government of India's Representatives Abroad provides that the Heads of Missions and Posts (HOM/HOP) may employ only (Class IV) staff paid from contingencies for work of casual nature. It forbids employing staff paid from contingencies for work of a regular nature or against vacant posts borne on the regular establishment.

Orders issued from time to time by the Ministry place the following further restrictions on their employment:

- they should not be employed for over six months;
- they should be paid wages equal to one-thirtieth of the minimum of the scale of pay prescribed for the corresponding local posts for each day of their engagement; and
- they shall not be entitled to any earned leave, bonus, increments and adjustments based on the cost of living index.

Successive Reports<sup>4</sup> of the Comptroller and Auditor General of India have highlighted disregard of Schedule I of Financial Powers and Ministry's instructions by various Mission and Posts. In its Action Taken Notes furnished in January 2001, May 2002 and December 2004, the Ministry stated that instructions were issued to the Missions and Posts emphasizing the need to adhere to the rules and regulations, failing which responsibility would be fixed on errant officers.

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<sup>4</sup> Paragraph No. 4.1.1 of Report (No. 2 of 1999), Paragraph No. 8.6 of Report (No. 2 of 2000), Paragraph No. 9.2 of Report (No. 2 of 2002), Paragraph No. 4.1 of Report (No. 2 of 2003), Paragraph No. 2.3 of Report (No. 2 of 2004) of the Union Government – Civil of the Comptroller and Auditor General of India.

*Report No. 2 of 2006*

(1) Audit scrutiny, however, revealed that despite earlier audit observations and the resultant instructions in this behalf, the Missions at Canberra, Dar-es-Salaam, Kuala Lumpur, Moscow, Nicosia, Port Louise and Singapore continued to disregard the rules and instructions and employed staff paid from contingencies unauthorisedly for work of a regular nature for prolonged periods and paid them higher wages without the approval of the Ministry. These irregularities resulted in the Missions and Posts incurring unauthorised expenditure of Rs. 1.79 crore as detailed below:

*(Rupees in lakh)*

<b>Mission/ Post</b>	<b>Post</b>	<b>Period</b>	<b>Amount</b>	<b>Nature of irregularity</b>
HCI Singapore	Clerks (Two)	April 2003 to July 2004	8.56	Instead of discontinuing the unauthorised staff, additional contingency paid staff were engaged for regular work without the approval of Ministry.
HCI Canberra	Clerks	February 2000 to June 2004	50.05	Contingency paid staff were continuously engaged for regular work without the approval of the Ministry.
EI Dar-es-Salaam	Security Guards	1995-96 to 2003-04	31.51	In addition to its sanctioned men-in-position, Mission engaged security guards from a security agency on contingency basis without the approval of the Ministry.
-do-	Gardeners	2001-02 to July 2004	1.95	In addition to one regular gardener, the Mission engaged two gardeners paid from contingencies for period exceeding six months without the approval of the Ministry.
HCI Kuala Lumpur	Security Guards	2001-02 to June 2004	32.95	In addition to its sanctioned men in position, Mission engaged Security Guards from a security agency on contingency basis for which Ministry's approval was not obtained.
EI, Moscow	Class-III staff	September 2003 to March 2005	31.53	Contingency paid Class III staff were continuously engaged without the approval of the Ministry.
HCI Nicosia	Interpreter Messenger and Maid	23.8.2001 to 16.6.2003	13.79	Engaged contingency paid staff against one post of interpreter (Group 'C') and two posts of Group 'D' beyond six months without the approval of the Ministry. As per instructions of the Ministry COLA* was not payable to the contingency paid staff but they were paid COLA as well.
HCI Port Louise	Clerks	March 1995 to May 2004	8.75	Contingency paid staff were engaged beyond six months without the approval of the Ministry.
		<b>Total</b>	<b>179.09</b>	

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\* Cost of Living Allowance

(2) Para 8.6 of the Report of the Comptroller and Auditor General of India for the year ended March 1999, Union Government (Civil) highlighted the unauthorised expenditure of Rs. 1.47 crore during 1989-1999 on the operation of three posts of locally recruited direct data entry operators (DDE) in the High Commission of India, London (Mission) for which sanction for continuance existed only up to 31 March 1989. Ministry in their Action Taken Notes stated (May 2002) that necessary instructions had been issued to all Missions and Posts abroad not to engage local employees in excess of the sanctioned strength.

Audit scrutiny revealed that the Mission continued to employ one DDE and incurred an unauthorised expenditure of GBP 101,325.62 (Rs. 74.63 lakh<sup>5</sup>) towards pay and bonus from April 1999 to March 2005.

The Mission stated in May 2003 that there were vacant posts of local and India-based staff in the Mission against which the post of DDE operator could be accommodated. The Mission further stated in October 2004 that they were regularly pursuing with the Ministry for regularisation of the local post.

The reply of the Mission (May 2003) is not tenable as the Mission had no delegated powers to accommodate unauthorised local posts within the overall sanctioned strength. Thus, the employment of contingency paid and local staff in disregard of the provisions of the rules and orders of the Ministry resulted in unauthorised expenditure of Rs. 2.54 crore.

On the matter being pointed out in audit, the Ministry responded (December 2005) only in respect of Mission at Kuala Lumpur by stating that it had regularised expenditure of Rs. 11.33 lakh for the period from February 2005 to January 2006 and had asked for details of expenditure for the period from August 2004 to May 2005 for ex-post-facto regularisation. It was, however, silent about regularisation of expenditure pointed out by audit for the period from 2001-02 to June 2004.

#### **4.3 Loss of interest due to injudicious retention of excess cash balance**

**Persistent non-compliance with Ministry of External Affairs' instructions for not holding cash balance in excess of requirement by overseas Missions and Posts despite audit observations on a number of occasions in the past resulted in loss of interest of Rs. 1.79 crore.**

The Ministry of External Affairs abroad meets cash requirement of Indian Missions and Posts through periodical remittances in foreign currency. Such

<sup>5</sup> Converted at the salary rate of exchange prevailing in the respective years

remittances as are received by the Missions and Posts from time to time are usually retained by them in bank accounts that do not yield any interest. In addition to the periodical cash remittances, Missions and Posts also generate revenue through the provision of consular services, which is also deposited in a similar manner.

Audit observations on a number of occasions in the past<sup>6</sup> had highlighted instances of retention of cash balances in excess of requirements by various Missions and Posts abroad resulting in avoidable loss of interest to the detriment of government's financial interest. In pursuance of these observations, the Ministry has also been repeatedly emphasising that Missions and Posts abroad should make a realistic assessment every month of their cash requirements covering a period of six weeks and ensure that any cash balances held in excess of these requirements were either repatriated or adjusted against future remittances by advising the Ministry to reduce or suspend its monthly remittances. Further, in December 2000 the Ministry had specifically advised the Missions and Posts that it was not mandatory to always maintain cash balances to meet six weeks' requirements and that it should be possible to manage even by retaining only a month's requirements. The Ministry while taking serious view of the Reports of the Comptroller and Auditor General of India and recommendations of the Public Accounts committee again directed (June 2003) all the Missions/Posts to ensure that under no circumstances funds in excess of six weeks' requirement should be retained by them. The Ministry felt that it would be constrained to fix responsibility for any lapses resulting in financial loss to the government.

Audit of various Missions and Posts abroad conducted between August 2004 and August 2005, however, revealed that repeated audit observations and the Ministry's instructions did not have any perceptible impact in bringing about improvements in cash management. Between April 2001 and June 2005, as many as 25 Missions and Posts<sup>7</sup> had retained cash balances in excess of their six weeks' requirements for varying periods ranging from 4 to 41 months. Of these, nine Missions and Posts<sup>8</sup> had retained such excess balances in the past as well and this had been brought to their notice as well as the notice of the

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<sup>6</sup> Refer paragraph nos. 4.4, 4.5, 8.14, 8.7, 9.4, 4.7, 2.14 and 6.13 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, March 2003 and March 2004 respectively.

<sup>7</sup> Abidjan, Amman, Antananarivo, Bahrain, Cape Town, Gaborone, Geneva, Ho chi Minh City, Hong Kong, Lagos, Luanda, Minsk, Paris, Pretoria, Rabat, Sana'a, Senegal, Tel Aviv, The Hague, Thailand, Thimpu, Tunis, Vienna, Windhoek and Zagreb.

<sup>8</sup> Antananarivo, Cape Town, Gaborone, Luanda, Paris, Pretoria, The Hague, Tunis and Vienna

Ministry through the Reports of the Comptroller and Auditor General of India. The estimated loss of interest computed at the average rate of borrowings of government of 9.24 *per cent* per annum on this account would work out to Rs. 1.79 crore. Relevant details in this regard are in the **Annexure- B**.

That the Missions and Posts abroad should persistently retain cash balances in excess of actual requirements indicates that the Ministry's instructions and periodical assurances have been honoured more in breach than in their observance. The control exercised by the Ministry also appears to have been inadequate, if not lax. Persistent disregard of the Ministry's instructions leading to recurring loss of interest only underscores the imperative need for addressing the issue with greatest seriousness as well as enforcing accountability.

The matter was referred to the Ministry in August/September 2005; their reply was awaited as of February 2006.

#### 4.4 Avoidable additional expenditure

**Indian Missions at Port Moresby, Suva and Helsinki in violation of Ministry's instructions of providing only economy class excursion air tickets to ITEC trainees, purchased full fare economy class tickets for 212 trainees during the period April 1996 to August 2004 resulting in an estimated additional expenditure of Rs. 1.44 crore.**

With a view to observing economy in expenditure, the Ministry of External Affairs (Ministry) has, from time to time, directed the Missions/Posts abroad to provide air tickets at the most economical rates to the trainees nominated under Indian Technical and Economic Co-operation (ITEC) Programme. For the purpose of obtaining excursion tickets at the most competitive rates, the Ministry again directed (October 2003) the Missions/Posts to prepare a panel by obtaining rates from different airlines including Air India/Indian Airlines. The panel was to be drawn by a committee of three officers nominated by the Head of the Mission/Post on quarterly basis and approved by him/her.

Paragraphs 8.12 and 4.2 of the Reports of the Comptroller and Auditor General of India for the years ending March 1999 and March 2002, Union Government (Civil) (Report Nos. 2 of 2000 and 2003 respectively) highlighted the avoidable additional expenditure incurred by some Missions in providing full fare economy class air tickets to such trainees instead of cheaper excursion tickets in the tourist/economy class. In its Action Taken Note in respect of paragraph 8.12 of Report No. 2 of 2000, the Ministry stated (May 2001) that in the cases of connecting flights including those of foreign airlines, layovers were necessary, which were provided by Air India because ITEC trainees had held full fare economy class tickets. The reply is not tenable as there was no evidence of any request from the sponsoring government for providing full fare tickets, which entitled the trainees for a layover. Accordingly the Ministry was advised (June 2001) to send a revised Action Taken Note, which was awaited as of June 2005 despite reminders. The Ministry had not sent the ATN on para 4.2 of Report No. 2 of 2003 as of June 2005.

Despite clear instructions of the Ministry and earlier audit observations, the Missions at Port Moresby, Suva (Fiji) and Helsinki purchased full fare economy class air tickets for 212 trainees nominated under ITEC Programme during the period from April 1996 to August 2004, resulting in an estimated additional expenditure of Rs. 1.44 crore as detailed below:

(Rupees in lakh)

Sl. No.	Name of the Mission	Number of trainees	Period	Excess fare paid
1.	Port Moresby	95	1996-97 to 2003-04	36.81 <sup>9</sup>
2.	Suva (Fiji)	106	2001-02 to 2003-04	95.25 <sup>10</sup>
3.	Helsinki	11	November 2003 to August 2004	11.81 <sup>11</sup>
	<b>Total</b>	<b>212</b>		<b>143.87</b>

On the matter being pointed out in Audit, the Mission at Port Moresby stated (November 2004) that it had started buying cheapest excursion air tickets after calling quotations from various airlines and travel companies and the position would be reviewed at regular intervals.

The Mission at Suva (Fiji), however, stated (May 2005) that it was only in October 2003 that the Ministry communicated approval of Finance Ministry to purchase tickets from any airline, which offered the most economical fare. This reply is not tenable as Ministry's previous instructions required that the Missions avail of the cheapest available excursion fares. The Mission also stated that it had finally started procuring the most economical/ excursion fare tickets for the trainees after being advised by Audit.

The Mission at Helsinki stated (May 2005) that it had only one class I and one class II gazetted officer each apart from Head of the Mission and therefore a committee could not be constituted to obtain and scrutinize quotations from airlines on quarterly basis. The reply of the Mission is not tenable since the Mission could have constituted a committee of officers including Head of the Mission to scrutinise quotations and draw a panel on quarterly basis.

In respect of the Missions at Port Moresby and Suva (Fiji), the Ministry stated (November 2005) that under the ITEC guidelines issued by it in April 1989 and May 1997, passages could be booked by the Mission by tourist/economy class in Air India/Indian Airlines and it was only in October 2003 that it allowed ITEC/SCAPP trainees to travel on excursion ticket from any airline which offered the most economical fare. It also stated that the expenditure incurred by the Missions on economy class air passages till receipt of its instructions of October 2003 was in order as it was in accordance with the

<sup>9</sup> For the Mission at Port Moresby the extra expenditure has been worked out by applying the same ratio to the total expenditure as between the discounted fare (Rs. 95,730) and the full economy class fare (Rs. 1,51,330).

<sup>10</sup> Extra expenditure in respect of Suva (Fiji) had been worked out on the basis of applying the ratio between excursion/tourist class fare (Rs.77,875) and full economy class fare (Rs. 2,09,145) to the total expenditure.

<sup>11</sup> Difference between full fare economy tickets offered by Air India and excursion class fare

existing instructions in force at the time of purchase of tickets. It further stated that any expenditure incurred on full fare economy air passages for ITEC/SCAAP trainees only after October 2003 by the two Missions could be taken into account for arriving at notional additional expenditure. It added that despite some genuine difficulties, the Missions were now following the instructions and providing excursion fare tickets to ITEC/SCAAP trainees. The reply is not tenable as the Ministry has admitted that its previous instructions required that the Missions avail of the cheapest available excursion fares. According to the instructions issued in October 2003 only the restriction of purchasing tickets from Indian Airlines/Air India was removed and the tickets had to be purchased for economy tourist class only and not full fare economy class. Further, various Missions had committed same irregularity earlier also which was brought out in paragraphs 8.12 and 4.2 of the Reports of the Comptroller and Auditor General of India for the years ending March 1999 and March 2002 respectively. The fact, therefore, remains that the Missions had incurred avoidable additional expenditure in violation of the Ministry's instructions.

#### 4.5 Unrealised VAT refunds

##### **Absence of proper mechanism for claiming VAT refunds in eight Missions/Posts led to Rs. 25.11 lakh remaining unrealised.**

Diplomatic Missions/Posts abroad are entitled to refund of Value Added Tax (VAT) paid on expenditure incurred on running and maintenance of the Missions/Posts. The Missions/Posts were required to maintain records to identify the amount of VAT paid that were eligible for refund, file claims in time, pursue rejected claims and match the refunds received with the claim filed.

Audit examination of eight Missions/Posts for the period April 2002 to July 2004 revealed that improper filing, monitoring and pursuance of VAT refund claims led to non-realisation of Rs. 25.11 lakh, as detailed in the Table below:-

(Rupees in lakh)

Sl. No.	Mission/ Post	Period	Amount	Remarks
1.	Embassy of India, Copenhagen	July 2004 to November 2004	1.03	Claim was not filed
			5.34	VAT amount in the utility bills of leased residences was not depicted separately to enable filing of refund claims.
			1.84	Full refund against claim not received.
2.	Embassy of India, Paris	July 2003 to December 2003	3.58	➤ Failure to get addresses of various mission wings located in places other Chancery included for VAT refund



				<ul style="list-style-type: none"> <li>➤ Insufficient/deficient documentation</li> <li>➤ Non-submission of original bills</li> <li>➤ Lack of proper certification</li> </ul>
3.	Consulate General of India, Milan	April 2002 to March 2004	5.16	Claim was not filed.
4.	Embassy of India, Dublin	August 2002 to June 2003	4.79	Claim filed without proper supporting documents
5.	Embassy of India, Zagreb	January 2002 to July 2004	0.15	Claim was not filed.
			1.36	Inability to file claim as utility bill were not in the name of Embassy
6.	Embassy of India, Almaty	January 2003 to December 2003	0.93	Improper documentation.
7.	Embassy of India, Bishkek	February and March 2003	0.75	Claim was not filed.
8.	Consulate General of India, St. Petersburg	May 003 to December 2003	0.18	Claim filed without proper supporting documents
		<b>Total</b>	<b>25.11</b>	

The matter was referred to the Ministry in August 2005; their reply was awaited as of January 2006.

#### 4.6 Avoidable extra expenditure

**The decision of the Ministry to increase the composition of the “Haj Goodwill Delegation 2005” from around 17 persons in the past years to 36 just ten days before the start of holy “Haj” pilgrimage resulted in extra expenditure of Rs. 24.50 lakh on booking of hotel rooms at higher rates.**

Government of India sends a Haj goodwill delegation (delegation) comprising 16 to 17 persons for Haj pilgrimage every year. Due to heavy rush of pilgrims, the Indian Mission at Jeddah reserves hotel accommodation for the delegates around six months in advance to avoid extra expenditure on account of last minute booking.

Audit examination revealed that the Mission requested (May 2004) the Ministry to intimate the composition of the delegation for the year 2005 so that the hotel accommodation could be reserved well in advance. The Ministry responded (July and August 2004) that it was too early to project the number of delegates and room requirements. It advised the Mission to reserve 17 hotel rooms in accordance with the past practice. Accordingly, the Mission reserved (July 2004) 19 hotel rooms for the Delegation for 19 days from 6 January 2005 to 24 January 2005 at a package room rent of SR 23500 equivalent to Rs. 2.76 lakh per room. The Ministry confirmed to the Mission in December 2004 that the delegation comprising 17 persons was scheduled to

depart for Jeddah on 16 January 2005. Subsequently it informed the Mission on 7 January 2005 just 10 days before the commencement of the Haj pilgrimage that a 36 member delegation accompanied by their spouses and other members of their families would be reaching Jeddah on 16 January 2005. Due to the last minute decision of the Ministry to enhance the size of the delegation, the Mission had to arrange additional hotel accommodation for the delegates at the higher rates applicable at that time. It reserved 14 additional hotel rooms for 9 days from 16 January 2005 to 24 January 2005 at a package room rent of SR 38340 equivalent to Rs. 4.51 lakh per room. Thus, the Ministry's decision to increase the composition of the Delegation at the last minute resulted in extra expenditure of Rs. 24.50 lakh.

The Ministry stated (December 2005) that the decision about the size of the delegation was taken with the approval of the Prime Minister and intimation about 36 member delegation was received from the Prime Minister's office on 7 January 2005 which was communicated to the Mission the same day. This points to the need for better co-ordination in the Government office so that the size of the delegation is fixed well in advance. In the instant case, a timely decision would have avoided extra expenditure of Rs. 24.50 lakh.

#### **4.7 Irregular expenditure under the head Publicity**

**Despite Ministry's instructions and earlier audit observations, the Indian Missions at Accra, Abidjan, Rabat, Thimpu, Dakar, Lagos and Bangkok incorrectly classified expenditure of Rs.15.85 lakh under the head 'Publicity' during 2001-2005 which resulted in the Missions' understating the expenditure under the head 'Office Expenses' besides violating the government's instructions on economy in expenditure.**

In the wake of repeated audit comments instances of irregular expenditure being incurred under the head Publicity by the Indian Missions and Posts abroad, the Ministry issued (March 1997) instructions according to which only the expenditure on the following would, inter alia, qualify for being booked under the head Publicity:

- (i) press conferences intended to project India's point of view,
- (ii) print and audio visual publicity material for dissemination of information on India,
- (iii) purchase of office equipment such as computers and photocopiers which were specifically meant for publicity work,
- (iv) media related matters, which would include any activity intended at projecting India's image and

- (v) installation of cable/TV/VCR Dish antenna to Chancery.

Audit scrutiny revealed that despite Ministry's instructions and earlier audit observations, the Indian Missions at Accra, Abidjan, Rabat, Thimpu, Dakar, Lagos and Bangkok had incorrectly booked expenditure of Rs. 15.85 lakh on inadmissible items like subscription for DSTV and installation of an amplifier at High Commissioner's residence, purchase of diaries, calendars; advance for sale of car; purchase of chairs for Ambassador's residence dinner for golf tournament etc. as detailed in the annexure 'C', under the head 'Publicity' during 2001-2005. As the items of expenditure did not contribute towards enhancing India's image abroad, these did not qualify for classification under the head 'Publicity'. Further, since the government has been repeatedly emphasizing the need to observe economy in expenditure particularly under 'Office Expenses', booking of expenditure on inadmissible items under the head results in under-statement of actual expenditure on other items especially 'Office Expenses' thus circumscribing and violating government's orders on economy in expenditure.

The Missions at Accra, Abidjan and Rabat stated (June-July 2005) that the audit observations had been noted and the expenditure would be classified correctly in future. The Mission at Thimpu stated (July 2005) that the expenditure had inadvertently been booked under the head "Publicity" and the Ministry would be requested to regularise the same. The Mission at Dakar, however, justified (June 2005) classification of expenditure of Rs. 0.87 lakh on purchase of chairs for the Embassy residence under the head 'Publicity' on the ground that the chairs were needed for organising various functions including projection of films at the Embassy residence as the Chancery premises had no hall or auditorium for organising such functions. The reply was not tenable as the expenditure on account of purchase of chairs for Embassy residence was one of the normal activities of the Mission and would not qualify for being classified under the head Publicity.

On the matter being pointed out in audit the Ministry stated (December 2005) that its External Publicity Division had communicated the audit observations to all the seven Missions who had assured that the instructions in this regard would be followed in future. It also stated that its External Publicity Division had reiterated (September 2005) the instructions to all the Missions regarding booking of expenditure under the head Publicity.

**Annexure -A**

(Refer to Paragraph No. 4.1.8)

**Details of recoverable amount in respect of supply of books and lunch**

(Rupees in lakh<sup>12</sup>)

Sl. No.	Name of Mission/Post	Total recoverable amount		Recovery made	Outstanding recovery
		Local currency			
1.	Ashgabat	US\$ 3458.60	1.52	Nil	1.52
2.	Bucharest <sup>13</sup>	US\$ 7232.07 and Euro 385	3.41	0.66	2.75
3.	Copenhagen	DK 3099.95	0.24	Nil	0.24
4.	Geneva	CHF 5330.31	1.97	Nil	1.97
5.	Helsinki	Euro 1497.00	0.86	0.30	0.56
6.	Minsk	US \$ 902.00	0.40	Nil	0.40
7.	Munich	Euro 1638.80	0.94	Nil	0.94
8.	Paris	Euro 6707.90	3.86	Nil	3.86
9.	The Hague	Euro 4001.90	2.30	Nil	2.30
10.	Vladivostok	US\$ 1143.20	0.50	Nil	0.50
	<b>Total</b>		<b>16.00</b>	<b>0.96</b>	<b>15.04</b>

<sup>12</sup> Converted in Indian rupees at official rates of exchange for the month of March 2005

<sup>13</sup> In respect of supply of text books and lunch, rest are in respect of supply of books only

**Annexure -B**  
**Statement showing the loss of interest due to retention of excess cash balance by**  
**the Missions/Posts**  
**(Refer to paragraph No.4.3)**

(Rupees in lakh)

Missions/Posts at	Period examined in audit	No. of Months during which excess cash held	Total Amount of excess cash retained during these months	Loss of interest @ 9.24 per cent per annum
Abidjan	April 2001 to March 2005	9	51.41	0.39
Amman	December 2001 to January 2005	24	228.79	1.76
Antananarivo	April 2002 to November 2004	23	373.25	2.87
Bahrain	May 2003 to November 2004	9	19.06	0.15
Cape Town	April 2002 to August 2004	7	166.38	1.28
Gaborone	April 2002 to June 2005	23	1180.94	9.09
Geneva	January 2004 to December 2004	6	624.96	4.81
Ho chi Minh City	April 2001 to November 2004	31	541.69	4.17
Hong Kong	April 2004 to March 2005	11	197.96	1.52
Lagos	April 2001 to June 2005	41	2909.34	22.40
Luanda	April 2002 to June 2005	11	313.03	2.41
Minsk	October 2001 to January 2005	30	814.96	6.30
Paris	July 2003 to August 2004	8	2091.67	16.11
Pretoria	April 2002 to May 2005	18	3800.22	29.26
Rabat	April 2002 to March 2005	16	164.85	1.27
Sana'a	May 2002 to March 2005	25	581.53	4.48
Senegal	April 2001 to March 2005	18	319.31	2.46
Thailand	April 2003 to March 2005	24	2020.98	15.56
Tel Aviv	June 2003 to April 2005	21	1217.55	9.37
The Hague	March 2004 to January 2005	4	360.40	2.78
Thimpu	April 2002 to May 2005	22	3771.46	29.04
Tunis	August 2001 to August 2002	10	168.21	1.29
Vienna	February 2004 to January 2005	7	275.74	2.12
Windhoek	June 2001 to May 2005	26	612.12	4.71
Zagreb	January 2002 to June 2004	19	455.99	3.51
<b>Total</b>				<b>179.11</b>

## Annexure C

(Refer to Paragraph 4.7)

## Details of expenditure wrongly booked by the Missions under the head "Publicity"

Sl. No.	Name of the Mission	Year	Item Description	Amount (Rupees in lakh)
1.	Accra (Ghana)	2002-03	Photocopying paper, diaries/ calendars and diplomatic yearbook.	0.26
				0.29
		2003-04	Painting of brass signboard, fixing of calendar clock and subscription charges for India house.	0.03
		2004-05	Subscription for country reports and purchase of antenna for India House.	1.20
2	Abidjan	2002-03	Hiring of taxi and recoupment of interest.	0.14
		2003-04	Hiring of taxi/van, cost of English dictionary, announcement of sale of car, Republic Day celebrations <sup>14</sup> and payment for photographs.	0.48
		2004-05	Cost of issuing rejoinder and reimbursement of petty cash.	0.18
3.	Rabat (Morocco)	2001-02	Postage stamps.	0.10
		2004-05	Purchase of one smart card and subscription.	0.35
4.	Thimpu (Bhutan)	2002-03 to 2004-05	Dinner for Golf tournament.	1.76
		- do -	Internet charges.	0.55
5.	Dakar (Senegal)	2001-02	Local newspapers, printing of letter heads and invitation cards and purchase of chairs for Embassy residence.	1.33
		2002-03 and 2003-04	Bank draft charges and subscription to IMF journal 2003.	0.13
		2004-05	Purchases of folders and papers	0.06
6.	Lagos (Nigeria)	2001-02	Subscription for DSTV at residence of High Commissioner, First Secretary, Second Secretary and India based officials, installation of amplifier at High Commissioner's residence, installation of booster/antenna at Embassy and other residences and purchase of bookshelves.	3.82
		2002-03	Subscription of DSTV for residence of High Commissioner and Second Secretary, renewal of subscription of DSTV at Embassy residence, payment of distribution of DSTV channels to residences of staff members and painting of racks for library.	2.13
		2003-04	Subscription for DSTV for residence of First Secretary/ Second Secretary, purchase of stationery and postage stamps.	1.31
		2004-05	Purchase of stationery and TV at the residence of First Secretary.	0.30
7.	Bangkok (Thailand)	2003-04	Independence Day <sup>15</sup> celebrations, printing of folders for Embassy and Internet charges for consular wing.	1.03
		2004-05	UBC cable charges at residence.	0.40
			<b>Grand Total</b>	<b>15.85</b>

<sup>14</sup> Separate funds were provided by the Ministry to the Missions for Republic Day celebrations<sup>15</sup> Separate funds were provided by the Ministry to the Missions for Independence Day celebrations