

Performance audit of
Property Management by
Ministry of External Affairs

Report of the
Comptroller and Auditor General
of India
for the year ended March 2004

Union Government (Civil)
No. 17 of 2005

CONTENTS

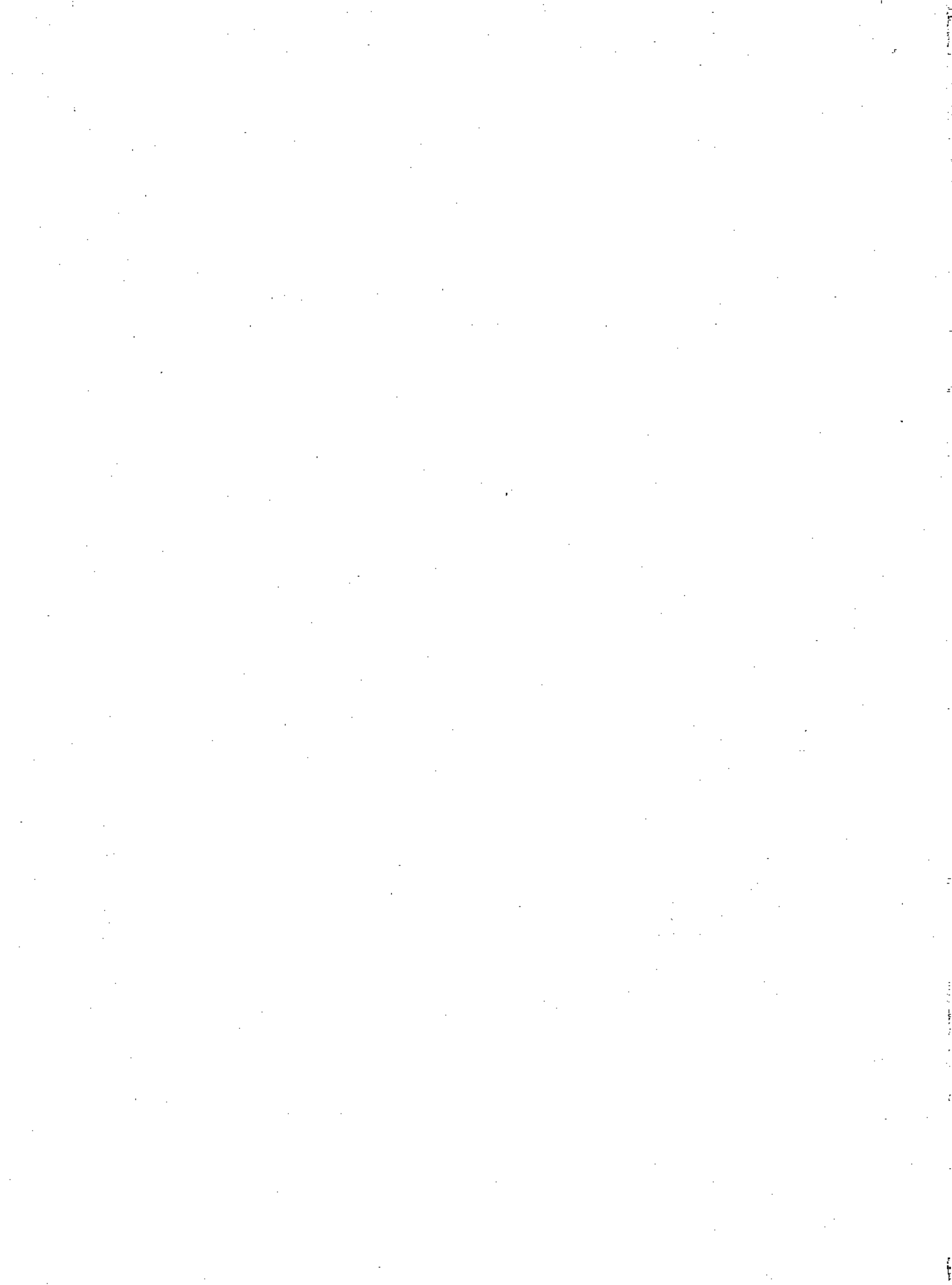
	Paragraph	Page
Preface		iii
Overview		v
Highlights		1
Summary of recommendations		2
Introduction	1	3
Scope of audit	2	3
Audit objectives and methodology	2.1	3
Audit criteria	2.2	3
Organisational set up	3	3
Financial outlay	4	4
Properties/Projects abroad	5	5
Inability to acquire land on reciprocal basis	5.4	6
Addis Ababa (Ethiopia)	5.4.1	6
Algiers (Algeria)	5.4.2	6
Delays in construction on acquired land	5.5	7
Abuja (Nigeria)	5.5.1	7
Port Louis (Mauritius)	5.5.2	7
Brasilia (Brazil)	5.5.3	8
Warsaw (Poland)	5.5.4	8
Paramaribo (Suriname)	5.5.5	8
Islamabad (Pakistan)	5.5.6	9
Kathmandu (Nepal)	5.5.7	9
Dar-es-Salaam (Tanzania)	5.5.8	9
Dhaka (Bangladesh)	5.5.9	9
Doha (Qatar)	5.5.10	10
Muscat (Oman)	5.5.11	10
Port of Spain (Trinidad and Tobago)	5.5.12	10
Nicosia (Cyprus)	5.5.13	11
Abu Dhabi (UAE)	5.5.14	11
Property lying vacant for want of re-construction/re-development	5.6	12
Disposal of GOI owned properties	5.7	13
Miscellaneous irregularities	6	15
Acquisition of dilapidated property without a title to land	6.1	15
Kyiv (Ukraine)	6.1.1	15
Title to property purchased not transferred by foreign government	6.2	16
Harare (Zimbabwe)	6.2.1	16
Irregularities in maintenance of properties abroad	6.3	16
Irregularities in hiring of accommodations abroad	6.4	17
Rentals paid in excess of ceilings	6.4.1	17
Irregular/Unauthorised payments	6.5	19
Beirut (Lebanon)	6.5.1	19
Dhaka (Bangladesh)	6.5.2	19
Retention of vacant accommodation	6.5.3	19

Properties/Projects in India	7	20
Residential Projects	7.2	21
Pappankalan New Delhi residential quarters project	7.2.1	21
Chanakyapuri officers' residential project	7.2.2	21
Videsh Bhawan Project, New Delhi (now re-named as Jawaharlal Nehru Bhawan)	7.3	21
Regional Passport Offices (RPO)	7.4	22
Bangalore	7.4.1	22
Lucknow	7.4.2	22
Jaipur	7.4.3	23
Bhubaneshwar	7.4.4	23
Conclusion	8	24
Glossary of abbreviations		25

PREFACE

This report of the Comptroller and Auditor General of India containing performance audit of Property Management by Ministry of External Affairs has been prepared for submission to the President of India under Article 151 of the Constitution.

The performance audit was conducted through test check of records of the Ministry of External Affairs, New Delhi and some of the Missions/Posts abroad during April to October 2004.



OVERVIEW

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. Of the 164 Missions/Posts abroad, government owned chancery buildings were at 77 places, residences for Ambassadors/Head of Missions at 83 stations, 159 flats for officers at different levels at 37 stations and 451 other residences at 30 stations. Other chanceries, embassy residences (ER) and residences for officers and staff were located in rented buildings. In addition, MEA also oversaw the construction, maintenance and hiring of properties housing its headquarters and subordinate offices within India.

The entire system of management of properties by MEA was characterised by delays both in acquisition and construction of properties abroad as well as in India. Although the Public Accounts Committee and the Standing Committee of Parliament on MEA had recommended that MEA should take steps to minimise the expenditure on rentals, the delays on the part of MEA/Missions/Posts resulted in such expenditure actually increasing over the years. MEA did not utilise the capital outlay for public works and housing in full and reported substantial savings under both the heads.

MEA failed to acquire land at two stations abroad on reciprocal basis. It could not commence construction on 14 plots of land abroad and six in India for years together owing to delay in finalisation of pre-construction requirements. MEA also could not redevelop/reconstruct properties at three stations abroad. Four government owned properties were also lying vacant awaiting disposal. Two properties were purchased but their titles have not been got transferred to the Government of India even after a lapse of more than 10 years. Out of 230 flats constructed in India after investing Rs. 21.17 crore for housing the officers and the staff of MEA, 180 were lying vacant.

Property Management by Ministry of External Affairs

Highlights

MEA could not commence construction at 14 stations abroad due to delay in acquisition of land, appointment of consultant, finalisation of design brief, preparation of preliminary drawings, cost estimates, according approval thereto and delay in obtaining approval of local authorities resulting in recurring expenditure of Rs. 11.80 crore per annum on rentals, blocking of capital of Rs. 13.81 crore and increase in cost of construction.

(Paragraph 5.5)

MEA did not finalise consultants, scope of work, design briefs, preliminary drawings and estimates for re-development/reconstruction of properties at Singapore, Tokyo and Geneva resulting in expenditure of Rs. 2.38 crore per annum on rentals and blocking of capital of Rs. 6.19 crore and increase in cost of redevelopment/reconstruction.

(Paragraph 5.6)

MEA's inability to secure plots of land from the governments of Ethiopia and Algeria on reciprocal basis resulted in recurring annual expenditure of Rs. 1.84 crore on rentals.

(Paragraph 5.4)

MEA's indecision to dispose the properties lying vacant at Bangkok, Damascus, Dar-es-Salaam, and Bonn led to idling of capital of Rs. 1.30 crore, which in turn, contributed to reduction in sale value.

(Paragraph 5.7)

The Embassy of India, Kyiv acquired a dilapidated built up property in September 1995 at a cost of Rs 2.53 crore without title to land. As a result, renovation or re-construction of the property was not possible and the entire investment of Rs 2.53 crore was infructuous. As the proposed construction of residential flats did not take off, the Mission was incurring Rs 1.14 crore per annum towards rent of the residential apartments for its India based staff.

(Paragraph 6.1.1)

MEA purchased the embassy residence in Harare in March 1987 at Rs 43.69 lakh with a plot area of 17.8604 acre without the formal approval of the local government and without ensuring transfer of the title to the property to its

name after a lapse of 18 years resulting in excess land lying unutilised, putting the investment itself at stake.

(Paragraph 6.2.1)

MEA did not complete pre-construction formalities even in the case of construction projects in India, which resulted in blocking of funds of Rs. 6.28 crore, escalation in cost of construction of projects by Rs. 2.87 crore besides recurring rental liability. In Pappankalan residential quarters project in Delhi, out of 230 flats constructed after investing Rs. 21.17 crore, 180 were lying vacant.

(Paragraph 7)

Summary of recommendations

- *MEA needs to take immediate steps to acquire land on reciprocal basis to avoid recurring expenditure on rent, especially in the case of countries to whom land had already been allotted in India.*
- *MEA should finalise pre-construction formalities by prescribing and maintaining a specific timeframe in order to avoid time and cost overruns besides recurring expenditure on rentals.*
- *MEA needs to speed up the re-construction or redevelopment of the properties lying vacant to minimise the outgo of rent on leased accommodations.*
- *MEA needs to take urgent steps to dispose the vacant properties to avoid further deterioration and reduction in value.*
- *MEA should get the structural soundness evaluated through a reputed firm and legality of the title to land/property examined with reference to local laws in force before concurring to such proposals.*
- *MEA should attempt to resolve the dispute with the Government of Zimbabwe expeditiously in order to get the title of the land transferred in the name of Government of India/Mission.*
- *In the event of the Missions having to carry out repair and maintenance work, the expenditure incurred should be recovered from the rent payable. MEA may consider including a specific provision for this in the format of the lease deeds and put in place an effective enforcement mechanism.*
- *MEA needs to exercise more effective control over the Missions/Posts abroad to ensure that irregular expenditure on rented accommodation in excess of prescribed rental ceilings and vacant retention did not become a regular feature.*

1. Introduction

1.1 The Ministry of External Affairs (MEA) is responsible for acquisition and maintenance of properties abroad. In 164 Indian Missions/Posts abroad, Government of India (GOI) owned chancery buildings at 77 stations, residences for the Ambassadors/Heads of Missions (embassy residences or ER) at 83 stations, 159 flats for officers at different levels at 37 stations and 451 other residences at 30 stations. Other chanceries, residences of Ambassadors and other staff residences are located in rented buildings. The MEA also oversees the construction, maintenance and rentals of 19 properties housing its headquarters and subordinate offices within India.

1.2 The Public Accounts Committee in their 108th Report (1987-88) – Eighth Lok Sabha, asked MEA to prepare a pragmatic plan, for reducing the periodically increasing rental outgo on their leased properties to the barest minimum. The Standing Committee of Parliament on MEA emphasised (June 1998) the need for gradual replacement of rental expenditure on properties with sound investment in suitable properties. In April 2003, the same Committee in their eleventh Report (13th Lok Sabha) expressed serious concerns over rising rental expenditure and the delay in construction on a plot in Brazil. The Standing Committee expressed their unhappiness over the failure of MEA to comply with earlier directives resulting in losses to the exchequer and recommended 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.

2. Scope of audit

2.1 Audit objectives and methodology

2.1.1 Audit examined MEA's performance in acquisition of land, construction projects, renovation of built up properties, upkeep of properties as also their disposal with a view to assessing the efficiency, economy and effectiveness of property management. For this purpose, audit test checked related records maintained both in MEA and 46 Missions and Posts abroad for the period 1999-2000 to 2003-04.

2.2 Audit criteria

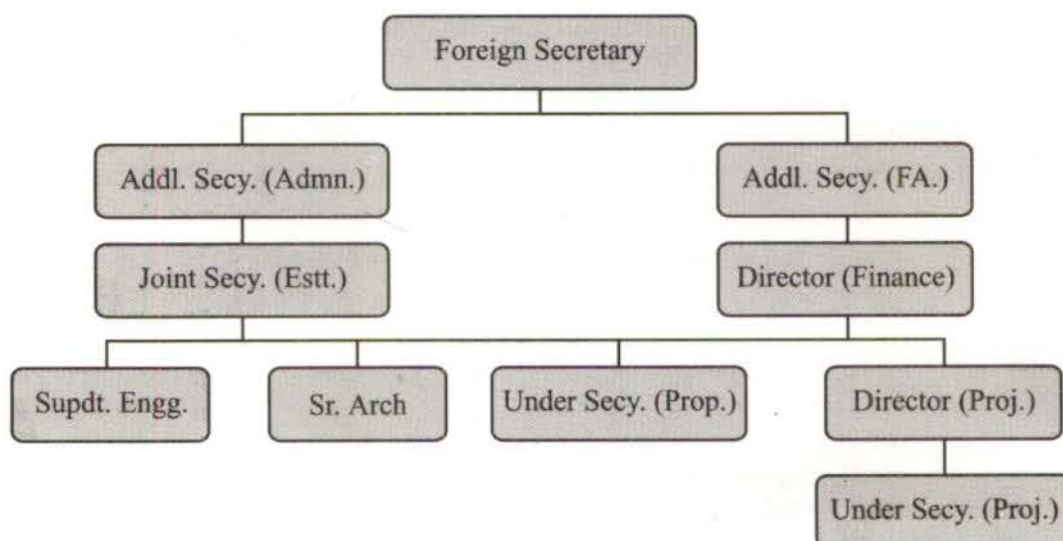
2.2.1 Audit examined the purchase, construction, hiring and repair and maintenance of properties by MEA with reference to the provisions of the General Financial Rules (GFR), IFS (PLCA) Rules and other relevant orders issued by the Ministries of Finance and Urban Development of the Government of India.

3. Organisational set up

3.1 The Establishment Division of MEA headed by the Joint Secretary (Establishment) administers the expenditure relating to the capital outlay on purchase of properties, construction and renovation projects including renting and maintenance of properties in India and abroad. JS (Estt.) is assisted by a Director and two Under Secretaries. Two officers on deputation from CPWD,

of the rank of Superintending Engineer and Senior Architect, provide assistance in technical matters. Diagram below depicts the arrangement.

Organogram of Ministry of External Affairs



4. Financial outlay

4.1 The year-wise budget estimates and actual expenditure incurred by MEA under Capital Outlay-Housing and Public Works for the period 1999-2000 to 2004-05 are given in Tables 1 and 2 below, respectively:

Table 1: Capital outlay on Housing :Government Residential Buildings
(Rupees in crore)

Year	BE	AE	Excess (+)/ savings (-)	Percentage of Excess/savings
1999-00	30.00	13.83	(-) 16.17	(-) 53.9
2000-01	30.00	26.13	(-) 03.87	(-) 12.9
2001-02	27.00	08.39	(-) 18.61	(-) 68.9
2002-03	36.59	33.53	(-) 03.06	(-) 08.4
2003-04	35.00	14.25	(-) 20.75	(-) 59.3
2004-05	25.00	06.07	(-) 18.93	(-) 75.7

Table 2: Capital outlay on Public Works: Construction
(Rupees in crore)

Year	BE	AE	Excess (+)/ Savings (-)	Percentage of Excess/savings
1999-00	70.00	63.49	(-) 06.51	(-) 09.3
2000-01	70.00	53.65	(-) 16.35	(-) 23.4
2001-02	67.20	25.43	(-) 41.77	(-) 62.2
2002-03	67.20	11.77	(-) 55.43	(-) 82.5
2003-04	68.00	22.34	(-) 45.66	(-) 67.1
2004-05	70.00	31.83	(-) 38.17	(-) 54.5

4.2 A comparison of actual expenditure with budget provisions shows that the savings under capital outlay on housing ranged from 53.9 per cent to 75.7

per cent in 1999-2000, 2001-02, 2003-04 and 2004-2005. Similarly, percentage of saving under Capital outlay on public works was 54.5 to 82.5 during 2001-02 to 2004-05. This indicated that MEA had not assessed the requirement of funds correctly.

4.3 Table 3 contains the details of actual expenditure incurred by MEA on rent during 1999-2000 to 2004-05.

Table 3: Actual Expenditure on rent

(Rupees in crore)

Year	2052 Sectt. Gen. Service Rent Rates & Taxes	2061 External Affairs		Total
		Embassies and Missions	Passport and Immigration offices in India	
1999-00	5.77	156.23	1.85	163.85
2000-01	11.78	157.25	4.16	173.19
2001-02	10.63	170.68	5.92	187.23
2002-03	06.40	191.92	3.62	201.94
2003-04	06.91	198.18	3.75	208.84
2004-05	07.12	204.07	4.18	215.37

Despite the recommendations of PAC and the Standing Committee of Parliament on MEA, expenditure on rentals steadily increased from Rs. 163.85 crore in 1999-00 to Rs. 215.37 crore in 2004-05.

5. Properties/Projects abroad

5.1 The rules and instructions to be followed for acquisition, construction, leasing, maintenance and disposal of properties are contained in the Indian Foreign Service (Pay, Leave, Compensatory Allowances and other conditions of Service) Rules [IFS (PLCA) Rules], Financial Powers of Government of India Representatives Abroad (FPGOIRA) and various other orders issued by MEA from time to time. MEA's guidelines of August 1986 stipulated *inter alia* that, before a property was purchased or constructed, economic viability of the deal was invariably to be considered. The economic cost is computed taking into account the present rent, the rate of compound increase in rent during the last ten years and working out rent to be paid for the next thirteen years. If the cost of acquisition/construction of property in question was within the economic cost so arrived, the proposal was to be considered economically viable.

5.2 Audit examination revealed that MEA did not maintain a consolidated record of all government owned or leased properties. MEA stated in reply to audit query (July 2004 and February 2005) that they had started a 'box file' with provision for detailed information on government properties abroad on the basis of data called from the Missions. Coming to the system of monitoring the progress of construction of various projects, MEA had, on the recommendation of the Standing Committee of the Parliament on External Affairs, constituted a committee headed by Foreign Secretary in June 2003. Audit scrutiny, however, revealed that MEA did not take any action on the status reports submitted by their Establishment Division between June 2003

and April 2004. MEA also stated (February 2005) that with the creation of a new 'Project Division' they proposed to hold regular review meetings and monitor progress of the projects at the levels of Foreign Secretary and Minister, on a monthly basis.

5.3 The Vienna convention made reciprocity the cornerstone of diplomatic relations between countries. Land allotted by countries to each other's diplomatic Missions/Posts was also to be based on this principle. While MEA furnished information on land allotted to foreign Missions in India, it did not furnish the information regarding reciprocal allotment of land to Indian Missions in those countries. Audit could not, therefore, check whether the principle of reciprocity was observed. Audit examination of the records maintained by MEA and various Missions/Posts however, revealed the position indicated in following sub paragraphs.

5.4 Inability to acquire land on reciprocal basis

MEA could not acquire plots of land from the Governments of Ethiopia and Algeria on reciprocal basis even after a lapse of 46 years and 20 years respectively.

5.4.1 Addis Ababa (Ethiopia)

GOI allotted (1958) a plot of land measuring 5.864 acres in Chanakyapuri, New Delhi to Ethiopian embassy at a cost of Rs. 4.98 lakh on reciprocal basis. Government of Ethiopia was to allot a plot of land measuring 5.5 acres in Addis Ababa to GOI for ES 2,33,370.52 (Rs. 4.45 lakh) in a ready to build condition. Government of Ethiopia offered a plot of land measuring 5.5 acres in 1958 but did not hand over possession due to encroachment. The Mission had taken up the issue with the Foreign Government in 1974, 1985, 1994 and 1996 but the Ethiopian Government did not offer acceptable plot of land. The MEA/Mission had not been able to acquire the plot of land in Addis Ababa. (February 2005) and the Mission had been incurring recurring annual expenditure of Rs. 60.52 lakh on rentals for its Chancery, Embassy Residence (ER) and other residences.

MEA stated (February 2005) that the Mission had repeatedly taken up the issue with the Foreign office of Ethiopia and the latest reminder was issued in December 2004. MEA was also putting pressure through Ethiopian embassy in New Delhi.

5.4.2 Algiers (Algeria)

In 1984, MEA approved the proposal for transfer of a plot of land measuring 4710 sq. m. in New Delhi to the Algerian Embassy against the transfer of the then Embassy Residence (ER) and an adjacent plot in Algiers allotted to the Mission on reciprocal basis. However, the transfer did not materialise. In 1990, the Algerian Government offered two plots of land in Algiers against a plot of land in New Delhi but this also did not materialise as the Head of the Mission (HOM) felt that the land in Algiers could not be equated with the land in Chanakyapuri, New Delhi in terms of location, state of development, prestige or value. In December 1999, the Mission sent another proposal for acquiring two plots in Algiers. This proposal also did not succeed as MEA

sought some clarifications, which were provided by the Mission, but final decision was not taken by MEA. Subsequently in May 2003, the Mission again sent a proposal for a plot of land measuring 4500 sq. m. in Algiers on reciprocal basis against a plot of land measuring 1.498 acre in New Delhi, which was still earmarked for the Government of Algeria. But MEA had not taken final decision. This resulted in the Mission continuing to incur annual expenditure of Rs. 1.23 crore on rentals.

MEA stated (February 2005) that the Mission was being asked to obtain suitable offers from the Algerian Government failing which the Mission might explore the possibility of purchasing land/built-up property on commercial terms.

Recommendation

- *MEA needs to take immediate steps to identify the stations where land had not been allotted to Indian Missions on reciprocal basis and take effective measures at the highest level to acquire the land. Alternatively, they should actively consider charging commercial rates in respect of the land allotted to those countries in India.*

5.5 Delays in construction on acquired land

MEA was not able to commence construction at 14 stations abroad for years together owing to delay in acquisition of land, appointment of consultants, finalisation of designs, cost estimates, delay in obtaining approval of local authorities, etc. Such delays led to continuous recurring expenditure of Rs. 11.80 crore per annum on rentals and blocking of capital of Rs. 13.81 crore on properties lying unutilised. Besides, such delays would lead to increase in the cost of construction with time.

5.5.1 Abuja (Nigeria)

The Government of Nigeria allotted two plots of land in Abuja to GOI on a lease of 45 years. One plot was allotted during 1989 for construction of embassy residence at a cost of Rs. 15.37 lakh. The other plot was allotted in August 1990 for the Chancery Building at a cost of Rs. 1.46 crore. MEA signed the agreement with the consultant only in January 2004. MEA accorded approval for the first phase of the project at a cost of Rs. 13.86 crore in January 2005. Detailed estimates and drawings were being got approved from local authorities in Nigeria. The project was likely to take off within six months after the completion of pre-construction formalities.

The Mission continued to incur annual expenditure of Rs. 25.92 lakh on rentals and Rs. 1.66 lakh on security for the two plots of land. Investment of Rs. 1.61 crore also remained blocked for 15 years.

MEA stated (October 2005) that the consultant was initiating the exercise for seeking the local body's approval.

5.5.2 Port Louis (Mauritius)

GOI allotted a plot of one acre valued at Rs. 4.37 crore to the High Commission of Mauritius in June 1990 in Diplomatic Enclave, New Delhi free of cost. Government of Mauritius allotted a plot of land to GOI in February

2000 free of cost, on a lease of 99 years. Mauritian Government took back the land and allotted a new plot of land in 2004.

The delay in acquisition of plot and construction led to recurring expenditure of Rs. 98.81 lakh per annum on rentals of leased buildings.

MEA stated (October 2005) that terms of reference for selection of consultant and design brief were being finalised.

5.5.3 Brasilia (Brazil)

Paragraph 8.2 of Report No. 2 of 2001 of the Comptroller and Auditor General of India highlighted the idling of a plot of land gifted in 1965 by Brazil for construction of accommodation for an Embassy Complex in Brasilia and continued payment of rent for hired accommodation. Even after a lapse of almost 40 years since acquiring the land, MEA had not been able to construct its Embassy complex in Brasilia.

The Mission continued to make payment of Rs. 1.33 crore per annum on rentals.

MEA stated (October 2005) that preliminary estimates of construction project were under examination and CNE¹ note was under preparation.

5.5.4 Warsaw (Poland)

The Embassy of India, Warsaw acquired (1988) a plot of land at a cost of Rs. 1.21 crore on perpetual lease for construction of chancery and residences for India based officials. Except appointing an India based consultant in April 1989, MEA/Mission did not take any further action on the project. Even after almost 15 years of acquisition of land, construction had not commenced.

The Mission had, in the meanwhile, been incurring annual expenditure of Rs. 1.18 crore on rentals of chancery and residences in Warsaw. Rs. 1.21 crore invested on the plot of land remained blocked.

MEA stated (February and October 2005) that the CNE had approved the project at a cost of Rs. 33.82 crore in December 2004 and the consultant was preparing for submission of drawings for seeking local body's approval.

5.5.5 Paramaribo (Suriname)

Government of Suriname donated a plot of land in Paramaribo (1992) for construction of Indian Cultural Centre. The Mission proposed to construct the centre in February 1993. The plot of land was lying vacant and Government of Suriname took it back in May 1997 and allotted another plot measuring one hectare in July 1998. Consultant for the project was yet to be appointed (February 2005). The cultural centre at Paramaribo was still functioning from a rented property though the new plot was allotted by Government of Suriname seven years back.

MEA stated (October 2005) that area development norms and design brief were being finalised for circulation among short listed consultants.

¹ Committee on Non-plan expenditure

5.5.6 Islamabad (Pakistan)

The Mission acquired two plots of land in Islamabad in 1962 at a total cost of Rs. 9.60 lakh for constructing chancery building and residential accommodation respectively. Another adjacent plot of land was purchased in 1980, at a cost of Rs. 18.68 lakh and Rs. 1.12 lakh was paid as amalgamation fee. The chancery was constructed in 1989. Residential accommodation was to be constructed in the second phase. Though the fee for amalgamation was paid in 1980, the matter was taken up with the local authorities only in 1997 and amalgamation was approved in March 1999. Possession of the land was taken in February 2003. A property team visited Islamabad in May 2004 and recommended construction of 70 residential units.

Delays on the part of MEA and the Mission, in processing the requirements resulted in the Mission continuing to incur expenditure of Rs. 2.14 crore per annum on rentals of leased accommodation.

MEA stated (October 2005) that preliminary drawings and estimates had been approved and tenders for construction of boundary wall were under examination for award of contract. It further stated that CNE note was being submitted to Ministry of Finance.

5.5.7 Kathmandu (Nepal)

Foundation stone for the new chancery complex was laid (October 1968) in the embassy campus in Kathmandu, which was spread over 45.79 acre. Construction was yet to start (February 2005) and the Mission was functioning from the old dilapidated barracks and some of its officers and staff were residing in leased accommodation. MEA was incurring a recurring expenditure of Rs. 53.33 lakh per annum on rentals.

MEA stated (October 2005) that cabinet approval for the project was received in July 2005 and local body's approval for drawings was being sought.

5.5.8 Dar-es-Salaam (Tanzania)

Government of Tanzania allotted a plot of land (1987) on lease for 33 years with effect from 1 January 1992 with annual rental of TSh. 40,000 (Rs. 4465) for construction of the chancery complex. The Mission obtained a certificate of occupancy only in May 1999 and proposed (February 2001) construction of chancery building and residential apartments. Even after 16 years of the allotment of land and expiry of more than one-third of the lease period, construction project at Dar-es-Salaam was yet to start (February 2005). MEA continued to spend Rs. 78.63 lakh per annum on rentals.

MEA stated (October 2005) that preliminary estimates received from the consultant were under examination.

5.5.9 Dhaka (Bangladesh)

GOI acquired a plot of land in Dhaka in exchange of three acres of land in New Delhi, through an inter government agreement signed in May 1992. Later the Mission in Dhaka felt that the land acquired was of an odd shape and to make it a complete four-sided plot, an adjacent plot was acquired in August

2000 at a cost of Rs. 10.76 crore. Though the major part of the land was acquired in 1992, construction was yet to start (February 2005).

MEA was incurring annual expenditure of Rs 1.58 crore towards rent for leased properties. Investment of Rs. 10.76 crore also remained blocked since August 2000.

MEA stated (October 2005) that the consultant had been selected for the project and he was preparing the preliminary designs and estimates.

5.5.10 Doha (Qatar)²

MEA acquired a plot of land in Doha in 1979 for construction of chancery and ER. The project could not take off, as MEA could not complete allotment of plot to that country in Delhi on reciprocal basis. This issue was settled only in September 1994 and the project was revived in 1995. MEA obtained the CNE approval to the project cost of Rs. 21.25 crore only in October 2001. The project could not be taken up as the Qatar Government decided (August 2002) to shift the diplomatic area on security and other grounds. The local authorities had not finalised the allocation of land in the new diplomatic area as of October 2004. Thus, the land acquired remained vacant for more than 26 years without construction of the chancery and ER.

Mission was incurring an expenditure of Rs. 52.05 lakh per annum on rentals of leased properties.

MEA stated (October 2005) that the Mission had been asked to follow up with the local authorities for early allocation of plot.

5.5.11 Muscat (Oman)²

Government of Sultanate of Oman signed an agreement with GOI for allotment of a plot of land in December 1991 under reciprocal arrangement for construction of Chancery-cum-Embassy residence but MEA/Mission appointed a consultant in Muscat, only in August 1999 for the project and signed a formal agreement in June 2000. The consultant submitted concept plan and preliminary estimate of Rs. 23.25 crore and MEA obtained CNE approval for a project cost of Rs. 21.28 crore in October 2002. Tender documents for construction project were finalised in March 2004.

Delay in taking up construction resulted in outgo of Rs. 2.04 crore per annum on rents of leased accommodation and escalation in the cost of construction.

MEA stated (October 2005) that tenders for the project had been floated and it intended to negotiate with the lowest bidder.

5.5.12 Port of Spain (Trinidad and Tobago)

The Government of Trinidad & Tobago donated a plot of land measuring five acre to India in 1994 on 99 years' lease, under an agreement signed in 1987, for setting up an Indian Cultural Centre. The Mission, without the approval of MEA, incurred an expenditure of Rs. 1.22 lakh on the formal handing/taking over ceremony.

² Paragraph 8.1 of Report No.2 of 2001 (Civil) of the Comptroller and Auditor General of India mentioned instances of avoidable expenditure incurred because of delays in decisions on construction at the Missions in Doha and Muscat.

MEA signed an agreement with the consultant in February 2000 and initiated action for CNE approval in August 2002 on the consultant's estimates of November 2001. The project was finally approved in July 2003 and the consultant was still working on construction drawings. The Mission, in the meanwhile, was paying Rs. 22.15 lakh per annum towards rental charges of the leased premises.

MEA stated (October 2005) that the consultant had been directed to prepare and submit detailed estimates and design without further delay.

5.5.13 Nicosia (Cyprus)

GOI purchased a plot of land in Nicosia, Cyprus for Rs. 23.38 lakh in March 1989 for construction of staff quarters. The project could not progress as it was not considered to be economically viable and the HOM, in June 2000, proposed disposal of the plot. No decision was taken by MEA.

The project was revived in 2002 and was again not considered as economically viable. MEA asked the Mission in July 2004 to ascertain informally whether commercial sale of the plot was permissible and the possible return it would yield.

While the investment of Rs. 23.38 lakh on acquiring the plot had not fetched any return for over 15 years, the Mission continued to spend Rs. 22.10 lakh annually towards rentals of leased properties.

MEA acquired the land without considering the economic viability of construction of residences for staff. MEA stated (February 2005) that the sale of the plot could be considered.

MEA stated (October 2005) that proposal of the Mission to construct five residential units alongwith a multipurpose hall was under examination.

5.5.14 Abu Dhabi (UAE)

In May 1984, a plot of land was acquired in Abu Dhabi on reciprocal basis for construction of chancery and ER. As the land was lying vacant, the foreign Government had taken it back and allotted another plot of identical proportions in 1987.

MEA approved the construction project in July 1989 and issued the expenditure sanction in March 1990. Construction work without interior work was finally awarded only in March 1998 after obtaining CNE approval in February 1998. The project was completed in July 2000. The essential interior work of the Chancery was completed locally at a cost of Rs. 58.12 lakh and was finally occupied in November 2001 after 15 months from the date of completion.

Interior decoration of both the Chancery and ER awarded in June 2003 at a cost of Rs. 2.31 crore with November 2003 as date of completion was completed in March 2004.

Delay in short listing of contractors and award of work resulted in cost escalation by Rs. 14.03 crore and non-synchronisation of civil work and interior work contributed to an additional expenditure of Rs. 2.13 crore on

rentals for the Chancery and ER for the period December 2000 to October 2001 and December 2000 to February 2004 respectively.

MEA stated (February 2005) that the agreements now being signed with the consultants included interior work along with the main project work which would help avoid similar situations.

Recommendation

- *MEA needs to speedily complete pre-construction activities such as finalisation of design brief, appointment of consultant and ensure execution of projects within a targetted time frame through a specific monitoring plan for each project so as to avoid time and cost overruns and recurring rental expenditure.*

5.6 Property lying vacant for want of re-construction/ re-development

5.6.1 Three cases where the properties could not be put to use for many years for want of re-construction/re-development by MEA/Missions are discussed in Table 4.

Table 4: Vacant property awaiting re-construction/re-development

Sl No.	Mission/ Post	Audit observation	Expenditure on rental	Mission/MEA's reply
1	Singapore.	All properties of GOI in Singapore were in dilapidated condition and the Mission had been sending proposals for their redevelopment since 1992. The embassy residence (ER) was declared unsafe by the concerned local authority and the HOM was residing in a leased accommodation since December 1995. A high level team led by Cabinet Secretary and comprising Foreign Secretary and Secretary (Expenditure) as members visited Singapore in January 1996, which recommended restoration of embassy residence, commercial exploitation of chancery building and re-development of staff residences to accommodate chancery and cultural centre. The plan for reconstruction of HOM's residence, construction of two residential units and redevelopment of the remaining two properties was approved only in May 2002. MEA went on revising the cost estimates of the project and was yet to accord approval (October 2004).	Inordinate delay in redevelopment of properties resulted in expenditure of Singapore \$ 2.783 million (Rs. 7.73 crore) from December 1995 to October 2004 on alternate accommodation. The outgo on rent continued at Rs. 81.08 lakh per annum.	MEA stated (February 2005) that CNE had approved the project at a cost of Rs. 22.31 crore in October 2004 subject to certain clarifications, which had been obtained from the consultant, and the proposal was being processed for final approval of the CNE. It further stated in October 2005 that CNE had approved the proposal in April 2005. Tender documents were being prepared and the Mission was seeking expression of intent of the intended contractors for pre-qualification of contract.

2	Tokyo (Japan)	Five properties in Tokyo were old and required redevelopment. The Mission sent a proposal for redevelopment of these properties to MEA in 1993. Property teams visited Tokyo in 1993, 1995, 1996 and 1997 preceded by a working level team. The residence of Deputy Chief of Mission (DCM) was abandoned in 1997 as it had been declared unsafe. The Mission proposed in March-July 2000 urgent repair to embassy residence(ER) and redevelopment of other properties including construction of a cultural centre. MEA took about ten years to finalise the redevelopment plan even though various teams visited Tokyo between 1993 and 2002.	Mission ended up incurring expenditure of Rs. 1.57 crore per annum on rentals of leased accommodation.	MEA stated (October 2005) that Design Selection Committee had selected the consultant. Terms of agreement with the consultant and preliminary estimates for the project were under examination.
3	Geneva (Switzerland)	Paragraphs 6.1 of Report No. 2 of 1993 and 4.2 of Report No. 2 of 1997 of the Comptroller and Auditor General of India had referred to property purchased by PMI Geneva in 1989 that was lying idle. While submitting the action taken note to the Public Accounts Committee, MEA stated (1999) that the proposal to either sell or renovate the property was under consideration. Audit scrutiny revealed that a final decision was yet to be taken on the use of the property that remained idle since 1989, as of October 2004 despite the matter being reported in two Audit Reports presented to Parliament.	Apart from the investment of Rs. 6.19 crore not fetching any return since August 1989, rent amounting to Rs. 5.98 crore had been paid till December 2003 for the residence leased for the Permanent Representative (PR), which was continuing.	MEA stated (February 2005) that the formal sanction for S. Fr. 2.72 million (Rs. 10.10 crore) had been issued in August 2004 and approval of local authorities had been obtained in December 2004. Five contractors had been short-listed and financial bids had been called for by the end of February 2005. It further stated in October 2005 that contract had been awarded and construction had commenced in June 2005.

Recommendation

- *MEA needs to speed up the re-construction or redevelopment of the properties lying vacant to minimise the outgo of rent on leased accommodation.*

5.7 Disposal of GOI owned properties

5.7.1 Audit examination revealed that 'four' government owned properties were awaiting disposal as indicated in Table 5.

Table 5: Properties awaiting disposal

Sl No.	Mission/Post	Audit Observation	Idle investment	Mission/MEA's reply
1	Bangkok (Thailand)	MEA purchased a plot of land measuring 4524 sq. m. in 1974 at a cost of Rs. 25.40 lakh for construction of ER and accommodating staff of the Mission. MEA felt (1988) that it was not suitable for construction of residences, as it had got hemmed in on all sides by construction of buildings. MEA decided only in 1998 to sell the plot.	Investment of Rs. 25.40 lakh remained idle for 30 years and erosion of sale value could not be ruled out.	MEA stated (October 2005) that after an assessment of the plot by a property team, it had been decided to construct embassy residence (ER) and cultural centre on it. Consultants for the project had been short-listed and design brief for conducting a competition among the short listed consultants was under preparation.
2	Damascus (Syria)	MEA purchased the chancery building in Damascus in 1978 for Rs. 50.26 lakh. A new chancery building was also purchased in April 2002 at a cost of Rs. 14.73 crore including the cost of renovations/repairs, furniture and fittings. The old chancery was vacated and this building was occupied in June 2003.	The old premises continued to remain vacant resulting in idling of the investment of Rs. 50.26 lakh since June 2003.	MEA stated (October 2005) that it was in the process of taking a decision on whether the property was to be sold in Syrian pounds or redeveloped/remodelled for residential purposes.
3	Dar-es-Salaam (Tanzania)	One flat/residence of security guard, a government owned property, was lying vacant from 2002 as both the security guards had been accommodated in the chancery building. The area of the flat was 59 sq. m., which was less than the entitlement of a Group 'C' staff member and being a flat it could not be expanded. The Mission had been asked to dispose the property which was not done till February 2005.	The cost or the market value of the property was not ascertainable from the records.	MEA stated (October 2005) that the matter was being pursued by the Mission with the Tanzanian legal corporation to obtain the sale agreement and the lease deed.

4	Bonn (Germany)	The embassy building at Bonn was purchased in March 1982 at a cost of Rs. 54.08 lakh. An Indian post was opened in Munich in July 2000, which became operational in April 2002 and the office in Bonn was closed from May 2002. The Mission requested MEA only in June 2003 to send a property team for taking a decision on the utilisation of the property in Bonn. MEA did not depute a property team nor had the Mission formulated a proposal for disposal or utilisation of the property (October 2004).	Failure of the Mission and MEA to dispose of the government owned building at Bonn of a market value assessed at DM 2 million (Rs. 4.32 crore) in 2001, resulted in blocking of this amount and annual expenditure of Rs. 9.15 lakh on maintenance of the building. The value of the property could be going down with disuse.	MEA stated (October 2005) that in response to sealed bids invited by the Mission for sale of the property, only one bid was received which was considerably lower than the value assessed by Bonn board of assessors. MEA had initiated the process for realistic assessment of the value of the property.
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Recommendation

- *MEA should urgently complete the listing of all properties lying vacant for long periods, prioritise the same for disposal to the best advantage of the Government and follow it up with an action plan for disposal in order to avoid further deterioration in their condition and possible reduction in value.*

6. Miscellaneous irregularities

6.1 Acquisition of dilapidated property without a title to land

6.1.1 Kyiv (Ukraine)

Paragraph 8.5 of Report No 2 of 2000 of the Comptroller and Auditor General of India highlighted the failure of the Embassy of India Kyiv to take possession of the land allotted to GOI on reciprocal basis, injudicious purchase of another property and failure to carry out the requisite repair/renovation leading to the property remaining idle. In its Action Taken Note of July 2001 MEA, while attributing the delay in commencement of renovation works to difficulties in obtaining required approvals from local authorities, mentioned that the mandatory structural assessment of the building received in October 1999 revealed that the building was in an unsatisfactory condition and that the cost estimate for renovation was prohibitive. MEA, therefore, abandoned the idea of renovation and contemplated various alternatives until July 2002, when it decided to demolish the existing dilapidated structure to construct residential flats for its India-based staff and went on to appoint a local consultant in June 2004. MEA stated in July 2004 that it was continuously striving for optimum utilisation of property.

Test check by Audit (March 2005) disclosed that the MEA/Mission did not carry out the mandatory comprehensive assessment of the structure nor prepare any detailed estimate of the cost of renovation before acquiring the property in

September 1995. Besides, while acquiring the property, GOI did not acquire the title to the land either through lease or through outright purchase with the result that even if renovated, the property could not be utilised. The need to separately acquire the legal right to utilise the property was realised by the Mission and intimated to MEA in 1999. At that stage, there was an offer from the local authorities (GDIP³) to lease out the land for 49 years for non residential use. This aspect was not followed up by the Mission and MEA and no agreement was signed. In the wake of the decision of July 2002 to utilise the land for residential purposes, MEA would be required to conclude an agreement with the local authorities for US\$ 23000 approx.

Failure of the Mission/MEA to carry out the elementary pre-acquisition formalities resulted in acquisition of a property in a dilapidated condition, neither renovation nor its demolition and re-construction was possible as the Government of India had no title to land. Thus, the entire investment of USD 800,000 (Rs 2.53 crore) was infructuous and utilisation of the property, given the legal status and financial implication appeared difficult. While construction of residential flats also did not progress, the Mission was incurring recurring rental liability of Rs 1.14 crore per annum towards leased residential apartments for its India based staff.

6.2 Title to property purchased not transferred by foreign government

Audit noticed an instance where title in respect of property purchased by MEA was not transferred by the foreign government even after 18 years of purchase.

6.2.1 Harare (Zimbabwe)

The ER, in Harare, with a plot area of 17.8604 acre was purchased in March 1987 at a cost of Rs. 43.69 lakh (Z\$ 620,000) without the formal approval of the local government. The title to the property had not been transferred in the name of Indian Embassy (February 2005). The main objection on the part of the Government of Zimbabwe was that the area of the property was much higher than what could be acquired by diplomatic Missions.

Thus, even after a period of 18 years the title to the property was yet to be transferred in the name of GOI. The excess land was lying unutilised and the investment of Rs. 43.69 lakh was at stake.

MEA stated (February 2005) that ever since the date of purchase, the Mission had tried its best to obtain the transfer of the title in favour of GOI without result and in view of the audit recommendation the matter would be taken up with the Zimbabwean authorities on priority.

6.3 Irregularities in maintenance of properties abroad

6.3.1 HOM is empowered to incur expenditure as per the delegated powers prescribed under S.No. 4(a) of Schedule I to the FPGOIRA, regarding maintenance of and repairs to government owned property (ER/CR). Scrutiny of the records pertaining to maintenance and expenditure on repairs revealed that expenditure had been incurred in excess of the delegated powers of the HOM in three Missions as per details given in Table 6.

³ General Management for Rendering Services to the Foreign Representation Offices

Table 6: Unauthorised expenditure on repairs and maintenance
(Rs. in lakh)

Sl No.	Mission	Period	Expenditure incurred	Delegated power	Excess expenditure
1	Canberra (Australia) Chancery	2000-04	53.82 (4 years)	36.46 (US\$ 19270 per annum)	17.36
2	Nairobi (Kenya) Embassy Residence	2002-04	16.74 (2 years)	14.18 (US\$ 15410 per annum)	2.56
3	Kuala Lumpur (Malaysia) Chancery	2001-04	59.22 (3 years)	33.01 (US\$ 23120 per annum)	26.21
				Total	46.13

MEA stated (February 2005) that the excess expenditure at Nairobi was under regularisation.

6.3.2. A provision was made by the Missions by mutual agreement with the lessor in the lease deeds while renting accommodation making the lessor liable for normal maintenance and repairs of the building so as to keep the premises in good habitable condition. Three Missions had incurred expenditure on maintenance and repairs in violation of this provision as detailed in Table 7.

Table 7: Unauthorised expenditure on Maintenance and repairs
(Rs. in lakh)

Sl No.	Mission	Period	Expenditure
1.	Islamabad (Pakistan)	2002-04	31.89
2.	Nairobi (Kenya)	1999-04	14.80
3.	Maputo (Mozambique)	2000-04	19.40
	Total		66.09

MEA stated (February 2005) that in respect of Islamabad and Maputo various factors like security, urgency, the lessor not attending to the requests for carrying out urgent repair and maintenance work were encountered and the Missions were left with no choice but to undertake the essential works to keep the premises habitable. Though the responsibility of normal maintenance and repairs of the buildings rested with the lessor, the Missions/MEA were not able to enforce the same in spite of the existence of otherwise valid lease agreements.

6.4 Irregularities in hiring of accommodations abroad

6.4.1 Rentals paid in excess of ceilings

In terms of para 4(18)(i) of Annexure X of the IFS (PLCA) Rules, rental ceilings have been prescribed by MEA that can not be exceeded by the missions without prior approval of the government. Scrutiny of the records in four Missions revealed that they paid rentals at rates higher than the prescribed rental ceiling without the prior approval of MEA as detailed in Table 8.

Table 8: Rentals paid in excess of ceilings

(Rs. in lakh)

Sl No.	Mission	Rental ceiling	Rental paid	Period	Excess rentals	MEA's reply (February 2005) and audit rebuttal
1	Ulaan Baatar (Mongolia)	US\$ 550 (Second Secretary)	1200	(i) 9.2.2000 to 14.5.2000	1.64	The Mission had hired the accommodation for a Second Secretary as per the prescribed ceiling. <i>The reply is not tenable as the rental ceiling of US \$ 900 pm was re-fixed only in July 2004 whereas the audit comment points to the period up to January 2004. Rents were paid in excess of even the revised ceilings fixed in July 2004 without the approval of MEA.</i>
		-do-	1100	(ii) 15.5.2000 to 14.5.2002	24.59	
		-do-	1210	(iii) 15.5.2002 to 14.1.2003		
		-do-	1500	(iv) 5.1.2003 to 14.1.2004		
2	Wellington (NZ)	NZ\$ 1868.45 (Assistant)	2036.66	(i) 1.6.2002 to 30.6.2004	1.24	The Mission had paid rentals at higher rates due to shortage of accommodation and increase in the demand of the tenants. <i>The reply is not tenable as the Mission paid rentals in excess of the rental ceiling without the approval of MEA.</i>
		NZ\$ 1868.45 (Accountant)	1956.50	(ii) 1.3.2003 to 30.6.2004	0.41	
		NZ\$ 1303.57 (Counsellor)	2816.16	(iii) 1.5.99 to 31.7.2002	17.35	
		NZ\$ 1303.57 (Counsellor)	3012.82	(iv) 1.8.2002 to 30.6.2004	11.57	
3	Kuwait	Not fixed* Rs 121.48 lakh for 24 incumbents for one year	Rs 156.00 lakh for 24 incumbents for one year	2003-04	34.52	The Mission had hired furnished accommodation whereas the ceiling was for unfurnished accommodation. <i>The reply is not tenable, as in cases where the rental ceiling was not fixed, the power delegated to HOM was limited to the rental ceiling of US \$ 920 per month, whereas all flats hired by the Mission in Kuwait exceeded the limit.</i>
4	Dar-es-Salaam	US\$ 2500	2750	16.8.01 to 15.8.2004	4.18	No reply was received.
Total					95.50	

(* rent should not exceed US \$ 920 per month as prescribed in the Financial Powers of Government of India's Representatives Abroad.)

Thus, the Missions incurred excess expenditure of Rs. 95.50 lakh over the prescribed rental ceilings without the approval of MEA.

6.5 Irregular/Unauthorised payments

While hiring accommodations on lease, the HOM of the following Missions had exceeded their delegated powers and made irregular/unauthorised payments:

6.5.1 Beirut (Lebanon)

As per the instructions of MEA contained in its circular letter of October 1997, commission to property agent was to be paid only with the approval of MEA. The Mission in Beirut hired an accommodation for Embassy Residence (ER) in September 2001 at a rent of US\$ 49500 (Rs. 23.43 lakh) p.a. for a period of 37 months from 1 December 2001 to 31 December 2004. MEA while conveying approval to the lease agreement in October 2001 specifically mentioned that no separate agency charges were to be paid for hiring of the said residence. However, the Mission paid agent's commission amounting to Rs. 1.83 lakh (Rs. 88,896 in September 2001 and Rs. 94,483 in December 2001) violating the instructions of MEA.

6.5.2 Dhaka (Bangladesh)

The Mission at Dhaka hired accommodation for Attaché with effect from 1 December 2001 at a monthly rent of Taka 20700 (Rs. 17250) without the approval of MEA and paid rent of Taka 662,400 (Rs. 5.52 lakh) for December 2001 to July 2004. In another case, the Mission hired a new accommodation in July 2001 for Assistant Defence Advisor at Taka 28750 (Rs. 23958) per month in the place of the existing one, the rent for which was Taka 24,500 (Rs. 20416) per month. The rent of the new accommodation exceeded the delegated financial powers of the HOM. The Mission did not secure MEA's approval and paid Taka 10,92,500 (Rs. 9.10 lakh) for the period July 2001 to August 2004. Mission's request (July 2001) for ex-post facto sanction was yet to be approved by MEA.

Thus, the Mission incurred irregular expenditure of Rs. 14.62 lakh on rentals.

6.5.3 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. In the cases shown in Table 9, the Missions had retained vacant accommodation in violation of the Rules.

Table 9: Unauthorised retention of vacant leased accommodation

Sl No.	Mission	Period of retention of vacant accommodation	(Rs. in lakh)	
			Lease rent	paid
1	Ulaan Baatar (Mangolia)	(i) 2.9.1999 to 8.2.2000	2.91	
		(ii) 18.2.2000 to 15.10.2000	7.05	
		(iii) 16.10.2000 to 5.6.2003	6.87	
2	Beijing (China)	19.12.2002 to 18.8.2003	3.65	
3	Abu Dhabi (UAE)	(i) Sep 2003 to January 2004	1.75	
		(ii) 6.4.2004 to 31.8.2005	1.97	
4	Kabul (Afghanistan)	5.8.2002 to 5.1.2003	3.52	

5	San Francisco (USA)	(i)	1.8.2000 to 13.2.01	33.41
		(ii)	15.11.2002 to 23.3.2003	16.62
6	Luanda (Angola)		1.12.2000 to 6.3.2002	13.58
7	Khartoum (Sudan)		16.12.2001 to 14.12.2002	23.73
8	Antananarivo (Madagascar)		27.3.2001 to 19.9.2001	1.42
9	Munich (Germany)		14.12.2003 to 30.6.2004	7.27
10	Kandy (Sri Lanka)		18.5.2001 to 7.9.2001	0.41
			Total	124.16

Thus, the Missions incurred unauthorised expenditure of Rs. 1.24 crore on retention of vacant leased accommodation, contravening the MEA's orders.

MEA while agreeing to the need for compliance with instructions, attributed the vacant retention of accommodation to late arrival of the incoming officials. The reply is not tenable as the matter is not merely procedural. There are clear instructions of MEA that accommodation should not be kept vacant for more than 90 days, which need to be followed by Mission with careful planning.

Recommendations

- *MEA should get the structural soundness evaluated through a reputed firm and legality of the title to land/property examined with reference to local laws in force before concurring to such proposals.*
- *MEA should attempt to resolve the dispute with the Government of Zimbabwe expeditiously in order to get the title of the land transferred in the name of Government of India/Mission.*
- *In the event of the Missions having to carry out repair and maintenance work, the expenditure incurred should be recovered from the rent payable. MEA may consider including a specific provision for this in the format of the lease deeds and put in place an effective enforcement mechanism.*
- *MEA needs to exercise more effective control over the Missions/Posts abroad to ensure that irregular expenditure on rented accommodation in excess of prescribed rental ceilings and vacant retention did not recur.*
- *MEA would need to curb the tendency on the part of Mission to routinely violate instructions on ceiling for area and rentals for leased properties to improve financial discipline and enforce good practice.*

7. Properties/Projects in India

7.1 MEA had commissioned construction projects for offices and residences for officers in Janpath, Pappankalan and Chanakyapuri in New Delhi. MEA had also taken up construction of buildings to house the regional passport offices (RPO) at Bangalore, Lucknow, Jaipur and Bhubaneswar. Passport offices at eight places (Ahmedabad, Chandigarh, Cochin, Hyderabad, Kozhikode, Mumbai, Panaji and Patna) were functioning from government owned buildings and 17 passport offices were functioning from rented buildings. The process of purchase of land for construction of buildings for

RPOs at five places (Guwahati, Thiruvananthapuram, Tiruchirapalli, Jammu & Kashmir, Jalandhar) was stated to be in progress.

7.2 Residential Projects

7.2.1 Pappankalan New Delhi residential quarters project

MEA purchased a plot of land measuring 4.08 acre from DDA in March 1993 at a cost of Rs. 2.80 crore at Pappankalan, Dwarka for construction of a Housing Complex for MEA officers and staff. The complex was completed in April 2002 at a cost of Rs. 18.37 crore. The housing complex became functional only in April 2004. Out of total 230 flats, only 44 had since been occupied and 186 were still vacant (October 2004). Additionally, there were 16 servant quarters, which were also lying vacant.

Investment of Rs. 21.17 crore (2.80+18.37) in the project was not fetching optimal returns. While the quarters remained vacant, the government continued to pay house rent allowance to the officials who were unwilling to reside in government accommodation.

MEA stated (February 2005) that the present vacancy position was 180 and the low occupancy rate was attributable to the poor connectivity of the area with the city, which would improve once the ongoing flyover and Metro Rail projects got completed.

7.2.2 Chanakyapuri officers' residential project

The Land and Development Office, New Delhi allotted two plots of land measuring 5.331 acre in the Diplomatic Enclave Chanakyapuri, New Delhi to MEA in August 1993 at a cost of Rs. 1.07 crore for construction of residential accommodation for its officers. MEA entrusted the work of planning, designing and execution to CPWD in January 1997 for construction of 8 type VI, 72 type V, 20 hostel units and a community centre at an estimated cost worked out by CPWD in June 2000 at Rs. 17.13 crore which was revised to Rs. 16.86 crore in May 2002. The cost was further revised to Rs. 19.73 crore in January 2004 and the expenditure sanction was issued in September 2004. Though the time frame for completion of the project was 30 months from the date of administrative approval, contracts for execution were yet to be awarded (February 2005).

Delay on the part of MEA resulted in increase in the cost of construction by Rs. 2.87 crore, which might increase further at the time of tendering.

MEA stated (February 2005) that CPWD had initiated the process of obtaining local body's approval and had taken up the matter with the Land and Development Office regarding variations in the land allotted and the land physically available.

7.3 Videsh Bhawan Project, New Delhi (now re-named as Jawaharlal Nehru Bhawan)

The Land and Development Office, New Delhi allotted a plot of land to MEA in two phases at Janpath for the construction of Videsh Bhawan building in 1992 and 1994 at a total cost of Rs. 1.30 crore. MEA took possession of the vacant plot only in October 1997 after removal of encroachments for which

MEA had to pay Rs. 1.33 crore to the Municipal Corporation of Delhi as compensation towards rehabilitation of the evicted persons. MEA incurred expenditure of Rs. 24.90 lakh (August 1998 to March 2001) on limited design competition while it was decided (November 2003) that the work related to design and execution of the project be entrusted to CPWD. Cost estimates of Rs. 170 crore submitted by CPWD and recommended by MEA were yet to be approved by the Ministry of Finance (October 2004).

The delay on the part of MEA in constructing its own building even after acquiring the plot of land in 1997, had resulted in payment of rentals for Akbar Bhawan at Rs. 51.96 lakh per month to NDMC and for ISIL building (near Supreme Court) at Rs. 2.27 lakh per month to the ISIL Society. There was a dispute over the enhancement of rentals, as NDMC demanded a rent of Rs. 1.72 crore per month from November 2000 onwards. No rentals had been paid beyond September 2003 for ISIL building due to re-fixation of rent. This resulted in accumulation of rental liability and interest thereon. MEA also incurred an expenditure of Rs. 3.51 crore on repairs and maintenance of Akbar Bhawan during the period 1999-2000 to 2003-04.

MEA stated (February 2005) that the CNE had approved the project at the cost of Rs. 175.57 crore in December 2004 and the approval of the Cabinet Committee was yet to be obtained. The Delhi Urban Art Commission had approved the design concept in principle in February 2005 and CPWD had given a time frame of 10 months for pre-construction activities and 30 months for construction after financial approval.

7.4 Regional Passport Offices (RPO)

7.4.1 Bangalore

The Government of Karnataka gifted (1994) a plot of land measuring three acres for construction of the office building for RPO, Bangalore which was functioning from a rented accommodation on an yearly rent of Rs. 36.54 lakh. MEA spent Rs. 15 lakh on development of the site proposed for construction of RPO building, but decided only in June/July 2000 to construct the building on this plot. A proposal for CNE approval was sent to the Ministry of Finance in April 2001. As the economic cost of the proposal was not favourable, CPWD was asked to revise the estimates in June 2002, which was done in May 2003. RPO, Bangalore forwarded further revised estimates at Rs. 6.02 crore in March 2004, while MEA issued the sanction for Rs. 5.95 crore in July 2004.

The land secured in 1994 remained vacant for more than 11 years and the passport office continued to function from a rented building entailing recurring expenditure on rent.

MEA stated (February 2005) that the tenders had been invited and the project would be completed by September 2006 as projected by CPWD.

7.4.2 Lucknow

MEA purchased (June 1993) a plot of land at a cost of Rs. 2.06 crore from the Lucknow Development Authority for construction of an office building and residences for RPO. The lease deed was signed in February 1995 and physical possession of the plot was taken in March 1997 after removal of

encroachments. CPWD sent preliminary estimates in August 2002 with a project cost of Rs. 8.51 crore for construction of RPO building and 21 residential quarters. MEA scaled down the number of residential units to nine and restricted the central air-conditioning to essential areas and the revised proposal at a cost of Rs. 7.53 crore was approved (February 2003). Work on the project started in October 2003 and Rs. 69.62 lakh had been spent up to June 2004.

MEA continued to pay Rs. 1.71 lakh per month for the hired accommodation of the passport office.

MEA stated (February 2005) that 45 per cent work had been completed and the project was expected to be completed by the end of 2005.

7.4.3 Jaipur

The Jaipur Development Authority (JDA) allotted a plot of land to RPO Jaipur in May 1983 at a cost of Rs. 9.86 lakh. CPWD drew up a plan for construction in 1989, but the matter did not progress due to encroachment, which was removed in 1995. A property team visited Jaipur in May 1997 and a plot of land measuring 4739 sq. m. was allotted in lieu of the existing plot in July 1999 at an additional cost of Rs. 42.33 lakh as the earlier plot was not considered suitable. Possession of the new plot was taken in March 2001. CPWD submitted the design proposal in January 2003, which was finally approved by MEA in January 2004 at an estimated cost of Rs. 4.38 crore. Expenditure sanction was issued in September 2004 and work was yet to be awarded (February 2005).

MEA accepted an unsuitable plot of land in the first place. Subsequent delays resulted in the passport office continuing to function from hired space entailing recurring expenditure on rent.

MEA stated (February 2005) that the pre-construction activities were in progress.

7.4.4 Bhubaneswar

A plot of land was purchased (August 1983) from Government of Orissa for construction of RPO building at a cost of Rs. 0.28 lakh. The ground rent was to be paid at Rs. 41 per annum and the construction was to be completed in all respect within 36 months from the date of possession. The lease deed was concluded in February 1984 and possession of the plot was taken in May 1984. CPWD was assigned the work (November 1989) relating to planning, designing and execution. The first drawings were submitted by it only in September 1992. After going through repeated modifications at the instance of MEA/RPO, the drawings were finally approved and returned to CPWD in May 2004 for preparation of preliminary estimates. CPWD submitted cost estimates of Rs. 2.18 crore in July 2004, which were yet to be approved.

The land, purchased in 1983, continued to be unutilised as MEA could not finalise the project. In the meanwhile the RPO continued to function from a leased building entailing recurring expenditure on rentals.

MEA stated (February 2005) that the project cost was yet to be approved and CPWD had indicated a time frame of 24 months for completion of the project after financial approval.

Recommendation

- *MEA needs to investigate the reasons for delay in completing pre-construction activities and take effective steps for speedy completion and execution of the projects. It also needs to ensure proper monitoring and control in order to avoid time and cost overruns.*

8. Conclusion

Audit noticed delays in acquisition of land, appointment of consultants, preparation of design concept, award of construction work and its execution, processing of proposals for disposal of properties and seeking requisite financial approvals. Consequently MEA had to incur substantial expenditure on rentals, and absorb cost overrun besides ending up blocking capital investments for long periods. MEA could not prevent unauthorised expenditure from being incurred by the Missions/Posts on leased and government owned properties and hiring properties exceeding rental ceilings.

MEA needs to urgently improve property management through timely finalisation of proposals for purchase as well as construction of properties including freezing of design briefs, timely appointment of consultants, execution of projects with targetted time frames and ensuring proper monitoring and control to avoid time and cost overruns besides recurring rental expenditure. MEA should also take speedy steps for prudent disposal of properties to avoid reduction in sale value and exercise effective control over Missions so that they avoid incurring unauthorised/irregular expenditure on rentals and/or repair and maintenance.



New Delhi

Dated: 9 December 2005

(Dr. A.K. BANERJEE)

Director General of Audit,
Central Revenues

Countersigned



New Delhi

Dated: 12 December 2005

(VIJAYENDRA N.KAUL)

Comptroller and Auditor General of India

Glossary of abbreviations

AALCO	Asia-African Legal Consultative Organisation
AE	Actual Expenditure
Algiers DA	Algerian Dinar
AS (AD)	Additional Secretary (Administration)
AS (FA)	Additional Secretary (Financial Advisor)
ATN	Action Taken Note
BE	Budget Estimates
CES	Consulting Engineering Services
CG	Consul General
CNE	Committee on Non-plan Expenditure
CPWD	Central Public Works Department
CYP	Cyprus pounds
DA	Defence Attaché
DCM	Deputy Chief of Mission
Dir.(Fin)	Director (Finance)
DM	Deutsche Mark
E\$	Ethiopian Dollar
EAM	External Affairs Minister
EI	Embassy of India
ER	Embassy Residence
ER/CR	Embassy Residence/Chancery
FF	French Frank
FM	Finance Minister
FPGOIRA	Financial Powers of Government of India Representatives Abroad
FS	Foreign Secretary
GOI	Government of India
HCI	High Commission of India
HOC	Head of Chancery
HOM	Head of Mission
I.T.E.C.	International Technical and Economic Co-operation
IFS (PLCA) Rules	Indian Foreign Service (Pay, Leave, Compensatory Allowances and other conditions of Service) Rules
ISIL	Indian Society of International Law
JDA	Jaipur Development Authority
JS (Estt.)	Joint Secretary (Establishment)
JS (PIA)	Joint Secretary (Pakistan, Iran and Afghanistan)
K	Kina

Report No. 17 of 2005

KW	Korean Won
LI	Lowest one
MEA	Ministry of External Affairs
MRs	Mauritius Rupee
NZ\$	New Zealand Dollar
PAC	Public Accounts Committee
PR	Permanent Representative
RE	Revised Estimates
RG	Representative Grade
RPO	Regional Passport Office
Singapore \$	Singapore Dollar
Sq. m.	Square metre
SYP	Syrian Pound
T Sh.	Tanzanian Shilling
TTS	Trinidad and Tobago Dollar
US\$	United States Dollar
USSR	Union of Soviet Socialist Republic
Z\$	Zimbabwe Dollar