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**Performance Audit of  
"Global Estate Management by the  
Ministry of External Affairs"**



**Report of the  
Comptroller and Auditor General of India  
for the year ended March 2013**

**Union Government (Civil)  
Report No. 16 of 2014  
(Performance Audit)**

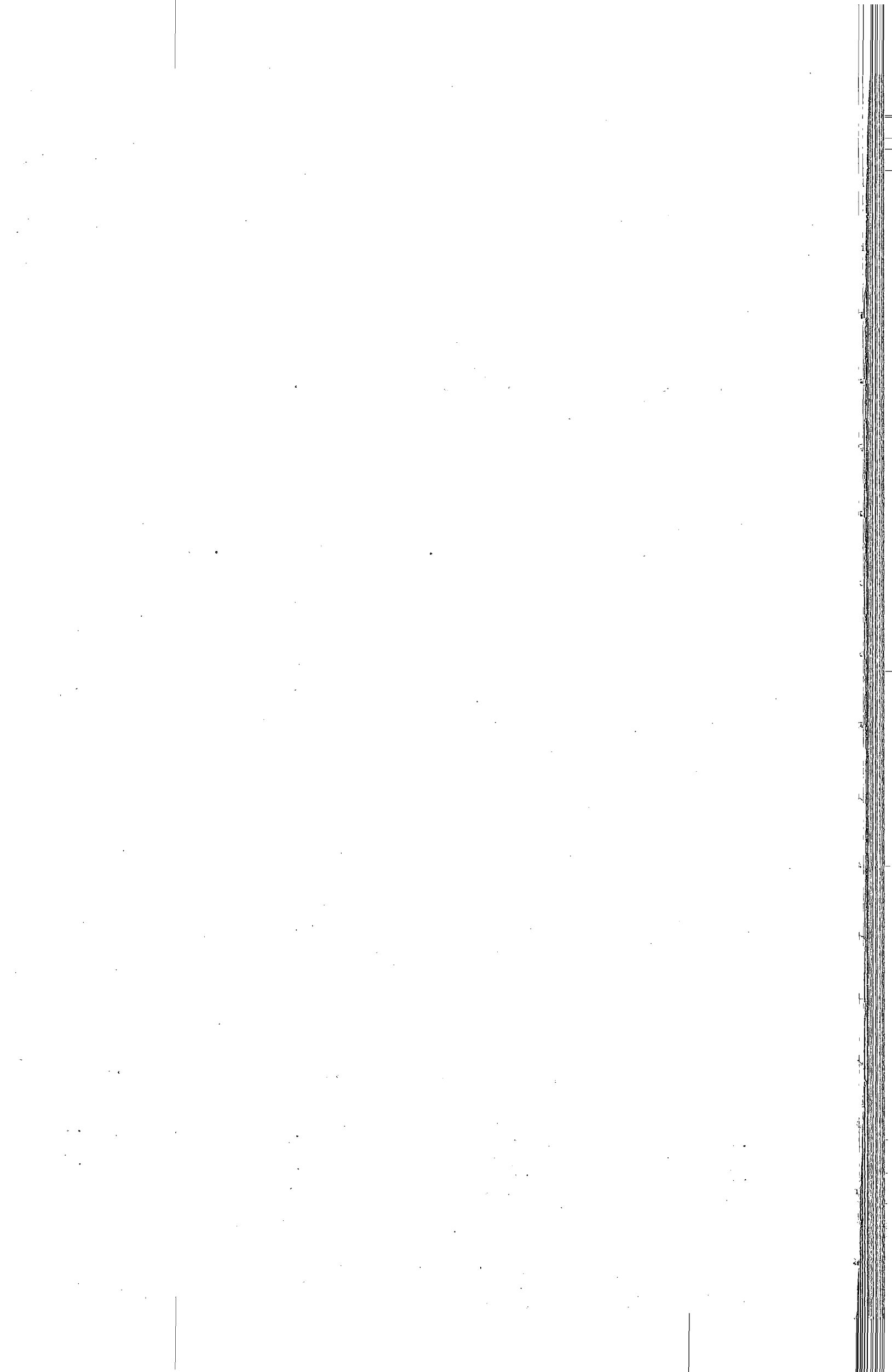
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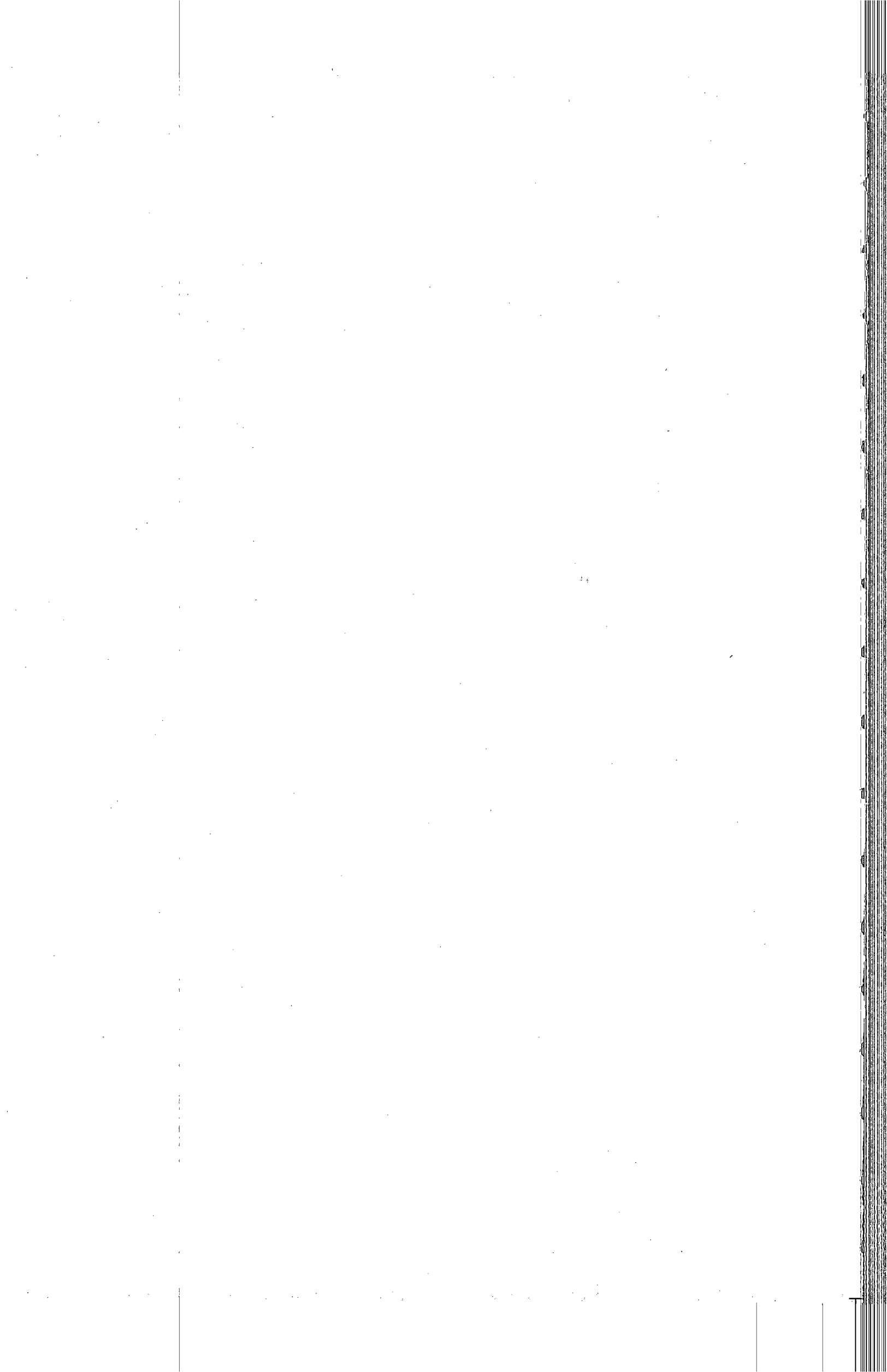


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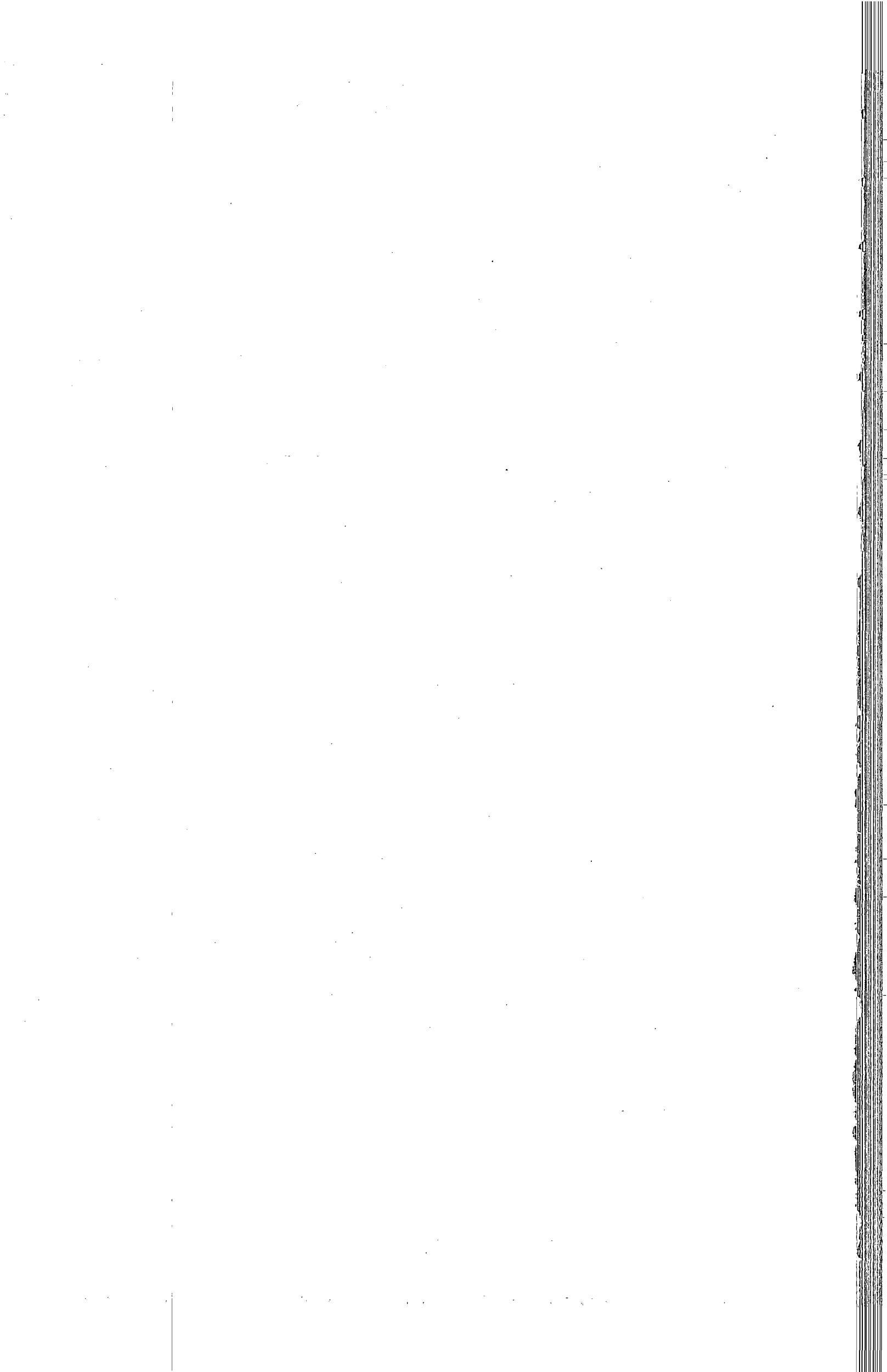
## PREFACE

**This Report for the year ended March 2013 has been prepared for submission to the President under Article 151 of the Constitution of India.**

**This Report of the Comptroller and Auditor General of India contains the results of performance audit of Global Estate Management by Ministry of External Affairs during 2007-08 to 2011-12. Matters relating to the period subsequent to 2012-13 have also been included based on the reply furnished by the Ministry.**

**The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.**

**Audit wishes to acknowledge the cooperation received from the Ministry of External Affairs at each stage of the audit process.**



## Executive Summary

### Global Estate Management by the Ministry of External Affairs

#### Introduction

In the course of discharging its functions, the Ministry of External Affairs (MEA) is, inter alia, responsible for acquisition and maintenance of properties owned by the Government of India (GoI) in India and abroad. The MEA manages properties in 180 Missions besides its offices in India. The capital expenditure for the year 2011-12 towards property management was ₹ 358.92 crore.

#### Why did we select this subject?

A performance audit of 'Property Management by Ministry of External Affairs' was carried out by Audit for the period 1999-2000 to 2003-04 (C&AG's Report No. 17 of 2005). The issues raised in performance audit were examined by the PAC and its recommendations were contained in the 51<sup>st</sup> Report of the PAC (14<sup>th</sup> Lok Sabha) laid on the table of the Lok Sabha and Rajya Sabha on 24.08.2007. The Ministry's Action Taken Note on PAC recommendations were further scrutinised by the PAC. The assurances of Ministry and further recommendations (August 2008) of PAC were contained in the 75<sup>th</sup> Report of the PAC (14<sup>th</sup> Lok Sabha).

The present audit seeks to assess efficiency of the utilisation and management of its global estate by MEA and review compliance of the assurances given to the PAC.

#### What are our findings?

- **Lack of domain information and non-preparation of action plan**

It was seen that even essential domain information i.e. owned, rental and leased number of Chancery buildings/Embassy residences/Staff residences etc. were not readily available with MEA. The absence of the information indicates a lack of a systematic approach towards reduction of rental liability as assured to the PAC. The MEA was also yet to develop an action plan for estate management despite an assurance given to the PAC.

- **Delay in acquisition of property**

The Ministry had rendered assurance to the PAC that significant steps had been taken to streamline and speed-up the internal processes related to acquisition and construction of property. However, audit noted in seven cases (Geneva, Berne, Hamburg, Munich, Bishkek, Stockholm and Milan) deficiencies and delays in decision making persisted. Failure in purchase of land/acquisition of property resulted in rental outgo amounting to ₹ 7.83 crore during 2011-12.

- **Delays in construction activities**

Audit noted delays in commencement of construction of properties in ten cases (Shanghai, Port of Spain, Port Louis, Dar-Es-Salaam, Kathmandu, Tashkent, Kyiv, Brasilia, Doha and Nicosia). The delays were attributable to delays in submission of drawings, failure to firm-up the type of properties required, non finalisation of project designs, delays in obtaining approval from local authorities, frequent changes in project requirements and other procedural delays. Most of these delays were internal to the Ministry. The PAC during the examination of the previous audit report of property management had also urged the MEA to put in place specific time frames and monitoring mechanism to avoid delay in pre construction activities. The annual rental outgo in these cases, in 2011-12 was ₹ 16.36 crore.

- **Deficiencies in renovation/redevelopment activities**

Renovation/Redevelopment work of owned buildings has been taken up by the Ministry at various stations. Audit of records maintained at Ministry/respective Missions revealed that at four stations viz., Sydney, Hong Kong, Kuala Lumpur and Jakarta there were irregularities and considerable delays in renovation/redevelopment work. This resulted in avoidable rental expenditure of ₹ 7.44 crore during 2011-12.

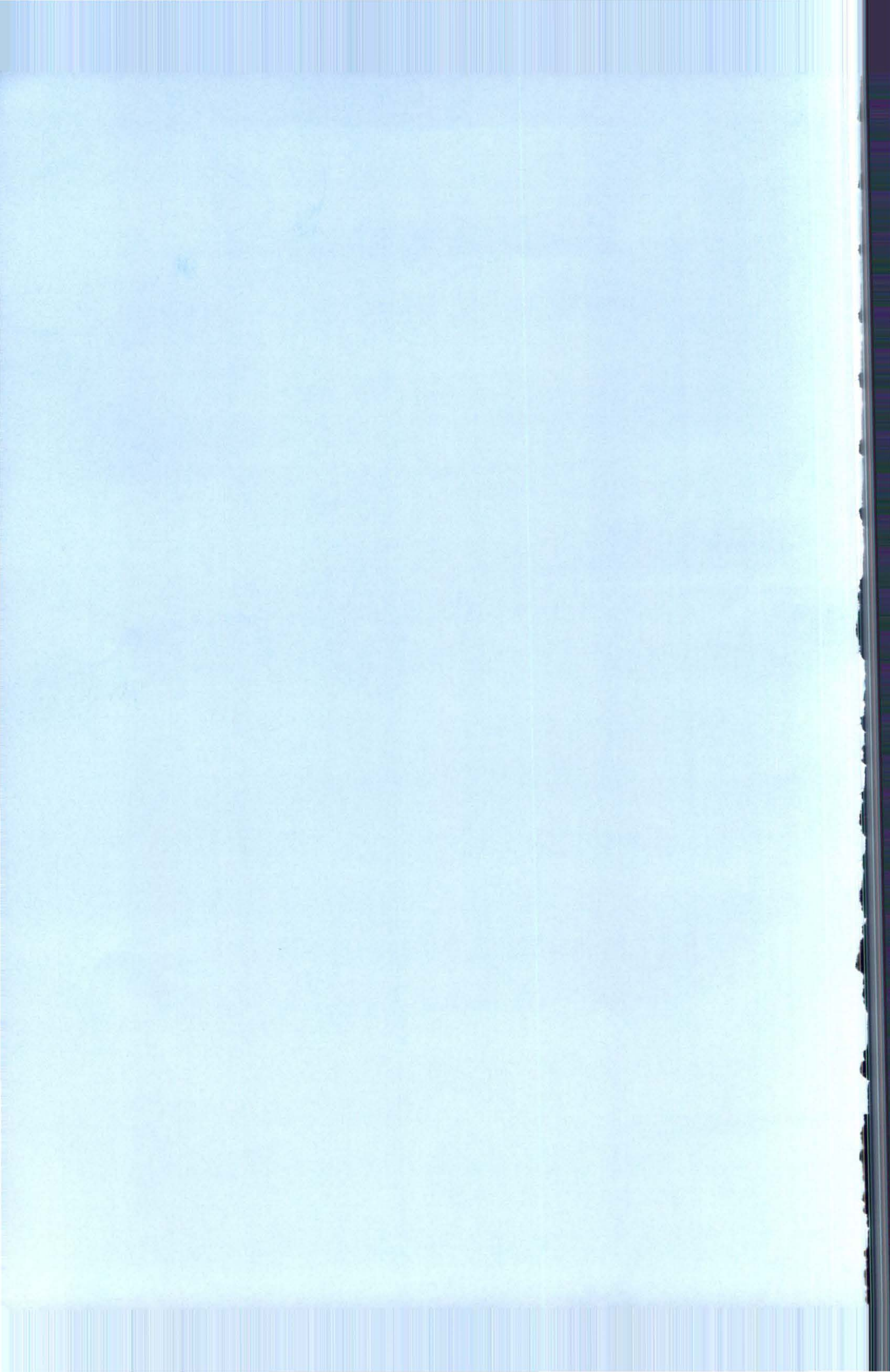
- **Delays in construction activities in India**

Lack of a systemic approach was also noted in domestic construction projects. Audit of records of five projects (RPO Jaipur, RPO Amritsar, RPO Mumbai, RPO Srinagar and FSI, Delhi) revealed that there were

considerable delays in start of projects upto 22 years (RPO Jaipur). Construction at RPO Srinagar had not commenced though the land was purchased in December 2006. Avoidable rental outgo in respect of three RPOs (RPO Amritsar, RPO Mumbai and RPO Srinagar) during 2011-12 alone was ₹ 3.98 crore.

**What do we recommend?**

- The Ministry should develop a comprehensive database of the estate under its control, which should be constantly updated.
- The Ministry needs to have a well documented Action Plan defining the goals and targets with specific budgetary allocations. A well codified manual of procedures with clear division of responsibilities would enable setting up quantifiable and measurable objectives for the officials involved in estate management.
- Adequate due diligence should be exercised at the planning and designing stage. All issues relating to local laws and procedures should be considered before acquisition/commencement of a project as these have been identified by Audit as main impediments in efficient acquisition of property and timely completion of constructions.



## PERFORMANCE AUDIT OF GLOBAL ESTATE MANAGEMENT

### 1. Introduction

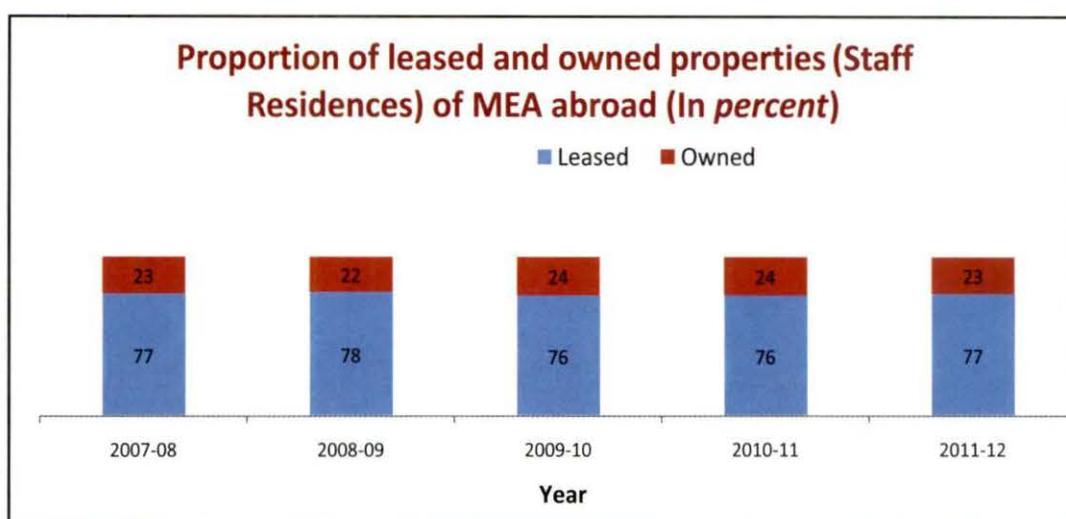
The Ministry of External Affairs (the Ministry/MEA), through its Missions, occupies a large number of properties both in the country and abroad. These include owned and leased properties. All decisions with regard to purchasing/leasing of properties are taken with the approval of the Ministry.

The Ministry operates 180 Missions/Posts in various countries. As per the information provided by MEA (October 2013) in respect of 157 Missions<sup>1</sup>, the position of leased/owned properties in the Missions/Posts abroad is as per the table given below:

Year	Chancery		Embassy Residence			ICCR*			Staff Residence	
	Owned	Leased	Owned	Leased	P.O.C	Owned	Leased	P.O.C^	Owned	Leased
2007-08	57	89	64	61	8	1	12	5	451	1491
2008-09	57	88	67	58	8	1	12	5	440	1517
2009-10	59	88	68	59	8	2	16	5	475	1515
2010-11	59	91	68	62	8	3	22	4	475	1532
2011-12	62	95	70	62	8	3	20	4	481	1566

\*ICCR: Indian Council for Cultural Research

^P.O.C.: Part of Chancery



<sup>1</sup> MEA was unable to furnish information in respect of the remaining 23 Missions/Posts despite reminders.

The above graph shows that there was no change in the proportion of owned properties during the period 2007-08 to 2011-12, thus indicating that there was consistent reliance on leased properties abroad entailing large rental liability.

## **2. Organisational Set-up**

The major functions of MEA relating to its estate management were acquisition, construction, maintenance and disposal of its properties in India and abroad. The work related to acquisition and management of owned properties is carried out by the Project Division, while management of leased buildings is with the Property Section of the MEA.

The Projects Division was setup in February 2005 with a view to improve the Ministry's property management through timely finalization of proposals for purchase, construction and renovation of Government-owned properties both in India and abroad to be used as its offices and residences for employees.

The Project Division is headed by Joint Secretary (Project), who is assisted by a Director and an Under Secretary. Four officers on deputation from CPWD, two each of the rank of Superintending Engineer and Senior Architect, provide assistance in technical matters.

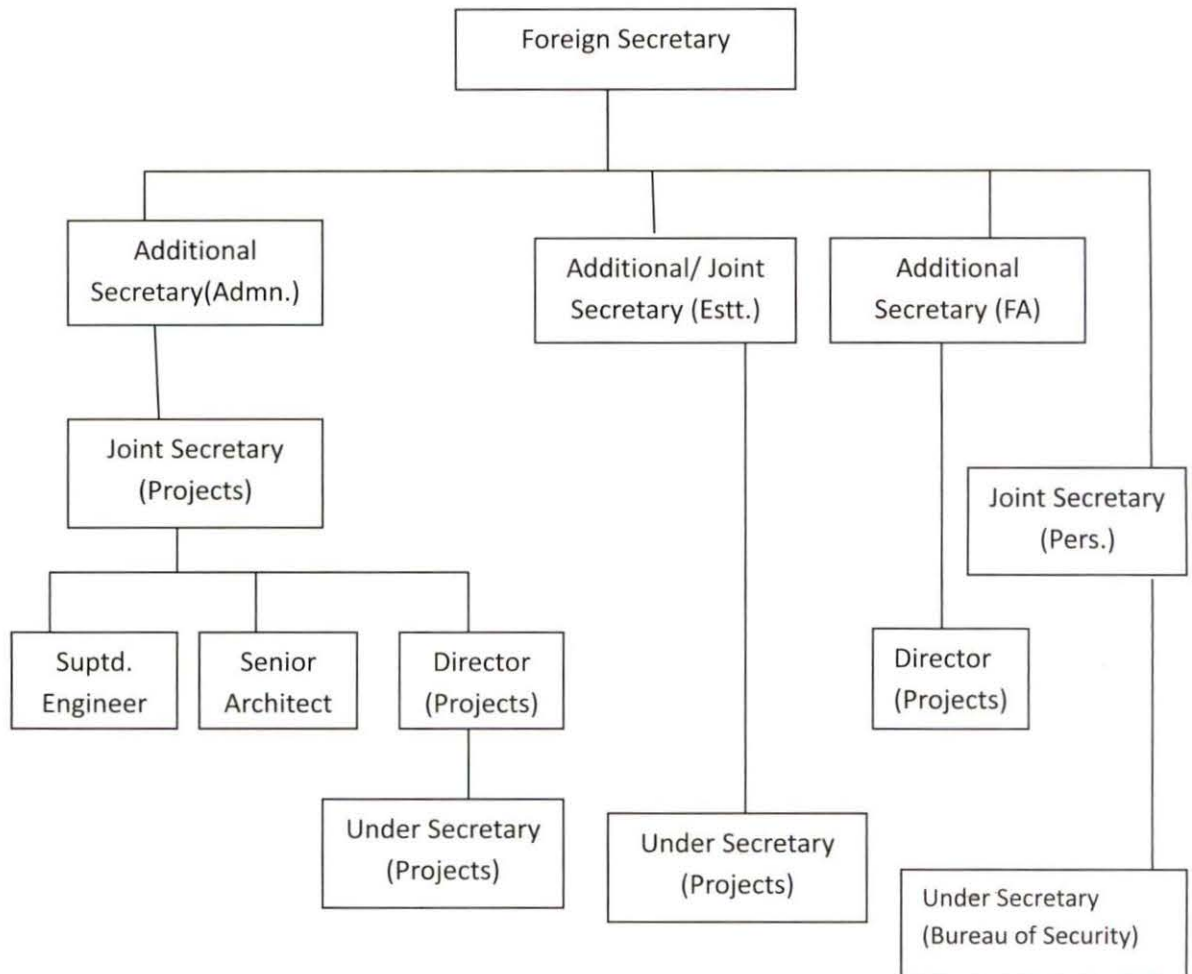
The Property Section of MEA, headed by Joint Secretary (Establishment), looks after the renting of accommodation for Missions/Posts as well as residences of staff/officers posted abroad.

The issues regarding security measures to be followed in Mission/Post abroad were dealt by Bureau of Security Division, which is headed by Joint Secretary (Personnel).

The diagram below depicts the arrangement for global estate management by MEA:



**ORGANOGRAM RELATING TO GLOBAL ESTATE MANAGEMENT IN  
MINISTRY OF EXTERNAL AFFAIRS**



**3. Present Audit**

The Public Accounts Committee (108<sup>th</sup> Report of 1987-88) and the Standing Committee of Parliament on Ministry of External Affairs had emphasized (June 1988) the need for a gradual reduction of rental expenditure of MEA with sound investment in suitable properties. The Standing Committee also recommended (April 2003) that MEA should devise a well-defined long term policy with continuous planning, monitoring, evaluation and control for efficient long term cost management of properties abroad.

A performance audit of 'Property management by Ministry of External Affairs' was carried out by Audit for the period 1999-2000 to 2003-04 (C&AG's Report No. 17 of 2005). The issues raised in performance audit were examined by the PAC and its recommendations are contained in the 51<sup>st</sup> Report of the PAC (14<sup>th</sup> Lok Sabha) laid on the table of the Lok Sabha

and Rajya Sabha on 24.08.2007. The Ministry's Action Taken Note on PAC recommendations were further scrutinised by the PAC. The assurances of Ministry and further recommendations (August 2008) of PAC were contained in the 75<sup>th</sup> Report of the PAC (14<sup>th</sup> Lok Sabha).

A gist of PAC's recommendation and action taken reported by MEA on PAC's recommendations are detailed in Boxes 3.1 and 3.2 respectively.

### **3.1 A Gist of PAC recommendations**

As contained in fifty-first report of PAC (14<sup>th</sup> Lok Sabha) and seventy-fifth report of PAC (14<sup>th</sup> Lok Sabha) is given below:

- Streamline the project planning mechanism in the Ministry with regard to property management and budgetary provisions.
- Expedite all the pre-construction activities in regard to their projects (reported to in the audit report), such as finalisation of design brief, appointment of consultants etc and ensure execution of these project at all the stations within the targeted time frame through a specific monitoring plan for each project.
- Ministry should put in place appropriate systems under their project division so that avoidable delays for re-development/re-construction of properties do not recur and the Missions should also be galvanised to make every possible efforts to minimize the rental outgo on leased accommodation.
- Listing out all the properties lying vacant for long periods and prioritize the same for prompt disposal in order to avoid further deterioration in their condition.
- MEA should exercise more effective supervision over the Missions/Posts abroad to ensure that irregular expenditure on leased accommodations in excess of prescribed rental ceilings did not become a regular feature.
- MEA to revamp their inspection machinery so that the working of Indian Mission/Posts abroad in regard to property management is supervised in a more effective manner.

### **3.2 Action taken by MEA on PAC recommendations and assurances to PAC**

The action taken by Ministry of External Affairs and assurances made during the examination are as follows:

- MEA informed PAC that it constantly endeavoured to improve property management through timely finalisation of proposals for purchase, construction as well as renovation of Government properties both in India and abroad.
- MEA further informed that corrective action had been taken as necessary, the work on construction projects and purchases had been streamlined to a great extent and continued efforts were being made to improve the monitoring, response time and effective control over spending by Missions.
- MEA assured that every effort was made to carefully ascertain the local procedures so that problems could be anticipated to the extent possible and advance action taken as necessary to avoid or minimize time and cost overruns.
- MEA informed PAC that it had taken several concrete steps to acquire properties abroad in order to reduce rental liabilities.
- MEA further informed that since setting up the Projects Division in February 2005, it had exclusively focussed on construction/renovation/purchase and property management.
- MEA assured that it was taking expeditious action for disposal/use of vacant properties.

## **4. Scope of audit**

### **4.1 Audit objectives and methodology**

Estate related issues for the period 2007-08 to 2011-12 have been included in the scope of audit with a view to assess:

- (i) MEA's performance in acquisition of property, construction, renovation and disposal of existing properties.
- (ii) Compliance to the recommendations of the PAC and assurances given by the Ministry to the PAC.

The entry conference with the Ministry was held on 14<sup>th</sup> August 2012, wherein the audit objectives, scope and methodology were explained. The methodology for field audit included:

- (i) Examination and review of records in MEA and at Missions/Posts abroad;
- (ii) Collection and analysis of information through questionnaire issued to the Ministry and Missions/Posts;
- (iii) Physical verification of global estates of MEA at Missions/Posts;

Responses to audit queries and audit memos were obtained from the audited entities were considered while preparing the draft report. Exit conference was held on 3<sup>rd</sup> March 2014 with the Ministry to discuss the audit findings. The views of the Ministry have been included in the relevant paragraphs.

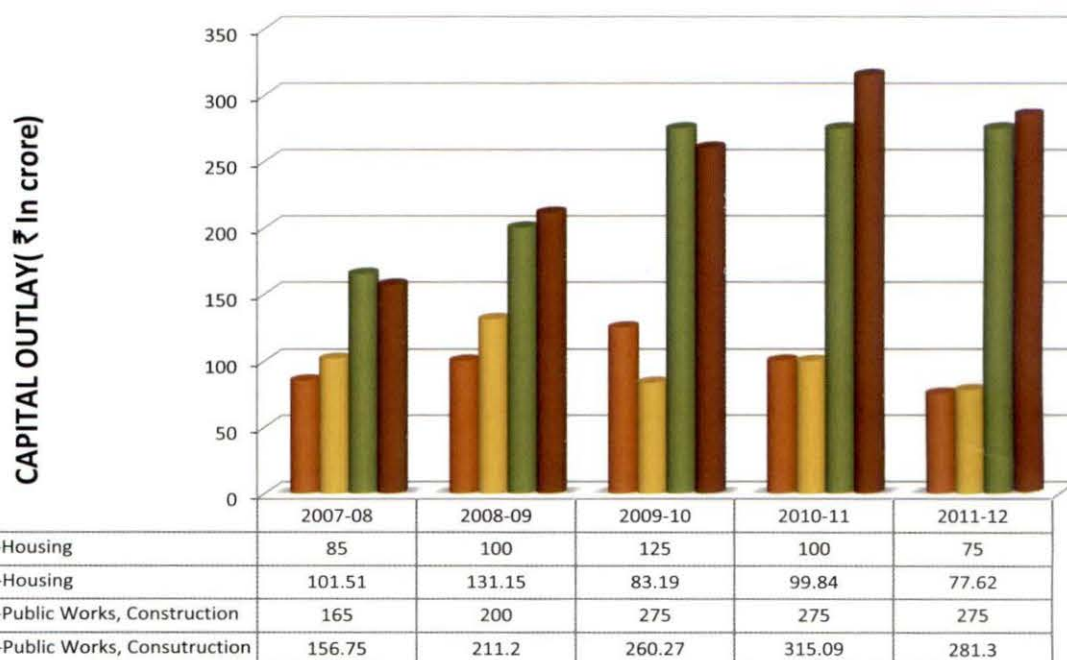
#### **4.2 Sources of Audit criteria**

The audit issues were examined with reference to the rules and instructions for acquisition, construction, leasing, maintenance and disposal of properties, as contained in the Indian Foreign Services (Pay, Leave, Compensatory Allowance and other conditions of Service Rules), Delegation of Financial Powers Rules 1978, Financial powers of Government of India Representatives abroad, Instructions of the Parliamentary Committees and other relevant orders issued by the Government of India.

#### **5. Financial Outlay**

(a) The year-wise budget estimates and actual expenditure incurred by MEA under Capital Outlay-Housing (Residences) and Public Works (Office premises) for the period 2007-08 to 2011-12 are given in the Chart below:

### Year-wise Budget Estimates and Actual Expenditure under Capital Outlay-Housing and Public Works



(b) A review of expenditure of MEA on capital outlay on Housing during the years 2007-08 to 2011-12 revealed excess expenditure ranging from 3.49 to 31.15 *per cent* ( in 2007-08, 2008-09 and 2011-12) whereas in the same period, saving ranged from 0.16 to 33.45 *per cent* ( in 2009-10 and 2010-11) as compared to Budget Estimates. Similarly, a review of expenditure of MEA on capital outlay on Public Works revealed excess expenditure ranging from 2.29 to 14.58 *per cent* in the year 2008-09, 2010-11 and 2011-12 whereas saving ranged from 5.00 to 5.36 *per cent* in the year 2007-08 and 2009-10, as compared to Budget Estimates.

Notwithstanding the variations between the budgeted amount and the actual expenditure, it was noted that the variation has come down significantly when compared to the previous performance audit period of 1999-2000 to 2004-05. It was also seen that the quantum of capital expenditure has significantly gone up as compared to the *previous* audit period and the overall utilisation of funds has improved. The figures for this period were as under:

**Capital Outlay on Housing: Government Residential Buildings**

(₹ in crore)

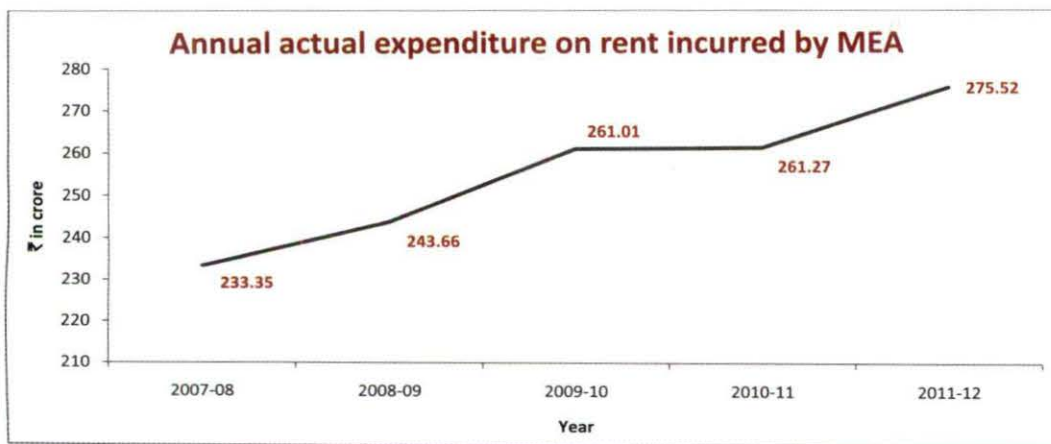
Year	BE	AE	Excess(+)/Saving(-)	% of Excess/Saving
1999-00	30.00	13.83	(-)16.17	(-)53.90
2000-01	30.00	26.13	(-)03.87	(-)12.90
2001-02	27.00	08.39	(-)18.61	(-)68.90
2002-03	36.59	33.53	(-)03.06	(-)08.40
2003-04	35.00	14.25	(-)20.75	(-)59.30
2004-05	25.00	06.07	(-)18.93	(-)75.70

**Capital Outlay on Public Works: Construction**

(₹ in crore)

Year	BE	AE	Excess(+)/Saving(-)	% of Excess/Saving
1999-00	70.00	63.49	(-)06.51	(-)09.30
2000-01	70.00	53.65	(-)16.35	(-)23.40
2001-02	67.20	25.43	(-)41.77	(-)62.20
2002-03	67.20	11.77	(-)55.43	(-)82.50
2003-04	68.00	22.34	(-)45.66	(-)67.10
2004-05	70.00	31.83	(-)38.17	(-)54.50

(c) The graph below shows the details of actual expenditure on rent incurred by MEA during 2007-08 to 2011-12;



The graph indicates that the rentals increased steadily from ₹ 233.35 crore in 2007-08 to ₹ 275.52 crore in 2011-12 and thus PAC's recommendation of reducing the rentals by cutting down on construction delays was not acted upon.

The Ministry pointed out that during the Performance Audit period it had acquired 30 properties, opened new missions, increased deployment of staff, rental had escalated coupled with depreciation of the Indian currency and hence, rental outgoes have shown a steady increase.

## **6. Audit findings**

### **6.1 Absence of domain information**

Ministry assured (January 2007) the PAC that two separate five year plans were prepared for gradual reduction in rental liabilities. Accordingly, Audit asked the Ministry to provide information on the owned, rental and leased number of Chancery buildings/Embassy residences/Staff residences etc. to assess the situation. The request for information was made in August 2012. Reminders were issued in November 2012, December 2012, April 2013 and May 2013. Ministry provided information in respect of 157 Missions/Posts only by October 2013. The following was noticed in this matter.

1. The information in regard to the properties managed by MEA was not available with the Ministry i.e. the Ministry did not have a database in this regard. The information was collected from the Missions after significant delay.
2. There are a total of 180 Missions/Posts under the Ministry, even after several reminders, information in regard to 157 Missions/Posts only was provided by the Ministry.

The absence of basic information in regard to the properties managed by the Ministry indicates a gap in the monitoring by the Ministry. Further, this information is essential for preparation of budgetary estimates and also planning of estate management function. The absence of the information indicates a lack of a systematic approach towards reduction of rental liability as assured to the PAC.

### **6.2 Absence of Action Plan**

The Ministry had issued guidelines in August 1986 regarding purchase of property. However, it did not contain clearly defined timelines for critical activities viz. appointment of architects, consultants and approval of drawings, obtaining permission of local authorities and final physical and financial closure of the project.

The PAC in its 108<sup>th</sup> Report of 1987-88, the 51<sup>st</sup> Report of 14<sup>th</sup> Lok Sabha (August 2007) and 75<sup>th</sup> Report of 14<sup>th</sup> Lok Sabha (August 2008); and the Standing Committee of Parliament on MEA (1988), emphasised the need for a pragmatic plan to minimise rental outgo. The Ministry assured the PAC that it had taken concrete steps to acquire properties abroad in order to reduce rental liabilities. It also informed (January 2007) the PAC that two separate five year action plans had been prepared starting from the financial year 2006-07 for acquisition of built-up properties and for construction. The implementations of these plans were to result in a gradual decrease of rental liability.

Audit noted that the five year action plans had not been prepared by the Ministry as assured to the PAC.

The Ministry replied (March 2014) that the process of developing a long-term action plan has been initiated. The fact is that this was a long overdue action and needs to be acted upon.

## 7. Acquisition of Land /Property

### 7.1 Failure/delay in purchase of land/acquisition of property

The Ministry had assured the PAC that significant steps had been taken to streamline and speed-up the internal processes related to acquisition of property. However, audit noted that deficiencies and delays in decision making persisted and time bound action plan for property acquisition was not prepared. The cases revealed by audit are discussed below:

Audit findings	Impact	Reply of the Ministry
<b>7.1.1 PMI Geneva, Switzerland</b>		
<p>The Permanent Mission of India (PMI), Geneva was functioning from leased premises since June 1976. The Property team of the Ministry recommended (March 2009) purchase of a shortlisted property for construction of the Chancery building. The Ministry also communicated (October 2009) provision of CHF 4.5 millions (Approx ₹ 21 crore) towards the cost of land and other</p>	<p>The Mission had incurred an annual rental expenditure of ₹ 2.84 crore in 2011-12 for its chancery premises. The Mission had also incurred ₹ 1.22 crore towards legal matters till March 2012.</p>	<p>The Ministry replied (March 2014) that zone changing approval from the State Council of Canton of Geneva was expected to be issued soon. It further stated that Audit's observation to consider alternate properties had been noted. The Mission had informed that it had taken up the matter with the Government of Switzerland for their</p>



Audit findings	Impact	Reply of the Ministry
miscellaneous costs and directed the Mission to ensure that purchase be completed within the financial year 2009-10. However, the property was yet to be acquired (March 2014) as necessary permissions from local authorities could not be obtained.		intervention to expedite the necessary clearances. Since several year have passed Ministry should have considered alternate options to avoid cost and time overrun as also to avoid recurring and large rental expenditure.
<b>7.1.2 Eol Berne, Switzerland</b>		
The Chancery at Berne is located in rented premises. A property team of MEA visited in 1998 and identified a property for purchase. However, as the price quoted by the owner was higher than the market value, the property was not purchased. Subsequently, no efforts were made by the Mission and Ministry for purchase of any property.	The annual rental outgo for Chancery during 2011-12 was ₹ 77.22 lakh.	Ministry replied (March 2014) that the Mission has been constantly trying to locate property for chancery. The fact remain that after having decided to go for purchase, Ministry could not identify and acquire property in more than 15 years.
<b>7.1.3 CGI Hamburg, Germany</b>		
CGI Hamburg was established in June 1952. The Ministry identified (June 2011) Germany as one of the high rental stations and decided to priorities acquisition of property. Audit noted that despite prioritisation no progress was made.	The average annual rental outgo was ₹ 32.39 lakh.	Ministry replied (March 2014) that the identified properties were available only on lease and their rents were exorbitantly high. Hence, the Mission continues to be in pursuit of locating suitable properties.
<b>7.1.4 CGI Munich, Germany</b>		
Consulate General of India Munich functioned from a leased flat since May 2002. The Ministry wrote (June 2011) to the Post for forwarding proposal for acquisition of property in Munich. A three member Property team visited (November 2011) Munich and identified property. However the deal could not be concluded as the price of € 6.25 million offered by	The annual rental outgo during 2011-12 was ₹ 1.45 crore.	Ministry replied (November 2013) that the Mission continues to be in pursuit of locating suitable properties.

Audit findings	Impact	Reply of the Ministry
the Mission was not accepted by the owner of the property. The Post again took up the matter with the Ministry in November 2011. However no further progress was noticed		
<b>7.1.5 Eol Bishkek, Kyrgyzstan</b>		
<p>The Ministry requested (July 2009) the Mission to initiate steps for purchase of property in Kyrgyzstan as it had been identified as a priority country for purchase of properties for office/residences of officers and staff. The Mission informed (September 2009) the MEA that the Kyrgyzstan Government had a plot of land that could be allotted for the Chancery/Embassy residence and the Kyrgyzstan Government in turn wanted a plot of land on reciprocal basis.</p> <p>Audit noted that there had been no tangible progress since then.</p>	Rental outgo during 2011-2012 was ₹ 80.90 lakh.	Ministry replied (March 2014) that Kryrgyzstan Republic vide a note dated November 16, 2012 had conveyed its willingness to offer a plot of land measuring 0.3 hectares for 49 years lease on reciprocal basis. The Mission had approached the Ministry of Foreign Affairs of Kryrgyzstan Republic for specific details of the property, reply to which was awaited (March 2014).
<b>7.1.6 Eol Stockholm, Sweden</b>		
The Chancery of the Eol Stockholm was located in rented premises, since its inception in January 1949. The area of the chancery was not sufficient for the staff and for holding any representational functions.	The average annual rental outgo was ₹ 1.17 crore.	Ministry replied (March 2014) that the mission continues to be in pursuit of locating suitable property. The fact remains that the mission continued to function from rented premises since its inception in January 1949.
<b>7.1.7 CGI Milan, Italy</b>		
The Chancery in Milan has been operating from two floors of a rented building with inadequate space. The landlords were not willing to extend the lease which expired in March 2010 and March 2011 respectively on the existing	The annual rental outgo during 2011-12 was ₹ 46.36 lakh	Ministry replied (March 2014) that the Posts/ Mission had been advised to continue looking for alternate suitable properties

Audit findings	Impact	Reply of the Ministry
rent. The Mission approached (March 2011) the Ministry for increase of rental ceiling. The Ministry advised Mission (May 2011) to take some property on short term lease and identify a property for purchase urgently. The Post, however, was yet to purchase a suitable property as of March 2014.		

In all the cases discussed above, there have been significant delays in either acquiring a property after the decision to do so was taken by the Ministry or effort have not fructified due to lack of proper planning and pre-study. The annual rental outgo in these cases, in 2011-12 was ₹ 7.83 crore, apart from other legal and consultancy costs. This recurrent expenditure would continue to be incurred and this may further get upwardly revised unless most pursuant efforts are made for acquiring suitable property in these stations.

## 7.2 Inability to acquire land on reciprocal basis

The Vienna convention made reciprocity the cornerstone of diplomatic relations between countries. Land allotted by countries to each other's diplomatic Missions/Posts, in several cases, was also to be based on this principle. Examination of the records maintained by the Ministry and various Missions/Posts revealed that Ministry failed to acquire plots of land on reciprocal basis at China and Bangladesh as below:

Audit findings	Impact	Reply of the Mission
<b>7.2.1 CGI Guangzhou, China</b>		
The Consulate General of India Guangzhou China was established (October 2007) with the understanding that the Peoples Republic of China (PRC) will open their Consulate General in Kolkata. The CGI was opened in February 2008 in a rented premises. At the time of opening the Consulate, the Chinese Foreign Office had offered to assist the Consulate in acquiring a	Inordinate delay in reaching an agreement adversely impacted on the rental burden of the Post for 13 residential units and two chancery units which amounted to	Ministry replied (March 2014) that efforts were being made to delink the land issues at Kolkata from Guangzhou.  Ministry is negotiating for land allocation in Guangzhou. The fact that it has taken 6 years to decide, is not a positive reflection on

<p>plot of land for construction of chancery/residential premises in the consular area earmarked for the consulates. This offer was based on the decision of Government of India to allot a plot of land for the Consulate General of PRC in Kolkata on reciprocal basis.</p> <p>Audit noted that the Ministry was yet to take a decision (June 2012) on the allotment of land to the Chinese Consulate in Kolkata, though the Chinese counterpart was ready in 2009 itself, to allot the land in Guangzhou.</p>	<p>₹ 2.62 crore per annum during 2011-12.</p>	<p>the estate management affairs in the Ministry.</p>
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### 7.2.2 HCI Dhaka, Bangladesh

<p>The project comprised of a Chancery building, India House and residential accommodations for the staff except the RG officers. The delay in construction of the property was reported earlier by the Audit and was also examined by the PAC.</p> <p>For construction of Chancery building of High Commission of India, Dhaka and residences for its officials, Government of Bangladesh exchanged 12 bighas (1,72,800 sq. ft.) of land in Baridhara Diplomatic enclave in 1993, in exchange of 3 acres (1,30,671 sq. ft.) of land in Chanakyapuri. Gol purchased (April 2000) an adjacent plot of 2.443 bighas (35178 sq. ft.) on lease of 99 years, for Taka 12.21 crore (equivalent to ₹ 10.75 crore).</p> <p>A consultant appointed in May 2005 submitted drawings and estimates in January 2009. The project was assigned to M/s Unity Infra Projects at tendered cost of ₹ 127 crore with the approval of the Ministry. The project commenced on 24 February 2010 on</p>	<p>The Mission incurred expenditure of ₹ 1.04 crore on annual rent for chancery and residences in 2011-12.</p>	<p>Ministry accepted (March 2014) that the delay in completion had been mainly due to the financial problems faced by the contractor as well as due to the political situation in the host country resulting in delay in delivery of material at site and also absenteeism of labourers.</p>
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<p>handing over of the site.</p> <p>The project which was to be completed by March 2012 was delayed and still not completed (March 2014).</p>		
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### **7.3 Purchase of building unsuitable for public assembly/representational functions for Indian Cultural Centre (ICC) at Eol Paris, France**

MEA decided (March 2011) to purchase a property belonging to French Government for establishing India Culture Centre at Paris.

The architect engaged by the Mission to design the building reported (28 March 2011) that the building was not suitable to be used as a cultural centre. Under French regulations, the building required two exits and provision for the assembly of a minimum of 100 people. Both conditions were lacking in the property indentified for purchase. Subsequently, the opinion of another architect was obtained in May 2011, who reiterated the unsuitability on same ground. The reports of the architects were ignored and the property was purchased in March 2011 for ₹ 30.03 crore. Audit noted that the property was not utilized during the three years after its purchase. Further the mission had incurred a recurring expenditure of ₹ 1.24 crore per year on providing round-the-clock security to the building.

The Ministry stated (March 2014) that the property would require certain modifications/renovation or even total demolition and reconstruction to make it suitable for a cultural centre. However, the final approval would be sought by the appointed architect-consultant for renovation work after finalisation of plans and drawings.

The fact remains that the entire investment amounting to ₹ 30.03 crore was unfruitful besides the recurring expenditure of ₹ 1.24 crore per annum on security.

## **8. Inefficiencies in construction/project Management**

### **8.1 Delay in commencement of construction**

The Ministry acquired land at various stations for construction of Chancery/residential building etc. Audit examination of the records maintained by Ministry/respective Missions revealed inordinate delays in construction of properties.

Audit Finding	Impact	Reply of the Ministry
<b>8.1.1 CGI Shanghai, China</b>		
<p>A plot of land was acquired by the Indian Consulate in January 2007. The Consultant for the work was appointed only in July 2008 after a delay of 18 months. The consultant submitted preliminary designs and estimates by March 2009. However, in July 2009 services of the design consultant were put on hold at the instance of the Ministry. The Ministry justified it on the ground that the services of the consultant should be dedicated for the completion of Beijing construction project, for which the same consultant was engaged. On 31.08.2012 Ministry terminated the contract with the consultant after visit by Project Monitoring Team (PMT) and based on the recommendations of the Heads of Mission (HOM) and Post (HOP). As of November 2013, no further progress was noted in the project.</p>	<p>Delay in construction resulted in rental outgo of ₹ 2.47 crore during April 2011 to March 2012.</p>	<p>Ministry replied (March 2014) that the design brief prepared in 2007 is under revision due to the revised space norms issued in December 2010 for residential accommodation. Simultaneously Ministry/Post has initiated the process for selection of the local architects. Fact remains that after more than six years of acquisition of plots, construction was yet to be started.</p>
<b>8.1.2 HCI Port of Spain, Trinidad &amp; Tobago</b>		
<p>Government of Trinidad and Tobago handed over land measuring 5 acres to the High Commission of India, Port of Spain in 1994 for construction of cultural centre for Mahatma Gandhi Institute for Cultural Cooperation (MGICC). Despite the approval of the concept design in 1999, the work of construction of the Centre and residences for the MGICC staff was yet to commence. The following were</p>	<p>The delays resulted in cost escalation by ₹ 21.13 crore. Additional financial liability was committed on account of payment to consultant ₹ 1.05 crore<sup>2</sup>. The mission</p>	<p>Ministry admitted the observation and replied (March 2014) that the Ministry had prioritised this construction project and is making concerted efforts to start construction in FY 2014-15.</p>

<sup>2</sup> TT\$ 50.13 million - TT\$ 19.95 million = TT\$ 30.18 million (cost overrun), 5 % of TT\$ 30.18 million = TT\$ 1.51 million = ₹ 1.05 crore (@ 1 TT\$ = ₹ 7)

Audit Finding	Impact	Reply of the Ministry
<p>observed during audit:</p> <ul style="list-style-type: none"> <li>Inordinate delay in deciding the scope of construction project even though the Mission had sent architectural designs to the Ministry with cost estimates (September 2000).</li> <li>The Ministry suggested alterations in specifications and design of the projects several times and the final version of the tender document was sent to the Ministry only in September 2010.</li> <li>The Ministry decided (September 2011) to re-tender the project after revising the criteria for qualification to tender. The revised tender documents from the Consultant viz. qualification documents, tender notice and letter of invitation to tender were forwarded to the Ministry in May 2012. The estimated cost in the mean while, had gone up (by 251 per cent) from TT \$ 19.95 million (₹ 14.78 crore) in September 2000 to TT\$ 50.13 million (₹ 37.41 crore) in September 2010.</li> <li>The Ministry initially asked the Consultant to float the tender on Bill of Quantity basis, which was subsequently changed to tender on a lump sum basis in July 2012. Draft tender document is still being finalized in the Ministry.</li> </ul> <p>Meanwhile, Mission leased a building, for the cultural centre, at a monthly rent of TT\$ 35000 (₹ 2.75 lakh) with effect from 1 April 2012.</p>	<p>had incurred an expenditure of ₹ 25.46 lakh towards rent of the residences of the India based staff of MGICC during 2011-12.</p> <p>An expenditure of ₹ 33 lakh per annum has been added from April 2012 on account of temporary accommodation for the cultural centre.</p>	

Audit Finding	Impact	Reply of the Ministry
<b>8.1.3 HCI Port Louis, Mauritius</b>		
<p>The Government of Mauritius allotted (March 2000) a plot of land measuring 24,384 sqm in Port Louis for construction of Chancery building. Subsequently (July 2004), this plot was exchanged for another one in December 2004 on the recommendation of Government of Mauritius. Due to delay in finalisation of concept designs for the proposed building, the construction work could not commence. The delay was pointed out in CAG's Audit Report of 2005. MEA had replied (October 2005) that terms of reference for selection of consultant and design brief were being finalised.</p> <p>Audit noted that the construction had not commenced even as of July 2013.</p>	<p>During the year 2011-2012 the Mission had to incur annual expenditure of ₹ 1.34 crore towards rent of chancery and staff residences.</p>	<p>The Ministry stated (November 2013) that the concept designs were revised a number of times. In addition, the residential norms were also revised in December 2010 necessitating further changes in the concept design. The final concept design had now been frozen and it was expected that the tendering process would be completed by December 2013. Ministry further stated (March 2014) that detailed estimates were under examination and the proposal would be appraised by the 'Committee of Non Plan Expenditure' for seeking approval of the project cost.</p>
<b>8.1.4 HCI Dar-Es-Salaam, Tanzania</b>		
<p>Government of Tanzania allotted a plot of land to Eol, Dar-Es-Salaam, in June 1987 on lease for 33 years with effect from January 1992 for construction of the Chancery -cum-residential complex. The construction of the property had not yet commenced (November 2013). Audit noted cascading delays at every stage as described below:</p> <ul style="list-style-type: none"> <li>The architect consultant was selected only in September 2004, who submitted the drawings in</li> </ul>	<p>The Mission had to incur avoidable average annual expenditure of ₹ 1.99 crore on rentals during 2011-12.</p>	<p>MEA stated (March 2014) that the tender had been floated and the technical bids were under scrutiny in the Ministry.</p>



Audit Finding	Impact	Reply of the Ministry
<p>June 2009 and final estimates only in October 2009.</p> <ul style="list-style-type: none"> <li>While the estimates were being examined, in December 2010 space area norms for residences were revised and the consultant was asked to revise the design, which he submitted in January 2011.</li> <li>The Ministry accorded approval for floating the tender only in March 2011.</li> <li>Approval from local authorities was further delayed as norms for the constructed area were revised and restricted the area of the erected structure to 3-5 stories.</li> <li>The Ministry gave (January 2013) the approval for redesigning the building plans.</li> </ul>		
<b>8.1.5 Eol Kathmandu, Nepal</b>		
<p>The Government of India awarded a contract (September 2007) to construct a new Indian Embassy. The new building was to be constructed by demolishing the old buildings which were owned by it on an area of about 46 acres. The construction cost of the contract was ₹ 136 crore with the scheduled date of completion as April 2010. As of August 2012 only about 60 <i>per cent</i> of the work valuing ₹ 78.30 crore had been completed. Inordinate procedural delays were noticed at various stages.</p>	<p>The Mission had to incur avoidable expenditure of ₹ 1.26 crore towards rent during 2011-12.</p>	<p>MEA admitted (March 2014) the audit observations and stated that it was making all possible efforts to complete the project.</p>
<b>8.1.6 Eol Tashkent, Uzbekistan</b>		
<p>The erstwhile USSR allotted (September 1989) a plot of land measuring 10000 sqm for construction of the Indian Consulate General and Cultural Centre. The construction work</p>	<p>The Mission had incurred avoidable expenditure of ₹ 2.25 crore on renting alternate</p>	<p>Ministry replied (March 2014) that draft tender documents received from the consultant were being examined in the Ministry</p>

Audit Finding	Impact	Reply of the Ministry
<p>could not commence due to pending issues related to reciprocal allotment of plot. Subsequently, the Government of Uzbekistan re-allotted the original plot of land. A lease agreement was signed in May 1998. The Mission took the possession of the plot after a lapse of more than six years (April 2004) due to encroachment of the plot. Audit further noted that the project had not even reached the tendering stage. The following were noticed in audit:</p> <ul style="list-style-type: none"> <li>• The concept designs of the project underwent several updations due to frequent changes of requirements by the Ministry/Mission.</li> <li>• The local body approvals obtained in two phases (January 2007 and September 2007) expired without commencement of work thus necessitating their renewals.</li> <li>• There were delays in pre-qualification of contractors and tendering.</li> </ul>	<p>accommodation during 2011-12.</p>	<p>and tenders for the work are expected to be invited soon.</p>
<p><b>8.1.7 Eol Kyiv, Ukraine</b></p>		
<p>Eol Kyiv acquired (September 1995) a dilapidated built-up property for use as Chancery at a cost of ₹ 2.53 crore. However, Audit noted that the Mission over the years kept changing the purpose for which the building was required, which resulted in delays in the commencement of the project. In 1995 it was decided to use the property for the chancery. In 2002 the decision was changed to use the property for residential units. Again in 2007 it was decided to use the property as residence-cum-chancery.</p>	<p>This resulted in avoidable expenditure of ₹ 2.63 crore during 2011-12 on hiring of Chancery and officers/staff residences.</p>	<p>Ministry replied (March 2014) that the Ukraine land laws changed in September 2011, requiring additional approvals from the Ukrainian Government, which is under process. The fact remains that the property acquired in September 1995 had not been put to use as of March 2014.</p>

Audit Finding	Impact	Reply of the Ministry
<p>The Ministry assured (August 2007) the PAC that the construction of project would commence in the last quarter of 2008 and would be completed by the last quarter of 2009. The construction work had not commenced even 17 years after acquisition of the property.</p>		
<b>8.1.8 Eol Brasilia, Brazil</b>		
<p>The Ministry appointed (October 2003) an Architect consultant (Consultant) for the construction of Chancery and residential accommodation. The Mission entered (August 2004) into an agreement with the Consultant at a consultancy fee equivalent to seven <i>per cent</i> of the tendered cost of the project.</p> <p>The Ministry sanctioned (October 2006) ₹ 37.50 crore for the execution of the project by the Embassy in consultation with the Consultant. Tenders for the project were called for (February 2008) by the Embassy and two companies were shortlisted on the basis of pre-qualification bids. The shortlisted companies offered their financial bids and quoted R\$ 16.495 million (₹ 36.66 crore) (L-1) and R\$ 23.446 million (₹ 52.10 crore) (L-2).</p> <p>Audit further noted that the bidders had applied different norms for working out cost escalation. Audit noted that the inconsistency in the quotations was due to ambiguity caused by non-inclusion of cost escalation clause in the tender documents prepared by the Consultant. On the advice of the Property Team of the Ministry that visited Brasilia in November 2008 the tender was cancelled and offers</p>	<p>This resulted in avoidable expenditure of ₹ 8.62 crore by the Embassy of India, Brasilia. This also resulted in avoidable expenditure of ₹ 2.75 crore towards rent during 2011-12.</p>	<p>The MEA replied (March 2014) that the consultants advice to include clause for price escalation was not accepted due to the policies of Government of India. However, it maintained that the difference in cost quoted in 2008 and in 2011 was due to additionalities and specifications in the new tender document. The project had been completed and chancery and staff quarters had been taken over in January 2014.</p> <p>The fact remains that the tender floated in 2008 was flawed as the clause for price escalation was a standard clause of agreement. This resulted in delay of three years and consequent cost escalation. The MEA did not seek compensation from the Consultant for deficient tender documents that were</p>

Audit Finding	Impact	Reply of the Ministry
<p>turned down due to inadequacies in the tender document framed by the Consultant.</p> <p>After specific modifications, the Eol invited (January 2011) fresh quotations for the work. The two bidders, earlier considered for the 2008 tender, were found to be eligible once again. The lowest quotation of M/s Construction LDN Ltd. was accepted and the project was awarded at R\$ 27.835 million (₹ 75.36 crore) in November 2011. Execution of the work has since commenced and a payment of R\$ 17.790 lakh (₹ 5.08 crore) made to the contractor as of February 2012.</p> <p>Thus, cancelling the lower offer due to inadequacies in the initial tender document resulted in avoidable expenditure of ₹ 8.62 crore by the Embassy of India, Brasilia.</p>		<p>provided.</p>
<b>8.1.9 Eol Doha, Qatar</b>		
<p>A plot of land was allotted to the Mission in May 2004 for construction of the chancery and embassy residence. Correspondence was made by the Mission (2009) to increase the plot of land with Government of Qatar. Government of Qatar (June 2009) refused to allot further land citing lack of land in the Diplomatic Enclave. No further action has been taken on the matter.</p>	<p>The Mission is incurring an annual rental liability of ₹ 1.13 crore on the chancery and the embassy residence.</p>	<p>Ministry replied (March 2014) that the Government of Qatar could consider the request of the Government of India for a larger plot of land subject to certain conditions which were being examined in the Ministry.</p>
<b>8.1.10 HCI Nicosia, Cyprus</b>		
<p>Government of India purchased a plot of land in March 1989 for ₹ 23.38 lakh for construction of staff quarters. M/s Colakides and Associate was appointed as Architect for the project</p>	<p>1). The frequent changes in requirement led to avoidable payment of ₹ 23.68 lakh to</p>	<p>Mission (October 2013) accepted the audit observations and stated that these charges were necessitated due to</p>

Audit Finding	Impact	Reply of the Ministry
<p>in November 1989.</p> <p>Ministry/Mission failed to assess its requirement and the scope of the project changed several times resulting in the Architect having to submit six preliminary designs spread over from December 1989 to March 2003. Despite the matter being pointed out in Audit Report No. 17 of 2005, no progress had taken place. The project was still at preliminary stage and even NIT not issued.</p>	<p>the consultant.</p> <p>2). The Ministry was incurring annual rental outgo of ₹ 28.76 lakh (2011-12).</p>	<p>various changes in area entitlement that took place in 2010-11. Reply of the Mission was not acceptable as the delay of 25 years could not be attributed to a reason that cropped up only three years back.</p>

In most of the cases discussed above construction had not commenced. The delays in commencement of construction were attributable to reasons mainly internal to the Ministry. The rental outgo in these cases amounted to ₹ 16.36 crore during 2011-12 alone.

## 8.2 Inefficiencies in renovation/redevelopment

Renovation/Redevelopment work of Gol owned buildings has been taken up at various stations. Audit of records maintained at Ministry/respective Missions revealed that at four stations viz., Sydney, Hong Kong, Kuala Lumpur, and Jakarta there were considerable delay in renovation/redevelopment work.

Audit finding	Impact	Ministry's reply
<b>8.2.1 CGI Sydney, Australia</b>		
<p>The Consulate had been operating from rented premises since 1994. The Ministry (February 2011) approved purchase of ready built property at Castlereagh Street, Sydney at a cost of ₹ 39.50 crore. The property was transferred in the name of the Gol in May 2011.</p> <p>It was noticed that avoidable expenditure on account of following was incurred:</p> <p>Ministry made excess payment of ₹ 1.77 crore to the owners of the</p>	<p>Avoidable expenditure of ₹ 5.15 crore was incurred during 2012 (₹ 2.66 crore for fit-outs, maintenance etc and ₹ 2.49 crore for rent).</p>	<p>Ministry replied (March 2014) that the specification for fit-out had been finalized based on which tenders were being floated.</p> <p>The fact remains that there has been a delay of over two years in carrying out the fit-out works.</p>

Audit finding	Impact	Ministry's reply
<p>premises towards fit-outs even though this was covered under the initial proposal and was included in the original cost.</p> <p>Delay in carrying out the fit-outs even after approval by the Sydney council led to avoidable payment of rent for 2011-12 of ₹ 2.49 crore.</p> <p>An expenditure of ₹ 71.35 lakh incurred by the Mission on lookout and maintenance of the property without using it.</p> <p>Expenditure of ₹ 18.01 lakh on shifting to temporary rented accommodation.</p> <p>As a result of the delay in carrying out the fit-outs the Consulate could not move into the new accommodation (November 2013) and had to continue in rented premises.</p>		
<b>8.2.2 CGI Sydney, Australia</b>		
<p>A property at 5A, Grass mere Road, Lind field, Sydney was purchased in 1986. It was being used for residence of Consul and Head of Chancery. The Ministry decided (November 2009) to dispose the property and purchase suitable new residence. Audit noted that the Mission had initiated the process for appointing a consultant in this regard. Meanwhile it also hired alternate leased accommodation (January 2010). However the Ministry changed its decision and decided (July 2012) that disposal/sale of this property was not the best option. Audit noted that there was no progress in the matter and the property had been lying vacant since January 2010. Meanwhile the Mission had paid rent for the hired</p>	<p>Indecision on the part of the Mission as well as the Ministry in deciding the status of government property resulted in avoidable payment of rent aggregating to ₹ 60.21 lakh during January 2010 to August 2012.</p>	<p>Ministry replied (March 2014) that M/s Shobha Designs was appointed as Architect-cum-Project Manager, in January 2013. It has completed the drawings/designs and is preparing the tender documents for bidders.</p>

Audit finding	Impact	Ministry's reply
accommodation from January 2010 to August 2012.		
<b>8.2.3 CGI Hong Kong</b>		
<p>The Mission purchased 10918 sq feet of office space at a total cost of ₹ 63.49 crore in August 2010. The Ministry while approving acquisition (July 2010) of the office space, stipulated that the wings functioning from the rental premises would be shifted to the new premises by December 2010. Audit, however, noted that the Ministry approved an estimate of ₹ 2.96 crore for interior work only in July 2011. Bids for interior work were received in September 2011. The Ministry approved (January 2012) the lowest bid and accorded financial sanction in February 2012. The work was entrusted to the contractor in February 2012 and completed in April 2012.</p>	<p>Delay of 15 months in approving the interior work and finalizing the contractor led to avoidable rental burden of ₹ 1.61crore<sup>3</sup>.</p>	<p>The Ministry attributed (March 2014) the delay to the complexities and scale of the work.</p>
<b>8.2.4 HCI Kuala Lumpur, Malaysia</b>		
<p>The Chancery building developed structural defects resulting in recurrent problems like roof leakage and water stagnation. The Ministry agreed (July 2007) in principle for carrying out repair work as well as augmentation of space. MEA accorded approval (March 2011) for the project at a cost of RM 107.56 lakh (₹ 15.81 crore) and directed the Mission to go ahead with the tendering process. The Mission sent (January 2012) a pre-qualification report with the documents</p>	<p>Chancery shifted in a rented premises w.e.f. 15 May 2012 rental outgo during the 2012-13 was ₹ 153.09 lakh<sup>4</sup>.</p>	<p>Ministry replied (March 2014) that the technical bids of the four companies were opened in March, 2013 and the financial bids were opened in June, 2013 and forwarded to Ministry's consideration by the Mission. Since none of bids fully met the eligibility criteria listed in the tender conditions, Ministry had decided to re-tender the</p>

<sup>3</sup> Avoidable rental expenditure for nine months (₹ 9.81 lakh \* 15 months) + Air-conditioning and maintenance charges for the newly acquired vacant premises (₹ 0.93 lakh \* 15 months)

<sup>4</sup> ₹ 14.58 lakh \* 10.5 months (till March 2013)

Audit finding	Impact	Ministry's reply
<p>submitted by five of the short-listed potential contractors. However, since the approval of the list of pre-qualified contractors was delayed, the Mission shifted the Chancery to rented premises on 15 May 2012 on a monthly rent of ₹ 14.58 lakh. Shifting the Chancery to rented premises due to delay in commencing the renovation work resulted in payment of avoidable rentals.</p>		<p>project.</p>
<p><b>8.2.5 HCI Kuala Lumpur, Malaysia</b></p>		
<p>Six residential units in the chancery premises were in dilapidated condition. The Mission (October 2008) decided to undertake renovation of these units. Pending renovation two residential units meant for Second Secretary level officers were downgraded allotted to Attaché/Assistant level officers and residential units meant for PA level officers remained vacant. Accommodation for Second Secretary grade officers had to be rented. Further the delay in approvals from Ministry also lead to escalation in the cost of renovation.</p>	<p>The delay had contributed to an avoidable expenditure of ₹ 24.10 lakh<sup>5</sup> on renovation and ₹ 38.40 lakh on rentals.</p>	<p>Ministry replied (March 2014) that the renovation of apartment had since been completed and officers had shifted to their accommodation.</p>
<p><b>8.2.6 Eol Jakarta, Indonesia</b></p>		
<p>The buildings of the Chancery and the Embassy residence complex constructed in 1984 required renovation due to rain water seepage and space constraints. The Ministry inspected the buildings in 2004 and suggested extensive renovation in contrast with the Mission's opinion of total demolition and reconstruction.</p>	<p>The staff was accommodated in rented buildings. The delay resulted in avoidable expenditure of ₹ 82 lakh towards rent during 2011-12.</p>	<p>Ministry replied (March 2014) that the consultant Architect for the project had been selected and the Ministry was revising the design brief incorporating the total space requirement of the projected staff strength of newly created</p>

<sup>5</sup> ₹ 90.95 lakh (Estimated cost in March 2011 @ RM 1 = ₹ 14.92, exclusive of preliminary expenses) (-)₹66.85 lakh (Estimated cost in March 2009)



Audit finding	Impact	Ministry's reply
Later, MEA accepted (July 2010) Mission's initial proposal. However Audit noted that the Mission took considerable time in providing the information relating to building regulations in Jakarta to the Ministry. As a result the Ministry could approve the design brief for the building only in April 2012. The delay in approving the design brief was avoidable.		ASEAN Secretariat. Ministry further added that the revising the design in accordance with the latest norms revision and seeking local approval may not be construed as delay.

In the cases mentioned above the delays in renovation/redevelopment works led to avoidable expenditure on rent of ₹ 7.44 crore.

### 8.3 Expenditure beyond delegated financial powers

In terms of the provisions contained in Financial Powers of Government of India's Representatives Abroad, the following expenditure powers have been delegated:

<b>Residence of HoM</b>	Para 4 (a)(i) maintenance /repair of building more than 30 years old.	US\$ 23885
	Para 4 (a)(i) maintenance /repair of building less than 30 years old.	US\$ 17198
	Para 8 (b) (ii), maintenance/ repairs of furniture and equipment	US\$ 3875
	Para 8 (b) (ii) and (iii), renewal/ replacement of furniture and equipment	US \$ 5967
<b>Chancery</b>	Para 4 (a) (ii) and Para 8 (a) (iii), maintenance/ repair of the Chancery	US\$ 40486 including US\$ 4650 on fitting and fixtures
	Para 4 (b) (i), in respect of leased buildings	25 per cent of the annual rent of the building, where the lease is effective for the full financial year.

Audit noted that CGI Vancouver, CGI Houston, Eol Panama City and Eol Chile, expenditure was incurred over and above the delegated financial powers on repair and maintenance of Gol properties. The Missions incurred expenditure of ₹ 0.29 crore beyond the delegated powers resulting in irregular expenditure. These cases are detailed in **Annexure I**.

#### 8.4 Retention of vacant accommodation

In terms of Para 7(6) of Annexure X of IFS (PLCA) Rules, vacant leased residential accommodation cannot be retained for more than 90 days without prior approval of MEA. Audit noted that in seven cases (**Annexure II**), the Missions had retained vacant accommodation in violation of the Rules. The financial impact on this account was ₹ 1.16 crore.

#### 8.5 Property lying unutilised (Eol Berlin, Germany)

A ready built building in Stormstrasse, Berlin was purchased (1985) and was used as the residence of the Consul General of India until 1994. The building was subsequently converted into a Cultural Centre. The Cultural Centre was shifted (January 2001) to the new Chancery building and since then, the property is lying unutilized. The case of non-utilization of property was also commented upon in paragraph 2.5 of the Report of the Comptroller and Auditor General of India (No. 2 of 2004). In its Action Taken Note, the Ministry stated (November 2008) that the Mission's applications for preliminary building permit was under consideration of the local authorities. The Ministry also added that the existing structure would be demolished and the land would be used for building apartments for 4-5 Representational Grade (RG) Officers.

Subsequently audit noted that there was virtually no progress in the matter, as reflected in significant delays as shown in the table below:

Year	Reason
October 2008 to December 2010	In taking decision regarding type of construction to be adopted
January 2009 to March 2010	In appointment of legal consultants
July 2012	In the process for selection of architects

The Ministry accepted (December 2013) that there had been delays with regard to the project. Ministry further replied (March 2014) that various design proposals submitted by the Architect were being examined. The fact remains that there was an inordinate delay in the Ministry fulfilling its assurance to the PAC.

## 9. Property management in India

### 9.1 Jawaharlal Nehru Bhawan

The Ministry of Urban Development, allotted (1992 and 1994) two adjoining plots of land measuring 5.94 acres and 1.85 acres respectively at New Delhi, to MEA for construction of office building. The objective of the proposed construction was to build a functional and state of the art building as Headquarters of the MEA to house together its various wings to enhance the efficiency in its functioning.

The concept design prepared by CPWD was approved by MEA in July 2004 and the proposed building was named "Jawaharlal Nehru Bhawan". In September 2004 MEA accepted that there would be a shortfall in office space in JNB and assured Ministry of Finance that their first priority would be to surrender the rented premises occupied by MEA such as Akbar Bhawan and Indian Society of International Law (ISIL) building.

The building was completed in May 2011 and Ministry gradually shifted in its new building i.e. Jawaharlal Nehru Bhawan.

Audit noted that the units of the Ministry located in ISIL building which were initially planned to be housed in the JNB but were not shifted, rather units located in Shastri Bhawan (non-rental building) were shifted first. This led to continued expenditure of ₹ 62.79 lakh per annum towards rent.

The Ministry replied (November 2013) that the out of built-up area of 30589 sqm, it could carve out office space of only 16406 sqm due to stricter FAR norms and thus was not in a position to bring in all units of MEA. The fact remains that the outgo on account of rents continued contrary to the original planning.

### 9.2 Regional Passport Offices (RPO)/FSI

Audit noted inordinate delays in construction of properties on the plots of land acquired by the MEA for its various passport offices country-wide and for Foreign Service Institute (FSI) building. The cases are discussed below:

Audit Finding	Impact	Reply of the Ministry
<b>9.2.1 Jaipur</b>		
MEA acquired a plot of land measuring 4740 sqm. (1983) at a	Led to avoidable payment of rent for	Ministry replied (March 2014) that the Regional

Audit Finding	Impact	Reply of the Ministry
<p>cost of ₹ 9.86 lakh for construction of a passport office cum residential complex. Construction of the project, however, commenced in 2005 i.e. after a lapse of around 22 years and scheduled for completion in March 2007 at a cost of ₹ 4.60 crore.</p> <p>In October 2007, CPWD informed Ministry that construction had been completed and requested it to take over the building. Audit noted that disputes over various defects continued between PO Jaipur and CPWD. Passport Office finally took over the building in January 2008.</p>	<p>10 months (March 2007 to January 2008) amounting to ₹ 32.91 lakh.</p>	<p>Passport Offices, Jaipur pursued CPWD for removal of defects as removal of defects was easier in an unoccupied building rather than an occupied one.</p>
<p><b>9.2.2 Amritsar</b></p>		
<p>A plot of land measuring 2000 sq. yards at Amritsar was purchased by the Ministry in February 2008 at a cost of ₹ 9.36 crore. Audit noted that the construction of building on the plot had not commenced even after a lapse of five years as of January 2013.</p> <p>Preliminary Estimates submitted in September 2011 by the Constructing Agency (NBCC) were approved by the Ministry in August 2013.</p>	<p>This resulted in avoidable expenditure of ₹ 29.76 lakh towards rent during 2011-12 alone.</p>	<p>Ministry replied (March 2014) that the 10 per cent of the cost of building had been released to NBCC in December 2013 for commencement of the work with target date of completion as 15.06.2015.</p>
<p><b>9.2.3 Mumbai</b></p>		
<p>MEA purchased a plot of land measuring 2801 sqm. at Bandra Kurla Complex, Mumbai on 80 years lease from Mumbai Metropolitan Regional Development Authority (MMRDA) for ₹ 25.95 crore in December 2005, to shift its existing offices. MEA received possession of the plot in March 2006. CPWD submitted the preliminary estimate for ₹ 59.72</p>	<p>Avoidable delay in completion of new building resulted in blocking of Government money amounting to ₹ 25.95 crore, payment of penalty ₹ 4.69 crore and avoidable payment of ₹ 3.31 crore</p>	<p>Ministry accepted (March 2014) the delay stating that it was due to time consumed in obtaining permission from local bodies and time taken by CPWD in awarding the work.</p>

Audit Finding	Impact	Reply of the Ministry
<p>crore to which CNE gave its approval in September 2008. In terms of the lease deed signed by MEA with MMRDA the lessee was required to complete the construction of the building within four years pending which penalty was payable. Thus, the building was scheduled to be completed by November 2009. However, construction work had not been completed as of January 2013.</p>	<p>towards rent for 2011-12 only.</p>	
<b>9.2.4 Srinagar</b>		
<p>Regional Passport office (RPO) Srinagar was functioning from Hotel Lakebreeze from 2005. In December 2006 a plot of land was purchased (from M/S J &amp; K Industries Ltd at a total cost of ₹ 4.87 crore for construction of RPO. The construction work was however yet to commence.</p> <p>As on January 2013, only preliminary estimates amounting to ₹ 16.24 crore for construction of passport office building and ₹ 3.99 crore for construction of residential quarters were submitted by CPWD. Further, design of RPO submitted (February 2013) to Projects Division, MEA had not been finalized.</p>	<p>This resulted not only in blocking of Government money amounting to ₹ 4.87 crore but also resulted in incurring avoidable expenditure of ₹ 37.26 lakh towards rent during 2011-12. Further, the objective of constructing new RPO building to overcome problem of insufficient space also remained.</p>	<p>Ministry replied (March 2014) that the drawings are pending with CPWD for revision in respect of residential quarter as per observation of the Project Division since February 2013.</p>
<b>9.2.5 Foreign Service Institute, Delhi</b>		
<p>MEA in September 1990 purchased a plot of land for construction of Foreign Service Institute building. Committee of Non-Plan Expenditure approved the project at a cost of ₹ 11.50 crore in April 1993 and the work was to be completed by July 1995. The project was finally</p>	<p>There was a delay of 12 years in completing the construction with consequent cost-escalation of ₹ 14.35 crore.</p>	<p>Ministry accepted (March 2014) the audit observation citing reasons for delay. It further added FSI administration had obtained approval of the competent authority for conversion of 20 rooms on</p>

Audit Finding	Impact	Reply of the Ministry
<p>completed in September 2007 at a cost of ₹ 25.85 crore. In this connection audit noted the following:</p> <ul style="list-style-type: none"> <li>• The planning was deficient. Initially, construction of 80 hostel rooms i.e. 20, 38 and 22 rooms on ground, 1st and IIInd floors respectively had been planned. However, citing technical reasons two adjacent hostel rooms each on ground and first floor were merged together. As a result there were 10 rooms on the ground floor and 19 rooms on first floor available for hostellers. No records regarding merging of rooms and reasons thereof were made available to Audit. 22 hostel rooms on second floor were never put to use, reasons for which were also not made available.</li> <li>• 52 residential units of different categories were built. Out of these only 11 units were being used as residential accommodation, remaining units were either being used as hostel or lying vacant. Thus, the accommodations were being under/mis-utilized.</li> </ul>		<p>the IIInd floor into 10 big rooms which would be identical to those on ground and first floor. The total financial implication for the conversion had been projected by CPWD to ₹ 47.86 lakh. CPWD had commenced the work in the last week of January 2014.</p>

### Conclusion:

Based on the audit findings in the performance audit report on Property Management by Ministry of External Affairs (C&AG's Report No. 17 of 2005), the PAC had recommended that the Ministry should put in place a suitable mechanism for streamlining the management of the estates operated by it. The Ministry had setup a separate projects division to manage the acquisition, construction and disposal of properties.

Audit noted that despite setting up the division, information related to number of owned properties, rented properties and rentals were not available readily. Also, the Ministry was yet to develop an Action Plan for acquisition/construction of property, which was an assurance given by the Ministry to the Public Accounts Committee in August 2008.

Audit further noted that despite creation of a dedicated division, there were significant delays in several projects. While the ratio of the number of owned versus leased properties remained nearly constant at 23:77 during the period of the audit, the annual rental outgo of the Ministry increased from ₹ 233 crore to ₹ 276 crore. Thus the Ministry was yet to make significant headway to bring efficiency in its estate management and achieve the goal of reducing its rental liability.

Significant delays were also noted in property acquisition due to inability of the Ministry to take timely decisions. Properties were purchased or developed without assessing the basic requirement and purpose for their acquisition. This led to blocking of funds with consequential avoidable rental expenditure. The financial implication on this account amounted to ₹ 41.47 crore on rents during one year only i.e. 2011-12 besides other incidental expenses of ₹ 54.20 crore. There were also cases of properties remaining unutilised as a result of delays in appointment of architects, frequent changes in their purpose and utility.

**Recommendations:**

1. The Ministry should develop a comprehensive database of the estate under its control, which should be constantly updated.
2. The Ministry needs to have a well documented Action Plan defining the goals and targets with specific budgetary allocations. A well codified manual of procedures with clear division of responsibilities would enable setting up quantifiable and measurable objectives for the officials involved in estate management.
3. Adequate due diligence should be exercised at the planning and designing stage. All issues relating to local laws and procedures should be considered before acquisition/commencement of a project as these have been identified by Audit as main impediments in efficient acquisition of property and timely completion of constructions.

New Delhi  
Dated : 24 Jun 2014

  
(A.W.K. LANGSTIEH)  
Director General of Audit,  
Central Expenditure

**Countersigned**

New Delhi  
Dated : 24 Jun 2014

  
(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India



# **Annexures**



## Annexure I

(Referred to in Para 8.3)

## Expenditure incurred over the delegated financial powers

Name of the Mission/ Post	Name of the property	Owned/ Leased	Relevant Para of the Financial Powers of GOI's Representatives Abroad	Delegated financial powers (US\$)	Year	Expenditure incurred (US\$)	Expenditure over and above delegated powers (US\$)	Expenditure equivalent to ₹
EOI, Panama City	ER*	owned	4 (a) (i)	23885	2009-10	26903	3018	135810
EOI, Panama City	ER	owned	4 (a) (i)	23885	2010-11	41042	17157	777040
CGI, Houston	ER	owned	4 (a) (i)	17918	2010-11	27160	9242	418570
CGI, Vancouver	ER	owned	4 (a) (i)	23885	2009-10	33504	9619	432855
CGI, Vancouver	ER	owned	4 (a) (i)	23885	2010-11	26663	2778	125815
CGI, Vancouver	ER	owned	4 (a) (i)	23885	2011-12	27774	3889	201644
EOI, Chile	ER	owned	4 (a) (i)	23885	2008-09	30578	6693	346429
EOI, Chile	ER	owned	4 (a) (i)	23885	2009-10	33559	9674	435330

\*Embassy Residence

**Annexure II**

**(Referred to in Para 8.4)**

**Unauthorised retention of vacant leased accommodation**

*(₹ in lakh)*

<b>Sl. No.</b>	<b>Mission</b>	<b>Period of retention of vacant accommodation</b>	<b>Lease rent paid</b>
1.	Oman	7-11-2010 to 19-3-2011	3.66
2.	Libya	March-2011 to February-2012	17.74
3.	Tehran	11-3-11 to 27-8-2011	47.55
4.	Moscow	15-12-2011 to 15-06-2012	21.18
5.	Bucharest	3-8-2011 to 29-01-2012	8.81
6.	Guangzhou	11-12-2010 to 11-4-2011	4.82
7.	Pyongyang	1-7-2009 to 4-3-2010	11.97

## Glossary of abbreviations

AE	Actual Expenditure
AS(FA)	Additional Secretary (Financial Advisor)
ASEAN	Association of South East Asian Nations
ATN	Action Taken Note
BE	Budget Estimates
C&AG	Comptroller and Auditor General of India
CGI	Consulate General of India
CNE	Committee on Non-Plan Expenditure
CPWD	Central Public Works Department
EAM	External Affairs Minister
EoI	Embassy of India
FAR	Floor Area Ratio
FS	Foreign Secretary
FSI	Foreign Service Institute
GOI	Government of India
HCI	High Commission of India
HoM	Head of Mission
ICC	Indian Cultural Centre
ICCR	Indian Council for Cultural Relations
IFS(PLCA)	Indian Foreign Service (Pay, Leave, Compensatory Allowance)
ISIL	Indian Society of International Law
JNB	Jawaharlal Nehru Bhawan
L1	Lowest one
MEA	Ministry of External Affairs
MGICC	Mahatma Gandhi Institute for Cultural Cooperation
MMRDA	Mumbai Metropolitan Regional Development Authority
NBCC	National Building Construction Company
NIT	Notice Inviting Tender
PAC	Public Accounts Committee
PMI	Permanent Mission of India
PO	Passport Office
POC	Part of Chancery
RE	Revised Estimates
RG	Representational Grade
RPO	Regional Passport Office
SC	Standing Committee
Sqm	Square meter
TT\$	Trinidad and Tobago Dollar

