CHAPTER VII: MINISTRY OF EXTERNAL AFFAIRS

7.1 Non-adherence to norms for purchase, hiring, repair and maintenance of buildings and residential accommodation

Slackness of the Ministry/Mission at Chicago in acquiring property for residential purpose led to an avoidable expenditure of Rs. 2.48 crore during October 1999 to February 2004. In disregard of the rules, Missions at Bangkok, Beijing, Ho Chi Minh City, Kathmandu and Mahe hired residential accommodation for their officers/staff far in excess of the prescribed plinth area norms resulting in irregular expenditure of Rs. 2.67 crore during 2001-05. Indian Missions at Johannesburg and Pretoria in disregard of Ministry's rules and delegated powers paid rent of residential accommodation in excess of the prescribed ceiling without the approval of the Ministry resulting in unauthorised expenditure of Rs. 31.21 lakh during September 2002 to March 2006. Indian Missions at Mahe, Riyadh and Colombo incurred expenditure on repairs/renovation and maintenance of Government owned buildings/residences of staff in violation of the delegation of financial powers resulting in unauthorised expenditure of Rs. 1.39 crore during 2002-06.

Audit examination of the records of the Ministry and Missions revealed various deficiencies in the purchase, hiring, repair and maintenance of properties for Indian Missions abroad which are discussed in the succeeding paragraphs:

7.1.1 Consulate General of India, Chicago

The Consul General (CG) in the Embassy of India at **Chicago** had been staying in a rented accommodation since the opening of the Mission in 1976. In view of high rentals and space constraints in the rented accommodations, the Ministry had been considering purchase of accommodation for CG's residence since December 1996. A property team led by senior officers from Ministry of Finance and Ministry of External Affairs visited Chicago in February 1999 and recommended purchase of a property at a price of US$ 1.5 million. Although the Committee on Non-Plan Expenditure (CNE) approved purchase of the said property in April 1999, yet the purchase could not materialise as the vendor backed out of the deal stating that the deadline for closing the transaction had lapsed. Subsequently, CNE approved (June 2002) purchase of the property which was being used as the CG's residence since October 1999 at a price of US$ 1.7 million including the cost of renovation. The Ministry/Mission, however, took more than 1½ years in settling the issues like sale deed, purchase agreement and re-modeling of kitchen etc. and the property could be finally purchased in February 2004 at a cost of US$1.65 million (Rs. 7.26 crore), excluding the cost of renovation.

Had the Ministry taken timely action to purchase the property identified in February 1999 it could have saved US$ 0.15 million (Rs. 0.66 crore), besides rent liabilities of US$ 0.41 million (Rs. 1.82 crore) for the period from October 1999 to February 2004.

In response, the Ministry stated (February 2007) that the transaction could not be completed within the stipulated period due to procedural steps needed to finalise the terms of the sale deed with the owner. The reply is not tenable because following due procedure for purchase was part of the job and the Ministry should have monitored the purchase effectively to minimise the procedural delays.

7.1.2 Indian Foreign Service PLCA) Rules prescribe plinth area norms for construction of residential buildings for India-based officers and staff abroad. The said rule also provides that the Missions should make efforts to ensure that the plinth area of the rented property does not vary significantly from the norms prescribed for construction.

Audit, however, noticed (June-August 2004 and May-July 2005) that the Missions at **Bangkok, Beijing, Ho Chi Min City, Kathmandu and Mahe** hired residential accommodation for officers/staff which exceeded the prescribed norms significantly ranging between 20 and 141 *per cent* resulting in irregular expenditure of Rs. 2.67 crore (worked out on a proportionate basis for the extra space) during 2001-2005.

On the matter being pointed out in audit, the Ministry on the one hand stated (April 2006) that the plinth area norms had been prescribed only for construction purposes and not for rented property and on the other admitted that Missions/Posts had to ensure that the plinth area of rented property did not vary significantly with the norms prescribed for construction. The first part of the reply is not tenable as the rule clearly states that the accommodation hired by the Missions should not exceed the prescribed norms for construction as also admitted by the Ministry in the second part of its reply. Further, the Ministry had itself advised (October 1998) all the Missions/Posts that the plinth area norms fixed by it should be treated as maximum beyond which no accommodation should be leased by the Mission even on the grounds of non-availability of adequate area for representational obligations, since this aspect had already been taken into account while revising the norms.

7.1.3 Audit noticed (June 2005) that Indian Missions at **Johannesburg and Pretoria** in disregard of rules and delegated powers, paid rent of residential accommodation at rates higher than the prescribed ceiling without approval of the Ministry resulting in unauthorized expenditure of Rs. 31.21 lakh during September 2002 to March 2006.

On the matter being pointed out in audit, while the Mission at Johannesburg admitted (February 2006) that it had committed the irregularity due to misinterpretation of rules, the Mission at Pretoria stated that since rental ceilings had not been fixed by the Ministry, it had been following the same rental ceiling as applicable in the case of Johannesburg. It further stated that the matter regarding revision of rental ceiling for all the four stations of South Africa (including Johannesburg) had been referred to the Ministry. The reply is not tenable as in cases where rental ceiling had not been fixed by the Ministry, the Head of Mission could incur expenditure upto US $ 920 per month only as per delegation of powers.

The matter was referred to the Ministry in May 2006; its reply was awaited as of December 2006 despite reminders.

7.1.4 The Heads of Missions have been delegated powers vide item no. 4(a) of the Schedule of Financial Powers of Government of India Representatives Abroad to incur expenditure on repairs and maintenance of government owned buildings/property. According to this delegation, the Heads of Missions can incur expenditure upto a maximum of US $ 19270 *per annum* on this account for Chancery, US $ 11560 *per annum* for Embassy residence, US $ 4620 *per annum* for independent villas of Representational Grade Officers (RGOs) and US $ 2310 *per annum* for residences of staff members. According to the note below item no. 4, proposals relating to major structural repairs and renovation have to be referred to the Ministry for prior approval.

Audit examination of the records of three Missions revealed (May–June 2006) that they had violated their delegated financial powers and incurred an unauthorised expenditure of Rs. 1.39 crore on repairs and maintenance of buildings /residences as indicated below:

<u>Mission at Mahe</u>

The Mission awarded (March 2005) the work of renovation and repairs of office building and residential complex involving major structural changes to a contractor at the cost of US $ 0.252 million equivalent to Rs. 1.11 crore without obtaining the approval of the Ministry. It approached the Ministry in March 2005 for ex-post-facto approval which had not been accorded as of June 2006. In the meantime, the Mission had made payment of US $ 0.192 million equivalent to Rs. 84.22 lakh to the contractor upto August 2005 and 90 *per cent* of the work had been completed. Thereafter, work had been stopped on the request of the Government of Seychelles as they were looking into the complaint of a neighbour filed against the Mission on account of right of way.

Thus, violation of the delegated financial powers by the Mission resulted in incurring of unauthorised expenditure of Rs. 84.22 lakh during 2004-06.

Mission at Riyadh

According to the delegated financial powers the Mission could incur total expenditure of US $ 146330 *per annum* equivalent to Rs. 70.31 lakh and Rs. 66.54 lakh during 2002-03 and 2003-04 respectively on repairs and maintenance of the entire property (including 9 villas of RGOs and 32 residences of staff). In addition to this, the Ministry had approved expenditure of Rs. 50 lakh and Rs. 47.56 lakh on account of cleaning contract, landscape contract and electro-mechanical contract during 2002-03 and 2003-04 respectively. As such, the Mission could incur total expenditure of Rs. 1.20 crore and Rs. 1.14 crore during 2002-03 and 2003-04 against which it had spent Rs. 1.36 crore and Rs. 1.28 crore respectively. By not restricting the expenditure within its delegated financial powers, the Mission incurred unauthorised expenditure of Rs. 30.00 lakh during 2002-04.

Mission at Colombo

The Mission without obtaining the approval of the Ministry for undertaking renovation of the Chancery building and staff quarters involving major structural changes (waterproofing of RCC slab areas and protective coating of the exterior walls etc.) allotted (March 2005) the work to a contractor at a cost of SL Rs. 58.22 lakh equivalent to Rs. 25.34 lakh. The work was completed in January 2006 and total payment of Rs. 24.89 lakh was made to the contractor upto January 2006. It was only after incurring expenditure of Rs. 19.27 lakh that the Mission approached (August 2005) the Ministry for according of ex-post-facto approval. In response, the Ministry observed (November 2005) that exceeding the delegated financial powers without its formal sanction was objectionable. The Ministry's approval was awaited as of October 2006.

Thus, violation of the delegated financial powers by the Mission resulted in incurring of unauthorised expenditure of Rs. 24.89 lakh.

Ministry stated (December 2006) that it was ascertaining full details from the concerned Missions and after receiving further clarification, the possibility of regularising the unauthorised expenditure would be examined.

The above cases indicate weak and ineffective expenditure control and monitoring in the Missions abroad. The Ministry needs to fix responsibility for violation of its instructions by the above Missions.

7.2 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 instructions of the Ministry governing the employment of locally recruited staff resulting in unauthorised expenditure of Rs. 4.67 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[1] 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

[1] 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) and Paragraph No. 4.2 of Report No. (2 of 2006) of the Union Government – Civil of the Comptroller and Auditor General of India.

that instructions had been issued to the Missions and Posts emphasising the need to adhere to the rules and regulations, failing which responsibility would be fixed on errant officers.

Audit scrutiny, however, revealed that despite earlier audit observations and the instructions issued by the Ministry, the Missions at Riyadh, Dubai, Johannesburg, Bahrain, Tunis, Luanda, Jeddah, Lagos, Gaborone, Pretoria, Lusaka and Manila, Kyiv, Athens, Birmingham, Belgrade and The Heague 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. This resulted in unauthorised expenditure of Rs. 4.67 crore as detailed in **Annexure- A.**

Ministry stated (August 2006) that the Missions at Dubai, Johannesburg, Tunis, Jeddah and Lagos had been asked to submit the details of expenditure incurred by them in order to regularise the expenditure and the Mission at Luanda had been reminded to expedite its reply. In respect of the Mission at Bahrain, Pretoria and Lusaka, Ministry stated that its Property-I Section had been requested to take necessary action. It added that the expenditure in respect of Gaborone was being regularised and Consular, Passport and Visa (CPV) Section and Creation and Continuation of Posts (CCP) Division of the Ministry had been requested to take necessary action in respect of the Missions at Riyadh and Manila respectively. Ministry further stated (November 2006) that the Missions at Kyiv, Birmingham, Belgrade and The Hague (except Athens) have brought the matter to its notice and sought its permission for sanction of additional staff. It also added that the matter has been taken up with different divisions/sections of the Ministry.

The Ministry may fix responsibility for violation of its orders. Granting post-facto approval by the Ministry in a routine manner will only promote unauthorised action by the Missions.

7.3 Unauthorised expenditure on purchase of stationery

Violation of the limits placed on delegated powers by 17 Missions resulted in unauthorised expenditure of Rs. 1.57 crore 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 US$ 3850* with effect from 2001-02.

Test check of records in 17 missions revealed that during 2002-03 to 2005-06 these missions had incurred an unauthorised expenditure of Rs. 1.57 crore on stationery in excess of the delegated powers as detailed in the **Annexure-B**. The excess expenditure was abnormally high in EI Riyadh, HCI Colombo and HCI Dhaka in comparison to other missions. EI Riyadh incurred expenditure on purchase of stationery ranging between Rs. 10.26 lakh to Rs. 23.50 lakh as against the delegated powers of Rs. 1.72 lakh to Rs. 1.85 lakh during last four years (2002-06).

In response to the audit observation the Ministry stated (November 2006) that the excess expenditure incurred by the Missions at Male and Bangkok had been regularised. It further stated that the requisite information/clarification was awaited from the remaining 15 Missions who had been asked to expedite their response. The cases indicate the need for the Ministry to control extravagant use of stationery, fix appropriate limits and enforce them strictly. Regularisation of excess expenditure in a routine manner only would encourage financial profligacy.

7.4 Non-recovery of inadmissible items under Children Education Allowance

The Missions at Islamabad, Yangon and Bangkok failed to recover Capital Fee/English as Second Language Fee included in the tuition fee charged by the schools and borne by the government resulting in Rs. 57.68 lakh remaining outstanding against 30 officials of these Missions for 2 to 3 years.

According to Annexure VII of Indian Foreign Service (Pay, Leave, Compensatory Allowances) [IFS (PLCA)] Rules, the Government of India is liable to pay school/tuition fee, admission fee, registration fee, examination fee, lab/science fee and computer fee for the education of the children of India-based officials posted in missions/posts abroad. The reimbursement of capital fee or payment to building fund and English as Second Language (ESL) Fee is admissible only with the prior approval of the Ministry.

* Equivalent to Rs. 1,84,993 in 2002-03, Rs. 1,75,060 in 2003-04, Rs. 1,69,554 in 2004-05, Rs. 1,71,787 in 2005-06 taking exchange rates of March 2003, 2004, 2005 and 2006 respectively.

Audit, however, noticed (May–June 2006) that three Missions did not recover Rs. 57.68 lakh from 30 officials on account of Capital Fee/ESL Fee included in the tuition fee borne by the government as detailed below:

(Rupees in lakh)

Sl. No	Name of the Mission/ Post	Period	Total recoverable amount		No. of officials
			Local currency	Indian Rupees	
1.	EI, Islamabad	April 2004 to March 2006	US$ 74580*	32.85	19
2.	EI, Yangon	September 2004 to September 2005	US$ 24000*	10.57	4
3.	EI, Bangkok	April 2003 to March 2006	Baht 1252260@	14.26	7
			Total	**57.68**	**30**

Ministry stated (October 2006) that it had regularised the Capital Assessment Fee in respect of Embassy of India, Yangon. It further stated that the case of Embassy of India, Bangkok was under the process of regularisation and the Embassy of India, Islamabad had been advised to send a detailed proposal for regularizing the expenditure. It added that all the three Missions had been strongly advised not to incur expenditure without proper approval from the Ministry in respect of inadmissible items under Children Education Allowance. The action of the Ministry in 'regularising' the irregularity instead of recovering the amounts from the concerned officers in terms of the extant rules would only encourage financial indiscipline among the Missions. The Ministry may effect the necessary recoveries and fix responsibility for such lapses to avoid recurrence of such cases.

7.5 Irregular expenditure on cellular phones

Seven Indian Missions purchased cellular phones for use by the non-entitled officials and incurred recurring expenditure on rentals, call charges etc. in violation of the instructions of the Ministry resulting in irregular expenditure of Rs. 1.22 crore during 2000-06.

The Government of India (Ministry of Finance) allowed the facility of cellular phones to the Secretaries in January 2003 and to Joint Secretaries in January 2004 subject to a monthly ceiling of expenditure of Rs. 1500 and Rs. 500 respectively on rental and call charges.

Audit noticed that the following seven Missions either provided cellular phones to non-entitled officials or purchased the phones without approval of

* At the official exchange rate of 1 US$ = Rs. 44.04 prevailing in March 2005.
@ Equivalent to average rate of 1 Re = 0.878 Bhat.

the Ministry. The irregular expenditure on the purchase of such phones and on the rentals and call charges are detailed below:

(Rupees in lakh)

Sl. no.	Name of the Mission	Expen-diture	Period	Nature of irregularity
1.	Dhaka	2.21	2004-06	17 cell phones (including 9 for chauffeurs) were provided to non-entitled officials.
2.	Islamabad	5.80	2004-06	Against 12 cell phones sanctioned by the Ministry, the Mission was operating 26 cell phones.
3.	Kobe	5.15	2001-06	One cell phone was purchased without the approval of the Ministry.
4.	Riyadh	17.22	2001-05	12 cell phones were provided to non-entitled officials.
5.	Tokyo	2.42	2005-06	5 cell phones were provided to non-entitled officials
6.	London	83.93	2000-05	Call charges and rentals on 38 cell phones obtained free of cost from the service providers without approval of the Ministry.
7.	Paris	5.21	2004-05	Call charges and rentals on 11 cell phones purchased without approval of the Ministry.
	Total	**121.94**		

Non-observance of the Ministry's clear instructions on cell phones resulted in irregular expenditure of Rs. 1.22 crore during 2000-06.

Ministry stated (October 2006) that though in most of the cases highlighted by audit, the concerned Missions/Posts had approached it for ex-post facto regularisation, but the proposals could not be processed as the Ministry of Finance had advised (December 2003) to keep the proposals for ex-post facto sanction on hold till the Ministry formulated a policy on providing of cell phones to the Missions/Posts abroad. It added that it was virtually impossible for the officers to function smoothly and efficiently without the facility of cell phones in the present day work culture all over the world. The fact, however, remains that the Ministry has failed to formulate a policy even after three years of having been advised by the Ministry of Finance which resulted in continued violation of its instructions by the Missions/Posts abroad. Ex-post facto regularisation of expenditure on use of cellular phones by non-entitled officials or beyond the limits prescribed by the Ministry for entitled officials would only further erode financial discipline.

7.6 Unrealised VAT refunds

Inadequate monitoring and pursuance of claims for VAT refunds in five Missions/ Posts led to Rs. 0.97 crore 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 amounts 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 five Missions/Posts for the period April 2001 to April 2006 revealed that improper filing, inadequate monitoring and pursuance of VAT refund claims led to non-realisation of Rs. 0.97 crore, as detailed in the Table below:-

(Rupees in crore)

Sl. No	Mission/Post	Period	Amount	Remarks
1.	Embassy of India, Kathmandu	April 2004 to April 2006	0.37	Claim was filed but not pursued.
2.	Consulate General of India, Chiangmai, Thailand	April 2003 to March 2006	0.01	Claim was not filed
3.	High Commission of India, Dar-es-Salaam	April 2004 to March 2006	0.06	Claim was filed but not pursued.
4.	Consulate General of India, Durban	April 2001 to November 2005	0.52	Claim was filed but not pursued.
5.	Embassy of India, Algiers	November 2005 to February 2006	0.01	Claim was not filed
		Total	**0.97**	

On the matter being pointed out in audit, the Mission at Dar-es-Salaam stated (May 2006) that efforts were being made for expeditious refund of VAT. The Mission at Algiers stated that it had noted the audit observation and had started claiming refund of VAT.

The matter was referred to the Ministry in July 2006; its reply was awaited as of December 2006 despite reminders.

7.7 Irregular payment of Composite Transfer Grant

In contravention of Government of India orders and its own rules, the Ministry paid Composite Transfer Grant equivalent to one month's basic pay to the officials selected on temporary deputation of 2 to 3 months during the annual Haj pilgrimage resulting in irregular payment of Rs. 93.61 lakh during 2003-05. Further, the Ministry instead of recovering the overpaid amount accorded ex-post-facto sanction to incurring of expenditure which was also highly irregular.

According to the Travelling Allowance (TA) Rules as amended from 1 October 1997 and incorporated by the Ministry as Annexure XV of the Indian Foreign Service (PLCA) Rules 1961, Composite Transfer Grant equivalent to one month's basic pay plus dearness pay is payable to a government servant for incurring expenditure among other things on the breaking up of his/her establishment at the station from which he/she is transferred and on setting up a household at the station to which he/she has been transferred.

Audit noticed (June 2005) that the Ministry selects Doctors/Assistants, Haj Officers, Haj Assistants etc. for "temporary deputation" of 2-3 months to the Consulate General of India, Jeddah every year during annual Haj pilgrimage. The selected officials are not allowed to take with them any of their family members including spouse even at their own cost. Thus, there is no change of residence or breaking up of establishment involved and, therefore, the selected officials in these cases are not entitled to payment of any Composite Transfer Grant under TA Rules. It was, however, observed that contrary to the rules, the Ministry paid Composite Transfer Grant equivalent to one month's basic pay to these officials which resulted in irregular payment of Rs. 93.61 lakh during 2003-05.

On the matter being pointed out in audit, the Ministry has discontinued (March 2006) the payment of Composite Transfer Grant to the medical and other deputationists sent to Jeddah for Haj from the year 2006. The Ministry should take immediate steps to recover the composite grant that was irregularly paid in the earlier years including the period mentioned above.

The Ministry further stated (November 2006 and January 2007) that the competent authority Additional Secretary (Financial Advisor) has accorded ex-post facto approval to incurring of expenditure on payment of Composite Transfer Grant to the officials selected for Haj during 2003-05. The reply is not tenable as according to Government of India's Decision no. 1 below Rule 17 of the Delegation of Financial Powers Rules, every overpayment of money to a public servant has to be regarded as a debt owed to the public and all possible action has to be taken to recover it. In exceptional cases only where recovery is not possible, the overpayments can be waived of by the appropriate authority. In the present case, however, no such action was taken by the Ministry. On the contrary the Ministry stated (January 2007) that the personnel involved are spread all over the country and belong to different organisations. It also stated that no data base exists to show present deployment of those persons who were on deputation during those years. It is difficult to accept the argument that records of the personnel selected for deputation are not available or that they cannot be reconstructed. The action of the Ministry to accord ex-post facto approval in this case needs to be reversed.

7.8 Deficient internal control mechanism

Non-institution of effective internal control mechanism in the Ministry/Mission of Thimpu resulted in excess release of Rs. 6.57 crore to the Royal Government of Bhutan for a power project. The Ministry also made double remittance of Rs. 67.99 crore to the Mission for the same purpose and excess release of Rs. 22.99 crore for another purpose. These instances resulted in loss of interest of Rs. 58.00 lakh computed at the borrowing rate of the Union Government.

Government of India has been providing financial assistance to the Royal Government of Bhutan (RGOB) in various developmental sectors including power. In order to meet the growing demand of power in Lhuentse dzongkhag and improve reliability of the electric supply, construction of 132 KV Single Circuit Transmission Line from Kilikhar to Lhuentse was taken up in November 2000 at an estimated cost of NU 225.367 million equivalent to Rs. 22.54 crore. The Ministry released the funds for the project through its Mission at Thimpu. While releasing the funds, the Ministry directed the Mission to release the funds to RGOB only after obtaining utilisation certificate for earlier releases.

Audit noticed (July 2005) that RGOB had completed the project in December 2003 at a total cost of Rs. 15.96 crore against which the Mission had released Rs. 13.37 crore upto October 2003. Thus, balance assistance of Rs. 2.59 crore was payable to RGOB. However, the Ministry released (January 2004) Rs. 9.16 crore to the Mission which released it to the RGOB on 10 February 2004 resulting in excess release of Rs. 6.57 crore. This fund remained outside the government account for a period of over one year with consequential loss of interest of Rs. 58.00 lakh computed at the borrowing rate of 8.8 (during 2003-04) and 8.4 *per cent* (during 2004-05) of the Union Government. It was then decided to utilise the excess amount for any of the approved Ninth Plan Government of India assisted projects in the power sector where initially agreed funds were not sufficient. Finally, it was only in March 2005 that the First Project Monitoring Committee in its meeting approved diversion of the excess released funds of Rs. 6.57 crore to three other power projects financed by the Government of India.

On the matter being pointed out in audit, the Mission admitted (November 2005) that though the project was completed in December 2003, excess release of funds came to notice only in December 2004 during the Plan talks. This confirms that the funds were released by the Ministry/Mission without keeping any watch over the physical/financial progress of the project.

Audit also noticed that there was no effective control mechanism in the Ministry to ensure that there was no double remittance to the mission or that funds were not released in excess of actual requirement. A test check of records revealed that on three occasions (16 November 2004, 31 December 2004 and 1 April 2005) the Ministry released Rs. 25.09 crore, Rs. 64.12 crore and Rs. 3.87 crore to the Mission second time for the same purpose. While the Mission refunded the entire double remittance of Rs. 64.12 crore and Rs. 3.87 crore on 11 January 2005 and 11 May 2005 respectively, it retained Rs. 2.10 crore out of double remittance of Rs. 25.09 crore for its urgent needs and refunded the balance excess amount of Rs. 22.99 crore to the Ministry on 3 December 2004. On the matter being pointed out in audit, the Mission stated (November 2005) that it had not asked for the remittances and these were made by the Ministry without any demand.

The Ministry stated (July 2006) that it had released funds with the approval of its Internal Finance Division keeping in view the total cost of the project. Regarding double remittances the Ministry stated that it had noted the audit observation to further streamline the control mechanism to avoid recurrence of double remittances. The fact, therefore, remains that non-existence of any control mechanism to monitor the physical/financial progress of the project and deficient internal control mechanism led to excess release of funds to RGOB and double remittances to the Mission.

7.9 Recovery at the instance of audit

Failure of the Missions/Posts abroad to observe rules and procedures regarding payments of pay and allowances etc. to their employees resulted in overpayment of Rs. 36.14 lakh by 42 Missions in 104 cases which was recovered at the instance of audit during 2004-06.

Audit examination of the records of various Indian Missions/Posts abroad revealed that the Missions violated the prescribed rules and procedures resulting in overpayment of pay and allowances, children education allowance, travelling allowance and other miscellaneous payments to their employees. At the instance of audit 42 Missions/Posts recovered the overpayment of Rs. 36.14 lakh in 104 cases during 2004-06.

The Ministry stated (October 2006) that it had instructed all the Missions/Posts abroad to strictly observe the prescribed rules and procedures in financial matters and not to make overpayments to their officials. The Missions were also asked to guard against overpayments of any kind and follow the rules and procedures in letter and sprit. The fact, however, remains that the Missions/Posts abroad persistently violate prescribed rules and procedures despite earlier audit observations. The Ministry may fix responsibility to act as a deterrent against recurrence of such overpayments.

7.10 Irregular expenditure

The Ministry violated the ceiling fixed by the Government of India for providing furniture, furnishings and electrical appliances at the office and residence of the Union Minister of State and incurred irregular expenditure of Rs. 30.84 lakh during 2002-04.

The Government of India (Ministry of Finance) enhanced (June 1997) the existing ceiling of Rs. 0.45 lakh on expenditure on providing furniture and furnishings at the offices of the Union Ministers (all categories) and office portion of their residences during their entire tenure or for a period of five years to Rs. 1.00 lakh each. Further, the Government of India (Ministry of Home Affairs) prescribed (May 2004) a ceiling of Rs. 2.00 lakh for providing rent-free furniture and electrical appliances in the residence of a Union Minister of State. Thus, taking the two orders together, a Union Minister of State is entitled to furniture, furnishings and electrical appliances upto the value of Rs. 4.00 lakh only.

Audit examination of the records revealed (January 2006) that while providing furniture, furnishings and electrical appliances to two Union Ministers of State at their offices and residences, the Ministry incurred total expenditure of Rs. 38.84 lakh (Rs. 24.12 lakh and Rs. 14.72 lakh) on these items during 2002-04 against the permissible limit of Rs. 8.00 lakh. Consequently, the expenditure of Rs. 30.84 lakh incurred by the Ministry over and above the prescribed ceiling was irregular.

On the matter being pointed out in audit, the Ministry stated (April 2006) that the expenditure had been incurred over the prescribed limits in view of the functional requirement of the post taking into account the official responsibilities of receiving and entertaining diplomats and foreign dignitaries at the Ministers' offices as well as their residences. It also stated that the items of furniture/equipment supplied to the Ministers also included items supplied to their personal staff. It added that since the expenditure incurred was on movable items of furniture, which were subsequently used by their successors or relocated to other offices, these items should be treated as assets of the Ministry rather than being personal to the Ministers concerned. The reply overlooks the fact that while prescribing the ceiling, the Government of India had taken into account the functional obligations of the Ministers and the Ministry cannot violate the orders on the ground of creating assets. Also, audit has not included the cost of furniture/equipment issued to the personal staff of the respective Ministers while calculating the expenditure incurred by the Ministry. The Ministry further stated (September 2006) that it proposed to seek approval of the Ministry of Finance for regularisation of the excess expenditure and decision of the latter would be conveyed to audit. It added that the Ministry would endeavour to adhere to the prescribed monetary ceilings fixed by the Government of India for refurbishment of office/residence of the Union Ministers. The fact, therefore, remains that the Ministry violated the Government of India's orders and incurred irregular expenditure of Rs. 30.84 lakh.

Annexure- A

(Refers to in paragraph 7.2)

Details of unauthorised expenditure incurred by the Missions and Posts on account of engagement of contingency paid staff

(Rupees in lakh)

Mission/ Post	Post	Period	Amount	Nature of irregularity
Riyadh	Clerks (Five)	2002-05	48.02	Contingency paid staff were engaged for regular work without the approval of the Ministry.
Dubai	Clerks	2003-04 to June 2005	54.76	- do -
Johannesburg	Clerks and Social Secretary	2003-05	9.70	- do -
Bahrain	Gardener	December 1996 to July 2005	9.36	- do -
Tunis	Gardener and Maid	2001-05	8.28	- do -
Luanda	Receptionist-cum-Typist, Interpreter and Chauffeur	August 2002 to June 2005	6.36	- do -
Jeddah	Clerks and Chauffeurs (Six)	2003-05	3.87	- do -
Lagos	Clerk, Typist and Messenger	August 2001 to June 2005	3.06	- do -
Gaborone	Clerk and Receptionist	May 2002 to August 2002 and December 2004 to May 2005	0.71	- do -
Pretoria	Cleaners	2002-03 to May 2005	10.68	The Mission had a regular local post of cleaner which was lying vacant. It continuously hired services of cleaners paid from contingencies without the approval of the Ministry.
Lusaka	Gardeners (Six)	April 2001 to May 2005	5.25	In addition to one sanctioned post of gardener, the Mission has engaged 6 (six) gardeners on contingent basis regularly without the approval of the Ministry.
Manila	Clerk and Cleaner	2003-05	3.56	The Mission engaged contingency paid staff for regular nature of work without the approval of the Ministry.
Kyiv	Caretakers	October 2002 to January 2006	5.18	Two caretakers were employed on contingency basis without approval of the Ministry.

(Rupees in lakh)

Mission/ Post	Post	Period	Amount	Nature of irregularity
Athens	Clerk	June 2004 to December 2004	2.35	Contingency paid cleaner and clerk was hired without approval.
	Cleaner	April 2004 to October 2005	7.44	
Birmingham	Contingency paid staff	April 2003 to March 2006	277.98	11 to 19 contingency paid staff was hired for consular services.
Belgrade	Gardener	April 2003 to March 2006	5.34	Gardener on contingency was employed without approval.
The Hague	Clerk	February 2005 to January 2006	5.30	Clerk was appointed on contingency basis.
		Total	**467.20**	

Annexure- B

(Refers to in paragraph No. 7.3)

Details of expenditure incurred by the Mission on purchase of stationery in excess of delegated powers

(Rupees in lakh)

Sl. No.	Name of the Mission	Year	Expenditure incurred	Permissible limit	Excess expenditure
1.	EI, Abu Dhabi	2004-05	5.00	1.70	3.30
		2005-06	3.27	1.72	1.55
2.	HCI, Colombo	2004-05	10.11	1.70	8.41
		2005-06	8.36	1.72	6.64
3.	HCI, Dhaka	2004-05	8.16	1.70	6.46
		2005-06	7.54	1.72	5.82
4.	EI, Doha	2005-06	2.80	1.72	1.08
5.	CGI, Durban	2002-03	2.69	1.85	0.84
		2003-04	4.68	1.75	2.93
		2004-05	6.09	1.70	4.39
		2005-06	3.36	1.72	1.64
6.	HCI, Kuala Lumpur	2004-05	5.89	1.70	4.19
		2005-06	3.22	1.72	1.50
7.	EI, Muscat	2004-05	3.81	1.70	2.11
		2005-06	3.73	1.72	2.01
8.	HCI, Nairobi	2003-04	2.77	1.75	1.02
		2004-05	3.98	1.70	2.28
		2005-06	3.06	1.72	1.34
9.	EI, Riyadh	2002-03	23.50	1.85	21.65
		2003-04	21.14	1.75	19.39
		2004-05	12.70	1.70	11.00
		2005-06	10.26	1.72	8.54
10.	HCI, Singapore	2004-05	3.39	1.70	1.69
11.	CGI, Sydney	2002-03	5.88	1.85	4.03
		2003-04	8.21	1.75	6.46
		2004-05	4.79	1.70	3.09
		2005-06	5.00	1.72	3.28
12.	EI, Tripoli	2004-05	2.16	1.70	0.46
		2005-06	1.76	1.72	0.04
13.	HCI, Islamabad	2004-05	5.51	1.70	3.81
		2005-06	5.52	1.72	3.80
14.	EI, Algiers	2004-05	1.99	1.70	0.29
15.	HCI, Male	2004-05	2.16	1.70	0.46
16.	EI, Kabul	2004-05	3.51	1.70	1.81
		2005-06	5.00	1.72	3.28
17.	EI, Bangkok	2002-03	3.97	1.85	2.12
		2003-04	3.37	1.75	1.62
		2004-05	3.27	1.70	1.57
		2005-06	3.09	1.72	1.37
		Total	**224.70**	**67.43**	**157.27**